Quarterly Investment Strategy
Fourth Quarter 2024

UOB Asset Management

Continued but moderating growth

Right By You

Contents

Summary
Global Investment Strategy
Global Asset Allocation
Global Equity Outlook
• US Equity
• Europe Equity
• Japan Equity
• Asia Equity
Global Fixed Income Outlook
• Fixed Income Sector Strategy
• Emerging Market Fixed Income
• Emerging Fixed Income Regional Strategy
Global Currencies Outlook
Global Commodities Outlook
Contact Details

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

Continued but moderating growth

Stocks and bonds have outperformed even our bullish expectations so far this year. However looking ahead, economic trends are starting to miss our expectations. As such, we are turning slightly more cautious for the fourth quarter. We still think the outlook for 2025 will be positive, but in the near term we think markets have to work out uncertainties around growth, the rate cut path, elections and valuations. While waiting for trends to stabilise, we have taken steps to neutralise our overweights in equities and remain neutral on fixed income.

Contents

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
- US Equity
- Europe Equity
- Japan Equity
- Asia Equity

Global Fixed Income Outlook
- Fixed Income Sector Strategy
- Emerging Market Fixed Income
- Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

Global Investment Strategy

Long term optimism, near term caution

At the start of the year we highlighted our expectation that the global expansion would continue in 2024 and inflation would moderate, thus allowing stocks and bonds to perform well. And in fact, through the first three quarters of the year, this has largely been borne out, with global stocks and bonds largely outperforming.

As we enter the fourth quarter of 2024, we still expect the expansion to continue, inflation to moderate further and interest rates to fall steadily, creating a positive backdrop for markets. We would note that a rate cutting cycle in the midst of an economic expansion has historically been bullish for markets. However, markets are higher than we expected and growth is starting to come in a little lower than we expected. This leads us to be a little less bullish in the near term, and to take a more balanced positioning between stocks and bonds.

Key takeaways

- Stocks and bonds have run strongly this year but signs of growth have moderated in recent months
- A healthy tailwind of rate cuts should help support expansion over the next year
- But we believe markets are still adjusting to the potential for slower growth
- As we enter the fourth quarter, we are temporarily tempering down our bullishness

"We are a little less bullish in the near term, and taking a more balanced positioning between stocks and bonds."

Contents

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
- US Equity
- Europe Equity
- Japan Equity
- Asia Equity

Global Fixed Income Outlook
- Fixed Income Sector Strategy
- Emerging Market Fixed Income
- Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

Global Investment Strategy

The fourth quarter is looking more complicated

Several “complications” that have arisen in recent months are causing us to be slightly more cautious for the near term.

Firstly, while our overall forecast for continued expansion in 2024 has come through, we would have expected to see some additional factors to start contributing to developed market economies by now. We expected that manufacturing sectors would return to positive growth by the end of 2024 and consumer confidence, which has been at extremely low levels, to start to rise. Both of these trends had showed signs of picking up earlier in the year but have started to fade again.

Additionally, we expected robust employment and good wage growth to provide a strong level of income support which in turn encourages consumption. This is still mostly true, but employment growth in the US has started to flatten out. Overall, we still see evidence of continued economic expansion but at levels that are less convincing than we had anticipated six months ago.

At the same time, market returns have been even more positive than our bullish forecasts for the year. As of September, we see broad global equity benchmarks year-to-date up by around 17 percent in USD terms. Fixed income benchmarks for global credits, high yields or Asia investment grade credits are all up by 6 – 8 percent. This is a bit higher than our full year targets with still a quarter to go.

Add to this the significant central bank policy shifts and election issues scheduled for the coming quarter. Central banks around the world, led by the US Fed, are shifting to a new path after three years of very tight, inflation fighting, monetary policy. Although fundamentally positive for markets, this carries many near term uncertainties regarding the pace and depth of interest rate cuts to come.
The US election also carries risks that key policies on tariffs, taxes and immigration could change significantly. We are not negative on the longer term impact of these policies, but we foresee enough uncertainties to unsettle markets in the near-term.

