CIO Insights 3Q24

Risk Assets in Play.

Soft Landing

Recent economic data point to a US soft landing, with tapering growth and inflation. A trajectory of gradual rate cuts by the Fed is positive for risk assets.

Equity Rally to Broaden

While we remain structurally bullish on technology stocks, a broadening of the rally is expected. Other sectors like financials, energy, healthcare, and emerging markets will benefit.

Extend Bond Duration

The backing up of yields, alongside the disinversion of the yield curve over past quarters, have led to longer-dated bonds becoming attractive. Extend portfolio duration to 5-7Y in IG bonds.

Overweight Alternatives

Increase portfolio resilience with gold, hedge funds, and private assets. These strategies have low correlation with public equities and bonds, and at the same time, enhance returns over time.

DBS

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Foreword

Dear valued clients,

As the world reeled from a modern pandemic of unprecedented scale, you've trusted us to deftly navigate the turbulent waters that were the financial markets of the past two years – and probably heard your fair share of nautical analogies along the way.

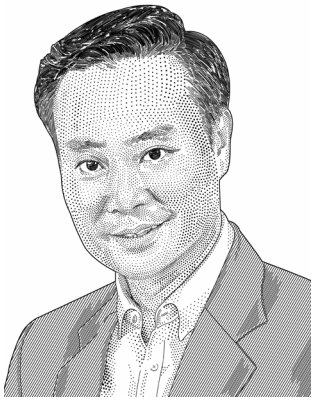
I'd like you to bear with one more: what do we do when land is in sight? With an increasingly strong likelihood/narrative that the Fed has pulled off a tightening cycle with little repercussions, a fundamental shift in market dynamics is already well underway. Our 3Q24 CIO Insights publication, titled "Risk Assets in Play", expounds on this as the world prepares to exit a high-rates environment.

This is where the work really starts. With promises of stable ground materialising, the second half of 2024 is the time to start building, and what better way to do this than with the world's best private bank behind you?

In May this year, DBS also had the honour of being the first Singapore-listed company to surpass SGD100bn in market capitalisation; cementing our position as a wealth management partner that holds steady amid geopolitical instability, yet with the ability to compete with the global best. In fact, our 2023 return on equity of 18% placed us in the top 10% of the world's largest banks; while 1Q24 saw a new quarterly high of 19.4%.

Strength is nothing without responsibility. In your partnership with us, we want to offer peace of mind in more ways than one. As of the end of 2023, more than 60% of our clients' investment assets were sustainably rated. We also continue to help our clients transition to a low-carbon economy and most recent led a SGD300mn green loan for a leading provider of renewable energy solutions.

In a world on the cusp of great change, I invite you to join us as we chart new lands.



Shee Tse Koon

Group Head, Consumer Banking
& Wealth Management

Executive Summary

Dear valued clients,

Since the start of this year, our call for portfolios to engage with risk assets has paid off as reflected in the continued run in equities and the compression of credit spreads.

We see a Goldilocks economy panning out in the US – not too hot, not too cold. In other words, a soft landing with tapering growth and inflation that will lead to the Fed gradually cutting rates. Looking at past cycles, such a trajectory in interest rates had led to a bullish trend that persisted for longer.

Hence, we continue to advocate for excess cash to be deployed in well-balanced portfolios comprising public equities, bonds and alternative asset classes.

Stay with quality companies with deep moats for equities, investment-grade with longer duration for bonds, and overweight gold and alternatives like private assets. Such a portfolio construct will demonstrate superior risk-reward over market cycles, while harnessing "risk premiums", or incremental returns over cash.

In this publication, we highlight a new investment theme: "New frontiers in space".

Commercialising spaceflight might sound new-fangled, but the theme is a natural extension of the rapid innovation behind Big Tech's market gains in recent years. It is not difficult, for instance, to chart a path between Tesla's semiautonomous vehicles to SpaceX's reusable rockets.

Do enjoy the read!

Hou Wey Fook, CFA

Chief Investment Officer

Complicated Last Mile

Asset Allocation 3Q24

US economic resilience and sticky inflation are prompting the Fed to keep policy rates higher-for-longer. But expect equity markets to stay resilient given robust margins and earnings. Maintain preference for bonds over dividend-yielding equities. Gain exposure to hedge funds and gold for diversification.

Investment Summary 3Q24

Macro Policy

Fed to wait and see for the rest of the year amid stubborn inflation. ECB has eased before the Fed. BOJ to hold rates, scale back JGB purchases. China policy support to continue.

Economic Outlook

Global growth momentum is slowing, with signs of weakness surfacing, from ISM Manufacturing orders to retail sales. Services in Europe remain strong, while China's labour market is on the mend.

Equities

US equities to stay resilient amid "greedflation" and robust earnings outlook. AxJ outperformance to persist, supported by policy measures and undemanding valuation.

Credit

Yields are at an inflection point between tight policy and softening economic momentum. Sweet spot remains in A/BBB credit, with a duration barbell between 1-3Y credit for high absolute yields and 7-10Y credit for wide spreads.

Rates

ECB cuts and potential Fed easing this year should translate into steeper curves. The BOJ continues to buck the trend; the JGB curve may well flatten. We expect CGB yield curves to steepen as China ramps up fiscal stimulus.

Currencies

The greenback's strength is likely to wane due to a less exceptional US economy, central banks aligning with the Fed's delayed rate cut, and risk from the upcoming US elections.

Alternatives

Heightened geopolitical risks, wider performance dispersion, and reduced asset correlations are supportive of larger opportunities for alpha. This warrants a closer look at hedge fund strategies for outperformance.

Commodities

Signs of a broadening rally within commodities as copper gained on China's "green" demand and mine disruptions, while severe supply shortages see cocoa notch stellar gains.

Thematics

Innovations like reusable rockets and SmallSats have unlocked new possibilities in the space economy, ranging from satellite internet and Earth observation to space travel.

Space: The Next Frontier

The commercialisation of the space economy is propelling technological innovation and driving cost efficiency, elevating the industry to unprecedented heights. The space economy is expected to grow 41% to hit USD772bn by 2027.

Key themes set to thrive in this booming sector include: (i) the "Picks and Shovels" of the space economy, (ii) Positioning, Navigation and Timing (PNT), (iii) Earth observation, and (iv) space tourism.

Source: Unsplash

01. Asset Allocation.

Hou Wey Fook, CFA
Chief Investment Officer

Dylan Cheang
Strategist

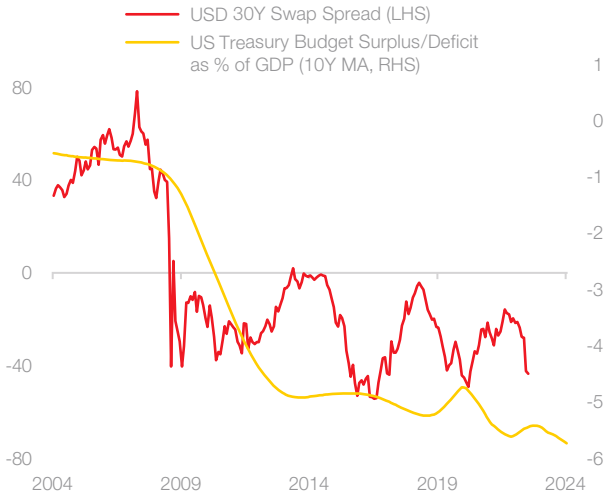
The Fed's indecision and reactive approach to policy continue to dominate the narrative. Just as risk assets were off to the races on rate cut expectations, the "data-dependent" central bank did a volte-face in February and threw a spanner into the works with a hawkish set of FOMC minutes. Citing reasons ranging from the danger of cutting rates too quickly to concerns over demand being stronger than assessed, the messaging is clear: There is no hurry to ease monetary policy.

It is clear by now that the Fed's obsession with inflation targeting is problematic. Contrary to popular belief, the two percent mark is not derived through research, sophistication, and vigour. Historically, the US central bank never had a numeric inflation target – not during the hyperinflationary 70s, and certainly not during the 80s. Following the lead of New Zealand, the two percent mark was only officially stated as a target by then-Fed Chair Bernanke in the Statement on Longer-Run Goals and Monetary Policy Strategy on 24 Jan 2012, and has become sacrosanct since.

However, problems arise when policies become dogma. To stay fixated on a rigid and arbitrarily derived target no longer makes sense in a rapidly changing world that is showing early innings of structurally higher inflation and by extension, structurally higher bond yields. As geopolitical uncertainties intensify worldwide, the need for "supply chain resilience" takes centre-stage. Unfortunately, the restructuring of supply chains will only push costs higher. So just as globalisation suppressed inflation in yesteryears, reshoring will reverse that.

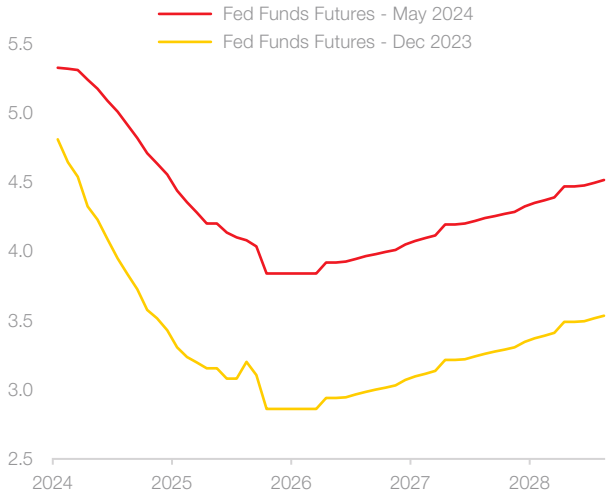
Above all, the acute US budget deficit is showing no signs of abating and the prevailing 30Y swap spread attests to this. The spread has turned deeply negative amid a widening deficit, and to fund this shortfall, the US Treasury needs to issue more debt. This creates a tricky situation as the deluge of Treasury issuances means that bond yields will stay elevated even if the Fed cuts rates. In short, the 2% target no longer makes sense in the new normal and Fed Fund futures are already pricing in a "higher for longer" world.

US budget deficit situation showing no signs of abating



Source: Bloomberg, DBS

Fed Funds futures signalling that rates will stay "higher for longer"



Source: Bloomberg, DBS

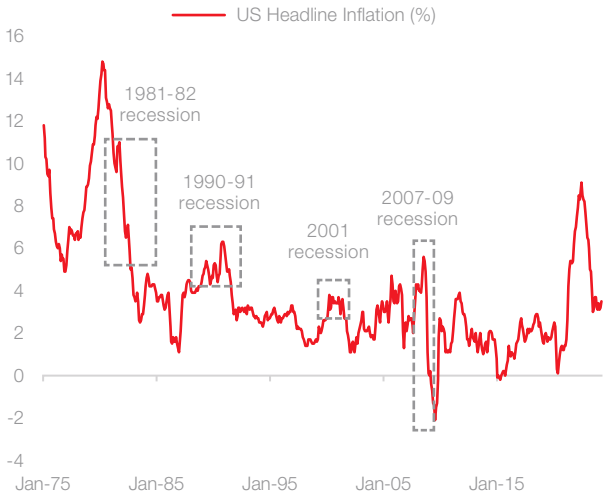
In any case, the Fed has historically rarely been able to bring inflation down sharply without risking a recession. The "energy crisis recession" of 1981, for instance, drove inflation down from 10.8% (in Jul 1981) to an average of 3.3% by 1983-86. But times have changed. The very notion of inflicting severe damage to the economy just to achieve a numeric target is inconceivable. The Fed's dual mandate, after all, is full employment and price stability.

Interestingly enough, the overall reluctance by the Fed in committing to rate cuts this year has failed to dampen animal spirits. After a knee-jerk pullback in April, the S&P 500 is back to record highs. Simplistically, one can attribute this to the innate optimism prevalent among equity investors as it appears that the "eventuality" of a rate cutting cycle – no matter how shallow – is good enough to sustain the rally.

But it is also more than that. There are sound fundamental factors underpinning the market and the most primary of which is broad-based economic resilience. Indeed, there is not much fault one can find with the US economy these days. Retail sales, for instance, continue to exceed expectations as consumers power the economy ahead, aided no less by the healthy job market.

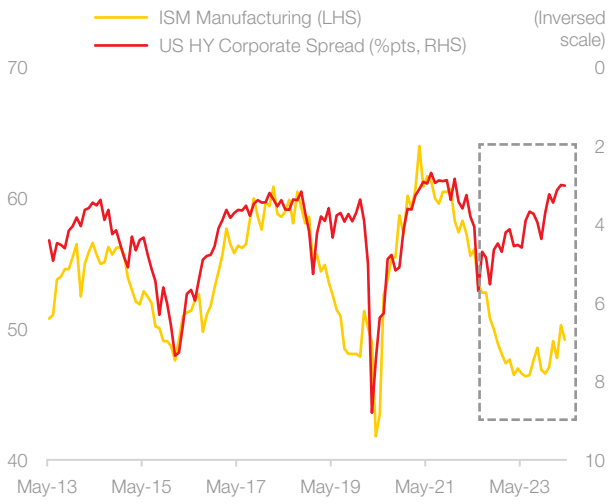
The prevailing US high-yield credit spread attests to this sanguine view. At 301 bps, bond investors are pricing in significantly higher ISM Manufacturing. But to debate whether such levels signify excessive optimism is moot. Instead, the important take-away here is this: Despite bond yields staying elevated, the probability of an economic soft landing is high – a view which we have embraced. This is good news for risk assets.

Sharp inflation pullbacks historically coincided with recessions - something the Fed would want to avoid



Source: Bloomberg, DBS

HY corporate bonds market pricing-in optimistic economic outlook



Source: Bloomberg, DBS

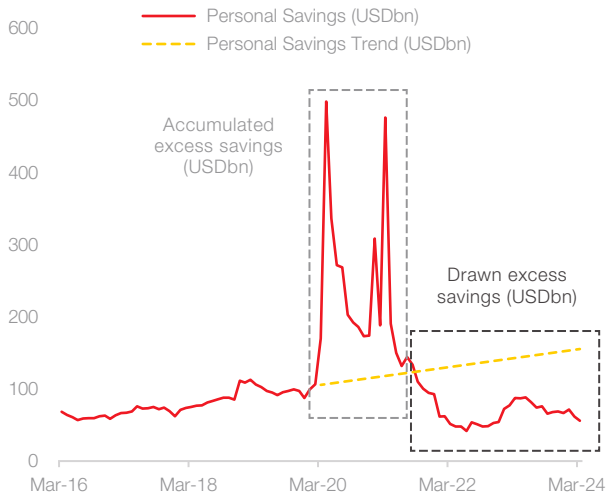
Navigating a "higher for longer" macro regime

The Fed has been hawkish of late. Judging from the frequent reminders that gaining "greater confidence" is taking longer than expected, it is clear that the bar for an eventual rate cut is set high. But make no mistake. Despite the subtle hawkishness, we maintain our view that policy easing is on the cards, with Fed Funds futures pricing in the first cut in Nov-Dec. For the Fed to gain confidence in pulling the trigger, two things must happen: consumption slowing, and inflation moderating further.

On consumption, demand has no doubt been supported by the strong labour market which boosted salaries across the board. Another more compelling factor driving consumption in recent years stemmed from additional savings accumulated during the pandemic. These excess savings were unleashed when the pandemic ended, giving way to a massive consumption boom.

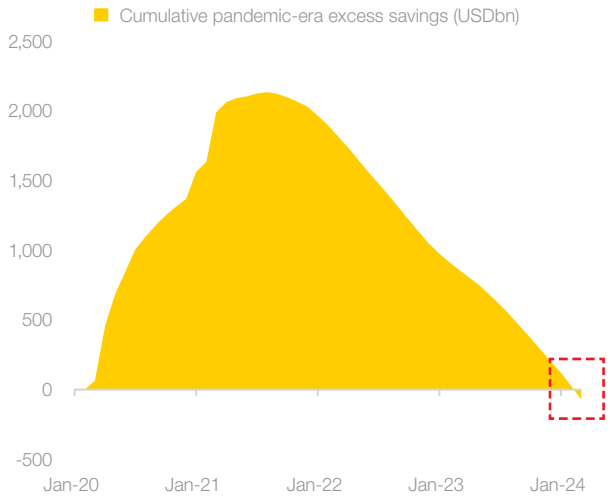
According to studies conducted by the Federal Reserve Bank of San Francisco, excess savings peaked at USD2.1tn in Aug 2021 and has since depleted at an average pace of USD70bn per month, before accelerating to USD85bn per month last fall. Based on this trajectory, the total pool of excess savings would have been fully depleted by 1Q24. If this assumption is correct, then there should be meaningful downward pressure on US consumption and inflation for the remaining months of 2024.

Excess savings surged during pandemic-era



Source: Federal Reserve Bank of San Francisco

Pandemic-era excess savings expected to be drawn down by 1Q24



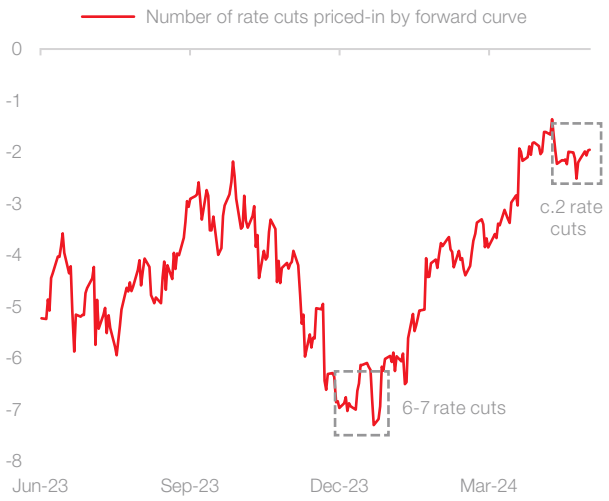
Source: Federal Reserve Bank of San Francisco

Fed to cut rates – But by how much? We can say with certainty that the Fed will undertake rate cuts this year and next. The magnitude of cuts, however, is up for debate. Based on Fed Funds futures, traders are expecting only two rate cuts from now till Jan 2025 – a marked departure from earlier pricing of six to seven rate cuts. While the change in expectations can be partly attributed to recent macro data as well as hawkish Fedspeak on the need for gaining "greater confidence", there are also other dynamics at play.

Increasingly, the notion of a "higher for longer" interest rate scenario is gaining traction as rate hiking has been less effective as a policy tool than previously thought. To recap, the recent years of surging inflation were caused by a combination of supply and demand factors. As supply chain pressures started to ease globally, it was assumed that high interest rates will weigh on aggregate demand and drive inflation lower.

But that has yet to fully transpire as inflation remains sticky. Over the longer term, we believe that structural factors are in place to keep inflation and bond yields elevated – two of which were already highlighted earlier, namely, the rise of reshoring and the increase in Treasury issuances. Adding on to these dynamics are (1) An aging population, which translates to higher inflation as retirees run down their savings in old age and (2) Escalating geopolitical tension in Russia/Ukraine and the Middle East, which puts upward pressure on commodity prices.

Traders have greatly pared back their rate cut expectations



Source: Bloomberg, DBS

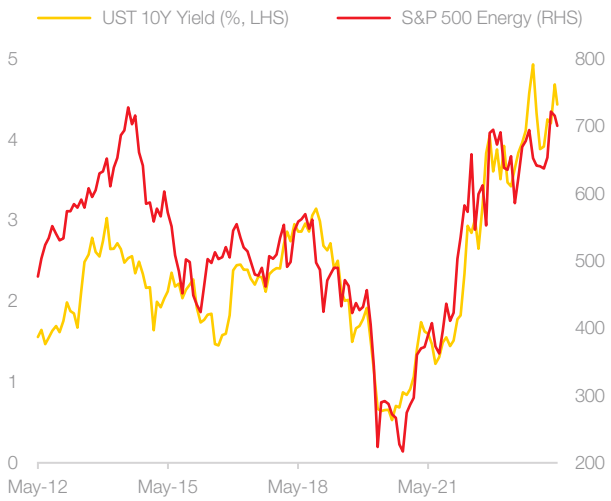
Beneficiaries of a "higher for longer" world. It is common to assume that a high interest rate environment is negative for risk assets. But it is not necessarily always the case. Much also depends on whether the high interest rates are supply- or demand-driven. Risk assets tend to underperform when policy rates have to be hiked to supress supply-driven inflation, such as the surge in oil price. Conversely, risk assets have the tendency to outperform when inflation (and by extension, policy rates) rises as result of economic strength.

With the easing of supply chain pressures globally, the current high inflation/high bond yield environment is predominantly demand-driven as the macro picture remains robust. Against this backdrop, we believe the following segments should perform well in a "higher for longer" interest rate environment:

- Big Tech with huge cash holdings: Technology companies, given their high growth business models, are often deemed as "long duration" plays that underperform in a high interest rate environment. But we believe that such a generalisation does not apply to the Big Tech space, particularly when it comes to companies with huge cash piles and strong balance sheets.

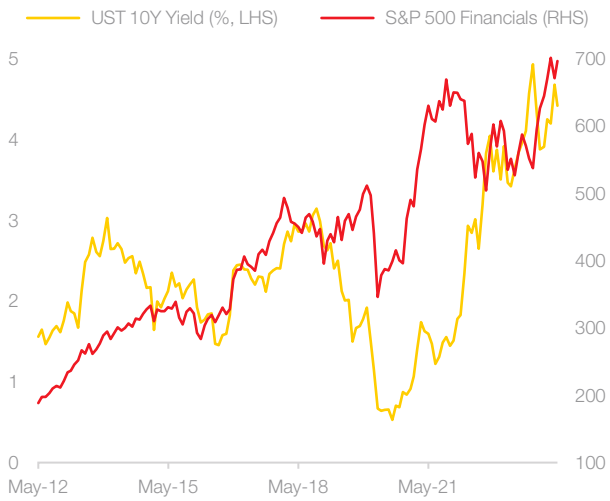
  Big Tech companies operating with the latest innovations and cutting-edge technologies are poised to register strong earnings growth in the years ahead. Based on consensus forecast, earnings growth is estimated to be at 44% in 2024 and 19% in 2025. Many of such Big Tech plays undertook the strategic initiative of locking in long-term borrowings at low rates years before bond yields spiked. This sheltered them from the negative impact of rising interest cost.

Rising yields are generally positive for the Energy sector



Source: Bloomberg, DBS

…. same for Financials



Source: Bloomberg, DBS

- Upstream energy companies with low gearing: The energy sector is unique in the sense that end-demand tends to remain broadly stable even in a high interest rate environment given the essential nature of its products. The combination of inelastic demand, coupled with rising oil prices as a result of geopolitical uncertainty, augurs well for the outlook of upstream energy companies.

- Large-cap financials with low exposure to commercial real estate: High interest rates are positive for the net interest margin outlook of banks as interest income tends to reprice faster than interest expense for loans. Additionally, a high interest rate environment is also positive for the bonds portfolios held by banks and insurance companies.

  But some degree of caution is warranted here. High interest rates are negative for highly-geared small cap companies. Avoid banks with huge loan book exposure to this space. Additionally, we are also cautious on banks with huge exposure to CRE as the rise of remote work poses significant headwinds to CRE.

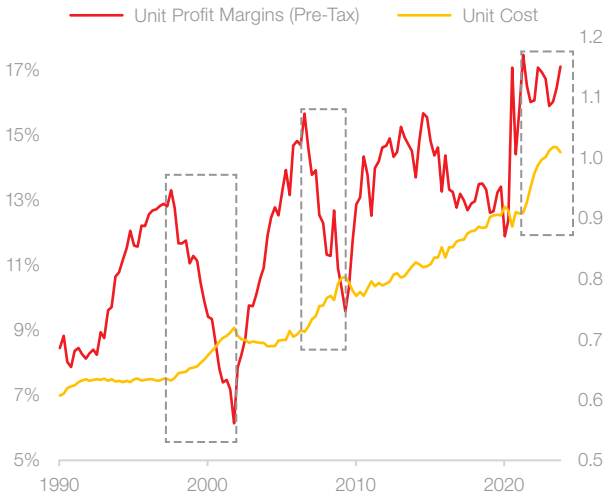
Factors underpinning global equity markets

After the high-octane rally in the first half of 2024, the natural question on investors' mind is "Will equity markets stay elevated?". Such concern is understandable given the slew of headwinds lurking on the horizon, including uncertainties surrounding the US presidential election and geopolitical tension in the Middle East and Russia/Ukraine.

However, we believe that the equity markets will stay resilient in the second half. Apart from the positive effects from the impending Fed rate cuts, we believe that equities will also be supported by the following factors:

Profit margin resilience amid "greedflation". We first highlighted the phenomenon of "greedflation" in our 3Q23 CIO Insights. This phenomenon essentially refers to businesses capitalising on the high inflation environment to mark up their selling prices far higher than the increase in input cost. It has been almost a year since, and judging from prevailing corporate profit margins, it is clear that this phenomenon is still in play.

"Greedflation" in play – Margins remain broadly stable despite surge in cost



Source: Federal Reserve Bank of St. Louis

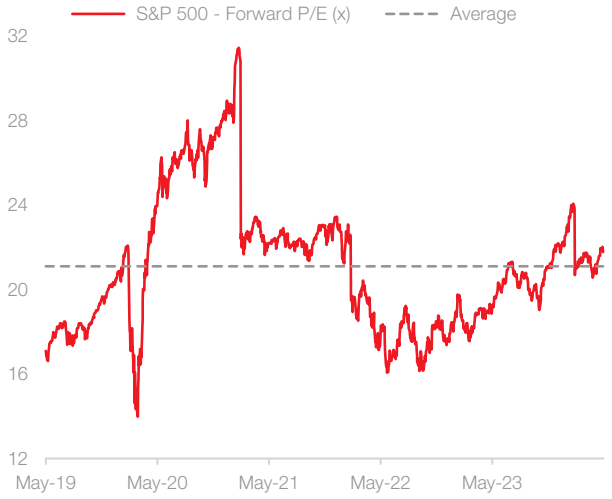
As data from the Bureau of Economic Analysis shows, sharp increases in unit cost are historically accompanied by a pullback in margins. However, this cycle is different. While cost has surged since Apr 2021 as a result of acute pandemic-driven inflation, profit margins have largely remained elevated. We believe a large part of this phenomenon is due to "greedflation" and a continuation of this trend augurs well for the outlook of corporate profitability.

Robust earnings outlook and undemanding valuation. Based on consensus forecast, the S&P 500 is expected to register earnings growth of 10% this year. The caveat here is that the market suffered an earnings recession in 2023, allowing this year's numbers to benefit from a weak base. That said, the outlook for 2025 is equally upbeat with earnings growth expected at 13%, buoyed by inventory restocking, technology-related capex, and increased construction spending.

US equity valuation, if viewed from a long-term perspective, is certainly looking rich. But if this is viewed from the lens of a shorter market cycle, the prevailing forward P/E of 21.8x is actually broadly in line with the 5-year average. We believe that the combination of non-demanding valuation and positive earnings growth momentum will support the current market rally.

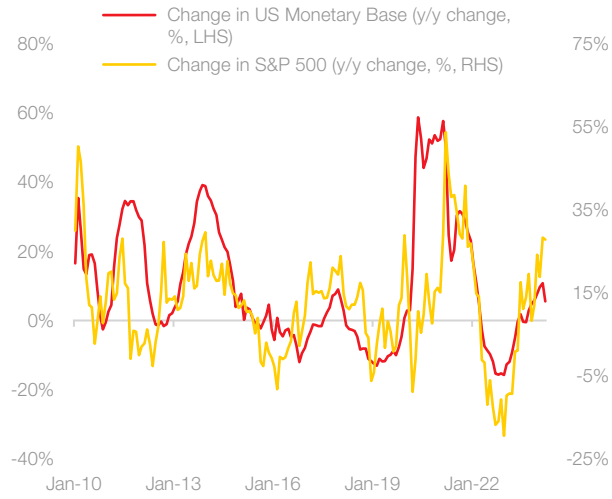
Liquidity support from rising US monetary base. The US monetary base has been on an upward trajectory since hitting a trough in Feb 2023, auguring well for the outlook of domestic equities. Historically, there is a remarkable fit between the change in US monetary base and the S&P 500. In 1Q24, the US monetary base expanded by 8.7% y/y on average, which coincided with the average change of 25.0% for the S&P 500 (vs long-term average of 9.0%).

US equity valuation broadly in-line with 5-year average



Source: Bloomberg, DBS

Close correlation between the y/y change for US monetary base and S&P 500



Source: Bloomberg, DBS

3Q24 Asset Allocation – Preference for bonds remains

Categories	Indicators	Score Range	Equities				Bonds		
			US	Europe	Japan	AxJ	DM Govt	DM Corp	EM Bonds
Fundamentals	PMI	-1 to +1	0	0	0	0	0	0	0
	Economic surprise	-1 to +1	0	-1	0	0	0	0	0
	Inflation	-1 to +1	0	0	0	0	0	0	0
	Monetary policies	-1 to +1	1	1	0	0	1	1	1
	Forecasted EPS growth	-2 to +2	1	0	0	2	-	0	0
	Earnings surprise	-2 to +2	1	0	0	0	-	0	0
Valuation	Forward P/E	-2 to +2	0	0	-1	1	-	-	-
	P/B vs ROE	-2 to +2	1	0	-1	0	-	-	-
	Earnings yield - 10Y yield	-2 to +2	-1	0	0	0	2	2	1
	Free Cashflow yield	-2 to +2	-1	0	1	0	-	-	-
	Credit spread	-2 to +2	-	-	-	-	-	-1	-1
Momentum	Fund flows	-2 to +2	0	-1	0	0	1	1	0
	Volatility	-1 to +1	0	0	0	0	0	-	-
	Catalysts	-2 to +2	0	0	0	0	0	0	0
Raw Score			2	-1	-1	3	4	3	1
Adjusted Score*			**0.10**	**-0.05**	**-0.05**	**0.14**	**0.36**	**0.19**	**0.06**

*Note: The "Adjusted Score" is calculated using the "Raw Score" divided by the maximum attainable score for each category.

Source: DBS

Cross Assets – Maintain overall preference for bonds on relative valuation merits. The latest scoring on our CAA framework continues to suggest a preference for bonds over equities.

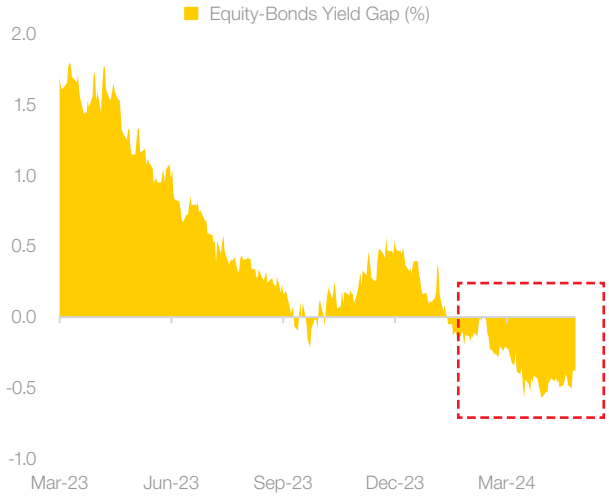
Fundamentals: While the strong hiring of 2022-23 could well be behind us, overall dynamism in the US labour market remains. Improvement in manufacturing has also been substantial as the ISM edged closer back to expansionary territory. Positive macro conditions, in turn, are underpinning corporate earnings which remained robust despite the higher interest rate environment.

On a global basis, market consensus is expecting earnings growth of 7.7% this year. There is, however, a stark divergence between the earnings trajectory of developed and emerging markets. While the DM space is expected to register earnings growth of 6.1% in 2024, the outlook for EM is vastly more upbeat with growth expected at 18.5%, driven by the likes of India (+35.5%) and China (+12.7%).

Valuation: The gap between the US earnings yield and UST 10Y yield has increased to -0.5048% in 2Q24 (as of 20 May), underpinning the relative attractiveness of bonds over equities.

Momentum: Fund flows data from EPFR Global continues to suggest broad-based preference for bonds over equities. On a QTD basis, bonds registered inflows of USD70.9bn (as of 15 May) while equity flows were markedly lower at USD25.7bn. The same trend is evident on a YTD basis, with bond flows totalling USD229.2bn (vs USD167.5bn for equities).

Equity-Bond yield gap has turned deeply negative



Source: Bloomberg, DBS

Equities: Enter the dragon – China equities poised for further upside. The revival of AxJ equities continues in 2Q24 as the region notched up total returns of 7.7% (as of 20 May). Not surprisingly, the standout performers were China as the market rallied 18.5% on rising optimism that the worst of policy headwinds are behind us, with the recent slew of property measures underpinning this optimism. Within the Chinese market, the top performing sectors were communications services (+24.8%), financials (+20.9%), and consumer discretionary (+18.6%).

As we head into 3Q24, we expect the outperformance of AxJ equities to persist amid positive momentum in China equities. The drivers are:

- Steep valuation discount despite YTD rally: China equities has rallied 16.0% YTD and despite the strong rally, the market continues to trade at 42% discount to developed markets (vs long-term average discount of 31%). This suggests room for further upside.

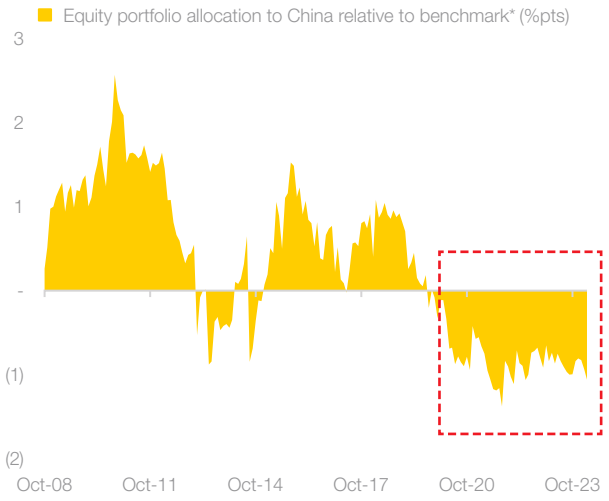
- Supportive policy measures: While the large-scale "bazooka" type of policy stimuli did not materialise, the Chinese government has nonetheless implemented a series of supportive measures such as the (1) 50 bps RRR cuts in January, (2) consumer goods trade-in program, and (3) new property measures which include a CNY300bn relending facility to help SOEs to buy unsold homes.

- Favourable portfolio positioning: Based on data from EPFR Global, portfolio allocators remain massively underweight on China. As sentiment towards the market starts to improve, investors may start dialling back their cautious stance and increase exposure to the market given the current light positioning.

- Strong earnings outlook: The corporate earnings outlook for China remains robust with consensus growth expected to reach 12.7% in 2024 and 13.0% in 2025 (vs 6.2% and 11.3% respectively for developed markets).

Bonds: Adopt "barbell" approach by going overweight in both 1-3Y and 7-10Y segments. US Treasury yields surged this year as investors pared back their rate cut expectations – from six to seven cuts by Jan 2025 to two cuts currently.

China equities remains underowned by portfolio allocators



Source: EPFR Global, DBS

This resurgence provides an attractive window of opportunity for bond investors to benefit from higher yields as well as stronger capital gain opportunities should the Fed cut more aggressively than expected.

In any case, the next policy move for the Fed will be a rate cut as opposed to a hike. The decision to stay in cash will therefore entail substantial reinvestment risks which makes one better off reallocating their holdings to bonds. A common pushback against corporate bonds is the tightness in spreads. Without a doubt, spreads will widen should macro conditions deteriorate. However, one should also be cognisant that the spreads widening will be more than compensated by the compression of the risk-free rate when the Fed easing starts.

At this stage of the credit cycle, we advocate a "barbell" approach for credit investing by focusing on:

- Short duration IG credit in the 1-3Y segment: This provides investors with the highest beta to rate cuts
- Long duration IG credit in the 7-10Y segment: This provides investors with wider spreads and sensitivity to rates

Tight US corporate spreads a concern for investors

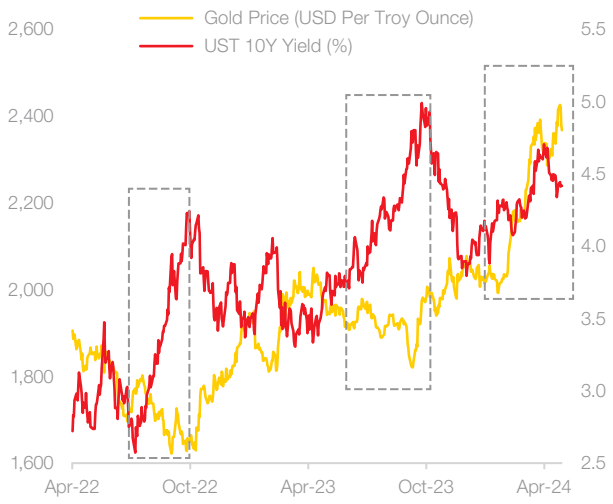
Source: Bloomberg, DBS

Alternatives: Embrace hedge fund strategies for diversification benefits; Stay overweight on gold. The winds of change in central banking policies and geopolitical landscape herald a new era of uncertainties for the financial markets. In the world of alternatives, this also opens new opportunities for investing in hedge funds as sophisticated managers pick winners and losers from the seismic change in macro regimes and geopolitics.

Indeed, alpha generation will be key and strategies that should perform well in such an environment include equity long-short, event-driven, and relative value. From a portfolio standpoint, the addition of hedge fund strategies provides diversification benefits. Macro strategy, for instance, possesses low correlation with traditional asset classes.

Meanwhile, gold has staged a spectacular rally in 2Q despite bond yields staying elevated, with the drivers being: (1) rising safe haven demand for gold amid escalation of geopolitical conflict in Russia/Ukraine and Middle East, and (2) central bank buying on rising de-dollarisation concerns, which gave rise to greater preference for real assets. We maintain a bullish stance on gold and are upgrading our 12M rolling target price to USD2,500/oz. Gold encapsulates favourable risk-reward and diversification benefits.

