Maybank Investment Strategy

December 2024

Market Recap

- U.S. equities soared to record highs in November after Donald Trump won the U.S. presidential election with the Republicans regaining control of the Congress. In contrast, other major markets witnessed lacklustre returns. Singapore bucked the trend though amid strength in the banking stocks.

- Bonds eked out a small gain for the month despite the choppy U.S. Treasury (UST) yields. Notably, the 10-year UST yield touched 4.5% before retreating to end below 4.2%. Both Investment Grade (IG) and High Yield (HY) credits also delivered positive returns with credit spreads remaining tight.

- Gold witnessed the worst month in more than a year amid a stronger dollar post the U.S. election. Meanwhile, oil prices retreated as supply risks eased in the Middle East.

Macro Outlook and Investment Strategy

- The robust growth momentum, particularly in the U.S., should lend support to the markets. However, the upcoming Federal Reserve (Fed) meeting may trigger some near-term volatility if the central bank were to be more hawkish than expected. Hence, we would maintain a well-diversified portfolio despite the constructive outlook.

- We maintain our overweight on U.S. equities with a focus on not only mega-cap names but also other sectors including banks and industrials. We also reiterate our constructive view on Asia ex-Japan, with India and Indonesia likely more shielded from trade uncertainty given their domestic-oriented economies. All eyes will also be on China's Central Economic Work Conference (CEWC) to see if policymakers will spring a positive surprise.

- As for fixed Income, we retain our positive stance on U.S. Treasuries but turn neutral on Developed Market (DM) IG bonds given the tight credit spreads. Nevertheless, we would maintain exposure in quality credits for stable carry income.

- With gold pulling back from record highs, we see an entry opportunity to add exposure to the precious metal. We maintain our view that gold prices could move towards USD 2,800/ounce within the next 12 months on the back of lower rates and sustained demand from global central banks.

Tactical Asset Allocation

Asset Class *		Segment*	
Equity	+	U.S.	+
		Europe	=
		Japan	-
		Asia ex-Japan	+
Fixed Income	+	Sovereigns	+
		Developed Market (DM) Investment Grade (IG)	=
		Developed Market High Yield (HY)	=
		Emerging Market (EM) Asia	=
Hedge Funds	=		
Gold	+		
Cash	-		

* Overweight : +, Neutral : =, Underweight : -
Source: Maybank Group Wealth Management (GWM)

Asset Class	Changes to date (in USD currency)		
	1M	3M	YTD
MSCI AC World	3.8%	3.9%	20.8%
MSCI USA	6.3%	7.7%	28.3%
MSCI Europe	-1.7%	-7.1%	5.0%
MSCI Japan	0.7%	-3.7%	9.0%
MSCI Asia ex-Japan	-3.3%	0.2%	12.3%
China	-4.4%	11.4%	16.5%
Hong Kong	-3.6%	6.1%	0.6%
Taiwan	-4.5%	0.6%	29.4%
South Korea	-5.7%	-15.4%	-17.1%
India	-0.4%	-6.0%	15.7%
Singapore	8.0%	13.0%	33.9%
Malaysia	-1.4%	-5.4%	17.5%
Indonesia	-7.9%	-11.4%	-8.9%
Thailand	-4.5%	2.4%	3.7%
Philippines	-8.1%	-8.4%	0.5%
BBG Multiverse	0.3%	-1.2%	0.8%
BBG U.S. Treasury	0.8%	-0.4%	2.2%
BBG Global IG	0.5%	-0.5%	2.8%
BBG Global HY	0.8%	2.1%	9.8%
BBG EM Asia	0.5%	0.7%	6.2%
BBG EM Asia IG	0.6%	0.5%	4.8%
BBG EM Asia HY	-0.2%	2.3%	14.3%
Gold	-3.7%	5.6%	28.1%
WTI Crude	-1.8%	-7.5%	-5.1%
Dollar Index (DXY)	1.7%	4.0%	4.3%

Source: Bloomberg (BBG) | 30 November 2024

Fixed Income Strategy

- The U.S. elections dominated the headlines in November. Notably, the return of Donald Trump to the White House has cast doubts on the interest rates trajectory with his plans to raise trade tariffs, curb immigration, and cut taxes, which are all deemed to be inflationary.