Rate cuts are potentially positive for 2025, despite some global risks

Looking beyond this volatility, we see a favourable investing backdrop for 2025, provided the following signs emerge. First, employment and GDP growth should not slow further from current levels in the coming months. Second, the rate cut cycle should be broadly in line with market expectations and a significant repricing in bond yields can be avoided. Third, we want to see that inflation remains in check as interest rates are reduced. Evidence of the above would result in us moving back to a more “risk on” position and an overweight in equities. We are cognisant that several precedents for rate cut cycles in the midst of an economic expansion. During these cycles – for example in 1998 ,1995 and 2019 – the 12-month return for the S&P500 after the first rate cut was 24 percent, 28 percent and 11 percent respectively.

However, we continue to note that global geopolitical risks and economic risks remain and need to be monitored. Tensions in the Middle East continue to be highly elevated and pose the risks of spiralling into a broader regional war. The US/China tensions are likely to remain high and could escalate during the US election season. We expect global economic growth to continue to expand but recession risks will rise as the cycle lengthens and matures. While we have not escalated these risks to the point of downgrading our investment views, it is important to warn that these are issues that could change our views if these risks become more problematic.

Contents

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
• US Equity
• Europe Equity
• Japan Equity
• Asia Equity

Global Fixed Income Outlook
• Fixed Income Sector Strategy
• Emerging Market Fixed Income
• Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

Global Asset Allocation

FIXED INCOME: Bonds offer attractive yields and end of cycle protection. Overall, we are underweight government bonds but overweight investment grade credits

Our studies of multi-year returns suggest that future fixed income returns will not move far from the current yield. Bond yields have declined from mid-year levels with 10-yr US Treasury yields falling from 4.4 percent in 2Q24 to a 3.8 percent range by the end of 3Q24. Credit spreads can add another 50bp - 100bp to fixed income yields.

Even if yields ease further, they will stay significantly higher than levels seen in the prior decade and therefore remain attractive to investors. In addition, the inflation risks have peaked, and the risks of rate hikes have been replaced by a rate cut cycle. As such, the headwind around interest rates has shifted to a tailwind, making it much safer for yield-seekers to invest in fixed income.

We prefer to focus on credits including investment grade. Credit spreads are at tight levels but as we do not expect a near term recession, we think it is worth picking up the extra yield that credits offer over government bonds. Growth has slowed enough that we have turned more neutral on high yield credits after being overweight for most of the year.

EQUITIES: Near term headwinds but continued medium term potential. For now, we are neutral equities relative to other asset classes. We are also neutral across the major geographies.

We have turned slightly more cautious on equities in the near term as we think markets are dealing with several uncertainties regarding the direction of the global economy, the change in the global monetary policy cycle and the political risks.

But we remain on the lookout for when these risks will be mitigated. We believe that sooner or later, the combination of a continued expansion and an interest rate cut cycle will lead to positive market performance, as has been the case in the past.

CASH: Safety for the short term but re-investment risks ahead as rates decline further

As interest rates are cut we think cash will become increasingly less attractive. But in the near term we prefer cash over other safe assets like government bonds as we are concerned that the market may have overpriced rate cuts.

As such, we raise our short term cash view but caution against re-investment risks. Income seekers may want to lock in today's higher yields via slightly longer duration investment grade credits.

Contents

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
- US Equity
- Europe Equity
- Japan Equity
- Asia Equity

Global Fixed Income Outlook
- Fixed Income Sector Strategy
- Emerging Market Fixed Income
- Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

