

EDITORIAL



Risk assets are ending 2024 on a positive note, driven by a resilient global economy despite the shifting macro expectations as well as geopolitical uncertainty throughout the year. Strong corporate performance and technological innovation have helped offset these broader challenges, creating opportunities for growth.

While global growth is expected to moderate in 2025, the macro outlook remains supportive of risk assets. We continue to see significant opportunities emerging in the digital economy, particularly with the rapid expansion of artificial intelligence (AI)-driven business models that are creating a vibrant ecosystem for growth. Meanwhile, the continued focus on achieving sustainability and carbon-neutrality will continue to bring about innovation and investment opportunities.

Nevertheless, policy and geopolitical uncertainties remain. In particular, U.S. policies under President-elect Trump, who is returning to office in 2025, are expected to have significant global implications, influencing international markets and trade relationships. For discerning investors, navigating these changes will require a blend of cautious optimism and strategic foresight.

Staying informed and adaptable will be key to thriving in the ever-changing investment landscape.

At Maybank, we pride ourselves on the long-term relationships forged with our clients. As a trusted partner, we strive to keep clients engaged through differentiated services and solutions that speak to their needs. An example is our Maybank Alpha Capital & Income Opportunities fund – a multiasset solution launched in collaboration with Fidelity International – which aims to help clients achieve optimised portfolio returns over time. We also continue to emphasise the use of technology and online digital tools to offer better access and personalised solutions for our clients. In addition, we endeavour to pass on knowledge to our clients' next generation so that they can be in a better position to manage and preserve the family's legacy and inheritance.

As we approach 2025, the lunar year of the Snake, investors will do well to reflect on the zodiac sign's traits of wisdom, intuition and adaptability. While challenges remain, having the insight to identify opportunities and the flexibility to adapt to changes will be essential for building portfolio resilience and achieving success.

We hope our investment insights will empower you to navigate tomorrow's markets today. As always, staying informed and adaptable will be key to thriving in the ever-changing investment landscape.

On behalf of everyone at Maybank Group Wealth Management, we wish you a healthy and prosperous year ahead!

Alice Tan

Head, Group Wealth Management

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MACROECONOMIC OUTLOOK AND INVESTMENT STRATEGY



MACROECONOMIC OUTLOOK

KEY HIGHLIGHTS



Trump 2.0 will intensify the trade and technology war with China



China will unveil more stimulus to backstop growth and cushion the impact from tariffs



Key risks include Trump's trade policies, persistent core inflation and geopolitical uncertainties

The 2025 economic outlook is clouded by Trump's second term, his policy shifts, and the radical overhaul of the U.S. government. Trump will likely prioritise the purging of the "deep state" from the arms of government; deporting illegal immigrants; firing the opening salvo on imports tariffs on Mexico, Canada and China; and rolling back Biden's executive orders, including the liquefied natural gas (LNG) export ban and prohibitions of drilling. Trump's threat of a 10-20% blanket tariffs on the rest of the world cannot be justified via Section 301, which is more country-specific, and may not be on his immediate agenda. With control of both the House and Senate, Trump can extend the expiring Trump 1.0 income tax cuts but probably only for a temporary period, given the already high fiscal deficits. Large corporate tax cuts will be challenging to get through the House, as his control of the Senate falls short of the 60 "filibuster" votes.

Global growth will likely moderate to about 2.9% in 2025 from 3.2% in 2024, weighed down by the U.S. policy uncertainty and an intensification of the U.S.-China trade war. The GDP growth in both the U.S. and China is expected to slow in 2025.

Notably, Chinese authorities are expected to ramp up more fiscal support to cushion the impact of Trump's trade measures. The stimulus measures will likely benefit services and consumers more than commodities or new property projects. At the same time, China will be guarded in its retaliation against the U.S. and will not risk escalating the trade war.

We expect the Federal Reserve (Fed) to continue easing in 2025, but the rate cuts will likely be more calibrated and shallow. The U.S. core inflation may hover above the 2% target given Trump's inflationary policies, including tariff hikes, financial deregulation and immigration curbs. We expect the central bank to cut the fed funds rate to 3.50 – 3.75% by end-2025. Other major central banks may cut interest rates to a greater degree than the Fed in 2025, including the European Central Bank (ECB) and Bank of England (BOE) with each expected to cut 100 basis points (bps). In Asia, we expect the central banks in China, Indonesia, Singapore and the Philippines to ease their monetary policies, while Malaysia, Thailand and Vietnam will likely keep their policy rates unchanged. Currency pressure and volatility will reduce the room for steep rate cuts.

REAL GDP FORECAST (%)	2023	2024E	2025E
WORLD	3.3	3.2	2.9
U.S.	2.9	2.8	2.0
EUROZONE	0.4	0.8	1.2
JAPAN	1.7	0.1	1.0
CHINA	5.2	4.8	4.5
ASEAN-6*	4.0	4.8	4.7

INFLATION FORECAST (%)	2023	2024E	2025E
WORLD	6.7	5.2	4.0
U.S.	4.1	3.0	2.8
EUROZONE	5.4	2.4	2.0
JAPAN	3.3	2.5	2.0
CHINA	0.2	0.3	1.4
ASEAN-6*	3.6	2.3	2.5

RATES FORECAST (%)	2023	2024E	1Q25E	2Q25E	3Q25E	4Q25E
FED FUNDS TARGET (UPPER BAND)	5.50	4.50	4.00	3.75	3.75	3.75
FED FUNDS TARGET (LOWER BAND)	5.25	4.25	3.75	3.50	3.50	3.50
ECB DEPOSIT RATE	4.00	3.00	2.50	2.25	2.00	2.00
BOE BANK RATE	5.25	4.75	4.25	4.00	3.75	3.75
BOJ TARGET RATE	-0.10	0.50	0.50	0.75	0.75	1.00

^{*}ASEAN-6 refers to Indonesia, Malaysia, Singapore, Thailand, the Philippines and Vietnam

Source: Maybank IBG Research | November 2024

We are mindful of both upside and downside risks to global growth, depending on how Trump plays his cards, and other countries negotiate and respond.

First, Trump's "Make America Great Again" (MAGA) policies are inherently pro-U.S. growth and inflationary. Financial deregulation, tax cuts and reversing Biden's energy ban may spur U.S. growth and investment. Raising import tariffs, curbing immigration and widening the fiscal deficit is however inflationary. All of these will likely keep the U.S. core inflation above 2% and restrain the Fed from easing aggressively. The U.S. dollar will likely remain well-supported, particularly in the first half of 2025, on elevated interest rates and its exceptional privilege as a reserve currency, despite its overvaluation and mounting U.S. fiscal debt.

The U.S. economy appears headed for a "soft landing" given Trump's pro-growth policies and the Fed's monetary easing. Still, a tighter labour market with immigration curbs, and unemployment rates already near their lows, suggest that the U.S. economy will grow at a slower 2% in 2025 due to supply-side constraints.

Second, Trump's trade policies on China and the rest of the world will have a major bearing on global trade and foreign direct investment flows. As Trump will likely target China first, we expect manufacturing supply chains to continue shifting to alternative locations, including Southeast Asia. Multi-national corporations (MNCs) will look to diversify and manage their risks in the event of a full-blown 60% tariff on China imports. Vietnam and Malaysia have been the major beneficiaries from the reconfiguration of supply chains, but this could broaden to Thailand and the Philippines, if the U.S.-China trade war were to escalate. Vietnam, however, looks vulnerable as a Trump target for tariffs, as her bilateral trade surplus with the U.S. has ballooned to over USD 100 billion.

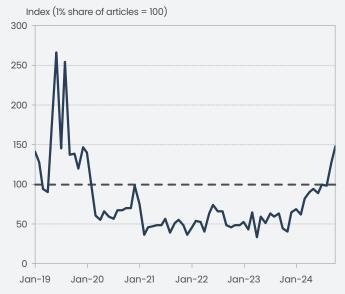
Third, China will unveil more monetary and fiscal stimulus to backstop growth and cushion the impact of Trump's tariffs. We expect China to increase the augmented fiscal deficit to above 5.5% of GDP in 2025, but the fiscal stimulus will not be aggressive enough to stop growth from slowing. The real estate overhang will continue to weigh on private investment. We forecast China's GDP growth slowing to 4.5% in 2025 from 4.8% in 2024. Notably, China's import demand has been muted since the reopening and remains weak even after the recent stimulus measures.

