Quarterly Investment Strategy
Third Quarter 2024

UOB Asset Management

The expansion is broadening

Right By You

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Executive Summary

The expansion is broadening

The expansion in the US continued in the second quarter of 2024, although after a strong first quarter, conditions have cooled somewhat. On the other hand, global growth has broadened with more regions seeing macro improvements. While the US consumer remains a solid engine of global expansion, China has become less of a drag, and increased global trade is helping other emerging market economies to pick up stream.

Meanwhile, slightly cooler US growth has helped to reduce inflation fears and make both equity and fixed income investors more comfortable with the pace of growth. Our view since the start of the year remains on track for both equities and fixed income to perform well and we expect more of the same in the second half of 2024.

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Global Investment Strategy

From slightly "too hot" to potentially "too cool"

In the first quarter of the year, US growth trends appeared very strong. GDP growth in 1Q 2024 was higher than expected and jobs growth remained at historic highs. As a result, inflation prints came in higher than expected and many economists feared that the US economy was still "too hot" for rates to be cut. Equities performed well, but bond yields spiked on fears of overheating.

In the second quarter, we saw plenty of signs of continued growth but consumption, manufacturing, and housing all started reporting weaker trends. By the end of 1H 2024, some economists were beginning to highlight the risk of the US economy turning "too cool".

We think this is a better setup for the second half of the year. Inflation fears have moderated and bond yields have declined, while jobs and wages are still growing. This gives us confidence that the economy and corporate earnings will remain steady and asset classes will provide solid returns for the rest of 2024.

Key takeaways

- The expansion continues and inflation continues to moderate.
- Risks have shifted from being slightly "too hot" to slightly "too cool".
- Current economic conditions provide a solid macroeconomic backdrop for investing in 2H 2024.
- Lots of cash remain on the sidelines. This implies that it is too soon to think that the market momentum is over.

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Global Investment Strategy

2024 is going to plan

Our framework for investing in 2024 has largely been vindicated so far this year. The global expansion continued and broadened, and inflation achieved choppy but continued improvements. Global equities achieved double digit returns in the first half and fixed income has achieved positive returns despite some bond yield volatility in 1H24. We had advised to focus on earnings growth rather than rate cuts as a market driver.

And indeed, both in the US and globally, rate cuts are more modest than the market was expecting. On the other hand, the continued global expansion has supported earnings growth, resulting in about a 12% gain in global equities in 1H 2024. Strong corporate performance has also helped credit spreads tighten enabling corporate bonds to outperform government bonds. Bond yields initially rose in 1H24 as the markets realised fewer rate cuts were coming than expected but eventually cheered the improvements in inflation that came in 2Q24.

This stable economic backdrop allowed all asset classes to perform well in 1H24.

A subtle shift in the economic outlook

We note that as we end the second quarter, stocks, bonds, credits, and commodities are all performing well. Similar to the outlook for the first half of the year, our base case is that global economies will continue to expand over the remainder of the year. However, there has been a subtle shift in this expansion view.

At the end of last year, we saw a strong expansion in US jobs, GDP, consumption and manufacturing. This was very encouraging, especially when combined with 4Q 2023 CPI data. Going into the first quarter of 2024, CPI data began to trend higher than market expectations. While some of this could be attributed to seasonal effects, there was some concern that US economic growth could overheat and diminish the chances of one or more rate cuts this year.

In contrast, by the end of the second quarter, several economic data series came in below expectations. The US housing market and car sales showed some weakening. Consumer confidence started to decline slightly and manufacturing trends appeared to reverse the progress it made previously. This lead economists to wonder whether the US economy had moved from overheating to over-cooling.

UOBAM's view is that US expansion, and correspondingly, global expansion, remains on track. However, we think the nature of economic risks have changed over the past few months. Going forward, the main risk to monitor is whether high interest rates is finally taking effect and slowing the economy.

That said, in our view, an environment that is "too cool" is potentially less complicated to tackle than one that is "too hot". It implies an overshoot rather than a failure of monetary policies. A "too cool" economy also decreases the risk of a surprise rise in inflation and interest rates, and so does not have the same potential to undermine asset class gains.

Asia is starting to outperfrom

We have highlighted the attractiveness of Asian equities and fixed income since the start of the year. Asian fixed income outperformed global fixed income while Asian equities is turning the corner after a rocky start this year. We think the case for both Asian equities and fixed income continues to improve and these assets should see further gains over the rest of the year.

