QUARTERLY MARKET INSIGHTS

Quarter 3, 2024

Source: Bloomberg, RHBAM, July 2024
Note: The opinions expressed are as of date and are subject to change at any time due to changes in market or economic conditions. Any performance information shown refers to the past and should not be seen as an indication of future returns. This is not intended to be relied upon as a forecast, research or investment advice and is not a recommendation, offer or solicitation to buy or sell any investments or to adopt any investment strategy.

Global Equity Market Review and Outlook

Global equity performance, as measured by the MSCI All Country World Index, increased by 2.1% during the month of June 2024. United States ("US") equities reported a gain of 3.5%, Europe a loss of 2.3% and Japan a loss of 0.8% in US Dollar ("USD") terms during the period. Asia Pacific ex-Japan ("APAC") recorded a gain of 3.58% (in USD terms), with key highlights being Taiwan (+11.5%), Korea (+8.5%), Hong Kong (-6.8%), and China (-2.6%) in USD terms. Within the Association of Southeast Asian Nations ("ASEAN") countries, Indonesia (+2.3%) was the best performer, while the Malaysia (-0.4%) and Thailand (-2.0%) underperformed.

The US Personal Consumption Expenditure ("PCE") inflation eased, coming out flat Month-on-Month ("MOM"), while core PCE inflation was up 0.1% MoM for May 2024. US Gross Domestic Product ("GDP") growth for first quarter 2024 was revised up slightly (in its third estimate) to 1.4% annualized, up from 1.3% from prior estimates. However, the market didn't celebrate this as the focus was on the Biden-Trump debate. The first presidential debate shifted prediction market probabilities in favor of a Trump victory, as President Biden's perceived poor performance caused a decent shift in betting odds of 4% in favour of Trump. This will refocus the market's attention on potential fiscal expansion under a Republican sweep.

In its June 2024 meeting, the Federal Reserve ("Fed") left interest rates unchanged as widely projected. The June 2024 dot plot delivered a hawkish surprise, with one cut in 2024 compared to three cuts in March 2024 and two cuts as widely estimated. Fed Chair Powell emphasized that many participants saw it as a very close call and that both options (i.e. one or two cuts) remain plausible outcomes. The median dots for 2025 were revised 25 basis points ("bps") higher to 4.125% but unchanged for 2026 at 3.125% (i.e. 100bps cut in both 2025 and 2026). The longer-term Fed funds rate projection was raised by 19bps to 2.75% (i.e. high for longer). Fed officials raised headline and core PCE inflation projections for 2024 (+0.2% to 2.6% and 2.8%, respectively) and 2025 (+0.1% to 2.3% for both). Market-implied probability of a cut by September 2024 rose from 59% to a peak of 85% after the soft Consumer Price Index ("CPI") report before falling to 65% after the June 2024 Federal Open Market Committee ("FOMC") meeting. Both CPI and Producer Price Index ("PPI") for May 2024 came in softer than expected, while jobless claims jumped to the highest level in nine months.

The Bank of Canada ("BOC") cut interest rates as it expects that a soft landing is on the horizon, making it the first G7 central bank to kick off an easing cycle. BOC lowered the benchmark overnight rate by 25bps to 4.75% as widely expected by markets. Officials say they're more confident that inflation is headed to the 2% target and said it's "reasonable to expect further cuts" if progress continues.

The European Central Bank ("ECB") also delivered an expected 25bps cut to rates (currently now at 3.75%) in June 2024, starting an interest-rate cutting cycle before the Fed for the first time as inflation in the euro area is cooling faster

than the US. The direction of rate cuts will be downwards, as Chairperson Lagarde described it as "far away" from the neutral rate. Lagarde said price growth will slow toward the 2% goal, which is lower than previously thought. Indeed, the updated ECB quarterly outlook saw inflation forecast revised up for 2024 and 2025 and GDP forecast up by 0.3% to 0.9% for 2024. With inflation sticky, the market is pricing in the next cut in September 2024. In Europe, Sweden's Riksbank and the Swiss National Bank were among those to have already eased.

Political uncertainty increased in France, as the second-round of votes resulted in increased support for left and center parties. The left-wing alliance Nouveau Front Populaire ("NFP") won the most seats in the election, with Emmanuel Macron's Ensemble placing second place and the far-right National Rally coming in third. As no party has nowhere near the 289 seats needed for an outright majority in the National Assembly, the parliament is deeply divided and "hung", meaning that governing will be difficult. Moody's has warned that France's sovereign rating is at risk if political wrangling leaves its fiscal and debt metrics materially worsening. Negotiations to form a new government are in progress. S&P cut France's credit rating from AA to AA-, citing failures to control budget deficit earlier this June 2024. Separately, Labour's election victory in the United Kingdom ("UK") General Election was another surprising political outcome, as the Labour Party won majority seats needed for a majority in the House of Commons. Thus, the party is comfortable implementing its policies without any noteworthy political restrictions. The new Starmer government's apparent strategy is to try to improve trade links with the European Union ("EU") as much as possible without tipping the country into another interminable debate.

The Bank of Japan ("BOJ") kept its short-term interest rate unchanged at between 0 to 0.1% in June 2024, in line with consensus estimates. The BOJ announced it will cut Japanese Government Bond ("JGB") purchases but delayed details until July 2024, saying it wanted to consult with market participants. The yen fell against the dollar and JGB futures rose, as this was taken as a delay in the BOJ's normalization process and a possible indication of caution among board members. Governor Ueda said the reduction in government purchases will be "considerable" and a rate hike in July 2024 was a possibility depending on economic data. Ueda sounded upbeat on prices, saying that the underlying inflation trend is consistent with the BOJ's price stability target, suggesting growing confidence that it's on course for interest rate hikes ahead. While June 2024's Tokyo CPI stopped slowing for the first time in a year on strong food, durables and hotel charges, it is too early to call a change in trend.

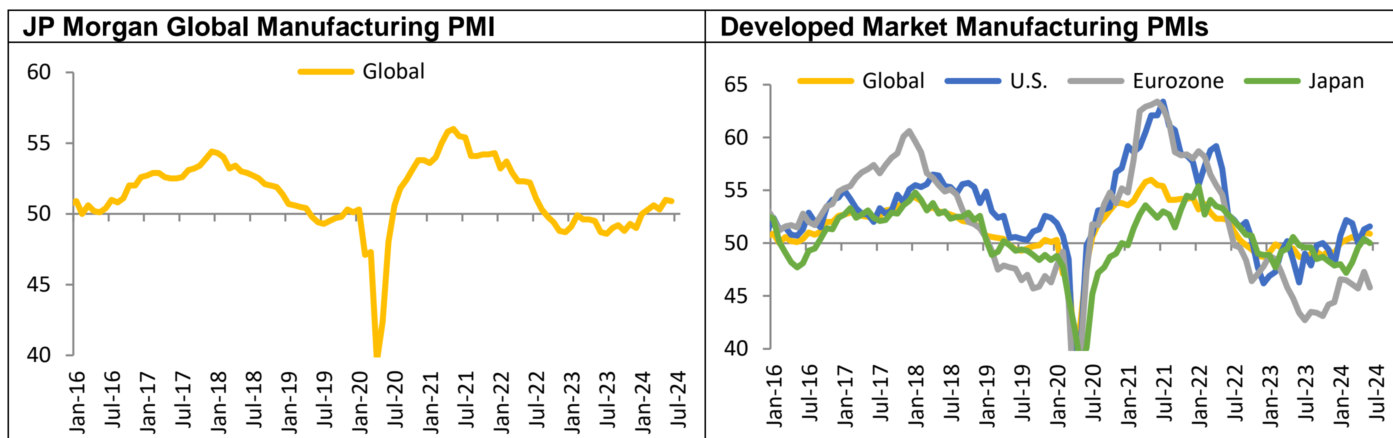
The USD/JPY exchange rate has risen above the 160 level on 26 June 2024, sliding as far as 160.75 and exceeding previous highs of 160.2 back in 1990 (based on Bloomberg data) before paring some of its losses. This extended the Japanese Yen's underperformance against major currencies this quarter. The yen, weakened by the Japanese government's easy monetary policy against the US Fed delays in rate cuts, hit a 38-year low against the dollar, sparking speculation of new interventions by authorities.

