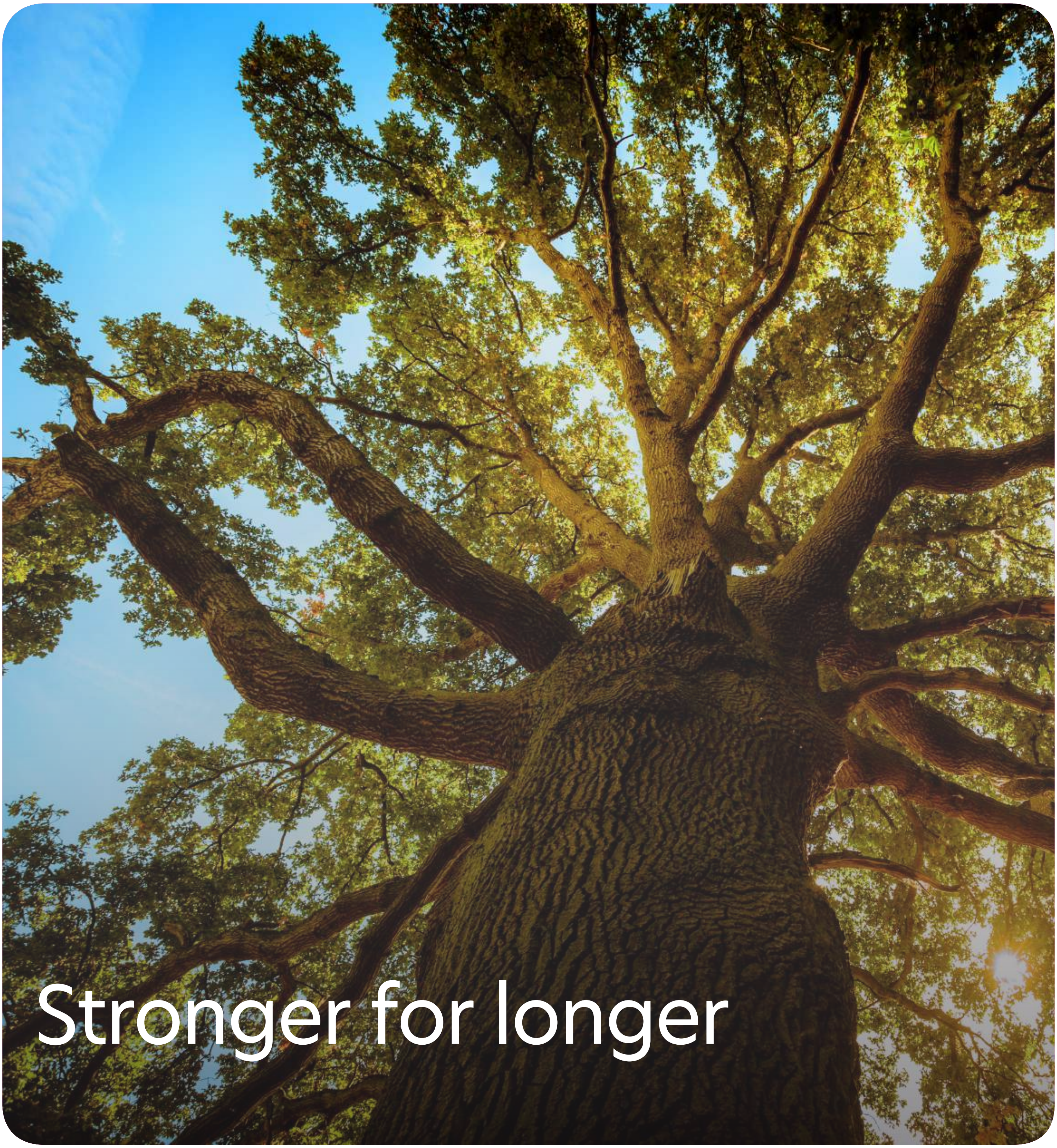
Quarterly Investment Strategy
Second Quarter 2024

UOB Asset Management



Right By You

Contents

Download the report for an interactive experience. For ease of reading, simply click on the navigation bar to go to the desired section.

Executive Summary

Stronger for longer

We see continued signs that investors are starting to feel like "the hard part is over", now that inflation is almost under control and recession risks have faded. The San Francisco Fed's Index of News Sentiment that tracks the sentiment of economic news reports has rebounded to pre-COVID levels from near historic lows. And indeed last quarter, consumer confidence made a significant jump and markets rallied steadily.

While economic conditions and interest rates are looking the most "normal" we have seen since the Global Financial Crisis in 2008, AI and technology themes are the most exciting we have experienced since the 1990s. Many investors seem to feel that the rally has already happened. But if this is similar to the 1990s, then markets may again be surprised by how long these strong markets can last.