At the start of the year, Asian equities were held back due to volatility in Chinese equities. Despite signs of a recovery in the Chinese economy, concerns over the property sector continued to weigh on equity markets. Our view is that, having relied on property as a key growth engine, the de-emphasis of this sector has been a challenge for China.

However, other parts of the economy are starting to improve. The China market is attractively valued and there are many sectors that are seeing the potential for good earnings growth. By the end of the first quarter, China turned from being one of the region's worst, to one of the best, performers. As we start the third quarter, we have China as an overweight in our Asia portfolios.

In the second half of 2024, we expect Asia to be further supported by manufacturing and export trends. Manufacturing was in a global recession in 2023 but by the second quarter of 2024 most Asian countries had seen their manufacturing PMIs turn back to expansion territory. Global exports were negative in 2023, but turned positive in 1H 2024 and look set to grow by double digits in the second half. This in turn will help drive the performance of Asian companies and markets.

Global Investment Strategy

Investment strategy

Time to get off the sidelines	For the past year and a half, many investors have been content with fixed deposit rates. But investment yields clearly beat cash rates in 2023 and 1H 2024. And as interest rates fall, there will also be opportunities for capital appreciation.
Fixed income opportunities remain	Within fixed income, we like credits over government bonds. Without a recession in the near term, we see opportunities to pick up the additional credit spreads via both investment grade and high yield bonds.
Exciting growth themes	Many investors appear hesitant to invest as equities have already been performing well in the past 18 months. But earnings growth has improved and there are many industries that are positioning themselves well for the innovation themes of the future. AI, biotech, EV technologies and other technology-related sectors remain attractive, or stand to benefit from growing investor interest.
Positive gold outlook	Within commodities we stay overweight gold as interest rates have peaked while global gold supply and demand dynamics look supportive of prices in the coming year.

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Global Asset Allocation

Fixed Income: Bonds offer attractive yields and end of cycle protection

Our studies of multi-year returns show that for fixed income, the best estimate of future returns is the current yield. These are higher than they have been in a decade and similarly, we expect fixed income returns to be higher than they have been in a decade.

In the first quarter of 2024, fixed income faced headwinds from rising bond yields and fears over a fresh rise in inflation. We highlighted that the first quarter usually sees most of the year's upward price adjustments, and prices tend to settle after that. As expected, inflation returned to its downtrend in the second quarter and fixed income markets performed well again. We don't think investors should let the volatility prevalent in the first quarter reduce their appetite for fixed income investing.

However, they may prefer to focus on credits, including investment grade and high yield, rather than government bonds. Credit spreads have been tightening in the past year but without a near term recession, we think that picking up the extra yield offered by credits is worth the marginally higher risk. **As such, we are underweight government bonds but overweight investment grade and specific high yield credits.**

Equities: Potential to perform on multi-year basis

In the past decade, macro trends, government policies and liquidity support have been big drivers of equity markets. But those forces have faded and now equities are being primarily driven by earnings growth. Across almost all regions, we see double digit earnings growth for both 2024 and 2025, leading to equivalent market growth.

As such, we are overweight equities relative to other asset classes. **In particular, we are overweight the Asia markets (including Japan). We think valuations here are better than in the US or Europe and we see improving earnings growth.** We still like the US but given this market has rallied the most, we are only overweighting it marginally within our global portfolios.

Cash: Consider deploying to lock in yields

Deposit and short term rates have been higher than seen in years. Despite this, most asset classes have been outperforming cash over the past 18 months.

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) and/or lower quality fixed income. Meanwhile growth seekers will find opportunities not only in conventional but also some non-conventional asset classes.

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Asset Allocation Strategy

Sector	View	Notes
Equities	+	**Rationale:** We see a continued expansion driven by consumption that will support corporate earnings growth. Investment themes and innovations have not been this exciting since the 1990's. **Risks:** Recession risks are not high, but 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 total returns. This is attractive though still below what we expect from equities. **Risks:** Inflation surprises remain the key risk for fixed income.
Commodities	N	**Rationale:** Economic resilience is good for commodities and the gradual improvement in the China economy makes commodities more attractive. We expect most commodities to be positive and 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 has been weak so far. 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 we expect a couple of rate cuts by the end of the year. Investors may wish to lock in higher yields for longer. **Risks:** Faster than expected rate cuts could undermine cash rates.