Rising bond yields is usually accompanied by flat or weaker gold price; But not this time



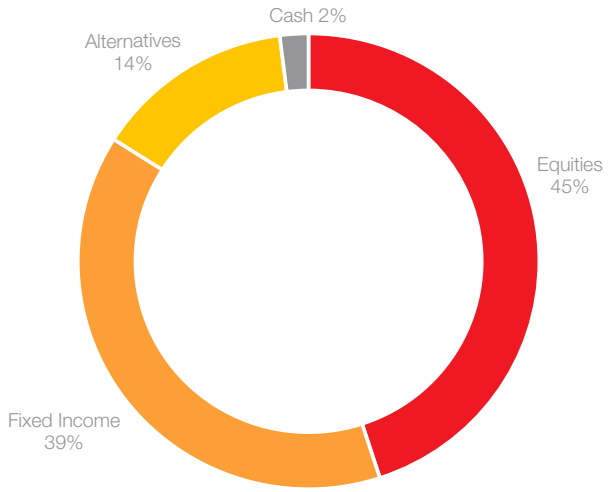
Source: Bloomberg, DBS

3Q24 Global Tactical Asset Allocation

	3-Month Basis	12-Month Basis
Equities	**Underweight**	**Neutral**
US Equities	Overweight	Overweight
Europe Equities	Underweight	Underweight
Japan Equities	Neutral	Neutral
Asia ex-Japan Equities	Overweight	Overweight
Fixed Income	**Overweight**	**Underweight**
Developed Markets (DM) Government Bonds	Overweight	Underweight
Developed Markets (DM) Corporate Bonds	Overweight	Neutral
Emerging Markets (EM) Bonds	Underweight	Neutral
Alternatives	**Overweight**	**Overweight**
Gold	Overweight	Overweight
Private Assets & Hedge Funds	Overweight	Overweight
Cash	**Underweight**	**Neutral**

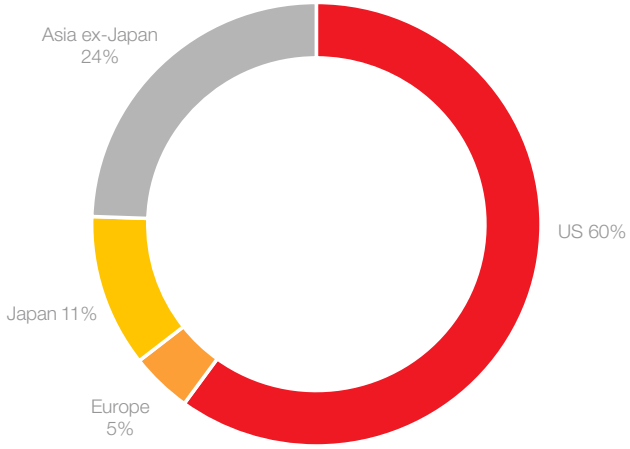
Source: DBS

TAA breakdown by asset class (Medium Risk)



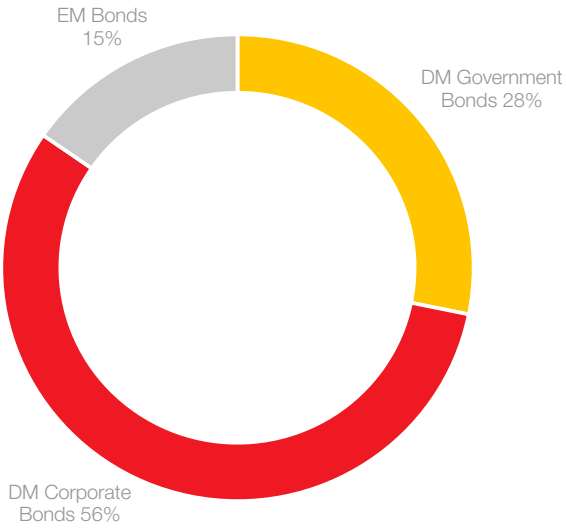
Source: DBS

TAA breakdown by geography within equities (Medium Risk)



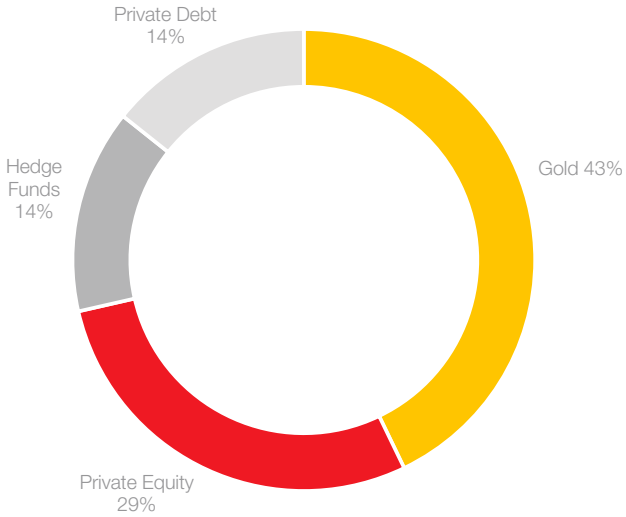
Source: DBS

TAA breakdown by bond types within fixed income (Medium Risk)

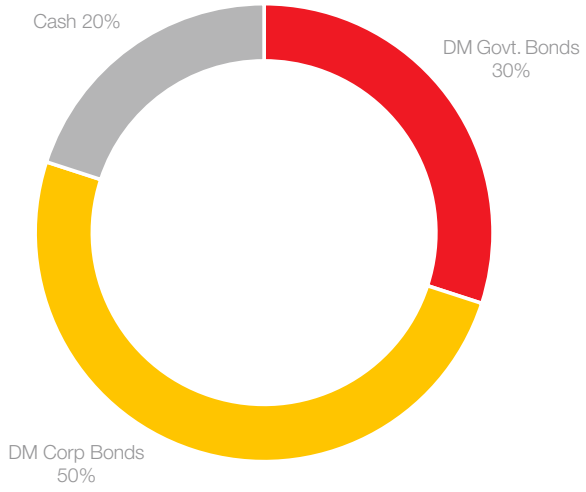


Source: DBS

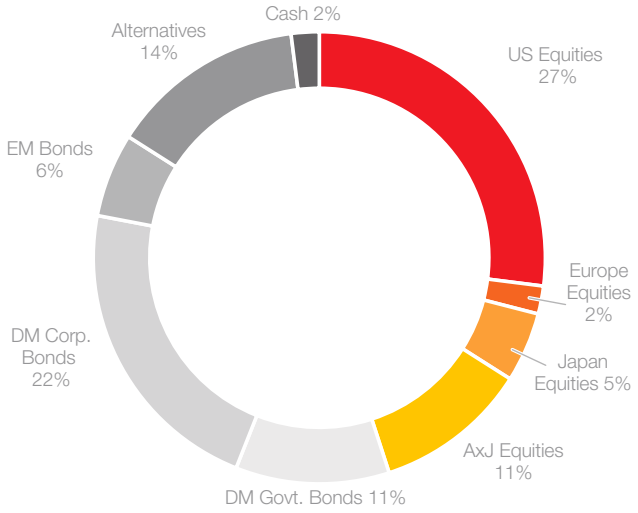
TAA breakdown by segments within alternatives (Medium Risk)



Source: DBS



Source: DBS



Source: DBS

Low Risk

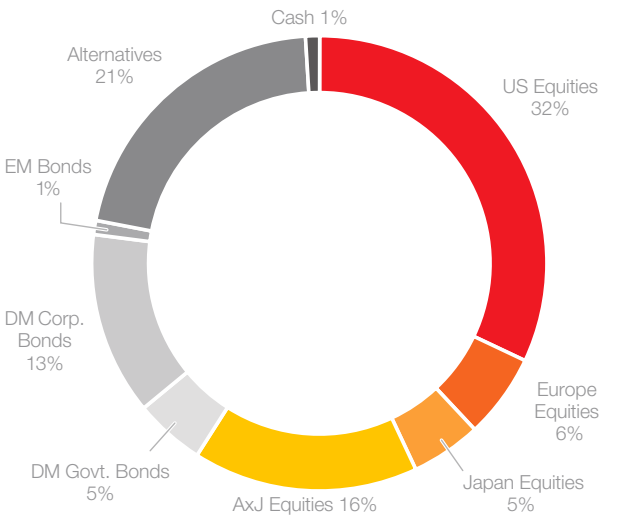
	TAA	SAA	Active
Equities	**0.0%**	**0.0%**	
US	0.0%	0.0%	
Europe	0.0%	0.0%	
Japan	0.0%	0.0%	
Asia ex-Japan	0.0%	0.0%	
Fixed Income	**80.0%**	**80.0%**	
Developed Markets - Government	30.0%	30.0%	
Developed Markets - Corporate	50.0%	50.0%	
Emerging Markets	0.0%	0.0%	
Alternatives	**0.0%**	**0.0%**	
Gold	0.0%	0.0%	
Private Assets & Hedge Funds*	0.0%	0.0%	
Private Equity	0.0%	0.0%	
Hedge Funds	0.0%	0.0%	
Private Debt	0.0%	0.0%	
Cash	**20.0%**	**20.0%**	

*Only P4 risk rated UCITs Alternatives

Medium Risk

	TAA	SAA	Active
Equities	**45.0%**	**50.0%**	**-5.0%**
US	27.0%	25.0%	2.0%
Europe	2.0%	10.0%	-8.0%
Japan	5.0%	5.0%	
Asia ex-Japan	11.0%	10.0%	1.0%
Fixed Income	**39.0%**	**35.0%**	**4.0%**
Developed Markets - Government	11.0%	10.0%	1.0%
Developed Markets - Corporate	22.0%	15.0%	7.0%
Emerging Markets	6.0%	10.0%	-4.0%
Alternatives	**14.0%**	**10.0%**	**4.0%**
Gold	6.0%	5.0%	1.0%
Private Assets & Hedge Funds*	8.0%	5.0%	3.0%
Private Equity	4.0%	2.4%	1.6%
Hedge Funds	2.0%	2.0%	
Private Debt	2.0%	0.5%	1.5%
Cash	**2.0%**	**5.0%**	**-3.0%**

*Only P4 risk rated UCITs Alternatives



Source: DBS

High Risk

	TAA	SAA	Active
Equities	**59.0%**	**65.0%**	**-6.0%**
US	32.0%	30.0%	2.0%
Europe	6.0%	15.0%	-9.0%
Japan	5.0%	5.0%	
Asia ex-Japan	16.0%	15.0%	1.0%
Fixed Income	**19.0%**	**15.0%**	**4.0%**
Developed Markets - Government	5.0%	4.0%	1.0%
Developed Markets - Corporate	13.0%	7.0%	6.0%
Emerging Markets	1.0%	4.0%	-3.0%
Alternatives	**21.0%**	**15.0%**	**6.0%**
Gold	7.0%	5.0%	2.0%
Private Assets & Hedge Funds*	14.0%	10.0%	4.0%
Private Equity	7.0%	4.9%	2.1%
Hedge Funds	4.0%	4.0%	
Private Debt	3.0%	1.1%	1.9%
Cash	**1.0%**	**5.0%**	**-4.0%**

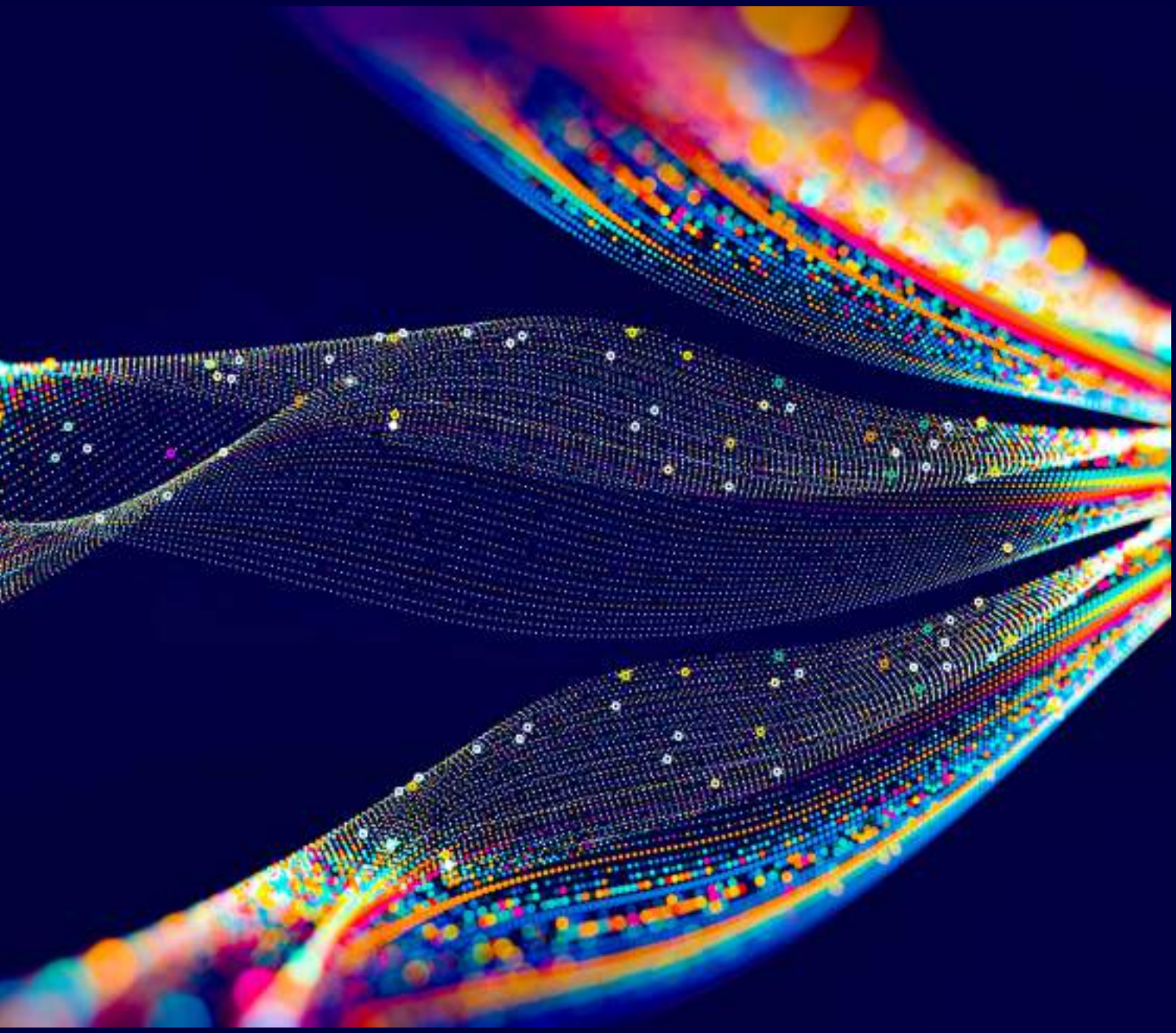
*Only P4 risk rated UCITs Alternatives

Notes:
1. The above are based on three-month views.
2. Asset allocation does not ensure a profit or protect against market loss.
3. "TAA' refers to "Tactical Asset Allocation". "SAA" refers to "Strategic Asset Allocation".
4. The investor type classification for the portfolio has no direct relationship with the Financial Needs Analysis customer risk profile types and the portfolios are not assigned any product risk rating based on the bank's proprietary risk rating methodology.

Noise in the Signal

Macroeconomics
3Q24

Markets are in a wait-and-see stance amid uneven US economic data. The Eurozone economy recovered modestly alongside softening inflation, laying the groundwork for ECB rate cuts. The persistently weak JPY affects inflation, raising concerns for the BOJ.



Source: iStock

02. Macroeconomics.

Taimur Baig, Ph.D.
Chief Economist

Radhika Rao
Economist

Ma Tieying
Economist

Suvro Sarkar
Analyst

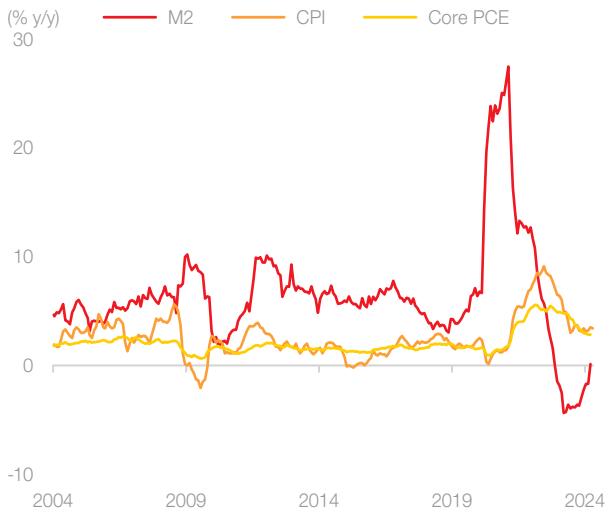
US

Global fixed income markets have oscillated between hope and despair throughout the course of this year. The markets have been chastened several times by comments from Chair Powell and minutes from FOMC meetings. These have largely been about a lack of further progress towards the Fed's 2% inflation target, pushing fixed income markets to price in no more than one rate cut this year. However, there have been instances when weaker-than-expected nonfarm payrolls or retail sales data have brought back the prospect of two rate cuts.

Like the Fed, markets are set for several months of "wait and see." The key issue is the noise associated with inflation. Goods inflation has eased substantially, but some aspects of core inflation, including rentals, medical care, and financial services, have become a source of concern. If energy and food prices remain steady, as we expect they would, a path toward additional, sustainable disinflation is there for 2H24. But to paraphrase Chair Powell, confidence in that path has waned somewhat.

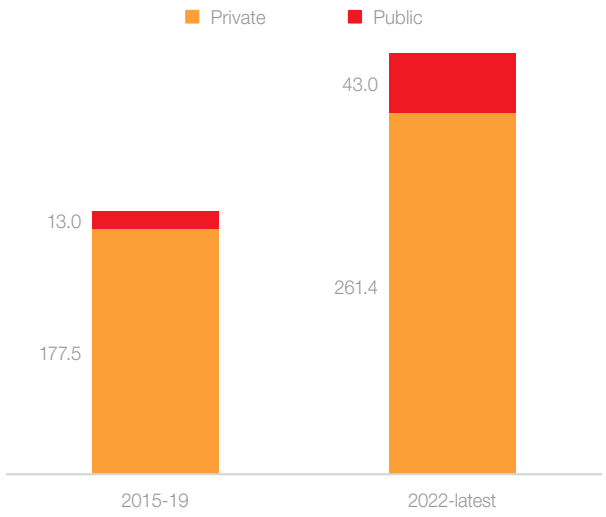
The other issue is the labour market, although we do not see a great deal of noise there. The red-hot jobs market of 2022/23 may be behind us, with some weakness creeping up in certain segments (e.g. construction and retail), but overall market dynamics are still positive. Recent payrolls figures largely reflect a slowdown in government hiring, which, in our view, does not reflect the dawning of a new trend. With no fiscal tightening measure in the pipeline and outlays from recent years' large infrastructure bills still percolating through the economy, public sector hiring is not about to fade.

US money growth and inflation



Source: CEIC, DBS

US non-farm payrolls: Average monthly change, sa, thousands

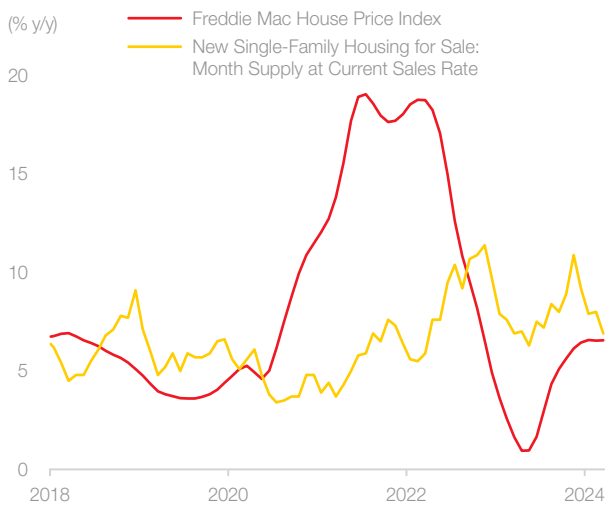


Source: CEIC, DBS

How do inflation and labour market developments align with the two-rate-cuts view in 2H24? From our perspective, quite well so far. A little bit of disinflation in oil (already underway) and rentals (downtrend has emerged) will help restore the Fed's confidence about inflation heading toward 2%, which could be further supported by marginal softening of jobs demand in the coming months.

But there is an emerging scenario in which energy and rental costs do not ease much, and neither does the labour market. Between Middle East tensions and Washington's sustained fiscal support for the US economy, the idea of very little disinflation and no further weakening of the jobs market is hardly outlandish. We assign this scenario a probability of 30%. In this scenario, the Fed will wait and watch for the rest of the year, eager to, but incapable of implementing rate cuts. We see considerable bond and currency market volatility in this scenario, a preview of which was amply visible in April and May. The year ahead could be a bumpy ride.

Housing market getting tight again



Source: CEIC, DBS

In the no-rate-cut scenario, how will the markets behave? Between substantial gains in property and stock market valuation, not to mention the preponderance of long-duration fixed rate mortgages, the high interest rate absorptive capacity of most US households is considerable. Their struggles will not be overwhelming for the economy in our view. The same stands for corporate America, flush with strong earnings and not particularly vulnerable to duration risks. Could there be financial stability risks? There is no room for complacency in that area. The Fed would have to be careful to ensure that both the bank and nonbank financial systems remain strong in the higher-for-longer scenario.

Eurozone

The Eurozone economy staged a modest recovery at the start of 2024 after an extended period of stagnation. Advance GDP growth rose 0.3% q/q sa (0.4% y/y) in 1Q24, above expectations and notching the fastest rate since 3Q22. This led the bloc to break out of a short-lived mild technical recession in 2H23 and a broader loss in momentum for the last year and a half. Recovery was led by the core-four economies, with Spain emerging as the fastest growing economy at 0.7% q/q, followed by Italy at 0.3%, and France at 0.2%. Germany's rebound to 0.2% q/q was attributed to higher investments and exports, improving from a contraction of 0.5% in the quarter before, besides a boost from Ireland's 1.1%.

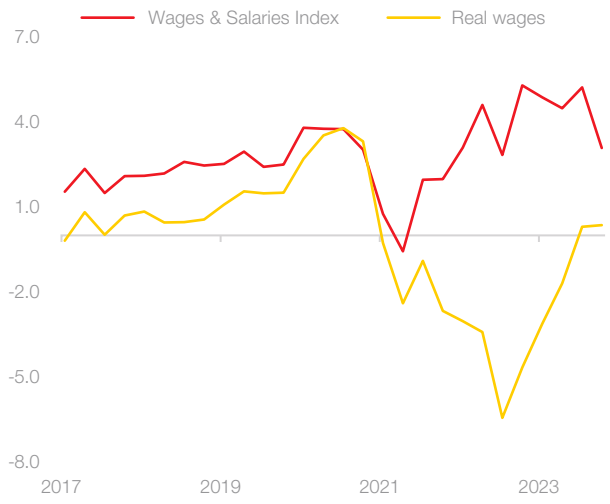
Economic recovery is continuing to progress, as April PMIs extended their climb alongside an improvement in the Sentix investor confidence index, higher industrial production, record low unemployment rate, and a pickup in construction activity. Non-financial corporate lending growth also picked up even as bank credit standards tightened

at the margin in April. Despite the impact from tight policy conditions, weak real wage growth, upcoming fiscal consolidation measures, and a strong 1Q outcomes mark an encouraging start to the year.

With excess capacity on hand, manufacturing output is expected to turn up modestly this year alongside an improvement in non-residential construction equipment. This will be accompanied by a still-tight labour market, with real wage growth expected to recover courtesy of easing price pressures, even if falling short of 2021 levels. Despite firmer growth in the US and China, a shift in preference from goods to services and moderation in trade-intensive capital goods will be dampeners for the Eurozone's exports, according to the EC's Spring assessment. Factoring in a firmer start to the year and the anticipated pickup in the demand levers, we dial up Eurozone's growth forecast to 0.8% y/y from 0.5% currently, in addition to raising 2025's forecast to 1.2% from 1.0% earlier. The output gap had narrowed markedly, and is expected to hover in a modest negative in 2024-25.

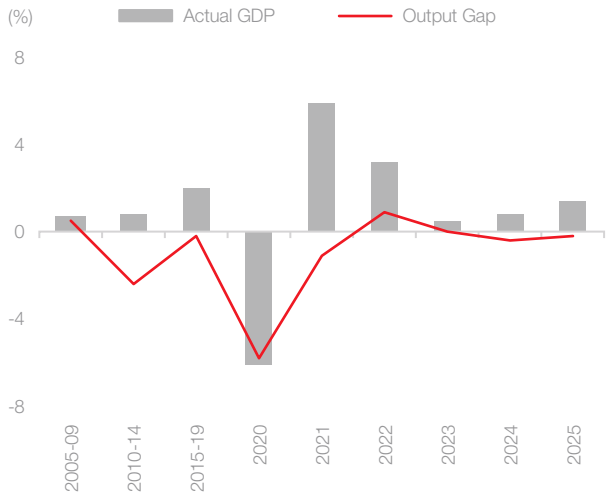
Inflation continues to soften, with the headline steady at 2.4% y/y in March while core slipped from 2.9% to 2.7%. The much-watched service inflation (44.8% weight), which has been running faster than the headline in the past year, moderated to 3.7% from 4% earlier, influenced partly by the difference in the timing of Easter. On the other hand, the disinflationary impulse in energy (c.9.1% weight) is beginning to dissipate, opening the door to fresh pressures if global energy prices rise on geopolitical risks. The ECB expects compensation per employee to rise 4.5% this year alongside collective wage agreements pegging an increase of <4%, signaling pipeline risks. The mix of a rebound in 1Q growth and core inflation easing by a smaller extent than expected affords the ECB more flexibility on the policy front.

Real wage growth inching back to black



Source: CEIC, DBS

Potential GDP vs actual run-rate

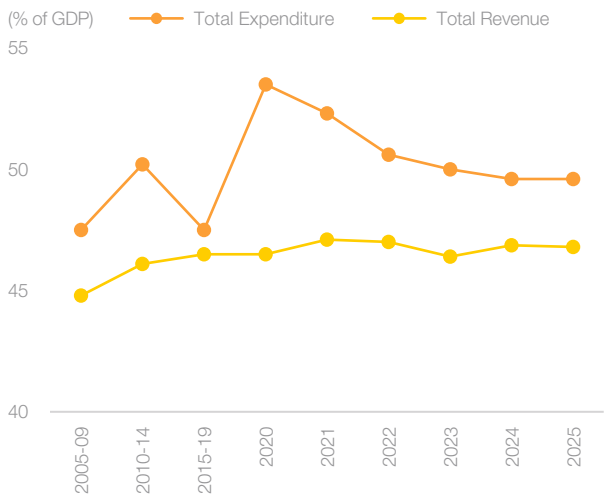


Source: European Commission, DBS

Given the uncertainty over the durability of recovery and armed with inflation heading towards the 2% target, it came as little surprise that the ECB started policy easing in June, frontrunning the US Fed. We view this as the policy stance becoming less restrictive, implying a shallow rate cut cycle of ~100 bps. As for the QE program, net asset purchases under the Pandemic Emergency Purchase Program (PEPP) was discontinued in Mar 2022. In Dec 2023, the ECB announced plans to continue reinvestment of principal payments from maturing securities in 1H24, reduce its portfolio by EUR7.5bn per month in 2H24, and cease reinvestments by end-2024.

Fiscal developments will be the other key factor to watch this year and the next. The EC is expected to send a recommended fiscal adjustment path based on the new rules. Member countries whose deficits are in in breach (wider than -3% of GDP) might face an Excessive Deficit Procedure (EDP) with Italy, France, Spain, etc. falling in that territory. Consolidation concerns will loom large as expenditure spending is still way above pre-pandemic levels while revenue growth has been largely flat.

Total expenditure stays above pre-pandemic levels



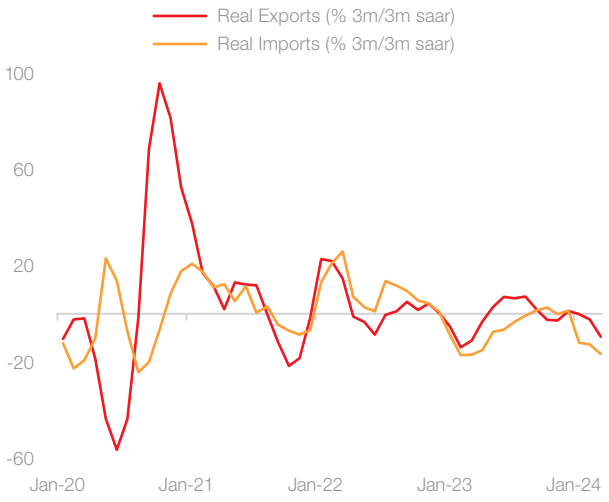
Source: European Commission, DBS

Japan

The larger-than-expected contraction in 1Q GDP (preliminary: -2.0% q/q saar) will likely weigh on full-year growth. We have revised down our GDP growth forecast for 2024 to 0.3% from 0.8%. We expect the BOJ to lower its FY24 GDP growth projection in its July quarterly outlook review (current projection: 0.8%).

The weaker-than-expected GDP performance has raised debates over whether a weak yen benefits the Japanese economy. While the yen's depreciation bolsters export revenue, exports between 2021 and 2023 remained stagnant in real terms, despite the 40% depreciation in yen over the past three years.

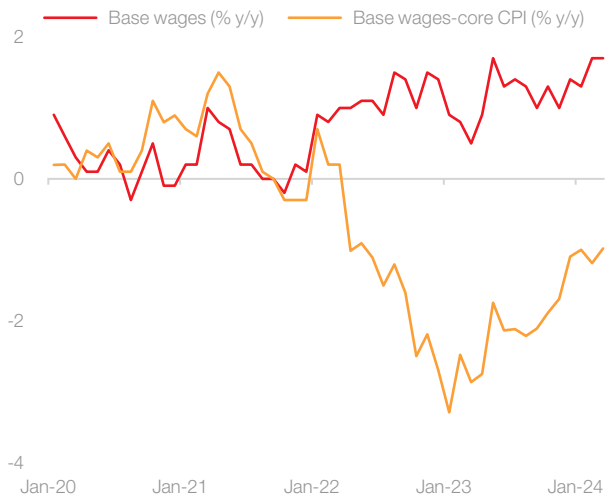
Exports remained stagnant in real terms



Source: CEIC, DBS

Moreover, a weak yen can potentially spur corporate profits and wage increases, but it also accelerates imported inflation. With inflation outpacing wage growth, real wages have declined for two consecutive years. Following this year's spring Shunto, base wages are expected to rise to around 2.5% y/y from 2Q onwards. However, we estimate that a depreciation of 10 %pts in the yen will trigger a 0.3 %pt rise in core CPI with a nine-month lag. Consequently, CPI inflation is expected to rebound to 2-3% y/y in 4Q, dragging real wages back into negative territory. Subsequent wage hikes during next year's Shunto may be needed to offset the inflationary pressures.

Real wages continued to decline



Source: CEIC, DBS

The government has raised concerns about the pace of yen depreciation. The Ministry of Finance is suspected to have conducted two rounds of yen-buying interventions, totalling JPY9tn on 29 Apr and 1 May. The decline in real wages and the weakening purchasing power of consumers could exacerbate the pressure facing Fumio Kishida's government, ahead of the Liberal Democratic Party leadership election in September.

BOJ Governor Kazuo Ueda also adjusted his tone on the yen following a meeting with PM Kishida on 7 May, highlighting that abrupt and one-sided yen weakening poses uncertainties that negatively impact Japan's economy, contrasting with earlier remarks that a weak yen was beneficial for Japan's economy as a whole.

There has also been a subtle shift in the BOJ's tone regarding interest rate policy. During a parliamentary session on 8 May, Governor Ueda stated that a monetary policy response might be necessary if the yen weakness significantly impacted inflation, contrasting with earlier remarks at the 26 Apr BOJ meeting, which stated that the recent decline in the yen did not immediately affect trend inflation. Whether this signals a substantial change in the BOJ's policy stance or a reaction to political pressures remains unclear.

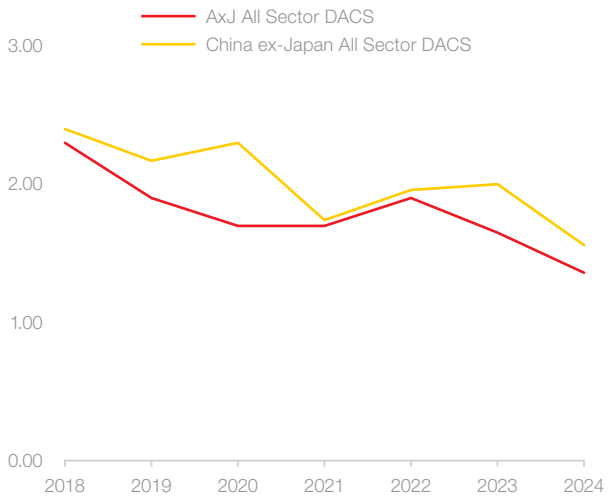
We doubt that the BOJ will increase rates during the upcoming June and July meetings, given the need to monitor post-Shunto wage data and wage-price dynamics closely. Nevertheless, we anticipate the possibility of the BOJ scaling back JGB purchases at these meetings, potentially paving the way for a rate hike from 0.1% to 0.25% in 4Q.

Asia

A remarkable rally in global credit markets continues, defying a substantial repricing of the timing and depth of monetary policy easing in the near term. After this year's rally, investment grade and high yield USD credit are rich by historical standards, just when one would have expected that worries about the higher-for-longer narrative would weigh on credit risk pricing.

Good times for credit extend beyond the US. Emerging market credit has rallied robustly across geographies and sectors. Here in Asia (except for Hong Kong), the key markets that we follow are looking highly constructive. Even China, where the macro narrative has been challenging for long, spreads, from financials to industrials and utilities to energy, have been narrowing.

Credit spreads easing in Asia



Source: Bloomberg, DBS

Note: DBS Aggregate Credit Spread or DACS indices show the aggregated z-spread for Asian corporate USD-denominated straight bonds. The higher the DACS, the higher is the yield that can be earned by investors in credit, and the higher is the perception of credit risks in markets.

China's long-beleaguered real estate sector remains stressed, but one should not ignore its 140 bps rally since Nov 2023. A series of supporting policy measures are helping. Indeed, amid generally tight credit spreads, one segment of the Asian market that still has scope for outperformance is China and Hong Kong-related property credit. Major Chinese cities are starting to remove home purchase curbs to spur sales. Beijing announced at the start of May that families will be allowed to purchase one more home in periphery neighbourhoods. Shenzhen also loosened home buying restrictions in May, allowing families with two or more children to buy another home in some non-core districts. This has resulted in a boost to Chinese homebuilders, with investors anticipating more relaxation by other Chinese cities.

We are also tracking Hong Kong property credit closely, where recent performance has been encouraging. Sentiment towards Hong Kong developers are benefitting from the reduction of Hong Kong stamp duties, while the relaxation of city limits on home purchases could also catalyse pent-up demand. Hong Kong real estate credit spreads have narrowed a tad year-to-date, but remain well higher than pre-Covid norms. The start of Fed rate cuts could become another catalyst in 2H as concerns over refinancing costs diminish.

Elsewhere in Asia, India credit has seen a robust rally in all six key sectors we track. The same is seen in Indonesia, reflecting buoyant investor sentiment in these two populous economies with sound growth outlook. South Korea looks good generally, except for its real estate and REITs sectors, which are under pressure due to substantial duration risks.

There are good reasons for buoyant sentiments. Despite higher rates and QT, central banks' provision for liquidity is still ample, with the combined balance sheets of the Fed, ECB, BOE, and BOJ still larger (both in nominal terms and as a share of GDP) than pre-pandemic peaks. Also, while the spreads look rich, they are priced from 5.5% short-term rates, meaning credit yields are attractive in absolute terms. Credit investors may find the spreads narrow, but they have not enjoyed such high returns in decades.

Still, an additional, and critical, conviction around rate cuts is lingering. The view is when they come, they would likely be a function of inflation easing toward the Fed's target as opposed to a reaction to recessionary developments.

Can the good times last? Only if inflation does not rebound, in our view. A couple of negative inflation surprises could stall and even reverse the historic rally in the credit space. Short of that, credit investors can continue to appreciate a rich and well rewarding market.

Oil prices resilient for now but moderation expected

Oil prices in consolidation phase. After spiking briefly above USD90/bbl in early April, Brent crude oil prices have cooled to around USD80/bbl levels as of writing, largely because of a step down in the extent of geopolitical risk premium in oil prices, as well as the muted outcome of the recent OPEC+ meeting. Our full-year 2024 average Brent crude oil forecast is maintained at USD80-85/bbl level, with bias towards the lower end of the range, implying 2H24 average will be lower than 2Q24 peak levels. For the rest of the year, we believe fundamentals will have a bigger role to play, though the Israel-Hamas and Russia-Ukraine conflicts may continue to cause volatility from time to time. Demand continues to hold up better than expected, and we have revised up our 2024 oil demand growth projection to 1.4mmbpd from 1.0mmbpd at the start of the year, with predictions for the US economy shifting from recession to "soft landing", to even the possibility of "no landing", where growth remains steady despite the rate hikes. Demand outlook from China has also been improving. On the supply front, OPEC+ cuts have been extended till September but a possible increase in supplies from October onwards could cap the oil price momentum going into 2025. Oil price trajectory heading into the latter part of 2024 and into 2025 will also be highly dependent on how the US rate cut scenario plays out. If rate cuts are delayed beyond Sep 2024, it may have an adverse impact on oil price sentiment.

Quarterly average oil price forecast 2024/25 – DBS base case view

(USD per barrel)	1Q24A	2Q24F	3Q24F	4Q24F	1Q25F	2Q25F	3Q25F	4Q25F
Average Brent crude oil price	82.0	83.0	81.0	79.5	77.0	74.5	74.0	73.5
Average WTI crude oil price	77.0	79.0	77.0	76.5	74.0	71.5	71.0	70.5

Source: DBS

OPEC+ meeting in June does not provide much cheer for oil prices. During the latest OPEC plus non-OPEC allies' ministerial meeting in early June, it was announced that the last round of voluntary production cuts totalling 2.2mmbpd (that has been in force since Nov 2023) will be continued until the end of Sep 2024. These voluntary cuts – which involve Saudi Arabia, Russia, UAE, Iraq, Kuwait, Algeria, Kazakhstan, and Oman – will then be gradually phased out on a monthly basis from Oct 2024 till the end of Sep 2025. However, the earlier round of production cuts totalling 1.65mmbpd that was announced in Apr 2023 will stay in place till the end of Dec 2025. We believe the market would have been expecting the production cuts to continue at current levels at least until the end of Dec 2024. While the announcement leaves flexibility for a pause or reversal of the monthly increases from October onwards depending on market conditions, it does indicate that the current level of production cuts will be difficult to implement for much longer. The extension of the cuts will help support the demand-supply balance to an extent in 2H24, but we are unlikely to see a repeat of 2023 – when oil prices peaked around USD95/bbl in September – unless we see even deeper production cuts from OPEC+, which looks unlikely at this stage.

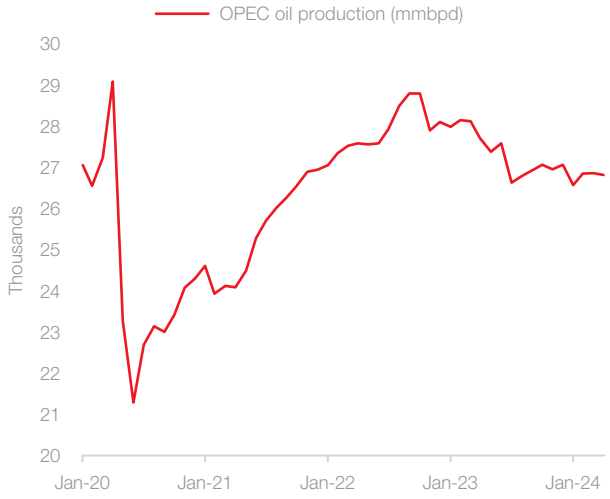
Brent crude oil prices off their April highs but remain resilient above USD78/bbl

Source: Bloomberg, DBS

The rise in non-OPEC supplies has been forcing OPEC+ to rein in supplies, with countries like Saudi Arabia and UAE forced to produce at >20% below their capacity. While US supplies are plateauing this year after a sharp rise in 2023, other non-OPEC sources like Brazil, Guyana, and Norway are seeing new projects coming on stream in 2024/25, which will keep the pressure on OPEC+ to rein in supplies. This however implies continuous loss of market share for OPEC+. How OPEC+ achieves the balance of slowly rolling back the production cuts without causing a severe dent to oil prices will be key to watch. Going into 2025, we now expect almost 1.0-1.5mmbpd production increase on average from OPEC+ given the schedule of monthly production increases announced, which will be difficult for the market to absorb, given the non-OPEC+ production increase highlighted above. Thus, the supply-demand balance looks set to be weaker in 2025 compared to 2024.

