Source: Bloomberg, RHBAM, April 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 +2.8% during the month of March 2023. United States ("US") equities reported a gain of +3.4%, Europe was +1.9%, and Japan was +3.0% (in US dollar ("USD") terms) during the same period. Asia Pacific ex Japan ("APAC") recorded gain of +2.5% (in USD terms), with Korea (+4.6%), Taiwan (+2.8%), Hong Kong (+0.8%), and China (+4.5%) in USD terms in March 2023. Within the Association of Southeast Asian Nations ("ASEAN") countries, Singapore +5.0% being the best performer, followed by Thailand +4.0%, Indonesia +2.0%, Philippines +1.7%, and Malaysia -0.4% during the same period (in USD terms).

Market saw a very volatile month of March 2023 stemming from Federal Open Market Committee ("FOMC") meeting to the Silicon Valley Bank ("SVB") (under SVB Financial Group) and Signature Bank ("Signature") saga, as well as development in Europe on Credit Suisse. On a positive note, the market recovered towards the latter half of the month as banking stress eased after interventions to stem deposit outflows appear to be working, and the thematic play on artificial intelligence driving upside movement.

To recap, during earlier half of March 2023, stocks, especially bank counters, tumbled and Treasuries rallied amid mounting concerns around the health of the US banking system. The rout came after Silvergate Capital Corporation collapsed as the crypto industry's meltdown sapped its financial strength, while Signature and SVB troubles prompted prominent venture capitalists to advise portfolio businesses to withdraw their money. Thankfully, the Federal Reserve ("Fed") intervened and supported the situation, with a few developments including (1) SVB and Signature depositors will all be made whole; (2) new Fed facility - Bank Term Funding Program ("BTFP") and (3) provide Fed discount window. While we see no systematic risk arising and of the view that this will be ring-fenced to a few idiosyncratic situations at certain banks, Central Banks may have to adopt a more cautious short-term stance in order to avoid worsening market fears of further banking stress. Any renewed deposit run could squeeze bank balance sheets and credit conditions further. Nonetheless, if that were to happen, the market expects prompt reactions by the US Fed and Treasury and will be able to successfully contain the risk. The latest Fed's weekly balance sheet update as at 31 March 2023 painted a picture of stabilization with emergency lending fell by USD11.5 billion.

Meanwhile, the FOMC raised the fed funds rate by 25 basis points ("bps") to the range of 4.75% to 5.00% at its March 2023 meeting, in line with market expectations. The post-meeting statement noted that while the "banking system is sound and resilient," the recent banking stress is likely to "weigh on economic activity, hiring, and inflation." We continue to see another 25bps hike in May 2023. The next FOMC meeting will be on 2 May 2023 and 3 May 2023 and World Interest Rate Probability ("WIRP") suggests around 50% odds of 25bps hike at the time of writing.

Over in Europe, the European Central Bank ("ECB") raised its key policy rates by 50bps in March 2023, taking the deposit rate to 3.0%. This was in line with the guidance given in March 2023 and signalled that policymakers did not think recent market volatility was extreme enough to warrant breaking this forward guidance. The meeting did not provide guidance for future rate rises. With heightened financial stability concerns, the ECB will move cautiously, with 25bps hikes in May 2023 and June 2023 as underlying inflationary pressures staying high. Likewise, the Bank of England ("BOE") voted by a majority of 7-2 for a 25bps hike to 4.25% in the March 2023 meeting, highlighting the improvement in the activity outlook and inflation print surprising significantly to the upside. The BOE noted that sequential wage pressures were weakening and the minutes no longer noted the risks to the inflation outlook as being skewed significantly to the upside. The language on the path ahead was kept unchanged with the BOE reiterating its data dependent approach as well as its willingness to increase rates further if there were to be evidence of more persistent price pressures.

In Asia, the Bank of Japan ("BOJ") held rates and its yield target unchanged in its March 2023 meeting in Kuroda's last policy meeting as expected by market. The decision was the fastest in recent years, almost half an hour faster than typical meeting. Academic Kazuo Ueda will be replacing Kuroda as the next Governor of the BOJ and what he will do with the current policy framework. Ueda will take his post 9 April 2023 while the two Deputies (Shinichi Uchida and Ryozo Himino) took their posts 20 March 2023. The BOJ's new Deputy Governor Shinichi Uchida indicated the possibility that when the time comes for the bank to adjusts its yield curve control program it may do it as a surprise.

Over in China, the Two Sessions kicked off on 5 March 2023 with the annual National People's Congress ("NPC") and Premier Li Keqiang delivered his last Government Work Report ("GWR"). This year's growth target was set conservatively at "around 5%". As unveiled in the government work report, the official on-budget fiscal deficit target will increase by 0.2 percentage point ("pp") to 3.0% of Gross Domestic Product ("GDP") in 2023, and the local government special bond quota will reach a new high of Renminbi ("RMB") 3.8 trillion, but both are slightly lower than market expectations. In the forward-looking part of the GWR, "building a modern industrial system" was added to the to-do-list. Overall, government-led infrastructure building is unlikely to be the key driver of growth this year. The new government may put more emphasis on implementing President Xi's "technology self-reliance" and "high-quality growth" model. The National People's Congress ("NPC") also unveiled the new top leadership for the next five years. A number of key institution leaders were retained, pointing to continuity in policy implementation as the recovery continues to solidify. In Premier Li Qiang's first press meeting in his new position, he reemphasized stability of growth, prices and employment as the key goals of the government. However, his tone about achieving this year's "around 5%" GDP growth target remained cautious as China faces global headwinds and high base level of economic output. Thus, the government would need to "redouble" efforts in policies to stabilize growth. The State Council Institutional Reform Plan was also approved by the NPC during the 2023 Two Sessions. Institutional reform, aimed at financial regulation, science and technology and data management, will help to streamline and coordinate policy making.

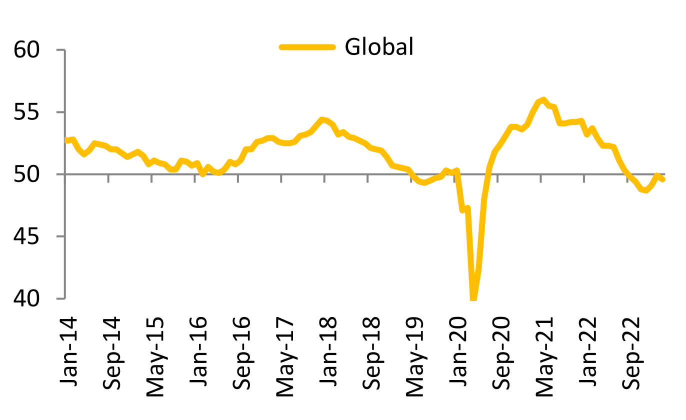
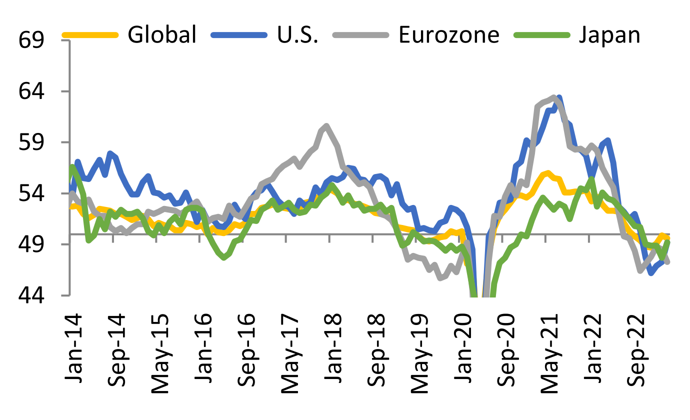
On geopolitical front, President Xi Jinping and Russian President Vladimir Putin issued a joint statement calling for deeper bilateral ties following their summit in March 2023, where they discussed issues including Ukraine and Taiwan. At a joint news conference after the summit, Xi said China would continue to push for "peace and dialogue." He urged Moscow and Kyiv to resume peace talks, echoing their joint statement on deepening their countries' comprehensive and strategic cooperation. Putin said China's 12-point peace plan for Ukraine unveiled last month could serve as a "basis" for a peaceful resolution once Ukraine and the West were willing to engage. The two leaders also issued a joint statement regarding bilateral economic cooperation through 2030, outlining plans to deepen ties in eight fields from trade to logistics.

Market volatility remains elevated amid concerns over policy tightening, which has already started to have an impact on the global economy. Thus, the recent easing in inflation was welcomed. Prolonged sustained inflationary pressures may hamper global economy growth, given its negative impacts on consumption for consumers and higher input costs for corporates. This, along with any possible policy mistakes, could lead to stagflation before turning into a recession. So far, commodity prices have eased. 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 prefer companies with pricing power, as inflation remains relatively higher than pre-pandemic levels, driven by relatively tight monetary stance as rates remain higher for longer even as global economic growth ease next year. We continue to reiterate our strategy towards quality and value names amid rising market volatility and interest rates, as well as selective re-opening plays. Our portfolio continues to be positive on structural shifts, such as carbon-neutral industries, technology innovation and security (food, tech and defence).

