

Strategy - Black Monday 2024 ?

Global markets experienced a severe selloff yesterday, as Japan's Topix plummeted and triggered a circuit breaker. Overnight, the S&P500 and Nasdaq declined 3.0%-3.4%, extending from the correction last Friday. The risk-off sentiment is being driven by a confluence of factors:

- **Unwinding of global carry trades:** The Bank of Japan's decision to raise interest rates has prompted an unwinding of yen-funded carry trades, an investment strategy that involves borrowing in low-interest rate currencies to invest in higher-yielding assets.

Japanese bank loans to overseas borrowers: JPY15.5tr

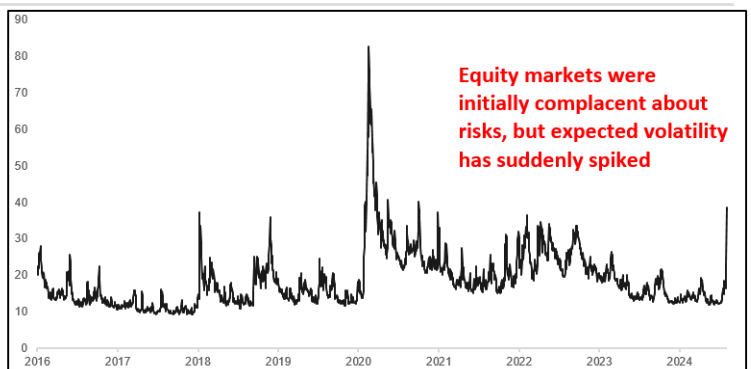


Source: Bloomberg

- **US economic concerns:** Friday's weaker-than-expected jobs data sparked concerns that the Fed is behind the curve on rate cuts, fueling fears of a potential recession.
- **Geopolitical tensions:** Threat of a wider conflict in the Middle East has added to overall market uncertainty.

This environment supports taking a more defensive stance in the near term. Reallocate some capital from Equities into Fixed Income, Gold and Cash.

US bond market volatility has started to decline while US equity market volatility has spiked



Source: Bloomberg, CIMB Chief Investment Office

Gold is a natural safe haven asset. Risk events and lower bond yields should support Gold prices. Ideal entry levels are around USD2350-USD2390.

Fixed Income is a defensive income instrument to lock-in attractive high yields and to benefit from expected rate cuts. **We prefer USD, AUD, GBP and EUR bonds to capitalise on cheap currencies.** We recommend a barbell strategy combining: i) short duration (1 to 3 years) high yield corporate bonds ii) longer duration (at least 10 years) investment grade corporate bonds iii) ultra-long (30 years) US Treasury bonds to generate attractive capital gains from expected rate cuts over the next year.

For **Equities**, we have been cautious on US tech since 17th July and had recommended to tactically lock-in outsized gains. **Despite the recent fall in the S&P500 and the Semiconductor index (SOX), valuations remain at or above historical averages - wait for the dust to settle before adding positions.** In contrast, we see opportunities in defensive markets like ASEAN. We like Malaysia's growth prospects and Singapore's compelling dividend yields.

In line with these views, our core **Fund** picks are: i) Principal Lifetime Bond ii) AHAM World Series - Global Income Fund iii) Principal Lifetime Balanced Income iv) Principal ASEAN Dynamic.

In conclusion, we would like to reiterate these messages:

1. US growth is going through a soft patch - the Fed is finally pivoting to rate cuts.
2. Equity volatility has risen; Bonds may start to outperform.
3. FX volatility has risen and the JPY carry trade unwind may not be over.
4. Geopolitics still remains fluid in the Middle East and in the US.

Disclaimer

The information herein is not directed to, or intended for distribution to, or use by, any person or entity who is a citizen or resident of a locality in any jurisdiction, state or country where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this publication/email/report/commentary, the recipient hereof represents and warrants that he is entitled to receive such publication/email/report/commentary in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law. This publication/email/report/commentary is being supplied to you strictly on the basis that it will remain confidential. No part of this publication/email/report/commentary may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed, published, circulated, reproduced or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB Bank (as defined below).

This publication/email/report/commentary has been prepared by CIMB Bank and is solely for information and discussion purposes only. This publication/email/report/commentary should not be construed as a recommendation, an offer to sell or a solicitation of an offer to buy or sell any securities, futures, options or other financial instruments or to provide any investment advice or services. CIMB Bank is also not acting as an advisor or agent to any person to whom this report is directed in respect of its contents.

