QUARTERLY MARKET INSIGHTS

Quarter 1, 2024

Source: Bloomberg, RHBAM, December 2023
Note: The opinions expressed are as of date and are subject to change at any time due to changes in market or economic conditions. Any performance information shown refers to the past and should not be seen as an indication of future returns. This is not intended to be relied upon as a forecast, research or investment advice and is not a recommendation, offer or solicitation to buy or sell any investments or to adopt any investment strategy.

Global Equity Market Review and Outlook

Global equities performance, as measured by the MSCI All Country World Index, increased by 4.7% during the month of December 2023. United States ("US") equities reported a gain of 4.6%, Europe was 4.9%, and Japan was 4.3% (in US dollar ("USD") terms) during the same period. Asia Pacific ex-Japan ("APAC") recorded a gain of 4.4% (in USD terms), with Korea (6.2%), Taiwan (5.3%), Hong Kong (5.2%), and China (-2.6%) in USD terms in December 2023. Within the Association of Southeast Asian Nations ("ASEAN") countries, Singapore (7.1%) was the best performer, followed by Thailand (5.9%) during the same period (in USD terms).

December 2023 was a heavy month as policymakers from half of the Group of 10 jurisdictions of most-traded currencies are scheduled to meet and interest rates for 60% of the world economy will be set in a whirlwind 60-hour window. The Federal Open Market Committee ("FOMC") left the target range for the federal funds rate unchanged at 5.25% - 5.50% at its December 2023 meeting. The statement acknowledged that growth has "slowed" from the strong pace of third quarter 2023 Gross Domestic Product ("GDP"), and that inflation has "eased over the past year" but still "remains elevated". Federal Reserve ("Fed") Chairman Powell replied to a question about possible rate cuts by saying that the committee had commenced a discussion about "the next question, which is when it will become appropriate to begin dialling back the amount of policy restraint that is in place." He described the discussion as "preliminary", but also said that this would likely remain a topic for consideration "looking ahead". The FOMC rate projections signalled 75 basis points ("bps") of cuts in 2024 vs 50bps in the September projections. With the Fed's pivot, both treasuries bull steepened and equities rallied. At the time of writing, the market pulled forward the first-rate cuts for the Fed in March 2024 with a probability,77% and pricing in nearly six cuts in 2024.

While the European Central Bank ("ECB") kept rates unchanged at 4.5%, it reiterated that policy rates "will be set at sufficiently restrictive levels for as long as necessary" as their updated staff projections showed notably lower inflation for 2024, but surprisingly firm underlying inflation in 2025 - 2026. This signalled that ECB officials were not yet convinced that the outlook for underlying inflation improved sustainably. ECB President Lagarde noted that rate cuts had not been discussed "at all". The ECB will fully reinvest maturing Pandemic Emergency Purchase Programme ("PEPP") holdings during first half of 2024, reduce PEPP holdings by Euro ("EUR") 7.5 billion per month in second half of 2024 and discontinue reinvestments at the end of 2024. Even with the hawkish tone, we believe the ECB's hiking cycle is complete.

Both Bank of England ("BOE") and Swiss National Bank ("SNB") kept rates on hold at 5.25% and 1.75%, which was in line with consensus expectations, while Central Bank of Norway ("Norges") surprised with a 25bps hike to 4.5% against consensus. Looking at the updated economic projections from Norges showed upward revisions to the policy rate in the near term, but downward revisions further out, indicating a probability of earlier cuts (a dovish hike). With the ECB and BOE not yet signaling a pivot and Norges surprising with a hike, the Fed certainly seems like it is leading the pack in terms of rate cuts and policy dovishness. In Latin America, which led the push upwards with rate hikes, most central banks are already on the way down and Brazil and Peru both cut rates this week.

Bank of Japan ("BOJ") Governor Ueda recently made comments in Parliament on what could happen after the central bank exits its Negative Interest Rate Policy ("NIRP"), such as potentially changing the policy rate to the uncollaterised overnight call rate. This was preceded by comments made by Deputy Governor Himino, mentioning that exiting NIRP could benefit households with the impact on corporates limited. The BOJ has begun to map out its policy path and every meeting going forward will be monitored closely on the move to remove Yield Curve Control ("YCC") and then raise the rate on the policy-rate balance from -0.10% in second quarter 2024.

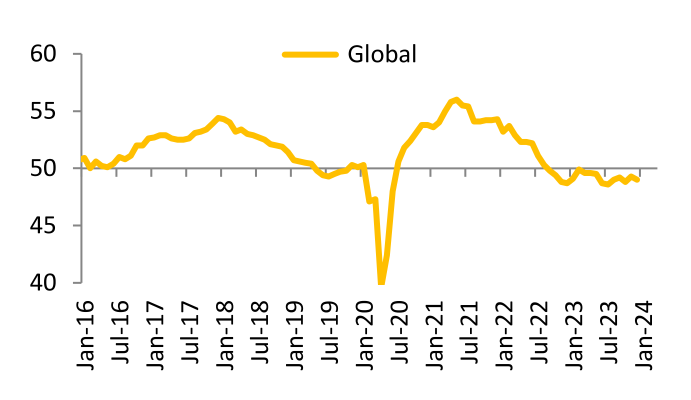
Meanwhile China policymakers took supportive actions in an attempt to stimulate activity amid waning recovery momentum. The two high level meetings (December 2023 Politburo on 8 December 2023 and China Central Economic Work Conference on 12 December 2023) saw policymakers reiterating their pro-growth stance. The meeting statement stressed high-quality growth and emphasized the importance of policy coordination, including both macroeconomic policies and other regulatory and administrative policies." The economic targets likely won't be unveiled until the National People's Congress ("NPC") meeting on March 2024, though we expect Beijing will set a GDP growth target of "around 5%".

Market volatility remains elevated as the most aggressive monetary tightening cycle drawn closer to an end along with a heavy election calendars across the global. The tightening has already started to have an impact on the global economy, especially through lower demand from consumers and higher input costs for corporates. We are cautiously optimistic, though markets may prove to be bumpy and volatile amid tighter monetary policies and financial conditions. With more nations moving towards protectionism (energy, food and technology security) and nationalism, markets should prepare for an extended period of heightened volatility. We continue to reiterate our strategy towards quality names amid rising market volatility. Our portfolio continues to be positive on structural shifts, such as carbon-neutral industries, technology innovation and security (food, technology and defense).

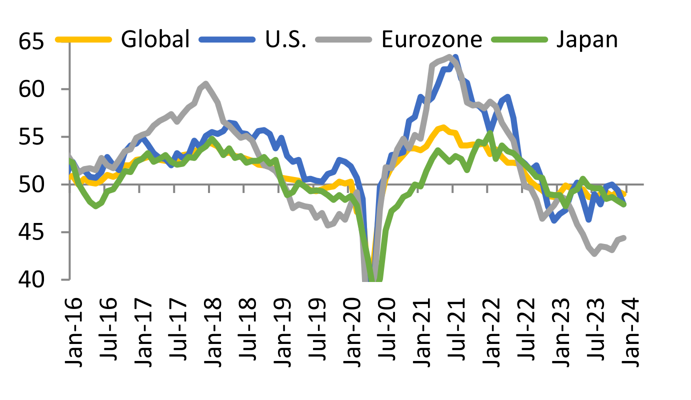
Economic Highlights

Global Purchasing Managers Index (“PMI”)

JP Morgan Global Manufacturing PMI



Developed Market (“DM”) Manufacturing PMIs

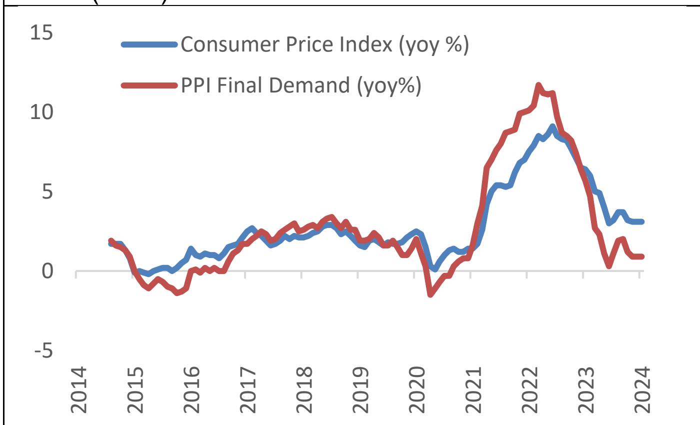


Source: Bloomberg, RHBAM, 5 January 2024

- JP Morgan Global Manufacturing PMI declined to 48.8 in December 2023, down from 49.2 in September 2023.
- The US S&P manufacturing PMI remained in contractionary territory at 47.9 in December 2023 vs 49.8 in September 2023, alongside Japan at 47.9 in December 2023 from 48.5 in September 2023. Similarly, the Eurozone manufacturing PMI remained in contractionary territory at 44.4 in December 2023, up from 43.4 in September 2023.