Fourth, ASEAN's growth is expected to remain resilient in 2025 even as the U.S.-China trade war intensifies. The threat of blanket tariffs cannot be pushed through as swiftly and will require the U.S. Congressional approval. Meanwhile, the recovery in global electronics demand is expected to continue on the back of the technology (tech) refresh cycle and rollout of AI-enabled devices. Data centre is a new growth catalyst, which is driving construction and drawing in investments from large tech giants. MNCs demand and national renewable energy targets are also spurring investments and cross-border trade in renewable energy. Tourism will continue to recover as flight capacity is gradually restored. ASEAN is looking to increase intra-regional trade and special zones to combine their relative strengths. Notably, the Johor-Singapore Special Economic Zone is one such regional arrangement.

Key risks cast a long shadow over the global economy. Stubbornly persistent core inflation could paralyse the Fed and other central banks from easing despite slowing growth. Trump's MAGA policies may trigger destabilising political dynamics with unintended consequences. High U.S. tariffs may divert China's excess capacity and supply to the rest of the world, producing a large deflationary shock. America's withdrawal of support from Ukraine, deportation of illegal immigrants and reversal of Biden's renewables policies are already opening up new unknowns and triggering global shockwaves. Brace for a more volatile year.

GLOBAL GROWTH EXPECTED TO SLOW AMID TRADE TENSIONS

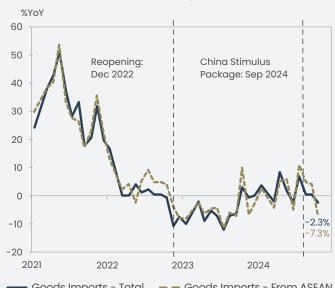
Trade Policy Uncertainty Index



Source: Policyuncertainty.com | 30 November 2024

CHINA'S GOODS IMPORT RECOVERY STILL WEAK **DESPITE A SLEW OF STIMULUS MEASURES**

China's Goods Import Growth



Goods Imports - Total
 Goods Imports - From ASEAN

Sources: CEIC, Maybank IBG Research | November 2024

INVESTMENT STRATEGY

KEY HIGHLIGHTS



Macroeconomic landscape remains supportive of risk assets



Ride on the U.S. equity momentum; Secure stable carry from bonds



Maintain diversification to mitigate downside risks

2024 has turned out to be a good year for the markets. As we move into 2025, the global economy is expected to witness resilient growth, thus providing a solid foundation for investment opportunities. Additionally, while the disinflationary process may experience some fluctuations, the overarching trend points towards continued monetary easing across major central banks. The combination of stable economic growth and accommodative monetary policy should create a favourable backdrop for risk assets.

Ride on the U.S. equity momentum

U.S. market leadership is likely to persist, driven by robust earnings growth that will underpin returns despite the current rich valuations in the market. With the mega-cap tech stocks accounting for a significant portion of the S&P 500, we expect their strong cash flows and resilient growth prospects to lend support to the broader market.

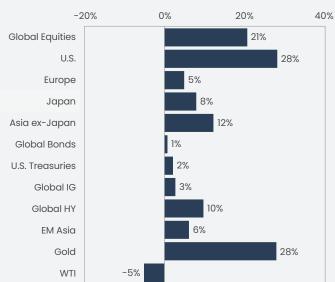
Beyond the mega-caps, there are also pockets of opportunities in other high-quality companies at a reasonable valuation. In particular, the new Trump administration is expected to implement tax cuts and deregulation that will be positive for corporate earnings. Potential sector beneficiaries include financials and industrials.

Seek resilience in Asia

No doubt, the new Trump administration will likely be more positive for the U.S. than the rest of the world. While Trump's trade policies may pose risk to Asia, domestic-oriented economies such as India and Indonesia should be better positioned to withstand the external uncertainties. The anticipated resilience in ASEAN's growth should also lend support to related markets in the region.

Separately, China's evolving policy landscape remains as a wildcard. Nevertheless, the recent slew of support measures could provide a backstop for the country's growth and hence market valuation. As China navigates its economic challenges, its policies may indirectly benefit neighbouring economies through increased trade and investment opportunities.

TOTAL USD RETURNS OF MAJOR ASSET CLASSES (YEAR-TO-DATE AS OF 30 NOVEMBER 2024)



*Global Equities = MSCI All-Country (AC) World Index; Global Bonds = Bloomberg Multiverse; WTI = West Texas Intermediate

Source: Bloomberg | November 2024

TACTICAL ASSET ALLOCATION

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

^{**}Overweight: +, Neutral: =, Underweight: -

Source: Maybank GWM | December 2024

Fixed income for stable carry returns

With central banks expected to lower rates, the environment is supportive of fixed income investments. However, we expect carry to be the primary driver of returns, given the lingering inflation and interest rate uncertainties. Notably, quality credits are expected to provide stable carry returns amid the contained risk of recession and default, making them an attractive choice for investors seeking reliable income. By focusing on higher-quality bonds, investors can benefit from the additional yield pick up over risk-free rates without significantly increasing exposure to credit risk. Durationwise, investors can consider Investment Grade (IG) bonds with bond tenor of between 5-10 years. However, we would suggest to focus on shorter-dated bonds in the High Yield (HY) segment.

The world is not without risks

Despite the constructive outlook, investors continue to face a complex landscape marked by several key risks. Trade tensions continue to escalate, particularly between major economies, leading to uncertainty in global supply chains. As countries increasingly prioritise domestic industries over international trade, it can hinder economic growth and limit investment opportunities. In addition, geopolitical uncertainties, including conflicts and shifting alliances, add another layer of complexity, potentially leading to market volatility and impacting investor sentiment.

The increasingly polarised world could prolong the disinflation process, leading to higher than expected inflation and consequently, interest rates. Meanwhile, rising fiscal deficits across major economies may trigger another rate tantrum and sell-off in risk assets, especially if bond vigilantes were to reduce their government bonds in response to fiscal policies they deem to be irresponsible. Navigating these intertwined risks will require a strategic approach, emphasising diversification and the inclusion of assets that can withstand economic fluctuations.

Diversification is the only free lunch

As Nobel Laureate Harry Markowitz once said, "Diversification is the only free lunch" in investing. While a diversified portfolio may deliver lower returns than a concentrated portfolio in the short term, it could lead to better risk-adjusted returns over a longer period of time. Hence, maintaining a "core" diversified portfolio remains essential for optimising returns over time. A well-balanced portfolio that includes equities and fixed income, as well as gold, can help mitigate risks while capitalising on growth opportunities across different regions and sectors. For some investors, this may even include increasing exposure to alternative assets such as hedge funds and private assets, which can provide less correlated returns compared to traditional equities and bonds.