Geopolitical risks on the backburner for now. Back in April, it seemed that the Gaza crisis would snowball into a regional conflict, with Iran getting directly involved in the arena. Thankfully, there was only limited retaliation and things have cooled off since then, likely with diplomatic intervention from other countries like the US, who are keen to not let the situation escalate further. Though the Israel-Hamas hostilities continue without signs of any ceasefire, and will likely be a prolonged affair, much like the Russia-Ukraine crisis, it is not expected to significantly affect the oil market unless key actors like Saudi Arabia and Iran get involved or the Persian Gulf comes under attack, which we do not expect in our base case scenario. Any flare up in hostilities may cause short term spikes, but oil markets are no longer on edge regarding the possibility of a full-blown escalation of the conflict.

OPEC supply cuts likely to be extended, but for how long?



Source: Bloomberg, DBS

GDP growth and CPI inflation forecasts

	GDP growth, % y/y					CPI inflation, % y/y, ave				
	2021	2022	2023	2024F	2025F	2021	2022	2023	2024F	2025F
China	8.1	3	5.2	5	4.5	0.9	2.2	0.2	1.6	2
Hong Kong SAR	6.3	-3.5	3.2	2	2.5	1.6	1.9	2	2	2.2
India	8.9	6.7	7.8	7.1	6.5	5.1	6.7	5.7	4.6	4
India (FY basis)*	9.1	7.2	8.2	7	6.5	5.5	6.7	5.4	4.5	4
Indonesia	3.7	5.3	5.1	5	5.2	1.6	4.2	3.7	2.8	2.5
Malaysia	3.3	8.7	3.7	4.8	4.8	2.5	3.4	2.5	2.9	2.5
Philippines	5.7	7.6	5.6	5.3	5.4	3.9	5.8	6	3.7	3.5
Singapore	9.7	3.8	1.1	2.2	2.5	2.3	6.1	4.8	2.8	2.4
South Korea	4.1	2.6	1.4	3	2.2	2.5	5.1	3.6	2.8	2.3
Taiwan	6.6	2.6	1.3	4.2	2.6	2	2.9	2.5	2.2	1.9
Thailand	1.6	2.5	1.9	2.8	3	1.2	6.1	1.3	0.9	2
Vietnam	2.6	8	5	6	6.8	1.8	3.2	3.3	3.5	3.5
Eurozone	5.3	3.5	0.5	0.8	1.2	2.6	8.4	5.5	2.4	2.2
Japan	2.6	1	1.9	0.3	0.9	-0.2	2.5	3.3	2.2	1.6
United States	5.9	2.1	2.5	2	1.7	4.7	8	4.1	3.3	2.5

*2020 represents Fiscal 21; ending Mar 21
** new CPI series.
*** eop for CPI inflation.

Source: CEIC, DBS

Policy interest rates forecasts, eop

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
Mainland China*	3.45	3.45	3.45	3.35	3.25	3.15	3.15	3.15
India	6.5	6.5	6.5	6.5	6.5	6.25	6	6
Indonesia	6	6.25	6.25	6.25	6	5.5	5.5	5.5
Malaysia	3	3	3	3	3	3	3	3
Philippines	6.5	6.5	6.5	6.5	6.25	6	5.75	5.75
Singapore**	3.62	3.7	3.5	3.38	3.23	3.08	2.93	2.88
South Korea	3.5	3.5	3.5	3.25	3	2.75	2.5	2.5
Taiwan	2	2	2	2	2	2	2	2
Thailand	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Vietnam***	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Eurozone	4	3.75	3.5	3.25	3	3	3	3
Japan	0.1	0.1	0.1	0.25	0.25	0.25	0.5	0.5
United States	5.5	5.5	5.25	5	4.75	4.5	4.25	4

* 1-yr Loan Prime Rate; ** 3M SOR ; *** prime rate.

Source: CEIC, DBS

US Exceptionalism Continues

US Equities
3Q24

With a strong macro environment and loose financial conditions, US earnings upgrades are on the cards, justifying high valuations. We maintain our preference for Tech, Energy, and Healthcare, which will benefit from higher-for-longer rates.

03. US Equities.

Dylan Cheang
Strategist

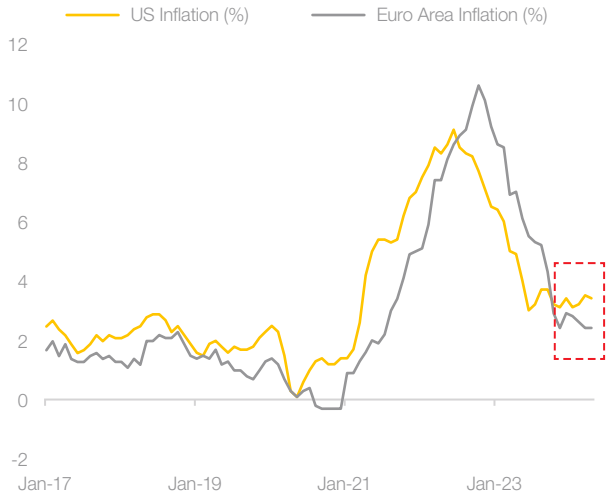
US outperformance amidst underlying economic resilience. The term "US Exceptionalism" may appear controversial to some. But the numbers speak for themselves. Since the tail end of the Covid-19 pandemic, the US economy has managed to stay robust despite the persistence of elevated policy rates. Much of this resilience is due to the strong fiscal stimulus unleashed by the US government which translated to a robust job market and healthy salary growth; this in turn supported domestic consumption.

According to projections by the OECD, the US economy is poised to return to pre-pandemic levels with real GDP growth expected at 2.6% this year (vs. average of 2.5% during 2013-19). In contrast, Euro Area's real GDP growth is expected to languish at 0.7% (vs. average of 1.9% during 2013-19).

The contrasting economic fortunes are, in turn, translating to divergent monetary policy paths between the Fed and ECB. While the Fed continues to stress the importance of gaining "more confidence" in its data-dependent policy approach, the ECB on the other hand has proceeded with monetary easing amid signs of softening inflationary pressure. Indeed, from a peak of 10.6% y/y in Oct 2022, Euro Area headline inflation has fallen to 2.4% y/y (vs. 3.4% y/y for US) as the Russia-Ukraine conflict and elevated energy prices weighed on European domestic consumption.

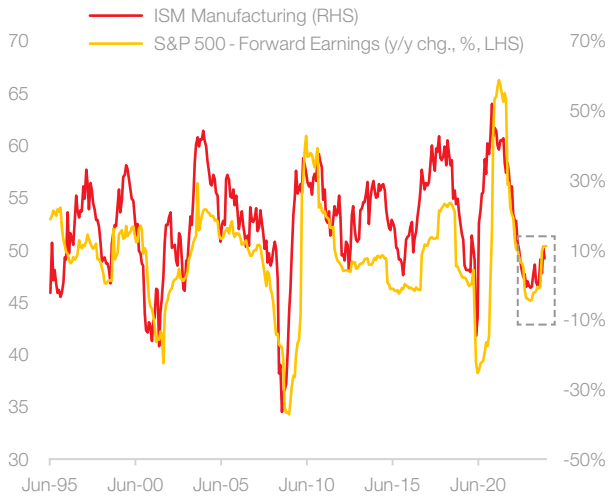
Sharp upward corporate earnings revision ahead. A robust macro environment and loose monetary conditions are powering US earnings ahead. Growth is expected to hit 10.5% this year and 13.0% in 2025. In the latest reporting season, earnings surprise came at c.80%, driven by strong momentum in technology, consumer staples and healthcare. This compares favourably with Europe as earnings surprise for the STOXX 600 stood at c.58%; in contrast to the US market, technology was the largest drag in Europe.

Divergent inflationary conditions leading to divergent monetary policy path



Source: Bloomberg, DBS

Rebound in manufacturing outlook suggests improvement in US forward earnings



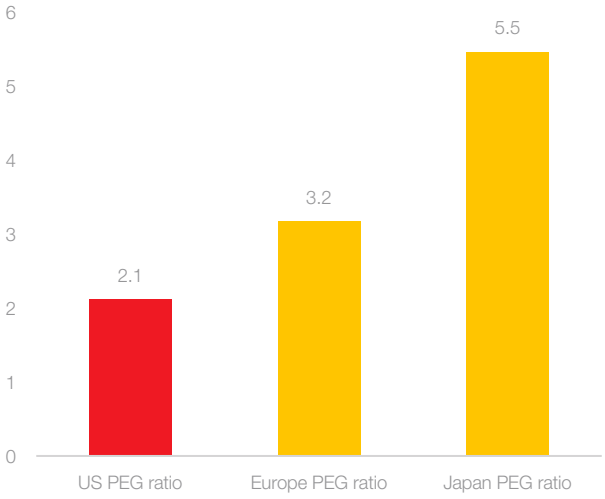
Source: Bloomberg, DBS

From a top-down perspective, US earnings growth historically exhibits a close correlation with ISM Manufacturing. As the latter continues to recover to expansionary territories, we expect earnings to improve in tandem. Above all, from a bottom-up standpoint, we believe that the adoption of AI is still in its infancy and as more industries/companies jump onto the bandwagon, tech-related earnings will receive an additional boost. Nvidia's recent blowout numbers and the AI-driven rally in utilities stocks suggest that further earnings upgrades are on the cards.

US valuation premium justified by earnings strength. A common pushback against US equities is the valuation premium it commands over other developed markets. But this is actually not the case when valuations are juxtaposed against long-term earnings growth outlook. The adage "you get what you pay for" certainly applies in this case. At forward P/E of 21.0x, US possesses forecasted long-term earnings growth of 8.9% which translates to a P/E-to-growth (PEG) ratio of 2.1. This compares favourably to PEG ratios of 3.2 for Europe and 5.5 for Japan. Conclusion: US valuation is expensive for a reason.

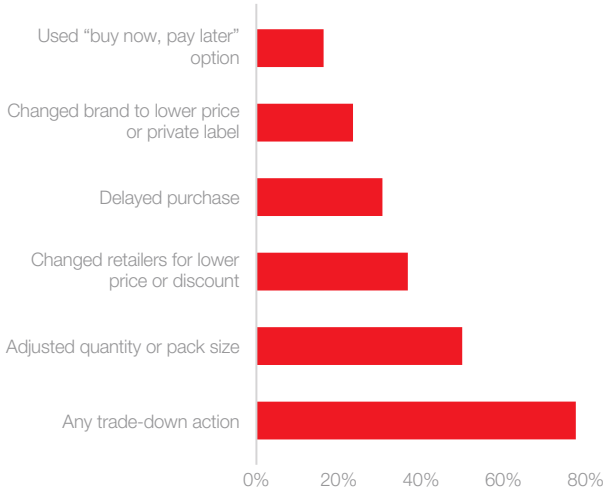
Sticky inflation and the "downtrading" of US consumers. US inflation has remained sticky despite elevated bond yields and easing supply chain pressure. Clearly, Fed rate hikes have proven to be less effective than expected and this could be attributed to various structural factors at play, such as the rise of reshoring and demographics. The prevalence of sticky inflation has, not surprisingly, led to a "consumer squeeze" with more people trading down and focusing on affordability in their purchases.

US valuation premium justified by robust earnings



Source: Bloomberg, DBS

76% of US consumers plan to trade down



Source: McKinsey
Data as of 1Q24

This trend will be particularly acute amongst the low-income group as consumers face the double-whammy of rising mortgage payments (as a result of high interest rates) and increased pricing for daily necessities. According to McKinsey, 76% of consumers surveyed are undertaking "trade-down action" while 36% switched their choice of retailers in order to obtain lower pricing or discounts. 49% of respondents adjusted the amount or size of their purchase while 23% switched to cheaper brands or private label.

In such an environment, we believe that consumer companies or brands that offer lower price points will experience stronger volume growth in their top-line. Such a consumption trend presents opportunities in the consumer discretionary and consumer staples space.

3Q24 US Sector Strategy – Stick with Tech and Energy

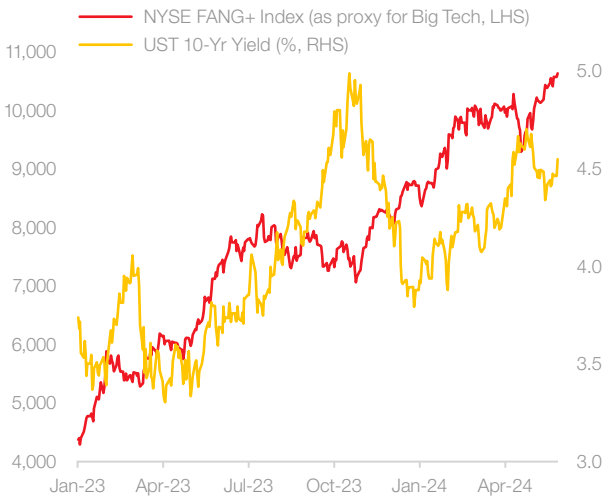
Slight outperformance in CIO sectoral calls; utilities emerging as AI play. Our US sector strategy registered slight outperformance in 2Q24 as the Overweight calls garnered average gains of 1.3% (as of 27 May), outperforming Neutral calls by 3.5 %pts and Underweight calls by 0.4 %pts. In our Overweight basket, the strong performance in Technology (+5.6%) and Communication Services (+5.0%) was offset by weakness in Energy (-3.1%) and Healthcare (-2.2%).

Meanwhile, it is interesting to highlight that within our Underweight basket, a defensive sector like Utilities has managed to register the largest gains of 8.9% as it is now perceived as a play on artificial intelligence (AI). Indeed, as Big Tech embarked on the race for AI dominance, not only are next generation chips required, data centers are equally importantly as well. Energy consumption by data centers are extremely high and this augers well for the outlook of utilities companies, in particularly those that focus on nuclear energy.

"Higher-for-longer" environment to benefit Big Tech and selective energy plays. Sticky inflation and the persistence of a 'higher-for-longer" interest rates environment is posed to benefit Big Tech companies with huge cash holdings and strong balance sheets. As Big Tech companies have undertaken the strategic initiative of locking in long-term borrowings at low rates years before the rise in bond yields, many are therefore sheltered from the negative impact of rising interest expense. We expect relative outperformance of Big Tech over consumer-related companies and small caps.

Additionally, we also expect upstream energy companies with low gearing to do well in a high interest rate environment as the end-demand for energy products tends to be inelastic given the essential nature of it. Rising oil prices as result of geopolitical uncertainties augers well for the outlook of upstream energy companies.

Big Tech trending in tandem with rising bond yields



Source: Bloomberg, DBS

US Sector Allocation – 3Q24

	Overweight	Neutral	Underweight
US Sectors	Technology	Materials	Utilities
	Comm. Services	Financials	Cons. Staples
	Healthcare	Cons. Dis.	Industrials
	Energy		Real Estate

Source: DBS

US Sector Key Financial Ratios

	Forward P/E (x)	P/Book (x)	EV/EBITDA (x)	ROE (%)	ROA (%)	OPM (%)
S&P 500 Index	21.9	4.8	15.5	17.9	3.8	13.5
S&P 500 Financials	15.8	2.1	7.4	12.3	1.4	17.7
S&P 500 Energy	12.6	2.3	7.6	17.6	8.5	13.4
S&P 500 Technology	31.1	12.1	23.5	29.5	12.7	25.4
S&P 500 Materials	21.6	3.1	14.8	10.9	4.7	11.1
S&P 500 Industrials	22.4	6.3	17.5	23.3	6.0	11.3
S&P 500 Con. Staples	20.0	6.3	14.8	25.0	7.4	7.9
S&P 500 Con. Discretionary	24.0	8.9	16.0	32.9	7.9	10.5
S&P 500 Comm. Services	19.4	4.5	13.0	18.2	7.3	20.6
S&P 500 Utilities	17.6	2.1	12.2	10.2	2.6	20.1
S&P 500 Real Estate	34.7	2.8	20.1	7.8	3.2	23.5
S&P 500 Healthcare	20.5	5.1	20.8	14.2	4.8	6.3

Source: Bloomberg
* Data as at 27 May 2024

Strong Value Proposition

Europe Equities
3Q24

Supportive central bank policies and better-than-expected corporate earnings signal that the worst may be over for Europe. Compared to the US, its larger proportion of traditional industries allows Europe to benefit from a broadening rally. We continue to favour fundamentally strong European companies in the Luxury, Tech, and Healthcare space.

04. Europe Equities.

Joanne Goh
Strategist

The broadening rally we had anticipated in Q2 benefited European equities, building optimism that the worst may be over for Europe. This improved sentiment has translated into increased investor confidence, leading to higher demand for European stocks, especially originating from grossly underweight positions for Europe among global investors.

The Eurozone economy was clearly underperforming the US for much of the past two years, with worries of recession looming. The STOXX Europe 600 has held up this year despite worries over the economy, gaining 12% YTD, versus a 6.3% rise for the S&P 500.

We believe the following factors contributed to the outperformance. When combined, they have created a positive feedback loop, encouraging more investment and driving further growth in European stock markets. They include:

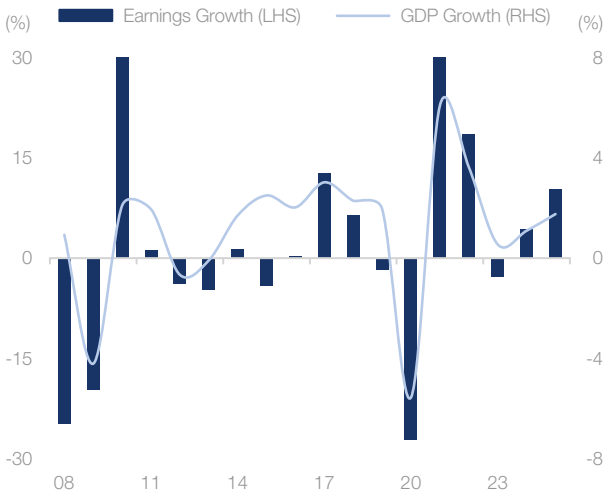
1. Supportive monetary policies

While the Fed remains hawkish in their guidance, the ECB has delivered a cut in early June, affirming speculation that the ECB will cut rates before its US counterpart. This has provided a favourable environment for Europe equities as policy loosening will support economic recovery and allow the impact of high interest rates to ease.

2. Green shoots of recovery

An unexpectedly positive German sentiment indicator has sparked hopes of "green shoots" in the region's largest – and one of its most challenged – economies. This report complements a favourable purchasing managers' survey from Germany, as well as data showing that the Eurozone exited its technical recession in Q1 and has started to grow again. Notably, the Eurozone's real GDP grew by 0.3% in Q1 (not annualised), exceeding expectations across all major economies. These reports have fostered a more optimistic outlook for the region in 2024.

Growth bottomed in 2023



Source: LSEG, IMF, DBS

3. Upbeat reporting season

According to data compiled by Bloomberg, 412 companies in the STOXX 600 have reported earnings to date for 1Q24. Of these, 9% reported results exceeding analyst estimates. Correspondingly, sales beat was -1%, implying that margins have been better than expected. Both sales and earnings growth were negative at -5% and -6%. The sectors which stood out are financials and healthcare, which reported strong sales and earnings growth and beat expectations. Financials gained 12.3%, moving on from last year's Credit Suisse crisis. Healthcare was driven mainly by GLP-1 drug manufacturers.

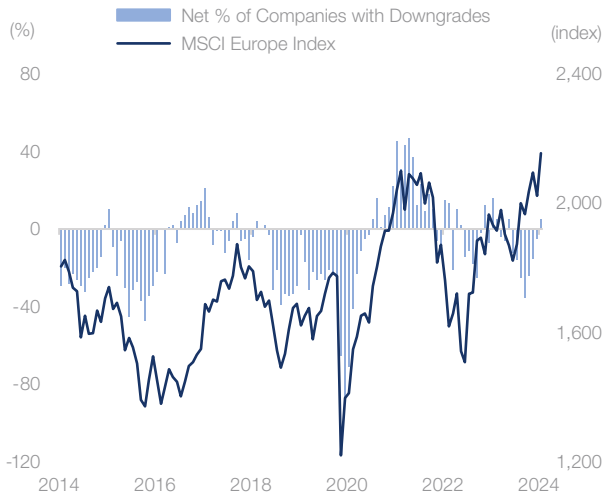
Earnings estimates are being revised up for the first time after seven months of consecutive downgrades, thus confirming the green shoots theory.

1Q earnings report

	Sales		Earnings	
	Growth	Surprise	Growth	Surprise
SXXP	(5)%	(1)%	(6)%	9 %
Energy	(14)%	(4)%	(31)%	8 %
Materials	(9)%	(2)%	(18)%	17 %
Industrials	(5)%	(0)%	(24)%	6 %
Cons. Discr	(1)%	(0)%	(21)%	(2)%
Cons. Staples	1 %	1 %	1 %	5 %
Healthcare	(2)%	1 %	7 %	9 %
Financials	3 %	2 %	15 %	14 %
IT	(8)%	(2)%	(24)%	7 %
Comms	4 %	2 %	(1)%	12 %
Utilities	(25)%	(12)%	(1)%	5 %
Real Estate	6 %	3 %	(5)%	1 %

Source: Bloomberg

First earnings upgrade in seven months



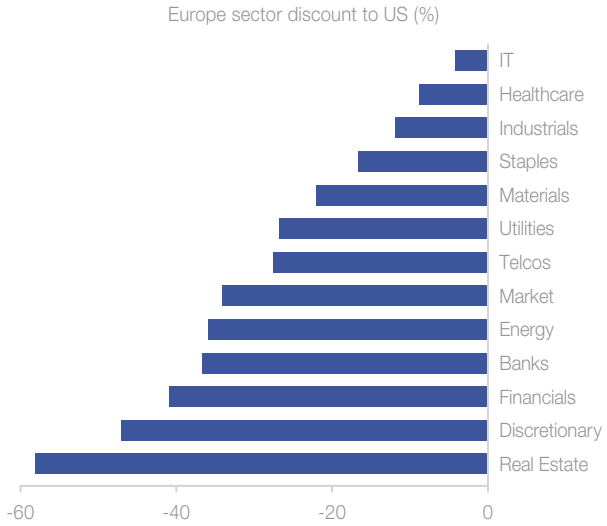
Source: LSEG, DBS

4. Value proposition

European equities often trade at a discount to US equities across all sectors; this valuation gap has widened as Europe equities continue to underperform. Their value proposition stands out when investor preference shifts from growth stocks to value stocks against a backdrop of economic recovery and cyclicality, versus higher valuations in US technology stocks.

The composition of the stock markets in the US and Europe differs significantly. The US market has a higher concentration of high-growth sectors, such as information technology and biotechnology, which typically command higher valuations. In contrast, European markets have a larger proportion of traditional industries like manufacturing, utilities, and banking, which generally have lower growth prospects and thus lower valuations. Thus, Europe financials and industrials are poised to benefit from a rotation from growth to value stocks.

Europe equities at steep discounts



Source: LSEG, DBS

Strategy

As the rally broadens, international investors seeking to capitalise on positive market trends may increase their exposure to European equities. This influx of capital supports higher stock prices in the European markets.

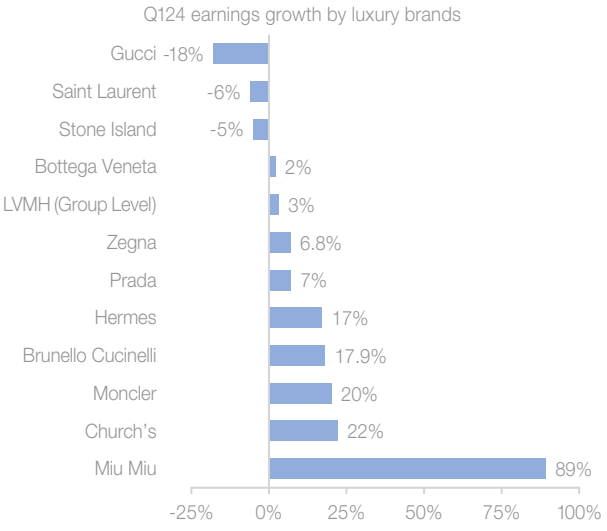
Focus on European companies with strong fundamentals and growth prospects. We prefer structural winners in the luxury, tech, and healthcare sectors.

Europe sector commentary

Luxury shifts

European brands continue to dominate the Quiet Luxury scene. Characterised by understated elegance and a focus on quality and heritage rather than overt displays of wealth, Quiet Luxury is gaining prominence as wealth inequality grows. Brands like Hermès, certain LVMH brands, and Prada are attracting affluent customers with exclusive yet subtle offerings. The luxury industry is anticipated to see a mid- to high-single digit CAGR over the next five years, with significant contributions from the Asia-Pacific region, particularly China and India, driven by rising tourism and the affluence of younger consumers. Recent earnings highlight the success of Quiet Luxury brands, with notable double-digit growth in organic retail sales for Miu Miu, Moncler, Brunello Cucinelli, and Hermès, showcasing the effectiveness of their strategies in a diverse and competitive market.

Quiet gains



Source: Bloomberg, DBS

Resilient consumers globally are willing to spend on luxury goods, services, or experiences. Such products and services are plentiful in Europe, characterised by their rich history, sophisticated culture, and unparalleled commitment to quality and exclusivity. While European luxury car brands and watches will benefit from the trend, we also expect the luxury experience to be amplified during the Paris Summer Olympics in July/ August. A buoyant tourism sector is instrumental in driving recovery, especially in southern European economies. High-end fashion, gourmet dining, airlines, and exclusive accommodations are key beneficiaries.

Technology leaders — IT services and EUV

The European tech sector remains a bright spot within Europe equities, given its resilient growth prospects driven by mega trends in digitalisation. The newest wave in AI represents a paradigm shift in efficiency and productivity gains, with GenAI disruption occurring far more rapidly than past technologies.

The integration of AI into IT services in Europe offers immense growth potential by driving automation, enhancing data analytics, improving customer experiences, strengthening cybersecurity, and fostering innovation across various industries such as healthcare, retail, and finance. European IT service providers that capitalise on AI advancements will be well-positioned to lead the market.

Europe is also home to the world's leading semiconductor lithography tool manufacturer. The company has 80% of the market share in immersion and dry lithography and is the sole supplier of the most advanced lithography processes like extreme ultraviolet light (EUV) and high-numerical aperture (NA) EUV. This technology is pivotal for enabling the development of next-generation electronic devices, including advanced processors, memory chips, and other integrated circuits. Consequently, the success and advancement of the EUV sector directly impacts the competitiveness and innovation capabilities of semiconductor industries worldwide, with TSMC, Samsung, and Intel among its customers

With localisation strategies being adopted by global governments to safeguard supply-chains, and the race for AI chips, sales for such equipment are expected to remain strong for the foreseeable future.

Europe healthcare – AI-powered drug development

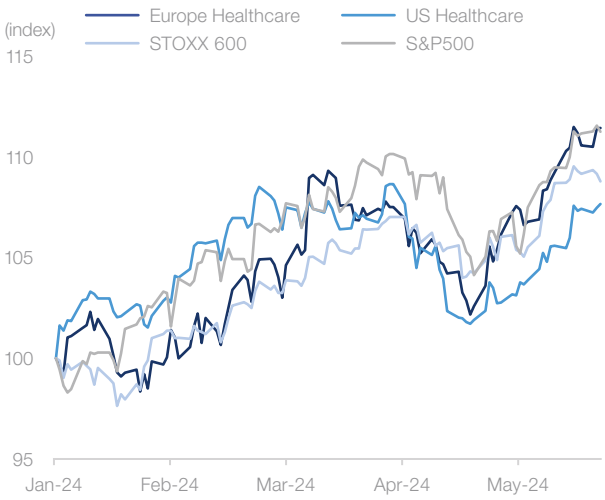
AI is fundamentally transforming drug discovery by enhancing efficiency, reducing costs, and increasing the likelihood of success. By leveraging advanced algorithms and vast datasets, AI accelerates every stage of the drug development process, from initial target identification to clinical trials. This revolution in drug discovery holds promise for faster and more effective treatments for a wide range of diseases, ultimately improving patient outcomes and advancing medical science.

We believe the next blockbuster drug after GLP-1 is the development of cancer vaccines. Advances in immunology, genomics, and biotechnology hold promise for the development of effective cancer vaccines that could transform cancer prevention and treatment in the coming years. Building on the success of mRNA technology used in Covid-19 vaccines, companies like Moderna and BioNTech are exploring mRNA vaccines for cancer. These vaccines encode tumour-associated antigens or neoantigens, which are then produced by the patient's own cells, eliciting an immune response. The field is developing fast.

Europe is home to some of the world's largest pharmaceutical companies, such as Roche, Novartis, Novo Nordisk, AstraZeneca, GlaxoSmithKline, and Sanofi. These companies invest heavily in research and development, leading to significant innovations in treatments and medications. Besides successful commercial-stage drugs which are steadily producing income and cashflow, a strong pipeline of drug discoveries make these companies viable for investments in the long run.

Notably, Europe healthcare not only outperformed the STOXX 600, but also beat the US healthcare sector this year. The US healthcare sector is also an underperformer in US due to tech sector concentration. Liquidity flows to Europe should find themselves in this key sector.

Outperformance in Europe healthcare



Source: LSEG

Selective Themes Prevail

Japan Equities
3Q24

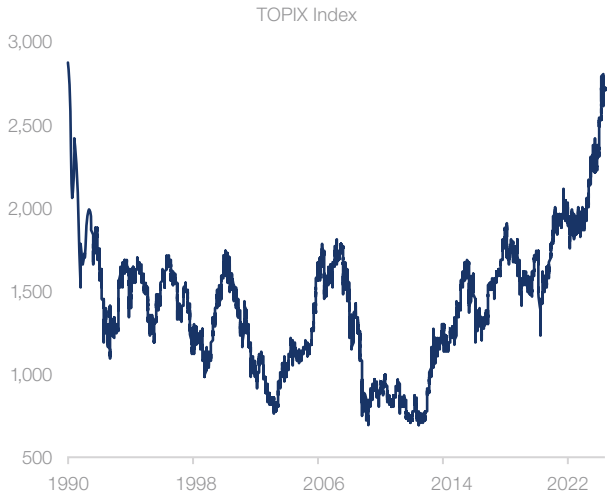
Corporate governance reforms and the end of negative interest rates are driving optimism in Japan's equity market, even with cautious corporate guidance for FY24. AI adoption will boost the semiconductor and IT services sectors, while financials remain the best investment opportunity because of interest rate normalisation.

05. Japan Equities.

Joanne Goh
Strategist

Amid an uncertain macroeconomic backdrop, two key structural changes continue to offer renewed hope for Japan's equity market to perform over the longer term: the end of negative interest rates in Japan marking a historic shift to an inflationary economy, and corporate governance reforms delivering improved shareholder returns.

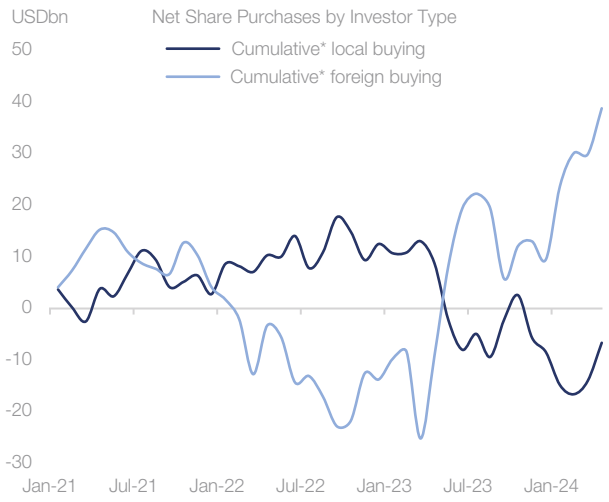
TOPIX hovers near bubble-era highs



Source: Bloomberg, DBS

The strong rally thus far has led some investors to question if the market has peaked. However, we believe it has not yet reached its limit, as domestic retail investors have only recently joined the rally. Driven by relentless price increases in the stock market, these investors have shifted from being sellers to active buyers since January. Official data on the revamped Nippon Individual Savings Account (NISA) indicate promising trends in traded value and account openings, with 95% of equity investments under the NISA Growth Scheme flowing into domestic equities. Additionally, foreign investors, who have been key drivers of the market rally, contributed another USD29bn in investments up to April this year.

Net buyers in foreign and domestic retail investors

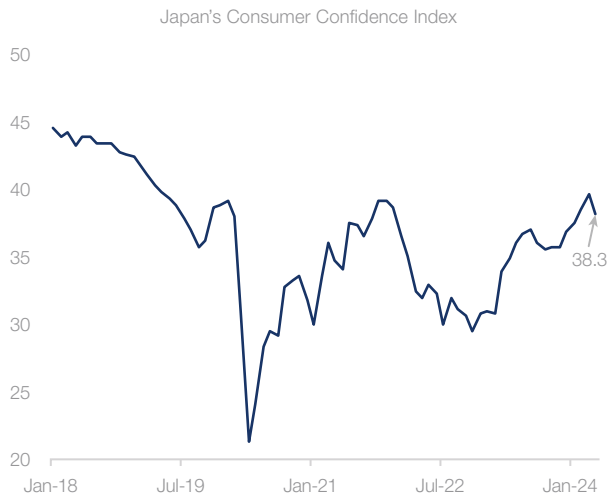


Source: LSEG
*Cumulative since Jan-21

GDP Weakness and Yen Debates

The weaker-than-expected 1Q GDP (-2.0% q/q saar) has intensified the debate over the benefits of a weak yen for the Japanese economy. The government has expressed concerns about the recent rapid depreciation of the yen, emphasising that sudden and unilateral yen weakening creates uncertainties that negatively impact the economy. While a weaker yen boosts export revenues, corporate profits, and wage growth, issues such as stagnant export volumes and declining real wages persist. Additionally, it accelerates imported inflation and complicates the BOJ's efforts to normalise monetary policy. Furthermore, it increases pressure on Prime Minister Kishida's government as domestic sentiment weakens due to declining purchasing power.

Consumer sentiment falls to the lowest level in three months



Source: Bloomberg, DBS

Cautious Corporate Outlook

Following the fiscal year ending on 31 Mar 2024, it has become evident that the next fiscal year's growth is projected to decline from 15% in FY23 to 7% in FY24. Currently, PE valuations stand at approximately 15x earnings, which is 0.5 standard deviations above the 10-year average. Having rerated from 12x earnings (-1 SD) to current levels, the market will likely need to justify potential earnings upside before a broad-based market trend can be observed.

Post-results, corporate guidance remains cautious. Companies are expected to face margin pressures in the coming fiscal year due to several factors: 1) The benefits from a weak yen are likely to diminish after a significant depreciation in FY23; 2) Companies will need to restock inventories after depleting old stock, leading to higher costs of sales from increased material costs and general costs of goods, including higher wages.

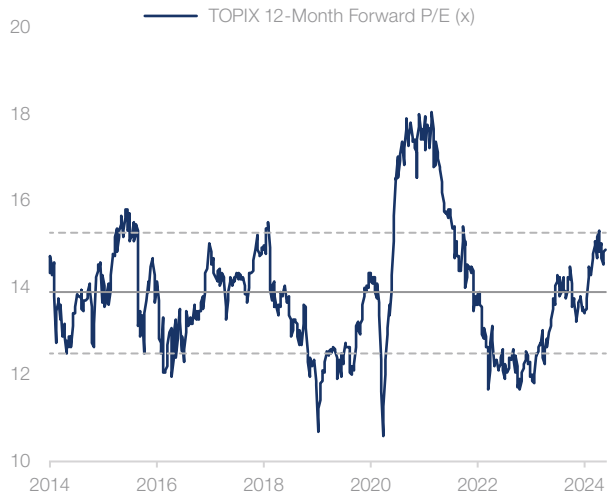
On the positive side, inventory restocking and capital expenditure spending should benefit industrials and downstream players, including SMEs. Companies with strong pricing power include those in the technology sector, both hardware and software, where limited manpower supply in Japan and growing demand for AI and semiconductor chips are driving robust growth.

Several factors have contributed to the PE ratio rerating, notably corporate governance reforms now in their second year since Warren Buffet invested in undervalued conglomerate stocks. The Tokyo Stock Exchange (TSE) continues to pressure firms

to improve inefficient capital management, unwind unproductive crossholdings, and either deploy excess cash or return it to shareholders. These efforts have yielded promising results, with companies increasing dividends and share buybacks at a record pace. The TSE publishes a monthly Status of Disclosure list to monitor disclosures and compliance.

However, while PB ratios have also improved, ROE has not seen significant enhancement and remains about half that of US corporations. We emphasise that further rerating will require a reality check on the actual benefits these reforms bring to corporate profitability.

PE has rerated from 12x to 15x



Note: Grey bands display average and +/- 1 SD

Source: LSEG

As such, we maintain a neutral stance on Japan. The market, previously driven by "Kishidanomics", is likely to take a pause, shifting towards themes that generate alpha. These themes include:

Beneficiaries of AI Adoption

AI adoption among Japanese corporates is advancing, supported by strong government initiatives and significant industry investments. Japan's industrial sectors, such as manufacturing, are already utilising AI for predictive maintenance, quality control, and optimising production processes. We believe the direct beneficiaries are Japan's semiconductor and IT services sectors.

Semiconductor sector. We continue to emphasise the semiconductor sector as a major beneficiary of global AI adoption, driven by the ongoing race for chip security. Japan is focusing on localising semiconductor manufacturing to prevent supply chain disruptions and enhance resilience, ensuring a reliable supply of chips for local companies, including automakers and other businesses reliant on semiconductors. Japan's robust domestic demand for semiconductors from industries such as automakers, robotics, machinery, and consumer electronics, combined with its comprehensive strength in the semiconductor value chain—from machinery to chemicals—supports its ambition to rejuvenate its once-dominant semiconductor industry. To support this initiative, Japan has allocated JPY3.9tn, or 0.71% of its GDP, in supplementary budgets for the semiconductor industry.

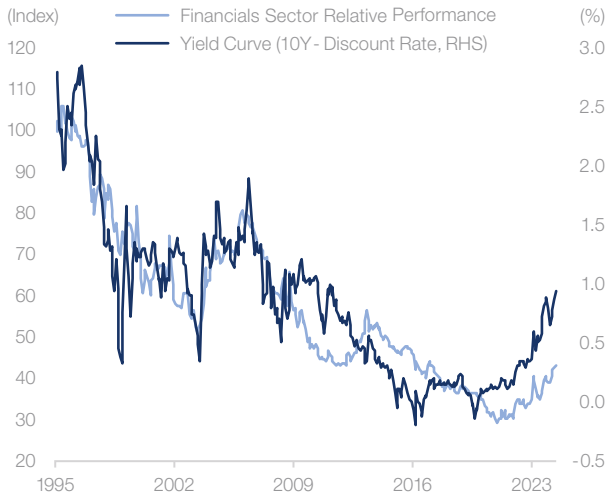
IT Services. We identify IT services as a significant growth area, driven by the rapid adoption of AI and improving business conditions. The upgrading of the services sector in industries such as healthcare, finance, and retail by engaging internal or external IT consultants is particularly noteworthy. For example, in healthcare, AI is revolutionising medical imaging analysis, diagnostics, and personalised medicine. IT companies are developing solutions that integrate medtech, cloud computing, and robotics to enhance medical services. In finance, financial institutions are leveraging AI for fraud detection, risk management, and algorithmic trading. Banks are swiftly incorporating AI into their operations to improve efficiency and security. In the retail space, retailers are adopting AI for customer service, inventory management, and personalised marketing, while e-commerce platforms are using AI to enhance user experience, making shopping more efficient and personalised.