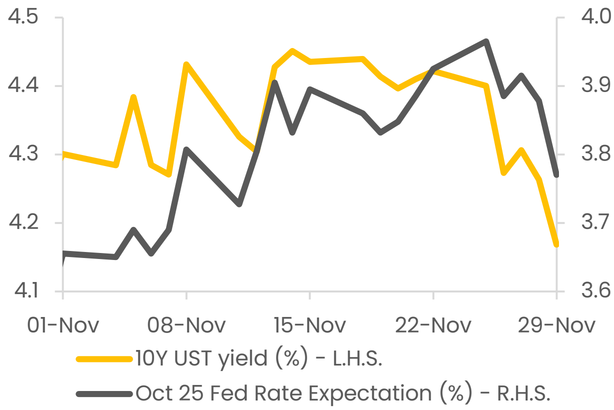
- On the monetary policy front, the Fed unanimously lowered policy rates by 25 basis points (bps) to 4.50 – 4.75% in November as expected. However, Fed Chair Powell subsequently commented that there is no need to "hurry" rate cuts as the U.S. economy is still strong. While our base case is for the Fed to cut rates by another 25 bps in December, there is a possibility that the Fed may choose to pause in this meeting. In addition, we now only expect the Fed to cut rates by 75 bps (versus 125 bps previously) in 2025.

- Although the Fed will likely ease more gradually, policy rates are still projected to trend lower, helping to put a lid on longer-end yields. Hence, we retain our overweight stance on U.S. Treasuries even though the 10-year UST yield may remain range-bound for now. Duration-wise, we remain comfortable with bond maturities between 5 and 10 years but would caution against over extending the tenor amidst heightened rates volatility. Meanwhile, we neutralise our positive stance on DM IG bonds as credit spreads have dipped well below historical averages. Investors may also be profit-taking towards the year-end, thus capping the price upside. Still, there are opportunities to secure stable carry through quality credits in both IG and HY bonds.

- Segments-wise, we retain our preference for the bank bonds over the corporates from a spread valuation perspective in Europe. In addition to the European bank bonds, we also see opportunities in Australian banks, particularly the Additional Tier-1 (AT1) bonds. With the Australian Prudential Regulation Authority's recent proposal to phase-out the use of AT1 instruments from Australian banks' capital structure, the existing AT1s will likely benefit from potential spread compression due to the scarcity value.

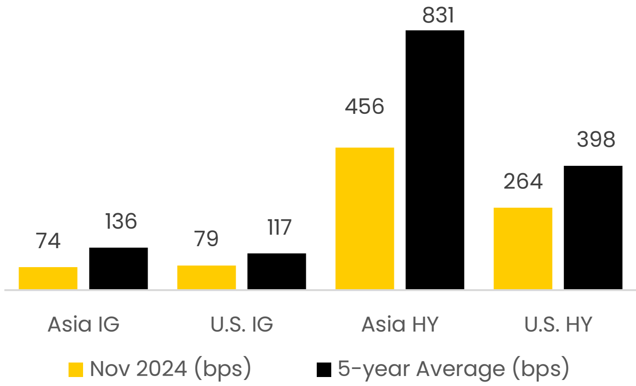
- Closer to home, Asia credit fundamentals are expected to stay resilient and valuations will likely be supported by the favourable demand-supply dynamics. Notably, we remain constructive on the utilities, telecommunications and Macau gaming sectors. Nevertheless, Trump's planned tariff hikes may affect export-oriented issuers in the region including the technology hardware firms. We would also avoid new issues that are priced too tightly.

Figure 1: 10-year UST yields were choppy amidst shifting Fed rate expectations



Source: Bloomberg | 30 November 2024

Figure 2: Credit spreads remained below historical averages for both IG and HY bonds



Source: Bloomberg | 30 November 2024

Equity Strategy

- The S&P 500 posted another month of solid gains and is now up 27% year-to-date. Investors ratcheted up their U.S. growth optimism after the Republican Sweep in the recent election. We see earnings upside risks if the new Trump administration were to implement the proposed reduction in corporate tax rate to 15%. U.S. market leadership is likely to be prolonged. While the mega-cap technology names will likely continue to perform well, other sectors including banks, industrials and defense could also be of interest. In contrast, we are cautious on the healthcare sector amid potential regulatory risks for the pharmaceutical companies.