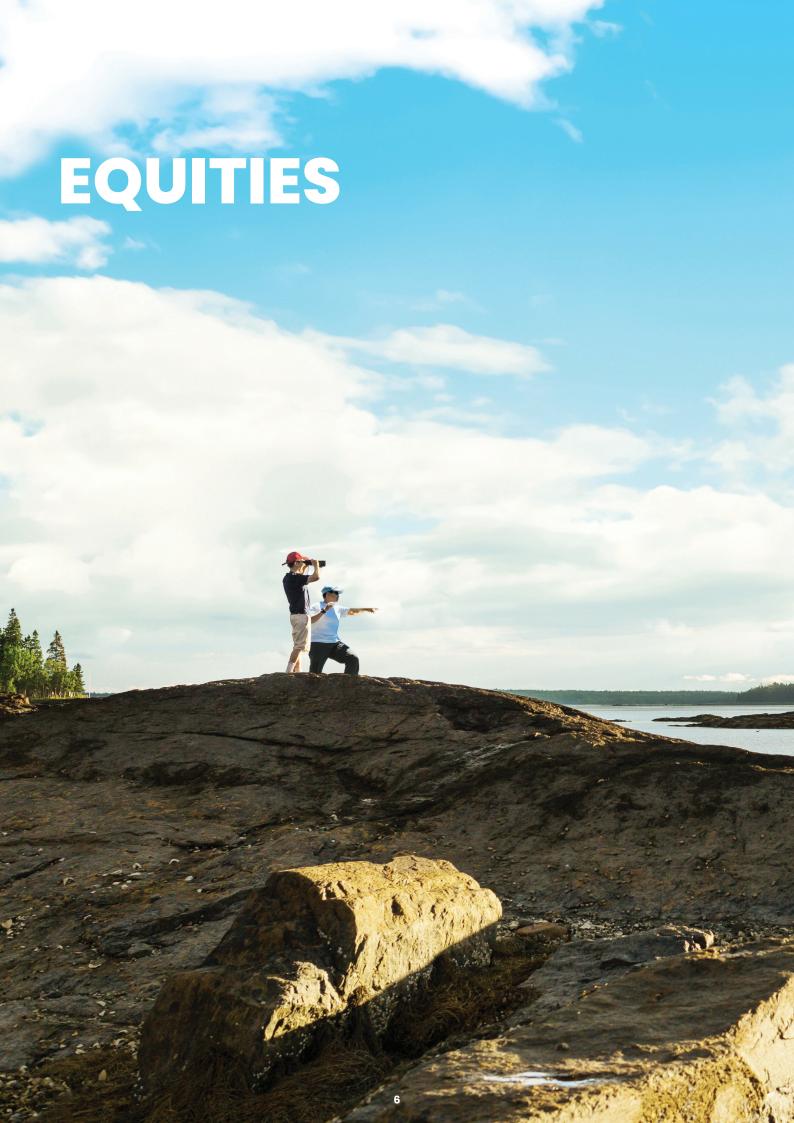
In view of the above, we have updated our Strategic Asset Allocation (SAA) in alignment with the revised capital market assumptions for major asset classes. Notably, we would reiterate the importance of maintaining a strategic exposure to gold given its diversification benefits, especially with the world gradually looking to shift away from dollar dependency. The precious metal not only serves as a hedge against inflation and currency fluctuations, but also serves as a safe haven during periods of heightened geopolitical tension.

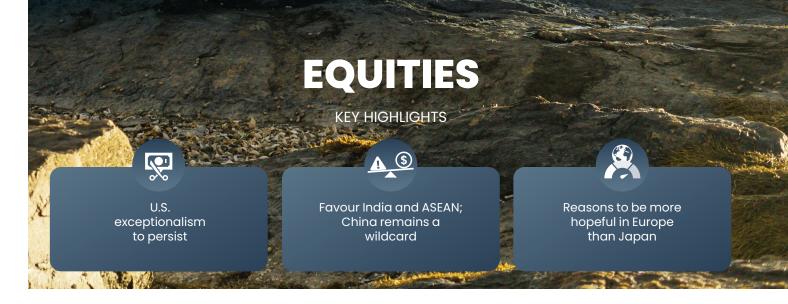
The strategic asset allocation approach positions portfolios to better navigate the complexities of the current market environment, ultimately aiming for optimised returns over the long-term. Nevertheless, it remains crucial for investors to continuously review and evaluate their individual preferences and risk tolerance when managing their portfolios. This will help ensure the alignment of their portfolio allocation with investment objectives that could evolve over time.

STRATEGIC ASSET ALLOCATION

	Conservative	Moderate Conservative	Balanced	Moderate Aggressive	Aggressive
Equities	0%	23%	48%	70%	90%
U.S.	0%	12%	27%	40%	55%
Europe	0%	4%	8%	12%	14%
Japan	0%	3%	5%	4%	3%
Asia ex-Japan	0%	4%	8%	14%	18%
Fixed Income	65%	62%	42%	22%	3%
U.S. Government	35%	26%	10%	0%	0%
Developed Markets Investment Grade	30%	20%	12%	5%	0%
Developed Markets High Yield	0%	8%	12%	10%	3%
Emerging Markets Asia	0%	8%	8%	7%	0%
Gold	0%	0%	5%	3%	3%
Hedge Funds	0%	0%	0%	2%	2%
Cash	35%	15%	5%	3%	2%

Source: Maybank GWM | December 2024





Investors have enjoyed the cyclical upturn for almost two years now, with the MSCI AC World Index advancing 20% in 2023 and 21% in 2024 (as of end-November 2024). However, can markets continue to "boom" in 2025?

The stakes are now high. Given that the starting point is higher than normal, we believe the scope for significant upside will be more difficult to achieve. Notably, current valuations for Developed Markets (DM) are high, and investors have already priced in the moderating inflation outlook, global central banks' monetary easing, as well as a U.S. soft landing scenario.

We believe that a soft landing (i.e. moderating growth and inflation without a recession) is the more likely outcome, and this environment should be supportive of equities. Still, we remain mindful of the downside risks and would focus on maintaining a margin of safety. Notably, the markets may be vulnerable to the unexpected events of an earnings recession or a rate tantrum.

U.S.

U.S. exceptionalism to persist

Consumer spending remained the key driver of the U.S. economic growth, and it could stay resilient given the healthy labour market. Notably, corporate profitability has remained healthy, suggesting that any increase in layoffs may be limited. In addition, most of the individual tax cuts from the 2017 Tax Cuts and Jobs Act (TCJA) will likely be extended upon expiry on 31 December 2025. Hence, the U.S.' growth exceptionalism could be prolonged.

Earnings growth to remain positive

U.S. earnings momentum has considerably outperformed its global peers in 2024, in part due to its greater exposure to the "growth" sectors, including technology. According to FactSet, analysts are projecting earnings growth of c15% in 2025, up from c9% in 2024. Should the new administration implement the proposed reduction in corporate tax rate from its current 21% to 15%, it could further boost U.S. corporate earnings by around 5%. Still, the actual policy implementation may diverge from the election promises.

Looking ahead, we expect U.S. earnings growth to broaden out from the mega-cap tech companies to other non-tech sectors. Notably, the industrials sector is expected to deliver strong earnings growth of c19% in 2025, up from c0% in 2024.

Rising Treasury yield risks

Protectionism is rising globally, and many leaders are enacting policies to incentivise reshoring efforts, as well as imposing tariffs/duties as a way to boost the economy and create jobs. While these measures could provide a boost to certain industries, it is also a silent threat to the U.S. inflation fight as rising protectionism may lead to higher prices and a sticky interest rate environment. This could put further upward pressure on longer-dated yields and be a source of volatility for the markets.

Expect another year of positive market performance

In 2024, earnings growth has driven about 55% of the MSCI U.S. total returns, multiple expansion at c35% and dividends at c10%. Looking ahead, with the MSCI U.S. trading at fairly demanding valuations of c22x, we expect earnings to drive the bulk of the market performance. We believe that high single-digit earnings growth looks achievable in 2025, which could help the U.S. market deliver another year of gains, albeit at a more moderate pace when compared to 2024.

Twin focus on mega-cap tech and quality

Our key focus will be on mega-cap tech companies and quality stocks as interest rate volatility could linger in 2025. We expect mega-cap tech companies to benefit from continued demand for AI technologies, which are still in the early innings. In addition, regulatory pressure on mega-cap tech giants may ease as the head of the Federal Trade Commission, Lina Khan, could be replaced with a less aggressive anti-trust regulator. Banks should also benefit from continued U.S. growth exceptionalism and credit losses may be manageable given the less restrictive monetary policies. We also favour defence companies as we expect defence spending to rise globally.

EUROPE

Reasons to be more hopeful

The economic momentum in Europe remains lacklustre due to subdued domestic demand, a downturn in the manufacturing sector and political paralysis. Still, we see reasons to be hopeful for Europe in 2025.

The monetary policy is turning less restrictive and we expect the ECB to cut rates by another 100 bps in 2025. Coupled with the solid labour market and improving inflation outlook, we believe that the consumers' spending restraint in 2024 could reverse in 2025. In addition, should China's economy stabilise further, it should boost export demand for European companies as well.

We expect the economic growth in the Eurozone to strengthen in 2025, albeit only modestly given the pressure on some countries to display fiscal discipline. Notably, Moody's has revised France's outlook to negative amid concerns about its public finances.

Modest earnings recovery is likely in 2025

The estimated EPS growth for the pan-European STOXX 600 has been revised lower to just 2.6% for 2024 given the macro challenges and elevated tensions in the Middle East. The key drags mainly came from the consumer discretionary and energy sectors.

