

# CIMB PREFERRED INSIGHTS

APR 2022



## Key Highlights

- We take a look at some ideas within Consumer Staples, Property and Asian Credit:
  - **Proctor & Gamble, Coca-Cola, and Pepsico Inc.**
  - **Manulife AsiaPac REIT Fund, and Manulife SGD Income Fund.**

<sup>1</sup> Russia's escalating war on Ukraine and the impact of widespread sanctions continue to cloud both the global outlook and the various asset classes. Global equities continue to be challenged as the war in Ukraine rages on and more sanctions are being placed on Russia.

Although dip buying helped lift global equities as oil and other commodity prices retreated, traders wagered that the global economic impact of escalating sanctions on Russia were already reflected in market prices.

Asia-Pacific equities ended lower after the fastest US inflation in four decades raised expectations for more aggressive interest rate hikes. Meanwhile, the European Central Bank unexpectedly accelerated

its wind-down of monetary stimulus, signalling that the ECB is more concerned about record inflation in the Eurozone than a weaker economic growth. On the European data front, Germany's headline inflation rate was confirmed at 5.1% YOY in February, just marginally below an over 29-year high of its 5.3% hit two months' earlier.

However, all major European bourses have rebounded, with Germany's benchmark DAX 30 closing higher on dip buying. Still, market sentiment remains clouded by the war in Ukraine, along with rising inflation and higher interest rates. In the UK, the FTSE 100 closed in positive territory, reversing the 11-month low touched in the beginning of March, as investors weighed on upbeat economic data while monitoring the developments of the ongoing war. The UK economy expanded at a faster than expected 0.8%, underpinned by growth in all sectors. However, sentiment remained cautious amid prospects of further measures against Russia, after G7 Nations announced plans to strip Russia from its "most favoured nation" status under the World Trade Organisation.

<sup>1</sup> Adapted from "Sentiments from the week before", Song Seng Wun, 14 Mar 2022

The strong economic output data amid soaring inflation strengthened the case for a third interest rate hike by the Bank of England, although the Eastern European war has clouded outlook.

On Wall Street, equities stumbled as technology and growth shares led a broad decline amid investors' concern on the ongoing conflict. In earlier trading, the Dow Jones Industrial Average erased a 300-point increase to close 230 points or 0.7% down, while the S&P 500 and the NASDAQ 100 fell 1.3% and 2.2%, respectively. On the US macro data front, a survey showed US consumer sentiment fell more than expected in early March as gasoline prices surged to a record high.

The US dollar rose, notching a five-year high against the safe haven yen, while commodity-linked currencies slumped. The DXY index also saw its largest weekly percentage gain since April 2020.

Meanwhile, US President Biden asked US lawmakers to ban imports of a broad range of goods from Russia, including the iconic caviar, vodka and diamonds. He did not stop just there, and also asked US lawmakers to join Western allies in revoking Russia's preferential trade status. Although Congress will consider the move, the proposal had already garnered support from both the Democrats and Republicans.

Finally, Western powers and Iran suspended efforts to revive the 2015 nuclear accord, reigniting a crisis that is set to roil already surging oil markets.

The MSCI World Index fell by 1.2% and is now down 12.1% from end-2021.

#### **Notable ASEAN macro news...**

Philippines' manufacturing production rose by 21.3% YOY in January, after an upwardly revised 22.1% gain a month earlier, pointing to the weakest growth since a contraction in March, amid ongoing pandemic disruptions and a low base effect from last year.

Industrial production in Malaysia expanded by 4.3% YOY in January, slowing from an upwardly revised 5.9% rise in December 2021 and below market forecasts of 5.2%. This was the fifth straight month of increase in industrial output, but the weakest growth since last September. On a monthly basis, industrial output contracted by 1.2%, the first monthly decline in six months.

The Philippines' trade deficit increased to US\$4.69 billion in January from US\$2.88 billion in the same month a year earlier, as exports grew by 8.9% YOY to US\$6.28 billion while imports climbed 27.5% to a fresh record peak of US\$11.55 billion.

Retail sales in Indonesia grew by 15.2% YOY in January, faster than a 13.8% rise in December 2021. This was the fourth straight month of increase in retail trade and the strongest since last April, as COVID-19 curbs eased further. On a monthly basis, retail sales fell by 3.1%, the first monthly decline in four months and reversing from a 7.6% jump in the previous month.

Retail sales in Singapore rose by 11.8% YOY in January while retail sales excluding motor vehicles rose by 15.8% YOY in the same month. Food and Beverage takings rose by 9.5% YOY, the second consecutive month of annual growth to S\$829 million in January.

As the Russia-Ukraine war continues, there is little hope that there will be a peaceful resolution to the conflict in the immediate future. Already, repercussions are being felt around the world on heightened geopolitical risk and as energy and other commodity prices soared to records high.

On the US macro data front, among the key releases are the February Producer Price Index, industrial production, and prelim February retail sales. Various housing statistics, including building permits, starts and resale homes will also be released.

Here in Asia, apart from Japan, the Central Banks of Indonesia and Taiwan are also holding monetary policy meetings while the Reserve Bank of Australia

and South Korea's BOK will release the minutes of their March meetings. Meanwhile, China's Central Bank will review its medium-term lending facility, which is seen as a guide for changes in the key Loan Prime Rate. China is also set to release its January and February data that would provide an indication of growth momentum after the government projected that this year's GDP growth would moderate to 5.5% from 8.1% in 2021. To account for the impact of the week-long Lunar New Year holiday at the start of February, Chinese statisticians combined data for the first two months of the year for retail sales, industrial output and urban Fixed-Asset Investment.

For investors, some ideas that can be looked at in greater detail within Consumer Staples include companies such as **Proctor & Gamble, Coca-Cola, and PepsiCo Inc.**

For a broader exposure into Unit Trust Funds that invest into property or Asian Fixed Income/debt securities, we take a look at **Manulife AsiaPac REIT Fund** and **Manulife SGD Income Fund**.

Please speak to your Relationship Manager for more details.

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