Maybank
Asset Management

4Q2024 OUTLOOK AND STRATEGY

Back to the Future

MAYBANK ASSET MANAGEMENT

Content List

3Q2024 Review

It has been an eventful 3Q2024, with financial markets seeing gains in 3Q2024, but markets have been volatile. With inflation already past its peak, the Fed has signaled a shift to an easing after a long hiking cycle. Macro data is softening, but the US economy is still chugging along with no clear signs of a recession. With the soft-landing scenario still very much in play, both bonds and equities gained in 3Q2024.

Volatility in the financial markets was triggered by two events, one negative and one positive. The first event occurred in early August, where we saw the "yen carry trade unwind". This was precipitated by the narrowing interest rate differential between the US and Japan. Investors were using Yen as a cheap funding currency; however, as the BOJ raised rates at the start of August and US rates dropped following slow macro data, the attractiveness diminished. The unwind saw the Yen appreciate sharply (from 160 to 145) while equity markets plunged with the Nikkei slumping 20% in (see Chart 1). However, by the end of August, financial markets had recovered, and many equity markets finished the month at higher levels.

Chart 1: Yen Carry Trade Unwind

Source: Bloomberg, Maybank Asset Management
Period: Nov 2023-Oct 2024

After a good 3Q2024, 2024 is turning out to be a strong year for financial markets, with almost all markets up.

The second event was positive, particularly for China/HK stocks. After a set of weak macro data from China with retail sales only growing 2-3% (see chart 2) and industrial production weak. The authorities announced a set of stimulus measures (see chart). The economy appeared to have lost momentum and is not likely to reach the GDP target of 5% for 2024. The stimulus measures appeared to be comprehensive, touching on monetary policy, with the People's Bank of China's (PBOC) cutting rates and commitments to lower mortgage payments as well as a plan to recapitalise the banks.

There was also a commitment to stabilise the property sector and boost fiscal policy. Some of the property measures include cutting down payments for first and second home purchases and removing restrictions for buyers who did not have the 'hukou' or residential permits. In the past, only buyers who had the residential permit could purchase housing within that province or city. The purchase restrictions have been onerous. For instance, the downpayment requirements for homebuyers in major cities like Shanghai and Beijing were at 35% for first properties and as much as 60% for second property purchases previously. The downpayment amounts have now been lowered to 15% and 25%, respectively. The authorities appear to be committed to putting a floor on the economy. Following the announcements, Chinese stocks surged, gaining 15-20% in the month.

Chart 2: China Retail Sales

Source: Bloomberg, Maybank Asset Management
Period: 2014 – Aug 2024

There was also a major event that did not have a direct impact on financial markets. US President Biden, the incumbent candidate, pulled out of the presidential elections. After a poor showing at a debate with Republican Candidate Trump in early September, Biden decided not to run for re-election and handed over the candidacy to the current Vice President Kamala Harris. Polling has shown a clear improvement for Democrat candidate Harris after Biden handed the baton over to her.

After a good 3Q2024, 2024 is turning out to be a strong year for financial markets, with almost all markets up. This is despite all the challenges that we have seen throughout the year. This includes fears of inflation, wars, and political uncertainty. US equity markets are up 20%. Even the laggard Asian equity markets are also up almost 20% following the rally in Chinese stocks. Fixed income markets that were facing headwinds from resilient interest rates have also gained 5-7%, much better than the flat performance in 1H2024.

2H2024 Key Investment Themes

No major changes to our themes for 2024 as the macro and financial markets have been in line with our expectations. Our main theme of "Back to the Future" is intact, as there are many similarities between 2024 and 2023, with resilient rates and soft landing still the major topics in both years.

2024 has been a year of elections. The Taiwan and Indonesian Presidential elections have been within expectations, but the Indian General Elections were a bit of a surprise. The incumbent party, BJP won, but with a far lower majority than was expected. All eyes will be on the US Presidential elections in November 2024.

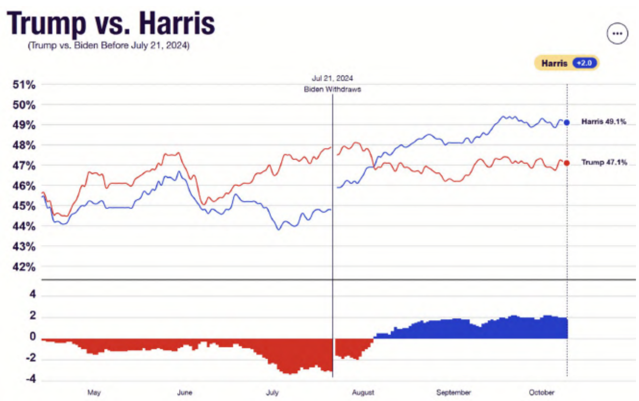
All eyes will be on the US Presidential elections in November 2024.

Themes	Implications / Strategy
Peaking interest rates	*Generally positive for financial assets* *• Fixed Income add duration, selective high yield* *• REITs* *• Emerging markets fixed income and equities.*
China Transition	*Quality growth: High tech sectors. Chips, renewables and biotech.*
Elections	*Almost the world population will be voting in 2024 with Indonesia, Taiwan, India and the US having elections. Election years tend to be more volatile.*
Sustainability	*Cost of using renewables (Solar, Batteries) are now competitive with traditional power sources. Look to users of these products rather than the producers.*
AI/Tech disruption	*Continued trend towards digitalisation. Work from home will disrupt office REITs especially in the US.*
De-globalisation	*Supply chains set up to "derisk" from a single supply chain. China +1 Electronic and Manufacturing Services (EMS) companies with exposure in India, Malaysia and Thailand. Higher inflation for the longer term.*
Volatile Markets	*More tactical trading given volatile markets.*

Growth Scenarios in 2H2024

For 4Q2024, we believe that markets will continue to be volatile due to external events like the US presidential elections in early November. Predicting the election outcome is difficult. At the moment, it appears that after Harris took over from Biden, she has caught up and is leading Trump in the polls. We have to bear in mind that polling may not be accurate, as Hillary Clinton was also leading the polls in the 2016 Presidential elections, and in the end Trump won. A postmortem of those elections showed that many who were going to vote for Trump were not willing to disclose their real intentions in the polls. With the polling suggesting just a two-point advantage for Harris, it is probably a toss-up.

Chart 3: Realclearpolitics Polling



Source: Realclearpolitics
Period: May 2024 - Oct 2024

Even if we are successful in predicting the outcome, predicting the market reaction to the outcome is even more difficult. After Trump won, there were concerns that he would not manage the economy well given his protectionist policies. Some analysts believed that the stock markets would also be negatively impacted. That did not happen and the US economy continued chugging along until COVID19 struck. A similar situation occurred during the Indian general elections. The Bharatiya Janata Party (BJP) led by Modi won a 3rd term but with a far reduced majority. The stock market sold off sharply initially but recovered the following day and rallied to new all-time highs shortly after. Therefore, we will not try to take aggressive views based on elections as we are aware of our limitations. All we can say is that it will be volatile.

Even with the volatility, we believe that equity markets should still have enough momentum to still see gains in 4Q2024. We are coming to the seasonally strong season for equity markets. Fixed income markets will continue to chug along with carry.

Another issue that may trigger volatility is the situation in the Middle East where there has been increased hostilities in the area. Israel has assassinated leaders of Hamas and Hezbollah while also attacking the Iran consular office in Syria. Iran has retaliated by launching ballistic missiles and successfully hitting Israeli targets.

We are not likely to see major changes in policy following a Harris win, and Harris is likely to continue with Biden policies. Trade policy of "High Wall Small Yard" will be maintained, and therefore trade tariffs on China imports and sanctions on high tech exports to China will stay in place. In terms of fiscal, Harris will continue running the economy hotter with higher than usual deficits. We will also likely see higher taxes for companies and the wealthy. For foreign policy, her administration though may be less willing to give unconditional support to Israel. A Trump administration, on the other hand, will see even higher budget deficits as he would cut corporate taxes, though he will likely remove all the green policies and boost the oil industry. The two big policies for Trump would be trade and immigration, where he has pledged to hike tariffs and limit immigration.

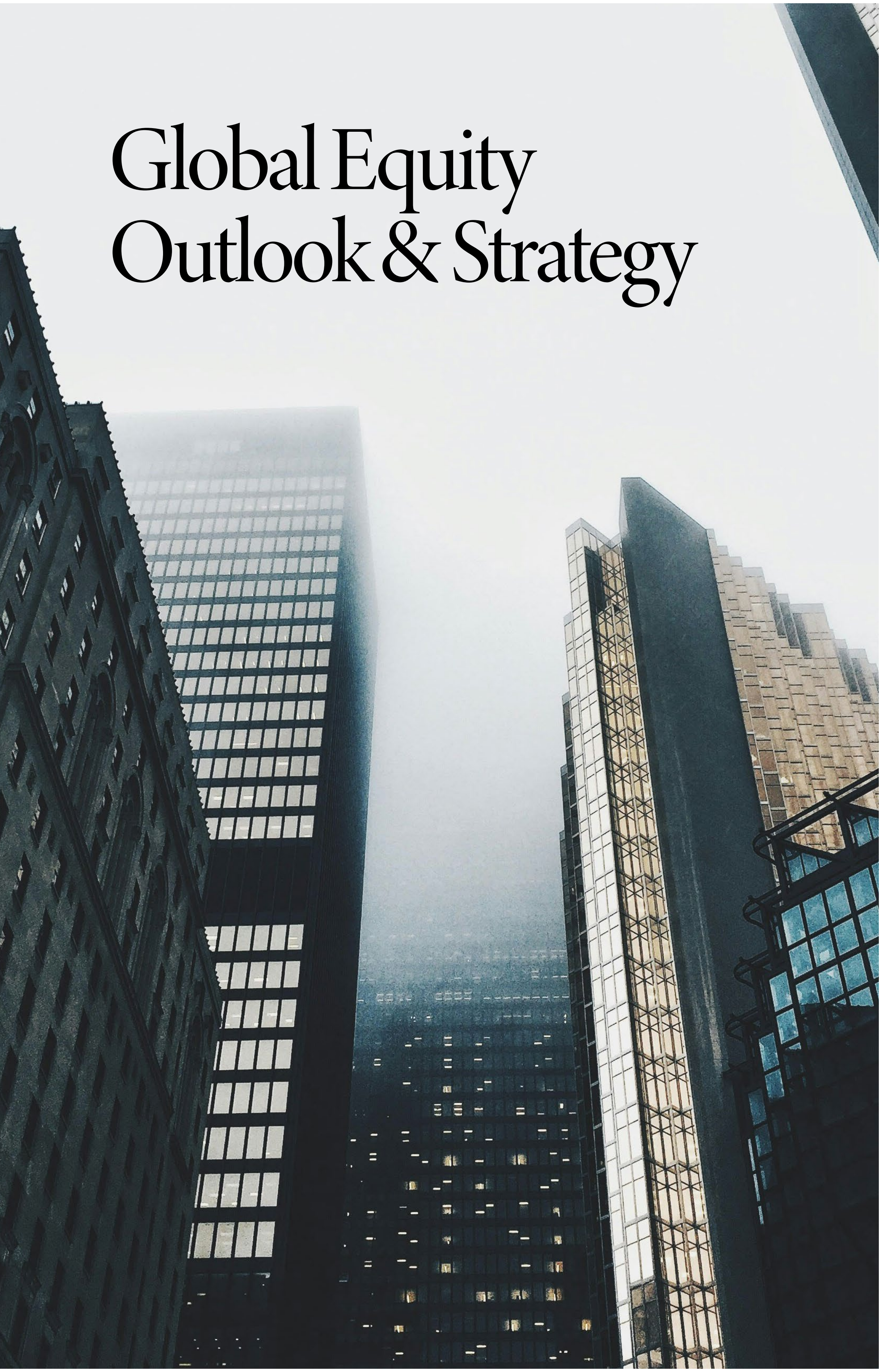
Even with the volatility, we believe that equity markets should still have enough momentum to still see gains in 4Q2024. We are coming to the seasonally strong season for equity markets. Fixed income markets will continue to chug along with carry. Further gains from lower interest rates will be limited for the moment, as they have already gained. What is going to happen in 2025 is probably going to be more important, and that is what we will discuss next.

