

# Wealth Management Digest **September 2023**

Exclusively for AmBank SIGNATURE Priority Banking Customers

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## Market Overview

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

	2022	Apr-23	May-23	Jun-23	Jul-23	Aug-23
MSCI Global Equities	-17.95%	9.05%	7.95%	14.27%	18.49%	15.22%
MSCI Developed Market Equities	-17.71%	9.84%	8.82%	15.44%	19.35%	16.55%
MSCI Emerging Markets Equities	-19.81%	2.85%	1.15%	5.06%	11.66%	4.80%
MSCI Asia ex Jn Equities	-16.80%	3.85%	2.85%	6.42%	11.63%	6.22%
S&P 500 (US) Equities	-18.13%	9.16%	9.64%	16.88%	20.64%	18.72%
STOXX 600 (EU) Equities	-9.88%	11.42%	8.84%	11.50%	13.92%	11.06%
CSI 300 (China) Equities	-19.83%	4.14%	-1.65%	0.45%	5.83%	-0.55%
HSI (HK) Equities	-12.56%	0.99%	-6.94%	-2.76%	4.22%	-4.36%
MSCI Malaysia (MY) Equities	-0.39%	-3.64%	-5.64%	-6.40%	-0.77%	-1.05%
Bloomberg Global IG Bond	-16.25%	3.46%	1.44%	1.43%	2.13%	0.74%
Bloomberg Global HY Bond	-12.71%	3.80%	2.61%	5.23%	7.29%	6.74%

Source: Bloomberg, as of 31 August 2023

## GLOBAL EQUITIES

Global equities had a mild pullback in August, as investors digested comments from central bank policymakers and worried about a potential slowdown in the global economy. The cautionary profit taking comes as investors wait for new catalyst to push markets higher, as the strong earnings momentum has already been priced in asset price. Investors are also trading lightly amid warnings from corporate managers that earnings could take a hit from as demand declines.

## ASIA PACIFIC EQUITIES

Asian equities halved its YTD gains as investors reacted negatively to news that China's Country Garden had missed its bond interest payments, sparking fears of further deterioration in the property market. Lack of stimulus announcements and ongoing tensions with the US and other Western economies have also darken the outlook for China, with spill-over effects on the rest of Asia. The stronger US dollar, on bets of further rate hikes in the US, has also sparked some capital outflows from the region, intensifying sell down in the market.

## MALAYSIAN EQUITIES

Malaysian equities slipped further into the red as lack of local market catalyst kept investors on the side lines. Stronger buying momentum from foreign investors post the state elections were offset by local retail and institutional selling. Investors are awaiting further policy announcements from the government, while monitoring global economic developments, which remains uncertain as key trade partners suffer from economic slowdown.

Source: AmBank Retail Wealth Management Advisory & Research (as at 30 August 2023)

## News Topics – Business & Economy

### US Fed's Vague Message Sparks Hope Post-Jackson Hole

Global central bankers gathered for the Jackson Hole symposium towards the end of August, providing guidance on how monetary policy will be adjusted moving ahead.

Federal Reserve Chairman Jerome Powell was the center of attention, given that the US central bank had been hiking interest rates rapidly since March 2022, bringing the benchmark interest rate from 0% to nearly 5.5% as of August 2023. The rapid pace of interest rate hikes has caused cracks across the US economy, sparking fears of a recession.

However as inflationary pressures have eased, investors are hopeful that the central bank is getting closer to pausing its interest rate hikes. Powell dashed hopes by indicating that inflation is still above the long-term target of 2%, with the current US inflation reading (as measured by the CPI) at 3.2%. The US Fed is likely to hike interest rates once more this year, to ensure that inflation will continue to cool down.

Powell did provide some consolation for markets, indicating that policymakers would “proceed carefully” and would be guided based on data. This suggests that the incoming interest rate hike may not be immediate and that if inflation data is conclusively lower, the central bank may abandon the one last rate hike planned for the year.

The Fed is expected to cut rates by July 2024, as strains across the economy boost need for policy support.

Source: Bloomberg (August 2023)

### President Xi Says No To Western Style Stimulus

China's economic woes were met with expectations that the government would introduce sufficient stimulus to jumpstart the economy again. But after many months of waiting, Beijing has yet to offer any form of fiscal easing beyond the interest rate cuts done by the People's Bank of China.

People close to President Xi Jinping might not be surprised by the government's response, as Xi has stated early in 2023 that China would not follow the footsteps of western countries by injecting massive liquidity to jumpstart the economy.

