QUARTERLY MARKET INSIGHTS

Quarter 2, 2024

Source: Bloomberg, RHBAM, April 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 2.9% during the month of March 2024. United States ("US") equities reported a gain of 3.1%, Europe a gain of 3.3% and Japan gained 2.3% in US Dollar ("USD") terms during the period. Asia Pacific ex-Japan ("APAC") recorded a gain of 2.3% (in USD terms), with key highlights being Taiwan (+7.7%), Korea (+4.8%), Hong Kong (-7.0%), and China (+0.9%) in USD terms. Within Association of Southeast Asian Nations ("ASEAN") countries, Singapore (+3.8%) was the best performer, while the Philippines (-1.2%) and Thailand (-1.2%) underperformed.

US' March 2024 inflation data took center stage as a subtle change in tone was detected by Federal Reserve ("Fed") officials after the blockbuster jobs report suggested that the labor market will remain firm and the economy is likely to continue growing at or above trend for first half ("1H") 2024. Indeed, the surprisingly firm March 2024 Consumer Price Index ("CPI") release, the third straight month of inflation, surprised on the upside and led to a sharp repricing in the markets. Headline and core CPI rose a tick more than expected in March 2024, up by 0.4% Month-on-Month ("MoM") to be reach 3.5% Year-on-Year ("YoY") and 3.8% YoY respectively. The underlying inflation momentum also picked-up, as the so-called super core CPI (core services less housing) increased by 0.7% MoM after rising by 0.5% in February 2024 and 4.8% YoY, the highest since April 2023. Fed funds futures slashed the probability of a June 2024 rate cut to 27% (down from roughly 60%) and markets now expects less than two rate cuts this year (down from almost three cuts). The encouraging growth, resilient labour market and sticky inflation also led to an upward adjustment to USD and Treasury yields.

With the US economy growing at an incremental pace and the fact that the labor market remains relatively strong, it gives less confidence about the inflation trend coming down. Adding to that, oil prices have been rising amid Middle East tensions. This prompts the question of "what's the hurry" for rate cuts, as more Fed officials urged patience before lowering rates. Indeed, nonfarm payrolls rose 303k in March 2024, 89k above consensus, with healthcare and government sectors continuing to outperform. Job growth was also strong in lesser-skilled categories like leisure and construction, which have benefitted from an influx of foreign-born workers. The household survey was strong with the unemployment rate declined 0.1ppt to 3.8% in March 2024.

Global composite Purchasing Managers Index ("PMI") also rose by +0.2points ("pts") to 52.3 in the month of March 2024, with the manufacturing component rising by +0.3pts to 50.6, while services component edged up by +0.1pts to 52.5. More importantly, the global forward-looking PMI components rose for manufacturing (orders-to-inventories ratio) by +0.02 to 1.04 and the global employment for manufacturing also surged by +0.5pts to 50.1 (above 50 level). The Institute for Supply Management ("ISM") Manufacturing PMI improved by 2.5pts to 50.3 in March 2024, marking the first expansion since October 2022. As inventories gained, production, new orders and employment sub-indexes remained strong.

That said, while both the Norges Bank and Bank of England ("BOE") kept policy rates at 4.50% and 5.25% respectively in their March 2024 meeting, the Swiss National Bank ("SNB") has started with a dovish surprise 25 basis points ("bps") rate cut, with inflation forecasts suggesting more rate cuts. The European Central Bank ("ECB") held interest rates steady at 4% in April 2024. This is the fifth hold and sent signals that it could cut interest rates in June 2024, opening a new phase for financial markets and signalling a possible divergence with the Federal Reserve. Lagarde stressed that "We are data-dependent, we are not Fed-dependent". This is euro-negative and USD positive. A June 2024 ECB rate cut is 87% priced-in with cumulative of 3 cuts for 2024. We expect the ECB to follow on 6 June 2024.

The Federal Open Market Committee ("FOMC") left its policy rate unchanged in its March 2024 meeting and continues to project three cuts in 2024. The median dots for 2025 and 2026 were revised 25bps higher to 3.875% (compared to the 75bps cut in 2025 vs 100bps previously) and 3.125% (which marks a 75bps cut in 2026) respectively. Economic projections for 2024 showed a more robust economic outlook, with Gross Domestic Product ("GDP") growth revised significantly higher for 2024 (+0.7% to 2.1%) and modestly for 2025 (+0.2% to 2.0%) and 2026 (+0.1% to 2.0%). The median core inflation forecast was revised slightly higher (+0.2% to 2.6%) and the unemployment rate lowered (-0.1 percentage point ("pp") to 4.0%) for 2024. On balance sheet policy, we expect the Fed to reduce the cap on Treasury runoff following the May 2024 FOMC meeting.

The Bank of Japan ("BOJ") raised the policy rate from -0.10% to a target range of 0 to 0.10% (two policymakers preferred no change) and scrapped yield curve control in March 2024. The BOJ also discontinued purchases of exchange-traded funds ("ETFs") and real estate investment trusts ("J-REITs"). This is not surprising as the BOJ has not bought these since October 2023 and the stock market had rallied. The BOJ will gradually reduce purchases of Commercial Paper ("CP") and corporate bonds and will discontinue the purchases in about one year. Governor Ueda delivered dovish guidance and the USD/ Japanese Yen ("JPY") surged above 150.00 suggesting that the rate hike was well-telegraphed than market pricing. Notably, the initial shunto wage increase data reported on 15 March 2024 for agreements between labor unions and companies, the base pay rise for 2024 is 3.7%, well above last year's final figure of +2.1%. Base pay rose above the 3% handle for the first time since 1991.

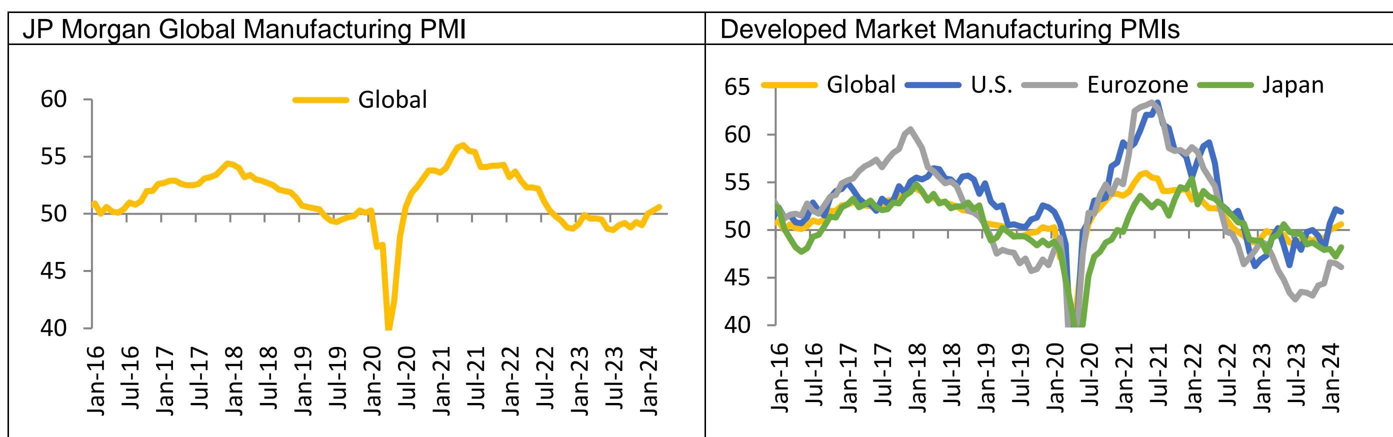
The Japanese yen fell to its lowest level since 1990 to ¥151.975 per USD, but rebounded slightly after "verbal intervention" to address the decline. The wide yield gap with the US remains even though the Bank of Japan has ended its negative interest rate policy. Bank of Japan Governor Ueda delivered his semi-annual report to parliament and reiterated the need for maintaining accommodative monetary conditions as trend inflation has yet to reach 2%. The muted rise in goods prices so far suggests the weaker yen is not inflationary. Even so, the market is expecting another rate hike in July 2024 (pricing now 98%).