> "AI and technology themes are the most exciting we have experienced since the 1990s"

Contents

Global Investment Strategy

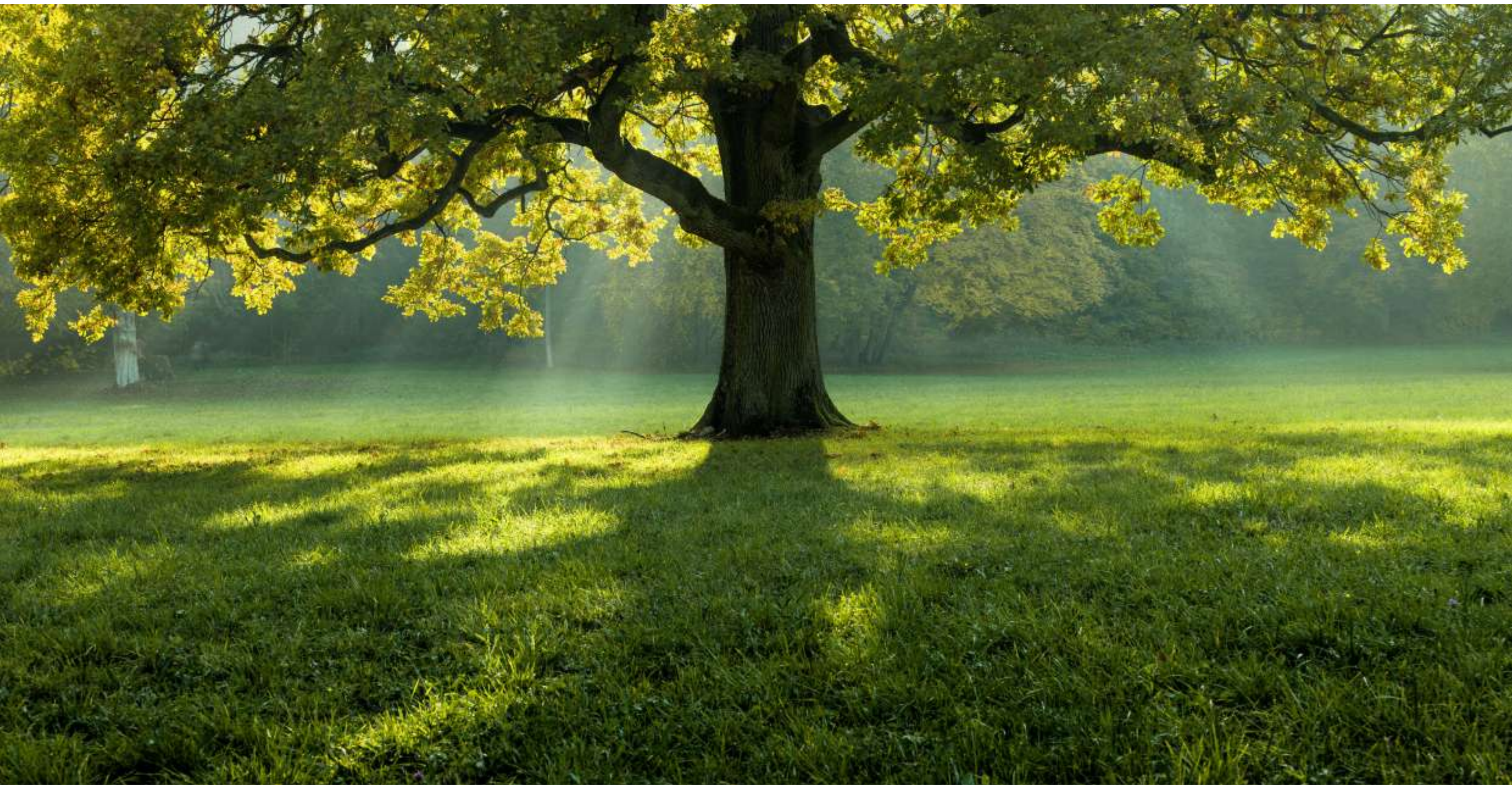
This is starting to feel like the 1990s

The past decade of deleveraging, subpar growth, negative interest rates and money printing appears to be behind us. With interest rates starting to normalise, policies becoming more neutral, expansion taking hold, and inflationary pressures becoming ever-present, we seem to be entering an era similar to that of the pre-GFC 1990s and 2000s.

Now as then, innovation within companies and sectors is evolving at breakneck speed. We think individuals will need to shift their investing mindsets away from the recent past decade, and instead be nimble for a new set of exciting and world-changing investment opportunities reminiscent of the 1990s dotcom boom.

Key takeaways

- The hard part is over and 2024 could see a 1990s-like expansion
- Current trends in confidence, manufacturing and real wages could lift economic growth more than expected
- Lots of cash on the sidelines implies it is too soon to think that the market momentum is over



Contents

Global Investment Strategy

Recession and inflation risks have declined considerably

At the start of 2023, the vast majority of economists were expecting a recession and for inflation to be problematic. At the start of 2024, these same economists no longer expect a recession, and accept that inflation has made much more progress towards normalisation than previously expected.

We have long maintained that a recession was unlikely and the expansion would continue into 2024. As such, going forward, we do not expect a significant equities downturn. We also think inflation has improved enough that interest rate hikes are not realistic and thus we would not expect fixed income to see big corrections.

In fact, we think recession and inflation risks will stop being the prime focus of discussion in 2024.

Staying invested in strong markets

While continued economic expansion is becoming a consensus view, we note that there remains some caution about future market performance. Here are the top three reasons for the caution, and why we are more sanguine:

1. Markets have performed so well that some investors feel like they have missed the rally. We would point out that most of the rally was just a recovery from 2022 losses. In fact, the 1990s rally continued for many years until there emerged signs of economic weakness.

2. Some investors think that the market is now overbought and expensive. However, we note that given recession fears and high deposit rates, there are historic levels of cash sitting on the sidelines. These will increasingly be deployed as the market normalises.

