Economic resilience continues to defy expectations

Quarterly Investment Strategy
Fourth Quarter 2023

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Global investment strategy

Summary of 4Q23 investment conclusions

Global economy
Developed markets likely to remain resilient. Emerging markets affected by soft growth in China.

Inflation
Expected to slowly improve by the end of the year. Earnings to be muted but not negative.

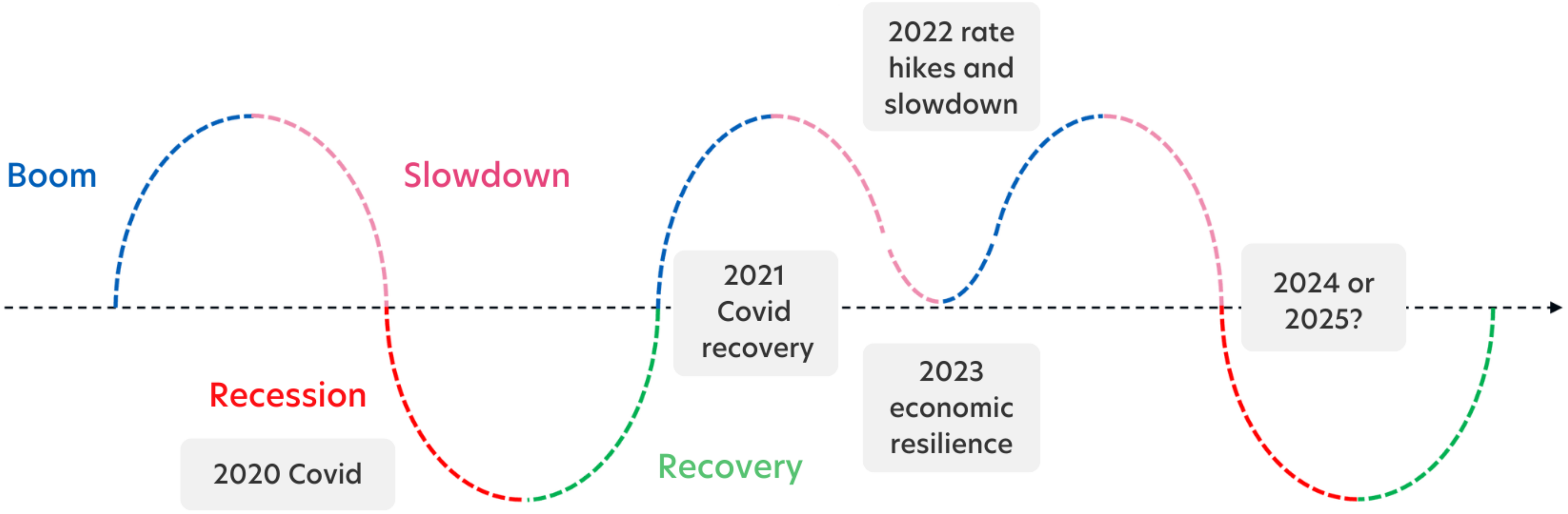
Interest rates
Policy rates are near their peak. 2 – 3 cuts forecast for 2024.

Yields
Higher long-term yield targets. 10-year US Treasury bond yields expected to range between 3.75 to 4.5% (up from 3.75 to 4.25%).

Markets
Positive outlook for global equities and fixed income positive, although risks remain.

Currencies
We think the USD will remain rangebound.

UOBAM Investment Wave



The US and global economy do not appear to be heading into recession. We are anticipating continued economic resilience.

Source: UOBAM, March 2023

Asset Allocation Strategy: OW Equities, N Fixed Income

Global asset allocation	--	-	N	+	++
Equities	○	○	►	●	○
Fixed Income	○	○	●	◄	○
Commodities	○	○	●	○	○
Alternatives (hedged strategies)	○	○	●	○	○
Cash	○	●	○	○	○

++ Strong overweight + Overweight N Neutral - Underweight -- Strong underweight

Source: UOBAM, 13 Sep 2023
Note: *3-6 months horizon. The weights are relative to the appropriate benchmark(s), arrows show change from last quarter

Regional Equity Strategy: OW DM/Japan Equities

Equity regional allocation	--	-	N	+	++
Developed	○	○	▶	●	○
US	○	○	▶	●	○
Europe	○	○	●	○	○
Japan	○	○	▶	●	○
Canada	○	●	◀	○	○
Australia	○	●	◀	○	○
Emerging	○	○	●	○	○
Asia Ex-Japan	○	○	●	○	○
LATAM	○	○	●	○	○
EMEA	○	○	●	○	○

++ Strong overweight + Overweight N Neutral - Underweight -- Strong underweight

Source: UOBAM, 13 Sep 2023
Note: *3-6 months horizon. The weights are relative to the appropriate benchmark(s), arrows show change from last quarter

Fixed Income Sector Strategy: UW DM Govt Bonds

	--	-	N	+	++
Fixed Income	○	○	●	◄	○
Developed	○	○	●	◄	○
US T-Bills	○	○	○	●	○
G7 Sovereigns	○	●	◄	◄	○
Investment Grade	○	○	○	●	○
High Yield	○	○	●	○	○
Leverage Loans	○	●	○	○	○
Cocos	○	●	○	○	○
Duration	○	○	●	◄	○
Yield Curve*	○	○	○	●	○

++ Strong overweight + Overweight N Neutral - Underweight -- Strong underweight

Source: UOBAM, 13 Sep 2023
Note: *3-6 months horizon. The weights are relative to the appropriate benchmark(s), arrows show change from last quarter

4 possible scenarios in 2023

Base case remains Soft Landing

Scenario	No Landing	Soft Landing	Hard Landing	Extreme Crisis/ Volatility
Description	• No recession • Continued late cycle expansion	• Economic slowdown/ Shallow recession (1990) • Increase in unemployment rate <2%	• Classic recession (1973, 2007-09) • Increase in unemployment rate >2%	• Great Depression type scenario OR • 1970s inflation type environment
Implications	• Equity market supported by growth, but overhang of delayed recession • Bonds have good yields but face more rate hikes (though nothing like 2022)	• Equity markets will be choppy but investors will quickly look past shallow recession • Bonds to outperform due to reduced rates	• Equity markets will be down another 10-30% • Govt bonds to outperform, while high yield credits will see large amount of defaults	• Extreme volatility in equity and bond markets • Potential second wave of inflation

