

Wealth Management Digest **November 2023**

Exclusively for AmBank SIGNATURE Priority Banking Customers

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Market Overview

Total Returns (%) Year-To-Date (At Month End)

	2022	Jul-23	Aug-23	Sep-23	Oct-23
MSCI Global Equities	-17.95%	18.49%	15.22%	10.49%	7.21
MSCI Developed Market Equities	-17.71%	19.35%	16.55%	11.56%	8.36
MSCI Emerging Markets Equities	-19.81%	11.66%	4.80%	2.07%	-1.85
MSCI Asia ex Jn Equities	-16.80%	11.63%	6.22%	3.59%	-0.70
S&P 500 (US) Equities	-18.13%	20.64%	18.72%	13.06%	10.68
STOXX 600 (EU) Equities	-9.88%	13.92%	11.06%	9.24%	5.31
CSI 300 (China) Equities	-19.83%	5.83%	-0.55%	-2.50%	-5.52
HSI (HK) Equities	-12.56%	4.22%	-4.36%	-6.83%	-10.47
MSCI Malaysia (MY) Equities	-0.39%	-0.77%	-1.05%	-1.62%	-0.27
Bloomberg Global IG Bond	-16.25%	2.13%	0.74%	-2.21%	-3.38
Bloomberg Global HY Bond	-12.71%	7.29%	6.74%	5.05%	4.05

Source: Bloomberg, as of 31 October 2023

GLOBAL EQUITIES

Global equities pulled back slightly in October owing to the uncertainty over interest rate directions, the upcoming third quarter earnings results and the sudden spike in tensions in the Middle East, which cause some panic selling in the market. Recession fears in 2024 also put a pause on bargain hunting activities.

ASIA PACIFIC EQUITIES

Asia ex Japan held steady in October, tracking swings in the China market. The stronger Q3 GDP reading in China boosted expectations that the country would hit its full year growth target, lifting the rest of Asia along, but weaker manufacturing data softened expectations. Others parts of Asia was hit by fund outflows as investors chased higher yields in the developed markets on the view that interest rates are going to peak.

MALAYSIAN EQUITIES

Malaysian equities marginally declined as local institutions and retail investors jumped back into the market. Steady economic performance and more clarity over the governments goals and policies helped to lift investors sentiments and offset selling pressures from foreign investors.

Source: AmBank Retail Wealth Management Advisory & Research (as at 07 November 2023)

News Topics – Business & Economy

US GDP Expands Strongly In Q3 2023

The US economy grew faster than expected in the third quarter of 2023, with the economy expanding by 4.9% year-on-year. The expansion was faster compared to the previous quarters 2.1% growth, and above the 4.7% growth targeted by economists.

Stronger economic growth was largely supported by consumer spending, rising business inventories, exports and a pick-up in private and government spending.

Consumer spending has gotten a boost from the stronger jobs market and the wage boost, which drove up household incomes. Consumer spending, as measured by personal consumption expenditures, rose 4% year-on-year, much higher than the previous quarters 0.8%.

Private investments also rose strongly on the back of reshoring activities, as the US-China trade war caused multinational American corporations to build up domestic supply chains to avoid future policy disruptions. This has caused a pick-up in investments to build factories, equipment, local logistics systems among other things.

Healthy demand has driven up business inventories, with durable goods orders up 4.7% in September, much higher than August's 0.1% gain.

Expansion in the third quarter came despite the US Federal Reserve hiking interest rates at its fastest pace since the 1980s. The reading also dampened expectations that the US economy would fall into recession.

Source: CNBC (October 2023)

Interest Rates Held Steady In The US For November

The US Federal Reserve kept interest rates unchanged in the month of November, keeping benchmark interest rates at 5.25-5.50% range. Interest rates have been kept steady since July 2023.

The move comes after 11 consecutive interest rate hikes by the US Federal Reserve, as policymakers aim to keep inflationary pressure in check.

Despite the aggressive interest rate hikes, policymakers are still not yet comfortable to cutting interest rates anytime soon, as inflationary pressure are still above the 2% long-term target.

Core inflation is currently at 3.7% and is likely to hold that position for sometime given the backdrop of healthy consumption and the robust jobs market so far.