US

US Consumer Price Index (“CPI”) and Producer Price Index (“PPI”) Index

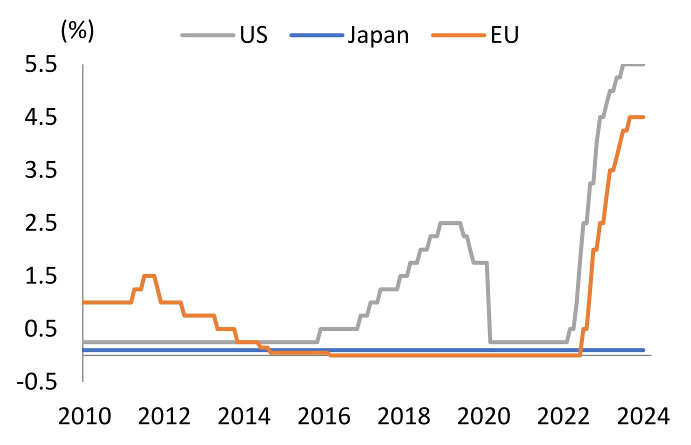
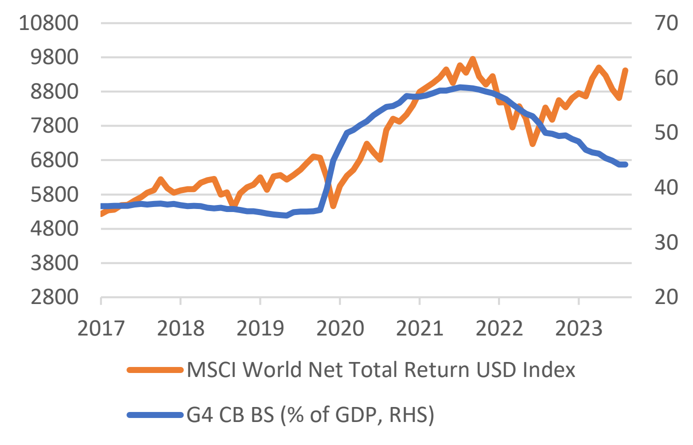


US Average Hourly Wage Growth

Source: Bloomberg, RHBAM, 5 January 2024.
yoy represent Year-on-Year, Avg. represent Average.

- US inflation eased to 3.1% in November 2023, down from a peak of 9.1% in June 2022.
- Unemployment rate eased to 3.7% in November 2023 vs 3.9% in October 2023 and US hourly wage growth remained robust at 4.3% in November 2023.

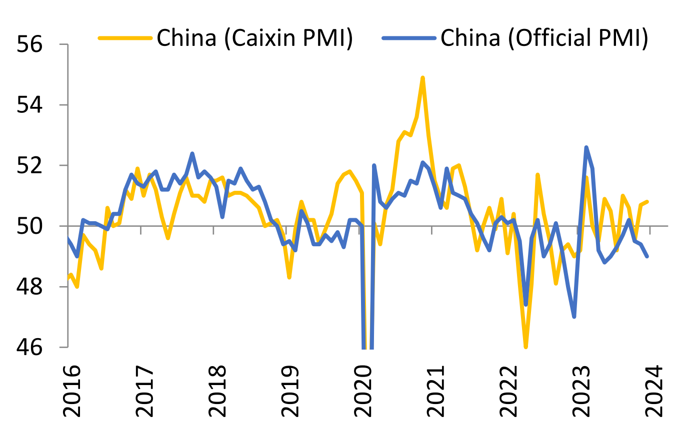
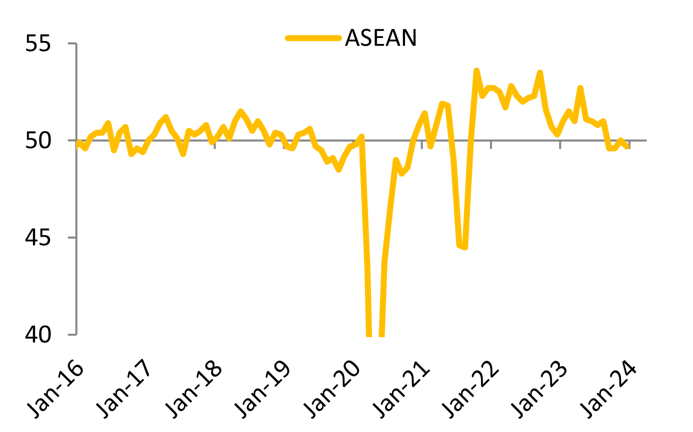
Global

Central Banks Key Policy Rates	MSCI World Net Total Return Index vs G4 Central Bank Balance Sheet (% of GDP)
	

Source: Bloomberg, RHBAM, 5 January 2024.
EU represent European Union, RHS represent Right Hand Side.

- The Fed had its first hike by 25bps in March 2022 and going into 2023, Fed has hiked a cumulative 525bps. The Fed however, has held rates unchanged now for three consecutive meetings.
- In July 2022, the ECB Governing Council hiked key policy rates by 50bps, its first rate hike in 11 years. Going into 2023, we saw a total of 450bps increase in the key policy rates to 4.50%. ECB had held rates unchanged for second consecutive meetings (October 2023 and December 2023).

China **ASEAN**

China PMIs (Caixin)	Manufacturing PMIs
	

Source: Bloomberg, RHBAM, 5 January 2024.

- The Caixin Manufacturing PMI remained in expansionary territory at 50.8 in December 2023 vs 50.6 in September 2023 and Official PMI was at 49.0 in December 2023 vs 50.2 in September 2023.
- ASEAN's manufacturing PMI declined into contractionary territory at 49.7 in December 2023 vs 49.6 in September 2023.

China/Hong Kong

MSCI China pulled back in December 2023, as China's latest macro data showed that retail growth was below expectations, while the China Economic Work Conference ("CEWC") outcome was in line with low expectations, as property and Local Government Financing Vehicle ("LGFV") risks were still unfolding. The policy focus on industrial transformation and higher productivity through innovation did boost the outlook for hard technology and digital infra names. The meeting called for efforts to pursue progress while ensuring stability, consolidate stability through progress and prioritizing development before addressing problems, the latter two terms are new this year. The phrase "High-quality development" was reiterated multiple times.

The market was puzzled by the rationale and timing of the draft regulation regarding online gaming on 22 December 2023, although Beijing's approval of 105 domestic games in late December 2023 stabilised and restored confidence.

Both Beijing and Shanghai relaxed property austerity policies, including lowering payments for both first and second homebuyers, cutting mortgage interest rates, extending maximum mortgage loan term, in a bid to better support demand for first-home purchases and upgraded housing.

China delivered pro-growth policies at its politburo meeting, including relaxation for sectors such as Property, Capital Markets, Education and Consumer. In response, we will be moving towards focusing on State-Owned Enterprises ("SOE") reforms as another theme this year while also maintaining our infrastructure theme, where we continue to be aligned to the Politburo's policies in the Renewable Energy, Information Technology, Platforms and Industrial sectors. There are supportive policies for technological innovation, with an emphasis to strengthen technological innovation and industrial supply chain resilience. There will be an aligning of SOE's operational and development, with China's strategic goals notably being self-sufficiency in technology, energy and food supplies, and an additional focus on return on equity and operating cash flows as key performance indicators.