Economic Highlights

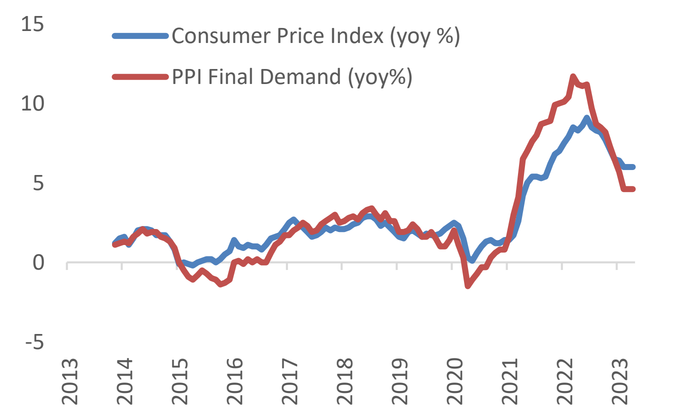
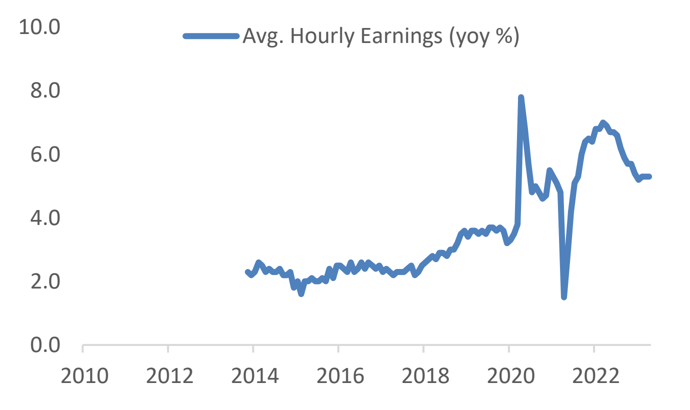
Global Purchasing Managers Index (“PMI”)

JP Morgan Global Manufacturing PMI	Developed Market Manufacturing PMIs
	

Source: Bloomberg, RHBAM, 5 April 2023

- JP Morgan Global Manufacturing PMI improved to 49.6 in March 2023 as compared to 48.7 in December 2022.
- The US S&P manufacturing PMI remained in contractionary territory at 49.2 in March 2023 as compared to 46.2 in December 2022, alongside Japan at 49.2 in March 2023 vs 48.9 in December 2022. Similarly, the Eurozone manufacturing PMI remained in contractionary territory at 47.3 in March 2023 as compared to 47.8 in December 2022.

US

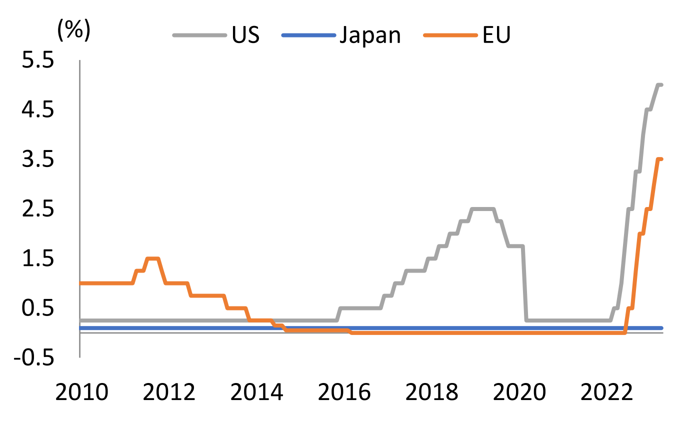
US Consumer Price Index (“CPI”) and Producer Price Index (“PPI”) Index	US Average Hourly Wage Growth
	

Source: Bloomberg, RHBAM, 5 April 2023

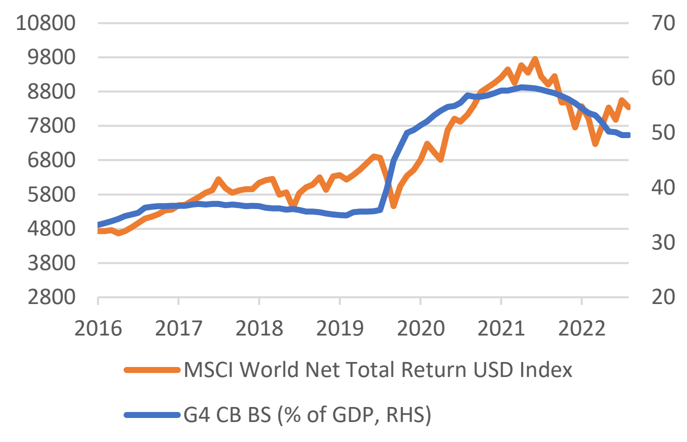
- US inflation remain elevated at 6.0 in February 2023 amid easing from a peak of 9.1% in June 2022.
- Unemployment rate remained solid at 3.6% in February 2023 vs 3.5% in December 2022, despite higher inflation and US hourly wage growth still robust at 5.3% in February 2023.

Global

Central Banks Key Policy Rates



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



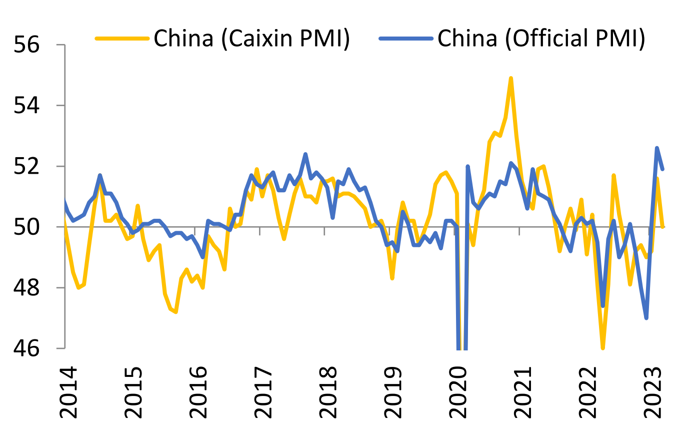
Source: Bloomberg, RHBAM, 5 April 2023

- Fed had its first hike by 25bps in March 2022 and followed by 50bps hike in May 2022, 75bps in June 2022, July 2022, September 2022 and November 2022, and 50bps in December 2022 and 25bps in February 2023. The Fed another 25bps in March 2023 to the range of 4.75% and 5.00%.

- With the reduction in G4 central banks' balance sheet, the tightening liquidity is likely to limit the asset returns. In July 2022, the ECB Governing Council hiked key policy rates by 50bps, the first rate rise in 11 years. The ECB further hiked rates by 75bps in September 2022, 75bps in October 2022, and 50bps in December 2022. The hike continued into 2023 where we saw hikes of +50bps in February 2023 and +50bps in March 2023.

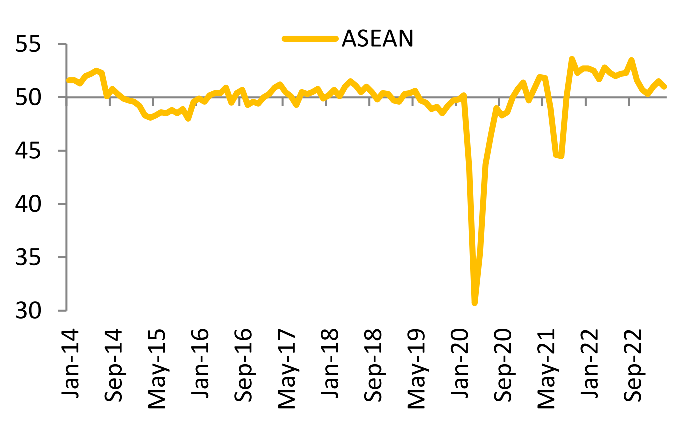
China

China PMIs (Caixin)



ASEAN

Manufacturing PMIs



Source: Bloomberg, RHBAM, 5 April 2023

- The Caixin Manufacturing PMI improved to expansionary territory in March 2023 at 50.0 as compared to 49.0 in December 2022 and Official PMI at 51.9 in March 2023 as compared to 47.0 in December 2022.

- The Association of Southeast Asian Nations ("ASEAN")'s manufacturing PMI remained expansionary at 51.0 in March 2023 vs 50.3 in December 2022.

China/Hong Kong

China equities rallied in March 2023 thanks to Beijing's further support to the Internet and Gaming sectors, stabilizing global financial conditions, and easing geopolitics by end March 2023. March 2023 started on a downbeat with GDP growth target and property stimulus at the NPC coming in below expectations. However, State Owned Enterprises ("SOEs") reform surprised positively and drove returns in Telecom, Oil and Construction. The Digital China or Artificial Intelligence ("AI") theme also lifted the Information Technology ("IT") sector. By late March 2023, Jack Ma returned to mainland China, Alibaba Group Holding Ltd announced plan to split into six entities, Tencent Holdings Ltd voiced its positive stance on Fintech, all of which boosted sentiment over the Internet sector. Finally, cross-strait tensions appear to be de-escalating by late March 2023, with Mr. Ma YJ's visit in Mainland China.

