QUARTERLY MARKET INSIGHTS

Quarter 4, 2024

Source: Bloomberg, RHBAM, October 2024
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 equity performance, as measured by the MSCI All Country World Index, increased by 2.2% in September 2024. United States ("US") equities reported a gain of 2.0%, Europe gained 0.3% and Japan lost -1.3% in US Dollar ("USD") terms during the period. Asia Pacific ex-Japan ("APAC") recorded a gain of 7.5% (in USD terms), with key contributors being China (+23.6%) and Hong Kong (+16.0%) and detractors being Korea (-3.2%), Indonesia (+1.1%), and Taiwan (+1.3%) in USD terms. Within the Association of Southeast Asian Nations ("ASEAN") countries (+6.1%), Thailand (+11.3%) and Singapore (+8.2%) were the best performers.

"The time has come for policy to adjust" was what Federal Reserve ("Fed") Chairman Jerome Powell said at the Jackson Hole economic symposium on 23 August 2024. Powell also clarified that "[his] confidence has grown now that inflation is on a sustainable path back to 2%" and that "we do not seek or welcome further cooling in labour market conditions", indicating that Powell's focus has now switched to the labour component of the Fed's twin mandate.

Indeed, at the September 2024 Federal Open Market Committee ("FOMC") meeting, the Fed delivered a dovish rate cut, slashing its fund rates by 50 basis points ("bps") to 4.75%-5.00%, which marked the first rate cut in four years and the new Dot plots implied more easing is in the pipeline. The Dots indicated an additional 25bps cut through 2026 for a total of ten cuts this cycle vs nine previously. Specifically, the Dots showed an additional 50bps cut by this year-end, 100bps cut in 2025 and 50bps cut in 2026 to a terminal rate of 2.9% (revised up from 2.8%). The only dissenting voice against the cut was Fed Governor Michelle Bowman, who voted against the monetary policy action, preferring a 25bps rate reduction amid concerns over market reaction. This was the first dissenting vote since June 2022 and the first Fed governor to dissent since 2005.

Powell emphasized that the decision for an outsized 50bps cut was designed to keep the US economy "in a good place" and made it clear this was a risk management decision, not one taken under duress or because the Fed thought it was behind. Powell also stressed that no one should look at 50bps as the new pace and he doesn't see anything that would suggest the odds of a downturn are elevated. He repeated a similar message at the National Association for Business Economics conference on 30 September 2024. For now, the data and Fed comments favor a gradual easing path.

The European Central Bank ("ECB") cut policy rates by 25bps in September 2024 as expected, marking the second cut this year. The formal statement reiterated the Council's data-dependent and meeting by meeting approach while President Lagarde only stated that the direction for policy rates was "pretty obvious" and "declining". The ECB revised real Gross Domestic Product ("GDP") down by 0.1 points ("ppt") to 0.8% in 2024, 1.3% in 2025 and 1.5% in 2026. Core inflation was revised up by 0.1% to 2.9% in 2024 and 2.3% in 2025. The new projections showed a weaker growth outlook and more stubborn core inflation. ECB also lowered its other two facilities by 60bps each. Both the manufacturing and services Purchasing Managers Index ("PMI") came in weaker than expected with the Eurozone's two largest

economies seeing private-sector business activity slump in September 2024. Germany's manufacturing woes worsened and France's services industry sank after the boost from Paris Olympics. German Consumer Price Index ("CPI") slowed to 1.8% Year-on-Year ("YoY"), while French CPI was at 1.5%, Italian CPI 0.8%, and Spanish CPI 1.9%. ECB President Christine Lagarde said the central bank is increasingly confident that inflation will fall to its 2% target and this will be reflected in the next policy move. The market is pricing in 90% probability that ECB will cut again at the 17 October 2024 meeting.

As the Fed joined the major developed market peers, including the Bank of England ("BOE") and ECB, in an easing cycle, this underscored the Bank of Japan's ("BOJ") outlier status as the only major central bank on an upward course. This suggests that the BOJ may need more time to assess its monetary policy. In its 20 September 2024 meeting, the BOJ kept its target for its key rate at 0.25% as expected. After the meeting, Governor Kazuo Ueda made a significant shift in messaging to essentially rule out a hike at the next meeting on 31 October 2024.

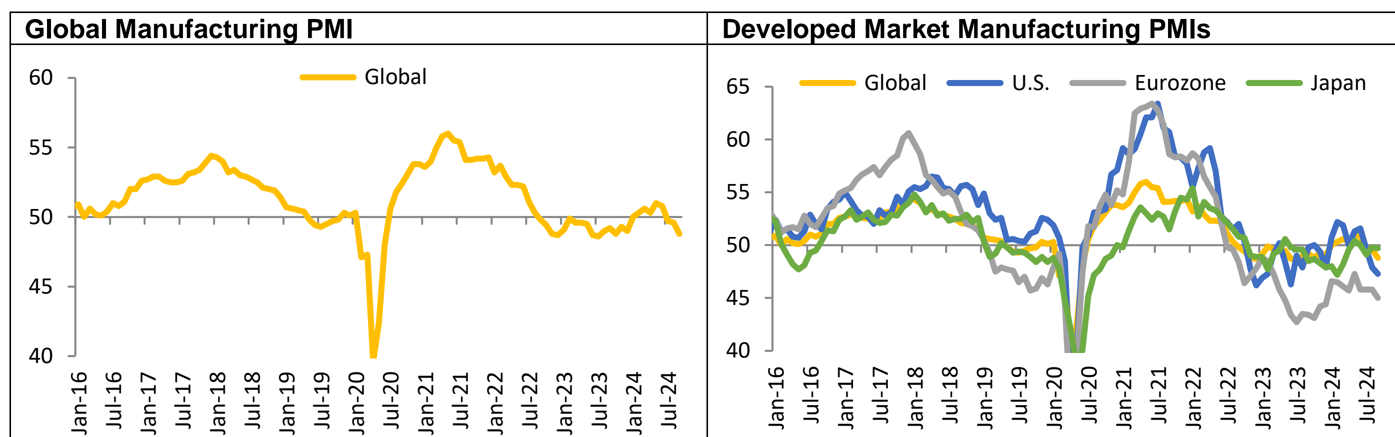
The Japanese ruling Liberal Democratic Party elected its new president on 27 September 2024 to succeed Fumio Kishida as Japan's prime minister. As widely expected, the first round of voting concluded with no candidate receiving a majority and went into a run-off between Shigeru Ishiba and Sanae Takaichi. The yen slid before the election result as the market speculated that Takaichi, a supporter of low interest rates, would become the nation's first female prime minister. However, the yen strengthened after the ruling party picked Ishiba as its next leader by securing 215 out of 415 votes. Ishiba was seen as supportive of the BOJ's plan to continue gradually tightening but this seems to have a U-turn after his conversation with BOJ Governor. Prime Minister Ishiba said, "I won't comment on interest rates, but I look forward to the BOJ keeping its current stance to help us beat deflation." He doubled down just now, saying the economy is not in a condition for the BOJ to hike rates again.

On 24 September 2024, the People's Bank of China ("PBOC") announced a broad package of monetary stimulus measures above market expectations boosted the CSI 300 Index to rise as much as 4%. On 25 September 2024, the government announced rare one-off cash handouts and subsidies for the poor while Shanghai said it would issue more than 500 million yuan in consumption vouchers. Two days after the PBOC's stimulus, the Politburo pledges to boost growth by halting the property rout, shoring up the stock market and stabilizing employment. As holding the meeting in September 2024 rather than waiting until the normally scheduled December 2024 meeting show an unusually high degree of urgency and determination to support the economy. While the Politburo offered no specifics on fiscal spending, Reuters reported on 26 September 2024 that the Ministry of Finance is planning to issue RMB2 trillion ($284 billion) of special sovereign bonds this year. With shares soaring and turnover reaching RMB710 billion ($101 billion) in the first hour of trading on 27 September 2024, Shanghai's stock exchange was marred by glitches in processing orders and delays. The CSI 300 index extends gain after the Shanghai bourse said it has fixed a trading glitch that delayed buying on that morning.