3. Many investors are concerned that these markets are not really that healthy. In particular, that the market behaviour is too narrow with the "Magnificent Seven" contributing most of the returns. However we would argue that this is no longer the case globally. The "GRANOLAS" (first coined by Goldman Sachs in 2020 to highlight the potential of 11 European companies) and the "Seven Samurai" in Japan are examples of companies helping European and Japanese markets to reach all-time highs this year. For us, the number of exciting investment themes going forward is enormous.

Under-estimation of potential upside risks

Economists have reduced their recession probabilities but are still carefully analysing downside risks. However, there are also upside risks that do not seem to receive similar attention. We note that surveys of consumer and business confidence have started to rebound. Global manufacturing appears close to turning from negative to positive while AI-enhanced productivity growth has been reported at many companies. And having been offset last year by cost inflation, real wages are now growing at better levels than we have seen in a decade. These developments cause us to consider:

- What will the economy look like with six more months of improved confidence and behaviour?
- How quickly will the economy grow when more industries are participating in the expansion?
- How might the consumer start behaving over the year?
- What if AI helps improve overall economic productivity?

The bottom line is that while a continued expansion this year is a consensus view, there are still possibilities of higher economic vibrancy than the market currently expects.

Contents

Global Investment Strategy

Investment strategy

Time to invest	The first theme we have been highlighting to investors is that it is an attractive time to invest. To date, many investors have been content with fixed deposit rates. But investments clearly beat cash rates in 2023 and are already doing so again in 1Q 2024.
Equities correction seems unlikely	Although the rally has been fierce, we do not see a recession on the horizon that is going to significantly undermine equity markets. And with US$6 trillion of cash parked in money markets after the recession fears of last year, we think there will be many investors looking to buy on dips. This should help protect the market against any significant corrections.
Fixed income opportunities remain	Within fixed income, we like credits over government bonds. Without a recession in the near term, we see opportunities to pickup the additional credit spreads via both investment grade and high yield bonds.
Positive gold outlook	Within commodities we stay overweight gold as interest rates have peaked while global gold supply and demand dynamics looks supportive of prices in the coming year.

Contents

Global Asset Allocation

Fixed Income: Bonds offer attractive yields and the threat of rate hikes has passed

Bond yields are higher than they have been in 15 years and future returns will benefit. The near-term risks of interest rate hikes have faded but we recommend not to count on quick capital gains from large interest rate cuts. However, fixed income investments will continue to offer good yield carry and protection if a recession does eventuate in the next couple of years.

We prefer to focus on credits including investment grade and high yield. Credit spreads have been tightening in the past year but without a near term recession we think it is safe to pick up the extra yield that credits offer over government bonds. **As such, we are underweight government bonds but overweight investment grade and specific high yield credits.**

Equities: Potential to perform on multi-year basis

The current macro environment – i.e. the resilient expansion, strong consumer led growth, normalised interest rates and productivity-enhancing technology breakthroughs – reminds us a lot of the 90s. In 1996 after markets appeared frothy, US Fed Chairman Alan Greenspan described equity markets as "irrationally exuberant". Yet equities continued to make new highs, with the S&P 500 peaking at double its 1996 level, before the bubble finally burst in 2000. With a continued expansion and plenty of money yet to participate, we think we may be seeing another multi-year rally.

Furthermore, we expect better market breadth than in 2023. This presents an opportunity for investors to seek out what has not rallied as much yet. **We are overweight the Japan and Asia ex Japan markets where valuations are better and we see improving earnings growth.** We still like the US but given the market has rallied the most, we are only overweighting it marginally within our global portfolios.

Cash: Consider deploying to lock in yields

Most asset classes performed poorly in 2022, and as a result, many investors were comfortable holding cash in 2023, especially as cash rates were higher than they had been for over a decade. However, these investors would have lost out in 2023, given that stock and bond returns beat cash.

With cash rates set to fall further in anticipation of interest rate cuts, we think cash will continue to underperform both stocks and bonds in 2024. As such, investors may want to think about putting their cash to work. **Income seekers may want to lock in today's higher yields via slightly longer duration (1 to 3 years) fixed income, while growth seekers will find opportunities not only in conventional but also some non-conventional asset classes.**

Contents

Asset Allocation Strategy

Sector	View	Notes
Equities	+	**Rationale:** Micro (i.e. company) factors are likely to be a bigger driver of equities in 2024 than macro factors. Micro factors look highly encouraging with double digit earnings growth in most regions. Innovation breakthroughs are also adding to the excitement. **Risks:** While recession risks have declined, they are not eliminated. It is still possible that the drag from higher interest rates is just taking much longer to effect the economy, and if there is a downturn, equities will decline.
Fixed Income	N	**Rationale:** Bond yields are more attractive than they have been in a decade and inflation has peaked. Fixed income looks set to deliver steady mid-single digit returns. This is attractive though still below what we expect from equities. **Risks:** Inflation in the 1970s came in waves and we may see a similar pattern that could trigger further rate hikes.
Commodities	N	**Rationale:** Economic resilience is good for commodities but China growth weakness offsets much of that benefit. We expect most commodities to be positive but somewhat rangebound. Gold remains a top pick for us. **Risks:** Higher-than-expected interest rates could drag down both growth-related commodities and the gold outlook.
Alternatives	N	**Rationale:** Stocks and bonds are doing well at reducing the focus on alternatives. However, alpha opportunities should improve as the expansion matures. This is a source of attraction for alternatives. **Risks:** Market breadth so far has been weak and if this does not improve, alpha opportunities will be more limited.
Cash	-	**Rationale:** Cash rates are tempting to investors. But yields are already falling and investors may wish to lock in higher yields for longer. **Risks:** The global economy could end up trapped for an extended period in the slowdown quadrant. If this happens, cash will outperform, posing a risk to our underweight view.