ASEAN

The MSCI ASEAN Index continued its rally in December 2023. Singapore and Philippines led the region followed by Indonesia and Thailand, while Malaysia remained flat. Most Association of Southeast Asian Nations ("ASEAN") currencies strengthened against the USD.

Philippines headline inflation decelerated further from 4.9% in October 2023 to 4.1% in November 2023, coming in below expectations. The trade deficit in Philippines widened in October 2023 on the back of weaker exports and stronger imports.

As widely expected, Bank Indonesia maintained its policy rate at 6.0. We expect CPI to remain benign through 2024. November 2023 CPI came in above expectations at 2.9% due to the rise of food prices such as chilis and onions/shallots.

Thailand's export numbers remained sluggish, with key drags coming from Agriculture and Raw Materials. There was broad-based export weakness, which showed uncertain external demand. The country's balance of payment trade balance registered a small deficit, despite a sharp increase in foreign arrivals in the same month. As expected, the Bank of Thailand ("BOT") voted to keep policy rates unchanged at 2.5%. On growth the BOT revised its 2024 real GDP forecast down to 3.8% from 4.4%. The downward revision was due to softer than expected third quarter 2024 growth, slower goods export recovery and slightly lower international tourist arrival assumptions. On inflation, the central bank revised down its average headline/core CPI inflation for 2024 to 2.2%/1.5%, down from 2.6%/2.0% previously.

Singapore's headline CPI moderated to 3.6% Year-on-Year ("YoY") in November 2023 vs 4.7% in October 2023, largely driven by lower private transport inflation. The Ministry of Trade and Industry ("MTI") and the Monetary Authority of Singapore ("MAS") expects overall inflation to average about 5% and core inflation at about 4% for 2023. In 2024, overall inflation is projected to average 3% - 4%, while core inflation is expected to average 2.5% - 3.5% (this includes the transitory effects of the 1% increase in Goods and Service Tax ("GST") to 9%).

In Malaysia, Prime Minister Anwar announced that the government has principally agree to revive the High-Speed Rail project, likely after the Johor-Singapore Special Economic Zone Memorandum of Understanding ("MOU") to be signed in January 2024.

We remain optimistic that Asia and especially ASEAN, will emerge as the region with relatively stronger growth than the rest of the world. ASEAN, with the structural advantage in demographics, will emerge as the key supporting piece to China's evolution into a giant consumption economy. As governments in the region are committed towards infrastructure development, we believe that ASEAN nations will feature prominently as the place for equity investments. We would look to buy stocks during periods where investors largely ignore these positive developments in the region.

Malaysia Equity Market Review and Outlook

Stocks rallied over the last week of 2023, as US inflation and government bond yields fell, USD turning soft, a dovish Fed and eased recession fears. The market believes that US policymakers would be able to achieve a soft landing. At its last meeting for 2023, the Fed opted to hold rates steady and signalled an end to its rate-hiking cycle. China, Hong Kong and ASEAN markets underperformed relative to DM equities. Malaysia closed -2.7%, second worst in ASEAN, while the Hong Kong market was the worst performing market in 2023.

We expect Malaysia's Industrial Production Index ("IPI") to gain momentum with gradual improvement in trade activities and external demand. Export-oriented sector would be supported by re-acceleration in the global technology cycle and better economic prospects of major trade partners. This would be a major boost for exports if China also recovers in 2024, as China is one of Malaysia's primary trade partners (exports account for 13% of Malaysia's total exports). Higher demand from China would further fuel the export recovery and Manufacturing sector's performance in the first quarter 2024.

Malaysia's exports will be supported by an expansion in Electrical and Electronic ("E&E") exports. E&E outbound shipments would be strengthened by robust demand for semiconductor and consumer electrical and electronics products amidst the re-acceleration of the global technology cycle. The World Semiconductor Trade Statistics ("WSTS") 1 forecasted a strong rebound in semiconductor sales by 11.8% in 2024 versus a decline of 10.3% for 2023.

On the global front, the Word Trade Organisation ("WTO") Goods Trade Barometer rose to 100.7 in its November 2023 release improving from the previous 99.1, suggesting an upcoming recovery in merchandise trade activity in the near term after its recent slump.

The Labour market is expected to continue improving modestly into 2024, supported by government's job creation initiatives stemming from the various national masterplans, as well as the gradual rise in tourism activities. Improvements in the labour market is also expected to be sustained by stabilization in Technology sector and effective implementation of government's policy reforms and Foreign Direct Investments ("FDIs"). The steady labour and employment market will assist in underpinning consumption and GDP growth.

Going into 2024, inflation is expected to inch up largely due to the unwinding of government subsidies and potential changes to domestic policies especially on fuel. The government will roll out a targeted subsidy programme for RON95 petrol in the second half 2024 after the launch of the central database system ("PADU"). Despite upside risk to inflation, we believe that Bank Negara Malaysia ("BNM") will maintain Overnight Policy Rate ("OPR") at 3.00% in 2024 as BNM is likely to focus on growth strategy.

The optimism for FBMKLCI's earnings to rebound would be backed by better outlook for global economy. China is expected to recover and US will likely avoid a recession. Analysts expect the region's economies to grow at 4% in 2024 against 1.3% for the US. China remains the biggest economy in the group.

Economists predicted a 4.5% expansion for China in 2024 which is still below the pre-pandemic average of 6.5% over 2017 - 2019. FBMKLCI's earnings are expected to grow at 11.8% in 2024, marking a strong rebound from the -9.8% in 2023.

This suggests that FBMKLCI equities have room to rebound, as the index is trading at 13.0 times forward earnings, which is below its five-year average of 14.7 times. The Index is also trading at Price-to-Earnings ratio, below its mean valuation of 13.7 times and Price-to-Book valuation of 1.23 times which is also below mean valuation of 1.37 times.

Historically Asian equities typically outperform after the Fed pauses its hikes and the dollar weaken. The Fed not only signalled for no further hikes, but that their next moves would be cuts in short-term rates. Hence, we do expect more foreign funds to participate in the local equity market with cheap valuations and a strengthening Ringgit.

Global Fixed Income Market Review and Outlook

US Treasuries and G10 Bonds

The quarter in review saw a large rally to end the year with US Treasuries ("UST") bull steepening with the entire curve lowering by 67bps - 79bps over the quarter. For context, in Financial Year ("FY") 2023, UST rallied back to initial levels, erasing most of the losses especially in the 10-year and lower parts of the curve; UST yield moves by tenor are as follows: 2-year: -17.5bps, 5-year: -15bps, 10-year: +1bp, 20-year: +5bps and 30-year: +7bps.

On US economics, US CPI ticked slightly higher to 3.10% YoY (+0.10% Month-to-Month ("MoM")) for November 2023 up from 3.20% YoY (0% MoM) in October 2023 primarily due to Housing and Services sector. November 2023 Core CPI, which excludes food and energy, also unexpectedly increased to 4.0% YoY and jumped (0.3% MoM). The Personal Consumption Expenditures ("PCE") deflator, the Fed's preferred measure for inflation, was also softer than last month at 2.60% YoY (-0.1% MoM) for November 2023, marking the first decline since April 2020. Core PCE also decelerated to 3.2% YoY (0.1% MoM) for November 2023, adding to trader's convictions that a Fed pivot is within sight. The Institute of Supply Management ("ISM") PMI for December 2023 rose by 0.7 points to 47.4, slightly better than expectations of 47.1. Although better than last month, the reading marks the fourteenth consecutive month of contractions, as weaker demand offset a pickup in production.

