

QUARTERLY MARKET INSIGHTS

Quarter 3, 2023

RHB

Source: Bloomberg, RHBAM, July 2023

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Global Equity Market Review and Outlook

Global equities performance, as measured by the MSCI All Country World Index, increased by +5.6% during the month of June 2023. United States ("US") equities reported a gain of +6.5%, Europe was +4.7%, and Japan was +4.0% (in US-dollar ("USD") terms) during the same period. Asia Pacific ex-Japan ("APAC") recorded a gain of +3.1% (in USD terms), with Korea (+0.3%), Taiwan (+0.6%), Hong Kong (+3.0%), and China (+3.3%) in USD terms in June 2023. Within the Association of Southeast Asian Nations ("ASEAN") countries, Philippines +1.9% was the best performer, followed by Singapore +1.7%, Indonesia -0.7%, Thailand -2.0% and Malaysia -2.1% during the same period (in USD terms).

The end to the most aggressive monetary tightening cycle is gradually drawing closer. At the global level, the aggregate hard data has not looked too bad in recent months. Despite weakness in the Industrial sector, the Services sector has kept the global composite Purchasing Managers Index ("PMI") on an upward trend. US Federal Reserve ("Fed") Chair Powell underscored his hawkish stance at the European Central Bank ("ECB")'s annual central bank symposium in Portugal. Powell said that the Fed's policy was restrictive, but not restrictive enough and has not been restrictive for very long. He stressed that most Fed policymakers expect two more hikes this year, adding that the Fed would not take hiking at consecutive meetings off the table. Lastly, he noted that the Fed would not need to adjust the pace of quantitative tightening ("QT"), which is currently running at around USD1 trillion per annum. With Powell's hawkish stance and continued strong data from the US, the market is finally convinced. World Interest Rate Probability ("WIRP") still suggests that a 25 basis points ("bps") hike is largely priced in for July 2023, but the odds of another 25bps hike has risen to 34% in November 2023. More importantly, market pricing for the start of an easing cycle has been pushed out until June 2024.

The Fed left rates at 5.00% to 5.25% in its June 2023 meeting, which was in line with market expectations amid the forward guidance of "Skip" in this meeting. On the other hand, recent hawkish central bank hikes, including the Bank of England and Norges Bank (both surprised with a 50bps hike) continued to underscore the mood in developed markets as well. US first quarter ("Q1") 2023 real Gross Domestic Product ("GDP") (the third such revision) saw a significant increase from to 2.0% (estimate +1.4%). The majority of the revision was due to net export's contribution to growth (upward revisions to exports and downward revisions to imports) and consumption revised higher to 4.2%.

On geopolitics, after the explosive weekend of Wagner Group's Prigozhin attempted 'coup' ended with negotiations brokered by Belarus, Yevgeny Prigozhin arrived in Belarus as Vladimir Putin said Russia averted "civil war". In Asia, Japan restored Korea to its list of preferred trading partners. Trade Minister Yasutoshi Nishimura said this will take effect since 21 July 2023 and comes three months after Korea made a similar move. Back in March 2023, Japan rolled back export restrictions on key semiconductor materials to Korea. Elsewhere, Janet Yellen plans to visit Beijing in early July 2023 for her first economic talks with her new counterpart, He Lifeng.

RHB

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In China, following 10bps cuts to the 7-day reverse repo rate and the 1-year Marginal Lending Facility (“MLF”) rate in early June 2023, the People's Bank of China (“PBOC”) cut its 1-year and 5-year Loan Prime Rate (“LPR”) on 20 June 2023. This was in line with our expectations, but markets were disappointed as they were expecting a larger 15bps cut for the 5-year LPR (the benchmark for mortgage rates) to support the Property sector. This move could suggest the start of additional monetary policy easing and the need to stabilise the Property sector, affirming the “housing is for living in, not for speculation” mantra. We continue to expect further policy easing measures to be announced in the following weeks.

The China official manufacturing PMI rose to 49.0 in June 2023, up from 48.8 in May 2023, with both the output sub-index and new orders sub-index rising, though the employment sub-index remains muted. Non-manufacturing PMI moderated to 53.2 in June 2023 from 54.5 in May 2023, showing ongoing recovery in both the Construction and Services sectors but at a slower pace. Within non-manufacturing components, services PMI slowed to 52.8 (vs. 53.8 in May 2023), within that, PMI for airlines transport services and Telecommunication sectors were above 60, while the PMI in wholesale and Property sectors were both below 50 in June 2023. Construction PMI moderated to 55.7 in June 2023 (vs.58.2 in May 2023), but still remained elevated.

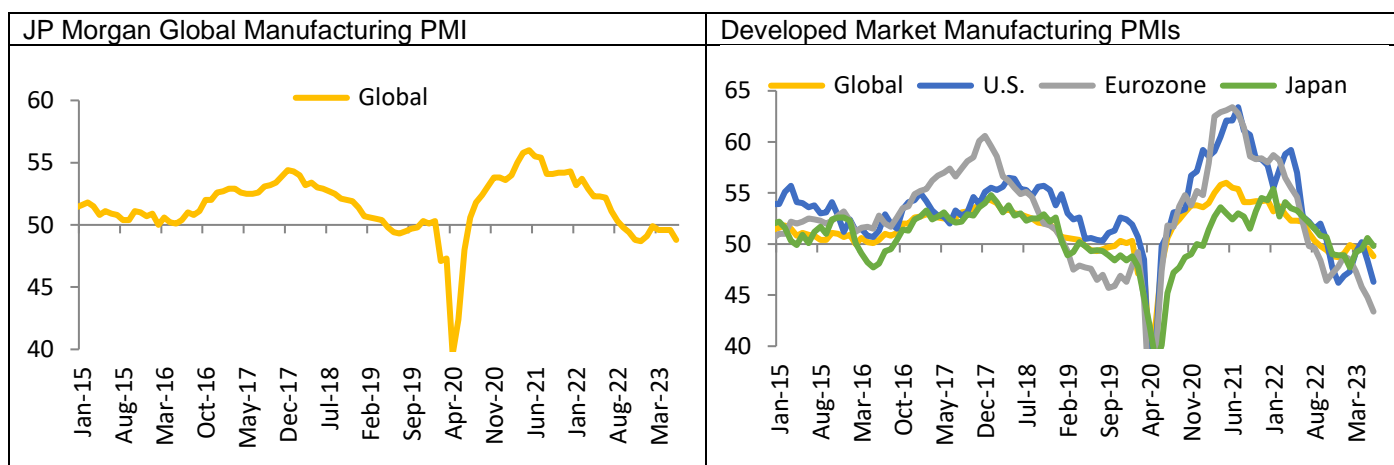
Market volatility remains elevated amid concerns over policy tightening, which has already started to have an impact on the global economy through lower demand from consumers and higher input costs for corporates. We are cautiously optimistic, though markets may prove to be bumpy and volatile amid tighter monetary policies and financial conditions. With more nations moving towards protectionism (energy, food and technology security) and nationalism, markets should prepare for an extended period of heightened volatility.

We 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 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, technology and defence).