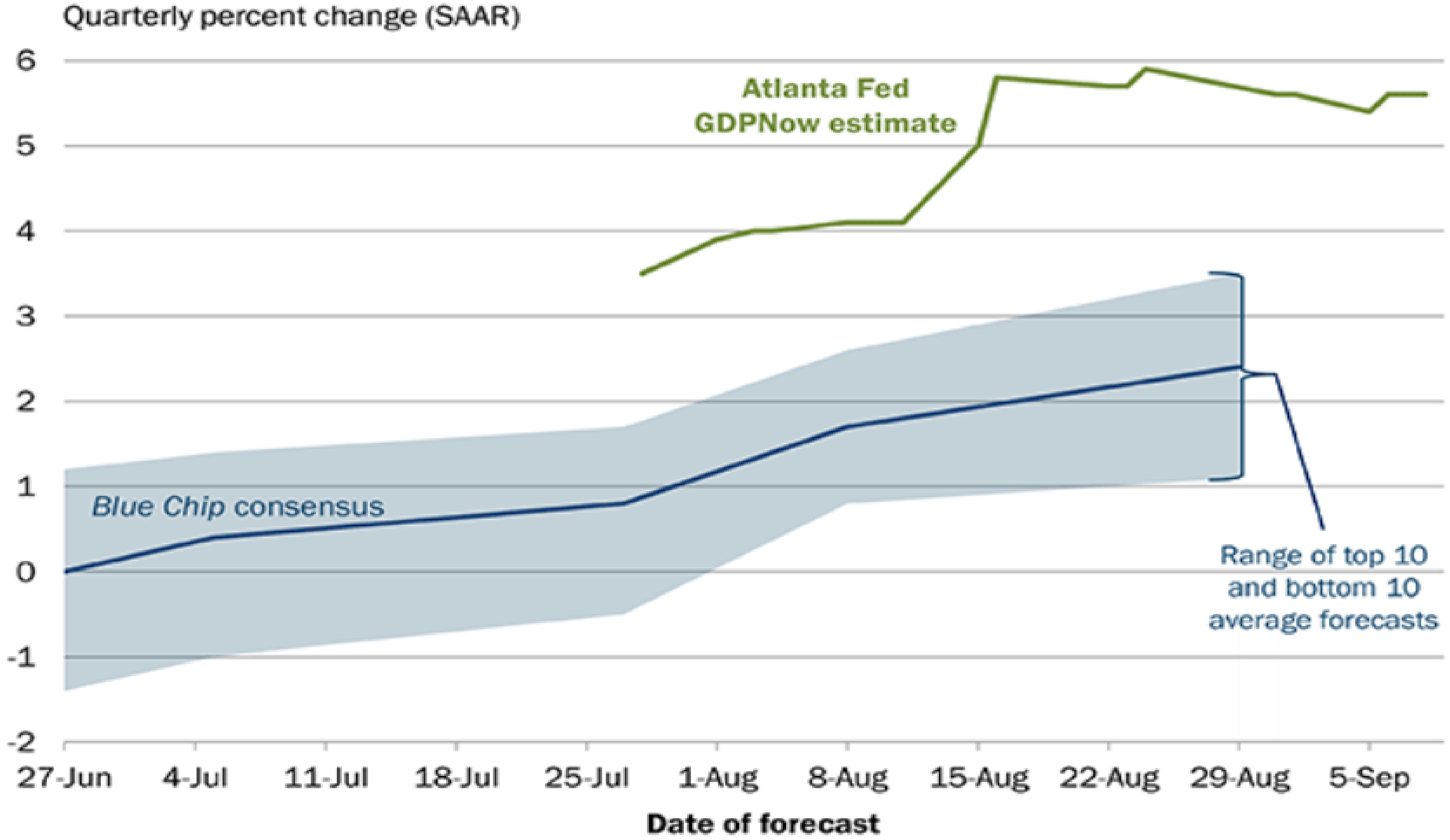
Market sentiment appears to be shifting back towards "no landing"

