CIMB PREFERRED INSIGHTS

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Key Highlights

- We take a look at some ideas within Tech, Property and Asian Credit:
  - **Microsoft, Alphabet,** and **Apple Inc.**
  - **Manulife AsiaPac REIT Fund,** and **Manulife SGD Income Fund.**

[1] A recap of another turbulent week for financial markets after Russia decided to invade Ukraine. Global stocks started the week in risk-off mood, but some optimism and dip buying returned at the end of the week despite a sharp escalation in the Russia-Ukraine conflict.

Monday 21 February 2022: While US markets were closed Monday, global stocks hit three-week lows and gold and oil rose following news that the Ukraine crisis had intensified after Russian President Vladimir Putin ordered Russian troops into Eastern Ukraine on a "peacekeeping mission." The MSCI's world equity index fell 0.4% with European stocks down to their lowest in more than four months. Earlier in Asia, the MSCI Asia Pacific Index ended Monday 0.5% lower.

Tuesday 22 February 2022: Global markets remained jittery for a day following an escalation in the Ukraine crisis. Asia Pacific equities ended Tuesday lower as the crisis continued to overshadow all else in markets. The MSCI Asia-Pacific equity index ended 1.6% lower, the 3rd session of decline to levels last seen on 1st February. European stocks ended a roller-coaster session mostly lower, with the benchmark DAX 30 falling for a fifth consecutive day to its lowest closing level since March 2021 while the pan-European STOXX 500 ended little changed. On the data front, Germany's Ifo Business Climate indicator jumped to 98.9 in February 2022, the highest in five months, beating the market's forecast of 96.5. In the United Kingdom, the FTSE 100 managed to close 0.1% higher Tuesday, after three consecutive sessions of losses as traders continue following developments in Ukraine and assess corporate updates. However, US equity indices managed to pare losses and ended off their lows of the session after President Biden announced the first wave of sanctions against Russia. The market perception was that the initial measures announced stopped short of the devastating steps that the US and its allies have threatened. On Wall Street, the

[1] Adapted from "Sentiments from the week before", Song Seng Wun, 28 Feb 2022

DJIA closed down 1.4% and the NASDAQ Composite dropped 1.2%, bringing the year-to-date losses to 14%. The S&P 500 lost another 1% bringing its losses from a January high to 10%. On the macro data front, the preliminary Markit manufacturing and services PMI readings for February beat estimates. Still, US consumer confidence was at its lowest since September. The MSCI world equity index fell for the fourth day to levels not seen since 27 January.

Wednesday 23 February 2022: Asian Pacific shares rebounded today on dip buying, snapping 3 consecutive sessions of decline even though global investor sentiment remained jittery over the Ukraine crisis. Asian equities were bolstered by Chinese technology stocks. Markets in Japan were closed Wednesday.

The mood in Asia was brighter on Wednesday compared with Tuesday despite the overnight fall in the S&P 500 into a technical correction after sliding 10% from a January peak. Mainland Chinese stocks gained on Wednesday as global investors bought selected shares on Chinese growth optimism. Adding to the bullish sentiment, China unveiled on Tuesday bigger tax and fee cuts amid efforts to bolster a faltering economy. This comes after a series of monetary easing measures recently introduced by the Central Bank, including liquidity injections and policy loan rate cuts. The MSCI Asia-Pacific ex-Japan equity index rose 0.2% Wednesday after falling Tuesday to levels last seen on 1st February 2022.

But traders in US and Europe lost their appetite for risk on Wednesday with stocks selling off and haven assets gaining ground as Ukraine declared a state of emergency amid intensifying fears of a full-scale Russian invasion. On Wall Street, the DJIA ended Wednesday at an eleven month low after falling 1.4%. Meanwhile the S&P 500 declined 1.8%, extending losses for the fourth day and falling deeper into correction territory; and the heavyweight NASDAQ shed 2.6%. After rising as much as 1.2% earlier in the day the pan-European STOXX Europe 600 index closed down 0.3%. On the data front, Germany's GfK consumer confidence gauge took an unexpected downturn heading into March. Over in the United Kingdom, the FTSE 100 closed almost flat, as upbeat corporate updates helped counter geopolitical jitters.

After rising as much as 0.7% earlier the MSCI World Index reversed course and ended down 1.2% for the fifth consecutive session of declines to levels that were last seen on 13 May 2021. Elsewhere, the CBOE Volatility index rose to the highest since 26 January 2022 before paring back advances. United States Treasury yields rose as traders monitored the geopolitical developments in Eastern Europe and remained concerned about inflation. On the United States monetary policy, the Federal Reserve Bank of San Francisco President Mary Daly repeated her view that March is the appropriate time to begin adjusting monetary policy "absent any significant negative surprises." Bets on the number of interest rate increases by the United States Central Bank in 2022 have settled at about six 25-basis-point hikes.

Thursday 24 February 2022: In another day of twists and turns, United States stocks ended sharply higher on Thursday after an epic turnaround on dip buying led by a 3% gain in the NASDAQ following US President Joe Biden's announcement of new sanctions against Russia. However, market participants viewed the sanctions as not as tough as initially feared. All three major US indices sold off early Thursday in line with the declines in Asia and Europe, with the NASDAQ down more than 3% at the open. They rose to session highs in the wake of President Biden's comments and rallied heading into the close even as Russian military actions in Ukraine intensified. The S&P 500 rose more than 1%, ending a four-day slide. The Dow & NASDAQ also ended in positive territory. The CBOE Volatility index or VIX, known as Wall Street's fear gauge, ended lower on the day and the MSCI global index finished well above its session low as risk appetite returned. The US dollar pared gains while oil futures pulled back from multi-year records.

