



IN SEARCH OF RESILIENT INCOME

Global growth is gradually picking up with the re-opening of economies. Still, the fears of re-surging infections will hamper the pace of recovery in the absence of an effective vaccine or treatment. Escalating geopolitical tensions only serve to complicate matters. In light of this, there remains a need for aggressive monetary and fiscal stimulus to support the economy.

HUNT FOR YIELD REMAINS RELEVANT

Under this backdrop, interest rates will likely stay low for longer. Investors will continue to hunt for yield although the search for resilient income is becoming ever more challenging. Nevertheless, we continue to see selected opportunities, including in the fixed income universe, that offer reasonably attractive risk reward.

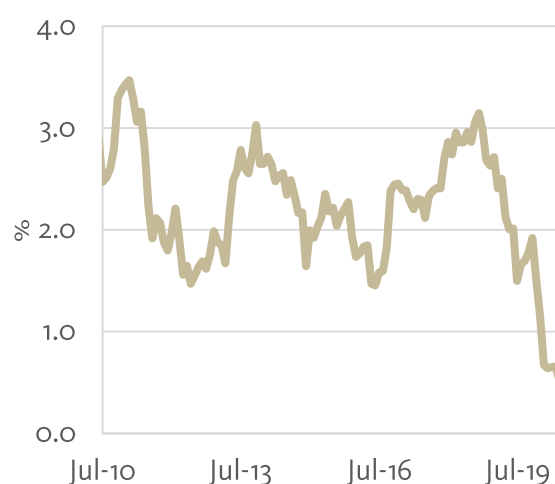
With U.S. Treasury yields trading at historical low levels, we prefer Investment Grade (IG) credits in both Developed Markets (DM) and Asia for the yield pick-up. Notably, DM IG bonds will be supported by a slowdown in supply, strong retail inflows and the policy backstop. Similarly, while Asian IG credits have witnessed tightening spreads, they are still trading at undemanding valuations and should also continue to provide resilient returns.

In comparison, the High Yield (HY) sector remains fragile and is faced with higher level of default risks. Nevertheless, we are more sanguine towards Asian HY credits, including select Chinese property issuers, that are offering attractive carry and have stronger fundamentals than many of their HY peers.

DIVERSIFY TO BUILD RESILIENCE

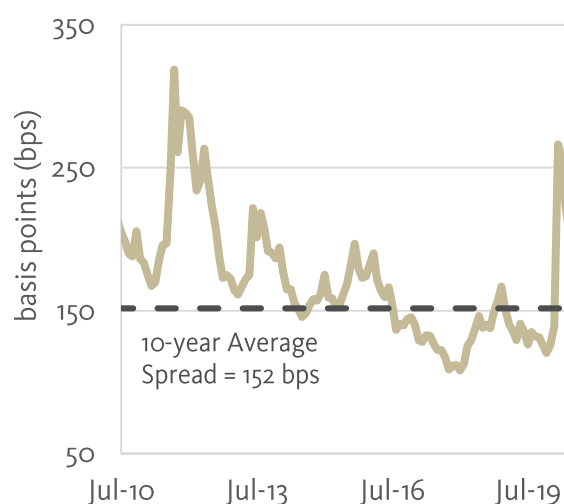
Given the ongoing macro uncertainties, it will be prudent to maintain a diversified portfolio of fixed income securities to manage the downside risks. This could be achieved through proper due diligence and selection of corporate credits, either by oneself or through a investment manager with a proven process and track record. By doing so, investors could increase the likelihood of generating resilient income, which will add to the stability of overall portfolio returns.

U.S. 10Y Treasury yield at historical lows



Source: Bloomberg | 31 July 2020

Asia IG credits spreads are still attractive



Source: Bloomberg | 31 July 2020

Disclaimer

This advertisement has not been reviewed by the Monetary Authority of Singapore.

This report is for information purposes only and under no circumstances is it or any part of it to be considered or intended as an offer to sell or a solicitation of an offer to buy any of the financial or investment products referred to herein (each, a “Product”, and collectively, “Products”), or an offer or solicitation to any person to enter into any transaction or adopt any investment strategy or enter into any legal relations, or an advice or a recommendation with respect to such Products.