Source: UOBAM

Economic trends for 4Q 2023

Economic data does not support a recession call in 2023

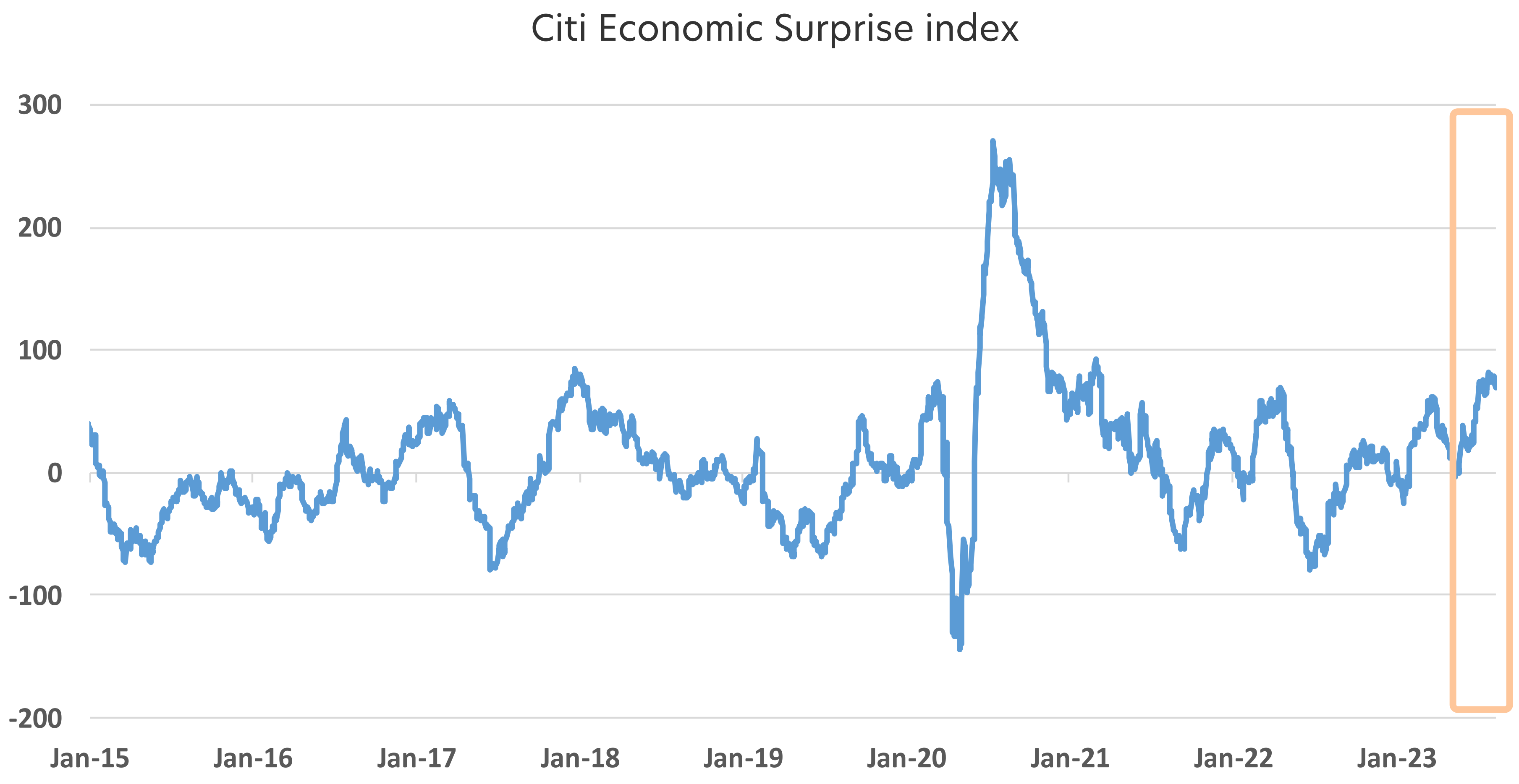
Real GDP estimates for 3Q 2023



Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Source: Blue Chip Economic Indicators and Blue Chip Financial Forecasts, May 2023

US economic surprise indices have been positive in recent months



Source: Bloomberg, 15 Aug 2023

Global GDP forecasts show growth slowly being revised upwards

Real GDP growth consensus estimates (%)

	2019	2020	2021	2022F	2023F	2024F
Global	2.8	-2.8	6.3	3.5	2.6	2.7
United States	2.3	-2.8	5.9	2.1	1.6	0.6
Eurozone	1.6	-6.1	5.3	3.5	0.6	1.0
Japan	-0.4	-4.3	2.3	1.0	1.3	1.0
Asia ex. Japan	5.3	1.3	5.9	4.0	4.7	4.7
China	6.0	2.2	8.4	3.0	5.2	4.7

Previous 2023 forecasts: Global 2.6, US 1.3, Asia 5.2, China 5.5

Source: UOBAM, Bloomberg, 15 Aug 2023

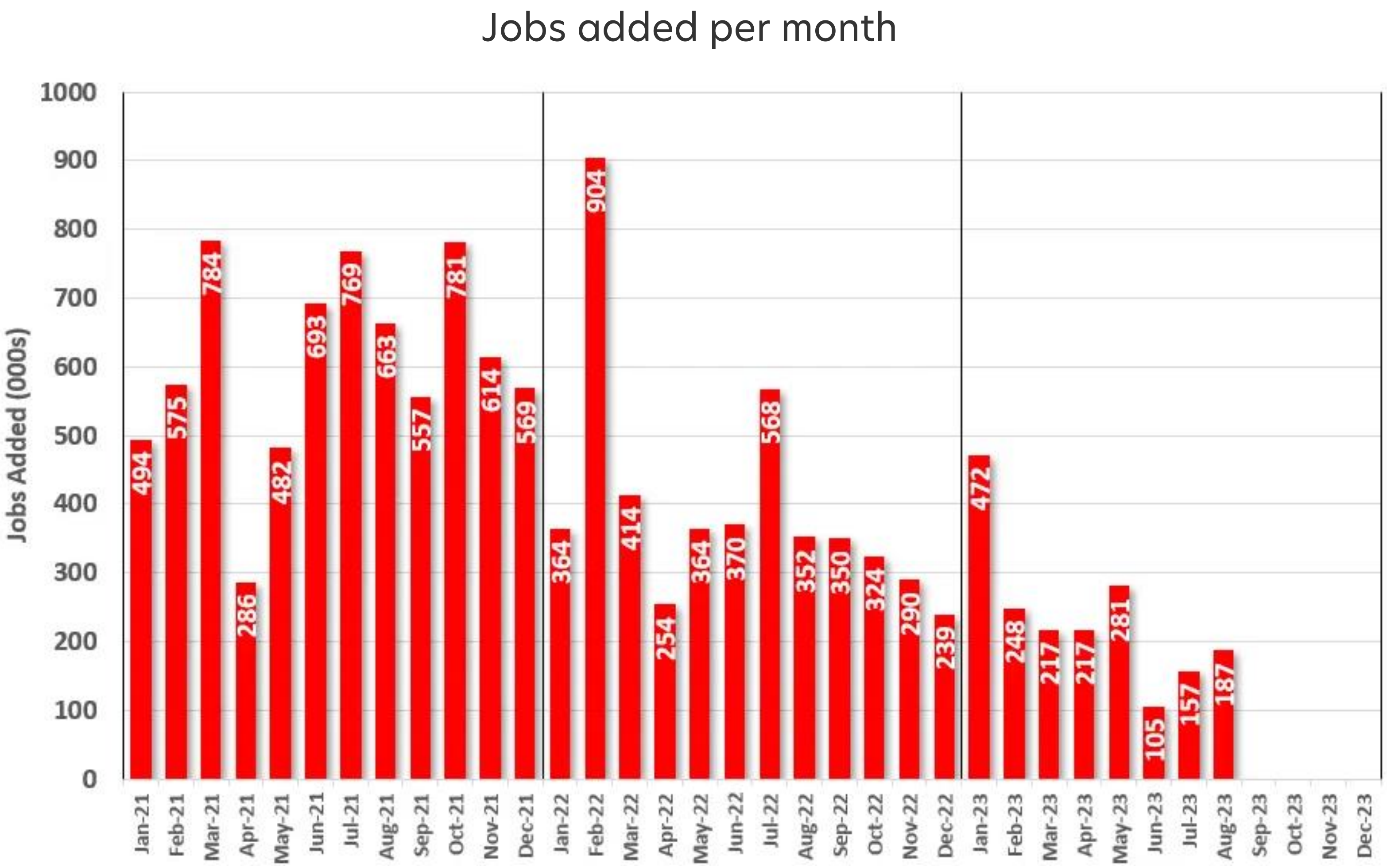
Earnings growth remains positive for 2023 and 2024