We would like to highlight that the recent Fed cut comes after a long hiking cycle. There are two binary outcomes following the rate cuts: either a recession or a soft-landing. Cuts following a rate hike cycle did successfully lead to recessions, but there have been false signals too. We have marked the occasions where they led recession in green circles (see chart 4) and the occasions where there was a soft-landing in the black circles. We can see where a recession followed; the S&P500 corrected significantly (yellow line), and this occurred in 1981, 1898, 2000, 2007, and 2019. However, if it was a soft-landing equity markets were strong. While there are more recessions following rate cuts after a long hiking cycle, there are enough false signals such that we cannot rely just on this indicator to invest or trade. For the moment, it is not clear that the US is in a recession, as job growth has still been positive while retail sales have been growing, albeit at a slow pace. We will continue to monitor the macro data, and we believe this will have a big impact on our 2025 outlook.

Chart 4: Rate cuts and US Recessions

Source: Maybank Asset Management
Period: : Apr 1967 – Sep 2024

Global Equity Outlook & Strategy



Global Equity Outlook & Strategy

We maintain a cautiously optimistic outlook for global equities in 4Q2024 amid divergent economic paths for the U.S., Europe, and Japan. The U.S. is on track for a soft landing, balancing growth with moderate inflation. In contrast, Europe faces lackluster economic momentum, although inflationary pressure has eased significantly. Meanwhile, the economic backdrop for Japan shows promise through a wage-driven recovery and policy normalisation.

In the U.S., we anticipate a moderate slowdown rather than a recession, as both the labour market and consumer spending remain resilient amidst easing inflation. In September 2024, the Federal Reserve (Fed) initiated its rate-cutting cycle with a larger-than-typical 50 basis point reduction, underscoring its commitment to engineer a soft landing for the economy. Historically, rate-cutting cycles unaccompanied by recession have been followed by positive equity market performance in the subsequent months, offering a favourable outlook for investors.

As we enter the final quarter of 2024, the most significant event to watch will be the U.S. presidential election on November 5th. With Vice President Kamala Harris and former President Donald Trump running in a tight race, polling suggests the outcome is too close to call. A Trump victory could introduce significant economic uncertainty. He has signaled the possibility of imposing tariffs of 60% or higher on Chinese imports and 20% tariffs on other imports. If implemented, these tariffs could drive inflationary pressures and strengthen the U.S. dollar, raising near-term volatility. On the other hand, a Harris victory is expected to bring policy continuity with reduced trade tensions, mitigating the risk of aggressive tariffs. This scenario points to a potentially weaker USD over time as the Fed continues its easing cycle.

Chart 5: MCSI Eurozone vs US Sector Neutral P/E relative

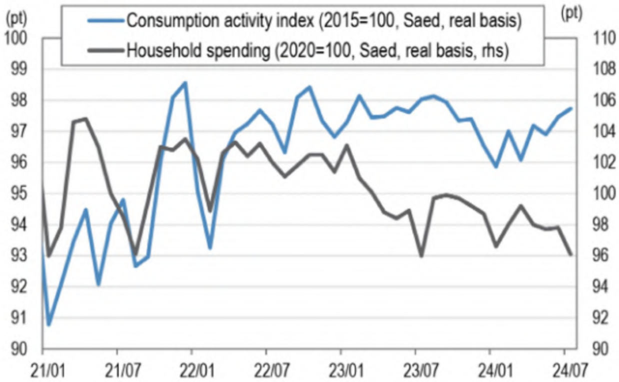
Source: Datastream

The escalating conflict in the Middle East has introduced renewed geopolitical risks, weighing on investor sentiment. While a prolonged conflict could dampen risk appetite and drive oil prices higher, sustained supply chain disruptions have yet to materialise. Domestically, the swift resolution of a port strike within three days has averted worst-case economic scenarios, alleviating concerns over trade disruptions.

In the Eurozone, the economy is projected to grow 0.3% QoQ in 4Q2024, consistent with the prior quarter, indicating a lack of momentum in the region's recovery. However, the unemployment rate remained at 6.4% in August 2024, the lowest on record, indicating a tight labour market that could support consumer spending and potentially spark a gradual economic recovery. Meanwhile, inflation has fallen below 2%, with German inflation dipping under 2% for the first time since 2021. This controlled inflation bolsters the case for further European Central Bank (ECB) rate cuts, as policymakers aim to stimulate growth. With improving economic conditions, low inflation, declining interest rates, and attractive valuation, Eurozone equities are becoming more compelling. Notably, MSCI Europe is now trading 13.8x forward P/E, presenting a strong case to add to European equities.

In Japan, the economy avoided a recession in 2024 and is expected to experience a gradual recovery, supported by wage increases and moderate inflation, which are boosting consumer spending. Private consumption grew for the first time in five quarters in 2Q2024, following spring wage negotiations that delivered the largest pay increase in over 30 years. Inflation remains stable at 2.8%, though it continues to exceed the Bank of Japan's (BoJ) long-term target. The BoJ is expected to cautiously raise interest rates from 0.25% to 0.75% over the next twelve months, which could strengthen the yen and introduce some market volatility. Nonetheless, the outlook for Japanese equities remains positive, supported by reflationary dynamics,

Chart 6: Japan Consumption Activity Index vs Household Spending

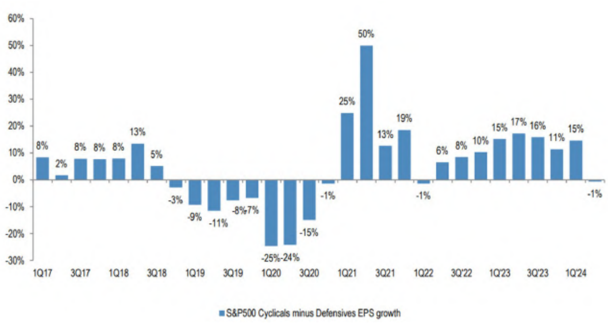


Source: BOJ, MIC, Bloomberg Finance L.P., JP Morgan
Period: Jan 2021 – Jul 2024

corporate reforms and reshoring initiatives.
We remain constructive on US equity markets. We view the risk-reward as fairly balanced, reflecting the Fed's ongoing rate-cutting cycle, stable growth, and a resilient labour market, juxtaposed against election-related uncertainties, geopolitical tensions, and doubts about achieving a soft landing. As such, we continue to favour non-tech sectors and defensives to provide stability in our portfolio. The growth gap between cyclicals and defensives narrowed in 2Q2024, with defensives delivering stronger earnings. We anticipate a similar trend in the coming earnings season, which would reinforce our view that the risk-reward profile remains more favourable in this segment of the market, despite the recent risk-on rally.

We are selective within the technology sector. The semiconductor subsector has delivered solid year-to-date outperformance, driven by accelerated investments in AI-related infrastructure, though valuations have become more demanding now. In contrast, software stocks have lagged behind as enterprises prioritised IT spending on AI infrastructure. However, we see an attractive risk-reward opportunity in the software subsector as AI spending expands beyond AI chips and hardware towards applications and software solutions.

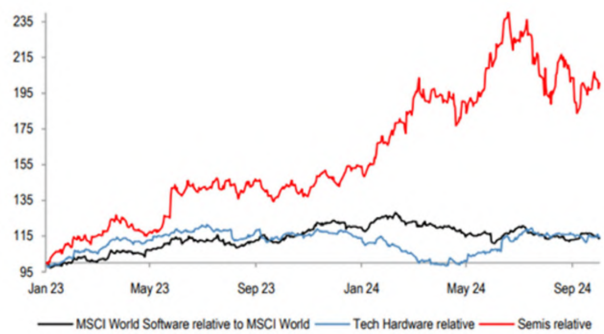
Chart 7: S&P500 Cyclicals minus Defensive EPS Growth



Source: Bloomberg, via JP Morgan Research
Period:1Q2017-1Q2024

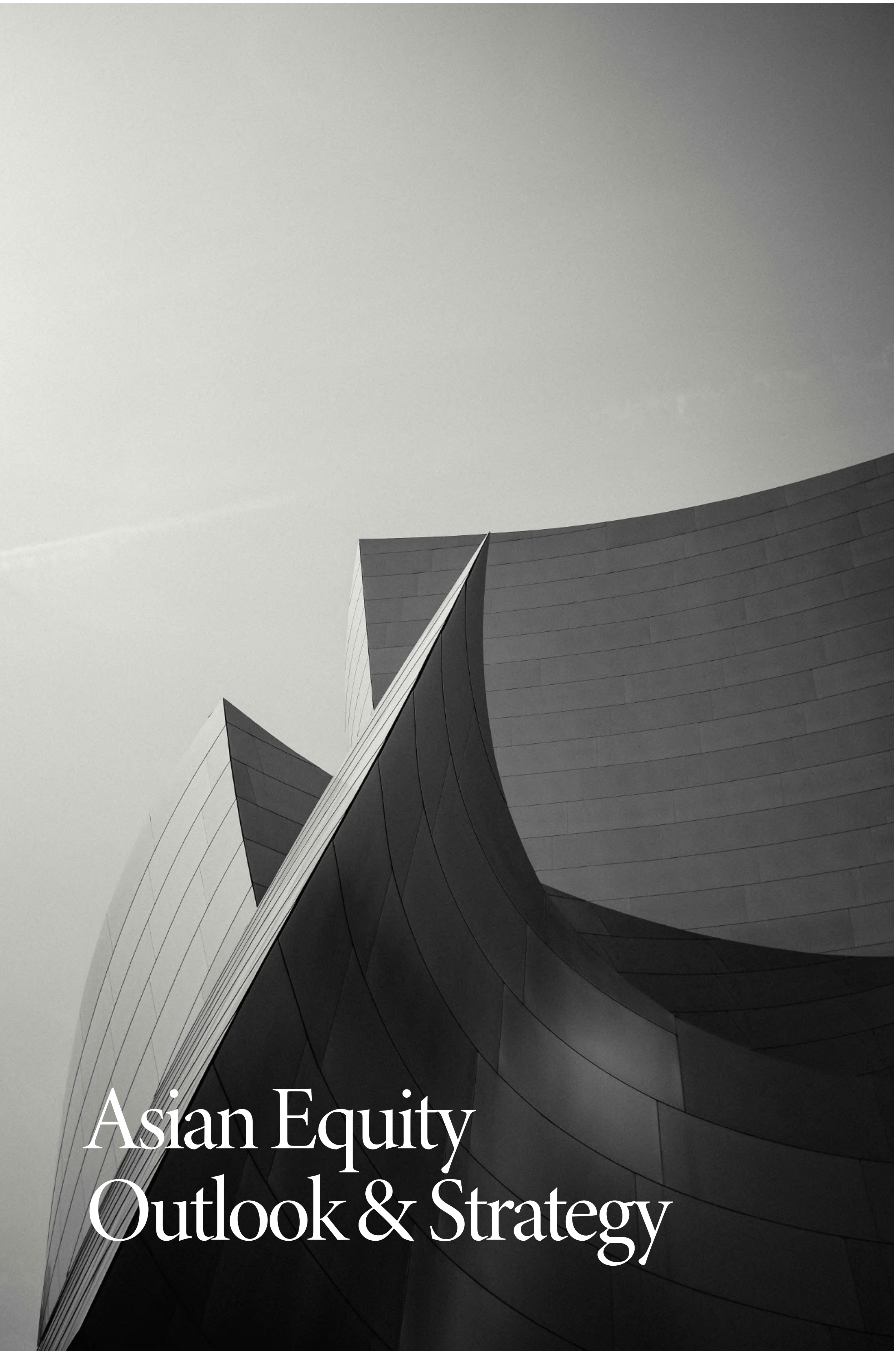
In summary, the outlook for global equities in 4Q2024 is cautiously optimistic, reflecting varied economic conditions across major regions. The U.S. is on track for a soft landing, supported by the Fed's easing cycle and resilient labor and consumer dynamics. However, uncertainties surrounding the upcoming presidential election and geopolitical risks, particularly in the Middle East, pose potential headwinds. In Europe, improving inflation and attractive valuations present opportunities, although growth remains tepid. The ECB's accommodating stance could further support the region's recovery and enhance the appeal of European equities. Meanwhile, Japan's economic prospects are bolstered by wage-driven growth and cautious policy normalisation, setting a favourable backdrop for equity markets.

Chart 8: MCSI World Tech Subsectors Relative



Source: Datastream, via JPM
Period: Jan 2023 - Sep 2024

We remain constructive on US equity markets. We view the risk-reward as fairly balanced, reflecting the Fed's ongoing rate-cutting cycle, stable growth, and a resilient labour market, juxtaposed against election-related uncertainties, geopolitical tensions, and doubts about achieving a soft landing.