The Two Sessions kicked off on 5 March 2023 with the annual NPC and Premier Li Keqiang delivered his last GWR. This year's growth target was set conservatively at "around 5%". As unveiled in the government work report, the official on-budget fiscal deficit target will increase by 0.2pp to 3.0% of GDP in 2023, and the local government special bond quota will reach a new high of RMB3.8 trillion, but both are slightly lower than market expectations. In the forward-looking part of the GWR, "building a modern industrial system" was added to the to-do-list. Overall, government-led infrastructure building is unlikely to be the key driver of growth this year. The new government may put more emphasis on implementing President Xi's "technology self-reliance" and "high-quality growth" model. The NPC also unveiled the new top leadership for the next five years. A number of key institution leaders were retained, pointing to continuity in policy implementation as the recovery continues to solidify. In Premier Li Qiang's first press meeting in his new position, he reemphasized stability of growth, prices and employment as the key goals of the government. But his tone about achieving this year's "around 5%" GDP growth target remained cautious as China faces global headwinds and high base level of economic output. Thus, the government would need to "redouble" efforts in policies to stabilize growth. The State Council Institutional Reform Plan was also approved by the NPC during the 2023 Two Sessions. Institutional reform, aimed at financial regulation, science and technology and data management, will help to streamline and coordinate policy making.

The re-opening of China is a game changer. There are two major themes this year that we will be investing in this year – re-opening trade and infrastructure. Under the re-opening trade theme, we will be investing in companies whose businesses were curtailed due to the lockdowns but benefit on the re-opening, revenge spending in tourism, entertainment and travel, winners with a stronger balance sheet that were able to survive the COVID-19 to gain market share, and also cyclical sectors to focus on the rebound in GDP growth this year. Under the infrastructure theme, we continue to be aligned to the Politburo's policies in the Renewable Energy, Information Technology, Platforms and Industrial sectors. Supportive policies for technological innovation with an emphasis to strengthen technological innovation and industrial supply chain resilience. Given that the government has stepped in to prevent deterioration of the Property sector with both demand and supply side policies and refocus on growth in 2023 make China an attractive proposition.

ASEAN

MSCI ASEAN index rallied with most ASEAN markets rallying except Malaysia. Singapore, Indonesia and Thailand led the rally. ASEAN currencies appreciated against the dollar back with the Thai Baht being the strongest.

Singapore core and headline CPI came in at 5.5% and 6.3% year-on-year ("YoY") respectively in February 2023. Core inflation was unchanged while headline CPI of 6.3% was lower vs 6.6% in January 2023. The reduction in the headline figure was mainly driven by lower private transport inflation. Separately, the Non-oil Domestic Exports ("NODX") was down 15.6% YoY in February 2023, broadly in line with consensus estimates of -15.8%. Both Electronics and Non-electronics sector reported decline in February 2023.

In Thailand, The Bank of Thailand ("BOT") raised policy rate from 1.50% to 1.75% as expected, but the Monetary Policy Committee ("MPC") sounded more hawkish than anticipated. The BOT remains optimistic on growth and cautious on demand-pulled inflationary pressures, despite downside surprises in both fourth quarter ("Q4") 2022 ("4Q22") GDP data and recent months' inflation, citing more persistent core inflation. BOT raised its tourist arrivals forecast to 28 million in 2023 (from 25.5 million in January 2023) with China arrivals rising significantly in the second half of the year. BOT cut its 2023 inflation forecasts slightly for both headline CPI (+2.9% from +3% in November 2022) and core CPI (+2.4% from +2.5% in November 2022). BOT expects headline inflation to return to its target range (1% to 3%) by middle of the year amid easing supply-side pressures, especially from electricity and oil prices. The general election will take place on 14 May 2023, following the dissolution of Parliament on 20 March 2023. Campaigning is underway for an election that could potentially change the status quo after nearly 9 years of military led government. Official results may take around 2 months and will likely be finalized in early July 2023.

In Indonesia, headline inflation slowed to a 7-month low in March 2023 with softening in both volatile food and energy costs. Core inflation decelerated to below 3% for the first time in 8 months as core categories saw smaller price increases. Headline inflation came in at +5% (vs. +5.5% in February 2023), with prices rising +0.2% on a month-on-month ("MoM") basis (similar to February 2023).

Bank Negara Malaysia ("BNM") sees both headline and core CPI for 2023 at 2.8% to3.8%. Assessing inflation by category shows that costs of food, both at and away from home, have remained the major contributor to inflation and accelerated at a faster pace. Adverse weather condition has added to food prices.

On the macro front in Philippines, OFW Remittances sent by Overseas Filipino Workers ("OFW") rose by 3.5% YoY in January 2023, while remittances coursed through banks jumped to $2.76 billion in January 2023 from $2.67 billion in December 2022. The current account was in surplus in 4Q22, the first quarterly surplus since 2020, though it still left the annual current account in deficit at a large 4.4% of GDP in 2022. Bangko Sentral ng Pilipinas ("BSP") raised its policy rate by 25bps to 6.25% for a cumulative 425bps rise since April 2022. Stubborn inflation was the motivating factor for the continued rate rise. While February 2023 inflation saw headline easing slightly to 8.6% from 8.7% in January 2023, core rose further to 7.8% from 7.4% in January 2023. Inflation expectations moreover, rose further above BSP's 2% to 4% target.

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 complimentary piece to China's evolvement into a giant consumption economy. Adding on to the commitments by the governments in Asia or ASEAN towards infrastructure development, the region will feature prominently as the place for equity investments.

Malaysia Equity Market Review And Outlook

The Technology stocks surged in the first quarter ("Q1") 2023 and the markets which performed badly in 2022 performed strongly. ASEAN markets underperformed the rest of the markets despite better economic fundamentals and corporate earnings growth and Malaysia was the worst performing market due to expectations of interest rate cut as US economy slowing down. However, the US Fed indicated later in January 2023 that they would still hike interest rates due to sticky inflation and have no intention to cut the interest rate.

We would expect the market to remain volatile due to the market fears of contagion in the Financial sector in US and Europe. In addition, both the US and European Union central banks have also increased the respective interest rates by 50bps and 25bps respectively and flows are expected to favour the developed economies in the short term amid the concerns. Investors will continue to keep a close eye on the developments in the US and European banking sector and their credit default swaps to assess the stress in the banking system which will affect risk appetite for Emerging Markets investments.

We would expect the market to trade range bound in the short term due to strong US macro data which would imply that US Fed would continue hiking interest rate despite the recent banking crisis. The FBMKLCI Index is expected to consolidate with its Emerging Markets peers as the dollar continues to strengthen amid increased expectations for higher rates and fragile market sentiment.

On the other hand, the absence of prosperity tax and other taxes like gaming tax in the 2023 Budget should be a significant relief and could potentially drive a market re-rating for Malaysia. We would take the opportunity to position the portfolio for decent returns in longer run due to resilient corporate earnings and cheap market valuation. We are of the opinion that the improving earnings outlook, easing policy risks, relatively cashed-up domestic funds and low foreign holdings all point to upside in the market.

However, there are potential risks that would affect the direction of the market. US economic data proves resilient and banking concerns subside, the market may focus back on the inflation risks that were arising just before the confidence crunch started in the Banking sector.

The US economy is continuing to show the resilience that may discourage the Fed to switch to interest-rate cuts even amid continuing strains on the banking system. The Fed may not cut rates so soon unless jobs data begins to worsen and they would not ease until financial conditions tighten.

Global Fixed Income Market Review And Outlook

US Treasuries and G10 Bonds

The Q1 2023 in review was a tale of 2 halves, initially beginning in January 2023 when markets were especially euphoric on signs of disinflation in data led investors to run ahead of the Fed in terms of calling an earlier than expected end to the tightening path. In February 2023 however, the rally in fixed income was gradually erased as US Treasury (“UST”) 10-year yields broke back above 4% as continued strength in economic data has driven a sharp repricing in Fed tightening expectations and put a halt to the "risk-on" trades. In March 2023, the dynamic of the rate markets began to split into volatility driven by systemic banking stress from the liquidation of SVB, Signature Bank and the regulator brokered sale of Credit Suisse Group AG (“CS”) to UBS Group AG (“UBS”), which saw a 60bps flight to quality rally in 10-year UST and nearly a 100bps rally in the 2-year UST. On the other hand, Chair Powell indicated that strong economic data may warrant higher interest rates than previously anticipated, and restrictive for some time with the Fed prepared to increase the pace of rate hikes, leading to a twist flattening of Developed Markets yield curves.

On US economics, US CPI rose in line with expectations to 6.0% YoY (+0.6% MoM) for February 2023 from 6.4%YoY (+0.8% MoM) in January 2023. Core CPI rose 5.5% YoY (0.5% MoM) in February 2023 (vs 5.5% YoY, 0.4% MoM prior). The Personal Consumption Expenditures (“PCE”) deflator, the Fed’s preferred measure for inflation was slightly lower than consensus at 5.0% YoY (+0.3% MoM) with goods inflation slowing while services inflation continued to contribute to core inflation, as housing costs rose 0.7% MoM. The Institute of Supply Management (“ISM”) PMI for March 2023 remained in contractionary territory at 46.30, lower than forecast of 47.5 and lower than 47.7 in February 2023, the fourth consecutive month in contractionary territory, as demand side indicators declined while supplier delivery times continued improving.