China's annual "Two Sessions" began on 4th March 2024, with its 2024 GDP growth target set at around 5%, as it seeks to boost confidence in an economy hit by a property slump and entrenched deflation. Positive surprises include new ultra-long special central government bond policy - "issued for a few years for implementing major national strategies and building security capabilities" - and omitted "housing is for living, not for speculation". Pan Gongsheng, Governor of the People's Bank of China, said there's still room to cut the reserve requirement ratio for banks, which would allow lenders to keep smaller reserves and therefore encourage lending. Zheng Shanjie, chairman of the National Development and Reform Commission, struck a confident tone saying the GDP goal is a "positive target that can be attained through vigorous effort." Recent activities data (such as PMI, industrial production, fixed asset investment) from China showed signs of improvement. China's yuan falls during March 2024 but pared some losses after the People's Bank of China ("PBOC") signaled its support for the managed currency via stronger-than-expected daily fixing. The fixing was a clear signal that they do not intent to allow further weakening of the Yuan. Separately, China says it is no longer necessary to impose tariffs on imported wines from Australia starting 29 March 2024 as relations improve.

Market volatility remains elevated as the most aggressive monetary tightening cycle drawn closer to an end along with a heavy election calendars across the global. The tightening has already started to have an impact on the global economy, especially through lower demand from consumers and higher input costs for corporates. We are cautiously optimistic, though markets may prove to be bumpy and volatile amid tight 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 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, defense).

Economic Highlights

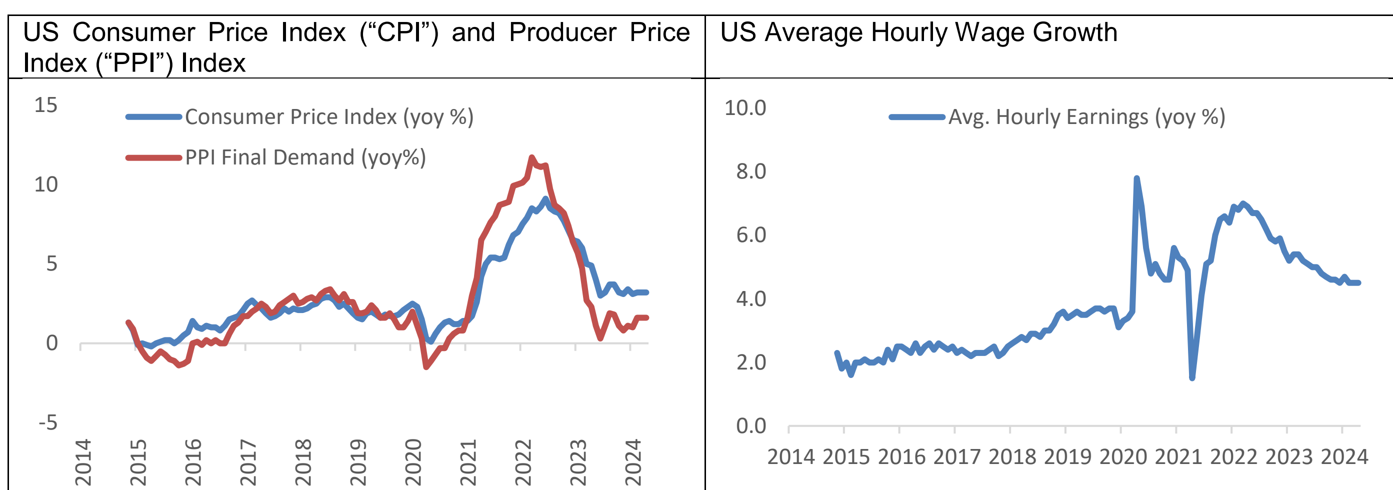
Global Purchasing Managers Index ("PMI")



Source: Bloomberg, RHBAM, 12 April 2024

- JP Morgan Global Manufacturing PMI improved to 50.6 in March 2024, from 49.0 in December 2023.
- The US S&P manufacturing PMI improved to 51.9 in March 2024, from 47.9 in December 2023 vs 49.8, alongside Japan at 48.2 in March 2024 from 47.9 in December 2023. Similarly, the Eurozone manufacturing PMI improved to 46.1 in March 2024 from 44.4 in December 2023.

