

CIMB PREFERRED INSIGHTS

AUG 2022



Key Highlights

- We take a look at some ideas on Real Estate, Sustainability & Asian Credit:
 - **Manulife AsiaPac REIT Fund, Allianz Global Sustainability Fund, and Manulife SGD Income Fund.**
- For direct Fixed Income securities, we take a look at:
 - **Port of Newcastle USD senior bond 5.9%**
 - **Societe Generale Additional Tier 1 perpetual bond, 8.25%**
 - **Standard Chartered USD Additional Tier-1 Bond, 7.75%, perpetual call August 2027**
- For direct equities, we take a look at:
 - **McDonald's Corporation (MCD US)**
 - **SIA Engineering (SIE SP)**

¹ The Hope and Fear theme plays on for financial markets in another volatile week. The MSCI's gauge of stocks across the globe fell 0.2% on Friday (5 Aug) but still managed to gain 0.3% on week on earnings optimism despite increased geopolitical risks arising

¹ Adapted from "Sentiments from the week before", Song Seng Wun, 8 Aug 2022

from amid escalating US-China tension over Taiwan. Since the July employment report blasted past expectations, does the US central bank wait until September to raise interest rates again or will the FOMC (Federal Open Market Committee) act in an unscheduled meeting? All eyes on this week's US July inflation reports.

And since 50 is the new 25, the central banks of the UK, Australia and India all raised their main interest rates by 50 bps last week. In the UK, the BoE expects the economy to enter a recession in 4Q22 which would last for 5 quarters.

US Treasury yields jumped Friday and a closely watched part of the yield curve touched its deepest inversion since August 2000 on increased odds of another 75 bps interest rate hike from the US central bank in September. The yield on the benchmark US10Y bond rose to 2.83%, from 2.68% on Thursday (4 Aug). The US30Y bond yield rose to 3.07%, from 2.97% on Thursday. The US10-2 yield spread widened to 40 bps, the 24th consecutive sessions of yield inversion.

By the way, July saw the rate of global economic growth ease to its weakest during the current 25-

month sequence of expansion, according to the latest S&P Global PMI data. The S&P Global Composite PMI dipped to a two-year low of 50.8 in July. Growth slowed to a six-month in the services sector, while output stagnated at manufacturers. The slowdown was centred on developed nations, where output contracted (on average) for the first time since June 2020. Emerging markets showed greater resilience in comparison, with growth staying close to June's 11½-year high. There was better news on the prices front, with input cost inflation at a five-month low.

Another small cheer...the UN FAO Food Price Index declined 8.6% MoM to a six-month low of 140.9 in July, the steepest monthly fall since October 2018 led by lower prices of cereals, vegetable oil, sugar and meat. The meat index fell 0.5% MoM, the first monthly following six consecutive months of increases. On year, the FOA Food Index rose 13% in July versus. An average of 25% in 1H22. Still painful, but a bit less.

Week Ahead 08 – 12 Aug: US inflation reports; Disney & SoftBank report earnings After the stronger-than-forecast July jobs report on Friday, market participants will be closely watching the US CPI and PPI reports. The headline US July CPI is projected to slow to 8.8% YoY after rising 9.1% in June on the back of smallest monthly gain since January 2021. Still, core inflation likely rose 0.5% MoM, pushing the annual rate to 6.1% from 5.9%. Apart from the inflation reports, the other key US releases are July Export-Import Price Indices and the prelim August University of Michigan Sentiment.

On the earnings reporting front, although there will be about 1,700 US companies reporting their results, only a dozen S&P 500 companies are releasing results in the new week versus 151 last week. Among the notable corporates who are report are BioNTech, Bridgestone, Cathay Pacific, China Mobile, Coinbase, Commonwealth Bank of Australia, Coupang, Deutsche Telekom, Disney, GlobalFoundries, Hapag-Lloyd, Hon Hai, Honda,

Manulife, Prudential, Siemens, Softbank and Tyson Foods.

Over in Europe, the final estimates of July's CPI are expected to confirm inflation eased slightly in Germany and Italy but picked up pace in France and Spain. At the same time, industrial activity in the Euro Area probably stalled in July following two months of increases. Meanwhile, UK will be publishing its prelim Q2 GDP estimate which is likely to show contraction, alongside business investment, trade balance, manufacturing, and construction output.

Meanwhile in Asia, China's trade data for July was released on Sunday, with export growth coming in stronger than forecast but import growth was lower than forecast, lifting the trade surplus to a fresh record of US\$101.26 billion. However, the trade surplus with the US, at US\$41.5 billion was little changed from June's US\$41.4 billion. China also reported Sunday that its FX reserves rose US\$32.80 billion from June to US\$3.104 trillion in July, compared with market forecasts of US\$3.05 trillion. China will report July PPI and CPI in the new week too.

For investors, some ideas that can be looked at include Unit Trust Funds that have a sustainability theme, invest into Asian Fixed Income/debt securities or invest into Real Estate, we take a look at **Manulife AsiaPac REIT Fund**, **Allianz Global Sustainability Fund**, and **Manulife SGD Income Fund**.

For customers who wish to look at debt securities directly, we take a look at **Port of Newcastle USD senior bond 5.9%**, **Societe Generale Additional Tier 1 perpetual bond, 8.25%**, and **Standard Chartered USD Additional Tier-1 Bond, 7.75%, perpetual call August 2027**.

Finally, for customers looking at direct equities access, some ideas for consideration. **McDonald's Corporation (MCD US)** and **SIA Engineering (SIE SP)**.

Please speak to your Relationship Manager for more details.

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