Asian Equity Outlook & Strategy

Asian Equity Outlook & Strategy

The US softlanding scenario has benefited equity markets, with Asian equity markets as a whole was up by 20%. Taiwan and India have hit all-time highs. Even China, which has been a laggard market for the past three years, has seen strong gains in 2024 following recent stimulus measures. Taiwan has clearly benefited from the recovery in tech and the AI theme with TSMC (Taiwan Semiconductor Manufacturing Company), the dominant manufacturer of AI chips for NVIDIA and AMD. It is up more than 70% in 2024. India has done well on the back of the secular growth story of continued economic growth.

We did mention that there was some turbulence following the Indian general elections, but India should see strong economic growth of between 6-7% over the next few years. At India's stage of development, there are low hanging fruits, including improving basic infrastructure and increasing industrialisation. There is still lots of room for India to catch up.

For ASEAN, it has been more mixed, with Singapore and Malaysia doing well but Indonesia and Thailand lagging behind. The move towards an easing cycle by the Fed is positive for Emerging markets including Asia. So long as the US achieves a soft landing with no recession, then Asian markets should continue to do better.

Chart 9: China valuations (upper chart) and China Price (MSCI China)

Source: Maybank Asset Management, Bloomberg
Period: 2018-2024

For Asian equities, we are still positive, as valuations are cheap and attractive, particularly in ASEAN and China.

For Asian equities, we are still positive, as valuations are cheap and attractive, particularly in ASEAN and China. However, as we are anticipating a slowdown in the US, we would be cautious in the more cyclical countries and sectors. We are underweight Korea given that the economy is cyclically oriented with high exposure to the auto, tech, and shipbuilding sectors. Valuations have also become more expensive for a cyclical country. We like Taiwan due to its exposure to the AI and tech sectors. Companies in Taiwan are also shareholder-friendly, regularly increasing dividends with high return on capital employed. While we are positive on the market, the extremely high valuations mean that we are neutral on the market.

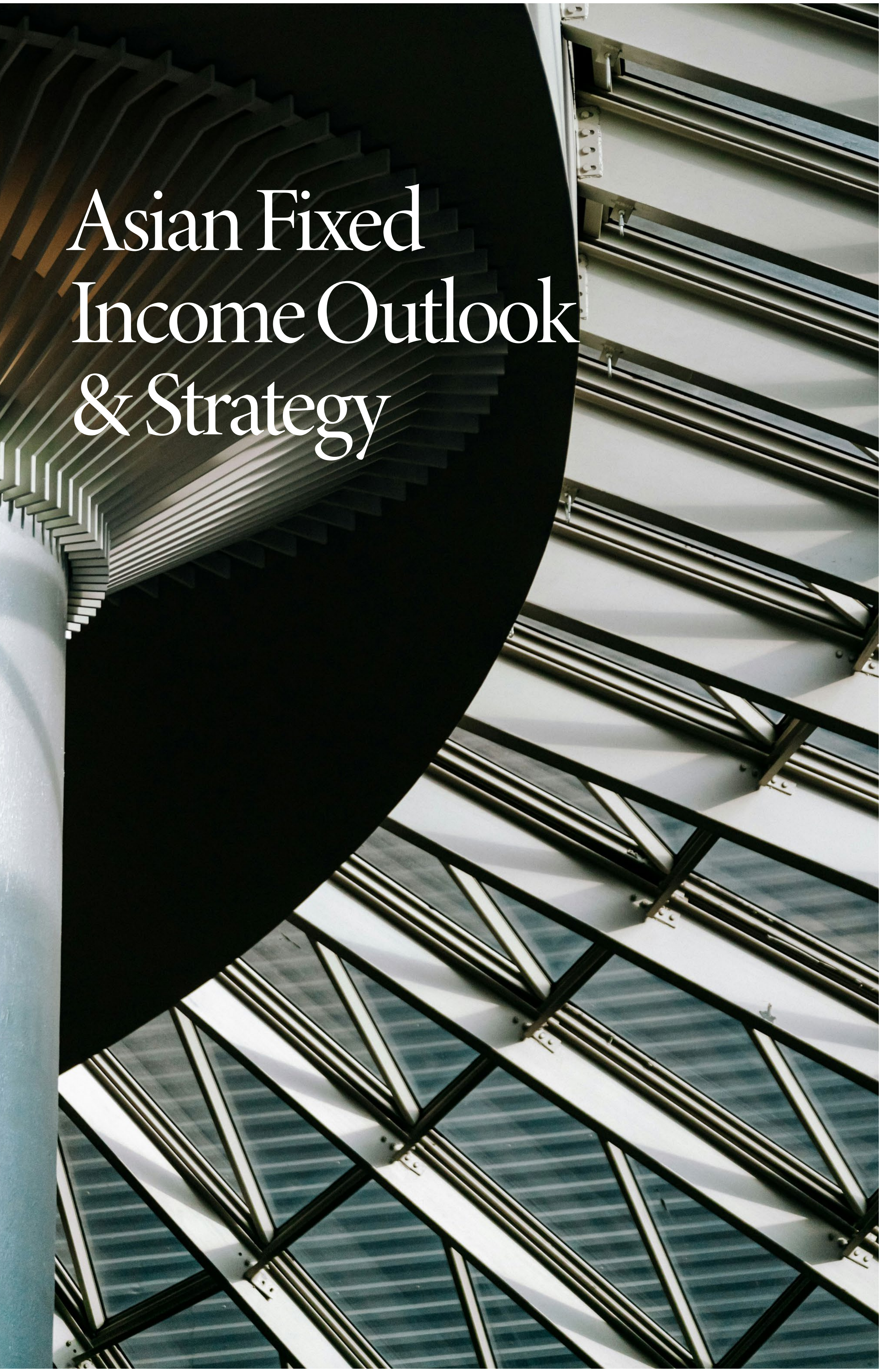
As for China, the recent stimulus has definitely triggered a rerating. In the 3rd Plenum in July, they pledged to move towards quality growth and to ensure central support for the indebted local governments. However, financial markets were expecting more from the Plenum, and China/HK equity markets corrected. The domestic A share in China dropped to close to a multiyear low in September 2024. Perhaps financial markets were expecting too much from a forum that is more focused on the longer term. Then we had the announcements by the PBOC and Ministry of Finance providing support on monetary and fiscal policy, respectively. This triggered the strong rally (see chart 9). The announcements have certainly broken the vicious circle of poor sentiment leading to weak consumption and economic activity leading to further weak sentiment. We are still positive on China as the trend should be positive and overall valuations are still attractive (chart 9) despite the rally. However, in the short term, the 15-20% rally has been too strong, with some companies even rallying 40–50%. We should also look at taking profit on companies where share prices have surged beyond the fundamentals. We would be looking to add only on dips and on some of the quality laggards.

For ASEAN, we are overweight Malaysia and Singapore. Malaysia is a beneficiary of a confluence of factors, including the diversification of the supply chain from China. It is providing a middle ground for both MNCs and Chinese companies. There are domestic themes that are also driving the local stock market, including subsidy rationalisation with market pricing of fuel that will see healthier government finances. We can read more about the themes from our Malaysia team. Singapore is benefiting from its role as the region's financial center. Geopolitical turmoil has seen fund inflows to Singapore as a safe haven. As a result, bank margins have improved, bumping up ROEs and enabling the banks to have higher dividend payouts.

Country Calls

Country	Call	Rationale
China	Overweight	*Macro data has been weak, with steadily weaker retail sales. Consumption has been weaker in Tier 1 and 2 cities, affected by property downturn and weak stock markets, but consumption in lower-tier cities is still showing decent growth. We are still positive despite weak macro-given valuation support, especially for H shares. Decent dividend yields are seen in stocks with 5-10% yields and high buyback activity in Chinese internet names. Recent stimulus measures will put a floor on growth and may break the market out of the value trap.*
Indonesia	Overweight	*Overweight from neutral. One of the biggest beneficiaries of the easing US interest rate environment. Indonesia has very high real rates at about 400 bps, and there is ample room for further cuts to stimulate the economy.*
Malaysia	Overweight	*Malaysia has been one of Asia's best-performing markets in 2024. Despite the rebound, values remain attractive after three years of underperformance. Corporate earnings appear to have turned around and improved. Malaysia has benefited from themes such as the Johor Special Economic Zone, data centers, and alternative supply chains.*
Singapore	Overweight	*Exports in 2024 are recovering off a low base, but consumption growth will likely be flat with the high cost of living cushioned by a tight job market. Singapore's increasing importance as Asia's financial center has seen a big improvement in bank margins and ROE. Bank shares have risen in value as a result of high ROEs and dividend payouts. Valuations are inexpensive.*
India	Neutral	*The Indian stock market continues to do well on the back of the secular story of infrastructure investment. That should lead to a virtuous circle of improved productivity and better potential economic growth going forward. Valuations are expensive, but on a relative basis historically, not at extremes.*
Philippines	Neutral	*After years of underperformance, the market is now undervalued. The economy is growing, and long-term demographics are favourable. However, an unfavourable current account deficit means that the country is more vulnerable to currency weakness. The Fed's easing cycle is beneficial because high interest rates have been a drag on the economy.*
Taiwan	Neutral	*Taiwan has outperformed for 2024. There may be further gains given the recovery from the restocking of PCs and smartphones in addition to the AI theme. Taiwan is preferred compared to Korea given better financial metrics and more shareholder-friendly measures (dividends and focused companies). Selective companies are still doing well, with TSMC still showing good growth. Valuations are stretched, and we have to be more selective.*
Hong Kong	Underweight	*The domestic economy is anticipated to benefit as Chinese tourists return gradually. Direct beneficiaries like Macau Gaming and developers with malls in prime areas have already reacted positively. However, Hong Kong's appeal will gradually decline as many Chinese cities, with the exception of common law, are now on par with HK in terms of quality.The office sector is still grappling with oversupply.*
Korea	Underweight	*The same factors that are driving Taiwan are also relevant to Korea. However, the AI theme is more limited, and Korean companies are less shareholder friendly to minorities. We are also more cautious on cyclical markets like Korea, with a high concentration of auto, chemical, and tech exporters.*
Thailand	Underweight	*Thailand's valuations are higher than historical, and momentum is weak. The recovery story has been hampered by low tourist arrivals and political instability. Corporate earnings have been disappointing, and valuations are not cheap.*

Asian Fixed Income Outlook & Strategy



Asian Fixed Income Outlook & Strategy

Asian Fixed Income 3Q2024 Review - Turning of the Tide or Not?

The US Fed finally commenced their interest rate easing cycle mid-September 2024 with a hawkish 50 basis point ("bps") cut. In the post meeting statement, Fed Chairman Powell stressed that this was a recalibration of risk and was not undertaken because Fed thought that they were behind the curve. The key emphasis was that 50 bps is not the new pace of easing and that the US Fed will continue to evaluate on a meeting-by-meeting basis. The updated September dot plot signaled another 50 bps for the rest of the year, less dovish than market expectations just before the meeting of another 75 bps for FY2024.

The interest rate cut in mid-September was widely expected by the bond market for 2H2024. After peaking at 4.7% end April 2024, the US government bond yield began to fall throughout 2Q and 3Q of 2024 and landed at 3.7% area just before the 19th September Fed meeting. However, after the meeting, bond yields re-priced materially and rose about 40 basis points in the past month, piercing through the 4% handle. Apart from the usual "buy on rumour, sell on news," the retracement in US government bond yields was an indication that the market had priced in too many interest rate cuts going into September. Subsequent strong data, including the blockbuster jobs report early October and marginally stronger than expected CPI in the second week, supported the sell-off in interest rates.

Chart 10: US 10-year Treasury movements (January 2022 – October 2024)

Source: Bloomberg, as at 10th October 2024

Overall, the Asian USD bond market still performed well for 3Q2024. The JP Morgan Asia Credit Index continued the positive momentum for FY2024 and delivered a positive total return of 4.22% during the third quarter. Year-to-date end September JP Morgan Asia Credit Index "JACI" clocked in 7.15%. High yield was a clear outperformer with 14.76% total return despite historic tight credit spreads. The majority of the high yield outperformance came from China property bonds. Fundamentally, sales in the China property sector continue to be very weak and property prices are pressurised, with completed unsold primary inventory at over 20 months. However, the remaining surviving property developers appear to be coping with tight liquidity by pledging assets to tap onshore bank loans. Hence, default risk seems to be declining among the survivors. We have seen some depressed property bond prices rally during YTD 2024. Barclays estimated China's high-yield property total returns to be 48% YTD 2024.