China's money and credit data for May 2024 all came in below expectations. Industrial production growth slowed in May 2024 amid slower output growth in automobile, electric machinery and computer manufacturing industries. Fixed asset investment growth remained low due to weaker infrastructure and property investments. The 70-city average property price decline accelerated in May 2024, but sales beat expectations in May 2024 driven by services consumption and consumer trade-in policies. The People's Bank of China ("PBOC") reiterated its supportive stance to the property market, and pledged to maintain a broadly stable exchange rate during its second quarter 2024 Monetary Policy Committee ("MPC") meeting on 25 June 2024. Consistent with recent policy communications, the PBOC maintained a pro-growth stance and continued to focus on enhancing monetary policy transmission. The PBOC said it would facilitate credit extension via structural monetary policy tools, such as the RMB300 billion relending program for property destocking.

Market volatility remains elevated as the most aggressive monetary tightening cycle draws closer to an end along with heavy election calendars across the globe. Although an early year inflation acceleration is fading, global core inflation is expected to remain close to 3% this year as tight labor markets and elevated wage gains limit service sector disinflation. We are cautiously optimistic, though markets may prove to be bumpy and volatile in the coming months as markets will need to contend with uncertainty about the US election. With more nations moving towards protectionism (energy, food and technology security) and nationalism, markets should prepare for an extended period of heightened volatility. We continue to reiterate our strategy towards quality names amid rising market volatility. Our portfolio continues to be positive on structural shifts, such as carbon-neutral industries, technology innovation and security (food, technology and defense).

Economic Highlights

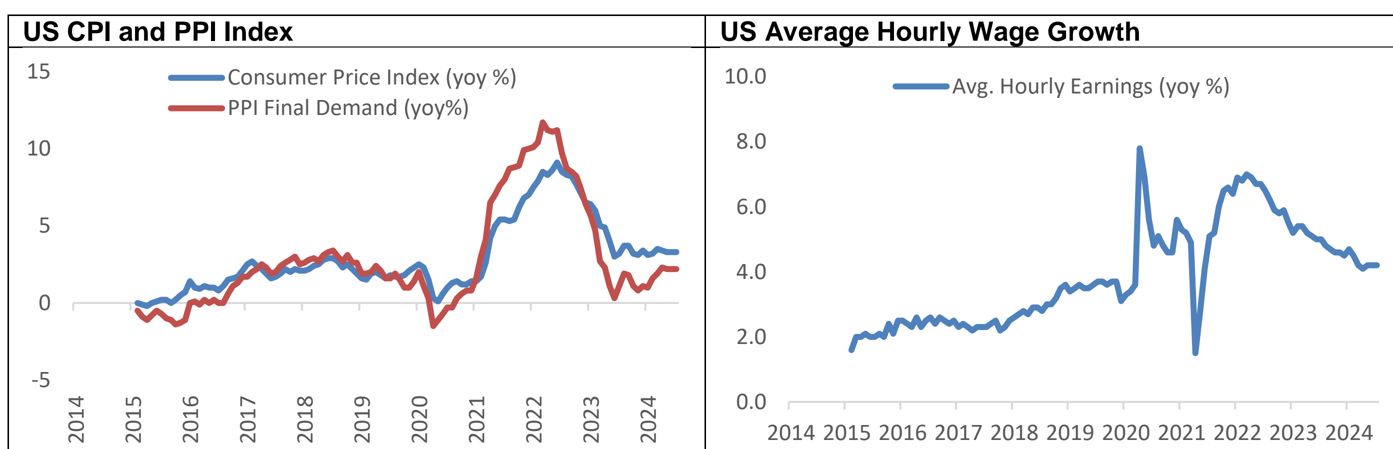
Global Purchasing Managers Index ("PMI")



Source: Bloomberg, RHBAM, 2 July 2024

- JP Morgan Global Manufacturing PMI improved to 50.9 in June 2024, up from 50.6 in March 2024.
- The US S&P manufacturing PMI eased to 51.6 in June 2024, from 51.9 in March 2024. Japan manufacturing PMI improved to 50.0 in June 2024, up from 48.2 in March 2024. The Eurozone manufacturing PMI deterirotated to 45.8 in June 2024, down from 46.1 in March 2024.

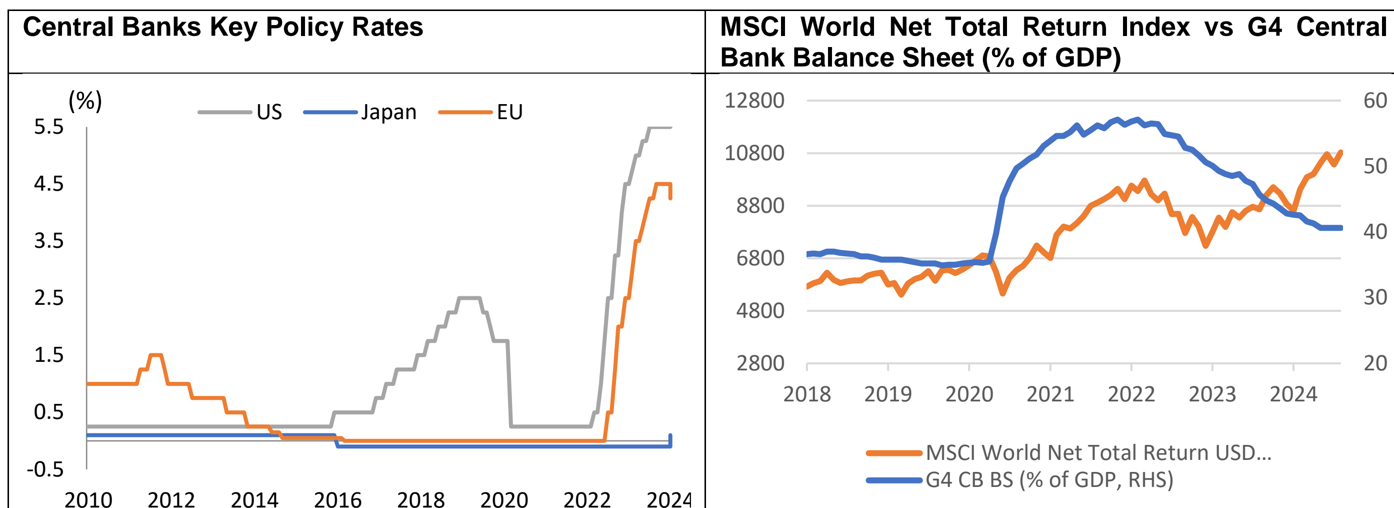
US



Source: Bloomberg, RHBAM, 2 July 2024

- US inflation rose by 3.3% in May 2024 from 3.5% in March 2024, but still dropped from an average of 4.1% in 2023.
- Unemployment rate inched up to 4% in May 2024 from 3.8% in March 2024 vs an average of 3.6% in 2023 and US hourly wage growth eased to 4.2% in May 2024.

