

# Wealth Management Digest **October 2024**

Exclusively for AmBank SIGNATURE Priority Banking Customers

# Table of Contents

	<b>Page No.</b>
Market Overview	3
News Topics – Business & Economy	4 - 6
Economic Events & Commentary	7-8
Asset Allocation Strategy	9
Fund of Focus	10
Top 5 Performing Funds	10
Definitions	11
Disclaimer	12

## Market Overview

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

	2022	2023	Jul-24	Aug-24	Sep-24
MSCI Global Equities	-17.9%	22.82%	13.42%	16.34%	19.08%
MSCI Developed Market Equities	-17.7%	24.44%	14.05%	17.10%	19.29%
MSCI Emerging Markets Equities	-19.8%	10.20%	8.03%	9.80%	17.13%
MSCI Asia ex Jn Equities	-16.8%	11.98%	10.20%	12.14%	17.89%
S&P 500 (US) Equities	-18.1%	26.26%	16.69%	19.52%	22.08%
STOXX 600 (EU) Equities	-9.9%	16.63%	11.09%	12.83%	12.47%
CSI 300 (China) Equities	-19.8%	-9.14%	2.67%	-0.67%	20.30%
HSI (HK) Equities	-12.6%	-10.46%	5.11%	9.20%	29.21%
MSCI Malaysia (MY) Equities	-0.4%	0.67%	13.15%	16.83%	16.33%
Bloomberg Global IG Bond	-16.2%	5.72%	-0.49%	1.86%	3.60%
Bloomberg Global HY Bond	-12.7%	14.04%	5.20%	7.49%	9.59%

Source: Bloomberg, as of 30 September 2024

### GLOBAL EQUITIES

Global equities jumped higher in September, supported by expectations for more aggressive interest rate cuts by the US Federal Reserve. Strong economic data helped offset worries of a recession occurring in the near-term. Optimism over earnings growth in the upcoming quarter and the higher capex spending to boost future expansion drove further gains in the market.

### ASIA PACIFIC EQUITIES

Asia ex Japan jumped higher, supported by gains in the China market. Revival of the China market linked to stimulus pledged by the government and the People's Bank of China. Traders are turning increasingly positive on China's prospects, expecting improvements across the economic structures, with stimulus aimed at reviving the ailing property market while also nurturing new growth segments.

### MALAYSIAN EQUITIES

Malaysian equities held on to gains even as the Ringgit started to recover in a short-time span. Strength in the Ringgit weighed on foreign fund inflows and sparked some profit taking in the market as investors booked gains on both equity and currency appreciation. Local institutions continue to acquire local assets ahead of the Budget 2025 announcement which is expected to showcase the government's priorities in the incoming year.

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

## News Topics – Business & Economy

### China's Big Stimulus: Will Cash Cure the Crash?

China's central bank announced its most extensive stimulus package since the pandemic, aiming to pull the economy out of deflation and reach the government's growth target of around 5%.

The package includes a 50-basis-point cut to reserve requirement ratios (RRR), freeing up 1 trillion yuan for new lending, along with reductions in key interest rates. Despite these measures, analysts warn that more fiscal support is crucial, given persistently weak credit demand from businesses and consumers, as well as the absence of policies targeting real economic activity.

The package also seeks to address China's struggling property sector by reducing interest rates on existing mortgages and lowering minimum downpayment requirements.

However, the housing market remains in a severe downturn, with slumping home prices and poor consumer confidence due to a weak job market. Developers' defaults and a large inventory of unsold apartments have further exacerbated the sector's issues.

While markets responded positively, with Chinese stocks and bonds rallying, analysts like those at Capital Economics suggest the package may not be enough on its own to restore growth. They advocate for more robust fiscal measures to stimulate demand and revive economic momentum heading into the fourth quarter.

The global market impact is evident as Chinese and Asian stocks hit 2-1/2-year highs.

Source: Financial Times (September 2024)

### China's Stimulus: Will It Revive Manufacturing?

China's manufacturing activity contracted for the fifth consecutive month in September, with the purchasing managers' index (PMI) registering at 49.8. The figure remains below the critical 50-point threshold that separates expansion from contraction. This continued downturn raises concerns about China's ability to meet its full-year growth target of around 5%.