++ : Strong Overweight + : Overweight N : Neutral - : Underweight -- : Strong Underweight

Contents

Global Equity Outlook

Developed Markets: A rising tide lifts all boats

US tech companies started the global equity rally, but by 1Q24 all the developed markets were participating. First Japan equities started to report all-time highs and then broad European indices started to do the same. Investors appear to be seeking out good investment themes that have lagged behind and these markets now offer the best upside potential. Japan is our biggest overweight, followed by the US and then Europe. We expect earnings growth to be double digits in Japan and the US, but to only be mid-single digit in Europe.

Emerging Markets: Global trade and manufacturing is picking up. This bodes well for emerging markets

If investors are showing signs of buying up laggard markets, then emerging markets (EM) should be next in line. In particular, Asia ex-Japan was a big underperformer in 2023 and China has been the biggest laggard of them all.

We see signs that global manufacturing and global trade are rebounding from depressed levels in 2023, and that should help boost emerging markets. China's growth has been especially weak in 2023, but its industrial production and GDP trends have been improving in the past six months. As such, we think the China market has been overly sold off. We think the global bullish trend in equities will benefit EM and even China in 2024.

However, we note that China is still dealing with structural rebalancing away from its decade-long overdependence on property and infrastructure investments as an engine of growth. The country is now struggling to grow at similar levels without those drivers. That said, we don't think China is on the brink of a financial crisis. Although it will take time to work through all these structural issues, we believe China's economy and markets can rise from here.

Equities Regional Strategy

Region	View	Notes
US	+	**Rationale:** The US has performed the best in the past year and is the most expensive region, but it continues to have many strengths and is a leader in many of the tech and biotech innovations that are driving markets. As such, we see the US as a slight overweight for 2Q24. **Risks:** It remains possible that there will be a lag in the impact of interest rates on the economy, and if so, this could start to show up in the coming quarters.
Europe	-	**Rationale:** Europe has started to catch up with the other regions but we still see weaker economic growth and weaker earnings growth compared to the other regions. **Risks:** Europe still faces risks of energy constraints and other negative effects arising from the war in Ukraine.
Japan	+	**Rationale:** Japan emerged as a 2023 global outperformer. As a large industrial nation, we think it will continue to benefit from the rebound in global trade and manufacturing. **Risks:** The monetary policy that has been very accommodative for many years and may finally start to normalise in the coming quarter could trigger more volatility.
Asia	+	**Rationale:** Asia has underperformed for many years, and we think it can finally start to catch up as global growth becomes more vibrant. We see the best valuations and earnings growth potential in Asian markets. Furthermore, we expect the region to benefit from the rebound in global trade, the peaking of interest rates and the peaking of the USD. **Risks:** Markets appear focused on the developed markets and may continue to ignore Asia despite better economic growth prospects.

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Contents

Asia Equity

We remain constructive on Asia premised on our expectation of improving growth in the region as 2024 unfolds. Asia's exports continue to turn more positive. However, market performance is likely to see bouts of volatility absent a modest recovery in China's growth. This underpins our slightly more defensive positioning in the near term.

We retain our negative view of **China** for the time being. We believe continued policy support is needed amid still subdued consumer and business sentiment. In the absence of a sustainable turnaround of the property sector, we prefer to stay cautious.

We are downgrading **Hong Kong** to negative from positive last quarter. While property cooling measures are expected to be further relaxed, which will help support sales volume, they are unlikely to arrest the price decline. Waning private consumption is also likely to weigh on the pace of Hong Kong's economic recovery.

Korea remains a negative as the 'Corporate Value-up' reform program to resolve the 'Korea discount' will take time. We maintain a relative preference for **Taiwan** and **India** in Asia, and retain our overweight in both markets. Taiwan's market performance is more broad-based across different sectors, while India offers the best structural growth play in the Asia region.

Within ASEAN, **Malaysia** is our preferred market as it is relatively defensive and low beta. A more gradual rollout of subsidies rationalisation suggests inflation is likely manageable. We upgrade **Indonesia** to neutral from negative as we see reduced earnings uncertainty and policy continuity now that the elections are behind us. We retain our neutral view of **Vietnam** as we expect earnings to start to rebound on the back of a recovery in infrastructure investments, foreign direct investments (FDI) and exports.

Conversely, we downgrade **Singapore** and **Thailand** to negative for this coming quarter. Singapore's GDP growth forecast is one the lowest in the Asia region, whilst upside for Thailand in the near term is likely capped by the negative corporate earnings momentum. We retain our negative view of the Philippines owing to downgrade risks to corporate earnings. This is expected to result from slowing private consumption amid an elevated inflationary environment.

Our defensive positioning is tilted towards sectors such as **Utilities** and **Energy**. We are selective in the **Financials** and **Technology** sectors. On the other hand, we have a more cautious view of the region's **Healthcare**, **Consumer** and **Materials** sectors.