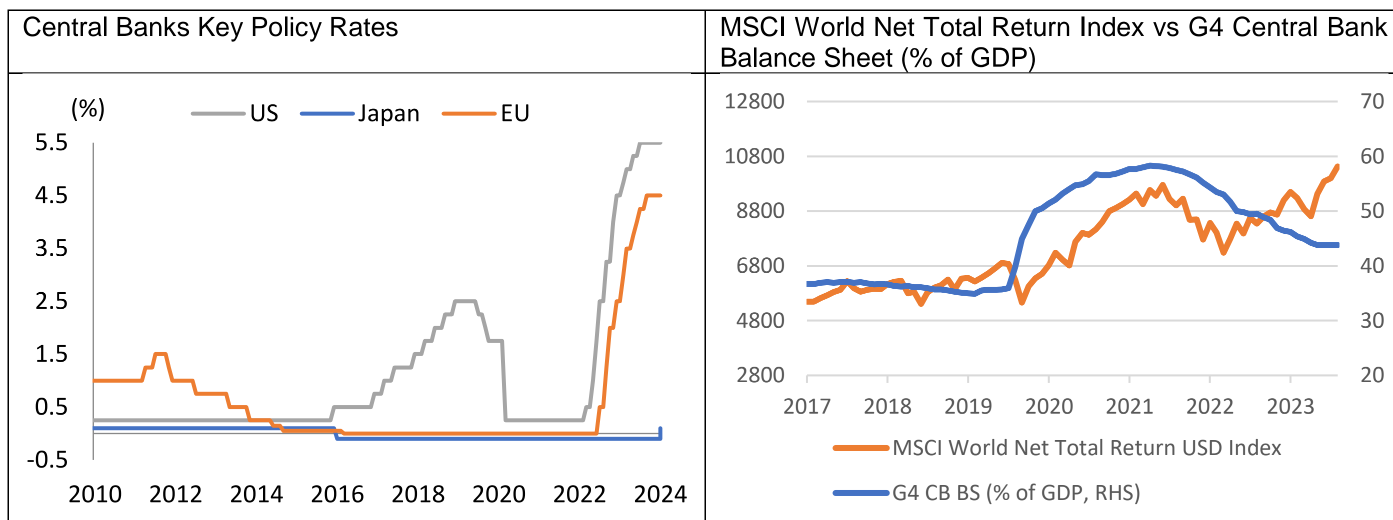
US



Source: Bloomberg, RHBAM, 12 April 2024

- US inflation rose to 3.5% in March 2024 from 3.2% in February 2024 but still down from an average of 4.1% in 2023.
- Unemployment rate eased to 3.8% in March 2024 from 3.9% in February 2024 vs an average of 3.6% in 2023

Global

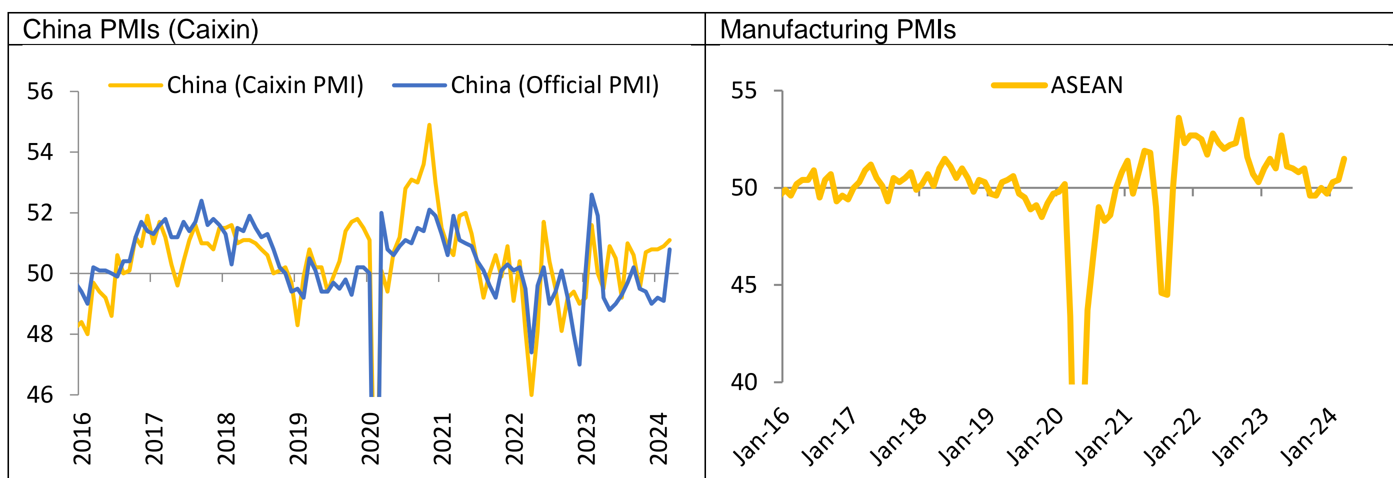


Source: Bloomberg, RHBAM, 12 April 2024

- The Fed kept rates unchanged in its last meeting in March 2024. The market is looking at a possible rate cut in the September 2024 meeting. According to Fed projections in its March 2024 meeting, the Dot plots suggested the median is looking at 3 rate cuts for 2024 though we could see 9 out of 19 participants are looking at 2 or less rate cuts.
- The European Central Bank ("ECB") Governing Council had held rates unchanged in its April 2024 meeting and market is expecting a rate cut in June 2024.

China

ASEAN



Source: Bloomberg, RHBAM, 12 April 2024.

- The Caixin Manufacturing PMI remained in expansionary territory at 51.1 in March 2024 vs 50.8 in December 2023 and Official PMI was at 50.8 in March 2024 vs 49.0 in December 2023.
- ASEAN's manufacturing PMI recovered from contractionary territory to 51.5 in March 2024 vs 49.7 in December 2023.

China/Hong Kong

The MSCI China Index held on to gains in March 2024. China's January – February 2024 activity generally beat expectations. Industrial production rose 7.0% year on year, consistent with stronger-than-expected export data and solid manufacturing activity. The National Bureau of Statistics ("NBS") estimates that industrial profits grew 10.2% YoY in January – February 2024, compared the 2.3% YoY contraction in full-year 2023.

National People's Congress ("NPC") headlines were in-line to slightly better than expected, including a 2024 ~5% GDP growth target, "new quality productivity", "old-swapping-new" scheme for selected equipment and appliances and a multi-year special sovereign bond issuance plan. Forth quarter ("4Q") 2023 results saw beats from index-heavy internet names on cost-cut-led margin expansion and improving shareholder return plans, with higher payout and buyback. More US bills were introduced in congress to limit US investments in China, a new Treasury sanction and a new ban of selected semi tools to China. Hong Kong's removal of stamp duties on 6 March 2024 (announced 28 February 2024) led to surging primary sales of ~4,100 units in March 2024, numbers that were last seen in October 2003.

China delivered pro-growth policies at its politburo meeting, which included relaxation for sectors such as property, capital markets, education and consumer. In response, we will be moving towards focusing on State-Owned Enterprises ("SOE") reforms as another theme for the rest of the year while also maintaining our infrastructure theme, where we continue to be aligned to the Politburo's policies in the renewable energy, information technology, platforms and industrial sectors. There are supportive policies for technological innovation, with an emphasis to strengthen technological innovation and industrial supply chain resilience. There will be an aligning of SOE's operational and development, with China's strategic goals notably being self-sufficiency in technology, energy and food supplies, and an additional focus on return on equity and operating cash flows as Key performance indicators ("KPIs").

ASEAN

MSCI ASEAN sustained its rally in March 2024, driven by Singapore and Indonesia. Most ASEAN currencies depreciated against the greenback except Malaysia.

Singapore's core CPI was up 3.6% YoY in February 2024 (January 2024: 3.1%) while headline CPI was also up 3.4% YoY (Jan 2024: 2.9%). Core inflation was driven by higher services and food inflation, partly reflecting the seasonal effects associated with the Chinese New Year. Headline inflation also reflected a pickup in accommodation, in addition to higher core inflation. Meanwhile, Non-Oil Domestic Export ("NODX") was down 0.1% YoY in Feb 2024 vs +16.8% in Jan 2024 (low base).