In response to a series of disappointing economic indicators, Chinese policymakers have introduced a range of stimulus measures to revitalize the economy.

The central bank and financial regulators announced significant interest rate cuts and incentives aimed at encouraging long-term capital investment in the stock market.

Additionally, the Communist Party's Politburo pledged on Thursday to implement "necessary fiscal spending" to stabilize the struggling property market and achieve the desired growth rate. These policy interventions have had an immediate positive impact on investor sentiment.

Further fiscal stimulus appears to be on the horizon, with reports suggesting that China plans to issue special sovereign bonds worth approximately 2 trillion yuan (\$285 billion) this year to bolster economic growth.

The combination of monetary easing and proposed fiscal spending reflects the government's commitment to reversing the manufacturing sector's decline and stimulating broader economic activity.

Source: Financial Times (September 2024)

## News Topics – Business & Economy

### Fed's Big Cut: Slicing Rates, Calming Fates

The Federal Reserve enacted its first interest rate cut since the early COVID pandemic, reducing the benchmark rate by 50 basis points, bringing it to a range of 4.75%-5%. The move aims to address a softening labor market and declining inflation, though it comes despite overall solid economic indicators.

The cut follows weaker job growth and concerns over slowing hiring, with the Fed revising its unemployment forecast to 4.4% for 2024. Inflation is now expected to fall to 2.3%.

Despite the significant cut, Fed Chair Jerome Powell emphasized this is not the start of a series of aggressive rate cuts.

The decision was supported by 11 of 12 members, with Governor Michelle Bowman dissenting in favor of a smaller 25-basis-point reduction. The rate cut reflects the Fed's attempt to balance growth and employment without triggering a sharp rise in unemployment.

Although inflation has dropped to 2.5%, concerns over the labor market prompted the Fed's action. Analysts believe the Fed is recalibrating policy to reflect lower inflation and economic uncertainty.

Investors were initially volatile, but markets eventually settled.

Source: Financial Times (September 2024)

### US Consumption Engine: Intact & Growing

Household incomes in the U.S. rose in 2023 for the first time since the pandemic, with inflation-adjusted median income increasing 4% to \$80,610, according to new Census Bureau data.

This rebound reflects easing inflation and a strong labor market, though incomes remain at 2019 levels, indicating a slow recovery after pandemic disruptions.

Women saw smaller income gains than men, with the gender pay gap widening slightly. Regional differences were noted, with the Midwest seeing the largest increase in median income at 6.6%.

Despite these improvements, challenges persist. Inflation and high interest rates continue to impact many households, and the Federal Reserve is monitoring labor market softening.

Poverty rates dropped slightly to 11.1%, while a broader poverty measure, accounting for taxes and essential expenses, rose to 12.9%, driven by pandemic-era tax credits expiring.

Income inequality remained mostly unchanged, with the top 20% of households earning over half of all income, while the bottom 20% collected just 3.1%.

Source: Bloomberg (September 2024)

## News Topics – Business & Economy

### India's Growth Soars, But Jobs Fall Short

India's economy grew by 8.2% in the fiscal year ending March 2024, making it one of the fastest-growing economies globally. However, the country faces significant labor market challenges, with rising unemployment and skill mismatches.

The Centre for Monitoring Indian Economy (CMIE) reported a sharp increase in unemployment from 7% in May to 9.2% in June, contrasting with the government's lower official figures.

Many analysts are skeptical of the government's data, highlighting that around 80% of India's workforce is in the informal sector, which is not fully captured in official statistics.

Youth unemployment remains particularly high, with educated young Indians facing difficulties finding jobs. According to the International Labor Organization (ILO), unemployment among graduates reached 29.1%, far higher than for those with less education.

Gender disparities persist, with women facing higher unemployment rates than men. The ILO also noted that a significant proportion of India's youth, especially women, are not engaged in employment, education, or training.

Despite the strong economic growth, India faces the challenge of creating enough jobs to accommodate its large and growing workforce. Without significant job creation, the country risks missing out on the benefits of its demographic dividend.

Source: Bloomberg (September 2024)

### Eurozone Inflation Cools, Growth Stalls

Eurozone inflation dropped below the European Central Bank's (ECB) target for the first time in over three years, with consumer prices rising 1.8% year-on-year in September.

