

CIMB PREFERRED INSIGHTS

JUL 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.**

¹ The first half of the year is over! Will 2H22 be less volatile for financial markets as market participants adapt to the new normal of higher costs of borrowing and cost of living amid elevated geopolitical risks? While Asia equities mostly fell Friday (1 Jul) and European stocks ended mostly flat, US stocks rallied on late dip buying in the first trading session of 2H22 ahead of the long weekend for the US Fourth of July holiday on Monday.

The US dollar rose on haven demand, global bond yields and commodity prices fell amid signs of slowing macro growth. Both the US2Y and 10Y yields were at roughly 4-week lows. But oil prices climbed Friday on supply disruptions in Libya and Norway,

which offset worries that an economic downturn could dent demand.

In a sign of slower demand, the JPMorgan Global Manufacturing PMI fell to a 22-month low of 52.2 in June, although it marks the 24th month of >50 reading, indicating expansion. Meanwhile, the reliance of the rebound in world manufacturing output on China was reinforced by the sub-index for manufacturing output. With China included in the calculation, the output index rose from 49.6 in May to 52.5 in June. With China excluded, the index dropped from 52.6 to 50.6, a level indicative of near stagnation. Indeed, the growth of new order intakes eased to a near-standstill pace in June, the weakest rise during the current 2-year sequence of macro expansion. The sub-index for business optimism dipped to a 2-year low, inflationary pressure remained elevated and supply chains also stayed stretched. That said, the weaker increases in June's input costs, output prices and supplier delivery times suggest the pressure on these factors may have peaked.

¹ Adapted from "Sentiments from the week before", Song Seng Wun, 4 Jul 2022

The S&P Global ASEAN Manufacturing PMI eased to a 4-month low of 52.0 in June, down from 52.3 in May.

Indonesia's annual inflation rate rose to 4.35% in June from 3.55% in May, beating market consensus of 4.17%. This was the highest reading since June 2017. Annual core inflation rate accelerated to a 25-month high of 2.63% from 2.58% in May and compared to consensus of 2.72%. On a monthly basis, consumer prices were up 0.61% in June, beating forecasts of a 0.44% rise.

Producer prices in Malaysia increased by 11.2% YoY in May, following a 11% gain in April. On a monthly basis, producer prices gained by 1.2% in May, accelerating from 0.2% in April.

Singapore's domestic supply price index rose by a fresh record peak of 31.4% YoY in May, after an upwardly revised 30.0% rise in April. Bank loans in Singapore declined to S\$839.8 billion in May 2022 from April's record high of S\$841.6 billion. Private home prices in Singapore rose by 3.2% QoQ in Q2 of 2022, following a 0.7% rise in Q1. The latest figure marked the ninth straight quarter of increases in private home prices, amid a rebound sharply in prices of non-landed property (3.3% vs -0.3% in Q1).

Meanwhile, prices of landed properties continued to increase (2.9% vs 4.2%). Last year, private home prices rose by 10.6%, sharply picking up from a 2.2% growth in 2020.

The US celebrates the Fourth of July Independence Day. After which the attention will turn to the Fed meeting minutes and the June jobs report. The payrolls report is expected to show a gain of 240K jobs in June, the least since last April's 212K. The unemployment rate is seen steady at 3.6% as well as wage growth at 0.3% MoM. The Federal Open Market Committee (FOMC) minutes and appearances from several Fed officials will be keenly watched for more clues on the Fed's monetary policy.

Meanwhile in Europe, between cancelled flights and labour strikes, the bloc is looking at another messy week for its mass transportation. Elsewhere the ECB publishes account of its June policy meeting. They may offer clues on how aggressive ECB policy makers can hike interest rates given the vulnerability of weaker euro members. Over in the UK, the BoE's Financial Stability Report is released on Tuesday. The UK macro calendar is relatively light, but traders will pay special attention to appearances from several BoE policymakers, including Governor Andrew Bailey.

Here in Asia, the Group of 20 foreign ministers' meeting will be held in Bali on Thursday-Friday (7-8 Jul), against a backdrop of increased geopolitical risks and economic headwinds, many triggered by Russia-Ukraine war, now into its fifth month.

Meanwhile, the central banks of Australia and Malaysia are holding their respective July monetary policy meetings. Both are expected to raise their benchmark interest rates, 50 bps by RBA & 25 bps by BNM respectively.

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**.

Please speak to your Relationship Manager for more details.

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