Key risks to our cautious outlook include a stronger-than-expected rebound in China's economy and an improvement in US/China and China/Taiwan geopolitical tensions.

"India offers the best structural growth play in the Asia region."

Contents

Asia ex-Japan Country Strategy

Country	View	Notes
China	-	**Rationale:** Continued policy support needed amid still subdued consumer and business sentiment. Stay cautious pending a sustainable turnaround of the property sector. **Risks:** Real estate market recovers earlier/greater than expected, domestic consumption accelerates, geopolitical relationship improves.
Hong Kong	-	**Rationale:** Full relaxation of property cooling measures supportive of sales volume but unlikely to arrest price decline. Slowing private consumption likely to weigh on pace of economic recovery. **Risks:** China/HK political relationship deteriorates. Inbound tourism improves more than expected.
India	+	**Rationale:** Best structural growth play in Asia region. **Risks:** Spike in inflationary pressures, delays in infrastructure spending.
Indonesia	N	**Rationale:** Reduced earnings uncertainty post-election given policy continuity. **Risks:** Spike in commodity prices, weak Rupiah.
South Korea	-	**Rationale:** Corporate 'Value-up' reform program is positive but resolving the 'Korea discount' will take time. **Risks:** Global semiconductor cycle inflects upwards. Strong non-tech consumption growth, 'Value-up' reform gains strong traction.
Malaysia	+	**Rationale:** Relatively defensive and low beta market within Asean. A more gradual rollout of subsidies rationalisation suggests inflation likely manageable. **Risks:** Delays in implementation of fiscal policies, weak MYR.
Philippines	-	**Rationale:** Rising earnings downgrade risk from slowing private consumption against an elevated inflationary environment. **Risks:** Inflationary pressures easing faster than expected, domestic consumption strength.
Singapore	-	**Rationale:** GDP growth forecast is one of the lowest in the Asia region. **Risks:** Inbound tourism surprises. Pronounced pick-up in growth with major trading partners (US, EU, China).
Taiwan market	+	**Rationale:** Market performance is more broad-based across different sectors. Potential for AI plays. **Risks:** Global tech cycle demand weakens, cross-straits relationship worsens.

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Contents

Asia ex-Japan Country Strategy

Country	View	Notes
Thailand	-	**Rationale:** Upside likely limited in the near term against negative corporate earnings momentum. **Risks:** Surge in oil price, earlier-than-expected government stimulus.
Vietnam	N	**Rationale:** Earnings rebound forecast for 2024. Positive drivers from infrastructure investments, FDI and recovering exports. **Risks:** Delays in infrastructure investments, global exports falters.

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Contents

Global Fixed Income Outlook

Fixed income markets were buoyant towards the end of last year but recent stickier-than-expected inflation numbers have somewhat dampened the mood. Bond futures had priced in five or six rate cuts for 2024. This has now dropped to three.

We believe that current bond yields are reflective of growth and inflation momentum in the economy and would be neutral duration.

Our overall neutral view in fixed income is driven by our optimistic outlook on growth. We believe in continued global economic resilience, with potential upside risks coming from a recovering global manufacturing cycle and AI-driven productivity gains.

The US should continue to lead the other regions in terms of growth momentum, while the moderation in inflation is expected to be faster in Europe. Meanwhile, we expect the monetary policy in Japan to remain accommodative after the removal of the Negative Interest Rate Policy and Yield Curve Control.

On US Treasury yields, our view is anchored on a long-standing assumption of around three rate cuts in 2024, plus a flat yield curve. These suggest to us that 4.0% - 4.5% is an appropriate fundamental range for 10-year yields. As such, we are neutral on duration.

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Contents

Global Fixed Income Outlook

Fixed Income Sector Strategy

Sector	View	Notes
Developed Market (DM)	N	**Rationale:** Developed market economies have trudged along steadily with consumer spending and capital investment data holding up. **Risks:** While disinflation has proceeded quickly in the US and Europe, core inflation may remain above central banks' inflation targets.
DM Government	-	**Rationale:** As the global growth expansion continues, markets will price out the series of rate cuts, driving a bear steepening of the yield curve. **Risks:** Growth disappointment could see yields move lower.
DM Credit	+	**Rationale:** Corporate fundamentals should remain strong, risk-reward considerations will likely focus on carry trades given narrow spreads. **Risks:** Credit spreads could widen should recessionary fears take hold.
Emerging Market (EM)	N	**Rationale:** EM central banks have remained relatively dovish. This is supportive of spreads and markets exposed to Chinese growth. **Risks:** EM credit markets exposed to Chinese growth may be more vulnerable should the Chinese economy slow down.
EM Government	N	**Rationale:** Credit fundamentals should remain positive in the majority of EM markets. Considerations will focus on carry trades being the main driver of returns. **Risks:** An external tail risk event such as a reversal of the disinflationary trend led by commodity prices, coupled with a global growth slowdown.
EM Corporate	N	**Rationale:** EM corporates have performed mostly in line with EM sovereigns and we expect this to continue. **Risks:** An extended period of high interest rates could start to weigh on corporate profitability, especially for those companies that are highly leveraged.
EM Local Currency	N	**Rationale:** EM central banks are ahead of DM central banks in terms of inflation control, and their bond yields are higher and more attractive. **Risks:** The EM local currency space could see losses should the US dollar strengthen more (in a "no-landing" scenario).
Duration	-	**Rationale:** Against a base case of continued US expansion, we expect yields to be mostly range-bound with an upwards bias over the coming months. **Risks:** Rates could rally should there be growth disappointments, or if disinflationary pressures increase.
Yield Curve	+	**Rationale:** The yield curve can continue to steepen in a "higher-for-longer" macro cycle. **Risks:** Should the Fed hike the policy rate further, we could see the yield curve further invert.

