



Maybank

Asset Management

2H2024 OUTLOOK AND STRATEGY

Back to the Future

MAYBANK ASSET MANAGEMENT



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2Q2024 Review

Financial markets continue to move up in 2Q24, with global equity markets gaining 2% for the quarter. Compared to the first quarter, progress was more uneven in the second quarter, with US markets powering to new highs while emerging markets and ASEAN dropped. Fixed-income markets were also up but have lagged the stock markets. The soft-landing scenario in the US is playing out with the economy chugging along and inflation having peaked.

For 1H2024, there were signs that the global economic growth outlook was brightening and broadening. From the PMI manufacturing survey, it appears that economic growth has been improving in many parts of the world. Breadth and depth have improved with the number of countries growing (see Chart 1, blue line) hitting 60% and the overall global PMI at 51, the highest in a year (red line). The soft-landing based on an improving economic outlook and controlled inflation has contributed to the positive markets around the world. US stock markets are hitting all-time highs, and over in Asia, we are seeing Taiwan and Indian markets also hitting new highs. The AI theme has been the driver of US markets, with the big tech names led by NVIDIA having surged in 2024. Even markets that have not been in favour for the last few years like Malaysia and China, have done well. Malaysia in particular has been one of the better performers this year, with a broad-based rally in both the small and large-cap

The soft-landing based on an improving economic outlook and controlled inflation has contributed to the positive markets around the world.

Chart 1: Global PMI Manufacturing



Source: Bloomberg, Maybank Asset Management |
Period: 2021 –Jun 2024

stocks. Malaysia is benefiting from various global trends that include investment in data centres and US-China tensions that have re-routed the supply chain. So far for the year, stock markets are up between 10% to 20%. Bond markets are up about 1% to 2% as interest rates have stayed higher for longer due to the stubborn inflation we see in the US.

In the realm of geopolitics, the US has been ratcheting up the sanctions against China as we head towards the US presidential elections. The Biden administration is imposing 100% tariffs on Chinese EVs, to be viewed as a defender of the US economy and US jobs. The actual impact of the tariffs is negligible, as Chinese EVs are not sold in the US. For 2Q 24, there was a minor shock for the Indian elections. The consensus expectations have been for the Bharatiya Janata Party (BJP), led by the incumbent PM Narendra Modi, to win 350 to 400 seats out of the total of 543 seats. The BJP only won 240 seats out of 303 in the last elections. The BJP secured the necessary majority through an alliance, and the stock markets dropped sharply but recovered quickly after investors realised that Modi's policies would continue.

2H2024 Key Investment Themes



There are no major changes to our themes for 2024, as the macro and financial markets have been in line with our expectations. Our main theme of “Back to the Future” is intact, as there are many similarities between 2024 and 2023, with resilient rates and soft-landing still being the major topics in both years.

The one exception has been the timing of our interest rate view, where we expected that interest rates had peaked at the start of the year. It is true they have peaked, but

interest rates have also stayed more resilient, staying higher for longer.

The Taiwan and Indonesian presidential elections have been within expectations, but as we stated above, the recent Indian general elections were a bit of a surprise. There are now a few more elections in the pipeline with the most important of them all being the US presidential elections in November 2024.

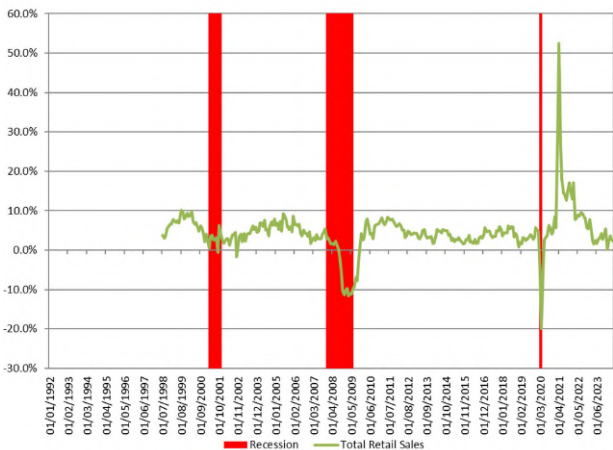
Themes	Implications / Strategy
Peaking interest rates	<p>Generally positive for financial assets</p> <ul style="list-style-type: none"> • Fixed Income, add duration, selective high-yield • REITs • Emerging markets fixed income and equities.
China Transition	<p>Quality growth: High tech sectors. Chips, renewables and biotech.</p>
Elections	<p>In 2024, almost the entire world population will be voting, with Indonesia, Taiwan, India, and the US having elections. Election years tend to be more volatile.</p>
Sustainability	<p>The cost of using renewables (Solar, Batteries) is now competitive with traditional power sources. Look to users of these products rather than the producers.</p>
AI/Tech disruption	<p>Continued trend towards digitalisation. Work from home will disrupt office REITs, especially in the US.</p>
De-globalisation	<p>Supply chains are set up to “derisk” from a single supply chain. China+1 Electronics Manufacturing Services (EMS) companies with exposure in India, Malaysia, and Thailand. Higher inflation for the longer term.</p>
Volatile Markets	<p>More tactical trading given volatile markets.</p>

Growth Scenarios in 2H2024

For equity markets, we have already seen a decent rally in many markets. We expect equity markets to be more volatile in 2H2024. This is because we are seeing a slowdown in the US economy. Some concerns that we highlighted in our last update are still relevant.

Retail sales have stayed relatively weak in the US, with nominal growth of only 2% (see Chart 2), and this does not account for inflation. If inflation were to be included, retail sales would see negative growth in real terms. We are also seeing higher jobless claims and relatively soft manufacturing data.

Chart 2: US Retail Sales Still Relatively Weak



Source: Bloomberg, Maybank Asset Management |
 Period: 1998 – Jun 2024

Other measures of the US economy also indicate a slowdown. The Atlanta Federal Reserve has a real-time measure of US economic growth. This is based on a range of economic data, including housing and industrial production. According to the model, 2Q 24's growth has slowed down from 4+% in May to just 1.5% in July (see Chart 3). Therefore, we are more cautious on equity markets going into 2H2024. **To be clear, we are not expecting a massive collapse unless the US falls into recession, but volatility should be higher, and there may be a correction as investors have already seen good gains so far.**

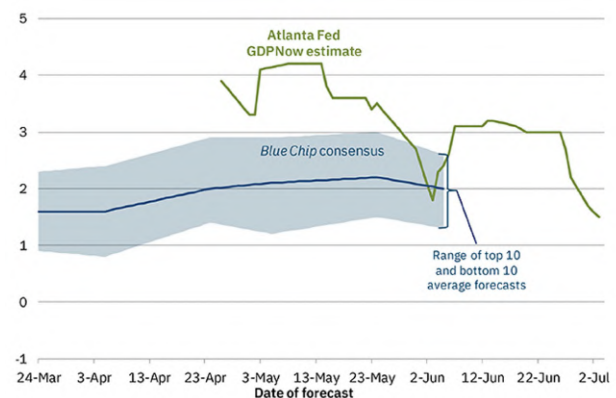
US stock market valuations are now at expensive levels, trading at a historical PER of 25x and a forward PER of 21x. These valuations are above long-term averages in the high teens. High valuations do imply that investors are

If the US sees slower economic growth, then inflation should also cool, and fixed income should do better in 2H2024. We still maintain that returns for fixed income will be more backend-loaded, and in terms of timing, fixed income markets should do better towards the end of 3Q2024.

expecting stronger earnings growth in the US. However, with such high growth expectations, there is a risk that these expectations may not be met. A slower US economy will likely mean weaker earnings growth. The other point is that the leadership in the US stock market is now very narrow, with AI and tech names contributing to the bulk of the stock market gains. It is, of course, difficult to call a top in the US stock market, and the AI theme is real, but there are some signs of a bubble that have some shades of similarity with Tech Bubble 1.0 in 2000.

Moving over to China, markets did hit the bottom in 1Q 24 and rebounded as valuations were at extremely cheap levels. The economy is still imbalanced, with manufacturing and exports doing decently, but property is still weak. We are expecting to see more policy to support and transition the economy from property-

Chart 3: Atlanta Fed 2Q GDP Now Estimate



Source: Atlanta Fed | Period May – Jul 2024

and infrastructure-led growth to higher-quality growth in the third plenum meeting to be held in mid-July. **For China to become a high-income country, it will need to increase high-value-added sectors in the economy.** It is already a leader in some of these sectors, including EVs and renewables, but needs progress in the aeronautical, medical, and chip sectors.

If the US sees slower economic growth, then inflation should also cool, and fixed income should do better in 2H2024. We still maintain that returns for fixed income will be more backend-loaded, and in terms of timing, fixed income markets should do better towards the end of 3Q 24. The US budget deficit and stubborn inflation have kept rates high. Government bond issuance for fiscal spending has accelerated, and the budget deficit exceeds 6% of GDP. This is the highest deficit during normal economic conditions (excluding wars and recessions).

The increase in supply is pushing up interest rates, but a weakening economy will see investors move towards the safety of government bonds towards the end of 2024.

The US presidential election is one of the major risks in 2H2024. With the polarisation of the US, it is difficult to find common ground between the main political parties. **The election campaign is likely to be bitter, and the anti-China rhetoric is likely to increase, as that is the one thing all parties agree on and that is the one topic that can be used to win votes.** A Trump win could see inflationary pressures given his promises to hike tariffs and cut tax rates. That said, we would caution that Trump is unpredictable, and what he finally does is uncertain. A win for the Democrats would be more of the same in terms of continuing the decoupling from China and also high deficits to boost the reindustrialisation of the US.



A low-angle photograph of a modern glass skyscraper against a bright sky with a sun flare. The building's facade is composed of a grid of glass panels, reflecting the light. The sun is positioned in the upper right quadrant, creating a strong lens flare effect. The overall color palette is dominated by light blues and greys, with a bright white highlight from the sun.

Asian Equity Outlook & Strategy



Asian Equity Outlook & Strategy

The US soft-landing scenario has benefited equity markets, with Asian equity markets as a whole up almost 10%. However, the gains have been uneven, with Taiwan and India reaching all-time highs and Malaysia seeing good gains, but other ASEAN markets have been mixed, with Thailand and Indonesia lagging but Singapore doing well.