In their eighth and final meeting for the year 2023 on 13 December 2023, the FOMC unanimously held rates at the current level of 5.25% - 5.50%, but the statement and press conference were decidedly more dovish than previous meetings. The revised dot plots released post meeting also revised the median rate for 2024 from 5.125% to 4.625%, implying 75bps of rate cuts over 2024. In terms of overall dispersion, none of the FOMC members indicated that the Fed should hike rates further in 2024, while of 5 officials expressed a preference of 100bps cut or more. The shift down in dots came together, with core PCE inflation revised down from 3.7% to 3.2% in 2023 and from 2.6% to 2.4% in 2024. Overall, Powell relayed that the committee did discuss rate cuts at the meeting as that decision is "coming into view." He acknowledged that the committee is cognisant not to allow interest rates to stay high for "too long".

The UST curve bull flattened over November 2023 and December 2023, as market investors increasingly started to price out any further hikes for the quarter and began to shift toward a likely pivot in 2024 especially following lower inflation prints and dovish Fed speak. At the end of December 2023 close, the benchmark 2-year, 5-year, 10-year, 20-year and 30-year UST were last traded at 4.25% (September 2023: 5.04%; -79bps), 3.85% (4.61%; -76bps), 3.88% (4.57%; -69bps), 4.19% (4.90%; -71bps) and 4.03% (4.70%; -67bps) respectively.

Outlook and Strategy

The October 2023 International Monetary Fund ("IMF") World Economic Outlook Update revised their 2023 global growth forecast, maintaining 3.0% in 2023, but lowered the outlook to 2.9% in 2024. The projections remained below the historical average of 3.8%. The rise in central bank policy rates to fight inflation continues to weigh on economic activity. IMF projections on global headline inflation expects a steady decline from 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024; and in this update, the assumption for inflation is that it is unlikely to return to target range until 2025 in most cases. Overall global growth outlook projections were affected by the weak Property sector in China. IMF acknowledges the possibility of a" hard landing" has receded, but balance of risks to growth still remain on the downside due to extreme weather-related events and escalating geopolitical shocks.

Global risk sentiments in the markets has finally turned since November 2023 with more fundamental bullishness, especially after a mostly bearish 2023. We believe that the strategy for the remainder of the year is for positioning into the current high yield and higher quality credit to mitigate recessionary risks and moving further up in durations, especially since the Fed is likely at the end of its tightening cycle. The base case view for 2024 is to be a bond year, with most DM central banks likely to cut rates from current levels. For 2024, the Fed's expectation is for rates to be 4.625%, or about 75bps lower than current levels, while the market in general is expecting close to 150bps of rate cuts by the end of 2024 at the time of writing.

The outlook for fixed income market in 2024 remains highly positive in our view as global inflationary pressures retreated and the balance of probabilities have also now shifted towards major central banks reversing some of their aggressive tightening in the past two years.

Malaysia Fixed Income Market Review and Outlook

Ringgit Sovereign Bond

On local rates, the Malaysia Government Securities ("MGS") market tracked the strong performance in the UST market with the yield curve declining by 11bps to 25bps during the quarter, with a bull flattening pattern. Similarly, both the Government Investment Issue ("GII") and the Islamic Sovereign Curve also saw yields declining by similar quantum of 10bps to 23bps during the quarter. As a result, the GII-MGS spread remain largely stable at about 3bps - 7bps across tenures. A summary of the yields on the key benchmark tenures and its change over the quarter is as follow.

Benchmark	MGS yield (%)			GII yield (%)		
	30 Sept 2023	31 Dec 2023	Change	30 Sept 2023	31 Dec 2023	Change
3-Year	3.577	3.470	-11 bps	3.598	3.496	-10 bps
5-Year	3.723	3.571	-15 bps	3.802	3.601	-20 bps
7-Year	3.885	3.722	-16 bps	3.908	3.761	-15 bps
10-Year	3.981	3.731	-25 bps	4.008	3.783	-23 bps
15-Year	4.152	3.991	-16 bps	4.113	3.951	-16 bps
20-Year	4.281	4.102	-18 bps	4.320	4.118	-20 bps
30-Year	4.438	4.247	-19 bps	4.466	4.314	-15 bps

Source: Bloomberg and Bond Pricing Agency Malaysia.

BNM maintained the OPR unchanged at 3.00% throughout the fourth quarter 2023, signalling that the central bank had probably completed its interest rate hiking cycle having previously increased the OPR by 25bps to 3.00% in May 2023. This was a sharp contrast from the 4 straight increases in OPR in 2022 from 1.75% to 2.75%. At the current level of 3.00%, BNM assessed that the monetary policy stance remains supportive of the economy but highlighted the risk to inflation from potential rationalisation in subsidy and price controls in 2024.

In terms of domestic economic releases, Malaysia's CPI numbers have reached a 33-month low of 1.5% YoY in November 2023 (previous: 1.8%, consensus: 1.7%) as food and non-alcoholic inflation continue to moderate. Core inflation have now eased to 2.0% from 2.4% in previous month. Separately, Malaysia's trade data worsened in, where exports contracted by -5.9% YoY (previous: -4.4%, consensus: -5.2%) in November 2023 due to tepid E&E shipments and lower chemical products and palm oil export. Meanwhile, imports rose +1.7% YoY (previous: -0.3%, consensus: -0.6%) led by increase in intermediate capital goods and further rise of consumption goods.

In terms of government bond auctions in fourth quarter 2023, auctions were generally strong with Bid-To-Cover ("BTC") ratio averaging around 2 times over. A summary of the 8 auctions conducted during the quarter is as follow:

Issue	Auction Date	Auction Size (RM' billion)	Private Placement (RM' billion)	BTC Ratio (Times)	Average Yield (%)	High (%)	Low (%)
20-yr Reopening of MGS 10/42	05-Oct-23	3.5	2.0	1.772x	4.487	4.521	4.455
10-yr Reopening of MGII 08/33	12-Oct-23	5.5	0.0	2.733x	4.093	4.099	4.085
7-yr Reopening of MGS 04/30	23-Oct-23	5.0	0.0	1.406x	4.134	4.188	4.090
30-yr Reopening of MGII 05/52	07-Nov-23	3.0	2.0	2.076x	4.484	4.497	4.455
3-yr Reopening of MGII 09/26	14-Nov-23	5.0	0.0	1.508x	3.622	3.650	3.580
7-yr Reopening of MGII 09/30	29-Nov-23	5.0	0.0	3.304x	3.897	3.908	3.880
5-yr Reopening of MGS 04/28	06-Dec-23	5.0	0.0	2.736x	3.592	3.595	3.582
10-yr Reopening of MGS 11/33	14-Dec-23	4.0	1.0	2.206x	3.710	3.730	3.680

Source: FAST BNM, Data as at 31 December 2023

Ringgit Corporate Bond

Ringgit Corporate Bonds traded with a strong bid tone throughout the fourth quarter 2023 as investors were in yield seeking mode. Corporate yield spreads compressed during the quarter with the BPAM aggregate yield spread for AAA, AA and A compressing by -18bps, -12bps and -7bps on average for the respective rating segments.

In terms of credit updates, Pointzone (funding conduit of KPJ Healthcare) saw its rating upgraded to AA-/Positive from AA-/Stable by MARC mainly driven by its strong operating performance which saw its Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") grow by 20% in 2023, which translated to cashflow from operations increasing to circa RM700 million in 2023, from the usual level of RM500 million in previous years.

DRB-HICOM saw its rating upgraded to A+/Positive from A+/Stable by MARC mainly driven by the strong performance of its automotive segment. Its key subsidiary Proton has seen its domestic market share improved to 20.8% in first half 2023, from 12.3% in 2017 prior to the introduction of Geely's units of X70 and X50. Separately, Exsim Capital also saw the rating of its Tranche 2 IMTN upgraded to AA2/Positive from AA3/Stable by RAM, reflecting the advanced construction progress of its D'Quince and D'Vervain Residences.

Conversely, MARC had downgraded its rating of Tan Chong Motor Holdings ("TCMH") to A+/Negative, from A+/Stable previously. MARC cited TCMH's deteriorating market share to just 1.4%, from nearly 3.0% in 2020 amid intense competition and lack of new model launches by the company.