Market volatility remains elevated as the most aggressive monetary tightening cycle draws to a close. We are cautiously optimistic, though markets may prove to be bumpy and volatile in the coming months to contend with uncertainty over the US election in November 2024. In addition, the Middle East tensions and US port strike will likely to dominate financial news in the near term. 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. With soft landing as our base scenario, we continue to be positive on the market.

Economic Highlights

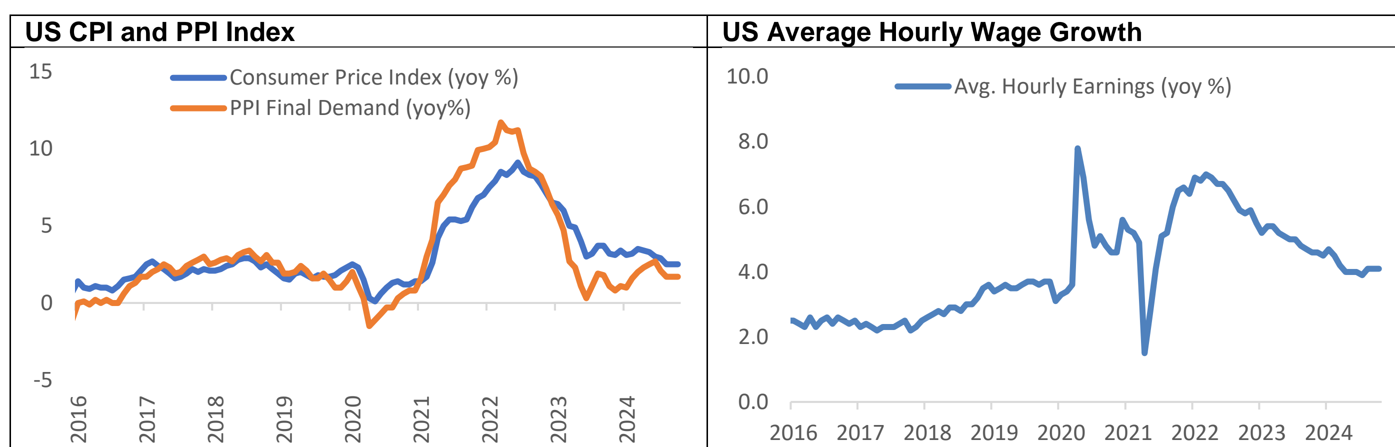
Global Purchasing Managers Index ("PMI")



Source: Bloomberg, RHBAM, 2 October 2024

- Global Manufacturing PMI eased to 48.8 in September 2024 from 50.8 in June 2024. This is the third consectuve month in the contraction territory.
- The US S&P manufacturing PMI eased to 47.3 in September 2024, from 51.6 in June 2024. Japan manufacturing PMI eased to 49.7 in September 2024, down from 50.0 in June 2024. The Eurozone manufacturing PMI deterirotated to 45.0 in September 2024, down from 45.8 in June 2024.

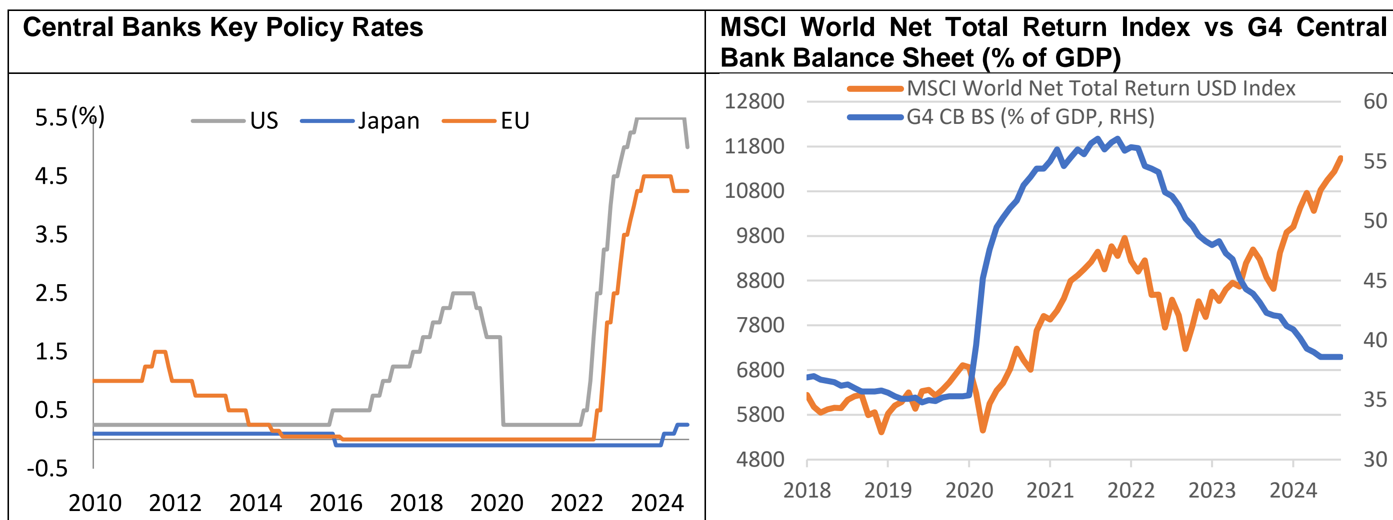
US



Source: Bloomberg, RHBAM, 2 October 2024

- US inflation rose by 2.5% in August 2024 from 2.9% in July 2024, but still dropped from an average of 4.1% in 2023.
- Unemployment rate inched up to 4.2% in August 2024 from 4.3% in July 2024 vs an average of 3.6% in 2023 and US hourly wage growth eased to 4.1% in August 2024.

Global

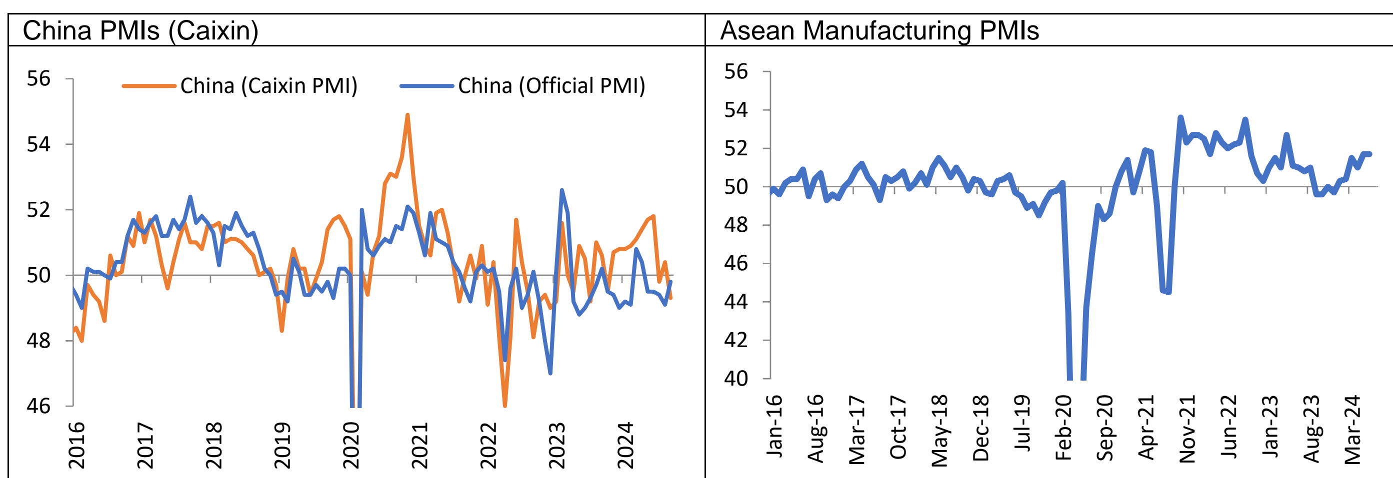


Source: Bloomberg, RHBAM, 2 October 2024

- At the September 2024 FOMC meeting, the Fed delivered a dovish rate cut, slashing its fund rates by 50bps to 4.75%-5.00%, the first rate cut in four years. The Dots showed an additional 50bps cut by this year-end, 100bps cut in 2025 and 50bps cut in 2026 to a terminal rate of 2.9% (revised up from 2.8%).