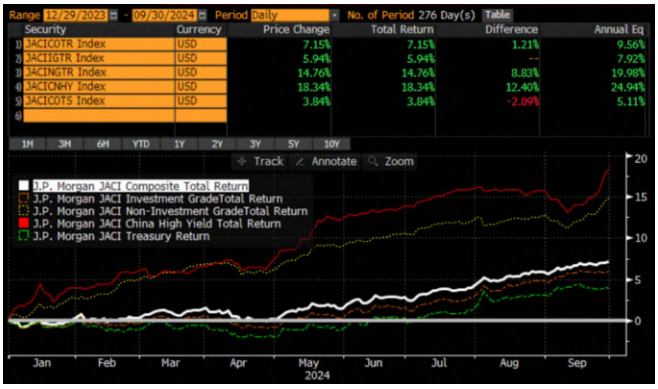
Excluding the binary China property sector, high yield bonds could continue to do well given firming market expectations for a soft landing or no landing scenario. However, should the slowdown happen faster than expected or tensions between Israel-Iran escalate, that might cause risk assets to sell-off.

Chart 11: Return for Asia HY Components

	Total returns (%)		Excess returns (%)	
	Sep-24	YTD	Sep-24	YTD
Asia HY Credit	1.8	13.8	95	960
Asia HY ex China Property	1.5	11.5	69	732
China HY Property	5.7	48.0	489	4,361
HY Sovs + Quasis	5.4	22.3	464	1,813
Macau Gaming HY	2.1	9.2	117	485
China HY Industrials (inclu Macau, exclu property)	1.8	11.3	95	707
India (Corp + financials)	1.2	12.8	41	852
India HY Renewables	1.2	9.2	28	489
Philippines	1.2	10.9	25	683
Indonesia	0.9	10.2	12	618

Source: Bloomberg, as of October 2024

Chart 12: 2024 YTD JACI Index Returns vs. Treasury



	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	JACICOTR Index	USD	7.15%	7.15%	1.21%	9.56%
2)	JACIIGTR Index	USD	5.94%	5.94%	--	7.92%
3)	JACINGTR Index	USD	14.76%	14.76%	8.83%	19.98%
4)	JACICNHY Index	USD	18.34%	18.34%	12.40%	24.94%
5)	JACICOTS Index	USD	3.84%	3.84%	-2.09%	5.11%
6)						

Source: Bloomberg, JP Morgan as of October 2024

The interest rate cut in mid-September was widely expected by the bond market for 2H2024.

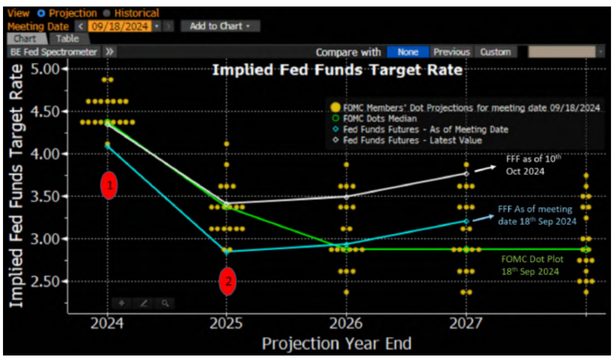
4Q2024 Asian Fixed Income Outlook – Positioning for Twists & Turns

As mentioned above, just after the US Fed did the first interest rate cut during September, Treasury bond yields rose. Has the bond rally party ended so fast before the easing cycle had barely begun? Is year-to-date JACI returns of 7% as good as it gets, and we will be facing negative returns going forward? Should we take profit now and exit bonds?

Rather than pressing the panic button prematurely, we need to understand what caused the immediate sell-off in bond yields after the first cut. We believe that the bond whipsaw in the past month is due to a correction in market expectations on the pace of easing and not due to expectations of a complete policy u-turn in the US. Therefore, the US Fed is still expected to cut interest rates going into FY2025, but at a pace that is slower than what the market was expecting initially.

In the picture below, we have the US Fed Dot Plot as at the 18th September 2024 FOMC meeting. The yellow dots are the individual members' projections, and the green line plots the Dots median. The light blue line was the market expectations expressed in the Fed Fund Futures "FFF" pricing as of 18th September. The white line is the FFF three weeks later, on 10th October 2024.

Chart 13: Implied Fed Funds Target Rate



Source: Bloomberg, as of October 2024

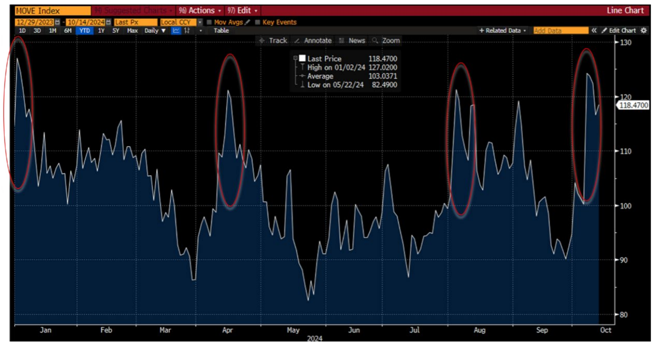
From the chart above point 1 for the end FY2024 forecast, we can see that on 18th September FOMC meeting, the FOMC was expecting another 50 bps cut to 4.33% (green line) for the November and December meetings. However, the FFF on 18th September (blue line) was pricing in another 75 bps cut for the rest of the year to 4.08%. Point 2 shows expectations for end FY2025. FOMC expects a 100-bps cut for full-year FY2025 to 3.33% (green), while FFF (blue) was indicating an end rate of 2.88%, hence about 50-bps lower than Fed expectations. Overall, on 18th September, the futures market was pricing in more cuts than FOMC was indicating.

The change in market expectations is clearly shown in the white line, which is the FFF three weeks later as of 10th Oct 2024. We can see that the white line overlaps the Fed Dot Plot, which means that it is fully aligned with FOMC. Hence, the market re-priced its rate cut expectations by 25 basis points less for end FY2024 and another 25 basis points less for FY2025. The key point to emphasise here is that while the market has dialed back on interest rate cut expectations, it is not expecting the US Fed to stop hiking or to revert back to interest rate hikes, which is detrimental to bond investments.

We recognise that the US economy is at an inflexion, which means there are a lot of cross-currents from mixed incoming data for the rest of the year. Markets tend to react aggressively and may even overreact to any single data point. Adding to that turbulence, we have the upcoming US elections and ongoing geopolitical tensions in the Middle East. We are potentially facing a diverse range of outcomes for 4Q2024, suggesting that there is scope for further market gyrations ahead. Below we have the ICE Bofa MOVE Index, which measures the volatility in Treasury yields based on interest rate options. During FY2024, we have already witnessed four instances of bond volatility spikes, and we may potentially see one more going into year-end.

During FY2024, we have already witnessed four instances of bond volatility spikes, and we may potentially see one more going into year-end.

Chart 14: ICE Bofa MOVE Index



Source: Bloomberg, as of October 2024
Period: Jan 2024- Oct 2024

Therefore, to manage the material unpredictability into year-end, we prefer to stay neutral in portfolio duration versus the JP Morgan Asia Credit Index. The US Fed is not likely to pivot back to interest rate hikes, but bond yields can stay high for longer. The yield curve is likely to steepen as the Fed continues to cut gradually. Overall, we prefer to overweight duration on the belly of the curve while underweight long-end. A soft or no landing means the default rate should remain low, hence credit spreads can remain tight. We can take some positions in short-maturity high-yield bonds, limiting mainly to BB credits to be defensive for additional yield.

Key risk to our positioning is a sustained resurgence in inflation risks or huge supply of US Treasury bonds due to an unsustainable US deficit, causing Treasury yields to rise excessively.

FX & Local Rates Outlook

FX & Local Rates Outlook

The 4Q2024 outlook on Asian currencies hinges on US elections. If Trump gets elected, we expect USD to strengthen in the short term over a 3-6-month period. If Kamala Harris gets elected, we expect Asian currencies to strengthen. However, longer term, we expect the USD to weaken against Southeast Asian currencies. So our preference is to be long Southeast Asian currencies from a medium-term perspective.

Asia FX has shown stellar performance against USD in 3Q2024 primarily due to the start of the Federal Reserve's easing cycle, which started with a bang at the 50-basis point cut; this led to sharp re-pricing of the Fed's rate cuts trajectory. The Bloomberg Asia Dollar Index, which measures a basket of currencies against USD, returned approximately 4.23% in 3Q2024. The start of the Fed's easing cycle and favourable Developed Market (DM) monetary backdrop (the European Central Bank also delivered cuts) have bode well with EM risky assets, in particular flows to local currency bonds as well as Asian currencies.

Other factors driving this performance in Asian FX were exacerbated by the unwind of global carry FX positions, many of which were funded by low-yielding Asian FX such as JPY. Second, the rise of the JPY and RMB has had a favourable influence on other Asian currencies due to their high beta and significant weights in Asian trade-weighted indexes. Furthermore, the increased inflows into Asian Local Currency (LCY) fixed income instruments have helped the Asian currency. Inflows into Asian bonds are also the result of Fed rate repricing, which provides an opportunity for Asian central banks to begin normalising rates given their benign inflation position. Asian central banks that are holding high rates to preserve their respective currencies can take a step back for the time being; for instance, Bank Indonesia delivered a surprise 25 bps cut in late September.

Moving forward, following a good third quarter, we expect Asian FX to encounter some pressure in the final three months of 2024 as the USD recovers from an upsurge in US economic indicators. Markets have decreased their expectations for rate reduction compared to those priced in during August/September. Outcome uncertainty from the US election in November may enlarge the US fiscal deficit, raise the US term premium, and stimulate US growth, perhaps derailing the Fed's rate decreases. Trump's tariff plans during his campaign (i.e., 10% flat on all countries' exports and 60% on China exports), if implemented, will impact Asian FX, particularly in trade-reliant countries such as China, Korea, Taiwan, and others. In addition, Middle East tension is still simmering, with Israel now engaged with Lebanon/Hezbollah/Iran. This is likely to accelerate further USD safe haven flows if the tension escalates to a full-blown war.

We remain bullish on Asian currencies (favouring IDR, MYR, INR, PHP, and SGD) from a medium-term perspective, as the overarching narrative of the Fed's easing cycle remains key. This is because the narrowing interest rate differentials between Asian central banks and the Fed will be favourable to Asian risk asset recovery. Moreover, the announcement of various China stimulus will act as a tailwind for Asian FX, especially those with high betas with the Chinese economy. We believe the stimulus announced this round (recapitalisation of banks and one-off handouts, etc.) suggests authorities are serious about addressing disinflationary and slowing consumption growth.

We remain bullish on Asian currencies (favouring IDR, MYR, INR, PHP, and SGD) from a medium-term perspective, as the overarching narrative of the Fed's easing cycle remains key.

Furthermore, we believe the Asian currency recovery has more room to go given the enormous accumulation of USD deposits by Asian corporates, retailers, and exporters over the last three years as a result of the significant interest rate differential and strong USD. Nonetheless, we are becoming more cautious in the short term due to the strong run-up in Asian currency strength over the third quarter, as well as downside risks to regional Asian FX from potential "Trump trade", USD resurgence pressure (if a no landing scenario prevails, i.e., sticky inflation combined with mediocre growth and shallow Fed cuts) and geopolitical risks.

Key Trades

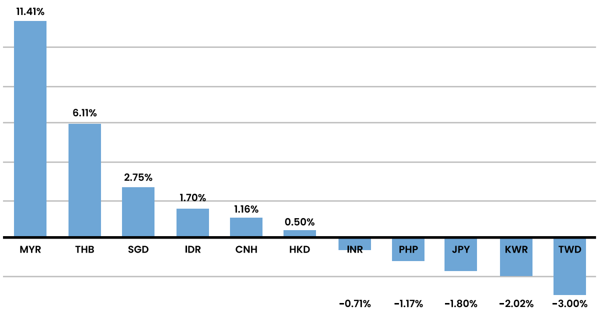
Currencies

- Fundamental trades: Remain bullish medium term on IDR, MYR, INR and PHP, SGD, due to favourable domestic factors; narrowing interest rates differentials from Fed easing narrative and removal of elections overhang.
- Neutral: KRW, CNH and TWD.
- Underweight: THB (misalignment between government and central bank on monetary policy) and CNH (Tariffs imposed, growth trajectory, magnitude of fiscal stimulus to set the stage).

Rates/Duration

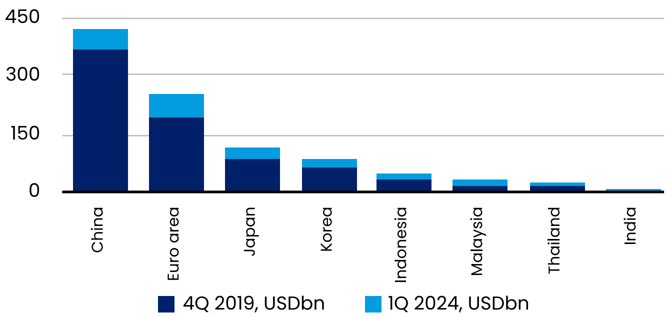
- Bullish duration for Singapore, India and Indonesia.
- Neutral on Malaysia rates.
- Underweight Thailand duration.