The interest rate pause is set to continue into 2024, as the strong economic expansion despite the high interest rate environment is set to put pressures on cost.

Markets are pricing in an interest rate cut as early as end first quarter of 2024 or by mid-2024, but policymakers have downplayed such expectations.

Officials said that they would remain guided by economic data and would make a move when there is a clear indication that economic momentum is slowing while inflationary pressures are at a more acceptable range.

Source: CNBC (November 2023)

News Topics – Business & Economy

China Approves Debt Issuances By Local Governments

The Finance Ministry, under the new leadership of Lan Foan, has indicated that it would be greenlighting local governments to issue new government bonds in order to finance infrastructure investments.

The central government is allowing local governments to raise an additional 1 trillion yuan (US\$ 136 billion). This is done by allowing local governments to frontload their 2024 bond issuances quotas in order to meet local financing needs.

Funds raised would be channelled to rebuilding parts of the country that have been affected by the floods and are not being channelled to new projects to unlock new economic value for the country.

China is falling back to its old playbook of relying on debt to spur growth in the economy, which would likely worsen its challenges in the long-run given the increasing debt burden.

While the economy may stabilize in the short-term, policymakers actions over the longer-term, warranting scrutiny over the longer-term feasibility of such policies.

The government maintains its 5% growth target for 2023, despite ongoing challenges in the property market and lack of investments from private businesses, as household spending becomes more restrained amid the uncertain economic outlook.

Source: Reuters (November 2023)

China Q3 GDP Stronger Despite Weak Manufacturing Data

In the third quarter of 2023, China reported that its GDP expanded by 4.9% year-on-year, much higher compared to market expectations for a 4.4% expansion.

The targeted stimulus through local governments as well as the interest rate cuts by the People's Bank of China is finally showing some results as growth starts to pick-up in China after months of economic softness.

However that data contrasts with China's weaker manufacturing data for the month of October, which showed that the sector had contracted.

The official manufacturing PMI figures came in at 49.5 from September's 50.6. The figure marks its first contraction since July 2023. Activity in the manufacturing sector has slowed as global businesses diverted orders to other Asian export countries in order to reduce their reliance on China.

Local consumption has also been focused on services activity, leading to the decline in orders for factories.

Despite this, China is still targeting to grow by 5% in 2023, with government officials stating that the country is on track to achieve its target. However, such statements also suggest that Beijing is contented with the current pace of growth in the economy and would unlikely introduce more stimulus in the fourth quarter to aid growth further.

Source: Reuters (November 2023)

News Topics – Business & Economy

Q3 2023 US Earnings Holding Steady

81% of S&P 500 companies have so far reported their earnings as of 3rd November 2023. The results this round are holding up steadily, with 82% of the companies beating analyst expectations.

The figure is above the 5-year average of 77% of companies beating analyst expectations and 74% for the 10-year average, suggesting that the third quarter of 2023 is shaping up to be a healthy earnings quarter for US companies.

Better cost control and improving profit margins have been two key factors in driving healthier financials. Companies with positive earnings surprises reported an average increase in prices for their products or services. Managers are becoming more capable in hedging the volatile swings in commodity prices, while also passing some costs to consumers by raising prices, limiting financial impact.

The stronger reading for the third quarter surprised analyst given that spending trends were expected to slow, hitting corporate profits. While the data has proven otherwise, it also sets that stage for a potential downturn in upcoming quarters as consumer fatigue and higher investments from businesses lowers down sales and raises costs, leading to weaker profitability.

And as markets price in a mild recession in 2024, against the backdrop of higher for longer interest rates, corporations may have a liquidity challenge.

Source: FacSet (November 2023)

Inflation In Europe Falls Fast, Giving ECB Breathing Room

Inflation in Europe fell more than expected in October, and at a much quicker pace than expected, coming in at 2.9% for the month.

The figure contrasts with the 4.3% reading for September, and is the lowest reading since July 2021. A drop in energy and food prices as well as a recession in major economies within the bloc, such as Germany, led to easing of price pressures.

Easing inflationary pressures is a positive for Europe which is currently in a technical recession, as the combination of high inflation and high interest rates have weighed on economic activity, as consumers and businesses turn more restrictive on spending.