Investors should note that income from such Products, if any, may fluctuate and that each Product’s price or value may rise or fall. Accordingly, investors may receive back less than what they have originally invested or they may also not receive back anything at all from what they have originally invested. **All investments involve an element of risk, including capital and principal loss. Past performance is not necessarily a guide to or an indication of future performance.**

This report is prepared for general circulation. It is not intended to provide personal investment advice and does not take into account the specific investment objectives, financial situation and particular needs of any particular recipient or reader and thus should be read with this in mind. An investor should therefore independently and separately evaluate and assess each Product and consider the suitability of the same and the risks involved or the investment strategies discussed or illustrated in this report, taking into account the investor’s specific investment objectives, financial situation, risk tolerance and particular needs, and seek independent financial, audit, tax, legal and/or other professional advice as necessary, before dealing, transacting and/or investing in any of the Products mentioned in this report or communicated to the investor as a follow-up to this report. All investments will be made solely upon and in reliance on the investor’s own judgment and discretion, notwithstanding any opinion, commentary or recommendation in this report, Maybank or its Relationship Managers may provide. Unless expressly agreed otherwise, Maybank offers no investment, financial, legal, tax or any other type of advice to recipients or readers of this report. Maybank has no fiduciary duty towards any such recipients and readers, and makes no representation and gives no warranty as to the results to be obtained from any investment, strategy or transaction, or as to whether any strategy, security or transaction described herein may be suitable for the financial needs, circumstances or requirements of the recipients and readers.

Some of the information herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank and consequently no representation and/or warranty is made by Maybank as to the accuracy or completeness of this report for any particular purpose and it should not be relied upon as such. Maybank may have issued other documents, investment proposals, reports, analyses or emails expressing views different from the contents hereof and all views expressed in such documents, investment proposals, reports, analyses and emails are subject to change without notice. The information or opinions or recommendations contained herein are subject to change at any time without prior notice. Accordingly, to the maximum extent permitted by applicable laws and regulations, Maybank and its officers, directors, associates, agents, connected parties and/or employees shall not be liable for any error or omission contained in this report or for any direct, indirect, special or consequential losses or damages that may arise from the use of, reliance on or any action taken in connection with this report. Maybank and its officers, directors, associates, connected parties and/or employees, including persons involved in the preparation or issuance of this report, may from time to time have positions or be materially interested in the Products referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such Products and may also perform or seek to perform investment banking, advisory or other services in relation thereto. One or more directors, officers and/or employees of Maybank may be a director of any of the corporations of the Products mentioned in this report to the extent permitted by law. Accordingly, Maybank may have a conflict of interest that could affect the objectivity of this report.

Disclaimer

This report may contain information such as valuation, performance, yield or the like, derived from a variety of valuation metrics, all of which may change at any time without notice and investors are cautioned not to place undue reliance on such information. This report may also contain forward looking statements which are often but not always identified by the use of words such as “anticipate”, “believe”, “estimate”, “intend”, “plan”, “expect”, “forecast”, “predict” and “project” and statements that an event or result “may”, “will”, “can”, “should”, “could” or “might” occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made by and/or information currently available to Maybank and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue reliance on these forward looking statements. This report is current as at the date of its publication and Maybank expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events. This report may also contain charts, diagrams or graphs, including sample portfolio overview, which may differ or vary from the actual charts, diagrams or graphs, including any portfolio overview, which an investor may receive separately.

In this report, references to “Maybank” mean Maybank Singapore Limited and/or its affiliates and related corporations. The information herein and the contents of this report remain the intellectual property of Maybank. The contents of this report are confidential and its circulation and use are restricted. This report is prepared for the use of Maybank’s clients and/or prospective clients and may not be reproduced, altered in any way, copied, published, circulated, distributed or transmitted to any other party in whole or in part in any form or manner or by any means (including electronically, photocopying, recording or via any information storage and retrieval system) without the prior express written consent of Maybank. Maybank and its officers, directors, associates, agents, connected parties and/or employees accept no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who/which is a citizen or resident of or is located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or where Maybank may become subject to new or additional legal or regulatory requirements. The Products described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers or warnings may apply based on the geographical location of the recipient of this report.

Prohibition of sales to EEA Investors: Effective 1st January 2018, Maybank Singapore Limited prohibits any offer and/or sale of any investment products (“PRIIPs”) to investors in the European Economic Area (“EEA”), in accordance with the guidelines made to Regulation (EU) No 1286/2014. The EEA region includes the following countries: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, UK, Iceland, Liechtenstein Norway and Switzerland.

Maybank Singapore Limited (UEN: 201804195C)