Maybank | PREMIER

Reset, Reposition, Rejuvenate

EDITORIAL

2022 has been a challenging year with most of financial markets posting steep losses. The Russia-Ukraine war, U.S.-China trade tensions, supply disruptions to energy and agricultural products exacerbated the situation and created inflationary pressures.

Our 2022 investment theme – Reopening, Recalibration, Resilience – was somewhat prophetic in capturing the investment landscape over the past 12 months. While the world has benefitted from the "Reopening" of borders for many countries, the "Recalibration" of monetary policies has led to increased risks to the post-COVID recovery and increased market volatility, resulting in the need to build portfolio "Resilience".

With inflation reaching decade highs in many economies, the U.S. Federal Reserve and other central banks had little choice but to respond with the most aggressive rate hikes since the late 1970s. While we expect the central banks to slow down and pause their monetary tightening once inflation is reined in, the timing remains highly unpredictable.

The contractionary monetary policy has consequently weighed on economic growth, and led to increased financial market uncertainty. This higher-rate environment is a seismic shift from the vicennial of zero-rates, and in some economies negative rates, during which appetite for high-risk strategies to generate returns was quite the norm. It is likely that higher interest-rate, and higher-inflation, will be the business and investment backdrop against which we will operate for a protracted period of time.

Despite the less-than-rosy prospects, we believe there will come a point of inflection in the markets and acceptance of the new norm. This is when, the macro environment will become more conducive for risk assets. We are hopeful that this inflection will happen sometime in 2023.

Knowing what lies beyond us is important, maybe even more so is the preparation to deal with the uncertainty.

Therefore, our 2023 investment theme is "Reset, Reposition, Rejuvenate". We believe the evolving macro landscape will require investors to reset expectations on growth and inflation. By adjusting to the new norms, we can then refocus and reposition accordingly to revitalise and rejuvenate our investment portfolio.

Knowing what lies beyond us is important, maybe even more so is the preparation to deal with the uncertainty. We hope that our investment insights will provide the perspective and ideas you need to navigate the coming year. We look forward to be of service to you.

Thank you for your continued support. On behalf of everyone at Maybank Group Wealth Management, we wish you a healthy and prosperous year ahead!

Alvin Lee
Head, Group Wealth Management &
Community Financial Services, Singapore

CONTENTS

MACRO ECONOMIC OUTLOOK AND INVESTMENT STRATEGY

MACRO ECONOMIC OUTLOOK

KEY HIGHLIGHTS

Rising global recession risk on the back of tighter monetary conditions.

Recalibration of inflation expectations may lead to higher long-term terminal rates.

Key risks include widespread financial instability, persistently high inflation and rising geopolitical uncertainties.

The economic outlook going into 2023 remains challenging as investors have to deal with slower global growth and tighter monetary policies to combat decades-high inflation, alongside lingering geopolitical uncertainties. For 2023, we expect global GDP growth to slow further to 1.7% from 2.9% in 2022 as tighter financial conditions continue to cool demand.

Notably, the risk of an economic recession has risen sharply, particularly in Developed Markets (DM). Among major DM economies, both the U.K. and Eurozone are facing a risk of a severe downturn. The U.S. may also witness negative GDP growth at some point in 2023 with rising probability of a recession.

Inflation has surprised to the upside in many countries in 2022. While inflation is likely to moderate in 2023, we expect it to remain higher than historical average levels. In the U.S., services inflation could stay elevated marked by a demand shift from goods to services post COVID. The still tight labour market is also pushing up wages, leading to a more sticky inflation. While inflation in Europe may cool with softer energy price increases, the lingering uncertainties related to the Russia-Ukraine war will impose supply constraints and lead to persistent price pressure. Meanwhile, inflation could remain higher than normal in Asia with external price pressures a key contributing factor.

Given the stickier than expected inflation, central banks may be pressured to maintain a restrictive monetary policy to safeguard price stability even though the pace of tightening may start to slow. Having said that, the central banks are wary of overtightening with several U.S. Federal Reserve (Fed) officials signalling the need to remain data dependent. Hence, we will not be surprised to see an earlier than expected pause in rate hikes or even rate cuts should the economy deteriorate faster than expected.

Looking ahead, we will continue to look for clear and sustained signs of inflation downshift and the need for policy recalibration. In the U.S., we expect the Fed funds rate to peak at 5.00% – 5.25% by 1H 2023 but the 10-year U.S. Treasury (UST) yield to peak well below the terminal rate. Resilience in the labour markets and a still large stock of private sector excess savings are key to our view that global growth bends but does not break.

REAL GDP FORECAST (%)	2021	2022E	2023E
WORLD	6.0	2.9	1.7
U.S.	5.7	1.7	0.3
EUROZONE	5.2	3.0	0.0
JAPAN	1.7	1.6	1.4
CHINA	8.1	3.3	4.0
ASEAN-6	3.8	5.6	4.3

INFLATION FORECAST (%)	2021	2022E	2023E
WORLD	4.7	8.8	6.5
U.S.	4.7	8.1	4.0
EUROZONE	2.9	8.5	6.0
JAPAN	-0.2	2.5	1.8
CHINA	0.9	2.2	2.3
ASEAN-6	2.2	4.5	4.1

RATES FORECAST (%)	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
FED FUND TARGET (UPPER BAND)	4.50	5.00	5.25	5.25	5.25
FED FUND TARGET (LOWER BAND)	4.25	4.75	5.00	5.00	5.00
ECB DEPOSIT RATE	2.00	2.50 – 2.75	2.50 – 2.75	2.50 – 2.75	2.50 – 2.75
BOE BANK RATE	3.50	4.00	4.00	4.00	4.00
BOJ TARGET RATE	-0.10	-0.10	-0.10	-0.10	-0.10

Source: Maybank IBG Research | November 2022

The energy crisis in Europe continues to dampen business and consumer confidence, while governments need to provide fiscal support in the face of high inflation. As the negative impact on economic growth becomes more evident and inflation rolls over, both the Bank of England (BOE) and European Central Bank (ECB) would have to consider pausing their rate hike cycle earlier than anticipated.

In contrast with the slowing growth in the U.S. and Europe, China's economy showed signs of recovery with GDP growth expanding stronger than expected by 3.9% quarter-on-quarter in 3Q 2022. Looking ahead, a key driver of China's economy will be developments related to the zero-COVID policy. While the recent easing of the COVID restrictions is encouraging, the reopening process will likely be gradual and bumpy.

Meanwhile, it will take time for China's property sector to show more visible bottoming despite more concerted efforts to support the sector and boost demand. Still, China is one of the few economies where inflation remains benign, allowing room for more accommodative stimulus to support growth. As such, we expect strong measures and implementation to come through if necessary, especially after the National People's Congress in March 2023 with the latest political reshuffling.

For the rest of Asia, the growth outlook will be challenging as well given heightened recession risks in DM, fading reopening benefit, and subdued growth in China. In particular, Asia's export downturn could continue to deepen, while tighter financial conditions weigh on capital expenditure and consumption.

Notably, Southeast Asia (ASEAN) is also not immune and cannot fully decouple from the global downturn. However, we expect their economies to be more resilient, partly supported by increased foreign direct investments (FDI) to ASEAN as countries reconfigure their manufacturing supply chains away from China. Meanwhile, regional central banks are expected to further tighten their monetary policies to combat inflation and stem further currency weakness, but the pace of tightening could moderate as growth slows.

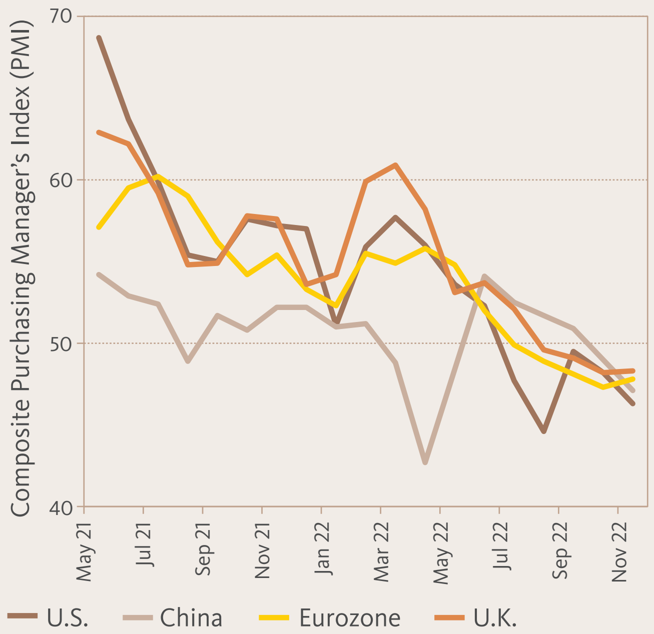
Given the risks to the economic outlook, we believe investors should stay cautious in the near term. In particular, several downside risks to the outlook remain that could shift our baseline view. Firstly, global central banks are treading a fine line between growth and inflation, and any monetary policy missteps could miscalculate the right stance to reduce inflation. The tightening of global financial conditions and/or a sharp U.S. dollar (USD) appreciation could trigger widespread financial instability, resulting in Emerging Market (EM) sovereign default risks or corporate bond market stress.

Secondly, deglobalisation and unexpected supply chain disruptions (e.g. energy, food, and climate shocks) could cause inflation to persist, leading to a deeper and more protracted downturn. Notably, climate change effects (e.g. droughts, floodings, hurricanes, etc.) are already increasing in intensity and frequency.

Thirdly, China's reopening remains a wildcard and a resurgence of COVID cases may further curtail growth. In an adverse scenario where COVID-19 restrictions stay for longer, the property sector weakness could persist and be a drag on consumption as well as property-related investments. Meanwhile, the prolonged property sector crisis could also spill over to the domestic banking sector and constrain growth in China and Asia.

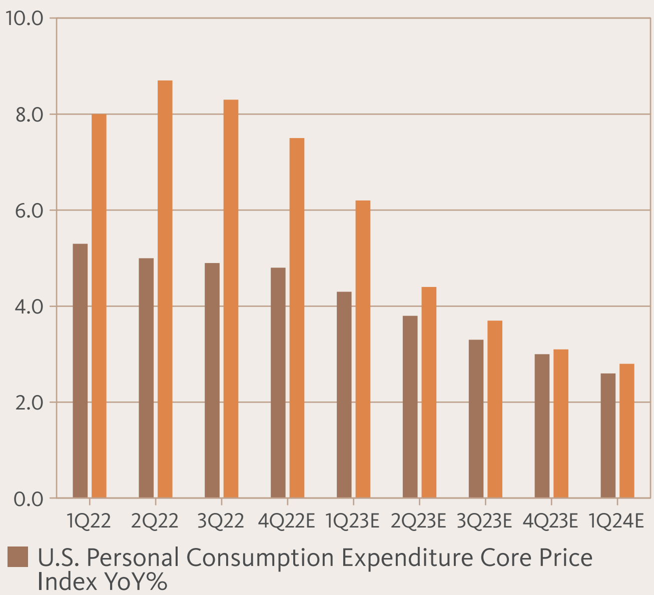
Lastly, elevated geopolitical risks in Europe and between the U.S. and China could deter trade and capital flows, as well as delay climate policy cooperation.

HAWKISH CENTRAL BANKS RAISED RECESSION RISKS



Source: Bloomberg I November 2022

U.S. INFLATION LIKELY TO REMAIN ABOVE 2% TARGET



Source: Bloomberg | November 2022

INVESTMENT STRATEGY

KEY HIGHLIGHTS

- Stay defensive while waiting for inflection point to turn constructive.
- Underweight equities; maintain cash buffer to protect portfolio.
- Seek defensive carry opportunities in fixed income; add uncorrelated returns.

The global economy has benefitted from further reopening over the past 12 months. Unfortunately, the recalibration of policies, particularly on the monetary front, has led to a sell-off in risk assets amidst heightened inflationary pressures and geopolitical tensions. In light of these macro headwinds, it highlights the importance of building portfolio resilience.

Downside earnings revision to weigh on risk assets

Looking ahead, the sticky inflation trajectory will force global central banks to maintain restrictive monetary policies that will weigh on the economy. The anticipated slowdown in economy will negatively impact corporate earnings, with further downward revision dampening the performance of risk assets. The tightening liquidity will also result in reduced financial stability and a rise in the probability of a black swan event, further adding to market stress and volatility.

Still, we expect most central banks to pause their rate hikes by 1H 23 as inflation and growth moderates. However, unlike past cycles, we do not expect any aggressive policy easing soon after the pause. Hence, any growth recovery is also likely to be gradual.