As inflation falls closer to its 2% long-term target, the European Central Bank (ECB) has the option to ease monetary policy instead of continuously tightening interest rates which would further restrict economic progress.

At its November meeting, the ECB and the Bank of England both kept interest rates unchanged, on the view that inflationary pressures had peaked and were on the decline, and as policymakers did not want to add further pressure on the already ailing economic outlook.

Policymakers at both central banks are expected to keep interest rates steady for awhile longer before easing, which provides a good gauge on how the US Federal Reserve would move interest rates.

Source: Financial Times (November 2023)

Economic Events – Commentary & Charts

Malaysia Key Data Points

OPR unchanged at 3.00%

In the final scheduled MPC meeting for 2023, BNM kept the benchmark OPR unchanged at 3.00% as expected.

For the record, OPR had increased by a cumulative 125 bps since interest rate normalization started in 2022 and present interest rate level is on par with the pre-pandemic level.

On forward looking economic growth assessment, the MPC statement pointed out that “Growth in 2024 will be driven mainly by resilient domestic expenditure, with some support emanating from the expected recovery in E&E exports.

Continued employment and wage growth remain supportive of household spending...”

Aside, the MPC statement also said that inflation is expected to remain modest in 2024 while risks to the inflation outlook remain highly subject to changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

Meanwhile, the ringgit is affected by strong USD due to higher-for-longer interest rate environment in the US and escalating geopolitical tensions.

Overall, the current monetary policy stance is assessed to be supportive of the economy which is similar to the one pointed in September 2023 MPC statement.

Rising domestic bond yields is influenced by sell-off in US Treasuries rather than a manifestation of escalating inflation expectations.

The 10-year MGS yield had risen 12 bps to settle the month of October at 4.10%, an outcome that was in line with upward shift in the US Treasury curve. The re-pricing of “higher-for-longer” which had taken place since post September 2023 FOMC sent global bond yields higher, MGS included.

The point to be noted here is that the real 10-year yield had increased by 209 bps since January this year to 2.20% vis-à-vis its recent 10- year average of 172 bps. Given the recent announcement that subsidy rationalization is limited to diesel for now, we think that current 10-year MGS-inflation spread is hovering at attractive point if one agrees to the view the US Fed to start cutting rate by middle of 2024.

As for foreign funds, the motivation should be higher for those holding the view that the Ringgit is bottoming given that USD is expected to reverse course once US rate hike cycle is concluded (if it isn't yet). Meanwhile, our 10-year MGS forecast for end-2024 is 3.80%, we see interest coming from both onshore and offshore funds.

This view also reflects our call for OPR status quo and US rate cut in 2024 as we expect more signs of slowdown in the US to transpire in the coming months.

Source: AmBank Research (September 2023)

Economic Events – Commentary & Charts

Malaysia Key Variable Forecasts

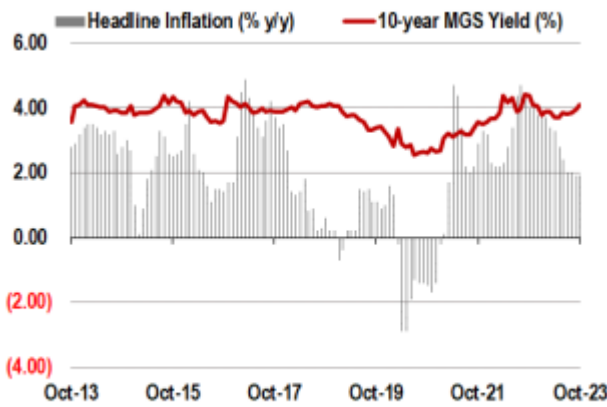
Key Macro Variable	Ministry of Finance (Budget 2024)*			Bloomberg Consensus Median**		
	2022	2023 E	2024 F	2022	2023 E	2024 F
Real GDP (% y/y)	8.7	4.0	4.0 – 5.0	8.7	4.5	4.5
Headline Inflation (% y/y)	3.3	2.5 – 3.0	2.1 – 3.6	3.3	2.8	2.5
Current Account Balance (% of GDP)	3.1	3.3	3.2	3.1	2.4	2.5
Fiscal Balance (% of GDP)	(5.6)	(5.0)	(4.3)	(5.6)	(5.0)	(4.3)
Overnight Policy Rate (%)	n.a	n.a	n.a	2.75	3.00	2.95
10-year MGS yield (%)	n.a	n.a	n.a	4.09	3.70	4.15
USD/MYR	n.a	n.a	n.a	4.40	4.65	4.40