	EPS Growth (YoY%)		PER		DVD YLD	PBR		ROE	
Regions	2023E	2024E	2023E	2024E	2023E	2023E	2024E	2023E	2024E
US	0.9	11.6	20.6	18.4	1.5	4.1	3.7	19.8	20.1
Europe	4.8	5.9	12.8	12.1	3.6	1.8	1.7	14.2	14.1
Japan	5.0	8.2	15.2	14.1	2.3	1.4	1.3	9.1	9.2
Asia ex. Japan	-6.1	21.8	14.8	12.2	2.6	1.5	1.4	10.0	11.2
China	10.2	14.4	11.4	10.0	2.3	1.3	1.2	11.3	11.7

Based on Calendar Year

Source: Factset, UOBAM, 15 Aug 2023

Employment growth is robust, supporting consumption growth



Source: Calculatedriskblog.com, Aug 2023

Inflation trends for 4Q 2023

Headline and core inflation are easing, albeit at different speeds

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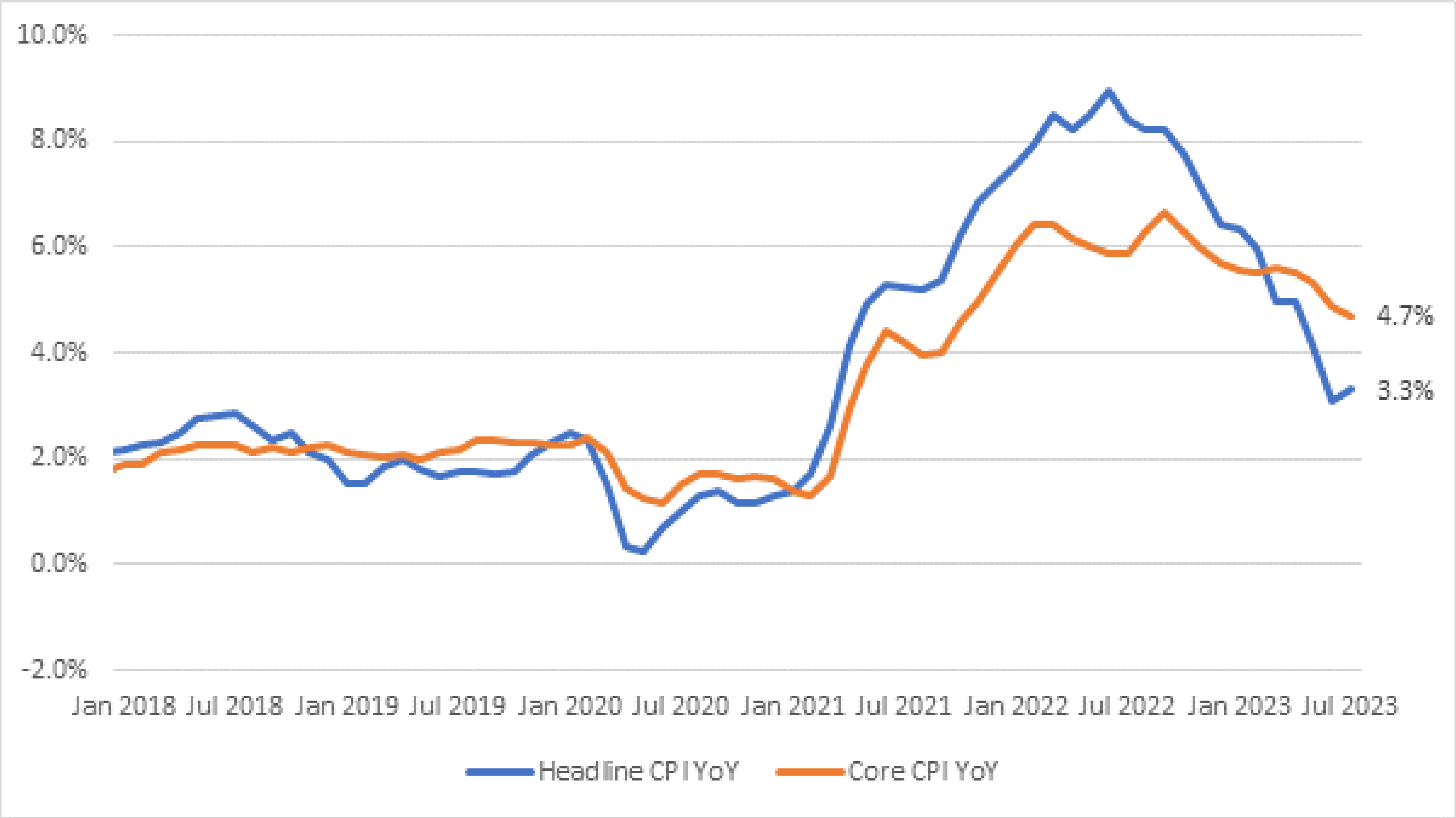
US headline and core CPI