Xi highlighted that such policies would put capital interest ahead of the country's “common prosperity” goal and not offer any structural benefit for China.

The country has been suffering through high debt levels since the end of the 2008 GFC; 60% of local governments with outstanding debt exceeding income by at least 120%. Some analysts suggest that several cities are also struggling to pay the interest on their existing debt.

The China government has set a modest 5% growth target for 2023 as it aims to fix imbalances within the economy, abandoning the “growth at all cost” strategy from previous years. Targeted support from Beijing should be expected, especially through policies that aim to bolster activity in the property market. Amid the transitory phase, the People's Bank of China will continue to adjust interest rates lower to create liquidity buffers in the economy and soften the rate of descent.

Source: WSJ (August 2023)

## News Topics – Business & Economy

### More Cracks Across China's Property Market

Country Garden, the largest privately owned property developer in China, has reported that it has missed interest payments on two dollar bonds as of 6<sup>th</sup> August 2023. Management also reported that its cash reserves had declined due to weaker sales, the higher cost of refinancing and regulatory hurdles.

The development has sparked concerns over China's property market, which has been facing issues since 2021, when China Evergrande Group defaulted on its debt.

Property developers in China have been faced with weaker home sales as buyers turn more cautious amid the gloomy economic outlook.

A drop in existing home prices have dampened appetites for property purchases, further dragging down demand. Country Garden reported that sales contracted by 30% in the first 6 months of 2023, highlighting the drop in activity.

The government has taken steps to rectify the situation by reducing deposits for homes, lowering interest rates and easing ownership rules for individuals seeking to buy more than one property.

However, these steps have yet to materially result in a turnaround for the sector, suggesting that more needs to be done by the government to restore buyers confidence. Staving off a default in Country Garden would be the first step in boosting confidence and stabilizing the sector.

Source: Reuters (August 2023)

### Domestic Banks In China Plan Deposit Rate Cuts

Some of the largest commercial banks in China are set to cut deposits rates at the end of August. A 25-to-50 basis point cut to deposit rates are expected, to narrow the gap with mortgage rates.

The move comes after the People's Bank of China has cut interest rates the past year to spur consumer spending and business investments across key sectors. Interest rates on lending facilities were lowered to enable easy and cheap access to capital.

The drop in lending rates however has impacted banks profitability, as they are paying a higher costs for deposits while lending rates have dropped, hitting their net interest margins (NIM).

Additionally banks have reported that borrowers have been paying existing debt in advance. Borrowers in China have been barred from refinancing their mortgages to cheaper rates even after the People's Bank of China cut the five-year loan prime rate – the benchmark rate for mortgages in China.

Due to this, some borrowers have are locked in high interest loans, leading to them to pay-off the debt at a quicker pace, reducing the income collected by the banks. 4 of China's largest state owned banks have reported a NIM below 1.8%, which is the minimum recommended by regulators.

By cutting deposits rates and easing refinancing terms, domestic Chinese banks are hoping to improve profitability moving forward.

Source: WSJ (August 2023)

## News Topics – Business & Economy

### Malaysia's Inflation Eases Further In July 2023

The Consumer Price Index (CPI) reading in Malaysia continued to ease in July, coming in at 2%, much better than market expectations of 2.1%. The figure was also lower compared to the 2.4% recorded in June and a major improvement versus the performance from a year ago, where inflation was recorded at 4.7%.

The softening of price pressures was largely due to a drop in commodity prices which aided easing in costs for food and transportation. In addition to that, the restored calm in global supply chains has also allowed a more consistent supply of goods in the market, reducing price shocks.

Malaysia also continues to benefit from government subsidies, which remain in place despite Prime Minister Anwar Ibrahim's administration's plan to review and implement a targeted subsidy program.

This has led some analyst to believe that inflation in Malaysia will hover around the 2% mark over the long-run, boosting disposable income among households.

Softening in price pressures would also allow Bank Negara Malaysia to take a step back on interest rate hikes, with sufficient room to assess the health of the economy and the state of inflation before delivering more hikes.

Malaysia's benchmark interest rate, the OPR (overnight policy rate) is expected to stand pat at 3% for the rest of the year, as long as inflation continues to mellow down.

Source: DOSM, TheStar (August 2023)

### US 1% Share Buyback Tax To Cost US\$ 3.5 billion

The Inflation Reduction Act, introduced by the Biden administration in 2022, is set to cost companies more when they issue share buybacks.