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

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Global Equity Outlook

Developed Markets: Improved global breadth implies more diverse opportunities

The US, European and Japan equity markets all posted all time highs in 1H 2024. In fact, almost every region had a positive narrative. As a result, global equities returned over 10 percent and most regions contributed to those returns at similar levels. We would expect developed markets to continue to provide positive returns. Europe is seeing faster inflation improvements and a rebound in growth. US tech continues to make the US market a darling of global investors. Japan is seeing both structural and cyclical improvements.

Emerging Markets: The rebound in global trade and manufacturing bodes well for emerging markets

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 improving since the thrid quarter of 2023 and EM markets are finally starting to reflect that improvement. We think the global bullish trend in equities will benefit EM and even China in 2024. Asia is a key overweight for us given its higher earnings growth and lower valuations. Asia is also showing better GDP growth and lower inflation.

Equities Regional Strategy

Region	View	Notes
US 	+	**Rationale:** The US continues to be the best performing region. It is a leader in many of the tech and biotech innovations that are driving markets. As such, we would position the US as a slight overweight for 3Q 2024. **Risks:** It remains possible that there will be a lag in the impact of interest rates on the economy. If so, this could start to show up in the coming quarters.
Europe 	N	**Rationale:** Europe has started to catch up with the other regions and is the first to benefit from rate cuts. **Risks:** Europe still faces risks of energy constraints and other negative effects arising from the war in Ukraine.
Japan 	+	**Rationale:** Japan has emerged as a strong performer after years of underperformance. It is benefitting from structural and cyclical improvements. As a large industrial nation, we think it will continue to benefit from the rebound in global trade and manufacturing. **Risks:** The monetary policy has been very accommodative for many years and could finally start to normalise in coming quarters. If so, this would 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

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Asia Equity

We remain constructive on Asia. Our previous forecasts are materialising, and our expectations for growth to improve in 2024 remains on track. We see continued strength in global exports, largely driven by AI-related demand. This should help the region manage any downside pressures stemming from higher real rates.

North Asia

We maintain a relative preference for **North Asia** in Asia. We reverse our long term underweight on **China** to overweight. China's growth outlook is firming as GDP growth remains resilient amid the domestic economy rebalancing. The risk/reward proposition has turned favourable and we see further potential market gains on corporate earnings delivery and still compelling valuations, along with increasingly aggressive policy support. We reduce our overweight call on **Taiwan** to neutral as market appears to have priced in the positives. The tech rally is looking more vulnerable especially if earnings momentum turn.

We maintain underweight on both **Hong Kong** and **Korea**. Hong Kong's local real estate market has yet to trough. Meanwhile, waning private consumption is likely to weigh on pace of economic recovery. Korea's market performance lacks breadth. The 'Corporate Value-up' reform program to resolve the 'Korea discount' will take time.

South Asia

On the other hand, **India** remains an overweight. India offers the best structural growth play in the Asia region and we see scope for continued fiscal spend along with a moderate step-up in welfare schemes under the Modi-led coalition government.

Southeast Asia

Within **ASEAN**, **Malaysia** is our preferred overweight as it is a relatively defensive and low beta market. A more gradual rollout of subsidies rationalisation suggests inflation is likely manageable. In contrast, we downgrade **Indonesia** from neutral to underweight as negative earnings revisions have worsened.

We maintain underweight on Singapore, Thailand and Philippines. **Singapore**'s near term upside potential is likely capped given its equity market outperformance YTD. In **Thailand**, we see a risk of private consumption staying weak. There appears to be a lack of certainty in the disbursement of fiscal measures, especially the 'Digital Wallet'. Similarly, the corporate earnings outlook in the **Philippines** carries a risk further downgrades due to elevated inflation and slowing private consumption. We remain neutral on **Vietnam** as we expect earnings to rebound on the back of infrastructure investments, FDI and a recovery in exports.

Sectors

Our slightly bullish positioning is tilted towards cyclical sectors such as Industrials, Consumer and Energy. We are selective in Financials and Technology sectors. On the other hand, we retain underweight in Healthcare, Communications Services and Materials.

Risks

Key risks to our cautiously optimistic outlook include downside surprises to China's macroeconomic data, as well as worsening geopolitical tensions (US/China, China/Taiwan).