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Contents

Emerging Market Fixed Income

We maintain our preference for high yield bonds over investment grade bonds within the EM space.

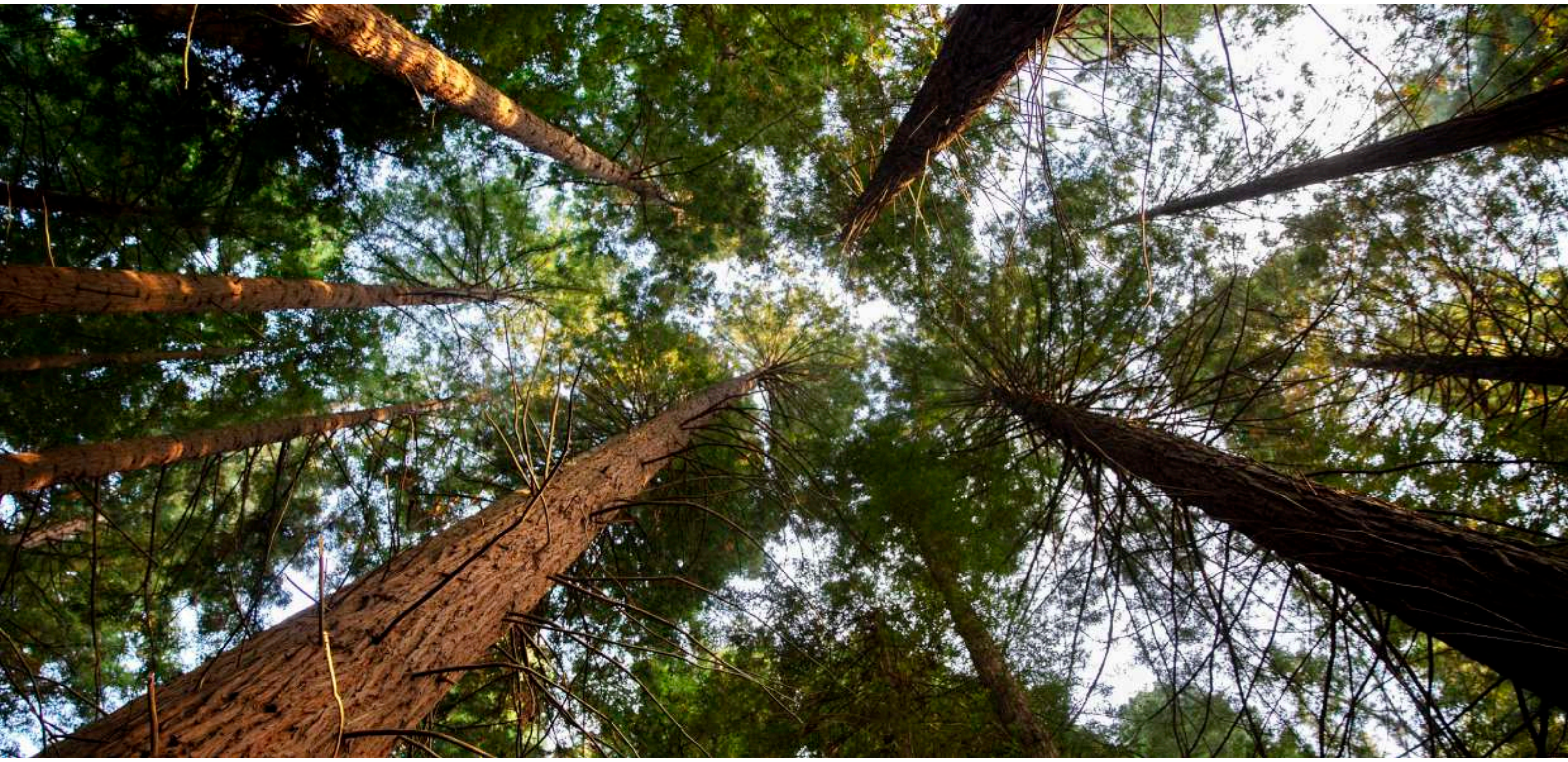
Within emerging markets, the high yield (HY) sector has outperformed the investment grade (IG) sector. HY remains more attractive, and we expect carry to be the main driver of returns in the upcoming quarter. Even though spreads have tightened, we believe that yields offered by emerging market bonds, including those below investment grade, are still very attractive.

We maintain an overall positive outlook on emerging market HY bonds as we expect a more benign macro environment to drive an improvement in fundamentals and some spread compression. Additionally, we believe that emerging market IG bonds continue to be supported by healthy fundamentals. Even though valuations in the IG sector are not cheap, they are less stretched than before, relative to similar bonds in the developed markets. As such, our outlook on IG-concentrated regions like Eastern Europe (EE) and the Middle East is now neutral from negative last quarter.