Economic Highlights

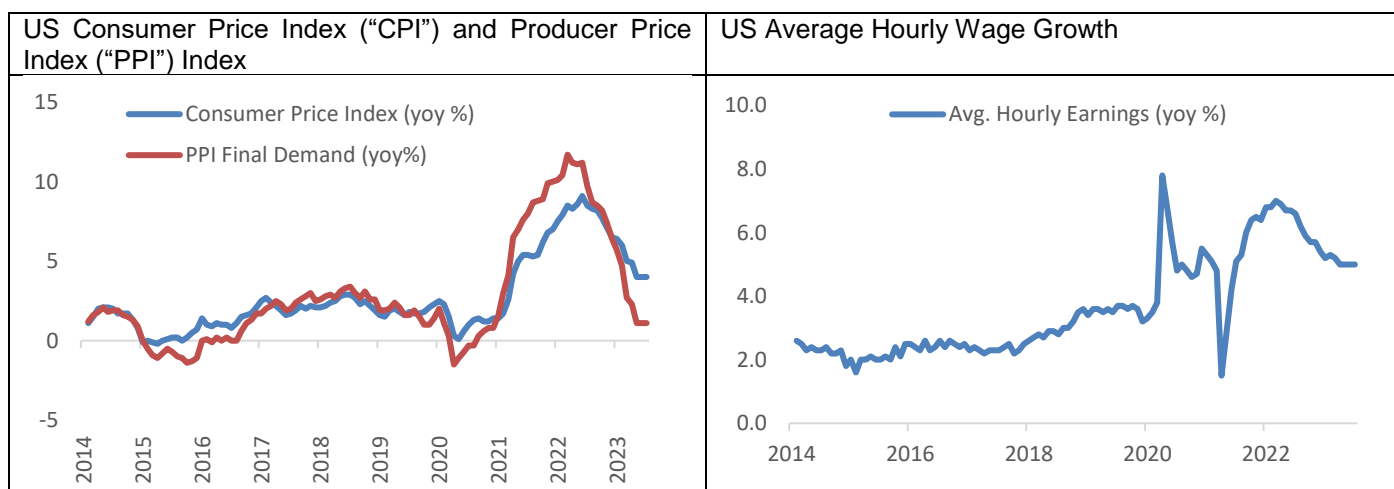
Global Purchasing Managers Index (“PMI”)



Source: Bloomberg, RHBAM, 6 July 2023.

- JP Morgan Global Manufacturing PMI declined to 48.8 in June 2023 from 49.6 in March 2023.
- The US S&P manufacturing PMI remained in contractionary territory at 43.4 in June 2023 vs 49.2 in March 2023, alongside Japan at 49.8 in June 2023 vs 49.2 in March 2023. Similarly, the Eurozone manufacturing PMI remained in contractionary territory at 43.4 in June 2023 as compared to 47.3 in March 2023.

US

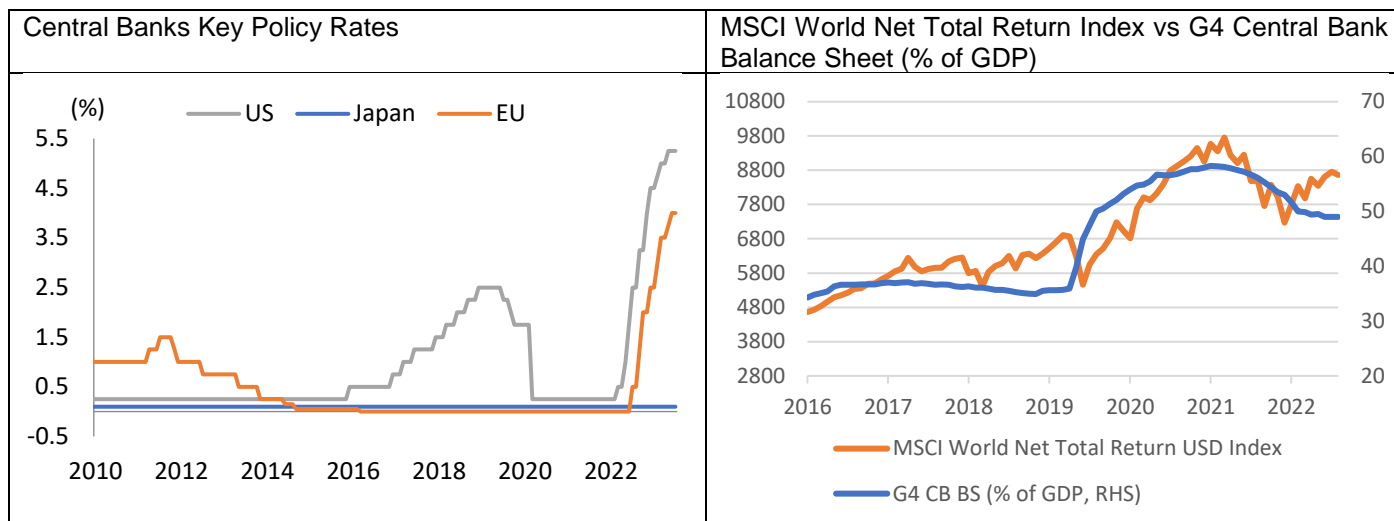


Source: Bloomberg, RHBAM, 6 July 2023.

- US inflation remain elevated at 4.0% in May 2023 amid easing from a peak of 9.1% in June 2022.
- Unemployment rate remained solid at 3.7% in May 2023 vs 3.5% in March 2023 and US hourly wage growth still robust at 5.0% in May 2023



Global

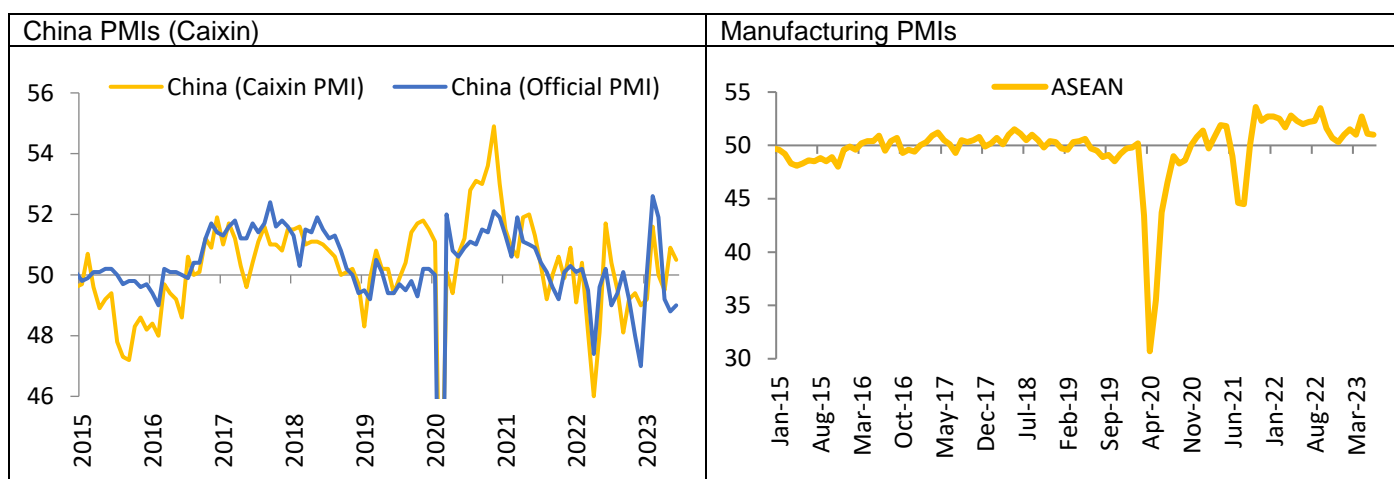


Source: Bloomberg, RHBAM, 6 July 2023.