Its estimated that Biden's 1% tax on share buybacks could cost US companies almost US\$ 3.5 billion in taxes collectively in the first half of 2023.

Total share buybacks have dropped by 20% between April to June 2023 compared to a year ago, with companies collectively announcing US\$ 169 billion in share buybacks.

However, corporate executives indicated that economic uncertainty was the key reason for the smaller buyback amount. While the 1% tax did not materially impact corporates repurchase decision in the first half of 2023, more corporations are starting to include the cost of the tax in their buyback plans.

Such a move would reduce the overall stock repurchase initiated by the company, but is unlikely to discouraged corporations from expanding on share buybacks.

For now, corporations are not yet required to pay the tax after the IRS (Inland Revenue Service) suspended reporting and payment requirements in June, and is set to provide guidance on when payments are expected. However, this has merely delayed the repayment period, meaning that American corporations would still need to pay tax on share buybacks.

Source: WSJ (August 2023)

## Economic Events – Commentary & Charts

### Malaysia Key Data Points

#### Economic Development Highlights

**GDP came in at 2.9% in 2Q2023** – The slower growth number was mainly due to export contraction and slower private consumption growth. Gross exports, which contributes to 74.6% to the economy declined by 9.4% (1Q2023: -3.3% y/y), and gross imports also declined by 9.7% y/y (1Q2023: -6.5% y/y).

#### **Slower-than-expected domestic demand**

– Private expenditure grew by 4.3% y/y (1Q2023: 5.9% y/y), mainly supported by few festivities during the quarter but impacted by high base effect as well.

**Moderation in trade numbers** – Both exports and imports contracted. Shipments of E&E, which contributes around 44.6% to overall trade recorded a positive growth of 7.3% in July 2023.

#### Our Prognosis

**2023 GDP forecast revised from 4.5% to 4.0%** – While domestic demand will continue to be supportive for growth this year, slower than expected private consumption growth in 1H2023 and persistently subdued global trades landscape led to this lower growth revision.

**Persistent external challenges** – We anticipate slower trading activities for the remainder of the year, given the pessimistic economic outlook globally on the effect of the higher interest rates.

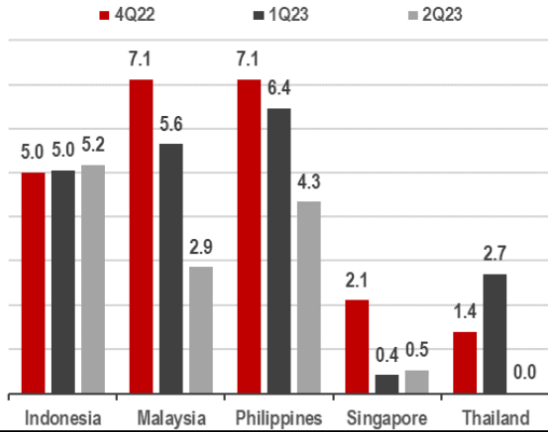
**OPR to remain unchanged at 3.00%** – We think OPR is likely to stay at 3.00% this year given the persistent decline in inflation and the need to support domestic demand in view of external uncertainties.

**2023 USD/MYR year-end forecast revised to 4.50** – We revised from 4.40 to 4.50 on the back of: 1) Change in our GDP growth forecast from 4.5% to 4.0%, 2). The “higher-for-longer” narrative to sustain recent USD rally, 3) Recent macro developments in China which may affect sentiment among EM currencies.

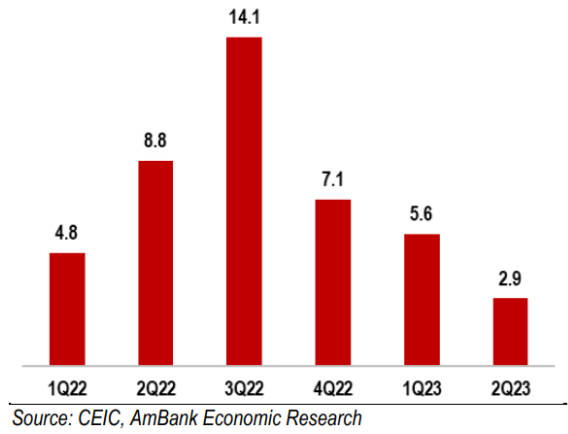
Source: AmBank Research (August 2023)