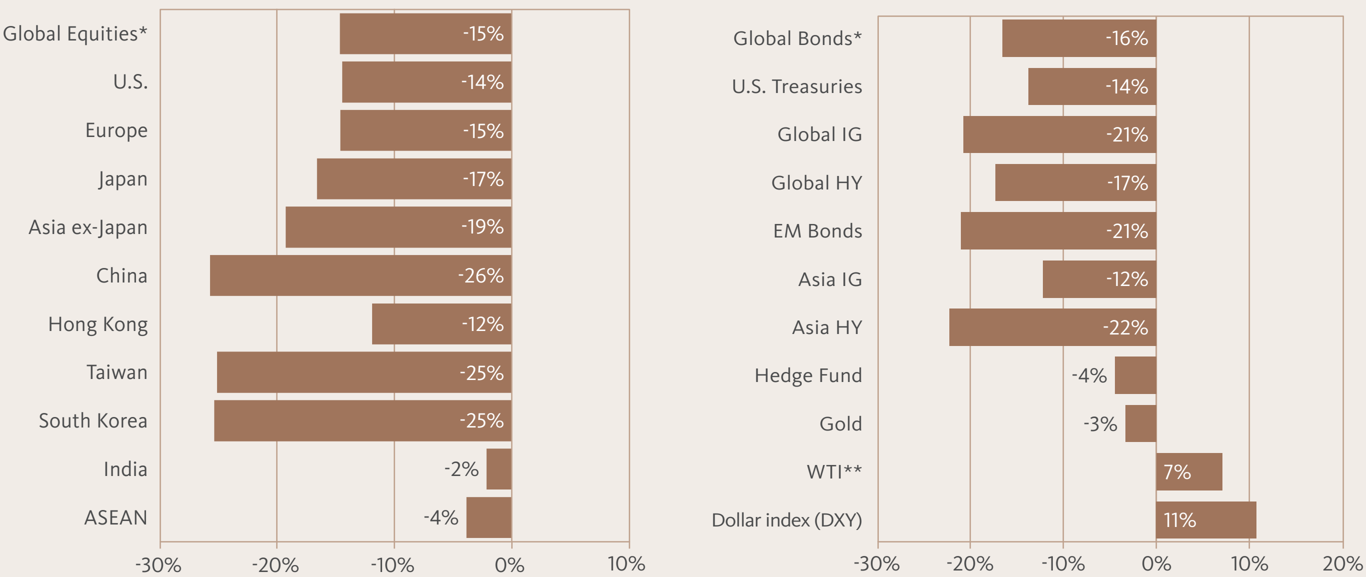
Awaiting the inflection

While the performance of risk assets could remain lacklustre for now, it is likely to improve once we hit an inflection point in terms of inflation, growth and policies. Hence, the evolving macro landscape would require investors to stay nimble and reposition accordingly in order to rejuvenate portfolio returns.

In view of the above, we start the year with a defensive stance in our asset allocation. Given the heightened macro and policy uncertainties, we prefer to maintain a cash buffer to preserve capital while protecting the portfolio against significant drawdowns.

Nevertheless, the increased cash buffer could also serve as ammunition for us to deploy into risk assets once the inflection point is triggered. This could be a peaking of Fed rates, the bottoming of earnings revision and/or distressed market valuation that has more than priced in the negatives.

TOTAL USD RETURNS OF MAJOR ASSET CLASSES (YEAR-TO-DATE AS OF 30 NOVEMBER 2022)



*Global Equities = MSCI All-Country (AC) World; The others are MSCI regional/country equity indices; Global Bonds = Bloomberg Barclays Multiverse
**WTI = West Texas Intermediate

Source: Bloomberg | November 2022

Staying defensive on equities

We are underweight on equities. While global markets are inexpensively valued, we believe earnings risks have not been sufficiently priced in. In particular, we are least sanguine on the U.S. and Europe as they offer less attractive risk-reward compared to global peers. We are neutral on the other markets including Japan and Asia ex-Japan. On a relative basis, ASEAN could be more resilient and acting as a safe harbour within equities, with the region likely to partially decouple from a potential U.S. recession.

Sectors wise, we seek shelter in more defensive Healthcare and Consumer Staples stocks, which are likely to enjoy resilient demand during an economic downturn. We also see select opportunities within the Telecommunications sector to generate steady dividend income. In contrast, the rate-sensitive Real Estate Investment Trusts (REITs) sector could remain under pressure until policy rates peak. We also see headwinds for late cyclicals including Industrial and Materials stocks, which would be vulnerable to weakening demand and falling prices if a recession were to hit.

Nevertheless, there may be opportunities to turn more constructive on equities when we hit the inflection point. Early cyclicals such as Technology/Semiconductor will be in the limelight again once the economy bottoms out. Tech-heavy markets like South Korea and Taiwan could also start to outperform. In addition, secular growth plays (e.g. HealthTech and FinTech) could regain favour after the significant de-rating, particularly for those pre-earnings growth companies that can achieve their break-even point. Having said that, investors will likely avoid overpaying for such companies again as the risk-free rate is likely to settle at higher than historical average level. Hence, we would prefer to seek growth at reasonable valuation.

Longer-term, the various issues arising from the COVID-19 pandemic have made the world more aware of the importance of being self-reliant. We may witness further deglobalisation that will have implications on supply chain, food, energy and technological security. While a more polarised world may not be good for overall growth, it may still drive investment opportunities for specific businesses including alternative/renewable energy, agricultural/alternative food and defence/cybersecurity as governments strive for self-reliance.

A better time for fixed income

In contrast to equities, we are more sanguine on fixed income with an overweight stance. While upward pressure on government bond yields could persist in the short-term, we believe the increase is limited with the tightening cycle nearer to the end than the beginning. This suggests a favourable risk-reward for sovereign bonds, with U.S. Treasuries acting as an effective tool against recession risk.

In addition, we see defensive carry opportunities in DM Investment Grade (IG) credit which will likely offer more resilient returns even during a downturn. In contrast, we would avoid High Yield (HY) credit in both DM and EM given the risk of significant credit spread widening. Nevertheless, once the risk environment improves, we will be prepared to take on more credit risk.

China as a wildcard

While we are neutral on China assets, the reopening of the economy is a wildcard. An earlier than expected pivot away from the stringent zero-COVID policies could bolster the economic recovery. Notably, sectors that could benefit and outperform from the reopening include travel, hospitality and gaming. In addition, China property stocks and bonds would also benefit as the reopening would support the recovery momentum of property sales.

TACTICAL ASSET ALLOCATION

	OVERWEIGHT	NEUTRAL	UNDERWEIGHT
Overall Positioning	**Cash/USD** **Fixed Income**	**Alternatives**	**Equities**
Equities		Japan Asia ex-Japan	U.S. Europe
Fixed Income	U.S. Treasuries Developed Market Investment Grade		Developed Market High Yield Emerging Market Bonds
Alternatives		Hedge Funds Gold	

Source: Maybank Group Wealth Management Research | December 2022

Alternatives

The weak performance of both equities and bonds in 2022 highlights the importance of adding uncorrelated returns through alternatives, including hedge funds and private assets. Notably, the resilient performance of these alternative investments have helped reduce the drawdown and volatility of the overall portfolio.

Nevertheless, hedge funds and private assets can be less liquid and more opaque hence investors would need to consider their respective preferences and requirements when pursuing such investments. In addition, the performance disparity among different alternative investment managers is typically very wide. Hence, careful due diligence and selection of managers are paramount to achieve the desired investment outcome.

Separately, we expect gold prices to remain range-bound for now. However, the precious metal could see stronger demand with a softening of the USD on peaking Fed rates.

Strategic Asset Allocation (SAA) as an anchor

While we are tactically cautious on risk assets, there is no doubt their valuation has become appealing for investors with a longer-term investment horizon. Still, it remains critical for investors to adopt a multi-asset approach for better risk diversification and a smoother investment journey.

To this front, we are introducing our SAA framework, to serve as a guidance for investors in building their portfolios according to their respective investment objectives and risk profiles. The allocation in each model portfolio is designed to reflect the optimised risk-return outcome for the respective profile.

Using the SAA framework, investors will be able to build a core portfolio to serve as anchor to reflect their longer-term investment views. A tactical overlay could then be applied (via satellite ideas) to the core portfolio to benefit from short-term mispricing opportunities in assets. By doing so, it would help to enhance overall portfolio returns through this core and satellite approach.

STRATEGIC ASSET ALLOCATION

	Conservative	Moderate Conservative	Balanced	Moderate Aggressive	Aggressive
Equities	**0%**	**22%**	**42%**	**62%**	**83%**
U.S.	0%	10%	18%	27%	33%
Europe	0%	4%	7%	10%	15%
Japan	0%	4%	5%	5%	5%
Asia ex-Japan	0%	4%	12%	20%	30%
Fixed Income	**65%**	**63%**	**53%**	**30%**	**10%**
U.S. Treasuries	30%	23%	10%	0%	0%
Developed Market Investment Grade	35%	30%	23%	8%	0%
Developed Market High Yield	0%	5%	10%	12%	5%
Emerging Market Bonds	0%	5%	10%	10%	5%
Alternatives	**0%**	**0%**	**0%**	**5%**	**5%**
Hedge Funds	0%	0%	0%	2%	2%
Gold	0%	0%	0%	3%	3%
Cash	**35%**	**15%**	**5%**	**3%**	**2%**

Source: Maybank Group Wealth Management Research | December 2022

EQUITIES

EQUITIES

KEY HIGHLIGHTS

Recession risks are more pronounced in DM.

Remain defensively positioned until the inflection point.

Prefer ASEAN while the U.S., Europe and India are key underweights.

DEVELOPED MARKETS

DM equities were under significant pressure, with the MSCI World Index tumbling 14.1% as at end-November 2022. While the markets have de-rated, equity risk premiums have also fallen, leaving very little room for any negative surprises, particularly in the U.S. Meanwhile in Europe, its economic outlook continues to darken with odds of a recession climbing to a high of 80%, according to Bloomberg. In DM, our least preferred markets are the U.S. and Europe. In contrast, we are neutral on Japan as its growth slowdown could be mitigated by further reopening.

U.S. (UNDERWEIGHT)

A shallow recession is likely in 2023

The risk of the U.S. entering a recession in 2023 is high with several recession indicators, including the Institute for Supply Management Index, housing market and the inversion of the Treasury yield curve, flashing warning signs. Our base case is for a shallow downturn as the healthy consumer balance sheets and the strong labour market would help cushion the impact of a slowdown. However, if inflation turns out to be stickier than expected, the Fed will have to tighten more, which will result in a protracted downturn.

While the recession probability has risen, most economists have yet to fully price in the recession scenario, which could be another source of further volatility. Notably, the IMF still expects the U.S. to grow by 1.0% in 2023 and 1.2% in 2024.

Earnings forecasts are a mile from pricing in a cycle downturn

While analysts have trimmed their overly optimistic earnings estimates, they are still nowhere close to pricing in the threat of a recession. In fact, analysts are still projecting earnings to grow by 5.9% in 2023E, compared to the peak-to-trough decline in S&P 500 earnings of around 20% – 30% in the past ten recessions.

We expect earnings expectations to undergo another reset as we get closer to the fourth quarter earnings season in January 2023. Disappointing guidance for 2023 could trigger a round of market capitulation. Meanwhile, a sustained strength in the USD could further dent the value of U.S. companies' overseas profits when translated back into dollars.

The risks of deglobalisation

The COVID-19 pandemic, Russia-Ukraine war and geopolitics have contributed to the deglobalisation drive. In particular, the U.S. administration has stepped up its support for reshoring chip manufacturing domestically with the CHIPS and Science Act of 2022, and countries are scrambling to ramp up their self-sufficiency on advanced chips. In our view, a more sustained move towards deglobalisation could increase DM companies' operating costs and lead to higher inflationary pressures in the long-term.

Meanwhile, the U.S. has urged its allies to follow its lead to restrict exports of advanced semiconductors to China. As a result, Taiwan has become an important factor that has led to further escalation of tensions between the U.S. and China. Overall, we believe both powers do not want any direct confrontation, but we cannot rule out the possibility of miscalculations or accidents.

Underweight on U.S. equities

The 13.1% (total return) decline in the S&P 500 Index was largely a reflection of the recalibration of investors' interest rate expectations, while investors have yet to fully price in recession risks. A reset of earnings expectations could be a source of volatility and downside for the markets in the near term. In view of the above, we are underweight on U.S. equities.

Still, there is room for some cautious optimism beyond the near term. Should inflation moderate further, the Fed could eventually pause its rate hike by 1H 2023, lending some support to the U.S. market performance. Notably, equities typically gain after the final rate hike.

Favour Consumer Staples, Healthcare and Telecommunications

Until we reach the inflection point, we believe a defensive positioning is appropriate and favour the Consumer Staples, Healthcare and Telecommunications sectors. In contrast, our least preferred sectors include Consumer Discretionary and Industrials.

In Healthcare, we prefer large-cap pharmaceutical companies as downward earnings revisions are starting to bottom out and these companies could benefit from the structural growth in healthcare demand. Meanwhile, the monthly subscription model of the telecommunication companies provide visible cash flows during a downturn, while consumer staples' performance tend to be more resilient relative to the broader market during volatile periods.

EUROPE (UNDERWEIGHT)

Who will blink first – ECB, BOE or Fed?

Comparing the central banks in Europe or the U.S., we believe those in Europe may blink first given the mounting headwinds in the region. While the record high inflation has yet to roll over in Europe, looming recession risks may pressure the ECB and BOE to strike a balance between inflation and growth.