For 2025, European companies could continue to face risks of sluggish growth, as well as escalating trade tensions. Still, we believe corporate earnings have bottomed out in 2Q24, and a modest recovery is likely in 2025 with support from a lower discount rate in response to the ECB's anticipated easing.

Seeking shelter in the defensive and dividendyielding stocks

The starting point for Europe is low in 2025. Firstly, MSCI Europe is still trading at a modest 12-months forward price-to-earnings ratio of 14x versus 10-year historical mean of 14.3x. Secondly, macro and earnings expectations remain low, suggesting that investors have largely priced in the negatives. Lastly, as companies continue to engage in more shareholder-friendly policies (e.g. dividends, share buybacks and spin-offs), we believe selected European companies continue to offer attractive investment opportunities.

In Europe, we prefer to seek shelter in the defensive and attractive dividend-yielding stocks in the communication services while waiting for the economic and earnings recovery to gather pace. In addition, we like the banks given the earnings upside potential and attractive shareholder yields. In contrast, we are cautious on consumer discretionary, particularly the automakers.

PREFERRED SECTORS

U.S.

Mega-cap Tech, Banks and Defence

Europe

Banks and Communication Services

U.S. EARNINGS GROWTH IS BROADENING OUT TO NON-TECHNOLOGY SECTORS



Source: FactSet "Earnings Insight" I 22 November 2024

MODEST EARNINGS RECOVERY EXPECTED IN EUROPE



Source: Bloomberg I 30 November 2024

Political uncertainty clouds outlook

Japan's GDP is projected to expand by 1% in 2025, supported by consumption amidst solid wage growth. The continued wage gains are expected to boost household spending and keep the economy strong enough to weather further interest rate hikes. We are pricing in two more rate hikes in 2025, as the latest inflation reading of 2.3% in October continues to be above the Bank of Japan's (BOJ) target of 2.0%.

Looking ahead, we could see heightened political uncertainty after the ruling Liberal Democratic Party (LDP) lost its majority in the Lower House election in October 2024. With a minority cabinet, even after Japan lawmakers voted for Shigeru Ishiba as prime minister, there could be downside risks to growth due to policies uncertainties.

Meanwhile, MSCI Japan earnings are expected to grow, albeit at a slower pace of 8.3% in 2025 (2024:10.1%) due to fading Japanese Yen (JPY) tailwinds. Notably, a stronger JPY is negative for exporters, which made up close to 40% of the MSCI Japan index. It is estimated that a 6-7% change in USDJPY would have a 3-4% impact on index earnings per share in 2025.

Sectors-wise, we favour the financials which is well-positioned to benefit from higher interest rates and robust capital market activities. We also see opportunities in real estate and telecommunications sectors, with their domestic exposure suggesting more resilient earnings amidst heightened JPY volatility. These sectors have also been more active in announcing plans to improve capital efficiency, implying better shareholders' returns.

CHINA/HONG KONG

China could remain range-bound

There is renewed optimism in China after the policymakers announced a slew of stimulus measures designed to stabilise its ailing property sector, arrest its economic slowdown and combat deflation. Nevertheless, its economic outlook is convoluted by the comeback of the Trump administration, where renewed trade tensions are now threatening China's tentative stabilisation.

Despite the tariff uncertainties, China may now be better prepared to navigate the challenges. Notably, Chinese companies have diversified their manufacturing bases globally, with some companies even setting up factories in the U.S. Meanwhile, the government will also be ready to introduce more comprehensive measures to lift its economy if necessary.

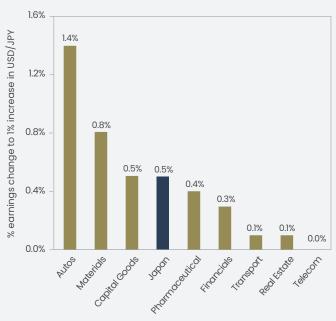
With tariff uncertainty looming in the background, China equities may experience heightened volatility from time to time. Corporate earnings are also projected to slow from c17% in 2024 to c10% in 2025. Yet, the government's willingness to backstop its economy could limit downside risks, providing much needed valuation support. We continue to see selected opportunities in China stocks, especially when MSCI China is trading undemandingly below its 5-year average price-to-earnings ratio of 12x. Against a more challenging growth outlook, we do prefer the more resilient dividend yield plays in state-owned banks and telecommunications stocks for defensive income. Nevertheless, we also favour the internet names that could benefit from domestic consumption-related measures.

ASIA EARNINGS FORECASTS AND VALUATIONS

	2025E	2025E Valuations			
Country/Region	EPS Growth (%)	P/E (X)	Dividend Yield (%)		
Japan	8.3%	15.0	2.4%		
MSCI Asia ex-Japan	13.6%	12.4	2.5%		
China	10.3%	9.6	2.6%		
Hong Kong	6.7%	11.8	4.4%		
Taiwan	16.8%	15.9	2.5%		
South Korea	21.6%	7.8	2.4%		
India	16.8%	22.2	1.3%		
Singapore	6.9%	13.3	4.1%		
Malaysia	9.3%	13.8	4.0%		
Indonesia	8.1%	12.2	5.0%		
Thailand	14.6%	16.3	3.0%		
Philippines	10.6%	10.6	2.8%		

Source: Bloomberg | 30 November 2024

JAPAN EQUITY SECTOR EARNINGS SENSITIVITY TO JPY MOVEMENT



Source: Bloomberg | 30 November 2024

Hong Kong's economic outlook seems mixed in 2025, with credit demand projected to improve on easier monetary conditions, but the continued oversupply in the property sector suggests the recovery would be rather muted. While MSCI Hong Kong trades inexpensively at 11.8x forward price-to-earnings ratio, close to one standard deviation below its long-term average, the market lacks catalysts to propel equities higher in 2025.

SOUTH KOREA/TAIWAN

Riding on the back of strong secular trend in AI, we expect both Taiwan and South Korea economic prospects to remain fairly resilient. Taiwan, with its critical role in semiconductor manufacturing, is well-positioned to be a global hub. However, any outsized gains could be limited by its demanding valuation, where MSCI Taiwan trades close to 15.9x forward price-to-earning ratio versus the 10-year average at 14.4x.

Meanwhile, South Korea may continue to lag behind global peers in the AI race due to ongoing execution challenges. The country is also vulnerable to U.S. tariff risks given its exposure to the automotive sector. Separately, the short-lived martial law order and lingering political uncertainty will likely weigh on investor sentiment. While MSCI Korea is trading inexpensively below historical average valuation, the market may struggle to re-rate higher amid a lack of positive catalysts.

INDIA

India's resilient growth against tariff uncertainty

India's robust economic growth is likely to extend into 2025, albeit at a slower pace compared to 2024. As the dust settles after a high-stake election, the country is poised to benefit from policy continuity. Notably, the government's initiatives aimed at infrastructure development and improving youth employability will create a conducive environment for investments and job creation. Key structural factors, such as favourable demographics and ongoing reforms, also remain intact.

India's inflation has remained stickily high, at 6.21% in October, which has prevented the central bank from reducing its interest rates. The high interest rate environment has curtailed economic activities, from construction to consumption, all showing softening trends lately. Still, we are optimistic that inflation will moderate given the falling food prices, and could open the door to potential rate cuts in 2025.

In terms of valuations, MSCI India is trading at a forward price-to-earnings ratio of 22.2x with a strong earnings outlook. Notably, India's earnings are projected to grow by 16.8% in 2025. Sectors-wise, we see investment opportunities in financials, industrials and consumer-related businesses, given policy priorities in these areas.

ASEAN

Preference for Singapore, Malaysia and Indonesia

We are constructive on Malaysia's Budget 2025 in reshaping the economy, driving growth through attracting quality investments while maintaining fiscal discipline. We believe the banks, construction and consumer plays will benefit from Malaysia's solid economic outlook.

Singapore's resilient growth and a shallow rate cut cycle should bode well for the Singapore banks, underpinned by strong income growth amidst low non-performing loans. Indonesia is also poised for strong growth, driven by a stable political environment following the recent cabinet formation. With a focus on economic reforms, investors can capitalise on the long-term growth potential in sectors such as the banks, as well as healthcare, where the latter shows solid growth potential given its underpenetration.

