QUARTERLY MARKET INSIGHTS

Quarter 1, 2023

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

Global Equity Market Review and Outlook

Global equities performance, as measured by the MSCI All Country World Index, increased by +9.4% during the last quarter of 2022. United States ("US") equities reported a gain of +6.6%, Europe was +19.3%, and Japan was +13.0% (in US Dollar ("USD") terms) during the same period. Asia Pacific ex Japan ("APAC") recorded a gain of +11.7% (in USD terms), with Korea (+16.9%), Taiwan (+9.4%), Hong Kong (+17.6%), and China (+13.3%) in USD terms in 4th quarter ("4Q") 2022. Within ASEAN countries, Philippines +20.9% being the best performer, followed by Thailand +16.0%, Malaysia +13.3%, Singapore +9.8% and Indonesia -3.8% during the same period (in USD terms).

Central banks are signaling slowing pace of rate hikes as inflation has likely peaked or peaking but will remain elevated in most developed market economies. The Federal Reserve ("Fed") had been engineering market expectation to a slower the pace (to 50 basis points ("bps") from after 75bps hike) in its December 2022 meeting. The two-day Federal Open Market Committee ("FOMC") meeting for December 2022 ended with a 50bps hike to 4.25% - 4.50% as expected. The decision was unanimous and the Fed stressed that it would remain attentive to inflation risks and continue shrinking its balance sheet as planned.

Overall, Fed sounded hawkish in both the summary projection as well as in the policy statement. The summary projection in December 2022 – 1) suggested a higher terminal rates amid an increase of 50bps in its peak rate to 5.125% in 2023. 2) Not only did the medium Fed fund rates rate for 2023 increased, the medium Fed fund rates beyond 2023 are all increased and there is no significant easing until 2024. The median Fed fund rate moved up to 5.125% in 2023 (from 4.625%), 4.125% in 2024 (from 3.875%) and 3.125% in 2025 (from 2.875%). 3) There was less of an agreement among the committee members beyond 2023. 4) growth forecasts slashed to 0.5% for 2023 (from 1.2% previously estimated), while the inflation and unemployment forecasts are both raised. Forecasts now show more of a rise in unemployment is needed to bring inflation down. As for the December 2022 policy statement continue to see the phases about the committee expecting "ongoing increases" to the fed funds rates was left unchanged from the November 2022 statement.

During Chair Powell's press conference, the hawkish tone was maintained and he has consistently holding that the central bank has more work to do in raising interest rates and vanquishing inflation. The market is not reflecting the hawkish as it bet that the central bank would end up cutting interest rates as the economy falters. While Powell welcome the recent signs that price increases may have peaked, he was concerned on what he called the "extremely tight" job market and the pressure of higher wages. Fed have to slow economy more to generate slack in the labour market.

The US Institute for Supply Management ("ISM") manufacturing index decreased by 1.2 points ("pt") to 49.0 in November 2022 (vs 49.7 expected and 50.2 in October 2022), falling into contractionary territory. The composition of the report

was weak with decreases in the production, new orders, and employment components. Construction spending decreased slightly more than expected in October 2022, while August 2022 and September 2022 were revised down. The Conference Board index of consumer confidence decreased by 2.0pt to 100.2 in November 2022, 0.2pt above consensus expectations for a 2.2pt decline. Both the present situation and expectations components decreased, marking the lowest present situation reading since April 2021. The labor differential, the difference between the percent of respondents saying jobs are plentiful (+1.0 percentage points ("pp") to 45.8%) and those saying jobs are hard to get (flat at 13.0%), increased (+1.0pt to +32.8) suggest relatively tight labour market.

In Europe, the European Central Bank ("ECB")'s October 2022 meeting showed a few members favouring 50bps over 75bps. The Governing Council saw the growth outlook as consistent with a mild recession. On inflation, ECB members expressed concerns with regard to the broadening of inflationary pressures, struck a cautious tone on inflation expectations, and noted an acceleration in wage growth.

Retail sales in Japan slowed slightly to 4.3% year-on-year ("YoY") in October 2022 as compared with 4.5% YoY in September 2022, and came in below the market forecast of 5.1% YoY. However, retail sales excluding fuel saw the growth rate almost the same as in September 2022. The labour market remains strong in Japan as the labor participation rate for 15 to 64 year olds was 80.9%, remaining around the historical peak level. The new job openings-to-applicants ratio, a leading indicator, printed stronger at 2.33 times, up +0.06pt from September 2022. Meanwhile, the active job openings-to-applicants ratio came in at 1.35 times in October 2022, an increase of +0.01pt from September 2022. The October 2022 unemployment rate was 2.6%, unchanged from September 2022. Manufacturing Purchasing Managers Index ("PMI") eased from 49.4 in October 2022 to 49.0 in November 2022 and remained in the contraction territory.

In China, the official manufacturing PMI decreased to 48.0 in November 2022 from 49.2 in October 2022 on tightened COVID-19 curbs and weak demand. The non-manufacturing PMI also fell to 46.7 in November 2022 from 48.7 in October 2022 amid sharp deceleration in both Construction and Services sectors. Both official and Caixin manufacturing PMIs remained below 50, suggesting continued deterioration in Manufacturing sector conditions in November 2022. China policymakers appeared to be preparing for a 2023 reopening as top officials sent clear signal on COVID-19 policy relaxation and local governments are given more autonomy. The two key indicators for reopening path are vaccination pace and a shift towards at-home testing and quarantines. There will be more signs of educating the public and managing expectations via state media and social media in the coming months. Further property easing measures also suggest liquidity risks continue to lessen. China's State Council regular meeting authorized to "use monetary policy tools such as Required Reserve Ratio ("RRR") cut at appropriate time and at appropriate degree, to keep liquidity reasonably ample". The reference to RRR cut may open room for People's Bank of China ("PBOC") to announce the cut in due course. Meanwhile, in mid-November 2022, Presidents Biden and Xi met in an effort to ease tensions. The meeting was on the sidelines of the G20 summit in Bali and was the first in person meeting for leadership since the pandemic began. Both sides said all the right things though the issues dividing the two nations remain vast. However, the meeting is at least a step towards maintaining open channels of communication.

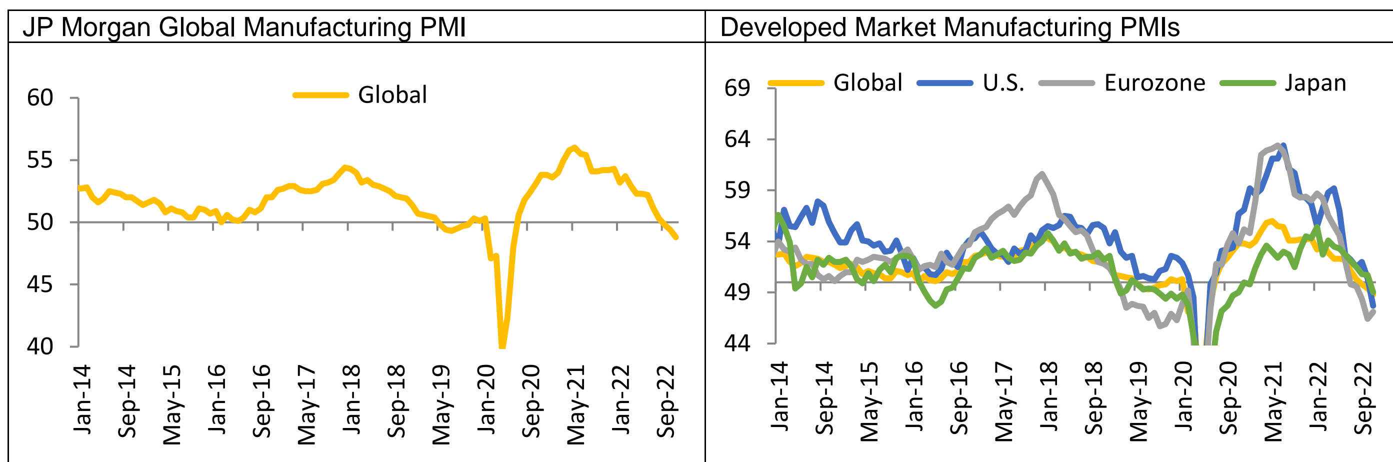
Market volatility remains elevated amid concerns over inflation and policy tightening which already started to have an impact on global economy. Thus, the recent easing in inflation was welcomed. Global growth is facing the risk of demand destruction as consumer sentiments continue to fall. Russia's invasion of Ukraine has also added to uncertainty and any drag or escalation would further exacerbated commodity prices and thus negative implications on global inflation and growth. Tensions in the European energy market also continue to loom large, with Russia suspending natural gas flows through the Nord Stream gas pipeline indefinitely and the European import ban per price caps on Russian oil set to take hold. The stronger signal of China's move to further ease its Zero-COVID policy is welcomed.