Global



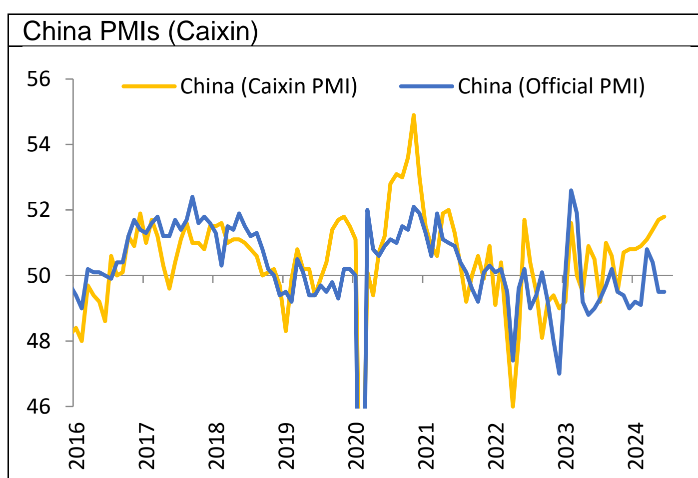
Source: Bloomberg, RHBAM, 2 July 2024

- The Fed left interest rates unchanged in the June 2024 meeting as widely projected. The June 2024 dot plots delivered a hawkish surprise with one cut in 2024 vs three cuts in March 2024 or two cuts from consensus estimates. Fed Chair Powell emphasized that many participants saw it as a very close call and that both options (i.e. one or two cuts) are still plausible outcomes.

- The European Central Bank ("ECB") delivered an expected 25bps cut to rates (currently now at 3.75%) in June 2024, starting an interest-rate cutting cycle before the Fed for the first time ever, as inflation in the euro area is cooling faster than the US.

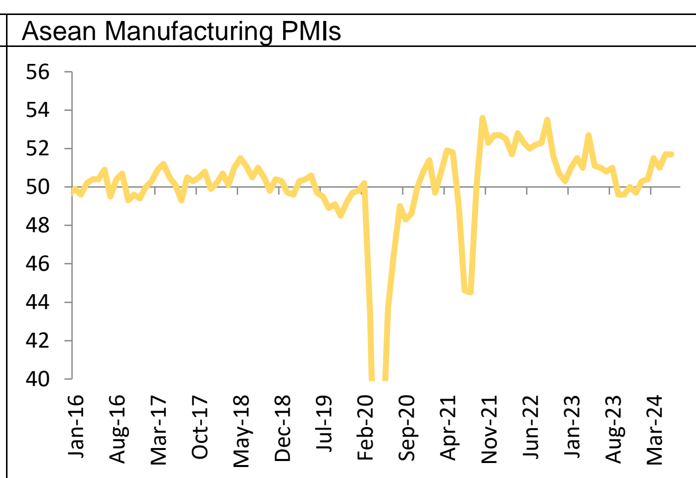
China

China PMIs (Caixin)



ASEAN

Asean Manufacturing PMIs



Source: Bloomberg, RHBAM, 2 July 2024.

- The Caixin Manufacturing PMI remained in expansionary territory at 51.8 in June 2024 from 51.1 in March 2024 but Official PMI fell 49.5 in June 2024 from 50.8 in March 2024.

- ASEAN's manufacturing PMI remained in expansionary territory to 51.7 in June 2024 from 51.5 in March 2024.

China/Hong Kong

The MSCI China Index (“MXCN”) declined in June 2024. Lower expectations for strong policy stimulus by the Third Plenum, mixed economic activity data, M1 contraction and no Medium-Term Lending Facility (“MLF”) or Loan Prime Rate (“LPR”) cut, as well as a depreciating CNY vs USD, sent Chinese equities lower. Although year-to-date, MSCI China buybacks have been running at 2.4 times vs average levels over 2021-2023. Also there was interest in Hong Kong-listed State Owned Enterprise (“SOE”) high yielders, partly in anticipation of a likely dividend tax waiver for South-bound investors.

China’s May 2024 activity data sent mixed signals, with steady export activity and a modest upside surprise in retail sales. However, Fixed Asset Investment (“FAI”) growth disappointed somewhat amid the ongoing housing market drag. China’s May 2024 trade report showed rather steady export activity, growing 7.6% Year-on-Year (“YoY”).

Nominal retail sales came in above expectations, growing 3.7% YoY in May 2024. Real estate investment weakened further, contracting 11.0% YoY in May 2024 (vs -10.5% YoY in April 2024).

China delivered its pro-growth policies on the politburo meeting, which included relaxation for sectors such as property, capital markets, education and consumer. Furthermore, we will focus on SOEs reforms as another theme for the rest of the year. We are maintaining our infrastructure theme, where we continue to be aligned to the Politburo’s policies in the Renewable Energy, Information Technology, Platforms and Industrial sectors. Supportive policies for technological innovation with an emphasis to strengthen technological innovation and industrial supply chain resilience. For SOEs reform, there will be an aligning of SOE’s operational and development with China’s strategic goals notably self-sufficiency in technology , energy and food supply with additional focus on return on equity and operating cash flows as Key Performance Indicators (“KPIs”).

ASEAN

The MSCI ASEAN Index was slightly positive in June 2024, led by Indonesia, Philippines and Singapore. Thailand was the only market in the red and Malaysia was flat. ASEAN currencies depreciated against the greenback, with the exception of the Thai Baht.

The Indonesian market gained a better degree of comfort following the government's recent clarification of the fiscal budget outlook, especially with the outgoing and incoming administrations working closely together and issuing a joint press statement (e.g. incorporating Prabowo's new "Free Nutritious Meal" Program with a approximately USD4 billion budget in 2025, with a still-manageable fiscal deficit of 2.3%-2.8% and under the 3% threshold set by law). Bank Indonesia ("BI") kept the rate unchanged at 6.25% during the June 2024 meeting and is proactively stabilizing the currency market.

Singapore's core inflation came in at 3.1% YoY in May 2024, remaining unchanged for the third consecutive month. An increase in services inflation was offset by lower electricity and gas, retail and other goods inflation. Meanwhile, headline inflation came in higher at 3.1% YoY vs April 2024's 2.7% YoY. This was driven by higher private transport inflation.

Philippines President Marcos has formalized rice tariff that which effectively slashed rice levies from 35% to 15%. The updated tariffs would be in effect from 2024 to 2028. This is aimed at stemming upside risks to inflation as rice alone accounts for around 9% of the country's inflation basket.

Diesel prices in Peninsula Malaysia was raised to 56% to RM3.35 per litre on 10th June 2024 vs the earlier price cap of RM2.15 per litre (since 27 February 2021). The government is also planning to raise salaries of civil servants by 13% from December 2024, which could lift annual spending by ≥RM10 billion (≥0.5% of GDP). These measures, coupled with recently announced initiatives such as the New Industrial Master Plan 2030, National Semiconductor Strategy and the Johor-Singapore Special Economic Zone, aims to strengthen Malaysia's appeal as an investment destination.

Political gridlock created an overhang in Thailand. The Constitutional Court has confirmed that the Senate election was compliant with the Constitution and the final outcome is expected in July 2024. The Senate primarily scrutinizes and passes the laws beyond the lower house. Former Prime Minister Thaksin Shinawatra has been granted bail against his lèse majesté indictment, which could be read as reduced frictions to the Pheu Thai-led coalition's policy executions. However, the court has delayed consideration of Prime Minister Srettha's ethics case to 10 July 2024 and the consideration of Move Forward Party's potential dissolution to 3 July 2024 respectively.