According to Bloomberg estimates, the odds of the Eurozone slipping into a recession within the next 12 months have climbed to 80%. Notably, the economy could contract even earlier due to the impact of high energy and food prices on consumer spending and a slowdown in global output. As such, policy rates may not rise as high as previously thought in Europe.

More realistic macro and earnings expectations

Arguably, the recession and earnings risks may be partly priced in, albeit not fully. The exodus of funds from European equities has also made the region a reasonably priced and under-owned market on a global basis. Notably, the valuation multiple for the Stoxx Europe 600 has receded to 11.2x 2023E earnings, which is close to one standard deviation below the 15-year historical mean. Earnings estimates have also turned more realistic with a projected growth of 1.9% in 2023E, though downgrade risks remain.

Europe still not out of the woods

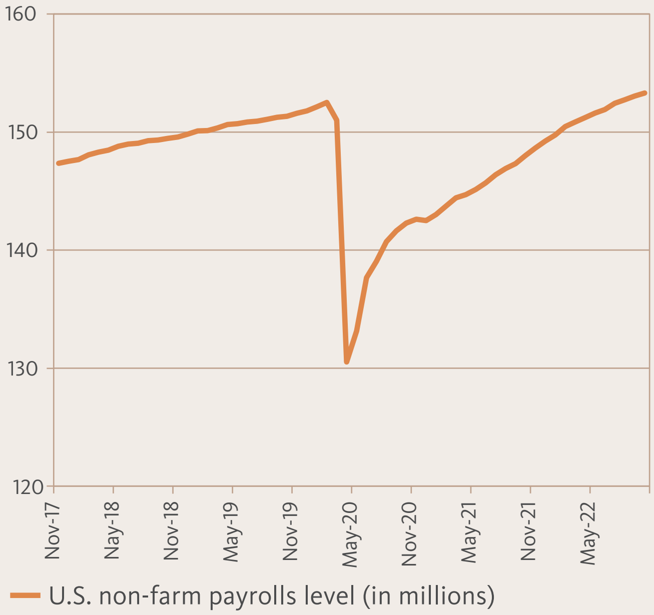
While Europe is showing initial signs of stabilisation from an earnings and valuation perspective, we see scope for further downside if the recession turns out to be deeper and more protracted than expected. Notably, the BOE warned that the country could face a long recession and its forecasts imply that the economy will shrink for eight straight quarters until mid-2024.

Thus, we are underweight Europe as we do not anticipate the region to emerge quickly from a recession. Meanwhile, more cracks are starting to surface in financial markets. We are fearful of the risks associated with Leveraged Loans, an area which European banks have expanded into in recent years.

Favour Healthcare and Energy

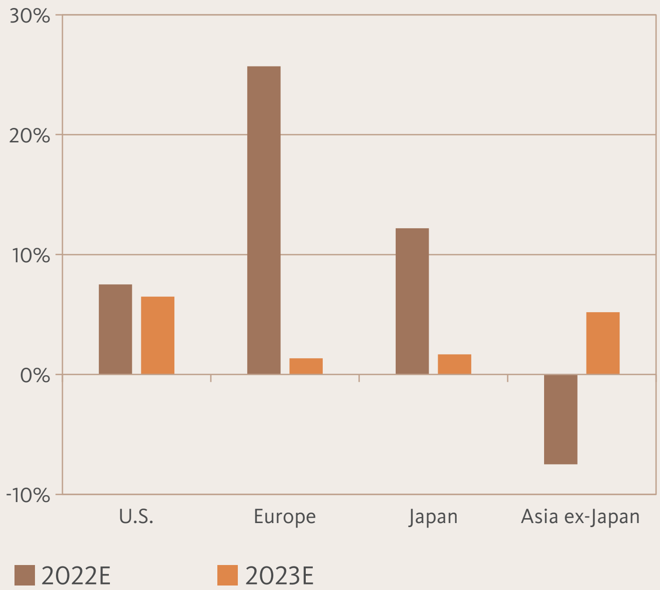
From a sector perspective, we favour Heathcare as demand tends to be less impacted by an economic downturn. The European healthcare sector is also trading at an undemanding 2023E price-to-earnings ratio of 14.9x versus global peers' of 16.5x. We also like European energy stocks as a hedge against inflation surprises and for their attractive cash yield (including share buybacks and dividends) of around 12%.

JOB CREATION REMAINS STRONG IN THE U.S.



Source: Bloomberg I November 2022

2023E EARNINGS ESTIMATES APPEAR OPTIMISTIC GIVEN LOOMING RECESSION RISKS



Source: Bloomberg I November 2022

JAPAN (NEUTRAL)

Japan's economic growth grinds lower with global slowdown

Amid persistent high global inflation, the macro environment is turning less favourable in 2023. Notably, the gloomy global outlook has dragged the sentiments of Japan's large manufacturers down to the weakest level since second quarter 2021. With Japan being an export-oriented economy, we expect its GDP growth to further slow to 1.4% in 2023 from 1.6% in 2022.

Stable monetary policy and fiscal support

The silver lining is that, unlike its DM peers, Japan's core inflation (excluding food and energy) has been relatively benign, rising by 1.5% year-on-year in September. This is still well below the Bank of Japan's (BOJ) price stability target of 2.0%, giving the central bank leeway to maintain its accommodative monetary policy. Meanwhile, the government's pro-growth stance remains unchanged. In October, a new economic stimulus package of roughly JPY 39 trillion was announced to address rising costs of living and the weakening yen.

Earnings risks to increase in 2023

Japan's corporate earnings have been resilient in 2022, benefitting from the sharp yen depreciation of more than 20%. However, we believe earnings risk may accelerate in 2023 given the heightened macro uncertainties. In addition, we believe the positive boost to overseas earnings from the weak yen may be more muted as the Fed may slow the pace of its monetary tightening in 2023. For the fiscal year ending March 2024, MSCI Japan's earnings are projected to moderate to 2% from 12% in fiscal year 2023.

Neutral on Japan equities with a preference for Healthcare and reopening beneficiaries

Despite the macro and earnings headwinds, we are neutral on Japan as we believe its undemanding valuations, continued focus on shareholder returns and improving corporate governance could lend support to the market in 2023. Notably, MSCI Japan is trading at a forward price-to-earnings ratio of 12.7x, which is close to one standard deviation below the historical mean of 15.0x, and relatively more attractive than MSCI AC World at 14.6x.

Sectors wise, we favour the defensive qualities of the Healthcare sector owing to its earnings stability and attractive valuations. With Japan reopening its international borders, selected reopening plays such as transportation, as well as consumer-related companies may continue to benefit, with the latter also benefitting from recent stimulus package.

PREFERRED SECTORS

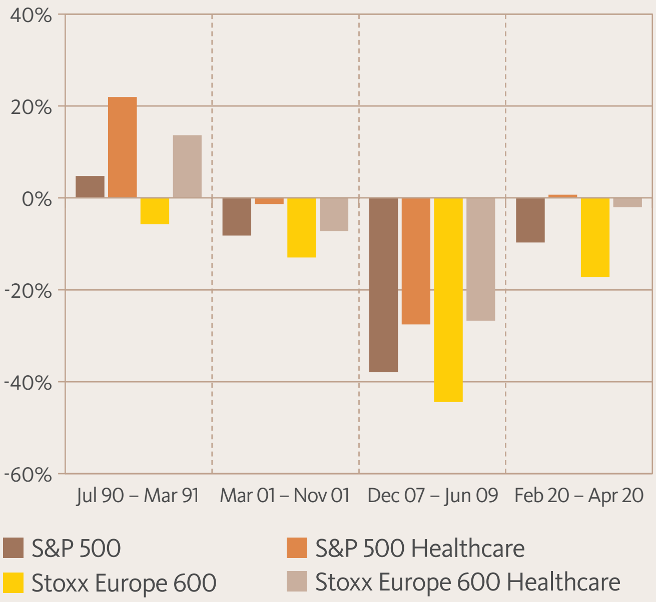
Consumer Staples

The consumer staples sector offers resilient earnings growth during an economic downturn.

Healthcare

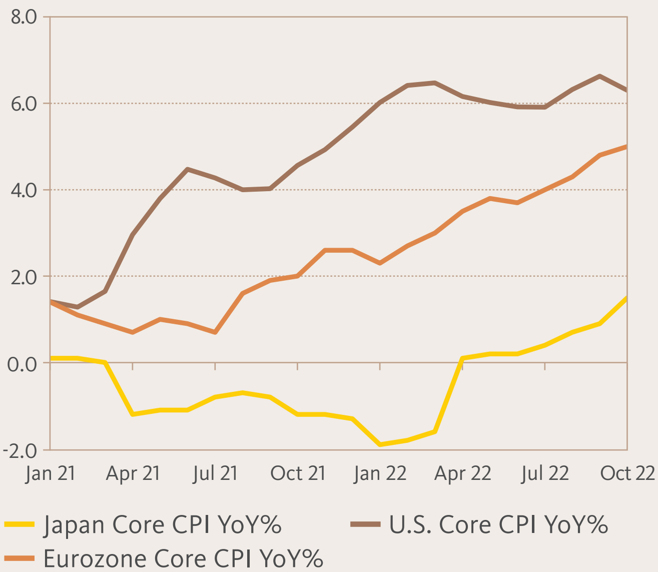
Healthcare demand is less impacted by an economic downturn and we continue to see structural growth opportunities in this sector.

HEALTHCARE HAS OUTPERFORMED THE BROADER MARKET DURING THE PAST U.S. RECESSIONS



Source: Bloomberg | November 2022

JAPAN'S CORE INFLATION (EXCLUDING FOOD AND ENERGY) HAS STAYED RELATIVELY BENIGN COMPARED TO DEVELOPED MARKET PEERS



Source: Bloomberg | November 2022

ASIA EX-JAPAN (NEUTRAL)

Asia ex-Japan growth may come under pressure
As reopening benefits fade, and the normalisation of monetary policy works its way through to the economy, we expect Asia ex-Japan's GDP to moderate in 2023. The uncertain macro outlook will likely spill over to Asia ex-Japan's earnings growth (estimated +5% in 2023) with more downward revisions in estimates over the coming months.

On a brighter note, with the MSCI Asia ex-Japan Index trading below its historical mean, we believe that the slowing growth may have been priced in, leading to our neutral view for this region. Still, we would positioned defensively, with a positive tilt towards ASEAN particularly Indonesia and Malaysia.

We are constructive towards Malaysia equities due to low investors' positioning while Indonesia could continue to benefit from resilient domestic consumption. In contrast, we are less sanguine on India market given its expensive valuations. We would also look to build up exposure in dividend yielding stocks, notably in the Telecommunications and Consumer Staples sectors, as they offer more resilient income amid ongoing uncertainty.

CHINA (NEUTRAL)

China growth outlook at risk under zero-COVID policy
China's economic growth had struggled under its zero-COVID policy and a prolonged property market slump. The intermittent lockdowns to contain the virus outbreaks had been costly, with the economy projected to grow by merely 3.3% in 2022, below the government's target of 5.5%. While China's economic growth is expected to pick up to 4.0% in 2023, there is downside risk to the growth outlook should the reopening of economy be further delayed.

All eyes on President Xi's new leadership
President Xi's emphasis on national security has led to increased concerns that the new leadership team would tighten its control over the economy, further stifling growth and private investments. While these concerns carry some weight, we believe the leadership would also take a more pragmatic approach to pursue growth. Meanwhile, a unified top leadership team suggests potentially more consistent policy directions, and stronger executions. Looking ahead, we believe China will continue with its monetary easing path and more targeted fiscal stimulus to restore household confidence and boost housing demand.

Green shoots on reopening are emerging
Meanwhile, there are green shoots on reopening, with official communication pushing back fear of the virus. Given poor economic performances, we see a greater push for China to aim for a calibrated COVID exit process. In order to facilitate a smooth reopening, there are a few signposts to monitor, including elderly vaccination and availability of domestic COVID treatment pills and facilities.

Low visibility on China corporate earnings
China's corporate earnings are expected to rebound to 14% in 2023 after contracting 7% in 2022E, largely driven by the internet-related companies which bore the brunt of analysts' downward revisions. Nevertheless, without a reopening, visibility on China's earnings growth is low and we expect further downward revisions.

Awaiting policy clarity on reopening
Valuation wise, MSCI China's forward price-to-earnings ratio has de-rated to 10.3x, which is below the historical mean of 11.3x. While the risk-reward is attractive, we prefer to stay on the sidelines due to policies uncertainties. Still, we see opportunities to turn more constructive on the market if there is a more sustainable shift in mindset towards reopening.

Looking ahead, we expect the domestic A-shares to outperform offshore H-shares as the latter is more vulnerable to capital outflows. Stocks-wise, we favour the Telecommunications sector for its resilient dividend yields and also select opportunities in sectors that are aligned with the government's priorities such as technological upgrades and industrial automation. In contrast, we are negative on the property developers amid rising default risks.

PREFERRED SECTORS

Telecommunications
We prefer Telecommunications companies for their stable earnings and dividend yields.

Consumer Staples
The sector should be supported by relatively resilient domestic demand in the region.