Economic Events – Commentary & Charts

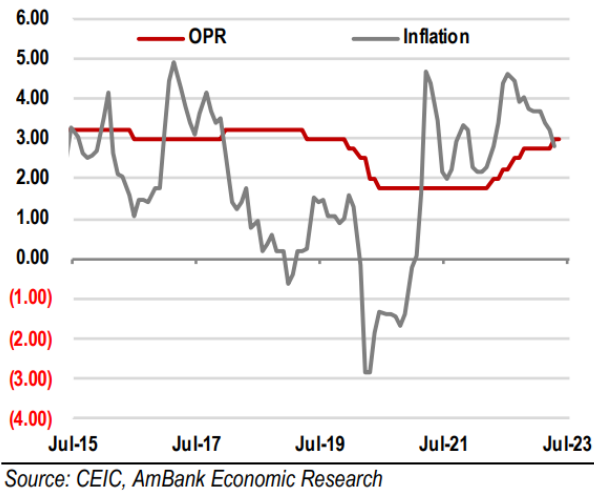
Malaysia GDP Growth vs ASEAN Peers (%)



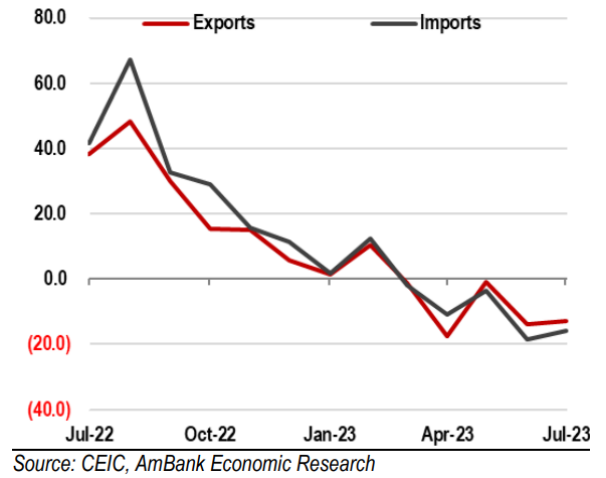
Malaysia GDP Growth (%)



OPR & Malaysia CPI Trend



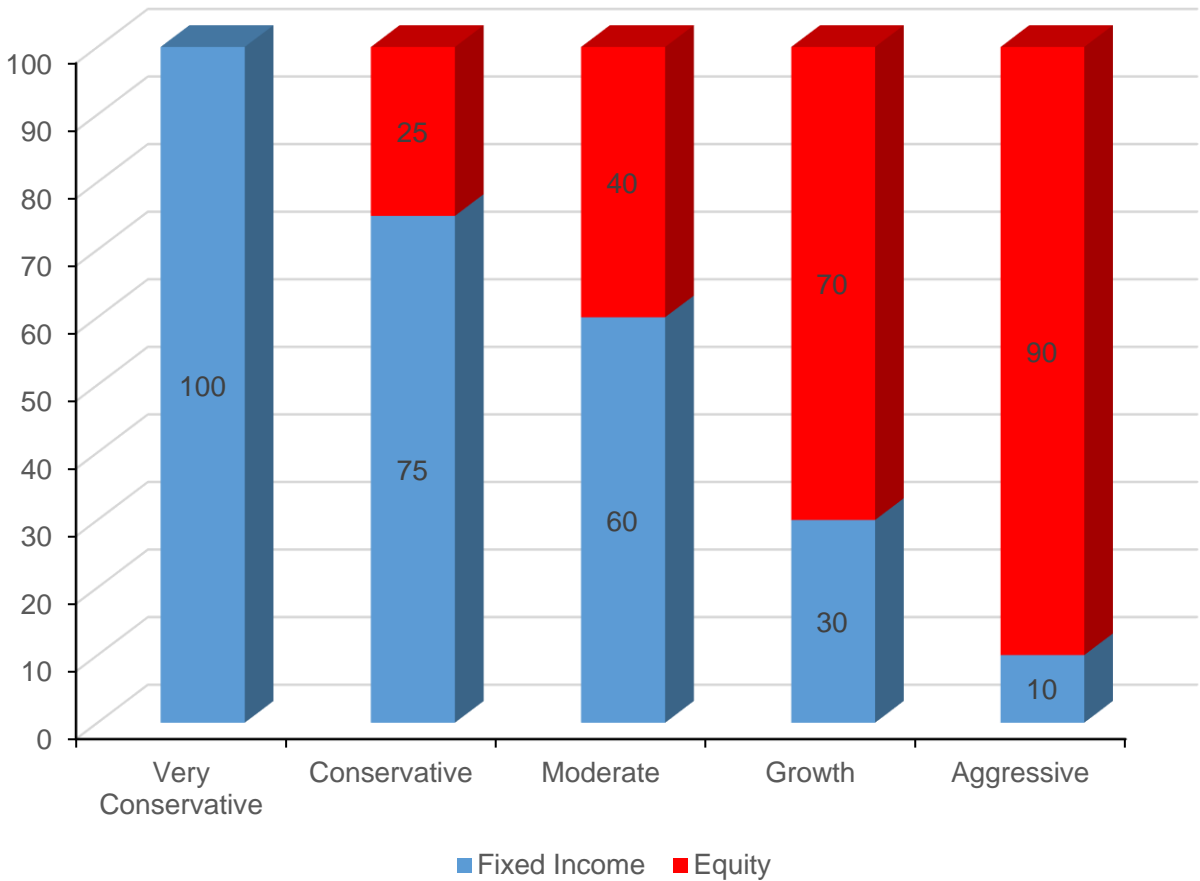
Malaysia's Exports & Imports Growth (% y/y)