We remain optimistic that Asia, especially ASEAN, will emerge as the region with relatively stronger growth than the rest of the world. ASEAN, with its structural advantage in demographics, will emerge as the key supporting piece to China's evolution into a giant consumption economy. As governments in the region are committed towards infrastructure development, we believe that ASEAN nations will feature prominently as the place for equity investments. We would look to buy stocks during periods where investors largely ignore these positive developments in the region.

Malaysia Equity Market Review and Outlook

The equity market is optimistic in first quarter 2024 that a soft landing was in store for the US economy, whereby a recession would be avoided. Inflation has once again turned sticky. That means that Fed rate cuts have been pushed out to June 2024 at the earliest. Investors previously have priced in five cuts in 2024, but expectations now center on three at best. Strong US labour market and wage growth figures may delay the Fed's decision to cut its interest rate. The USD will likely remain strong in the short term, as expectations on a number of rate cuts were reduced. Historically, the Fed would start to cut interest rates when the economy shows sign of weakness, which at this moment, is still quite resilient. However, Fed Chairman Powell commented recently that the central bank is not far from the level of confidence needed to ease. The strong industrial and investment figures added to evidence that some parts of the China economy are gaining traction after policymakers ramped up stimulus late last year. However, the data might weaken the case for policymakers to loosen China's monetary policy.

We expect the Malaysian economy to improve, as manufacturing activities gathers momentum with gradual improvements in trade activities and external demand. It will be a major boost for exports if China also recovers in 2024, as it is one of Malaysia's primary trade partners (exports to China account for 13% of Malaysia's total exports), higher demand from China would further fuel the export recovery and Manufacturing sector performance in 2024. In addition, the World Semiconductor Trade Statistics ("WSTS") forecasted a strong rebound in semiconductor sales. Hence, trade performance for Malaysia is expected to gradually recover in coming months. Overall Balance of Payment should improve as exports recover in 2024, which would allay Malaysia Ringgit depreciation going forward. In addition, the economy would be supported by resilient domestic economy as well. The Malaysian economy is expected to grow better in 2024 supported by resilient domestic demand and stable labour market conditions. The increased number in tourism activities would also help to further boost the economy.

The optimism for FBMKLCI's earnings to rebound would be backed by a better outlook for global economy. China is expected to recover and the US is likely to not go into recession. The FBMKLCI's earnings are expected to grow at 7.6%% in 2024, strong rebound from -10.00% in 2023. Based on the recent quarterly corporate earnings reporting, we are of the opinion that the consensus earnings downgrade momentum for 2024 appears to have stabilised and, in fact, we are starting to see upgrades after nine months of forecast cuts. The FBMKLCI Index is trading at 13.5 times forward earnings, below its five-year average of 14.5 times. The index is also trading at Pirce Earning below mean valuation of 13.6 times, and price to book valuation of 1.29 times which is also below mean valuation of 1.40 times.

We expect positive catalysts in the local market to remain due to the structural reforms announced by the government for long term sustainable economic growth. The Madani Economic Framework, the New Industrial Masterplan 2030 and the National Energy Transition Roadmap ("NETR") are positive for the economy and the improvement in the bigger picture bodes well for corporate Malaysia's earnings outlook.

We are positive on the equity outlook for 2024, as much of the bad news already priced in, although the US rate cut might be pushed towards second half ("2H") 2024 from first quarter 2024. China in our view should recover in 2024. Besides better economy, corporate earnings are also expected to recover having recorded negative growth last year. From valuation perspective, the index is cheap as well as the currency which would attract foreign inflows.

However, we do expect the market will likely to be weak in the short term due to external issues, such as the geopolitical tensions in the middle east and stronger than expected US economic data, which may delay further the Fed from cutting rates. There are possibilities that the crisis in the Middle East escalate and US Fed might not cut its interest rate in 2024 as expected. This if happens would not be positive for the equity market.

We identify three key themes for Malaysia in 2024: 1) government execution of the policies it announced in 2023, such as higher development expenditure and energy transition plans; 2) the Johor-Singapore theme, with the setting up of a special economic zone ("SEZ") in Johor; 3) the ringgit's current weakness, which we expect to strengthen in the latter part of 2024 amid potential US Fed pivot and uplift in the technology cycle. Sector specific, we remain overweight Healthcare sector, Construction or Infrastructure sector, Water-related sector, Tourism sector, Renewable Energy or Utilities sector and Technology sector.

Global Fixed Income Market Review and Outlook

US Treasuries and G10 Bonds

Second quarter 2024 saw some moderation in growth out of the US, especialy after a stronger than expected first quarter 2024. US first Quarter 2024 GDP third estimates were within expectations, reported 1.4%YoY annualised, as personal spending rose at a slower rate of 1.5 (vs 3.3% previous). Declines in orders of certain business equipment, weaknesses in the job market and slower homebuying, all likely tied to the restrictive interest rates. The Institute of Supply Management ("ISM") PMI for May 2024 fell by 0.5 points to 48.7 in a further downside surprise, as demand side factors contracted further while the prices paid subindex fell from 60.9 in April 2024 to 57.0 for May 2024. Inflation prints started to form a trend of slow deceleration; US CPI moderated slightly lower to 3.30% YoY (+0.20% MoM) for May 2024 from 3.40% YoY (+0.3% MoM) in April 2024, with May 2024 Core CPI, which excludes food and energy, slowing noticeably to 3.40% YoY (+0.2% MoM) vs 3.60% YoY (+0.3% MoM) from a month earlier. The PCE deflator, the Fed's preferred measure for inflation decelerated to 2.60% YoY (+0% MoM) for May 2024, while Core PCE also fell to 2.6% YoY (0.1% MoM), both readings were within expectations. The softer May 2024 CPI readings reflected broad disinflation across both goods and services. Market expectations for interest rate cuts saw a repricing for 2024; reducing from six cuts at the end of 2023, to just under 2 rate cuts in total for the year 2024. As prospects for aggressive rate cuts faded, the yield of the Bloomberg Global Aggregate Index (unhedged) increased by 16bps over the second quarter 2024 to 3.90%, which led to negative returns of -1.10%.

The FOMC meeting held on 12 June 2024, the fourth for the year, saw the Fed unanimously holding the target Fed Fund Target Rate ("FFTR") range at 5.25%-5.50%, the same range since July 2023. The initial hawkish reaction in US Treasury ("UST") yields (10year yields shot up 8bps from the low) was due to the revised Fed "Dot Plots" which showed a tempering of rate cut expectations from 3 cuts to 1 for 2024, and a revision of 25bps higher to a target rate of 4.00%-4.25% in 2025 while 2026 remain unchanged at 3.00%-3.25%, meaning that the number of cuts has merely been pushed out over the next 2-3 years. The statement and the press conference which followed was decidedly more dovish, with the "lack of further progress on inflation" statement in the May 2024 statement being replaced with "modest further progress".

The UST curve bear steepened over the second quarter 2024, with the benchmark 2-year, 5-year, 10-year, 20-year and 30-year UST last traded at 4.75% (March 2024: 4.62%; +13bps), 4.38% (4.21%; +17bps), 4.40% (4.20%; +20bps), 4.66% (4.45%; +21bps) and 4.56% (4.34%; +22bps) respectively.

Outlook and Strategy

The April 2024 International Monetary Fund ("IMF") World Economic Outlook Update saw an update to IMF's 2024 global growth forecast, revising the outlook higher again to 3.2% in 2024, 0.1% higher from the January 2024 update. The upgrade was mainly on the surprising resilience of the US economy in the face of high policy rates, the growth driver is mainly from an acceleration in advanced economies which would be slightly offset by Emerging Markets ("EM") economies. The projections, while revised higher remain below the historical average of 3.8%., IMF has forecast global inflation to decline steadily, from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025, with advanced economies returning to their inflation targets sooner than EM and developing economies.