In the Philippines, inflation quickened to 3.4% YoY in February 2024, after declining for the past 5 months, following a continued surge in rice prices, which rose as much as 2.1%. The Senate has also unanimously voted a bill for a nationwide minimum wage increase by P100 for all private sector workers. This has not come into effect yet and will have to ensure a passage of a bicameral bill.

The Malaysian Cabinet has approved the Penang Light Rapid Transit ("LRT") with a future extension to the mainland. Project implementation would take place over approximately six years targeting to be operational by 2030. Prime Minister Anwar said the inflation impact from the 2% Sales & Sales Tax ("SST") hike was manageable and has deferred the implementation of high-value goods tax from May 2024.

The Thai government is considering drafting a casino bill and if passed by parliament, it would generate more jobs and state revenue and allow for the creation of a mega entertainment project, Prime Minister Srettha, also the finance minister. The governing administration targets to open the first casino within two years. According to the study, 5-8 integrated resorts could be constructed across multiple regions in Thailand. The concession duration is proposed to be 20 years, with a gaming revenue tax rate of 17%, one of the lowest among key ASEAN markets.

Bank Indonesia maintained its policy rate at 6%. Indonesia's February 2024 trade surplus came in at US$0.9billion which is narrower than expected due to softer exports.

We remain optimistic that Asia and especially ASEAN will emerge as the region with relatively stronger growth than the rest of the world. ASEAN with the structural advantage in demographics will emerge as the complimentary piece both to the US and China. Adding on to the commitments by the governments in Asia/ASEAN towards infrastructure development, the region will feature prominently as the place for equity investments.

Malaysia Equity Market Review and Outlook

The equity market is optimistic in the first quarter of 2024 that a soft landing was in store for the US economy, whereby a recession would be avoided. Inflation has again turned sticky. That means that Fed rate cuts have been pushed out to June at the earliest. Investors previously priced in five cuts in 2024, but expectations now centers on three at best. Strong US labour market and wage growth may delay the Fed to cut its interest rate. The US Dollar may 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. But 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 China 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 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 the positive catalysts in the local market to continue 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 with much of the bad news already in the price although the US rate cut might be pushed towards second half ("2H") 2024 from first quarter ("1Q") 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 is 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 US Fed from cutting its interest rate. 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/infrastructure sector, water related sector, tourism sector, renewable energy/utilities sector and technology sector.

Global Fixed Income Market Review and Outlook

US Treasuries and G10 Bonds

1Q2024 saw a spade of resilient economic data out of the US, culminating in the The Institute of Supply Management ("ISM") PMI for March 2024 rose more than expectations by 2.5 pts to 50.3 (vs expectations of 48.3), as demand side factors such as new orders and production indices rebounded strongly. This was the first expansionary reading (>50 reading reflects expansion) after 16 consecutive months of contraction. The resilient economic activity, along with stickier inflation prints and a somewhat less Dovish Fed (vs December 2023) were a few factors driving yields higher for bonds over the quarter. Market expectations for interest rate cuts saw a repricing for 2024; reducing from six cuts at the end of 2023, to no more than three rate cuts in total, starting in 2H2024. Current market pricing however is now consistent with the Fed's latest dot plot. As prospects for aggressive rate cuts faded, the yield of the Bloomberg Global Aggregate Index (unhedged) increased by 28 bps over the quarter, which led to negative returns of -2.1%.

The second FOMC for 2024 was held on 20 March 2024, saw the Fed unanimously holding rates steady at 5.25-5.50% for the 5th consecutive meeting, with Fed officials still cautious on cutting rates too quickly. The statement was little changed from the January 2024 FOMC meeting; the only change was to drop the January 2024 statement's reference to job gains having moderated since early last year. The revised dot plots still indicated that the median expectation of 3 rate cuts this year is still firmly in play while the projections for 2025 and 2026 were raised higher by 25bps to 3.875% and 3.125% respectively. Despite this, based on the overall statement and press conference, Fed Chair Powell's overall message was dovish, dismissing the recent bump higher in February 2024 inflation as not derailing the Fed's outlook that the inflation trend is lower. Powell also said it would be appropriate to slow the pace of quantitative tightening ("QT") "fairly soon", which suggests the Fed is prepared to announce and implement a slower pace of QT in second quarter ("2Q") 2024.

The US Treasury ("UST") benchmark 2-year, 5-year, 10-year, 20-year and 30-year UST were last traded at 4.62% (December 2023: 4.25%; -+37bps), 4.21% (3.85%; +36bps), 4.20% (3.88%; +32bps), 4.45% (4.19%; -+26bps) and 4.34% (4.03%; +31bps) respectively.

Outlook and Strategy

The January 2024 International Monetary Fund ("IMF") World Economic Outlook Update contained a revision to the 2024 global growth forecast, revising the outlook higher to 3.1% in 2024, 0.2% higher from the October 2023 update. The upgrade was mainly on the resilience of the US economy, other large Emerging Markets ("EM") and Developed Markets ("DM") economies and expected fiscal support in China. The projections, while revised higher still remain below the historical average of 3.8%. With the current data trend showing disinflation coupled with steady growth, IMF has reduced the likelihood of a hard landing and risks to global growth are now broadly balanced.

Global risk sentiment in the markets has finally turned since November 2023 with a more fundamental bullishness taking hold, especially after a generally bearish 2023. We believe that the strategy for the year 2024 is to continue positioning into the current high yield environment, but with a bias toward higher quality credit to mitigate possible recessionary risk 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 be a positive year for bonds with most DM central banks likely to cut rates from the current levels. For 2024, Fed's expectation is for rates to be 4.625%, or about 75bps lower than current levels, while the market in general is expecting close to 100bps of rate cuts by the end of 2024 at the time of writing.

The outlook for fixed income market in 2024 still remains positive in our view despite the recent setbacks as global inflationary pressures are retreating and the balance of probabilities have also now shifted towards major central banks reversing some of their aggressive tightening in the past two years.

Malaysia Fixed Income Market Review and Outlook

Ringgit Sovereign Bond

Malaysia Government Securities ("MGS") market traded mixed during the quarter as net foreign outflow led to selling in the mid tenured 3-10 year bucket, while strong local demand kept the ultra-long-end (>10 year) MGS well supported, causing the MGS yield curve to flatten. Meanwhile, Malaysian Government Investment Issues ("MGII") outperformed MGS led by strong local demand, as most tenures saw yields little changed or lower, with the exception of the 10-year tenure which tracked the sell-off of the MGS. As a result, MGII-MGS spread have compressed, with several tenures seeing MGII yields trading below the MGS yield.