Source: Bloomberg, UOBAM, August 2023

Super core inflation (i.e. ex housing) is progressing rapidly. More rate hikes may not be needed

US services CPI (less rent), YoY

Source: Bloomberg, UOBAM, August 2023

Employment conditions are returning to better balance

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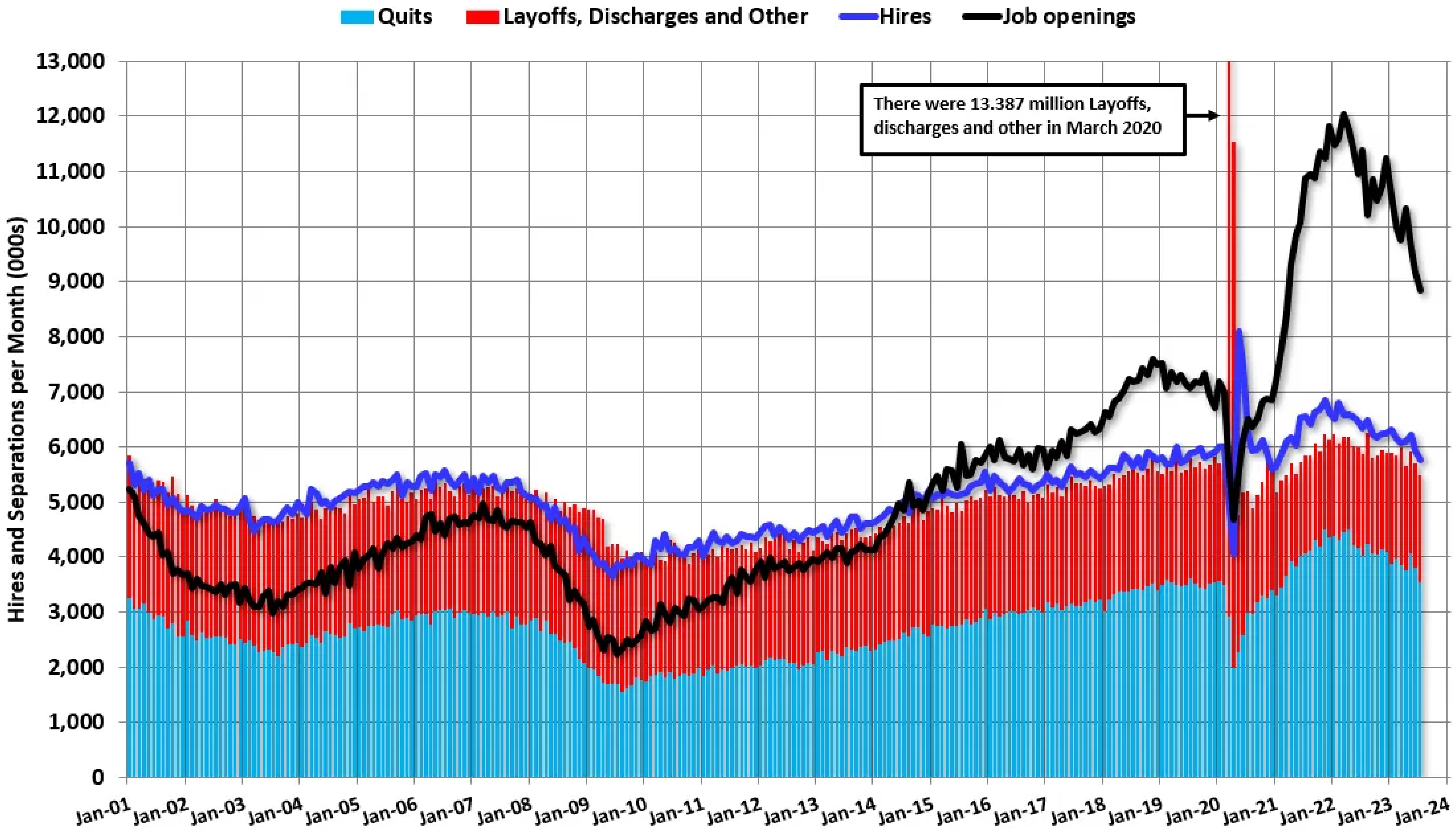
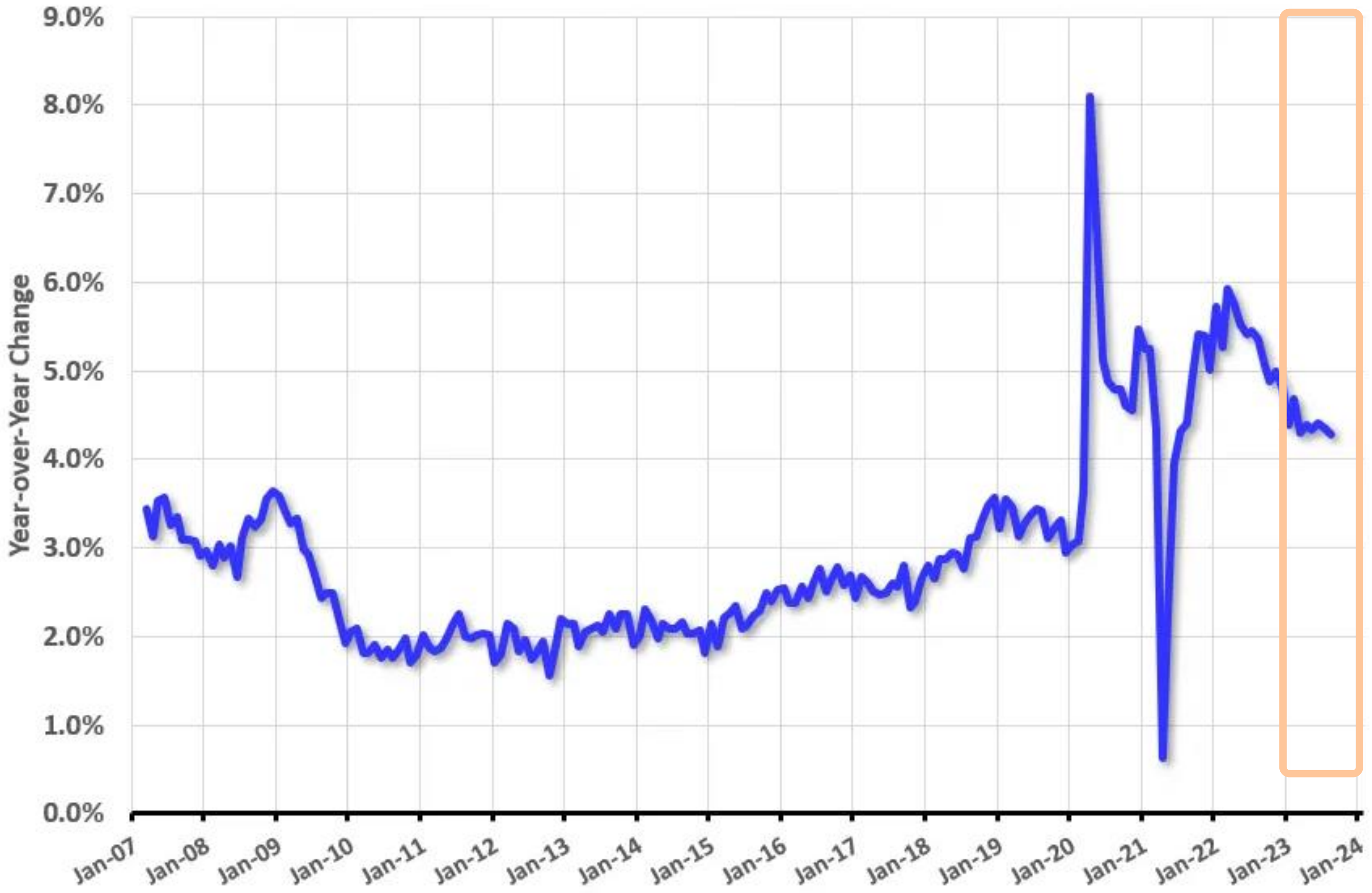
Hires and separations monthly (SA) from jobs opening and labour turnover survey (JOLTS)