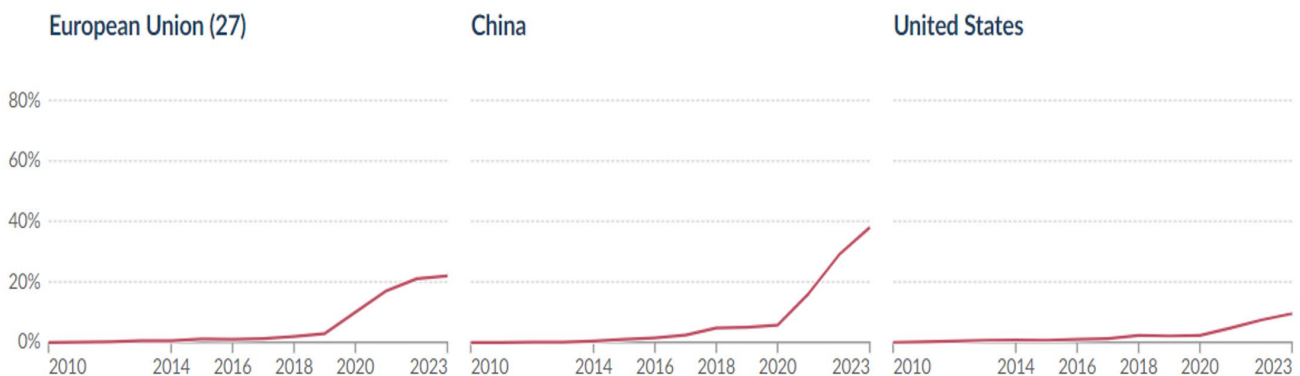
Taiwan has clearly benefited from the recovery in tech and the AI theme, with TSMC (Taiwan Semiconductor Manufacturing Company) being the dominant manufacturer of AI chips for NVIDIA and AMD. It is up more than 50% in 2024. India has done well on the back of the secular growth story of continued economic growth. We did mention that there was some turbulence following the Indian general elections, but India should see strong economic growth of between 6 and 7% over the next few years. At India's stage of development, there are low-hanging fruits, including improving basic infrastructure and increasing industrialisation. There is still lots of room for India to catch up. For ASEAN, it has been more mixed, with Singapore and Malaysia doing well but Indonesia and Thailand lagging behind.

We are still positive on Asian equities, as valuations are cheap and attractive, particularly in ASEAN and China. However, as we are anticipating a slowdown in the US, we would be cautious about the more cyclical countries and sectors. We are underweight Korea given that the

economy is cyclically oriented with high exposure to the auto, tech, and shipbuilding sectors. Valuations have also become more expensive for a cyclical country. We like Taiwan due to its exposure to the AI and tech sectors. Companies in Taiwan are also shareholder-friendly, regularly increasing dividends with a high return on capital employed. While we are positive on the market, the extremely high valuations mean that we are neutral on the market.

Macroeconomic data in China has been decent and is consistent with the full year target of 5% growth for 2024. However, the economy is still struggling with the popping of the property bubble. The weak property market has dampened sentiment, and therefore, economic growth has been uneven. Property sales are down, and prices have slipped 4% YoY, indicating that the property sector has still not stabilised. On the other hand, the renewable sector is strong, with EVs growing between 25% and 40% in the first half of 2024. Chinese EV brands like BYD, NIO, and Xpeng are taking market share from ICE (Internal Combustion Engine) cars. Penetration of EVs in China has been increasing at an explosive rate (see chart 4) and has outstripped major economies such as the US and the EU. The latest figures show that EV penetration in China is now close to 50% as a new range of affordable models has been launched and the capabilities and range of the new EVs have also been improved.

Chart 4: EV Penetration of the Major Economies

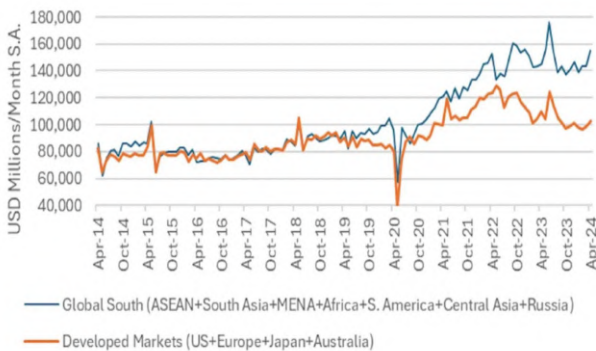


Source: Our World In Data | Date: 2010 – 2023

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Exports are doing better in 2024, up 3% YoY, and contributing to economic growth. One longer-term trend that indicates a shift in global economic structures is the emergence of the global south. For decades, the G7 countries have dominated economic growth, and the way to prosperity for many countries has been to export to the G7, largely Western nations. Since COVID however, we have seen China’s exports to the global south now exceed exports to the developed markets. Growth in exports is coming from the global south (see chart 5 below). This makes sense for China, as the global south as a whole is growing faster than the developed markets. Furthermore, the global south will need Chinese products more to develop further. For instance, they will need Chinese capital goods like construction equipment (cranes, earthmovers, etc.) and renewables (solar, turbines, power equipment, etc.) for development.

Chart 5: China Exports to Global South and Developed Markets



Source: Asia Times, Words Explain China Export Surge Global South, David Goldman | Period : April 2014 - April 2024

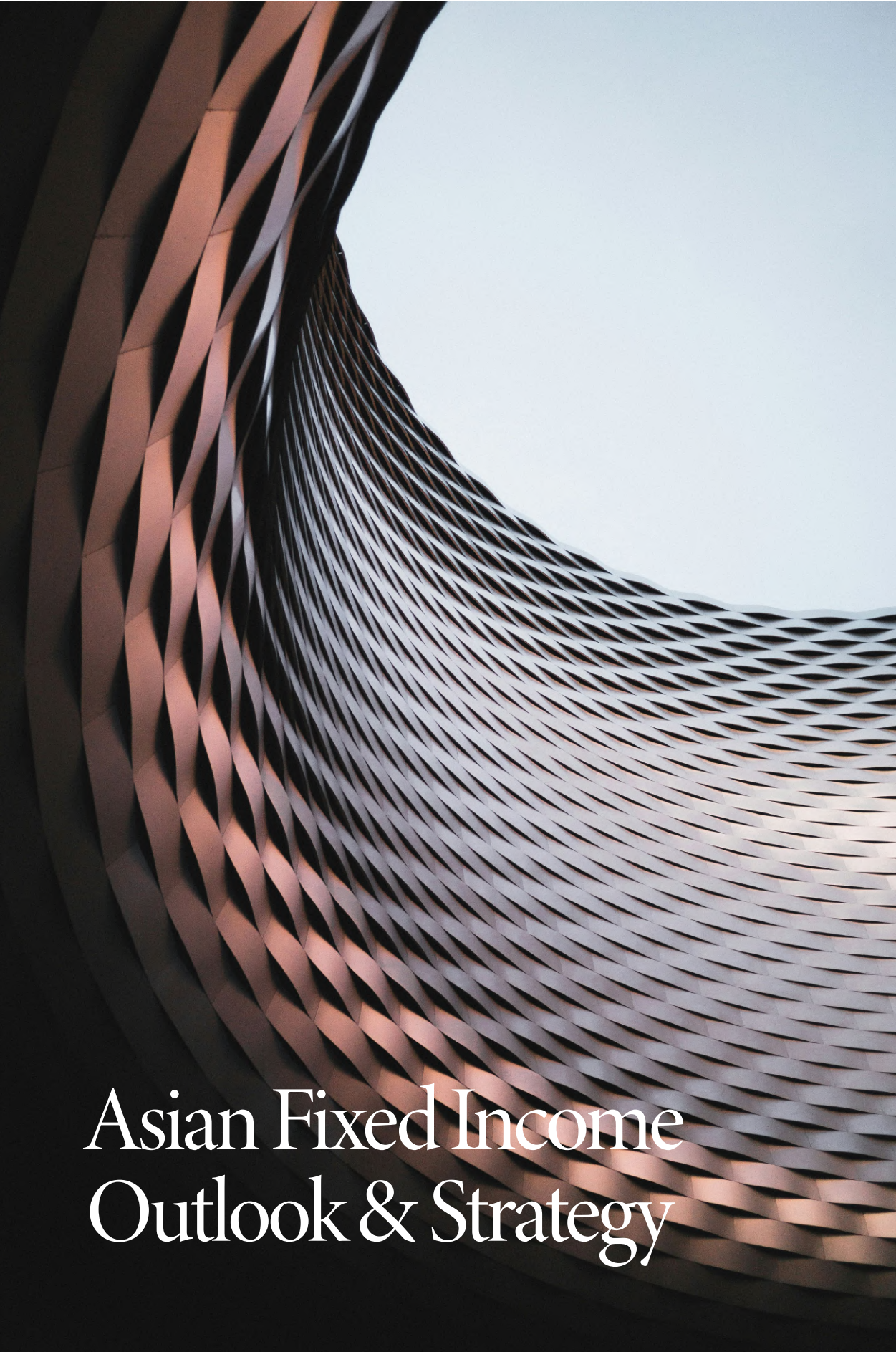
The Chinese stock markets have rallied since February but have also corrected sharply since April. We had expected this consolidation, as the rally had been too sharp. **We still favour the Chinese market, given that valuations are extremely cheap.** Investors have been concerned about the US and China tensions but have been ignoring the fact that Chinese companies (especially the Chinese internet companies) have been increasing shareholder-friendly policies, including share buybacks and increasing dividend payouts. We await further direction from the third plenum, which will chart the longer-term direction of China’s economy that will be held in mid-July.

For ASEAN, we are overweight Malaysia and Singapore, and moved Indonesia to neutral from overweight. Malaysia is a beneficiary of a confluence of factors, including the diversification of supply chain from China. It is providing a middle ground for both MNCs and Chinese companies. There are also domestic themes that are driving the local stock market, including subsidy rationalisation and market pricing of fuel, which will see more healthy government finances. Singapore is benefiting from its role as the region’s financial centre. Geopolitical turmoil has seen fund inflows to Singapore as a safe haven. As a result, bank margins have improved, bumping up ROEs and enabling the banks to have higher dividend payouts. Indonesia has seen policy paralysis following the presidential elections that saw Prabowo elected. The win was expected, but it appears that there is a lack of new policy as the government is waiting for the official takeover of the Prabowo administration in October 2024.

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Country Calls

Country	Call	Rationale
China	Overweight	<i>China is on track to meet the GDP target of around 5% growth in 2024. Recent changes have seen the PBoC expand its balance sheet and lower the LPR (loan prime rate), but rates are still high in real terms given early deflationary conditions. Rising system liquidity, targeted policies, and the undervalued stock market justify keeping an Overweight call. There was a sharp rally in February, but the market has corrected equally sharply. The 3rd Plenum in mid-July will provide further direction on the stock market.</i>
Malaysia	Overweight	<i>The confluence of factors externally and domestically is reinforcing our call on Malaysia. On the external front, the redirection of supply chains due to US-China tensions has seen FDI flow into Malaysia. Domestically, pragmatic subsidy rationalisation and competitive edge (cost and availability of inputs) in the data centre segment are also boosting the stock market.</i>
Singapore	Overweight (from Neutral)	<i>Exports in 2024 are recovering from a low base, but consumption growth will likely be flat with the high cost of living cushioned by a tight job market. Singapore's increasing importance as Asia's financial centre has seen a big improvement in bank margins and ROE. The share prices of banks have risen due to high ROEs and strong dividend payouts. Valuations are not expensive.</i>
India	Neutral	<i>The Indian secular story continues as the country has a long runway of development. There are low-hanging fruits, from infrastructure development to boosting manufacturing. Earnings growth has been reasonably consistent and strong; only the high valuations keep us from being overweight in the market.</i>
Indonesia	Neutral (from Overweight)	<i>There has been some policy paralysis following the presidential elections. The government bodies are all waiting for the new president and his team to take over before proceeding with any actions. With the correction, valuations are now attractive.</i>
Philippines	Neutral	<i>Domestic inflation is on its way down, and that is positive for the Philippines. However, high US interest rates are still a headwind. There is a lack of a catalyst, and the market is waiting for the Fed to move to an easier monetary policy.</i>
Taiwan	Neutral	<i>Taiwan has outperformed in 1H24, thanks mainly to TSMC's exposure to AI as well as others within its ecosystem. In the 2H24, Taiwan will likely benefit from a recovery from excess traditional semiconductor inventory depletion as sales of AI-enabled PCs and even smartphones begin. Strong outlook but Neutral given expensive valuations.</i>
Hong Kong	Underweight	<i>Hong Kong is in a difficult situation. Property prices are too high, and the city is losing its attractiveness due to high costs compared to mainland cities like Shenzhen. As property is a significant part of the economy, it is dragging down sentiment in other sectors.</i>
Korea	Underweight	<i>Korea is benefiting from the recovery of the global economy. The country is a major player in cyclical sectors like tech hardware, shipbuilding, and autos. Valuations are no longer cheap, and the likely global economic slowdown puts us to underweight the country in our model.</i>
Thailand	Underweight	<i>Taiwan has outperformed in 1H24, thanks mainly to TSMC's exposure to AI as well as others within its ecosystem. In 2H24, Taiwan will likely benefit from a recovery from excess traditional semiconductor inventory depletion as sales of AI-enabled PCs and even smartphones begin. Strong outlook but neutral given expensive valuations.</i>