- 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. Going into 2023, Fed continued its hike of 25bps in February 2023, 25bps in March 2023, and 25bps in May 2023 to 5.00% - 5.25%.
- 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, +50bps in March 2023, +25bps in May 2023, and +25bps in June 2023.

China

ASEAN



Source: Bloomberg, RHBAM, 6 July 2023.

- The Caixin Manufacturing PMI improved to expansionary territory in 50.5 in June 2023 as compared to 50.0 at March 2023 and Official PMI at 49.0 in June 2023 vs 51.9 in March 2023.
- ASEAN's manufacturing PMI remained expansionary at 51.0 in June 2023 vs 51.0 in March 2023.



China/Hong Kong

MSCI China rallied 4.1% in Hong Kong dollar (“HKD”) terms in the month of June 2023. In the first half of June 2023, the market rose from May 2023 slippage on hopes of weak data triggering major stimulus and US-China re-engagement. Optimism faded in second half of June 2023 on actual stimulus undershooting expectations, renewed US Technology restrictions, hawkish global Central Bank guidance, and weakening onshore Renminbi (“CNY”) vs. USD.

During the month there were a few events 1) Targeted stimulus (automobiles and new energy vehicle (“NEV”) stimulus, household consumption, 10bps policy rate cut, lowering business operating costs, etc.) benefited related sectors. Fast approval of four listed developers’ A-share financing helped sentiment over property shares at month end, but no signs of national property stimulus. 2) US-China’s “carrot and stick” style re-engagement: Yellen may visit China in early-July 2023. On the other hand, likely new export curbs on Artificial Intelligence (“AI”) chips and deep ultraviolet (“DUV”) weighed on China’s AI or Semiconductors plays. 3) On 19 June 2023, the Stock Exchange of Hong Kong launched HKD-Renminbi (“RMB”) dual counter, posting RMB162 million turnover in the first trading day. Hong Kong will be home to the Saudi Arabia-China Entrepreneurs Association.

We anticipate that China’s recovery will be bumpy. We believe that the re-opening play in China has been played out and will be moving towards focusing on State-Owned Enterprises (“SOE”) reforms as another theme for the rest of the year. We are maintaining our infrastructure theme. 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. For SOEs reform, there will be an aligning of SOE’s operational and development with China’s strategic goals notably self-sufficiency in technology, energy and food supply with additional focus on return on equity and operating cash flows as key performance indicators.

ASEAN

MSCI ASEAN index was flat in USD dollar terms for the month of June. The rally in Singapore and Philippines markets were offset by the pull back in Thailand. Both Malaysian Ringgit and Thai Baht depreciated against the US dollar vs. the Philippines Peso which appreciated against the US dollar.

Singapore core and headline Consumer Price Index (“CPI”) came in at 4.7% and 5.1% year-on-year (“YoY”), respectively in May 2023. Comparatively, April 2023’s core and headline CPI was higher at 5.0% and 5.7% YoY respectively. Core CPI moderated largely from a fall in food and retail inflation. Meanwhile, headline CPI was lower on the back of a fall in inflation for private transportation, services and food. Separately, Singapore Non-Oil Domestic Export (“NODX”) was down 14.7% YoY in May 2023, well below consensus estimates of -7.7%. Electronics and non-electronics declined. NODX declined in May 2023, mainly due to Hong Kong, Malaysia and Taiwan; though NODX to China and the US rose.

Prime Minister Anwar Ibrahim announced a few initiatives for the capital markets. Stamp duty rate for shares traded on Bursa Malaysia Securities will be reduced to 0.10 percent of contract value effective July 2023 from the current 0.15 percent, subject to a maximum cap of RM1,000 per contract. To attract larger pool of investors to support financing for small and medium enterprises (“SMEs”) and the new economy, the Ministry of Finance (“MOF”) and Securities Commission Malaysia (“SC”) will look at policies to facilitate and attract the setting up of family offices in Malaysia. Also, heavy electricity users in the residential segment will be subject to a 10sen/kWh surcharge; this marks the end of the blanket electricity subsidy. In slightly more positive news, the surcharge imposed on commercial and industrial users will be lowered to 17sen/kWh (net tariff -5% half-on-half (“HoH”)) following easing fuel prices.

Despite inflation surprising on the downside in May 2023 at 0.53% YoY, lowest in 21 months, due to base effects, electricity subsidies, and also soft demand-pull inflationary pressures. The Bank of Thailand (“BOT”) resumed policy normalization with another 25bps hike in May 2023, while signaling for more tightening to pre-empt potentially loose fiscal or economic policies of the next government. The Move Forward Party (“MFP”) has won the most seats and set out to form a pact with liberal or progressive parties, its leader still faces election eligibility investigation. Politically it is still unclear on which parties will form a coalition.

Bank Indonesia (“BI”) kept its policy rate unchanged at 5.75% to support the rupiah which has been weakening since early May 2023 due to the Fed’s hawkish stance and China’s weak economic recovery. Deposit and lending facility rates were maintained at 5% and 6.5% respectively. BI stated that inflation continues to fall faster than expected, with headline inflation easing to 4% in May 2023, at the upper end of its target. BI expects inflation to moderate to around 3.2% by year-end 2023.

The Department of Finance (“DOF”) proposed new taxes on salty foods and sweetened beverages. Meanwhile, the DOF also intends to increase the sweetened beverage tax under the Tax Reform for Acceleration and Inclusion (“TRAIN”) law to Twelve pesos (“P12”) per litre, regardless of the type of sweetener. The aforementioned tax proposals were supposed to kick in by 2025, but the government decided to advance it to 2024. Headline inflation rate in May 2023 continue to taper off for the fourth straight month as it hit 6.1% YoY, or down by 50bps vs April 2023’s 6.6% YoY.

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 both to the US and China. 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

Malaysia's real gross domestic product ("GDP") growth increased by 5.6% year-on-year ("YoY") in the Q1 2023 compared with 7.1% in fourth quarter ("Q4") 2022. On a seasonal quarter-on-quarter ("QoQ") comparison, the economy grew marginally by 0.9% in Q1 2023 after contracting by 1.7% in Q4 2022. The resilient domestic demand is expected to keep the economy running offsetting a contraction in exports which has been a drag on the economy. Unemployment rate is at 3.5% and income growth though at a slower pace will continue to support growth in consumer spending.

The near-term outlook for consumer spending would depend on how many households have more cash on hand now as there is no more cash stimulus, the "revenge spending" on travels and consumer services post pandemic had faded and higher interest rates (borrowing costs) would mean higher debt service payments for borrowers. Consumers will remain cautious especially on discretionary spending amid concerns about a slowing economy. However, Inflation is manageable and we believe that Bank Negara Malaysia ("BNM")'s rate tightening cycle is likely nearing its end. Malaysia ringgit ("MYR") is second worst performing currency.