Financials

Banks remain the best investment opportunity in the context of the reflation story and interest rate normalisation. Following the termination of YCC and the potential end to JGB purchases, as well as possible QT, bond yields have been rising steadily. This trend points towards a growing confidence that BOJ Governor Kazuo Ueda is under increasing pressure to further normalise rates and address the yen's weakness. Increased economic activities by way of boosting lending should improve banks' bottom line with NIM expansion, stronger loan growth, and fee income.

The 10Y JGB yield has risen by 8 bps since the end of April to 1.07%, even as the 10Y US Treasury bond yield declined by 34 bps during the same period. Similarly, the 30Y JGB yield has climbed steadily to 2.3%, a level we believe will enhance profitability for insurance companies. A steeper yield curve benefits insurance companies by boosting investment income, improving asset-liability management, increasing profitability, enhancing risk management, and strengthening overall financial health. This allows insurance firms to offer more competitive and attractive products to their customers.

Yield curve and Japan financials relative performance



Source: LSEG, DBS

Small-Mid Cap Dividend-Paying Industrial and Tech Stocks

Dividend stocks have become less attractive with the rise in Japan's bond yields. However, in Japan, the focus on corporate reforms to improve shareholder returns through dividends or buybacks has made these companies appealing. Small- and mid-cap companies, in particular, are expected to benefit as the rally broadens. These cash-rich companies are also attractive targets for M&A and private equity, especially those involved in the semiconductor value chain, due to their niche technical expertise.

Weakness Not Perennial

Asia ex-Japan
Equities
3Q24

Weakness in Asia's equity markets in 2023 looks set to reverse, supported by growth-oriented government policy, which will help the region drive global growth in the next five years. Fundamentals look sturdy, supporting an overweight stance on Asia equities.

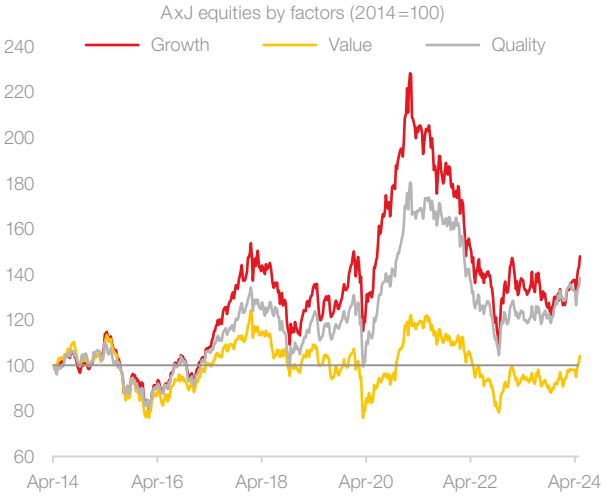
Source: Unsplash

06. Asia ex-Japan Equities.

Yeang Cheng Ling
Chief Investment Officer, North Asia

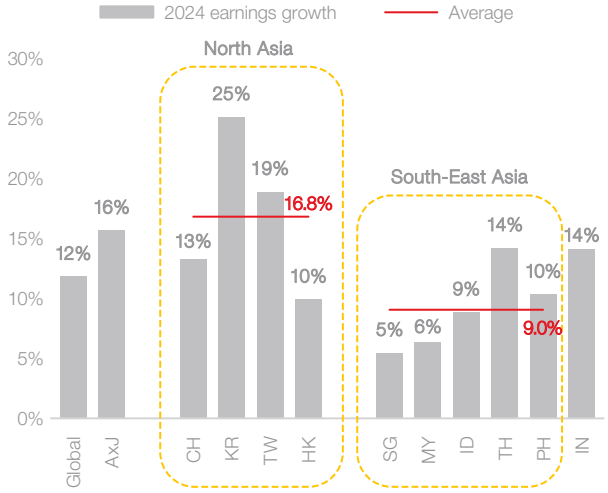
Joanne Goh
Strategist

Asia: Quality and growth outperformed value



Source: Bloomberg, DBS

Improving earnings outlook



Source: Bloomberg, DBS

Asia ex-Japan (AxJ) has trailed global equities despite its solid fundamentals and resilient corporate earnings outlook. After a weak showing in 2023, AxJ is set to outperform this year.

The region is poised to be a major driver of global economic growth over the next five years. Based on IMF's projections, China is expected to contribute 21% to global economic growth, surpassing the combined contribution from G7 countries.

IMF has recently upgraded Asia's economic growth forecast to 4.5%. The positive revision is underpinned by (a) upward revision for China, (b) strong growth in India, and (c) robust private consumption across the region.

Manufacturing momentum in the region is on the mend. The manufacturing PMI has surged to a 13-month high, spurred by revival in new export orders and pricing stability as external demand improves. The improving outlook augers well for corporate profitability with the region poised to register earnings growth of 16% in 2024 and this is higher than the global average.

Asia's relative underperformance in recent years was driven by valuation compression as opposed to earnings weakness. While the upcoming US presidential elections in November could be a potential headwind for AxJ equities, we believe that the region would be supported by the following factors:

1. Asia's relative insulation from external economic headwinds
2. Valuation discount relative to the world
3. The need for investment funds to maintain diversification through exposure to Asia

We maintain an Overweight view on Asia due to the following factors: (a) cheap valuation, (b) improving cash flow, (c) quality balance sheets, and (d) positive earnings outlook.

From a thematic standpoint, the "growth" themes which we favour for the region include semiconductor manufacturing, memory, automation, energy transition, platform companies, and domestic consumption.

With the peaking of bond yields and impending Fed rate cuts, the "income" exposures which we favour include Singapore REITs and large China banks.

Upside room to valuation

Source: Bloomberg, DBS

China Rising – Hopes of recovery ahead

China equities have underperformed in the past three years amid geopolitical tensions, weakness in global demand, and domestic policy pivots.

But things are looking up. From its trough, China equities listed in Hong Kong has delivered more than 30% returns as sentiments rebound and investors began to reduce their underweight positioning.

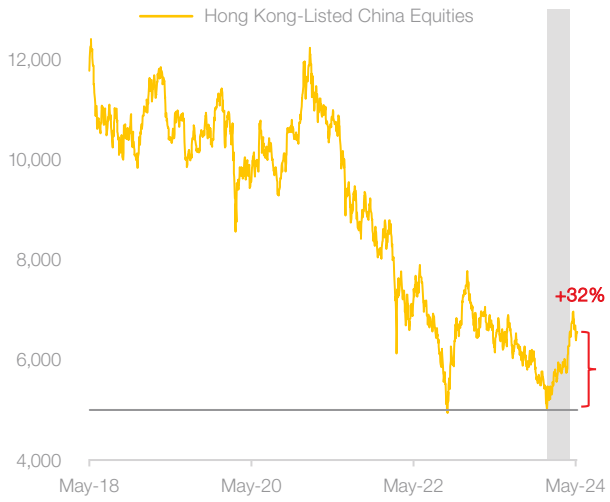
The policy outlook is also turning favorable, with policy makers rolling out supportive measures aimed at revitalising domestic consumption.

Chinese companies, meanwhile, are enhancing shareholder value by increasing dividend payouts and executing share buybacks. These measures underscore rising confidence the outlook for corporate earnings.

On the trade front, the US has imposed a series of tariffs on imports from China, which ranged from EVs, to batteries, semiconductors, construction equipment, and solar cells. The list of export items affected by these tariffs totalled USD18bn, which constitutes c.4% of China's export to US, and less than 1% of China's total exports. The additional tariffs will take effect over 2024-2026.

We believe that the overall impact on Chinese companies will be limited given that the latter derives the bulk of its revenue from the domestic market.

Recovery picking up pace



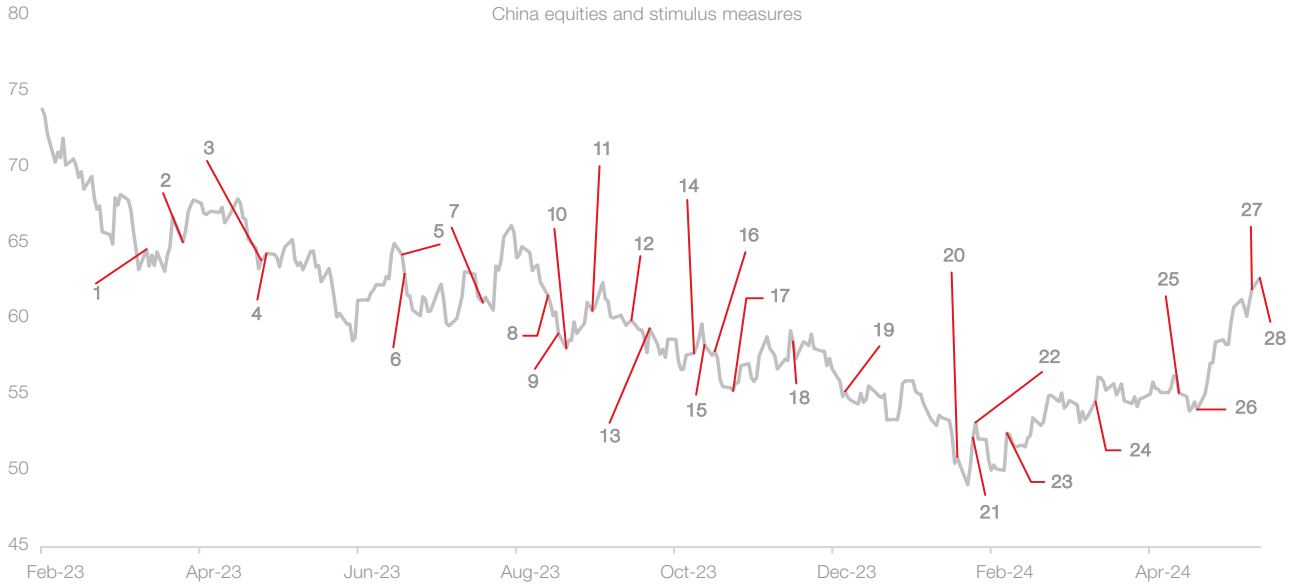
Source: Bloomberg, DBS

Investors are moving on from the real estate fiasco of yesteryears as authorities implemented restorative policies and pushed for the completion of stalled projects. Policy support will continue to play a stabilising role in the industry, although much still need to be done.

Policy makers, meanwhile,are taking steps to restructure and move towards a new economy while reducing their reliance on traditional economic growth drivers. The successful execution of these initiatives will reduce China's reliance on real estate.

Valuation for China equities has hit a trough and this provides a "margin of safety" for investors. Factors that will support sustained recovery for the market include: (a) policy support, (b) better shareholders' returns, and (c) commitment to capital management.

China policy stimulus



1	First Session of the 14 NPC	15	Central Huijin increased holdings in 4 major banks
2	Reserve ratio cut by 25 bps	16	10 central SOEs repurchased shares
3	Optimises and adjusts policies and measures to stabilise employment	17	MOF issued CNY1tn government bonds
4	Politburo meeting: Improve housing demand	18	Meeting of the heads of China and US
5	NEV purchase tax reduction policy	19	MOF increased limit of equity investment in the social security fund
6	1-y and 5-y LPR reduced by 10 bps	20	National team purchased stocks
7	Promote automobile and electronic product consumptions	21	RRR 50 bps cut; SASAC incorporated market value into SOE KPI
8	Optimise environment for foreign investment	22	PBOC and NAFR specified loans be used to repay existing debts and bonds of real estate developers
9	CSRC issued measures to enliven the capital market	23	CSRC: Strengthen supervision of securities lending business
10	1-y LPR cut by 10 bps	24	State Council: Promote equipment renewal and replacement of consumer goods
11	Adjust the minimum down payment and mortgage interest rate for first and second homes	25	CSRC: Strengthening supervision, raising quality of listed companies, enhancing investor protection
12	RRR 25 bps cut	26	CSRC: Five measures for capital market cooperation with HK
13	22 measures to promote private economy development	27	China considers dividend tax waiver on HK stock connect
14	Promote development of tourism and consumption	28	MOF to issue USD140bn long-dated bonds

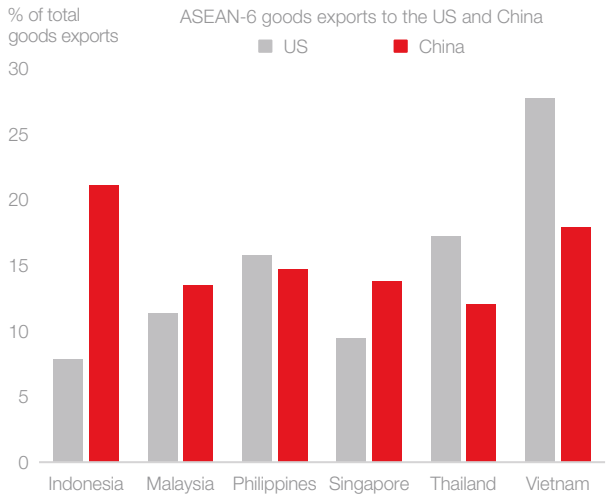
Source: Announcements, DBS

ASEAN levers

We anticipate the following re-rating catalysts to be supportive of ASEAN markets in the near term:

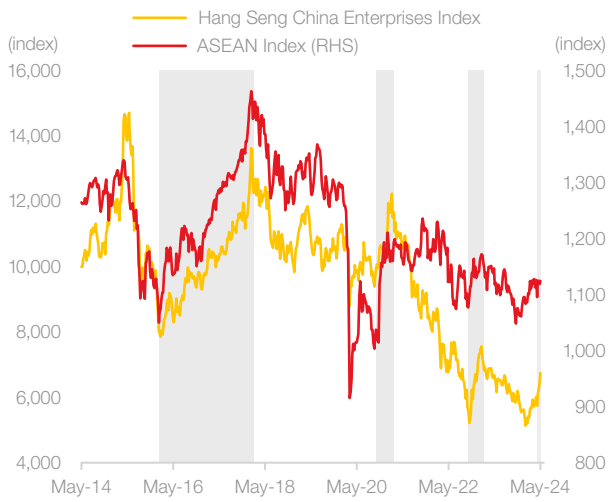
1. **Sustained long-term growth in ASEAN:** Despite short-term challenges, the long-term structural growth of the ASEAN region remains robust. The intermediate and long-term prospects are unaffected, making ASEAN an attractive destination for manufacturing investments. This positive outlook is bolstered by ASEAN's favourable demographics, which support a strong workforce and high consumption demand. Additionally, the region's well-connected global supply chains, including key natural resources, automotive, and electronics hubs, along with its proximity to China and tariff-free trade agreements, make ASEAN a strategically advantageous alternative for productive investments.
2. **Resilient US economy to mitigate domestic weakness:** Recent data indicates that the US economy is heading towards a soft-landing scenario, prompting an upgrade in our US GDP growth forecast to 2%. Given that the US is a major export destination for ASEAN countries, this growth will help counterbalance slower domestic and Chinese growth. The resilience of the US economy is already supporting exports from Malaysia and Thailand.
3. **Recovery of China equity market:** Since reaching a low in late January, Hong Kong's Hang Seng China Enterprises Index has surged by 30%, outperforming both developed and emerging market benchmarks. ASEAN equities have similarly rebounded. Historically, the performance of China equities has been a leading indicator for ASEAN equities, reflecting shared sentiments driven by Asia's growth recovery and a weak dollar.

Diversified growth engine from US and China



Source: CEIC, IMF DOTS, DBS.
Data as of 2023

Hong Kong's Hang Seng China Enterprise Index and ASEAN index moving in tandem



Source: LSEG Datastream, DBS

Rising emerging market - Vietnam

One standout among ASEAN markets is Vietnam. Its economy has been growing at 7% before the pandemic, and is expected to resume its growth path as it benefits from global supply chain diversification and the China+1 strategy. It is expected to join the ranks of other countries in the region in terms of growth and size - its GDP growth is next to India's and its economy is catching up to that of Singapore's. FTSE has placed Vietnam on a watchlist for a possible upgrade from Frontier to Secondary Emerging market status in its upcoming September review, and it aims to be on MSCI's watchlist by 2025. Current low valuations and market cap-to-GDP ratio make it a clear investment destination with high growth potential.

India's next five years

As India concludes Modi's election win on 4 June, we believe domestic sentiment will continue to boost market returns. Although sustained high oil prices pose a risk to domestic sentiment, improving current account and fiscal positions should mitigate this sensitivity. Meanwhile, foreign investors has been tied to valuations. On a risk-adjusted basis, we prefer India's small- to mid-cap segment, where high growth potential offers opportunities for significant returns, especially as the market cap-to-GDP ratio remains low. With the near doubling of public capital expenditure in Modi's agenda, capex recovery is likely to continue driving economic and corporate earnings growth in the equity markets this decade.

Key investment themes. We believe it is time to gain exposure to ASEAN markets in view of its intact fundamentals while valuations and currencies have bottomed. This includes selected exposure to ASEAN tourism via retail and hospitality REITS; Thailand tourism plays such as with airport operators, retail and healthcare tourism; China+1 strategy beneficiaries such as Vietnam; industrial property developers in Thailand; and commodity players in Indonesia. We like ASEAN Banks as proxies to the resilient economies. Meanwhile, we remain confident in small and mid-cap exposure in India.

Paving the Way

Global Rates
3Q24

Global monetary policy is set to be less restrictive in 2H24, though at varying degrees in different markets. Mixed US data is insufficient for the Fed to ease aggressively, while the ECB has cut but remains non-committal thereafter. The BOJ remains an exception, taking steps to tighten.

Source: iStock

07. Global Rates.

Eugene Leow
Strategist

Samuel Tse
Strategist

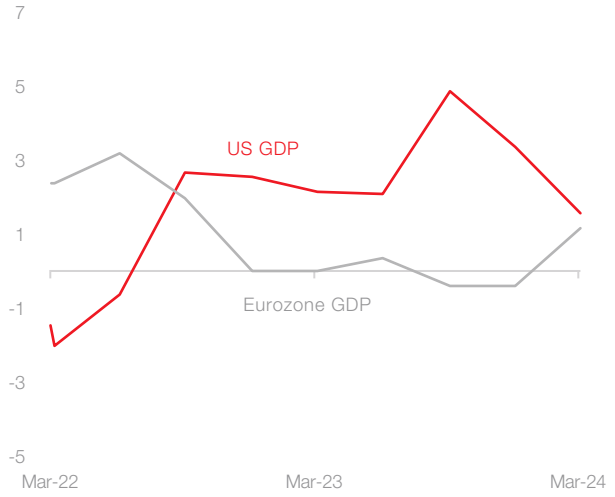
Global monetary policy settings are set for a less restrictive stance in 2H, setting up relief on the rates front. The past few months saw market participants swing from an overly dovish stance at the start of the year to another local peak over duration fears in late April / early May. We think that a nuanced view is still necessary amongst the developed market central banks given that there are still differences in their respective stages of economic and monetary policy cycles.

In the US, short-term rates market pricing of around two cuts for the year appears appropriate. While US data has turned more mixed of late, that is insufficient reason for the Fed to pivot towards aggressive easing. Instead, a mix of higher unemployment rate, some weakness in retail sales, and rising jobless claims numbers suggest that the economy is moderating. Barring a rapid deterioration in economic activity or a financial system shock, Fed cuts are likely to be couched as recalibration. Arguably, the risks are asymmetrical to the downside for yields in the front of the curve given that the Fed Chair has set a high hurdle for further hikes. Meanwhile, even as some downward pressure materialises on the long end, we are somewhat wary of sticky inflation and think downside may be limited for 10Y yields below 4% in the absence of a large shock.

For the Eurozone, easing has kicked off with a 25 bps cut in June. However, the market may not be as convinced about subsequent moves. To be sure, the Eurozone economy was clearly underperforming the US for much of the past two years. However, the Eurozone exited technical recession in 1Q24. Accordingly, the ECB may not need to aggressively price in this cycle. In any case, **some easing is likely for the Fed and ECB (and much of the DM space) this year and this should translate into steeper curves.**

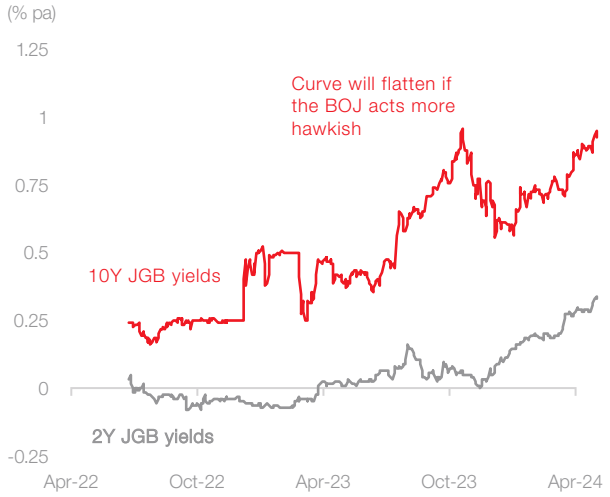
The BOJ continues to buck the trend and we think that the JGB curve may well flatten, in contrast with DM peers. Facing pressure on the yen, the BOJ has taken incremental steps towards tightening, including reducing the amount of JGBs it buys for the 5Y-10Y segment. Accordingly, there are risks that more hikes may be in the offing in the coming quarters. Given the more hawkish stance from the BOJ, we think that front end rates will stay buoyant, flattening the curve in the process.

The US is moderating while the Eurozone is rebounding



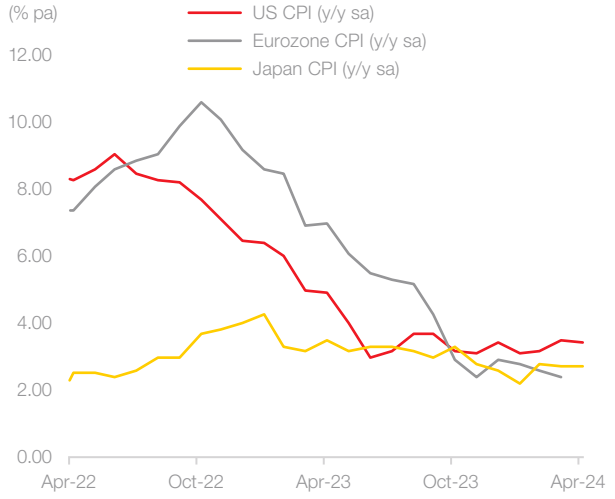
Source: Bloomberg, DBS

JGB curve may see flattening pressures



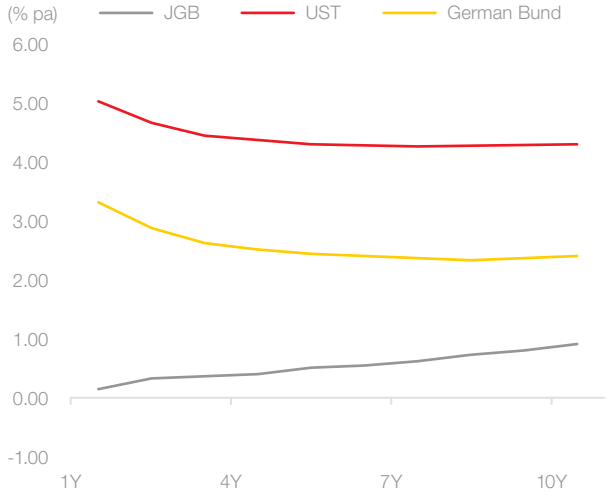
Source: Bloomberg, DBS

Inflation is stickier in the US and Japan than the Eurozone



Source: Bloomberg, DBS

Steepening ahead for the UST and Bund curves



Source: Bloomberg, DBS

Asia Rates

CNY rates: Steepening at play

Beijing has started issuing the CNY1tn ultra-long special sovereign bonds. This announcement follows the Politburo's call for faster issuance amidst the slowdown in broad credit data. With accelerating fiscal stimulus, we reiterate our core strategy of steepening CGB yield curves. 30Y CGB yields have rebounded from 2.42% in late April to around 2.55%. Stabilising economic data, including better-than-expected first-quarter GDP growth, PMIs, and upticks in domestic tourism revenue during the Labour Day Holidays, will support longer-end yields. Meanwhile, yields of shorter tenors such as 2Y and 5Y retreated on stronger rate cut expectations. Another RRR cut is on the cards to smooth the liquidity needs from the ultra-long bond issuance. A sustained recovery requires further monetary easing, and the modest CPI leaves room for policy rate cuts, in our view.

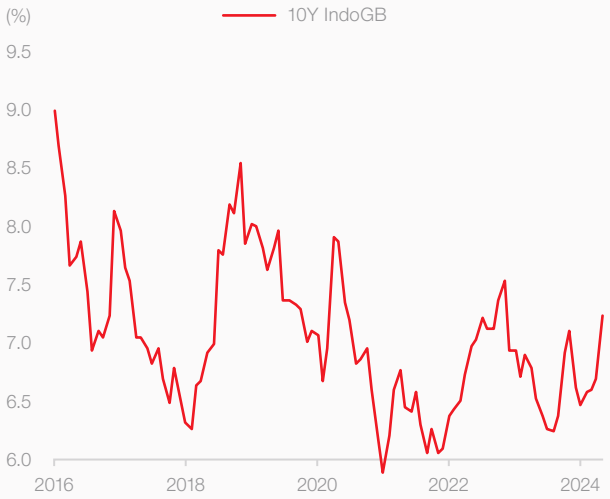
Short-end yield to drift down alongside potential RRR cut

Source: Bloomberg, DBS

IDR rates: Attractiveness remains on higher IndoGB yields

BI hiked the policy rate in April by 25 bps to 6.25% to maintain a higher real yield and stabilise the currency. The spread against the 10Y UST yield is bottoming at around 240 bps. As the IDR exchange rates are clouded by dollar strength, accelerating inflation, as well as narrowing trade surplus, BI will continue to implement periodic measures to support the IndoGB yields and IDR exchange rates. This will include sterilisation intervention, drawing inflows at the shorter end of the curve, and optimising the dollar holdings of SOEs. These are evidenced by the falling FX reserve and rebounding short-end (till 1Y) SRBI rates. As yields are set to rebound along with sturdy exchange rates, IndoGB will likely attract attention of investors again.

10Y IndoGBs remains well supported

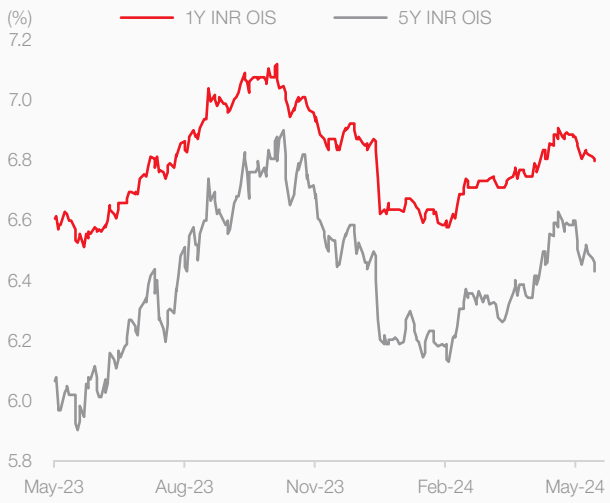


Source: Bloomberg, DBS

INR rates: Extended pause on strong growth

INR rates took a breather on softening US data prints and a balanced Fed. However, RBI is expected to stay on an extended pause as the pace of Fed rate cut could be modest at two times this year. Moreover, the strong growth momentum from both consumption and capex should also prompt the RBI to stay on hold. We expect the FY24 GDP growth to accelerate to 8.0% from 6.7% in FY23. Meanwhile, the central bank is still closely monitoring food prices amid an ongoing heatwave, while noting that inflationary pressures from non-food prices such as fuel, services, and housing are easing. We continue to like IGBs given their outperformance in terms of both FX and yields. We think IGB yields should be capped due to the following. First, an improvement in external balances should keep IGB yields at bay. On the trade side, services and high value-added goods exports are firm. On the financial account segment, FDI inflows from the "China+1" strategy, as well as inflows from IGB inclusion into the JPM GBI-EM GD Index should help. Meanwhile, T-bill issuances have been scaled back after bond buybacks fell short. Government spending is expected to pick up after the elections. The spread between MIBOR and Repo has been narrowing accordingly. We expect the call rate to return towards the repo rate once liquidity conditions improve.

INR rates are in tug of war between delayed rate cut and GBI-EM GD inclusion

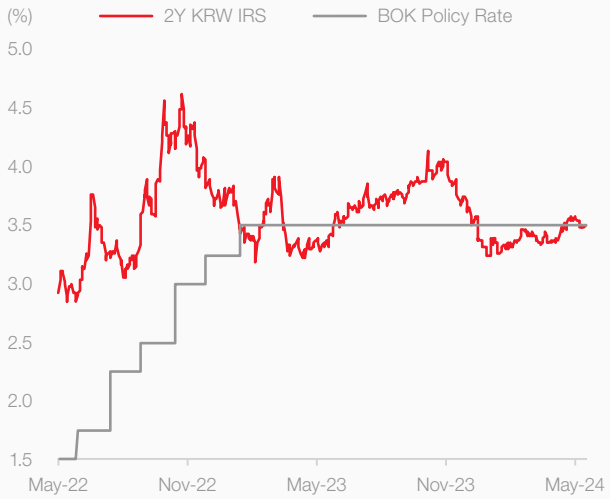


Source: Bloomberg, DBS

KRW rates: Delayed cut

The BOK will likely push back the first cut from 2Q24 to 3Q24, and we have revised down our estimate of expected cuts this year from 75 bps to 50 bps. Like its Asian peers, dollar strength has been restraining the flexibility of BOK to cut rates. In addition to the weak Korean Won, higher oil prices are fuelling the domestic inflation given South Korea is a net oil importer. That said, we maintain our view that the BOK will pivot its policy stance and commence rate cuts ahead of the Federal Reserve in 3Q24. The softening consumer sentiment, as well as high household debt and property markets has been pushing BOK towards the dovish camp. Therefore, we see stronger downward pressure KTBs yields relative to other Asian peers. Other bullish triggers include an increase in foreign inflows into tech stocks, and the prospect of KTB's inclusion in FTSE Russell's global bond index.

BOK is delaying its first cut



Source: Bloomberg, DBS

MYR rates: Rangebound for now

BNM is expected to keep up with its extended pause, thanks to the outperformance of MYR against USD and other Asian currencies. In contrast to BI's proactive hike, BNM and government-linked companies are supporting the currency by repatriating their foreign investment income and converting them to MYR. Meanwhile, stable inflation, with CPI hovering around 1.5%-2% in the past six months, allows BNM to maintain the policy rate at the current level. On growth, the upswing in exports, domestic spending, and tourism should keep MYR rates steady. However, the spread against USD rates may widen amid a more nuanced Fed easing cycle ahead.

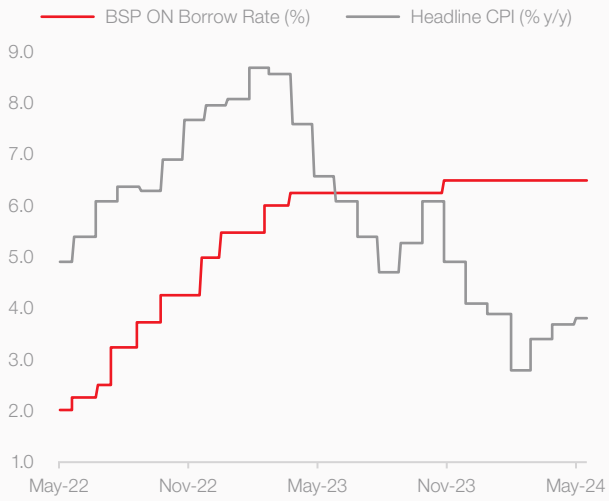
Rangebound MYR rates amid extended pause

Source: Bloomberg, DBS

PHP rates: No cut for now

RPGB yields will likely stay elevated, as the BSP is expected to maintain the region's highest policy rate of 6.5% in 3Q24. Indeed, the delayed US rate cut cycle and resultant dollar strength has piled significant pressure on PHP exchange rates and remains a risk for the quarters ahead. Meanwhile, the resilient domestic economic fundamentals such as strong consumption and all-time low jobless rate also lower the need to stimulate the economy via premature rate easing. Ongoing infrastructure outlays, which account for 5-6% of GDP, will thrust the govvies yields. Firm headline inflation resulting from unfavourable weather and elevated global prices at around 3.5%-4% also dent the flexibility of BSP cuts.

BSP real policy rates well into positive territory



Source: Bloomberg, DBS

SGD Rates: Brace for long-dated issuances

We think that the ultra-long tenors (>10Y) of the SGS curve is likely to underperform in the coming few months. Much of this is due to the issuance calendar where a 15Y (MD) auction and 50Y (Green Infra) auction are scheduled for 29 Jul and 26 Sep respectively. While duration fear appears to have dissipated with the Fed still on track to cut rates later this year, underperformance of the ultras would probably show up in the 10Y/30Y and the 5Y/30Y segments of the SGS curve. We prefer the 5Y tenor as an expression of recession risks further out, and the 10Y as there are no further planned issuances of this tenor for the rest of the year. The lack of supply for 10Y SGS also point to greater scope for outperformance vs SORA as well as UST (especially in a soft-landing scenario).

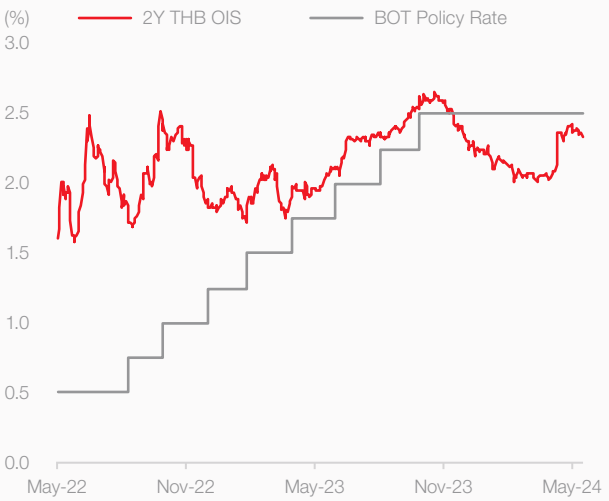
Steepening likely in the SGS curve

Source: Bloomberg, DBS

THB rates: THB yields well supported

Downside risks on Thailand government bond yields are fading in tandem with lower odds of rate cuts. Recent data, such as first-quarter GDP growth, has beaten market and BOT expectations. Tourism and exports of goods will continue to support growth thanks to the resilience of the global economy and, in particular, the Chinese economy. Domestically, private consumption remains a key growth driver, and faces upside risk from the digital wallet policy. The government is also skewed to stimulate the economy through public spending with the help of longer-tenor bonds. The end of deflation has also trimmed the urgency for rate cuts. All told, THB yields will be well supported and steepening is at play.

THB rates are pricing-in BOT rate cuts



Source: Bloomberg, DBS

Rates forecasts

		2024				2025			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
US	3M SOFR OIS	5.30	5.25	5.00	4.88	4.63	4.38	4.13	3.88
	2Y	4.62	4.95	4.75	4.60	4.40	4.20	4.10	4.00
	10Y	4.20	4.60	4.55	4.50	4.50	4.50	4.50	4.50
	10Y-2Y	-42	-35	-20	-10	10	30	40	50
Japan	3M TIBOR	0.26	0.25	0.25	0.40	0.40	0.40	0.65	0.65
	2Y	0.19	0.35	0.45	0.55	0.65	0.70	0.75	0.80
	10Y	0.73	1.10	1.10	1.10	1.00	1.00	1.00	1.00
	10Y-2Y	54	75	65	55	35	30	25	20
Eurozone	3M EURIBOR	3.91	3.70	3.45	3.20	3.05	3.05	3.05	3.05
	2Y	2.85	3.10	3.00	2.90	2.85	2.85	2.85	2.85
	10Y	2.30	2.60	2.60	2.60	2.60	2.60	2.60	2.60
	10Y-2Y	-55	-50	-40	-30	-25	-25	-25	-25
Indonesia	3M JIBOR	6.93	7.10	7.10	7.10	6.85	6.35	6.35	6.35
	2Y	6.43	7.05	7.05	6.95	6.85	6.85	6.85	6.85
	10Y	6.69	7.15	7.10	7.00	6.90	6.90	6.90	6.90
	10Y-2Y	27	10	5	5	5	5	5	5
Malaysia	3M KLIBOR	3.59	3.60	3.60	3.60	3.60	3.60	3.60	3.60
	3Y	3.49	3.50	3.45	3.35	3.35	3.35	3.35	3.35
	10Y	3.85	3.80	3.75	3.65	3.65	3.55	3.55	3.55
	10Y-3Y	36	30	30	30	30	20	20	20
Philippines	3M PHP ref rate	6.41	6.50	6.10	5.70	5.50	5.50	5.50	5.50
	2Y	6.04	6.25	6.00	5.75	5.50	5.50	5.50	5.50
	10Y	6.23	6.55	6.35	6.15	5.85	5.85	5.85	5.85
	10Y-2Y	19	30	35	40	35	35	35	35
Singapore	3M SORA OIS	3.62	3.70	3.50	3.38	3.23	3.08	2.93	2.88
	2Y	3.45	3.50	3.40	3.30	3.20	3.10	3.00	2.95
	10Y	3.11	3.25	3.20	3.15	3.15	3.15	3.15	3.15
	10Y-2Y	-34	-25	-20	-15	-5	5	15	20

%, eop, govt bond yield for 2-year and 10-year, spread bps
*swap rates

Source: CEIC, Bloomberg, DBS

		2024				2025			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Thailand	3M BIBOR	2.65	2.65	2.60	2.60	2.55	2.55	2.55	2.55
	2Y	2.16	2.30	2.20	2.10	2.05	2.05	2.05	2.05
	10Y	2.50	2.65	2.65	2.60	2.60	2.60	2.60	2.60
	10Y-2Y	34	35	45	50	55	55	55	55
Mainland China	1Y LPR	3.45	3.45	3.45	3.35	3.25	3.15	3.15	3.15
	2Y	1.91	1.80	1.70	1.70	1.60	1.60	1.60	1.60
	10Y	2.30	2.30	2.20	2.20	2.15	2.15	2.15	2.15
	10Y-2Y	39	50	50	50	55	55	55	55
Hong Kong, SAR	3M HIBOR	4.72	4.55	4.40	4.20	4.05	3.85	3.60	3.35
	2Y*	4.28	4.60	4.40	4.20	4.00	3.80	3.70	3.60
	10Y*	3.84	4.05	3.95	3.90	3.85	3.85	3.85	3.85
	10Y-2Y	-44	-55	-45	-30	-15	5	15	25
Korea	3M CD	3.63	3.60	3.55	3.45	3.20	2.95	2.70	2.70
	3Y	3.32	3.35	3.30	3.15	3.00	2.80	2.80	2.80
	10Y	3.40	3.40	3.35	3.30	3.25	3.20	3.20	3.20
	10Y-3Y	8	5	5	15	25	40	40	40
India	3M MIBOR	7.48	7.20	6.95	6.80	6.80	6.80	6.80	6.80
	2Y	7.03	6.90	6.75	6.70	6.70	6.70	6.70	6.70
	10Y	7.06	7.00	6.95	6.95	6.95	6.95	6.95	6.95
	10Y-2Y	3	10	20	25	25	25	25	25

%, eop, govt bond yield for 2Y and 10Y, spread bps
*swap rates

Source: CEIC, Bloomberg, DBS

Tipping Point

Global Credit
3Q24

With futures pricing in one to two rate cuts this year, and the risk of a hike dispelled, fixed income will help hedge against mixed economic data, while benefitting from capital gains should more-than-expected cuts be necessary. Lengthen portfolio duration to 5-7Y, with overweights on both the short-end and longer-end of the credit curve.

