Wealth Management Digest
February 2024

Exclusively for AmBank SIGNATURE Priority Banking Customers

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Market Overview

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

	2022	2023	Nov-23	Dec-23	Jan-24
MSCI Global Equities	-17.9%	14.6%	17.2%	22.8%	0.61%
MSCI Developed Market Equities	-17.7%	16.2%	18.6%	24.4%	1.23%
MSCI Emerging Markets Equities	-19.8%	2.1%	6.0%	10.1%	-4.64%
MSCI Asia ex Jn Equities	-16.8%	3.8%	7.1%	11.9%	-1.67%
S&P 500 (US) Equities	-18.1%	18.8%	20.8%	26.3%	1.68%
STOXX 600 (EU) Equities	-9.9%	9.2%	12.3%	16.6%	1.49%
CSI 300 (China) Equities	-19.8%	-15.4%	-7.5%	-9.1%	-6.29%
HSI (HK) Equities	-12.6%	-18.9%	-10.6%	-10.5%	-9.16%
MSCI Malaysia (MY) Equities	-0.4%	1.1%	0.5%	0.7%	2.60%
Bloomberg Global IG Bond	-16.2%	2.4%	1.5%	5.7%	-1.38%
Bloomberg Global HY Bond	-12.7%	9.5%	9.6%	14.0%	-0.19%

Source: Bloomberg, as of 31 January 2024

GLOBAL EQUITIES

Global equities started the year on better footing, as gains in the developed markets helped to offset continued weakness in the emerging markets. Prospects of interest rate cuts, healthy economic fundamentals and expectations that a recession has been avoided pumped risk appetites higher.

ASIA PACIFIC EQUITIES

Asia ex Japan dipped in January despite the stronger performance recorded in China. The ongoing property market crisis has led to a loss of confidence across the economy and Beijing has been slow to respond to the situation, causing anxiety to increase among investors. Rest of Asia is also facing pressures amid capital outflows following the Fed's decision to keep interest rates higher until mid-2024, defying market expectations for a cut in March 2024.

MALAYSIAN EQUITIES

Malaysian equities edged higher in 2024, on the back of renewed local buying as investors bet that infrastructure projects, government reforms and reducing the fiscal deficit. This will provide the country better flexibility in introducing stimulus as needed to boost sectors that play a pivotal role in the country's growth.

Source: AmBank Retail Wealth Management Advisory & Research (as at 04 February 2024)

News Topics – Business & Economy

US Inflation Makes A U-Turn, Perks Up In December

Inflation accelerated in the US at the end of 2023, with the December reading coming in at 3.4% year-on-year. This is the biggest jump in prices over the last 3-months and keeps inflation above its long-term target level of 2%.

The US is in the last mile of its battle against inflation, but its proving to be tough to get inflation back to its long-term target.

The high interest rates are already increasing the costs of owning properties, while construction costs also increased due to rising material costs. Rising gas and energy prices added to the inflation reading.

Data shows that core inflation which usually excludes food and energy and is known as sticky inflation, was similarly on the rise, as prices for used cars and apparel rose higher, despite the year-end promotional activity to clear older inventories.

The Fed is looking for cracks in the labor market, which would naturally deflate demand across the economy.

However, overall jobs data remains healthy, with wages growing at a steady pace, allowing households to keep up with inflationary pressures so far.

Economist warn that inflation could temporarily rise, on the back of tensions in the Middle East impacting energy prices and as low water levels in the Panama Canal increases shipping delays, adding to overall costs.

Source: Bloomberg (January 2024)

US Rates To Stay High Longer Than Market Expects

The US Federal Reserve has indicated that interest rates would remain restrictive for some time, until they are sure that inflationary pressures have been arrested.

This message goes against market expectations for the central bank to cut interest rates as early as March 2024, suggesting that policymakers are willing to tolerate softer economic growth to ensure that cost pressures are alleviated.

Fed policymakers however have stated that interest rates are unlikely to go higher from its current levels, indicating that interest rates have peaked. Officials have also stated that they expect to cut rates sometime in 2024, but towards the year end once data points provide necessary justification.