Despite better economic fundamentals, FBMKLCI performed worse than other regional markets in the first half of 2023. Foreign institutions were the major seller and net sold RM4.192 billion of Malaysian equities. They have been persistently selling Malaysian equities in 2023 primarily, in our opinion due to the weak MYR.

The index is cheap from Price Earnings Valuation. The index has not been able to trade higher than mean valuation since September 2020. The Index is trading at 12.7 times price-earnings ratio ("PE") at 1,376 compared with average PE of 14 times past 3 years. It is worth to note that this is the same PE level when the index touched the low of 1,219 when the pandemic hits in March 2020. Corporate earnings have been downgraded from February 2023 and we are of the view that earnings downgrade might have bottomed.

The global interest rates hike cycle may be nearing an end. But the Fed is expected to hold the interest rate at current high level due to strong labour market and rising wages. The Fed is expected to cut the interest rate when the job market and wage growth start to decline and US economy goes into recession which would be positive for Malaysia and Asia equities.

The external uncertainties over US economy going into hard or soft landing (as a result of the aggressive rate hike) and whether Chinese government would adopt more aggressive policies to respond to the slower than expected economic recovery would have an impact on the direction of the equity market and currency.

On the domestic front, slowing Malaysia economy, weak currency and the results of impending state elections would also have an impact on the direction of the market in the short term. The state elections will be a testing ground for the unity government. It will be the first major test for the former political rivals in the coalition to ensure continued political stability post the 15th General Election.

Gradual pace of subsidy rationalisation will start soon. The government has started to implement the targeted subsidy for electricity tariff (medium voltage and high voltage users, including multinational companies) from July 2023 and next in line is targeted subsidies for fuel, including RON95 petrol and diesel. Subsidy rationalization will have an impact on discretionary consumption. Hence, we are of the view that every sector would likely be affected due to slowing economy.

However, we are of the opinion that relatively cashed-up domestic funds and low foreign holdings coupled with bottoming earnings downward revision may provide the support to the index. We would take the opportunity to position the portfolio for decent returns in longer run due to expectations of better corporate earnings in 2024 and cheap market valuation. We believe the market is close to its bottom or already at the bottom.

In the short term we would be defensive and would look for companies with pricing power and market share in times of slowing economy, company with low gearing (high interest rates environment, strong free cash flows (potentially maintain dividend) and lower exposure in high growth companies. MYR weakness currently will benefit exporters.

We believe, any turn in sentiment on China (e.g. stimulus) could have a knock on positive impact on FBMKLCI performance. We will add more beta only when the Fed signals rate cuts.



Global Fixed Income Market Review and Outlook

US Treasuries and G10 Bonds

The quarter in review refocused on the Fed tightening path and saw a bear flattening of the US Treasury (“UST”) curve as inflation, resilient economic data and an unexpected slowdown in China were the main themes which dominated markets

On US economics, US Consumer Price Index (“CPI”) was in line with expectations to 4.00% YoY (+0.3% month-on-month (“MoM”)) for May 2023 from 4.90% YoY (+0.5% MoM) in April 2023 and the lowest level since March 2021. Core CPI however continued to rise at a concerning rate to 5.3% YoY (+0.4% MoM) in May 2023 (vs 5.2% YoY, 0.4% MoM prior). Core CPI rose for a third straight month. The Personal Consumption Expenditures (“PCE”) deflator, the Fed’s preferred measure for inflation was slightly lower than consensus at 3.8% YoY (+0.1% MoM), Core PCE remained sticky at 4.6% YoY (0.3% MoM) in May 2023, and Powell’s favored core services ex-housing metric dropped to 0.23% MoM, lowest in 10 months. The Institute of Supply Management (“ISM”) Purchasers Manufacturing Index (“PMI”) for June 2023 dropped further into contractionary territory at 46.0, slightly lower than forecast of 47.0, recording the eighth consecutive month in contractionary territory and lowest since May 2020. The ISM data showed that there was a deterioration in the demand side indicators and producer prices paid to part suppliers continue to slide.

On 2 June 2023, US nonfarm payrolls rose 339k in May 2023, much stronger than expected with upward revisions to the previous 2 months counts totalling just over 90k. The unemployment rate rose to 3.7% from 3.4%, tying the record low seen in late 1969. May Average hourly earnings rose 4.3% YoY (0.3% MoM) after a downwardly revised 0.4% gain in April 2023. The labour force participation rate was unchanged at 62.6%. Post nonfarm payrolls, UST sold off aggressively as market started to price in further tightening warranted by the Fed. The Federal Open Market Committee (“FOMC”) delivered a “hawkish” skip on 15 June 2023, electing to maintain the Fed Fund Target Rate in a range of 5.00 to 5.25%. The FOMC however revised the “dot-plots” higher for 2023, indicating they expect 2 more rate hikes to a terminal rate of 5.50% to 5.75%. The ECB also lifted its main refinancing rate by another 25bps to 4.00% while signalling that another like-sized move in July 2023 may be warranted.

The UST curve bear flattened aggressively in June 2023, with 10-year US Treasuries ranging 24bps in the month while front end bonds ranged 55bps. The FOMC rate decision coupled with still strong macro data releases in June 2023 is validating a high for longer theme continuing well in to 2023. At the end of June 2023 close, the benchmark 2-year, 5-year, 10-year, 20-year and 30-year UST were last traded at 4.90% (May 2023: 4.40% +50bps), 4.16% (3.75; +41bps), 3.74% (3.64%; +20bps), 4.07% (4.02%; +5bps) and 3.86% (3.86%; unchanged) respectively.

The April 2023 International Monetary Fund (“IMF”) World Economic Outlook Update projects that global growth will fall to 2.8% in 2023 but rise to 3.0% in 2024. The 2023 forecast is 0.1 percentage point (“pp”) lower than predicted in the January 2023 World Economic Outlook. Should Financial sector stress return or persist, IMF projects 2023 global growth to decline to 2.5%. IMF’s projection on global headline inflation is for it to fall from 8.7% in 2022 to 7% in 2023 and 4.9% in 2024 on the back of lower commodity prices with normalisation only happening after 2025. Overall global growth outlook remains uncertain again amid Financial sector turmoil, persistent high inflation, ongoing effects of Russia’s invasion of Ukraine and recovery from 3 years of COVID-19.

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 June 2023 Dot-plots projecting another 50bps hike for 2023 to 5.50%-5.75% while projections for 2024 was also shifted up 37.5bps to 4.625% and 2025 revised higher by 25bps to 3.375% from the March 2023 projections. The Longer term target rate remained at 2.50%. Current market pricing is showing an over 80% chance of another 25bps hike in the July 2023 FOMC meeting.