- The ECB cut policy rates by 25bps in September 2024 as expected, the second cut this year. German CPI slowed to 1.8% YoY, French data, last week was 1.5%, Italian CPI 0.8%, and Spanish CPI 1.9%. ECB President Christine Lagarde said the ECB is increasingly confident that inflation will fall to its 2% target and this will be reflected in the next policy move.

China **ASEAN**



Source: Bloomberg, RHBAM, 2 October 2024.

- The Caixin Manufacturing PMI improved to 49.8 in September 2024 from 49.5 in June 2024 but official PMI improved to 49.8 in September 2024 from 49.5 in June 2024.

- ASEAN's manufacturing PMI remained in expansionary territory but eased to 50.5 in September 2024 from 51.7 in June 2024.

China/Hong Kong

The MSCI China Index ("MXCN") had a strong rebound in September 2024, buoyed by the PBOC, China Securities Regulatory Commission ("CSRC") and China Banking and Insurance Regulatory Commission ("CBIRC")'s stimulus combo on 24 September 2024 and on optimism following a surprise Politburo meeting that called for stronger stimulus on 26 September 2024. The rally was fuelled by a short squeeze, margin financing and retail evidence by surging account openings.

The rally started on 24 September 2024 after the financial authorities' policy combo (rate cuts and lending facilities for equity purchases and buybacks). This was reinforced by a Politburo meeting calling for stronger housing / fiscal stimulus on 26 September 2024. Housing policy followed, with Tier-1 cities removing purchase restrictions by varying degrees. The FOMC' also implemented a 50bps rate cut on 18 September 2024.

China's August 2024 activity data showed a mixed growth picture, with a rebound in exports and lingering softness in domestic demand. Retail sales came in below expectations, growing 2.1% YoY in August 2024. Fixed investment rose 3.4% YoY between January 2024 and August 2024, or a modest pace of 2.2% YoY in the month of August 2024, with outperformance in manufacturing (8% YoY in August 2024), further slowing in infra (1.2% YoY in August 2024) and ongoing weakness in real estate (falling 10.2% YoY).

China delivered pro-growth policies at its politburo meeting, which included 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 for the rest of the 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 ("KPIs").

ASEAN

The MSCI ASEAN Index rallied strongly in September 2024. Singapore, Thailand and Philippines delivered strong performances with profit taking seen in Indonesia and Malaysia. Most ASEAN currencies appreciated against the US dollar except the Philippines Peso.

Philippines' Inflation eased to 3.3% in August 2024, which was lower than the 4.4% in July 2024. The Anti-Philippine Offshore Gaming Operator ("POGO") Act was filed in Senate to make the POGO ban permanent and compel POGOs to close within 30 days. The CREATE MORE bill which seeks to lower corporate tax rates to 20% from 25% has hurdled congressional bicam. The Value-Added Tax ("VAT") refund bill which will create a VAT refund scheme for non-resident tourists was approved at the Senate-level. The Bangko Sentral ng Pilipinas ("BSP") announced a 250bps Reserve Requirement Ratio ("RRR") cut (from 9.50% to 7.00%) that will take effect on 25 October 2024, and is estimated to release at least P250 billion ($4.5 billion) into the economy.

Singapore's August 2024 core inflation was up 2.7% YoY vs July2024 (+2.5%). This was largely due to an increase in services inflation. Conversely, headline inflation eased to 2.2% YoY in August 2024 vs 2.4% in July 2024.

The Vayupak fund, cash handouts to 14 million vulnerable people will start in late September 2024, and potential for debt restructuring programs remain the key factors extending the Thai market rally beyond the initial bounce. The Vayupak Fund has an initial investment period of 10 years and includes a protection mechanism that guarantees a minimum return of 3% per year and a maximum return of up to 9% per year.

Bank Negara Malaysia ("BNM") decided to maintain the Overnight Policy Rate ("OPR") at 3%. The Malaysian government announced incentives to jumpstart the Forest City Special Financial zone that include special corporate income tax rates and 0% tax rate for family offices. The office of the United States Trade Representative ("USTR") announced on 13 September 2024 tariff action on China. The USTR plans to increase the import tariff on Chinese gloves to 50% in 2025 (from 7.5%) and 100% in 2026 (from 25%). This move by USTR could prompt US customers to switch orders to Malaysia from as early as 2025.

Bank Indonesia ("BI") started to cut rates by 25bps in September 2024. The latest 2025 state budget draft maintains fiscal discipline (2.5% deficit); it will see higher spending on Education (the free lunch program is included) and Healthcare, while seeing a reduction in Infra spending. Prabowo's nephew, Thomas Djiwandono, was recently appointed as Second Vice Minister Finance and was involved in the budget planning.

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 its structural advantage in demographics, will emerge as the complementary piece both to the US and China. Adding on to the commitments by the governments in Asia / ASEAN towards infrastructure development, the region will feature prominently as the place for equity investments.

Malaysia Equity Market Review and Outlook

The FTSE Bursa Malaysia Kuala Lumpur Composite ("FBMKLCI") Index was up by +3.7% in the third quarter of 2024 ("3Q2024") but performed relatively weaker than other regional markets with the exceptions of Korea, Taiwan and Japan. The strong local currency, which was the best performing currency in the region in 2024, has impacted the exporters' revenues whilst operating costs remains high. Although there was an upgrade in the corporate earnings, the upgrade was not as strong as expected due to the disappointing second quarter of 2024 ("2Q2024") corporate results announcement. Corporates earnings have not been able to display strong growth despite better than expected 2Q2024 GDP growth.

In terms of macro, we believe that the economy is likely to show better performance going forward due to the increased investment activities. Investment activities are supported by the ongoing progress of multi-year projects in both the private and public sectors, the implementation of initiatives under the national master plans, as well as the higher realisation of approved investments. In addition, Malaysian companies would likely to benefit from the relocation of manufacturing facilities from China as Chinese companies would try to bypass US tariffs.

Our base case remains for a US soft-landing, and the Fed would likely to act fast to avoid recession. We reiterate our positive stance on Malaysian equities due to the Improving domestic economy. Execution of catalyst projects in line with national masterplans (New Industrial Masterplan 2030, National Energy Transition Roadmap, 12th Malaysia Plan) and the significant interest in Malaysia as a global supply chain realignment alternative should encourage investment activity. The Prime Minister announced that the government has approved investment inflows into the country from January 2024 to June 2024 increased to RM160 billion, representing 18% growth compared to the same period last year.

Meanwhile, the rebound in external demand has aided in the expansion of the economy following 2Q2024 export growth of 5.8% from a year ago (YoY) (first quarter of 2024 ("1Q2024"): 2.0% YoY). Malaysia's exports are likely to progressively increase for the rest of 2024 amid better international trade conditions and improved demand for Electrical and Electronics products ("E&E"). While the demand is increasing globally, possible trade disputes, such as between the US and China, may increase the possibility of trade disruptions.

The healthy labour market, alongside supportive domestic policies, will continue to shore up consumer spending and lend support to overall economic growth.

Corporates are likely to deliver better earnings due to improving economic outlook. In addition, current market valuation remains attractive despite strong year-to-date ("YTD") performance. The FBMKLCI is currently trading at 14.3 times forward earnings Price-to-Earnings ("P/E") which is lower relative to historical P/E of 16 times to 18 times.

