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EDITORIAL



Global markets delivered robust returns in 2023, supported by a stronger than expected economy amid the buzz around Artificial Intelligence (AI). Nevertheless, it was not entirely a smooth ride with the U.S. regional bank crisis, spike in Treasury yields and Israel-Hamas conflict leading to heightened volatility from time to time.

Looking ahead, the global economy will likely slow but avoid a recession. The further moderation of inflation should also allow central banks to gradually ease monetary policies.

Yet, a soft landing is not a certainty. The upcoming elections in the U.S. and several countries in Asia may also add to geopolitical concerns. Against this backdrop, it remains critical for us to stay nimble and invest with a focus on quality and value.

In the longer-term, investors will have to consider the developing trends of digitalisation, decarbonisation, as well as deglobalisation. While there may be losers, there will also likely be winners as new growth opportunities emerge.

Navigate new perspectives to unlock a gateway of new opportunities and enhance portfolio resilience.

In addition, we see rising demand for purpose-driven investments including Shariah-investing. As a leader in Islamic Finance, Maybank is well-positioned to serve clients with our comprehensive suite of solutions. The establishment of our Islamic Wealth Management regional offshore hub in Singapore will further enhance our value proposition.

As we step into 2024, we will welcome the lunar year of the Wood Dragon. This new beginning will be characterised by the zodiac's traits of courage, energy and strength. While market challenges remain, having the courage to pursue opportunities and the energy to adapt to changes should contribute towards one's portfolio resilience and success.

We hope our investment insights can provide you with the lens to identify rewarding opportunities and navigate the pitfalls in the coming year.

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

A handwritten signature in black ink, appearing to read 'Alvin Lee'.

Alvin Lee
Head, Group Wealth Management

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MACRO ECONOMIC OUTLOOK AND INVESTMENT STRATEGY



MACRO ECONOMIC OUTLOOK

KEY HIGHLIGHTS



Asia will see an export and manufacturing recovery in 2024.



Central banks may start easing but at a calibrated and modest pace.



Key risks include persistently high core inflation, geopolitical uncertainties and the U.S. Presidential election.

The 2024 outlook remains challenging as investors have to deal with headwinds from subdued global growth and tight monetary policies to combat inflation, alongside lingering geopolitical uncertainties from two major wars. Global growth is projected to slow further to 2.8% in 2024 from 3.3% in 2023. China's GDP is expected to slow to 4.4% in 2024 from 5.2% in 2023 as the reopening boost to consumer spending dissipates, while the real estate crisis weighs on private investment. ASEAN-6 will be a bright spot, with GDP growth recovering to 4.7% in 2024 from 4.0% in 2023. Green shoots are sprouting in manufacturing and exports, brightening the outlook for trade-sensitive Asian economies.

Inflation shows a more convincing moderation but remains elevated and above the comfort zones of major central banks. Supply-side price shocks from global chain disruptions due to the lockdowns and Russia-Ukraine war have eased significantly. The Israel-Hamas war has not led to an oil price shock. Cooling demand-side price and labour market pressures by mid-2024 will open the door for the start of an interest rate easing cycle.

The Federal (Fed) Funds rate has probably peaked. We expect the Fed to start easing in the third quarter of 2024. But the easing cycle will likely be calibrated and modest, with the U.S. economy on track for a "soft landing". Recession odds have fallen with a flatter yield curve, lower inflation, and a resilient labour market. The Fed will likely lower the funds rate by about 75 basis points (bps) to 4.50% – 4.75% by end-2024. Other major central banks will likely follow suit and track the Fed's rate cuts. We expect the European Central Bank (ECB) to trim policy rates by 50 bps in 4Q24 and the Bank of England (BOE) to start easing in 3Q24. The Fed cut will ease the pressure on Emerging Market (EM) currencies and open the door for Asian central banks to ease, including in China and Indonesia. We highlight three major themes in 2024 which could impact the economy and markets.

First, green shoots are sprouting in Asian and ASEAN manufacturing and trade data, suggesting that the export downturn is ending, particularly for electronics. This is brightening the growth outlook for trade-sensitive Asian economies.

REAL GDP FORECAST (%)	2022	2023E	2024E
WORLD	3.5	3.3	2.8
U.S.	2.1	2.2	1.0
EUROZONE	3.3	0.6	0.9
JAPAN	1.0	1.5	1.0
CHINA	3.0	5.2	4.4
ASEAN-6*	5.7	4.0	4.7

INFLATION FORECAST (%)	2022	2023E	2024E
WORLD	8.7	6.8	5.8
U.S.	8.0	4.1	2.6
EUROZONE	8.4	5.6	3.0
JAPAN	2.5	3.3	2.5
CHINA	2.0	0.3	1.1
ASEAN-6*	4.7	3.6	3.0

RATES FORECAST (%)	4Q22	2023E	1Q24E	2Q24E	3Q24E	4Q24E
FED FUND TARGET (UPPER BAND)	4.50	5.50	5.50	5.50	5.25	4.75
FED FUND TARGET (LOWER BAND)	4.25	5.25	5.25	5.25	5.00	4.50
ECB DEPOSIT RATE	2.00	4.00	4.00	4.00	4.00	3.50
BOE BANK RATE	3.50	5.25	5.25	5.25	5.00	4.50
BOJ TARGET RATE	-0.10	-0.10	-0.10	-0.05	0.00	0.00

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

Source: Maybank IBG research / December 2023

Several factors are driving the export recovery. This includes America's aggressive fiscal spending and generous subsidies for semiconductors and electric vehicles; a shift and normalisation in consumer spending towards goods as "revenge spending" on services fades; a replacement technology cycle with new upgrades and models; falling U.S. inventories; and bottoming out of chip and commodity prices. Rising foreign direct investments and capacity from shifting manufacturing supply chains will increase ASEAN's leverage to a global trade recovery.

Second, the U.S. economy appears to be headed for a "soft landing" rather than a recession, despite rising interest rates. Several factors may be behind the U.S. exceptionalism. Firstly, supply constraints during the pandemic and lockdowns created a backlog of demand that is only gradually going away. The revenge spending in services and experiences is still playing out, but gradually losing steam. Labour constraints created a backlog of delayed and unfinished projects, which is still catching up.

Next, large U.S. fiscal stimulus, including Biden's USD 1.9 trillion America Rescue Plan, combined with restrictions on spending because of the lockdowns during the pandemic, created a massive build-up in excess savings. U.S. households amassed an estimated USD 2.3 trillion of excess savings, which fuelled a post-pandemic consumer boom. While there are concerns that the excess savings will be depleted by early 2024, a recent Boston Fed study estimated that the savings remain above USD 1 trillion, which could sustain consumer spending well into 2024. Moreover, even after the reopening, the U.S. has pursued expansionary fiscal and aggressive industrial policies, which offset tighter monetary policy. The U.S. fiscal deficit is projected to widen to USD 1.7 trillion (6.1% of GDP) in 2023 from USD 1.4 trillion (5.3% of GDP) in 2022. The fiscal shortfall is expected to remain wide due to tax cuts, aggressive spending plans and higher debt servicing costs.

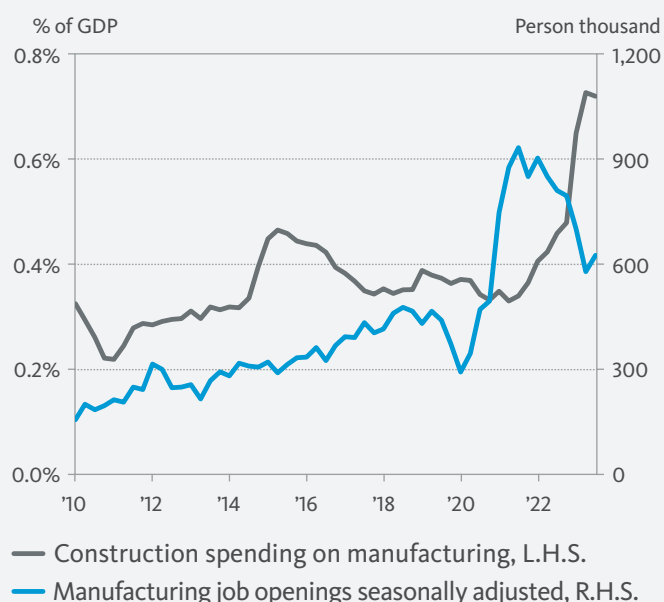
Biden's two key pieces of legislations, the CHIPS and Inflation Reduction Act, are supporting manufacturing and jobs. The "fiscal transfer" and sharp increase in interest payments on government debt, of which about 70% accrues to the private sector, is also shoring up household and corporate balance sheets.

Third, China's post-reopening growth momentum is waning and the impact on Asia is uncertain. The real estate crisis will likely persist in 2024 and weigh on private investment. Across Asia, China's tourists are plateauing after a strong start in early 2023. A weak job market and consumer confidence are short-circuiting revenge travel. China's outbound tourists will likely return to pre-pandemic levels only in late 2024 or early 2025, far later than other countries.

On the positives, China's import growth has surprised on the upside, particularly from ASEAN, bolstered by higher state spending. China imports from ASEAN rose 10.2% Year-on-Year (YoY) in October, much higher than the 3.0% YoY in total imports, reflecting the structural shift in supply chains and trade flows away from the U.S. and Europe. Notably, China is one of the few economies where inflation remains benign and fiscal space ample, allowing room for more stimulus. Bolder policies are being taken to stabilise the property sector. The extent to which China is willing to introduce support measures and sustain growth could sway markets in 2024.

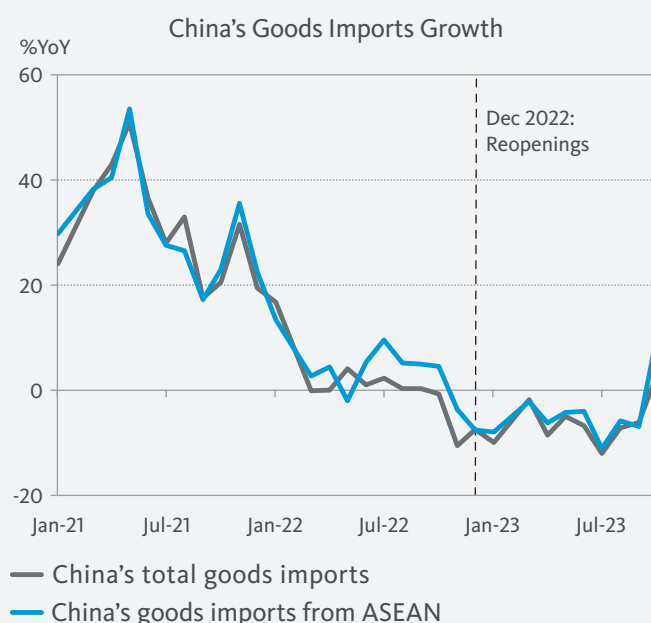
Key risks cast a long shadow over the emerging green shoots. Stubbornly persistent core inflation could paralyse the Fed and other central banks from easing despite slowing growth. The U.S.-China geopolitical rivalry and uncertainties from two major wars may usher in new political shocks with unintended consequences. A Donald Trump victory in the U.S. election could lead to sweeping changes in policies, including higher import tariffs, withdrawal of support for Ukraine, and a reversal of Biden's policies on renewables and the green transition. Brace for a volatile year.