Malaysia Fixed Income Market Review and Outlook

Ringgit Sovereign Bond

On local rates, the Malaysia Government Securities (“MGS”) market yield ended higher for the month of June 2023, continuing the bearish trend from last month. The MGS curve bear flattened in line with the global bond sentiment and investors tread cautiously in bonds following hawkish surprises from the Reserve Bank of Australia (“RBA”) and Bank of China (“BOC”) as both raised rates by 25bps against expectations of a hold. MGS 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-years yield higher month on month by +10bps, +13bps, +13bps, +15bps, +3bps, +3bps and +0bps respectively. The MGS spread movements were slightly more pronounced at 10 years yield curve.

For the Government Investment Issue (“GII”) or the Islamic Sovereign Curve also continued ended higher for June 2023. The GII 3 years, 5 years, 7 years, 10 years, 15 years, 20 years and 30 years saw month on month yield lower by +13bps, +17bps, +8bps, +7bps, +3bps, +3bps and +3bps respectively. In tandem, the GII spread movements were more pronounced at pronounced at short tenure of the yield curve as well, especially within 7 years and 10 years yield curve of GII.

Benchmark	MGS			GII		
	30-Jun-23	31-May-23	Change (bps)	30-Jun-23	31-May-23	Change (bps)
3-Year	3.49%	3.39%	+10bps	3.49%	3.35%	+13bps
5-Year	3.60%	3.47%	+13bps	3.69%	3.52%	+17bps
7-Year	3.73%	3.60%	+13bps	3.78%	3.69%	+08bps
10-Year	3.85%	3.70%	+15bps	3.88%	3.81%	+07bps
15-Year	4.01%	3.98%	+03bps	4.02%	3.99%	+03bps
20-Year	4.10%	4.07%	+03bps	4.17%	4.14%	+03bps
30-Year	4.16%	4.16%	+0bps	4.26%	4.23%	+03bps

Source: Bloomberg, 30 June 2023.

Malaysia’s inflation rose to 2.8% in June 2023, compared to 3.3% YoY in April 2023 and May 2023. There was a slower increase seen in some groups as compared with the previous months such as food and non-alcoholic beverages, transport and furnishings. Malaysia’s inflation has moderated after having peaked at 4.7% last August 2023, with the government having introduced measures such as price controls on certain items. Meanwhile, it said core inflation eased to 3.5% in May 2023 compared to 3.6% in April 2023.

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

- 7 June 2023: The 3 years GII auction drew a somewhat tepid 1.759 times bid-to-cover (“BTC”) despite a smaller than expected MYR4.5 billion size without private placement. The MYR7.9 billion total incoming bid is the lowest for a 3 years MGS/GII auction since December 2021, probably affected by Overnight Policy Rate (“OPR”) hike last month which reduced the carry appeal of short-tenor bonds especially for bank funded positions. This bond will replace GII 10/25 as new 3 years benchmark.
- 21 June 2023: The 20 years MGS reopening auction drew good demand with a BTC of 1.877 times on a larger than expected MYR3 billion auction size. The total bid of MYR5.63 billion came in line with our expectation of a 2.25 times BTC on MYR2.5 billion auction size, which is about the average incoming bid for 20 years and 30 year MGS+GII auctions year-to-date (“YTD”). An additional MYR2.5 billion is privately placed. Buy-on-dip demand appears strong at yields >4.20% and auction tail was small despite the prevailing cautious bond sentiment.
- 28 June 2023: The 5 years GII auction drew 1.81 times BTC on a larger than expected MYR5.5 billion size. Incoming bid total of MYR10 billion, below the YTD average of MYR11.6 billion for 3 years to 5 years MGS/GII auctions but improved from MYR7.9 billion received by the 3 years GII earlier this month. Sentiment was a tad weak during auction day, weighed by higher UST yields overnight following strong US data on consumer confidence and housing market, and jittery move in USD/MYR spot recently.

Overall, the BTC ratio in June 2023 was slightly lower than recorded in May 2023. The local bond market still supported by investor as the BTC (YTD as at June 2023) was registered at 2.15 times. The summary for the June 2023 government bond auctions results as:



Issue	Auction Date	Auction Size (RM' Bill)	Average Yield (%)	BTC Ratio (Times)	High (%)	Low (%)
3-yr Reopening of MGII 09/26 4.070%	07-Jun-23	4.50	3.435	1.759	3.447	3.420
20-yr Reopening of MGS 10/42 4.696%	21-Jun-23	3.00	4.195	1.877	4.208	4.168
5-yr Reopening of MGII (Mat on 07/28)	28-Jun-23	5.50	3.677	1.813	3.691	3.655

Source: Bloomberg, 30 June 2023.

Ringgit Corporate Bond

New issuance on the month of June 2023: First is SP Setia Berhad (rated AA) raised an upsized MYR1 billion (target: MYR0.75 billion only) via a multi-tranche issuance of 3years, 5years and 7years notes in sizes of MYR150 million, MYR450 million and MYR400 million respectively. Yield guidance tightened 5bps to 10bps from initial price guidance (“IPG”) range, and final yields came in nearer to the lower end of the revised price guidance, printing 4.3% for the 3years, 4.41% for the 5years and 4.56% for the 7years. This gave a spread of 86bps to 91bps over pricing day’s closing MGS.

Second, Gamuda Bhd (rated AA3) raised a total of MYR900 million in a multi-tranche issuance of 5years (MYR250 million), 7years (MYR250million) and 10years (MYR400 million) notes. During pricing, yields tightened around 10bps to 15bps from IPG. Final yields came in at the low end of revised guidance range at 4.2% for 5years, 4.31% for 7years and 4.4% for 10years, giving 68bps spread over MGS on pricing day.

Outlook and Strategy

Locally, BNM increased the OPR by 25bps to 3.00% for the first time in 2023, which was unexpected, as only 3 out of 19 economists surveyed by Bloomberg anticipated this increase in the OPR. The general consensus was for the central bank to stay pat for a third straight meeting. The decision marks the fifth OPR hike over 12 months, and a cumulative 125bps increase in the OPR from 1.75% to 3.00% in May 2022, July 2022, September 2022, November 2022 and May 2023. The decisions were to seek to pre-emptively ward off inflationary pressures amid strong domestic demand.

BNM implies that the current monetary policy stance is consistent with the outlook of domestic inflation and growth. BNM also explained that the 3 May 2023 hike of 25bps, the central bank has withdrawn the monetary stimulus intended to address the COVID-19 crisis in promoting economic recovery. It has also dropped any references on “continue to calibrate monetary policy settings” and “further normalisation”.

BNM remains constructive on domestic growth prospects and expects core inflation to remain elevated, with the balance of risks to inflation continuing to tilt to the upside. The additional wordings in the Monetary Policy Committee (“MPC”) statement i.e. “the monetary stance is slightly accommodative” may seem to suggest the increase has elevated the OPR to a near neutral rate and same level as before the onset of the COVID-19 pandemic. The pressure to increase further from here is probably lower because other regional central banks are likely to stay pat, if not cut, should global growth slowdown exacerbates. The current 3% OPR would also mean more room to ease with additional ammunition should the economy in Malaysia slow significantly.

However, we are opportunistic on the BNM hike because we are seeing that OPR peaked sooner than expected which also means OPR is likely to stay unchanged for the rest of 2023 and we should be picking up cheap bonds should market turn risk off.

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, 30 June 2023.