Asian Fixed Income Outlook & Strategy



Asian Fixed Income Outlook & Strategy

Steady Despite Volatility

After eighteen months of aggressive interest rate hikes by the US Fed from 0% to 5.25%, the US Fed finally paused since August 2023. However, US 10-year interest rates continue to be quite unstable as strong macro numbers and inflation risks pushed back on interest rate cuts expectations. From August 2023, the US 10-year interest rate continued to rise to 5% in mid-October before rallying down to 4% towards the end of December 2023.

During 1H2024, the US Fed maintained an unchanged interest rate policy, but the US 10-year continued to trade with ambiguity within a wide range of 3.9% to 4.7%. This bond limbo has delayed investors from returning to or adding on to fixed-income investments in a big way

during 1H2024, despite very attractive bond yields. Short-term government bills continue to look enticing, with offer yields at 5.25%. With the US Fed Dot plot in June pencilling in only one rate cut for FY2024, there appears to be no urgency to move into bond investments.

While US-Treasury rates weakened in 1H2024, credit spreads tightened to offset, and USD credit bond prices on average held relatively steady. The JP Morgan Asia Credit Index delivered a positive total return of 2.8% during 1H2024. High yield was a clear outperformer with a 10.52% total return, while investment grade credits only managed to squeeze out a 1.6% total return due to a Treasury interest rate sell-off.

Chart 6: US 10-year Treasury movements (January 2022 – June 2024)



Source: JP Morgan, Bloomberg as at 4th April 2024.

Chart 7: 2024 YTD JACI Index Returns vs. Treasury

Security	Currency	Price Change	Total Return
1) JACICOTR Index	USD	2.81%	2.81%
2) JACIIGTR Index	USD	1.59%	1.59%
3) JACINGTR Index	USD	10.52%	10.52%
4) JACICNHY Index	USD	13.90%	13.90%
5) JACICOTS Index	USD	.30%	.30%
6)			

Range 12/29/2023 - 06/28/2024 Period Daily No. of Period 182 Day(s)

JACICOTR: JP Morgan JACI Composite Total Return
 JACIIGTR: JP Morgan JACI Investment Grade Total Return
 JACINGTR: JP Morgan JACI Non-Investment Grade Total Return
 JACICNHY : JP Morgan JACI China High Yield Total Return
 JACICOTS : JP Morgan JACI Treasury Return

Source: Bloomberg, JP Morgan as of June 2024.

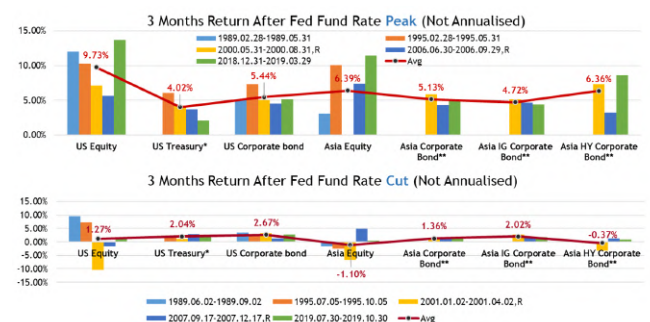
2H2024 USD Asian Fixed Income Outlook – Better to Invest Early than Late

Investors generally like to time the market. They envision the ideal scenario where they are able to buy near the market bottom and take profit near the peak. However, through experience, we all know that being able to time investments perfectly in advance and on a sustainable basis is practically impossible. It is easy to identify entry and exit points with a back-view mirror, but for future trades, no one has a magic crystal ball.

Right now, we can imagine that investors are huddling in a waiting room, trying to identify the right time to buy bonds. We can picture that many of these investors in this waiting room are still nursing their deep wounds from the huge bond losses in FY2021 and FY2022 due to the drastic US Fed hike of 500 basis points. During this period, Asian USD credit investors also suffered through the China property crisis, which caused many Chinese property bond prices to plummet to low single digits. Maybe some of them even lost an arm or a leg, figuratively speaking. With such injuries that are still fresh in their memory, many would rather wait for an opportune time to buy bonds than jump in too early.

However, investors should question what the possible cost of waiting is. To answer that, we conducted a study on investment returns from historic interest rate hikes to cutting cycles to identify when an investor should start buying into bonds. Should we buy bonds at the peak of the hike before the Fed starts to cut rates, or wait for the Fed to cut rates first before we buy bonds? We used data from 1988 until present, which had five hike-to-cut cycles. We looked at the immediate three-month returns of various bond and equity indices if we entered at the peak versus the three-month returns after we saw the Fed cut.

Chart 8: Bonds & Equities Return, Peak vs Cut – 3 Months



Source: MAMG, Bloomberg, SPX, MSCI, BAML; Period: 1988 to 2022. This is for general information only and should not be used as a basis for making any specific business or commercial decisions. Return is calculated by taking average of 3 to 5 period (subject to data availability; *4 periods; **3 periods); Period with a R means it was a recession period.

As shown clearly above, historically, it is better to enter into both the bond and equity markets at the peak of the hiking cycle than to wait for the cut before entering. Yet an overriding question from this observation is how anyone would know when the turning point is given that we can only identify the peak or the trough of any cycle by looking at the past. Hence, we broadened the study to look at returns if we enter the bond market up to two hikes early, before the cycle peaked. We also used three-year returns as a medium-term investment horizon. The table below shows the three-year annualised returns from four different entry points: At the peak of the Fed hiking cycle, after the first cut by Fed, one hike before the peak, and two hikes before the peak. Finally, we extended the study to evaluate Sharpe ratios as a measure of the quality of returns.

Investors should question what the possible cost of waiting is.

Chart 9: Bonds & Equities Return, Peak vs Cut – 3 Years

Entry Point	2 Hikes Before		1 Hike Before		Peak		Cut	
	Return	Sharpe Ratio	Return	Sharpe Ratio	Return	Sharpe Ratio	Return	Sharpe Ratio
US Equity	11.16%	0.59	12.24%	0.69	15.72%	0.92	11.05%	0.62
US Treasury*	9.34%	1.00	9.83%	1.16	9.57%	1.13	6.95%	0.71
US Corporate bond	8.88%	0.89	10.18%	1.16	10.56%	1.27	8.09%	0.86
Asia Equity	1.31%	-0.11	0.94%	-0.14	3.44%	0.01	2.69%	0.03
Asia Corporate Bond**	7.03%	0.99	7.73%	0.99	9.04%	1.33	7.16%	0.89
Asia IG Corporate Bond**	8.26%	1.18	8.96%	1.21	10.11%	1.51	7.54%	0.95
Asia HY Corporate Bond**	4.59%	0.35	5.12%	0.31	6.38%	0.60	6.35%	0.94

Source: MAMG, Bloomberg, SPX, MSCI, BAML; Period: 1988 to 2022. This is for general information only and should not be used as a basis for making any specific business or commercial decisions. Return is calculated by taking average of 3 to 5 period (subject to data availability; *4 periods; **3 periods); Period with a R means it was a recession period.

From the table above, we can see that generally, across both bonds and equities, we get much higher returns from entering at the peak versus entering only at the first cut after the hiking cycle. This suggests that investors should not wait to see the first cut before acting, as the market tends to trade ahead. Historically, we would miss quite a lot of returns if we delayed investing only after we saw the first cut by the US Fed.

In addition, if we entered into bond investments earlier by one hike or two hikes before the peak, historical return data suggests that the negative price impact from entering earlier is quite minimal. The table above shows the US-Treasury average return is 9.34% annualised per annum for the next 3 years if we entered two hikes before the peak, very close to the 9.57% annualised per annum if entered at the peak. Similarly, the US corporate bond return is almost 9% annualised per annum, two hikes early versus 10.56% annualised per annum at peak. Therefore, we conclude that, as long as we believe that we are approaching the end of the hiking cycle, it is better to start investing in bonds early, close to the cycle peak, than to wait to see the first interest cut before investing.

Finally, **in comparing the quality of returns, bonds offer a higher Sharpe ratio versus equities due to lower volatility.** In addition, two of the rate hikes to cut cycles were recession periods. **During recessions, equity markets tend to sell off while government bonds would rally.**

We draw confidence that current levels of 5% to 6% for investment-grade bonds are within the highest range in

Chart 10: JACI IG Yield (2006 – 2024)



Source: Bloomberg, JP Morgan as of July 2024.

the past 20 years, excluding the Lehman crisis. This level of bond yields can withstand an additional 100 bps rise before returns are negative, using the index duration of 4.4 years.

In conclusion, we are positive on bond investments over the next three years. **We believe that we are close to the peak of the hiking cycle, and current USD corporate bonds at 5.5% for investment grade and 7.5% for high-quality non-investment grade offer very attractive yields compared to the past twenty years. Eventually, the economic cycle will turn, the US Fed will cut, and bond investors will enjoy the bond price rally.** If soft-landing persists and the Fed delays interest rate normalisation, we will enjoy the attractive bond yields for longer. This is a win-win situation for investors. The key risk now is stagflation, which is not our base case, but we have to watch very carefully. Also, there will be uncertainty and volatility in 2H2024 as we draw closer to the US elections.



FX & Local Rates Outlook

FX & Local Rates Outlook

USD strength continued its march in 2Q 24 with a firm footing as markets trimmed their expectations and magnitude of rate cuts by the Fed. This stemmed from a backdrop of resiliency in US economic data, which fuelled USD strength in the past quarter (note: Bloomberg's Dollar Spot Index returned 1.32% in 2Q24). Despite the broad US deflationary trend seen, Fed officials have called for patience, and a concrete downtrend is required before the Fed starts to act.

