

Quarterly market review and update

China's economic reopening: *A beacon of hope in turbulent times*



Macro



- Silvergate Bank, Silicon Valley Bank and Signature Bank in the US shut down after succumbing to classic bank runs. These incidences sparked a confidence crisis in US regional banks.
- Confidence crisis spread to Europe, leading to a regulator-pushed takeover of Credit Suisse by UBS following the former's collapse.
- Contagion effect was halted by swift remedial actions from the US government and major central banks.
- China reopened its borders to foreign tourists, after abandoning its zero-Covid policy end of last year. This paved the way for an economic rebound in 2023.
- Financial market was whiplashed by rapid changes in growth and inflation expectation, as well as the breakout of the banking turmoil in the US and Europe.
- Inflation appeared to have eased but remained elevated.
- Bond markets rallied globally after the banking crisis reduced rate hike expectations drastically. Most major stock indices fell in risk-off trades.
- US Fed hiked Fed Funds Rate twice, 25 basis points each time in Q1 2023.

Malaysia



- Budget 2023 was re-tabled on 24 February 2023. No major changes to the budget but government set more aggressive fiscal deficit target for 2023-2025.
- Remarkable gross domestic product (GDP) print of +8.7% for 2022, thanks to recovery of private spending and investment, stronger labour market and the strengthening of MYR. GDP growth for 2023 projected at 4.5%.
- Headline inflation was +3.7% in the first two months of 2023. Inflation still targeted at 2.8% - 3.8% for full year 2023.
- Bank Negara Malaysia (BNM) paused rate hikes in 1Q 2023, keeping policy rates at 2.75% but implied future decisions would be data-dependent.

Outlook & strategy



- Global equity markets are expected to remain highly volatile in 1H 2023. Cautiously optimistic on equity market in 2H 2023, focusing on attractively-valued dividend-yielding stocks with firm fundamentals.
- Positive outlook on Malaysia's bond market, driven by expectations of subdued economic growth, manageable inflation levels, and the anticipated end of BNM's rate hiking cycle this year.

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Be on the lookout



- US labour market and inflation level.
- China's reopening and impact to global growth/inflation.
- Geopolitical development related to the Russia - Ukraine conflict as well as tensions between US and China.

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[Q1 2023 Malaysia market review](#)

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