Asset Allocation Strategy

Sector	View	Notes
Equities	N	**Rationale:** We see a continued expansion, but growth has been slowing leaving equities slightly vulnerable to any further growth deterioration. But we would not get too negative as any growth stabilisation combined with rate cuts would be positive for equities. **Risks:** Recession risks are slightly higher than in previous quarters. If employment conditions deteriorate further than economists will start to consider recession risks as more likely.
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. There is a risk that the amount of interest rate cuts could disappoint fixed income markets in the near-term. **Risks:** Inflation in the 1970s came in waves and we may see a similar pattern that could trigger further rate hikes.
Commodities	N	**Rationale:** Slowing global growth especially in China have held back commodity performance. We continue to stay neutral on commodities, but are positive on gold given supply and demand trends and its safe haven status as growth risks rise. **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. We think alpha opportunities should start to improve in 2025. **Risks:** Market breadth so far has been weak and if markets stay narrowly focused, this could hurt the outlook for alternatives.
Cash	+	**Rationale:** Cash rates are tempting to investors but are likely to start declining. We think current rates combined with the possibility that markets' rate cut expectations are too high pose a risk for low-risk instruments such as government bonds. **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

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
- US Equity
- Europe Equity
- Japan Equity
- Asia Equity

Global Fixed Income Outlook
- Fixed Income Sector Strategy
- Emerging Market Fixed Income
- Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

Global Equity Outlook

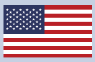
DEVELOPED MARKETS: Improved global breadth implies many opportunities

Global developed market equities have generated strong double digit returns in the first three quarters of 2024. We had expected earnings growth to be the main drivers of equity markets in 2024 but so far market returns are already significantly ahead of the earnings growth rate. This leaves us concerned that performance is getting a little ahead of itself. When, as we expect, growth stabilises in the coming months we are likely to return to being overweight, especially as we anticipate that this will be accompanied by better market breadth.

EMERGING MARKETS: Interest rate cuts positive for EM, but slow China growth is a negative

We continue to see mixed results in global emerging markets. The manufacturing cycle has been improving and interest rates are being cut which should be positive for EM and in particular for Asia. But China's growth has remained sluggish and has been holding back emerging market performance. While the near term outlook is mixed, we think 2025 should be positive on the back of continued growth and lower interest rates.

Equities Regional Strategy

Region	View	Notes
US 	N	**Rationale:** The US has outperformed and its valuations remain elevated even as growth has slowed. If employment growth slows further, then the US could be vulnerable to a sharper pull back. **Risks:** Interest rate cuts may be too little and have come too late. There is a risk the tight monetary policy of the past year has slowed the economy.
Europe 	N	**Rationale:** Europe has started to catch up with the other regions and was the first to benefit from rate cuts, but still offers fewer growth stocks compared to other regions. **Risks:** Europe still faces risks of energy constraints and other negative effects arising from the war in Ukraine.
Japan 	N	**Rationale:** We have liked the structural improvement in Japan's economy and corporate sectors but the market is vulnerable in the near term given the shift toward a tighter monetary policy. **Risks:** The monetary policy that has been very accommodative for many years may finally be normalising in the coming quarter which could trigger more volatility.
Asia 	N	**Rationale:** We expect the region to benefit from the rebound in global trade, the rate cut cycle and the peaking of the USD. However, the region tends to be highly correlated to global growth and this may be slowing. **Risks:** Investors appear focused on the developed markets and may continue to sideline Asia despite better economic growth prospects.

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

Contents

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
- US Equity
- Europe Equity
- Japan Equity
- Asia Equity

Global Fixed Income Outlook
- Fixed Income Sector Strategy
- Emerging Market Fixed Income
- Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

Asia Equity

We remain constructive on Asia. Past precedents suggest Asian equities typically outperform in a lower US interest rate environment and on US dollar weakness.

Despite this, we are tactically cautious given potential market volatility arising from greater geopolitical risks post the US elections, as well as the pace and extent of US Fed rate cuts going forward. We have a positive bias for South Asia on back of its promising outlook. Conversely, North Asian markets notably India and China are more domestically oriented and less sensitive to US macro conditions.

We downgrade **China** to neutral from overweight. Valuations are attractive but successive fiscal and monetary policies have disappointed in the past. Strong exports provide some buffer against the persistent headwinds generated by the property downturn and weak consumer activities.