Meanwhile, Thailand's earnings are expected to rebound in 2025 on more government stimulus to support growth. Still, it remains to be seen if the improved political stability is sufficient to attract more foreign inflows. As for the Philippines, despite the cheap valuation and reasonable economic growth, the appeal is dented by poor market liquidity.

PREFERRED SECTORS

Asia Financials

Resilient macro environment to support strong profitability amid a gradual rate cut trajectory

Chino

Internet and Telecommunications

Japan

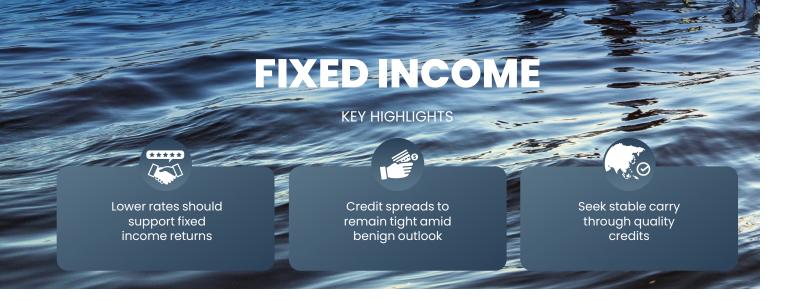
Real Estate and Telecommunications

MSCI ASEAN TRADES AT UNDEMANDING P/E WITH STRONG GROWTH PROSPECTS



Source: Bloomberg | 30 November 2024





Fixed income investors faced elevated interest rate volatility in 2024 given the tug-of-war between inflation and growth concerns. Nevertheless, bond returns are ending the year on a positive note, with the Fed finally initiating its rate cut in September 2024. Tighter credit spreads also supported returns, particularly for HY bonds. Meanwhile, the yield curve has re-inverted and started to steepen with investors pricing in the stronger than expected economic outlook in the U.S.

For 2025, the Fed's easing cycle should continue to lend support to bonds despite the tight credit spreads in many segments of fixed income. Given where spreads are, we believe the major sources of total returns will likely come from the impact of rate cuts and the attractive carry, and not so much from further spread compression. Notably, building portfolio resilience is one of our key focus and this can be achieved by maintaining exposure to quality IG credits for stable income. We also see opportunities in HY bonds, but would be discerning as dispersion among issuers remains high.

GOVERNMENT BONDS

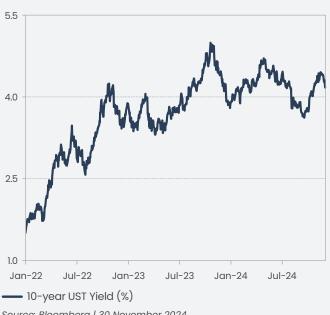
U.S.

We expect the Fed to continue easing in 2025 as the current monetary policy remains restrictive. Although the central bank may do so more gradually, Fed policy rates will likely trend lower and help put a lid on longerend yields. Having said that, the U.S. Treasury (UST) could step up the auction size to address the medium-term funding gap. The increased supply could add steepening pressures to the yield curve. As such, while the 10-year UST yield is expected to end lower in the next 12 months, it may not dip significantly below 4%.

Malaysia

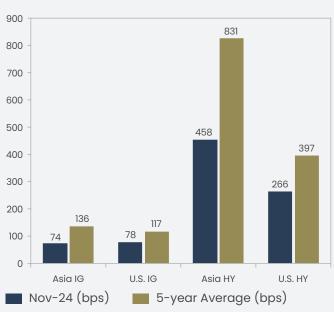
In contrast to the U.S., we expect Bank Negara Malaysia to keep rates unchanged at 3% in 2025, underpinned by stable domestic macro settings. We also anticipate a slight reduction in government bond issuance on fiscal consolidation. The favourable local supplydemand dynamics should lend support to the Malaysia Government Securities (MGS) with the 10-year MGS yield likely to remain stable at current levels.

THE 10-YEAR UST YIELD IS EXPECTED TO END LOWER **BUT NOT SIGNIFICANLTY BELOW 4%**



Source: Bloomberg | 30 November 2024

CREDIT SPREADS ARE WELL-BELOW HISTORICAL AVERAGES



Source: Bloomberg | 30 November 2024

Singapore

With core inflation falling towards 2%, the Monetary Authority of Singapore (MAS) has room to ease policies by adopting a slower appreciation of the Singapore Dollar in 2025. Consequently, it could limit the downshift in benchmark rates with the 10-year Singapore government yield likely to hover between 2.75-3.00% for the year.

Indonesia

Despite the benign inflation outlook, Bank Indonesia (BI) will likely remain measured in its monetary easing in 2025 so as to support the Indonesian Rupiah (IDR) stability, particularly against the USD. As such, the 10-year Indonesian government bond yield is likely to move in tandem with the 10-year UST yield within a range of 6.50-7.00%.

DEVELOPED MARKETS

Default rates will likely remain stable in DM, with support from further monetary easing. Barring a negative shock event, credit spreads could remain tight relative to historical averages in 2025. We see opportunities to seek stable income in Europe and Japan financials, as well as Australia IG credits.

Europe financials present opportunities

Europe banks' profitability is likely to remain solid, underpinned by tight cost management and a stronger focus on fee revenue. The capitalisation of the banks will also remain supported, given the muted credit growth and increased use of transfer risk mechanisms. We prefer bank bonds over corporates from a spread valuation perspective. Nevertheless, the Additional Tier-1 (AT1) credit spreads in Europe have tightened by more than 200 bps in 2024. Thus, we prefer to focus more on the higher quality Senior and Tier-2 subordinated bonds, given the limited differential in spreads relative to AT1.

As for Europe insurers, they maintain a robust solvency ratio and ample liquidity with default rates likely to

remain low. We expect credit spreads to remain stable on the back of lower new issuance and potential rating upgrades. Within this segment, we prefer the Tier-2 and Tier-3 subordinated bonds. For Restricted Tier-1 (RTI) bonds, we prefer selected life insurers versus global reinsurers.

Australia credits for portfolio diversification

We like the positive technical dynamics in Australia IG credits, supported by the inclusion of Australian issuers in the expanded J.P. Morgan Asia Credit Asia Pacific Index. Separately, the Australian Prudential Regulatory Authority has proposed to phase out ATI instruments for banks starting from 2027, with the transition expected to be completed by 2032. We expect ATI yields in Australia to compress relative to subordinated Tier-2 issues level, given the rising scarcity value. Investors can consider the above-quality Australia credits for portfolio diversification.

Japan financials - stable income carry

Japan banks' credit profiles remain positive, with steady asset quality and sound liquidity risk management. This should further lend support to their credit spreads in 2025. Meanwhile, the gradual increase in domestic interest rates should provide a conducive environment for Japan insurers. Overall, we like the Japan financial credits for stable income carry.

PREFERRED SECTORS

Europe banks

Senior and Tier-2 subordinated bonds; Selected Global Systemically Important Banks (G-SIB) ATI bonds

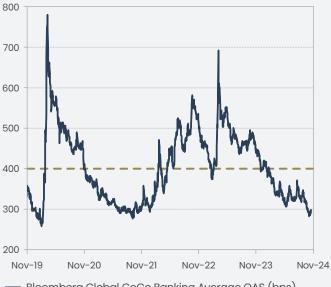
Europe insurers

Tier-2 and Tier-3 subordinated bonds; Selected life insurer RT1 bonds

Australia

Domestic Systemically Important Banks (D-SIB) ATI bonds

GLOBAL ATI BONDS: CREDIT SPREAD HAS TIGHTENED SIGNIFICANTLY SINCE MARCH 2023

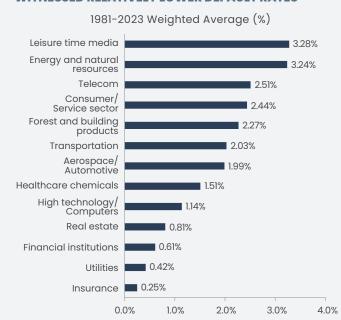


Bloomberg Global CoCo Banking Average OAS (bps)

-- 5-year average (bps)

Source: Bloomberg I 30 November 2024

GLOBAL CORPORATE DEFAULT RATES: INSURANCE HAS WITNESSED RELATIVELY LOWER DEFAULT RATES



Source: S&P Global Markets Intelligence I 2024

EMERGING MARKETS ASIA

Emerging Markets (EM) Asia credits have demonstrated their tenacity to deliver another year of resilient performance, partly helped by further spread compression. The economic fundamentals in this region remain robust. Coupled with the favourable demand-supply technical dynamics, EM Asia credits remain appealing from an income carry perspective, with a yield to worst of around 5.50%.