Liquidity is strong to support the market as foreign investor positioning in Malaysia is still light, at 19.8%, YTD foreign inflows were RM3.553 billion. Domestic liquidity will likely continue to support stocks, due to relatively larger allocations by local asset owners to Malaysian stocks. Furthermore, local currency is attractive at the moment.

However, we do expect volatility to persist due to the uncertainty over the health of US job market which has raised expectations that US is heading into an uncertain economic outlook. Heightened fears of a hard landing, particularly if US manufacturing and services sectors and initial jobless claims disappoint further. The escalating geopolitical tensions in the Middle East will also add to the current volatile environment.

The USD may also face headwinds as Japanese stocks would adjust to a landscape of higher interest rates and a stronger yen. The yen's appreciation is expected to weigh on major Japanese exporters which has a significant exposure in the Japanese index. China equities might experience another sell-off if the recent stimulus package announced by the Chinese government is not able to stimulate the economy.

Global Fixed Income Market Review and Outlook

US Treasuries ("UST") and G10 Bonds

The 3Q2024 cut marked the first Fed Rate cut in more than 4 years after a trend toward slower inflation and Fed made a definitive pivot toward a focus on the labor markets, which have been cooling after 4 years of tightntess. G10 bonds outside the US were influenced by the broader economic slowdown and central bank policies aimed at mitigating economic risks. US 2Q2024 GDP third estimates was at 3.0% YoY annualised (vs 2.9% estimates), higher than 1.4% from 1Q2024. The Institute of Supply Management ("ISM") PMI for September 2024 stayed the same at 47.2, and the sixth month in a row of contraction on weak orders and declining employment. Inflation prints continued to show a trend of slow deceleration; US CPI moderated slightly lower to 2.5% YoY (+0.1% Month-on-Month ("MoM")) for August 2024 from 2.90% YoY (0.1% MoM) in July 2024, while the July 2024 Core CPI, which excludes food and energy, increased slightly to 3.20% YoY (+0.3% MoM) vs 3.20% YoY (+0.2% MoM) from a month earlier. Hotels and airfares and sticky shelter prices was the main contributor to the slightly elevated core CPI number. The Personal Consumption Expenditures ("PCE") deflator, the Fed's preferred measure for inflation slightly decreased to 2.20% YoY (+0.1% MoM) for August 2024, while Core PCE also fell to 2.7% YoY (+0.1% MoM).

The 17 September 2024-18 September 2024 FOMC saw the Fed beginning the pivot by cutting a larger than expected 50bps to 4.75% - 5.00%, the first cut in over 4 years. With several months of inflation data showing a trend lower, the Fed's decision is aimed to strike a balance and prevent the economy from slowing so much that the job market begins to crack. With current inflation data and labor market data still showing signs of a soft landing, the general rhetoric that is being represented to the market by starting off with a 50bps cut, the Fed is effectively treating it as an "insurance" cut against a bigger employment slowdown. The press conference that followed struck a hawkish tone overall as Powell reiterated that the 50bps cut was a "commitment" to not get behind the curve.

The revised Fed "dot plot" shows the Fed Funds rate projection at 4.375% for 2024, 3.375% for 2025, and 2.875% in 2026. At the time of writing, this is less than what the markets have factored in, and implying quarter point cuts in the remaining two FOMC meetings for 2024, and quarter point cuts quarterly in 2025 till June 2026.

In terms of performance, the Bloomberg Global Aggregate Index (unhedged) generated returns of +6.986 over the 3Q2024.

The UST curve bull steepened agressivelyover the 3Q2024, with the benchmark 2-year, 5-year, 10-year, 20-year and 30-year UST last traded at 3.64% (June 2024: 4.75%; -111bps), 3.56% (4.38%; -82bps), 3.78% (4.40%; -62bps), 4.17% (4.66%; -49bps) and 4.12% (4.56%; -44bps) respectively.

Outlook and Strategy

The July 2024 International Monetary Fund ("IMF") World Economic Outlook Update is broadly unchanged from April 2024's update to IMF's 2024 global growth at 3.2% in 2024 and 3.3% in 2025. Services inflation is holding up progress on disinflation, which is complicating monetary policy normalization. Upside risks to inflation have thus increased, raising the prospect of higher for even longer interest rates, in the context of escalating trade tensions and increased policy uncertainty. The policy mix should thus be sequenced carefully to achieve price stability and replenish diminished buffer.

Global risk sentiment in the markets had decidedly turned more bearish compared to the bullish start seen in January 2024 on the spate of resilient economic data and a series of sticky inflation prints. We expect the strategy for 2024 to continue positioning into the current high yield environment, but with a bias toward higher quality credit to mitigate possible recessionary risk from a prolonged rate tightening environment, and moving further up in duration selectively, especially since the Fed is likely at the end of the tightening cycle. The base case view is for 2024 to eventually be a positive year for bonds with most Developed Market ("DM") central banks likely to cut rates from the current levels. For 2024, Fed's expectation post the September 2024 FOMC is for policy rates to be 4.375%, or a further 50bps lower than current levels, while the market in general is expecting around a cumulative 75bps of rate cuts by the end of 2024 at the time of writing. 50bps would mean 1 time 25bps cut at each of the remaining FOMC meetings in November 2024 and December 2024 respectively, with a more possibility of a more dovish move should employment data disappoint.

The outlook for fixed income market in 2024 remains positive in our view despite as global inflationary pressures resumed its trend of moderating and while growth is moderating, is currently supporting a view that the we are headed for a "soft landing" probability. This would mean that fixed income markets remain stable and further expected rate cuts would benefit the fixed income market in general.

Malaysia Fixed Income Market Review and Outlook

Ringgit Sovereign Bond

Malaysia Government Securities ("MGS") and Malaysian Government Investment Issue ("MGII") market had a strong performance in 3Q2024 with yields across benchmark tenures falling sharply – particularly in the shorter end. Key benchmark indices such as the FTSE BPAM Ringgit All Bond Index recorded a positive return of 1.63% during the quarter – bringing the YTD performance to about 3.76% (5.01% annualised). The strong performance was largely attributable to the Fed's decision to finally embark on a rate cut cycle, leading to positive foreign fund flows into our local bond market. Notably, the Ringgit's strong performance as one of the top performing Asian currencies (YTD gain of 11.4%), further reinforced foreign funds' appetite for our bond market. A summary of the levels and movements in MGS and MGII during the quarter is as below:

Benchmark	MGS yield (%)			GII yield (%)		
	30-Jun-24	30-Sep-24	Change	30-Jun-24	30-Sep-24	Change
3-Year	3.530	3.333	-20 bps	3.530	3.319	-21 bps
5-Year	3.640	3.502	-14 bps	3.640	3.503	-14 bps
7-Year	3.785	3.680	-11 bps	3.785	3.688	-10 bps
10-Year	3.864	3.710	-15 bps	3.864	3.750	-11 bps
15-Year	4.006	3.899	-11 bps	4.006	3.909	-10 bps
20-Year	4.127	4.040	-9 bps	4.127	4.044	-8 bps
30-Year	4.221	4.181	-4 bps	4.221	4.197	-2 bps

Source: FAST BNM and Bond Pricing Agency Malaysia. Data as at 30 September 2024.

In terms of monetary policy action, BNM have maintained the OPR unchanged at 3.00% in 3Q2024, holding rates at 3.00% for eighth consecutive meeting since July 2023. The language and guidance from BNM was fairly neutral as the central bank assessed that the risks to growth and inflation are largely balanced where upside risk.

On growth, Malaysia's GDP growth data had been strong with first half of 2024 ("1H2024") clocking in a real growth rate of 5.1% due to strong export performance and realisation of approved investments – although BNM noted that downside risk persists from potentially lower external demand and commodity production. Meanwhile on inflation, Malaysia's inflation had been contained, with the latest CPI moderating to 1.9% YoY in August 2024, which was a welcomed surprise as diesel price subsidy rationalisation was only implemented recently. Nonetheless BNM noted that the inflation outlook remain dependent on domestic policy measures such as the government's plan to rationalise subsidies (e.g. RON95 petrol prices).