We maintain underweight on **Hong Kong**. The weakening US dollar bodes well for Hong Kong's real estate market through a lower HIBOR but the benefit will not be immediate. Meanwhile, a property sector bottoming requires a meaningful drop in HIBOR.

Korea remains an underweight as the market performance lacks breadth and domestic private consumption remains lacklustre.

On the contrary, we upgrade **Taiwan** from neutral to overweight as both its tech and non-tech sectors continue to enjoy corporate earnings upgrades.

India remains an overweight despite its lofty valuations. The market still offers the best structural growth play in the Asia region and post-election volatility has subsided.

Within **ASEAN**, Malaysia remains our preferred overweight as a more gradual rollout of subsidies rationalisations suggests inflation is likely to be manageable. At the same time, higher foreign direct investments are supportive of the currency's outlook. We have turned more bullish on this region and are upgrading Thailand, Indonesia and Philippines from underweight to neutral. In Thailand, removal of the political overhang should pave the way for smooth policy implementation. Likewise, Indonesia should see a continuation of key policy post-election results. In the Philippines, easing inflationary pressures has to potential to boost weak private consumption. We retain neutral on Vietnam as we expect earnings to rebound on the back of infrastructure investments, plus a recovery FDI and exports. On the other hand Singapore remains our sole underweight in the ASEAN region as further equity market upside will likely be capped by the strong positive correlation between the SGD and US dollar.

Our balanced positioning is tilted towards rate cut sensitive and defensive sectors such as communications services, materials and real estate/ REITs sectors. We are selective in financials and technology sectors. On the other hand, we are reducing our exposure to the utilities, industrials and energy sectors.

Key risks to our cautiously optimistic outlook includes US economic growth shocks, aggressive policy support in China, as well as an escalation in geopolitical risks (US/China, Middle East, Russia/Ukraine).

Contents

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
- US Equity
- Europe Equity
- Japan Equity
- Asia Equity

Global Fixed Income Outlook
- Fixed Income Sector Strategy
- Emerging Market Fixed Income
- Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

Asia ex-Japan Country Strategy

Country	View	Notes
China	N	**Rationale:** Fiscal and monetary policies had been underwhelming although valuations are attractive. Strong exports should provide some buffer against property headwinds and weak domestic consumer sentiment. **Risks:** Sustained recovery in domestic real estate market, local consumption rebounds, geopolitical relationship improves.
Hong Kong	-	**Rationale:** The local real estate market could benefit from a lower HIBOR but for the sector to bottom, a meaningful drop in HIBOR is required. **Risks:** China/HK political relationship improves, HIBOR drops faster than expected. Inbound tourism rebounds.
India	+	**Rationale:** Best structural growth play in Asia region and post election volatility has subsided. **Risks:** Execution risks and/or delays in capex spend. Spike in inflationary pressures.
Indonesia	N	**Rationale:** Continuation of key policy after election results. **Risks:** A weak Rupiah.
South Korea	-	**Rationale:** Market performance lacks breadth and domestic private consumption remains lacklustre. **Risks:** Strong non-tech consumption growth, 'Value-up' reform gains strong traction.
Malaysia	+	**Rationale:** A more gradual rollout of subsidies rationalisation suggests inflation is likely manageable, whilst a higher FDI is supportive of the currency's outlook. **Risks:** Delays in implementation of fiscal policies, a weak MYR.
Philippines	N	**Rationale:** Private consumption is likely to pick-up as inflationary pressures expected to ease further. **Risks:** A weak peso. Consumer sentiment weakens.
Singapore	-	**Rationale:** Near term upside likely capped by the strong positive correlation between SGD and US dollar. **Risks:** US dollar strengthens, Inbound tourism surprises. Pronounced pick-up in growth with major trading partners (US, EU, China.
Taiwan market	+	**Rationale:** Both tech and non-tech sectors continue to enjoy corporate earnings upgrades. **Risks:** Global tech cycle demand wanes, Cross-straits relationship deteriorates.