Asian FX woes intensified in 2Q 24 as central bankers across Asia had to tackle and navigate between the mounting USD strength and keeping local rates at a supportive level (note: Asian Dollar Index returned -0.43% in 2Q 24). Towards the end of 2Q 24, the JPY breached the 160 per dollar mark with multiple interventions by the Bank of Japan to support the JPY. Meanwhile, CNY fixing by the People's Bank of China (PBOC) drifted higher as officials grappled with relentless USD strength, highlighting a disparity in the direction of monetary policy between the US and China. The weaker CNY, to a certain degree, had weighed on other Asian currencies that have a high correlation with the CNY (THB, MYR, and SGD). That said, we saw Bank Indonesia (BI) take steps to prioritise FX stability by delivering surprise hikes. The temporary setback in IDR depreciation is more of a function of

the proposed increase in fiscal deficit by the incoming president elect, as it sees to increase its budget deficit ceiling to >3%. Notwithstanding that, the conclusion of the Indian election and positive macro-improvement, i.e., stabilising inflation data and narrowing fiscal deficit, have provided the INR with relative stability in 2Q 24 compared to other Asian currencies.

Moving ahead, we turn our focus to the US election in November, as the perceived outcome of new trade, monetary, and fiscal policies by the new administration is likely to impact Asian FX. Broadly speaking, a continued lack of fiscal restraint may add fuel to the US economy and possibly delay the Fed's rate-cut trajectory. In such a scenario, low-yielders like THB, KRW, and MYR may be affected more. On the other hand, negative trade policies and a rise in tariffs likely affect trade-reliant currencies. But we may see beneficiaries in some ASEAN countries from the shift in the location of the supply chain out of China. We opined that Asian FX weakness is more of a temporary setback due to the current "higher for longer" narrative. Ultimately, a dovish shift by the Fed as the US economy starts losing steam from the lagged effects of a high-rate environment will eventually lead to Asian FX changing course.

Key Trades

Currencies

- Fundamental trades: Medium term bullish on IDR and INR due to higher real yields; favourable domestic factors; and onclusion of elections.
- Short term trades: Mildly bullish SGD and MYR
- Neutral: KRW
- Underweight THB, TWD and CNH

Rates/Duration

- Bullish duration for India, Singapore and Indonesia (medium term)
- Neutral Malaysia rates
- Underweight Thailand duration

Asian FX/Rates Outlook

	Currency	Local Rates
China	<p>Remain slightly bearish on CNH in the near term. PBOC has been fixing Yuan at a much stronger level than market expectations in 2Q24. As of the time of writing, Yuan was fixed at 7.1291, which was a new YTD high. This suggests that the PBOC is comfortable with some RMB weakness and allows some flexibility in views of broad USD pressure in 3Q due to the rising probability of a Trump election victory, a delayed Fed cut, and a higher USDJPY. A potential, Medium Term Lending Facility (“MLF”) cut may also add pressure to RMB. However, we opine that a bigger RMB depreciation move may be limited as the PBOC does not want capital flight. Expect USD/RMB to drift higher towards between 7.3 and 7.4.</p>	<p>Turn neutral on local rates. Despite subdued macro data and property sales, PBOC has held the 1Y MLF policy rate firmly. Market expectations of an MLF cut may have waned, but a RRR cut may still be on the cards. We expect front-end rates to be stable given the PBOC’s continued actions to maintain banking system liquidity through net injection. We think the recent rally in the benchmark 10-year yields to a record low is likely to reverse as the PBOC expects to borrow government securities from dealers to maintain steady operation in the bond markets. Furthermore, the increase in government borrowing to boost fiscal stimulus will add more supply in the near term and may point to a rebound in long-end yields.</p>
Korea	<p>Neutral on KRW. Even though KRW is a beneficiary of the semiconductor recovery cycle, ongoing USD investments by Korea’s national pension service and retail outflows to foreign investments have exerted pressure on KRW in 1H24 (-7.5% as of the time of writing). But we expect outflow pressures to abate. Turn more bullish in the mid-term. USD strength is expected to wane as the Fed cycle comes to an end.</p>	<p>Constructive on KTB as the Bank of Korea (“BOK”) hinted a more dovish tilt. Sluggish domestic consumption and disinflationary forces will result in BOK cutting rates in 2H24 and thus being supportive of local rates. But we opine that BOK may normalise policy rates slower than consensus, as recent KRW depreciation may limit BOK’s ability to decouple from the Fed’s cycle.</p>
Singapore	<p>Mildly bullish. Singapore core inflation remained unchanged in May 24, underscoring some stability. MAS, which has maintained tight monetary policy over the last four meetings, is not expected to change its stance given the inflationary risk of potential geopolitical shocks or weather events. Risks from continued tightness in the labour market may pose inflationary pressures. The Singapore Dollar nominal effective exchange rate (“S\$NEER”) is still trading near the upper end of its band and we foresee continued strength in the short term.</p>	<p>Neutral to slight bullish SGD rates. In the past 1-2 years, long-end SGS has outperformed US-Treasury given strong demand from local banks and lower net supply. Despite market indications of new SIGB supply, the new benchmark 30Y green infrastructure SIGB came in earlier than expected in May 24, thus alleviating some supply pressure in 2H.</p>
Indonesia	<p>Slight bearish in the short term but constructive for the long term. The Indonesian election outcome was a non-issue, but IDR’s performance against USD has lagged Asian peers (YTD: approx. -6.20%). Recent reports on Prabowo’s plan of more liberal fiscal spending (raising debt to GDP ratio by 2% per year over the next 5 years and breaching the 3% fiscal deficit to GDP limit) had led to a knee-jerk reaction and USDIDR moving higher. We believe BI may take the necessary actions to deliver, as evidenced by two rounds of surprise hikes, as it prioritises FX stability. That said, we think the IDR trajectory should be supported in the longer term given (i) relatively high real rates and (ii) the Fed’s hiking cycle coming to an end.</p>	<p>MW local rates. Despite the carry from relatively high real yields, we turn more neutral in local currency govies as we expect investors to stay on the sidelines as they get more clarity on the fiscal situation. Recent balance of payment pressures and an increasing current account deficit for 1Q data may also be key considerations for foreign investors to go long with INDOGBs. But remain constructive in the medium term.</p>
India	<p>Moderately bullish INR. The worse-than-expected performance of Modi in the Indian election has somewhat dissipated with the formation of the new government, which is likely to ensure policy continuity. With higher real yield and positive carry, we expect INR strength to sustain in 2H2024. Furthermore, INR is considered a currency with a relatively lower beta and thus should fare better than peers during bouts of USD strength. That said, downside risks to this view include high oil prices stemming from geopolitical risks.</p>	<p>OW INR rates. Steady growth expansion, a controlled inflation path, and prudent fiscal policies (consolidation of fiscal deficits) should set the stage for India’s macroeconomic fundamentals. The recent outlook revision to positive from S&P is a testament to ongoing economic reforms. Index inclusion of local bonds remains a bright spot post-election. With moderation in inflationary pressures, expect the RBI to start the easing cycle in 2H2024; as such, we remain OW on Indian government bonds.</p>
Malaysia	<p>Neutral to moderately constructive (2H24). MYR YTD losses have been less pronounced (-2.65% against USD) in view of the government’s engagements with government-linked companies to repatriate foreign currency proceeds, thus providing some degree of respite to MYR. Despite being a positive step, we think diesel subsidy removal in June may not have a significant impact on inflation (the small weightage in the overall CPI basket) and fiscal spending (reports show a saving of MYR2–3 billion in spending for 2024). Notwithstanding that, the removal of the petrol (RON95) subsidy would be a game changer in narrowing its fiscal deficit, which is still unknown timing-wise. Broadly, we are of the view that: (i) there is still a wide interest rate differential between USD and MYR; and (ii) resilient US economic data may weigh on MYR in the near term.</p>	<p>Market weight local rates. The removal of diesel subsidies is not expected to add significant inflationary pressure. But the blanket removal of petrol subsidies has a higher probability of increasing headline inflation (note: petrol has a weightage of ~5.5% in the CPI basket). We expect BNM to lean towards a hawkish position given the impending petrol subsidy removal as the government looks to narrow its fiscal deficit. As such, we do not expect many opportunities to come from local duration play.</p>

Asian FX/Rates Outlook

Currency

Local Rates

Thailand **Slight bearish on THB.** The improving current account position from YTD tourist arrivals is partly offset by political noise between the central bank and government. With inflation data still within BOT’s range of 1-3%, BOT has on numerous occasions defended its decision to maintain rates at 2.5%. Given its nature as a low-yielding currency, we expect USD strength to weigh on THB in the short run. Furthermore, weaker domestic growth (talks of digital wallet stimulus are still up in the air) and exposure to China may also weigh on THB in the short run. Furthermore, THB remains exposed to geopolitical tensions, which could manifest in an oil price shock and, thus, a widening current account deficit.

Despite rate-cut pressures from the government, BOT has held a firm footing on its stance that current rates are considered accommodative. The ongoing rift between BOT and the government has led to delays in fiscal spending and digital wallet implementation. We expect the implementation of fiscal spending to increase the supply of debt and, in turn, impact public debt-to-GDP. Taking all of these into consideration, **we remain neutral to slight UW local Thai government bonds.**

Philippines **Moderately bearish.** PHP has been one of the weaker performers against USD in Asia (YTD: approx. -5.8%). This is likely due to sizeable current account deficits as well as dovish comments from the recent central bank meeting. This suggests that rate cuts could be delivered in 2H2024 once there is consistency in its disinflationary trend.

Neutral.

Taiwan **Slight Bearish.** Despite a strong recovery from semiconductor exports from the AI boom, TWD’s upside may be limited owing to its low-yielding nature and wide differentials between TWD and USD. Furthermore, proposed changes to lifers’ FX valuation reserves computation could result in a reduction in the hedging ratio of their offshore investments and bias the USD/TWD spot to move higher.

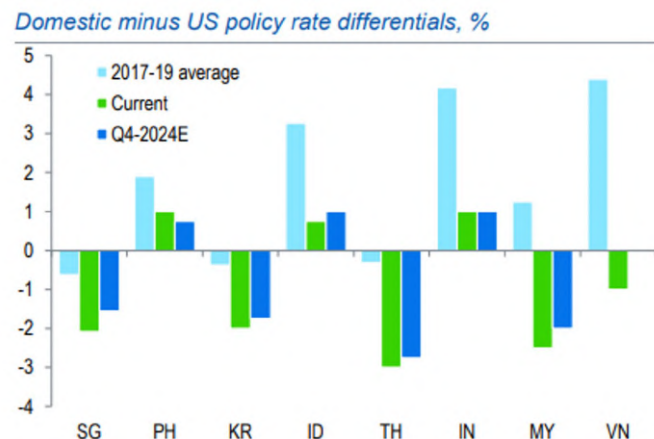
Neutral.