On the other hand, we maintain our negative view on Asian fixed income. While Asia IG remains attractive based on a current absolute yield, we note that credit spreads are continuing to tighten, thereby offering less opportunity for credit compression and raising the risk of spread widening.

The prospects for Asian HYs, ex-China property, look more appealing. To date, this sector has held up well. Increased spending by China, both in terms of tourism as well as infrastructure spending bodes well for the China non-property HY sectors. In addition, Macau Gaming, India and Indonesia HYs continues to grind tighter while the economic recoveries in Pakistan, Sri Lanka, Maldives and Mongolia seem to be on track due to increased IMF support.

However, we remain cautious on China HY properties despite the recent short-term rally. While the Chinese Government has announced measures to save the sector, sector fundamentals have not improved. Offshore bonds of the stressed names would be the last to benefit even in a turnaround and more volatility can be expected.



++ : Very Positive   + : Positive   N : Neutral   - : Negative   -- : Very Negative

Emerging Market Fixed Income

Emerging Fixed Income Regional Strategy

Region	View	Notes
Latin America	+	**Rationale:** Risk/reward profile looks more positive compared to other EM regions. Fundamentals have improved substantially. Carry is still attractive. **Risks:** El Nino poses risk for the region, while idiosyncratic stories could face elevated volatility.
CIS/EE*	N	**Rationale:** Valuations in the region are not cheap. But there are still pockets of opportunity to pick up high quality, IG names at better valuations, due to upcoming supply. **Risks:** If the Russia-Ukraine war reaches a truce, the region could rally.
Middle East	N	**Rationale:** Valuations are not cheap and do not price in the overhang of geopolitical risks. However, spread volatility is low due to healthy demand, while fundamentals remain resilient. **Risks:** Falling oil prices or an escalation of geopolitical tensions are key risks.
Africa	+	**Rationale:** Valuations appear cheap. Progress in debt restructuring processes and IMF programs could support spreads. **Risks:** Idiosyncratic risks and event risks are still elevated.
Asia	-	**Rationale:** Within the IG space, spreads are continuing to trade at historical tights with limited space for compression. **Risks:** If China's economy remains lackluster despite massive fiscal stimulus, the region could be affected as a whole.
Singapore	-	**Rationale:** 2023 may have turned out to be fine, but we see increasing headwinds for the country going into 2024. **Risks:** Should the SNEER slope be eased in a proactive manner, growth could be boosted.

* Commonwealth of Independent States and Central and Eastern Europe
Views above are hard currency-based unless stated otherwise

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Global Currencies Outlook

We have turned moderately bullish on USD as we expect growth momentum in the US to remain strong. We also foresee continued weakness in other major currencies such as the Euro, and do not anticipate an immediate turnaround of EM currencies.

However, we continue to watch for signs of a sustained pick up in global growth, which would typically mean a weaker USD.

The USD has been volatile so far this year given changes in US bond yields relative to other major countries.

Going forward, we expect the currency to appreciate slightly against the major currencies. This is premised on the expectation of a weaker Euro, given that inflation and growth is likely to be weaker, although partially offset by a slightly stronger JPY. We are neutral on CNY despite falling rates as we believe that the government would intervene on any currency weakness.

Currency Strategy

Currency	View	Notes
US Dollar USD	+	**Rationale:** We think stronger growth momentum in the US relative to other regions is supportive of a stronger USD. **Risks:** Should inflationary pressures continue to ease faster than other major regions, the USD would weaken as this would enable the US Fed to dial down on their restrictive policy stance.
Euro EUR	-	**Rationale:** Continued moderation in inflation at a pace faster than the US could result in ECB easing more than expected. **Risks:** Slower than expected moderation in inflation would result in smaller rate cuts than expected.
Japanese Yen JPY	+	**Rationale:** The BoJ should remain accommodative after the recent policy hike as it adopts a cautious approach towards having a sustained level of inflation. **Risks:** As global inflation slows, inflation in Japan could disappoint to the downside despite higher wages in Japan, leading to further yen weakness.
Singapore Dollar SGD	N	**Rationale:** Mixed economic outlook coupled with an FX policy that tends to follow the other major central banks keep us neutral. **Risks:** Should export figures rebound quickly, we might still see growth surprises on the upside, allowing MAS to tighten.
China Renminbi CNY	N	**Rationale:** Despite falling rates, potential PBOC intervention during periods of CNY weakness leaves us neutral. **Risks:** If growth picks up on the back of newly introduced policy measures, the CNY could strengthen as consumer spending and imports recover.

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Contents

Global Commodities Outlook

Although commodities have been subdued, they traditionally start to perform better as the cycle matures.

The global commodity cycle should benefit as the electric vehicle (EV) trend gains momentum and once China's slowdown stabilises. Commodities supporting EV industry have been surprisingly subdued in the past year and China's weakness has similarly held back markets.

We expect both of these trends to improve in the coming year and expect positive returns. Overall, we are still neutral on the sector which is mostly due to our positive view on equities, which takes our top overweight. But this is a year we see many asset classes performing well.