Whilst CIMB Bank has taken all reasonable care to ensure that the information herein has been compiled from sources believed to be reliable and is not untrue or misleading at the time of publication, CIMB Bank assumes no responsibility and makes no representations or warranties, of any kind, as to the accuracy or completeness of this publication/email/report/commentary and this publication/email/report/commentary does not purport to contain all the information that a recipient may require. CIMB Bank makes no express or implied warranty as to the accuracy or completeness of any such information and opinion contained in this publication/email/report/commentary. The information and any opinion contained in this publication/email/report/commentary are subject to change without notice. Neither CIMB Bank nor any of its affiliates, related companies, advisers or representatives are obliged to update any such information subsequent to the date hereof. The projections, valuations and statistical analyses herein may be based on subjective assessments and assumptions and may use one of many methodologies that produce different results and to the extent that they are based on historical information, they should not be relied upon as an accurate prediction of future performance. All references to past performance are not a guide to any future performance. Nothing in this publication/email/report/commentary is intended to be, or should be construed as an invitation by CIMB Bank to buy or sell, or as an invitation to subscribe for, any securities. The price and value of any investments and indicative incomes herein contained may fluctuate either positively or negatively. It should be noted that investments in emerging markets are subject to increased levels of volatility than more established markets. Some of the reasons for this volatility relates to the respective economy, political climate, credit worthiness, currency and general market within that country. When investing in investments denominated in a foreign currency these transactions are also subject to fluctuation in exchange rates.

Certain transactions mentioned in this publication/email/report/commentary may give rise to substantial risks and may not be suitable for all recipients. Please refrain from acting on the information herein without first independently verifying its contents. Nothing in this publication/email/report/commentary constitutes a representation that any recommendation herein is suitable or appropriate to a recipient's individual circumstances and does not take into account the specific objectives or needs of any recipient given that it is not possible for CIMB Bank to have regard to the investment objectives, financial situation and particular needs of each person who reads this report. Please seek independent professional legal and financial advice as to the contents of this publication/email/report/commentary and the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you commit to purchasing a product. For the avoidance of doubt, the recipient of this publication/email/report/commentary should not treat such content as advice relating to legal, accounting, taxation, technical or investment matters.

Neither CIMB Bank, its affiliates and related companies ("**CIMB Group**") nor any of their directors, employees or representatives accept any liability for any loss, damage, costs, charges or expenses of whatsoever nature and howsoever arising (including but not limited to direct, indirect, special or consequential loss or loss of profits or loss of opportunity) suffered by you or any third party in connection with the use of this publication/email/report/commentary or its content (including any error, omission or misstatement herein, even if CIMB Bank has been advised of the possibility thereof). CIMB Group and their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this publication/email/report/commentary or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB Group do and seek to do business with the company(ies) covered in this publication/email/report/commentary and may from time to time act as market maker or have assumed an underwriting commitment in the securities or instruments mentioned in this publication/email/report/commentary and, together with its associates and related companies, their directors, officers, employees and/or agents, may have or take positions or other interests in, and may effect transactions in securities or instruments mentioned herein and may also perform or seek to perform broking, investment banking and other banking or financial services for the companies or issuers mentioned herein and the affiliates and/or related companies of such companies or issuers

CIMB Group may act as a principal or agent in any transaction contemplated by this document, or any other transaction connected with any such transaction, and may as a result earn brokerage, commission or other income. In the ordinary course of our businesses, any member of the CIMB Group may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the account of our other customers, in debt or equity securities or senior loans of any company that may be involved in this transaction. This is a result of our businesses generally acting independent of each other, and accordingly there may be situations where parts of the CIMB Group and/or our clients now have or in the future, may have interests, or take actions, that may conflict with your interests. In recognition of the foregoing, CIMB Group is not required to restrict its activities as a result of this report and that CIMB Group may undertake any business activity without further consultation with or notification to you.

Neither CIMB Group nor any of their directors, employees or representatives are to have any liability (including liability to any person by reason of negligence or negligent misstatement) from any statement, opinion, information or matter (express or implied) arising out of, contained in or derived from or any omission from this publication/email/report/commentary, except liability under statute that cannot be excluded.

This publication/email/report/commentary is private and confidential and is for the addressee's attention only. This publication/email/report/commentary is intended for clients of CIMB Bank only. If you are not the intended recipient and have received this publication/email/report/commentary, you may not use, copy or disseminate the information contained herein or hereto attached. Please also notify the sender/originator of the publication/email/report/commentary of the error and destroy the publication/email/report/commentary and/or delete the publication/email/report/commentary from your computer and system. We do not assure the security of information electronically transmitted, and your communication with us or request for communication through such means shall signify your acceptance of such risk.

If at any time any provision or part of any provision, of this disclaimer is, or becomes, illegal, invalid or unenforceable in any respect under applicable laws, that shall not affect the legality, validity or enforceability of any other provision, or part of that provision, of this disclaimer.

Disclaimer

This publication/email/report/commentary has been produced by the corresponding CIMB Bank entity as listed in the table below. The term "CIMB Bank" shall denote the relevant entity distributing or disseminating this publication/email/report/commentary in the particular jurisdiction referenced below.

Country	CIMB Bank Entity
Malaysia	CIMB Bank Berhad; and CIMB Investment Bank Berhad

CIMB Bank has produced this publication/email/report/commentary. Please contact your Private Banker, Relationship Manager or walk into your nearest CIMB Branch before acting in reliance on any information contained within this publication/email/report/commentary.