Chart 15: Asian FX spot YTD performance; strong recovery in 3Q; with MYR & THB being leader



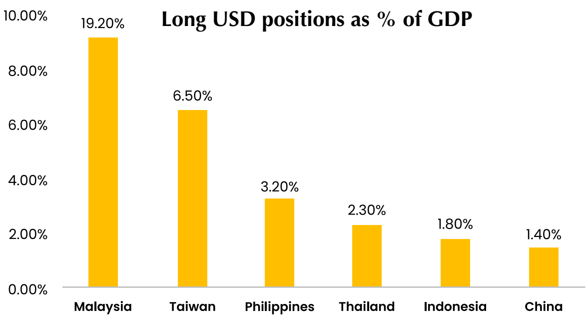
Source: Bloomberg, end Sept 2024

Chart 16: Corporate FX deposits by markets



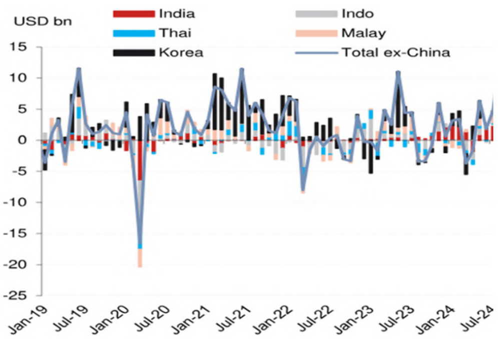
Source: BofA Research, Sept 2024

Chart 17: Potential large USD position unwind >> more room to recover for Asia FX



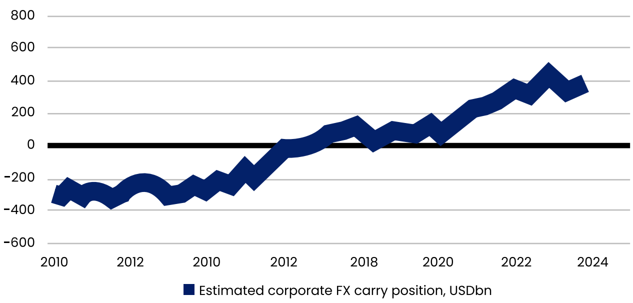
Source: Maybank Asset Management

Chart 18: Asia Bond LCY Flow



Source: Nomura, Sept 24
Period: Jan 2019 –Jul 2024

Chart 19: Corporates in the Euro area and Asia ran a collective FX carry position of USD 260bn-480bn in 1Q2024



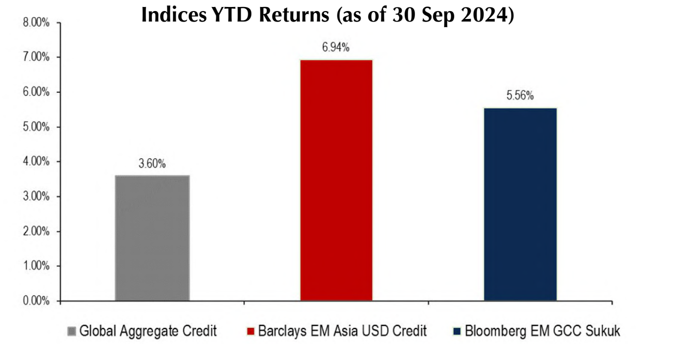
Source: Maybank Asset Management
Period: 2010 – 2024

Global Sukuk Outlook & Strategy

Financial assets across the globe rose collectively in the third quarter as the Fed embarked on its historical policy pivot. The Fed delivered a surprising 50 bps interest rate cut in its latest meeting, which we think has pushed policymakers to walk a tightrope between balancing growth and inflation in the coming quarters. As written in our 3Q2024 outlook, we had anticipated only two rate cuts for the year, thinking that the Fed will continue to apply a "wait and see" approach. On the contrary, the Fed's aggressive move, and in turn the bond markets, has led us to believe that they have moved too much, too soon. Recent upward US rate repricing seems to agree with our view, with no-landing narratives and disinflation stalling back.

As we approach the final quarter of the year, we keep our eyes peeled on the outcome of the US elections and its associated consequences from either Presidents taking the White House and also the control of Congress. As at the time of writing, both contests remain largely a coin flip.

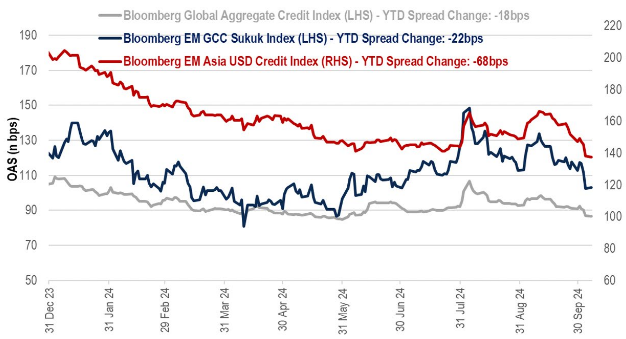
Chart 20: GCC Sukuk vs Asia Credit vs Global Indices Returns from 29 Dec 2023 to 30 Sep 2024 (YTD returns)



Source: Maybank Asset Management Singapore, Bloomberg

Asian Fixed Income (as measured by Barclays EM Asia USD Credit Index) registered outsized, positive returns of 6.94% YTD, while Global Sukuks alike (as measured by Bloomberg EM GCC Sukuk Index) posted a respectable second with 5.56% YTD returns (Chart 20). Falling interest rates attributed to the majority of the upside while credit spreads see-sawed in the past few months, though still ending tighter year-to-date, complementing total returns (Chart 21). Again, we see the narrowing most pronounced in Asia, in the backdrop of China's slew of stimulus measure announcements.

Chart 21: Global, Asia and Sukuk Indices Spread YTD to Oct 2024



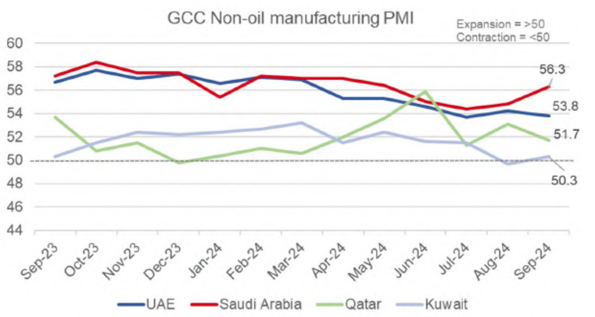
Source: Maybank Asset Management Singapore, Bloomberg
Period: Dec 2023- Sep 2024

GCC Economy and Oil

In energy markets, crude oil prices continued their fall to US70/bbl at quarter end, amidst a backdrop of soft oil demand and reports of OPEC+ intentions to preserve their market share rather than maintaining a floor on oil prices. Notwithstanding that, the sensitivity of oil markets to supply risks has picked up dramatically following Iran and Israel's renewed and worrying escalation. While the development of the conflict remains uncertain, we see plenty of right-tail risks to oil, especially if Iranian oil facilities are targeted in retaliation. There have been reports floating around the targeting of nuclear facilities in Iran by Israel, though we think the probability is low. In these current conditions, should the war not rapidly escalate out of proportion, we expect oil prices to average between US60-US80/bbl, still comfortable for GCC public budget balances.

On the non-oil front, the GCC continues to display its resilience versus the rest of the world, as evidenced by its year-round expansionary PMI figure, with Saudi Arabia's headline PMI rising to 56.3 in September while in the UAE, PMI fell marginally to 53.8 owing to increasing slowing job creation and competitive pressures. That said, we believe the implicit support from the Fed's rate cuts, which have led to a mirroring of most of the GCC central banks benchmark interest rates, should drive the economy in the final quarter.

Chart 22: GCC Non-oil PMI Sep 2023 – Sep 2024



Source: Maybank Asset Management Singapore, S&P Global PMI
Period: Sep 2023 –Sep 2024

Issuances/ratings updates

Issuances in the USD GCC Sukuk market were the slowest this quarter, recording a mere USD7.3bn in 3Q2024 versus over USD50bn in 1H2024, as sovereigns and corporates alike awaited for the Fed's decision in late September. In the two weeks following the Fed's rate cut, issuances in the region exceeded USD 10 billion, with notable issuers like Aramco and Taqa tapping the market, amongst others. Due to this recent surge, we think there was a level of "indigestion" amongst market participants, capping upside to performance. With the cutting cycle in motion, we expect supply to pick up modestly through the remainder of 2024 to meet and likely surpass S&P's Global Sukuk issuance projections for 2024, at USD170bn versus the prior year's USD168bn.

On the rating front, S&P made the first move to bring back Oman to investment grade rating BBB-, last achieved in 2017, reflecting the sultanate's continued deleveraging efforts and strengthening public finances; we expect the other rating agencies to follow suit in due time. This should continue to support the sovereign and sovereign-related credits from a technical perspective.

Outlook and Positioning

Credit spreads for GCC Sukuks on the whole have continued to perform well (-22bps YTD), suggesting little to negligible risks priced in from the adverse developments in the region. In light of that, opportunities for returns have dwindled with the recent flood of new supply and scant new issue concessions in primary deals.

We remain focused on selecting corporates with strong balance sheets and diversified profiles given the persistent competitive pressures in the region.

We remain focused on selecting corporates with strong balance sheets and diversified profiles given the persistent competitive pressures in the region. Our positive and higher risk-taking stance on the UAE property sector remains unchanged, with upgrade rating pressures in recent quarters. For GCC banks, we continue to view their credit fundamentals as healthy. That said, we think it is sensible and have moved our view on AT1 and Tier 2 bank bonds to market-weight from overweight amidst the uncertainty and ongoing conflict in the region. Our overall defensive positioning, with a tilt towards high-quality investment grade over high yield, should bode well in this current environment.

In conclusion, while we have shifted to an overweight duration positioning in the previous quarter, we think that elevated rates of volatility will likely persist, especially as the US presidential elections begin, atop mixed data on growth and inflation. Although we have managed to capture sizeable returns as yields moved lower (Bloomberg EM GCC Index, Chart 22), now is not the time to get complacent; we intend to adopt a more tactical and defensive posture in the next quarter.

In conclusion, while we have shifted to an overweight duration positioning in the previous quarter, we think that elevated rates of volatility will likely persist, especially as the US presidential elections begin, atop mixed data on growth and inflation.