There were 10 government bond auctions in 3Q2024, where auctions were generally strong with simple average Bid-To-Cover ("BTC") ratio of about 2.3x, although some of demand did moderate slightly towards the end of the quarter. A summary of the auctions conducted during the quarter is as follow:

Issue	Issue Date	Size (RM billion)	Average Yield	BTC	High	Low
5Y MGS (MGS 3.885% 08/29)	02-Jul-24	5.0	3.672%	2.187x	3.679%	3.663%
10Y MGII (MGII 4.119% 11/34)	15-Jul-24	5.0	3.819%	2.422x	3.827%	3.813%
15Y MGS (MGS 4.054% 04/39)	22-Jul-24	3.0 + 2.0 (PP)	3.972%	3.101x	3.975%	3.959%
7Y MGII (MGII 3.804% 10/31)	08-Aug-24	5.0	3.726%	2.331x	3.735%	3.710%
30Y MGS (MGS 4.457% 03/53)	15-Aug-24	3.0 + 2.0 (PP)	4.172%	1.952x	4.188%	4.150%
5Y MGII (MGII 4.130% 07/29)	22-Aug-24	4.0	3.488%	3.683x	3.494%	3.476%
10Y MGS (MGS 3.828% 07/34)	29-Aug-24	5.5	3.760%	1.994x	3.769%	3.750%
20Y MGII (MGII 4.291% 08/43)	10-Sep-24	3.0 + 2.0 (PP)	4.084%	1.922x	4.091%	4.071%
7Y MGS (MGS 2.632% 04/31)	23-Sep-24	5.5	3.687%	1.729x	3.695%	3.674%
30Y MGII (MGII 4.280% 03/54)	30-Sep-24	3.0 + 2.0 (PP)	4.198%	1.860x	4.208%	4.185%

Source: FAST BNM. 30 September 2024. PP refers to Private Placement

Ringgit Corporate Bond

Ringgit Corporate Bonds had an equally strong quarter, with the strong momentum since end of last year carrying over to the latest quarter. Based on the Bond Pricing Agency Malaysia (“BPAM”) aggregate corporate yield compilation, the average credit spreads for 7-year AAA, AA widened slightly end the quarter at 18bps and 29bps respectively, from 16bps and 29bps in the quarter before, although this was mostly due to the quicker pace of rallying in MGS and the slight lag in Corporate bonds to follow suit.

In terms of credit updates notable negative rating actions during the quarter were (1) Revision of Duke 3’s AA- rating outlook to negative by Malaysian Rating Corporation (“MARC”) where the rating agency cited thinning liquidity buffer for the issuer due to tolling delay and lower-than-projected traffic levels and that Duke 3 only has “modestly sufficient liquidity to meet its financial obligations only up to 23 August 2025”, and; (2) RAM has placed Telekosang Hydro One S/B rating of AA3 under Rating Watch Negative (“RWN”) citing weakened liquidity position due to plant outage and that the issuer may potentially face a multi-notch downgrade by next payment date on February 2025.

Meanwhile, the notable positive rating actions were (1) Upgrade of DRB-HICOM Berhad’s rating to AA-/Stable from A+/Stable previously by MARC led by the robust earnings from DRB-HICOM’s auto division particularly from its new models launched under Proton, Honda, Mitsubishi and Izuzu which support the Group’s earning visibility; (2) Upgrade of MEX I Capital Berhad (“MEX I”) to A1/Positive from A2/Stable previously by RAM as the rating agency cited sustained improvements in MEX I’s operating performance that was further strengthened by the cash retention features such as restriction on dividend payments and cap on operating expensesm and; (3) Revision of Alliance Bank Malaysia Berhad (Alliance Bank or the Group) A1 rating outlook to positive by RAM where the rating agency cited improving asset quality and favourable funding profile as well as Net Interest Margins (“NIM”) of the banking group.

Outlook and Strategy

The outlook for fixed income market in fourth quarter of 2024 (“4Q2024”) and beyond, remain highly positive in our view as global inflationary trend have now firmly moderated to a level where central banks are more comfortable with. Indeed, we think the pivot in major central banks’ focus from ‘managing inflation risk’ previously to now ‘managing growth risk’ reinforced our view that the latest 50bps cut by Fed is only the beginning of a multi-year rate cut cycle and typically, rate cut cycles are highly conducive for bond markets in general to perform well. We believe this cycle will not be any different – especially when global interest rates remain much higher than historical averages.

In the case of Malaysia we expect BNM to maintain the OPR at 3.00% in the foreseeable future to manage the risk of slowing global growth vs. inflation risks from government policies such as the civil service salary increase and potential RON 95 subsidy rationalisation. Nevertheless, we believe that Malaysian fixed income assets is still poised to perform positively as the backdrop of global rate cuts will still lift the performance of local bond markets. Foreign flows have turned decidedly towards positive while the Malaysian Ringgit (“MYR”) have also appreciated to be the best performing currencies in Asia. The government’s commitment towards fiscal responsibility will also contribute positively towards the overall sentiment to Malaysia fixed income.

That said, we are adopting a more defensive positioning for our portfolios as we foresee a potential increase in market volatility amid rising geopolitical tensions in the Middle East particularly with the escalation of Iran / Israel conflicts. The US election is also around the corner and polls are suggesting that the results could be very close. For Malaysia, uncertainties over the Government’s medium term fiscal plan and unveiling of Budget 2025 are also key events that require close monitoring.

In summary, we are confident that the bond market can deliver a decent positive returns in 2024 buoyed by rate cuts in the developed markets and the moderating inflation across most economies. Nonetheless, we are wary of the risks from the rising geopolitical tensions and key events ahead and would advocate positioning portfolios to increase investments whenever exacerbated selling occurs

Commodity Market Review and Outlook

Oil (Brent)

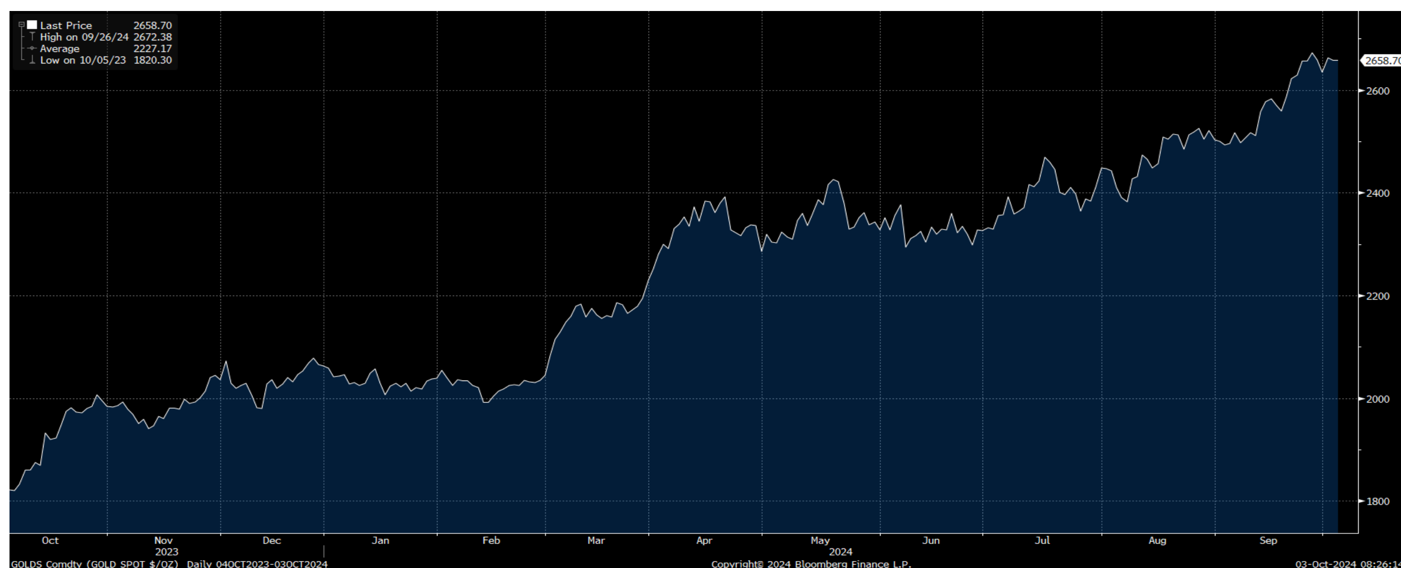
Source: Bloomberg, RHBAM, 30 September 2024.