Favour Indonesia consumer staples and property developers

In Southeast Asia, we favour the Indonesia corporates over quasi-sovereign issuers due to the latter's tight valuations, as well as Singapore Real-Estate Investment Trusts (REITS). Within the Indonesia corporates, we like consumer staples companies with market leadership as well as a consistent earnings track record. We also like the property developers underpinned by expectations of further rate cuts by BI and the benign macro outlook.

Singapore REITS to benefit from lower rates

Looking ahead, we expect Singapore REITS to benefit from a lower funding environment, which should be supportive of credit fundamentals. We favour the retail malls over the office players as the demand outlook for the latter remains challenging amid high supply and demand shifts due to operational space consolidation. We also like the hospitality segment on expectations of stable revenue per available room and occupancy rate, given the recovery of meetings, incentives, conferences, and exhibitions (MICE) and business travel demand.

Opportunities in India's steel and telecommunications

Elsewhere in India, we see opportunities in the steel sector with government spending likely to pick up and spur investment growth. We also favour the telecommunications sector, particularly players with strong domestic business franchise to capture the increasing demand from the world's largest population.

Recovery signs in China bonds

The Chinese government has introduced new supportive measures in an effort to stabilise the property sector, including the reduction of the sizeable housing inventory. Still, policy implementation risk remains. While the Chinese property bonds are showing signs of bottoming, the sector will still take time to consolidate. We do see potential opportunities in IG state-owned developers, notably those with stronger capital positions to weather the unforeseen circumstances. More broadly, investors confidence in China's dollar-denominated bonds (beyond the property sector) is recovering with Chinese companies raising a total of USD 7.8 billion USD bonds in October 2024, which is more than doubled the issuance amount in 2023.

Favour Hong Kong life insurers and utilities, as well as Macau gaming credits

Meanwhile, in Hong Kong, we generally prefer the life insurers with strong business franchises and capital positions, as well as the utilities and infrastructure players. Notably, the utilities and infrastructure companies typically operate in a regulated framework environment, that in turn, can provide predictable cashflows and better earnings visibility.

We also favour selected Macau gaming players, underpinned by signs of a sector deleveraging trend, healthier liquidity position, and progressive visitation recovery following the policy relaxation measures announced by the Chinese government in 2023.

PREFERRED SECTORS

Southeast Asia

Indonesia consumer and property developers, as well as Singapore REITS

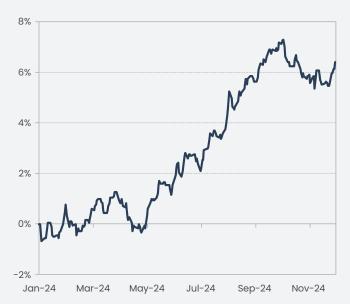
India

Steel and telecommunications

Hong Kong/Macau

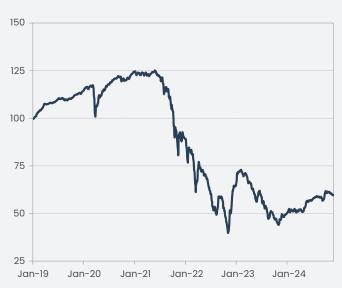
Utilities, insurance and gaming

EM ASIA CREDITS SHOWCASED ANOTHER YEAR OF RESILIENT PERFORMANCE



Note: EM Asia Credit Performance (Total return in USD) Source: Bloomberg | 30 November 2024

CHINA PROPERTY DEVELOPER BONDS BOTTOMING OUT, BUT YET TO RECOUP PREVIOUS LOSSES



— CRIC China Property Developer Leading USD Bond Index Note: Rebased to 100 as of 1 January 2019 Source: Bloomberg I 30 November 2024



CURRENCIES

KEY HIGHLIGHTS



USD to remain supported in 1H 2025



RMB likely to weaken, notably against the JPY



Stay constructive on MYR and SGD in ASEAN

With inflation cooling in 2024, the Fed has finally opened the door to reduce its interest rates in September. However, the relief for Asian and G10 currencies turned out to be short-lived with the U.S. dollar (USD) strengthening upon the re-election of Donald Trump as U.S. president for a second term. With the Republicans winning control of the House and the Senate, it clears the way for Trump to implement his economic proposals with a freer hand.

The incoming Trump administration's pro-growth policies, as well as proposed tariffs, are largely inflationary. There are also upside and downside risks to global growth, depending on how Trump plays his cards and other countries negotiate and respond. Despite the uncertainty, ASEAN remains a bright spot, underpinned by the acceleration in a shift in global manufacturing supply chains and supportive economic policies within each economy.

DEVELOPED MARKETS

Trump tantrums to be front-loaded

With a resounding Republican sweep, the Trump administration is likely to push ahead with Trump's policies of deregulation, immigration and tariffs as soon as Trump is sworn into office. These policies are deemed inflationary and could set the Fed on a shallower path of monetary easing. The return of U.S. "rate" exceptionalism, as well as a more gradual pace of rate cuts could keep the USD supported for longer in 2025. It looks to be another year of turbulence even as U.S. soft-lands and U.S. inflation remains sticky.

EURGBP may decline

EURGBP may see steeper declines should Trump carry out his threat to make the Eurozone "pay a big price" for its outsized goods trade surplus with the U.S. (USD 202 billion as of end-2023). Coupled with the political uncertainties in both Germany and France, Eurozone's growth prospects seem cloudy. In contrast, the U.K. does not have such an eyecatching trade surplus with the U.S. The U.K. stands out as a service-oriented economy. Thus, a blanket tariff that hits U.K. imports may have a smaller impact on its economy relative to peers, putting the GBP in a more resilient position.

In addition, the ECB is expected to cut policy rates more aggressively as compared to the BOE, and that divergence could drive the EURGBP lower.

Positive on JPY amid central banks' divergence

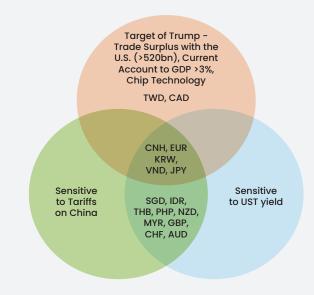
We expect USDJPY to trend lower in 2025 amid the BOJ's monetary policy normalisation and Fed easing, albeit with some volatility. Notably, robust Japanese wage growth is likely to sustain inflation above the BOJ's target. Cooling U.S. inflation can also keep the Fed on track to ease though the extent of cuts may be shallower given the risks of higher tariffs. Overall, the narrowing U.S. – Japan interest rate yield differential would support the JPY strengthening. We would also watch out for the potential for CHF to weaken if it becomes the funding currency of choice as yield advantages pivot in favour of the JPY.

Cautious on CAD, AUD and NZD

Outlook for the growth-sensitive CAD, AUD and NZD could be more volatile in light of Trump's hawkish trade policies. The tariff uncertainties could keep these commodity-linked currencies under pressure, notably the AUD, given its exposure to China's growth. AUD may also underperform NZD should the Reserve Bank of Australia ease more than expected in 2025.

VENN DIAGRAM OF TRADE VULNERABILITIES

Resilient Corner INR, USD



Sources: CEIC, Maybank IBG Research | November 2024

ASIA EX-JAPAN

RMB to underperform JPY

Given the long-standing hostility between the U.S. and China, increasing tariffs on Chinese goods will most likely be prioritised under the Trump's administration in 2025. The likely impact would be for the RMB to weaken. We believe the RMB could depreciate on a tradeweighted basis, just like it did during the trade war between 2018-2019. While the RMB will likely weaken against the greenback, the decline could be mitigated by the Fed's easing cycle (versus Fed's hiking cycle during the first trade war). In comparison, the RMB could lose more ground against the JPY with the BOJ expected to hike rates.