U.S. INDUSTRIAL POLICIES FUELLING MANUFACTURING GROWTH AND JOBS



Source: Maybank IBG research / 30 November 2023

CHINA'S GOODS IMPORTS ARE RECOVERING WITH THE PACE ESPECIALLY STRONG FROM ASEAN



Source: Maybank IBG research / 30 November 2023

INVESTMENT STRATEGY

KEY HIGHLIGHTS



Shifting macro expectations and geopolitics to drive market volatility.



Stay nimble with a focus on quality and value.



"Time in the market" over "Timing the market".

The global economy has turned out to be more resilient than expected in 2023, particularly the U.S. Nevertheless, the U.S. regional bank crisis in March 2023 suggested the economy is not without risk. The heightened volatility in the Treasury market has also weighed on risk assets. Meanwhile, the onset of the Israel-Hamas conflict highlighted the lingering geopolitical uncertainty. Still, we see merits in staying invested for the longer term. The key is to build a well-diversified portfolio with a focus on quality.

Shifting macro expectations to drive volatility

Our expectation of a slowing but still positive global growth should lend support to corporate earnings and hence the performance of risk assets. Nevertheless, economic growth could disappoint on fading fiscal tailwinds. Uncertainty surrounding monetary policies amid higher than target inflation will also drive market swings as investors anticipate the timing for the first Fed rate cut. The shifting macro expectations around growth, inflation and policy rates will continue to drive market volatility in the course of the year.

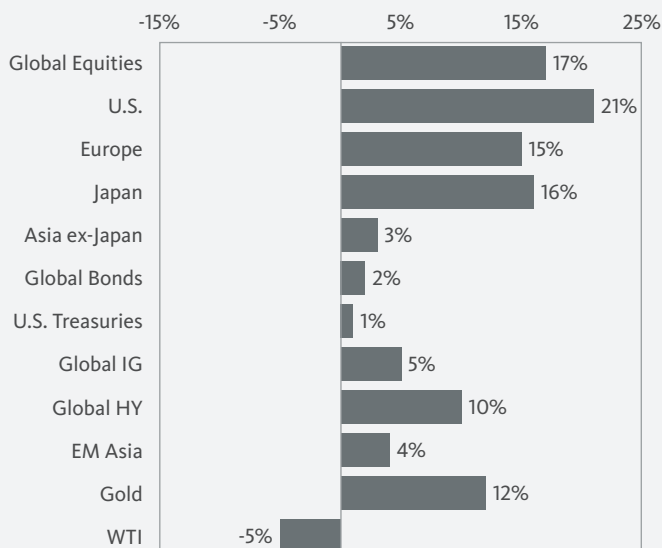
Geopolitical uncertainty will continue to linger

Apart from macro fundamentals, investor sentiment will continue to be influenced by lingering geopolitical uncertainty. The Russia-Ukraine war has gone on for nearly two years while we continue to monitor developments in the Middle East. The re-escalation of the U.S.-China tensions arising from the upcoming Taiwan election in January 2024 and the U.S. election in November 2024 could dampen sentiments too.

Staying nimble to exploit tactical opportunities

Despite the many uncertainties, the record-high level of money market funds suggests there is abundant cash on the sidelines to be invested. Investors can make use of the heightened market volatility to exploit tactical opportunities from time to time. In addition, we may be seeing a less synchronised world that could lead to greater performance disparity across different asset classes, markets as well as sectors. The key is for investors to stay nimble and maintain a diversified portfolio with a focus on quality and value.

TOTAL USD RETURNS OF MAJOR ASSET CLASSES (YEAR-TO-DATE AS OF 30 NOVEMBER 2023)



*Global Equities = MSCI (AC) World Index; Global Bonds = Barclays Multiverse; WTI = West Texas Intermediate

Source: Bloomberg | 30 November 2023

TACTICAL ASSET ALLOCATION

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

*Overweight: +, Neutral: =, Underweight: -

Source: Maybank GWM | December 2023

Lock in the attractive yields of quality bonds

With interest rates expected to peak, it creates a conducive investment environment for fixed income. We also see better risk-reward for fixed income relative to equities with the spread between the S&P 500 earnings yield and 10-year U.S. Treasury (UST) yield near historical trough level.

While we are prepared to take on more duration exposure, investors concerned about interest rates volatility may wish to focus on shorter-dated bonds for more stable returns. We also remain mindful of rising credit risks with increasing bankruptcies in the U.S. with the anticipated slowdown. Hence, we prefer to stay with higher quality Investment Grade (IG) bonds relative to High Yield (HY) bonds.

Tilt towards quality stocks with valuation focus

Equities wise, we favour quality stocks that are better positioned to deliver resilient earnings in a slowing global economy. In addition, investors will likely avoid overpaying for growth given the macro uncertainties. Hence, it is important to seek growth at a reasonable valuation.

Tactically, we see value in Asia ex-Japan equities, which have lagged global peers over the past three years. We see the potential for Asia ex-Japan stocks to play catch up with the regional economy expected to remain resilient in 2024. The expected softening of the USD should also bode well for Asia assets. In particular, we favour dividend stocks in the region that could add resilience to portfolio returns.

In addition, we see opportunities to generate equity alpha through active sector rotation. For now, our preferred sectors include the defensive consumer staples, healthcare and telecommunication stocks.

Meanwhile, the energy sector remains as a good hedge against the ongoing geopolitical risks. In addition, we would continue to seek secular opportunities related to the rapid progress in the development of AI, not only in the chipmakers, but also businesses that can successfully adopt the technology to drive higher profitability.

Investing with a purpose

We see emerging investment opportunities that are not only aligned to one's values and beliefs, but also offering attractive returns on a risk-adjusted basis. The rising demand for Shariah investing is thus not a surprise given the potentially better downside protection. Separately, the continued drive to "decarbonise" and create a more sustainable world will also drive demand for clean energy and renewable investments.

Importance of staying invested

There is an inherent risk that one may get too distracted by short-term market swings and lose sight of the long-term investment objective. To us, "time in the market" is often more effective than "timing the market". Hence, we continue to advocate the importance of staying disciplined and invested in a well-diversified portfolio. To this front, we have updated our Strategic Asset Allocation (SAA) based on our updated capital market assumptions for the major asset classes.

Notably, the allocation in each model portfolio is designed to optimise the risk-return outcome for the respective risk profile. For some, this would include building exposure to alternatives, including hedge funds and private assets, which may offer less correlated returns to the traditional equities and bonds. Still, investors would need to consider their respective preferences and risk tolerance when pursuing these investments.

STRATEGIC ASSET ALLOCATION

	Conservative	Moderate Conservative	Balanced	Moderate Aggressive	Aggressive
Equities	0%	22%	45%	67%	86%
U.S.	0%	10%	19%	31%	35%
Europe	0%	4%	8%	10%	15%
Japan	0%	4%	6%	6%	6%
Asia ex-Japan	0%	4%	12%	20%	30%
Fixed Income	65%	63%	47%	25%	7%
U.S. Government	30%	25%	10%	0%	0%
Developed Market Investment Grade	35%	28%	21%	5%	0%
Developed Market High Yield	0%	5%	9%	11%	5%
Emerging Market Asia	0%	5%	7%	9%	2%
Gold	0%	0%	3%	3%	3%
Hedge Funds	0%	0%	0%	2%	2%
Cash	35%	15%	5%	3%	2%

Source: Maybank GWM | December 2023

EQUITIES



EQUITIES

KEY HIGHLIGHTS



Favour an
“up in quality”
stance in equities.



Focus on selected large-cap
technology companies
with reasonable valuations.



Value in defensive
sectors amidst a
slowing economy.

Global equities have clawed back from a challenging 2022 to deliver solid gains in 2023. The resilient global economy and stronger than expected corporate earnings have driven the market performance. In addition, the excitement around AI has led to stellar gains in technology-related stocks.

Having said that, the underperformance of the small-cap stocks in the U.S. and Europe versus the respective large-cap market indices year-to-date indicates some cracks underneath the surface of the market, and investors are less sanguine on the health of the economy.

Looking into 2024, apart from macro concerns, several geopolitical events, such as the Israel-Hamas conflict and the U.S. Presidential election, could amplify market volatility. Hence, we would advocate an “up in quality” stance in equities and broadly prefer the more defensive sectors, including consumer staples and healthcare in a slowing economy. The telecommunication sector also offers healthy dividends that will be sought after with interest rates peaking. Last but not least, we favour selected quality large-cap technology companies with reasonable valuations.

U.S.

Economic resilience to recede in 2024

Resilient consumer spending, which makes up two-thirds of the U.S. economy, has played an important role in keeping the U.S. out of a recession in 2023. While consumer spending is starting to moderate as the excess savings are being gradually depleted, the uptick in infrastructure spending by both the government and private companies is helping to offset the slowdown.

Going into 2024, we see softer U.S. growth amidst rising headwinds, including the potential depletion of excess savings, lagged effects of tighter monetary policies, and the rising burden of student debt repayments. Still, a soft landing looks likely in the U.S. given the healthy labour market. Ironically, a soft landing is probably the best outcome for U.S. equities as this could be a trigger for the Fed to cut rates without suffering a growth shock. Since the 1980s, history suggests that the S&P 500 returns were positive in the six months and twelve months after the last rate hike, albeit with market volatility.

Balanced risk-reward

Until then, the overhang from elevated interest rates will remain, suggesting limited room for U.S. equities to re-rate higher from current levels (forward P/E multiple of around 19x is close to one standard deviation above historical mean). Nevertheless, we expect the downside to be cushioned by the improving earnings outlook, with earnings likely to bottom in 2H23. Notably, on a year-on-year basis, U.S. earnings are expected to grow by low single-digit in 4Q23, and accelerate to low double-digit in mid-2024.