Crude Oil (Brent) price declined 18% during 3Q2024, ending at around USD72 per barrel. Oil prices were more volatile in the 3Q2024 as the market sold off even after the Organization of the Petroleum Exporting Countries Plus ("OPEC+") announced to delay its plans to unwind 2.2 million barrel per day of voluntary production cuts by two months (from October 2024 to December 2024) as the market turned bearish on demand outlook. Oil prices have traded below the trading band of USD80 per barrel and even hit USD69 per barrel level early September 2024 as the supply would outstrip demand once the OPEC+ unwind its cut.

On the demand side, demand growth was revised down by two of the agencies. The International Energy Agency ("IEA") lowered its 2024 oil demand growth in its September 2024 report to 0.9 million barrels per day, down from 0.96 million barrels per day back in June 2024 report on the back of weaker demand for China and the US. The Energy Information Administration ("EIA") kept global oil demand growth at 0.9 million barrels per day in its September 2024 report. OPEC turned bearish and revised down its forecast from 2.3 million barrels per day to 2.0 million barrels per day. The downward revision to 2024 was led by China and the US. For 2025, the EIA raised demand growth from 1.4 million barrels per day to 1.5 million barrels, while OPEC lowered its view to 1.7 million barrels per day from 1.8 million barrels per day. IEA kept its 2025 demand growth forecast largely unchanged at 1.0 million barrels per day. On the supply side, OPEC August 2024 production was flattish quarter on quarter at 26.6 million barrels per day.

Moving forward, global oil demand growth in 2024 is projected to be around 0.9 million – 2.0 million barrels per day coming from the three agencies. Moving into fourth quarter 2024, taking into consideration of supply unwind by OPEC+ starting December 2024 through 2025, hurriance season in the US and heightened tension in Middle East, it could be a balance market. With geopolitical uncertainty in 2024 and clear guidance with regards to OPEC+ supply unwind, oil price may be range bound in fourth quarter 2024 with upside risk.

Gold



Source: Bloomberg, RHBAM, 3 October 2024.

Gold extended its rally into 3Q2024, as prices rose as much as 14% from the end of June 2024, reach a peak of 2672. Demand continues to be resilient with central banks' purchase, coupled with healthy Bullion Exchange-Traded Fund ("ETF") inflows, gold prices rose steadily even ahead of the Fed rate cute cycle. The Fed begun its rate cut cycle with a 50bps cut in the 18 September 2024 meeting, while indicating another 25bps cut before 2024 ends. We see upside risks to Gold prices in the next 3 to 6 months, given the heightened geopolitical risks and US elections uncertainty ahead.

Copper

Source: Bloomberg, RHBAM, 3 October 2024.

Copper endured a volatile 3Q2024, falling by around 9% during the start of July 2024 to below USD9,000 per ton, as fears of weaker US labour data, soft global manufacturing activity and China deflationary woes weighed in. Copper prices managed to recover gradually from August 2024 to September 2024, as China's outsized copper inventory began to unwind materially. Copper supply remains tight and with demand stabilizing, should trend towards a balance or slight deficit by 1H2025. The Fed rate cuts and China's announced stimulus in September 2024 should give copper and other base metals a sentiment boost, driving Copper prices towards USD10,000 per ton.

Key Takeaways

Source: Bloomberg, RHBAM, October 2024.
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 Overweight	Tactically positive for equities as growth momentum remained. The labour market remains resilient even as the average hourly wage growth eased. While household spending holds well, lower-income households do show some signs of 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	The Fed delivered a dovish rate cut, slashing its fund rates by 50bps to 4.75%-5.00% in September 2024, the first rate cut in four years. The Dot plots indicated an additional 25bps cut through 2026 for a total of ten cuts this cycle vs nine previously. Specifically, the Dots showed an additional 50bps cut by this year-end, 100bps cut in 2025 and 50bps cut in 2026 to a terminal rate of 2.9% (revised up from 2.8%). We continue to maintain our constructive view on rates as inflation continues to show signs of decelerating.
Cash	Underweight	Looking at money market flows as yield curve un-invert although still relatively attractive yields. Continue to be nimble on cash to take advantage of any tactical opportunity trades amid elevated market volatility in the short to medium term as geopolitical risk has clouded the outlook.

Equity

Countries	Outlook	Rationale
United States	Slight Overweight	The US economy grew at a slightly stronger pace in 2Q2024 than initially reported, reflecting an upward revision to consumer spending. Gross domestic product rose at a 3% annualized rate in the quarter, up from 2.8% in its previous estimates. Personal spending rose 2.9%, versus the prior estimate of 2.3%. The upward revision to consumer spending reflected both stronger advances in purchases of goods and services. US growth remains robust with the Atlanta Fed's GDPNow model is tracking Q3 growth at 2.5% Seasonally Adjusted Annual Rate ("SAAR") with better-than-expected US ISM services, initial jobless claim data and ADP employment. Notably, the trigger of the Sahm Rule in July 2024 differed to past unemployment readings. Usually, the rise in unemployment is driven by layoffs (demand), but in this instance, this was caused by an influx of people entering the labour force (Supply), which is not a signal of a recession. Fed Chairman Powell emphasized that the decision for an outsized 50bps cut was designed to keep the US economy "in a good place". Powell also stressed that no one should look at 50bps as the new pace and he doesn't see anything that would suggest the odds of a downturn are elevated. He repeated a similar message at the National Association for Business Economics ("NABE") conference on 30 September 2024. For now, the data and Fed comments favour a gradual easing path.
Europe	Slight Underweight	The ECB cut policy rates by 25bps in September 2024 as expected, marking the second cut this year. The formal statement reiterated the Council's data-dependent and meeting by meeting approach while President Lagarde only stated that the direction for policy rates was "pretty obvious" and "declining". The ECB revised real GDP down by 0.1ppt to 0.8% in 2024, 1.3% in 2025 and 1.5% in 2026. Core inflation was revised up by 0.1% to 2.9% in 2024 and 2.3% in 2025. The new projections showed a weaker growth outlook and more