MSCI CHINA TRADES AT AN UNDEMANDING VALUATION COMPARED TO HISTORICAL AVERAGE

Source: Bloomberg | November 2022

HONG KONG (NEUTRAL)

Economic activity has improved with the removal of quarantine requirements in 2022. Hong Kong's GDP growth is expected to rebound in 2023, expanding by 3.0% versus -3.0% in 2022. In terms of valuations, MSCI Hong Kong is trading at an attractive 2023E price-to-earnings ratio of 13.3x against a projected earnings growth of 31%. However, enduring COVID controls as well as policy uncertainties from the mainland may cap returns, leading to our neutral stance on Hong Kong.

SOUTH KOREA (NEUTRAL)

TAIWAN (NEUTRAL)

Weak macro data from both countries

The manufacturing Purchasing Managers' Indices (PMI) for both South Korea and Taiwan are firmly in the contractionary zone. Notably, Taiwan's outlook has worsened in recent months following China's slower than expected economic recovery and weakening demand for global chips. With growing global recession fears, inventory build and order cuts have weighed on the earnings of the semiconductor and technology hardware-related companies. Notably, the MSCI South Korea and MSCI Taiwan's earnings are expected to decline by 13% and 12%, respectively, in 2023.

Undemanding valuations may limit downside

Having said that, both markets have significantly underperformed against the broad Asia Index and valuations are near the prior cycle lows, suggesting that most of these negatives may have been priced in. The undemanding valuations could limit the downside risk, leading to our neutral stance on these markets. We could possibly turn more constructive on these "early cycle" markets when global growth is on a firmer footing.

INDIA (UNDERWEIGHT)

Unattractive risk-reward outlook

India's economic growth has been surprisingly resilient, supported by strong consumption post pandemic. However, we expect the growth momentum to moderate going forward as a global growth slowdown and tighter financial conditions could have a spillover effect. The normalisation of household savings could also be a drag on India's GDP as well.

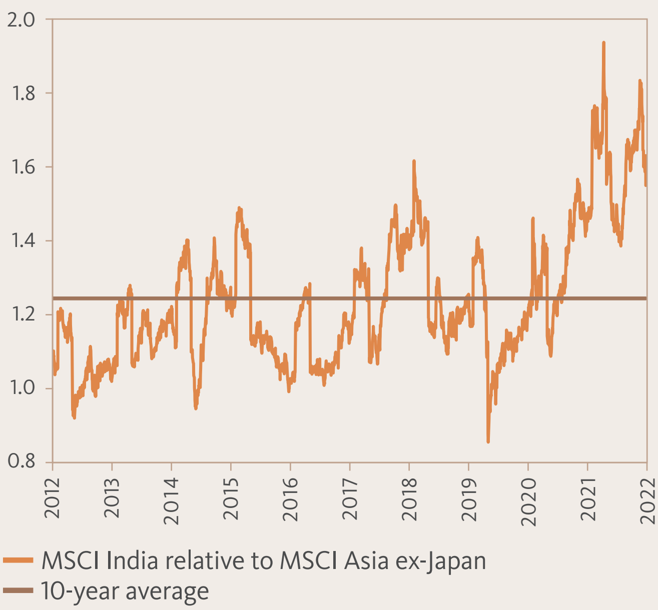
The Reserve Bank of India has raised its policy rate to 5.90% in September, however, there is some possibility that the central bank may slow the pace of interest rate hikes given the fragile growth outlook. Meanwhile, consensus remains overly optimistic on earnings, projecting an earnings growth of 23% in the fiscal year ending March 2024. India's demanding valuations leave little room for setbacks, be it on the macro or earnings front. As such, we are underweight on India in 2023 given the unattractive risk-reward.

ASIA EX-JAPAN EARNINGS FORECASTS AND VALUATIONS

Country/ Region	2023E EPS Growth (%)	2023E Valuations		
		P/E (X)	P/B (X)	Dividend Yield (%)
MSCI Asia ex-Japan	5.2	12.6	1.4	2.8
China	13.6	10.3	1.2	2.6
Hong Kong	30.7	13.3	1.0	3.9
Taiwan	-11.7	12.9	2.0	3.9
South Korea	-13.2	11.6	0.9	2.6
India	23.3	20.1	3.1	1.5
Singapore	20.7	13.3	1.3	4.3
Malaysia	13.2	13.4	1.4	4.2
Indonesia	4.4	13.8	2.3	3.7
Thailand	8.8	17.3	1.9	2.9
Philippines	19.0	14.5	1.6	2.0

Source: Bloomberg | November 2022

MSCI INDIA TRADES AT A LOFTY PRICE-TO-EARNINGS PREMIUM TO MSCI ASIA EX-JAPAN



Source: Bloomberg | November 2022

SINGAPORE (NEUTRAL)

With tighter monetary conditions and slowing global growth, Singapore's GDP is expected to moderate to 1.5% in 2023 from 3.5% in 2022. Meanwhile, the Monetary Authority of Singapore (MAS) is expected to continue tightening its monetary policy to reduce intensifying inflation pressures amid a tight labour market. We are neutral on Singapore equities as the market is currently fairly valued.

Sectors wise, the Telecommunications sector may benefit from further opening as roaming revenue is improving. Meanwhile, Singapore banks could continue to benefit from higher interest rates, however, the increase in provisions to account for rising bad debts may dampen banks' earnings moving forward. Lastly, we are neutral on Singapore REITs (S-REITs) as the appeal of this asset class has dimmed following the sharp rise in government bond yields. Notably, the yield spread between the S-REITs and Singapore 10-year Government Bonds has narrowed to around 300 basis points (bps), which is lower than the long-term average of 420 bps.

MALAYSIA (OVERWEIGHT)

We are constructive on Malaysia as the market will likely remain more resilient during times of macro uncertainty, partly due to the low foreign investors' positioning. In addition, with the general election overhang removed, there is reduced political uncertainty and the government can better focus on stimulating growth. Malaysia equities also trade on relatively cheaper valuations at 2023E price-to-earnings of 13.4x, versus MSCI ASEAN's average of 13.8x.

INDONESIA (OVERWEIGHT)

Indonesia was one of the best performing equity markets in 2022, benefitting from solid loan growth as well as stronger commodity prices. Looking ahead, Indonesia could remain a relative safe harbour amid increasing risks of a global recession given its resilient domestic consumption. Earnings are expected to grow by 4.4% in 2023. Valuation-wise, MSCI Indonesia trades at 2023E price-to-earnings ratio of 13.8x, below its long-term average of 14.0x versus reasonable earnings growth of 5.4%. We are overweight on Indonesia.

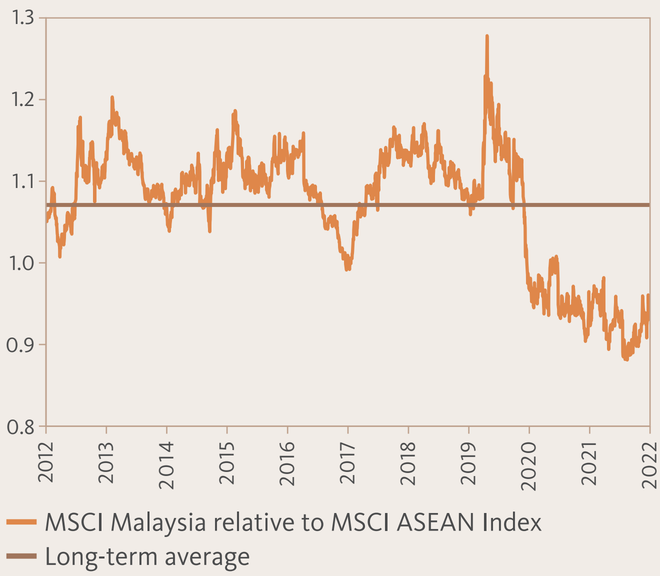
PHILIPPINES (NEUTRAL)

The Philippines economy may grow by just 5.5% in 2023, below the government's target of 6.5% – 8.0%, due to elevated inflation and global recession risks. Corporate earnings forecast of 19% in 2023 may also be too high. However, market valuation is inexpensive, with the MSCI Philippines price-to-earnings trading at one standard deviation below historical mean. We are neutral on the Philippines.

THAILAND (NEUTRAL)

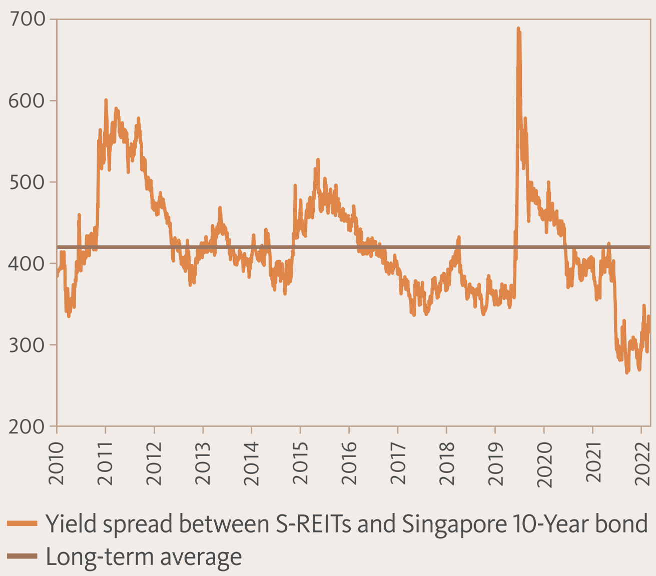
Thailand may benefit from a recovery in tourism, especially if China's reopening were to accelerate. However, valuations are demanding with the market trading at one standard deviation above its historical average. We are neutral on Thailand given the balanced risk-reward.

MSCI MALAYSIA TRADES ATTRACTIVELY TO OTHER ASEAN PEERS ON A PRICE-TO-EARNINGS BASIS



Source: Bloomberg I November 2022

THE YIELD SPREAD BETWEEN S-REITS AND SINGAPORE 10-YEAR BOND HAS NARROWED TO 300 BPS VERSUS HISTORICAL AVERAGE OF 420 BPS



Source: Bloomberg I November 2022

FIXED INCOME

FIXED INCOME

KEY HIGHLIGHTS

Overweight U.S. Treasuries as a hedge against recession risks.

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

Underweight HY credit in both DM and EM.

SOVEREIGN BONDS (OVERWEIGHT)

Further Fed rate hikes expected

Global central banks have tightened their monetary policies aggressively in 2022 to prevent inflation from becoming more broad-based and entrenched. In particular, the Fed will likely continue to hike rates given the still-strong labour market. With the U.S. economy continuing to show resilience, it will take some time for the Fed to pause its rate hikes.

We believe that the Fed will need to see a sustained moderation in both wage growth and core inflation readings before turning less hawkish. As such, we will keep a look out for indicators such as peaking inflation, softer labour and housing market data that could point to a potential Fed pause ahead.

However, the gradual moderation in inflation as well as the increasing risks of financial instability could underpin a slower path of rate hikes going forward. Notably, the Fed will likely want to avoid the heightened volatility witnessed in the U.K. government bond market in late 2022 which prompted intervention by the BOE.

10-year Treasury yield to eventually trend lower

We believe the Fed policy rate will likely peak around 5.00-5.25% by 1H 2023, although there is upside risk to the expectations should inflation prove to be stickier than expected. Consequently, the upward pressure on the UST yield may persist for now. The actual pace and impact of the Fed's quantitative tightening programme on the Treasury market also remains to be seen.

Our analysis suggests the absolute time gap between the peaking of 10-year UST yield and Fed policy rate has been less than a month over the past 50 years. Having said that, we expect the 10-year UST yield to climb more slowly than the Fed policy rate in view of the slowing growth momentum. In fact, the 10-year UST yield will likely peak well below the terminal Fed funds rate in this cycle. This suggests a deepening of the UST yield curve inversion for both the 2 year-10 year curve as well as the 3 month-10 year curve.

Positive tilt towards U.S. Treasuries

With the 10-year UST yield at 3.6% (as at end-November), U.S. Treasuries offer reasonably attractive value in an absolute yield basis as well as on a relative basis against the likes of Japanese and Chinese government bonds.

While the 10-year UST yield could overshoot in the short-term given the macro and policy uncertainties, it would likely trend lower and remain sustainably below 3.5% once investors shift their focus towards elevated recession risks and a potential Fed pivot. In view of the favourable risk-reward, we are overweight U.S. Treasuries (which serve as a proxy for sovereign bonds) and believe they could serve as an effective hedge against a potential downturn.

PREFERRED REGIONS

United States

U.S. Treasuries offer favourable risk-reward with 10-year UST yield likely to remain below 3.5% by 1H 23.

U.S. 10-YEAR GOVERNMENT BOND OFFERS YIELD PICK-UP AGAINST CHINA 10-YEAR GOVERNMENT BOND

Source: Bloomberg | November 2022

DEVELOPED MARKETS

In search for defensive carry

DM corporate bonds have witnessed negative returns (as at end-November 2022) due to both rising rates and widening credit spreads. Looking ahead, we see reduced duration risks with a slower increase in interest rates that are likely to peak by 1H 23. Nevertheless, the central banks' still restrictive monetary policy would drive a further slowdown in economic activities that will lead to higher corporate default rates as well as widening of credit spreads.