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

Contents

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
- US Equity
- Europe Equity
- Japan Equity
- Asia Equity

Global Fixed Income Outlook
- Fixed Income Sector Strategy
- Emerging Market Fixed Income
- Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

Asia ex-Japan Country Strategy

Country	View	Notes
Thailand	N	**Rationale:** Removal of political overhang to pave way for policy implementation. **Risks:** Oil price plunge, delay in rollout of government stimulus.
Vietnam	N	**Rationale:** Earnings rebound is 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

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
- US Equity
- Europe Equity
- Japan Equity
- Asia Equity

Global Fixed Income Outlook
- Fixed Income Sector Strategy
- Emerging Market Fixed Income
- Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

Global Fixed Income Outlook

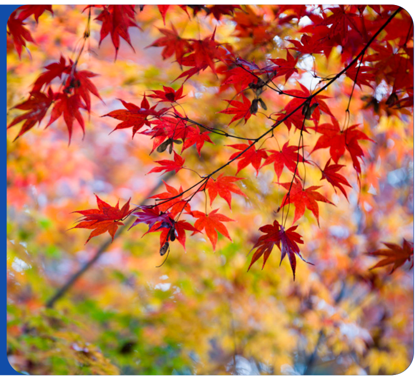
Tactically, we prefer to remain cautious on Fixed Income as we think that rate cut expectations, and consequently bond yields, have overshot current fundamentals. However, over the next 12 months, we expect growth to moderate lower but not slide into recession. Given that, we aim to stay relatively short on duration, and we prefer credits over government bonds for higher carry.

A marked deterioration in growth data and rising volatility in equity markets have led investors to seek the safety of bonds. Over the past quarter starting from June, fixed income markets have done well as yields declined sharply. The Fed Funds Futures market as of end-May priced in two (25 bps) rate cuts for 2024, but as of mid-September this had shifted to five cuts.

We think bond markets are now pricing in further weakness in growth data which resembles that of a recession. Over the longer term, the conditions appear right for central banks globally to embark on coordinated rate cuts. In Europe however, current rate cut expectations seem slightly excessive given relatively sticky inflation.

In China, we think that interest rates will continue to remain low, though there is not much room left to go much lower. Japan is the only country where we expect hikes rather than cuts as recent wage growth data continues to suggest persistence in achieving the targeted 2.0 percent inflation level, which would enable a normalisation of monetary policy.

"We aim to stay relatively short on duration, and we prefer credits over government bonds for higher carry."



Contents

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
- US Equity
- Europe Equity
- Japan Equity
- Asia Equity

Global Fixed Income Outlook
- Fixed Income Sector Strategy
- Emerging Market Fixed Income
- Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

Fixed Income Sector Strategy

Sector	View	Notes
Developed Market (DM)	N	**Rationale:** We do not expect a recession but a slowdown in growth should allow for continued disinflation. This supports fixed income markets. **Risks:** Growth recovers significantly, resulting in higher inflation and hence higher bond yields.
DM Government	-	**Rationale:** We think rate cut expectations are excessive and a culling of cut expectations should lead to higher bond yields. **Risks:** Further growth disappointment could see yields move lower.
DM Credit	+	**Rationale:** Fundamentals continue to remain strong which justify moving into credits for extra spread carry. **Risks:** Credit spreads could widen in a weaker-than-expected growth environment.
Emerging Market (EM)	N	**Rationale:** EM growth continues to look resilient and we expect low default rates. However, tight credit spreads keep us neutral. **Risks:** Slower economic growth in regions like Latin America could lead to a rise in default rates.
EM Government	N	**Rationale:** While most of EM growth remains resilient, we are increasingly worried over rising global default rates as well as slower economic growth in regions such as Latin America (LatAm) **Risks:** An external tail risk event such as a reversal of the disinflationary trend led by commodity prices, coupled with a surprise in global growth.
EM Corporate	N	**Rationale:** EM corporates have performed mostly in line with EM sovereign, 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:** We are neutral on both EM fixed income and the EM currencies against the dollar. **Risks:** The EM local currency space could see losses should the US dollar regain strength.
Duration	-	**Rationale:** We think that bond yields have overshot to the downside and bond markets are pricing in further economic weakness. We expect bond yields to move up when growth data stablises. **Risks:** Rates could further rally should there be growth disappointments, especially in labour market data.
Yield Curve	+	**Rationale:** Given the significant dis-inversion we have seen, the yield curve will likely stay flat or steepen slightly at current levels. **Risks:** Rate cut expectations could increase significantly, causing the yield curve to be even steeper.