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Asia ex-Japan Country Strategy

Country	View	Notes
China	+	**Rationale:** Further gains on earnings delivery and still compelling valuations, along with increasingly more aggressive policy support. **Risks:** Real estate market worsens, domestic consumption weakens, geopolitical relationship deteriorates.
Hong Kong	-	**Rationale:** Local real estate market has yet to trough whilst waning private consumption likely to weigh on pace of economic recovery. **Risks:** China/HK political relationship improves. Better than expected rebound in inbound tourists.
India	+	**Rationale:** Scope for continued fiscal spend along with a moderate step-up in welfare schemes as Modi remains in control of coalition government. **Risks:** Execution risks and/or delays in capex spend. Spike in inflationary pressures.
Indonesia	-	**Rationale:** Negative earnings revision has worsened. **Risks:** Strong rupiah.
South Korea	-	**Rationale:** Market performance lacks breadth and the Corporate 'Value-up' reform program to resolve the 'Korea discount' will take time. **Risks:** 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 rationalization suggests inflation is likely manageable. **Risks:** Delays in implementation of fiscal policies, MYR weakens further .
Philippines	-	**Rationale:** Earnings risk further downgrades due to elevated inflation and slowing private consumption. **Risks:** Inflationary pressures eases faster than expected, domestic consumption picks up.
Singapore	-	**Rationale:** Near term upside potential is capped given market outperformance YTD. **Risks:** Inbound tourism surprises. Pronounced pick-up in growth with major trading partners (US, EU, China).
Taiwan market	N	**Rationale:** Market has priced in positive developments in 2Q24. Tech run looks vulnerable especially if earnings momentum turn. **Risks:** Global tech cycle demand accelerates, cross-straits relationship improves.

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

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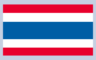
Asia ex-Japan Country Strategy

Country	View	Notes
Thailand 	-	**Rationale:** Risk of private consumption staying weak given lack of certainty in disbursement of fiscal measures (Digital Wallet). **Risks:** Surge in oil price, earlier-than-expected rollout of 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

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Global Fixed Income Outlook

In first half of 2024, fixed income markets were impacted by reduced rate cut expectations. Having priced in six rate cuts for the year, the market is now expecting one or two cuts, in line with our house view.

Looking ahead, we believe growth will remain healthy, but moderate from 2023, and inflation will continue improving for the rest of the year. While fixed income markets offer good risk-return prospects, we suggest a balanced portfolio as we prefer to maintain a risk-on stance. Within this asset class, we prefer credits over government bonds for higher carry.

Given current economic fundamentals, risks to current bond yields appear balanced. As such, we are neutral on duration and believe that 10-year yields should trade within our fundamental range of 4.25 - 4.75 percent.

We expect monetary divergence across regions to persist. The Fed is likely to want to cut rates, but require evidence of continued inflation improvements or weakness in labour markets to do so. Over in Europe, the ECB will likely remain cautious after its first rate cut in June, given recent inflation upside and improving growth momentum. On the other hand, Japan has seen growth momentum slowing, and is likely to remain accommodative relative to market expectations of three hikes for 2024.

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

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Global Fixed Income Outlook

Fixed Income Sector Strategy

Sector	View	Notes
Developed Market (DM)	N	**Rationale:** Healthy growth in DM while inflation continues to improve given normalisation of supply chain constraints. **Risks:** Overheating economies, with strong consumer spending, capital expenditures resulting in higher or sticky inflation.
DM Government	-	**Rationale:** Current rate cut expectation is reflective of economic fundamentals but we prefer credit exposure for higher carry. **Risks:** Growth disappointment could see yields move lower.
DM Corporate	+	**Rationale:** Corporate fundamentals should remain strong while healthy demand for credits in a reducing net supply environment should keep spreads tight. **Risks:** Credit spreads could widen in a weaker than expected growth environment.
Emerging Market (EM)	+	**Rationale:** EM credit spreads, especially in Asia, offer a positive yield pick up relative to DM. We like the extra premium given our positive outlook on EM/ Asia growth. **Risks:** Slowdown in China market; elections in emerging markets resulting in risk-off sentiment.
EM Government	N	**Rationale:** : Fundamentals should remain positive in the majority of EM markets, but any yield pick up is likely limited. **Risks:** A global growth slowdown or a risk-off sentiment.
EM Corporate	+	**Rationale:** We continue to like the pick up in spreads especially in Asia credits, where we believe fundamentals are sound. **Risks:** A global growth slowdown or a risk-off sentiment.
EM Local Currency	N	**Rationale:** While inflation appears to be under control, EM central banks have less room for rate cuts relative to DM central banks. **Risks:** The EM local currency space could see losses should the US dollar strengthen more (in a "no-landing" scenario).
Duration	N	**Rationale:** We expect continued US expansion which suggests long-end yields should continue to remain range-bound even when Fed starts cutting rates. **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

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Emerging Market Fixed Income

High yield sovereigns

The EM high yield sovereign bond market has outperformed, but we are closely tracking signs of a potential rise in default rates.