Countries	Outlook	Rationale
		stubborn core inflation. ECB also lowered its other two facilities by 60bps each. In September 2024, both the manufacturing and services PMI came in weaker than expected with the Eurozone's two largest economies seeing private-sector business activity slump. Eurozone September 2024 CPI preliminary data saw headline inflation eased to 1.77% YoY, this is the first print below 2% since 2021. ECB President Christine Lagarde said the central bank is increasingly confident that inflation will fall to its 2% target and this will be reflected in the next policy move. ECB President Christine Lagarde effectively set the stage for a 25 bps rate cut at the 17 October 2024 meeting, which is now virtually fully priced-in by the swaps market.
Japan	Neutral	In its 20 September 2024 meeting, the BOJ kept its target for its key rate at 0.25% as expected. After the meeting, Governor Kazuo Ueda made a significant shift in messaging to essentially rule out a hike at the next meeting on 31 October 2024. The Japanese ruling Liberal Democratic Party elected its new president on 27 September 2024 to succeed Fumio Kishida as Japan's prime minister. As widely expected, the first round of voting concluded with no candidate receiving a majority and went into a run-off between Shigeru Ishiba and Sanae Takaichi. The yen slid before the election result as the market speculated that Takaichi, a supporter of low interest rates, would become the nation's first female prime minister. However, the yen strengthened after the ruling party picked Ishiba as its next leader by securing 215 out of 415 votes. Ishiba was seen as supportive of the BOJ's plan to continue gradually tightening but this seems to have a U-turn after his conversation with BOJ Governor. Prime Minister Ishiba said, "I won't comment on interest rates, but I look forward to the BOJ keeping its current stance to help us beat deflation." He doubled down just now, saying the economy is not in a condition for the BOJ to hike rates again.
Asia ex Japan	Slight Overweight	Fed rate cuts and weaker USD benefits the region. If inflation slows, central banks would have room to lower policy rates after Foreign Exchange ("FX") stabilize. China policymakers took supportive actions in an attempt to support growth amid waning recovery momentum.
ASEAN	Overweight	Weaker USD will benefit the ASEAN countries. More political stability post elections with policies that are friendly to the market and economic growth.
China	Slight Overweight	On 24 September 2024, the PBOC announced a broad package of monetary stimulus measures above market expectations boosted the market. Two days after the PBOC's stimulus, the Politburo pledges to boost growth by halting the property rout, shoring up the stock market and stabilizing employment. As holding the meeting in September 2024 rather than waiting until the normally scheduled December meeting show an unusually high degree of urgency and determination to support the economy. While the Politburo offered no specifics on fiscal spending, Reuters reported on 26 September that the Ministry of Finance is planning to issue RMB2 trillion ($284 billion) of special sovereign bonds.
Hong Kong	Neutral	Hong Kong's economic performance is more correlated with Mainland China, but its monetary policy has to follow the US. Hong Kong base rate was cut by 50bps in line with Fed rate cuts. The latest policy rate cut may lend some support to businesses of a few interest-rate sensitive sectors. Looking ahead, we expect the economy to continue recovering in coming quarters on supportive measures in China and easing on financial condition.
Taiwan	Neutral	Real GDP rose 5.1% in 2Q2024 above consensus' 4.8% yoy driven primarily by stronger-than-expected acceleration in domestic demand and investment including inventories accelerated sharply to 12.5% quarter-on-quarter ("QoQ") from 1.7% QoQ the previous quarter. CPI inflation inched down to 2.4% YoY in August 2024 from 2.5% in July 2024 after three months of acceleration. Core CPI (excluding fruit, vegetables, and energy) remained unchanged at 1.8% YoY for the fifth consecutive month. Governor indicated that Central bank of China ("CBC") could cut its policy rate when inflation is around 1.5%-2.0%, barring strong capital outflows that could weaken the TWD. CBC kept its policy rate at 2.0% in its September 2024 meeting following a surprise hike in March

Countries	Outlook	Rationale
		2024. The CBC again tightened selective credit control measures (lowered loan-to-value limits by 10ppt) and raised the RRR by 25bps to cool down housing markets. In the June 2024 meeting, the 25bps RRR hike was estimated to drain around NT$120 billion from the banking system. In June meeting, CBC revised up its growth forecast for 2024 to 3.8% amid continued growth in exports along with a pickup in investment and sustained gains in private consumption. CBC nudged down its headline CPI forecast by 0.1ppt to 2.1% while core inflation remained at 2.0% for 2024.
South Korea	Neutral	The Bank of Korea ("BOK") kept its policy rate on hold at 3.5% in August 2024, as expected. This decision was unanimous, unchanged from the previous meeting. The BOK revised down both its growth and inflation forecasts by 0.1ppt to 2.4% and 2.5% respectively. Overall, it's a dovish hold with four out of six members "open to a cut in the next three months" up from just two in the last meeting. Regarding the appropriate timing of easing, the BOK will continue to assess potential policy trade-off between macro (inflation and growth) stability vs financial stability. A majority of the members preferred to wait and see the impact of recent measures of the government for housing market stabilization and tightened macroprudential measures effective on September 1. Thus, the BOK may start its easing cycle in Q42024, most likely in October 2024 as CPI inflation eased to 2.0% in August 2024 from 2.6% in July 2024, matching BOK's medium-term target of 2%. Core CPI (excluding food and energy) inched down to 2.1% yoy. Real GDP fell 0.2% QoQ sa in 2Q2024, reversing from a strong 1.3% gain in 1Q2024. This is below consensus' +0.1% QoQ gain. Contribution to headline growth from domestic demand dropped to -0.1ppt in 2Q204 from +0.5ppt in 1Q2024 amid contraction in private consumption and fixed investment.
India	Neutral	India equities continued its upward rally post-election and chalked new highs in September before profit-taking activities took place towards the end of the third quarter of 2024. The Reserve Bank of India maintained its real GDP forecast to 7.20% for Financial Year 2025, while also keeping the repo rate at 6.5% for the ninth straight time at its August 2024 meeting, with expectations of a hold in the next meeting in October. August CPI came in at 3.65%, below the 4.00% level for the second consecutive month as food prices moderated further, which could support rural consumption recovery. With the strong performance YTD, the market is currently trading at +2 standard deviation with moderating earnings upgrade potential and we are of the view most positives are already priced in. Hence, we expect relative underperformance over the next 1-2 quarters against other key regional markets, although domestic liquidity could surprise on the upside. Key risk in the near term are valuation derating if corporate earnings fail to sustain its momentum, as well as high oil price environment due to escalation of geopolitical tensions.
Australia	Slight Underweight	The Reserve Bank of Australia ("RBA") has held the cash rate constant at 4.35% in third quarter 2024. The RBA has hiked rates by a cumulative 425bps, to the highest level of interest rates since 2012. The RBA's September 2024 meeting did not materially change their policy guidance, albeit after previously shifting in the hawkish direction. Overall, monthly CPI indicator in August 2024 has eased to 2.7% YoY which is the lowest pace since August 2021. RBA Governor Bullock coniditioned that the return of headline inflation to the RBA's 2-3% YoY target must be "sustainable", which mean one quarterly CPI print within the target band is unlikely sufficient to cut rates. Valuations are balance with the market price-to-earnings ratio sitting above its 5 years average at 18.5 times.
Singapore	Neutral	Monetary Authority of Singapore ("MAS") expected the Singapore economy to strengthen over the rest of 2024, with the slightly negative output gap closing by year-end. Barring renewed shocks to costs, core inflation should step down more discernibly in Q4, and fall further to around 2% in 2025. Against this backdrop, the MAS to keep its monetary policy parameters unchanged in its July meeting. MAS will remain on hold at the October 2024 meeting as it awaits more data to confirm that the disinflationary trend will continue.