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

Contents

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
- US Equity
- Europe Equity
- Japan Equity
- Asia Equity

Global Fixed Income Outlook
- Fixed Income Sector Strategy
- Emerging Market Fixed Income
- Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

Emerging Market Fixed Income

We have revised our positioning on global EM bonds by shifting away from an overweight in EM high yields and overweighting EM investment grades instead. In Asia we continue to favour high yield corporates.

Within emerging markets, the high yield (HY) sector has outperformed the investment grade (IG) sector so far this year. As such, we no longer regard the EM HY sector as attractive, and we are increasingly worried about rising global high-yield default rates and slower economic growth in regions such as Latin America (LatAm).

Geographically, we are positive on the Middle East as spread volatility is low due to healthy demand, while fundamentals remain resilient. We expect to see more credit rating/outlook upgrades within the region. We have turned from positive to neutral on the Africa region as we think its valuation is no longer significantly cheap, compared to the start of 2024. Progress in debt restructuring processes and IMF programmes could support spreads, but debt reduction plans face execution risks.

Over in Asia we still prefer high yield corporate bonds over both investment grade sovereigns and investment grade corporates.

The prospects for Asian high yield corporate bonds continue to look attractive. To date, Asia high yield corporates have 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. High yield spreads have tightened but are still higher than the historical mean and the overall yield for Asian high yield corporates are still higher than their US and EM peers. Furthermore, a US rate cutting cycle will see lower financing costs for corporates, improving their balance sheet.

However, we remain cautious of the China high yield property sector despite its recent good performance. While the Chinese government is maintaining 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 this space, with offshore bonds of distressed names likely to be the last to benefit from a turnaround.

We have a neutral view on Asian investment grade corporate 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. Further upside will come only from rate cuts.

"We are shifting away from an overweight in EM high yields but continue to favour Asian high yield corporates."

Contents

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
- US Equity
- Europe Equity
- Japan Equity
- Asia Equity

Global Fixed Income Outlook
- Fixed Income Sector Strategy
- Emerging Market Fixed Income
- Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

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 over its growth in the coming quarters. **Risks:** Further 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 at better valuations given upcoming supply. **Risks:** If the Russia-Ukraine war reaches a truce, the region could rally.
Middle East	+	**Rationale:** Spread volatility is low due to healthy demand, while fundamentals remain resilient. We expect to see more credit rating/outlook upgrades within the region. **Risks:** Falling oil prices or an escalation of geopolitical tensions are key risks.
Africa	N	**Rationale:** Valuations are no longer significantly cheap compared to the start of 2024. Progress in debt restructuring processes and IMF programs could support spreads, but debt reduction plans face execution risk. **Risks:** Debt reduction plans proceed smoothly as planned.
Asia	+	**Rationale:** Spreads for Asian high yield corporates are above historical means and have further room for spread compression. Overall this sector is still extremely attractive vs the US and other emerging market high yields and rate cuts will lower refinancing costs. Within the Asian investment grade space, overall yield is high historically and further upside will come from rate cuts. However, the sector is grinding towards historical tights, limiting room for compression. **Risks:** More than expected slowdown in China may impact South East Asia economies and corporates as well.

* 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

Contents

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
- US Equity
- Europe Equity
- Japan Equity
- Asia Equity

Global Fixed Income Outlook
- Fixed Income Sector Strategy
- Emerging Market Fixed Income
- Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

Global Currencies Outlook

We expect the USD to remain range-bound from here-on in. We do not anticipate to see a rebound back to previous highs, nor a significant weakening despite the US's rate cuts. This is because we think the recent dollar weakness has already priced in recent and upcoming rate cuts. Furthermore, a reduction in rate cut expectations going forward can act as support for the USD.