This marks a significant shift from the inflationary pressures that have plagued the eurozone since Russia's 2022 invasion of Ukraine, which caused energy prices to soar. The inflation reduction suggests the ECB's battle to control price increases is nearing success.

The ECB has been raising interest rates aggressively to curb inflation, and the recent decline could prompt a shift toward easing monetary policy. Economists at Deutsche Bank expect the ECB to lower its inflation forecasts and cut rates sooner, especially as inflation in some countries, like Ireland and Italy, has fallen below 1%.

However, ECB President Christine Lagarde warned that inflation could briefly rise again due to energy base effects but expects it to stabilize. The eurozone economy, meanwhile, is struggling, with weak manufacturing demand and a fading services boom, particularly in Germany, where recession risks loom.

The ECB faces the challenge of balancing inflation control with supporting a faltering economic recovery, as high rates continue to stifle demand and undermine consumer confidence. This will likely influence the ECB's upcoming policy decisions.

Source: Bloomberg (September 2024)

## Economic Events – Commentary & Charts

### Navigating The Impact Of FFR On Malaysia's Economic Prospects

Fed Chair Jerome Powell stopped short of declaring a victory over inflation even when inflation is sustainably reaching the 2% target.

Adjusting the rates could help the Fed achieve conditions that satisfy the other side of its dual mandate, i.e. maximum employment.

While the correlation between FFR and OPR has been highly correlated by over 90% since 2020, we believe that any FFR movement will not necessitate the BNM to follow suit.

The Fed was way behind the curve in raising its policy rate previously amid a strong labor market and creeping/transitory inflation in 2021.

Consequently, the central bank had to increase its policy aggressively following the spike seen in energy prices and the hot labor market from almost 0.00% to between the range of 4.25% and 4.50% in less than a year, with more hikes in the card before it finally reached a peak of between 5.25%-5.50% in July 2023.

In contrast, BNM tends to move the OPR in line with the labor market recovery as it correlates strongly with the unemployment rate (-85%), less so with inflation. While BNM could have raised the OPR earlier when the unemployment rate started to fall steadily during 1H2021, the jobless rate increased again due to MCO3.0.

The OPR only moved when the unemployment rate hovered below 4.0% in 2Q2022.

This is important to prevent the economy from undertaking uncontrolled risk-taking activities, which could impact the banking sector badly when the rates are at a historic low.

Likewise, we do not foresee any urgent need for BNM to follow the Fed's decision following Malaysia's subdued inflation and flattish unemployment rate.

The latest MPC September meeting also stated that the monetary policy stance remains supportive of the economy and consistent with the current inflation and growth prospects assessment.

Therefore, we posit it signals an extended pause on the OPR at 3.00% until 1H2025, barring any unforeseen circumstances from the external headwinds.

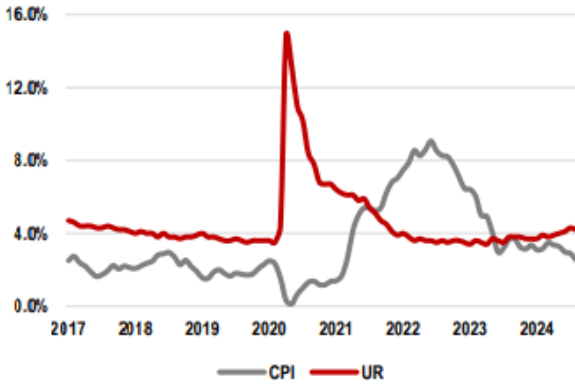
We believe the ringgit may move past the upcoming volatility and strengthen further. Our projection is for the USD/MYR pair to hover around 4.05 by 1Q25, 4.00 by 2Q25, and 3.98 by 3Q25.

On the external front, if the US economy does not tip towards the recession and the risk sentiment remains healthy, the path of least resistance for the pair is downward (i.e., the ringgit strengthens.).