In view of the above, we prefer IG credit over HY bonds within DM. In particular, we prefer U.S. IG corporates as their balance sheets remain healthy, with total and net gearing ratios below pre-COVID-19 levels. In contrast, we believe U.S. HY credit has yet to fully price in the potential deterioration of credit fundamentals as spreads are still below historical peaks.

DM IG (OVERWEIGHT)

Improving nominal yields with rising rates

We are overweight DM IG credit (using U.S. IG as a proxy). No doubt, with leading growth indicators like PMI for manufacturing and services in most developed countries turning south and/or staying in the contraction territory, we are cognisant that negative rating changes and default rates are likely to rise in the year ahead.

Having said that, DM IG credit may provide defensive carry opportunities with reduced duration risk in comparison to the start of 2022. In particular, we like corporates with robust balance sheets and net cash positions as they are better positioned to ride through the downturn.

Prefer higher tier financial credits

Sectors wise, we remain comfortable with financials as net interest income may be supported by robust interest margins, which could help cushion against higher expected credit losses when economic conditions worsen. Notably, post global financial crisis, banking regulators have enforced stricter and more robust financial regulatory frameworks for banks. Specifically, banks are required to have more rigorous internal credit and risk monitoring systems, while having to hold higher capital positions to cushion against future credit losses.

Nevertheless, we would prefer to stay defensive by favouring the senior unsecured bonds and Tier-2 bonds over Additional Tier-1 (AT1) perpetual bonds within the credit hierarchy. Geographically, the credits of the U.S. banking sector may also be less volatile than their European counterparts.

Notably, the U.S. corporate and households are in a better financial position relative to the 2008-09 global financial crisis, hence providing some optimism that the U.S. financials may be in a better position to weather the current storm. In contrast, the Eurozone economy appears to be more vulnerable, which could also weigh on the performance of the European financial credit.

In contrast, we would avoid consumer discretionary, basic materials and real estate sector given their sensitivities to the business cycle, as consumers and businesses are likely to scale back on their spending during a downturn. Nevertheless, we may turn more constructive on these sectors once there are clearer signs of an inflection especially if credit spreads have sufficiently widened by then.

IG bonds offer higher than historical average yield

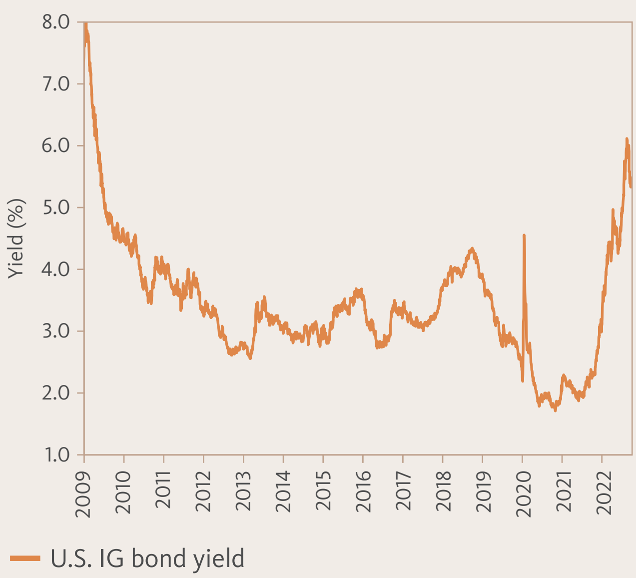
In terms of valuation, U.S. IG credit remains undemanding and trades at a credit spread that is still higher than the 5-year historical average level. In addition, it is now offering higher absolute yield of more than 5%. This compares favourably not only to historical yields, but also to the dividend yields of U.S. equities. As such, we believe the segment can serve as a source of stable income and represents attractive investment proposition that offers favourable risk-reward.

PREFERRED SECTORS

DM Financials

With stricter regulatory monitoring and capital requirements, financials are in a better position to manage the current macro headwinds.

U.S. IG BONDS COULD SERVE AS A SOURCE OF STABLE INCOME WITH HIGHER THAN HISTORICAL AVERAGE YIELD



Source: Bloomberg | November 2022

DM HY (UNDERWEIGHT)

Challenging outlook ahead for HY
We remain cautious on DM HY (using U.S. HY credit as a proxy) as the uncertain growth outlook will likely weigh on appetite for risk assets. With elevated inflation and still hawkish central banks, corporate profit margins and earnings are expected to face further downside risks. In addition, the balance sheet wind down plans of central banks such as the Fed and BOE may heighten risk of unintended consequences as market liquidity continues to tighten.

HY issuers facing multiple headwinds
2022 was a challenging year for HY issuers to access the capital market for funding due to weak market appetite. As at end-November 2022, the year-to-date gross issue for HY debt via the primary market was the lowest since the 2008 global financial crisis. With a weaker macro backdrop, we expect investors' sentiments on HY to remain weak, leading to depressed demand for non-IG primary market issuance.

Rating downgrades and defaults to start picking up
We expect tighter credit and liquidity conditions to exert pressure on HY credit issuers, especially those with significant near term refinancing needs. The higher refinancing costs will add to their financial strains and we expect the rating agencies to place negative rating actions on these highly geared companies.

Typically, these rating actions as well as default rates of the HY sector tend to lag and not show up until the U.S. economic conditions show more severe deterioration amid harsher credit and liquidity conditions.

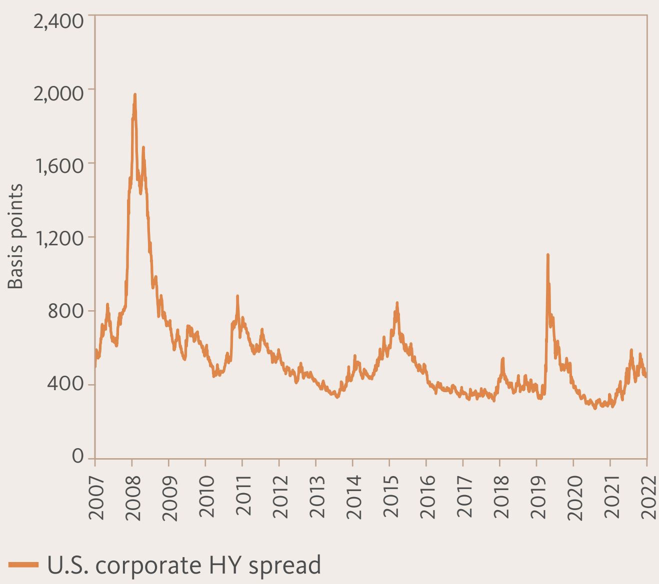
Avoid highly geared cyclical plays
We stay cautious on HY bonds, particularly those in cyclical sectors such as consumer discretionary and basic materials. For instance, we would avoid the automotive and consumer services segments within the discretionary sector as weaker consumer spending would curtail demand. We are also cautious on downstream processed commodities such as steel and cement given their strong correlation with economic activities, with a weaker growth likely to cloud their demand outlook.

That said, we would turn more constructive on these cyclical sectors should there be an improvement in the macro environment. In addition, real estate credit may also benefit should the rates outlook turn more benign. Until then, we would seek shelter in HY credit from more defensive sectors such as Utilities and Telecommunications. Overall, we would be highly selective and stick with HY bonds with credit rating of BB or better.

Underweight on unattractive valuation
From a valuation perspective, U.S. HY is unattractive in terms of risk-reward versus its historical average. Notably, U.S. HY credit spread widened by an average of 1,535 bps during the peaks over the past two recession periods. This is much higher than the current spread of 448 bps as at end-November 2022.

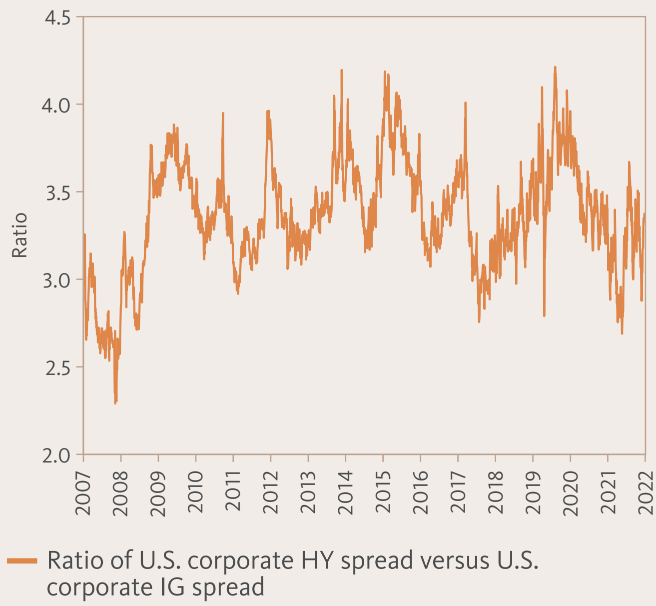
In addition, U.S. HY is relatively more expensive than U.S. IG. Notably, the yields of HY bonds are trading at a lower multiple of 3.3x against that of IG bonds (as at end-November 2022) versus the 10-year historical average multiple of 3.4x. This suggests an unfavourable risk-reward profile for U.S. HY credit, thereby justifying our underweight stance.

U.S. HY CREDIT SPREAD REMAINS TIGHT AGAINST HISTORICAL AVERAGE



Source: Bloomberg | November 2022

U.S. HY CREDIT SPREAD TRADES AT UNFAVOURABLY LOW MULTIPLE VERSUS U.S. IG CREDIT SPREAD



Source: Bloomberg I November 2022

EM BONDS (UNDERWEIGHT)

Challenging macro outlook

We remain cautious on EM bonds going into 2023 as the macro environment remains challenging for both DM and EM economies. Notably, EM bonds would continue to face considerable global macro challenges, including a strong USD and tightening financial conditions at the start of the year. This could give rise to idiosyncratic risks and vulnerabilities particularly within the HY segment.

While EM economies are still projected to witness positive growth in 2023, there could be downside risks to the forecasts as EM is unlikely to be fully decoupled from a global downturn. In particular, without China's firm recovery to counteract recession risks in the U.S. and Eurozone, lower commodity prices and export volumes could continue to weigh on EM external and fiscal dynamics.

Tightening of global liquidity conditions have been exerting pressure on EM currencies and their external debt dynamics. However, as some proactive EM central banks have taken pre-emptive steps to hike their policy rates, their currencies have fared better than DM ex-U.S. currencies in 2022.

That said, we remain wary of EM countries with large twin deficits and high external debt levels as these countries are more vulnerable to an escalation in financial instability.

TIGHTER LIQUIDITY CONDITIONS LED TO SURGE IN BOND MARKET VOLATILITY

Source: Bloomberg | November 2022

Favourable supply technicals partly offset waning demand

Meanwhile, tightening global financial conditions have historically impeded inflows into EM bonds. Unless risk appetite or global liquidity improves significantly, EM bond fund outflows are likely to continue in the coming months. This could keep EM sovereign and corporate bond issuance relatively subdued as both issuers and investors stay on the sidelines.

Nevertheless, limited EM corporate bond issuance also provides a supportive technical tailwind, while financing could be directed towards onshore investors and alternative investments, particularly in Asia. Notably, the availability of these alternative financing sources is a supportive factor given that they can help to alleviate the refinancing risks for corporates in these countries and thus allowing them to secure more favourable financing terms.

Stay defensive on macro uncertainty

As of 30 November 2022, EM bonds currently reflect a growth slowdown with spreads trading at 401 bps, which is wide versus their 10-year historical average of 335 bps. However, we think the uncertain macro outlook is likely to keep market volatility elevated in the near term. As such, we maintain an underweight stance on EM bonds. We are neutral on EM IG bonds but favour Asia IG bonds given their better growth prospects, fewer fiscal imbalances and higher representation of government related-entities with shorter average duration.

Asia stands out from the pack

By region, Asia stands out from the EM pack as the region is expected to deliver one of the highest growth within EM in 2023. As gradual economic reopening continues to provide a boost to consumption activities, we remain sanguine on Asia especially if China were to pivot more significantly from its zero-COVID policy.

While a few Asian countries with weak balance of payment positions (such as Sri Lanka and Pakistan) have come under significant pressure, external debt dynamics for most other Asian economies look relatively more benign.

EM IG credit exhibit decent standalone fundamentals

Positively, the standalone fundamentals and balance sheet of EM IG corporate issuers have been relatively healthy heading into a more difficult 2022. Thus, a stronger starting point could help to offset concerns over weakening credit fundamentals.

Notably, many EM IG corporates have deployed active currency and rates management and hedging tools to mitigate the impact of rising rates and weaker currencies on earnings and debt maturity.

Notably, the risk of fallen angels (i.e. IG bonds that are downgraded to HY) in Asia is well contained. In fact, there are some expectations that there will be a reduction in the amount of fallen angels in 2023.