U.S. Presidential election

Political noise will likely rise as we head towards the U.S. Presidential election in November 2024. Currently, it looks like another Biden versus Trump standoff. While election-related volatility could rise, stock markets tend to deliver a more muted performance in the year leading to the election based on market data since the 1930s. Also, certain sectors could be more impacted by the candidates' policy proposals. Given the limited visibility, we would advocate an “up in quality” stance as this will help investors weather the macro and election-related volatilities.

Favour mega-tech, consumer staples and healthcare

Looking ahead, large-caps may continue to remain more resilient than small-caps stocks (e.g. Russell 2000) until we see clearer signs of a Fed pivot.

In addition, we favour companies with strong balance sheets and high/rising interest coverage ratios, which include mega-tech and healthcare. The defensive healthcare stocks have lagged the broader market in 2023 as the U.S. economic growth has been largely robust. However, we believe the defensive characteristics could rise to the fore as the economy slows in 2024. Looking ahead, we could see more interest in this sector on merger & acquisition (M&A) news and a wave of innovation that could drive a new product cycle.

We are also positive on the consumer staples given their defensive nature and increasingly attractive valuations following the recent sell-off amid concerns about glucagon-like peptide 1 (GLP-1) drugs. In contrast, we are cautious on the real estate sector given the tight credit availability and high interest rates, as well as the consumer discretionary sector, as earnings are expected to slow from 43.8% in 2023 to 12.0% in 2024.

EUROPE

A modest recovery after a challenging 2023

In Europe, the slowdown in economic activity is inevitable as the consequences of the ECB's financial tightening have progressively impacted consumers and corporates. However, the prospects of improving real incomes due to the easing inflation and wage rises could provide some offset.

Meanwhile, we are cautiously optimistic that we are close to peak rates in the current tightening cycle and do not anticipate further rate hikes by the ECB in 2024 given the lacklustre economic outlook and ongoing disinflation. Notably, Eurozone inflation has steadily declined from a high of 10.7% YoY in October 2022 to 2.9% YoY in October 2023.

European stocks are cheap for a reason

On corporate earnings, European companies are currently in an earnings recession (-11.4% YoY in 3Q23E and -5.9% in 2Q23). We believe the current resilient margins may not be sustainable and earnings will remain lacklustre given the combination of a slowing economy, fading tailwind from strong pricing power, and faster rise in wages. Adding to that, the wall of post-COVID debt repayments in late 2024-25 will be a headwind.

While the outlook does not appear supportive in 2024, the downside could be limited given the inexpensive market valuation. Notably, MSCI Europe is trading at a forward price-to-earnings of around 13.0x, which is one standard deviation below the historical mean of 14.5x. Still, the market may struggle to re-rate significantly until there are clearer signs of growth improvement.

A barbell of defensives and energy

Based on estimates, Stoxx Europe 600 earnings growth is expected to improve from 0.2% in 2023E to 7.1% in 2024E, though downward revision risks remain given the macro headwinds. In particular, we are more cautious towards selected sectors, including industrials and chemicals, as they have yet to fully reflect the risk of an economic slowdown in their valuations.

In contrast, we prefer consumer staples, which are now trading at price-to-earnings levels last seen during COVID-19. This sector has underperformed in 2023 partly due to concerns about GLP-1, which we believe was overdone. Meanwhile, we are neutral on banks. While the macro backdrop may be challenging in 2024, the negatives may have been priced in.

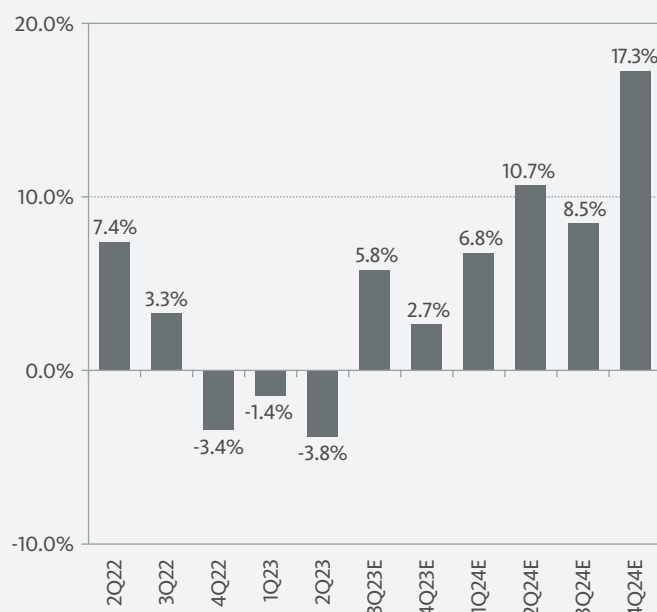
Lastly, with lingering geopolitical risks, having some exposure in the energy sector can help to hedge some of these risks. A potential rotation back into the high dividend-paying stocks, given expectations of peak rates, may also lend support to this sector.

PREFERRED SECTORS

Developed markets

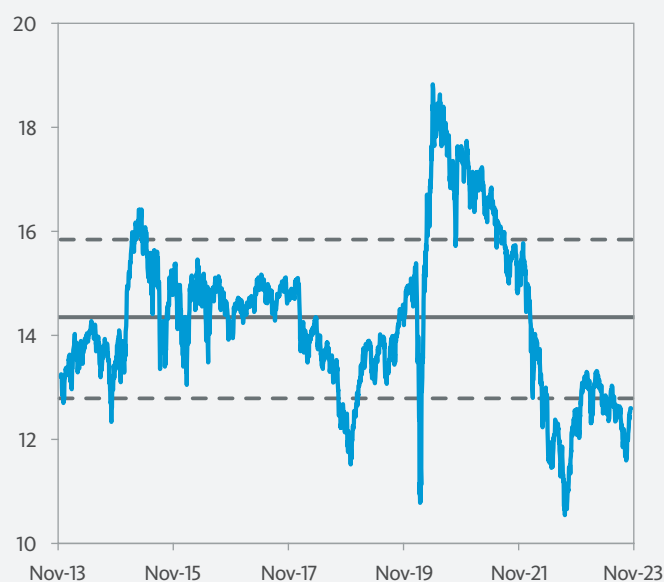
We favour the defensive nature of consumer staples and healthcare sectors. At the same time, we would continue to seek long-term growth opportunities in technology names that are trading at reasonable valuations.

S&P 500 QUARTERLY BOTTOM-UP EPS GROWTH YOY%



Source: FactSet, "Earnings Insight" | 1 December 2023

MSCI EUROPE MAY REMAIN BELOW ITS HISTORICAL 10-YEAR AVERAGE P/E GIVEN EARNINGS HEADWINDS



Source: Bloomberg | 30 November 2023

JAPAN

Corporate reforms to continue in Japan

Japan equities saw the highest inflows in 20 years in 2023, fuelled by cyclical tailwinds of reopening and structural reforms. Looking ahead, Japan's economic momentum is likely to moderate as global growth grinds lower on restrictive monetary policy while reopening tailwinds fade. Meanwhile, Japan's sticky core inflation of 4.0% YoY in October, which is above the Bank of Japan (BOJ) target of 2.0%, continues to suggest a risk to its easy monetary policy.

Investors are increasingly pricing in potential tightening from the BOJ in 2024, which could cause the Japanese yen to strengthen, a negative to Japan equities because it reduces the value of repatriated overseas profits. Notably, most of the listed companies have significant overseas exposure.

MSCI Japan's earnings are projected to grow by 6.8% in 2024 (2023: 8.6%). We expect the positive boost from a weaker yen to wane as the Fed stops hiking and potentially cuts interest rates in 2024. Nevertheless, we continue to remain constructive on the ongoing corporate reforms in Japan, with further announcements to improve capital efficiency.

Sectors wise, we prefer the defensive sectors, including consumer staples and healthcare, which have underperformed the overall market given Japan's robust cyclical recovery. Meanwhile, we see opportunities at selected consumer names with higher discretionary spending post-wage adjustments and companies with strong corporate reforms potential.

CHINA/HONG KONG

Potential for further stabilisation

China saw encouraging signs of economic stabilisation amidst increasing support measures. Positively, Chinese policymakers are acting more decisively to arrest a further fallout in the property sector. While China's structural challenges remain, the rising urgency and willingness to support the economy should help stabilise consumer and investors' confidence.

MSCI China equities' earnings growth is estimated at 16.2% in 2024 but downward revision risks remain. Still, the market's downside risks may be limited given its undemanding valuations and low investor positioning. Notably, MSCI China is trading at 9.5x forward price-to-earnings, below the 5-year average of 12.0x.

Focus on pockets of resilience

We would focus on areas of resilience that are less vulnerable to the current headwinds, including China's green initiatives and digital economy. We believe the policy focus on "decarbonisation", as well as the growing interest in generative AI, will benefit selected electric vehicles, internet and platform companies. In addition, China is now trying to provide a more stable regulatory environment for technology companies, which will help to restore private sector confidence and sustain China's productivity growth given secular challenges.

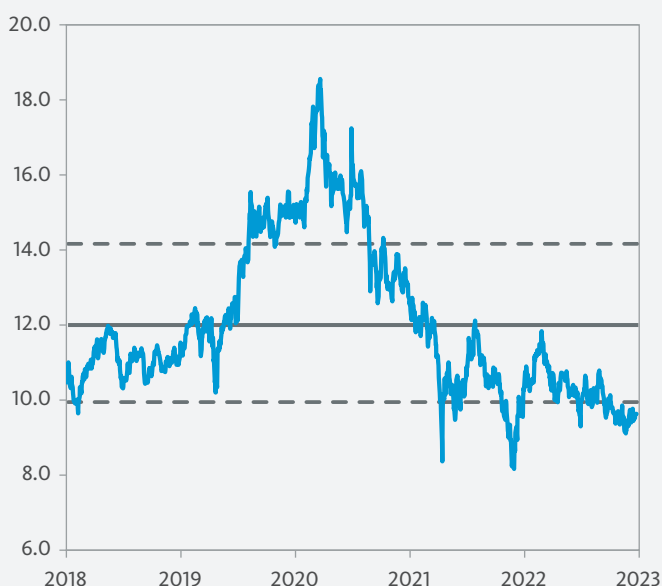
We also have a preference for high-yielding quality defensives, such as state-owned energy and telecommunication stocks, as a source of rich and resilient dividends. In contrast, we stay cautious on Chinese real estate given the ongoing deleveraging and sluggish property sales.