US benchmark interest rates currently hold at 5.25%-5.50% with the Fed keeping interest rates steady at its last 3 FOMC meetings. Based on projections, Fed officials have guided 3 interest rate cuts in the coming year, which should reduce the benchmark rate by 75 basis points.

The strength of the US economy has given the Fed room to keep rates higher for longer. The continued economic momentum suggests that the US would escape a hard landing, with growth drivers still intact. This allows the Fed to keep its interest rates high as it doesn't derail growth. Additionally, while inflation has softened, it remains above the long-term average target. Keeping rates higher for longer will ensure that inflationary pressures are restricted.

Source: Bloomberg (January 2024)

News Topics – Business & Economy

China Announces US$ 278 bn Stock Market Rescue Plan

Beijing has pledged to respond strongly to the recent stock market rout across the Hong Kong and China mainland markets as investors, both local and foreign, are selling down their holdings in these markets.

Ongoing issues with the property market has led to a confidence deficiency in the market, with potential homebuyers staying away while existing owners see the value of their homes get slashed lower due to falling property prices.

Beyond that, haphazard regulations introduced to restrict and manage growth and influence of China's tech companies has also caused investors to fear about earnings potential of these companies. Heavy fines and penalties also diverts cash away for R&D and new innovation. This comes at a time when China is seeking to be technologically independent from the US.

The contradictory policies has caused more confusion among investors, leading to intense selling pressures in the market.

Chinese authorities have indicated that the would mobilize 2 trillion yuan (US$ 278 billion) in order to stabilize the stock market, financed through the repatriation of offshore cash by state owned enterprises (SOEs).

Beijing has also earmarked 300 billion yuan of local funds to invest in the onshore shares, while also blocking short-selling in the market. Institutional investors are blocked from selling off equities while mutual funds are managing redemptions to stop the market rout.

Source: Financial Times (January 2024)

Property Crisis In China: Evergrande Faces Liquidation

China Evergrande, which started the whole property market fiasco in the country, has been ordered into liquidation by a Hong Kong court.

Evergrande has accumulated more than US$ 300 billion of liabilities at the peak of China's debt-fuelled property market boom. As Beijing tightened property developers access to the credit market and restricted their ability to add more debt to their balance sheets, Evergrande spiralled into a default.

The pandemic has also caused a domino effect in the property market, lowering down home sales which hampered property developers cash flows. Developers were also struggling to offload landbanks at the time, due to the significant discount and limited liquidity in the market. The lack of funds had caused some developers to default outright, or abandoned projects halfway through.

Policymakers have yet to introduce any viable solutions to turn things around in the sector, leading to property developers facing winding up court orders. Evergrande will be a key test for investors to see if the Hong Kong courts ruling is valid in China, where most of Evergrande's assets are located.

Since 2021, Hong Kong courts have issued liquidation orders for 3 companies, smaller peers of China Evergrande, which also includes, Jiayuan International Group & Yango Justice International Ltd, with very little progress made since then. Property market challenges set to continue until sector wide reforms are made by Beijing.

Source: Bloomberg (January 2024)

News Topics – Business & Economy

US Economy Expands Strongly In Fourth Quarter Of 2023

US GDP expanded by 3.3% in Q4 2023, surprising markets and defied calls that the country would face a recession. The figure was lower compared to the previous quarters 4.9% growth, but beat market expectations of a 2% expansion.

Growth was primarily driven by stronger consumer spending, business investments and government spending.

The jobs market continues to tighten as more employers boost hiring to meet stronger demand in the market. As household incomes increase, through more members having jobs and as wages rise, spending power improves driving up consumption.

Businesses have also been increasing investments and capital expenditures, as reshoring of supply chains away from China goes into full swing. Building of factories, production lines and support structures is also creating new value within the economy. The new investments are also expected to contribute to further jobs market gains.

On the government's side, policies introduced since 2021 continues to create value for the economy. The Infrastructure Investment and Jobs Act, as well as the Inflation Reduction Act has pumped in close to US$ 2 trillion into the economy, unlocking new value and building up the economy.