Crude Oil (Brent) price has declined by 6% during second quarter (“Q2”) of 2023 and ended the quarter at USD 75 per barrel. Oil price has fallen below the trading band (USD 80 per barrel). Even with the support from Saudi Arabia, oil price was muted with a trading band of USD70 to USD80 per barrel given the uncertainties over Fed actions, health of global economy and the pace of China’s recovery.

On the demand side, both International Energy Agency (“IEA”) and Organization of Petroleum Exporting Countries (“OPEC”) now see 2023 global oil demand growth of around 2.4 million barrels per day, higher than Environmental Impact Assessment (“EIA”) at 1.6 million barrels per day. Non-Organisation for Economic Co-operation and Development (“OECD”) economies would account for over 90% of 2023 global oil demand growth as OECD economies are already facing a manufacturing slowdown. China still account for over half of the global demand growth in both 2023 and 2024 at 1.5 million barrels per day and 0.5 million barrels per day respectively. On the supply side, in addition to the OPEC+ surprised cut of 1.65 million barrels per day on 2 April 2023, Saudi Arabia announced additional cut of 1 million barrels per day in July 2023 for one month (to 9 million barrels per day) with the potential of an extension on 4 June 2023. OPEC+ will also extend the readjusted level of production (24.99 million barrels per day to 25.4 million barrels per day in April) until end of 2024.

Moving forward, global oil demand growth in 2023 is projected to be around 2.4 million barrels per day with upgrade coming from both IEA and OPEC. On the supply front, even with OPEC+ cutting 1.65 million barrels per day from May 2023 until end of 2023 and Saudi Arabia additional cut of 1 million barrels per day for the month of July 2023 with possibility of extension, it fails to keep the oil price above USD 80 per barrel. That being said, Saudi Arabia is more willing to stabilize the oil market vs other OPEC members. The next OPEC meeting is on 5 July 2023 to 6 July 2023 in Vienna.



Gold



Source: Bloomberg, RHBAM, 4 July 2023.

Gold retraced from its peak of \$2000 in mid-April 2023 to slightly above \$1900, as market volatility subsided quickly and global banking concerns dissipated. US regional banks' concerns were well contained, Credit Suisse saga received closure and US debt ceiling was raised with minimal market impact. Fed signalled for possibly another two more 25bps hike for 2023, led to an uptick in US treasury yields, which further adds pressure to Gold prices. With the end of the US rate hike cycle becoming clearer in sight, coupled with on-going geopolitical tensions. Gold prices should hover around \$1900 for the rest of 2023.

Copper



Source: Bloomberg, RHBAM, 4 July 2023.

Copper prices had been volatile in 2Q23. Q1 2023 price momentum faded quickly as hopes of a strong China macroeconomic recovery dwindled. Copper price fell from the peaks of around \$450 in Q1 2023 to around \$360 in May 2023 as fears of a US recession piled on weaker Chinese Marco data. Copper price managed to find a bottom of Around \$360 in May 2023, before rebounding on the back of renewed Chinese stimulus. Copper supply remained tight at +2.5% YoY for Financial Year 2023 given operational disruptions in Latin America and Africa. Demand should be well supported by sustained global electric vehicles ("EV") production, thus we expect copper prices to remain range bound at current levels of around \$380 for the year.



Key Takeaways

Source: Bloomberg, RHBAM, July 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	<p>Soft landing as our base case with inflation expectation anchored.</p> <p>Banking system stress looks contained for now and the US commercial bank balance sheets, likewise, show deposit losses being contained. We do not see systemic risks. The Beige Book and Senior Loan Officer Survey confirmed tightening lending standards and thus tightening in financial conditions.</p> <p>Globally, industrial activity growth remained weak this year amid the drag from tighter financial conditions, the goods-to-services rebalancing runs its course, and the effect of China's re-opening is more fully realized. PMIs across key countries show clear divergence between Manufacturing and Service sector performance, with the latter remaining resilient.</p> <p>Volatility remain elevated amid 1) geopolitics uncertainty, 2) Policy mistakes, 3) financial stability</p>
Fixed Income	Slight Overweight	<p>Central banks are signaling slowing pace of rate hikes with inflation peaking out though remain elevated in most developed market economies. Core inflation is generally still slow to come down.</p> <p>An end to the most aggressive monetary tightening cycle is gradually drawing closer, but we are certainly not there yet for the developed markets.</p>
Cash	Slight Overweight	<p>With relatively low risk premia across assets and less clear macro momentum, cash remain an overweight. With attractive short-term US yields and equity multiple near 20 times, risk-reward heavily favors cash. In fact, Treasury bills are currently yielding more than half of USD Investment Grade bonds outstanding. Continue to be nimble on cash to take advantage on any tactical opportunity trades amid elevated market volatility in the short to medium term. Tactically reduce risk exposure amid increasing uncertainty amid geopolitical risk complicate outlook.</p>

Equity

Countries	Outlook	Rationale
United States	Slight Underweight	<p>Bank stress does not appear to be worsening. That said, the recent bank stress may bolster the case for a hard landing if lending standards tightened continue. We do not see systematic risk and of the view that this will be ring-fenced to a few idiosyncratic situations at certain banks. Borrowing at the discount window and through the new Bank Term Funding Program has somewhat eased.</p> <p>The Fed left rates at 5.00% to 5.25% in the June 2023 meeting, in line with market expectation amid the forward guidance of "Skip" in this meeting. What surprise the market was the number of hikes after the "Skip". The median dot in the Summary of Economic Projections showed a funds rate of 5.625% at end-2023, that suggested a 50bps increase from the March 2023 projections. This is somewhat hawkish relative to market expectations into this meeting looking for only a 25bps increase. However, this is justified by the upward shift</p>

		in GDP growth for 2023 (+0.6pp to +1.0%), lowered unemployment rate (-0.4pp to 4.1%), and higher core inflation (+0.3pp to +3.9%). The June 2023 projections for Federal funds rate saw an upward shift with 5.625% for 2023 (up from 5.125%), 4.625% for 2024 (up from 4.25%) and 3.375% for 2025 (up from 3.125%) suggest the “higher for longer” message. The Fed will also continue its balance sheet runoff.
Europe	Slight Underweight	The ECB raised its key policy rates by 25bps in June 2023, taking the deposit rate to 3.5%, in line with market expectation. After increasing interest rates 25bps this month, the ECB has clearly signaled another hike is coming in July 2023. It provided no hint on when a pause may come, but upward revisions to the staff economists' inflation forecasts increase the risk that the end of the hiking cycle could be a little bit further off.
Japan	Slight Overweight	<p>The Bank of Japan (“BOJ”) left all the major parameters of its monetary policy regime unchanged in its June 2023 meeting, including yield curve control (“YCC”), purchases of assets such as Exchange-traded funds (“ETFs”) and Japan Real Estate Investment Trusts (“J-REITs”), and forward guidance. At the same time, the BOJ once again clarified its intention to stick with monetary easing. Governor Ueda’s team kept major policy tools unchanged (i.e. no change in the short-term policy rate at -0.1% and in YCC with the long-term policy rate at around 0% with an allowance band of +/-50bps, and asset purchase program under the Quantitative and Qualitative Monetary Easing (“QQE”).</p> <p>In the previous meeting, the Bank also expects short-term and long-term policy interest rates to remain at their present or lower levels" sentence is dropped, thus leaving flexibility of policy change in the future. The Bank also decided to conduct a broad perspective review of monetary policy, with a planned time frame of around 1.0 to 1.5 years. The core inflation forecasts were revised up to 1.7% and 1.8% for Financial Year 2024 and Financial Year 2025, closer to 2% in Financial Year 2025 than Financial Year 2024.</p> <p>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.</p>
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. As inflation slows, some central banks would have room to lower policy rates in the second half of 2023.
ASEAN	Neutral	ASEAN peak inflation seems to have passed, a beneficiary of the US-China trade tensions with foreign direct investments (“FDIs”) coming through, and stable domestic economy or politics.
China	Overweight	<p>Q1 2023 GDP growth beat expectations, driven by consumption and less bad property activities. We expect recovery to continue, however sequential momentum for activities may soften from Q1 2023. Growth momentum to improve on the back of policy stimulus and gradual re-opening. This year's growth target was set conservatively at "around 5%".</p> <p>In its Q2 2023 monetary policy report, the PBOC reiterated its accommodative stance by stating that monetary policy would be "precise and forceful" to facilitate economic growth.</p> <p>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. Favor</p>