ASIA EARNINGS FORECASTS AND VALUATIONS

Country/Region	2024E EPS Growth (%)	2024E Valuations	
		P/E (X)	Dividend Yield (%)
Japan	6.8	15.1	2.3
MSCI Asia ex-Japan	21.1	12.0	2.8
China	16.2	9.5	2.5
Hong Kong	15.1	12.2	4.1
Taiwan	17.9	15.3	3.0
South Korea	64.7	10.5	2.2
India	16.8	20.3	2.5
Singapore	1.5	10.9	4.8
Malaysia	12.7	13.3	4.1
Indonesia	9.9	12.8	4.6
Thailand	15.4	15.9	2.8
Philippines	10.9	11.3	2.6

Source: Bloomberg | 30 November 2023

MSCI CHINA TRADES AT AN UNDEMANDING P/E TO THE HISTORICAL 5-YEAR AVERAGE



Source: Bloomberg | 30 November 2023

Hong Kong's economic outlook may benefit from a further stabilisation of China's growth in 2024. Nevertheless, further upside on consumption from Chinese tourists may be limited by negative wealth effects from a sluggish property market, as well as capital markets. Still, the undemanding market valuation should help to limit the downside risk.

SOUTH KOREA/TAIWAN

Economic prospects for both Taiwan and South Korea are turning brighter as there are signs of stabilisation in the global semiconductor cycle, suggesting a bottoming out in exports. Given both countries' exports and equity markets are highly exposed to the chips industry, earnings are projected to jump 17.9% and 64.7%, respectively, in 2024 from a decline in 2023.

Nevertheless, the outperformance of both markets in 2023 relative to Asia peers suggests the positives may have been largely priced in. In particular, while we acknowledged the improving macro prospects for Taiwan, there are reasons to be cautious on the market in the near term. With the upcoming Presidential election in January 2024, it could lead to increased political uncertainty amidst lingering concerns over fraying U.S.-China relations and rising tensions over Taiwan.

INDIA

Robust economic growth to continue in 2024

India's robust economic growth momentum is likely to continue into 2024, supported by solid domestic consumption and government spending. India also benefits from longer-term structural positives as companies look to diversify supply chain risk, thanks to its favourable demographics. The optimistic macro backdrop will lend support to earnings, with consensus expecting earnings to expand by 16.8% in 2024. Notably, India has one of the strongest earnings revisions amongst its Asia peers.

In terms of valuation, MSCI India is trading at a forward price-to-earnings of 20.3x, versus the 10-year historical average of 18.5x. India equities look richly valued, but we believe such valuations are justifiable given stronger economic and corporate fundamentals. Sectors wise, we see investment opportunities in financials, industrials and consumer-related businesses.

A point to note is India will hold its General Election in 2024, whereby its Prime Minister Narendra Modi and his ruling Bharatiya Janata Party are campaigning to be re-elected for a third five-year term. With Modi expected to retain his leadership, it should ensure continuity in a government especially if he can secure a strong mandate.

ASEAN

Prefer Malaysia and Thailand over the Philippines

We are encouraged by Malaysia's pro-growth Budget for 2024, lifting projected earnings growth to 12.7% in 2024 from 3.3% in 2023. Meanwhile, Thailand's earnings are expected to rebound to 15.4% in 2024 from -5.6% in 2023 due to stronger economic growth. In contrast, we are less sanguine on the Philippines despite the undemanding valuations. We are concerned that the local central bank may remain hawkish, hurting corporate and consumer sentiments.

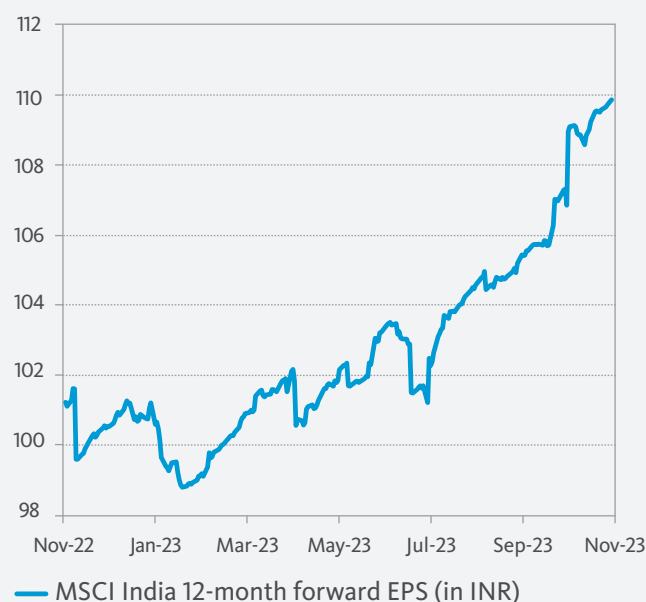
We see balanced risk-reward for Singapore. In particular, the banks' net interest margins may narrow although their strong capital positions should limit the downside risk. Nevertheless, we see emerging opportunities in the Real Estate Investment Trusts (REITs) sector as interest rate peaks. As for Indonesia, the market is inexpensively valued and could be supported by resilient earnings growth. Still, investor sentiment could be dampened by increased political uncertainty with the three-way Presidential election likely to extend into a second round. Hence, we prefer defensive large-caps including banks, consumer staples, and telecommunication service providers, that are more geared to domestic demand.

PREFERRED SECTORS

Asia Dividend

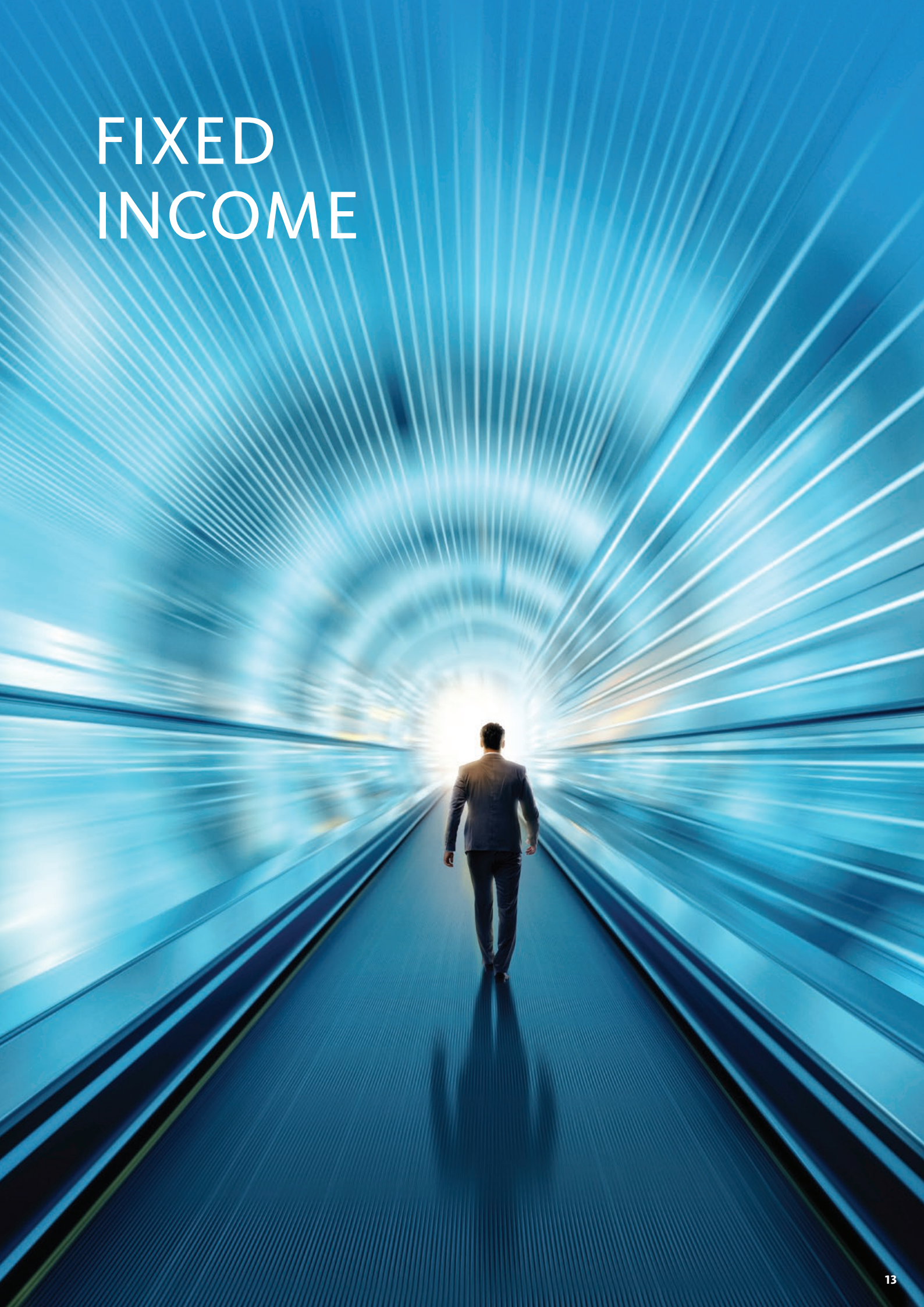
We are positive on Asia dividend growers, notably on companies with strong balance sheets and resilient earnings to grow dividends.

MSCI INDIA HAS ONE OF THE STRONGEST EARNINGS REVISIONS IN ASIA



Source: Bloomberg | 30 November 2023

FIXED INCOME



FIXED INCOME

KEY HIGHLIGHTS



U.S. Treasury yields have likely peaked.



Seek defensive carry in IG bonds, particularly those in DM.



Cautious on HY credit in both DM and EM.

What is next for monetary policy?

Global central banks continued to tighten their monetary policies in 2023, albeit at a slower pace as compared to 2022. In particular, the U.S. Fed Funds rate is now back to 2007 highs at 5.25 – 5.50%. Nevertheless, the slowing economic growth and lower inflation point to a peak in monetary policy rates in 2024. However, the timing and pace of rate cuts may differ across central banks.

U.S. Treasury yields to trend lower

The 10-year UST yield has been volatile in 2023, having breached 5.0% for the first time since 2007. Even so, it may struggle to move much higher from current levels, with real rates now implying a highly restrictive financial conditions for the economy. We expect the 10-year UST yield to trend lower to below 4.0% with more visible signs of moderating growth and inflation. Our expectations for the Fed to start cutting rates in 2H24 could also contribute to lower Treasury yields. Having said that, the risk of increased Treasury supply with a rising U.S. fiscal deficit may still lead to some upward pressure on yields. Still, the higher carry of 10-year UST can be a buffer for any potential price decline.