08. Global Credit.

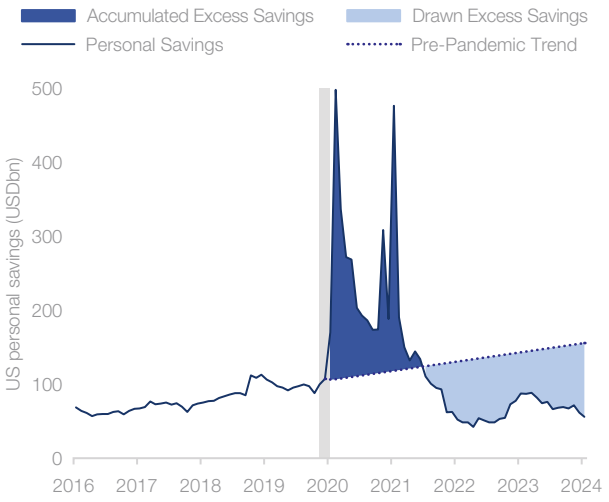
Daryl Ho, CFA
Strategist

There and back again. While the rest of the bond markets cheered on the expectations of generous rate cuts by the Fed in the first half of this year, we treated such enthusiasm with some circumspection coming into 2024. We were, after all, more concerned with the volatility that could arise as the expansionary effects of deficit spending interacted with the contractionary impact of monetary tightening – a dichotomy we addressed in the 2Q24 global credit outlook titled "Navigating the Descent". As it turns out, all that fiscal spending did create a healthier-than-anticipated private sector, and following a few strong growth, inflation, and employment prints, the rate cut narratives were gradually faded by the ever-fickle markets.

No funds for a rainy day. As the latter half of 2024 approaches however, we believe we are approaching an intersection of risks that muddies the outlook; where even the fiscal impulse – the additional economic impact of government finances – may no longer support the same degree of tenacity that the US corporates/households have demonstrated thus far in the face of high interest rates. For one, the surpluses that were accumulated from excess savings during the pandemic – owing in no small part to generous government transfers – have been whittled down to nothing; US households have since Mar 2024 been drawing down against their savings more than the pre-pandemic trend, likely due to inflation and the stickiness of prices of goods and services.

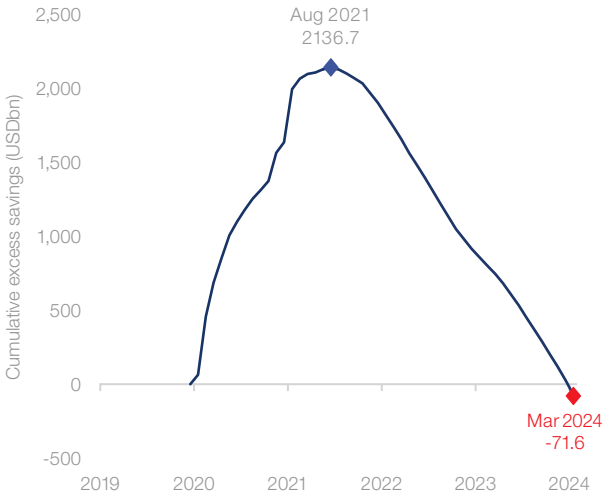
Running out of jobs. Running low on savings is less of an issue when job security is high, and vacancies are plenty. However, data suggests that the tightness in the labour markets of yesteryear are unlikely to

Post-pandemic savings rates have swung from surplus to deficit…



Source: Federal Reserve Bank of San Francisco, Bureau of Economic Analysis, DBS
Note: Grey shaded areas represent NBER recessions

… resulting in cumulative excess savings being completely spent



Source: Federal Reserve Bank of San Francisco, Bureau of Economic Analysis, DBS

Labour markets unlikely to stay tight for long

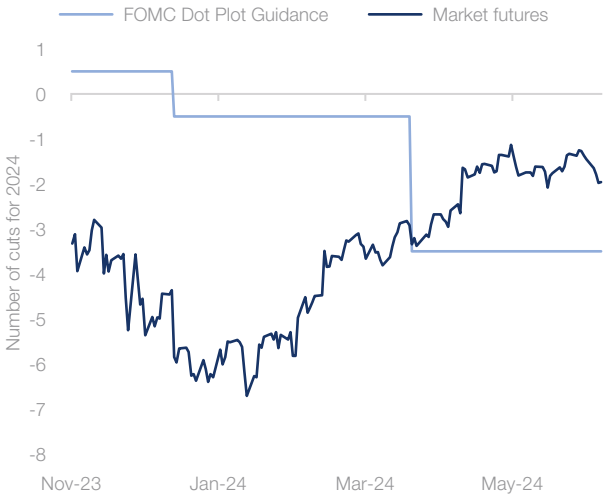
Source: Bloomberg, DBS

persist further. Amid the "great resignation" of 2021-2022, there was at one point more than two jobs for every unemployed person; an employee's market that allowed for high quit rates and exorbitant wage increments for job-hoppers. As the labour markets have right-sized with time, such vacancies have disappeared, and run-rates suggest that we would see vacancies per unemployed person drop to pre-pandemic levels by 2H24. As such, dwindling household savings are unlikely to be rescued by higher wage growth by the end of the year.

The doves have left the building. For bond investors, the good news is that such risks appear to be underappreciated by the markets after a slew of positive data, seeing as they are now no longer more dovish than the Fed. While they did once get ahead of themselves – pricing in nearly seven rate cuts at their most dovish – futures are now indicating expectations of only one-two rate cuts by the end of the year, pretty much in line with the Fed's guidance based on the dot plot. This imbues the asset class of fixed income with stronger hedging characteristics should turbulent times materialise; investors get higher yields in the interim, but also benefit from capital appreciation when the Fed has to cut more significantly than guided/expected.

Mind your cash reinvestment risk. Moreover, downside for bonds is mitigated, seeing as Fed chair Jerome Powell at the May FOMC meeting also pushed back on the notion of more rate hikes to combat the stickiness of inflation – emphasising that it is the "longer", not "higher" that markets need to focus on in the higher-for-longer narrative.

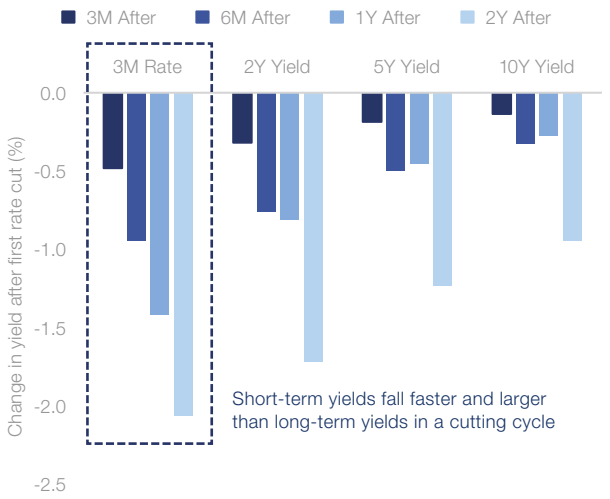
Markets are no longer more dovish than the Fed



Source: Bloomberg, DBS

We are undoubtedly at the end of the hiking cycle, and therefore the next move in rates is more likely to be down than up. This unintuitively also means that there could be more "downside" staying in cash instead of fixed income. Should we be at the verge of a cutting cycle, it is often short-term yields that fall the fastest and largest after the first cut; cash always faces the highest reinvestment risk at the turn of the policy cycle.

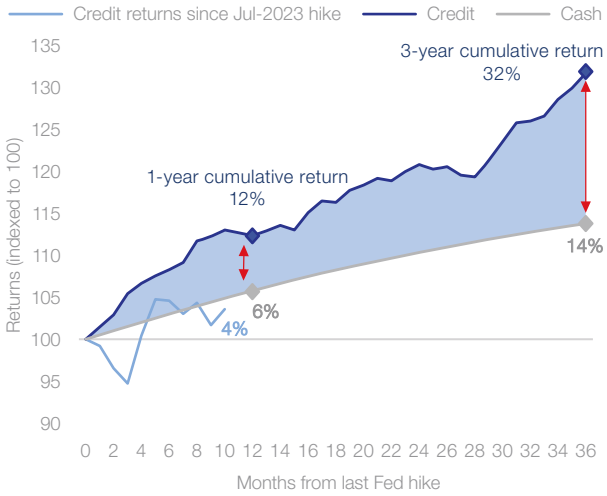
Cash rates most at risk in a cutting cycle



Source: Bloomberg, DBS

Today's yields for tomorrow. Credit, on the flipside, has the opposite outcome. By securing prevailing yields for a longer duration, investors (a) preserve the high coupon yields available today for a longer term, and (b) benefit from price gains as rate cuts lower the yield environment on aggregate. Looking at policy cycles since 1984, the cumulative returns of credit following the last hike in the cycle on average far exceed that of cash over a three-year horizon. That said, astute investors would note that this current "Fed pause" has not lived up to its predecessors in terms of bond returns; indeed, the higher-for-longer narrative has become well entrenched, enough to create a sense of fear about fixed income. We believe however that this is clearly a case where one would benefit from being "greedy when others are fearful", as high coupon yields are a strong indicator of future returns in bonds.

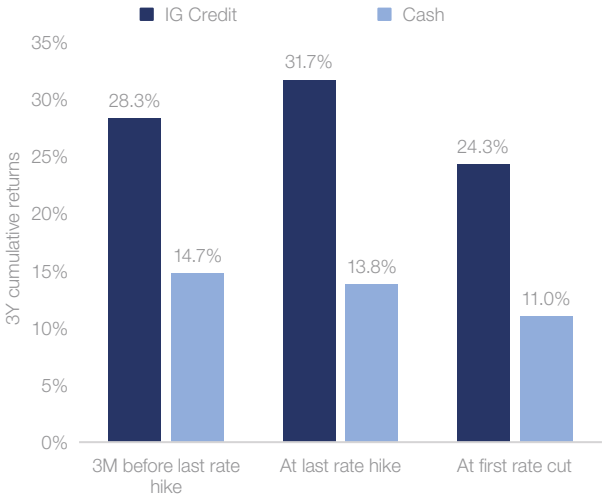
Credit outperforms cash following the end of a hiking cycle



Source: Bloomberg, DBS

No need to time this market. The best part? Precision in the timing of entry for bonds seems almost unnecessary once policy tightening approaches the endzone. Based on the five full policy cycles over the last 40 years, investors that choose credit over cash – whether it is just before the last hike, or all the way up to the first rate cut – see outsized cumulative excess returns of credit over cash over the subsequent three years.

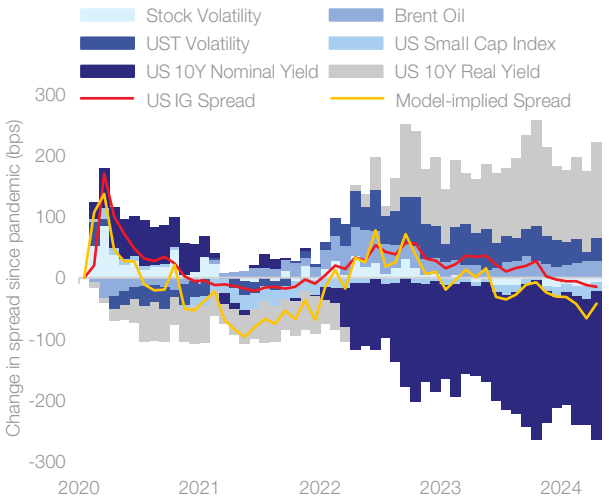
Bond investors need not be too precise in timing the rate cut



Source: Bloomberg, DBS

Are credit spreads too tight? The main contention against credit today is perhaps the fact that spreads are too tight – mere inches away from the post-millennium lows registered in 2021. We attempted to model US IG spreads based on select input variables (stock and bond volatility, yield levels, oil prices, US small cap stocks) to ascertain the contribution of each to the model-implied spread. The analysis shows that credit spreads have performed in line with the broader macro developments – the spread tightening since 2022 can be largely explained by a combination of (a) higher UST yields and (b) strong equity market returns (supported by a resilient growth backdrop). While such analysis of historical data has less efficacy in making forecasts on the future direction of spreads, it is nonetheless still intuitive that widening is expected should there be a moderation in growth momentum towards the end of the year. As such, we continue to recommend that investors stay up in quality with a focus on the A/BBB bucket to mitigate risks.

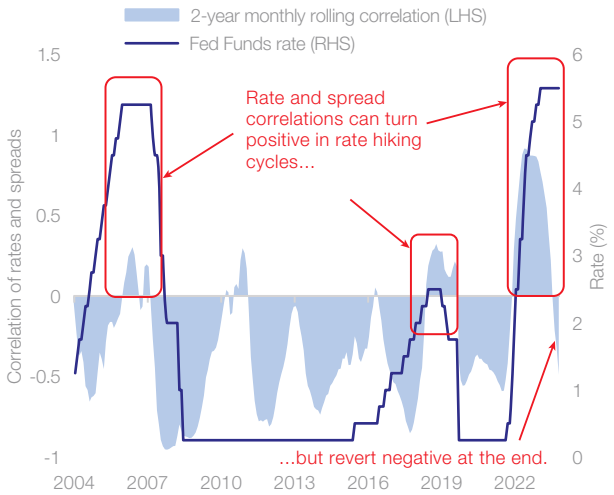
High UST yields and strong growth account for the bulk of spread tightening since 2022



Source: Bloomberg, DBS

Rates and spreads are no longer positively correlated. The silver lining under such circumstances is that rates and spreads are no longer positively correlated as they were while the hiking cycle was still underway. Over the last 20 years, we have observed that spreads and rates tend to be positively correlated from start- to mid-cycle – the worst outcome for bond investors, as prices need to combat dual headwinds of rising rates and wider spreads. Today however, they have reverted negative – implying that wider spreads would more likely be met with lower rates (and vice versa). This is more typical of later cycle dynamics, where any widening of risk premiums due to plateauing growth would be more readily met with policy support. This also appears to gel with the Fed's current policy guidance; with inflation inching closer to target, they would react more asymmetrically – attempting to guard against reacceleration, but avoiding unnecessary tightening that creates further downward pressure on real economic activity or employment.

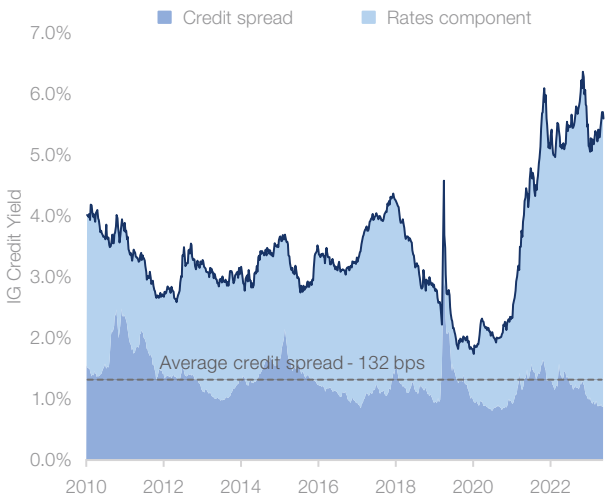
Correlations of rates and spreads have reverted negative



Source: Bloomberg, DBS

Do not miss the forest for the trees. Nonetheless, investors should not let the tightness of spreads detract from the fact that absolute yields are at the highest levels in 15 years. Pre-pandemic norms dictate that the spread/rates composition in the absolute yields of IG credit settle about a 40/60 split, compared to the 15/85 proportion that we observe today. While spread tightness has contributed to this imbalance, much of this is also influenced by the outsized risk-free rate component following an aggressive hiking cycle. A simple mean reversion could imply that more alpha is gained through the compression of the risk-free rate than lost through spread widening.

Tight credit spreads should not detract from high absolute yields



Source: Bloomberg, DBS

A barbell duration strategy is suited for this tipping point. We had recommended a short-duration strategy for an extended period now, expecting that the economic expansion would surprise positively for much longer than initially thought. Approaching the end of the cycle necessitates that we take a slightly more calibrated barbell approach, focusing on two outsized positions in a fixed income portfolio:

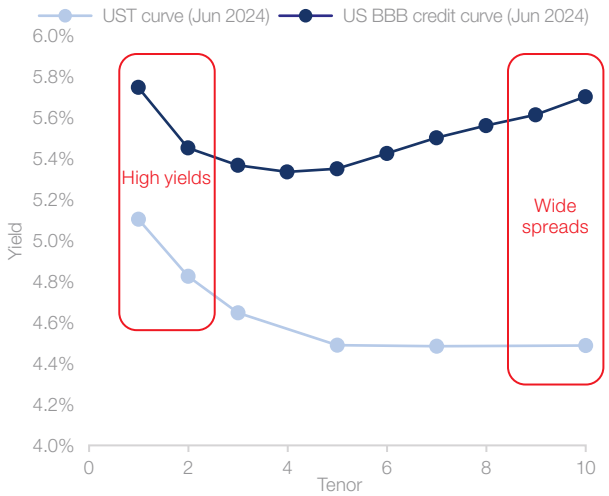
A. IG Credit/BB+ rated rising stars in the 1-3Y duration segment

On the short-end, investors should stay overweight in short-duration IG credit in the 1-3Y segment to capitalise on the turn of the rate hiking cycle. Since short-end rates are the most impacted once cuts ensue, this is the segment that stands to gain with more certainty from a repricing of the rate environment. Short-duration, high BB+ rated rising stars are also an alpha play on potential upgrades to IG.

B. IG credit in the 7-10Y duration segment

With an inverted UST curve, it remains that there would be volatility risks in the long-end. Nonetheless, the upshot is that credit spreads are much wider in this segment; investors get better spread compensation and can lock in high coupon returns for longer should the cutting cycle materialise. The US fiscal trajectory remains a risk, but the tapering of QT (reducing the UST runoff from USD60bn to USD25bn from Jun 2024) helps to buffer against a potentially higher supply of treasury debt. We believe that any dips in duration are now a more palatable buying opportunity to build a high-quality, longer duration position for an extended horizon.

Duration barbell captures best of both worlds



Source: Bloomberg, DBS

In summary, bond investors should more aggressively deploy cash into fixed income as we approach the peaks of this cycle. High starting yields, combined with a possible turn in the policy cycle provide an opportunistic setup for strong multi-year future returns. However, investors need to stay up in quality with A/BBB credit, and only make selective picks in the BB+ segment that could become rising stars. Portfolio duration should take a barbell approach – with an outsized focus on (a) the 1-3Y segment to position in the bucket with the highest beta to lower policy rates, and (b) the 7-10Y bucket to capitalise on wider spreads and rate sensitivity. On balance, this should lengthen the portfolio duration to 5-7Y, setting investors up for steady income generation for a longer term to come.

Strong Start, Weak Finish

Global Currencies
3Q24

USD to depreciate in second half of the year as US economy becomes less exceptional, while EUR remains remarkably resilient. Asian currencies like JPY and CNY should regain composure amid government measures.

09. Global Currencies.

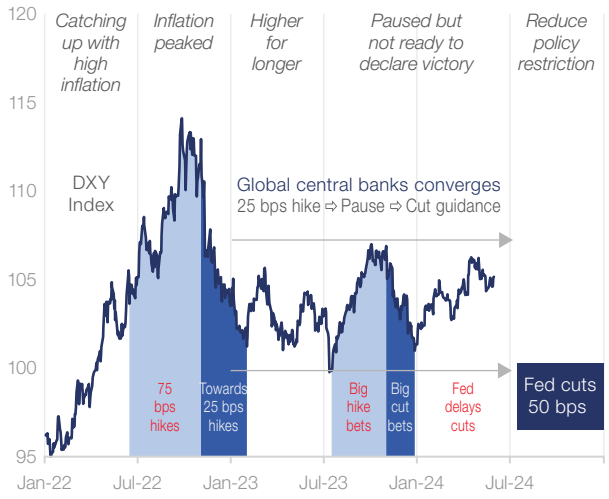
Philip Wee
Strategist

Chang Wei Liang
Strategist

The dynamics that kept the USD "exceptionally" strong globally in the first four months of 2024 have started to wane. Global central banks have aligned with the Fed's cautious stance to get inflation back to target by delaying and reducing the number of interest rate cuts this year. Between 2H23 and 1Q24, the US economy transitioned from exceptional growth towards a soft landing, while the EU and British economies exited technical recessions. More countries did not welcome the excessive exchange rate volatility due to the strength of the USD, which resulted in more local currency trade agreements and currency swap lines between trading partners. In a significant move, the US, Japan, and South Korea issued a trilateral joint statement in April to "consult closely" on foreign exchange rate markets, which paved the way for currency interventions in some countries. Our view has not changed for the greenback to depreciate when the Fed starts easing monetary policy restriction with 25 bps rate cuts every quarter from 3Q34 into 2025. That said, the unsustainable US federal debt could emerge as an issue at the November US Presidential election.

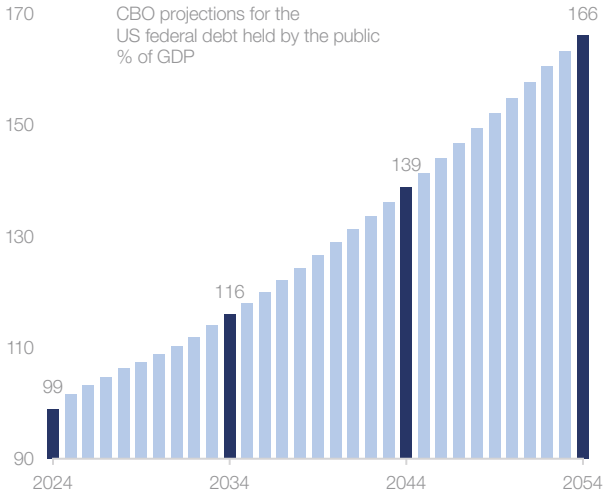
Asian currencies should regain their composure after a rough start to 2024. We attributed the exchange rate volatility primarily to the USD's strength, amplified by negative yield differentials against the US for some currencies. Although the MYR, VND, and PHP depreciated to fresh lifetime lows (daily close) vs the USD, they were not misaligned with their Asian peers on an indexed basis over the medium term. Talks of another Asian crisis were exaggerated and inconsistent with the region's steady economic growth amid an export recovery, resilient stock markets, stable credit default swaps, and foreign reserves. China kept the CNY fixings stable, backed by more government measures to address the disappointing economy and troubled property sector. Japan allegedly intervened to stabilise the JPY at 40-year lows, with the BOJ looking to hike rates again following the end of its negative interest rate policy in March. Renewed interest in carry trades against Asian currencies could be unsettled when the USD depreciates, as it did over the past 1-2 years whenever the Fed turned dovish.

USD to fall when the Fed gains the confidence to lower interest rates



Source: Bloomberg, DBS

US federal debt will likely become an issue at the US election in November



Source: Bloomberg, DBS
Note: rounded to 0.25%, as of 22 Mar 2024

USD Index lower from expected Fed cuts amid a US soft landing

	Year	1Q	2Q	3Q	4Q
DBS	2024	104.5	104.5	103.7	103.0
forecast	2025	102.2	101.5	100.7	100.0

Source: Bloomberg, DBS

The Canadian dollar remains range-bound with an appreciation bias

	Year	1Q	2Q	3Q	4Q
DBS	2024	1.35	1.36	1.36	1.35
forecast	2025	1.34	1.33	1.32	1.31

Source: Bloomberg, DBS

The USD Index (DXY) should depreciate in 2H24 into the lower half of 100-107, the range set in Dec 2022. The US economy has become less exceptional. Real GDP growth fell to an annualised 1.3% q/q saar in 1Q24, below 2% for the first time since 2Q22. A New York Fed study estimated that American households have depleted their pandemic excess savings as of Mar 2024. US banks reported that low-income consumers have turned more cautious about spending and were struggling to keep up with loan payments. The Conference Board reported that 70% of its respondents perceive a US recession over the next 12 months. After a sticky first quarter, inflation should slow again and provide the Fed the confidence to lower interest rates by 50 bps in 2H24. The rising federal government debt, which the CBO projected to increase from 99% of GDP in 2024 to 166% by 2054, could become an issue that hurts the greenback moving into the US Presidential Election due on 5 Nov.

USD/CAD to fall into the lower half of 1.31-1.39 from Fed cuts weakening the USD in 2H24. USD/CAD has correlated with the DXY Index since 2023, a relationship that tightened after the Fed's final hike in July. The BOC believed there was a limit to how far US and Canadian interest rates could diverge. For example, the US-Canadian policy rate differential has been stable at 50 bps since mid-2023. Although Canada's CPI and core inflation fell below 3% in April, the BOC wants more evidence that this momentum towards the 2% target is sustained before considering rate cuts, mirroring the Fed. We believe the BOC and the Fed will attain such confidence to lower rates by 50 bps in 2H24. After that, commodity prices could renew their traditional role as a driver for the CAD; rising gold and copper prices lifted the stock market to a new lifetime high in May.

EUR/USD's trading range narrowed to 1.06-1.11 this year from 1.0450-1.1275 in 2023. The ECB and the Fed kept interest rates unchanged since Sep and Jul 2023 respectively. EUR has been remarkably resilient despite expectations for the ECB to lower rates in June – before the Fed. We attributed this to the Eurozone economy exiting its technical recession in 1Q24. Conversely, US economic growth slowed to an annualised 1.6% q/q saar in 1Q24 after an exceptional performance of 3.4-4.9% in 2H23. Although sticky US inflation led the Fed to signal fewer and later rate cuts, the ECB did not pre-commit to more rate cuts beyond June, maintaining its data-dependent and meeting-by-meeting approach. While we expect the ECB and the Fed to lower rates in 2H24, past experiences suggest that the Fed would eclipse the ECB and weaken the greenback. As the most significant DXY component, EUR should benefit by rising towards 1.10 again.

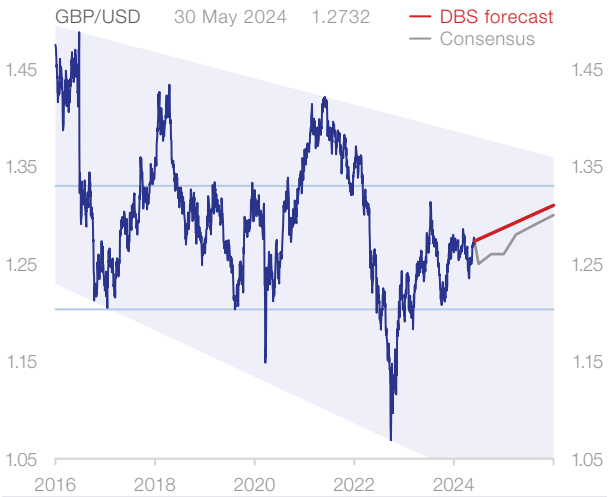
GBP's performance should continue to be characterised by a combination of stability and volatility within this year's 1.24-1.30 range. Following a period of stability between 1.25 and 1.28 in November-February, GBP/USD plunged from 1.29 to 1.23 in March-April from a stronger USD due to sticky US inflation and a less dovish Fed. GBP's subsequent recovery towards 1.28 in May was impressive, driven by a less exceptional US economy and the UK economy exiting its technical recession in 1Q24. Meanwhile, the UK's CPI inflation fell from 4% y/y to 2.3% in the first four months, near the official 2% target, providing the BOE with more confidence to consider a rate cut this summer. To capitalise on fulfilling his pledge to halve inflation amidst an improving economic outlook, Prime Minister Rishi Sunak called for a snap general election on 4 Jul. Conversely, sentiment for the greenback will likely sour on Fed cuts ahead of the November US elections.

Euro has held up on the EU economy exiting its technical recession

	Year	1Q	2Q	3Q	4Q
DBS	2024	1.08	1.09	1.09	1.10
forecast	2025	1.11	1.12	1.12	1.13

Source: Bloomberg, DBS

British pound has held up on the UK economy exiting its technical recession



	Year	1Q	2Q	3Q	4Q
DBS	2024	1.26	1.28	1.28	1.29
forecast	2025	1.29	1.30	1.30	1.31

Source: Bloomberg, DBS

JPY's downside is limited by intervention risks. JPY slippage on carry trades and domestic bond investment overseas has been kept in check by suspected JPY buying interventions from late April to early May. The short-term impact of market interventions has abated, but USD/JPY could be restrained below 160 by fears of triggering more interventions. The April trilateral statement by US-Japan-Korea signifies policymakers' elevated concerns over JPY weakness, even as rate differentials continue to weigh on JPY. Meanwhile, sharp JPY undervaluation is positively impacting the goods and services balance. Japan's YTD tourist arrivals this year have finally exceeded its pre-pandemic 2019 level, and its net travel balance has consequently surged to USD29bn over the last 12 months. Similarly, the 12M trade deficit has narrowed sharply to around USD41bn, compared to USD159bn a year ago. With Japan's 12M current account surplus soaring to 4.2% of GDP (2022: 2.1%), JGB yields rising on anticipation of lesser BOJ asset purchases, and heightened policy resistance towards depreciation, JPY could stabilise and recover once US rates fall.

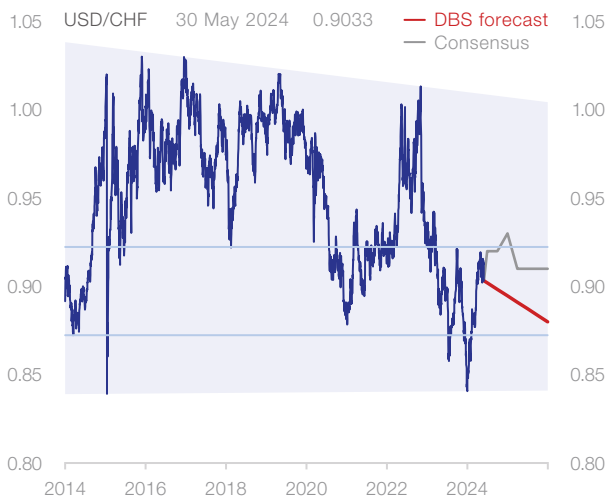
USD/CHF could consolidate in a 0.88-0.92 range after depreciating 8.5% vs the USD in the first four months to become the second weakest currency after the JPY. While the Fed delayed rate cuts in 1Q24, the SNB became the first global central bank to lower interest rates by 25 bps to 1.50% in March. However, the SNB will unlikely follow through with a second cut in June after CPI inflation rose to 1.4% y/y in April from 1% in March. Apart from attributing the higher inflation to the weaker CHF, SNB also reckoned that the natural rate of interest or R* could be higher than the estimated 0%. Additionally, Switzerland's negative 10Y bond yield differential vs the US narrowed from -390 bps to -360 bps in May after widening from -307 bps in January. We see the Fed lowering rates by 50 bps in 2H24, which should lead to generalised USD weakness globally and unravel yield carry trades.

Japanese yen faces intervention and more BOJ hikes

	Year	1Q	2Q	3Q	4Q
DBS	2024	151	156	153	150
forecast	2025	148	145	142	139

Source: Bloomberg, DBS

Swiss franc's decline runs afoul of higher-than-expected inflation



	Year	1Q	2Q	3Q	4Q
DBS	2024	0.90	0.90	0.90	0.89
forecast	2025	0.89	0.89	0.88	0.88

Source: Bloomberg, DBS

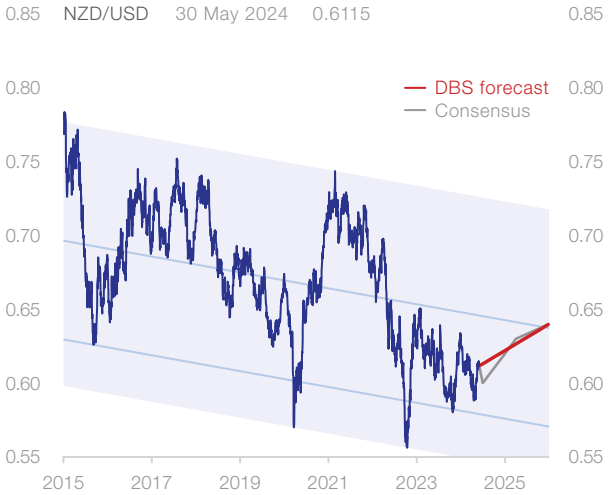
Australian dollar is underpinned by later rate cuts in 2025

	Year	1Q	2Q	3Q	4Q
DBS	2024	0.66	0.67	0.67	0.68
forecast	2025	0.69	0.70	0.70	0.71

Source: Bloomberg, DBS

In the second half of 2024, we see AUD/USD in the upper half of 0.63-0.69 due to monetary policy divergence. The RBA will likely keep the cash rate target unchanged at 4.35% this year based on its projection for CPI inflation to decline to the 2-3% target in 2H25 and reach the 2.5% mid-point in 2026. Conversely, we forecast the Fed lowering rates by 50 bps in 2H24 to 4.75-5.50% by the end of this year. This monetary policy divergence is essential because AUD/USD's fluctuation within the 0.63-0.69 range aligns with the 10Y AU-US bond yield differential's swing within a ±30 bps band around 0%. AUD/USD mounted an impressive recovery to 0.67 (-1.7% YTD) on 20 May after depreciating to the year's worst level around 0.6365 (-6.6% YTD) on 19 Apr.

New Zealand dollar has exited its technical recession



	Year	1Q	2Q	3Q	4Q
DBS	2024	0.60	0.61	0.62	0.62
forecast	2025	0.63	0.63	0.64	0.64

Source: Bloomberg, DBS

NZD/USD has an upside bias within the 0.58-0.68 range set in Feb 2023. The RBNZ signalled that it would likely cut interest rates after the US; we see the Fed lowering rates by 50 bps in 2H24. Apart from revising the nominal long-run neutral rate higher by 25 bps to 2.75%, the RBNZ increased cash rate forecasts for 1Q25 (5.62% vs 5.47% previous) and 2Q25 (5.54% vs 5.33%). Given the slow decline in non-tradable inflation, the RBNZ projected inflation returning to the 1-3% target in 4Q24. However, RBNZ has no intention to hike rates unless inflation expectations rise again. According to its monetary conditions survey, two-year inflation expectations fell to a three-year low of 2.33% in 2Q24 from 2.5% in 1Q24. NZD should also benefit from the NZ economy emerging from its technical recession in 1Q24, but a jobless recovery will temper the gains. The Treasury projected the unemployment rate to rise to 5.1% in early 2025 from 4.3% in 1Q24.

Asia Currencies

CNY

CNY stability is underpinned by policy, though simmering trade tensions present risks. Onshore CNY fixings have been kept steady by the PBOC around 7.10 to anchor the RMB, but the environment for Chinese trade is becoming less favourable. The US has raised tariffs on selected Chinese products, most notably EVs, while protectionist sentiment is also broadening. At the G7 meeting in Stresa, concerns about China's non-market policies and practices were raised, alongside warnings of possible steps to ensure a "level playing field". If tariffs on Chinese goods are applied more broadly by others, China may well weigh a softening in the RMB as it seeks to buffer a slowdown in exports. Our base case is for China-EU trade frictions to stay limited, underpinned by better relations after President Xi's visit to France. This could underpin modest RMB gains once the Fed begins to lower rates in 2H24, even as the negative rate differential persists given likely PBOC's rate cuts. RMB volatility stemming from US election rhetoric around trade and investment restrictions remains a risk.

Chinese yuan has been cushioned by policy support measures

	Year	1Q	2Q	3Q	4Q
DBS	2024	7.22	7.22	7.18	7.12
forecast	2025	7.08	7.04	7.00	6.96

Source: Bloomberg, DBS

HKD

USD/HKD will likely tread around the mid-point of its convertibility band in the short term. 1M HIBOR rates may have risen by around 20-30 bps since the end of April on tightening liquidity, but the gap with US rates remains sizeable. Rate differentials could thus continue to attract deposit conversion from HKD to USD, keeping USD/HKD supported until there is more clarity on the timing of Fed rate cuts. Meanwhile, Hong Kong's aggregate balance has stabilised at around USD45bn, while FX reserves have also been little changed around USD420bn. With USD/HKD not testing the upper bound of the convertibility band since Sep 2023, any incremental HKD liquidity tightness should be limited. In a turn from the bearish start this year, the Hang Seng index has rallied strongly YTD. Sentiment was helped by the rollout of various policy measures supporting the mainland China and Hong Kong property markets, including a PBOC relending facility for SOEs to buy unsold homes. If capital inflows into HK equities sustain, USD/HKD could ease somewhat below the 7.80 mid-point of the trading band.

Hong Kong dollar is awaiting Fed cuts to push below the mid-point

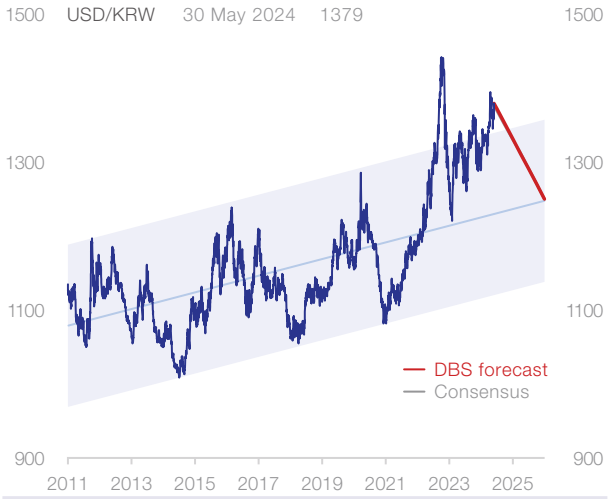
	Year	1Q	2Q	3Q	4Q
DBS	2024	7.82	7.22	7.18	7.12
forecast	2025	7.08	7.04	7.00	6.96

Source: Bloomberg, DBS

KRW

KRW is the most sensitive Asian currency to USD swings, and a reversal of KRW weakness will await when USD strength abates. USD/KRW has bounced higher amid a pushing out of Fed rate cuts and broad USD strength, but we expect rallies to be capped below 1400, a psychological level which has not been broken since Sep 2022. The 2Y USD-KRW rate differential has widened to over 130 bps, keeping USD/KRW buoyed in the short term. But fundamentals are strong and could support a KRW recovery further out when US rates ease. Korean exports are lifted by a recovery in China, along with booming semiconductor demand driven by new AI applications. The BOK has raised its 2024 growth forecast to 2.5% from 2.1%, though it is expected to track the Fed in lowering its policy rate later this year with progress on disinflation and soft consumer spending. Meanwhile, portfolio inflows have eased, with investors perhaps disappointed by opposition to reforms from the legislature. However, good earnings from large semiconductor firms may support a recovery in foreign equity inflows, helping to contain the KRW's weakness.