		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 reopening with mainland China and removal of most social distancing measures. The economy to recover further as both Hong Kong (“HK”) re-open and the expected recovery of the Chinese economy could boost HK exports. Given the currency board system, HK will tighten in tandem with the US.
Taiwan	Slight Underweight	Taiwan's central bank (“CBC”) raised policy rate kept rates unchanged in its June 2023 meeting after raised by 12.5bps to 1.875% at its March 2023 meeting, against expectations of an on-hold decision and the decision was unanimous. Taiwan revises 2023 GDP forecast to 1.72% from 2.21%; revises 2023 CPI forecast to 2.24% from 2.09%. The central bank revises down growth estimate due to weak exports, investment. The monetary authority sees recovery in second half 2023 exports, and second half 2023 inflation trending down gradually. It forecasts second half 2023 GDP growth at 4.07%. CBC tightens selective credit controls by capping mortgages for second homes in major cities at 70%. CBC has reached the end of its hiking cycle.
South Korea	Slight Underweight	The Bank of Korea (“BOK”) kept its policy rate on hold at 3.5% in May 2023 as expected. On growth, the BOK reduced its 2023 real GDP growth by 20bps to 1.4% noting that exports continued to fall on slumping demand for technology products with delayed effect of re-opening of China and weak private consumption. On inflation, the headline figure was kept unchanged at 3.5% on the back of high base from 2022 and weakening demand-side pressures. The forward-looking section of the statement is cautious with expectation for moderate consumption recovery as the pace of recovery will be slower than initially expected.
India	Overweight	MSCI India Index scaled new highs in Q2 2023, gaining 11.62% during the quarter after a disappointing Q1 2023 (-7.17 quarter-on-quarter (“QoQ”)). Medium term outlook is supported by earnings growth and strong foreign and domestic flows into equities, notwithstanding above-mean valuation levels. The IMF reduced its GDP growth outlook to 5.9% for Financial Year 2024, while Fitch Ratings upgraded its forecast to 6.3% from 6.0% previously, with healthy consumption and private sector capex growth expected to remain robust amidst recovery in credit cycle. Reserve Bank of India (“RBI”)’s June 2023 MPC kept policy rates unchanged at 6.5% and is expected to retain its accommodative stance as CPI numbers continue to moderate. Any uptick in public spending ahead of general elections in first half 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 valuation derating if earnings growth slumps, higher probability of El-Nino, as well as reversal of flows into cheaper markets if political risk heightens ahead of elections.
Australia	Underweight	The RBA has increased the cash rate from 3.60% to 4.10% in second quarter of 2023. The RBA has hiked rates at 12 out of their 13 meetings since 22 May 2023, by a cumulative 400bps, to the highest level of interest rates since 2012. The RBA continues to pay close attention to developments in the global economy trends in household spending and the outlook for inflation and the labor market. Going forward, the market expects the RBA to have another rate hike in August 2023. Valuations are balance with the market PE sitting below its 5 years average at 14.8 times.

Singapore	Slight Overweight	The Monetary Authority of Singapore (“MAS”) kept its policy parameters unchanged in its 14 April 2023 meeting. This is against consensus expecting further tightening. This is the first pause after five straight tightening moves since October 2021. The decision came at the same time as gross domestic product data that showed the economy contracted more than expected in the first quarter. The advance Q1 2023 estimate suggests that GDP momentum contracted 0.7% QoQ seasonal adjusted (from +0.1% QoQ seasonal adjusted in Q4 2022) mainly due to a sharp contraction in manufacturing activities. “With intensifying risks to global growth, the domestic economic slowdown could be deeper than anticipated,” the central bank said. “While inflation is still elevated, MAS’s five successive monetary policy tightening moves since October 2021 have tempered the momentum of price increases. The effects of MAS’s monetary policy tightening are still working through the economy and should dampen inflation further.” The MAS kept its annual 2023 average headline and core inflation forecast bands at 5.5% to 6.5% and 3.5% to 4.5%, respectively.
Thailand	Neutral	Bank of Thailand (“BOT”) has raised rates by 25bps to 2.0% in May 2023, in line with expectation. This is the sixth 25bps hike since the central bank began hiking rates in August 2022. According to the BOT, the decision was a unanimous one. The BOT adjusted down marginally its growth, headline CPI, core CPI forecasts while revised up the tourist arrival forecasts. The recent inflation misses could provide sufficient reason for the BOT to call an end on tightening. Upside risks to core inflation remains in demand-side inflation due to the tourism recovery and higher business cost pass-through following 14 May 2023 election.
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 June 2023 meeting. This fifth consecutive meeting hold was in line with market expectation. The central bank continues to expect GDP growth within a 4.5% to 5.3% band this year. BI continues to expect headline inflation to remain within its inflation target band of 2% to 4% this year even after taking into account of potential impacts from a mild El-Nino this year. We expect BI to keep policy rates on hold in the next scheduled meeting on 24 July 2023 to 25 July 2023.
Philippines	Slight Underweight	The Bangko Sentral ng Pilipinas (“BSP”) kept the overnight lending rate, overnight reverse repurchases (“RRP”) rate and overnight deposit rate are kept at 6.75%, 6.25% and 5.75%, respectively in the June 2023 meeting. BSP lowered its 2023 headline inflation forecast to 5.4% (from 5.5% in the previous meeting) while raised its 2024 inflation to 2.9% (from 2.8%). The BSP expected headline inflation to return to the target band of 2% to 4% in Q4 2023. Risk to inflation continues to be tilted towards the upside mainly due to potential impact of El-Nino to food prices, adjustments to transport fares, and higher wages. The BSP continues to expect real GDP growth in 2023 to be in line with the government’s target (6% to 7%). We expect BSP to keep its policy rate unchanged in its next meeting on 17 August 2023. As we come closer to the end of Governor Medalla’s term as chief of the central bank (30 June 2023), there was no mention whatsoever as to who the next Governor will be.
Malaysia	Slight Overweight	BNM surprised the market with a 25bps rate hike to 3.00% in May 2023, after pausing for two consecutive meetings. However, this is in line with our expectation (see Weekly Market Update, 27 March 2023). BNM’s optimism on domestic growth resilience, which in turn likely supports core CPI, is the main reason the hike. Malaysia will be one of the main beneficiaries of China’s re-opening via tourism and FDI. With policy rate now at 3.00%, we now expect BNM to keeping its policy rate unchanged in the next meeting on 5 July 2023 to 6 July 2023.