Adopt a barbell duration approach

In terms of duration, we advocate a barbell strategy for portfolio diversification and risk management. No doubt, there are merits in adding longer-duration bonds which should fare well given our view that interest rates will trend lower. Notwithstanding, investors who are adverse to near term rates volatility may wish to stick to shorter-duration bonds for more stable returns.

Focus on defensive IG credits

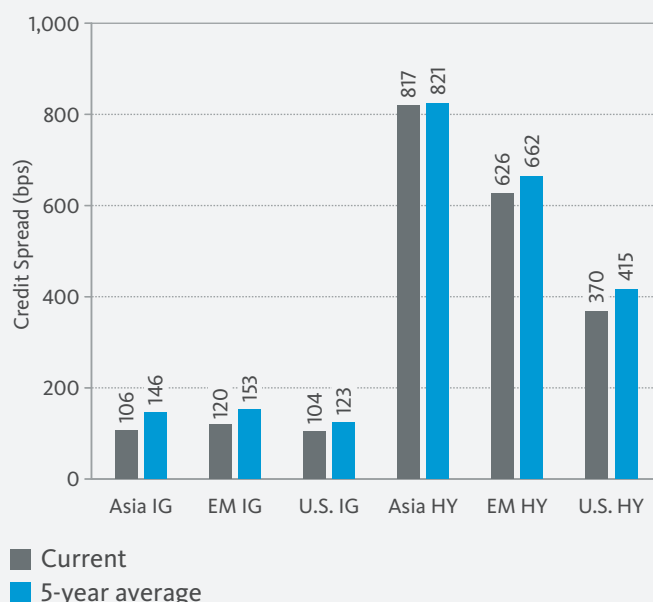
On credits, the emphasis remains on high quality issuers. With monetary policy remaining restrictive, it will likely weigh on companies and lead to higher default rates. Notably, the number of bankruptcies in the U.S. has risen to 561 companies in the first ten months of 2023, exceeding the total of 372 witnessed in 2022. In view of the above, we believe it is prudent to favour the more defensive IG credits over HY bonds. While IG credit spreads are tight relative to historical averages, they will likely widen much less than those of HY in times of an economic downturn, thereby offering much more resilient returns. Segments wise, we see more value in DM IG with pockets of opportunities in EM Asia and Middle East IG credits.

10-YEAR U.S. TREASURY YIELD MAY HAVE REACHED ITS CYCLICAL TOPS



Source: Bloomberg | 30 November 2023

FAVOUR IG CREDITS OVER HY BONDS FOR MORE DEFENSIVE CARRY



Source: Bloomberg | 30 November 2023

DEVELOPED MARKETS

Europe IG credit offers better value

Given the stable and resilient credit spreads, we are constructive on IG credits in DM. Within the segment, we see better value in Europe IG versus its U.S. peers. Notably, the credit spread between Europe IG and U.S. IG is higher than historical average, which should help compensate for the higher growth risks in the Eurozone.

Favourable risk-reward for Europe banks

Europe banks will be affected by ongoing macro headwinds in the Eurozone with the weaker growth weighing on the banks' revenue and asset quality. However, Europe banks are largely deposit funded and have high liquidity coverage ratios. Hence, we remain comfortable with their credit profiles despite the expected slowdown.

Notably, credit spreads in Europe banks have widened in 4Q23, suggesting attractive entry levels. Within this segment, we prefer the senior and Tier-2 subordinated bonds. We also adopt a more selective approach towards the Additional Tier-1 (AT1) bonds, favouring the quality Globally Systemic Important Banks (GSIB). Notably, we are witnessing signs of improving investor appetite for new AT1 issues, which are trading at higher than historical average credit spreads (using the Global Contingent Capital index as a proxy).

Meanwhile, we expect Europe insurers' credit spreads to remain broadly stable despite the muted Eurozone outlook. Most insurers in the region have a robust solvency ratio and ample liquidity. The higher interest rates will also likely lead to better re-investment returns and benefit the insurers.

Overall, we expect credit spreads for Europe insurers to remain stable on the back of muted new issuance, favourable debt maturity profile and potential rating upgrades. Within this segment, we prefer the senior, Tier-2 and Tier-3 subordinated bonds over the Restricted Tier-1 (RT1) bonds.

Australia corporates for transparency

We continue to like the financial transparency of Australia non-financial corporates, which is often superior to the credits in EM Asia. In particular, we see opportunities in selected Australia energy producers with exposure in renewables.

Separately, the Australia banks also remained fundamentally sound and defensive. Nevertheless, there is a need to be more selective with the segment trading at spreads that are tight relative to the historical average levels.

Japan financials – a source of stability

Banks in Japan enjoy stable corporates and households' deposit base. Meanwhile, the Japan insurers also have strong credit profiles. Overall, the financial sector may also benefit from further normalisation of monetary policy in Japan. Given the attractive carry, Japan financial credits can serve as a source of stable income.

PREFERRED SECTORS

Europe banks

Senior and Tier-2 subordinated bonds, as well as selected AT1 bonds from GSIB issuers

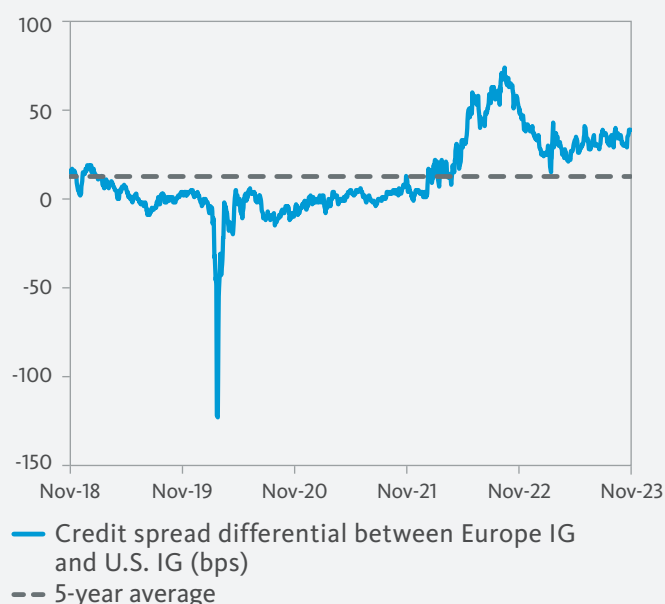
Europe insurers

Senior, Tier-2 and Tier-3 subordinated bonds

Australia

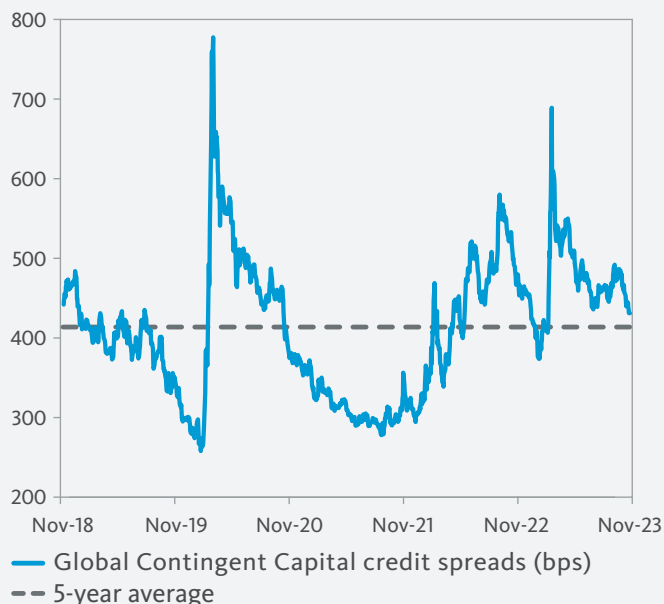
Selected energy companies with renewables exposure

HIGHER THAN AVERAGE CREDIT SPREAD BETWEEN EUROPE IG AND U.S. IG



Source: Bloomberg | 30 November 2023

GLOBAL AT1 BONDS ARE STILL TRADING AT HIGHER CREDIT SPREADS RELATIVE TO HISTORICAL AVERAGE



Source: Bloomberg | 30 November 2023

EMERGING MARKET ASIA

Asia IG credits exhibiting resilience

Despite heightened rates volatility, EM Asia credits turned in a resilient performance in 2023, particularly for the IG segment. Notably, Asia IG credit spread has remained stable which helped to mitigate losses arising from higher benchmark rates. While this segment is trading at a tight spread relative to the historical level, the higher absolute yield should continue to attract investors seeking to lock-in for stable income. Besides, we expect net new issue supply to remain subdued in 2024. Notably, companies remain less inclined to embark on aggressive leverage expansion amid growth uncertainties and worries of higher interest servicing costs.

In contrast, we are cautious on Asia HY credits. Nevertheless, there are selected opportunities with attractive risk-reward proposition, particularly issuers that may benefit from credit rating upgrades on the back of improving fundamentals and balance sheet.

Favour utilities, telecommunication and insurance

In terms of sectors, we favour utilities and telecommunication firms, as well as quasi-sovereigns in Asia, including those in South Korea and Thailand. We also find interesting opportunities in life insurance firms, particularly those with solid business franchise to benefit from the secular demand growth for insurance products in the region.

Selective within China

Within China, we have a positive tilt towards technology companies, notably those with superior market positioning and cash position to better navigate the economic uncertainties. We also see opportunities within the Macau gaming segment which should continue to reap benefits from the further recovery of tourist arrivals returning to pre-COVID levels. Nevertheless, we prefer to stick with better quality gaming companies and avoid those with weaker credit metrics and ratings.

We are cautious on the property sector amid weak primary sales and declining home prices. Notably, China property credits have registered negative returns of over 50% in the past three years with the benchmark index hovering at trough levels. Nevertheless, the introduction of new central and local government policy measures may cushion the downside risk for selected developers. Sentiment may also improve should new property sales stabilise over time, along with more clarity on the debt restructuring of distressed property developers. For now, we will stick to IG state-owned developers with stronger credit standings.

Opportunities in India renewables

The planned inclusion of India to JP Morgan EM bond index by mid-2024 is expected to have a positive spillover effect on India credits. In particular, we see selected opportunities in government-owned renewable corporate bonds with strong balance sheets. Nevertheless, we remain mindful of geopolitical tensions leading to higher oil prices with India being a net oil importer.

Singapore – cautious on property

Given their robust credit fundamentals, Singapore banks will likely continue to deliver defensive carry. However, the positives may be largely priced in with the segment trading at relatively tight spreads compared to global banking peers. Meanwhile, we are cautious towards the property segment which continue to face pressure on rising interest expenses and refinancing costs, along with risks of forex shifts in overseas operation and secular change in working habits.