The recent FOMC meeting on 22 March 2023 saw the Fed raising rates by an expected 25bps. There were very few changes to forecasts in the Summary of Economic Projections, including the dot plot for 2023, which projected terminal rate to remain at 5.00% to 5.25%. As this implies one more 25bps rate hike, the guidance in the statement was adjusted to “some additional policy firming may be appropriate”. Chair Powell indicated that credit tightening from recent financial instability is expected to weigh on growth and inflation, although there is substantial uncertainty around the extent of this drag. While we also expect a drag on growth from tightening credit conditions, inflation data in particular over the next few months should remain uncomfortably strong, making it difficult for the Fed to pivot. We continue to expect a terminal rate of 5.50% to 5.75%, and expect near term action to remain highly data dependent.

The UST curve had a tumultuous month in March 2023, with 10-year UST having as much as a 35bps move intraweek (68bps in the month from peak to trough) while 2-year UST ranged 79bps from high to the low. The UST curve ultimately closed the month bull steeper, on flight to quality bids from the test of confidence in the banking system centered on the ability of regional banks to maintain deposits with the latest victim being the bailout of CS in a central bank led takeover by UBS. On the other hand, inflation still remains sticky, and the quick moves to stem the bank rout by central banks restored some confidence to investors could see yields trickle higher as the Fed continues to be on a tightening path. At the end of February 2023 close, the benchmark 2-year, 5-year, 10-year, 20-year and 30-year UST were last traded at 4.03% (February 2023: 4.82%; -79bps), 3.57% (4.18; -61bps), 3.47% (3.92%; -45bps), 3.79% (4.11%; -32bps) and 3.65% (3.92%; -27bps) respectively.

Malaysia Fixed Income Market Review And Outlook

Ringgit Sovereign Bond

On local rates, the Malaysia Government Securities ("MGS") market yield ended lower for the month of March 2023 except 30-year MGS. The MGS curve bullish steepening as the local bond sentiment turn into bullish after bearish in the month of February 2023. MGS 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-years yield higher month on month by -13bps, -15bps, -6bps, -1bps, -2bps, -3bps and +1bps respectively. The MGS spread movements were more pronounced at short tenure of the yield curve, especially within the 3-year and 5-year of MGS.

Similarly, the overall yield in Malaysia Government Investment Issue ("MGII") or the Islamic Sovereign Curve also ended lower for March 2023 except 30-year Government Investment Issue ("GII"). The GII curve is bullish steepening non-parallel movement across tenure. GII 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year saw month on month yield lower by -14bps, -1bps, -1bps, -3bps, -3bps, -5bps and +2bps respectively. In tandem, the GII spread movements were more pronounced at pronounced at short tenure of the yield curve as well, especially within the 3-year and 5-year of GII.

Benchmark	MGS			GII		
	31-Mar-23	28-Feb-23	Change (bps)	31-Mar-23	28-Feb-23	Change (bps)
3-Year	3.38%	3.52%	-13bps	3.31%	3.45%	-14bps
5-Year	3.51%	3.65%	-15bps	3.60%	3.61%	-1bps
7-Year	3.74%	3.80%	-6bps	3.85%	3.84%	-1bps
10-Year	3.91%	3.92%	-1bps	3.96%	3.99%	-3bps
15-Year	4.14%	4.16%	-2bps	4.16%	4.19%	-3bps
20-Year	4.21%	4.18%	-3bps	4.21%	4.27%	-5bps
30-Year	4.38%	4.37%	+1bps	4.46%	4.44%	+2bps

Source: Bloomberg, RHBAM, 5 April 2023

In term of inflation, Malaysia's rate of inflation in February 2023 remained at 3.7%, led by growing costs in food and hospitality. In the month of February 2023, the CPI saw a slower increase in the food away from home component of 8.9% as compared with 9.3% in January 2023. Among the initiatives that were introduced by the government to reduce the cost of living and ease the inflation of food away from home was Menu Rahmah that was announced on 31 January 2023. Also, a continuous heavy rain since the end of December 2022 to February 2023 in several states has led to increases in food prices, especially vegetables. As a result of the transition of the monsoon, the inflation for the vegetables subgroup has recorded a significant increase of 5.8% as compared to 1% in January 2023.

For 2023, BNM is expecting headline inflation to remain elevated despite moderating in the Q4 2022. This is due to strength in domestic demand and improvement in the labour market will similarly keep the core inflation elevated in the near term. The elevated core inflation will trend above headline inflation for a few months in 2023, but both headline and core inflation are projected to average between 2.8% and 3.8% this year. Overall, our expectation on domestic inflation is to grind lower due to base effects of 2022.

In the month of March 2023, BNM has decided to maintain its Overnight Policy Rate ("OPR") at 2.75%, as inflation is expected to moderate in 2023 with upward pressures remaining partly contained by price controls and fuel subsidies. The decision is the second consecutive time the central bank maintained its benchmark interest rate after four straight hikes last year by a cumulative 100bps to tame inflation and respond to tightening fiscal policy by the US Fed.

BNM has highlighted that although Malaysia's economy has grown strongly by 8.7% last year, the downside risks continue to stem mainly from global developments, including from weaker than expected growth outturns or much tighter and more volatile global financial conditions. As BNM expects the economy to moderate in 2023 amid a slower global economy, and the growth will remain driven by domestic demand, as household spending will be underpinned by sustained improvement in employment and income prospects.

In terms of government bond auctions in March 2023, there were three auctions conducted, as below:

- 3 March 2023: The 10-year MGS auction drew a somewhat tepid bid-to-cover ("BTC") of 1.67 times on an expected RM4.5 billion size without private placement. The total incoming bid of about RM7.5 billion is the lowest since October 2022 for a 10-year MGS or GII auction. UST selloffs have weighed on local bond sentiment. While MGS or GII showed relative resilience in the secondary market, the curve typically reprices upward nonetheless on new supply as investors demand for higher yields even if they have the holding power

- 14 March 2023: 7-year auction drew a surprisingly modest BTC of 1.586 times although the issuance size was a larger than expected RM5 billion. The fall in UST yields has been fast and furious. While MGS do track UST on a lower beta basis, local investors probably prefer to build positions gradually and are less willing to chase the rally just as when bonds were selling off, recognizing that sentiment can swing in both directions quickly in this fluid environment.
- 30 March 2023: 30-year MGS auction drew a 1.97 times BTC on an expected RM5 billion total size, with a RM2.5 billion auction and RM2.5 billion Private Placement ("PP"). Total bids came in a tad weak at RM4.9 billion, the lowest for a 20-year and 30-year MGS+GII auctions since October 2022 when the 20-year MGS garnered only RM4.8 billion. 30-year MGS has rallied markedly since November 2022 and yields are down by around 20bps year-to-date ("YTD"). As the levels are not particularly compelling, investors likely take a measured approach in adding long-duration positions although needed as a hedge against US recession risk.

Overall, the bid to cover ratio has been decreasing in the month of March 2023 (average 1.742 times) as compared to February 2023 (average 2.2 times). The summary for the March 2023 government bond auctions results as:

Issue	Auction Date	Auction Size (RM' Bill)	Average Yield (%)	BTC Ratio (Times)	High (%)	Low (%)
10-yr Reopening of MGS 07/32 3.582%	03-Mar-23	4.50	4.066	1.670	4.089	4.035
7-yr Reopening of MGII 09/30 4.245%	14-Mar-23	5.00	3.792	1.586	3.814	3.760
30-yr New Issue of MGS (Mat on 03/53)	30-Mar-23	2.50	4.457	1.970	4.489	4.370

Source: Bloomberg, RHBAM, 5 April 2023

Ringgit Corporate Bond

In the month of March 2023, there are two updates on Ringgit Corporate bonds. First is the UiTM Solar Power Dua Sdn Bhd ("UiTM Solar")'s bond. Malaysian Rating Corporation Berhad ("MARC") reverted the outlook back to stable following improved liquidity, cash flow coverage metrics, and operational performance. UiTM Solar has received the full amount of insurance proceeds and designated account balance rose to RM36 million as at end February 2023. Plant availability averaged 96.3% since the full resumption of operations. That said, unfavourable weather led to electricity generation being below P90 projections by 16%. In the next 6 months, a full rating review will be undertaken and the rating or outlook may be raised if the plant performs consistently in line with expectations while maintaining healthy liquidity buffer.

Second is on Pelabuhan Tanjung Pelepas ("PTP"), its rating was raised by one notch to AA/stable from AA-/positive by MARC, citing higher cash flow generation due to strong operational performance which improved debt cover metrics. In 2022, container throughput volume amounted to 10.5 million, higher than pre-pandemic levels, and cash generation of RM834.9 million fully covered the around RM400 million capex. Borrowings remained stable at RM2.3 billion with Cash flow coverage ratio and Cash interest coverage ratio of 0.3 times and 9.5 times respectively. Despite risk of lower throughput volume due to changes in a shipping alliance, Cash interest coverage ratio cover is expected to stay strong at about 7 times based on MARC's projection. PTP has no notes due in year 2023 and 2024 while cash balance remained robust at RM839.9 million as at end 2022.