South Korean won's weakness outside its channel is unsustainable



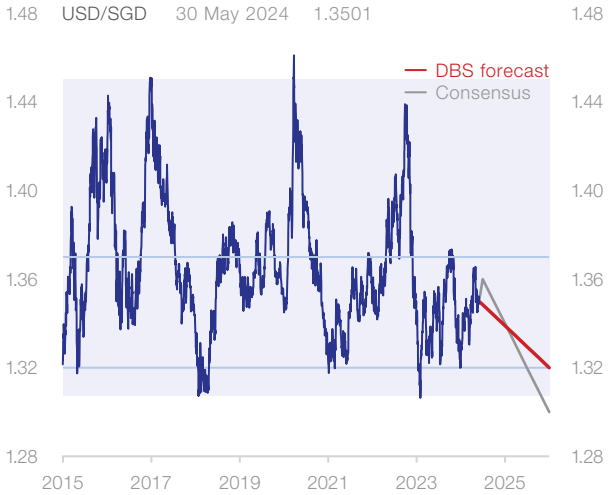
	Year	1Q	2Q	3Q	4Q
DBS	2024	1,350	1,370	1,350	1,330
forecast	2025	1,310	1,290	1,270	1,250

Source: Bloomberg, DBS

SGD

USD/SGD is very correlated with the DXY Index, estimated at almost 90% after the Fed's final hike in July 2023. Put simply, USD/SGD's 1.32-1.37 range over the past year mirrors the DXY's 101-107 range. Hence, USD/SGD and the DXY should decline when the Fed lowers rates in 2H24. We will not be surprised if MAS eases its SGD NEER policy before the Fed. During this global tightening cycle, MAS started and ended its tightening cycle before the Fed. In slowing to 2.7% y/y and 3.1% in April, Singapore's CPI and core inflation were inside their official forecasts of 2.5-3.5% for 2024. MAS wants policy to remain "appropriately restrictive" to bring core inflation to 2% by early 2025. Although real GDP growth slowed to 0.1% q/q sa in 1Q24 from 1.2% in 4Q23, the Ministry of Trade and Industry maintained this year's growth forecast at 1-3%, optimistic about a gradual recovery in the manufacturing and electronics sectors.

Singapore dollar will take its cue from a weaker DXY eventually



	Year	1Q	2Q	3Q	4Q
DBS	2024	1.35	1.35	1.34	1.34
forecast	2025	1.33	1.33	1.32	1.32

Source: Bloomberg, DBS

INR

INR was the second most resilient Asian currency after the HKD this year. Although the INR depreciated to a record low of 83.6 per USD in April, this represented only a 0.4% decline vs the average 4.4% depreciation in East Asian currencies. The Sensex Index hit a new record high of 75124 on 9 Apr due to India having the fastest growing economy in the region. In April, the IMF projected that India's nominal GDP will surpass Japan's by 2025, a year earlier than its previous prediction in October. Looking ahead, we see the INR appreciating on favourable interest rate differentials. We see the RBI keeping rates unchanged at 6.50% and the Fed lowering rates by 50 bps to 5% in 2H24. India's CPI inflation fell from 5.7% y/y in December to 4.8% in April, well inside its 4-6% target range. Additionally, the INR will benefit from the inclusion of Indian government bonds in the global bond indices.

Indian rupee is considered a stable rather than a weak currency

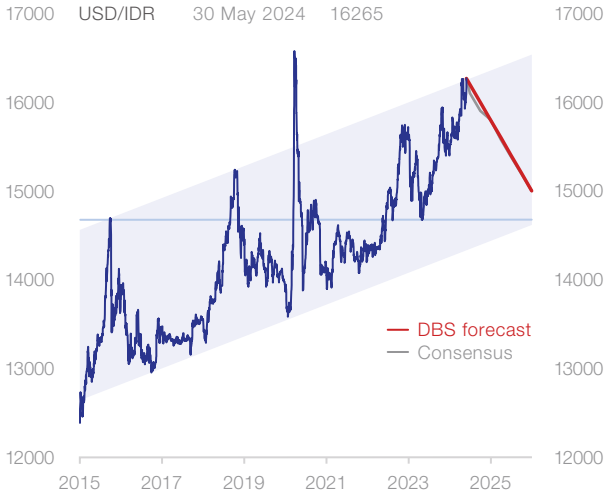
	Year	1Q	2Q	3Q	4Q
DBS	2024	83.4	83.2	83.0	82.8
forecast	2025	82.6	82.4	82.2	82.0

Source: Bloomberg, DBS

IDR

IDR depreciated briefly past 16000 per USD in 2Q24 for the first time since the Covid-19 recession in 2020. Like its Asian peers, the IDR was pressured by a strong USD from the Fed pushing back against aggressive Fed cut bets in the first four months of this year. To cushion the IDR from a strong USD, the BI lifted rates by 25 bps to 6.25% on 30 Apr. In 2H24, we expect USD/IDR to fall from the ceiling of its decade-long price channel when the USD depreciates from two US interest rate cuts. Assuming the presidency in October, Prabowo Subianto wants to achieve 8% growth in the first 2-3 years of his term. To achieve this, Prabowo will carry on outgoing President Joko Widodo's domestic processing policy, namely, processing palm oil into diesel. Indonesia has attracted new investments from US companies such as Microsoft, and China's electric vehicle makers BYD and Neta Auto.

Pressures on the Indonesian rupiah should subside when the Fed cut rates



	Year	1Q	2Q	3Q	4Q
DBS	2024	15,860	16,200	16,000	15,800
forecast	2025	15,600	15,400	15,200	15,000

Source: Bloomberg, DBS

MYR

USD/MYR has the potential to decline this year after failing thrice to break above 4.80 in October, February, and April. First, we expect the USD to weaken globally when the Fed lowers rates by 50 bps in 2H24. With the BNM keeping rates unchanged, the negative interest rate differential weighing against the MYR will subside. Second, we forecast Malaysia's GDP growth to reaccelerate to 4.8% this year, at the high end of the official growth target of 4-5%, from 3.7% in 2023 amid a soft landing for the US economy. Third, political uncertainties have diminished substantially with strong pro-business leaders, i.e., King Sultan Ibrahim and Prime Minister Anwar Ibrahim. Against this background, Malaysia is regaining the confidence of foreign direct investors. Malaysia and Singapore signed a Memorandum of Understanding (MoU) in January to build the Johor-Singapore Special Economic Zone. Emerging as the country's top data centre, Johor is well-positioned to attract investments from multinational corporations.

Malaysian ringgit's weakness was limited at 4.80 per USD

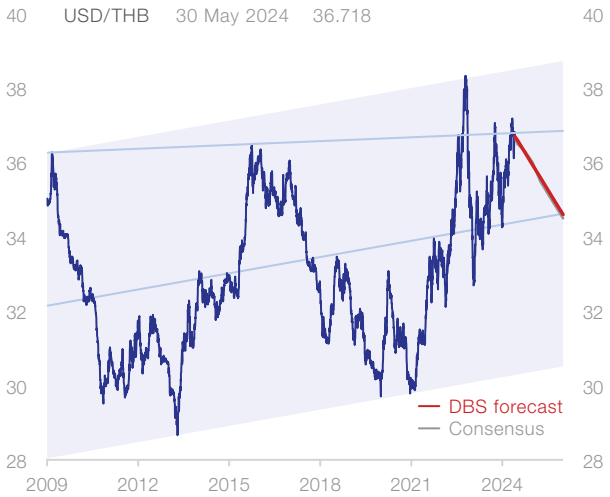
	Year	1Q	2Q	3Q	4Q
DBS	2024	4.70	4.70	4.65	4.65
forecast	2025	4.60	4.55	4.55	4.50

Source: Bloomberg, DBS

THB

THB was Emerging Asia's weakest currency this year, losing 7% of its value to 36.7 per USD as of 31 May. The THB struggled against its wide and negative bond yield differentials vs. its US counterpart from the Fed delaying rate cuts on sticky US inflation and Thailand's negative inflation over October-March. However, the BOT refrained from hiking rates and intervened when needed to counter excessive moves in the currency. Even so, we estimated the fair value of USD/THB at around 36 based on the 10Y US-Thai bond yield differential and lower at 34-35 on its high foreign reserves. Hence, the THB could rebound quickly if we are correct about the Fed lowering rates by 50 bps in 2H24. To increase the country's resilience to the USD, the BOT and its China counterpart PBOC signed a MoU in May to promote bilateral transactions in local currencies.

Thai baht kept to a 34-37 range after the Fed's final hike in Jul 2023



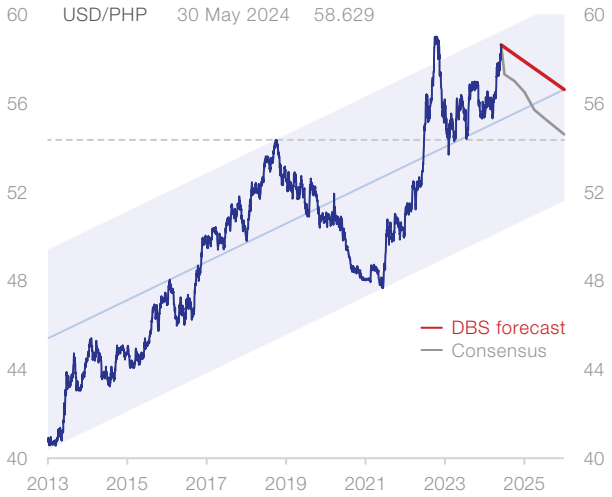
	Year	1Q	2Q	3Q	4Q
DBS	2024	36.3	36.6	36.3	35.9
forecast	2025	35.6	35.3	34.9	34.6

Source: Bloomberg, DBS

PHP

We expect the PHP to stabilise when the USD's strength subsides on Fed cuts in 2H24. The BSP should also seize the opportunity to lower rates by 50 bps during the same period, assuming inflation peaks in May and starts tapering after July. The Philippine government's first global bond offering in May was well received with tight pricing, attesting to continued confidence in the country's strong growth outlook and economic management. Nonetheless, the BSP's intervention to address the PHP's weakness during the Israel-Iran conflict in April revealed some concerns. At its worst point, the Philippine stock market returned the year's gains amid worries of a larger oil import bill and a disruption in overseas foreign worker remittances. Investors will also pay attention to the country's tensions with China over territorial disputes in the South China Sea and its closer defence ties with the US and its allies such as Japan and Australia.

Philippine peso is confined in the 56-60 half of its price channel



	Year	1Q	2Q	3Q	4Q
DBS	2024	56.2	58.5	58.2	57.9
forecast	2025	57.6	57.3	56.9	56.6

Source: Bloomberg, DBS

VND

USD/VND may stabilise after hitting the ceiling of its price channel. We expect the USD to give back this year's gains when US disinflation resumes and paves the way for the Fed to lower rates by 50 bps in 2H24. This should diminish the critical factor pressurising the VND after the Fed's final hike in Jul 2023, i.e., Vietnam's persistently wide and negative 10Y bond yield differential of 150-200 bps against the US. Unlike consensus, we see USD/VND's fall confined to the upper half of the channel from a still-wide yield differential. The World Bank is doubtful about the government achieving this year's 6-6.5% economic growth target. Bank lending expanded only 1.34% from December, short of the SBV's 15% target for 2024. Until our call for Fed cuts arrive to weaken the USD, policymakers will likely continue tightening liquidity from interventions, open market operations, and possibly a rate hike to stabilise the VND.

Vietnamese dong is confined to the 24400-26000 half of its price channel

	Year	1Q	2Q	3Q	4Q
DBS	2024	24,790	25,430	25,360	25,290
forecast	2025	25,220	25,140	25,070	25,000

Source: Bloomberg, DBS

DBS currency forecasts

Exchange rates, eop

	30 May	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
China	7.2327	7.22	7.18	7.12	7.08	7.04	7.00	6.96
Hong Kong	7.8174	7.82	7.81	7.81	7.80	7.80	7.79	7.79
India	83.315	83.2	83.0	82.8	82.6	82.4	82.2	82.0
Indonesia	16265	16200	16000	15800	15600	15400	15200	15000
Malaysia	4.7045	4.70	4.65	4.65	4.60	4.55	4.55	4.50
Philippines	58.629	58.5	58.2	57.9	57.6	57.3	56.9	56.6
Singapore	1.3501	1.35	1.34	1.34	1.33	1.33	1.32	1.32
South Korea	1379	1370	1350	1330	1310	1290	1270	1250
Thailand	36.718	36.6	36.3	35.9	35.6	35.3	34.9	34.6
Vietnam	25455	25430	25360	25290	25220	25140	25070	25000
Australia	0.6633	0.67	0.67	0.68	0.69	0.70	0.70	0.71
Canada	1.3681	1.36	1.36	1.35	1.34	1.33	1.32	1.31
Eurozone	1.0832	1.09	1.09	1.10	1.11	1.12	1.12	1.13
Japan	156.82	156	153	150	148	145	142	139
New Zealand	0.6115	0.61	0.62	0.62	0.63	0.63	0.64	0.64
Switzerland	0.9033	0.90	0.90	0.89	0.89	0.89	0.88	0.88
United Kingdom	1.2732	1.28	1.28	1.29	1.29	1.30	1.30	1.31
United States	104.72	104.5	103.7	103.0	102.2	101.5	100.7	100.0

Australia, Eurozone, New Zealand, and United Kingdom are direct quotes.

Regaining Momentum

Commodities
3Q24

Commodities are seeing signs of revival. Metals, energy, and cocoa have had a blistering rally this year. This is despite macro headwinds in the form of high rates and a strong dollar persisting, suggesting that fundamentals and geopolitical risk are driving the rallies.

10. Commodities.

Goh Jun Yong
Analyst

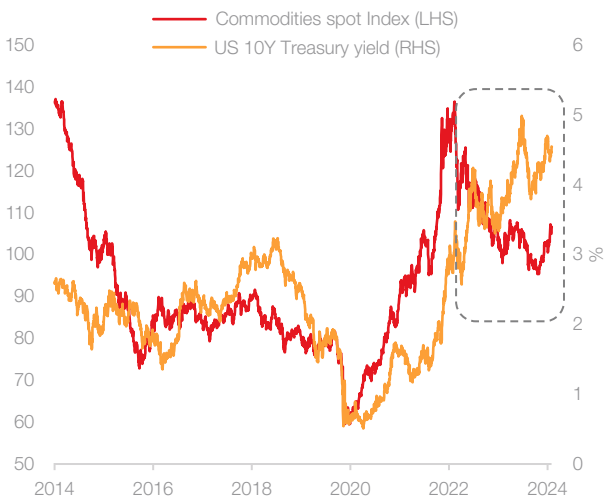
Broad commodities have rallied this year. After a nearly two-year period of consolidation, commodities across the board are seeing signs of revival. Much has been written about the blistering YTD rallies in precious metals (Gold: Another Record High in the Books) and energy (Global Oil & Gas: Dawn of New Era for US Shale Oil), however, industrial metals and select agricultural commodities have remained relatively under the radar despite also seeing a resurgence. On a YTD basis (as at 29 May), the energy-heavy GSCI index gained 10.6%, while the Bloomberg Commodity Index, which has a more even allocation to energy, metals, and agricultural commodities, was up 8.1% during the same period.

Have macro conditions improved? Despite the revival in commodity prices however, one would be hard pressed to say that macro conditions have improved materially since 2022 and 2023. Headwinds in the form of elevated rates and a strong dollar are still at play, and the Chinese economy, while growing at a commendable pace (1Q24 GDP grew 5.3% y/y), remains plagued by debt problems in its property market, as well as rising youth unemployment. Furthermore, the much-anticipated Fed easing, which would have been a major tailwind for commodities, has likely been deferred as inflation makes a return in the US. All in all, it seems like while there is some progress on the macro front and commodity prices may have finally bottomed, the big turnaround that market watchers have been anticipating has yet to arrive.

Commodities are back in the green in 2024

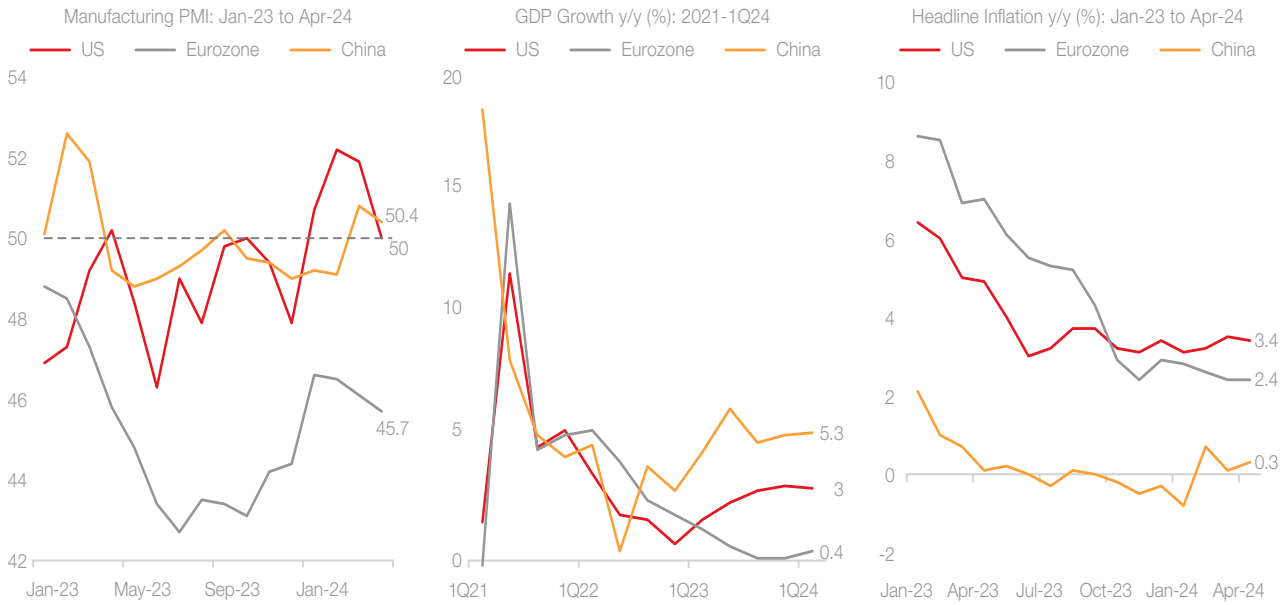
Source: Bloomberg, DBS

Treasury yields still weighing on commodities



Source: Bloomberg, DBS

Macro indicators humming not roaring



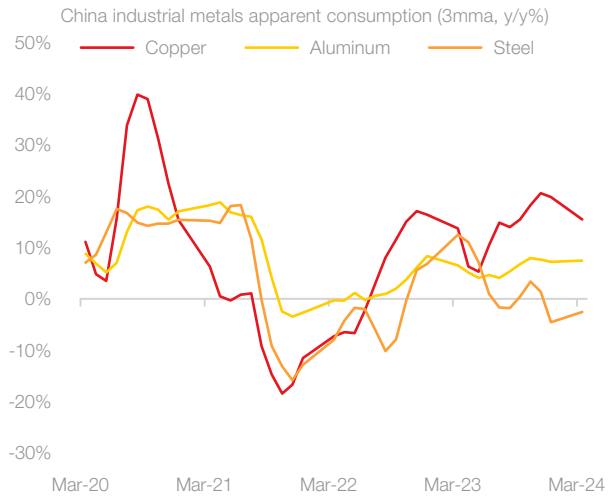
Source: Bloomberg, DBS

Fundamentals with a side of geopolitical risk. If the macro backdrop has not improved materially, then what has been driving the commodity rally so far this year? We would argue that much of the price action for key commodities can be explained by fundamental factors. This is especially true for industrial metals, which are influenced greatly by demand seasonality, inventory stocking/destocking dynamics and other supply-side factors such as mine supply etc. Similarly, agricultural commodities are very much at the mercy of seasonality, existing stocks, and Vis Majors such as adverse weather events or trends. Additionally, geopolitical risk, which has been a prominent market force in 2024 so far (protraction of Russia-Ukraine and escalation of Israel-Hamas), has played a part in driving commodity price rallies though the impact is usually transient and in waves.

Industrial metals

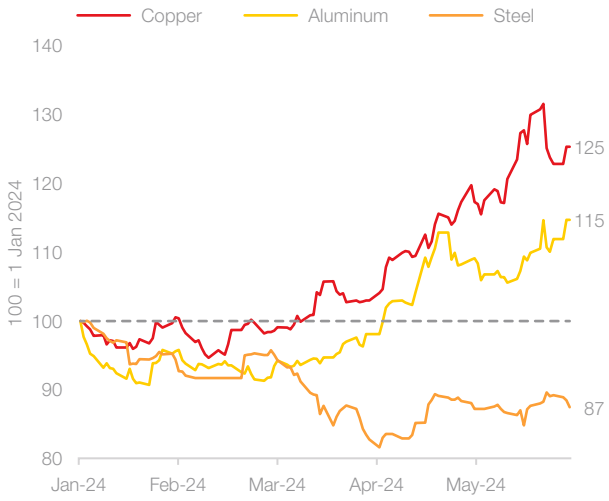
Green metals propped up by China demand. One of the key tailwinds behind the strong performance of the industrial metals complex this year is China's green metals demand strength. While the property sector has been flagging, Beijing's emphasis on supporting the green economy has had a positive palpable effect on the price of green metals. Policy support on the renewables front, power grids, and EVs have all contributed to a strong performance for green metals such as copper and aluminium. As shown earlier, China's consumption of copper and aluminium has shown strong growth since mid-2023 and continues to be robust thus far in 2024. On the other hand, steel, which has fewer green applications and primarily used in construction, has seen weakening consumption. As a result, copper

Robust green metal demand in China



Source: Bloomberg, DBS

Bifurcated performance YTD

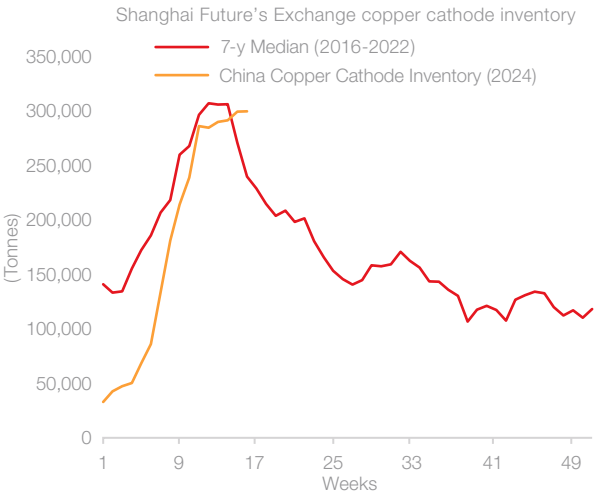


Source: Bloomberg, DBS

and aluminium prices have risen 25.3% and 14.7% respectively on a YTD basis whereas steel is down -12.5% during the same period.

Mine disruptions and end of seasonal stock builds see tightening copper balances. On top of robust demand from China, copper is also facing tightening supply balances tailwinds, from mine supply downgrades and the impending seasonal drawdown of inventory. On mine supply downgrades, the ongoing suspension of operations in the Cobre Panama mine, which is one of the largest copper mines globally, and further disruption in others like Los Bonces and Quellaveco, is set to reduce refined copper supply and shift balances into a clear deficit in 2024. In China, seasonable stock builds for copper also looks to be coming to an end, and the transition into the drawdown phase will further support copper prices moving forward.

Impending seasonal drawdown of copper inventory to support prices

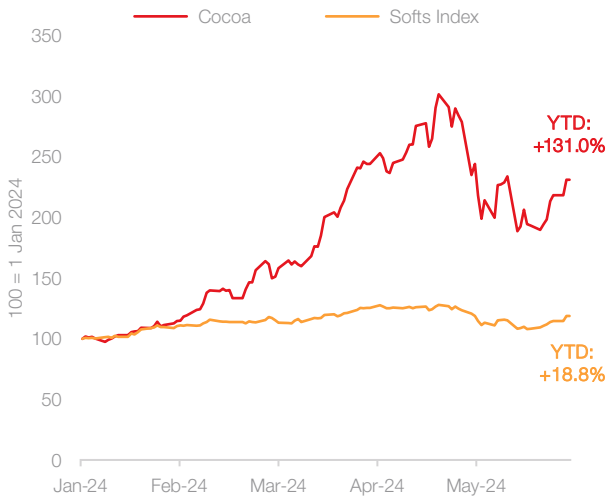


Source: Wind, DBS

Agricultural commodities

Soaring cocoa prices. Cocoa continued its stellar performance from last year, recording a YTD gain of +131.0% this year (as at 29 May). The main drivers for this sharp price increase continues to be supply related; supply shocks from El Niño, fertiliser shortages, and outbreak of swollen-shoot disease in Ivory Coast and Ghana, which collectively account for two-thirds of global production. Beyond these factors, there are also structural issues such as under-investment, ageing trees, and declining yields which are further contributing to the growing deficit for cocoa globally. While yields could recover in subsequent harvests, the structural issues highlighted suggest it might be challenging to close the demand-supply gap in the long term.

Stellar YTD gains for cocoa in 2024 amid supply crunch



Source: Bloomberg, DBS
Note: Based on performance of respective GSCI excess return sub-indices

Conclusion

Patience is a virtue. While pockets within the commodity complex have shown promising performance in the first quarter of 2024, the reality is that the macro environment has not substantially improved; the resurgence of inflation in the US and the deferment of monetary easing have once again kicked the recovery can down the road. Pockets of outperformance within the commodities complex will present themselves, as we have seen in select softs, and industrial/precious metals, but they are and will continue to be driven primarily by idiosyncratic fundamental factors until a palpable shift in the global interest rate environment takes place. For clients who wish to take a view on specific commodities, structured products linked to commodity baskets or indices could be targeted ways to express those views in their portfolios. On a broader asset class level however, we continue to wait for clearer signs of easing monetary conditions and a firmer global economic recovery.

Maximising Wealth with Uncorrelated Assets

Alternatives 3Q24: Gold and Hedge Funds

Upgrade gold target price to USD2,500/oz. on heightened geopolitical risk, structural central bank buying, and robust bar and coin demand. Hedge funds offer superior risk-return and diversification benefits to a traditional 60/40 portfolio.

Source: iStock

11. Alternatives: Gold.

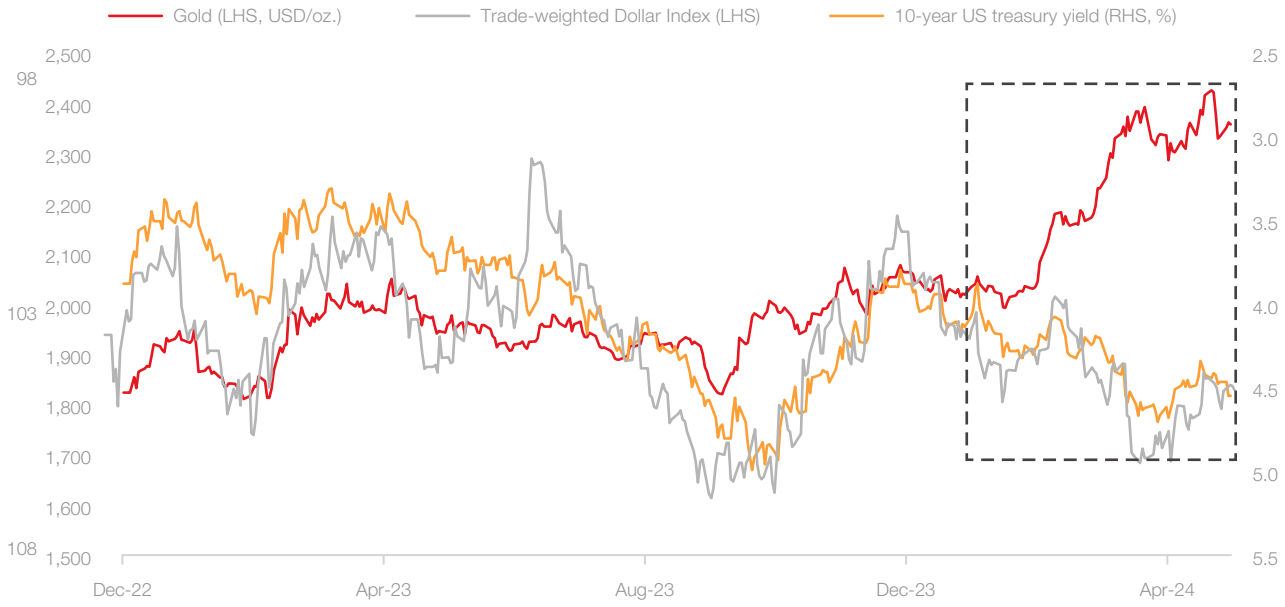
Goh Jun Yong
Analyst

A surprise sudden rally. The first two months of 2024 saw muted gold price movement. This weakness, however, was short-lived as gold quickly rallied to a series of new record highs in subsequent weeks, the highest being USD2,450/oz. on 20 May. Since then, gold price has pulled back marginally and at the time of writing (29 May) trades at USD2,356/oz., which corresponds to a 14.2% increase YTD.

Dollar and treasury yields taking a backseat. This rally has left market observers puzzled as bond yields and the US dollar did not weaken nearly enough to warrant such a climb. In fact, between 1 Mar and 29 May, the 10Y UST yield and DXY index strengthened 8.8% and 0.8% respectively. This move affirms our view that the inverse relationship between gold and Treasury yields has weakened substantially. With gold's recent moves seemingly driven by other factors, analysts have been left divided on what is responsible for this recent sudden spike in gold price.

Geopolitical risk a key short-term driver. Several factors have been postulated for the recent rally, the most prominent of which is safe haven demand. The protraction and escalation of the long-standing Russia-Ukraine war and the Israel-Hamas conflict continues to boost the allure of gold as a hedge against geopolitical risk. And with Iran having entered the fray in the Middle East, the geopolitical risk premium for gold will likely remain at elevated levels. The following chart shows how the inverse

Gold continues to climb despite strengthening dollar and Treasury yields



Source: Bloomberg, DBS

correlation between gold and UST yields gets challenged during times of conflict; we saw it happen with the Russia-Ukraine war in Feb 2022, although that was shortly reversed once the Fed started hiking rates in Mar 2022. The same happened in Oct 2023 with the Middle East conflict and the subsequent involvement of Iran in Apr 2024.

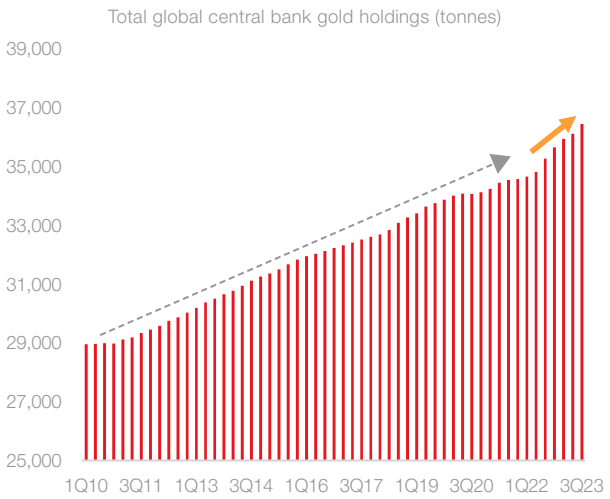
Central bank buying is structural. Another important tailwind for gold is central bank buying. Central banks around the world have become an increasingly important source of long-term fundamental demand for gold. Since 2H22, central bank gold buying has accelerated; demand in 2022 and 2023 both exceeded 1,000 tonnes, which is significantly higher than the average annual demand of c.600 tonnes during the past decade. We expect this trend of elevated buying to persist as de-dollarisation gains momentum and central banks continue to shift their preferences towards real assets that are not at risk of sanctions or subject to cross-border custodial arrangements. The progressive deterioration of the inverse gold-rates correlation supports the conjecture that the increase in central bank buying is more structural than cyclical.

Bar and coin demand to the rescue. While there has been a lot of focus on the sustained outflows for gold ETFs in the past three years, we might be missing the forest for the trees here. Despite redemptions from gold ETFs from 2021 to 2023, investment demand for gold has held steady thanks for robust bar and coin demand. This was especially true for China and India, which saw bar and coin demand increase 27% and 7% respectively y/y. The allure of bullion is not limited to central banks; private investors are also increasing their gold purchases. The shift towards privacy and tangibility has made many investors consider physical gold over ETFs, which lack privacy and anonymity since ETF transactions are recorded and holdings registered. Counterparty risk is also another problem that is solved by holding physical gold.

Correlation* between gold and UST yields tend to spike during conflict escalations

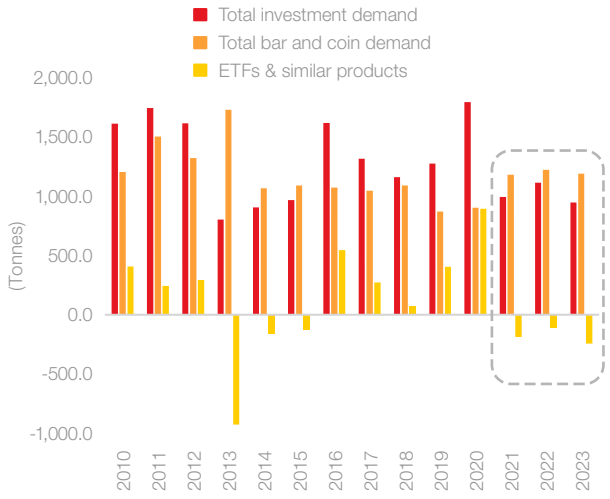
*Correlation is calculated based on 6-month rolling daily prices of gold and US 10Y Treasury yields
Source: Bloomberg, DBS

Central bank gold buying has accelerated since 2H22



Source: Metals Focus, Refinitiv GFMS, World Gold Council

Stable bar and coin demand has partially offset gold ETF outflows



Source: Metals Focus, Refinitiv GFMS, ICE Benchmark Administration, World Gold Council

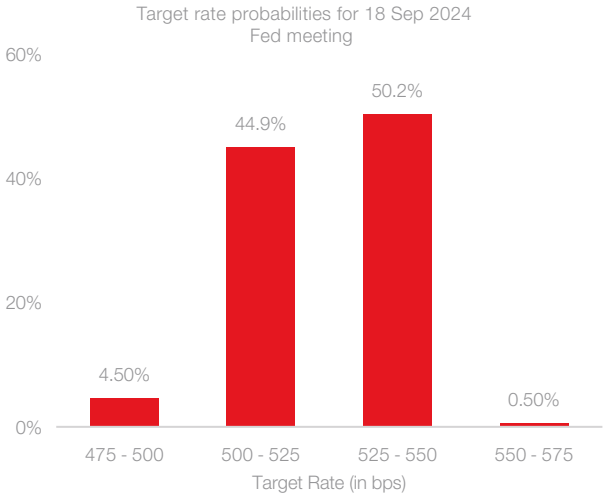
India and China are seeing growing bar and coin demand

Gold bar and coin demand by country (tonnes)						
	2022	2023	Δ y/y (%)	4Q22	4Q23	Δ y/y (%)
India	173.6	185.2	+7	56.4	66.7	+18
China	226.8	287.2	+27	63.7	85.0	+33

Source: Metals Focus, Refinitiv GFMS, ICE Benchmark Administration, World Gold Council

Rates are a wildcard. Notwithstanding that the gold-rates inverse correlation has decayed in the interim, there is no getting away from the fact that interest rates will always represent the opportunity cost of holding non-interest-bearing bullion. Thus, the increasing expectation of delayed rate cuts due to an inflation resurgence in the US will continue to weigh on gold price for the short to medium term. Markets had originally predicted cuts to take place as early as June, but that did not materialise. As at 28 May, the CME FedWatch tool puts the probability of a cut happening in September at 49.4%. When rates eventually trend lower, that will be a positive catalyst for gold. But for now, the rate trajectory remains a data-dependent wildcard.

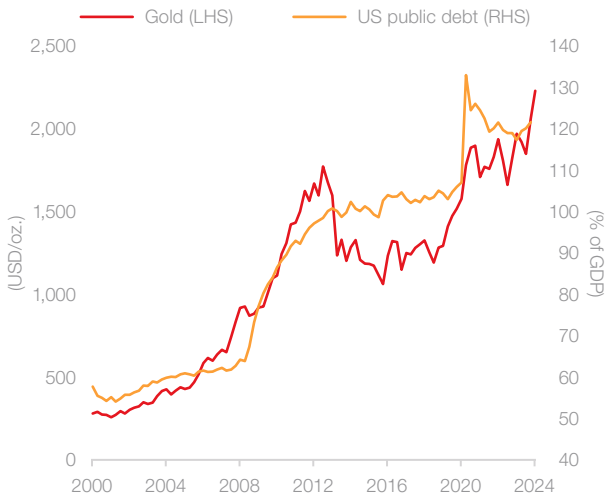
Rate cut expectations are lower compared to early 2024



Source: CME Group

Bullish on balance. Even with the lack of clarity surrounding rate cuts, there remains an overall bullish skew for gold. On the geopolitical front, escalating conflict in Ukraine and the Middle East is intensifying safe haven demand in the short to medium term. In the longer-term, geopolitics also acts as a longer-term catalyst for gold through increasing central bank buying. Strong bar and coin demand from private investors further add to the long-term fundamental demand for bullion. Finally, there is potential right tail risk from the US election cycle this year and fiscal sustainability concerns, which further fortifies market fear. It is on this basis that we **upgrade our 12M rolling target price for gold to USD2,500/oz. (vs USD2,250 previously)**. Overall, we continue to advocate for investors to hold gold in in their portfolios for its favourable risk-reward and risk diversification properties.

Gold is positively correlated with US indebtedness which has been on the rise



Source: Bloomberg, Federal Reserve Bank of St. Louis, DBS

Gold has yet to breach its inflation-adjusted all-time high

Source: Bloomberg, DBS

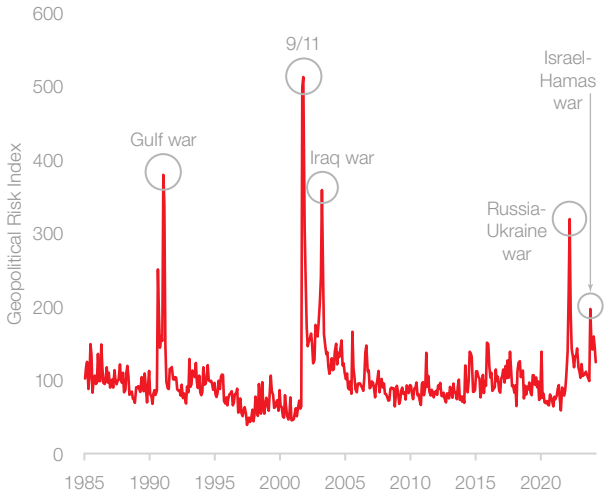
Alternatives: Hedge Funds.

Daryl Ho, CFA
Strategist

The hedge funds' "seven years of famine". Since 2014, a simple buy-and-hold strategy on the S&P 500 would have outperformed most hedge funds on aggregate, making a hedge fund manager almost obsolete; after all, who needs to hedge in a market dominated by bullish sentiment? However, the past is often not indicative of future performance – a mantra especially applicable to hedge funds as the macro landscape evolves.