Global risk sentiment in the markets had decidedly turned more bearish compared to the bullish start seen in January 2024 on the spate of resilient economic data and a series of sticky inflation prints. We hold on to the strategy for 2024 to continue positioning into the current high yield environment, but with a bias toward higher quality credit to mitigate possible recessionary risk from a prolonged rate tightening environment, and moving further up in duration selectively, especially since the Fed is likely at the end of the tightening cycle. The base case view is for 2024 to eventually be a positive year for bonds with most Developed Markets ("DM") central banks likely to cut rates from the current levels. For 2024, Fed's expectation is for policy rates to be 4.625%, or about 75bps lower than current levels, while the market in general is expecting just under 50bps of rate cuts by the end of 2024 at the time of writing.

The outlook for fixed income market in 2024 remains positive in our view as global inflationary pressures resumed its trend of moderating supporting our view that the balance of probabilities remain tilted towards major central banks cutting rates later this year which would bode well for fixed income market in general.

Malaysia Fixed Income Market Review and Outlook

Ringgit Sovereign Bond

Malaysia Government Securities ("MGS") and Malaysian Government Investment Issue ("MGII") market traded mixed during the quarter, where the 5-year, 7-year and 10-year tenures' yields decreased by -3bps to -6bps, while all the other tenures' yields increased by +1bps to +3bps. The mixed performance is attributed to the maturities of MGS and MGII during the quarter amounting to RM34 billion which had been reinvested into the mid tenure of the government yield curve, and as foreign funds' demand for MGS with year-to-date net inflows of about RM4.0 billion. The MGII-MGS spread had remained stable at 1bps-2bps due to continue local institutional demand for the Islamic counterpart.

Benchmark	MGS yield (%)			GII yield (%)		
	29 March 2024	24 June 2024	Change	29 March 2024	24 June 2024	Change
3-Year	3.515	3.530	3-Year	3.515	3.530	3-Year
5-Year	3.699	3.640	5-Year	3.699	3.640	5-Year
7-Year	3.821	3.785	7-Year	3.821	3.785	7-Year
10-Year	3.891	3.864	10-Year	3.891	3.864	10-Year
15-Year	3.987	4.006	15-Year	3.987	4.006	15-Year
20-Year	4.095	4.127	20-Year	4.095	4.127	20-Year
30-Year	4.194	4.221	30-Year	4.194	4.221	30-Year

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

In terms of monetary policy action, Bank Negara Malaysia ("BNM") have maintained the Overnight Policy Rate ("OPR") unchanged at 3.00% in second quarter 2024, whilst signalling that the central bank is on a wait-and-see mode as it monitors the effect of Government's subsidy rationalisation. In our view, the latest guidance from BNM is rather neutral as it mentioned that the balanced risks to growth where downside risks arising from weaker external demand and Commodity sector are offset by upside risk from Technology and Tourism sectors, as well as faster implementation of government's infrastructure projects.

On economic data, Malaysia's first quarter 2024 GDP growth came in stronger than expected at +4.2% YoY, higher than the Department of Statistics Malaysia ("DOSM") advance estimate of +3.9% YoY and a sharp improvement from fourth quarter 2023's reading of +2.9% YoY. Meanwhile, Malaysia's inflation reading have increased in recent months, with the latest inflation reading at 2.0%, from a low of 1.5% at the start of the year as prices adjust to the subsidy rationalisation by the Government. Malaysia's labour market conditions also remained healthy with the unemployment rate holding steady at 3.3% in march for the fourth consecutive month. Both the labour force and total employed expanded to its largest size ever of 17.1 million and 16.5 million workers respectively.

There were 9 government bond auctions in second quarter 2024, where auctions were generally strong, with Bid-To-Cover ("BTC") ratio averaging more than 2 times, with the exception of 3-year MGS and MGII which were met with lukewarm demand due to its relatively lower yield. A summary of the 9 auctions conducted during the quarter is as follow:

Issue	Auction Date	Auction Size (RM' bil)	Private Placement (RM' bil)	BTC Ratio (times)	Average Yield (%)	High (%)	Low (%)
Reopening 7.5-year MGII 10/31	5 April 2024	4.5	-	3.333	3.804	3.815	3.780
New 15-year MGS 04/39	16 April 2024	3.0	2.0	2.159	4.054	4.069	4.016
Reopening 3-year MGII 09/26	25 April 2024	5.0	-	1.746	3.574	3.599	3.547
New-20 year MGS 05/44	14 May 2024	3.0	2.0	3.085	4.180	4.188	4.160
Reopening 15-year MGII 09/39	21 May 2024	3.0	2.0	3.024	4.021	4.027	4.005
Reopening 7-year MGS 04/31	29 May 2024	5.0	-	1.965	3.852	3.860	3.843
Reopening 20-year MGII 08/43	6 June 2024	3.0	2.0	3.475	4.133	4.137	4.123
Reopening 3-year MGS 05/27	13 June 2024	5.0	-	1.682	3.545	3.553	3.487
Reopening 30-year MGII 03/54	21 June 2024	3.0	2.0	2.504	4.241	4.249	4.220

Source: FAST BNM. Data as at 30 June 2024.

Ringgit Corporate Bond

Ringgit Corporate Bonds traded with a strong bid tone in second quarter 2024, with the strong momentum since end of last year carrying over to the latest quarter as local supply and demand dynamics for corporate securities had remain tight where new issuances by corporate had not been sufficient to meet the growing demand by local institutions. Based on the Bond Pricing Agency Malaysia ("BPAM") aggregate corporate yield compilation, the average credit spreads for 7-year AAA, AA compressed further during the quarter to 16bps and 29bps, from 18bps and 35bps respectively.

In terms of credit updates notable rating actions during the quarter were: (1) Malaysian Rating Corporation Berhad ("MARC") has lowered its outlook on Guan Chong Berhad (AA-) and JB Cocoa Sdn Bhd (A+) to "negative" from "stable" previously as the sharp increase in cocoa prices in recent months. MARC commented that the impact on both companies' working capital could cause leverage to swell to above 1.5 times. MARC said that it will monitor closely on the impact of prolonged cocoa prices to both companies, (2) Rating Agency Malaysia Berhad ("RAM") had upgraded Tropicana Corporation Bhd's ("Tropicana") outlook to A/Stable from A/Negative previously as RAM views Tropicana's deleveraging efforts to have progressed positively, where Tropicana has reduced borrowings from RM4.4 billion to RM3.5 billion via property sales bringing its gross gearing to 0.7 times from 0.9 times previously and (3) MARC had upgraded Anih Berhad, the concession holder of the Lebuhraya Pantai Timur outlook to AA-/Stable from AA-/Negative as the takeover plan by Tan Sri Dr Azmil had been approved by Sukuk holders, paving the way for Anih to eventually refinance its outstanding Sukuk.

Outlook and Strategy

The April 2024 IMF World Economic Outlook Update has revised the 2024 global growth forecast higher again to 3.2%. In terms of central banks action, the expectation for the Fed is that it will cut rate by in second half 2024 by 1 time or 25bps, in-line with the Fed's own projections as the Fed will likely tread cautiously as the US labour market remain strong and inflation had also been a bit bumpy in its trend to return back to Fed's long term target of 2.0%. Other major central banks such as the ECB and BOE are also expected to be on a rate-cut mode as inflation had moderated in these regions and the central banks there will likely look to preserve growth by reversing their tight monetary policies soon. Meanwhile for Malaysia, we expect BNM to keep the OPR unchanged in 2024 as the central bank waits for the economy to digest the rationalisation of subsidies while growth momentum in Malaysia remain relatively supported.