Countries	Outlook	Rationale
Thailand	Slight Underweight	Bank of Thailand ("BOT") left its policy rate unchanged at 2.5% for the fifth straight meeting in August 2024. BOT voted 6-1 with the dissenting member voted to lower the rate by 25bps, citing structural challenges to recovery and the debt-servicing burden on borrowers. On forward guidance, the BOT reiterated that the policy rate "remains consistent with economic growth and inflation outlook". The BOT noted that GDP growth of 2.3% YoY in 2Q2024 (vs 1.6% in 1Q2024) was broadly in line with its expectations, although government spending and private investment growth were weaker-than-expected. The acceleration was driven by larger net external as export growth accelerated but import growth declined. BOT may start easing cycle this year earlier as guided by recent comments from BOT Governor. While market expects the BOT to keep rate at its next meeting on 16 October 2024, there are risk to shift the rate cut if credit quality deteriorate and whether it affects liquidity and the broader economy. CPI inflation slowed to 0.4% YoY in August 2024 (vs 0.8% YoY in July 2024) mainly driven by lower transportation inflation. Meanwhile, core inflation, which excludes raw food and energy, edged up to 0.6% YoY in August 2024 (vs. 0.5% YoY in July 2024).
Indonesia	Slight Underweight	BI has cut rates 25bp to 6.0% and this move, prior to Fed meeting, was not unexpected. The Governor explained that the decision was mainly driven by more clarity on the direction of US policy rates, slightly stronger IDR and low and stable inflation. BI maintained its forecasts for real GDP growth at 4.7%-5.5% in 2024 partly driven by higher public infrastructure spending and recovering private consumption. BI continues to expect CPI inflation to remain in the 2.5% +/- 1% target band in 2024 and retained its full year current account deficit forecast to a low and manageable 0.1-0.9% of GDP in 2024.This start open door to BI's easing cycle and we expect another cut in its next meeting on 15-16 October 2024.
Philippines	Slight Overweight	BSP decided to cut policy rates by 25bps to 6.25% in August 2024, in line with our expectation and BSP guidance in July 2024. BSP noted that while GDP growth was robust at 6.3% in 2Q2024, supported by higher public spending, the decision to ease monetary policy rate was partly to address slowing private consumption spending. BSP expects domestic demand to remain firm as private consumption bottoms out. BSP raised its headline CPI inflation forecast to 3.4% / 3.1% for 2024/25, from 3.3%/3.2% previously. The governor said that BSP will cut the RRR but the timing remains uncertain for now. The governor said that a 25bps cut is on the cards for the 16 October 2024 meeting, followed by a reduction of the same size in December and sees the key rate declining from 6.25% now to around 4.5% by the end of 2025, a level that will support the economy.
Malaysia	Slight Overweight	Earnings expected to recover along with the improvement in the economy.The economy is likely to maintain its momentum going forward which would likely to be translated into better corporate earnings outlook. Attractive valuation couple with strong domestic and foreign liquidity (due to undervalued currency) would benefit the equity market.
Malaysia Small Cap	Neutral	Corporate earnings are expected to recover along with the improvement in the local and global economy.

Fixed Income

Asset Class	Outlook	Rationale
Global Bonds (Rates)	Overweight	Fed Funds Target rate was cut by a larger than expected 50bps to 4.75% - 5.00%, the first easing pivot in over 4 years, amidst decelerating inflation and labor market cooling. We still expect at least two more cuts by the end of 2024 and subsequently UST yields to rally. The latest September 2024 FOMC meeting dot plots released show two more rate cuts in 2024 and four further rate cuts in 2025, with the longer term rate expectations at 2.875%.

Asset Class	Outlook	Rationale
		We continue to maintain our outlook as overweight on bonds for 2024, with a more constructive view on duration as inflation is decelerating and production overall is declining.
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 two years. We advocate holding on to current positions in the portfolio 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 as we have been consistently seeing new lows, but we are advocating overweight on a total 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 (“EM”) 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 growth has been largely underwhelming as property sector revival concerns remain an overhang. 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	Global rate cut cycle is a positive for bonds including for the Malaysian market. Notably foreign fund flows have turned positive in recent months and the the tight supply & demand conditions are likely to provide further catalysts for the local market to perform positively.

Commodities

Asset Class	Outlook	Rationale
Gold	Overweight	Gold extended its rally into 3Q2024, as prices rose as much as 14% from the end of June 2024, reach a peak of 2672. Demand continues to be resilient with central banks’ purchase, coupled with healthy Bullion ETF inflows, gold prices rose steadily even ahead of the Fed rate cute cycle. The Fed begun its rate cut cycle with a 50bps cut in the 18 September 2024 meeting, while indicating another 25bps cut before 2024 ends. We see upside risks to Gold prices in the next 3 to 6 months, given the heightened geopolitical risks and US elections uncertainty ahead.
Crude Oil	Neutral	Crude Oil (Brent) price declined 18% during 3Q2024, ending at around USD72 per barrel. Oil prices were more volatile in the third quarter 2024 as the market sold off even after the OPEC+ announced to delay its plan to unwind 2.2 million barrel per day of voluntary production cuts by two months (from October 2024 to December 2024) as the market turned bearish on demand outlook. Oil price has traded below the trading band of USD80 per barrel and even hit USD69 per barrel level early September 2024 as the supply would outstrip demand once the OPEC+ unwind its cut. On the demand side, demand growth was revised down by two of the agencies. The IEA lowered its 2024 oil demand growth in its September 2024 report to 0.9 million barrels per day, down from 0.96 million barrels per day back in June 2024 report on the back of weaker demand for China and the US. The EIA kept global oil demand growth at 0.9 million barrels per day in its September 2024 report. OPEC turned bearish and revised down its forecast from 2.3 million barrels per day to 2.0 million barrels per day. The downward revision to 2024 was led by China and the US. For 2025, the EIA raised demand growth from 1.4 million barrels per day to 1.5 million barrels while OPEC lowered its view to

Asset Class	Outlook	Rationale
		1.7 million barrels per day from 1.8 million barrels per day. IEA kept its 2025 demand growth forecast largely unchanged at 1.0 million barrels per day. On the supply side, OPEC August 2024 production was flattish quarter on quarter at 26.6 million barrels per day. Moving forward, global oil demand growth in 2024 is projected to be around 0.9 million – 2.0 million barrels per day coming from the three agencies. Moving into fourth quarter 2024, taking into consideration of supply unwind by OPEC+ starting December 2024 through 2025, hurriance season in the USA and heightened tension in Middle East, it could be a balance market. With geopolitical uncertainty in 2024 and clear guidance with regards to OPEC+ supply unwind, oil price may be range bound in fourth quarter 2024 with upside risk.

Foreign Exchange

Asset Class	Outlook	Rationale
USD	Neutral	USD outlook is neutral / mixed as the Fed rate cut cycle will reduce the attractiveness of the greenback only to be offset by potential risk-haven demand due to rising geopolitical tensions and slowing global growth outside the US. Typically the USD may also strengthen in the immediate aftermath of the US election although the outlook this round is less clear in the face of a Fed rate cut cycle.
EUR	Negative	EUR is expected to to trade weaker in 4Q2024 as the Fed's rate cut is likely to be overshadowed by ECB's own rate cuts. Europe's moderating inflation and lacklustre growthare already prompting the ECB to cut rates in tandem with the Fed and we think there is scope for the ECB to cut more aggressively with some of the ECB voting member sounding a lot more dovishly in recent weeks.
GBP	Negative	GBP suffers from similar conundrum as the Eurozone as heightened risk of recession in the UK is keeping the BOE on the dovish side to cut rates further. Governor Andrew Bailey in a recent newspaper interview was quoted that the BOE could turn "more aggressive on easing" if inflation outlook continues to improve, signalling the BOE's willingness to cut rates in tandem with the Fed, if not more aggressively.
JPY	Positive	For Japan, the newly elected Prime Minister Shigeru Ishiba have taken a softer approach towards inflation and said that the country is likely not ready for another rate hike. However, the JPY could still gain as US rates are likely to trend lower resulting in dwindling interest rate differential vs Japan. This may trigger further unwinding of the JPY carry trade should the JPY strengthen meaningfully.
CNH	Positive	CNH is expected to benefit from the improving China sentiment following the large monetary easing package announced in late September. The easing, which have since unleashed a major bull run in the Chinese equity market is likely to revive interest in Chinese assets including the Chinese Yuan.
AUD	Positive	AUD is expected to benefit from the improved sentiment towards China's growth and China's reflationary policies. Commodity prices have seem to found a footing while geopolitical tensions should keep commodity prices high which would benefit the Australian economy in general.
SGD	Neutral	MAS had kept its monetary policy unchanged for a while now where it pursue a mild appreciation of the SGD vs its peers to blunt imported inflation. However, as inflation is beginning to moderate, policymakers' language have also softened in tandem and MAS may change to focus on growth by pivoting towards a more neutral SGD trajectory.
MYR	Positive	Ringgit's outlook is positive led by the favourable sentiment on EM FX in-line with the growth oriented policies that are coming out of China. Malaysia in particular is a bright spot as foreign companies and investors continue to invest here led by the political stability recently – which allowed key policies such as fiscal deficit consolidation and other policies implementation. We forecast a modestly bullish year-end MYR level of 4.05.

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