Prolonged sustained inflationary pressures may hamper global economy growth, given its negative impacts on consumption for consumers and higher input costs for corporates. This, along with any possible policy mistakes, could lead to stagflation before turning into a recession. So far, commodity prices have eased somewhat. 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, driving major central banks to tighten as the economy recovers. We continue to reiterate our strategy towards quality and value names amid rising market volatility and interest rates, as well as selective reopening plays. Our portfolio continues to be positive on structural shifts, such as carbon-neutral industries, technology innovation and security (food, technology and defense).

Economic Highlights

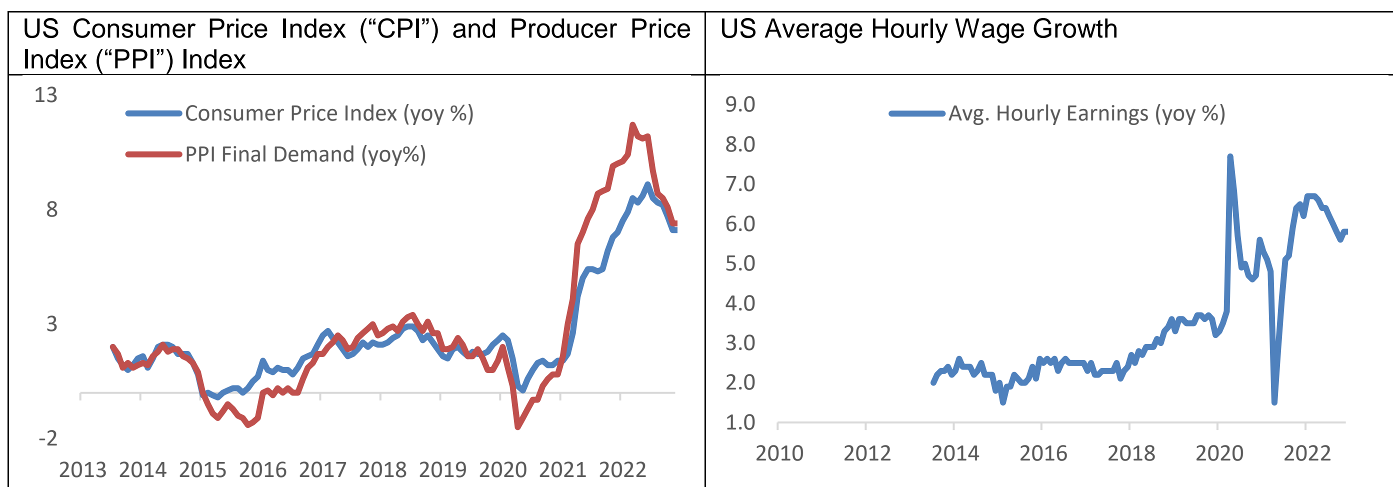
Global Purchasing Managers Index ("PMI")



Source: Bloomberg, RHBAM, 6 December 2022

- JP Morgan Global Manufacturing PMI further declined to 48.8 in November 2022 as compared to 49.8 in September 2022.
- The US S&P manufacturing PMI fell into contractionary territory at 47.7 in November 2022 as compared to expansionary at 52.0 in September 2022, alongside Japan at 49.0 in November 2022 vs 50.8 in September 2022. The Eurozone manufacturing PMI stayed in contractionary at 47.1 in November 2022.

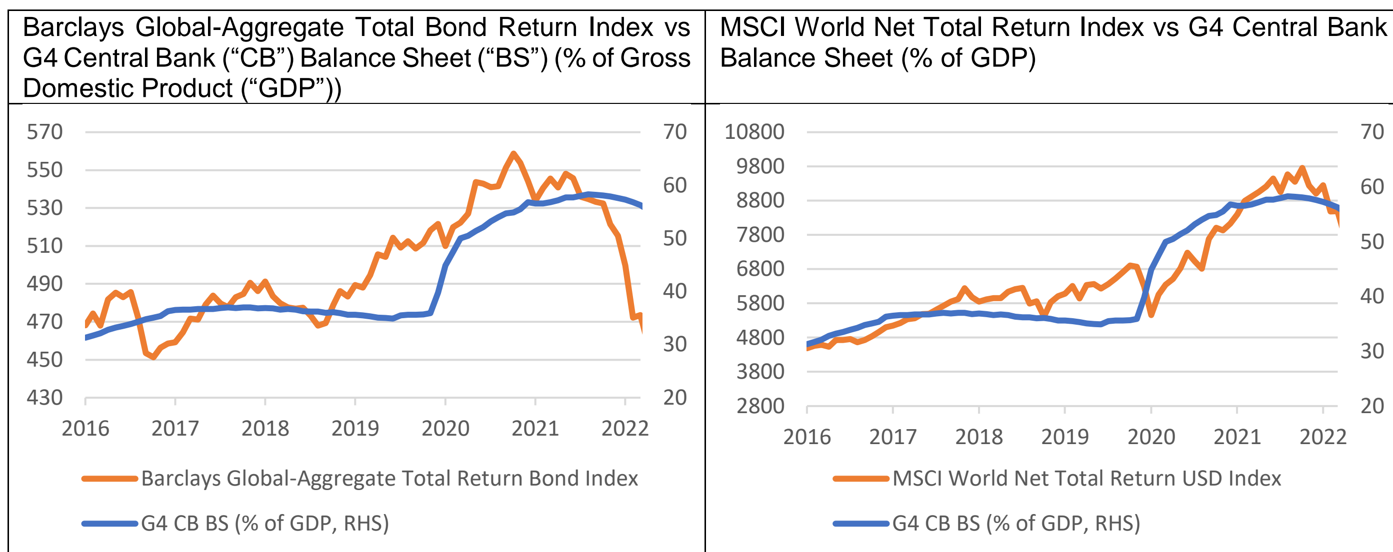
US



Source: Bloomberg, RHBAM, 29 December 2022

- US inflation remain elevated at 7.1% in November 2022 amid easing from a peak of 9.1% in June 2022.
- Unemployment rate remained solid at 3.7% in November 2022 vs 3.5% in September 2022, despite higher inflation and US hourly wage growth still robust at 5.8% in November 2022.

Global



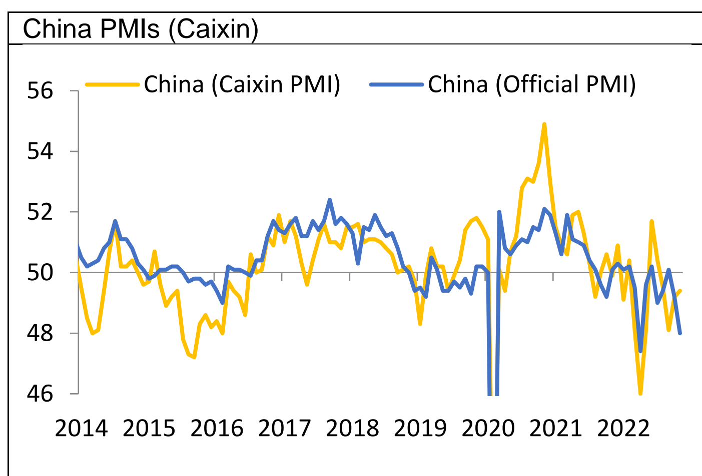
Source: Bloomberg, RHBAM, 6 December 2022

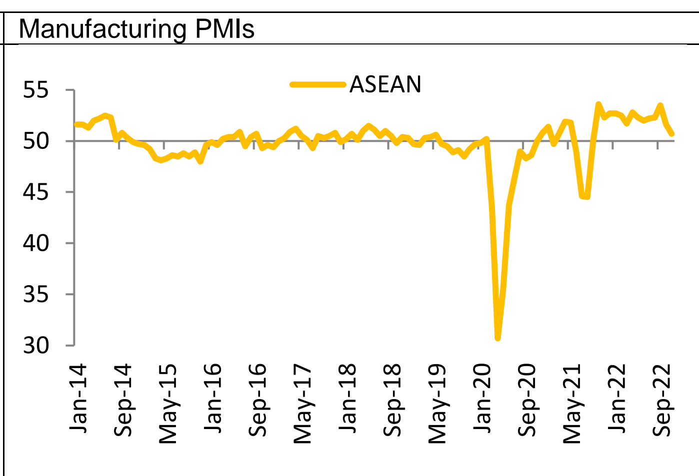
- Fed had its first hike by 25bps in March 2022, followed by 50bps hike in May 2022, 75bps in June 2022, 75bps in July 2022, 75bps in September 2022, 75bps hike in November 2022, and 50bps hike in December 2022 to 4.25% - 4.50%. The median Fed Fund rate moved up to 5.125% in 2023 before moving back towards 4.125% in 2024, as at 29 December 2022.