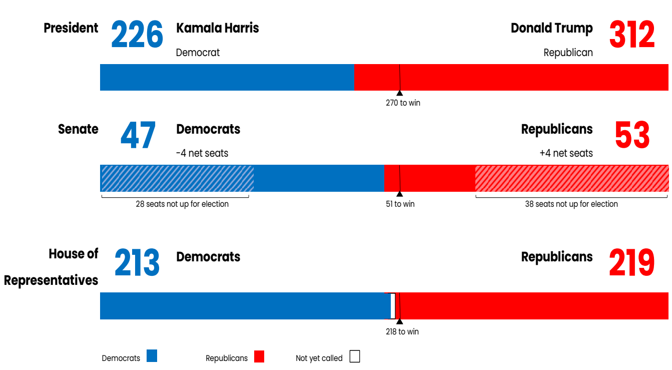
- Trump's resounding victory and the political headwinds in Europe have led to an increase in risk premia across euro area assets. Policy support is increasingly critical and we believe the European Central Bank will be pressured to cut rates in December to cushion the downside risks. Meanwhile, we prefer to seek shelter in defensive dividend plays in banking and telecommunication sectors.

- Japan remains as our least preferred market as we see earnings downside risk amid the Bank of Japan's (BOJ) tightening bias. Notably, Tokyo's core consumer price index (CPI) inflation rose 2.2% in November from a year earlier, staying above the BOJ's 2% target. As the central bank normalises its policy to combat inflation, the process may lead to sustained volatility in Japanese Yen (JPY) and weigh on market sentiment, particularly the exporters. In contrast, domestic-oriented sectors such as financials and telecommunications could be relatively more resilient.

- Sentiments on India have been dragged down due to the U.S. allegation on Adani Group amidst a cyclical slowdown. However, we see this as an opportunity to add exposure with structural positives remaining intact. Consumption and government spending will also likely pick up after the soft patch. In addition, we stay constructive on ASEAN, notably Indonesia, Malaysia and Singapore, driven by their supportive economic policies and robust corporate earnings outlook.

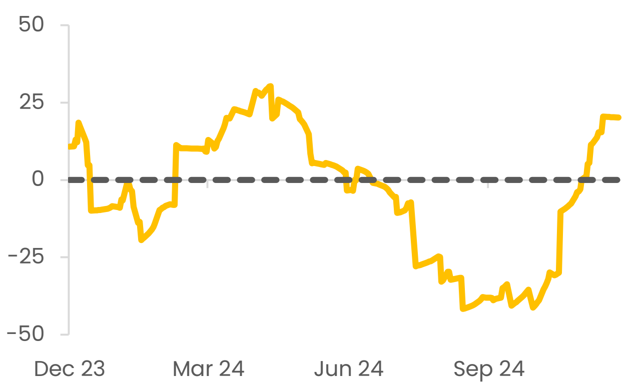
- Hopes for China's economic turnaround have somewhat diminished after U.S. President-elect Trump vowed additional tariffs on China goods. Still, we believe China's policymakers are aware of the economic risks and may look to strengthen its policy response to mitigate the potential negatives from the higher tariffs. Sectors-wise, we favour the internet plays that could benefit from domestic consumption-related stimulus measures, as well as the banks and telecommunication stocks for their attractive dividend yields.

Figure 3: Donald Trump and the Republican Party won the U.S. elections in 2024



Source: Maybank GWM I 30 November 2024

Figure 4: China's Economic Surprise Index has plateaued since beginning November



Source: Bloomberg | 30 November 2024

Disclaimer

This advertisement has not been reviewed by the Monetary Authority of Singapore or by the relevant authorities in Malaysia and Hong Kong.

This report is for information purposes only and under no circumstances is it or any part of it to be considered or intended as nor constitutes or forms the basis of an offer to sell or a solicitation of an offer to buy any of the securities, financial instruments 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 invitation to subscribe to any Products or an advice or a recommendation with respect to such Products. To the extent that any transaction is subsequently entered into between a recipient and Maybank, such transaction shall be entered into upon such terms as may be agreed by the parties in the relevant documentation.