Complex strategies for a complex world. The post-Covid environment has brought new elements investors had not previously considered. Issues surrounding international relations have become more pronounced, globalisation is in retreat, and asset returns are increasingly drawing more influence from political than economic forces. The ongoing wars in Eastern Europe and the Middle East also serve as reminders that peace is anomalous in human history. Given such uncertainties, hedge funds that specialise in macro strategies could serve as a good hedge for a traditional 60/40 portfolio that derives returns more primarily from economic considerations.

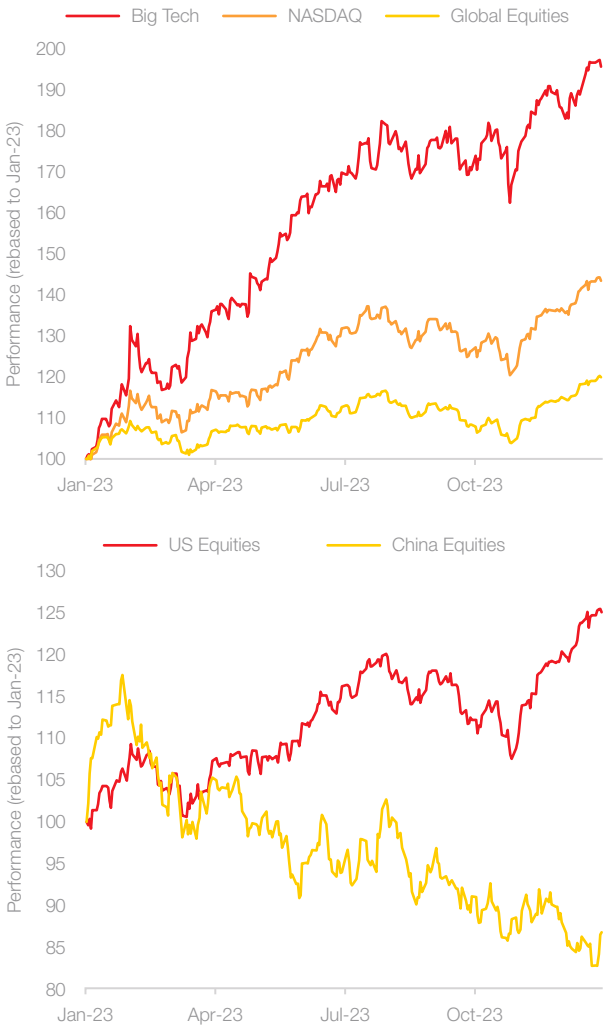
Geopolitical risk is the new normal



Source: Economic Policy Uncertainty, DBS

Benefitting from bifurcation. With central banks withdrawing liquidity, company fundamentals are starting to matter. The ever-shifting political landscape also means that there would be avenues for managers to discern winners in policy changes. In essence, alpha would likely return as a key performance driver. Already, the bifurcation in recent performance across sectors (Big Tech vs the rest) and geographies (US vs China) shows that managers had plenty of alpha to generate.

Bifurcation creates opportunities for alpha

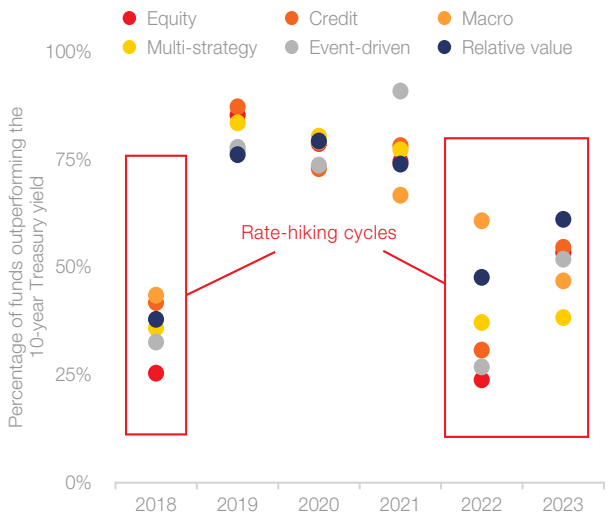


Source: Bloomberg, DBS

New signs of life in hedge funds. Despite the "lost decade" of the 2010s, hedge fund performances have largely recovered in 2023. Preqin's All Hedge Funds Index was up by 5.9% YTD Sep 2023 – 8.0% on an annualised basis. While they still underperformed global equities and a 60/40 equity/bond portfolio from a pure returns perspective, they had better Sharpe ratios – indicating superior risk-adjusted returns.

The cloud with a silver lining. High interest rates, however, pose a danger to hedge funds. As major central banks raised rates in 2022, hedge funds across most strategies failed to keep up with 10-year US Treasury yields. Still, we take comfort that (a) the rapid rise in rates in 2022 represents a one-time realignment, and (b) the Fed has communicated quite explicitly that the direction of interest rates remains lower, despite deliberating on the timing.

Fewer funds able to keep up with higher interest rates



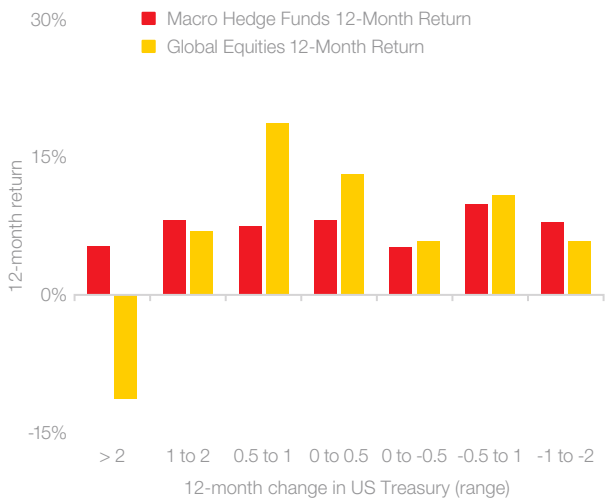
Source: Preqin, DBS

Hedge funds, global equities, and bonds risk and return statistics in post-Covid era vs five years prior

	Jan 2020 – Sep 2023			5-years ended Dec 2019		
	Preqin All Hedge Funds Index	Global Equities	Bloomberg Global Aggregate Index	Preqin All Hedge Funds Index	Global Equities	Bloomberg Global Aggregate Index
Return	8.2%	6.9%	-4.0%	6.8%	8.7%	2.3%
Risk	9.7%	19.2%	7.4%	4.5%	11.6%	4.4%
Sharpe ratio	0.67	0.27	-0.75	1.26	0.66	0.28
Sortino ratio	3.08	1.59	-3.71	6.30	3.22	1.47
Omega ratio	1.94	1.36	0.68	2.84	1.79	1.48
CVaR (95%)	-6.0%	-10.0%	-4.7%	-2.6%	-7.2%	-2.8%
Beta to equities	0.46	1.00	0.25	0.36	1.00	0.04

Source: Preqin, DBS

Global macro performs best during rapid rate changes



Source: Preqin, St Louis Fed, DBS

Still the only free lunch in investing. Finally, investors should not overlook the diversification benefits that could be added to one's portfolio with hedge fund strategies. While the pre-Covid years had been characterised by volatility suppression and low returns, the 2020 decade has seen a much wider dispersion of returns across hedge fund strategies which could augment the risk-return characteristics of a traditional balanced portfolio.

Macro hedge fund strategies show low correlations to other strategies, public assets

Monthly correlation of returns across hedge fund strategies and public markets for three years ending Sep 2023

	Macro Strategies	All Strategies	Equity Strategies	Event-Driven Strategies	Credit Strategies	Relative Value Strategies	Multi-Strategy	Global Equities	Bloomberg Barclays Global Aggregate Index	Bloomberg Barclays Commodities Index
Macro Strategies	1.00									
All Strategies	0.71	1.00								
Equity Strategies	0.70	0.98	1.00							
Event-Driven Strategies	0.78	0.96	0.95	1.00						
Credit Strategies	0.57	0.89	0.90	0.87	1.00					
Relative Value Strategies	0.68	0.91	0.91	0.92	0.87	1.00				
Multi-Strategy	0.76	0.99	0.98	0.98	0.90	0.92	1.00			
Global Equities	0.56	0.88	0.90	0.80	0.79	0.74	0.86	1.00		
Bloomberg Barclays Global Aggregate Index	0.24	0.59	0.65	0.48	0.67	0.50	0.58	0.68	1.00	
Bloomberg Barclays Commodities Index	0.64	0.46	0.45	0.54	0.47	0.43	0.52	0.39	0.25	1.00

Source: Preqin, DBS

The Next Frontier

Thematic Strategy 3Q24

In the past 40 years, the cost of launching spaceships fell around 98%. The space economy, in tandem, has grown explosively, and is expected to reach USD772bn by 2027. We examine this theme and explain why it goes beyond space tourism to harken the future of investing – and humanity itself.

12. The Next Frontier.

Dylan Cheang
Strategist

Daryl Lim, CFA
Analyst

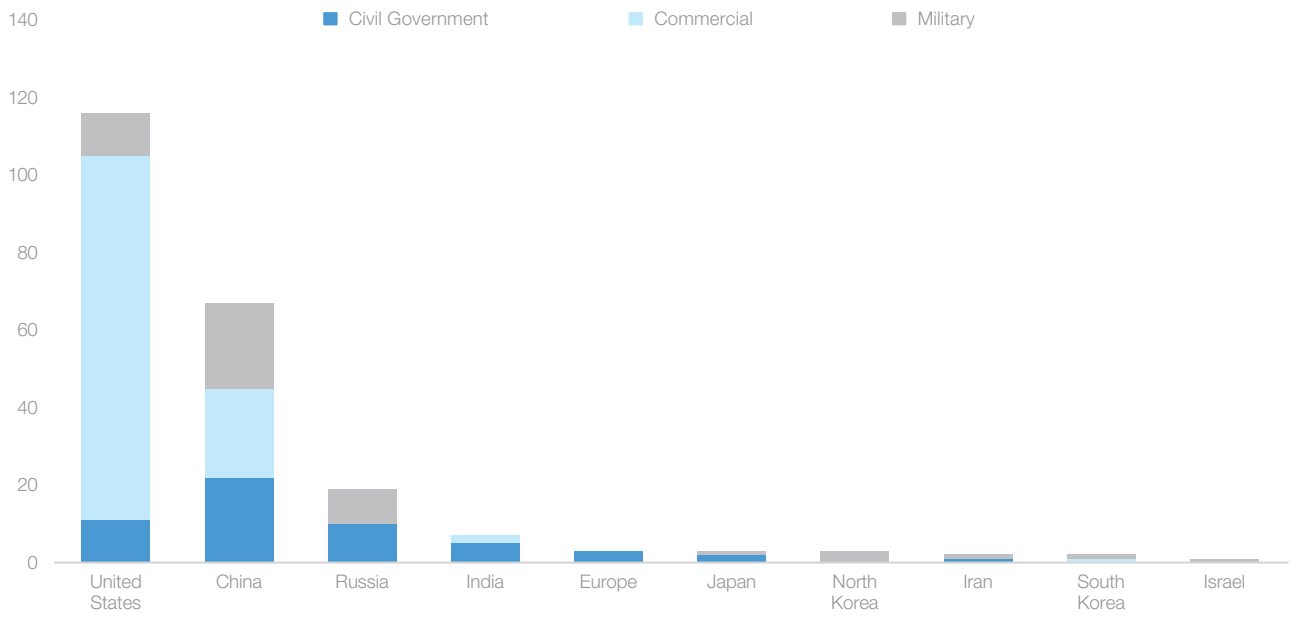
Benjamin Goh
Analyst

A not-too-long time ago, in a galaxy rather near, mankind took its first step on the Moon. Neil Armstrong, the first person to walk on the Moon, remarked on that fateful day in 1969, "that's one small step for man, one giant leap for mankind." His words were the fruition of the United States's Apollo programme, which was a response to the launch of artificial satellite Sputnik 1 by the Soviet Union in 1957 during the Cold War's space race.

That promised leap, however, was stalled for decades. Mankind's space exploration efforts slowed to a crawl in the 1980s after the space shuttle Challenger tragically exploded 73 seconds after liftoff, and as the Cold War gave way to a new era of peace. In recent years, however, mankind's quest for cosmic dominance has resurfaced, evolving from geopolitical and technological competition to one of multifaceted collaboration involving governments and private entities worldwide.

In the last few decades, space exploration has witnessed exponential growth thanks to a new era of international cooperation, exemplified by the establishment of the International Space Station (ISS) – a symbol of global partnership in space research and exploration. The entry of private companies (including SpaceX, Blue Origin, and Virgin Galactic) has also added dynamism into the space industry, propelling technological advancements and reducing costs through innovation and competition.

Launch attempts by country and category in 2023



Source: The Space Report, DBS

US at the forefront of space race: Triumph of its flourishing commercial sector: The US remains the undisputed leader in space exploration, launching more rockets than any other nation. In 2023, the US conducted 116 launches, representing 52% of the world's total, with China, Russia, and India trailing at 30%, 8.5%, and 3.1% respectively. Unlike most nations where government and military initiatives still dominate the space sector, the US benefits from a highly developed commercial space industry where commercial launches constitute a remarkable 81% of the US's total launches. This shift towards a predominantly privatised model in space exploration has not only spurred innovation and expanded accessibility, but also established a model for others.

Propelling the Space Economy through cost reduction: The rise of reusable rockets and smaller satellites

Historically, the prohibitively high costs associated with space exploration have limited the industry primarily to government agencies. Space exploration, however, has undergone a dramatic transformation over the past few decades largely due to commercialisation efforts that have significantly lowered the financial barriers to entry. Here are some of the pivotal innovations that has made space exploration more economically viable:

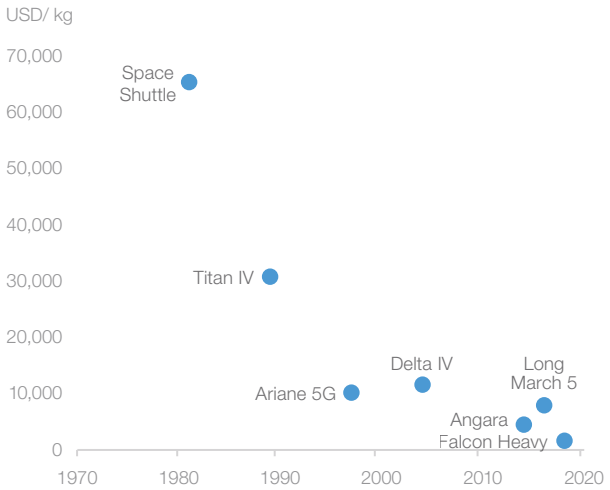
I. Operationalisation of reusable rockets
II. Proliferation of small satellites (SmallSats)

I. **Operationalisation of reusable rockets:** The lion's share of launch expenses stems from the construction of rockets which are designed for just one flight. Although government entities like NASA have dedicated substantial resources to exploring reusable rocket concepts, it was the pioneering endeavours of private enterprises like SpaceX that propelled this technology to new heights.

On December 2015, SpaceX's Falcon 9, a two-stage rocket meticulously engineered for reusability, marked a pivotal milestone in its journey by developing a first stage capable of enduring re-entry and executing a successful return to Earth. This groundbreaking achievement empowers SpaceX to re-fly the costliest components of a rocket, effectively reducing the expense of space exploration.

According to a study by the Centre for Strategic and International Studies (CSIS), the cost of launching heavy payloads into low Earth orbit (LEO) dropped from around USD65.4k/kg in 1981 to USD1.5k/kg in 2020 (FY 2021-Dollar terms), a decrease of approximately 98%. As reusability technology advances and becomes more prevalent, we foresee an increase in the reuse threshold, leading to even greater reductions in launch costs.

Launch cost of heavy payload to low Earth orbit (inflation adjusted)



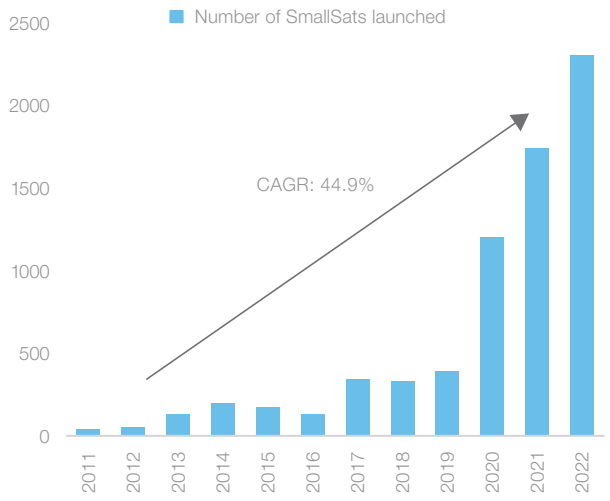
Source: CSIS Aerospace Security Project, DBS

II. **Proliferation of small satellites (SmallSats):** While our skies are increasingly crowded with satellites, their sizes are getting smaller. According to the Space Foundation Database, the average satellite mass per payload has undergone a staggering reduction of c.80% since 2012, plummeting from 2,1548 kg in 2012 to a mere 431 kg in 2022. This shift is propelled by the relentless technological progress that has improved the capabilities of SmallSats.

Small Satellites (SmallSats) are defined by NASA as satellites with a mass less than 180 kg and having a size no larger than that of a "large kitchen fridge". Unlike their larger counterparts, which are often expensive to construct, SmallSats can be mass produced using commercially available parts, which makes them cheaper and hence more accessible to a wider range of organisations.

As a result, the number of SmallSats launched globally have been on an uptrend, registering CAGR of 44.9%, from 39 SmallSats launched in 2011 to 2304 in 2022, according to Statista.

Number of SmallSats launched globally on an uptrend



Source: Statista, DBS

The Monetisation Angle: Investment themes for the space economy

With the space economy attracting rising interest from investors, ultra-high-net-worth (UHNW) individuals and companies alike, our current edition of CIO Vantage Point offers a detailed exploration of key investment themes primed to thrive in this rapidly expanding industry, namely:

I. "Picks and Shovels" of the space economy
II. Position Navigation and Timing (PNT)
III. Earth observation
IV. Space tourism

I. "Pick and Shovels" of the space economy

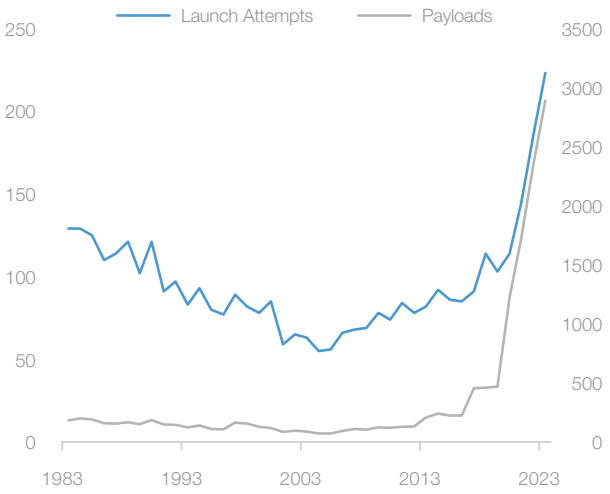
The flourishing space economy presents a compelling opportunity for investors to capitalise on tools and services that are indispensable for space endeavours. Companies embarking on space missions will rely on spacecraft— including satellites and launch vehicles — to execute their tasks in space. Furthermore, the successful deployment of these spacecraft hinges on

efficient and reliable launch services. Not surprisingly, we see opportunities in:

» Launch services
» Space-related manufacturing

Launch services: Launch services are critical for the entire space economy. According to estimates by Allied Market Research, the launch service space was valued at USD13.9bn in 2022 and expected to grow at a CAGR of 13.4% to reach USD47.3bn by 2032. Once dominated by government-led programs, private companies are reshaping the space through technological breakthroughs and innovative business models.

Launch Attempts and Deployed Payloads



Source: The Space Report, DBS

Launch services underpin a wide range of space-based applications that are driving economic growth. The deployment of communication, Earth observation, and navigation satellites, for instance, depends on the availability of launch capabilities. These space-based services, in turn, enable a host of downstream industries, from global connectivity and precision agriculture to weather forecasting and environmental monitoring – serving as a critical enabler for the space economy.

Private space companies have outpaced government-led missions in terms of launch attempts and payloads in recent years. This shift is highlighted by the significant role companies like SpaceX, United Launch Alliance (Joint venture between Boeing & Lockheed Martin), and Rocket Lab play in the modern space economy.

Space-related manufacturing: Space-related manufacturing encompasses the production of launch vehicles, satellites, and spacecraft components essential for activities ranging from telecommunications to earth observation. Space-related manufacturing is inherently positioned at the leading edge of multiple disciplines including materials science, and engineering.

According to estimates by Mordor Intelligence, just the satellite manufacturing market size alone is valued at USD244.9bn in 2024 and it is expected to reach USD389.69bn by 2029, growing at a CAGR of 9.73% during this period.

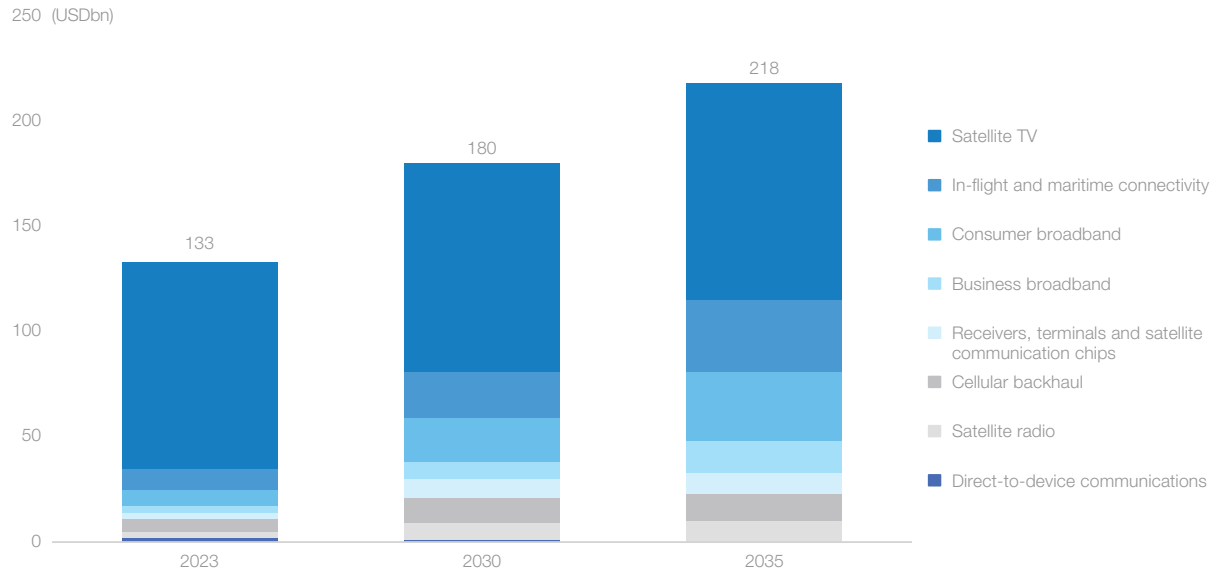
II. Position, Navigation, and Timing (PNT)

The backbone of the space economy. Satellites play a crucial role in global communications, enabling the transmission of information across the world. Estimates from the World Economic Forum suggest that "backbone" applications, such as satellites for communication and navigation (GPS) and launch vehicles, make up roughly 50% (~USD330bn in 2023) of the total space economy. Meanwhile, Market.us forecasts the satellite communication markets to grow from USD76.1bn in 2022 to USD182.7bn by 2032, representing a CAGR of 9.4%.

Satellite communication networks underpin everything from phone calls and internet access in remote areas to live broadcasts and secure military communications. These communication networks are intrinsically linked to Positioning, Navigation, and Timing (PNT) applications, as they often rely on the precise timing and positioning capabilities provided by satellite-based systems to determine location, synchronise time, and navigate routes.

Global Navigation Satellite System (GNSS). GNSS are satellite constellations that provide accurate positioning, navigation, and timing information to users globally. While many are familiar with a variant of this called the Global Positioning System (GPS), this is only one of several GNSSs around. For example, Russia operates the Global'naya Navigatsionnaya Sputnikovaya Sistema (GLONASS), China has the BeiDou Navigation Satellite System (北斗卫星导航系统), and the European Union has the Galileo system. These systems work independently yet collaboratively, as GNSS receivers can tap into signals from multiple constellations for enhanced accuracy and reliability.

Revenue growth from commercial communications



Source: World Economic Forum, DBS

The importance of a strong PNT system. A study conducted by the US Department of Commerce has revealed that GPS has contributed an estimated USD1.4tn to the U.S. economy since its inception in the 1980s. A single day without GPS could result in losses exceeding USD1bn, with this figure potentially escalating to USD45bn during crucial periods such as the planting season for farmers. These statistics demonstrate the indispensable role of GPS in supporting essential economic activities across a diverse range of sectors.

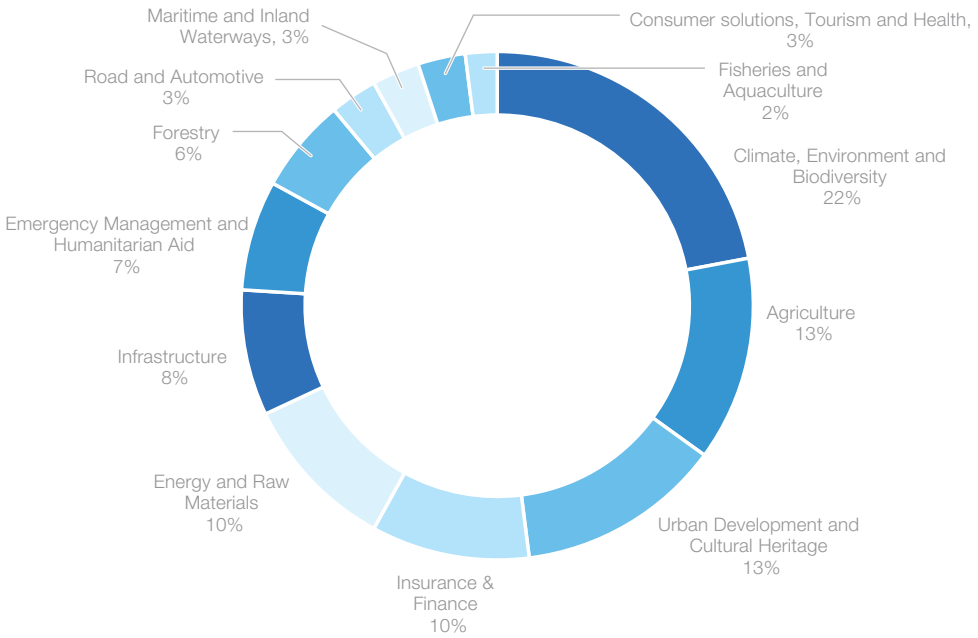
As the space economy continues to grow, advancements in satellite technology, miniaturisation, and constellations of smaller satellites are enabling a dramatic reduction in the cost of deploying and operating satellite systems, while an increase in reliability and frequency of launches would facilitate a plethora of new applications.

III. Earth observation

Earth observation, once primarily reserved for weather forecasting, disaster monitoring, and biodiversity assessment, has undergone a remarkable evolution, expanding its reach and impact across multiple industries and emerging as a powerful tool with diverse applications, penetrating even into areas like finance and insurance. Within Earth observation, the European Union Agency for the Space Programme (EUSPA) has identified 12 distinct segments with quantifiable revenue streams.

According to Verified Market Reports, the satellite-based Earth observation services market is expected to register robust CAGR of 6.52% from USD3.8bn in 2023 to USD11.3bn in 2030. The tremendous growth in the Earth Observation market can be attributed to two key factors:

Breakdown of Earth observation revenue



Source: EUSPA, DBS

- Advancements in sensing technologies
- Ever-increasing demand for Earth observation data

Advancements in sensing technologies: This has catalysed a revolution in the quality, resolution, and coverage of satellite imagery and geospatial data. Notably, innovations such as the Airbus Pléiades Neo constellation and Maxar's Legion constellation have increased spatial resolution, achieving a ground sampling distance (GSD) as precise as 30 centimetres.

Ever-increasing demand for Earth observation data: According to McKinsey, high-resolution Earth imagery collected is expected to grow at a CAGR of c.14% from c.175 million images per square km to more than 500 million images in 2030. This increase in demand for data is due to the increasing use case across a wide range of industries.

Moreover, the escalating regulatory demands concerning environmental stewardship, alongside the growing imperative to incorporate Environmental, Social, and Governance (ESG) initiatives, have propelled companies to leverage Earth observation data to achieve these objectives.

IV. Space tourism

In 2001, Dennis Tito, an American Businessman, became the first tourist in space, having travelled to the International Space Station (ISS) aboard the Russian Soyuz spacecraft after paying a whopping USD20mn for the experience. Tito's experience as a "tourist" in space demonstrated that private individuals can travel to space so long as they have the financial means. Since then, this has inspired generations of space tourists.

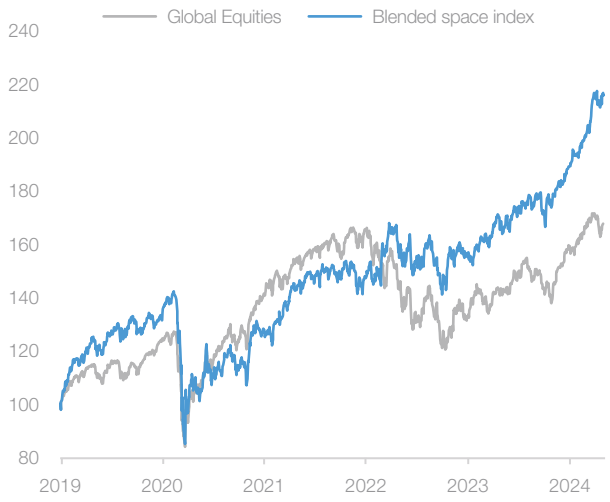
As advancement in technology reduces the cost of space tourism, sub-orbital trips – once priced in the millions – are now available for USD250,000 to USD450,000. This accessibility has sparked growing interest among the wealthy. Polaris Market Research forecasts significant growth in the space tourism industry, projecting a CAGR of 47.4% from USD1.2bn in 2024 to USD27.9bn by 2032.

According to the World Economic Forum, until 2035, space tourism revenue will likely be limited to UHNW customers looking for space travel experiences. However, as costs continue to decrease, space travel will become more affordable, opening the experience to a broader demographic. This will not only democratise access to space, but expand the market for space tourism, potentially transforming it into a mainstream industry.

Robust outperformance for Space theme underpinned by strong fundamentals

We constructed a "Space Thematic Basket" that consists of companies with meaningful exposure to the space industry. Since 2019, this basket has outperformed global equities by 51 %pts and this is testament to the industry's robust growth trajectory. As the sub-investment themes relating to the space economy gains traction, we anticipate this momentum to drive exponential growth for the industry. Apart from strong equity performance, companies with exposure to space also possess higher blended ROE as compared to the broader market (23.5% vs 14.4%). This trend underscores the attractiveness of space-related investments as well as highlights the industry's potential in delivering compelling returns.

Strong outperformance from "Space Thematic basket" over global equities



Source: Bloomberg, DBS

DBS Global Equities Coverage

DBS Global Equities Coverage

GLOBAL EQUITY LIST — BY GEOGRAPHY

UNITED STATES								
Company	Sector	DBS Rating	DBS Target	Market cap (USDb)	Fwd. P/E (x)	Div. yield (%)	P/B (x)	Analyst
Alphabet	Communication Services	Buy	195.00	2,110	22.57	-	7.19	Sachin Mittal
Electronic Arts	Communication Services	Buy	165.00	34	17.34	0.60	4.52	Tsz Wang Tam
Meta Platforms	Communication Services	Buy	540.00	1,206	22.62	0.11	8.07	Sachin Mittal
Netflix	Communication Services	Buy	700.00	264	33.17	-	12.35	Sachin Mittal
Take-Two Interactive Software	Communication Services	Buy	175.00	25	63.98	-	2.92	Tsz Wang Tam
Walt Disney	Communication Services	Buy	134.00	193	22.29	0.28	2.00	Amanda Tan
Airbnb	Consumer Discretionary	Hold	145.00	95	31.00	-	11.84	Amanda Tan
Amazon.com	Consumer Discretionary	Buy	235.00	1,972	35.76	-	9.08	Nashrullah Putra Sulaeman
Booking Holdings	Consumer Discretionary	Buy	4,030.00	128	21.42	0.23	-	Amanda Tan
Expedia Group	Consumer Discretionary	Hold	135.00	15	9.52	-	16.88	Amanda Tan
Ford Motor	Consumer Discretionary	Hold	15.00	48	6.35	4.95	1.13	Elizabelle Pang
General Motors	Consumer Discretionary	Hold	50.00	52	4.85	0.86	0.75	Elizabelle Pang
Mcdonald's	Consumer Discretionary	Buy	339.00	193	21.91	2.38	-	Alison Fok
Mercadolibre	Consumer Discretionary	Hold	1,450.00	86	49.26	-	25.35	Nashrullah Putra Sulaeman
Nike	Consumer Discretionary	Hold	90.00	141	25.29	1.52	9.92	Alison Fok
Starbucks	Consumer Discretionary	Hold	98.00	86	20.69	2.91	-	Alison Fok
Tesla	Consumer Discretionary	Hold	180.00	548	67.36	-	8.52	Elizabelle Pang
TJX Companies	Consumer Discretionary	Buy	113.80	112	24.00	1.34	15.36	Alison Fok
Yum! Brands	Consumer Discretionary	Hold	144.00	39	24.23	1.80	-	Tsz Wang Tam
Hilton	Consumer Discretionary	Hold	201.60	51	28.73	0.29	-	Geraldine Wong
Home Depot	Consumer Discretionary	Hold	376.00	344	22.48	2.45	330.13	Andy Sim
Marriott International	Consumer Discretionary	Hold	267.40	68	25.07	0.88	-	Geraldine Wong
Coca Cola	Consumer Staples	Hold	58.00	271	22.35	2.97	10.25	Zheng Feng Chee
Colgate-Palmolive	Consumer Staples	Buy	102.00	77	26.67	2.06	335.60	Cheria Widjaja
Costco Wholesale	Consumer Staples	Buy	851.00	346	48.40	2.47	16.64	Mavis Hui
Estee Lauder	Consumer Staples	Hold	135.00	47	59.20	2.01	8.22	Cheria Widjaja
Kimberly-Clark	Consumer Staples	Hold	124.00	46	19.43	3.48	43.02	Cheria Widjaja
Kraft Heinz	Consumer Staples	Hold	35.00	43	11.79	4.48	0.88	Zheng Feng Chee
Pepsi	Consumer Staples	Buy	202.00	245	21.81	2.84	12.85	Zheng Feng Chee
Procter & Gamble	Consumer Staples	Buy	175.00	392	25.38	2.31	7.96	Cheria Widjaja
Target	Consumer Staples	Buy	188.00	76	17.03	2.66	5.65	Mavis Hui
Walmart	Consumer Staples	Buy	71.00	487	25.44	1.32	5.80	Mavis Hui
Mondalez International	Consumer Staples	Buy	78.00	94	20.04	2.36	3.31	Zheng Feng Chee
Chevron	Energy	Buy	182.00	306	12.78	3.72	1.92	Suvro Sarkar
Conocophillips	Energy	Buy	140.00	144	13.98	2.53	2.93	Suvro Sarkar
EOG Resources	Energy	Buy	155.00	75	10.97	3.81	2.62	Suvro Sarkar
Exxon Mobil	Energy	Buy	133.00	531	12.70	3.14	2.28	Suvro Sarkar
Marathon Petroleum	Energy	Buy	221.00	64	9.87	1.72	2.83	Duladeth Bik
Philips 66	Energy	Hold	162.00	63	11.89	2.84	2.11	Duladeth Bik
Pioneer Natural Resources	Energy	Hold	245.00	63	12.45	4.06	2.67	Suvro Sarkar
Valero Energy	Energy	Buy	150.00	52	9.27	2.60	1.99	Duladeth Bik

UNITED STATES (cont'd)								
Company	Sector	DBS Rating	DBS Target	Market cap (USDb)	Fwd. P/E (x)	Div. yield (%)	P/B (x)	Analyst
Valero Energy	Energy	Buy	150.00	52	9.27	2.60	1.99	Duladeth Bik
Affirm Holdings	Financials	Hold	45.00	11	-	-	4.09	Manyi Lu
Bank of America	Financials	Hold	35.20	299	11.87	2.46	1.14	Rui Wen Lim
BlackRock	Financials	Buy	900.00	118	19.16	2.55	2.96	Ken Shih
Charles Schwab	Financials	Buy	85.00	138	22.16	1.33	4.17	Ken Shih
Citi Group	Financials	Hold	60.00	121	10.76	3.35	0.64	Rui Wen Lim
Coinbase	Financials	Hold	220.00	52	32.48	-	6.40	Ken Shih
Goldman Sach	Financials	Buy	470.00	152	12.26	2.36	1.38	Ken Shih
JP Morgan	Financials	Buy	215.00	567	12.12	2.15	1.85	Rui Wen Lim
Mastercard	Financials	Buy	540.00	423	31.87	0.54	58.55	Manyi Lu
Morgan Stanley	Financials	Buy	108.00	159	14.28	3.47	1.76	Ken Shih
PayPal	Financials	Hold	62.00	67	14.52	-	3.28	Amanda Tan
Robinhood	Financials	Hold	14.50	15	35.52	-	2.21	Ken Shih
SoFi Tech	Financials	Buy	10.00	7	80.23	-	1.28	Manyi Lu
Upstart Holdings	Financials	Hold	24.00	2	-	-	3.69	Manyi Lu
Visa	Financials	Buy	320.00	572	28.01	0.70	13.09	Manyi Lu
Wells Fargo	Financials	Hold	60.00	214	12.16	2.28	1.33	Rui Wen Lim
American Express	Financials	Hold	235.00	172	18.37	1.05	5.98	Manyi Lu
Fiserv	Financials	Hold	146.00	90	17.75	-	3.15	Thaninee Satirareungchai
S&P Global	Financials	Buy	502.00	138	30.53	0.84	3.94	Ken Shih
Futu Holdings	Financials	Buy	76.00	10	16.09	-	3.46	Edmond Man Chun Fok
Berkshire Hathaway	Financials	Hold	405.00	883	19.59	-	-	Ken Shih
Abbvie	Healthcare	Hold	138.00	283	14.27	3.78	-	Mark Kong
Amgen	Healthcare	Buy	310.00	168	16.08	2.76	33.42	Nico Chen
Becton Dickinson and Co	Healthcare	Buy	285.00	68	18.01	1.58	2.65	Nico Chen
Bristol-Myers Squibb	Healthcare	Hold	64.90	91	83.47	5.23	5.50	Mark Kong
Charles River Laboratories	Healthcare	Hold	188.70	12	20.87	-	3.26	Nico Chen
Eli Lilly and Co	Healthcare	Buy	855.00	733	57.11	0.61	57.23	Nico Chen
Gilead Sciences	Healthcare	Buy	87.00	80	16.66	4.68	4.59	Mark Kong
Johnson & Johnson	Healthcare	Hold	170.30	361	14.07	3.18	5.15	Nico Chen
Merck & Co	Healthcare	Buy	130.00	330	15.12	2.30	8.17	Mark Kong
Moderna	Healthcare	Buy	130.00	47	-	-	3.67	Mark Kong
Pfizer	Healthcare	Buy	39.00	160	12.04	5.89	1.73	Mark Kong
Regeneron Pharmaceuticals	Healthcare	Buy	885.00	107	21.98	-	3.95	Mark Kong
Sanofi	Healthcare	Buy	67.00	123	11.79	3.43	-	Mark Kong
Vertex Pharmaceuticals	Healthcare	Hold	359.00	108	24.65	-	5.84	Mark Kong
West Pharmaceutical Services	Healthcare	Buy	460.00	27	47.22	0.22	9.96	Nico Chen
Automatic Data Processing	Industrials	Hold	243.00	100	26.79	2.16	21.71	Tsz Wang Tam
Delta Air Lines	Industrials	Buy	60.00	34	7.96	0.57	3.05	Tabitha Foo
Lyft	Industrials	Hold	16.00	7	26.40	-	14.14	Sachin Mittal
Uber Technologies	Industrials	Buy	95.00	142	50.43	-	12.82	Nashrullah Putra Sulaeman

