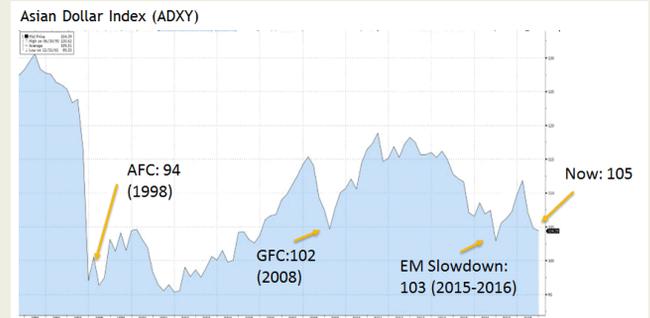


Fund Manager Commentary: Volatility continues but Asian assets may be bottoming

Headwinds are persisting and financial markets remain choppy. Trade wars have been a recurring theme this year with the Trump administration targeting not just China but Mexico and Europe. Asian equity markets took a further dip early in the month as Trump confirmed that he would implement tariffs on another USD200 billion of Chinese exports. With the measures on trade, it appears that the Trump administration is trying to contain the rise of China in order to maintain the leadership position of the US. In addition, Emerging market weakness in Turkey, Argentina have spilled over to Asia. Asian countries that run twin deficits (fiscal and current account), including India, Indonesia and Philippines have been affected the most with their currencies weakening to new lows.

Amidst the volatile markets, fundamental economic data remain reasonable though there are signs that Asian economic growth is slowing marginally. US economy remains robust with Gross Domestic Product (GDP) growth actually being revised upwards.

While trade war concerns have sparked volatility and driven financial markets down, we believe that Asian financial markets may be nearing the lows. Asian currencies as measured by the Asian Dollar Index (ADXY) are already close to historical lows, and are near the levels last seen during the Global Financial Crisis in 2008 and also the Emerging Market slowdown in 2016. As Asian currencies and Asian financial assets are highly correlated, it is likely that Asia financial assets including bonds and equities may be bottoming. With the trade issues unresolved, we expect volatility to continue. However, with value emerging there are certainly opportunities in the market for both Asian bonds and equities and we are turning more positive overall going into the fourth quarter.



Macro Update

Malaysia Markets

As has been traditionally the case, Malaysia outperformed regional markets during this risk-off period. Immediately after the 14th Malaysian General Election, equity markets saw a sharp correction given the uncertainty with the change in government. The stockmarket has been inching upwards ever since and is now close to pre-election levels. At these levels, we are more cautious on the stockmarket as there is a lack of a catalyst for the market. Second quarter economic growth was below expectation and corporate earnings were also disappointing. Going forward, economic growth prospects may be muted, as consumption may taper following the end of the GST holiday. Strong oil prices should provide support to the Ringgit and local bonds. The elevated oil prices should help maintain the healthy fiscal position even with the switch from the Goods and Services Tax (GST) to the Sales and Service Tax (SST).

Indonesia Markets

For the moment the Rupiah weakness has been the overriding concern in Indonesia with the rupiah now

close to 15,000 at levels last seen during the Asian Financial Crisis in 1998. The economic fundamentals for Indonesia are actually reasonable with the economy having a mild budget deficit of 3% and a small current account deficit of 2% while GDP growth is still firm at more than 5%. However, even with decent fundamentals, the spillover from Turkey and Argentina has seen investors pulling out from Indonesian bonds and equities as well as outflows have put downward pressure on asset prices. The Central Bank has been forced to hike interest rates to support the currency even though inflationary pressures are absent. Higher rates will be likely to dampen the domestic economy. So in the short term, we expect to see pressure on the stock market as the economy adjusts to higher rates. We are also cautious on the local bond market as the Central Bank has to continue to hike interest rates to protect the currency. In the longer term, we are more positive on Indonesia as we believe that financial markets may have overreacted to the current challenges.

#MaybankAssetManagement, #MAMresearch

General Disclaimer: The term "Maybank AM" used herein refers to Maybank Asset Management. This presentation is for informational purpose only and does not constitute (1) an offer to buy or sell or a solicitation to buy or sell any security or financial instrument mentioned in this presentation and (2) any professional investment advice. It does not have any regard to the specific objectives, financial situation and particular needs of any specific person and is based on information obtained from sources believed to be reliable. The information, materials & contents provided in this presentation, including but not limited to products, data, text, images, graphics, opinions, analysis, forecast, projections and/or expectations (hereinafter collectively referred to as 'Information') are provided by Maybank AM for informational purposes only. The Information is subject to change without notice. Maybank AM does not make any representations or warranties of any kind express or implied, about the completeness, accuracy, reliability, suitability or availability with respect to this presentation or the Information. Without derogation of the above, reasonable measures will be taken by Maybank AM to ensure the accuracy and validity of the Information provided in this presentation. An investment into any financial products mentioned in this presentation carries risks and may not be suitable for persons who are averse to such risks. The investor should refer to the relevant prospectus/information memorandum for inherent risks of investing in the financial products. Unless otherwise indicated, the copyright/trademarks in this presentation and its contents, including but not limited to the text, images, graphics, service marks and logos are the property of Maybank AM, and are protected by applicable Malaysian laws. No part or parts of this presentation may be modified, copied, distributed, retransmitted, broadcasted, displayed, performed, reproduced, published, licensed, transferred, sold or commercially dealt with in any manner without prior express written consent of Maybank AM. In no event shall Maybank AM be liable for any loss or damages howsoever arising whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising i) from incompleteness, inaccuracy, unreliability, unsuitability or unavailability with respect to this presentation or the Information and/or reliance thereon; or ii) from reproduction or use of the Information/copyright/trademark.