In the first half of 2024, the EM high yield bond sector, especially those from countries undergoing debt restructuring such as Ghana, Pakistan and Sri Lanka, outperformed the investment grade sector. Looking forward into the rest of the year, we think the high yield bond sector remains attractive.

Additionally, the risk of government defaults in emerging markets has subsided so far this year, IMF talks with at-risk countries and financial injections from neighbouring countries, including UAE's support for Egypt, have helped to improve sentiment. We note that the number of countries flashing signs of bond market distress has halved since 2022.

However, bond holders might further scrutinise the valuations of high yield sovereign bonds in coming quarters. There is a risk that negotiations across bond issuers, lenders and the IMF could become more intensive and complicated. As such, we worry that high-yield default rates could start to rise again, especially in regions like Latin America where economic growth is slowing down. This has led us to reduce our overweight position in high yield EM bonds. Correspondingly, our outlook on Latin America fixed income has shifted to neutral from positive last quarter.

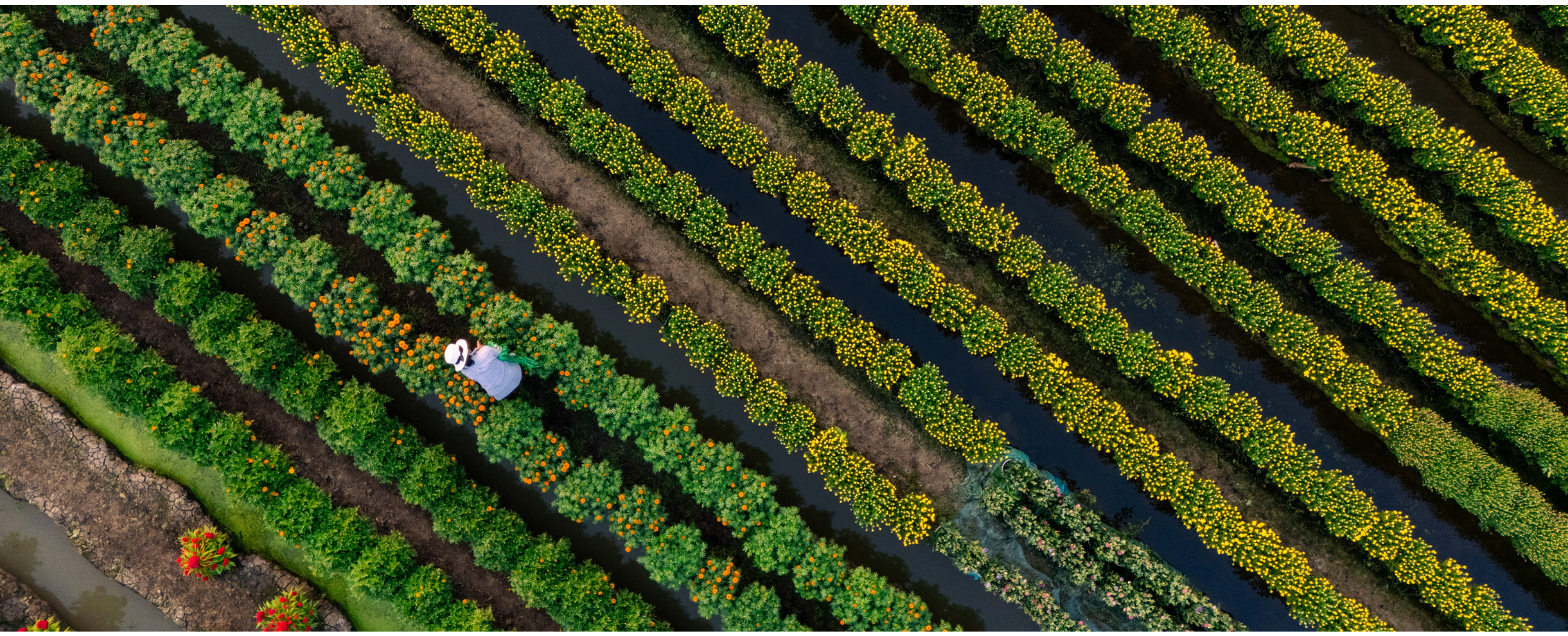
Asian fixed income

Within Asian fixed income, we prefer high yield corporate bonds over both investment grade sovereigns and investment grade corporates.