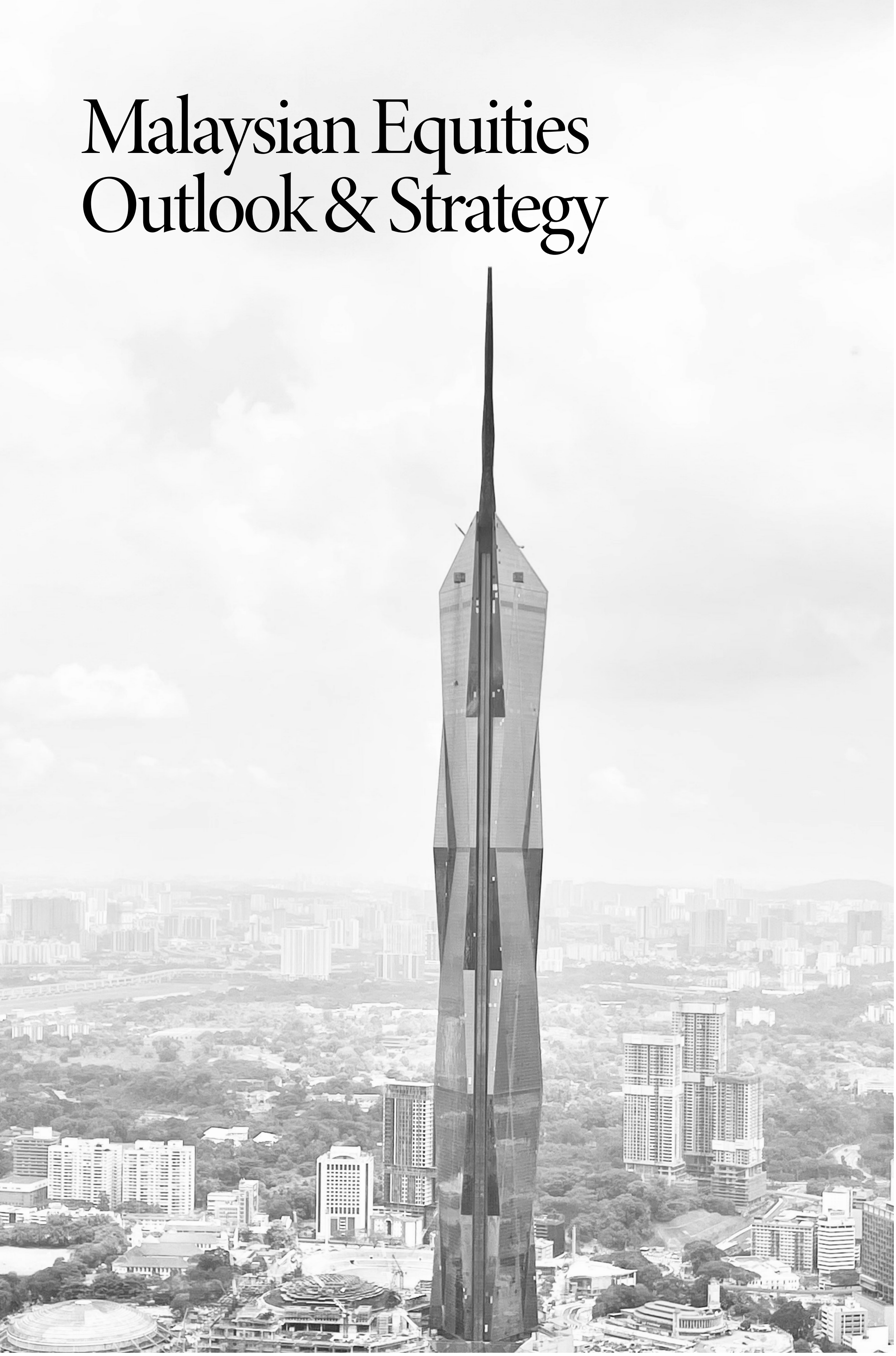
Chart 23: Bloomberg EM GCC Sukuk Index (2014 to Jul 2024)

Source: Bloomberg
Period: 2014- July 2024

Country	Recommendations
Bahrain	• Remain cautious on Bahrain's prospects with weak fiscal consolidation efforts. Bahrain is projecting a deficit of US0.4bn in 2024; non-oil sector has seen some slowing. Still heavily depend on oil market prospects, regional spillovers and support. • **MW OILGAS quasi as spreads-to-sovereign have normalized higher (20 to 25bps). UW BHRAIN sovereign, due to potential regional escalation.**
Kuwait	• Recent approval of budget by Parliament is a step in the right direction, but still require more steps to give assurance to the investors. Overall pace of reform initiatives still slow. • **Neutral on IG names in the petrochemical/energy industry. Neutral on Kuwaiti bank's AT1 perp.**
Oman	• Upgraded to investment grade (BBB-) by S&P, which we had anticipated. Expect other 2 rating agencies to follow suit in due time. • **Only add-on dips as Sovereign is trading at IG valuation. Prefer the Quasi-sovereigns due to decent spread over sovereign (40 – 45bps).**
Qatar	• Ratings equalized across all agencies at AA. • Expecting twin surpluses to roll over to the end of 2024. Growth is expected to remain steady with North Field gas expansion project driving the construction sector. Tourism sector noticeably growing and expected to drive non-oil growth. • **No outstanding Qatar sovereign Sukuk. Market weight on Qatari Financials.**
Saudi Arabia	• Revised outlook to positive by S&P. Annual financing needs of USD30bn largely done – from USD27bn in local and international debt issuances and sale of Aramco shares (USD11.2bn equivalent). Don't expect any further external issuance in 2024. • **Remain MW Sovereign. Remain UW on Quasi sovereigns as PIF related entities expected to drive significant issuance from progress in giga-projects; Move to MW on Saudi bank AT1s on expensive valuation and downside risks from potential regional escalation.**
United Arab Emirates	• Affirmed at AA- by Fitch. Non-oil sector growth expected to be mid 4%. UAE real estate markets has exceeded many developers, rating agencies and experts' expectations. UAE GDP is expected to outpace global growth by a sizeable margin in 2024 according to IMF. • Wynn Resorts was awarded the first Commercial Gambling License in the UAE as they develop a luxury resort in Ras Al Khaimah (expected completion in 2027). • **Move to MW on bank AT1s over seniors due to fully priced in valuation and downside risks from regional escalation. OW on IG and HY real estate names on unrelenting momentum in the sector.**

OW= overweight | MW= market weight | UW= underweight

Malaysian Equities Outlook & Strategy



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Malaysian Equities Outlook & Strategy

Malaysia's economy remained on a firm footing, with GDP growth surpassing expectations at +5.9% YoY in 2Q2024 vs advanced estimates of +5.8% and +4.2% in 1Q2024 (2023: +3.7%), driven by higher private consumption and investment growth. Trade activity was robust in the first 8 months of 2024, posting the highest periodic value ever after increasing by 10.9% YoY to RM1.9 trillion. Exports rose by 6% YoY to RM991.4 billion, and imports were higher by +16.8% YoY to RM913.2 billion, resulting in a trade surplus of RM78.2 billion for the period. Economic growth is on track to close at the higher end of the government's GDP growth target of 4.0–5.0% for 2024. Meanwhile, inflation remained under control as the CPI unexpectedly eased to 1.9% YoY in August from 2.0% in July, below expectations as the government's fiscal consolidation efforts so far have not led to a sharp increase in prices.

Moving forward, we expect domestic growth momentum to be well supported by both external and internal drivers. Malaysia's manufacturing and trade sectors have finally turned the corner, riding the global tech upturn amidst somewhat mixed performance in commodities, while construction activity has also surprised on the upside. Meanwhile, private consumption continues to show resilience while the recovery in tourism further provides a much-needed boost. Construction activity should remain firm as the government continues to make public investment in infrastructure, and we have seen rising interest in FDI-related large-scale projects, such as data centers.

There have also been announcements to boost economic activity in Johor and closer integration with Singapore, including incentives for the Forest City Special Financial Zone (SFZ) and the upcoming Johor-Singapore Special Economic Zone (JS-SEZ). On the external front, trade performance is supported by the uptrend in the global technology cycle and supply chain reorientation. Notably, Malaysia has emerged as one of the favourite investment destinations, including for sectors like Electrical & Electronic (E&E) and for data centers. Furthermore, due to the trade tensions between the US and China, multinational corporations (MNCs) have started to relocate or diversify their operations to other regions, such as ASEAN, with Malaysia one of the key beneficiaries due to its trade openness, good connectivity and infrastructure, robust policy framework, and political stability.

Notably, Malaysia has emerged as one of the favourite investment destinations, including for sectors like E&E and for data centers.

However, a key challenge is further subsidy rationalisation as part of the government's fiscal consolidation plans. Following the government's removal of blanket diesel subsidies on 10 June, with a 56% increase to RM3.35 per liter for Peninsular Malaysia, attention has shifted to the anticipated RON95 fuel subsidy rationalisation given its wider implication, although its quantum, timing, and mechanism remain uncertain for now.

We still think that the government will increase the retail petrol price of RON95 on a gradual basis while providing subsidies or handouts to recipients within the B40 and M40 brackets to manage the impact on these vulnerable groups. While subsidy rationalisation could negatively impact domestic consumption and inflation expectations, these measures are necessary from a fiscal management perspective. Given the rise in the federal government debt level since the pandemic, where the statutory debt to GDP now stands at about 62%—just short of the 65% limit—the government has to strike a delicate balance between supporting economic growth and fiscal discipline.

The government has targeted reducing the budget deficit from 5% in 2023 to 4.3% in 2024, while headline inflation is projected to remain moderate at between 2% and 3.5% (2023: 2.5%).

Other key risks are external, including uncertainty relating to the outcome of the US presidential elections in November this year and the potential escalation of tension in the Middle East. On monetary policy, we continue to believe that Bank Negara Malaysia will hold the OPR steady at 3.00% for this year, despite the US Federal Reserve starting its rate cutting cycle. In currencies, the MYR has been the outperformer in the region over the past month. USDMYR has strengthened sharply to about 4.124 as of end-September, 10.2% stronger than at the start of the year. We expect USD to continue to weaken over the medium term on the back of the Fed's ongoing easing cycle, the BoJ's more hawkish pivot, and China's recent slew of supportive measures, although in the more immediate term, emerging market currencies may face some pressure ahead of the US Presidential elections in November and heightened geopolitical tension in the Middle East.

Malaysia Equity Market Review and Outlook

The FBM KLCI ("KLCI") continued its steady climb in 3Q2024, albeit lagging the regional peers during the period under review. After a strong 1H2024, the regional peers have started to catch up against the KLCI, with Hang Seng leading the pack, up by 19.27% QoQ. The KLCI registered a 3.70% QoQ growth. The Big-Caps stocks outperformed the rest during the quarters as rotational play into the Big-Caps stock continued to gain momentum, driven by the rising foreign interest in the local market.

During the 3Q2024, the Small-Cap and the Ace Index were the worst performers, as both indices plunged by 10.01% and 10.32%, respectively. In fact, mid and small caps have not yet recovered from a drawdown in early Aug'2024. Sectoral-wise, we observed that the gains in 3Q2024 have not been broad-based, where it has concentrated in the blue chips and select sectors. It is also possible that there was a rotation into laggard sectors such as finance. Financial and construction sectors were the best performers, chalking gains of 10.51% and 7.57%, respectively, while the technology sector continues to be in the doldrums after losing a massive 23.00% QoQ.

The main highlights for the global capital market in the 3Q2024 have been the decision by the Fed to cut the interest rate ("FFR') by 50 basis points. This has provided some relief to the market and acted as a catalyst for the equity market globally. The decision by the US Fed has been one of the key factors contributing to the influx of foreign funds into Malaysia. With the move, we saw the US dollar weaken, where the USDMYR level went from RM4.72 at the start of 2H2024 to its highest level of RM4.12 as of 30th Sept 2024. This has caused a wave of foreign funds to flow into the Malaysian market. As at 30th September 2024, the accumulated net inflows amount to RM3.55b. Comparatively, it was RM52m in 2Q2024 and a net outflow of -RM875.1m in 1Q2024. The sector that saw the largest net inflow in 3Q2024 was financial services, amounting to RM5.38b vs. net outflows of -RM3.13b in 1H2024. Going forward, we expect that the Ringgit will continue to appreciate against the US dollar given the series of expected FFR cuts in the future. This will lead to further foreign fund net inflows, which will provide support for the market. This was based on our findings that there was a significant correlation between foreign fund flows and the level of USDMYR.

On the local front, economic activities remain robust, driven by the rising Domestic Direct Investment (DDI) and Foreign Direct Investment (FDI) in the last 12 months. Pro-business policies implemented by the government have spurred corporations into new capital cycles and expansion spending. Data Center has been the best story for Malaysia for 2024, which saw billions of dollars of investment poured by MNCs to setup Data Center operations in Malaysia. Johor has been the favourite destination for investors. On top of private spending to spur economic domestic economic activities, we reiterate our view that 2H2024 will be driven by stronger job flows from the public side, as we expect the execution and implementation of government projects in line with the allocation under Budget 2024, which had set aside RM90b for development expenditure for 2024. We are of the opinion that there will be more reforms on the offering to further strengthen governance in the country and, at the same time, the implementation of business-friendly policies to spur further economic growth in the country. The biggest reforms for 2025 could come from the implementation of petrol subsidy rationalisation. If implemented by the government, this could further strengthen the government's fiscal position and provide additional support for the MYR going into 2025.

Despite increasing volatility in the global market driven by geopolitical tension and the risk of slowing global growth, we are of the opinion that the positive market momentum in the KLCI will continue in 4Q2024 and 1H2025. Going forward, we expect the local equity market to gain further ground based on these catalysts: 1) continuous political stability in the country; 2) driven by the continuous inflow of foreign funds into the domestic market, i.e., equity and bonds; 3) underpinned by a healthy economy as well as corporate earnings outlook as the results of a few key economic measures announced by the government; and 4) supported by undemanding valuations. Robust domestic economic activities will provide the much-needed support to counter any potential slowdown in global growth. **As such, we pegged our KLCI Index target of 1,701 points for 2024 and 1,860 points for 2025 and reiterated our overweight call on Malaysia. We are of the opinion that the Big and Mid-Cap stocks will continue to outperform the small-cap and Ace stocks in 4Q2024.**

Malaysian Fixed Income Outlook & Strategy

The market in the third quarter behaved like a roller coaster, with heightened geopolitical conflicts giving bonds an additional tailwind in the second half of July. The stock markets took a hit in early August due to a confluence of softer US economic data. However, the much-awaited start of the Federal Reserve's rate-cutting cycle in September, coupled with a more dovish stance from Japanese policymakers and fresh stimulus measures in China, helped ease investors' worries and still concluded with a solid return across major asset classes by the end of the quarter.