Source: BLS, Bloomberg, UOBAM, Aug 2023

Wage pressures are falling, inflation trend improving

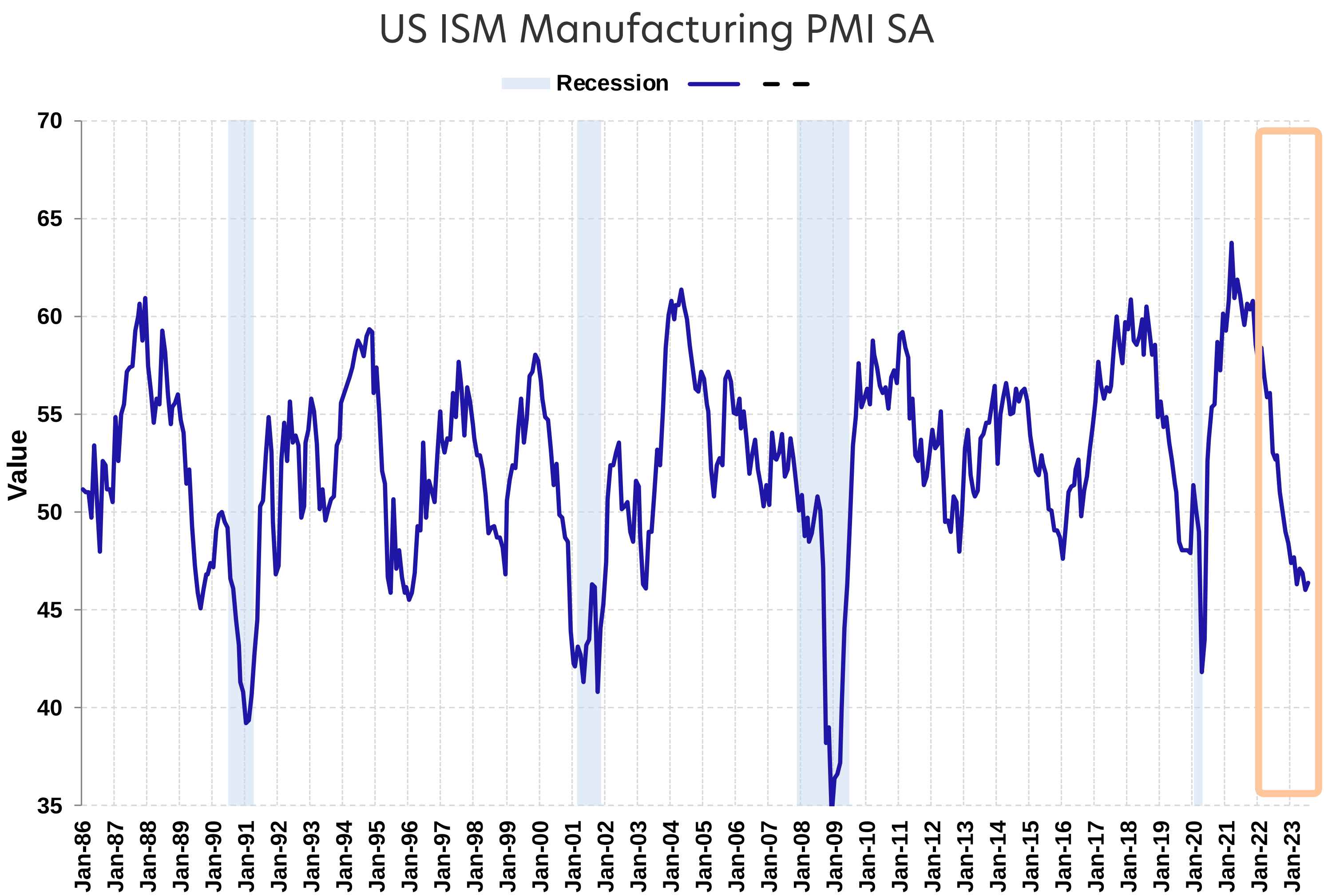
Average hourly earning of all employees, year-over-year change