Outlook and Strategy

The January 2023 International Monetary Fund ("IMF") World Economic Outlook Update projects that global growth will fall to 2.9% in 2023 but rise to 3.1% in 2024. The 2023 forecast is 0.2pp higher than predicted in the October 2022 World Economic Outlook but below the historical average of 3.8%. Rising interest rates and the war in Ukraine continue to weigh on economic activity. China's recent re-opening has paved the way for a faster than expected recovery. Global inflation is expected to fall to 6.6% in 2023 and 4.3% in 2024, still above pre-pandemic levels.

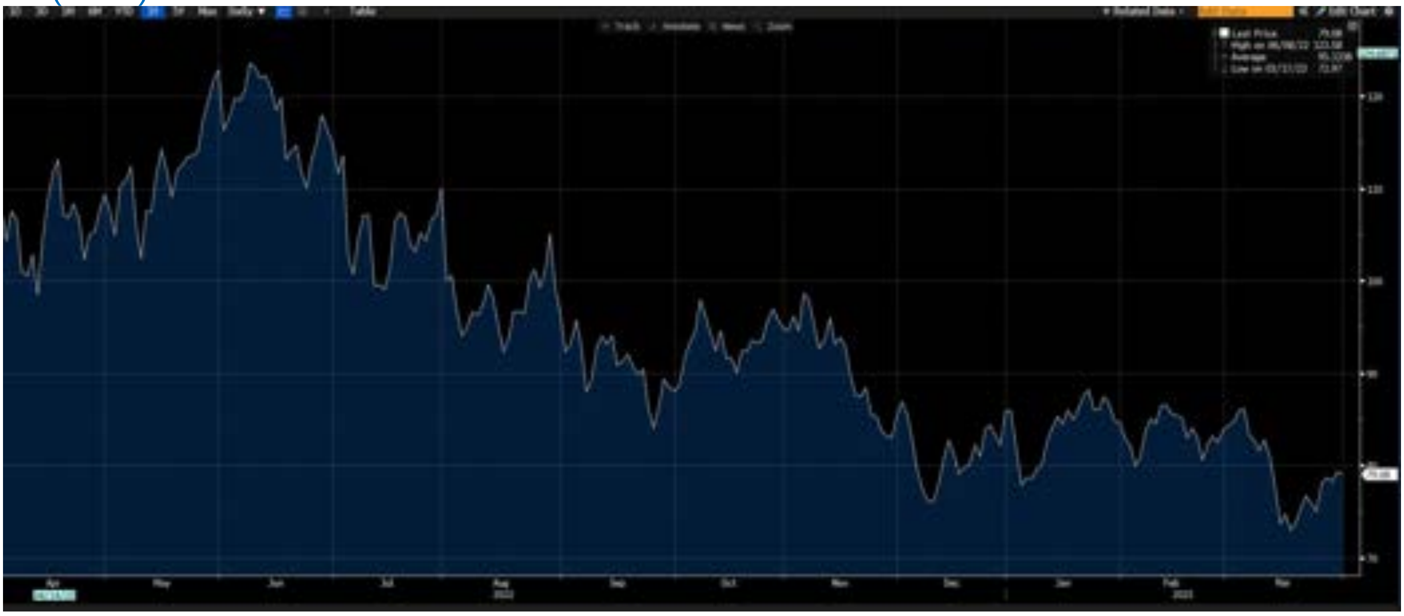
Global risk sentiment in the markets has been generally bearish as flows started to focus on safe haven bids for shelter. The broader strategy will be to remain nimble on continued volatility, and to position more defensively in higher quality credits due to a greater focus on income preservation while repositioning at the current higher yield levels with a bias to stay short duration, especially since the Fed is likely to continue their current tightening cycle at the moment, with the latest March 2023 Dot-plots projecting another 25bps hike for 2023 to the range of 5.00% and 5.25% while projections for 2023 was shifted up 12.5bps to 4.25% and 2025 revised lower by 75bps to 3.125% from the December 2022 projections. The Longer term target rate remained at 2.50%.

Locally, the OPR rate pause in January 2023 came as a surprise to all. That said, BNM continue to leave the OPR unchanged at 2.75% in its meeting in March 2023. Overall, we remain bullish on the bond market especially after the selloff seen over 2022. Malaysian ringgit ("MYR") bonds offer attractive "real yields" relative to the other Asia Pacific markets within the FTSE World Government Bond Index ("WGBI") compared to its peers where majority of these economies are still bogged by higher inflation numbers. On a conservative note, BNM has the capacity to hike 25bps to 3% but the hurdle to hike is high given the prevailing economic landscape where we are factoring lower growth for 2023.

We remain 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 2023 growth expectations and when market stabilizes. The momentum for bonds to do well in 2023 has increased because the scale of the interest rate hikes in 2023 would a lot less hawkish when compared to unprecedented interest rate increases in 2022 globally. At this juncture, local yields still give a comfortable buffer against fixed deposits ("FD") and we believe the increases in FD rates should taper off this year once the OPR goes unchanged at a certain level. The stance to monetary policy locally by BNM will continue to be determined by new data and its implications on the overall inflation and domestic growth outlook. We will continue to monitor closely market developments both globally and locally.

Commodity Market Review And Outlook

Oil (Brent)



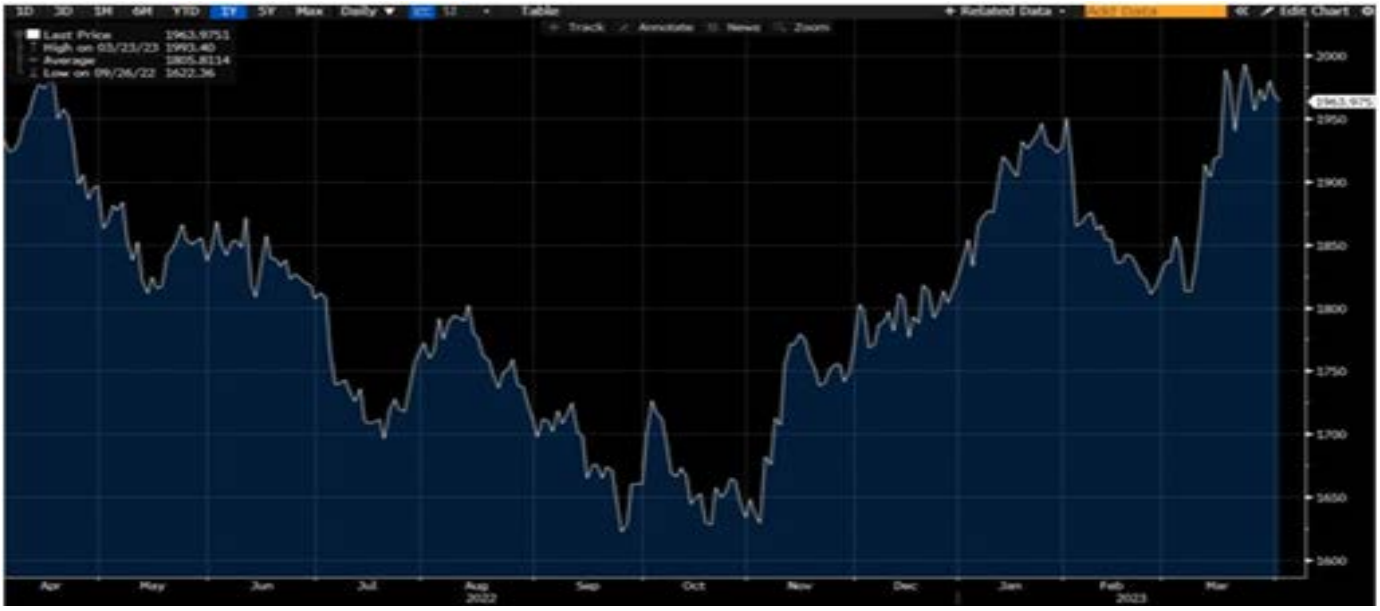
Source: Bloomberg, RHBAM, 31 March 2023

Crude Oil (Brent) price has declined by 3% during Q1 2023 and ended the quarter at USD 79 per barrel. Oil price was relatively stable in the first two months of Q1 2023 but has fallen below the trading band (USD 80 per barrel) and was more volatile in March 2023 given the uncertainties over Fed actions, US banking turmoil, and China's recovery.

Global demand for commercial oil and product in Q1 2023 was lukewarm as inventories rose led by the US and Japan. On the other hand, global commercial crude oil inventories fell across the board, with the US leading the way while Japan recorded a less pronounced stock draw as refinery dipped. The US Energy Secretary highlighted the difficulties to refill the Strategic Petroleum Reserve ("SPR") this year due to site maintenance and this removes a potential mooted support level for oil. On the supply side, Q1 2023 has been over supplied however Organization of the Petroleum Exporting Countries ("OPEC") sees improved Chinese oil demand to offset the weakness emerging in some western economies and commented that they are comfortable with the current level (back in February 2023). However, OPEC surprised the market on 2 April 2023 when it announced 1.15 million barrels per day production cut starting May 2023 until end of 2023. Russia is committed to maintain the cut of 500k barrel per day until end of 2023. This acts as a price support for oil (Brent, USD 80 per barrel) in 2023.

