

CIMB PREFERRED INSIGHTS

SEP 2022



Key Highlights

- We take a look at some ideas on Real Estate, Sustainability & Asian Credit:
 - **Manulife AsiaPac REIT Fund**
 - **Allianz Global Sustainability Fund**
 - **Manulife SGD Income Fund.**
- For direct Fixed Income securities, we take a look at:
 - **Westpac Corp SGD Tier 2 Subdebt 4.65% 10NC5 2027**
 - **ING Groep USD Tier 1 Perp 5.75% Call 2026**
- For direct equities, we take a look at:
 - **DBS Group**
 - **United Overseas Bank**
 - **Capitaland Investment**

¹Global equities were under pressure most of last week following the hawkish rhetoric from Fed Chair Powell and other central banks including ECB officials speaking at the Fed's annual gathering at Jackson Hole, Wyoming. Although some of the fears subsided

mid-week, global equities ended Wednesday (31 August) or end-August on a cautious tone.

Global equities also started September on a mixed note as market participants await a notable event risk – the US jobs report. Asia equities mostly fell as weak manufacturing PMI data from China and other Asia economies further exacerbated a softening global demand outlook. Worries over China's wavering growth momentum took a further hit after Chinese officials locked down Chengdu, the capital of Sichuan province. Chengdu is the largest city to be locked down since Shanghai earlier this year, joining other major cities such as Shenzhen and Dalian in imposing fresh Covid restrictions. Global equities ended last week on a negative note as a morning rally in US equities fizzled out after traders digested the August jobs report and hawkish remarks from US Secretary of Treasury Janet Yellen. She was quoted, after the release of the jobs report as saying that US inflation remained too high and that it is the Fed's job to bring it down.

News that Russia suspended plans to resume gas flows via a major supply route to Germany on

¹ Adapted from "Sentiments from the week before", Song Seng Wun, 5 Sep 2022

Saturday (3 September) further soured sentiment. Russia's Gazprom said its key gas pipeline to Europe cannot open as planned on Saturday because of a "technical issue". The Russian announcement came hours after G7 countries said they will impose price caps on Russia's oil exports. Russia had indicated earlier that flows along the Gazprom pipeline system will restart on Saturday after a three-day maintenance shutdown. But it had also said it would stop selling oil to countries that impose price caps.

Earlier on Friday, US labour data showed employers hired more workers than expected in August, but moderate wage growth and a rise in the jobless rate due to workers rejoining the labour force gave traders hope that there could be less pressure on the US central bank to deliver a third 75-bps interest rate hike later this month. This initially cheered market participants and lifted US equities. But the gains reversed into losses over the day, after traders pared through the jobs report and decided that the US labour market is more robust than it seems, supported by relatively broad-based job gains.

August is historically a weaker month for employment in the US, but non-farm payroll is now 240K higher than its pre-pandemic level in February 2020. The biggest job gains occurred in professional and business services (68K); health care (48K); and retail trade (44K). Manufacturing added 22K jobs, leisure and hospitality 31K, following average monthly gains of 90K in the first seven months of the year.

Meanwhile, the US dollar rose to a fresh 24-year high against the Yen on Friday, triggering a warning by Japan's Finance Minister Shunichi Suzuki of "appropriate" action. In the bond markets, US Treasuries rallied on Friday, led by short maturities. The US10Y-2Y yield gap narrowed by 5 bps Friday and 15 bps on week to 20 bps, the 44th consecutive session of yield inversion, but the smallest gap since end-July.

Oil prices recovered though concern over faltering global growth continued to limit gains. Meanwhile, data showed the S&P Global Manufacturing PMI

easing to a 26-month low of 50.3 in August, only slightly above the 50.0 no-change mark on the back of slowing new orders and output with employment holding steady. There were signs that excess capacity may be building in the global manufacturing sector. August saw the second successive month where stocks of finished goods rose, and backlogs of work contracted. Meanwhile, rates of input cost and output price inflation eased further although cost pressures remain elevated during August.

In another encouraging sign of moderating price pressure, the UN FAO Food Price Index for August declined for a fifth consecutive month, reaching the lowest level in seven months, due to another month of broad-based fall in food cost. Despite the slowdowns of the previous months, the food price index is still 7.9% above its value a year ago.

Notable macro ASEAN data or events:

Singapore July Domestic Supply Price Index climbed 19.0% YoY in July, easing from a downwardly revised 27.9% jump in June. It was the lowest domestic supply price inflation since August 2021, as prices of mineral fuels rose at a slower pace (39.3% vs 66.6%) while crude materials excluded fuel inflation continued to increase (14.6 vs 11.3%).

Bank loans in Singapore declined to a four-month low of S\$838.0 billion in July from 841.6 billion in June. Singapore's SIMPP PMI dipped 0.1 pt to 50.0 in Aug from 50.1 in July. This neutral reading is the softest reading in the 26th consecutive month of >50 reading. It reflected slower expansion in the key sub-indices of new orders, employment as well as faster expansion rate of supplier deliveries. The electronic sector PMI fell 0.9-pt to 49.6, its first <50 reading after recording 24 consecutive months of >50 reading.

Investors will also keep a close eye on appearances from several Fed officials, including Fed Chair Powell at the Cato Institute's 40th Annual Monetary Conference on Thursday, less than two weeks before

the US central bank announces its next rate decision. The key releases in the US data docket are the final August S&P Global US Services & Composite PMIs, August ISM Services Index, July Trade Balance, July Consumer Credit, Wholesale Trade Sales & Inventories, and the Fed's Beige Book. Elsewhere in North America, the Bank of Canada is expected to deliver a 75bps rate hike given the still elevated inflation. Other notable macro data from Canada includes the August jobs unemployment and July trade balance.

On Thursday (8 September), the European Central Bank is expected to raise its benchmark interest rates by at least 50 basis points. Given elevated inflation, several ECB officials have recently advocated for a sizable rate hike and warned that interest rates need to stay elevated for a prolonged period to rein in inflation and inflation expectations.

Market participants will also keep a close eye on the Russian gas supply through Nord Stream after Russia's announcement on Friday evening that it would no longer supply gas through the Nord Stream 1 pipeline. Energy rationing in Europe is starting to look all but inevitable, and European natural gas prices could approach highs set in August on the Nord Stream news, according to Goldman. In the European data docket, retail sales in the Eurozone are expected to rebound slightly in July while July factory orders in Germany likely fell for the sixth consecutive month. Other key releases include Euro Area Q2 GDP growth, and the final Aug S&P Global Services and Composite PMIs for major economies.

Meanwhile in Asia, Australia's RBA is set to raise its cash rate by 50 bps for the fourth consecutive meeting to tackle curb inflation that stands at a 21-year high. Elsewhere, Bank Negara

Malaysia will likely follow-through with a third 25bps rate hike at its monetary policy meeting this week. The balance of China and regional August S&P Global PMIs will also be released.

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 **Westpac Corp SGD Tier 2 Subdebt 4.65% 10NC5 2027**, and **ING Groep USD Tier 1 Perp 5.75% Call 2026**.

Finally, for customers looking at direct equities access, some ideas for consideration. **DBS Group**, **United Overseas Bank** and **Capitaland Investment**.

Please speak to your Relationship Manager for more details.

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