Benchmark	MGS yield (%)			GII yield (%)		
	31-Dec-23	29-Mar-24	Change	31-Dec-23	29-Mar-24	Change
3-Year	3.470	3.515	3-Year	3.470	3.515	3-Year
5-Year	3.571	3.699	5-Year	3.571	3.699	5-Year
7-Year	3.722	3.821	7-Year	3.722	3.821	7-Year
10-Year	3.731	3.891	10-Year	3.731	3.891	10-Year
15-Year	3.991	3.987	15-Year	3.991	3.987	15-Year
20-Year	4.102	4.095	20-Year	4.102	4.095	20-Year
30-Year	4.247	4.194	30-Year	4.247	4.194	30-Year

Source: FAST BNM and Bond Pricing Agency Malaysia.

In terms of monetary policy action, Bank Negara Malaysia ("BNM") maintained the Overnight Policy Rate ("OPR") unchanged at 3.00% in 1Q 2024, whilst signalling that the central bank is on a wait-and-see mode as it monitors the Government's subsidy rationalisation and revision in the tax rates. In our view, BNM's guidance for the OPR remain neutral as it mentioned that the risks to growth are balanced where downside risks arising from weaker external demand and commodity sector are offset by upside risk from tech and tourism sectors, as well as faster implementation of infrastructure projects.

On domestic economic releases, Malaysia's GDP slowed to 3.7% in 2023, below the government's official target of 4-5% due to prolonged weakness in global trade activities. Meanwhile, inflation numbers continue to remain modest where the latest reading is at 1.8%, in-line with the core inflation reading of also 1.8% as food and beverages price pressures cooled, which was offset by recent increase in utilities bills & charges.

There were 9 government bond auctions in 1Q 2024, where auctions were generally strong, with Bid-To-Cover ("BTC") ratio averaging more than 2 times across all 9 auctions, with the exception of 3-year MGS which was 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 10-year MGII 08/33	5-Jan-24	5.0	-	2.445	3.908	3.920	3.880
Reopening 30-year MGS 03/53	12-Jan-24	3.0	2.0	2.990	4.243	4.250	4.223
Reopening 5-year MGII 07/28	19-Jan-24	5.0	-	4.402	3.620	3.624	3.610
Reopening 7-year MGS 04/31	5-Feb-24	5.0	-	2.155	3.779	3.760	3.790
Reopening 20-year MGII 08/43	14-Feb-24	3.0	2.0	3.037	4.163	4.171	4.144
Reopening 3-year MGS 05/27	21-Feb-24	5.0	-	1.703	3.488	3.499	3.470
Reopening 15-year MGII 09/39	29-Feb-24	3.0	2.0	2.973	3.990	3.995	3.972
Reopening 10-year MGS 11/33	14-Mar-24	5.0	-	2.046	3.854	3.865	3.830
New 30-year MGII 3/54	21-Mar-24	3.0	2.0	3.187	4.280	4.286	4.254

Source: FAST BNM, Data as at 31 March 2024.

Ringgit Corporate Bond

Ringgit Corporate Bonds traded with a strong bid tone throughout the first quarter 2024, as strong demand by local institutions were met with relatively low net issuance by corporates. Based on the Bond Pricing Agency Malaysia ("BPAM") aggregate corporate yield compilation, the average credit spreads for AAA, AA and A compressed further during the quarter to 18bps, 35bps and from 216bps respectively from 25bps, 43bps and 223bps respectively.

In terms of credit updates during the quarter, notable downgrades were (1) Anih which was downgraded from AA to AA- by Malaysia Rating Corporation Berhad ("MARC ") due to weaker projected cashflow arising the lack of toll compensation under the supplementary concession agreement, (2) YNH Property which was downgraded by MARC to A from A+ previously as the rating agency is concerned over YNH's weak liquidity position amid unsuccessful asset monetization efforts in recent months, (3) the downgrade of Top Glove/TG Excellence to AA-/stable from AA/negative by MARC due to Top Glove's sluggish recovery amid the challenges facing the global glove industry and lastly (4) the downgrade of WCT to A+/stable from AA-/negative by MARC as well, citing shrinking construction order and margins for the group as well as delay in its asset monetization efforts

Meanwhile, notable upgrades were (1) Proton was upgraded to AA2 from AA3 previously by Rating Agency Malaysia ("RAM") due to its enhanced business profiles and financial profiles on the back of its improving domestic market position, (2) Malayan Cement outlook was raised to AA3/Positive from AA3/Stable by RAM on the back of its leading market position and enhanced financial performance after merging its cement and ready made concrete businesses as Malayan Cement now commands over 60% share of cement production in Peninsular Malaysia, and (3) Press Metal outlook was raised to AA2/positive from AA2/stable by RAM as Press Metal's strong profits translated to lower gearing and better debt coverage in-line with the upper band of its rating category.

Outlook and Strategy

The outlook for fixed income market for the remainder of 2024 remains highly positive in our view as global inflationary pressures remain contained, especially for economies outside the US, with the balance of probabilities now shifted towards major central banks reversing some of their aggressive tightening in the past two years. The January 2024 IMF World Economic Outlook Update has updated their 2024 global growth forecast, revising the outlook higher to 3.1 percent in 2024, 0.2% higher from the October 2023 update. The upgrade was mainly on the resilience of the US economy and other large EM and DM economies and expected fiscal support in China.