We maintain our negative view on investment grade bonds. Despite the attractive absolute yields, credit spreads have continued to tighten towards historical lows, thereby offering less opportunity for credit compression and raising the risk of spread widening.

The prospects for Asian High Yield corporates, ex-China property, look more appealing. To date, this sector has held up well. Increased spending by China, both in terms of tourism and infrastructure spending bodes well for the China non-property high yield corporate sectors. In addition, Macau gaming, India, and Philippines high yield corporate spreads continue to grind tighter. Sovereign bonds issued by Pakistan, Sri Lanka and Mongolia also hold some promise given potential economic recoveries arising from increased IMF support.

However, we remain cautious of the China high yield property sector despite its recent good performance. Despite the Chinese government's supportive measures for the sector, sector fundamentals remain weak and concerns over the implementation of such measures linger. As such, more volatility can be expected within the space, with offshore bonds of the stressed names to be the last to benefit from a turnaround.



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

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Emerging Market Fixed Income

Emerging Fixed Income Regional Strategy

Region	View	Notes
Latin America	N	**Rationale:** While valuations are more attractive compared to some other EM regions, we increasingly worry about the sustainability of growth in this region over coming quarters. **Risks:** Unexpectedly strong fundamentals could make the region an outperformer.
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 are at better valuations due to the 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:** Spreads within IG space are grinding towards historical tights, limiting room for compression, and raising risks for widening. **Risks:** Spillover contagion effects from lacklustre China performance and policy implementation risks.
Singapore	-	**Rationale:** 2023 may have turned out to be fine, but we see increasing headwinds for the country going into 2024. **Risks:** Should the NEER 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

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Global Currencies Outlook

The USD has been volatile so far this year given big swings in US bond yields relative to other major countries. Our view is for the USD to remain range-bound with a downward bias. We believe that the recent strength in the dollar, underpinned by stronger growth momentum and higher interest rate in the US, is likely to reverse but at a gradual pace.

Our view of a depreciating dollar is premised on two key considerations. Firstly, we see better growth momentum globally than the US, where positive growth has been priced in by the market. Secondly, the interest rate differential between the US and the rest of the world will likely reduce as the Fed begins to cut rates.

The key risk to our view would be an overheating in the US economy. This would cause the Fed to hike rates in order to curb rising inflation.

Currency Strategy

Currency	View	Notes
US Dollar USD	-	**Rationale:** A pick up in global growth momentum and eventual interest rate cut by the Fed should result in a slightly weaker USD. **Risks:** An overheating US economy would result in interest rate hikes and wider rate differentials.
Euro EUR	+	**Rationale:** Continued growth momentum as export growth improves from a low base while inflation is stickier due to higher wage growth. **Risks:** Faster than expected moderation in inflation would result in more rate cuts than expected.
Japanese Yen JPY	N	**Rationale:** The BoJ should remain accommodative despite more policy hikes as growth slows and inflation falls slightly below target. **Risks:** Larger government intervention could support yen strength.
Singapore Dollar SGD	+	**Rationale:** MAS appreciation bias versus global currencies keep us slightly positive. **Risks:** Export figures disappoint despite global manufacturing rebound, causing MAS to ease earlier than expected.
China Renminbi CNY	-	**Rationale:** Falling rates due to the need to support property sector and growth keeps us slightly bearish. **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

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Global Commodities Outlook

Commodity performance improved in 2Q 2024

The global commodity cycle should benefit as China stabilises and the global trend toward the electric vehicles (EVs) continues. In recent quarters industrial metals tied to EV sectors have struggled due to concerns of oversupply of EVs and a slowdown in EV adoption. But even though growth rates have moderated, they remain high and the resources demands of EVs will be strong for many years.

Commodity Sector Strategy

Sector	View	Notes
Commodities	N	**Rationale:** Gold continued to be a top performer and other commodities such as energy and metals started to improve in 2Q24. 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 and it continues to be a good stabiliser to multi-asset portfolios. 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 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. But the near-term performance may be more rangebound due to oversupply issues in the EV sector. **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 but there is increasing evidence that EVs are having a role in reducing the long term demand outlook. OPEC continues to try to cut production to prop up prices. **Risks:** Long run projections of global demand are starting to peak as EV adoption is reducing the transport demand for oil. Long term supply appears able to improve from North America shale production and thus in the long run it is starting to appear supply outstrip demand and negatively affect prices.
Others	-	**Rationale:** The demand for other broad commodities such as agriculture has been volatile as climate changes has made weather trends unpredictable. **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

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