- 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.

China

ASEAN





Source: Bloomberg, RHBAM, 6 December 2022

- The Caixin Manufacturing PMI remained in contractionary territory at 49.4 in November 2022 vs 48.1 in August 2022 and Official PMI was at 48.0 in November 2022.

- ASEAN's manufacturing PMI remained expansionary at 50.7 in November 2022 vs 53.5 in August 2022.

China or Hong Kong

MSCI China rallied 13.3% in the last quarter of 2022. Beijing responded earlier than expected regarding easing Omicron restrictions, de-risking the Property sector, and stabilizing the US-China relationship. The 3rd Quarter ("3Q") 2022 earnings beats by internet majors also helped. China's reopening outlook dominated the November 2022 headlines. Beijing's 20 measures issued on 11 November 2022 have led to roll-backs in mass testing, quarantine and mobility restrictions to suit the new norm after some wobbliness. The Property sector saw financing policy pivot, with the 16-point rescue plan, resumed equity financing, relaxed escrow account control and more access to credit lines. All these should help de-risk the ongoing project completion. The USD/Chinese Yuan ("CNY") eased from 7.12 at end September 2022 to 6.90 at end December 2022 (USD index ("DXY") fell from 112 to 103 over the same period). China's October 2022 macro data highlighted slowing domestic demand amid a growing Omicron drag and property weakness, along with slowing external demand.

In alignment with the Politburo Standing Committee policies, we favour New Energy and Industrials sectors. There is an emphasis on carbon reduction which would in turn support the accelerated development of new energy vehicles ("NEVs") and renewable energy. Also there are supportive policies for technological innovation with an emphasis to strengthen technological innovation and industrial supply chain resilience. We believe these will be structural growth themes in China. We are well positioned in Hong Kong ("HK"), Macau and China reopening plays. We have tactically been more aggressive in our portfolio positioning.

We are cognizant that China consumption might have a delayed recovery. Also, due to the COVID-19 situation in China, we anticipate that China will start to re-open their borders in the 2nd quarter ("2Q") 2023 and as expected saw some relaxation in COVID-19 policies.

We anticipated loosening measures from China given the slowdown in the Property sector. We believe the Property sector will take some time to recover but there are opportunities for the strong property companies and property management companies to gain in times of difficulties.

ASEAN

MSCI ASEAN index rallied 9.9% in the last quarter of 2022. Philippines market continued showing strength as foreign inflow pushed the index up 20.9% and Singapore followed behind at 9.8% in local currencies during the same period. Most ASEAN currencies appreciated against the USD during the quarter except the Indonesia Rupiah which depreciated.

Malaysia's 15th General Election (GE15) took place on 19 November 2022, and ended in the first hung parliament, with the government officially formed 5 days after. Initial uncertainties resulted in some underperformance, but KLCI saw a massive relief when Pakatan Harapan ("PH") came into power, with Anwar Ibrahim made the 10th Prime Minister.

Singapore's 3Q2022 GDP came in at +4.4% YoY and the Ministry of Trade and Industry ("MTI") projects full year growth of "around 3.5%" in 2022 and "0.5 to 2.5%" in 2023. Notably, there was a decent drop in the October 2022 inflation numbers. MTI expects 2022 headline and core inflation to come in at 6% and 4% respectively. Excluding the transitory effects of the Goods and Services Tax ("GST") hike, headline and core inflation are expected to come in at 4.5% to 5.5% and 2.5% to 3.5%, respectively. Developers sold 312 new homes in October 2022, vs September 2022's 913 units, the lowest number of units transacted in a single month since April 2020 (277 units). This is largely due to the lack of new launches over the month: 102 units excluding executive condos ("ECs"), lowest number over the last five years.

The Bank of Thailand ("BOT") voted unanimously to raise the policy rate by +25bps (to 1.25%) for the third straight meeting. The BOT was optimistic on growth prospects, forecasting GDP growth at +3.7% in 2023 (down from +3.8% in September 2022) and +3.9% in 2024, strengthening from +3.2% in 2022 (down from +3.3%). Continued recovery in tourism and firm private consumption are expected to drive growth, which will offset the impact of the global slowdown on goods exports. BOT raised its visitor arrivals forecast for 2023 to 22 million (from 21million), and expects a further increase to 31.5 million in 2024 – which would still be below pre-pandemic levels (40 million in 2019).

The National Economic and Development Authority ("NEDA") Chief Arsenio Balisacan said that 2022 GDP growth may exceed the government's target of 6.5% to 7.5%. The Bangko Sentral ng Pilipinas ("BSP") raised its key policy rate by 75bps to 5.00% as widely expected, more aggressive vs. September 2022 hike. Risks to the inflation outlook lean strongly toward the upside until 2023 but are broadly balanced in 2024. Such upside risks include elevated global food prices, trade restrictions, adverse weather conditions' impact on domestic food prices, and potential further hikes in transport fares (as there remain petitions).

Indonesia seeks to pull off a delicate balancing act in setting next year's minimum wage to soothe public discontent over living costs without fueling faster inflation. The government will cap the increase at 10% in 2023, far higher than the hike prescribed by law but short of the demands of labor unions for as high as a 25% rise. Provinces and cities will have until 28 November 2022 and 7 December 2022 respectively to decide minimum wage levels to be implemented effective 1 January 2023. The current account surplus widened to USD4.4 billion (or 1.3% of GDP) in 3Q2022, from USD4 billion (1.2% of GDP) in the 4Q2022. This was on the back of a wider goods trade surplus (USD17.5 billion vs. USD16.8 billion in 2Q2022), which offset the widening services trade deficit (USD5.3 billion vs. USD4.9 billion in 2Q2022) as the economic reopening gained momentum.

We remain optimistic that Asia and especially ASEAN will emerge as the region with relatively stronger growth than the rest of the world. ASEAN with the structural advantage in demographics will emerge as the complimentary piece to China's evolvement into a giant consumption economy. Adding on to the commitments by the governments in Asia or ASEAN towards infrastructure development, the region will feature prominently as the place for equity investments.

Malaysia Equity Market Review and Outlook

Asia economy is expected to experience a slowdown rather than a recession next year due to the higher interest rates and elevated inflationary pressure as well as weak demand from the US and European Union ("EU"). Malaysia's economy would also inevitably face downside risks next year. Malaysia's economy is expected to slowdown from above 8% of GDP growth in 2022 to 4% - 5% of GDP growth in 2023.

Based on the latest PMI survey, Malaysia's manufacturing sector activities weakened further in November 2002 as manufacturers indicated weaker orders and slower output growth. Although, exports remain strong, looking ahead into 2023, trade growth prospects are expected to slow on the back of an anticipated global economic slowdown as a result of elevated inflationary pressure and significantly tighter financial conditions. Malaysia cannot escape the impact from slower global growth next year, which will directly soften external demand and dampen Malaysia's export performance. However, if China reopens sooner than predicted, this will provide an extra boost to exports as well as tourism activity. Malaysia will continue to benefit from commodity exports especially palm oil, petroleum, and liquefied natural gas ("LNG").

Nevertheless, Malaysia has broad and diversified domestic economy that should help to mitigate the impact of weaker exports. The economic growth would be supported by via consumer spending although price pressures and tightening of monetary policy will likely dampen consumer spending. Continued recovery in the labour market would help to sustain the domestic demand. In addition, further improvement in tourism related activities would also help to support the economy. Private consumption will continue to improve as labour market recovers. The unemployment rate is expected to fall further to an average rate of 3.5% in 2023 compared with 3.8% in 2022. The private consumption would improve further if the labour shortages issues could be gradually resolved in the Agriculture and Construction sectors. Going into 2023, we believe food inflation as well as overall price growth to trend lower following moderation in global commodity prices and a further easing in tight supply chain pressure.