Chart 11: Bloomberg Asia Dollar Index Performance: Pressure in 1H24 amidst relentless USD strength



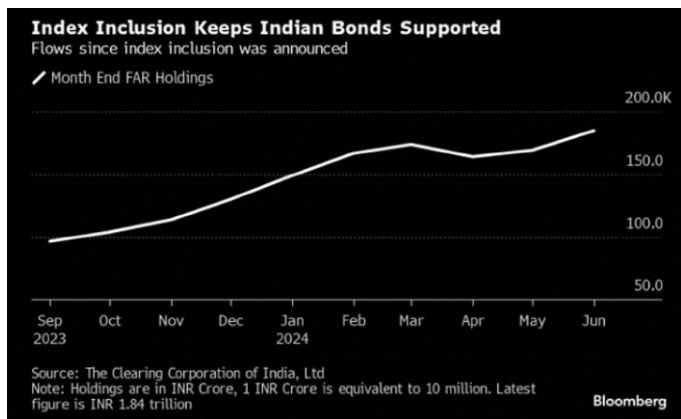
Source: Bloomberg, July 2024

Chart 12: US policy rate differentials with local rates remained key drag to Asian FX; low yielders tend to have higher impact in general



Source: SCB Research, July 2024

Chart 13: INR local currency Inflows tailwind from index inclusion



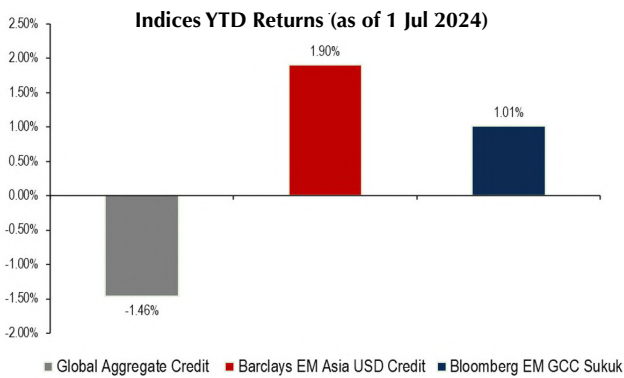
Source: Bloomberg, July 2024

Global Sukuk Outlook & Strategy

Global bond markets registered lukewarm returns for the second quarter of the year as the Fed kept rates unchanged during its meeting in May. Our biggest takeaway from recent data and Fed announcements is that one month of data is not good enough, and we expect the Fed to be “patient for longer” before beginning its policy normalization. With that, we maintain our call on two rate cuts for the year and for September to be the start of the cutting cycle, as we expect the disinflation trend to continue and labour markets to weaken modestly.

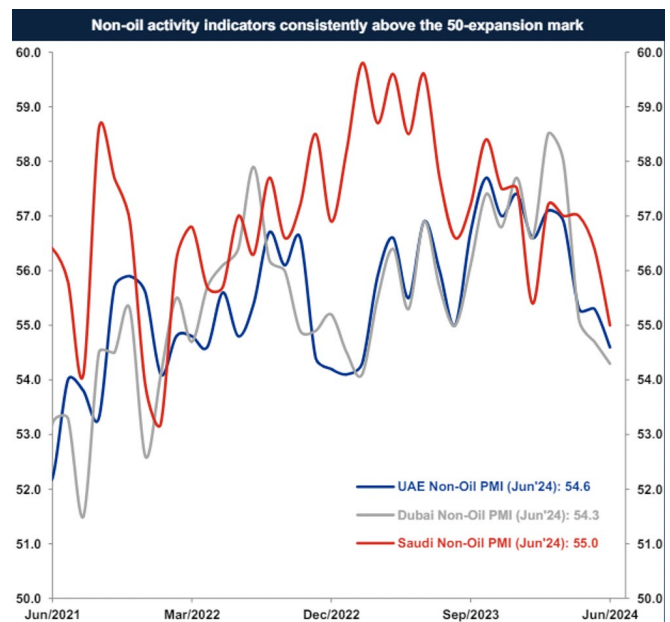
Returns across Asian fixed income (as measured by the Barclays EM Asia USD Credit Index) stood at 1.90% YTD, while global sukuk (investment grade and high yield), as measured by the Bloomberg Barclays EM GCC Sukuk Index, returned 1.01% YTD (Chart 14). Although the benchmark 10-year US Treasury rose by 14 basis points to 4.34% for the quarter, credit spreads continue to grind tighter (Chart 15) across all bond markets. We note that the narrowing was again most pronounced in Asia, as qualms around the region’s major elections (Taiwan, India, Korea, and Indonesia) have dissipated.

Chart 14: GCC Sukuk vs Asia Credit vs Global Indices Returns from 29 Dec 2023 to 1 Jul 2024 (YTD returns)



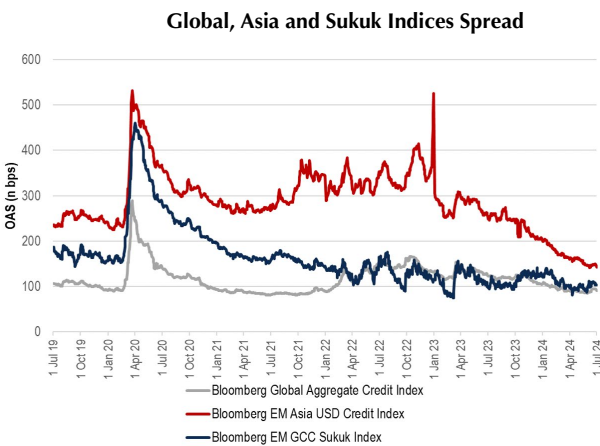
Source: Maybank Asset Management Singapore, Bloomberg |
Period : 31st December 2023 - 1st July 2024

Chart 16: Non-oil PMI 2021 - 2024



Source: First Abu Dhabi Bank, Bloomberg, GASTAT |
Period : June 2021 - June 2024

Chart 15: Global, Asia and Sukuk Spread

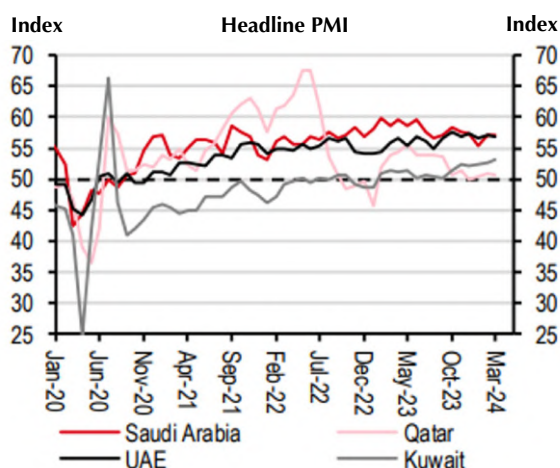


Source: Maybank Asset Management Singapore, Bloomberg |
Period : July 2019 - July 2024

GCC Economy and Oil

Voluntary oil production output cuts have been a headwind to growth for the region, with overall GDP growth for the GCC slowing to 0.4%. That said, we are not concerned with this drop, as the key focal point has shifted to the region’s non-oil sector activity in recent years, and it has witnessed continued expansion since the end of 2023 (Chart 16). This positive trend, led by the UAE and Saudi Arabia, has been largely driven by significant growth in private sector spending, steady domestic demand, and continued reform efforts. We are confident that this will persist and continue to drive the outlook for GCC credits.

Chart 16: Headline PMI in the GCC



Source: HSBC, Macrobond, CEI | Period : Jan 2020 - March 2024

In energy markets, Brent oil witnessed a choppy first half as levels below USD80/bbl and above USD90/bbl were repeatedly tested throughout these 6 months. Market participants continue to grapple with global demand and supply uncertainty, OPEC+ decisions, and a strong US dollar as we move on to the second half of the year. To top it all off, there is also a growing risk of a major war between Hezbollah and Israel in the coming summer months, a key concern for investors in the region. Barring this adverse scenario, which we do not expect, oil prices should continue to trade in the range of USD 70–80/bbl for the medium term, still at comfortable levels for GCC economies.

Issuances/Supply

Issuances in the Sukuk market slowed in 2Q 24, recording close to c.USD16bn in the quarter versus USD21.5bn in the first quarter. Notwithstanding that, we expect supply to be modest for the remainder of 2024, owing to funding and refinancing needs (debt maturities of ~USD82bn across GCC bonds/Sukuks) and the prospects of lower policy rates in the US. This expectation is in line with S&P’s projection for global Sukuk issuance to reach approximately USD170bn for the year, surpassing

We maintain our overall positioning towards investment grade over high yield with our overall strategy to focus on selecting corporates with strong balance sheets and diversified profiles.

previous year’s USD168bn. Corporate and bank Sukuk issuances stole the spotlight, performing remarkably well in the secondary markets with significant oversubscription and international demand.

Outlook and Positioning

While we did not see any positive uplifts in the ratings for the GCC region for the quarter, recent rating affirmations by the 3 big agencies for Kuwait, Qatar, Bahrain, Oman and the UAE is testament to the region’s stable economic outlook versus the rest of the world.

Looking into 3Q 24, credit spreads in Global Sukuks can remain tight and continue to perform particularly given the region’s expansionary backdrop and still attractive all-in yields keeping credit markets supported. We maintain our overall positioning towards investment grade over high yield with our overall strategy to focus on selecting corporates with strong balance sheets and diversified profiles. The UAE real estate sector in particular, has garnered significant attention of late, as robust demand, transaction activity and strong trend in prices have exceeded expectations. We view this sector as one in which we are comfortable taking higher risk positions for our portfolio. For GCC banks, we continue to like new issues down the capital structure (AT1 and Tier 2s) over its seniors, given their healthy credit fundamentals and valuation.

Lastly, we think that elevated rates volatility will likely persist, especially as US presidential campaigns pick up speed and incoming data on growth, inflation and the labour market paint mixed signals. Overall, as credit spreads continue to perform, and return opportunities dwindle, we intend to incrementally increase our duration positioning as the Fed eventually begins its first rate cut.

Chart 17: Bloomberg EM GCC Sukuk Index (2014 to Jul 2024)



Source: Bloomberg, 4 Jul 2024

Country	Recommendations
United Arab Emirates	<ul style="list-style-type: none"> Affirmed at AA- by Fitch. Non-oil sector growth is expected to be mid 4%. UAE real estate markets have exceeded many developers, rating agencies, and experts' expectations. UAE GDP is expected to outpace global growth by a sizeable margin in 2024, according to the IMF. Remain OW on bank AT1s over seniors for carry and a high likelihood of redemption on the first call date. OW on IG and HY real estate names.
Saudi Arabia	<ul style="list-style-type: none"> An annual financing need of USD30bn, which is largely done via USD27bn in local and international debt issuances and the sale of Aramco shares (USD11.2bn equivalent). Don't expect any further external issuance in 2024. MW Sovereign (from UW). Remain UW on Quasi sovereigns as PIF-related entities expected to drive significant issuance from progress in giga-projects; remain OW on Saudi bank AT1s on high likelihood of redemption on the first call date.
Oman	<ul style="list-style-type: none"> While we had expected an investment-grade rating in 2024, recent developments and conversations with Oman's debt management office and respective rating agencies have lowered this likelihood. Recently proposed legislation to introduce personal income tax between 5 and 9% for high-income earners (both Omani nationals and foreigners). Only add-on dips as sovereign is trading at IG valuation. Prefer the quasi-sovereigns due to their decent spread over the sovereign (40-45 bps).
Qatar	<ul style="list-style-type: none"> Ratings are equalised across all agencies at AA. Expecting twin surpluses to roll over to the end of 2024. Growth is expected to remain steady with the North Field gas expansion project driving the construction sector. The tourism sector is noticeably growing and is expected to drive non-oil growth. There will be no outstanding Qatar sovereign Sukuk after its maturity in 2023. Market weight on Qatari Financials.
Bahrain	<ul style="list-style-type: none"> Remain cautious about Bahrain's prospects with weak fiscal consolidation efforts. Bahrain is projecting a deficit of US\$0.4bn in 2024; the non-oil sector has seen some slowing. Still heavily depend on oil market prospects, regional spillovers, and support. Market weight OILGAS quasi as the spreads-to-sovereign have normalised higher (20 to 25 bps). Market weight on Bahrain sovereign, supported by regional technicals.
Kuwait	<ul style="list-style-type: none"> The recent approval of the budget by Parliament is a step in the right direction, but it still requires more steps to give assurance to investors. The overall pace of reform initiatives is still slow. Neutral on IG names in the petrochemical/energy industry. Neutral on Kuwaiti banks' AT1 perp.