While growth may take a more leisure pace in 2024, US growth remains well supported.

Source: Bloomberg (January 2024)

Malaysia Faces Lackluster GDP As Exports Disappoint

The preliminary GDP reading for Malaysia came in at 3.8% for 2023, just missing Bank Negara Malaysia's growth target of 4% for the year. The economy expanded at a slower pace compared to 2022's 8.7% expansion, an outlier reading due to the low base in 2021.

Weaker exports weighed the most on growth, as demand from China declined due to its slowing economy. Annualized, Malaysia's GDP dropped almost 10% for the year. High inventories in the developed markets also weighed on orders, leading to weaker orders.

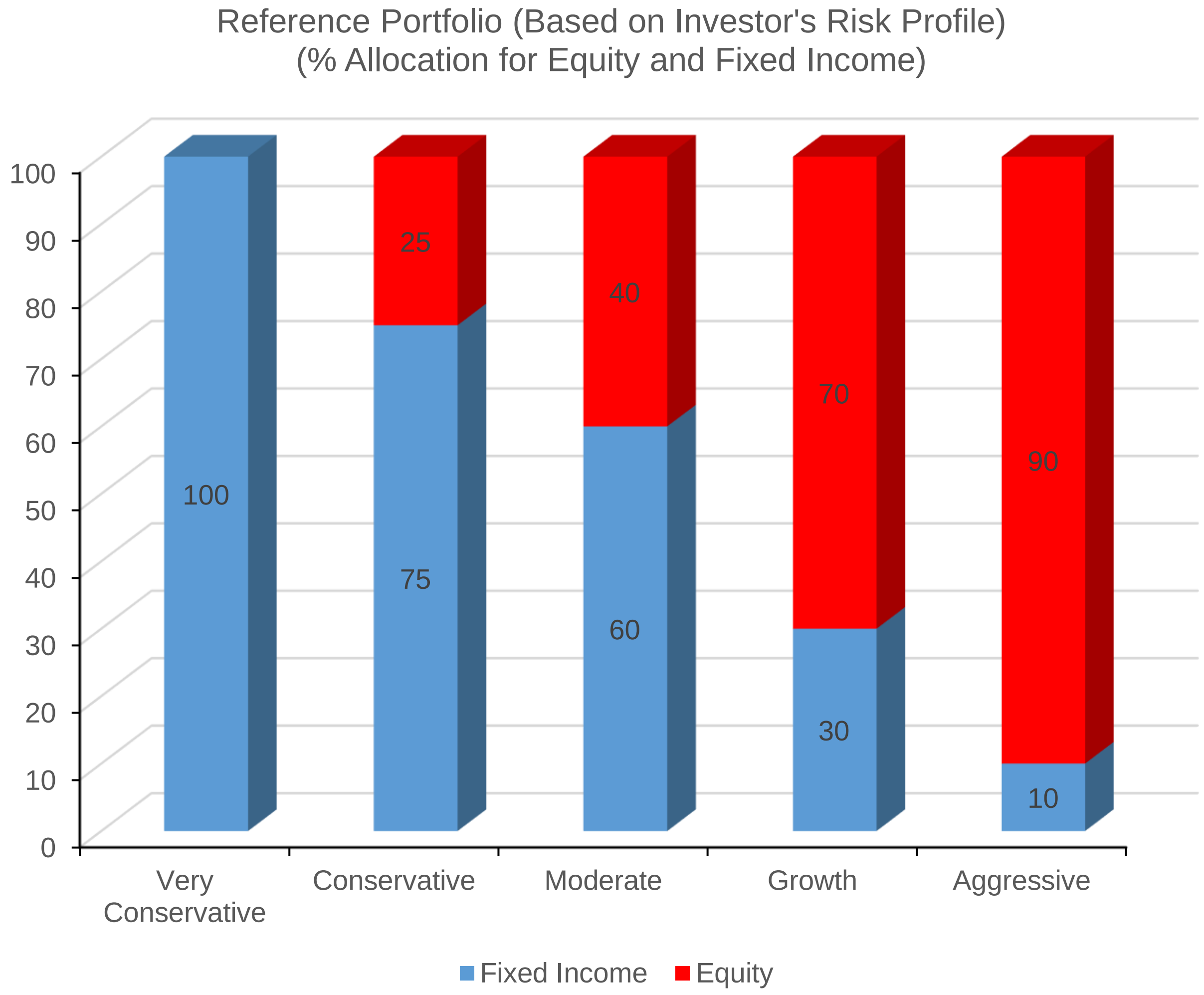
Adding to that the slowing activity in the property market as interest rates rise and softer construction activity also weighed on overall economic activity, offsetting the strong consumer and business spending that bolstered 2023's growth.