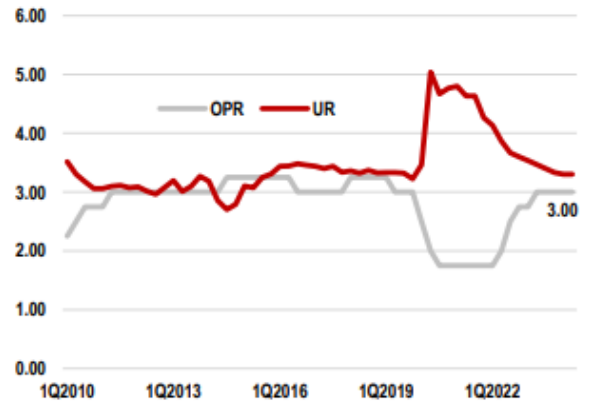
Source: AmBank Economics (Sept 2024)

Economic Events – Commentary & Charts

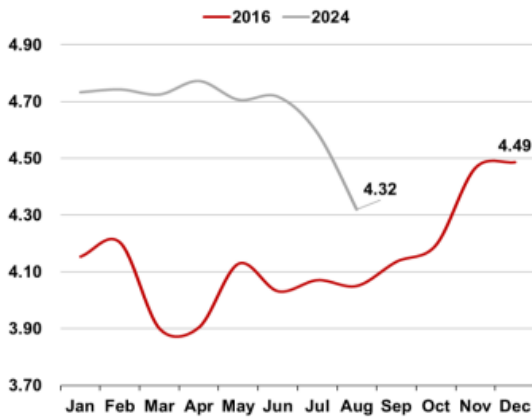
US Inflation vs. Unemployment Rate, %



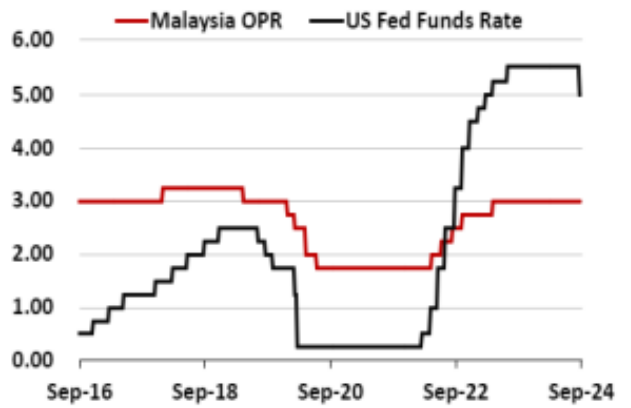
Malaysia Unemployment Rate vs. OPR, %



USDMYR Performance During 2016 Elections



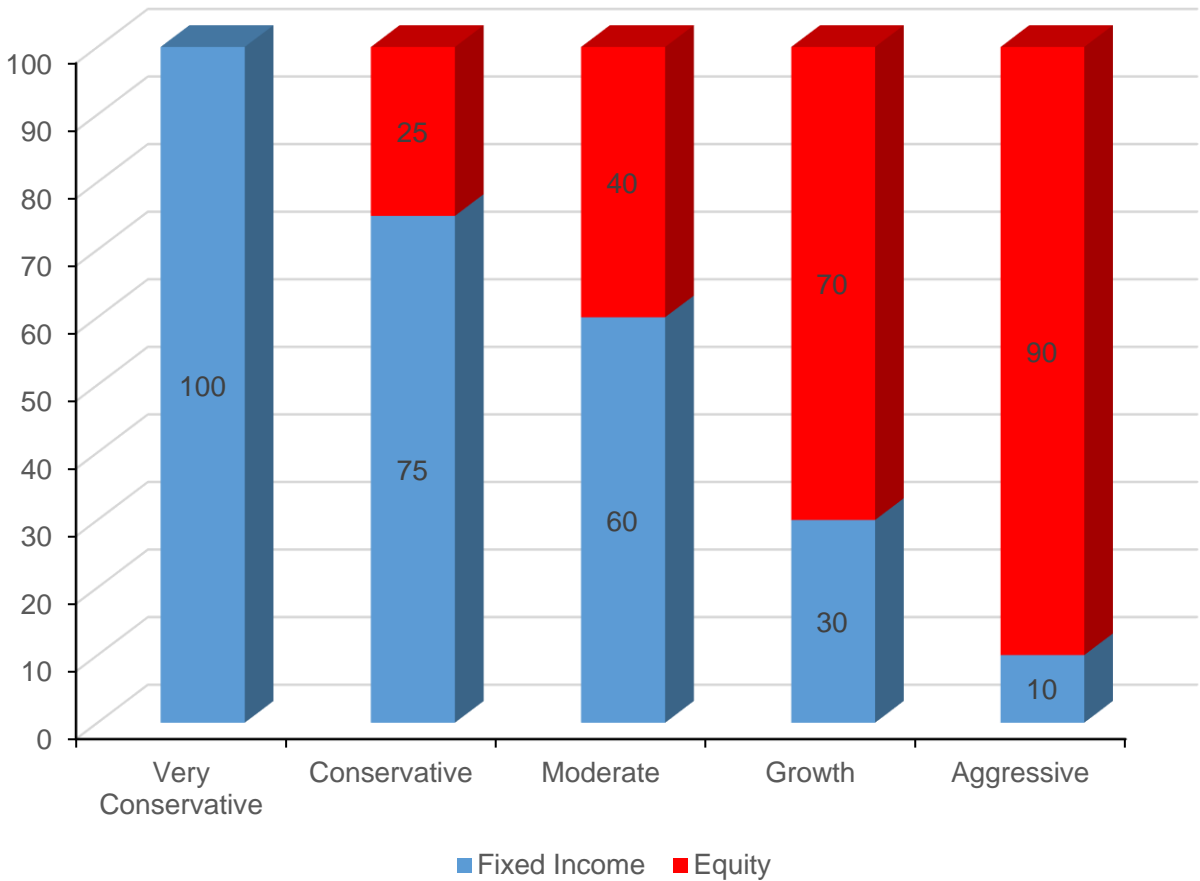
Fed vs. BNM (%)