Outlook and Strategy

The outlook for fixed income market in 2024 remains highly positive in our view as global inflationary pressures retreated and the balance of probabilities have also now shifted towards major central banks reversing some of their aggressive tightening in the past two years. The IMF in its 2023 World Economic Outlook Update had also projected for global GDP growth to be lower at 2.9% in 2024, from 3.0% projected previously and typically slower GDP growth translates into a better outlook for fixed income market due to the lower interest rate expectation.

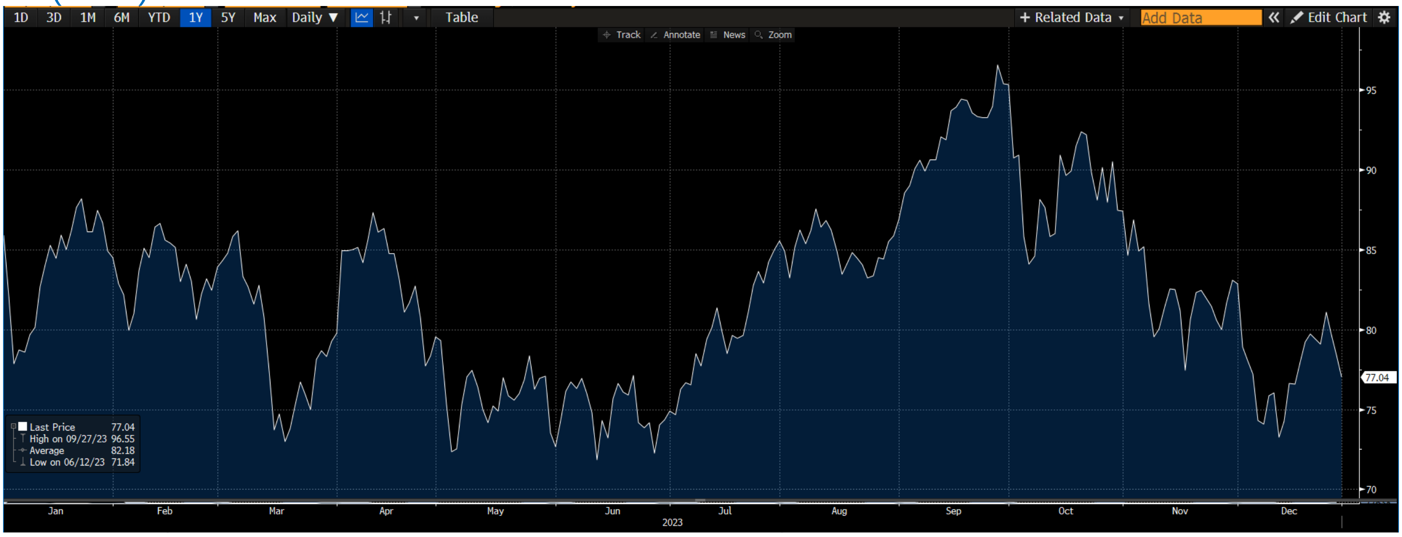
For Malaysia, we expect BNM to keep the OPR unchanged in 2024 as inflation had moderated lower (inflation at +1.5% YoY November 2023) while growth remains uneven in the country. While BNM indicated that it is monitoring closely for any inflationary impact from the government's subsidy rationalisation, we believe that the subsidy rationalisation by the government will be gradual and hence inflation is likely to be contained. This stable OPR environment, coupled by improving supply (e.g. lower government deficit) and demand dynamics by local institutions (e.g. pension funds, insurance companies) augur well for the local fixed income market in our opinion.

Meanwhile, the Malaysian corporate bond and sukuk market are also likely to benefit from the positive momentum in the overall bond market as we expect credit conditions in Malaysia to be broadly stable in 2024 - supported by resilient domestic growth and a more benign inflationary outlook. We remain positive on the corporate sub-sector and believe that it can continue to provide yield enhancement for the bond portfolios.

In summary, we are constructive of the bond market as we still see opportunities within the government and corporate credit securities market. We advocate on positioning the bond portfolio to increase investments whenever exacerbated selling occurs, as yield levels are expected to come off on lower 2024 growth and inflation expectations. The stance to monetary policy locally by BNM will continue to be determined by new data but we expect this to be still supportive in light of a broadly stable macroeconomic outlook.

Commodity Market Review and Outlook

Oil (Brent)



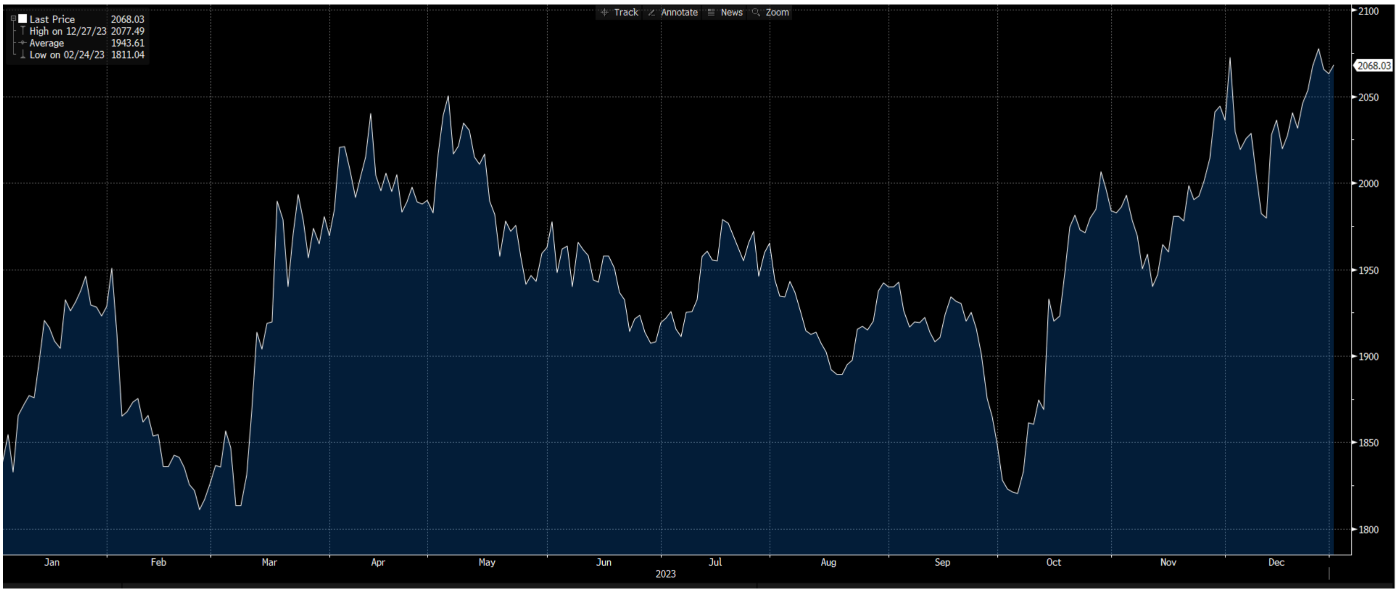
Source: Bloomberg, RHBAM, 29 December 2023.

Crude Oil (Brent) price declined by 15% during fourth quarter 2023 and ending at USD 77 per barrel. Oil prices are more volatile in the fourth quarter 2023 due to Israel-Hamas war and concerns over potential over supply market in near term. Oil price has dropped below the trading band of USD 80 per barrel even with support coming from Organization of Petroleum Exporting Countries (“OPEC”). This is due to overwhelming concerns over growth in China and the United States of America.

On the demand side, agencies made mixed revisions to their global oil demand forecast for both 2023 and 2024. While all of them noted a slowdown in fourth quarter 2023 demand, only the International Energy Agency (“IEA”) cut 2023 growth estimates by 0.1 million barrels per day to 2.27 million barrels per day, with Energy Information Administration (“EIA”) raising it by 0.38 million barrels per day to 1.84 million barrels per day and OPEC leaving it unchanged at 2.46 million barrels per day. As economic headwinds remain a key downside risk for the agencies in 2024, IEA sees 2024 global oil demand growth of around 1.06 million barrels per day, marking a slight increase from previous estimate of 0.96 million barrels a day while EIA sees growth of 1.35 million barrels per day, a slight decrease by 40 thousand barrels per day. OPEC sees 2024 global oil demand growth of 2.25 million barrels per day, unchanged from previous estimates. On the supply side, OPEC+ November production was down by 0.27 million barrels per day to 36.22 million barrels per day, led by Nigeria, Angola and Iraq. Despite OPEC+ 2.2 million barrels per day voluntary cuts for first quarter 2024, the market was skeptical as Angola rejected the allocated quota after the OPEC meeting and on 22 December 2023, Angola decided to quit OPEC after 16 years.