FBMKLCI's forward earnings growth remains resilient despite challenging external environment. It is estimated that the earnings growth in 2023 to grow at a faster pace of 11.6% compared with 8.2% in 2022 which is better than most of the other markets in the region. The growth in corporate earnings is due to the normalisation of tax rate after the one-off prosperity tax in 2022 and robust private consumption from labour recovery and rising wages. FBMKLCI Index is attractive as the index is trading at one standard deviation below the mean which is not justified as corporate earnings are expanding. In addition, Malaysia has higher dividend yield compare with the region with average of 3.9% and healthy cash flow in 2023. Foreign ownership is low at 20.6% as well and provides ample room for foreigners to return to market if USD continues to trend down.

We reiterate our view that that equity market is near its bottom and we should position the portfolio for decent longer term return. All external developments seem to point to some improvement in expectations rather than worsening and the index has rebounded strongly. Given the healthy domestic economic outlook in 2023 forecast, we like domestic plays and due to the slower global economic growth, we are less positives on the sectors that rely on the global economy.

However, we do expect the market to remain volatile as the easing of China's COVID-19 restrictions may results in the spikes in COVID-19 cases and further weakness in China's economy and the potential of massive layoff in the developed economies may serve as a precursor for serious labour market pain in 2023 and the subsequent impact on demand that would affect the performance of the equity market in the short term.

Capital flows will likely return in the near term following the positive political catalyst in Malaysia and easing global risk aversion, but downside risks remain from further US Fed rate hikes and greater divergence in Bank Negara Malaysia ("BNM") and Fed policy rates.

Global Fixed Income Market Review and Outlook

US Treasuries and G10 Bonds

On US economics, US CPI rose less than expectations to 7.1% YoY (-0.1% month-on-month ("MoM")) for November 2022 from 7.7%YoY in October 2022. Core CPI rose 6.0% YoY (0.2% MoM) in November 2022 (vs 6.3%YoY, 0.3% MoM prior). Some of the cooling last month came from energy prices, particularly gasoline and electricity. Medical care services dropped by the most ever on a monthly basis, and travel categories like airfares and hotel stays also declined, however food costs continue to rise and shelter was the biggest contributor to inflation to CPI still above 7%. The ISM Purchasers Manufacturing Index ("PMI") for November 2022 slid into contractionary territory at 49.00, slightly lower than 49.7 forecast and lower than 50.2 in October 2022, the lowest level since May 2020, as new orders contracted for the fifth time in six months at 47.2. A measure of prices paid for materials used in the production process fell for an eighth straight month to 43.0 from 46.6 previously, the fastest pace since May 2020 in a welcome sign goods inflation is easing amid less stress on supply chains.

The December 2022 FOMC saw the Fed Fund Target rate raised by 50bps to 4.25% - 4.50%, following the 4 previous months of consecutive 75bps hike and a cumulative 425bps hike for 2022. The revised "Dot Plots" show the Fed raising the median policy rate projection by 50bps from 4.625% to 5.125% in 2023. The arrangement of dots is relatively hawkish as well with only 2 dots now below 5% for 2023. Perhaps most hawkish was Chair Powell emphasizing that the terminal rate has been progressively revised higher and that he cannot rule out further increases in that projection. The Fed's projection for 2024 and 2025 were also shifted up 25bps to 4.125% and 3.875% respectively, with the Fed's longer term rate still unchanged at 2.50%.

The US Treasury ("UST") saw a massive rally during November 2022 to mid-December 2022. However, post to the hawkish December 2022 FOMC, the UST curve reversed and closed the month bear steeper. Fed Chair Powell said that the size of the rate increase delivered at the Fed's next meeting in 2023 would depend on incoming data and pushed back against bets that the Fed would reverse course next year. At the end of December 2022 close, the benchmark 2-year, 5-year, 10-year, 20-year and 30-year UST were last traded at 4.43% (November 2022: 4.31%; +11bps), 4.00% (3.74%; +26bps), 3.87% (3.61%; +26bps), 4.14% (3.93%; +21bps) and 3.96% (3.74%; +22bps) respectively.

Malaysia Fixed Income Market Review and Outlook

Ringgit Sovereign Bond

On local rates, the Malaysia Government Securities ("MGS") market yield ended lower for the month of December 2022. The MGS curve bull steepened as the local bond sentiment continued its bullish trend since November 2022 after the bearish trend in September 2022 and October 2022. MGS 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year mixed month on month by -14bps, -8bps, -3bps, 4bps, -3bps, -13bps and -3bps respectively. The MGS spread movements were more pronounced at the front of the yield curve, especially within the 3-year and 5-year of MGS.

Similarly, the overall yield in Malaysia Government Investment Issue ("MGII") or the Islamic Sovereign Curve also ended lower for December 2022 except 39-year yield. GII 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year saw MoM yield mixed by -14bps, -16bps, -9bps, -6bps, -16bps, -13bps and +7bps respectively. In tandem, the Government Investment Issue ("GII") spread movements were more pronounced at the back of the yield curve as well especially 15-year to 20-year GII.

Benchmark	MGS			GII		
	31-Dec-22	30-Nov-22	Change (bps)	31-Dec-22	30-Nov-22	Change (bps)
3-Year	3.67%	3.81%	-14bps	3.76%	3.90%	-14bps
5-Year	3.84%	3.92%	-08bps	3.87%	4.03%	-16bps
7-Year	4.03%	4.07%	-03bps	4.07%	4.16%	-09bps
10-Year	4.07%	4.10%	-04bps	4.16%	4.22%	-06bps
15-Year	4.26%	4.30%	-03bps	4.32%	4.48%	-16bps
20-Year	4.32%	4.44%	-13bps	4.47%	4.60%	-13bps
30-Year	4.50%	4.53%	-03bps	4.75%	4.68%	+07bps

Source: Bloomberg, RHBAM, 31 December 2022.

Malaysia's economy, as measured by GDP, grew by 14.2% YoY in the 3Q2022 on the back of continued expansion of domestic demand, a firm recovery in the labour market and income condition amid normalising economic activity, as well as ongoing policy support. The last time GDP growth exceeded 10% was in 2Q2021, where it expanded by 16.1%.

In terms of inflation, Malaysia's CPI rose 4% YoY in November 2022 to 129.0 against 124.0 in the same month 2021. The inflation for the food group increased by 7.3% and remained the main contributor to the rise in the inflation for November 2022 number. Meanwhile, a slower increase was recorded for the transport group (5.0%) and furnishings, household equipment & routine household maintenance (3.8%). Core inflation, which measures changes in the prices of all goods and services without taking into account the volatile prices of fresh food as well as administered prices of goods by the government, registered an increase of 4.2% in November 2022 as compared to the same month of the previous year.

In terms of government bond auctions in December 2022, there were two auctions conducted, as below:

- **07 December 2022**: Auction demand was moderate with a small auction tail despite the improved bond sentiment lately. The 10-year MGS auction in early December 2022 garnered a 1.707 times Bid-to-Cover ("BTC") on an expected MYR4.5 billion issuance size without private placement. Incoming bids total MYR7.7 billion and although slightly better than the previous 10-year GII auction (MYR6.1 billion), it is the second lowest and below the average bid of MYR9.5 billion for 10-year MGS and GII auctions this year. Market may have erred on the side of caution as UST swung back and forth in recent days and investors probably took a wait-and-see approach given the upcoming FOMC meeting.
- **15 December 2022**: The 3-year GII auction drew overwhelming demand with a very high BTC of 4.205 times on an expected MYR4 billion issuance size with no private placement. A BTC of over 4 times has not been seen since 2019 which used to be on the back of smaller MYR2 billion to MYR3.5 billion issuance size. The total incoming bids of MYR16.82 billion is the second highest in 2022, just behind the record MYR18.16 billion in the previous 3-year GII auction in May 2022 and above the average auction bid of around MYR11 billion for 3-year/5-year MGS and GII auctions this year.

Overall, the BTC ratio has been increasing for the month of December 2022 as compared to November 2022, especially on the 3-year GII reopening. The summary for the December 2022 government bond auctions results as:

Issue	Auction Date	Auction Size (RM' Bill)	Average Yield (%)	BTC Ratio (Times)	High (%)	Low (%)
10-yr Reopening of MGS (Mat on 07/32)	07-Dec-22	4.50	4.063	1.707	4.090	4.009
3-yr Reopening of MGII 10/25 3.990%	15-Dec-22	4.00	3.808	4.205	3.815	3.785

Source: Bloomberg, RHBAM, 31 December 2022.