## Asset Allocation Strategy

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



Source: AmBank

**Fund of Focus – 2<sup>nd</sup> Quarter 2024**

	<b>Retail (25 Funds)</b>	<b>Wholesale (9 Funds)</b>
<b>Supercharged Cycle</b>	AHAM Aiiman Global Multi Thematic RHB i-Global Sustainable Future Tech TA Global Technology	Principal Global Technology Principal Islamic Global Technology Principal US High Conviction
<b>Balanced Expansion</b>	AHAM WS Global Balanced Maybank Global Mixed Assets-i Maybank Global Sustainable Equity-I Principal Global Titans TA Global Select Equity United-i Global Balanced	AmFunds Global Dividend AmFunds Income & Growth
<b>Emerging Marvels</b>	Maybank AsiaPac Ex-Japan Equity-I Principal Asia Pac Dynamic Income Principal Greater China Equity Principal Islamic Asia Pac Dynamic Eq RHB Shariah China Focus	Hong Kong Tech MAMG Systematic AsiaPac Eq Abs Ret
<b>Malaysia's Quantum Leap</b>	AHAM Select Balanced AHAM Select Opportunity Eastspring Investments Equity Income	
<b>Alternative Yields</b>	AmFunds Global Properties Equities Manulife Shariah Global REITs	RHB Global Equity Premium Income
<b>Build Immunity</b>	AHAM WS Income AmBond AmBon Islam AmDynamic Bond TA Total Return Income United Golden Opportunity	Precious Metals Securities

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 September 2024**

**Top 5 Best Performing Funds YTD 2024**

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AHAM Select Opportunity Fund	Equity - Malaysia	Retail	20.7	33.2	7.6
New China Sectors Index RM	Equity - China	Wholesale	19.1	-12.1	0.0
New China Sectors Index RM Hdg	Equity - China	Wholesale	14.7	-18.6	0.0
RHB Emerging Opportunity Unit Trust	Equity - Malaysia	Retail	20.4	33.8	5.9
TA Global Technology MYR	Equity - Global	Retail	19.8	38.9	11.8

**Top 5 Worst Performing Funds YTD 2024**

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AHAM Wld Ser Glb Dsrpt InnovtMYRH	Equity - Global	Wholesale	-16.0	6.0	-27.7
AmAsia Pacific Leisure Div	Equity - Asia Pacific ex Japan	Retail	-9.7	-8.7	-0.9
AmPRS - Islamic Fixed Income D	Fixed Income - Malaysia	Retail	-41.0	-61.3	-43.6
AmPRS - Islamic Fixed Income I	Fixed Income - Malaysia	Retail	-41.0	-61.2	-43.5
RHB Asia Consumer	Equity - Asia Pac ex Japan	Retail	-16.0	-25.0	2.0

Source: Lipper fund performance as at 31 August 2024, 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

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