Moving forward, global oil demand growth in 2023 is projected to be around 2 million barrels per day. After a series of downgrades as economic outlook worsened, OPEC raise 2023 oil demand growth to 2.32 million barrels per day due to China's relaxation of COVID-19 restrictions, and trimmed supply forecasts for Russia and other non-OPEC producers, pointing to a tighter market. On the supply front, with OPEC+ cutting 1.65 million barrels per day from May 2023 until end of 2023, it acts as a support for oil price in 2023 and shows OPEC's willingness to stabilize the oil market. The next OPEC meeting is on 5 July 2023 and 6 July 2023 in Vienna.

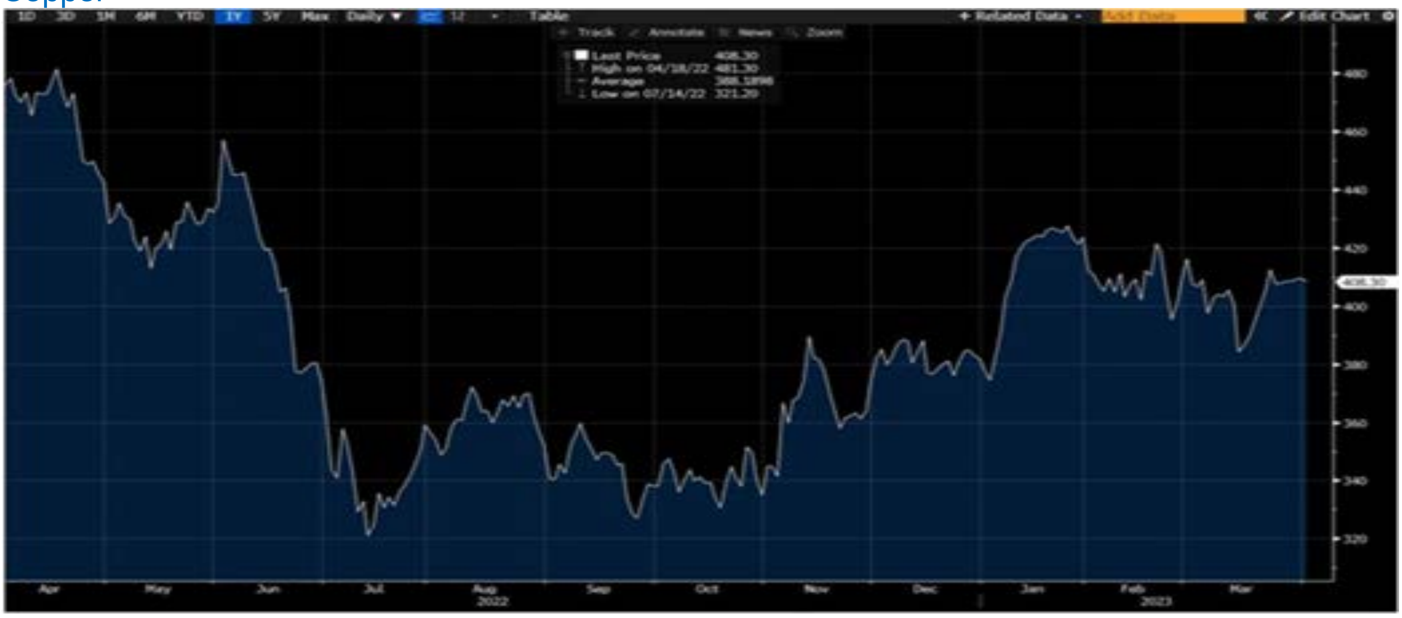
Gold



Source: Bloomberg, RHBAM, 3 April 2023

Gold prices rose +8% in January 2023 in the tune of weaker USD and signs of US disinflationary expectations. However, stickier US inflation and resilient US labour data, coupled with a hawkish Fed tone in February 2023, saw UST yields rising while Gold retrace and giving up January 2023 gains. Heightened financial instability caused by SVB and Credit Suisse led to a spike in volatility and Gold tested USD2,000 levels in March 2023. We maintain a Neutral stance on Gold. Overall investor positioning in gold remains relatively light. Gold could benefit if the market prices greater risk of the FOMC choosing to back off from fighting inflation to maintain financial stability. As such, Gold could remain at elevated levels of USD1,900 to USD2,000 for Financial Year ("FY") 2023.

Copper



Source: Bloomberg, RHBAM, 3 April 2023

Copper prices climbed in January 2023 on the back of China's rapid lifting of Zero-COVID restrictions and hopes of a strong macroeconomic recovery. The emergence of US disinflation and weaker USD added positive momentum to Copper, alongside other base metals. Near term new supply addition is balanced out by structural deficits, hence copper supply tightness remains. Although China's PMIs reflects mild demand recovery, pace of Chinese copper inventory drawdown is slowing as higher prices weighed on onshore buying interest. Thus, Copper prices could remain sideways for the rest of FY2023, at March price levels of around USD400.

Key Takeaways

Source: Bloomberg, RHBAM, April 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	Soft landing as our base case with inflation expectation anchored. Market sentiment continued to improve as odds of global economy slips into recession was trimmed amid growth impulse from China's re-opening and Europe avoiding recession due to energy crisis. PMIs across key countries show clear divergence between manufacturing and service sector performance, with the latter remaining resilient. Ease in both energy and food inflation reduce spillover to growth. Economist revised up global growth but volatility remain elevated amid 1) geopolitics uncertainty, 2) Fed holding higher for longer, 3) China re-opening momentum on inflation and 4) financial stability (SVB Crisis)
Fixed Income	Slight Overweight	Rates rallied amid SVB and CS Crisis. We do not see systemic risks and may take the opportunity to take some profit. Central banks are signaling slowing pace of rate hikes with inflation peaking from high but remain elevated in most developed market economies. The FOMC raised the target range for the federal funds rate by 0.25pp to the range of 4.75% and 5.00% at its March 2023 meeting, in line with market expectations. The post-meeting statement noted that, while the "banking system is sound and resilient," the recent banking stress is likely to "weigh on economic activity, hiring, and inflation." The FOMC removed the reference to "ongoing" hikes in the post-meeting statement and noted instead that "additional policy firming may be appropriate." The Committee reiterated that it "remains highly attentive to inflation risks." Indeed, the median projection in the Summary of Economic Projections ("SEP") showed somewhat higher core inflation and lower GDP growth in 2023 and 2024. The median dot shows a funds rate of 5.125% at end 2023, unchanged from the December 2022 projections.
Cash	Slight Overweight	Tactically reduce risk exposure amid increasing uncertainty amid geopolitical risk complicate outlook. Continue to be nimble on cash to take advantage on any tactical opportunity trades amid elevated market volatility in the short to medium term. Volatility has dominated the market again driven by a combination of Fed pivot (US inflation data, SVB), rising US-China tensions and a change in BOJ leadership.

Equity

Countries	Outlook	Rationale
United States	Slight Underweight	Still too early to tell if Fed actions is enough but we see no systematic risk and of the view that this will be ring-fenced to a few idiosyncratic situations at certain banks. Developments including (1) SVB and Signature depositors will all be made whole; (2) new Fed facility - Bank Term Funding Program ("BTFP") makes loans up to 1-year to banks against USTs, mortgage-backed securities ("MBS"), other qualifying assets. Assets valued at par (rather than market). Rate for BTFP is 1-year overnight swap rate (OIS) +10bps. UST Exchange