## Asset Allocation Strategy

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



Source: AmBank

## Fund Focus – 3<sup>rd</sup> Quarter 2023

	Retail	Wholesale
<b>Fixed Income</b>	AmBon Islam ⓘ AmDynamic Bond Principal Lifetime Bond United-i High Quality Sukuk ⓘ	Affin Hwang World Series - Global Income MYR Maybank Bluewaterz Total Return MYR RHB China Bond MYR
<b>US / DM Equity</b>	Abrdn Islamic World Equity A RHB US Focus Equity TA European Equity TA Global Technology MYR United Global Durable Equity	Global Dividend MYR Principal Global Technology MYR H
<b>Asia ex Jn Equity</b>	Maybank Asiapac Ex-Japan Equity-I ⓘ Principal Asia Pacific Dynamic Income MYR Principal Islamic Asia Pacific Dynamic Equity MYR ⓘ United ASEAN Discovery	Hong Kong Tech Index
<b>China Equity</b>	Eastspring Investments Islamic China A ⓘ Principal Greater China Equity MYR	Affin Hwang World Series - China A Opp MYR AmChina A-Shares MYR
<b>Malaysia Equity</b>	AHAM Aiiiman Growth ⓘ AmTotal Return TA Islamic ⓘ	
<b>Mixed Assets</b>	AHAM Select SGD Income MYR AHAM Select Balanced Principal Islamic Lifetime Balanced ⓘ Eastspring Investments Asia Select Income	US-Canada Income and Growth
<b>Alternatives/ Tactical</b>	AHAM Select Asia (ex Japan) Quantum MYR Eastspring Investments Small-cap Maybank Global Mixed Assets-I MYR Principal China-India-Indonesia Opportunities Principal Global Millennial Equity MYR TA Global Select Equity	Principal Islamic Global Technology ⓘ RHB European Select RHB Global Artificial Intelligence MYR H Sustainable Series - Global Lower Carbon

Source: AmBank as of June 2023

### Top 5 Best Performing Funds YTD 2023

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
Principal Global Technology MYR H	Equity-Global	Wholesale	28.54	6.24	-1.15
RHB Global Artificial Intelligence MYR H	Equity-Global	Wholesale	29.17	-3.01	-1.03
TA Global Technology MYR	Equity-Global	Retail	36.89	16.92	6.51
Principal Islamic Global Technology MYR	Equity-Global	Wholesale	43.77	19.43	0.00
Principal Islamic Global Technology MYR H	Equity-Global	Wholesale	34.03	12.40	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	-16.98	-27.19	-13.42
Principal China Multi Asset Income MYR H	Mixed Assets-China	Wholesale	-17.74	-20.44	-18.25
RHB Income 2	Bond-Malaysia	Retail	-19.36	-17.65	-4.19
New China Sectors Index MYR	Equity-Greater China	Wholesale	-29.85	-83.09	0.00
New China Sectors Index MYR H	Equity-Greater China	Wholesale	-35.29	-89.05	0.00

Source: Lipper fund performance as at 30 August 2023, applicable to funds distributed by AmBank  
Past performance does not indicate future returns

## Definitions

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

## Disclaimer

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