Based on the above, we believe the outlook for Malaysia fixed income market in 2024 is a positive one as the backdrop of global rate cuts and stable OPR, coupled by the tight supply and demand dynamics in the Malaysia are all supportive factors for the local market. For Malaysian corporate bond and Sukuk market, it is also likely to benefit from the positive momentum in the overall bond market as we expect credit conditions in Malaysia to be broadly stable in 2024, supported by resilient domestic growth and a more benign inflationary outlook. That said, we are selective in adding investments in the corporate sub-sector i.e. corporate bond as the current credit market pricing is at record tight levels and in our view do not necessarily commensurate with the credit risk assumed by investors. That said, coupon income still provides recurring income to the portfolio with the flexibility of trading the bond in an accommodative interest rate environment which is seen advantageous compared to cash or fixed deposits.

In summary, we are constructive of the Malaysia fixed income market as we still see opportunities for bond market to rally later this year buoyed by rate cuts in the developed markets and a relatively tight in bond supply versus its demand landing into more favourable bids in the bond market. We advocate positioning the portfolio to increase fixed income beta either through higher duration, or outright higher allocation during periods of high volatility to capture higher yield entry.

Commodity Market Review and Outlook

Oil (Brent)

Source: Bloomberg, RHBAM, 28 June 2024.

Crude Oil (Brent) price was relatively flat during second quarter 2024, ending at around USD87 per barrel. Oil prices were more volatile in the second quarter 2024 as the market sold off after the Organization of the Petroleum Exporting Countries Plus ("OPEC+") meeting due to the plan to unwind 2.2 million barrel per day of voluntary production cuts starting fourth quarter 2024 through 2025. Oil price has traded above the trading band of USD80 per barrel with geopolitical risk in Middle East and hurriance risk in the United States of America ("USA").

On the demand side, demand growth was revised down by two of the agencies. The International Energy Agency ("IEA") lowered its 2024 oil demand growth in its June 2024 report to 0.96 million barrels per day, down from 1.3 million barrels per day back in March 2024 report on the back of inventory builds, pointing to a comfortably supplied market. In addition to this, oil demand slowdowns in key markets, most notably the Organization for Economic Cooperation and Development ("OECD"). US and European data undershot expectations as exceptional gasoil weakness aligned with challenging industrial conditions. While GDP growth assumptions for 2024 were left unchanged, The Energy Information Administration ("EIA") cut global oil demand growth to 0.9 million barrels per day in its May 2024 report vs 1.4 million barrels per day back in Feburary 2024 report. The agency sees softer market balance with downgrade demand growth forecast for 2024 led by OECD. OPEC is the only agency to keep its 2024 forecast unchanged at 2.3 million barrels per day respectively. For 2025, the EIA raised demand growth by 0.07 million barrels per day to 1.4 million barrels while OPEC reiterated its view of 1.8 million barrels per day. On the supply side, OPEC May 2024 production was flattish month on month at 26.6 million barrels per day.

Moving forward, global oil demand growth in 2024 is projected to be around 0.9 million - 2.25 million barrels per day coming from both EIA and OPEC respectively. Moving into second half 2024, taking into consideration of supply unwind by OPEC starting fourth quarter 2024 through 2025 and hurriance season in the USA, it could be a balance market. With geopolitical uncertainty in 2024 and clear guidance with regards to OPEC+ supply unwind, oil price was relatively stable in second quarter 2024.

Gold

Source: Bloomberg, RHBAM, 26 June 2024.

Gold prices climbed as much as 10% during the start of April 2024 to reach a peak of 2425 in May 2024. Gold rallied on the back of unprecedented central banks' buying, particular from China. Heighten geopolitical risks, coupled with risk-off environment from elevated US equity index levels, had supported Gold prices above 2300 levels, even as the central banks' buying momentum faded. We expect Gold prices remain range-bound at 2300-2400 levels, while waiting for a Fed rate cut cycle and uncertainties around US elections and geopolitics.

Copper

Source: Bloomberg, RHBAM, 26 June 2024.

Copper prices surged more than 20% in April 2024 ahead of better global manufacturing data, as well as hopes of stronger China property policies. Copper inventories were built up aggressively, as speculative positioning drove copper prices beyond technically overbought levels. However, copper prices retraced quickly as expectations of a China property recovery faded. Copper price correction made copper attractive again, with medium term fundamentals intact. Copper supply remains disciplined, while demand continues to be buoyed by power grid investments, Artificial Intelligence ("AI") driven datacentre and renewables. We expect copper prices to recover gradually for second half 2024.

Key Takeaways

Source: Bloomberg, RHBAM, July 2024.

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

Broad Asset Class

Asset Class	Outlook	Rationale
Global Equity	Neutral	Tactically positive for equities as growth momentum improved. Labour market remains resilient even though average hourly wage growth eased. While household spending holds well, lower-income households do show some signs of weakness. Banking system stress looks contained for now thus we do not see systemic risks. Volatility remains elevated amid 1) geopolitics uncertainty, 2) Policy mistakes, 3) financial stability; 4) inflation (oil and food)
Fixed Income	Overweight	Fed Funds Target rate has been maintained at 5.25% - 5.50% for a year now, amidst persistent inflation. However, we expect a rate cut(s) by the end of 2024 and subsequently US Treasury bonds to rally. The latest June 2024 FOMC meeting dot plots released show a more gradual path of easing toward a longer term rate of 2.75%. We continue to maintain our outlook as overweight on Fixed Income for 2024, with a more constructive view on duration as inflation is showing signs of decelerating and production overall is declining.
Cash	Neutral	Still relatively attractive short-duration US yields. Risk-reward favors short-term cash for income while interest rates stay high for longer. Continue to be nimble on cash to take advantage of any tactical opportunity trades to add duration amid elevated market volatility in the short to medium term. Tactically reducing risk exposure amid increasing uncertainty amid geopolitical risk has clouded the outlook.

Equity

Countries	Outlook	Rationale
United States	Neutral	US GDP growth for first quarter 2024 was revised up slightly (in its third estimate) to 1.4% annualized, up from 1.3% from prior estimates. While the economy is moderating, labour market and financial conditions remain resilient and the disinflation process has been sticky. While neutral overall, we are overweight on the widening AI beneficiaries along with earnings growth looks robust. The Fed left interest rates unchanged in the June 2024 meeting as widely projected. The June 2024 dot plot delivered a hawkish surprise with one cut in 2024 vs three cuts in March 2024 or two cuts from consensus. Chair Powell emphasized that many participants saw it as a very close call and that both options (i.e. one or two cuts) are still plausible outcomes. The median dots for 2025 were revised 25bps higher to 4.125% but reamin unchanged for 2026 at 3.125% (i.e. 100bps cut in both 2025 and 2026). The longer-term Fed funds rate projection was raised 19bps to 2.75% (i.e. high for longer).
Europe	Slight Underweight	The ECB also delivered an expected 25bps cut to rates (currently now at 3.75%) in June 2024, starting an interest-rate cutting cycle before the Fed for the first time ever, as inflation in the euro area is cooling faster than the US. The direction of rate cuts will be downwards, as Chairperson Lagarde described it as “far away” from the neutral rate. Lagarde said price growth will slow toward the 2% goal, which is lower than previously thought. Indeed, the updated ECB quarterly outlook saw inflation forecast revised up for 2024 and 2025 and GDP forecast up by 0.3% to 0.9% for 2024. With inflation sticky, the market is pricing in the next cut in September 2024. Overall, the Eurozone