Commodity Sector Strategy

Sector	View	Notes
Commodities	N	**Rationale:** While gold has been a strong performer, most other commodities have been subdued. We expect energy and other metals to perform better as the market becomes more convinced that China growth is starting to improve, but we give commodities a neutral weighting in order to direct the overweight to equities. **Risks:** EV sales disappointed slightly in 2023 and this resulted in a disappointment in many of the metals that are used to support the industry. If EVs continue to disappoint this could undermine the upside we see in commodities.
Gold	+	**Rationale:** The case for gold remains strong. In the medium to long term, emerging market buying of gold appears set to rise, and significant supply constraints exist. Rising geopolitical uncertainties have further improved the case for gold. **Risks:** If inflation returns and central banks turn hawkish again then the usefulness of gold for diversification decreases.
Base Metals	N	**Rationale:** We think the multi-year outlook will be strong as new green technologies are creating high demand for many of the metal commodities. We especially expect copper demand to be strong and expect supply to struggle to grow fast enough. **Risks:** Most base metals are very sensitive to global demand and any unexpected slowdown will weaken the outlook.
Energy	N	**Rationale:** Oil demand remains healthy as the global economy has been resilient and miles driven remains high. Additionally, OPEC continues to try to cut production to prop up prices. **Risks:** There are both upside and downside risks to oil prices. If the US avoids recession and China's reopening gets back on track, energy prices could surge again. A global recession would of course be a key downside risk for energy prices.
Others	-	**Rationale:** The demand for other broad commodities such as agriculture has remained steady but supply has been stronger due to last year's better prices and favourable weather. **Risks:** As always, supply disruptions remain a key risk to the strengths and weakness of many commodities.

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Contents

Contact Details

Brunei

UOB Asset Management (B) Sdn. Bhd.
Address Unit FF03-FF05, 1st Floor, The Centrepoint Hotel,
Jalan Gadong, Bandar Seri Begawan BE3519, Brunei Darussalam
Tel (673) 242 4806

China

Ping An Fund Management Company Limited
Address 34F, Ping An Financial Center, No. 5033, Yitian Road, Futian District, Shenzhen 518033
Tel (86) (755) 2222 0005

Indonesia

PT UOB Asset Management Indonesia
Address Jalan M.H. Thamrin, No. 10, UOB Plaza, 42nd Floor, Unit 2, Jakarta Pusat 10230, Indonesia
Tel (62) (021) 2929 0889
Website uobam.co.id

Japan

UOB Asset Management (Japan) Ltd.
Address 13F Sanno Park Tower, 2-11-1 Nagatacho, Chiyoda-ku, Tokyo 100-6113, Japan
Tel (81) (3) 3500 5981

Malaysia

UOB Asset Management (Malaysia) Berhad and UOB Islamic Asset Management Sdn. Bhd.
Address Level 20, UOB Plaza 1
7 Jalan Raja Laut,
50350 Kuala Lumpur, Malaysia
Tel (60) (3) 2732 1181
Email UOBAMCustomerCareMY@UOBgroup.com
Website uobam.com.my

Singapore

UOB Asset Management Ltd.
Address 80 Raffles Place, #03-00, UOB Plaza 2, Singapore 048624
Tel 1800 22 22 228 (Local toll-free)
(65) 6222 2228 (International)
Email uobam@uobgroup.com
Website uobam.com.sg

Taiwan

UOB Asset Management (Taiwan) Co., Ltd.
Address Union Enterprise Plaza, 16th Floor, 109 Minsheng East Road, Section 3, Taipei 10544
Tel (886) (2) 2719 7005
Email UOBAMTW@UOBgroup.com
Website uobam.com.tw

Thailand

UOB Asset Management (Thailand) Co., Ltd.
Address 173/27-30, 32-33 South Sathon Road, 23A, 25th Floor,
Asia Centre Building, Thungmahamek, Sathon, Bangkok 10120, Thailand
Tel (66) (2) 786 2000
Email thuobamwealthservice@UOBgroup.com
Website uobam.co.th

Vietnam

UOB Asset Management (Vietnam) Fund Management Joint Stock Company
Address Central Plaza, 7th Floor, 17 Le Duan, Ben Nghe Ward
Dict. 1, Ho Chi Minh City, Vietnam
Tel (84) 28 3910 3757
Email bd@vietnamam.com
Website uobam.com.vn

Important notice and disclaimers

This publication shall not be copied or disseminated, or relied upon by any person for whatever purpose. The information herein recommendation or advice to buy or sell any investment product, including any collective investment schemes or shares of companies mentioned within. Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, UOB Asset Management Ltd ("UOBAM") and its employees shall not be held liable for any error, inaccuracy and/or omission, howsoever caused, or for any decision or action taken based on views expressed or information in this publication. The information contained in this publication, including any data, projections and underlying assumptions are based upon certain assumptions, management forecasts and analysis of information available and reflects prevailing conditions and our views as of the date of this publication, all of which are subject to change at any time without notice. Please note that the graphs, charts, formulae or other devices set out or referred to in this document cannot, in and of itself, be used to determine and will not assist any person in deciding which investment product to buy or sell, or when to buy or sell an investment product. UOBAM does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose and expressly disclaims liability for any error, inaccuracy or omission. Any opinion, projection and other forward-looking statement regarding future events or performance of, including but not limited to, countries, markets accounting, legal, regulatory, tax or other advice. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. **You may wish to seek advice from a professional or an independent financial adviser about the issues discussed herein or before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider carefully whether the investment or insurance product in question is suitable for you.** In the event of any discrepancy between the English and Mandarin versions of this publication, the English version shall prevail.

This advertisement has not been reviewed by the Monetary Authority of Singapore.

UOB Asset Management Ltd Co. Reg. No. 198600120Z