UST 2s10s space steepened to its highest in almost 2 years, with 10y UST closing the quarter at 3.78% level while 2y was at 3.64%. Regional bonds continued to rally alongside the global bonds. Malaysia bond gains accelerated as overall yields closed firmer across the curve, with 10-year MGS ending the September's month at 3.71%, bringing the spread of 10-year UST vs. 10-year MGS yield circa -7 bps. On the currency front, the DXY index slipped to a low of 100.21 on the FOMC day before reversing higher back above the key 100.60-support. This may suggest that even with a 50bps cut, the USD bearish momentum has run out of steam from the rate perspective, and it is now up to global growth momentum outside of the US to take the USD lower. MYR strengthened against USD by 10.2% to 4.124 following a breakthrough of 4.15 compared to the last quarter of 4.5905, which was also partly attributed to the strong foreign inflows into the local bond markets.

BNM maintained the OPR at 3.00% as unanimously expected in most recent MPC meetings. The monetary policy remains in a neutral setting given the favourable combination of the solid economic growth and anchored inflation trajectory that is expected to sustain into year-end, as well as a stronger ringgit. We expect the recovery in Malaysia's fixed income market to continue in the remainder of 2024, as most central banks around the world have started embarking on rate cuts, shifting towards more accommodative monetary policy. The positive dynamic of yield movement globally could lead the local government yields to trend lower. Our view remains that BNM to maintain OPR at 3.00% in 2024 in the absence of demand-pulled pressures, especially when Consumer Price Index (CPI) numbers are relatively benign at the back of subsidy rationalisation exercises. In terms of growth prospects, Malaysian GDP growth is projected to expand circa 5% in 2024. This justifies a continuation of the current monetary policy stance. Having said no change, the next move in OPR, if any, is likely to be a cut rather than a hike. However, we do expect volatility to remain elevated amid the ebb and flow of recession fears, and geopolitical tensions continue to linger in the backdrop.

Regional bonds continued to rally alongside the global bonds. Malaysia bond gains accelerated as overall yields closed firmer across the curve, with 10-year MGS ending the September's month at 3.71%, bringing the spread of 10-year UST vs. 10-year MGS yield circa -7 bps.

In terms of demand-supply, local bond issuances are expected to stay robust in 4Q2024 given the lower interest rate expectation. Credit spreads have been tight, and we expect the spreads to be widened out a tad given the seasonal effect that profit-taking activities emerge as well as robust primary supplies. Govvies duration remains an important hedge in MYR portfolio allocation as global rate dynamics may descend unexpectedly from late-cycle to end-cycle pricing. We believe that government bond yields still have positive steam, allowing for advantageous trading positioning. Strategy wise, we will continue to trade opportunistically and realise profits, reinvesting into longer-duration and higher-yielding accretive bonds while also considering new primary issuances with higher yields to increase returns. We will maintain our neutral to long-duration stance as we find current bond yields to be attractive. We continue to overweight corporate bonds over sovereign bonds to anchor the Fund's income, as corporate bonds are less volatile and provide higher yields to buffer against potential mark-to-market losses. We prefer strong AA-rated and A-rated papers for yield pickup and will continue to trade opportunistically to realise profits.

Product Trends

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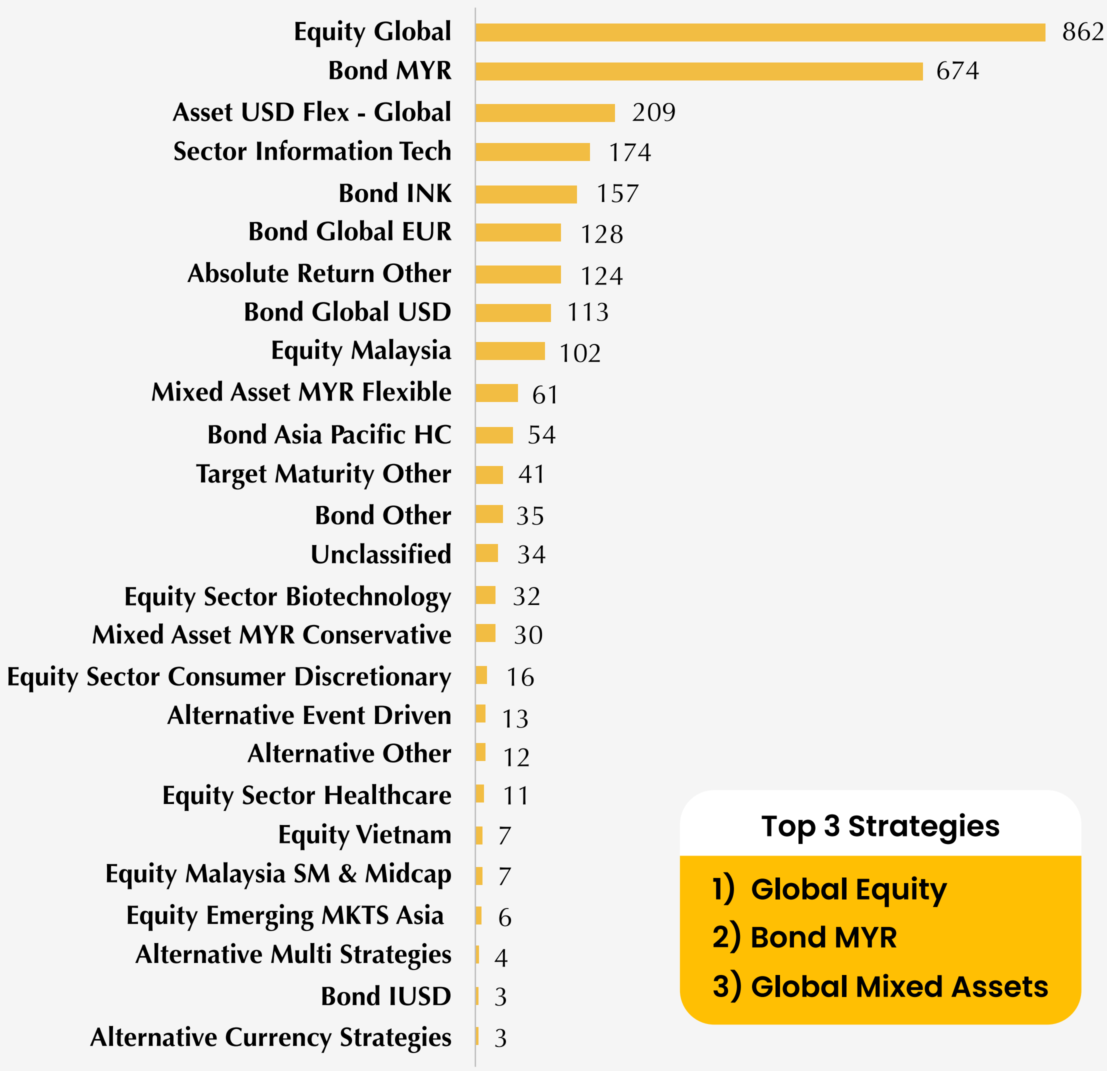
Product Trend

Following the U.S. Federal Reserve's announcement to lower the interest rate by 50 basis points in September to support growth and stabilise a slowing labour market, the Fed's decision helped to boost market sentiment and prompted other central banks to adopt similar easing policies. As a result, global equity continues with its strong inflow, surpassing other asset classes.

On the local front, robust demand for the domestic bond market was supported by a stable interest rate outlook in Malaysia, ample market liquidity, and sustained demand from local fixed-income investors.

It is also worth noting that mixed asset strategies continue to see strong inflow due to the challenging macroeconomic environment. Mixed asset strategies are well-positioned to benefit from diversification and the ability to manage risks across different economic cycles.

AUM Raised as at 30 September 2024 (RM'milllion)



Top 3 Strategies

1) Global Equity
2) Bond MYR
3) Global Mixed Assets

Product Highlight – Maybank Global Strategic Growth-I Fund

Fund Value Proposition

1. **Structural Growth** – Invest in companies that benefit from long-term structural growth
2. **Dominant Leaders** – Focus on leaders at the forefront of innovation with sustainable competitive advantages
3. **Diversification** – A diversified and balanced approach to participate in long-term growth trends and generate sustainable long-term returns

Sustainable returns through investing in long-term structural trends

Investing in structural trends facilitates portfolio diversification by providing exposure to sectors that benefit from long-term shifts. This in turn offers investors the opportunity for sustainable growth and resilient returns.

Against this backdrop, we are proud to introduce our Maybank Global Strategic Growth-I Fund that was launched on 10 July 2024. The Maybank Global Strategic Growth-I Fund seeks to achieve capital growth over the long term by investing primarily in a portfolio of global shariah-compliant equities.

Strategic Growth Framework

At Maybank Asset Management, our Strategic Growth Framework focuses on industries and companies that benefit from long-term secular growth trends that are not purely dependent on cyclical economic growth. Secular growth trends are often driven by factors such as technological advancements, demographic changes, economics, or changes in consumer behaviour, which can persist over extended periods.

These companies have compelling economic moats that help protect market share and profitability from erosion by competitors. Our framework focuses on fair valuation for companies with a superior growth profile and sustainable economic moats.

Key Fund Data

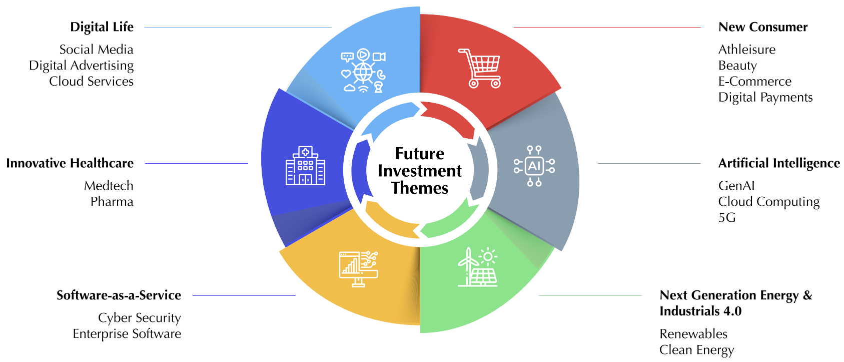
Launch Date	*10 July 2024*	
Investment Objective	*The Fund seeks to achieve capital growth over the long term by investing primarily in a portfolio of global Shariah-compliant equities.*	
Benchmark	*90% Dow Jones Islamic Market Developed Markets Index* *10% Maybank 1-Month Islamic Fixed Deposit Rate*	
Class	*MYR*	*MYR (Institutional)*
Initial Offer Price	*RM1.00*	
Sales Charge	*Up to 6.50% of the NAV per unit*	
Annual Management Fee	*1.80% per annum of the NAV of the class*	*1.80% per annum of the NAV of the class*
Annual Trustee Fee	*0.06% per annum of the NAV of the Fund (excluding foreign custodian fees and charges)*	
Distribution Policy	*Incidental*	
Minimum Initial Investment[1]	*RM1,000*	*RM250,000*
Minimum Additional Investment[1]	*RM100*	*RM10,000*

Note: Any additional information on the Maybank Global Strategic Growth-I Fund can be retrieved from https://www.maybank-am.com.my/product

Why Maybank Global Strategic Growth-I Fund?

Invest in the Future Investment Themes

Focus on secular growth opportunities that result in consistent and sustainable revenue growth.



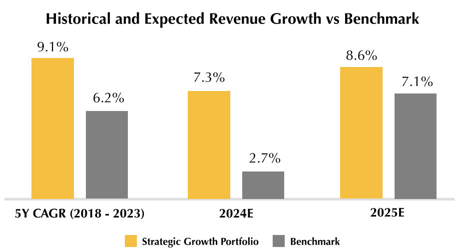
Universe at a Glance

Focus on dominant leaders with defendable competitive advantages such as technological advantages and pricing power.

Superior Growth and Margin Profiles

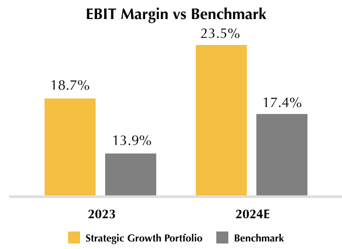
High Revenue Growth

Exposure to secular growth opportunities underpinned by consistent and sustained growth over a long period.