OW= overweight | MW= market weight | UW= underweight

Malaysia Outlook & Strategy



Malaysia Economic Outlook 2H24

Malaysia's economic growth accelerated to 4.2% YoY in 1Q 24, driven by strong private expenditure and a positive turnaround in exports. Trade activity grew 8.7% YoY, with exports up 4.5% and imports up 13.7%, resulting in a RM52.0 billion trade surplus. Domestic growth is expected to remain robust, supported by resilient trade, manufacturing, and investment activities. However, the subsidy rationalisation, especially the anticipated RON95 fuel subsidy changes, poses challenges to consumption and inflation. The government aims to reduce the budget deficit to 4.3% in 2024 and maintain a steady OPR at 3.00%, while the MYR remains relatively stable despite USD strength.

Malaysia's economic growth continued to pick up, with GDP growing faster than expected at +4.2% YoY in 1Q 24 vs. advanced estimates of +3.9% and +2.9% in 4Q 23 (2023: +3.7%), driven by stronger private expenditure and a positive turnaround in exports. Trade activity recorded the highest periodic values in the first 5 months of 2024, growing by 8.7% YoY to RM1.16 trillion. Exports increased by 4.5% YoY to RM605.2 billion, and imports were higher by 13.7% YoY to RM553.2 billion, resulting in a trade surplus of RM52.0 billion for the period. Economic growth is on track to achieve the government's GDP growth target of 4.0–5.0% for 2024. Meanwhile, the CPI edged higher to 2.0% YoY in May from 1.8% in April, largely in line with expectations, but there is further upside risk to inflation amidst ongoing subsidy rationalisation.

Moving forward, we expect domestic growth momentum to remain firm, driven by both external and internal drivers. We expect trade and manufacturing activities to stay robust, coupled with continued resilience in domestic demand from increased consumer and investment spending. Business optimism is also picking up, as observed from higher manufacturing PMI, increased imports of capital and intermediate goods, and rising investment activity. On the external front, trade performance is envisaged to be lifted by the uptrend in the global technology cycle, supply chain reorientation, and stable global economy. Notably, Malaysia has emerged as one of the favourite investment destinations, including for sectors like E&E and data centers. Furthermore, due to the trade tensions between the US and China, multinational corporations (MNCs) have started to relocate or diversify their operations to other regions, such as Southeast Asia,

with Malaysia being one of the key beneficiaries due to its trade openness, good infrastructure, robust policy framework, and political stability.

However, a key challenge is the ongoing subsidy rationalisation exercise within the larger context of fiscal consolidation. The government removed blanket diesel subsidies on June 10, with a 56% increase to RM3.35 per litre (from RM2.15 set since February 2021) for Peninsular Malaysia. Fiscal cost savings are estimated by the government at around RM4 billion per year, with measures to implement targeted subsidies to shield vulnerable groups and qualified businesses. Attention now shifts to

Notably, Malaysia has emerged as one of the favourite investment destinations, including for sectors like E&E and data centers.

the anticipated RON95 fuel subsidy rationalisation given its wider implication, although its quantum, timing, and mechanism remain uncertain for now. We think that the government will increase the retail petrol price of RON95 on a more gradual basis while periodically providing subsidies to recipients within the B40 and M40 brackets to manage the impact on these groups. While subsidy rationalisation poses a challenge to domestic consumption and inflation expectations, these measures are necessary from a fiscal management perspective. Given the rise in the federal government debt level since the pandemic, where the statutory debt to GDP now stands at about 62%—just short of the 65% limit—the government has to strike a delicate balance between supporting growth on the one hand and fiscal prudence on the other. The government has targeted to reduce the budget deficit from 5% in 2023 to 4.3% in 2024, while headline inflation is projected to remain moderate at between 2% - 3.5% (2023: 2.5%). Putting it all together, we continue to believe that Bank Negara Malaysia will hold the OPR steady at 3.00% for this year, even as the US Federal Reserve is expected to cut rates this year, albeit not as aggressively as expected at the start of the year.

The MYR has been a relatively steady performer in the region despite the economic resilience and stickier-than-expected inflation in the US, which have driven USD strength. USDMYR is about 4.7035 at the time of writing, 2.38% weaker than at the start of the year. We expect USD strength to be somewhat sustained into 3Q as we think emerging market currencies will face continued pressure ahead of the US Presidential elections

in November before ending the year on a firmer note as a hopefully more stable geopolitical environment, the start of the US Fed rate cut cycle, improving external demand, and continued use by policymakers of non-monetary policy levers to support Ringgit stability, such as through increased engagements with GLC, GLIC, and corporates to encourage the repatriation and conversion of FX proceeds to Ringgit.

Malaysia's Equity Market Outlook and Strategy 2Q2024

The KLCI increased by 9.31% YTD with gains were seen in construction, properties, and utilities, while plantations and telecommunications underperformed. Positive developments included incentives for AI data centers and new growth pillars such as data centers and technology-related investments. Despite June's profit-taking, we expect the KLCI to reach 1,700 points by year-end, potentially rising to 1,860 points in 2025 with continued buying momentum and supportive economic reforms.

Global equity markets were upbeat in 1H2024, and it was predominantly driven by the AI and tech-related rally. The MSCI World Index chalked gains of 10.81% for 1H2024. The US equity market continued to remain robust in 1H24 after a lacklustre performance in 2023. Key indices in the US recorded historical high performance in 1H24, with Nasdaq leading the pack and outperforming its peers. In the same vein, this led to the rally in Taiwan and Korea. The former saw stocks rally on the AI frenzy, while the latter saw Samsung gain some 10%. On the interest rate, the Fed median dot now suggests a one-rate cut in 2024, as the inflation rate in the US remains sticky. A better-than-expected US CPI, albeit slightly, helped US bonds rally while the US dollar strengthened. Within commodities, oil prices jumped 14.00%, fuelled by a strong underlying physical market and the seasonal uptick in oil demand, refinery runs, and as OPEC+ extended production cuts at least until 3Q of this year.

Closer to home, the KLCI rose by 9.31% YTD to close 1H2024 at 1,590.09 points, a tad below the strong 1,600-point psychological level. On the broader market, construction, properties, and utilities were the top gainers, while plantations, telecommunications, and REITs were the underperformers. It was a broad-based market performance in 1H24 as the FBM100, FBMEmas, and FBMSmallcap all outperformed the KLCI. There were a slew of announcements in 1H24, starting with the inclusion of Sunway Berhad replacing AMMB as a KLCI constituent, Malaysia Airport's privatisation deal going ahead, and PMX's wish to join BRICS.

After a strong start for the KLCI in the first 5 months of the year, which saw the KLCI rise to as high as 1,629 points, local equity markets saw some profit-taking and de-risking during the month of June. Net foreign outflows returned after last month's net buying. Despite the slip, we did see further encouraging news, which centred largely on data centres, hyperscalers, and technology-related developments.

On the development side of things, the government has announced incentives for AI data center, with ongoing discussions with ByteDance for a further RM10bn into Malaysia for AI. This follows a few deals recently by Crescendo Corp., Eco World, UEM Sunrise, and TM/Singtel. The high-speed rail also made a return in terms of headlines, with newly minted Singapore PM saying that he is open to the proposal for the project to be a 'win-win' for both countries. Lastly, targeted subsidies for diesel were implemented, with the retail price set at RM3.35 per litre.

Moving forward, despite the recent correction, we are maintaining a positive view on the market with emphasis on thematic investing for 2024 focusing on 1) EmphasisingNETR-related segments such as water, solar, and energy-efficiencies businesses perhaps expanding into tech software and hardware, 2) Allocation of additional government spending for Penang & East Malaysia (Sabah & Sarawak) from the 2024 Budget, likely to drive pent-up economic activities in these states; 3) new growth pillars such as data centers/hyperscale supply chain e.g. land owners, contractors, network/cable providers, energy providers, data security etc.; and 4) Lastly, fostering a closer Malaysia-Singapore relationship which will directly benefit Johor State e.g. ART, HSR.

Our year-end target for KLCI remains at 1,700 points, and if the buying momentum continues, supported by increasing corporate earnings, pent-up liquidity, and more importantly, economic reforms and business-friendly policies being implemented, there will be high chances that KLCI will revert to its 5-year mean valuations, thus pushing the index to reach 1,860 points in 2025.

Malaysian Fixed Income Outlook & Strategy

The Malaysian yield curve remained stable despite UST volatility, with the 10-year MGS flatlining at 3.90%. Bank Negara Malaysia (BNM) held the OPR at 3.00%, with a neutral stance due to stable growth and benign inflation. Malaysia's GDP is projected to grow 4-5% in 2024, justifying the current monetary policy. Anticipated global shifts toward accommodative policies may lower government bond yields, providing trading opportunities. We continue to favour corporate bonds for their higher yields and lower volatility, preferring AA-rated and A-rated papers for yield pickup.

US-Treasury selloffs continued in 2Q 24, but it appeared to attract gradual but consistent buy-on-dip demand, unlike the freefall in Sep-Oct 2023. With soft-landing/no-landing an overwhelmingly high consensus, market optimism for risk assets is running high, with high-yield corporate spreads at the tighter end of the long-term range. Developed-market sovereign yields are generally repriced higher, led by the US-Treasury and UK gilts. The dovish rates pricing in January vs. dot plot has been fully unwound, with market expectations now largely aligned with those of the Fed. The Fed kept the Fed Funds Rate (FFR) unchanged at 5.25–5.50%, as widely expected in June's meeting. Fresh dot plots saw policymakers revising down their 2024's 25 bps rate cut expectations to one (Mar dot plots: three) while seeing four cuts in 2025 (Mar: three). The consecutive weeks of yield increases were finally halted in May, and the US-Treasury curve bull-steepened.

The Malaysian yield curve remained stable despite some volatility in US Treasury. At one point, the 10-year US Treasury yield jumped more than 15bp to >4.60% but had little impact on local government bonds, where the 10-year MGS almost flatlined at the 3.90% level. Overall, Malaysia government securities moved range-bound of 1-3bps for the quarter, and the MYR/USD closed the quarter at 4.7175 compared to 4.725 at end-Mar. BNM maintained the OPR at 3.00%, as unanimously expected in most recent MPC meetings. The monetary policy stance remains neutral, with the current OPR being seen as "supportive of the economy and consistent with the current assessment of inflation and growth prospects." The languages on monetary policy stance has been unchanged for the fifth consecutive meeting

since September. There is no catalyst for BNM to alter the policy direction at this juncture, given stable domestic economic growth and benign inflation. As such, our view remains that BNM should maintain OPR at 3.00% in 2024 in the absence of demand-pulled pressures, especially when Consumer Price Index (CPI) numbers are relatively benign at the back of subsidy rationalisation exercises. We expect the recovery in Malaysia's fixed income market to continue into 2H2024, as central banks around the world have peaked on interest rate hikes and are signalling a shift towards more accommodative monetary policy. The end of the central bank hiking cycle would present a more positive dynamic to yield movements globally, positively impacting MGS yields to trend lower.