PREFERRED SECTORS

Asia

Utilities, telecommunication, insurance and quasi-sovereigns

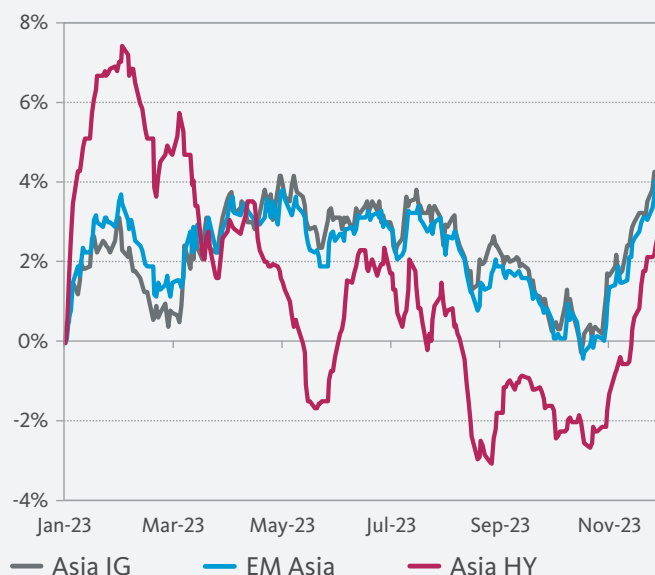
China

Technology and selected Macau gaming

India

Renewables

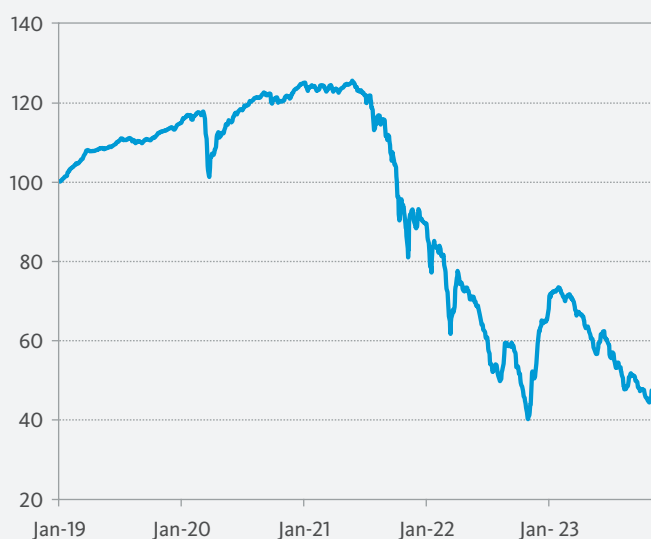
ASIA IG DEMONSTRATED LOWER VOLATILITY AND BETTER RESILIENCE AGAINST PEERS



Note: Performance of total return in USD.

Source: Bloomberg | 30 November 2023

CHINA PROPERTY DEVELOPER BONDS ARE STILL HOVERING AT TROUGH LEVELS



Note: Performance with January 2019 as rebase.

Source: Bloomberg | 30 November 2023

CURRENCIES AND COMMODITIES



CURRENCIES

KEY HIGHLIGHTS



USD strength to fade over time.



Asia ex-Japan currencies to benefit as UST yields falter.



Prefer THB over IDR and PHP as Thailand's external balance improves.

2023 was a year of significant structural shift. Markets were forced to contend with bumpy disinflation progress, relentless outperformance of the U.S. economy and rising U.S. fiscal commitments that concomitantly spurred the repricing of term premium in the UST curve that has been long absent. Such an environment had kept the U.S. dollar (USD) buoyant for much of the year, especially against Asian currencies.

The crux of the matter is whether the U.S. growth could start to converge with the rest of the world and if the term premium on the UST is sufficiently priced. Our base case is that the U.S. economy will continue to slow and inflation continues to ease gradually. In turn, the Fed will keep rates unchanged and eventually kick-off the easing cycle from 3Q24 onwards. Notwithstanding more two-way swings, UST yields and the USD could eventually soften further as markets shift their focus to the start of the Fed's easing cycle.

DEVELOPED MARKETS

Higher-for-longer to fade over time

Strong U.S. data, as well as rising oil prices driven by the geopolitical conflict in the Middle East, have supported the higher-for-longer narrative and consequently both the USD and UST yields. While we cannot rule out the possibility that the U.S. neutral rate has risen from pre-COVID era, it is also likely that this is priced to a fair extent and the narrative may lose further steam as the U.S. economy continues to weaken and inflation continues to ease. While the relative strength of the U.S. economy could continue to provide buoyancy for the USD, the greenback may be vulnerable as the U.S.-Rest of the World growth outlook starts to converge. Towards the end of 2024, the U.S. Presidential election could come into focus and potentially, put a lid to the USD decline in 4Q.

Favour EUR over GBP

2024 should be a better year for the EUR than for the GBP. Eurozone recently returned to a trade surplus while the U.K. remains in a deficit. Structurally, the GBP could also face greater headwinds than the EUR. The loss of the common market from the days of Brexit, a tight labour market and persistent inflation all look to weigh on the GBP more

than the EUR. Nonetheless, growth in both the U.K. and Eurozone is expected to be challenging.

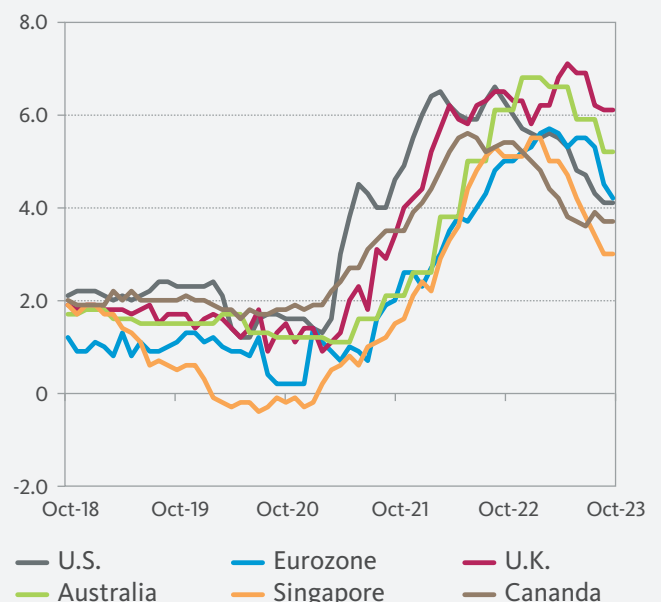
Limited JPY upside as rate differentials stay wide

The USDJPY may remain relatively elevated through early 2024. No doubt, the JPY could strengthen in 2Q24 or earlier, with the Fed turning more dovish and the BOJ becoming less easy following a strong Spring wage negotiation outcome or an earlier pre-emptive move on their part. However, the upside in JPY may be capped with the U.S.-Japan rate differentials likely to stay wide. We do note risks of portfolio reallocation back to Japan in the event of aggressive BOJ tightening.

Cautiously optimistic on CAD, AUD and NZD

We remain cautiously optimistic on CAD, AUD and NZD given that global growth outlook remains in a precarious state due to tightened monetary policies and fading fiscal impulses in the developed world. However, we believe that growth could eventually bottom out in the Eurozone, China and the U.K. and that cyclical upswing could take the CAD, AUD and NZD higher.

CORE INFLATION (%) SOFTENING IN THE DEVELOPED WORLD



Source: Bloomberg | 30 November 2023

ASIA EX-JAPAN

RMB to underperform Asian peers

While the RMB has been propped up by a variety of tools such as fixed central parity, offshore yuan liquidity management and USD sales by Chinese state banks, it is also clear that confidence continues to be lacklustre amongst consumers, investors and businesses. We expect the RMB to continue to underperform regional currencies, in particular KRW, TWD and THB as capital outflows continue. A modest recovery in consumption could be negative for the country's current account, as well as the RMB.

As the U.S. growth slows and Treasury yields ease, the environment would become increasingly benign for most Asian currencies. Thus, we expect regional currencies to strengthen against the RMB in such an environment.

Upward pressures on SGD remain

The Monetary Authority of Singapore (MAS) stood pat in both April and October's policy reviews. While policy tightening appears to have ceased, the SGD is likely to continue to perform well given its robust macroeconomic fundamentals and "haven" characteristics versus peers amidst elevated external uncertainties. In addition, green shoots of recovery can be seen on growth despite downside risks still remain. The SGD has been one of the more resilient currencies in 2023 and we anticipate this to carry on in 2024.

Awaiting the MYR's unexplored potential

The MYR has taken much of a hit in 2023 from both narrowing interest rate differentials with the U.S. and weakness in China's economy. However, we are not expecting this weakness to continue into the entirety of 2024. Speculation of a rate cut by the Fed emerging in 2Q24 with an eventual materialisation in 2H24 should lend support to the MYR. Notwithstanding, we note that a weak China economic recovery and the U.S.-China tensions during the U.S. Presidential election year could both act as limiting factors for MYR gains.

THB to outperform IDR and PHP

We expect the IDR to appreciate modestly from its elevated end-2023 levels, as headwinds from both external and domestic fronts may weigh on the currency in 2024. Even as the Fed's higher-for-longer story fades, the IDR would still be negatively affected by the possibility that the country's Presidential election could see an extended close contest with three different candidates vying for the position. A clear resolution to the political situation may only come once a new President has been sworn in. Apart from that, the impending U.S. Presidential election could pose additional challenge to EM currencies, such as the IDR. We therefore stay cautious on the IDR.

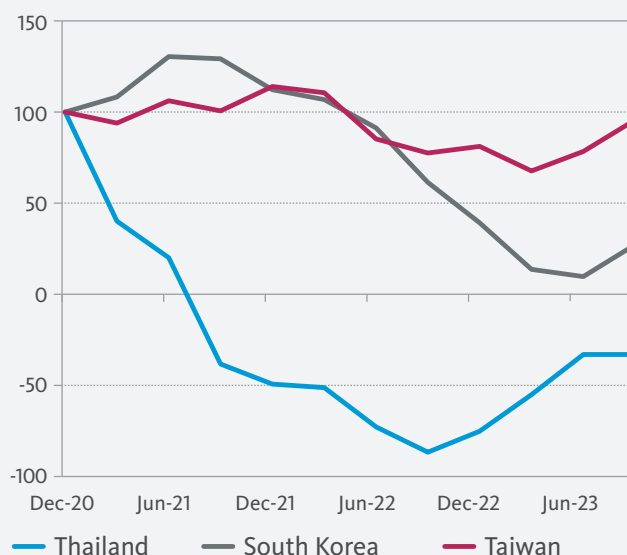
It was a difficult year for THB in 2023 but we stay positive on the currency going into 2024 as we believe that fundamentals could see significant improvements. We believe that both growth and foreign direct investments are likely to strengthen substantially, driven by the business friendly Pheu Thai government. Additionally, tourist inflows could recover more strongly going into 2024, which would contribute positively towards Thailand's external position. While we are cognisant of the fiscal risks, we believe the Thai government would adjust its fiscal policy, if needed. On the other hand, the Philippines' outlook is in contrast to Thailand where high rates could weigh on growth whilst the country's external position would remain under stress.