Given the increasing likelihood of a global slowdown, we prefer defensive sectors such as Telecommunications and Utilities that are better equipped to deal with these headwinds. We also like select upstream commodity names within the oil and gas as well as coal space. While commodity prices have retreated from the highs in 2022, we believe the strong cash flow generation should continue to support the credit profiles of the related credits in 2023.

In addition, we favour Asia quasi-sovereign bonds from Indonesia and India, and prefer central state-owned enterprises (SOE) credits in China on expectation of strong government support.

Some trouble spots in EM HY

In contrast to EM IG issuers, some EM HY corporates have yet to fully hedge their interest and principal exposure. This suggests that there could be higher risks of rising debt burden for these corporates with negative earnings implication in the coming quarters. In particular, the default rate in EM Europe HY credit is expected to remain elevated as the ongoing war continues to impact Russia and Ukraine issuers.

While EM Asia HY may also be under some pressure, a number of the defaulted China HY names have been removed from the index over the past two years, thus limiting the negative spillover effects of the troubled China property sector.

Notably, trouble spots remain in the China HY property space although there are signs of more broad-based government support for the private developers. No doubt, the current valuation of China HY property credit is pricing in a good proportion of downside risk. Still, we prefer to stay on the sidelines given the scope of more credit defaults and distressed exchanges, thus rendering a long recovery road ahead.

In addition, we are cautious on the local government financing vehicles (LGFV) bonds in China due to the low strategic importance of several issuers, high gearing and the adverse impact on credit metrics from the ongoing property sector downturn. In our view, weaker quality local LGFVs could face higher risk of default in the next 12-18 months.

Overall, we would prefer to avoid credits with weak cash flow generation, tight liquidity buffers and limited access to financing channels.

Remain watchful for opportunities

With the trajectory of inflation and rates staying uncertain, we prefer shorter-dated IG bonds with less volatile price returns and more manageable credit risk. Still, we are watchful for opportunities to add quality names with longer-duration especially if valuations were to become more attractive.

A more conducive macro environment would also allow us to turn more constructive on the Financials, Consumer Discretionary and Real Estate sectors. In addition, a more decisive easing of China's strict COVID-19 restrictions could bode well for China property credit, as well as selected Hong Kong property developers and Asia gaming credits.

PREFERRED SECTORS

Telecommunications and Utilities

Provide stable cash flows to weather deteriorating economic conditions.

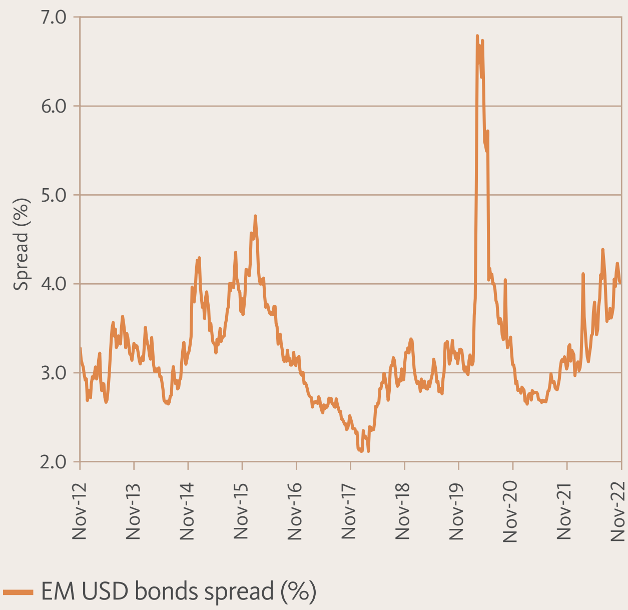
Upstream Commodities

Underinvestment could underpin upstream commodity prices and support the credit profiles of these companies.

Asia Quasi-Sovereigns

Asia quasi-sovereign bonds tend to have strategic policy importance. They also benefit from stable cash flows and access to financing given government support.

EM USD SPREADS MAY NOT HAVE SUFFICIENTLY PRICED IN THE SLOWDOWN AHEAD



Source: Bloomberg | November 2022

COMMODITIES

COMMODITIES

KEY HIGHLIGHTS

Neutral on gold, but watch out for potential inflection point.

Oil prices to remain range-bound until supply concerns resurface. Neutral.

GOLD (NEUTRAL)

Gold at the crossroads

Gold remains at a crossroads. On one hand, the precious metal is seen as a hedge against stagflation and geopolitical risks. On the other hand, a stronger dollar and higher real rates have dimmed the safe haven appeal of the precious metal. Notably, the opportunity cost of holding the non-yielding gold bullion has been increasing as global central banks continue with their monetary tightening, leading to higher interest rates.

For now, we expect gold prices to remain subdued given the persistent dollar strength. Global central banks, particularly the Fed, are also unlikely to cut rates anytime soon given the stickier than expected inflationary pressures. However, we will be on the look out for signs that point to a potential inflection point for gold.

Anticipation of a less hawkish rate hike path given the deteriorating macro outlook could lead to a reversal of the overcrowded long dollar position and consequently, lend support to gold. Meanwhile, the Commodity Futures Trading Commission's (CFTC) weekly Commitments of Traders report also showed that money managers' net short position on gold is at the most bearish level in almost four years, laying down the foundation for a rebound sometime in 2023. Taken together, the overall risk-reward is fairly balanced and consequently, we are neutral on gold.

OIL (NEUTRAL)

Tug of war to continue

Oil prices continued to be caught in the tug of war between tight supply and lower fuel demand, and we expect pricing volatility to remain elevated in 2023. Recession worries will likely take centre stage in early 2023 before giving way to supply concerns as major importing countries start to rebuild their depleted stockpiles.

For 2023, the Organisation of the Petroleum Exporting Countries (OPEC) expects global oil demand to grow by 2.4% to 102.02 million barrels per day (mbpd), underpinned by expectations of a gradual reopening in China, the world's second largest oil consumer. Still, downside risks remain given the uncertain global growth outlook, triggered by tightening monetary policies.

In Europe, while the energy crisis may be averted this winter, the ongoing stalemate conflict between Russia and Ukraine poses a disruption risk to the replenishment of their reserves. Meanwhile, the decision by OPEC+ to cut production indicates the willingness to reduce supply to support prices. Taken together, we could see upward pressure on oil prices yet again in 2H 2023 although the prices may remain range-bound in the near term given recession worries.

REAL INTEREST RATE HAS A NEGATIVE CORRELATION WITH GOLD PRICE

Spot gold prices (USD per ounce), L.H.S.
Real Rates (%, inverted), R.H.S.

Source: Bloomberg | November 2022

CURRENCIES

CURRENCIES

KEY HIGHLIGHTS

Sell USDJPY on strong rallies.

Favour resource exporter over importer – Long AUDGBP.

SGD and IDR to exhibit relative resilience over ASEAN peers.

2022 was a year of conflict, in both geopolitical and policy terms. The war in Europe and resulting supply chain disruptions have added to energy price pressures, forcing central banks to pull the plug on accommodative policy at a much brisker than expected pace. Monetary policy became increasingly at odds with fiscal bias, as the need to mitigate cost-of-living concerns grew globally.

Into 2023, the crucial question facing currencies will be whether (and when) a dovish pivot in Fed stance materialises. Our base case looks for dollar to remain in buoyant ranges into 1Q 2023, as core price pressures grind lower only gradually. U.S. jobs jitters may emerge more discernibly only in 1H 2023, considering policy lags. On net, risks for the U.S. dollar (USD) could be skewed modestly to the downside in the later part of 2023. Meanwhile, ASEAN economies could see more benign growth outturns versus DM, helping to backstop the performance of the Southeast Asian currencies.

DEVELOPED MARKETS

Dollar bulls could put up a fight

The dollar strength that had dominated for much of 2022 could be chipped away gradually into 2023 as the Fed slows its pace of tightening and eventually stop. Nevertheless, USD bulls will not give up without a fight. Moreover, geopolitical conflicts are unlikely to fade completely. Hence, the greenback may continue to count on safe haven demand and potential for relative economic outperformance (particularly against the Eurozone) as support. No doubt, the medium-term outlook for the dollar appears challenging given the country's twin deficits and rising national debt. However, the risk-reward does not favour an outright bet against the USD in the near-term. Notably, if inflation is stickier than expected, it could result in higher interest rates and lead to a faster than expected recession that could see stronger dollar support.

Prefer AUD over GBP

Regardless of whether the war in Ukraine crosses into its second year, sanctions on Russia are likely to remain. As such, Europe may still find challenges in getting adequate energy supply beyond 2022. In particular, energy importers like the U.K. could face shortage issues again. In contrast, Australia is likely to sustain favourable terms of trade adjustment via its exports of iron ore and natural gas. Further reopening of China could also skew risk to the upside for resource demand. As such, we favour AUD over GBP, with heightened inflation risk in the U.K. weighing on the pound.

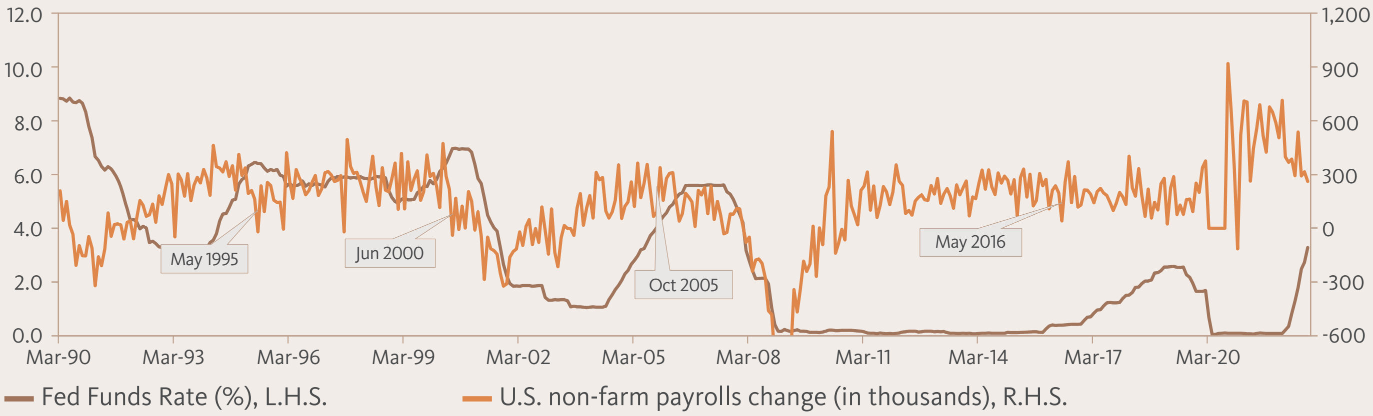
A pullback in UST yields could usher JPY gains

JPY has suffered from a confluence of widening monetary policy gap with global peers, as well as downside pressures on current account given weakening external demand and rising import burden. Nevertheless, reopening efforts could help ease current account drags. Meanwhile, the end of BOJ governor Haruhiko Kuroda's term in April 2023 could lead to incremental bets for a shift in the central bank's yield curve control policy amid signs of broadening domestic price pressures. On net, while USDJPY could remain in buoyant ranges near term, we see room for retracement lower around mid-2023 once UST yields crumble on rate cut bets and recession fears.

MOST PREFERRED PLAYS

- Prefer to long AUD over GBP.
- Sell USDJPY on strong rallies.

U.S. JOBS JITTERS TO EMERGE MORE DISCERNIBLY IN 1H 2023



Sources: Bloomberg, Maybank FX Research & Strategy | November 2022

ASIA EX-JAPAN

Beyond the reopening boosts, CNY trade-weighted Index could weaken on narrowing BOP surplus

We maintain a glass half-full view in hope that there could be gradual easing of COVID restrictions by 1H 2023 at the earliest. CNY sentiment has turned positive on the first signs of relaxation in zero-COVID management announced in November 2022. While we cannot rule out further positive reactions from incremental easing of zero-COVID restrictions, an eventual narrowing of its balance of payment (BOP) buffers on the resumption of outbound Chinese tourists could eventually weigh on the CNY trade-weighted index. That said, a stronger CNY could also lead to positive spillovers for regional Asian currencies including the SGD, MYR, THB, KRW and TWD.

SGD to maintain outperformance

The MAS' latest recentring move in October underscored the urgent need to reduce imported inflation. This is the fifth tightening move since October 2021. The continued frontloading of policy tightening, including three recentring episodes, as well as some "haven" characteristics versus regional peers during the current period of elevated external uncertainties, will likely continue to support SGD outturns, in spite of downside growth risks.

MYR bulls need patience

We remained cautiously optimistic on MYR. No doubt, the political uncertainty factor which has dampened sentiment on MYR has receded following the recent election outcome. Sentiment was further lifted by easing COVID measures from China. The MYR also looks relatively "cheap" in Real Effective Exchange Rate (REER) terms and trade balances remain benign.

Still, near-term volatility may persists until signs of credible policymaking direction emerges and the USD dollar support softens more convincingly. We think this would need at least another 1 to 2 quarters with a sustained MYR recovery to gain pace only from 1H 2023.