The Malaysian yield curve remained stable despite some volatility in US Treasury.

In terms of growth prospects, Malaysia's GDP growth is projected to expand by 4–5% in 2024. This justifies a continuation of the current monetary policy stance. Having said that, the next move in OPR, if any, is likely to be a cut rather than a hike. In addition, govies duration remains an important hedge in MYR portfolio allocation as global rates dynamics may unexpectedly descend from late-cycle to end-cycle pricing. We believe that government bond yields are likely to decline in 2024, allowing for advantageous trading positioning. Strategy-wise, we will continue to trade opportunistically and realise profits, reinvesting in longer-duration and higher-yielding accretive bonds while also considering new primary issuances with higher yields to increase returns. We will maintain our neutral to long-duration stance as we find current bond yields to be attractive. We continue to overweight corporate bonds over sovereign bonds to anchor the Fund's income, as corporate bonds are less volatile and provide higher yields to buffer against potential mark-to-market losses. We prefer strong AA-rated and A-rated papers for yield pickup and will continue to trade opportunistically to realise profits.

Product Trends



Product Trend

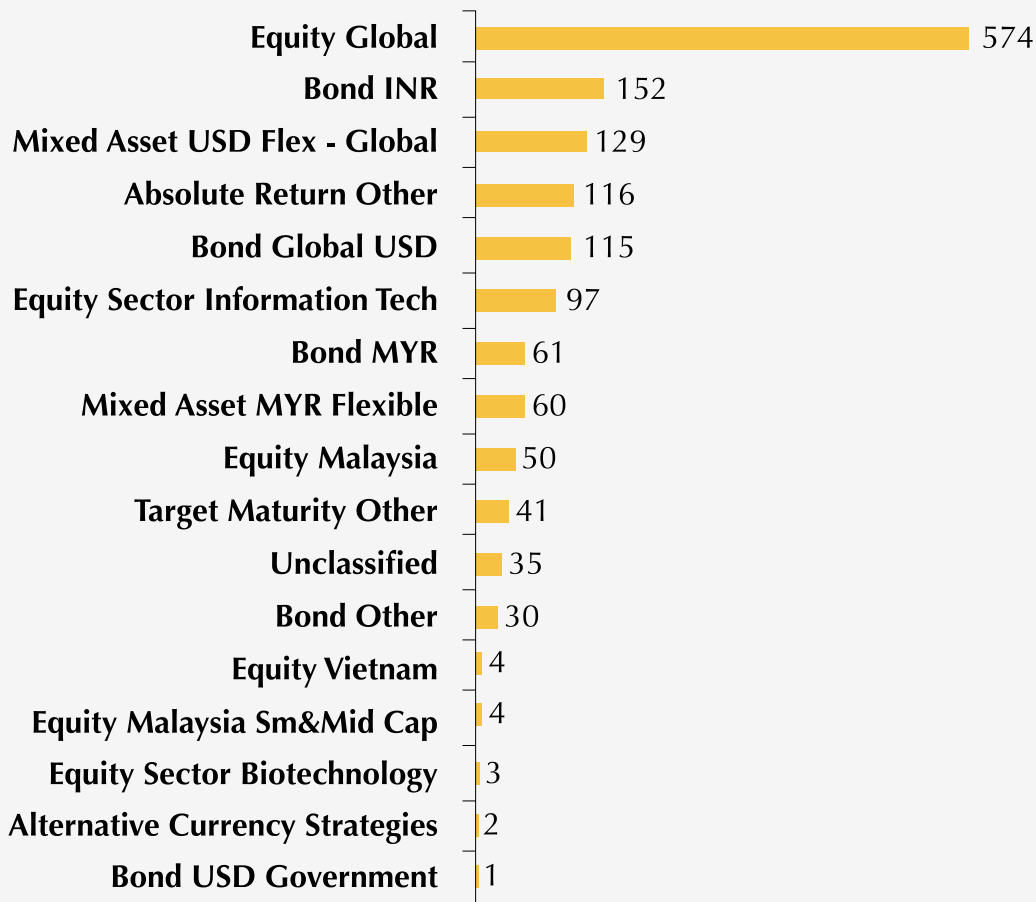
As we enter 3Q 2024, one key trend continued from the previous quarter as equities markets rallied. This can be seen through the strong inflow in global equity with the highest assets under management (“AUM”) growth in 1H 2024, indicating strong demand from investors to capture the upside of global financial markets driven by technology and AI trends globally.

Another notable trend observed was the surge in inflows into the Indian Rupees (“INR”) bond. Despite the deterioration in the bond space over the last quarters, the inclusion of Indian bonds in the Government Bond Index –

Emerging Markets Global Diversified Index coupled with a strong macro framework aided the increase in demand and positive inflows into Indian bonds. Indian bonds offer investors both yield enhancement and diversification within a global bond portfolio.

It is also worth noting that mixed asset strategies are seeing strong inflow as investors are looking at diversification across asset classes. This strategy has allowed investors to manage downside risk due to the market volatility seen in the global market.

AUM Raised as at 30 June 2024 (RM'million)



Product Highlight – Sustainable returns through investing in long-term structural trends

When the US released a series of economic data in 1Q 24, the robust jobs market and remarkable GDP print boosted market sentiment that leads to a strong start for global equity markets. Data has showed that there is RM574 million AUM into global equity as at 1H 2024 from Malaysia.

Against this backdrop, we are proud to introduce our newly launched **Maybank Global Strategic Growth-I Fund** that seeks to achieve capital growth over the long term by investing primarily in a portfolio of global shariah-compliant equities.



Fund Value Proposition	1 Structural Growth Invest in companies that benefit from long-term structural growth	2 Dominant Leaders Focus on leaders at the forefront of innovation with sustainable competitive advantages	3 Diversification A diversified and balanced approach to participate in long-term growth trends and generate sustainable long-term returns
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Strategic Growth Framework

At Maybank Asset Management, our Strategic Growth Framework focuses on industries and companies that benefit from long-term secular growth trends that are not purely dependent on cyclical economic growth. Secular growth trends are often driven by factors such as technological advancements, demographic changes, economics or changes in consumer behaviour, which can persist over extended periods.

These companies have compelling economic moats that help protect market share and profitability from erosion by competitors. Our framework focuses on fair valuation for companies with a superior growth profile and sustainable economic moats.



Key Fund Data

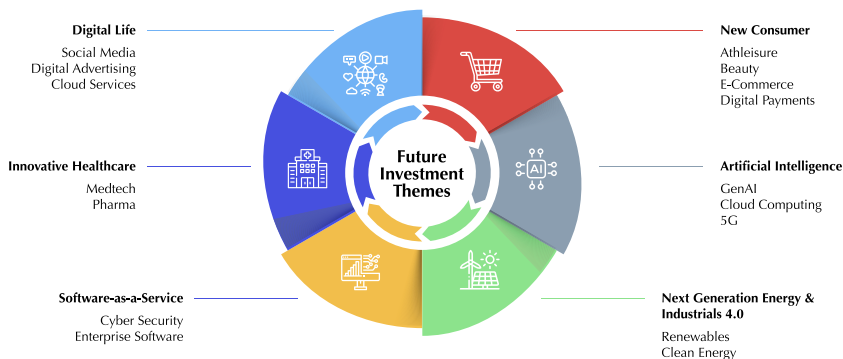
Launch Date	10 July 2024	
Investment Objective	The Fund seeks to achieve capital growth over the long term by investing primarily in a portfolio of global Shariah-compliant equities.	
Benchmark	90% Dow Jones Islamic Market Developed Markets Index 10% Maybank 1-Month Islamic Fixed Deposit Rate	
Class	MYR	MYR (Institutional)
Initial Offer Price	RM1.00	
Sales Charge	Up to 6.50% of the NAV per unit	
Annual Management Fee	1.80% per annum of the NAV of the class	1.80% per annum of the NAV of the class
Annual Trustee Fee	0.06% per annum of the NAV of the Fund (excluding foreign custodian fees and charges)	
Distribution Policy	Incidental	
Minimum Initial Investment¹	RM1,000	RM250,000
Minimum Additional Investment¹	RM100	RM10,000

Note: Any additional information on the Maybank Global Strategic Growth-I Fund can be retrieved from <https://www.maybank-am.com.my/product>

Why Maybank Global Strategic Growth-I Fund?

Invest in the Future Investment Themes

Focus on secular growth opportunities that result in consistent and sustainable revenue growth.



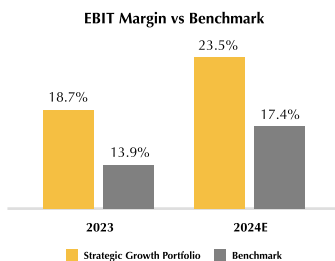
Universe at a Glance

Focus on dominant leaders with defendable competitive advantages such as technological advantages and pricing power.

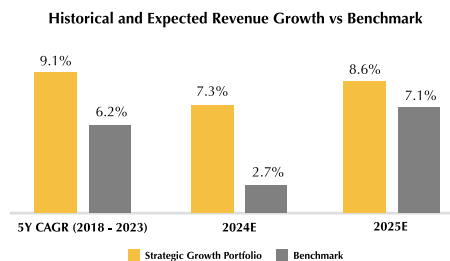


Superior Growth and Margin Profiles

Exposure to companies with strong competitive advantages, enabling dominant market position, high barriers to entry and strong pricing power.



Exposure to secular growth opportunities underpinned by consistent and sustained growth over a long period.