		Stabilization Fund ("ESF") will backstop BTFP with USD25 billion and (3) Fed discount window will apply the same margins at BTFP. The collateral valuation will be par value. The Summary of Economic Projections in March 2023 saw growth forecasts slashed, while the inflation and unemployment forecasts raised once gain. The economic forecasts now show more of a rise in unemployment to bring inflation down. The Fed downgraded GDP growth projections in 2023 (0.4% from 0.5%), in 2024 (1.2% from 1.6%) while 2025 was upgraded (1.9% from 1.8%). The median core inflation forecasts were revised up in 2023 (3.6% from 3.5%) and in 2024 at (2.6% from 2.5%) while 2025 remain at 2.1%.
Europe	Slight Underweight	The ECB raised its key policy rates by 50bps in March 2023, taking the deposit rate to 3.0%. This was in line with the guidance given in March 2023 and signalled that policymakers did not think recent market volatility was extreme enough to warrant breaking this forward guidance. However, it no longer said it would 'stay the course' with significant future rate rises and stressed a data-dependent approach even though it continues to see inflation remaining "too high for too long". The statement also mentioned the new forecast with headline and core inflation both revised 0.2pp down to 2.1% and 2.2%, respectively, in 2025. As for growth, a recession is now no longer the central case, with this year's GDP growth projection revised up from 0.5% to 1.0%, but revised down slightly for 2024 and 2025 (1.6% in both years from 1.9% and 1.8% respectively). The meeting did not provide guidance for future rate rises. With heightened financial stability concerns, the ECB will move cautiously, with 25bps hikes in May 2023 and June 2023 as underlying inflationary pressures staying high.
Japan	Slight Overweight	The BOJ held rates and its yield target unchanged in its March 2023 meeting in Kuroda's last policy meeting as expected by market. The decision was the fastest in recent years, coming at 11:30am Japan time, almost half an hour faster than typical meeting. Academic Kazuo Ueda will be replacing Kuroda as the next Governor of the BOJ and what he will do with the current policy framework. Ueda will take his post 9 April 2023 while the two Deputies (Shinichi Uchida and Ryozo Himino) took their posts 20 March 2023. The Bank of Japan's new Deputy Governor Shinichi Uchida indicated the possibility that when the time comes for the bank to adjusts its yield curve control program it may do it as a surprise. BOJ surprised by widening the tolerable band (from 0% to +/- 0.5%) for 10-year Japanese Government Bond ("JGB") yields at its meeting in December 2022. BOJ see real GDP growth eased from 2.0% in 2022 to 1.9% in 2023.
Asia ex Japan	Slight Overweight	Concern from external demand against positive offsets from China's re-opening. There has been growing comfort for the emerging countries' central banks from the Fed's slowing in the pace of hikes and the recent easing of both commodity prices and the USD. Asia's tightening cycle is coming to an end for most, but risks are skewed towards tighter for longer.
ASEAN	Slight Underweight	Global slowdown will start to impact ASEAN economies as pent up demand from re-opening starts to face. Late stage re-opening plays might benefit selected ASEAN countries due to the return of Chinese tourists.
China	Overweight	The Two Sessions kicked off on 5 March 2023, the annual National People's Congress ("NPC") started and Premier Li Keqiang delivered his last Government Work Report. This year's growth target was set conservatively at "around 5%". As unveiled in the government work report, the official on-budget fiscal deficit target will increase by 0.2pp to 3.0% of GDP in 2023, and the local government special bond quota will reach a new high of RMB3.8 trillion, but both are slightly lower than market expectations. Growth momentum to improve on the back of policy stimulus and gradual re-opening. The Property

		sector saw financing policy pivot, with the 16-point rescue plan, resumed equity financing, relaxed escrow account control and more access to credit lines. Favor carbon-neutral industries (electric vehicle, wind and solar sectors), technology (innovation and supply chain self-sufficiency) and structural changes towards common prosperity (education, real estate, healthcare and e-commerce).
Hong Kong	Neutral	Firms stayed optimistic on the back of border re-opening with mainland China and removal of most social distancing measures. The economy to recover further as both Hong Kong reopen and the expected recovery of the Chinese economy could boost Hong Kong exports. Given the currency board system, Hong Kong will tighten in tandem with the US.
Taiwan	Slight Underweight	Taiwan's central bank ("CBC") raised policy rate by 12.5bps to 1.875% at its March 2023 meeting, against expectations of an on-hold decision and the decision was unanimous. The statement noted high uncertainties in the global economic outlook, but overall expected a recovery in the second half of the year. Against the backdrop of "higher-than-usual" domestic inflation, a continued policy rate hike was expected to "rein in inflation expectations". Looking forward, the CBC will closely monitor "cumulative effects from its monetary tightening since 2022", "spillover of monetary policy moves by major economies", and "the fallout from the recent debacles in some US and European banks". CBC revised down its growth forecast for 2023 by 30bps to 2.2%, still above consensus 2.0%. On the inflation outlook, the CBC's 2023 forecasts were revised up to 2.1% for both the headline and core CPI inflation, up from 1.9% in December 2022.
South Korea	Slight Underweight	The Bank of Korea ("BOK") kept its policy rate on hold at 3.5% in February as expected. On growth, the BOK reduced its 2023 real GDP growth by 10bps to 1.6% noting that exports continued to fall on slumping demand for tech products, and private consumption momentum was also weakening. On inflation, the headline figure was also reduced by 10bps to 3.5% on the back of high base from 2022 and weakening demand-side pressures. The forward-looking section of the statement turned notably less hawkish, with the phrase on the need for "continued rate hike". Policy rate hikes could end or become intermittent (another 25bps hike in second quarter ("Q2") 2023).
India	Neutral	MSCI India Index declined 7.17% in Q1 2023 in-line with the net foreign outflows seen on a YTD basis despite a slight improvement in March 2023. Consensus forward earnings per share ("EPS") growth for FY2023/2024 saw downgrades during the quarter mainly on inflation, albeit remaining high among Emerging Markets peers. Index valuation have cooled to 18.9 times as at end Q1 2023, against 21.0 times at the start of 2023 and its 5-year average of 19.8 times. We believe the recent market correction allows us to build position towards a Neutral weight from our previously Underweight call. While the near-term outlook may be challenged by further EPS cuts and outflows assuming stronger upwards rerating of China equities, medium term outlook remains solid on strong earnings growth, lower valuations and resilient domestic liquidity and flows to equity markets. The IMF forecasts 6.8% and 6.1% GDP growth in FY2023/2024, with private sector capex growth expected to remain moderately robust amidst recovery in credit cycle. Any uptick in public spending ahead of general elections in first half of 2024 could aid near-term rural demand and consumption albeit for such recovery to be steady, a sustainable increase in income levels is needed. Key risk to the market is the reversal of domestic liquidity out of equities towards safer assets given the attractive fixed deposit rate of 7% to 8%.
Australia	Slight Underweight	The Reserve Bank of Australia ("RBA") increased the cash rate by 25bps to 3.60% at March 2023's board meeting as RBA observed that labor market conditions have eased a little, the risk of a price-wage spiral has lessened and

		inflation has likely peaked. Going forward the RBA continues to expect inflation to decline this year and next to around 3% in mid-2025. Valuations are balanced, with the market price earnings ratio sitting just below its long run average of 14.2 times.
Singapore	Slight Overweight	Singapore's headline CPI inflation slowed to 6.3% YoY in February 2023 (vs 6.6% YoY in January 2023) mainly driven by lower transportation cost inflation. Monetary Authority of Singapore ("MAS") core CPI inflation, which excludes private transportation and accommodation, was broadly unchanged at 5.5% YoY in February 2023. The still elevated core inflation skews risk for the MAS to tighten in its April 2023 meeting. Fiscal remain relatively supportive this year but targeted as Goods and Services Tax ("GST") hiked. In October 2022, MAS delivered its fifth tightening move since October 2021 by re-centred the Singapore dollar nominal effective exchange rate ("SGDNEER") band. The re-centering reflects the MAS's decision to address immediate inflation concerns as a priority and it is estimated that the re-centering is about 2% above the previous mid-point.
Thailand	Neutral	The BOT committee voted unanimously to hike the policy rate by 25bps to 1.50% at its January 2023 meeting, reiterating that it continues to view that a "gradual policy normalization is an appropriate course for monetary policy consistent with the growth and inflation outlook". The BOT noted that the economic recovery will "continue to gain traction" supported by the tourism recovery, faster China re-opening, and improving employment and consumption spending. Although export growth is expected to moderate, the downside risks to global growth have diminished since the last meeting. The BOT continues to forecast a decline in headline inflation amid lower global commodity prices and diminishing supply side risks. However, upside risks to core inflation remains in demand-side inflation due to the tourism recovery and higher business cost pass-through. The BOT to continue hiking by 25bps as growth momentum remain robust and upside risks to core inflation.
Indonesia	Neutral	Bank Indonesia ("BI") kept the 7-day reverse repo rate, the deposit and lending facility rates unchanged at 5.75%, 5.00% and 6.50%, respectively in its February 2023 meeting. This is line with market expectation. The central bank raised its real GDP growth forecast to 5.1% from 4.6% previously, given higher global growth expectations, earlier than expected China re-opening and stronger than expected domestic consumption. The central bank highlighted that both headline and core inflation momentum had slowed faster than expected, making the cumulative 225bps of policy rate hikes delivered thus far 'adequate'. As headline inflation and the dollar have likely peaked, with the Fed slowing its hiking pace, and policymakers continuing to signal that policy settings have been tightened enough, we continue to expect no further policy rate hikes by BI in coming months unless the dollar rise significantly again.
Philippines	Slight Underweight	Given the elevated inflation, especially rising pressure from core services inflation, the BSP will hike policy rates, albeit at a slower pace of 25bps in March 2023. BSP raised its policy rate by 50bps to 5.5% in February 2023 as BSP had telegraphed its determination to follow US rate rises both for inflation control and exchange rate stabilisation. BSP expects average inflation to remain above its 2% to 4% target at 4.5% in 2023 and ease to 2.8% only in 2024. With a weaker USD, it allow for a pause in the monetary tightening cycle into the second half of 2023.
Malaysia	Slight Overweight	BNM left the OPR unchanged at 2.75% at its March 2023 meeting, in line with market expectation. BNM expects economic growth in 2023 will be driven by household consumption spending, tourism and ongoing multi-year infrastructure projects. On inflation, the BNM reiterated that headline and core inflation are expected to moderate in 2023 but still "continue to be elevated amid lingering demand and cost factors", acknowledging that risks remain

		skewed to the upside from potential changes in domestic subsidy policy, as well as developments in global commodity prices. With the economy remains on a recovery path and inflation remain elevated, we continue to expect BNM to deliver additional hike in its May 2023 meeting.
Malaysia Small Cap	Neutral	Earnings downgrade bottoming out.