Source: Calculatedriskblog.com, Aug 2023

Risks and headwinds in 4Q 2023

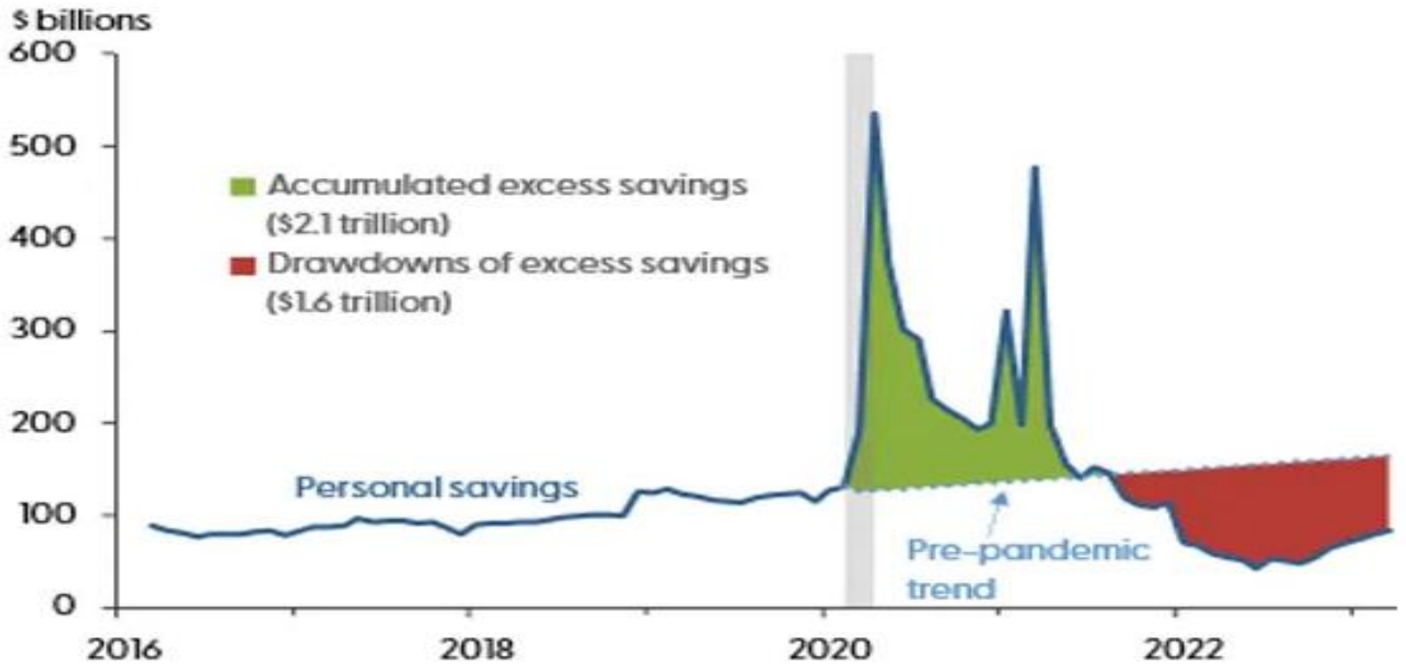
US ISM levels imply a goods/manufacturing recession is still possible



Source: Bloomberg, Aug 2023

Excess savings could start to run out by end of the year

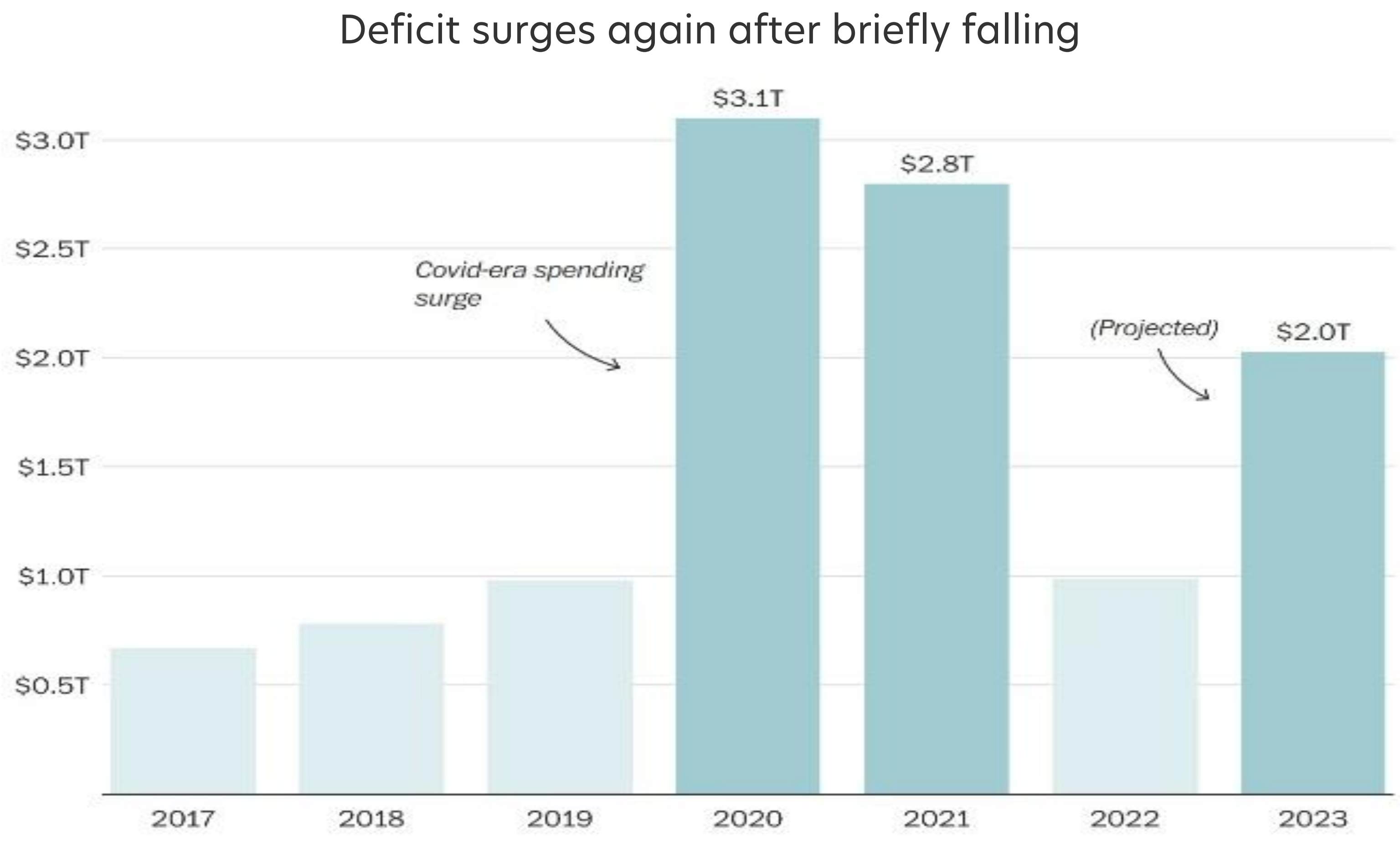
Aggregate personal savings vs pre-pandemic times