Our Solution: Islamic Funds

Risk Rating	Our Funds	Type	Inception	Performance			Geographical Exposure
				1Yr	Ann. 3Yr	Ann. Since Inception	
AGGRESSIVE	Maybank Asiapac Ex-Japan Equity-I	R	8-Jan-14	20.61	3.56	7.05	Asia Ex-Japan
	Maybank Global Sustainable Equity-I - MYR	R	25-Aug-20	23.16	8.34	10.33	Global
	Maybank Global Sustainable Equity-I - MYR Hedged	R	25-Aug-20	18.42	2.32	5.56	Global
	Maybank Global Sustainable Equity-I - USD	R	25-Aug-20	21.82	3.74	6.69	Global
	Maybank Global Strategic Growth-I MYR	R	10-Jul-24	-	-	-	Global
	Maybank Malaysia Growth-I	R	24-Nov-00	25.98	2.89	4.89	Malaysia
MODERATE	MAMG Global Income-I MYR	R	13-Mar-18	2.31	-0.56	3.14	Global
	MAMG Global Income-I USD	R	8-Jul-20	10.86	2.21	4.11	Global
	Maybank Asia Mixed Assets-I MYR	R	16-Aug-21	4.78	-	-3.76	Asia
	Maybank Asia Mixed Assets-I SGD-H	R	16-Aug-21	5.51	-	1.86	Asia
	Maybank Asia Mixed Assets-I USD	R	16-Aug-21	7.63	-	-3.43	Asia
	Maybank Global Mixed Assets-I AUD Hedged	R	15-Jun-20	11.5	-0.16	4.47	Global
	Maybank Global Mixed Assets-I MYR	R	17-Jun-19	14.68	5.68	8.94	Global
	Maybank Global Mixed Assets-I MYR Hedged	R	17-Jun-19	10.24	-0.13	5.4	Global
	Maybank Global Mixed Assets-I SGD Hedged	R	15-Jun-20	11.11	0.33	5.11	Global
	Maybank Global Mixed Assets-I USD	R	17-Jun-19	13.41	1.2	6.15	Global
	Maybank Global Wealth Conservative-I MYR Hedged	R	13-Feb-23	2.87	-	2.06	Global
	Maybank Global Wealth Conservative-I USD	R	13-Feb-23	5.85	-	3.38	Global
	Maybank Global Wealth Growth-I MYR Hedged Accumulation	R	15-Feb-22	15	-	4	Global
	Maybank Global Wealth Growth-I USD Accumulation	R	1-Jun-22	18.05	-	9.18	Global
	Maybank Global Wealth Moderate-I MYR Hedged Accumulation	R	15-Feb-22	8.71	-	1	Global
	Maybank Global Wealth Moderate-I MYR Hedged Distribution	R	15-Feb-22	8.59	-	1	Global
	Maybank Global Wealth Moderate-I USD Accumulation	R	1-Jun-22	11.57	-	4.82	Global
	Maybank Global Wealth Moderate-I USD Distribution	R	1-Jun-22	11.61	-	5.18	Global
	Maybank Income Management-I	R	8-Jan-20	5.13	3.62	3.2	Malaysia
	Maybank Malaysia Balanced-I	R	17-Sep-02	19.08	5.12	4.85	Malaysia
	Maybank Malaysia Income-I A MYR	R	27-Apr-04	5.25	4.01	4.4	Malaysia
	Maybank Malaysia Income-I C MYR	R	21-Aug-13	5.27	4.03	4.67	Malaysia
Maybank Malaysia Income-I C USD	R	17-Sep-14	3.75	-0.98	0.39	Malaysia	
Maybank Malaysia Sukuk	R	8-Jan-14	4.59	3.48	4.17	Malaysia	
Maybank Mixed Assets-I Waqf A	R	3-May-21	7.64	-1.32	-1.34	Malaysia	
CONSERVATIVE	Maybank Corporate Money Market-I A	R	6-Jul-11	3.63	2.83	2.93	Malaysia
	Maybank Corporate Money Market-I B	R	18-Oct-19	3.73	2.93	2.74	Malaysia
	Maybank Income Flow-I A	R	27-Mar-23	3.4	-	3.19	Malaysia
	Maybank Income Flow-I B	R	2-Jul-24	-	-	-	
	Maybank Retail Money Market-I	R	3-Nov-21	3.58	-	2.98	Malaysia
	Maybank Shariah Enhanced Cash	R	24-Nov-08	2.18	1.67	2.5	Malaysia

Our Solution: Conventional Funds

Risk Rating	Our Funds	Type	Inception	Performance			Geographical Exposure
				1Yr	Ann. 3Yr	Ann. Since Inception	
AGGRESIVE	MAMG All-China Focus Equity MYR	R	29-Jul-21	-7.87	-	-14.97	China
	MAMG All-China Focus Equity MYR Hedged	R	29-Jul-21	-11.61	-	-19.21	China
	MAMG All-China Focus Equity USD	R	29-Jul-21	-8.85	-	-17.77	China
	MAMG China Evolution Equity AUD Hedged	R	3-Jan-22	-4.77	-	-16.49	China
	MAMG China Evolution Equity MYR	R	3-Jan-22	-1.74	-	-9.03	China
	MAMG China Evolution Equity MYR Hedged	R	3-Jan-22	-6.13	-	-14.65	China
	MAMG China Evolution Equity SGD Hedged	R	3-Jan-22	-4.94	-	-14.68	China
	MAMG China Evolution Equity USD	R	3-Jan-22	-2.82	-	-13.57	China
	MAMG Dynamic High-Income AUD Hedged	R	22-Jan-19	9.13	-2.34	1.97	Global
	MAMG Dynamic High-Income EUR Hedged	R	22-Jan-19	7.31	-3.29	0.71	Global
	MAMG Dynamic High-Income MYR	R	22-Jan-19	12.57	3.85	5.78	Global
	MAMG Dynamic High-Income MYR Hedged	R	22-Jan-19	8.25	-1.58	2.55	Global
	MAMG Dynamic High-Income SGD Hedged	R	22-Jan-19	9.38	-1.58	2.39	Global
	MAMG Dynamic High-Income USD	R	22-Jan-19	11.35	-0.37	3.12	Global
	MAMG Global Dividend AUD H	R	12-Jul-23	-	-	11.49	Global
	MAMG Global Dividend MYR	R	12-Jul-23	-	-	15.2	Global
	MAMG Global Dividend MYR H	R	12-Jul-23	-	-	9.31	Global
	MAMG Global Dividend SGD H	R	12-Jul-23	-	-	8.78	Global
	MAMG Global Dividend USD	R	12-Jul-23	-	-	10.13	Global
	MAMG Global Environment AUD Hedged	R	22-Aug-22	0	-	0	Global
	MAMG Global Environment MYR	R	22-Aug-22	13.95	-	15.54	Global
	MAMG Global Environment MYR Hedged	R	22-Aug-22	9.27	-	7.02	Global
	MAMG Global Environment SGD Hedged	R	22-Aug-22	10.51	-	5.47	Global
	MAMG Global Environment USD	R	22-Aug-22	12.7	-	8.36	Global
	MAMG Liquid Alternative MYR	R	15-Nov-21	10.45	-	8.94	Global
	MAMG Liquid Alternative MYR Hedged	R	15-Nov-21	6.35	-	3.52	Global
	MAMG Liquid Alternative USD	R	15-Nov-21	9.22	-	4.84	Global
	Maybank Global Sustainable Technology MYR	R	18-Jan-21	31.82	5.28	6.18	Global
	Maybank Global Sustainable Technology MYR Hedged	R	18-Jan-21	26.87	-0.21	0.76	Global
	Maybank Global Sustainable Technology USD	R	18-Jan-21	30.42	0.67	1.37	Global
	Maybank Malaysia Dividend	R	6-Jun-06	30.96	5.88	9.09	Malaysia
	Maybank Malaysia Ethical Dividend	R	7-Jan-03	25.63	7.96	9.43	Malaysia
	Maybank Malaysia Growth	R	26-Mar-92	27.9	7.56	4.84	Malaysia
	Maybank Malaysia SmallCap	R	3-Mar-04	28.9	3.68	4.65	Malaysia
	Maybank Malaysia Value A MYR	R	7-Jan-03	26.64	7.08	9.56	Malaysia
	Maybank Malaysia Value C MYR	R	21-Aug-13	26.91	7.26	3.62	Malaysia
	Maybank Singapore REITs MYR	R	13-Sep-18	-7.94	-3.67	1.97	Singapore
	Maybank Singapore REITs MYR Hedged	R	13-Sep-18	-9.92	-7.59	-0.21	Singapore
	Maybank Singapore REITs SGD	R	13-Sep-18	-8.8	-7.4	-0.41	Singapore
	MAMG Green Tigers MYR	R	18-Sep-23	-	-	2	Asia

Risk Rating	Our Funds	Type	Inception	Performance			Geographical Exposure
				1Yr	Ann. 3Yr	Ann. Since Inception	
AGGRESSIVE	MAMG Green Tigers MYR-H	R	18-Sep-23	-	-	4.18	Asia
	MAMG Green Tigers SGD-H	R	18-Sep-23	-	-	0	Asia
	MAMG Green Tigers USD	R	18-Sep-23	-	-	0	Asia
	MAMG Premium Brands AUD Hedged	R	18-Jun-24	-	-	0	Global
	MAMG Premium Brands MYR	R	18-Jun-24	-	-	0	Global
	MAMG Premium Brands MYR Hedged	R	18-Jun-24	-	-	0	Global
	MAMG Premium Brands SGD Hedged	R	18-Jun-24	-	-	0	Global
	MAMG Premium Brands USD	R	18-Jun-24	-	-	0	Global
	MAMG Systematic Asia Pacific Equity Abs Rtn AUD H	W	8-Jan-24	-	-	19.03	Asia
	MAMG Systematic Asia Pacific Equity Abs Rtn MYR	W	8-Jan-24	-	-	17.66	Asia
	MAMG Systematic Asia Pacific Equity Abs Rtn MYR H	W	8-Jan-24	-	-	16.61	Asia
	MAMG Systematic Asia Pacific Equity Abs Rtn SGD H	W	8-Jan-24	-	-	19.45	Asia
	MAMG Systematic Asia Pacific Equity Abs Rtn USD	W	8-Jan-24	-	-	18.44	Asia
MODERATE	MAMG Gold MYR	R	3-Jun-20	18.1	11.16	5.85	Global
	MAMG Gold MYR Hedged	R	3-Jun-20	16.23	6.17	2.96	Global
	MAMG Gold USD	R	3-Jun-20	20.63	8.61	5.26	Global
	Maybank Asian Credit Income MYR	R	7-Jul-20	3.13	-3.75	-2.17	Asia ex-Japan
	Maybank Asian Credit Income SGD Hedged	R	7-Jul-20	4	-3.56	-2.31	Asia ex-Japan
	Maybank Bluewaterz Total Return MYR	R	24-Jul-15	2.65	-1.97	3.43	Asia ex-Japan
	Maybank Bluewaterz Total Return USD	R	18-Jun-18	5.1	-1.35	3.46	Asia ex-Japan
	Maybank Financial Institutions Income	R	17-Dec-09	4.67	3.44	4.04	Malaysia
	Maybank Financial Institutions Income Asia	R	26-Aug-14	4.98	-0.62	4.05	Asia Pacific
	Maybank Flexi Income AUD Hedged	R	28-Nov-19	5.14	-3.49	-0.59	Global
	Maybank Flexi Income MYR	R	28-Nov-19	8.11	1.99	3.39	Global
	Maybank Flexi Income MYR Hedged	R	28-Nov-19	3.92	-3.57	-0.27	Global
	Maybank Flexi Income SGD Hedged	R	28-Nov-19	5.04	-3.23	-0.36	Global
	Maybank Flexi Income USD	R	28-Nov-19	6.93	-2.31	0.41	Global
	Maybank Malaysia Balanced	R	19-Sep-94	15.66	4.79	3.73	Malaysia
Maybank Malaysia Income	R	19-Jun-96	4.8	3.03	4.78	Malaysia	
CONSERVATIVE	Maybank Enhanced Cash XII	W	10-Mar-08	0.22	-0.18	1.83	Malaysia
	Maybank Enhanced Cash XIII	W	24-Sep-08	2.69	2	2.68	Malaysia

Source: Maybank Asset Management, Lipper as at 30th June 2024



Maybank Asset Management

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