SGD to hold resiliency

The SGD is likely to remain resilient even with trade anxiety around Trump's policies as Singapore's bilateral trade deficit with the U.S. could keep the country out of the new administration's crosshairs. No doubt, USDSGD could trade higher in the first half of 2025 as the first tariffs come in. The MAS could also be easing gradually unless growth remains robust or inflation stays sticky. However, USDSGD could moderate into the second half of the year with broad dollar weakness and lower risk premium upon better clarity on Trump's policies.

MYR strength amid trade challenges

The 2018 trade war did not bode well for the MYR, given its sensitivity to the CNY, yield differentials and the country's high export exposure. With the Trump win, trade risks have risen. However, we see differences for 2025. While tariffs would weigh on the MYR, other factors, such as effective fiscal consolidation as well as an investment upcycle can provide support to the economy. Trajectorywise, we expect MYR weakness to peak in the first half of 2025 before the currency regains strength in the second half of the year.

Prefer IDR over THB and PHP

Other ASEAN currencies are expected to experience substantial challenges in 2025. The THB in particular would be negatively impacted by the tariffs given Thailand's large trade exposure. Anxiety on the trade front will likely be heightened in the first half of 2025 with the potential rollout of U.S. tariffs. Tensions between both the US and China may also be more elevated during that period.

Even so, we expect that the risk premium can fall in the second half of 2025 as we get more clarity on Trump's policies. This could guide the USDTHB lower, albeit modestly, as concerns about the price pressures of Trump policies could set in instead. Idiosyncratically, we do note that high gold prices and improving tourism can temper the rise in USDTHB.

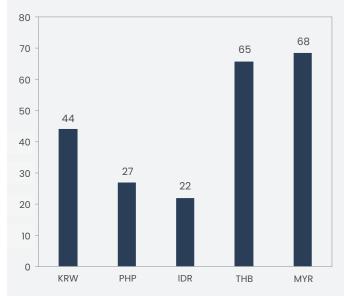
Meanwhile, USDIDR could remain at a high level too due to the tariff anxiety. However, the channel of effect would differ from the USDTHB as Indonesia is a less trade-exposed country. Instead, concerns about the impact of tariffs on global growth may dampen sentiment on EM assets including those of Indonesia. Whilst the Fed and BI would still likely cut rates, price pressures that arise from the potential U.S. tariffs could lead to a more gradual pace of easing. This can limit any lift the IDR can get from narrowing yield differentials. The USDIDR will likely be volatile throughout the year although actions from the authorities should help stabilise the IDR somewhat.

We also expect a similar story and trajectory for the USDPHP, seeing that the pair would be affected by the same EM-related concerns impacting the USDIDR. However, we expect that the PHP performance to lag the IDR given the former's weaker fundamentals and a less liquid bond market.

MOST PREFERRED PLAYS

- Short EURGBP, AUDNZD
- Short CNYJPY
- Stay constructive on MYR and SGD in ASEAN

THAILAND AND MALAYSIA HAVE HIGHER EXPORT EXPOSURE COMPARED TO REGIONAL PEERS



Exports of Goods and Services as % of GDP Sources: Maybank FX Research & Strategy Estimates, Macrobond, Bloomberg | November 2024



GOLD

Gold's performance in 2024 has been characterised by significant price increases fuelled by strong central bank demand, geopolitical tensions, and expectations of favourable monetary policy changes. As we move into 2025, we remain optimistic about gold's potential to maintain its upward momentum.

Gold supported by diversification demand

The anticipated rate cuts are expected to reduce the opportunity cost of holding non-yielding assets like gold, thereby increasing its appeal to investors. Meanwhile, central banks, particularly in EM such as China and India, have been significant buyers of gold as they seek to diversify their reserves away from the U.S. dollar. This trend is likely to continue, contributing to upward pressure on gold prices. Meanwhile, ongoing geopolitical tensions are expected to drive demand for gold as a safe-haven asset, highlighting its diversification benefits. While prices may consolidate in the near-term, they could reach USD 2,800/ounce by end-2025.

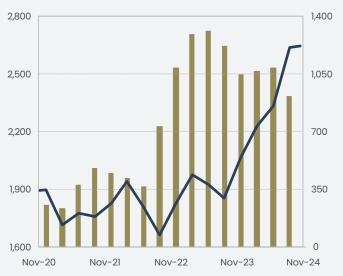
OIL

Oil prices were lacklustre in 2024, with WTI crude retreating by about 5% (as of end-November) amid unfavourable demand-supply dynamics. The outlook for oil remains weak as the combination of sluggish demand growth and rising supply will likely keep prices under pressure.

Oil prices to remain soft

For 2025, the International Energy Agency (IEA) is projecting oil supply growth to outpace demand growth yet again. While the OPEC+ alliance may continue to curb its supply, non-OPEC production is likely to rise. Notably, President-elect Donald Trump has been talking about scaling up oil and gas production in the U.S. with his campaign slogan "Drill, Baby, Drill". While geopolitical tensions, particularly in the Middle East, have introduced volatility into oil markets, we do not expect these conflicts to significantly disrupt oil supply, barring an unexpected regional war. In view of the above, we expect oil prices to remain soft with WTI crude prices likely to be capped below USD 75/barrel.

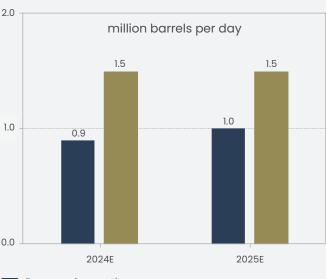
CENTRAL BANK DEMAND WILL LIKELY CONTINUE TO SUPPORT GOLD PRICES



Central bank trailing 12M purchases (tonnes) – R.H.S.Gold prices (USD/ounce) – L.H.S.

Sources: Bloomberg, World Gold Council | 30 November 2024

OIL SUPPLY GROWTH IS EXPECTED TO OUTPACE DEMAND GROWTH AGAIN IN 2025



Demand growthSupply growth

Source: IEA | 30 November 2024



What style are you?

When it comes to investing, everyone has his or her own winning strategy. In fact, there are many investment styles, but the commonly known strategies are growth, value, momentum, minimum volatility, small versus large market capitalisation (cap), as well as quality and dividend investing.

Style investing is an investment approach in which securities are grouped according to their dominant characteristics, and understanding these investment styles can help set expectations for both risk and performance potential.

For instance, Warren Buffett, a well-known value investor, looks for companies that are trading below their intrinsic worth. His value investment approach has earned him a reputation as someone who can pick a winning stock.

Understanding the different Investment styles

Value stocks are companies trading at a lower price than their true value based on various financial metrics. They are usually mature companies and generate consistent cash flow to pay dividends. Thus, value stocks have lower price multiples and often pay dividends. In contrast, growth stocks are companies that are expected to grow sales and earnings at a faster rate than the average stock in the market. Thus, growth stocks tend to trade at higher price multiples and pay little or no dividends as profits earned are typically reinvested for further business expansions.

Meanwhile, quality stocks are companies that tend to have a track record of consistent earnings growth, strong balance sheets and high return on equity. These companies often have a sustainable competitive edge and are typically leaders in their industries.

Be business pickers, not stock pickers

Despite Warren Buffett's value-investing approach, he has also refined his method of assessing a company over the decades – looking not only at earnings, but also at its weaknesses and strengths. His core principle of "buying businesses, not stocks" resonates well across all investment styles and represents a more consistent approach in equity investing.

No investment style wins over a longer period of time Studies have also shown that no single investment style consistently wins over a longer period of time. However, certain styles, such as quality investing, have consistently delivered top-quartile returns. Regardless of which style one chooses, investors need to weigh the decisions against their personal risk tolerance,

investment goals, and investment time horizon.

Win with blended investment styles

Taking into consideration of the current macroeconomic and fundamental outlooks, as well as geopolitical risks, investors should adopt a blended style – incorporating both value and growth stocks – a balanced strategy that can help investors navigate the uncertainties of the market while maximising long-term potential.

Value stocks can provide stability during periods of market volatility while growth stocks can deliver higher returns given their stronger growth potential. On top of these strategies, investors can layer them with other styles, such as small-cap versus big-cap stocks. Notably, small-cap plays are gaining traction after Trump's victory in the U.S. presidential election, as investors expect the "MAGA" or "reshoring" trends to benefit these small-cap companies given their greater exposure to the U.S. economy. Last but not least, we would also focus on quality, where good corporate governance and balance sheet strength of a company can play a part in determining the market performance.