2022 Wrap-up: With the final auction for the year, gross MGS+GII issuances amounted to MYR171.5 billion for 2022, about 7% higher than MYR160 billion in 2021. A slightly higher MYR175 billion is expected of gross supply for 2023 while pending the re-tabling of Budget 2023 under the new government, the earliest is expected in January 2023. Gross funding can be as high as MYR180 billion to meet of MYR99 billion deficit and MYR81 billion bond maturities, but actual issuances can be slightly lower depending on the amount of debt switch and net Treasury bill issuance.

The total number of auctions in 2023 will rise to 37 (2022: 36) to accommodate higher supply in 2023. Next scheduled auction is a reopening on 10-year GII Reopening 10/2032 that would be expected early January 2023.

Ringgit Corporate Bond

In the month of December 2022, there were three rating changes to be highlighted. First is UiTM Solar Power Sdn Bhd ("UiTM Solar"). Its rating was removed from MARCWatch Negative as UiTM Solar will soon obtain a MYR10 million bank guarantee to help meet the Finance Service Reserve Account ("FSRA") minimum balance requirement and moderate concerns on upcoming sukuk obligations in April 2023. MARC downgraded the rating to A+ from AA- citing weaker liquidity and cash flow coverage due to the prolonged shutdown of the solar plant because of equipment damage.

Second, Country Garden Real Estate Sdn Bhd ("CGRE")'s outlook was cut to negative from stable by RAM in line with the agency's rating action on CGRE's ultimate parent, Country Garden Holdings Company Ltd ("Country Garden") based in China. The lowered outlook is premised on concerns that Country Garden's debt coverage levels will remain weak in the near term amid the slowdown in China real estate market, notwithstanding the government's latest policy measures to support the sector.

Finally, Press Metal Aluminium Holdings Bhd ("Press Metal")'s rating was directly raised to AA2/stable from AA3/stable by RAM, citing the company's faster than expected deleveraging after a private placement in April 2022 raised a sizeable MYR964.5 million. Total debt decreased nearly one fifth to MYR5.23 billion at end September 2022 and coupled with stronger earnings, debt-to-Operating Profit Before Depreciation, Interest and Tax ("OPBDIT") and Funds from Operations Debt Coverage ("FFODC") improved to 1.88 times and 0.51 times respectively which met upgrade requirements. Press Metal is expected to continue deleveraging over the next three years, supported by firmer business at its new plants, favourable aluminium prices and moderate capex in the medium term.

Outlook and Strategy

Global economic activity is experiencing a broad-based and sharper than expected slowdown, with inflation higher than seen in several decades. The cost of living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. In International Monetary Fund ("IMF")'s latest global growth outlook published in October 2022, the forecast for 2022 remains unchanged at 3.2% in 2022 but the 2023 forecast has been revised 0.2% down from the July 2022 forecast to 2.7%. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. Global inflation is forecast to rise from 4.7% in 2021 to 8.8% in 2022 but to decline to 6.5% in 2023 and to 4.1% by 2024. Monetary policy should stay the course to restore price stability, and fiscal policy should aim to alleviate the cost of living pressures while maintaining a sufficiently tight stance aligned with monetary policy. Structural reforms can further support the fight against inflation by improving productivity and easing supply constraints, while multilateral cooperation is necessary for fast tracking the green energy transition and preventing fragmentation.

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 heightened volatility, and to position more defensively in higher quality credits due to a greater focus on income preservation while repositioning on higher yields.

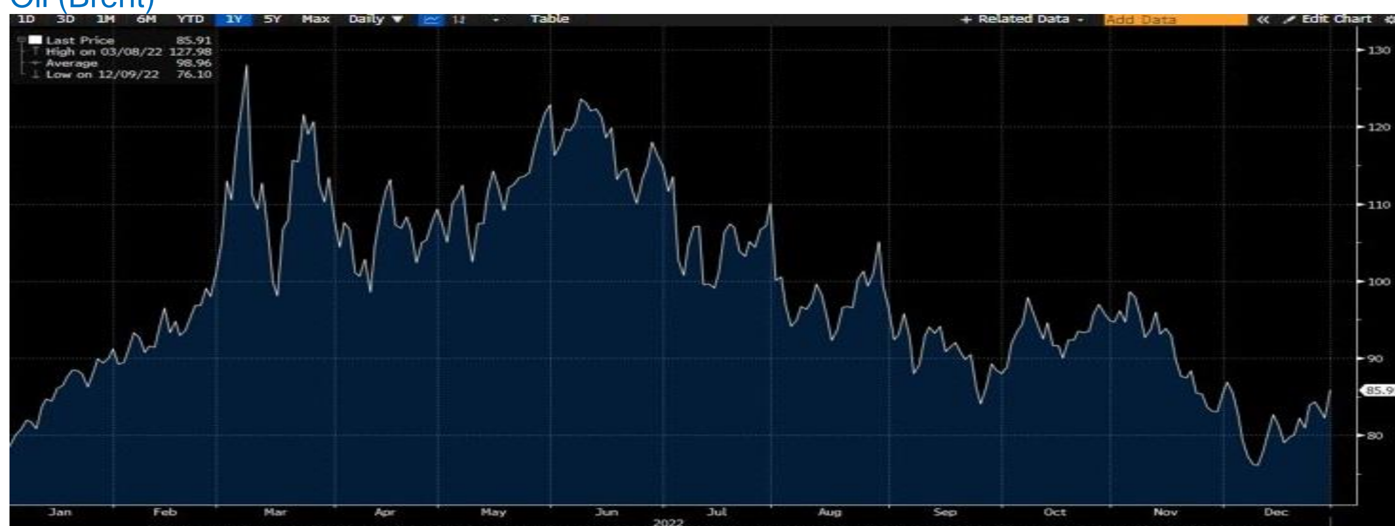
Locally, the Monetary Policy Committee ("MPC") 's decision to increase the Overnight Policy Rate ("OPR") in November 2022 for the fourth time was priced in by the local bond market as yields remained elevated even before the November

2022 MPC Meeting. The global inflationary pressures were more persistent than expected due to strong demand, tight labour markets, and elevated commodity prices, despite improvements in global supply chain conditions. In response to prolonged Fed hawkishness, the central bank expressed its concerns on the higher volatility in financial markets, which might impact the Ringgit performance, attributed to the persistently strong USD environment. We expect BNM to hike the OPR to 3.00% - 3.25% for 2023 to ensure policy rate differential between US and Malaysia remains manageable but total increase is expected to be lesser than in 2022. A rise to 3.50% in 2023 is less probable unless inflation got pushed higher and stickier than 2022. Our expectation is for inflation to grind lower due to base effects of 2022.

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)



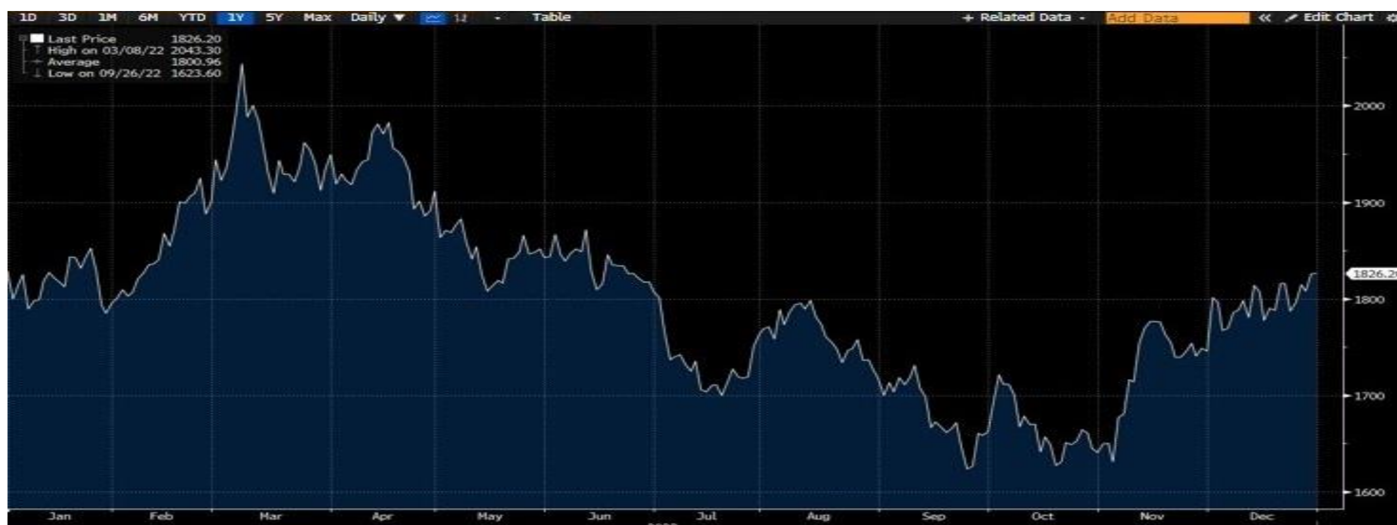
Source: Bloomberg, RHBAM, 3 January 2023

Crude Oil prices edged lower during the 4Q 2022, and ended the quarter 2.3% lower at USD 86 per barrel. Weak macroeconomic environment and ample supply outweighed production cuts by Organization of Petroleum Exporting Countries Plus ("OPEC+") producers, European Union ban on seaborne imports of Russian oil effective 5 December 2022, and imposition of price cap on Russian oil sold to other parts of the world to keep crude oil prices under pressure.