Investments in collective investment schemes ("Fund(s)") are not obligations of, deposits in, or guaranteed by the distributors or any of their affiliates. Investors should read the Prospectus, obtainable from Maybank, before deciding whether to subscribe for units in the Fund(s). All applications for units in the Fund(s) must be made on the application forms accompanying the Prospectus.

Investors should note that income from and/or values of such Products, if any, may fluctuate and that each Product's price or value may rise or fall depending on market conditions. 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 (i.e. loss of the entire sum 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. Any scenarios, assumptions, historical or simulated performances, indicative prices or examples of potential transactions or returns are for illustrative purposes only.

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. Before acting on the information, an investor should therefore independently and separately evaluate and assess each Product and consider the suitability of the Product, the appropriateness of investing in the Product 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 this report, Maybank or its Relationship Managers/Client Advisors/Personal Financial Advisors and/or its other employees 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.

Disclaimer

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 as to the accuracy or completeness of this report for any particular purpose by Maybank 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 all 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. 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.

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. Investors 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 Malayan Banking Berhad, Maybank Singapore Limited and/or its/their subsidiaries, affiliates and related corporations[1] worldwide. 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 and shall not be liable or responsible for any losses, costs or damages including costs on a solicitor-client basis suffered or incurred by the investor that may arise from the use of, reliance on or any action taken in connection with this report.

[1]As a prospect or client of Maybank Singapore Limited, no other Maybank affiliate or related corporation will be involved in your relationship with Maybank Singapore Limited.

Disclaimer

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 the United States, Canada as well as 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.

In the same regard, services rendered by Maybank in connection with the Products referred to herein will not be performed in any jurisdiction where Maybank is not licensed or authorised to provide such services or may become subject to new or additional legal or regulatory requirements.

Note to recipients and investors in Singapore –

Maybank Singapore Limited is regulated only by the Monetary Authority of Singapore and no other regulatory or supervisory body.

For collective investment schemes which are included in the CPF investment scheme: An investor using CPF funds for investment should make reference to the CPF website or seek clarification from an appointed representative for the legislated annual interest rates on the Ordinary and Special Accounts in order to make an informed decision.

For collective investment schemes with dividend payouts: Actual dividend payment amounts of the Funds may be higher or lower than the potential dividend depending on market conditions. The actual dividend payment may be zero. Investors should note that dividend payments are not guaranteed and there is no guarantee that the potential dividend level can be achieved in any quarter or any dividend payments will be made.

Prohibition of sales to European Economic Area ("EEA") Investors: Effective 1st January 2018, Maybank Singapore Limited prohibits any offer and/or sale of any Packaged Retail and Insurance Based Investment Products ("PRIIPS") to investors in the 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, Iceland, Liechtenstein and Norway.

Prohibition of sales to the United Kingdom and Switzerland Investors: Subject to the same or similar PRIIPS regulations.

Note to recipients and investors in Hong Kong –

This document is prepared and distributed in Hong Kong by Malayan Banking Berhad, a company incorporated in Malaysia with limited liability and acting through its Hong Kong Branch. It is registered as a Licensed Bank under the Banking Ordinance and regulated by the Hong Kong Monetary Authority. It is also registered with the Hong Kong Securities and Futures Commission to carry on the regulated activities of dealing in securities (Type 1) and advising on securities (Type 4) in Hong Kong.

Disclaimer

Note to recipients and investors in Malaysia –

In Malaysia, the purchase, sale or subscription of investment products is subject to governmental consent, regulatory approval or other formalities. This report is distributed in Malaysia solely for the benefit of and for the exclusive use of Maybank's clients and is not intended for public circulation and/or distribution.

By receiving this report and continuing to retain the same, the recipient is deemed to represent and warrant to Maybank that the disclaimers set out above are acknowledged and understood, and this report will not be relied upon and/or used in any manner not expressly authorised.

Maybank Singapore Limited (UEN: 201804195C)

Malayan Banking Berhad, Hong Kong Branch (Incorporated in Malaysia with limited liability) (Company Number: F000679)

Malayan Banking Berhad (196001000142 (3813-K))