Moving forward, global oil demand growth in 2024 is projected to be around 1.06 million - 2.25 million barrels per day coming from both IEA and OPEC respectively. Moving into first quarter 2024, taking into consideration of supply growth in the States and voluntary cuts by OPEC+, there may be a small undersupply in the market of around 0.1 million barrels per day. However, the question remains if OPEC+ (especially Saudi Arabia) will be able to keep the voluntary cut beyond first quarter 2024. With uncertainty in 2024 demand growth and sustainability of OPEC+ supply cut, oil price has declined in fourth quarter 2023.

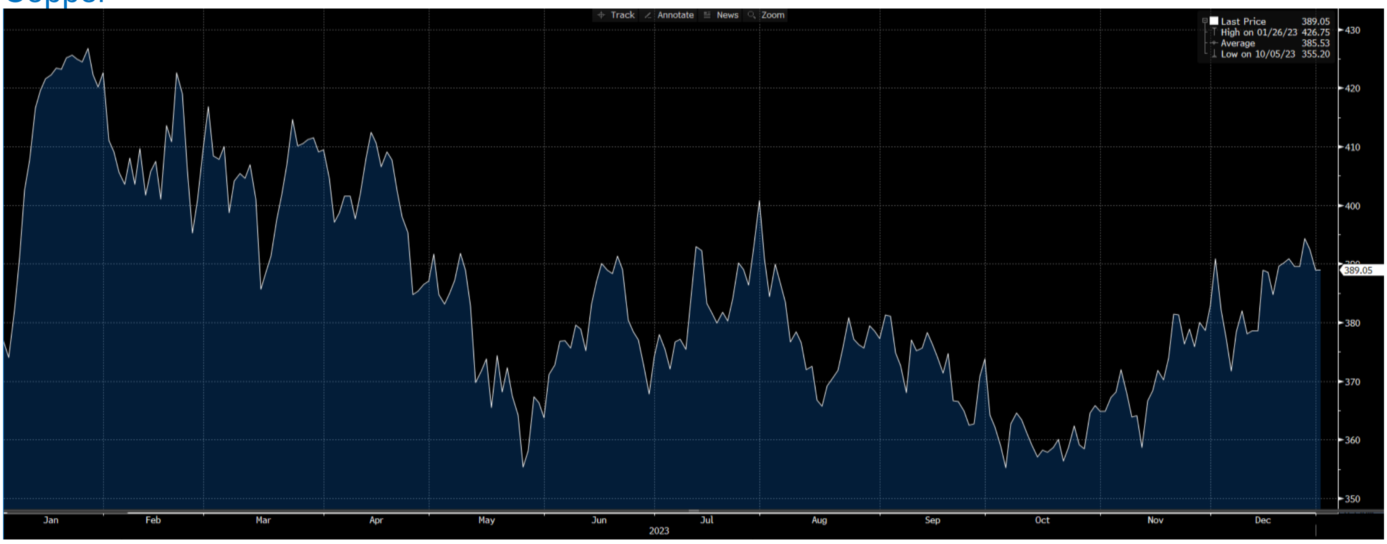
Gold



Source: Bloomberg, RHBAM, 31 December 2023.

Gold prices rallied from the start of October 2023 and bounced +14% to reach a high of around 2077 in December 2023. Expectations of an earlier US Fed rate cut cycle, weakening USD outlook and heightened geopolitical turmoil drove Gold prices higher. We expect Gold price remain elevated near term and could stay high for 2024 as the Fed begins its rate cut cycle. Downside risk appears limited as Central banks' and physical demand continues to be robust, offering support Gold price.

Copper



Source: Bloomberg, RHBAM, 31 December 2023.

Copper prices recovered strongly from the October 2023 lows of USD355, rebounding by 11% to end 2023 at USD390 levels. Markets began to price in optimism of an earlier US Fed rate cut cycle. Copper demand had been sluggish, largely weighed down by subdued China demand as well as slower growth in DMs. Supply disruptions and new capacity downgrades helped minimised Copper surplus situation. Near term demand recovery uncertainties likely to cap any strong price rally in 2024. However, longer term outlook remains sanguine with gradual demand recovery in China and steady demand from renewables and electric vehicles.

Key Takeaways

Source: Bloomberg, RHBAM, December 2023.
Note: The opinions expressed are as of date and are subject to change at any time due to changes in market or economic conditions. Any performance information shown refers to the past and should not be seen as an indication of future returns. This is not intended to be relied upon as a forecast, research or investment advice and is not a recommendation, offer or solicitation to buy or sell any investments or to adopt any investment strategy.

Broad Asset Class

Asset Class	Outlook	Rationale
Global Equity	Slight Underweight	The unprecedented rise in interest rates, which are slowly eroding economies and setting the stage for market de-risking, while geopolitical deterioration has increased tail risks for economies and global markets. PMIs across key countries showed a clear divergence between Manufacturing and Service sector performances. The recovery in the manufacturing PMI is still sluggish, while the deceleration in the services PMI showed an uptick in recent data. The labour market remained resilient. While household spending holds well, lower income household showed weakness. Banking system stress looks contained for now thus we do not see systemic risks. Volatility remains elevated amid 1) geopolitics uncertainty, 2) Policy mistakes, 3) financial stability; 4) inflation (oil and food)
Fixed Income	Slight Overweight	Core inflation is moving lower across the globe but DM central bankers do not anticipate a return to their targets. An end to the most aggressive monetary tightening cycle with rate cuts coming into the outlook
Cash	Slight Overweight	With attractive short-term US yields, risk-reward heavily favors cash. With rates cuts in the picture, moving cash to shorter duration. We continue to be nimble on cash to take advantage of any tactical opportunity trades amid elevated market volatility in the short to medium term. Tactically reducing risk exposure amid increasing uncertainty amid geopolitical risk has clouded the outlook.

Equity

Countries	Outlook	Rationale
United States	Slight Underweight	Both the FOMC statement and the press conference were dovish overall. The FOMC left its target range for the federal funds rate unchanged at 5.25% - 5.5% at its December 2023 meeting. The statement acknowledged that growth has “slowed” from the strong pace of third quarter GDP, and that inflation has “eased over the past year” but still “remains elevated”. Fed Chairman Powell replied to a question about possible rate cuts by saying that the committee had commenced a discussion about "the next question, which is when it will become appropriate to begin dialing back the amount of policy restraint that is in place." He described the discussion as "preliminary", but also said that this would likely remain a topic for consideration "looking ahead." The FOMC rate projections signalled 75bps of cuts in 2024 vs 50bps in the September 2023 projections. With the Fed’s pivot, both treasuries bull steepened and equities rallied. At the time of writing, the market pulled forward the first-rate cuts for the Fed in March 2024 with a probability,77% and pricing in nearly six cuts in 2024. Resilient composite ISM and labour market data. Banking system remain sound but tighter credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation. The extent of these effects