Malaysia Small Cap	Neutral	Earnings downgrade bottoming out.
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Fixed Income

Asset Class	Outlook	Rationale
Global Bonds (Rates)	Overweight	<p>After the cumulative 425bps raise in Fed Funds Target rate to 4.25%-4.50% amidst persistent inflation, with most investors expecting a peak in Q1 2023 before a pivot. However, in 2023, inflation continues to stay sticky alongside a slew of resilient macro data indicating the US economy is still running red-hot, which led the Fed to raise rates by another 75bps cumulatively to 5.00%-5.25% with the latest June 2023 FOMC meeting seeing dot plots released indicating another 50bps of hike for the rest of 2023.</p> <p>We continue to maintain our outlook as overweight on rates for Q3 2023, consistent with the outlook for this year as though the Fed tightening is prolonged, spates of macro data are indicating a cool down in inflation and we see Q3 2023 and Q4 2023 as being the tail end of the tightening cycle.</p>
Asian High Yield Credit	Neutral	<p>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 as we look to firmer policy support to shore up the economy.</p>
Asian Investment Grade Credit	Overweight	<p>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 and are looking to progressively add duration for positioning given the view that we are at approaching the end of the tightening cycle.</p>
China Fixed Income	Neutral	<p>China's post re-opening recovery has been underwhelming and volatile as the initial growth momentum witnessed in Q1 2023 faded in the Q2 2023. The main theme to watch here are further stabilisation measures and policy support from the government to boost demand and restore confidence in the market. We remain cautious in this space pending the outcome of markets but prefer to remain nimble on potential opportunities.</p>
Malaysia Fixed Income	Slight Overweight	<p>BNM unexpectedly raise OPR by 25bps to 3.00% in its meeting in May 2023 after pausing at 2.75% for Q1 2023. We think the hurdle to raise OPR further in 2023 would be relatively high, and as such remain constructive on the bond market.</p>

Commodities

Asset Class	Outlook	Rationale
Gold	Neutral	<p>Gold retraced from its peak of \$2000 in mid-April 2023 to slightly above \$1900, as market volatility subsided quickly and global banking concerns dissipated. US regional banks' concerns were well contained, Credit Suisse saga received closure and US debt ceiling was raised with minimal market impact. Federal reserves signalled for possibly another two more 25bps hike for 2023, led to an uptick in UST yields, which further adds pressure to Gold prices. With the end</p>

Asset Class	Outlook	Rationale
		of the US rate hike cycle becoming clearer in sight, coupled with on-going geopolitical tensions. Gold prices should hover around \$1900 for the rest of 2023.
Crude Oil	Neutral	<p>Crude Oil (Brent) price has declined by 6% during Q2 2023 and ended the quarter at USD 75 per barrel. Oil price has fallen below the trading band (USD 80 per barrel). Even with the support from Saudi Arabia, oil price was muted with a trading band of USD70 to USD80 per barrel given the uncertainties over Fed actions, health of global economy and the pace of China's recovery.</p> <p>On the demand side, both IEA and OPEC now see 2023 global oil demand growth of around 2.4 million barrels per day, higher than EIA at 1.6 million barrels per day. Non-OECD economies would account for over 90% of 2023 global oil demand growth as OECD economies are already facing a manufacturing slowdown. China still account for over half of the global demand growth in both 2023 and 2024 at 1.5 million barrels per day and 0.5 million barrels per day respectively. On the supply side, in addition to the OPEC+ surprised cut of 1.65 million barrels per day on 2 April 2023, Saudi Arabia announced additional cut of 1 million barrels per day in July 2023 for one month (to 9 million barrels per day) with the potential of an extension on 4 June 2023. OPEC+ will also extend the readjusted level of production (24.99 million barrels per day to 25.4 million barrels per day in April 2023) until end of 2024.</p> <p>Moving forward, global oil demand growth in 2023 is projected to be around 2.4 million barrels per day with upgrade coming from both IEA and OPEC. On the supply front, even with OPEC+ cutting 1.65 million barrels per day from May 2023 until end of 2023 and Saudi Arabia additional cut of 1 million barrels per day for the month of July with possibility of extension, it fails to keep the oil price above USD 80 per barrel. That being said, Saudi Arabia is more willing to stabilize the oil market vs other OPEC members. The next OPEC meeting is on 5 July 2023 to 6 July 2023 in Vienna.</p>

Foreign Exchange

Currencies	Outlook	Rationale
USD	Positive	The lacklustre USD price action after a hawkish 23 June 2023 FOMC statement and dot plot signalled little motivation from the markets to take USD materially higher with just one potential rate hike in the horizon. We expect the USD to trade stronger before the turn towards later of the year. DXY is expected to trade in between 102-104 for the next quarter.
EUR	Positive	The rhetoric from the ECB remains skewed towards furthering tightening to rein in the stubbornly high inflation. There is a good chance that the ECB keeps its tightening bias longer than the Fed. Overall, we keep our positive outlook for EUR/USD, and it is likely to trade in between 1.08 to 1.11 in the next quarter.
GBP	Positive	We expect an improve growth outlook and more hawkish monetary policy expectations will help to extend the GBP positive trend. Overall, we keep our positive outlook in GBP/USD and expect the pair to trade between 1.27 to 1.30 in the next quarter.
JPY	Negative	We expect BOJ is still some distance away from dialling back their ultra-accommodative monetary policies, the current JPY weakness is likely to persist through Q3 2023. The pair is likely to trade between 143 to 146 for the next quarter.

CNH	Negative	The recovery theme is still intact, but just delayed to Q4 2023 from Q3 2023. We expect the CNY to get worse before it gets better, and likely to trade between 7.25 to 7.28 before normalising lower.
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 to 0.70 range for the next quarter. The surprise rate hiked from RBA and signalled further hikes might further elevate the AUD. Besides, we believe that the AUD will also benefitted from China recovery theme. With that, our forecasts for the AUD/USD to trade between 0.66 to 0.69 for the next quarter.
SGD	Positive	Being one of the safe haven currency for the region, we expect SGD to keep the Singapore Dollar Nominal Effective Exchange Rate (“S\$NEER”) at the strong side of the policy band, at about 1% above the midpoint. Our USD/SGD forecasts are likely to trade in between 1.35 to 1.32 level for the next quarter.
MYR	Negative	We expect the weakness of MYR are likely to extend to Q3 2023. Headwinds including increased correlation to CNY weakness and depressed oil prices are likely to continue weigh on the MYR. The USD/MYR pair is likely to trade in between 4.68 to 4.71 for the next quarter.

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This update has not been reviewed by the SC.