Source: Ministry of Finance, Bloomberg, AmBank Economic Research

*based on Budget 2024

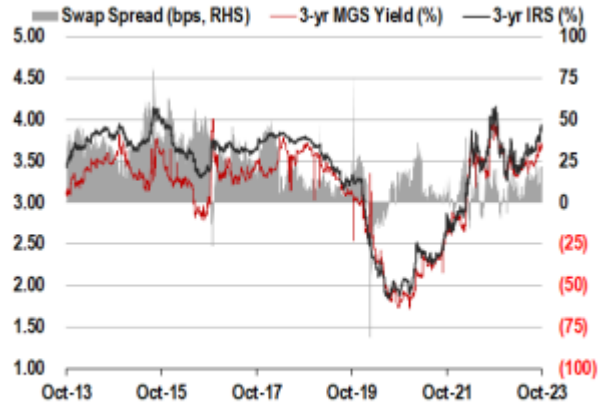
**as at 31 October

10-year MGS vs Headline Inflation (%)



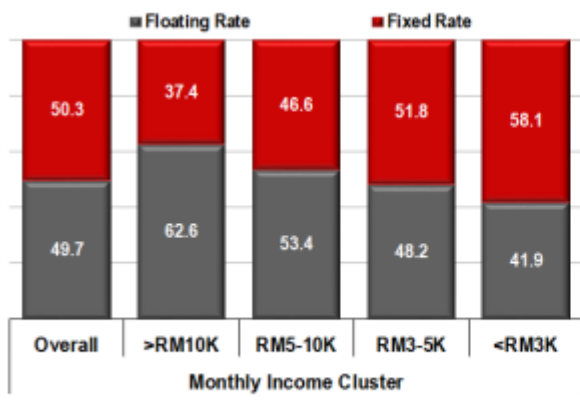
Source: Bloomberg, AmBank Economic Research

3-year MGS, 3-year IRS & Swap Spread



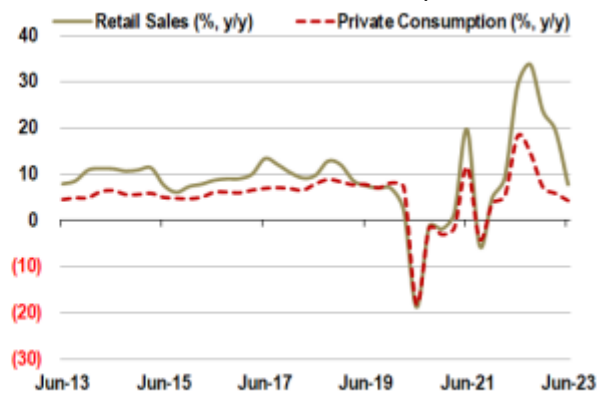
Source: Bloomberg, AmBank Economic Research

Household Loan Structure: Fixed vs Floaters (%)