In 2024, research houses anticipate that the Malaysian economy will expand by 4.6%, a normalized growth path for the country, in line with the long-term average growth rate.

Monetary and fiscal policy is expected to stay accommodative, supporting the economy as required in order to achieve the growth target. The government's plan to rationalize subsidies will reduce the fiscal deficits and free up more funding for targeted infrastructure investments that will have a longer-term impact on the country's growth momentum.

Source: Bloomberg (January 2024)

Asset Allocation Strategy



Source: AmBank

Fund of Focus – 1st Quarter 2024

		Conventional	Islamic
Developed Markets	Retail	Principal Global Titans	abrdn Islamic World Equity A
		TA Global Technology	AHAM Aiiman Global Multi Thematic
	Wholesale	Global Dividend	Principal Islamic Global Technology
		Principal Global Technology	
		Europe Equity Growth	
		RHB European Select Equity	
Asia ex Japan	Retail	Principal Asia Pacific Dynamic Income	Maybank Asiapac Ex-Japan Equity-I
		Manulife India Equity	Principal Islamic Asia Pacific Dynamic Equity
		AmDividend Income	TA Islamic
Bond	Retail	Principal Lifetime Bond	AmBon Islam
		AmBond	
		AmDynamic Bond	
	Wholesale	Affin Hwang World Series - Global Income	
		Maybank Bluewaterz Total Return	
Mixed Asset	Retail	AHAM Select SGD Income	United-i Global Balanced
		AHAM Select AUD Income	Maybank Global Mixed Assets-I
	Wholesale	Income and Growth	
Alternative	Retail	TA Total Return Income	Manulife Global Shariah REITs
		Principal Greater China Equity	Maybank Income Flow-i
		Maybank Singapore REITs	
		United ASEAN Discovery	
	Wholesale	Hong Kong Tech	
		RHB Global Artificial Intelligence	
		Maybank Liquid Alternative	
		Principal US High Conviction Equity Fund	
		United Golden Opportunity	

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 January 2024

Top 5 Best Performing Funds YTD 2024

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
Maybank Global Sustainable Equity-I - MYR	Equity-Global	Retail	6.99	28.80	8.20
Principal Global Millennial Equity MYR	Equity-Global	Retail	9.78	34.16	4.57
TA Global Technology MYR	Equity-Global	Retail	10.55	48.67	9.65
Principal Islamic Global Technology MYR	Equity-Global	Wholesale	9.34	57.49	0.00
TA Global Technology MYR H	Equity-Global	Retail	7.34	30.31	3.25

Top 5 Worst Performing Funds YTD 2024

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AmChina A-Shares MYR H	Equity-China	Wholesale	-11.69	-39.09	-26.46
Eastspring Investments Islamic China A-Shares	Equity-China	Retail	-11.36	-32.14	0.00
Hong Kong Tech Index MYR	Equity-China	Wholesale	-16.18	-25.81	0.00
Hong Kong Tech Index MYR H	Equity-China	Wholesale	-18.45	-35.32	0.00
New China Sectors Index MYR H	Equity-China	Wholesale	-12.15	-55.97	0.00

Source: Lipper fund performance as at 07 February 2024, 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 **I**nformation and **Fo**rschung (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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