Countries	Outlook	Rationale
		disinflationary process is well on track and supports the case for the ECB cutting cycle June 2024. In Europe, Sweden's Riksbank and the Swiss National Bank were among those to have already eased.
Japan	Slight Overweight	The BOJ kept its short-term interest rate unchanged at between 0 to 0.1% in June 2024, in line with consensus estimates. The BOJ announced it will cut JGB purchases but delayed details until July 2024, saying it wanted to consult with market participants. The yen fell against the dollar and JGB futures rose, as this was taken as a delay in the BOJ's normalization process and a possible indication of caution among board members. Governor Ueda said the reduction in government purchases will be "considerable" and a rate hike in July 2024 was a possibility depending on economic data. Ueda sounded upbeat on prices, saying that the underlying inflation trend is consistent with the BOJ's price stability target, suggesting growing confidence that it's on course for interest rate hikes ahead. While June 2024's Tokyo CPI stopped slowing for the first time in a year on strong food, durables and hotel charges, it is too early to call a change in trend.
Asia ex Japan	Slight Overweight	A weaker USD benefits the region. If inflation slows, central banks would have room to lower policy rates after Foreign Exchange ("FX") stabilize amid dollar strength. China policymakers took supportive actions in an attempt to stimulate activity amid waning recovery momentum. Within Asia ex Japan, we prefer North Asia over ASEAN.
ASEAN	Underweight	Political concerns and weak currencies in Indonesia and Thailand continue to pressure the markets. Inflation worries in Philippines heed cautiousness but Malaysia benefits from government policies.
China	Slight Overweight	The PBOC reiterated its supportive stance to the property market, and pledged to maintain a broadly stable exchange rate during its second quarter 2024 MPC meeting on 25 June 2024. Consistent with recent policy communications, the PBOC maintained a pro-growth stance and continued to focus on enhancing monetary policy transmission. The PBOC said it would facilitate credit extension via structural monetary policy tools, such as the RMB300 billion relending program for property destocking. Low investor positioning and attractive valuations.
Hong Kong	Neutral	To stabilize the property market, all demand-side management measures for residential properties are removed with immediate effect, i.e., the removal of extra stamp duties. The Hong Kong Monetary Authority ("HKMA") also revised up the maximum loan-to-value ratios for both residential and non-residential property lending. Looking ahead, we expect the economy to continue recovering in coming quarters on easing measures in the Property sector and moderating drag from financial condition tightening.
Taiwan	Slight Overweight	Taiwan's central bank ("CBC") kept its benchmark policy rate unchanged at 2.0% in its June 2024 meeting following a surprise hike in March 2024. While in line with market expectation, the CBC tightened household credit measure and raised the Reserve Requirement Ratio ("RRR") by 0.25 percentage point to tame soaring home prices. The 25bps RRR hike was estimated to drain around NTD120 billion from the banking system. CBC revised up its growth forecast for 2024 to 3.8% amid continued growth in exports along with pickup in investment and sustained gains in private consumption. CBC nudged down its headline CPI inflation forecast by 0.1 percentage point to 2.1% while core inflation remains at 2.0% for 2024.
South Korea	Slight Overweight	Bank of Korea ("BOK") kept rates steady for the eleventh time at 3.5% in May 2024 meeting and in line with consensus. The BOK raised its 2024 real GDP growth forecast to 2.5% from 2.1% previously amid strong net exports. The Governor stressed larger uncertainties surrounding the timing of the rate cut, but kept keeping easing optionality open for second half 2024.
India	Overweight	The Indian market saw heightened volatility during the election period in June 2024, but eventually chalked new highs after Prime Minister Narendra Modi

Countries	Outlook	Rationale
		won backing from key allies to form a coalition government, despite the ruling party Bharatiya Janata Party failing to win a parliamentary majority. With that, the medium term outlook remains upbeat as policy continuity is the baseline assumption, and we reiterate private spending is expected to pick up once election risk is removed in the second half of 2024. The Reserve Bank of India upgraded its real GDP forecast to 7.20% for Financial Year 2025, from 7.00% previously. It also kept the repo rate at 6.5% for an eighth straight time at its June 2024 meeting with members voted four-to-two to keep the rate unchanged. Core inflation continues to be lower which could point to rural demand recovery, but the uncertainty on food inflation remains a worry. Key risk in the near term to the market is policy uncertainty given the need to rely on allies to pass any legislation on reform agenda in parliament, valuation derating if corporate earnings fail to sustain its momentum, as well as high oil price.
Australia	Slight Underweight	The Reserve Bank of Australia ("RBA") has held the cash rate constant at 4.35% in second quarter 2024. The RBA has hiked rates by a cumulative 425bps, to the highest level of interest rates since 2012. The RBA's June 2024 meeting did not materially change their policy guidance and did not reinstate an explicit tightening bias. Overall, monthly CPI indicator in May 2024 has surged 4.0% YoY which is above market expectation and the fastest since November 2023. Going forward, as RBA Governor Bullock gave a Hawkish press conference after the RBA's June 2024 meeting, indicated the Board considered a rate hike again, hence the market expects the RBA will keep the rate higher for longer but could potentially hike the cash rate by 25bps in August of 2024. After the May 2024 CPI, RBA Overnight Indexed Swap ("OIS") moved to price in a 40% chance of a hike in August 2024. Valuations are balance with the market price-to-earnings ratio sitting in line to its 5 years average at 17.1 times.
Singapore	Slight Overweight	Monetary Authority of Singapore ("MAS") kept policy on hold in April 2024 as core inflation is likely to remain elevated in the earlier part of the year but expect price gains to moderate through fourth quarter 2024 and fall further in 2025. The MAS expects both core and headline inflation to come in between 2.5%-3.5% this year, while retaining the growth forecast between 1%-3%.
Thailand	Slight Underweight	Bank of Thailand ("BOT") left its key interest rate unchanged for the fourth straight meeting as an improving economy gave it more legroom to resist the government's calls to ease policy. BOT voted 6-1 to maintain the one-day repurchase rate steady at a decade-high 2.5%. The dissenting committee member voted to lower the rate by a quarter point, citing structural challenges to recovery and the debt-servicing burden on borrowers. "The majority of the committee deems that the current policy interest rate is consistent with the economy converging to its potential, as well as conducive to safeguarding macro-financial stability," it said in the BOT statement.
Indonesia	Neutral	Bank Indonesia ("BI") kept its policy rates unchanged at 6.25% for the second consecutive month after having delivered a 'surprise' 25bps rate hike in the April 2024 meeting. The statement highlighted the board's decision to leave policy rates unchanged reflects its ongoing focus on maintaining exchange rate stability within target inflation. BI continues to forecast real GDP growth within a 4.7% - 5.5% range in 2024, partly driven by higher public infrastructure spending and recovering private consumption. BI continues to expect CPI inflation to remain in the 2.5% +/- 1% target band in 2024 and retained its full year current account deficit forecast to average a low and manageable 0.1%-0.9% of GDP in 2024. It also expects a surplus in the capital and financial transaction balance supported by increased foreign capital inflows.
Philippines	Neutral	The Bangko Sentral ng Pilipinas ("BSP") kept the overnight lending rate, overnight Reverse Repurchase Agreement ("RRP") rate and overnight deposit rate unchanged at 7.00%, 6.50% and 6.00% respectively. This was in line with market expectations. The BSP lowered its 2024/2025 headline CPI inflation

Countries	Outlook	Rationale
		forecast to 3.3%/3.1%, down from 3.5%/3.3% previously. Risk to inflation has shifted to the downside, mainly from lower rice prices inflation. The central bank now sees headline CPI inflation likely to return to the target range of 2% - 4% in July 2024. This paves the way to a potential 25bps policy rate cut in August 2024, according to the Governor in the Q&A session. He further elaborated that if data allows, BSP may deliver two 25bps cuts this year, the second in fourth quarter 2024. RRR cuts remain on the table although the timing remains undecided for now.
Malaysia	Slight Overweight	Bank Negara Malaysia ("BNM") kept rates at 3.0% as expected in May 2024. The BNM signaled that it is unlikely to shift to looser policy settings anytime soon despite low inflation of 1.8% in March 2024. Firstly, the latest indicators point towards higher economic activity in first quarter 2024. Secondly, BNM forecast headline and core inflation to pick up over 2024 and average between 2.0%-3.5% and 2.0%-3.0% respectively. Thirdly, ringgit currently does not reflect economic fundamentals and growth prospects.
Malaysia Small Cap	Overweight	Earnings expected to recover along with the improvement in the economy.