After falling sharply earlier in the day, US Treasury yields pared most of their declines. Earlier, Asian and European stocks ended sharply lower on Thursday as the Ukraine crisis unfolded. Germany's Dax was among the worst performing bourses, falling 4% to the lowest level in almost a year. The MSCI's broadest index of Asia-Pacific shares fell 3% Thursday, with Australian shares off 3%, Chinese blue chips CSI300 down 2%. Elsewhere, the Nikkei225, Hang Seng and KOSPI fell 1.8%, 3.2% and 2.6%, respectively. In Singapore, the STI ended the day 3.5% lower.

Friday 25 February 2022: Asia Pacific equities ended mostly in the green, tracking the sharp overnight gains on Wall Street even as traders monitor Russia's invasion of Ukraine and the impact of Western sanctions. Gains by the Nikkei225 (2%), Shanghai Composite (0.6%), ASX200 (0.1%), KOSPI (1.1%) and the STI (0.6%) offset the Hang Seng's 0.6% decline. The MSCI Asia Pacific index gained 1% while the MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.8%. However, both indices fell 3.9% and 4.7% on week. Both the United States and European equities rallied for a second day on Friday. The US dollar fell, and oil prices dipped as investors welcomed talk of renewed diplomacy and as coordinated Western sanctions left Russia's energy sector largely untouched. Despite persistent inflationary pressures, traders are betting that geopolitical risks stemming from Eastern Europe are lowering the odds for a 50bps Federal Reserve rate hike in March. Traders were also relieved US and NATO have not engaged Russia in military actions, and that sanctions imposed by Western nations on any European assets held by Russian President Vladimir Putin and his Foreign Minister Sergei Lavrov were not as tough as first feared. European major stocks indices closed higher on Friday, rebounding from a sharp sell-off in the prior session.

The pan-European STOXX 600 jumped 3.2% Friday but still posted a second weekly decline. Germany's DAX rose 3.7% but lost 3.2% on week. Over in the United Kingdom, the FTSE 100 surged almost 4%, clawing back losses from Thursday and narrowing weekly losses to only 0.3%.

At the Friday closing bell, the Dow gained 2.5%, its best day since November 2020, the S&P 500 gained 2.2% and the NASDAQ rose 1.6%. The DJIA ended lower for the third week while the S&P gained 0.8% and the NASDAQ advanced 1.1%.

The MSCI World Index closed up 2.4% Friday; for the week it was down 0.7%. The Cboe Volatility index or VIX, Wall Street's fear gauge, ended 9% lower at 27.59. The VIX fell 0.6% on week. Oil, US dollar and safe gold all fell Friday. Meanwhile, US economic data on Friday showed that consumer spending increased more than expected in January even as price pressures mounted, with annual inflation hitting rates last seen four decades ago.

In Other News…

Singapore January CPI rose 4.0% YOY, unchanged from December's near nine-year high figure and compared with market estimates of 4.2% YOY. Main upward pressure largely came from cost of food (2.6% in January versus 2.1% in December); housing 4.1% versus 3.4%, mostly due to accommodation; healthcare (1.7% versus 1.5%), led by outpatient services and hospital services; transport (12.7% versus 13.7%), due to private transport; recreation and culture (1.3% versus 1.9%), led by holiday expenses and recreational and cultural services; and education (2.2% versus 2%), driven by tuition and other fees. By contrast, prices fell further for both clothing (-4.4% versus -6.2%), and communication (-2.2% versus -1.2%). The MAS Core CPI gained 2.4% YOY in January, the most since September 2012, compared with estimates of 2.5%. On a monthly basis, consumer prices increased were unchanged in January after gaining 0.5% in December.

Singapore's manufacturing production grew 2% YOY in January, below market consensus of a 10% gain and after an upwardly revised 16.7% rise in the prior month. The latest reading pointed to the fourth straight month of increase in manufacturing output, but the weakest growth in the current sequence. Production slowed for both precision engineering (11.6% in January 2022 versus 17.6% in December 2021); and transport engineering (16.2% versus 46.1%), mostly led by marine and offshore engineering. In addition, output shrank for biomedical manufacturing (-10.6% versus 90.5%), dragged down by pharmaceuticals; and chemicals (-2.3% versus 1.2%). Meanwhile, output of general industries continued to grow (17.4% versus 9.0%) while production of electronics rebound (0.1% versus -2.6%). On a monthly basis, manufacturing output unexpectedly plunged by 10.7%, the first monthly decline in four months, missing forecasts of a 0.4% rise and after a downwardly revised 3% growth in December.

Looking into the new trading week…

Russia's military actions in Ukraine and the international responses including sanctions will continue to dominate the headlines and sharpen market divide. The market rebound in the latter half of last week will be tested because over the weekend, the United States, Canada, European Union and United Kingdom have agreed to remove some Russian banks from SWIFT, the world's main international payments network. The new measures will also include restrictions on the Russian central bank's international reserves. Russian banks cut off from Swift "will now need to use the telephone or a fax machine," a senior White House official said. The latest decision on Swift will be applied to "selected" but not all Russian banks, and the EU will finalise the list "soon." This new measure would hit Russia, but it would also disrupt global trade and hurt Western interests since Russia is one of the world's biggest raw materials' exporters.

Stepping away from the Ukraine conflict, and since it is the start of the new month, market focus will be on the United States jobs report as well as the next set of worldwide manufacturing and services PMIs. The prelim Feb PMIs pointed to stronger macro activities in the more developed economies, and the global figures will be in focus for confirmation of this trend on a global scale. G4 economies had also seen price pressures persist according to prelim PMI data, a trend that may only garner further attention as the conflict in Eastern Europe pushes up commodity prices.

For investors, some ideas that can be looked at in greater detail into the tech space include companies such as **Microsoft, Alphabet,** and **Apple 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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