NO INVESTMENT STYLE WINS ALL THE TIME

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Jan – Nov 24
Best performing investment	Small-cap 38%	Min Vol. 17%	Momentum 9%	Small-cap 20%	Momentum 38%	Min Vol. 2%	Quality 39%	Growth 43%	Quality 28%	Dividend -4%	Growth 47%	Momentum 37%
style in year	Momentum	Dividend	Quality	Value	Growth	Momentum	Growth	Momentum	Large-cap	Value	Quality	Growth
	35%	15%	7%	17%	29%	-2%	38%	30%	27%	-6%	36%	34%
	Quality	Momentum	Min Vol.	Dividend	Quality	Growth	Large-cap	Quality	Value	Min Vol.	Large-cap	Large-cap
	34%	15%	6%	16%	26%	-2%	32%	23%	27%	-9%	29%	29%
	Growth	Growth	Growth	Large-cap	Large-cap	Dividend	Momentum	Large-cap	Growth	Small-cap	Small-cap	Quality
	33%	14%	5%	11%	22%	-2%	28%	21%	26%	-17%	18%	28%
	Value	Large-cap	Large-cap	Min Vol.	Dividend	Quality	Min Vol.	Small-cap	Dividend	Momentum	Min Vol.	Value
	32%	14%	2%	11%	20%	-3%	28%	19%	22%	-17%	10%	23%
	Large-cap	Value	Dividend	Quality	Min Vol.	Large-cap	Small-cap	Min Vol.	Min Vol.	Large-cap	Momentum	Min Vol.
	32%	12%	1%	8%	19%	-4%	27%	6%	21%	-20%	9%	23%
Worst	Dividend	Quality	Value	Growth	Small-cap	Value	Value	Dividend	Small-cap	Quality	Value	Small-cap
	29%	12%	-2%	6%	17%	-7%	26%	2%	20%	-23%	9%	21%
performing investment style in year	Min Vol. 25%	Small-cap 8%	Small-cap -4%	Momentum 5%	Value 15%	Small-cap -10%	Dividend 22%	Value 1%	Momentum 13%	Growth -32%	Dividend 7%	Dividend 19%

Notes: MSCI U.S. Large-cap Index (Large-cap), MSCI U.S. Small-cap Index (Small-cap), MSCI U.S. Value Index (Value), MSCI U.S. Growth Index (Growth), MSCI U.S. High Dividend Yield Index (Dividend), MSCI U.S. Momentum Index (Momentum), MSCI U.S. Minimum Volatility Index (Min Vol.) Source: Bloomberg I November 2024



Retirement planning is a critical aspect of financial management to help individuals maintain their desired lifestyle after leaving the work force. However, a recent report by the Khazanah Research Institute (KRI) reveals a worrying trend of many Employees Provident Fund (EPF) members being poorly prepared for retirement. The EPF manages the compulsory savings plan and retirement planning for workers in Malaysia.

Similarly, a study by the Singapore Management University (SMU) Centre for Research on Successful Ageing (ROSA) in 2023 revealed that only 34% of Singaporeans aged 53 to 73 felt ready for their retirement. The case for a robust retirement plan is thus ever more compelling, especially in light of increasing life expectancies, rising healthcare costs, and the need for financial independence.

Preparing for longevity

Life expectancy has been on the rise and the trend looks set to continue. For instance, average life expectancies are projected to increase to 77 years, 80 years and 87 years for Indonesia, Malaysia and Singapore by 2050, respectively. While the retirement age is also increasing, individuals may still have to plan for a longer retirement period.

Potentially, one must have sufficient retirement income to cover expenses that could arise over potentially two decades or longer after retiring. Many individuals wish to continue enjoying the same quality of life they had while working.

Moreover, healthcare expenses tend to rise significantly with age, making it crucial to include these potential costs in retirement planning. This requires not only accumulating sufficient funds but also investing wisely to ensure that retirement savings grow and can withstand inflation over time.

Benefits of early retirement planning

It is never too early to start planning for retirement in order to avoid the financial strains later in life. Apart from increasing contribution towards retirement savings, one can also enhance the process through active management of the retirement asset mix. In fact, studies have shown that effective active management can help generate nearly two-thirds of the retirement balance (Source: Manulife Investment).

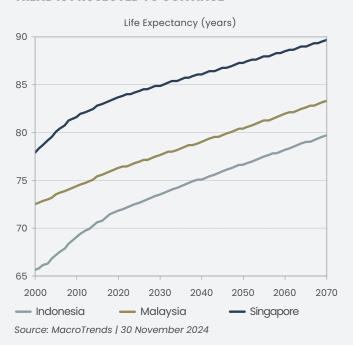
"To" versus "Through" glide paths

A retirement solution typically adopts an asset allocation strategy (or glide path) that shifts from higher-risk investments (like stocks) to lower risk ones (like bonds) as one moves towards retirement. Specifically, there are 2 distinct approaches to the glide path i.e. "To" and "Through".

- "To" glide path: The allocation strategy will be active up till the target retirement age. It tends to be conservative and will remain static post-retirement.
- "Through" glide path: The approach entails the continued adjustment of asset allocation even after reaching the target retirement date. It usually carries higher initial equity exposure.

No doubt, the "To" glide path could offer more stability when compared to the "Through" glide path. However, the former may also carry a higher probability of retirement shortfall. In contrast, the "Through" glide path could provide better wealth creation potential, albeit with higher risk. Ultimately, a well-structured retirement solution could combine elements of both "To" and "Through" approaches to mitigate retirement shortfall and longevity risks. It can help individuals secure financial independence and allow retirees to enjoy the fruits of their labour without worry.

LIFE EXPECTANCY HAS BEEN ON THE RISE AND THE TREND IS PROJECTED TO CONTINUE



OPTIMISED GLIDE PATH DESIGN WITH "THROUGH" ELEMENTS CAN HELP TO LOWER SHORTFALL RISK



Source: Manulife Investment Management | 31 May 2024



2025 EVENTS CALENDAR

UNITED STATES



Federal Open Market Committee Meetings

28 – 29 January 29 – 30 July 18 – 19 March 16 – 17 September 6 – 7 May 28 – 29 October 17 – 18 June 9 – 10 December

Spring Meeting of IMF and World Bank

25 - 27 April

Jackson Hole Symposium

August

Annual Meeting of IMF and World Bank

17 - 19 October

EUROZONE



European Central Bank Meetings

30 January 24 July 6 March 11 September 17 April 30 October 5 June 18 December

World Economic Forum

20 - 24 January

51st G7 Summit

June

Germany Federal Election

28 September

UNITED KINGDOM



Bank of England Meetings

6 February 7 August 20 March 18 September 8 May 6 November 19 June 18 December

AUSTRALIA



Reserve Bank of Australia Meetings

17 - 18 February 11 - 12 August 31 March - 1 April 29 - 30 September 19 - 20 May 3 - 4 November 7 - 8 July 8 - 9 December

Federal Election

Expected by May

NEW ZEALAND



Reserve Bank of New Zealand Meetings

19 February 20 August 9 April 8 October 28 May 26 November 9 July

CHINA/HONG KONG



14th National People's Congress

March

PHILIPPINES



Mid-Term Election

12 May

JAPAN



Bank of Japan Meetings

23 – 24 January 30 – 31 July 18 – 19 March 18 – 19 September 30 April – 1 May 29 – 30 October 16 – 17 June 18 – 19 December

THAILAND



Bank of Thailand Meetings

26 February 13 August 30 April 8 October 25 June 17 December

SINGAPORE



Monetary Authority of Singapore Meetings

January/April/July/October

General Elections

Expected by November

MALAYSIA



Bank Negara Malaysia Meetings

23 - 24 January 10 - 11 July 6 - 7 March 4 - 5 September 8 - 9 May 5 - 6 November

46th ASEAN Summit

April/May

INDONESIA



Bank Indonesia Meetings*

21 – 22 January 22 – 23 July
18 – 19 February 19 – 20 August
18 – 19 March 16 – 17 September
22 – 23 April 21 – 22 October
20 – 21 May 18 – 19 November
17 – 18 June 16 – 17 December

*Tentative

SOUTH AFRICA



20th G20 Summit

27 - 28 November

AWARDS AND ACCOLADES















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