High Profit Margins

Exposure to companies with strong competitive advantages, enabling dominant market position, high barriers to entry and strong pricing power.



Our Solution: Islamic Funds

Risk Rating	Our Funds	Type	Inception	Performance 1Yr	Ann. 3Yr	Ann. Since Inception	Geographical Exposure
AGGRESIVE	Maybank Asiapac Ex-Japan Equity-I	R	08-Jan-14	24.99	4.16	3.92	Asia Ex-Japan
	Maybank Global Sustainable Equity-I - MYR	R	25-Aug-20	30.25	4.65	6.84	Global
	Maybank Global Sustainable Equity-I - MYR Hedged	R	25-Aug-20	44.38	3.34	5.75	Global
	Maybank Global Sustainable Equity-I - USD	R	25-Aug-20	30.23	4.63	6.68	Global
	Maybank Global Strategic Growth-I MYR	R	10-Jul-24	-	-	10.80	Global
	Maybank Malaysia Growth-I	R	24-Nov-00	33.81	2.80	4.50	Malaysia
MODERATE	MAMG Global Income-I MYR	R	13-Mar-18	16.43	-0.57	2.01	Global
	MAMG Global Income-I USD	R	08-Jul-20	11.74	2.32	3.99	Global
	Maybank Asia Mixed Assets-I MYR	R	16-Aug-21	23.18	-2.40	-2.26	Asia
	Maybank Asia Mixed Assets-I SGD-H	R	16-Aug-21	16.78	-	6.44	Asia
	Maybank Asia Mixed Assets-I USD	R	16-Aug-21	9.06	-2.81	-3.12	Asia
	Maybank Global Mixed Assets-I AUD Hedged	R	15-Jun-20	26.84	-1.87	4.80	Global
	Maybank Global Mixed Assets-I MYR	R	17-Jun-19	20.23	1.56	6.40	Global
	Maybank Global Mixed Assets-I MYR Hedged	R	17-Jun-19	33.63	0.52	5.70	Global
	Maybank Global Mixed Assets-I SGD Hedged	R	15-Jun-20	24.98	2.12	7.10	Global
	Maybank Global Mixed Assets-I USD	R	17-Jun-19	20.19	1.53	6.21	Global
	Maybank Global Wealth Conservative-I MYR Hedged	R	13-Feb-23	23.88	-	6.66	Global
	Maybank Global Wealth Conservative-I USD	R	13-Feb-23	11.84	-	4.52	Global
	Maybank Global Wealth Growth-I MYR Hedged Accumulation	R	15-Feb-22	38.69	-	4.61	Global
	Maybank Global Wealth Growth-I USD Accumulation	R	01-Jun-22	25.27	-	9.02	Global
	Maybank Global Wealth Moderate-I MYR Hedged Accumulation	R	15-Feb-22	31.09	-	2.14	Global
	Maybank Global Wealth Moderate-I MYR Hedged Distribution	R	15-Feb-22	32.24	-	2.49	Global
	Maybank Global Wealth Moderate-I USD Accumulation	R	01-Jun-22	17.57	-	5.08	Global
	Maybank Global Wealth Moderate-I USD Distribution	R	01-Jun-22	22.43	-	7.23	Global
	Maybank Income Management-I	R	08-Jan-20	19.68	4.31	3.18	Malaysia
	Maybank Malaysia Balanced-I	R	17-Sep-02	28.63	4.80	4.38	Malaysia
	Maybank Malaysia Income-I A MYR	R	27-Apr-04	20.19	4.71	3.99	Malaysia
	Maybank Malaysia Income-I C MYR	R	21-Aug-13	20.25	4.74	2.61	Malaysia
	Maybank Malaysia Income-I C USD	R	17-Sep-14	14.87	2.49	1.42	Malaysia
	Maybank Malaysia Sukuk	R	08-Jan-14	19.67	4.27	2.03	Malaysia
	Maybank Mixed Assets-I Waqf A	R	03-May-21	18.34	-1.54	-1.86	Malaysia
CONSERVATIVE	Maybank Corporate Money Market-I A	R	06-Jul-11	17.97	3.49	0.52	Malaysia
	Maybank Corporate Money Market-I B	R	18-Oct-19	18.10	3.60	3.10	Malaysia
	Maybank Income Flow-I A	R	27-Mar-23	17.89	-	8.13	Malaysia
	Maybank Income Flow-I B	R	02-Jul-24	-	-	79.08	
	Maybank Retail Money Market-I	R	03-Nov-21	17.94	-	3.28	Malaysia
	Maybank Shariah Enhanced Cash	R	24-Nov-08	16.45	2.30	1.68	Malaysia

Source: Maybank Asset Management, Lipper as at 30th September 2024

Our Solution: Conventional Funds

Risk Rating	Our Funds	Type	Inception	Performance			Geographical Exposure
				1Yr	Ann. 3Yr	Ann. Since Inception	
AGGRESIVE	MAMG All-China Focus Equity MYR	R	29-Jul-21	13.62	-12.29	-12.24	China
	MAMG All-China Focus Equity MYR Hedged	R	29-Jul-21	25.30	-13.26	-12.92	China
	MAMG All-China Focus Equity USD	R	29-Jul-21	13.60	-11.96	-12.00	China
	MAMG China Evolution Equity AUD Hedged	R	03-Jan-22	17.81	-	-13.70	China
	MAMG China Evolution Equity MYR	R	03-Jan-22	12.67	-	-9.32	China
	MAMG China Evolution Equity MYR Hedged	R	03-Jan-22	22.82	-	-10.71	China
	MAMG China Evolution Equity SGD Hedged	R	03-Jan-22	17.10	-	-9.01	China
	MAMG China Evolution Equity USD	R	03-Jan-22	12.71	-	-9.48	China
	MAMG Dynamic High-Income AUD Hedged	R	22-Jan-19	23.67	-2.38	2.03	Global
	MAMG Dynamic High-Income EUR Hedged	R	22-Jan-19	22.74	-2.71	1.15	Global
	MAMG Dynamic High-Income MYR	R	22-Jan-19	17.99	1.09	3.91	Global
	MAMG Dynamic High-Income MYR Hedged	R	22-Jan-19	30.69	0.14	3.15	Global
	MAMG Dynamic High-Income SGD Hedged	R	22-Jan-19	23.21	1.78	4.06	Global
	MAMG Dynamic High-Income USD	R	22-Jan-19	17.93	1.21	3.79	Global
	MAMG Global Dividend AUD H	R	12-Jul-23	27.80	-	14.86	Global
	MAMG Global Dividend MYR	R	12-Jul-23	22.26	-	15.57	Global
	MAMG Global Dividend MYR H	R	12-Jul-23	34.67	-	22.54	Global
	MAMG Global Dividend SGD H	R	12-Jul-23	27.17	-	14.35	Global
	MAMG Global Dividend USD	R	12-Jul-23	22.26	-	12.89	Global
	MAMG Global Environment AUD Hedged	R	22-Aug-22	0	-	0	Global
	MAMG Global Environment MYR	R	22-Aug-22	22.75	-	12.82	Global
	MAMG Global Environment MYR Hedged	R	22-Aug-22	35.45	-	11.80	Global
	MAMG Global Environment SGD Hedged	R	22-Aug-22	27.49	-	10.65	Global
	MAMG Global Environment USD	R	22-Aug-22	22.81	-	9.23	Global
	MAMG Liquid Alternative MYR	R	15-Nov-21	6.71	-	3.20	Global
	MAMG Liquid Alternative MYR Hedged	R	15-Nov-21	17.55	-	2.77	Global
	MAMG Liquid Alternative USD	R	15-Nov-21	6.75	-	4.12	Global
	Maybank Global Sustainable Technology MYR	R	18-Jan-21	37.16	1.49	1.63	Global
	Maybank Global Sustainable Technology MYR Hedged	R	18-Jan-21	51.08	0.38	0.03	Global
	Maybank Global Sustainable Technology USD	R	18-Jan-21	37.14	1.33	1.40	Global
	Maybank Malaysia Dividend	R	06-Jun-06	39.88	4.23	7.92	Malaysia
	Maybank Malaysia Ethical Dividend	R	07-Jan-03	38.38	7.82	8.98	Malaysia
	Maybank Malaysia Growth	R	26-Mar-92	36.07	6.73	3.30	Malaysia
	Maybank Malaysia SmallCap	R	03-Mar-04	37.35	2.92	4.16	Malaysia
	Maybank Malaysia Value A MYR	R	07-Jan-03	38.89	7.20	9.09	Malaysia
	Maybank Malaysia Value C MYR	R	21-Aug-13	39.17	7.39	1.58	Malaysia
	Maybank Singapore REITs MYR	R	13-Sep-18	14.89	-1.51	2.75	Singapore
	Maybank Singapore REITs MYR Hedged	R	13-Sep-18	20.87	-3.36	1.83	Singapore
	Maybank Singapore REITs SGD	R	13-Sep-18	14.86	-1.45	2.82	Singapore
	MAMG Green Tigers MYR	R	13-Sep-18	8.33	-	7.90	Asia

Risk Rating	Our Funds	Type	Inception	Performance			Geographical Exposure
				1Yr	Ann. 3Yr	Ann. Since Inception	
AGGRESIVE	MAMG Green Tigers MYR-H	R	18-Sep-23	24.66	-	23.56	Asia
	MAMG Green Tigers SGD-H	R	18-Sep-23	-	-	0	Asia
	MAMG Green Tigers USD	R	18-Sep-23	3.10	-	2.99	Asia
	MAMG Premium Brands AUD Hedged	R	18-Jun-24	-	-	37.32	Global
	MAMG Premium Brands MYR	R	18-Jun-24	-	-	8.46	Global
	MAMG Premium Brands MYR Hedged	R	18-Jun-24	-	-	63.23	Global
	MAMG Premium Brands SGD Hedged	R	18-Jun-24	-	-	36.35	Global
	MAMG Premium Brands USD	R	18-Jun-24	-	-	9.88	Global
	MAMG Systematic Asia Pacific Equity Abs Rtn AUD H	W	8-Jan-24	-	-	19.33	Asia
	MAMG Systematic Asia Pacific Equity Abs Rtn MYR	W	8-Jan-24	-	-	11.73	Asia
	MAMG Systematic Asia Pacific Equity Abs Rtn MYR H	W	8-Jan-24	-	-	31.10	Asia
	MAMG Systematic Asia Pacific Equity Abs Rtn SGD H	W	8-Jan-24	-	-	18.99	Asia
	MAMG Systematic Asia Pacific Equity Abs Rtn USD	W	8-Jan-24	-	-	14.57	Asia
MODERATE	MAMG Gold MYR	R	3-Jun-20	34.67	11.25	5.82	Global
	MAMG Gold MYR Hedged	R	3-Jun-20	49.43	10.27	5.68	Global
	MAMG Gold USD	R	3-Jun-20	39.05	13.43	7.83	Global
	Maybank Asian Credit Income MYR	R	7-Jul-20	23.69	-1.87	-0.33	Asia ex-Japan
	Maybank Asian Credit Income SGD Hedged	R	7-Jul-20	16.65	-0.04	0.72	Asia ex-Japan
	Maybank Bluewaterz Total Return MYR	R	24-Jul-15	23.48	-0.24	2.88	Asia ex-Japan
	Maybank Bluewaterz Total Return USD	R	18-Jun-18	12.00	0.55	4.23	Asia ex-Japan
	Maybank Financial Institutions Income	R	17-Dec-09	19.35	4.20	2.79	Malaysia
	Maybank Financial Institutions Income Asia	R	26-Aug-14	22.62	0.69	1.58	Asia Pacific
	Maybank Flexi Income AUD Hedged	R	28-Nov-19	19.33	-2.55	0.86	Global
	Maybank Flexi Income MYR	R	28-Nov-19	13.70	0.26	1.73	Global
	Maybank Flexi Income MYR Hedged	R	28-Nov-19	25.67	-0.94	0.91	Global
	Maybank Flexi Income SGD Hedged	R	28-Nov-19	18.74	1.12	1.98	Global
	Maybank Flexi Income USD	R	28-Nov-19	13.72	0.24	1.49	Global
	Maybank Malaysia Balanced	R	19-Sep-94	27.61	4.86	2.08	Malaysia
	Maybank Malaysia Income	R	19-Jun-96	19.90	3.96	2.95	Malaysia
CONSERVATIVE	Maybank Enhanced Cash XII	W	10-Mar-08	13.98	0.36	0.25	Malaysia
	Maybank Enhanced Cash XIII	W	24-Sep-08	16.93	2.64	1.49	Malaysia

Source: Maybank Asset Management, Lipper as at 30th September 2024