		remains uncertain though some economists saw lower odds of a US recession in the next 12 months.
Europe	Slight Underweight	While the ECB kept rates unchanged at 4.5%, it reiterated that policy rates "will be set at sufficiently restrictive levels for as long as necessary" as their updated staff projections showed notably lower inflation for 2024, but surprisingly firm underlying inflation in 2025 - 2026. This signaled that ECB officials were not yet convinced that the outlook for underlying inflation improved sustainably. ECB President Lagarde noted that rate cuts had not been discussed "at all". The ECB will fully reinvest maturing PEPP holdings during first half 2024, reduce PEPP holdings by EUR7.5 billion per month in second half 2024 and discontinue reinvestments at the end of 2024. Even with the hawkish tone, we believe the ECB's hiking cycle is complete.
Japan	Slight Overweight	BOJ Governor Ueda recently made comments in Parliament on what could happen after the central bank exits its NIRP, such as potentially changing the policy rate to the uncollaterised overnight call rate. This was preceded by comments made by Deputy Governor Himino, mentioning that exiting NIRP could benefit households with the impact on corporates limited. The BOJ has begun to map out its policy path and every meeting going forward will be monitored closely on the move to remove YCC and then raise the rate on the policy-rate balance from -0.10% in second quarter 2024.
Asia ex Japan	Slight Overweight	There has been growing comfort for the Asian central banks from Fed's ending pace of hikes. If inflation slows, central banks would have room to lower policy rates after Foreign Exchange ("FX") stabilize amid dollar strength. China policymakers took supportive actions in an attempt to stimulate activity amid waning recovery momentum. The two high level meetings (December 2023 Politburo on 8 December 2023 and China Central Economic Work Conference on 12 December 2023) saw policymakers reiterating their pro-growth stance. The meeting statement stressed high-quality growth and emphasized the importance of policy coordination, including both macroeconomic policies and other regulatory and administrative policies." The economic targets likely won't be unveiled until the NPC meeting in March 2024, though we expect Beijing will set a GDP growth target of "around 5%".
ASEAN	Neutral	ASEAN peak inflation seems to have passed, a beneficiary of the US-China trade tensions with FDIs coming through, and stable domestic economy or politics.
China	Slight Overweight	Better policy visibility with the on-budget fiscal deficit ratio (% of GDP) raised to about 3.8% from 3.0% previously signaling official is more willing to add more debt, especially on-budget government debt for growth stability. In late December 2023, the Ministry of Finance reported to have allocated RMB565 billion to local projects as the second tranche of the additional RMB1 trillion central government bonds approved in late October 2023 (on top of the RMB238 billion as the first tranche). Most of these projects are likely to be carried out in early 2024. The latest People's Bank of China ("PBOC") data also suggested an injection of RMB350 billion in Pledged Supplementary Lending ("PSL") in December 2023, the first time since November 2022. Although the PBOC has not specified the use of funds, this is likely be used in urban village renovation and public housing construction. Low investor positioning and attractive valuations.
Hong Kong	Neutral	The S&P Global Hong Kong PMI (which covers the manufacturing, construction, wholesale, retail and services sectors) rose to 51.3 in December 2023 from 50.1 in November 2023. Among major components of the PMI, the largest boost in December 2023 came from a rise in the output sub-index,

		followed by the new orders sub-index. However, external demand remained soft in December 2023. Looking ahead, we expect the economy to continue recovering in coming quarters on easing measures in the Property sector and moderating drag from financial condition tightening.
Taiwan	Slight Overweight	Taiwan's upcoming presidential election, to be held on 13 January 2024, is widely reckoned to be amongst the most important geopolitical events of 2024. The three candidates in the fray include: (1) Mr. Lai Ching-Te from the traditionally pro-independence Democratic Progressive Party ("DPP"), the ruling party since 2016; (2) Mr. Hou Yu-Ih from the main opposition party Kuomintang ("KMT"), which traditionally has a more benign cross-strait policy tone; (3) Mr. Ko Wen-Je, of the Taiwan People's Party ("TPP"). The polling in recent weeks points to a closer presidential race in Taiwan, with a lead by Lai Ching-te of the DPP being narrowed relative to Hou Yu-ih of KMT. Poll results continue to suggest that the DPP will retain the presidency but lose its parliamentary majority. Such a scenario is presumably the base case at this point for the market. Central Bank of the Republic of China ("CBC") kept rates steady at 1.875% in line with expectations. The decision was unanimous. The CBC's growth forecast for 2023 was reduced by 10bps from its September 2023 forecast to 1.4%, and it held 2024 forecast unchanged at 3.1%. The bank expected boosts to exports and investment against the backdrop of recovery in global goods trade and expansion of new technology applications. For headline CPI, forecasts were raised 30bps and 10bps each for 2023 and 2024 to 2.5% and 1.9%. CBC has reached the end of its hiking cycle.
South Korea	Slight Overweight	The Bank of Korea ("BOK") kept its policy rate on hold at 3.5%, as expected. This decision was unanimous, unchanged from the previous meeting. The BOK trimmed real GDP growth forecast for 2024 by 0.1 percentage point to 2.1% and inched up its headline and core inflation forecast by 0.2 percentage point to 2.6% and 2.3%, respectively. The Governor noted that despite the rises in inflation forecasts, disinflation trend is still in force and the policy stance of the MPC turned slightly less hawkish than before, with two members deeming it appropriate to keep the policy rate on hold in the near term. We continue to expect the BOK to keep the rate on hold for a while.
India	Overweight	MSCI India Index had a stellar run in the fourth quarter 2023, outperforming peers as the favorable election outcome for the ruling party in key states spurred positive market sentiment in December 2023. Overall, India was the most bought market in Asia ex-Japan in 2023, and policy continuity by the government could sustain investor interest given the country's multi-year growth visibility. Medium term outlook remains bright despite lofty valuations, given superior earnings growth and solid structural themes amidst weak China sentiment. The Reserve Bank of India upgraded its GDP forecast to 7.00% growth from 6.50% for the period ending March 2024 after a strong July 2023 – September 2023 data. It also kept policy rates unchanged at 6.5% and is expected to retain its accommodative stance as CPI numbers continue to moderate going into 2024. Uptick in public spending in the near term ahead of May 2024 general elections is a catalyst, while private spending is expected to pick up once election risk is removed in second half 2024. Rural demand recovery remains uncertain despite the minimal El-Nino impact thus far. Key risk in the near term to the market is valuation derating if corporate earnings fail to sustain its momentum as well as high oil price.
Australia	Slight Underweight	The Reserve Bank of Australia ("RBA") has increased the cash rate to 4.35% in fourth quarter 2023 from 4.10% in third quarter 2023. The RBA has hiked rates by a cumulative 425bps, to the highest level of interest rates since 2012.

		For the RBA cash rate outlook, the new statement released has both hawkish and dovish changes. Overall, it does not materially add to the case for additional RBA rate hike(s) in the near term. The most important change as RBA's objective of monetary policy still has a specific goal of an inflation target of 2% - 3% YoY. The other major change to the RBA's mandate is a more explicit objective of full employment. Going forward, the market expects the RBA to cut rate in 2024.The futures market is pricing in over 2 rate cuts over 2024, up from zero cuts after the 8 November 2023 RBA rate hike and a half a cut following 29 November 2023 CPI data. Valuations are balance with the market price-to-earnings ratio sitting slightly below its 5 years average at 16.3 times.
Singapore	Slight Underweight	With the Fed interest rate pivot, Singapore banks will start to face net interest margin pressures. Global slowdown will impact the broader economy.
Thailand	Overweight	Structural growth in the China plus one and supply chain with strong demand for Industrial Estate land. Stronger export growth is needed to counter the effects of household deleveraging and weaker durable consumption trend. Tactical play will be tourism as we enter into the high season. Robust advance booking indicator shows strong recovery.
Indonesia	Overweight	Elections will take place on 14 February 2024. Market expectation of policy continuity from current government to new government. Structural change to the new energy vehicle supply chain from a commodities-based economy. Tactical strategy will be election play.
Philippines	Neutral	Peak inflation has passed but economy is still challenged by slower consumption and weak credit growth.
Malaysia	Slight Overweight	BNM left the OPR unchanged at 3.0% at its September 2023 meeting. BNM noted that "persistent core inflation and higher interest rates" and "slower than expected growth in China" continue to weigh on the global economy. In terms of forward guidance, the statement removed the line the stance is "slightly accommodative" and reiterated that the current level of monetary policy "remains supportive of the economy". Going forward, with growth slowing and inflation easing, we expect BNM to keep the OPR rate unchanged at 3.0%.
Malaysia Small Cap	Overweight	Earnings expected to recover along with the improvement in the economy.