Macroeconomic outlook darkened in the 4Q 2022, as central banks across the globe raised interest rates to rein in rising prices, inflation bit into household spending, and China, which accounts for 13% of global oil consumption, struggled with the impact of Zero-COVID policy through much of the quarter and its lingering effects after the policy was abandoned in early December 2022. On the supply side, actual output cut by OPEC+ was likely significantly below the declared target of 2 million barrels per day given that most members were already producing well below their respective targets prior to the announcement. Production boost by non-OPEC+ producers, notably the US, Brazil, and North Sea countries, which brought their collective output in November 2022 with 3.1 million barrels per day higher than at the start of the year, also largely negated the impact of production cuts by OPEC+.

Going forward, global oil demand growth in 2023 is projected to be around 1.2 million barrels per day. Demand growth will be driven mainly by Asia, with China's oil demand expected to rebound by 0.7 million barrels per day in 2023, after falling by 0.9 million barrels per day in 2022. Purchases of oil to fill the Strategic Petroleum Reserves ("SPRs") of US, China, and other countries could add incremental 0.4 million barrels per day to oil demand in 2023. Given the projected growth in demand, we expect Crude Oil prices to increase moderately over 2023, though uncertainties over geopolitical situation and the depth of economic recessions in Europe and US could derail the demand outlook.

Gold

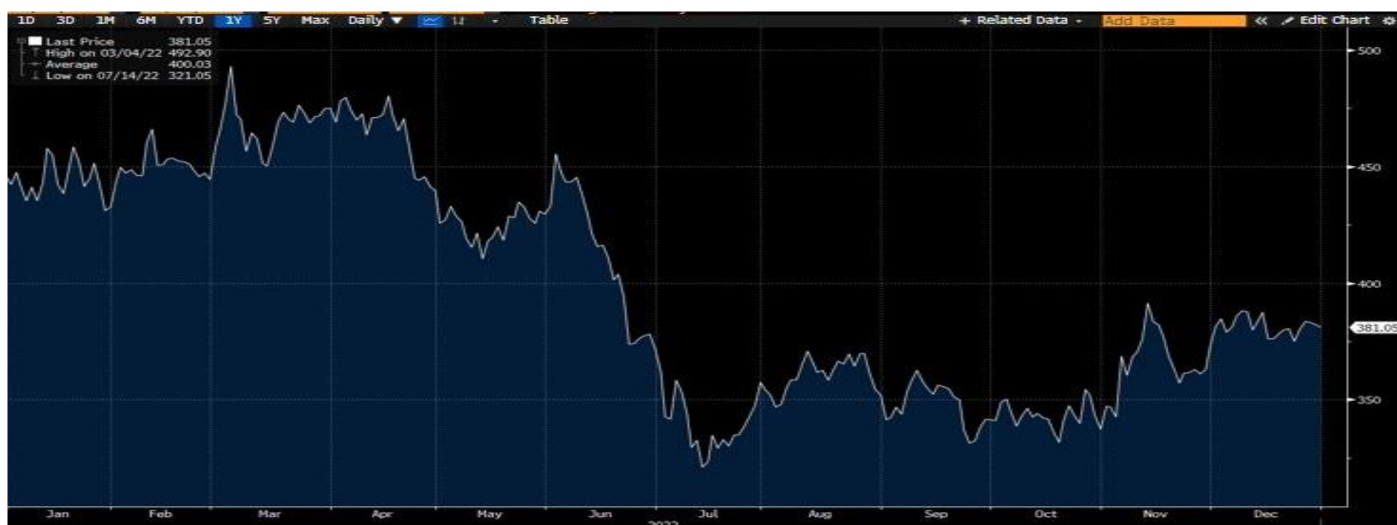


Source: Bloomberg, RHBAM, 3 January 2023

Gold prices rebounded 9.9% in the 4Q 2022 to end the year on a flattish note. Gold prices rallied in November 2022 and sustained the momentum going into December 2022 as US inflation rate for October 2022 declined by larger than expected to 7.7%, from 8.2% in September 2022 and against market expectations of 8% to 8.1%. Falling inflation rate fuelled hope that US Fed would soon start to slow the pace of interest rate hikes and set up a monetary policy pivot in 2023.

Going into 2023, we maintain a Neutral outlook on Gold prices. Continued rate hikes by US Fed in the early part of 2023 followed by sustained elevated level of interest rates could pressure Gold prices as they lift returns on other assets. On the flip side of the coin, darkening global growth outlook and the likelihood of several major economies tilting into recession may just serve to highlight the safe haven appeal of Gold once again.

Copper



Source: Bloomberg, RHBAM, 3 January 2023

Copper prices rebounded strongly in the 4Q 2022 and ended the quarter 11.7% higher, to narrow the full year decline in 2022 to 14.6%. Copper prices rallied in November 2022 and showed renewed strength in December 2022 after lower than expected US inflation rate reading for October 2022 raised the hope for slower pace of interest rate hikes by US Fed. Supply disruptions in major producers Chile and Peru and the lifting of Zero-COVID policy in China in early December 2022 also provided supports for Copper price movements.

We have a Neutral view on Copper price outlook in 2023. Copper's role as the traditional indicator of global economic growth means that it will come under pressure from the US and European economies heading into economic slowdown and possibly recession in 2023. However, potential supply disruptions and reopening-driven growth recovery in China could provide some supports for Copper prices. In the long term, energy transition plans and electrification technologies will become increasingly prominent growth drivers of Copper demand, as electric vehicles, batteries, charging infrastructure, solar and wind energies all require much more copper than the conventional hydrocarbon-based counterparts.

Key Takeaways

Source: Bloomberg, RHBAM, January 2023

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

Broad Asset Class

Asset Class	Outlook	Rationale
Global Equity	Slight Underweight	Soft landing as our base case with inflation expectation anchored but risk has increased into 2023. Prolong high energy prices amid Ukraine Crisis would have negative spillover to growth. Ease in food inflation but any continued food inflation would have negative impact on consumption especially for low-income countries. Economist revised down global growth again and volatility remain elevated amid 1) geopolitics uncertainty, 2) Fed tightening cycle amid elevated inflation (but pace of tightening eased as inflation peaked) and 3) China dynamic COVID-19 policy (but reopening pace gaining momentum).
Fixed Income	Slight Overweight	Central banks are signaling slowing pace of rate hikes as inflation has likely peaked or peaking but will remain elevated in most developed market economies. The Fed had been engineering market expectation to a slower the pace (to 50bps from after 75bps hike) in its December 2022 meeting. The two-day FOMC meeting for December ended with a 50bps hike to 4.25% - 4.50% as expected. The decision was unanimous and the Fed stressed that it would remain attentive to inflation risks and continue shrinking its balance sheet as planned. Overall, Fed sounded hawkish in both the summary projection as well as in the policy statement. The summary projection in December 2022 – 1) suggested a higher terminal rates amid an increase of 50bps in its peak rate to 5.125% in 2023. 2) Not only did the medium Fed fund rates rate for 2023 increased, the medium Fed fund rates beyond 2023 are all increased and there is no significant easing until 2024. The median Fed Fund rate moved up to 5.125% in 2023 (from 4.625%), 4.125% in 2024 (from 3.875%) and 3.125% in 2025 (from 2.875%). 3) There was less of an agreement among the committee members beyond 2023. 4) growth forecasts slashed to 0.5% for 2023 (from 1.2% previously estimated), while the inflation and unemployment forecasts are both raised. Forecasts now show more of a rise in unemployment is needed to bring inflation down. As for the December 2022 policy statement continue to see the phases about the committee expecting “ongoing increases” to the fed funds rates was left unchanged from the November 2022 statement. During Chair Powell’s press conference, the hawkish tone was maintained and he has consistently holding that the central bank has more work to do in raising interest rates and vanquishing inflation. The market is not reflecting the hawkish as it bet that the central bank would end up cutting interest rates as the economy falters. While Powell welcome the recent signs that price increases may have peaked, he was concerned on what he called the “extremely tight” job market and the pressure of higher wages. Fed have to slow economy more to generate slack in the labour market.