Having been in a position of strength for the first half of the year, the USD turned significantly weaker over the past quarter due to lower US bond yields amid growth concerns and a surprise Bank of Japan rate hike.

Looking ahead, we are neutral on the dollar as rate differentials between the US and Europe / UK are likely to turn in favour of the US. On the other hand, rate differentials between the US and Japan / Asia are likely to turn the other way. This is premised on our interest rate expectations of the various regions or countries.

The key risk to our view would be a big swing in either direction for growth prospects of the US economy as the rate cut cycle progresses. This could lead to either an overheating economy or a recessionary one.

Global Currency Strategy

Currency	View	Notes
US Dollar USD	N	**Rationale:** Favorable rate differentials of the USD against EUR is offset by the reverse of the USD against Asian currencies. **Risks:** A big swing in either direction for US growth prospects post the upcoming rate cut.
Euro EUR	-	**Rationale:** Number of rate cuts priced in the US appears more excessive than that of Eurozone. **Risks:** Eurozone sees even stickier inflation than expected owing to tight labour markets which could lead to stronger wage growth in the region.
Japanese Yen JPY	+	**Rationale:** The BoJ should continue to normalize rates as wage growth data remains strong, which would allow inflation to remain at the sustainable 2% level. **Risks:** Domestic consumption slows, stalling or even reversing the virtuous cycle of higher wage growth supporting more spending.
Singapore Dollar SGD	+	**Rationale:** Our expectation of stronger Asian currencies given rates have less room to fall relative to DM currencies keeps us positive on SGD. **Risks:** Larger than expected easing of exchange rate policies which could occur if exports slow significantly.
China Renminbi CNY	+	**Rationale:** Rates have little room left to fall given current low levels. This means rate differentials against DM currencies should favour CNY. **Risks:** A significant pick up in growth of the DM economies, leading to significantly fewer rate cuts in DM countries.

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

Contents

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
- US Equity
- Europe Equity
- Japan Equity
- Asia Equity

Global Fixed Income Outlook
- Fixed Income Sector Strategy
- Emerging Market Fixed Income
- Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

Global Commodities Outlook

Commodity trends have been mixed

So far in 2024, commodities tied to global economic growth like metals and oil have underperformed while safe haven commodities like gold have outperformed. Our base case view is that global economic growth has slowed but should continue to expand in the coming year. Growth related commodities like metals and energy should stabilise after recent weakness.

Global Commodity Sector Strategy

Sector	View	Notes
Commodities	N	**Rationale:** Cyclically, commodities are frequently strong in mature stages of cycles. But the weakness in China and the slowing trends in the US have held back most commodities. **Risks:** EV sales disappointed slightly in the past year and this resulted in a disappointment across many of the exciting themes in the commodity sector.
Gold	+	**Rationale:** Gold has held its gains and continued to make new highs through most of 2024. We think the demand for gold from global central banks will remain high and continue to drive up the price. Rising geopolitical uncertainties have further improved the case for gold. **Risks:** If inflation spikes and interest rates are hiked again, this would hurt the outlook for gold.
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 will likely be held back by weak China growth. **Risks:** Recession risks would weigh negatively on the outlook for base metals.
Energy	N	**Rationale:** A continued expansion and an improved emerging market outlook should improve the demand for energy and oil in particular. Offsetting this has been strong supply trends especially in US shale production. **Risks:** Middle East tensions could create disruptions in supply while growth risks could create disruptions in demand.
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

Contents

Summary

Global Investment Strategy

Global Asset Allocation

Global Equity Outlook
- US Equity
- Europe Equity
- Japan Equity
- Asia Equity

Global Fixed Income Outlook
- Fixed Income Sector Strategy
- Emerging Market Fixed Income
- Emerging Fixed Income Regional Strategy

Global Currencies Outlook

Global Commodities Outlook

Contact Details

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