Source: BNM Q1 GDP Presentation Slide, AmBank Economic Research

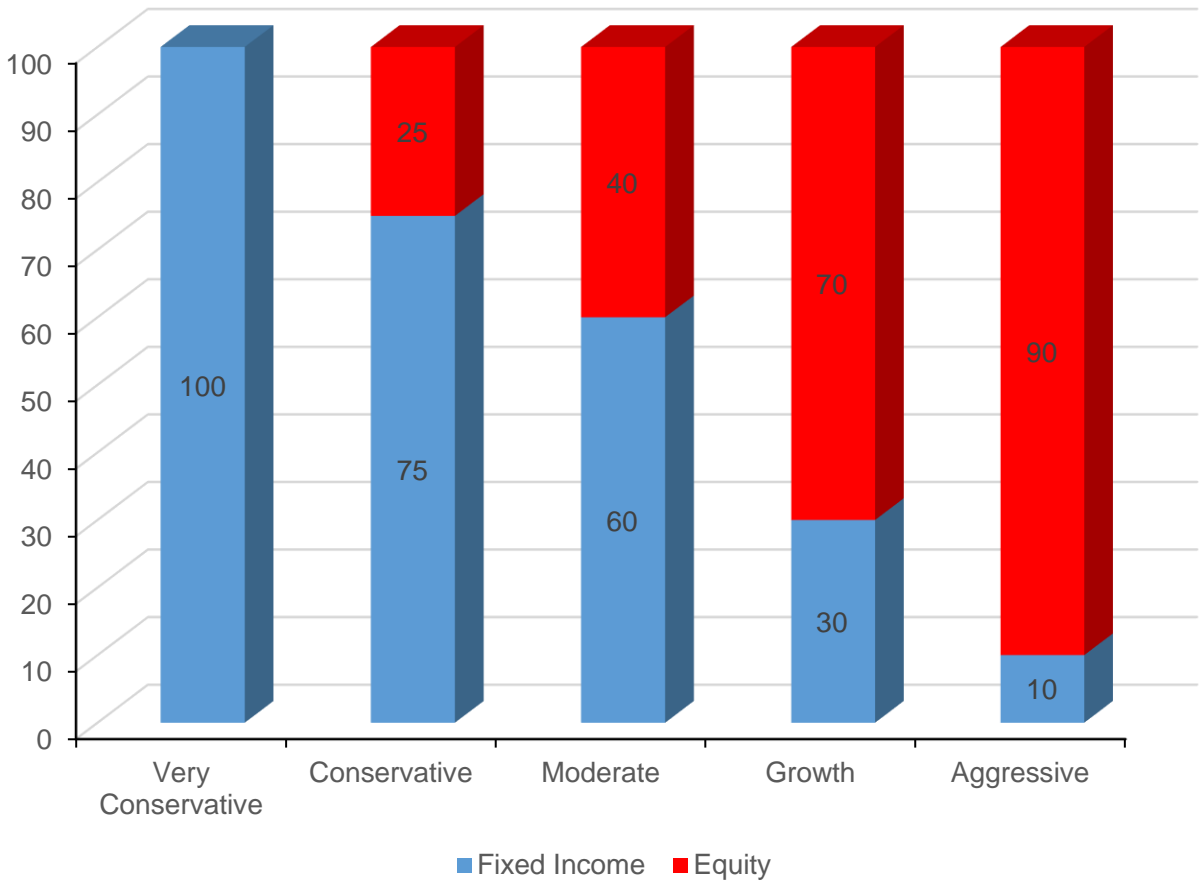
Retail Sales & Private Consumption Growth



Source: CEIC, AmBank Economic Research

Asset Allocation Strategy

Reference Portfolio (Based on Investor's Risk Profile)
(% Allocation for Equity and Fixed Income)



Source: AmBank

Fund Focus – 4th Quarter 2023

	Retail	Wholesale
Fixed Income	AmBond AmDynamic Bond AmBond Islam ⓘ Principal Lifetime Bond	Affin Hwang World Series - Global Income Maybank Bluewaterz Total Return
US / DM Equity	abrdn Islamic World Equity A ⓘ Maybank Global Sustainable Equity-I TA Global Technology	Global Dividend Principal Global Technology RHB European Select TA Sustainable Water & Waste
Asia ex Jn Equity	Maybank Asiapac Ex-Japan Equity-I ⓘ Principal Asia Pacific Dynamic Income Principal China-India-Indonesia Opportunities Principal Islamic Asia Pacific Dynamic Equity ⓘ	
China Equity	Principal Greater China Equity	Affin Hwang World Series - China A Opp AmChina A-Shares
Malaysia Equity	AHAM Select Opportunity AmDividend Income Eastspring Investments Equity Income	
Mixed Assets	AHAM Select SGD Income Eastspring Investments Asia Select Income Principal Islamic Lifetime Balanced ⓘ	Income and Growth
Alternatives	Maybank Global Mixed Assets-I ⓘ Principal Global Millennial TA Global Select Equity United ASEAN Discovery United Golden Opportunity	Hong Kong Tech Index Manulife India Equity Manulife Shariah Global REIT ⓘ Principal Islamic Global Technology ⓘ RHB Global Artificial Intelligence

ⓘ : Islamic

Note: Funds are selected using a quantitative filter. Best scoring funds across key categories have shortlisted to be in the fund of focus. Based on Wealth Advisory & Research and Wealth Product Managers PM discretion & experience, new funds and tactical ideas maybe added as required to capture fast moving market trends.