As a result, we expect a THB outperformance compared to the PHP and suggest a long THBPHP trade. Additionally, going long THBIDR can also be considered given that the IDR may see relatively smaller gains.

MOST PREFERRED PLAYS

- Sell USD on rallies
- Favour EUR versus GBP
- Long KRW, TWD versus RMB
- Long THB versus IDR and PHP

CURRENT ACCOUNT BALANCES FOR THAILAND, SOUTH KOREA AND TAIWAN ARE IMPROVING



Note: Current account balances were indexed to respective balances as of 4Q20.

Source: Bloomberg | 30 November 2023

COMMODITIES

KEY HIGHLIGHTS



Gold to benefit from expectations of USD weakening.



Oil likely to find a floor despite lingering demand concerns.

GOLD

Range-bound for now

Gold traded largely within the range of USD 1,800 – 2,000 per ounce (oz) in 2023 (as of end-November). Notably, the negative correlation between the precious metal and the USD strength continued to persist during the year. While the price of gold may remain range-bound in the near term, it is unlikely to re-test the 2023 lows especially once the softer USD trend becomes more entrenched in 2H24.

Longer-term diversification benefit

No doubt, the opportunity cost of holding on to gold remains high with cash rate at >5%. Nevertheless, the expectations of an eventual Fed rate cut should lend support to gold prices. In addition, gold has historically served as an effective diversifier in times of crisis. Notably, gold prices rallied on the back of flight to safety during the U.S. regional bank crisis in March 2023, as well as the onset of Israel-Hamas conflict in October 2023. Meanwhile, we also see persistent demand for gold from non-U.S. central banks to diversify away from the USD. Hence, we continue to view the precious metal as an important component of the strategic asset allocation (SAA).

OIL

Unfavourable demand-supply dynamics

Oil prices were lacklustre in 2023 with WTI crude retreating by about 5% (as of end-November) amid unfavourable demand-supply dynamics. While the extension of the OPEC+ supply cut and Israel-Hamas conflict provided some reprieve, the impact did not last.

Likely to find a floor in 2024

For 2024, the International Energy Agency (IEA) is projecting global oil demand to grow by 0.9 million barrels per day (mmbpd), lower than the 2.4 mmbpd in 2023. While demand growth will continue to be driven by China and India, the pace is likely to slow.

In comparison, global oil supply is projected to increase by another 1.6 mmbpd in 2024 (2023: 1.7 mmbpd), driven by non-OPEC+ growth. Nevertheless, the OPEC+ alliance may enact further supply cuts to support oil prices. Meanwhile, the reescalation of geopolitical tensions could lead to renewed concerns on supply disruption. Hence, while the upside may be capped, oil may find support at around USD 60 – 70 per barrel in the coming year.

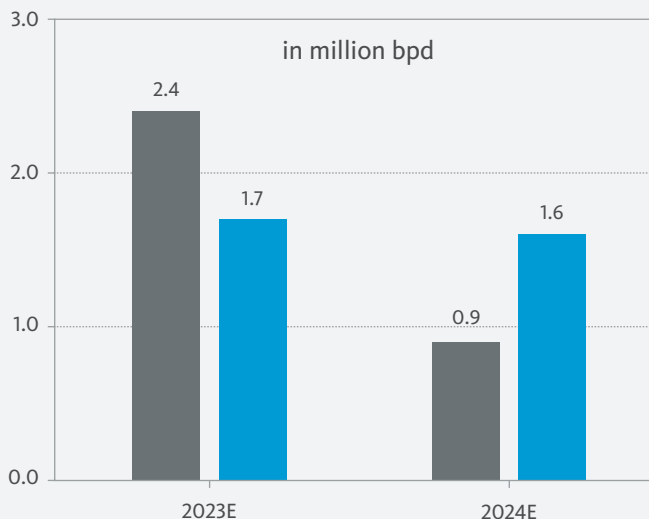
NEGATIVE CORRELATION BETWEEN THE U.S. DOLLAR AND GOLD TO PERSIST



— Gold (USD/oz), L.H.S.
— Dollar index (DXI) (inverted), R.H.S.

Source: Bloomberg | 30 November 2023

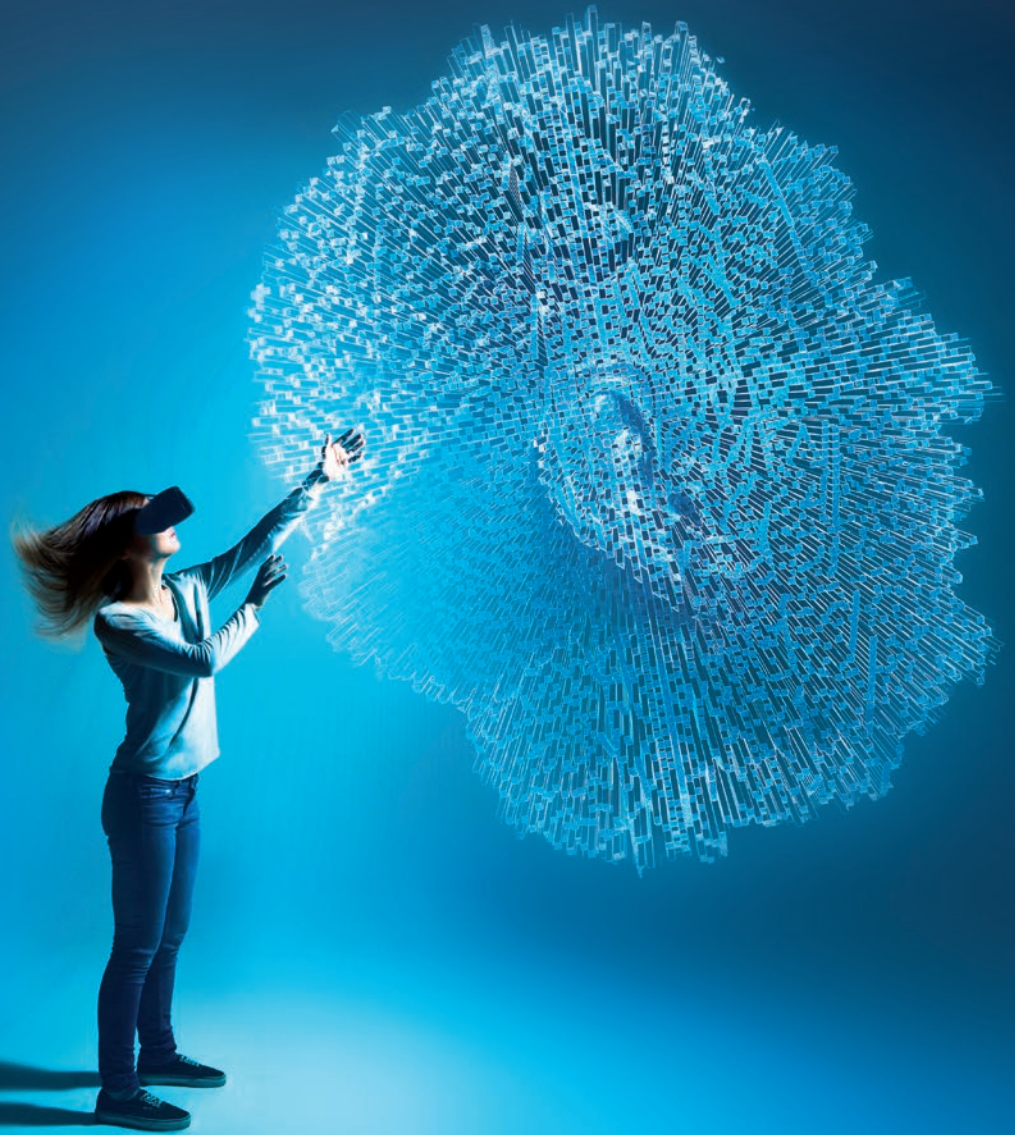
GLOBAL SUPPLY GROWTH IS EXPECTED TO OUTPACE DEMAND GROWTH IN 2024



■ Demand growth
■ Supply growth

Source: IEA | 30 November 2023

ADVANCING WITH TECHNOLOGY



A glimpse into 2030...

Picture a morning when your virtual assistant gradually brightens your room, mimicking a sunrise to ease you into wakefulness. As you step out of the house, your autonomous car unlocks through facial recognition and brings you to your destination punctually and safely. When running errands, the exact cost of your purchases is automatically deducted from your biometric-linked bank account upon exiting the payment gate. Not only does this spare you the hassle of rummaging through your wallet, but it also plays a pivotal role in fortifying the security and efficiency of payment systems.

These are just a few possibilities of how AI can seamlessly blend into our daily lives, and exert a profound impact on the vast entities in our society. More importantly, that day may not be as far away as you thought.

The rise of AI supercharged a new era of technology

AI is a defining theme in 2023. Through AI, computers now have the ability to harness massive amounts of data and use their learned intelligence to make optimal decisions and discoveries in fractions of the time that it would take humans. This revolution, when combined with other technologies, including robotics and blockchain, can create far-reaching ramifications and has the potential to help and disrupt a vast range of industries.

Fear and the future

From an economic perspective, the AI revolution has the potential to add value to the global economy and lift overall productivity. According to a PwC analysis, AI could contribute USD 15.7 trillion to the global economy in 2030, of which 42% will come from increased productivity and the rest from consumption-side effects.

While AI can offer tremendous productivity gains, the proliferation of AI suggests rising risks: disruption to

industries, jobs and even national security. For instance, hackers are also using AI to heighten the speed, scale and scope of their activities.