Asset Class	Outlook	Rationale
Cash	Slight Overweight	Tactically reduce risk exposure amid increasing uncertainty amid geopolitical risk complicate outlook. Continue to be nimble on cash to take advantage on any tactical opportunity trades amid elevated market volatility in the short to medium term.

Equity

Countries	Outlook	Rationale
United States	Slight Underweight	The Summary of Economic Projections saw growth forecasts slashed, while the inflation and unemployment forecasts raised once gain. The economic forecasts now show more of a rise in unemployment to bring inflation down. The Fed downgraded GDP growth projections in 2023 (0.5% from 1.2%), in 2024 (1.6% from 1.7%) while 2025 remain at 1.8%. The median core inflation forecasts were revised up in 2022 (4.8% from 4.5%), 2023 (3.5% from 3.1%) and in 2024 at (2.5% from 2.3%) while 2025 remain at 2.1%.
Europe	Underweight	Euro GDP hit hard by Ukraine conflict and the European Commission cut its growth forecasts for the Eurozone. Its base case scenario sees GDP growth slowing to 0.3% in 2023 from 3.2% in 2022. European Central Bank liftoff in July 2022 and hiked another 75bps in September 2022 and November 2022. ECB officials see little to no growth in 2nd half ("2H") 2022 and into 2023 but no technical recession. The staff projections for inflation were raised sharply to 8.1% (from 6.8%), 5.5% (from 3.5%) and 2.3% (from 2.1%) in 2022, 2023 and 2024, respectively. We do note that Europe is leverage to cyclical sectors and these are now trading cheap amid the sell-off amid Ukraine. Downward earnings revision in Europe.
Japan	Slight Overweight	Growth to accelerate as the pandemic recedes and Japan started its re-opening. Japan Prime Minister Kishida won a mandate and market is expecting expansionary fiscal stimulus. The Bank of Japan ("BOJ") is on hold as fiscal policy carries the load. BOJ stressed that further wage increases must be confirmed before any change in the BOJ's forward guidance. BOJ see real GDP growth eased from 2.0% in 2022 to 1.9% in 2023.
Asia ex Japan	Slight Overweight	Concern from external demand and price shock amid Ukraine against positive offsets from China's re-opening. While global growth is revised downwards, the downward revision in Asia's growth was relatively smaller with a lagged reopening.
ASEAN	Slight Underweight	Global slowdown will start to impact ASEAN economies as pent up demand from re-opening starts to face. Late stage reopening plays might benefit selected ASEAN countries due to the return of Chinese tourists.
China	Overweight (Slight Overweight)	China policymakers are preparing for a 2023 reopening. Growth momentum to improve on the back of policy stimulus and gradual reopening. The Property sector in China also saw financing policy pivot, with the 16-point rescue plan, resumed equity financing, relaxed escrow account control and more access to credit lines. Negative momentum from Property sector weakness and Zero-COVID policy to improve but global issues (higher oil prices, weaker growth) may linger. Favour 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). Valuations have de-rated far more significantly than the growth adjustment.
Hong Kong	Neutral (Underweight)	The reopening with mainland China which is likely to support recovery was delayed (market estimate toward mid 2022 if COVID-19 contained). The economy is likely to recover further as HK reopen 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 central bank hiked rates 12.5bps to 1.75% at its December 2022 meeting. The bank revised its GDP growth forecasts for 2022 to 2.91% vs 3.51% previously, and expects 2023 growth to be at 2.53% (vs 2.9% previously). Taiwan see private investment slowing down in 2023 while easing COVID-19 curbs helped to boost private consumption. The bank revised its inflation forecast for 2022 to 2.93% vs 2.95% previously and sees 2023 inflation remain at 1.88%. With 2023 inflation stable below 2%, it may be the last hike this cycle as economic growth eased.
South Korea	Slight Underweight	The Bank of Korea ("BOK")'s MPC raised its policy rate by 25bps to 3.25% in November 2022, returning to a baby step hike from a big step hike of 50bps in its previous meeting. The central bank lowered its real GDP growth sharply by 40bps and headline inflation forecast modestly by 10bps to 1.7% and 3.6% respectively. Since it began the tightening cycle back in August 2021, BOK has hiked every meeting.
India	Underweight	Remain underweight as valuations are still at a premium to the region and historical average. A slew of state elections in 2023 in the lead-up to national elections in 1st half ("1H") 2024 may limit new reforms, raise risks of populism and could be a near-term overhang.
Australia	Slight Underweight	The topline environment in Australia will likely decelerate over the coming year as the contractionary forces from restrictive monetary policy begin to impact on activity levels. We expect negative earnings revision to bottom in 1H 2023 as growth slows, and recover in 2H 2023 as margins improve. Valuations are balanced, with the market price-to-earnings ("PE") sitting just below its long run average of 14.5 times.
Singapore	Slight Overweight	Fully reopen without quarantine from April 2022 (travel related 10% of GDP). Fiscal remain relatively supportive this year but targeted but next year will see GST hike. The Monetary Authority of Singapore ("MAS") delivered its fifth tightening move since October 2022. The tightening move by the MAS was widely expected but the policy tool it used was slightly surprising. While the MAS re-centred the Singapore Dollar Nominal Effective Exchange Rate ("SGDNEER") band, it maintained the slope of the policy band. The re-centering reflects the MAS's decision to address immediate inflation concerns as a priority and it is estimated that the re-centering is about 2% above the previous mid-point.
Thailand	Neutral	The BOT voted unanimously to hike the policy rate by 25bps to 1.25% at its November 2022 meeting, reiterating that it continues to view that a "gradual policy normalization remains an appropriate course for monetary policy". The BOT now projects real GDP growth to be 3.2% in 2022 (down from 3.3% at the September 2022 meeting) and 3.7% in 2023 (down from 3.8% previously). The downgrade was ascribed to weakening export demand as the global economy slows while foreign tourist arrivals is likely to exceed BOT's forecast of 9.5 million for the year. The BOT continues to expect average headline CPI inflation of 6.3% this year, but revised up its 2023 headline inflation forecast to 3.0% (vs 2.6% previously) due to an expected upward adjustment in electricity tariffs and modestly higher core inflation expectation (the BOT revised up core inflation to increase to 2.5% from 2.4% previously for in 2023). Political noise

		remains and may not bode well for consumer and business sentiment. Structural concern of high household debt and deteriorating demographics.
Indonesia	Neutral	Benefited from the positive term of trades as exporter of commodities and this is boosting external balances, but ballooning fiscal subsidies has indeed saw a fuel price hike. Bank Indonesia ("BI") raised the 7-day reverse repo rate by 50bps to 5.25%. The statement reiterated that the move was front-loaded, forward-looking and preemptive, to guard medium-term price stability, lower inflation expectations and maintain Indonesian Rupiah ("IDR") stability. Policy challenges amid a hawkish Fed though less vulnerable now amid better current account position boosted by commodities.
Philippines	Slight Underweight	BSP raised its policy rate by 50bps to 5.5%, This came as no surprise since the central bank had telegraphed its determination to follow US rate rises both for inflation control and exchange rate stabilisation. It is a hawkish hike as the central bank signal more tightening to tame the quickest inflation in as many years. BSP expects average inflation to remain above its 2% to 4% target at 5.8% in 2022 and 4.5% in 2023. But it expects it to ease to 2.8% only in 2024. With the turn of a weaker USD, it would allow for a pause in the monetary tightening cycle into the 2H 2023.
Malaysia	Neutral	BNM hiked rates 25 bps to 2.75% in November 2022, in line with market expectation. Accordingly, the ceiling and floor rates of the policy corridor were also raised to 3.00% and 2.50%, respectively. BNM expects external demand to slow given rising cost pressures, tighter global financial conditions and strict containment measures in China. However, the central bank expects domestic growth to continue to be supported by private spending amid strong labor market and income prospects, higher tourism revenues and ongoing investment in multi-year projects. The BNM kept its 2022 core inflation forecast at 2.0% to 3.0%, but continues to expect annual core inflation to be closer to the upper-end of this range. For 2023, the central bank expects headline and core inflation to remain elevated owing to both demand and cost factors with risk skewed to the upside. The evolution of subsidy policy after the elections remains a key risk to inflation too. We expect another 25bps hike in the next policy meeting on 18 January 2023 and 19 January 2023.
Malaysia Small Cap	Underweight	Earnings growth would be impacted due to higher input costs and wages despite economic reopening.