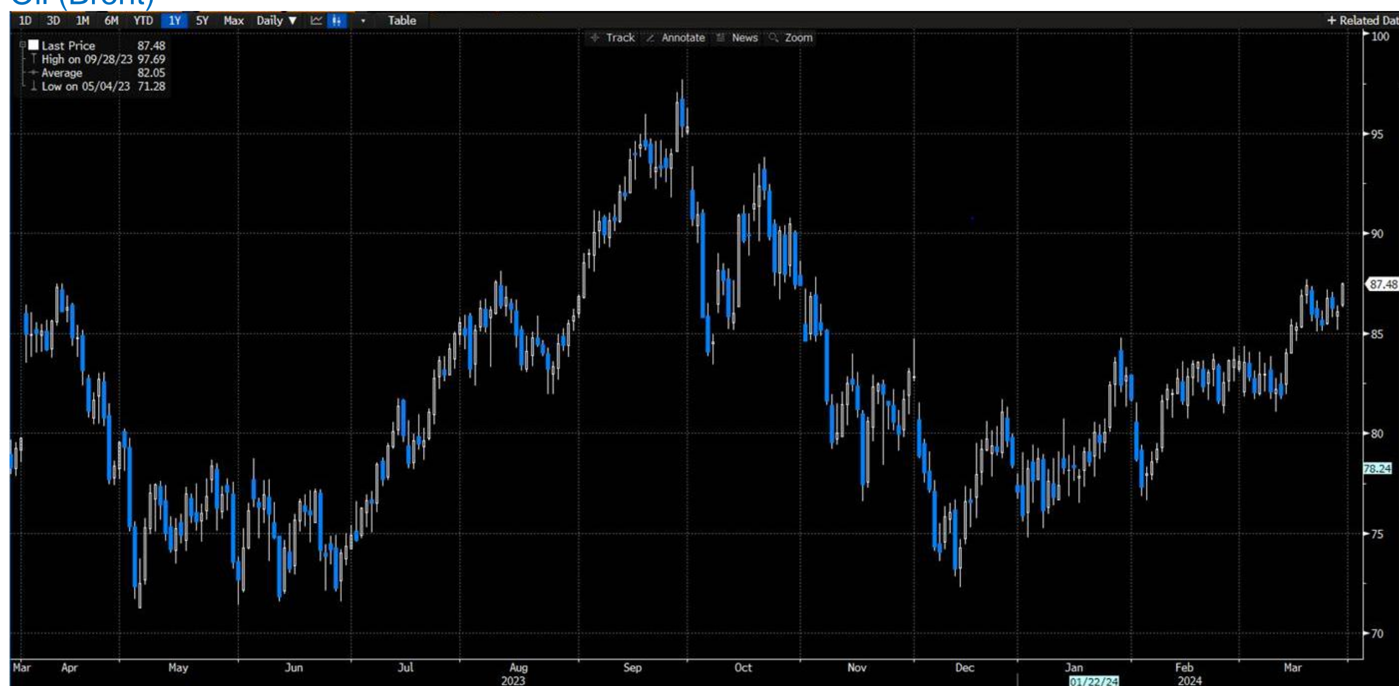
For Malaysia, we continue to expect BNM to keep the OPR unchanged in 2024 as inflation remain contained as core inflation declined to as low as +1.8% YoY seen since February 2024 (it came off from its high of +4.2% in 2022), while growth remains uneven in the country. While BNM indicated that it is monitoring closely for any inflationary impact from the government's subsidy rationalisation, we believe that these adjustments by the government will be gradual and likely to be a one-off dynamic which should not warrant for a rate hike. This stable OPR environment, coupled by improving supply (e.g. lower government deficit) and demand dynamics by local institutions (e.g. pension funds, insurance companies) augur well for the local fixed income market in our opinion.

Meanwhile, the Malaysian corporate bond and sukuk market are 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. We are less positive on the corporate sub-sector as we are cautious of the current market pricing of credit spreads and have turned highly selective in our bond selection as investors are no longer adequately compensated for the credit risk undertaken.

In summary, we are 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 in the later part of 2024. The stance to monetary policy locally by BNM will continue to be determined by new data but we expect this to be still supportive in light of a broadly stable macroeconomic outlook.

Commodity Market Review and Outlook

Oil (Brent)



Source: Bloomberg, RHBAM, 31 March 2024.

Crude Oil (Brent) price rose by 12% during first quarter 2024, ending at USD 87 per barrel. Oil prices were more volatile in the first quarter 2024 due to Israel-Hamas war and OPEC+ continuing with its cut in supply into 2H of 2024. Oil price has traded above the trading band of USD 80 per barrel with geopolitical risk and support coming from Organization of Petroleum Exporting Countries ("OPEC").

On the demand side, demand revisions were limited but positive overall as the baselines were raised and growth revised higher. The International Energy Agency ("IEA") raise its 2024 demand growth estimate by 0.1 million barrels per day to 1.3 million barrels per day on improved US economic outlook and increased shipping fuel use due to the Red Sea disruptions. The Energy Information Administration ("EIA") and OPEC kept 2024 forecast unchanged and are still above the IEA at 1.4 million barrels per day and 2.3 million barrels per day respectively. For 2025, the EIA raised demand growth by 0.1 million barrels per day to 1.4 million barrels led by the US while OPEC reiterated its view of 1.9 million barrels per day. On the supply side, OPEC March 2024 production was flattish month on month at 26.6 million barrels per day. All agencies cut 2024 non-OPEC supply growth forecast due to lower Russian supply as a result of the OPEC+ extension and Russia's shift to crude production cuts rather than just export cuts.

Moving forward, global oil demand growth in 2024 is projected to be around 1.3 million - 2.25 million barrels per day coming from both IEA and OPEC respectively. Moving into 2H2024, taking into consideration of supply decline in the States due to cold wave and freezing weather and voluntary cuts by OPEC+, there may be a small undersupply in the market of around 0.4 million barrels per day. However, the question remains if OPEC+ (especially Saudi Arabia) will be able to keep the voluntary cut beyond 2H2024. With geopolitical uncertainty in 2024 and sustainability of OPEC+ supply cut, oil price has rose in 1Q2024.

Gold

Source: Bloomberg, RHBAM, 12 April 2024.

Gold prices extended its 2023 rally in 1Q2024, rising by more than 15% Year-to-Date ("YTD"). Gold correlations with US rates and USD had diverted, with the recent rally driven by strong investor buying and official sector demand. Uncertainty of US growth, inflation, elections and geopolitical tensions drove buying demand across Central banks' and investors, with Gold positioning perceived as a safe haven and a cause for diversification. We expect Gold prices to test new highs, as the Fed cuts rates, before normalising to 2200-2300 levels.

Copper

Source: Bloomberg, RHBAM, 12 April 2024.

A strong recovery in global manufacturing activity, driven by US and China, had further lifted copper prices by more than 10% to reach 9400 USD/ton in 1Q 2024. Copper consumption picked up 5% during the start of 2024, buoyed by China's pledge to boost green industries such as renewables, electric vehicles and power grid. Further optimism of datacentre power capacity growth had suggested incremental demand of up to ~2% of global copper demand till 2030. On the back of supply tightness due to curtailments and supply disruption, copper prices should remain elevated at above 9200 USD/ton in the near term, with further upside potential should the Fed begin to cut rates.

Key Takeaways

Source: Bloomberg, RHBAM, April 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	PMIs across key countries showed some degree of re-acceleration. The pick-up in momentum was seen in both manufacturing and services PMI. 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 & food)
Fixed Income	Slight Overweight	An end to the most aggressive monetary tightening cycle with cuts coming, prefer shorter-dated while waiting for volatile inflation to ease for longer-dated government bonds. The surprisingly firm March 2024 CPI release, the third straight month of inflation, surprised on the upside and led to a sharp repricing in the markets. Stay nimble to add with cash.
Cash	Neutral	Still relatively attractive short-duration US yields. Risk-reward heavily 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 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	While neutral overall, we are overweight on the widening artificial intelligence (“AI”) beneficiaries along with earnings growth looks robust. The FOMC left the policy rate unchanged in its March 2024 meeting and continues to project three cuts in 2024. The median dots for 2025 and 2026 were each revised 25bps higher to 3.875% (i.e. 75bps cut in 2025 vs 100bps previously) and 3.125% (unchanged) respectively. Economic projections for 2024 showed a more robust economic outlook, with GDP growth revised significantly higher for 2024 (+0.7ppt 7%to 2.1%) and modestly for 2025 (+0.2pp 2% to 2.0%) and 2026 (+0.1pp 1% to 2.0%). The median core inflation forecast was revised slightly higher (+0.2pp 2% to 2.6%) and the unemployment rate lowered (-0.1pp to 4.0%) for 2024. Fed funds futures slashed the probability of a June 2024 rate cut to 27% (from roughly 60%) and now see less than two rate cuts this year (from almost three cuts). Fed to reduce the cap on Treasury runoff soon. The encouraging growth, resilient labour market and sticky inflation also lead to an upward adjustment to the USD and Treasury yields.
Europe	Slight Underweight	The ECB held interest rates steady at 4% in April 2024, marking the fifth hold and sent signals that it could cut interest rates in June, opening a new phase for financial markets and signaled for a possible divergence with the Federal Reserve. Lagarde stressed that "We [the ECB] are data-dependent, we are not Fed-dependent". This is euro-negative and USD positive. A June 2024