UNITED STATES (cont'd)								
Company	Sector	DBS Rating	DBS Target	Market cap (USDb)	Fwd. P/E (x)	Div. yield (%)	P/B (x)	Analyst
United Airlines	Industrials	Hold	55.00	17	5.06	-	1.88	Tabitha Foo
Accenture	Technology	Hold	325.00	206	25.36	1.63	7.11	Sachin Mittal
Adobe	Technology	Buy	703.00	216	26.79	-	14.14	Tsz Wang Tam
Advanced Micro Devices	Technology	Buy	227.20	246	43.71	-	4.39	Amanda Tan
Analog Devices	Technology	Buy	237.30	102	34.40	1.71	2.86	Jim Hin Kwong Au
Apple	Technology	Buy	209.00	2,830	27.99	0.53	38.16	Jim Hin Kwong Au
Applied Materials	Technology	Hold	209.70	171	25.04	0.62	9.84	Jim Hin Kwong Au
Broadcom	Technology	Buy	1,384.10	605	27.75	1.51	8.60	Fang Boon Foo
Cognizant Technology Solutions	Technology	Buy	85.00	33	14.50	1.75	2.46	Sachin Mittal
Globalfoundries	Technology	Buy	79.70	29	38.88	-	2.54	Jim Hin Kwong Au
Intel	Technology	Hold	38.60	128	29.24	1.66	1.21	Amanda Tan
International Business Machines	Technology	Hold	192.00	153	16.69	4.00	6.57	Sachin Mittal
Intuit	Technology	Buy	760.00	176	38.17	0.56	10.38	Tsz Wang Tam
KLA	Technology	Buy	822.00	96	30.36	0.77	30.93	Jim Hin Kwong Au
Lam Research	Technology	Buy	1,190.00	119	30.60	0.85	14.79	Jim Hin Kwong Au
Marvell Technology	Technology	Buy	71.20	59	46.04	0.35	3.95	Fang Boon Foo
Micron Technology	Technology	Buy	138.00	130	143.67	0.39	2.97	Jim Hin Kwong Au
Microsoft	Technology	Buy	531.00	3,064	34.87	0.69	12.11	Sachin Mittal
Nvidia	Technology	Buy	1,006.40	2,219	35.36	0.02	50.88	Fang Boon Foo
Oracle	Technology	Buy	150.00	321	20.87	1.37	56.98	Tsz Wang Tam
Qualcomm	Technology	Buy	210.00	201	18.23	1.77	8.25	Fang Boon Foo
Salesforce	Technology	Buy	352.00	267	28.16	0.15	4.48	Tsz Wang Tam
Teradyne	Technology	Buy	131.90	19	39.71	0.37	7.37	Jim Hin Kwong Au
Texas Instruments	Technology	Buy	204.20	169	35.32	2.77	9.93	Lee Keng Ling
Workday	Technology	Buy	352.00	65	36.79	-	8.03	Tsz Wang Tam
Zoom Video Communications	Technology	Hold	62.00	19	12.51	-	2.34	Tsz Wang Tam
JinkoSolar Holding	Technology	Buy	34.20	1	7.79	5.67	0.47	Patricia Yeung
ON Semiconductor	Technology	Buy	91.40	31	17.70	-	3.77	Amanda Tan
Kingsoft Cloud Holdings	Technology	Buy	4.90	1	-	-	0.83	Tsz Wang Tam
Albemarle	Materials	Buy	200.00	16	34.25	1.20	1.69	Duncan Chan
Alcoa	Materials	Buy	41.00	7	-	1.07	1.68	Duncan Chan
Aptargroup	Materials	Hold	149.50	10	28.04	1.10	4.20	Nico Chen
Freeport-McMoRan	Materials	Buy	56.00	73	32.11	1.17	4.32	Eun Young Lee
Digital Realty Trust	Real Estate	Buy	170.00	48	88.82	3.40	2.46	Tsz Wang Tam
Equinix	Real Estate	Buy	955.00	73	68.53	1.99	5.96	Tsz Wang Tam
Prologis	Real Estate	Buy	148.00	100	36.03	3.30	1.88	Dale Lai
Atlantica Sustainable Infrastructure	Utilities	Hold	22.00	3	49.32	8.00	1.83	Elizabelle Pang
Avangrid	Utilities	Hold	34.00	14	16.38	4.78	0.72	Elizabelle Pang
Brookfield Renewable	Utilities	Buy	30.00	18	-	4.96	-	Elizabelle Pang
Clearway Energy	Utilities	Buy	30.00	5	23.72	5.93	-	Elizabelle Pang
Nextera Energy	Utilities	Buy	75.00	151	21.89	2.57	3.15	Elizabelle Pang

EUROPE								
Company	Sector	DBS Rating	DBS Target	Market cap (USDb)	Fwd. P/E (x)	Div. yield (%)	P/B (x)	Analyst
Bayerische Motoren Werke	Consumer Discretionary	Buy	EUR130.0	70	6.1	8.4	0.7	Elizabelle Pang
Ferrari	Consumer Discretionary	Buy	EUR440.00	74	48.3	0.7	2.0	Elizabelle Pang
Volkswagen	Consumer Discretionary	Buy	EUR175.00	69	4.4	6.4	16.0	Elizabelle Pang
Valeo	Consumer Discretionary	Buy	EUR13.50	3	10.2	3.0	0.9	Elizabelle Pang
Hermes International	Consumer Discretionary	Hold	EUR2421.00	263	51.5	1.1	2.0	Mavis Hui
Kering	Consumer Discretionary	Hold	GBP363.20	45	19.1	4.2	2.0	Mavis Hui
LVMH Moet Hennessy Louis Vuitton	Consumer Discretionary	Buy	CHF876.50	427	24.6	1.6	2.0	Mavis Hui
Heineken	Consumer Staples	Buy	EUR116.00	58	19.5	1.9	1.3	Zheng Feng Chee
Pernod Ricard	Consumer Staples	Buy	EUR166.00	41	18.3	3.1	2.0	Zheng Feng Chee
Anheuser-Busch InBev	Consumer Staples	Buy	EUR67.00	129	18.9	1.4	-	Zheng Feng Chee
BP	Energy	Buy	GBP5.80	107	7.9	4.4	1.5	Suvro Sarkar
Eni	Energy	Buy	EUR17.70	54	7.0	6.1	1.7	Suvro Sarkar
Shell	Energy	Buy	GBP35.00	235	8.9	3.5	2.0	Suvro Sarkar
TotalEnergies	Energy	Buy	EUR71.00	177	8.1	4.3	16.0	Suvro Sarkar
Allianz	Financials	Buy	EUR286.00	112	10.6	5.2	14.1	Ken Shih
AXA	Financials	Buy	EUR38.00	82	9.6	5.9	1.7	Ken Shih
ING Bank	Financials	Hold	EUR13.00	57	8.5	6.9	2.0	Thaninee Satirareungchai
BNP Paribas	Financials	Buy	EUR78.00	87	8.0	5.5	3.0	Thaninee Satirareungchai
Gerresheimer	Healthcare	Buy	EUR120.00	4	20.1	1.3	1.3	Nico Chen
Lonza	Healthcare	Buy	CHF600.00	44	43.1	0.3	2.0	Nico Chen
Novob Nordisk	Healthcare	Sell	DKK625.00	569	37.6	1.1	2.0	Nico Chen
Deutsche Lufthansa	Industrials	Hold	EUR7.00	9	5.3	4.4	2.0	Tabitha Foo
International Consolidated Airlines	Industrials	Buy	GBP2.20	11	4.8	-	1.3	Tabitha Foo
Ryanair Holdings	Industrials	Buy	EUR25.00	24	11.3	0.9	2.8	Tabitha Foo
ASML Holding	Technology	Buy	USD1175.00	365	44.8	0.6	-	Jim Hin Kwong Au
SAP	Technology	Buy	EUR202.00	233	39.2	1.2	2.0	Tsz Wang Tam
Infineon Technologies	Technology	Buy	EUR40.20	53	20.2	0.9	2.0	Amanda Tan
STMicroelectronics	Technology	Buy	EUR52.70	38	19.5	0.6	1.5	Amanda Tan
Orsted	Utilities	Buy	DKK485.00	26	20.4	-	2.0	Elizabelle Pang
RWE	Utilities	Buy	EUR51.00	28	12.8	2.9	2.0	Elizabelle Pang
ENEL	Utilities	Buy	EUR7.15	74	10.1	6.2	1.7	Pei Hwa Ho

JAPAN								
Company	Sector	DBS Rating	DBS Target	Market cap (USDb)	Fwd. P/E (x)	Div. yield (%)	P/B (x)	Analyst
Denso	Consumer Discretionary	Hold	JPY2,700	52,584	13.87	2.12	1.37	Elizabelle Pang
Fast Retailing	Consumer Discretionary	Buy	JPY55,153	83,149	37.92	0.83	6.22	Alison Fok
Honda Motor	Consumer Discretionary	Buy	JPY2,100	58,834	7.83	3.92	0.66	Elizabelle Pang
Suzuki Motor	Consumer Discretionary	Buy	JPY2,250	22,528	13.13	1.54	1.52	Elizabelle Pang
Toyota Motor	Consumer Discretionary	Hold	JPY3,500	347,137	9.95	2.19	1.35	Elizabelle Pang

JAPAN (cont'd)								
Company	Sector	DBS Rating	DBS Target	Market cap (USDb)	Fwd. P/E (x)	Div. yield (%)	P/B (x)	Analyst
Ajinomoto	Consumer Staples	Hold	JPY5,665	20,373	29.32	1.22	3.83	Zheng Feng Chee
Asahi Group	Consumer Staples	Buy	JPY6,700	17,838	14.04	2.21	1.13	Zheng Feng Chee
KAO	Consumer Staples	Hold	JPY6,200	20,745	31.42	2.16	3.24	Cheria Widjaja
Kirin	Consumer Staples	Hold	JPY2,270	13,472	14.08	3.09	1.60	Zheng Feng Chee
Shiseido	Consumer Staples	Hold	JPY4,235	11,576	71.83	1.33	2.86	Cheria Widjaja
Mitsubishi UFJ Financial Group	Financials	Buy	JPY1,800	126,116	13.15	2.57	1.00	Rui Wen Lim
Mizuho Financial Group	Financials	Buy	JPY3,250	49,974	11.41	3.26	0.79	Rui Wen Lim
Sumitomo Mitsui Financial Group	Financials	Buy	JPY11,000	76,082	12.72	3.00	0.86	Rui Wen Lim
Nipro	Healthcare	Hold	JPY1,000	1,355	11.91	2.03	0.86	Nico Chen
Tokyo Electron	Technology	Buy	JPY42,746	105,924	35.96	1.12	9.21	Lee Keng Ling
Renesas Electronics	Technology	Hold	JPY3,049	30,369	12.41	1.11	2.05	Lee Keng Ling
Daiwa House Industry	Real Estate	Buy	JPY4,800	18,087	10.05	3.35	1.12	Dale Lai
Mitsubishi Estate	Real Estate	Hold	JPY2,261	24,924	20.79	1.36	1.55	Rachel Tan
Mitsui Fudosan	Real Estate	Buy	JPY3,986	28,451	18.26	1.77	1.42	Derek Tan

HONG KONG / MAINLAND CHINA								
Company	Sector	DBS Rating	DBS Target	Market cap (USDb)	Fwd. P/E (x)	Div. yield (%)	P/B (x)	Analyst
China Mobile	Communication Services	Buy	HKD93.00	206	10.3	6.3	1.0	Tsz Wang Tam
China Telecom	Communication Services	Buy	HKD6.10	71	11.2	5.4	0.8	Tsz Wang Tam
Tencent	Communication Services	Buy	HKD543.00	479	18.1	0.9	4.1	Tsz Wang Tam
Alibaba	Consumer Discretionary	Buy	HKD109.00	199	9.5	1.2	-	Tsz Wang Tam
BYD	Consumer Discretionary	Buy	HKD334.00	86	17.4	0.6	4.2	Rachel Miu
Geely Automobile	Consumer Discretionary	Buy	HKD11.40	13	13.3	2.1	1.2	Rachel Miu
JD.com	Consumer Discretionary	Buy	HKD145.00	52	11.2	2.2	-	Tsz Wang Tam
Li Auto	Consumer Discretionary	Buy	HKD214.00	27	17.9	-	-	Rachel Miu
Li Ning	Consumer Discretionary	Buy	HKD34.80	7	15.1	3.6	2.2	Alison Fok
Meituan	Consumer Discretionary	Buy	HKD139.00	100	22.8	-	4.8	Tsz Wang Tam
NIO	Consumer Discretionary	Buy	HKD62.00	11	-	-	-	Rachel Miu
PDD	Consumer Discretionary	Buy	HKD241.00	199	16.8	-	7.3	Tsz Wang Tam
Sands China	Consumer Discretionary	Buy	HKD43.00	22	15.5	-	-	Mavis Hui
XPeng	Consumer Discretionary	Buy	HKD47.30	8	-	-	1.5	Rachel Miu
ANTA Sports	Consumer Discretionary	Buy	HKD117.00	33	18.3	2.2	4.6	Alison Fok
China Resources Beer	Consumer Staples	Buy	HKD55.70	15	18.3	1.7	3.7	Clement Zhaoji Xu
Tsingtao Brewery	Consumer Staples	Buy	HKD97.30	14	15.9	3.1	2.7	Clement Zhaoji Xu
China Petroleum & Chem -Sinopec	Energy	Buy	HKD5.20	101	8.3	7.2	0.7	Pei Hwa Ho
CNOOC	Energy	Buy	HKD19.50	122	6.0	6.9	1.3	Pei Hwa Ho
PetroChina	Energy	Buy	HKD7.00	241	7.5	6.2	0.8	Pei Hwa Ho
AIA	Financial	Buy	HKD100.00	91	14.0	2.5	2.2	Ken Shih
Bank of China	Financial	Buy	HKD3.90	172	4.8	6.5	0.5	Manyi Lu
Bank of China (Hong Kong)	Financial	Buy	HKD26.30	35	7.6	5.6	0.9	Manyi Lu
Bank of Communications	Financial	Hold	HKD5.50	66	4.8	6.5	0.5	Manyi Lu
China Construction Bank	Financial	Buy	HKD6.40	191	4.1	7.1	0.4	Manyi Lu
China Life Insurance	Financial	Buy	HKD16.00	105	7.5	4.3	0.7	Ken Shih

HONG KONG / MAINLAND CHINA (cont'd)								
Company	Sector	DBS Rating	DBS Target	Market cap (USDb)	Fwd. P/E (x)	Div. yield (%)	P/B (x)	Analyst
China Merchants Bank	Financial	Buy	HKD37.50	127	6.2	4.8	0.9	Manyi Lu
CITIC Securities	Financial	Buy	HKD16.50	36	8.6	4.0	0.7	Ken Shih
Guotai Junan Securities	Financial	Buy	HKD10.00	16	6.9	6.6	0.5	Edmond Man Chun Fok
Hang Seng Bank	Financial	Hold	HKD97.00	27	11.6	5.9	1.4	Manyi Lu
HK Exchanges & Clearing	Financial	Hold	HKD272.00	47	29.9	2.9	7.5	Vanessa Sze Chun Lee
HSBC	Financial	Buy	HKD74.60	169	6.9	9.1	1.0	Manyi Lu
ICBC	Financial	Buy	HKD5.30	254	4.4	7.0	0.4	Manyi Lu
Ping An Insurance	Financial	Buy	HKD58.00	105	6.3	6.1	0.8	Ken Shih
PSBC	Financial	Buy	HKD4.80	67	5.0	6.1	0.5	Manyi Lu
Zhongan Online P&C Insurance	Financial	Buy	HKD27.00	3	18.7	-	1.0	Ken Shih
BOC Aviation	Industrials	Buy	HKD78.00	5	7.8	3.7	0.9	Jason Sum
Cathay Pacific	Industrials	Buy	HKD12.00	7	8.5	5.0	1.1	Tabitha Foo
Country Garden Services	Industrials	Hold	HKD5.50	3	7.0	6.6	0.5	Jason Lam
Greentown Service	Industrials	Hold	HKD3.20	2	17.7	2.1	1.9	Dexter Kin Sung Chun
JD Logistics	Industrials	Buy	HKD12.00	8	22.1	-	1.2	Zoe Bei Bei Zhang
Baidu (HK)	Technology	Buy	HKD181.00	39	10.4	-	-	Tsz Wang Tam
Lenovo	Technology	Buy	HKD10.00	16	17.7	3.7	2.9	Jim Hin Kwong Au
NetEase	Technology	Buy	HKD267.00	65	14.1	2.5	-	Tsz Wang Tam
Xiaomi	Technology	Buy	HKD19.00	63	27.8	-	2.8	Jim Hin Kwong Au
ZTE	Technology	Buy	HKD22.60	18	7.8	2.5	1.2	Tsz Wang Tam
Aluminum Corp of China	Materials	Buy	HKD4.70	17	10.2	0.7	1.4	Tina Ting Hu
Tianqi Lithium	Materials	Buy	HKD48.00	8	15.2	10.3	0.9	Tina Ting Hu
Champion REIT	Real Estate	Hold	HKD2.15	1	11.0	9.5	0.2	Percy Leung
China Overseas Land	Real Estate	Buy	HKD17.20	22	6.4	4.7	0.4	Jason Lam
China Resources Land	Real Estate	Buy	HKD40.60	29	7.1	5.0	0.8	Jason Lam
China Vanke	Real Estate	Hold	HKD3.60	13	6.0	13.0	0.3	Jason Lam
CK Asset	Real Estate	Buy	HKD46.90	16	8.3	6.4	0.3	Jeff Yau
Country Garden	Real Estate	Sell	HKD0.55	2	-	-	0.1	Jason Lam
Fortune REIT	Real Estate	Buy	HKD6.31	1	16.7	9.5	0.3	Percy Leung
Hang Lung Properties	Real Estate	Buy	HKD12.40	5	8.3	9.6	0.3	Jeff Yau
Henderson Land	Real Estate	Buy	HKD28.10	16	11.7	6.9	0.4	Jeff Yau
Hysan Development	Real Estate	Buy	HKD17.16	2	7.3	8.4	0.2	Jeff Yau
Kerry Properties	Real Estate	Buy	HKD20.30	3	6.7	8.1	0.2	Jeff Yau
Link REIT	Real Estate	Buy	HKD46.50	12	14.2	6.8	0.5	Percy Leung
MTR	Real Estate	Buy	HKD34.70	23	13.2	4.5	1.0	Jeff Yau
New World Development	Real Estate	Buy	HKD14.22	3	21.2	22.1	0.1	Jeff Yau
Sino Land	Real Estate	Buy	HKD10.78	10	13.6	6.5	0.5	Jeff Yau
Sun Hung Kai Properties	Real Estate	Buy	HKD111.60	30	9.9	5.8	0.4	Jeff Yau
Swire Properties	Real Estate	Buy	HKD19.64	12	11.3	6.8	0.3	Jeff Yau
Wharf	Real Estate	Hold	HKD25.50	10	18.2	1.5	0.6	Jeff Yau

TAIWAN								
Company	Sector	DBS Rating	DBS Target	Market cap (USDb)	Fwd. P/E (x)	Div. yield (%)	P/B (x)	Analyst
Taiwan Semiconductor Manufacturing Co	Technology	Buy	USD176.00	534	20.5	1.4	-	Jim Hin Kwong Au
United Microelectronics	Technology	Buy	USD10.00	19	10.4	5.8	-	Jim Hin Kwong Au

SINGAPORE								
Company	Sector	DBS Rating	DBS Target	Market cap (USDb)	Fwd. P/E (x)	Div. yield (%)	P/B (x)	Analyst
NetLink NBN Trust	Communication Services	Buy	SGD0.98	3	29.8	6.1	1.3	Sachin Mittal
SEA	Communication Services	Buy	USD96.00	40	54.3	-	6.1	Sachin Mittal
StarHub	Communication Services	Buy	SGD1.54	2	13.5	5.4	5.8	Sachin Mittal
Singtel	Communication Services	Buy	SGD3.27	30	16.8	5.3	1.5	Sachin Mittal
Genting Singapore	Consumer Discretionary	Buy	SGD1.15	8	15.1	3.9	1.3	Jason Sum
Bumitama Agri	Consumer Staples	Buy	SGD0.90	1	10.9	10.3	1.0	William Simadiputra
DFI Retail Group	Consumer Staples	Buy	SGD2.70	3	12.1	4.3	2.6	Zheng Feng Chee
Sheng Siong Group	Consumer Staples	Hold	SGD1.62	2	16.0	4.2	4.3	Zheng Feng Chee
Thai Beverage Public	Consumer Staples	Buy	SGD0.69	9	11.7	4.6	1.7	Zheng Feng Chee
Wilmar International	Consumer Staples	Buy	SGD4.30	15	9.0	5.4	0.7	William Simadiputra
OCBC Bank	Financial	Hold	SGD14.90	48	8.7	5.7	1.2	Rui Wen Lim
UOB	Financial	Buy	SGD34.50	37	8.5	5.6	1.1	Rui Wen Lim
Singapore Exchange	Financial	Hold	SGD10.20	7	18.9	3.7	5.8	Rui Wen Lim
IHH Healthcare	Healthcare	Buy	MYR7.60	12	31.4	3.3	1.9	Rachel Tan
ComfortDelGro	Industrials	Buy	SGD1.80	2	14.4	4.8	1.2	Andy Sim
Grab Holdings	Industrials	Buy	USD4.08	14	-	-	2.2	Sachin Mittal
Keppel Limited	Industrials	Buy	SGD9.00	9	12.7	5.0	1.1	Pei Hwa Ho
SATS	Industrials	Buy	SGD3.40	3	76.2	-	1.6	Jason Sum
Sembcorp Industries	Industrials	Buy	SGD7.15	7	10.4	2.5	2.0	Pei Hwa Ho
Seatrium	Industrials	Buy	SGD0.15	4	31.0	-	0.9	Pei Hwa Ho
SIA Engineering	Industrials	Buy	SGD2.80	2	17.6	1.7	1.6	Suvro Sarkar
ST Engineering	Industrials	Buy	SGD4.80	10	19.1	3.8	5.4	Suvro Sarkar
Yangzijiang Shipbuilding	Industrials	Buy	SGD2.10	5	7.7	3.7	1.8	Pei Hwa Ho
Singapore Airlines	Industrials	Hold	SGD6.10	15	10.3	3.0	1.4	Jason Sum
AEM Holdings	Technology	Hold	SGD1.97	0	19.2	-	1.2	Amanda Tan
Venture Corporation	Technology	Buy	SGD16.40	3	14.1	5.3	1.4	Lee Keng Ling
Nanofilm Technologies International	Materials	Fully Valued	SGD0.63	0	21.2	0.9	1.2	Lee Keng Ling
APAC Realty	Real Estate	Hold	SGD0.48	0	10.8	6.3	0.9	Tabitha Foo
Capitaland Ascendas REIT	Real Estate	Buy	SGD3.25	9	18.5	5.7	1.2	Dale Lai
Capitaland Ascott Trust	Real Estate	Buy	SGD1.30	3	18.6	4.7	0.8	Geraldine Wong
CapitaLand Integrated Commercial Trust	Real Estate	Buy	SGD2.30	10	18.6	4.8	0.9	Rachel Tan
CDL Hospitality Trusts	Real Estate	Buy	SGD1.45	1	18.8	5.8	0.7	Geraldine Wong
City Developments	Real Estate	Buy	SGD10.50	4	16.6	2.0	0.6	Rachel Tan
CapitaLand China Trust	Real Estate	Buy	SGD0.95	1	12.4	9.4	0.6	Geraldine Wong

SINGAPORE (cont'd)								
Company	Sector	DBS Rating	DBS Target	Market cap (USDb)	Fwd. P/E (x)	Div. yield (%)	P/B (x)	Analyst
ESR-LOGOS REIT	Real Estate	Buy	SGD0.34	2	15.5	10.2	0.9	Dale Lai
Frasers Centrepoint Trust	Real Estate	Buy	SGD2.70	3	21.4	5.5	0.9	Geraldine Wong
Frasers Hospitality Trust	Real Estate	Buy	SGD0.62	1	30.0	5.0	0.7	Geraldine Wong
Frasers Property	Real Estate	Buy	SGD1.20	2	11.4	5.7	0.3	Tabitha Foo
Guocoland	Real Estate	Buy	SGD2.30	1	-	4.0	0.4	Tabitha Foo
Ho Bee Land	Real Estate	Buy	SGD3.80	1	-	1.6	0.4	Dale Lai
Hongkong Land	Real Estate	Buy	USD3.98	8	10.4	6.5	0.2	Jeff Yau
Keppel DC REIT	Real Estate	Buy	SGD2.20	2	20.3	5.2	1.3	Dale Lai
LendLease Global Commercial REIT	Real Estate	Buy	SGD0.90	1	16.5	8.7	0.7	Geraldine Wong
Mapletree Industrial Trust	Real Estate	Buy	SGD2.60	5	16.8	5.5	1.2	Derek Tan
Mapletree Logistics Trust	Real Estate	Buy	SGD1.75	5	19.7	5.8	1.0	Derek Tan
OUE Commercial REIT	Real Estate	Buy	SGD0.35	1	15.3	7.6	0.5	Rachel Tan
Parkway Life REIT	Real Estate	Buy	SGD4.50	2	21.0	4.1	1.5	Rachel Tan
Suntec REIT	Real Estate	Hold	SGD1.15	2	20.0	7.0	0.5	Rachel Tan
UOL Group	Real Estate	Buy	SGD8.40	4	13.7	3.6	0.4	Tabitha Foo
Frasers Logistics & Commercial Trust	Real Estate	Buy	SGD1.44	3	16.9	7.8	0.9	Dale Lai
Capitaland Investment Ltd	Real Estate	Buy	SGD3.85	10	17.8	4.5	1.0	Derek Tan
Keppel Infrastructure Trust	Utilities	Buy	SGD0.57	2	-	13.6	1.7	Suvro Sarkar
UOL Group	Real Estate	Buy	SGD8.40	3.6	9.8	3.1	0.5	Rachel Tan
Keppel Infrastructure Trust	Utilities	Buy	SGD0.57	1.8	2817.9	7.7	2.2	Suvro Sarkar

INDONESIA								
Company	Sector	DBS Rating	DBS Target	Market cap (USDb)	Fwd. P/E (x)	Div. yield (%)	P/B (x)	Analyst
Telekomunikasi Indonesia	Communication Services	Buy	IDR4100.00	19	11.3	5.9	2.1	Sachin Mittal
Charoen Pokphand Indonesia	Consumer Staples	Buy	IDR5400.00	6	24.5	1.9	3.2	Nashrullah Putra Sulaeman
Indofood CBP Sukses Makmur	Consumer Staples	Buy	IDR13700.00	8	13.1	1.8	2.9	Cheria Widjaja
Indofood Sukses Makmur	Consumer Staples	Buy	IDR8500.00	3	5.4	4.2	0.9	Cheria Widjaja
Unilever Indonesia	Consumer Staples	Hold	IDR3000.00	6	20.2	5.0	21.3	Cheria Widjaja
Bank Central Asia	Financial	Buy	IDR10875.00	74	22.1	2.8	5.2	Rui Wen Lim
Bank Mandiri	Financial	Buy	IDR7800.00	37	10.5	5.6	2.5	Rui Wen Lim
Bank Rakyat Indonesia	Financial	Hold	IDR5200.00	46	11.6	6.6	2.5	Rui Wen Lim
Perusahaan Gas Negara	Utilities	Hold	IDR1050.00	2	7.2	9.4	0.8	William Simadiputra

THAILAND								
Company	Sector	DBS Rating	DBS Target	Market cap (USDb)	Fwd. P/E (x)	Div. yield (%)	P/B (x)	Analyst
Minor International	Consumer Discretionary	Buy	THB39.00	5	24.8	1.7	3.8	Chanpen Sirithanarattanakul
CP ALL	Consumer Staples	Buy	THB80.00	15	23.9	1.5	4.5	Chanpen Sirithanarattanakul
PTT	Energy	Buy	THB40.00	27	10.2	5.3	0.8	Duladeth Bik
PTT Exploration & Production	Energy	Buy	THB200.00	17	8.3	5.5	1.1	Duladeth Bik
PTT Global Chemical	Energy	Hold	THB33.00	5	22.2	1.9	0.6	Duladeth Bik
SCB X PCL	Energy	Hold	THB107.00	10	8.1	8.8	0.7	Thaninee Satirareungchai
Siam Cement	Energy	Buy	THB289.00	9	14.0	2.2	0.8	Duladeth Bik
Bangkok Bank	Financial	Buy	THB189.00	7	6.1	4.5	0.5	Thaninee Satirareungchai
Krung Thai Bank	Financial	Buy	THB21.00	7	6.1	4.6	0.6	Thaninee Satirareungchai
Kasikorn Bank	Financials	Hold	THB129.00	9	7.1	4.4	0.6	Thaninee Satirareungchai
Bangkok Dusit Medical Services	Healthcare	Buy	THB35.00	13	29.4	2.2	4.6	Sasikarn Udomvej
Bumrungrad Hospital	Healthcare	Buy	THB293.00	6	27.0	1.6	7.8	Sasikarn Udomvej
Airports of Thailand	Industrials	Buy	THB80.00	26	43.3	0.5	8.2	Chanpen Sirithanarattanakul
Bangkok Expressway and Metro	Industrials	Buy	THB10.40	3	31.1	1.6	3.2	Sasikarn Udomvej

INDIA								
Company	Sector	DBS Rating	DBS Target	Market cap (USDb)	Fwd. P/E (x)	Div. yield (%)	P/B (x)	Analyst
HDFC Bank	Financials	Buy	USD70.00	140	15.6	1.1	7.7	Rui Wen Lim
ICICI Bank	Financials	Buy	USD31.00	94	17.8	0.6	6.1	Rui Wen Lim
WNS	Industrials	Buy	USD55.00	2	11.1	-	2.9	Sachin Mittal
Infosys	Technology	Buy	USD19.50	70	22.1	2.1	6.7	Sachin Mittal
Wipro	Technology	Sell	USD4.80	28	19.7	0.2	3.1	Sachin Mittal

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)
**Share price appreciation + dividends*

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Glossary.

Acronym	Definition
AI	artificial intelligence
ASEAN	Association of Southeast Asian Nations
ASP	average selling price
AT1	additional tier 1
AUM	Assets under management
AxJ	Asia ex-Japan
bbl	barrel
BCOM	Bloomberg Commodity Index
BI	Bank Indonesia
BIBOR	Bangkok Interbank Offered Rate
BNM	Bank Negara Malaysia
BOC	Bank of Canada
BOE	Bank of England
BOJ	Bank of Japan
BOK	Bank of Korea
BOT	Bank of Thailand
BSP	Bangko Sentral ng Pilipinas
bpd	barrels per day
bps	basis points
CAA	CIO Asset Allocation
CAGR	compound annual growth rate
CBO	Congressional Budget Office
CET1	Common Equity Tier 1
CGB	China Government Bonds
CIPS	Chartered Institute of Procurement & Supply
CPI	consumer price index
CRE	commercial real estate
CSIS	Centre for Strategic and International Studies
DACS	DBS Aggregate Credit Spread
DM	Developed Markets
dma	day moving average
DPU	distribution per unit
DXY	US Dollar Index
EBIT	earnings before interest and taxes
EBITDA	earnings before interest, tax, depreciation, and amortisation
EC	European Commission
ECA	European Chips Act
ECB	European Central Bank
EDP	Excessive Deficit Procedure
EGB	European Government Bonds
EIA	Energy Information Administration
EM	Emerging Markets
eop	end of period
EPFR	Emerging Portfolio Fund Research
EPS	earnings per share
ESG	Environmental, Social, and Governance
ETF	exchange-traded fund
EU	European Union
EURIBOR	Euro Interbank Offered Rate
EUV	extreme ultraviolet
EV	electric vehicle
FDA	US Food and Drug Administration
FDI	foreign direct investment
FOMC	Federal Open Market Committee
FX	foreign exchange
G2	Group of Two
G3	Group of Three
G7	Group of Seven
G10	Group of Ten
GDP	gross domestic product
GFC	Global Financial Crisis
GLP-1	glucagon-like peptide 1
GNSS	Global Navigation Satellite System
GPU	graphics processing unit
GPS	Global Positioning System
GPT	Generative Pre-trained Transformer
GSCI	Goldman Sachs Commodity Index
GSFCI	Goldman Sachs US Financial Conditions Index
GST	goods & services tax
HIBOR	Hong Kong Interbank Offered Rate
HICP	Harmonised Index of Consumer Prices
HKMA	Hong Kong Monetary Authority
HY	high yield
IEA	International Energy Agency

Acronym	Definition
IndoGB	Indonesian Government Bonds
IG	investment grade
IGB	India Government Bonds
IMF	International Monetary Fund
IPO	initial public offering
IRS	interest rate swap
ISM	Institute for Supply Management
IT	Information Technology
JGB	Japanese Government Bond
JIBOR	Jakarta Interbank Offered Rate
JPM GBI-EM GD	JP Morgan Government Bond Index-Emerging Markets
KLIBOR	Kuala Lumpur Interbank Offered Rate
KTB	Korea Treasury Bonds
LBMA	London Bullion Market Association
LEO	low Earth orbit
LERS	Linked Exchange Rate System
LGB	local government bonds (China)
LGFV	local government financing vehicle
LP	limited partner
LPR	loan prime rate
LSTA	Loan Syndications and Trading Association
LVMH	Moët Hennessy Louis Vuitton
M&A	mergers and acquisitions
MAS	Monetary Authority of Singapore
MBS	Mortgage-backed securities
MLF	medium-term lending facility
MIBOR	Mumbai Interbank Offer Rate
MICE	Meetings, Incentives, Conferences, and Exhibitions
mmbpd	million barrels per day
mmt	million metric tons
MNC	multinational corporation
MPC	Monetary Policy Committee (India, Thailand)
MSCI	Morgan Stanley Capital International
NATO	North Atlantic Treaty Organisation
NEER	nominal effective exchange rate
NIM	net interest margin

Acronym	Definition
NIRP	negative interest rate policy
NISA	Nippon Individual Savings Account
NPL	nonperforming loan
NYSE	New York Stock Exchange
OBR	Office for Budget Responsibility (UK)
OECD	Organisation for Economic Co-operation and Development
OIS	overnight indexed swap
OMO	Open Market Operations
OPEC+	Organisation of the Petroleum Exporting Countries
OPM	operating profit margin
OTC	over the counter
P/B	price-to-book
P/E	price-to-earnings
PBOC	People's Bank of China
PC	personal computer
PCE	personal consumption expenditure
PE	Private Equity
PEG	price-to-earnings-to-growth
PEPP	Pandemic Emergency Purchase Program
PER	price-to-earnings ratio
PMI	purchasing managers' index
PNT	Position Navigation and Timing
PPI	producer price index
PSL	pledged supplementary lending
Q-GARP	Quality Growth-at-a-Reasonable-Price
QE	quantitative easing
QT	quantitative tightening
R&D	research and development
RBA	Reserve Bank of Australia
RBI	Reserve Bank of India
RBNZ	Reserve Bank of New Zealand
REER	Real Effective Exchange Rate
REIT	real estate investment trust
RPGB	Philippine Government Bonds
ROA	return on asset
ROE	return on equity

Acronym	Definition
RRP	reverse repo facility
RRR	required rate of return
SAA	Strategic Asset Allocation
SBV	State Bank of Vietnam
SD	standard deviation
SEA	Southeast Asia
SGS	Singapore Government Securities
SME	Small and medium-sized enterprises
SNB	Swiss National Bank
SOE	state owned enterprise
SOFR	Secured Overnight Financing Rate
SORA	Singapore Overnight Rate Average
SRBI	Bank Indonesia Rupiah Securities
TAA	Tactical Asset Allocation
ThaiGBs	Thailand Government Bonds

Acronym	Definition
TIBOR	Tokyo Interbank Offered Rate
TOPIX	Tokyo Stock Price Index
TP	target price
TPI	tax and price index
TSE	Tokyo Stock Exchange
TSMC	Taiwan Semiconductor Manufacturing Company
UAE	United Arab Emirates
UCITS	Undertakings for Collective Investment in Transferable Securities
UHNW	ultra high net worth
UST	US Treasury
WFH	work from home
WTI	West Texas Intermediate
YCC	Yield control curve
YTD	year-to-date
ZIRP	Zero Interest-Rate Policy

CIO Collection

2Q24 CIO INSIGHTS
A Broadening Rally
March 2024

1Q24 CIO INSIGHTS
Shifting Currents
December 2023

4Q23 CIO INSIGHTS
The Next Yield Play
September 2023

3Q23 CIO INSIGHTS
King, Queen & Castle
June 2023

2Q23 CIO INSIGHTS
Break in the Clouds
March 2023

1Q23 CIO INSIGHTS
The Return of 60/40
December 2022

4Q22 CIO INSIGHTS
Fed in Focus
September 2022

3Q22 CIO INSIGHTS
Rising Above Inflation
June 2022

2Q22 CIO INSIGHTS
Anchor in the Storm
March 2022

1Q22 CIO INSIGHTS
A Divergent World
December 2021

4Q21 CIO INSIGHTS
Stay the Course
September 2021

3Q21 CIO INSIGHTS
Hope Into Reality
June 2021

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Back on Track
March 2021

1Q21 CIO INSIGHTS
A New Hope
December 2020

4Q20 CIO INSIGHTS
On the Mend
September 2020

3Q20 CIO INSIGHTS
Resilient in the Storm
June 2020

2Q20 CIO INSIGHTS
Build to Last
March 2020

1Q20 CIO INSIGHTS
New Wine, New Skin
December 2019

4Q19 CIO INSIGHTS
Ride the Wave
September 2019

3Q19 CIO INSIGHTS
A Changing World
June 2019

2Q19 CIO INSIGHTS
Lift to Win
March 2019

1Q19 CIO INSIGHTS
Tug of War
December 2018

4Q18 CIO INSIGHTS
Window of Opportunity
September 2018

3Q18 CIO INSIGHTS
Steer Through Rough Seas
June 2018

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2Q18 CIO INSIGHTS
Mind the Bends
March 2018

1Q18 CIO INSIGHTS
The Bull Ain't Done
December 2017

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