Fixed Income

Asset Class	Outlook	Rationale
Global Bonds (Rates)	Overweight	Fed Funds Target rate has maintained at 5.25% - 5.50% for a year now, amidst persistent inflation, we still expect a pivot by the end of 2024 and subsequently US Treasury yields to rally. The latest June 2024 FOMC meeting dot plots released show a more gradual path of easing toward a longer term rate of 2.75%. We continue to maintain our outlook as overweight on rates for 2024, with a more constructive view on duration as inflation is decelerating and production overall is declining.
Asian High Yield Credit	Neutral	With global rates at elevated levels, there is little incentive to add further in the High Yield credit space as spreads are not adequately compensated, especially with the likelihood of a recession after the tightening we saw in the past 2 years. We advocate holding on to current positions in the portfolio however especially in China as we look to firmer policy support to shore up the economy.
Asian Investment Grade Credit	Overweight	Investment Grade bonds are benchmarked against UST yields. The scope for credit spreads to tighten has been somewhat diminishing as we have been consistently seeing new lows, but we are advocating overweight on a total yield basis. The focus remains on credit quality, relative value against peers, and coupon income. In the Investment Grade space, we still prefer Asian Investment Grade bonds given the resilience against other EM peers but are positioned more defensively in the higher quality credits and are looking to progressively add duration for positioning.
China Fixed Income	Neutral	China's post re-opening recovery has been underwhelming and volatile as the initial growth momentum witnessed in first quarter 2023 faded in the second quarter 2023. The main theme to watch here are further stabilisation measures and policy support from the government to boost demand and restore confidence in the market. We remain cautious in this space pending the outcome of markets but prefer to remain nimble on potential opportunities. We are slightly more positive in 2024, and will look for exposure in China Fixed Income from a currency perspective as we expect USD to weaken in 2024 amidst rate cuts.
Malaysia Fixed Income	Overweight	We expect BNM to keep the OPR unchanged in 2024 as it is monitoring closely the inflation impact from the government's subsidy rationalisation. This stable

Asset Class	Outlook	Rationale
		OPR environment, coupled by the tight supply and demand dynamics augur well for the local fixed income market.

Commodities

Asset Class	Outlook	Rationale
Gold	Overweight	Gold prices climbed as much as 10% during the start of April 2024 to reach a peak of 2425 in May 2024. Gold rallied on the back of unprecedented central banks' buying, particular from China. Heighten geopolitical risks, coupled with risk-off environment from elevated US equity index levels, had supported Gold prices above 2300 levels, even as the central banks' buying momentum faded. We expect Gold prices remain range-bound at 2300-2400 levels, while waiting for a Fed rate cut cycle and uncertainties around US elections and geopolitics.
Crude Oil	Neutral	Crude Oil (Brent) price was relatively flattish during the second quarter 2024, ending at around USD87 per barrel. Oil prices were more volatile in the second quarter 2024 as the market sold off after the OPEC+ meeting due to the plan to unwind 2.2 million barrel per day of voluntary production cuts starting fourth quarter 2024 through 2025. Oil price has traded above the trading band of USD80 per barrel with geopolitical risk in Middle East and hurriance risk in the USA. On the demand side, demand growth was revised down by two of the agencies. The IEA lowered its 2024 oil demand growth in its June 2024 report to 0.96 million barrels per day from 1.3 million barrels per day back in March 2024 report on the back of inventory builds, pointing to a comfortably supplied market. In addition to this, oil demand slowdowns in key markets, most notably the OECD. US and European data undershot expectations as exceptional gasoil weakness aligned with challenging industrial conditions. While GDP growth assumptions for 2024 were left unchanged, The EIA cut global oil demand growth to 0.9 million barrels per day in its May 2024 report vs 1.4 million barrels per day back in Feburary 2024 report. The agency sees softer market balance with downgrade demand growth forecast for 2024 led by OECD. OPEC is the only agency to keep its 2024 forecast unchanged at 2.3 million barrels per day respectively. For 2025, the EIA raised demand growth by 0.07 million barrels per day to 1.4 million barrels while OPEC reiterated its view of 1.8 million barrels per day. On the supply side, OPEC May 2024 production was flattish month on month at 26.6 million barrels per day. Moving forward, global oil demand growth in 2024 is projected to be around 0.9 million-2.25 million barrels per day coming from both EIA and OPEC respectively. Moving into second half 2024, taking into consideration of supply unwind by OPEC starting fourth quarter 2024 through 2025 and hurriance season in the USA, it could be a balance market. With geopolitical uncertainty in 2024 and clear guidance with regards to OPEC+ supply unwind, oil price was relatively stable in second quarter 2024.

Foreign Exchange

Asset Class	Outlook	Rationale
USD	Positive	USD outlook is positive as weakness in global growth had prompted other major central banks such as the ECB and BOE to cut rates while US economic exceptionalism had delayed the much anticipated Fed's rate cut cycle. While the US election is approaching, other major economies such as Europe and UK are also faced with their own respective elections which would increase global uncertainty, translating into demand for the USD.
EUR	Negative	EUR is expected to remain weak at about 1.05 - 1.10 range as the it is faced with slowing growth and French election uncertainty, while the ECB is likely to cut rates more aggressively than the Fed.
GBP	Negative	GBP is expected to remain weak in the range of 1.25-1.30 as the UK is also faced with heightened risk of recession as per the Eurozone, and as the BOE is also likely to embark on its on rate cut cycle. The UK is set to lag all its G10 peers growth and suffers from persistent large current account deficit.
JPY	Negative	JPY is expected to remain weak with the USD/JPY pair breaking the key 160 level recently and led by the view that policy normalization by the BOJ will be tepid. The Ministry of Finance in Japan had also made repeated 'warnings' that it would intervene to support the JPY but had so far disappointed the market.
CNH	Neutral	CNH is expected to trade within a tight range of 7.00 - 7.30 to the dollar due to government policy to maintain a somewhat stable exchange rate. While the Chinese government have announced measures to shore up growth, we see risk in the policy coordination and implementation, and also the recurring credit events amongst Chinese developers will keep sentiment poor.
AUD	Neutral	AUD is expected to trade sideways despite the strong USD environment as the RBA is expected to keep rates high and maintain its neutral bias as Australia's inflation remain high. The stabilisation of China's growth is also expected to supportive to Australia's economy through a stable commodity market.
SGD	Positive	MAS kept its monetary policy unchanged at neutral, where it pursue a mild appreciation of the SGD vs its peers to blunt imported inflation. This typically mean that the SGD could appreciate, albeit at a slower pace.
MYR	Neutral	MYR's outlook is expected to be stable at around 4.70-4.80 as negative factors such as the strong USD backdrop and weak ASEAN regional currencies (e.g. IDR,PHP); are likely to be offset by positive local factors where funds repatriation by Government-Linked Investment Companies ("GLICs") and Government-Linked Companies ("GLCs") are likely to keep the MYR supported.

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