		ECB rate cut is 87% priced-in with cumulative of 3 cuts for 2024. The ECB will fully reinvest maturing Pandemic Emergency Purchase Programme ("PEPP") holdings during 1H 2024, reduce PEPP holdings by EUR 7.5 billion per month in 2H 2024 and discontinue reinvestments at the end of 2024.
Japan	Slight Overweight	The BOJ raised the policy rate from -0.10% to a target range of 0 to 0.10% (with two policymakers preferring no change) and scrapped yield curve control in March. The BOJ also discontinued purchases of exchange-traded funds ("ETFs") and real estate investment trusts ("J-REITs"). This is not surprising as the BOJ has not bought since October 2023 and the market had rallied. The BOJ will gradually reduce purchases of Commercial Paper ("CP") and corporate bonds and will discontinue the purchases in about one year. Governor Ueda delivered dovish guidance and the USD/JPY surged above 150.00 suggesting that the rate hike was well-telegraphed. The wide yield gap with the US remains even though the BOJ has ended its negative interest rate policy. Currently, the market is expecting another rate hike in July 2024 (pricing now 98%).
Asia ex Japan	Slight Overweight	Recent USD strength added uncertainty to the region. If inflation slows, central banks would have room to lower policy rates after 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	The higher for longer scenario will keep USD higher which could pressure smaller ASEAN economies. Furthermore, high oil prices will likely keep inflation high for countries which import their daily necessities.
China	Slight Overweight	Recent policy support from China has surprised on the upside and the consensus estimate of China's growth has been revised up while NPC target at the usual 5% target. After accounting for fund transfers, the fiscal impulse remained supportive for growth and combined with better policy coordination across agencies, we expect fiscal policies to help China deliver the "around 5%" growth target in 2024. Recent initiatives suggest more policy openness to help boost sentiment, provide liquidity in the interbank market and support credit extension. 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	The ruling Democratic Progressive Party ("DPP")'s Lai Ching-te won the presidential election on 13 January 2024 with 40.1% of the vote. The new president will assume office on 20 May 2024, with a four-year term. However, the DPP lost its majority in the Legislative Yuan (Taiwan's parliament). With no single party won holding a majority in the Legislative Yuan, it is widely expected that the Kuomintang ("KMT") and the Trans-Pacific Partnership ("TPP") will negotiate a deal to prevent the DPP from retaining the speakership. Central Bank of the Republic of China (Taiwan) ("CBC") unexpectedly raised the discount rate by 12.5bps to 2% in its March 2024 Materiel Production Center ("MPC") meeting. We consider this a one-off hike to anchor inflation expectations in light of an upcoming electricity tariff hike, then we expect a prolonged hold at 2%. CBC also nudged up their forecasts for growth and inflation this year.

South Korea	Slight Overweight	Bank of Korea kept rates steady for the tenth time at 3.5%, which was in line with consensus estimates as inflation stayed sticky. While one board member was open to a rate cut now, the wider board believes a rate cut in the second half "can't be ruled out", especially if inflation slows to 2.3% at the end of this year, as Rhee said in a press conference. The bank also said in its statement that core inflation is likely to slow to the 2% level by the end of the year. However, Governor Rhee strongly argued that he does not expect rate cuts in 1H 2024. We continue to expect the Bank of Korea ("BOK") to keep the rate on hold as inflation remained sticky (+3.1% yoy in March 2024).
India	Overweight	Medium term outlook remains upbeat as public spending picks up ahead of 2024 general elections from April to June 2024, and we reiterate private spending is expected to pick up once election risk is removed in the 2H of 2024. Earnings delivery has fared better compared to other regions and continued to support elevated valuations. The Reserve Bank of India maintained its GDP forecast at 7.00% for Financial Year 2025. It also kept the repurchase rate at 6.5% for a seventh straight policy meeting at its April 2024 meeting and in line with consensus as warnings of a coming heat wave renewed fears of an inflation spike. The Reserve Bank of India ("RBI") voted five-to-one vote for a 25bps cut. While core inflation has slowed, the uncertainty on food inflation remains a worry adding to the uncertainty surrounding rural demand recovery. Key risk in the near term to the market is negative surprise in terms of election outcome, valuation derating if corporate earnings fail to sustain its momentum as well as high oil price.
Australia	Slight Underweight	The Australian economy is likely to expand at a below-trend rate but with its solid fiscal position mean recession risks are low. High levels of household debt combined with sustained high costs of living (including interest rates) will continue to place pressure on the consumer. The consumer sector will remain the key downside risk to the near-term outlook, but expectation for further fiscal easing in the May 2024 Budget along with improved in real purchasing power as inflation continues to ease provide some offsets.
Singapore	Slight Overweight	Monetary Authority of Singapore ("MAS") kept policy rates on hold as core inflation remain elevated in the earlier part of the year, but expect price gains to moderate through 4Q 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 for the full year between 1%-3%. The economy expanded 0.1% Quarter on Quarter ("QoQ"), slower than consensus estimates of 0.5% QoQ, as a spending boost from increased tourism spurred by Taylor Swift concerts failed to offset a decline in manufacturing output.
Thailand	Slight Underweight	Bank of Thailand ("BOT") kept rates steady at 2.5% in its April 2024 meeting, as expected. The vote was 5-2, the dissenting voices in favor of a 25 bps cut, same as the 7 February 2024 meeting. BOT expressed concerns about the impact of loose fiscal policy stemming from the government's cash handout program. Assistant Governor Piti said that the policy rate may not be adjusted, especially as economic recovery persists. While outright deflation makes a case for easing, ongoing interference by the government is troubling. BOT's key argument is 'that the effectiveness of monetary policy on resolving structural impediments is limited'. Indeed, this is evident from the declining manufacturing competitiveness and low Foreign Direct Investment ("FDI") inflows in 2023.
Indonesia	Neutral	Bank Indonesia ("BI") kept its policy rates in its March 2024 meeting, in line with consensus estimates. The statement highlighted that the board's decision to leave the policy rate unchanged reflects its ongoing focus on maintaining exchange rate stability and within target inflation. On the domestic front, BI continues to forecast real GDP growth within a 4.7% - 5.5% range in 2024