Fixed Income

Asset Class	Outlook	Rationale
Global Bonds (Rates)	Overweight	In 2022, US Fed has raised interest rates by 425bps cumulatively to 4.25 - 4.50% amidst persistent inflation. For 2023, we see the outlook for inflation as mixed and believe that it has peaked in 2022, although it is unlikely to revert back to the pre-pandemic levels, as the environment remains challenging with the ongoing Russia-Ukraine war and effects from the prolonged pandemic. While the outlook is overweight on rates for 1st quarter ("1Q") 2023, this comes with a caveat on likely turbulence as the Fed tightening in 2022 is likely to lead to a recession in the 2H 2023.
Asian High Yield ("HY") Credit	Neutral	With global rates at elevated levels, there is little incentive to add further in the HY credit space, especially with the onset of likely recession throughout most economies in 2023. We advocate holding on to current positions in the portfolio however especially in China given the reopening could help to retrace the losses seen in 2022.

Asset Class	Outlook	Rationale
Asian Investment Grade ("IG") Credit	Neutral	IG bonds are benchmarked against UST yields. The scope for credit spreads to tighten has been somewhat diminishing, and we are generally positioned in the front end of the curve in light of what has been priced in favouring risk-reward. However, the focus is on credit quality, relative value against peers, and coupon income. In the investment grade space, we still prefer Asian Investment grade bonds given the attractive valuation against other Developed Market and Emerging Market peers but are positioned more defensively in the higher quality, short duration credits.
China Fixed Income	Neutral	China's planned re-opening is the main theme to watch here on how it evolves as well as the effects of property market stabilisation measures introduced in 4Q2022 which may take a while to reflect in the real economy. We remain cautious in this space pending the outcome of markets but prefer to remain nimble on potential opportunities.
Malaysia Fixed Income	Neutral	BNM decision to increase the OPR in November 2022 for the fourth time was priced in by the local bond market as yields remained elevated even before the November 2022 MPC Meeting. The global inflationary pressures were more persistent than expected due to strong demand, tight labour markets, and elevated commodity prices, despite improvements in global supply chain conditions. In response to prolonged Fed hawkishness, the central bank expressed its concerns on the higher volatility in financial markets, which might impact the Ringgit performance, attributed to the persistently strong USD environment. We expect BNM to hike the OPR to 3.00% - 3.25% for 2023 to ensure policy rate differential between US and Malaysia remains manageable but total increase is expected to be lesser than in 2022. A rise to 3.50% in 2023 is less probable unless inflation got pushed higher and stickier than 2022. Our expectation is for inflation to grind lower due to base effects of 2022.

Commodities

Asset Class	Outlook	Rationale
Gold	Neutral	Gold prices rebounded 9.9% in the 4Q 2022 to end the year on a flattish note. Gold prices rallied in November 2022 and sustained the momentum going into December 2022 as US inflation rate for October 2022 declined by larger than expected to 7.7%, from 8.2% in September 2022 and against market expectations of 8% to 8.1%. Falling inflation rate fuelled hope that US Fed would soon start to slow the pace of interest rate hikes and set up a monetary policy pivot in 2023. Going into 2023, we maintain a Neutral outlook on Gold prices. Continued rate hikes by US Fed in the early part of 2023 followed by sustained elevated level of interest rates could pressure Gold prices as they lift returns on other assets. On the flip side of the coin, darkening global growth outlook and the likelihood of several major economies tilting into recession may just serve to highlight the safe haven appeal of Gold once again.
Crude Oil	Overweight	Crude Oil prices edged lower during the 4Q 2022, and ended the quarter 2.3% lower at USD 86 per barrel. Weak macroeconomic environment and ample supply outweighed production cuts by Organization of Petroleum Exporting Countries Plus ("OPEC+") producers, European Union ban on seaborne imports of Russian oil effective 5 December 2022, and imposition of price cap on Russian oil sold to other parts of the world to keep crude oil prices under pressure. Macroeconomic outlook darkened in the 4Q 2022, as central banks across the globe raised interest rates to rein in rising prices, inflation bit into household spending, and China, which accounts for 13% of global oil

Asset Class	Outlook	Rationale
		consumption, struggled with the impact of Zero-COVID policy through much of the quarter and its lingering effects after the policy was abandoned in early December 2022. On the supply side, actual output cut by OPEC+ was likely significantly below the declared target of 2 million barrels per day given that most members were already producing well below their respective targets prior to the announcement. Production boost by non-OPEC+ producers, notably the US, Brazil, and North Sea countries, which brought their collective output in November 2022 3.1 million barrels per day higher than at the start of the year, also largely negated the impact of production cuts by OPEC+. Going forward, global oil demand growth in 2023 is projected to be around 1.2 million barrels per day. Demand growth will be driven mainly by Asia, with China's oil demand expected to rebound by 0.7 million barrels per day in 2023, after falling by 0.9 million barrels per day in 2022. Purchases of oil to fill the SPRs of US, China, and other countries could add incremental 0.4 million barrels per day to oil demand in 2023. Given the projected growth in demand, we expect Crude Oil prices to increase moderately over 2023, though uncertainties over geopolitical situation and the depth of economic recessions in Europe and US could derail the demand outlook.

Foreign Exchange

Currencies	Outlook	Rationale
USD	Neutral	Market is expecting the USD to peak after Fed indicate to slow down their rate hike cycle. However, we are in the view that the normalization trajectory of USD is unlikely to be straightforward, while the fight against inflation is far from over, and safe haven demand may also keep the USD supported as global recession concerns become a bigger focus in 2023. We expect the DXY to trade in between 105 to 110 for the next quarter.
EUR	Negative	Gloomy 2023 growth remain the major concern on the EUR. The downgrade cycle on Eurozone is showing little signs of turning around while business and investor sentiment remained close to the lowest levels since the outbreak of the pandemic. The EURUSD pair expect to trade in between 1.05 to 1.01 level for the next quarter.
GBP	Negative	Although the GBP was one of the best performer among G10 currencies in 4Q2022, recovered from their record low of 1.0350 against the USD, but the pace of gains might take a pause from now on. We expect the economy outlook of the United Kingdom remain fragile that might lead to a year-long recession. With that, we remain negative outlook on GBP, and expect it to trade in between 1.15 to 1.20 range for the next quarter.
JPY	Negative	We are bearish on JPY as the monetary policy divergence between the Fed and BOJ remain wide. On the currency valuation point of view, the USD is still attractive against the JPY even though the Fed had start to signalled a slower pace of rate hikes cycle. We expect the USDJPY to trade in between 135 to 142 for the next 3 months.
CNH	Negative	As China is relaxing its Zero-COVID policy, we expect the infection cases will spike in the short term, and peaked around March 2023. With that, supply disruption and growth for the 1Q2023 remain our major concern. We expect the pair to trade between 6.89 to 6.94 range for the next quarter.
AUD	Positive	As one of the major commodity-linked currency, the AUD remained sensitive with global risk sentiment and we remain cautiously optimistic on the AUD for

		the next quarter as further China growth worries might burden the pair. Expected range for the next quarter will pinned at 0.65 to 0.70.
SGD	Positive	The SGD remained as one of the better performer among its peer despite the strong USD. We expect the SGD to remain strong among its peer as we expect a further tightening policy from the MAS in the upcoming year. We expect the USDSGD rate to be traded between 1.32 to 1.27 range for the next quarter.
MYR	Positive	In the midst of USD strength to peak towards end of 1Q2023, relaxation of China Zero-COVID policy and relatively political certainty, we expect the MYR remain supported in the short term. We expect the USDMYR pair to trade between 4.35 to 4.39 for the next quarter.

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This update has not been reviewed by the SC.