Fixed Income

Asset Class	Outlook	Rationale
Global Bonds (Rates)	Overweight	After the Fed Funds Target rate peaking at 5.25% - 5.50% amidst persistent inflation, we expect a pivot in the first quarter 2024 and subsequently US Treasury yields to rally. The latest December 2023 FOMC meeting dot plots released indicated Fed rates peaked at 5.375% median with another 75bps of cuts projected for 2024 and a further 100bps cut for 2025. We continue to maintain our outlook as overweight on rates for 2024, but will be patient on adding duration as there is likely to be steepening given the Fed has Quantitative tightening ongoing.
Asian High Yield Credit	Neutral	With global rates at elevated levels, there is little incentive to add further in the High Yield credit space as spreads are not adequately compensated, especially with the likelihood of a recession after the tightening we saw in the past 2 years. We advocate holding on to current positions in the portfolio

Asset Class	Outlook	Rationale
		however especially in China as we look to firmer policy support to shore up the economy.
Asian Investment Grade Credit	Overweight	Investment Grade bonds are benchmarked against UST yields. The scope for credit spreads to tighten has been somewhat diminishing, but we are advocating overweights on a total return yield basis. The focus remains on credit quality, relative value against peers, and coupon income. In the investment grade space, we still prefer Asian Investment grade bonds given the resilience against other Emerging Market peers but are positioned more defensively in the higher quality credits and are looking to progressively add duration for positioning.
China Fixed Income	Neutral	China's post re-opening recovery has been underwhelming and volatile as the initial growth momentum witnessed in first quarter 2023 faded in the second quarter 2023. The main theme to watch here are further stabilisation measures and policy support from the government to boost demand and restore confidence in the market. We remain cautious in this space pending the outcome of markets but prefer to remain nimble on potential opportunities. We are slightly more positive in 2024, and will look for exposure in China Fixed Income from a currency perspective as we expect USD to weaken in 2024 amidst rate cuts.
Malaysia Fixed Income	Overweight	We expect BNM to keep the OPR unchanged in 2024 as inflation had moderated lower (inflation at +1.8% YoY October 2023) while growth remains uneven in the country. While BNM indicated that it is monitoring closely for any inflationary impact from the government's subsidy rationalisation, we believe that the subsidy rationalisation by the government will be gradual and hence inflation is likely to be contained. This stable OPR environment, coupled by improving supply (e.g. lower government deficit) and demand dynamics by local institutions (e.g. pension funds, insurance companies) augur well for the local fixed income market in our opinion

Commodities

Asset Class	Outlook	Rationale
Gold	Neutral	Gold prices rallied from the start of October 2023 and bounced +14% to reach a December 2023 high of around 2077. Expectations of an earlier US Fed rate cut cycle, weakening USD outlook and heightened geopolitical turmoil drove Gold prices higher. We expect Gold price remain elevated near term and could stay high for 2024 as Fed begins its rate cut cycle. Downside risk appears limited as Central banks' and physical demand continues to be robust, offering support Gold price.
Crude Oil	Neutral	Crude Oil (Brent) price has declined by 15% during fourth quarter 2023 and ended the quarter at USD77 per barrel. Oil price is more volatile in the fourth quarter 2023 due to Israel-Hamas war and concerns over potential over supply market in near term. Oil price has dropped below the trading band of USD80 per barrel even with the support from OPEC. It is due to overwhelming concerns over growth in China and the United States of America. On the demand side, agencies made mixed revisions to their global oil demand forecast for both 2023 and 2024. While all of them noted a slowdown in the fourth quarter 2023 demand, only the IEA cut 2023 growth estimates by 0.1 million barrels per day to 2.27 million barrels per day, with EIA raising it by 0.38 million barrels per day to 1.84 million barrels per day and OPEC leaving it

Asset Class	Outlook	Rationale
		unchanged at 2.46 million barrels per day. With economic headwinds remain a key downside risk for the agencies in 2024, IEA sees 2024 global oil demand growth of around 1.06 million barrels per day, a slight increase from previous estimate of 0.96 million barrels a day while EIA sees growth of 1.35 million barrels per day, a slight decrease by 40 thousand barrels per day. OPEC sees 2024 global oil demand growth of 2.25 million barrels per day, unchanged from previous estimate. On the supply side, OPEC+ November 2023 production was down by 0.27 million barrels per day to 36.22 million barrels per day, led by Nigeria, Angola and Iraq. Despite OPEC+ 2.2 million barrels per day voluntary cuts for first quarter 2024, the market was skeptical as Angola rejected the allocated quota after the OPEC meeting and on 22 December 2023, Angola decided to quit OPEC after 16 years. Moving forward, global oil demand growth in 2024 is projected to be around 1.06 million - 2.25 million barrels per day coming from both IEA and OPEC respectively. Moving into first quarter 2024, taking into consideration of supply growth in the States and voluntary cuts by OPEC+, there may be a small undersupply in the market of around 0.1 million barrels per day. However, the question remains if OPEC+ (especially Saudi Arabia) will be able to keep the voluntary cut beyond first quarter 2024. With uncertainty in 2024 demand growth and sustainability of OPEC+ supply cut, oil price has declined in fourth quarter 2023.

Foreign Exchange

Currencies	Outlook	Rationale
USD	Neutral	USD outlook is neutral as the Fed's pivot to rate cut cycle (which typically tend to be USD negative) is offset by weaknesses in other major economies, particularly the Eurozone and China as Europe is widely forecasted to enter into a recession this year while China is dealing with an ongoing housing stress. The pricing for Fed rate cut also appear to be overextended, with more than 6 rate cuts priced-in by the market.
EUR	Negative	EUR is expected to remain weak at about 1.06 - 1.12 range as the EUR is currencies faced with recession and as the ECB is also potentially going to pivot into a dovish cycle. Weak Eurozone growth typically ignite fear on the sustainability of Europe's peripheral economies, causing the EUR to weaken.
GBP	Negative	GBP is expected to decline to the range of 1.20 - 1.25 as the United Kingdom ("UK") is also faced with heightened risk of recession as per the Eurozone, and as the BOE is also likely to embark on its on rate cut cycle. The UK is set to lag all its G10 peers growth and suffers from persistent large current account deficit.
JPY	Positive	JPY is expected to strengthen with the USD/JPY pair to decline to about 135 - 140, from 145 currently, led by our view of gradual policy normalization by the BOJ. Typically, during period of stable BOJ policies whereby market had already anticipated BOJ's move, the USD/JPY is likely to track UST yields which we expect to trend lower next year as per our view on the US bond market.
CNH	Neutral	CNH is expected to trade within a tight range of 7.00 - 7.30 to the dollar as the weak USD outlook is offset by weak sentiment on China's growth and policy situation. While the Chinese government have announced measures to shore up growth, we see risk in the policy coordination and implementation. Large US

		vs China yield differentials are also likely to keep China's currency on the backfoot. That said, weakness in the USD/CNY is likely to be capped at below 7.30 as the PBOC have demonstrated that the 7.30 level remains a ceiling for now.
AUD	Positive	AUD is expected to benefit from commodity price support and proxy for high beta FX drivers as global growth remain resilient. General support for risk assets also tend to support the AUD and the RBA is likely to maintain its hiking bias in first half 2024 and likely to be able to maintain its high rate as compared to other G10 economies.
SGD	Positive	The MAS ended its tightening cycle and price pressures showing continued signs of easing in the city state. Expect MAS to remain on an 'auto-pilot' mode i.e. maintain slope at neutral. This typically mean that the SGD could appreciate, albeit at a slower pace.
MYR	Positive	MYR's outlook is expected to improve with the USD/MYR pair eyeing the move towards the 4.40 handle (from 4.64 currently) as the MYR remains undervalued in our view. General improvement in risk sentiment tend to benefit the MYR and the directive from the Prime Minister to Government-Linked Investment Companies ("GLICs") and Government-Linked Companies ("GLCs") to reduce overseas investment should provide the catalyst for a structural support for the MYR in medium term.

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