		partly driven by higher investment and household spending post-election. BI noted that the Indonesian Rupiah ("IDR") has depreciated modestly since December 2023 but has outperformed its regional peers and expects IDR to remain stable with an "appreciation bias going forward".
Philippines	Neutral	Bangko Sentral ng Pilipinas ("BSP") kept rates steady at 6.5% in April 2024 meeting as expected and "deems it appropriate to maintain the BSP's tight monetary policy settings." The BSP shifted its 2024 inflation projection a tick higher to 4% and warned the "risks to the inflation outlook continue to lean toward the upside." Governor Remolona said "If we were relatively dovish, we might reduce rates in third quarter ("3Q"). But now we are feeling a bit more hawkish than before, so I would say that we're not gonna do it in 3Q, we may do it down the road."
Malaysia	Slight Overweight	BNM kept its policy rates unchanged at 3.0% in March 2024 unanimously and in line with expectation. BNM is extending its wait-and-see stance as policymakers contend with a weaker currency amid looming inflation and economic growth risks. BNM noted that growth in the regional economies is expected to improve, while China's growth would likely remain modest given continued weakness in the property market. BNM's view that global trade is expected to strengthen as the global technology upcycle gains momentum. BNM is also expected Malaysia economy to improve in 2024 on the back of the recovery in exports and resilient domestic expenditure. We continue to expect BNM to keep the OPR rate unchanged at 3.0%.
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	After the Fed Funds Target rate peaking at 5.25% - 5.50% amidst persistent inflation, we expect a pivot by the turn of the 1H of 2024 and subsequently US Treasury yields to relief rally. The latest March 2024 FOMC meeting dot plots released still reiterate December 2023 projections for 75bps of cuts for 2024. We continue to maintain our outlook as overweight on rates for 2024, but will be patient on adding duration as there is likely to be steepening on existing balance sheet runoff as recent spate of resilient macro data.
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 return yield basis. The focus remains on credit quality, relative value against peers, and coupon income. In the investment grade space, we still prefer Asian Investment grade bonds given the resilience against other Emerging Market 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 1Q2023 faded in the 2Q2023. The main

Asset Class	Outlook	Rationale
		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 inflation had moderated lower (inflation at +1.8% YoY for February 2024) while growth remains uneven in the country. While BNM indicated that it is monitoring closely for any inflationary impact from the government's subsidy rationalisation, we believe that the subsidy rationalisation by the government will be gradual and hence inflation is likely to be gradually higher. This stable OPR environment, coupled by improving supply (e.g. lower government deficit) and demand dynamics by local institutions (e.g. pension funds, insurance companies) augur well for the local fixed income market in our opinion.

Commodities

Asset Class	Outlook	Rationale
Gold	Overweight	Gold prices extended its 2023 rally going into 1Q2024, rising by more than 15% YTD. Gold correlations with US rates and USD had diverted, with recent rally driven by strong investor buying and official sector demand. Uncertainty of US growth, inflation, elections and geopolitical tensions drove buying demand across Central banks' and investors, with Gold positioning perceived as a safe haven and a cause for diversification. We expect Gold prices to test new highs, as the Fed cuts rates, before normalising to 2200-2300 levels.
Crude Oil	Neutral	Crude Oil (Brent) price rose by 12% during 1Q2024 and ending at USD 87 per barrel. Oil prices are more volatile in the 1Q2024 due to Israel-Hamas war and OPEC+ has continued with its cut in supply into 2Q of 2024. Oil price has traded above the trading band of USD 80 per barrel with geopolitical risk and support coming from Organization of Petroleum Exporting Countries ("OPEC"). On the demand side, even though demand revisions were limited but positive overall as the baselines were raised and growth revised higher. The International Energy Agency ("IEA") raise its 2024 demand growth estimate by 0.1 million barrels per day to 1.3 million barrels per day, on improved US economic outlook and increased shipping fuel use due to the Red Sea disruptions. The Energy Information Administration ("EIA") and OPEC kept 2024 forecast unchanged and are still above the IEA at 1.4 million barrels per day and 2.3 million barrels per day respectively. For 2025, the EIA raised demand growth by 0.1 million barrels per day to 1.4 million barrels led by the US while OPEC reiterated its view of 1.9 million barrels per day. On the supply side, OPEC March 2024 production was flattish month on month at 26.6 million barrels per day. All agencies cut 2024 non-OPEC supply growth forecast due to lower Russian supply as a result of the OPEC+ extension and Russia's shift to crude production cuts rather than just export cuts. Moving forward, global oil demand growth in 2024 is projected to be around 1.3 million - 2.25 million barrels per day coming from both IEA and OPEC respectively. Moving into second quarter 2024, taking into consideration of supply decline in the States due to cold wave and freezing weather and voluntary cuts by OPEC+, there may be a small undersupply in the market of around 0.4 million barrels per day. However, the question remains if OPEC+ (especially Saudi Arabia) will be able to keep the voluntary cut beyond 2Q2024.

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Foreign Exchange

Currencies	Outlook	Rationale
USD	Positive	USD outlook is positive as the Fed's pivot to rate cut cycle (which typically tend to be USD negative) is no longer as certain given the recent resilience in US economies. Weaknesses in other major economies such as the Eurozone and Asia also likely to keep the USD to remain supported.
EUR	Negative	EUR is expected to remain weak at about 1.05 - 1.10 range as the EUR is faced with recession and as the ECB is likely to cut rates more aggressively than the Fed. Weak Eurozone growth could also trigger fear on the sustainability of Europe's peripheral economies, causing the EUR to weaken.
GBP	Negative	GBP is expected to remain weak in the range of 1.20 - 1.25 as the United Kingdom ("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 152 level recently and led by the view that policy normalization by the BOJ will be tepid. However, any increased in geopolitical tension or sharp decrease in US Treasury yield is likely to be supportive for the Yen.
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	Positive	AUD is expected to benefit from commodity price support and proxy for high beta FX drivers as global growth remain resilient. General support for risk assets also tend to support the AUD and the Reserve Bank of Australia ("RBA") is likely to maintain its hiking bias in first half 2024 and likely to be able to maintain its high rate as compared to other G10 economies.
SGD	Positive	Monetary Authority Singapore ("MAS") kept its monetary policy unchanged at neutral, where it pursue a mild appreciation of the Singapore Dollar vs. its peers to blunt imported inflation. This typically mean that the SGD could appreciate, albeit at a slower pace.
MYR	Positive	MYR's outlook is expected to improve with the USD/MYR pair eyeing the move towards the 4.40 handle (from 4.78 currently) as the MYR remains undervalued in our view. General improvement in risk sentiment tend to benefit the MYR and the directive from the Prime Minister to Government-Linked Investment Companies ("GLICs") and Government-Linked Companies ("GLCs") to support the currency should provide the catalyst for a structural support for the MYR in medium term.

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