Fixed Income

Asset Class	Outlook	Rationale
Global Bonds (Rates)	Overweight	In 2022, US Fed has raised interest rates by 425bps cumulatively to the range of 4.25% and 4.50% amidst persistent inflation. For 2023, we see the outlook for inflation as mixed and believe that it has peaked in 2022, although it is unlikely to revert back to the pre-pandemic levels, as the environment remains challenging with the ongoing Russia-Ukraine war and effects from the prolonged pandemic. While the outlook is overweight on rates for Q1 2023, this comes with a caveat on likely turbulence as the Fed tightening in 2022 is likely to lead to a recession in the second half 2023.
Asian High Yield Credit	Neutral	With global rates at elevated levels, there is little incentive to add further in the High Yield credit space, especially with the onset of likely recession throughout most economies in 2023. We advocate holding on to current positions in the portfolio however especially in China given the re-opening could help to retrace the losses seen in 2022.
Asian Investment Grade Credit	Overweight	Investment Grade bonds are benchmarked against UST yields. The scope for credit spreads to tighten has been somewhat diminishing, and we are generally positioned in the front end of the curve in light of what has been priced in favouring risk-reward. However, the focus is on credit quality, relative value against peers, and coupon income. In the investment grade space, we still prefer Asian Investment grade bonds given the attractive valuation against other Developed Market and Emerging Market peers but are positioned more defensively in the higher quality, short duration credits.
China Fixed Income	Neutral	China's planned re-opening is the main theme to watch here on how it evolves as well as the effects of property market stabilisation measures introduced in Q4 2022 which may take a while to reflect in the real economy. We remain cautious in this space pending the outcome of markets but prefer to remain nimble on potential opportunities.
Malaysia Fixed Income	Slight Overweight	BNM held OPR rates unchanged at 2.75% in its meeting in Q1 2023 after 4 hikes of 100bps cumulatively in 2022. Overall, we remain constructive on the bond market especially after the selloff seen over 2022. We expect BNM to hike the OPR to 3.00% or possibly 3.25% in second half of 2023 as output gap turns positive from 2022, but total increase is expected to be lesser than in 2022. A rise to 3.50% in 2023 is less probable unless inflation gets pushed higher and stickier than 2022.

Commodities

Asset Class	Outlook	Rationale
Gold	Neutral	Gold prices rose +8% in January 2023 in the tune of weaker USD and signs of US disinflationary expectations. However, stickier US inflation and resilient US labour data, coupled with a hawkish Fed tone in February 2023, saw UST yields rising while Gold retrace and giving up January 2023 gains. Heightened financial instability caused by SVB and CS led to a spike in volatility and Gold tested USD2,000 levels in March 2023. We maintain a Neutral stance on Gold. Overall investor positioning in gold remains relatively light. Gold could benefit if the market prices greater risk of the FOMC choosing to back off from fighting inflation to maintain financial stability. As such, Gold could remain at elevated levels of USD1,900 to USD2,000 for FY2023.
Crude Oil	Overweight	Crude Oil (Brent) price has declined by 3% during Q1 2023 and ended the quarter at USD 79 per barrel. Oil price was relatively stable in the first two months of Q1 2023 but has fallen below the trading band (USD 80 per barrel) and was more volatile in March 2023 given the uncertainties over Fed actions, US banking turmoil, and China's recovery. Global demand for commercial oil and product in Q1 2023 was lukewarm as inventories rose led by the US and Japan. On the other hand, global commercial crude oil inventories fell across the board, with the US leading the way while Japan recorded a less pronounced stock draw as refinery dipped. The US Energy Secretary highlighted the difficulties to refill the Strategic Petroleum Reserve ("SPR") this year due to site maintenance and this removes a potential mooted support level for oil. On the supply side, Q1 2023 has been over supplied however OPEC sees improved Chinese oil demand to offset the weakness emerging in some western economies and commented that they are comfortable with the current level (back in February 2023). However, OPEC surprised the market on 2 April 2023 when it announced 1.15 million barrels per day production cut starting May 2023 until end of 2023. Russia is committed to maintain the cut of 500k barrel per day until end of 2023. This acts as a price support for oil (Brent, USD 80 per barrel) in 2023. Moving forward, global oil demand growth in 2023 is projected to be around 2 million barrels per day. After a series of downgrades as economic outlook worsened, OPEC raise 2023 oil demand growth to 2.32 million barrels per day due to China's relaxation of COVID-19 restrictions, and trimmed supply forecasts for Russia and other non-OPEC producers, pointing to a tighter market. On the supply front, with OPEC+ cutting 1.65 million barrels per day from May 2023 until end of 2023, it acts as a support for oil price in 2023 and shows OPEC's willingness to stabilize the oil market. The next OPEC meeting is on 5 July 2023 and 6 July 2023 in Vienna.

Foreign Exchange

Currencies	Outlook	Rationale
USD	Negative	Market is expecting the USD to peak as we came to the end of Fed rate hike cycle. However, we are in the view that the normalization trajectory of USD is unlikely to be straightforward, while the fight against inflation is far from over, and safe haven demand may also keep the USD supported as global recession concerns become a bigger focus in 2023. We expect the US Dollar Index to trade in between 100-103 for the next quarter.

EUR	Positive	While the EUR is not spared from repricing in interest rate expectations, the extent and intensity of the rate repricing are likely to be milder for the ECB compared to the Fed. This means the EU-US rate differential would continue to narrow across the remainder of 2023 and underpins a sustained EUR/USD recovery. We expect the EUR/USD to trade in between 1.09-1.11 range for the next quarter.
GBP	Positive	Even amidst volatility in the other asset classes, a less intense repricing in BOE rate expectations is helping to keep the GBP/USD supported at around 1.20. Overall, we maintain a positive outlook for GBP/USD, and expect the pair to trade between 1.22-1.24 for Q2 2023.
JPY	Positive	The JPY outperformed within the major currencies in Q1 2023 mainly due to safe haven flows from US Banking sector failures. Moving forward, we expect the BOJ would slowly move away from its easy monetary policies and move together with the ongoing repricing of US rates lower would continue to anchor a lower USD/JPY. The pair expect to trade in between 128-130.
CNH	Positive	As China is stepping out from its Zero-COVID policy, we expect the stimulus led recovery to cause a decent rebound for the CNH. With that, we expect a lower USD/CNH in between 6.80-6.90 for Q2 2023.
AUD	Positive	While the AUD is one of the main beneficiaries of the China re-opening theme, near-term sentiment could be dampened by the recent bout of global risk aversion. We are keeping our positive outlook for AUD/USD and expect the pair to trade between 0.68-0.70 range for the next quarter.
SGD	Positive	The SGD remained as one of the better performer among its peer despite the strong USD. We expect the SGD to remain strong among its peer as we expect a further tightening policy from the MAS in April 2023. We expect the USDSGD rate to be traded between 1.30-1.35 range for the next quarter.
MYR	Negative	In Q1 2023, MYR was one of the weakest currencies against the USD due to lack of confidence in MYR and USD strength. Moving to Q2 2023, we expect the MYR to trade weaker against the USD, in between 4.35-4.45. The main catalysts will be negative carry for holding MYR against USD is unlikely to fade quickly, fiscal reforms are limited, and other Southeast Asian markets have greater catalysts for capital inflows to their markets relative to Malaysia.

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A Product Highlights Sheet (“PHS”) highlighting the key features and risks of the Fund are available and investors have the right to request for a PHS. Investors are advised to read and understand the contents of the relevant Prospectus / Master Prospectus / Information Memorandum / Replacement Master Prospectus and its relevant supplemental prospectuses (if any) (collectively known as "Prospectuses") or Disclosure Documents and its supplementary(ies) (if any) (collectively known as "the Disclosure Documents") for the Funds before investing in any funds. The prospectuses / Disclosure Documents have been registered with the Securities Commission Malaysia (“SC”) who takes no responsibility for its contents. This update does not amount to indicate that the SC has recommended or endorsed the Fund. Amongst others, investors should consider the fees and charges involved. Investors should also note that the price of units and distributions payable, if any, may go down as well as up. Where a distribution is declared, investors are advised that following the issue of additional units/distribution, the NAV per unit will be reduced from cum-distribution NAV to ex-distribution NAV. Any issue of units to which the Prospectuses / Disclosure Documents relates will only be made on receipt of a form of application referred to in the Prospectuses / Disclosure Documents. For more details, please call 1-800-88-3175 for a copy of the PHS and the Prospectuses / Disclosure Documents or collect one from any of our branches or authorised distributors. Investors are advised that investments are subject to investment risks and that there can be no guarantee that any investment objectives will be achieved. Investors should conduct their own assessment before investing and seek professional advice, where necessary and should not make an investment decision based solely on this update.

RHBAM wishes to highlight the specific risks and other general risks are elaborated in the Prospectuses / Disclosure Documents.

This update has not been reviewed by the SC.