While the IDR will not be immune to further drags from Fed policy normalisation, there are encouraging signs of resilience for the currency. Ongoing hikes by Bank Indonesia, as well as the still benign trade surpluses, are helping to buffer IDR sentiments against drags from portfolio outflows. The magnitude of bond outflows has also been more contained versus that seen in past crises. Fiscal discipline also remains intact, with expected narrowing of budget deficit into 2023, removing a potential source of market concern. Hence, we are cautiously optimistic on the IDR in 2023.

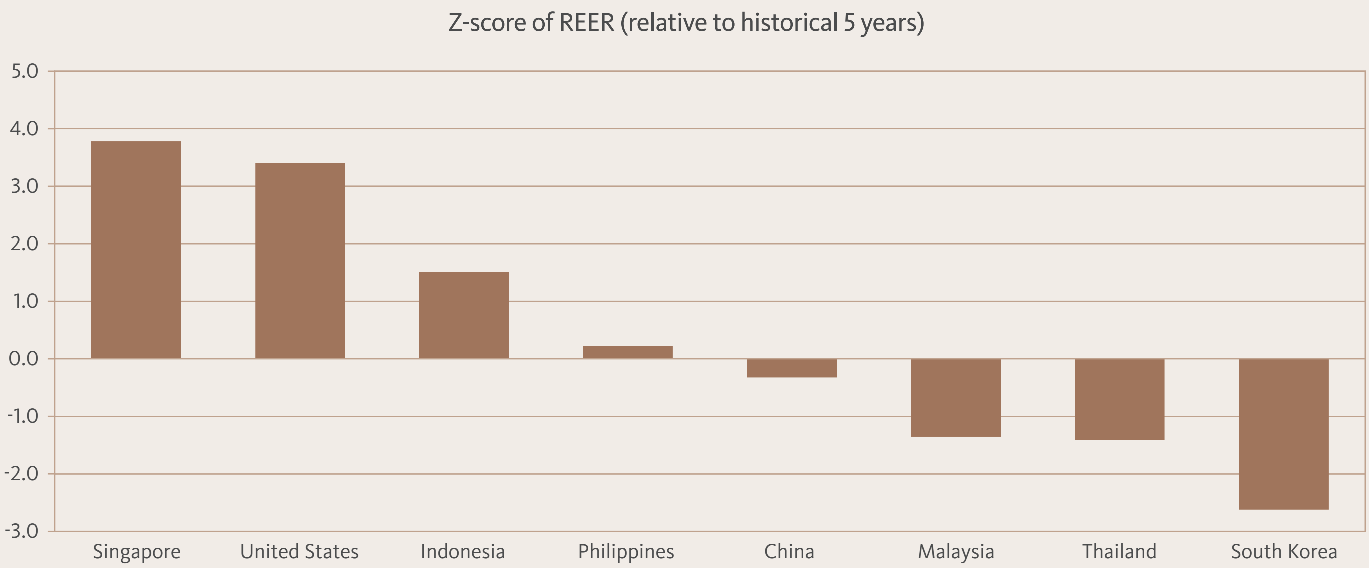
THB could be a wildcard

Aside from the broader external factors impacting the Asian foreign currency complex, THB also saw drags from Thailand's relatively larger decline in foreign reserves, still elevated energy import burden, continued absence of Chinese tourism receipts, as well as the relatively gentler pace of rate hikes by the Bank of Thailand. Nevertheless, a return of current account to surplus territory will be a boon for THB. The currency may not look attractive at this point, but China's reopening could swing the odds in its favour. A return of Chinese tourists is not priced in fully, so any quicker than expected signs of reopening in China could trigger a significant bout of THB recovery.

MOST PREFERRED PLAYS

- Prefer to short the USDSGD.
- IDR could outperform versus THB and PHP.

MOST ASEAN REERS ARE DEPRESSED AS COMPARED TO THE U.S. REER



Note: The Z-scores are calculated based on the 5-year historical average of the respective REERs.

Sources: Bloomberg, BIS, Maybank FX Research & Strategy Estimates I November 2022

ASEAN – A DEFENSIVE HARBOUR

ASEAN: A Defensive Harbour

ASEAN is emerging as a defensive harbour against the backdrop of rising U.S. interest rates and a potential U.S. recession. We expect ASEAN-6 GDP growth to be relatively resilient, expanding 5.6% in 2022 and 4.3% in 2023 despite the global growth downturn. There are six main arguments why ASEAN economies and markets may "partially decouple" from a U.S. recession and emerge as a bright spot in the darkening storm.

Reopening and intra-ASEAN trade to support growth

Firstly, while the tailwinds from the reopening is dissipating, it is still not entirely over. Accommodation, food services, construction, and air transport are still below pre-pandemic levels in some ASEAN countries. Foreign visitor arrivals are also generally less than 50% of pre-COVID levels. ASEAN is adopting and committing to a "living with COVID" strategy and is unlikely to resort to strict lockdowns and quarantines, in contrast to China's "zero-COVID" strategy.

Secondly, intra-ASEAN trade is growing at over 30%, partially cushioning the slump in exports to the U.S., Europe and China. Notably, the intra-ASEAN market demand roughly accounted for 19% of ASEAN's total exports, higher than the share of exports to China (16%), the U.S. (15%) and Europe (9%).

Beneficiary of the supply chain diversification and U.S.-China geopolitical rivalry

Thirdly, the reconfiguration of manufacturing supply chains away from China has led to a significant increase in Foreign Direct Investments (FDI) to ASEAN. The development of electric vehicle industries and the U.S. CHIPS and Science Act of 2022 have reinforced these shifts.

The intensification of the U.S.-China geopolitical rivalry is forcing multinationals to relocate and diversify their new capacity in "friendly" shores. Indonesia, Malaysia, Vietnam, and Singapore are the major beneficiaries of these supply chain shifts to ASEAN.

Fourthly, capital flows from Greater China into a "neutral" ASEAN have also been rising, partly due to the U.S.-China geopolitical rivalry and stricter national security regulations. Singapore is benefitting from the relocation of headquarters and talent from Hong Kong and sealing its reputation as Asia's international financial centre. Other ASEAN countries are introducing new visa schemes to attract investments and talent, including Malaysia's Premium visa programme and Thailand's Long Term Resident visa programme.

ASEAN shines when commodity prices are elevated

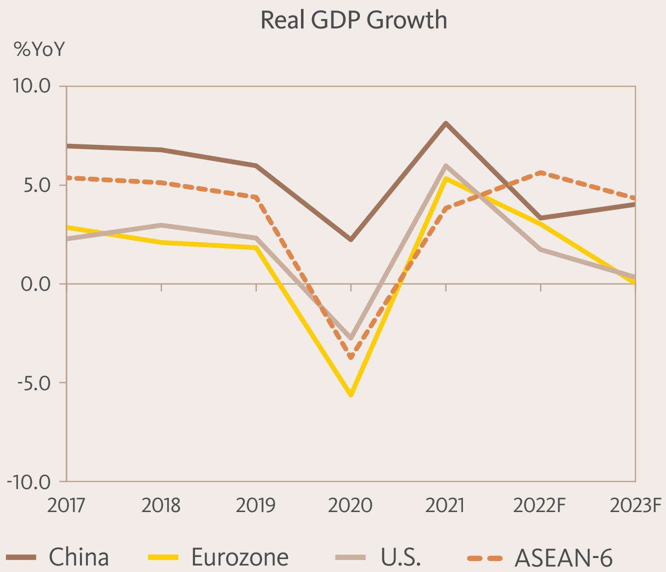
Fifthly, energy and food prices may remain elevated despite a global downturn due to the ongoing Russia-Ukraine war, green transition and climate shocks. Some ASEAN countries are major energy exporters (Indonesia and Malaysia) and food exporters (Thailand, Indonesia, and Malaysia) and will benefit from the still high prices.

Lastly, most ASEAN central banks are not as aggressive as the Fed in tightening monetary policy and raising interest rates, with the exception of the Philippines and Singapore. Policy rates have only climbed to around pre-COVID levels in Thailand, Malaysia, and Indonesia as the increase in consumer prices is still relatively benign compared to the U.S. and Europe. The more modest monetary tightening will limit the interest rate shock to consumer spending and business investment.

China remains the wildcard

One wildcard which could further strengthen ASEAN's growth and prospects in 2023 will be China's reopening. China is ASEAN's largest export market and accounted for 22% of foreign visitor arrivals to ASEAN pre-pandemic. Reopening may also revive China's Belt and Road infrastructure projects, especially in Indonesia, Laos, and Cambodia, which have stalled because of the lockdowns and border controls. Nevertheless, ASEAN is not immune and cannot fully decouple from the global downturn, but there will be patches of blue skies amidst the darkening clouds.

ASEAN'S GDP GROWTH IS EXPECTED TO BE RELATIVELY RESILIENT DESPITE THE GLOBAL GROWTH DOWNTURN



Sources: CEIC, IMF, Maybank IBG Research I November 2022

WHEN CHINA REOPENS – IMPACT ON ASEAN-6

	Tourism	Exports	Investments	Energy
Malaysia	√ √	√ √	√ √	√
Indonesia	√	√	√ √ √	√ √
Thailand	√ √ √ √	√ √	√ √	X X
Singapore	√ √	√ √ √	√ √	X
Vietnam	√ √ √	√ √ √	√	X
Philippines	√	√	√	X X

Source: Maybank IBG Research I November 2022

DIVERSIFYING WITH HEDGE FUNDS

Background

Hedge funds are alternative investments that employ a vast range of trading strategies in both traditional and non-traditional asset classes. Notably, hedge funds may employ riskier strategies including leverage and invest in derivatives such as options and futures. Nevertheless, given the less correlated returns, hedge funds can potentially enhance suitable investors' portfolio returns and provide diversification benefits that are difficult to find elsewhere.

Types of strategies

There are four main categories of hedge fund strategies:

- **Equity Hedge:** Maintains both long and short positions in equity markets with varying net exposures. Notably, Equity Market Neutral is a sub-set of the strategy.
- **Event-Driven:** Invests in equity or debt securities based on corporate-related events including mergers and acquisitions, restructurings and/or financial distress.
- **Relative Value Arbitrage:** Focuses on opportunities to capitalise on pricing discrepancies between related securities in equity, debt or currency markets, typically in a market-neutral manner.
- **Macro/Commodity Trading Advisors (CTA):** Seeks to profit from broad directional changes in equity, fixed income, currency and commodity markets based on analysis of macro factors.

Regression analysis of historical returns (since 2007) suggests different hedge fund strategies have exhibited varying levels of correlation with global equities. Notably, the performances of Equity Hedge and Event-Driven strategies are more positively correlated to that of global equities.

In contrast, the returns of Equity Market Neutral and Macro/CTA strategies have exhibited lower correlation to the returns of global equities over the same period.

Criticism of hedge funds

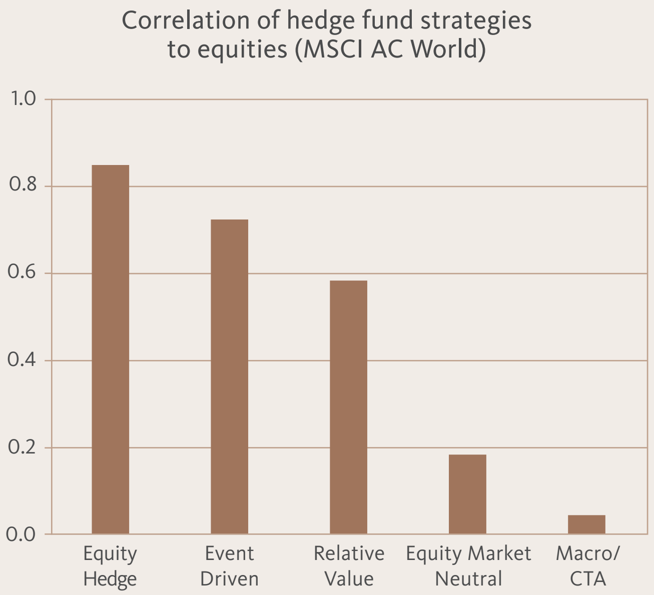
Hedge funds are sometimes accused of being illiquid and charging high costs but yet delivering poor performance and providing limited portfolio diversification. Notably, many investors still have bad memories of the 2008 global financial crisis whereby many hedge funds either put restrictions on redemptions or liquidated their holdings with significant losses.

While the criticism may be valid for some hedge funds, it cannot be applied to all. We note that dispersion among hedge fund performance can be wide, even when comparing hedge funds that deploy similar investment strategies. The cost structure of hedge funds has also been evolving to ensure better alignment of interests with investors. In addition, we have witnessed the emergence of more liquid alternatives such as fund of hedge funds which can help to alleviate liquidity concerns and potentially improve cost-efficiency.