Source: AmBank as of October 2023

Top 5 Best Performing Funds YTD 2023

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
Principal Global Millennial Equity MYR	Equity-Global	Retail	21.15	20.21	0.49
Principal Global Technology MYR H	Equity-Global	Wholesale	25.40	28.12	-3.20
TA Global Technology MYR	Equity-Global	Retail	38.89	35.53	6.95
Principal Islamic Global Technology MYR	Equity-Global	Wholesale	44.76	39.89	0.00
Principal Islamic Global Technology MYR H	Equity-Global	Wholesale	31.11	35.85	0.00

Top 5 Worst Performing Funds YTD 2023

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AmChina A-Shares MYR H	Equity-China	Wholesale	-24.19	-21.52	-17.73
MAMG All-China Focus Equity MYR H	Equity-China	Wholesale	-22.19	-12.56	0.00
Principal China Multi Asset Income MYR H	Mixed Assets-China	Wholesale	-21.97	-6.89	-21.14
New China Sectors Index MYR	Equity-Greater China	Wholesale	-43.44	-41.08	0.00
New China Sectors Index MYR H	Equity-Greater China	Wholesale	-49.41	-43.83	0.00

Source: Lipper fund performance as at 02 November 2023, applicable to funds distributed by AmBank
Past performance does not indicate future returns

Definitions

AAA/BBB	Currency Pair of AAA and BBB. Number of units of AAA (Base currency) that one unit of BBB (Quote currency) will buy.
AUD	Australian Dollar
Bosvepa	Brazil Stock Index
CAD	Canadian Dollar
CHF	Swiss Franc
CNY	Chinese Renminbi
CPI	Consumer Price Index
DAX	German Stock Index
DJIA	Dow Jones Industrial Average
EPFR Global	Emerging Portfolio Fund Research, Inc.
ETF	Exchange Traded Funds
EUR	Euro
FocusEconomics	FocusEconomics is a leading provider of economic analysis and forecasts for 127 countries in Africa, Asia, Europe and the Americas, as well as price forecasts for 33 key commodities.
GBP	UK Pound Sterling
GDP	Gross Domestic Product
German IFO	German Information and F orschung (research).
HSI	Hong Kong's Hang Seng Index
IIF	Institute of International Finance
IHS	Information Handling Services is a company based in London, United Kingdom. IHS provides information and analysis to support the decision-making process of businesses and governments.
IHS Markit	A merger between IHS and Markit Ltd.
Indonesia's JSX	Indonesia's Jakarta Stock Exchange
I/B/E/S	'Institutional Brokers' Estimate System
INR	Indian Rupee
JPY	Japanese Yen
KOSPI	South Korea's Stock Index
Malaysia's KLCI	FTSE Bursa Malaysia Index
Markit Ltd	A global financial information and services company founded in 2003 as an independent source of credit derivative pricing.
MICEX	Russian Stock Index
MYR	Malaysian Ringgit
Philippines PSE	Philippines' Stock Index
PSEi	The Philippine Stock Exchange, Inc
PMI	Purchasing Managers' Index
PRC	People's Republic of China
Q1,Q2,Q3,Q4	Quarter 1, Quarter 2, Quarter 3, Quarter 4
SCI	China's Shanghai Composite Index
SGD	Singapore Dollar
Singapore STI	Singapore's Strait Times Index
TAIEX	Taiwan's Stock Index
Thailand's SET	Thailand's Stock Index
U.K.	United Kingdom
U.S.	United States of America
U.S. Fed	United States Federal Reserve
USD	U.S. Dollar
YOY	Year-on-year
YTD / y-t-d	Year to date

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