Note: Excess savings calculated as the accumulated difference in actual de-annualised personal savings and the trend implied by data for the 48 months leading up to the first month of the 2020 recession as defined by the NBER..

Source: Fed San Francisco, June 2023

US budget deficit rose significantly in 2023, more austerity is possible



Note: Deficit numbers in trillions. Covers fiscal year. Estimates exclude student debt cancellation.

Source: Committee for a Responsible Federal Budget, Jeff Stein, The Washington Post, Aug 2023

Bond yields are rising

The rise in bond yields is not being driven by inflation and the US Fed. Instead, it is due to the following:

Fundamental factors

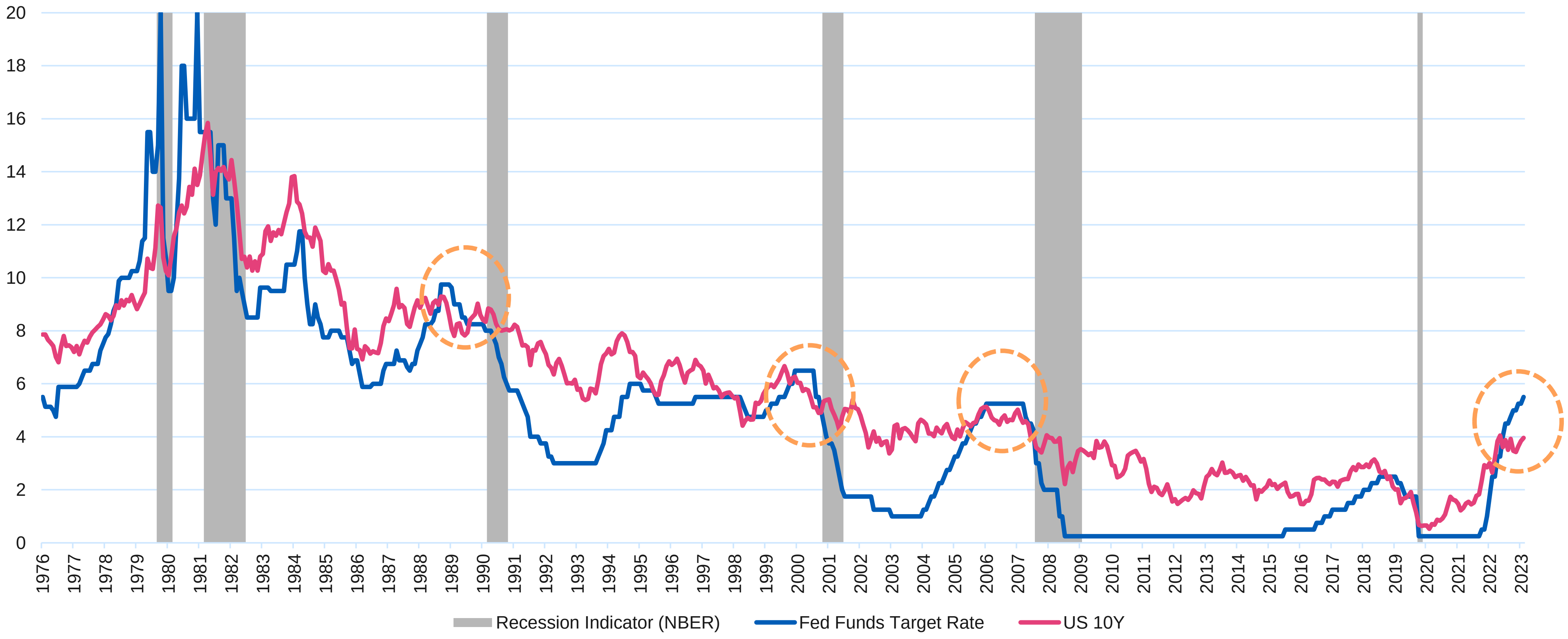
- The economy is doing well even at 5% interest rates.
- There is a growing belief that the neutral rate of interest can be higher than previous targets

Technical factors

- US Treasury issuance set to increase as debt rises
- Quantitative tightening
- Bank of Japan yield curve control (YCC) tweaks
- Post debt ceiling rebalancing will continue to drain liquidity
- Rising US deficit

Implication: 10Y yields vs Fed Funds rate set to narrow. Both likely to be higher than in the past decade

Gap in term premium has room to further narrow



Source: Bloomberg, UOBAM, Aug 2023

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