Selection matters

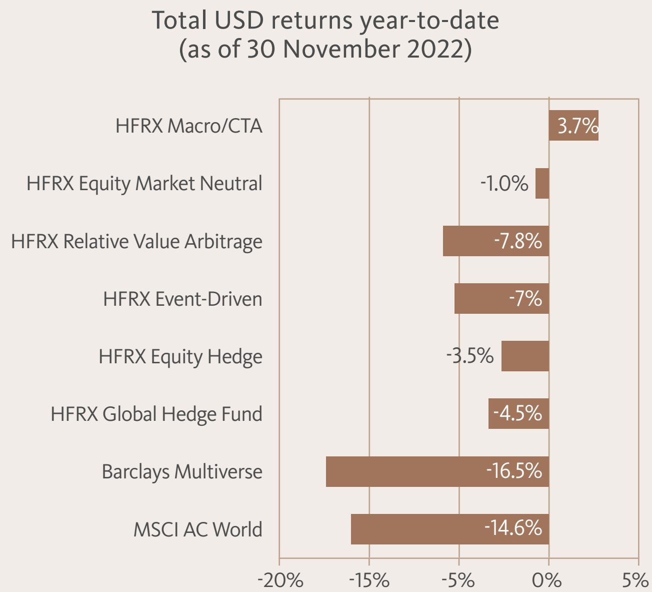
Performance-wise, while hedge funds may not deliver impressive upside returns, they can mitigate the risks of severe drawdowns, particularly during periods of market stress. For instance, the HFRX Global Hedge Fund Index is down by only 4.5% and has significantly outperformed the global equities and bonds in 2022 (as of 30 November 2022). In fact, the HFRX Macro/CTA index has delivered positive returns of 3.7%, which is much better than the negative MSCI AC World returns of 14.6% during the same period. With the selection of the right managers, we believe there is a place for hedge funds to add uncorrelated returns in a diversified portfolio.

HEDGE FUNDS CAN SERVE AS A SOURCE OF UNCORRELATED RETURNS



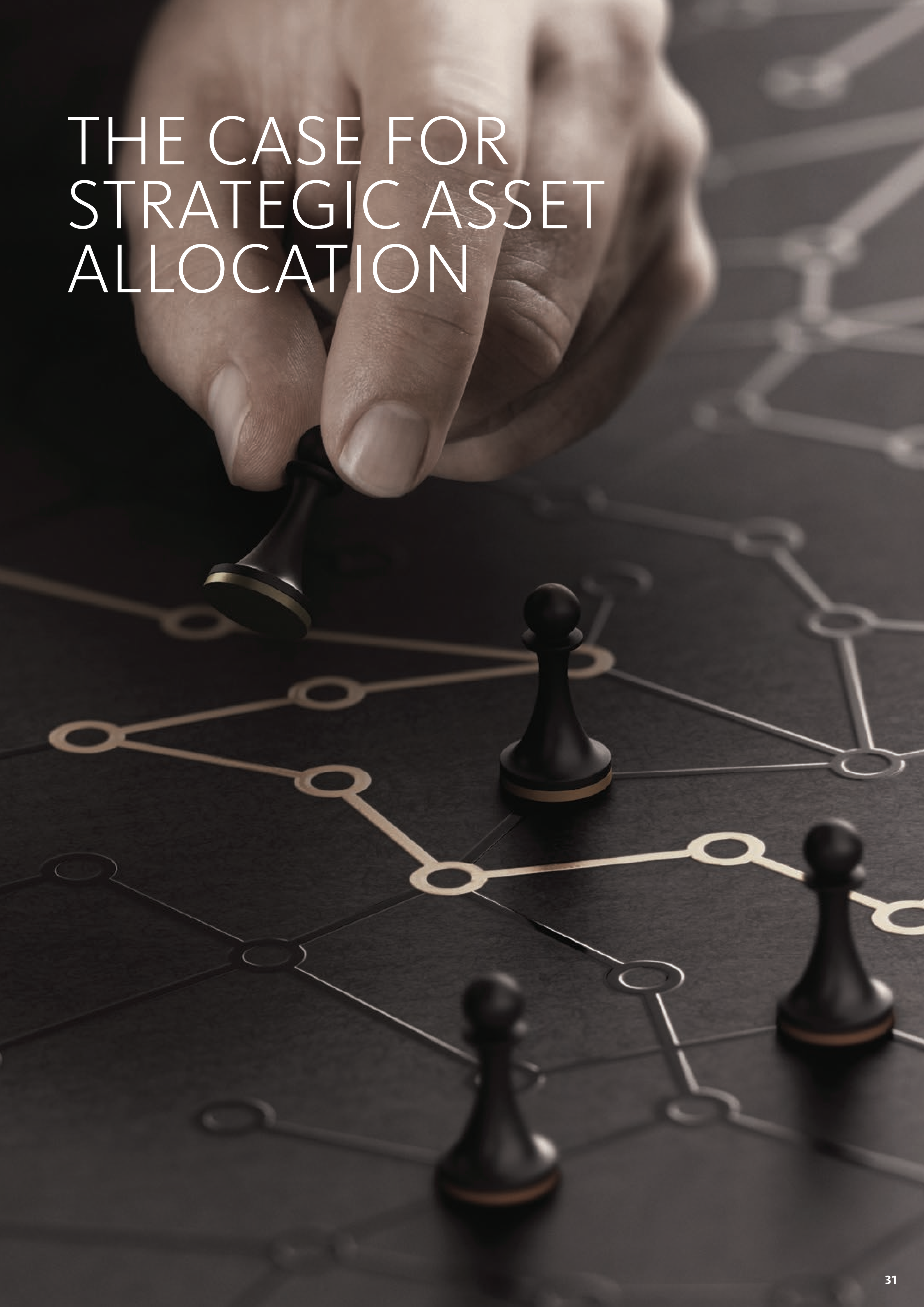
Source: Bloomberg | November 2022

HEDGE FUNDS HAVE DELIVERED RELATIVELY MORE RESILIENT PERFORMANCE IN 2022



Source: Bloomberg | November 2022

THE CASE FOR STRATEGIC ASSET ALLOCATION



Time in market versus timing the market

Challenging markets over the past year have disheartened many investors. Some are even thinking of converting all their investments into cash until there are clearer signs of a market bottom. Given the uncertainties, it makes sense to adopt a more prudent investment strategy. Nevertheless, many investors who sold during a downturn tend to remain underinvested and miss out on the eventual market recovery. Studies have shown that investors who have not stayed fully invested and missed the 30 best days, will fail to capture more than 80% of the S&P 500 returns. Hence, the old adage "it's not about timing the market but about time in market" is not without merit.

The psychological pitfalls of investing

Why do investors hold too much cash for too long? Very often, it not just about the analysis but also the psychology. While investors today can have access to extensive research on the market, many of them cannot help but be influenced by their emotions when making investment decisions. Some of the common pitfalls would include:

- **Anchoring –** Use of irrelevant information, such as the previous purchase price of a security, as a anchor to make decision on the same security.
- **Herding –** Following what other investors are doing instead of relying on one's own analysis.
- **Loss aversion –** Holding on to an investment even though it is likely a poor decision.
- **Over-confidence –** Having the tendency to over-estimate the quality of one's analysis, resulting in over-concentration of portfolio.
- **Paralysis –** Staying on the sidelines when there is too much negative news flow and failing to capitalise on the investment opportunity when it arises.

Overcoming emotional decisions

A good way to overcome the emotional pitfalls is to adopt a disciplined investment approach through the Strategic Asset Allocation (SAA) framework. The SAA is a long-term portfolio strategy whereby investors set target allocations across a mix of asset classes including equity, fixed income, alternatives and cash.

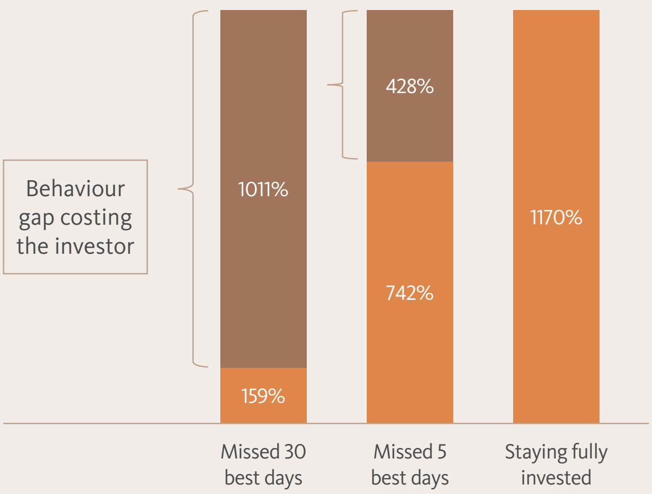
Historical analysis of past performances indicates that not one single asset class has consistently outperformed or underperformed. It suggests that diversification is key in constructing a portfolio that will generate more stable return and risk compared to holding only one asset class. In addition, the returns of different asset classes have historically exhibited different correlations. For instance, the monthly returns of U.S. Treasuries have exhibited a negative correlation with U.S. equities over the past 20 years. As such, choosing assets with low correlation with one another can help reduce the overall portfolio risk for a set target level of return.

Having said that, asset classes do have a tendency to become more correlated during periods of heightened volatility, such as the 2008 financial crisis. Hence, risk-reward optimisation may work better over a longer period of time instead of just over 1 to 2 years.

Start on right footing with SAA

In short, the SAA can serve as a good starting point in building one's investment portfolio. The key is to have an appreciation of the trade-off between risk and reward as well as a good understanding of one's investment goals and risk tolerance before deciding on the optimal allocation. With a well diversified portfolio, it can help limit drawdowns and ensure a smoother ride, making it easier for investors to stick with the investment plan and be less swayed by day-to-day market movements. Coupled with appropriate rebalancing from time to time, the approach should help deliver more optimised investment returns in the long-run.

TOTAL RETURN AND IMPACT OF MISSING THE 5 AND 30 BEST DAYS IN THE S&P 500*



*S&P 500 total returns from 31 December 1992 – 31 December 2019

Sources: Refinitiv, Fidelity International | November 2022

CORRELATION OF SELECTED ASSET CLASSES OVER 20 YEARS

	Cash	U.S. Govt	Global IG	MSCI U.S.	Hedge Fund	Gold
Cash	1.00	0.13	-0.01	-0.14	-0.05	0.10
U.S. Govt	0.13	1.00	0.39	-0.34	-0.27	0.27
Global IG	-0.01	0.39	1.00	0.42	0.53	0.44
MSCI U.S.	-0.14	-0.34	0.42	1.00	0.74	0.05
Hedge Fund	-0.05	-0.27	0.53	0.74	1.00	0.24
Gold	0.10	0.27	0.44	0.05	0.24	1.00

Sources: LUMIQ, Bloomberg | November 2022

2023 EVENTS CALENDAR

UNITED STATES

Federal Open Market Committee Meetings

31 January – 1 February
21 – 22 March
2 – 3 May
13 – 14 June
25 – 26 July
19 – 20 September
31 October – 1 November
12 – 13 December

August
Jackson Hole Symposium

EUROZONE

European Central Bank Meetings

2 February	27 July
16 March	14 September
4 May	26 October
15 June	14 December

16 – 20 January
World Economic Forum

UNITED KINGDOM

Bank of England Meetings

2 February	3 August
23 March	21 September
11 May	2 November
22 June	14 December

AUSTRALIA

Reserve Bank of Australia Meetings

7 February	1 August
7 March	5 September
4 April	3 October
2 May	7 November
6 June	5 December
4 July	

NEW ZEALAND

Reserve Bank of New Zealand Meetings

22 February	12 July
5 April	16 August
24 May	4 October
	29 November

CHINA

March

National People's Congress

JAPAN

Bank of Japan Meetings

17 – 8 January	27 – 28 July
9 – 10 March	21 – 22 September
27 – 28 April	30 – 31 October
15 – 16 June	18 – 19 December

April
House of Representatives' Yamaguchi Election

19 – 21 May
49th G7 Summit

INDIA

September
G20 Summit

22 December
Elections in states of Gujarat and Himachal Pradesh

THAILAND

Bank of Thailand Meetings

25 January	2 August
29 March	27 September
31 May	29 November

CAMBODIA

May
31st Southeast Asian Games

SINGAPORE

February
Budget 2023

April/October
Monetary Authority of Singapore Policy Meeting

June – September
Singapore Presidential Election

MALAYSIA

Bank Negara Malaysia Meetings

18 – 19 January	5 – 6 July
8 – 9 March	6 – 7 September
2 – 3 May	2 – 3 November

DISCLAIMER

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

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

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

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

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

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

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

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

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

Maybank Singapore Limited (UEN: 201804195C)

AWARDS AND ACCOLADES

World's Top 100 Banking Brand 2022
Brand Finance®

Maybank Private: Outstanding Private Bank South-East Asia Winner
Private Banker International Global Wealth Awards 2022

Maybank Premier: Best Wealth Management for SGD500K-SGD1.5M AUM
Global Private Banking Innovation Awards 2021 and 2022

Maybank Privilege: Best Emerging and Mass Affluent Banking Offering
Global Retail Banking Innovation Awards 2022

Maybank Privilege: Best Wealth Management for SGD100K-SGD250K AUM
Global Private Banking Innovation Awards 2021 and 2022

Maybank Premier
1800–536 7888
www.maybankpremierwealth.com

Maybank Singapore Limited (UEN: 201804195C)
RWM212/SEP22/BR3/A