The future of technology is not just AI

Meanwhile, there are other technology trends that one should also pay attention to. Quantum computing, for instance, is able to solve very complex statistical problems, which today's computers are unable to do, in a matter of seconds. Unlike classical computers that can only produce binary outcomes, quantum computing can analyse huge amounts of heterogeneous data and provide a range of outcomes. It is very useful for optimisation problems like route planning, supplier management and financial portfolio management. According to McKinsey, it is estimated that quantum technology could generate up to USD 1.3 trillion in economic value for selected industries including financial services and life sciences by 2035.

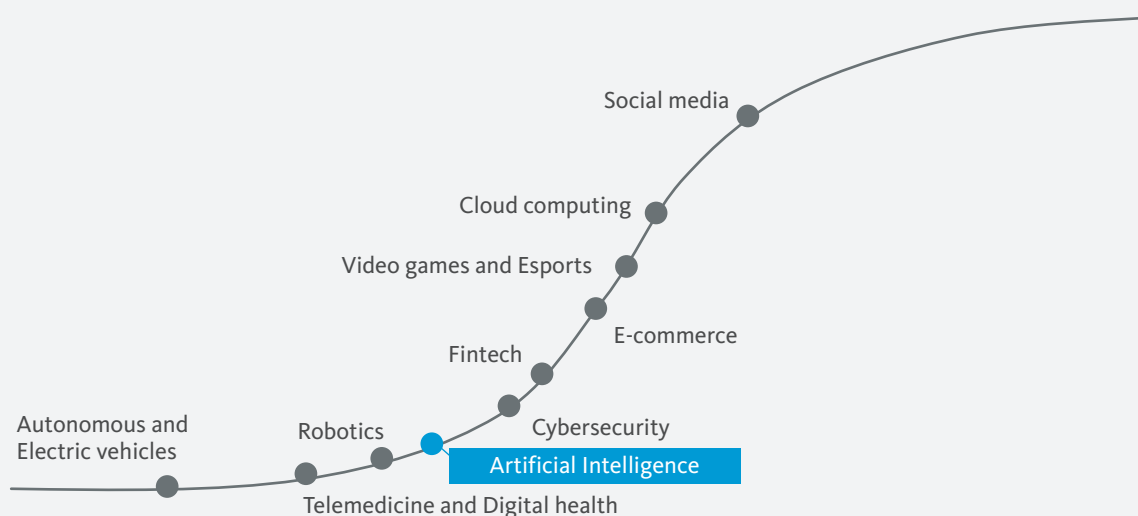
What does it mean for investors?

As we have seen in 2023, the technology-related stocks were the immediate clear winners of the AI theme, including semiconductors, providers of cloud services, software development, data-centres and cybersecurity. It is not just tech companies that will benefit, and we believe the next exciting investment opportunities could be in industries and companies that are transformed by AI. These include healthcare, banking, transportation and many more.

While the rise of AI ushers in a new era, the saving grace for humanity is that AI is purely logical, and it is difficult to incorporate ethics and morality into the algorithm. It is ultimately humans that make the decision. Hopefully, the use of these technologies can bring about a better world for the future.

This article is not written by ChatGPT...

AI ADOPTION IS STILL RELATIVELY NASCENT



Adoption	Innovators	Early adopters	Early majority	Late majority	Laggards
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Source: Global X | November 2023

SHARIAH INVESTING



Building the case for Shariah investing

Increasingly, the focus of investors is not only about generating portfolio returns, but also staying true to personal values and beliefs. Shariah investing, a principle-based investing approach, would benefit from the shift in investor demand and interest.

What is Shariah investing?

Contrary to popular belief, Shariah investing is not only for the Muslims. Notably, everyone irrespective of their religious faiths, can take up Shariah-compliant investments. Shariah investing ensures that the overall investment and trading activities of investors meet the requirements of Shariah laws. Shariah investing and sustainable investment share the same fundamental principle – avoidance of harm. In general, the prohibited elements for Shariah-compliant investments are Riba (Interest), Gharar (Uncertainty), Maysir (Gambling) and Haram (non-permissible or prohibited activities/industries such as conventional insurance and banking, non-halal food and related products and tobacco-related products and activities).

Available Shariah-compliant products/instruments

The Islamic finance sector has increasingly gained traction in the past three decades. With growing demand, the available suite of Shariah-compliant product offerings has widened, now spanning deposits, insurance, loans, investment, treasury and financing.

The investment products that an investor may consider are Shariah-compliant stocks, Sukuk (Islamic bonds), as well as Shariah-compliant mutual funds.

Unlocking the potential in Islamic finance

In a report published by Refinitiv, Islamic finance assets had grown by more than 58% over a five-year period to USD 4.0 trillion in 2021. Remarkably, this asset class is projected to reach USD 5.9 trillion by 2026.

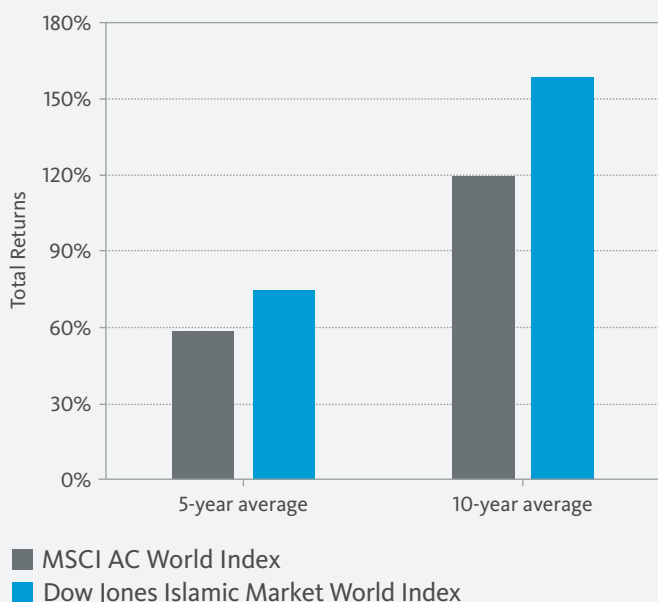
As the world enters into a new period of uncertainty amidst elevated interest rates and slowing global growth, Shariah-compliant investments may provide better stability during tumultuous period in comparison to conventional investing instruments.

For equities, the Dow Jones Islamic Market World Index is still hanging on to its outperformance over the MSCI All Country (AC) World Index by 16% over a five-year and 39% over a ten-year period. In our view, the contributor to this outperformance is due to the stronger fundamentals of the underlying companies, where these companies would need to adhere to the stringent Shariah-screening process. As a result, Shariah-compliant stocks possess lower risk and offer stability.

We also see value in building exposure via Sukuk to enhance portfolio stability. Our analysis showed that Sukuk is more stable as it has a lower volatility than conventional bonds. To illustrate, despite the rising interest rate environment, the FTSE IdealRatings Sukuk Index fell by only 4%, while the Bloomberg Global Aggregate Credit Total Return Index dropped by almost 15% over a three-year period. This is attributed to the general buy-and-hold nature of Sukuk investors compared to conventional bond investors. Thus, Sukuk tends to be less liquid than conventional bonds in the secondary market.

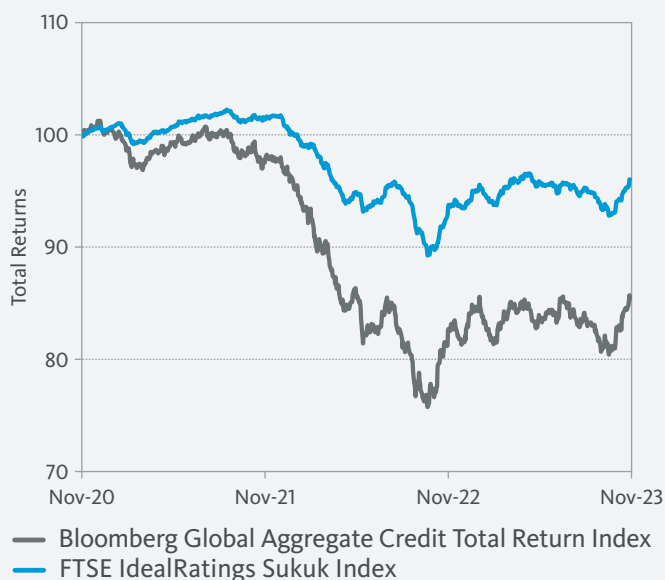
In summary, exposure to Shariah-compliant instruments can serve as an additional source of resilient returns amid the volatile operating environment.

SHARIAH-COMPLIANT STOCKS STILL OUTPERFORM CONVENTIONAL STOCKS



Source: Bloomberg / 30 November 2023

SUKUK DEMONSTRATED HIGHER RESILIENCE THAN CONVENTIONAL BONDS IN TIMES OF UNCERTAINTY



*Rebased to 100

Source: Bloomberg / 30 November 2023

EVENTS CALENDAR



2024 EVENTS CALENDAR

UNITED STATES

Federal Open Market Committee Meetings

30 – 31 January 30 – 31 July
19 – 20 March 17 – 18 September
30 April – 1 May 6 – 7 November
11 – 12 June 17 – 18 December

Spring Meeting of IMF and World Bank

19 – 21 April

Jackson Hole Symposium

August (TBC)

Annual Meeting of IMF and World Bank

25 – 27 October

Presidential Election

5 November

EUROZONE

European Central Bank Meetings

25 January 18 July
7 March 12 September
11 April 17 October
6 June 12 December

World Economic Forum

15 – 19 January

50th G7 Summit

13 – 15 June

UNITED KINGDOM

Bank of England Meetings

1 February 1 August
21 March 19 September
9 May 7 November
20 June 19 December

AUSTRALIA

Reserve Bank of Australia Meetings

5 – 6 February 5 – 6 August
18 – 19 March 23 – 24 September
6 – 7 May 4 – 5 November
17 – 18 June 9 – 10 December

NEW ZEALAND

Reserve Bank of New Zealand Meetings

28 February 10 July
10 April 14 August
22 May 9 October
27 November

CHINA/HONG KONG

National People's Congress

March

TAIWAN

Presidential Election

13 January

SOUTH KOREA

Legislative Election

10 April

JAPAN

Bank of Japan Meetings

22 – 23 January 30 – 31 July
18 – 19 March 19 – 20 September
25 – 26 April 30 – 31 October
13 – 14 June 18 – 19 December

INDIA

General Election

April/May

THAILAND

Bank of Thailand Meetings

7 February 21 August
10 April 16 October
12 June 18 December

SINGAPORE

Monetary Authority of Singapore Policy Meeting

January/April/July/October

MALAYSIA

Bank Negara Malaysia Meetings

24 January 11 July
7 March 5 September
9 May 6 November

INDONESIA

Presidential Election

14 February

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