



Global Equity Strategy 2022 3Q22 and 2H22 Outlook: Themes, sectors and styles

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Content

1

At a Glance

Outline.....3



2

Equity outlook

Country Heatmap.....10

US sector Heatmap.....11

China Sector Heatmap.....13

Outline

Equities outlook by region

Most Preferred	Neutral	Least Preferred
China	Eurozone	United States
Singapore	Japan	
Malaysia	Thailand	
	South Korea	
	Taiwan	

Equities outlook by sectors

Most Preferred	Neutral	Least Preferred
CN Consumers (Domestic)	US Banks	US Communication Services
CN Financials	Utilities	US Tech
CN Construction	Energy	US Consumer Discretionary
CN Tech	Auto Parts	Semiconductors
ASEAN Consumers	Real Estate	
Consumer Staples	Basic resources	
Telecom	Pharmaceutical	
Green Energy and EVs		

Outline-Macro Landscape

Region	Macro outlook
United States	<ul style="list-style-type: none"> ❑ Inflation and higher interest rate due Fed's aggressive rate hikes has led to recession talks ❑ Job market remains resilient but showing signs of weaker hiring pace ❑ Fed expected to prioritize taming inflation over economic growth
China	<ul style="list-style-type: none"> ❑ Recovery post Shanghai lockdown is on the way but may be bumpy as external conditions weakened ❑ Government set a lowest GDP target in decades of 5.5% for 2022, but it may be hard to achieve ❑ PBOC is expected to do additional easing to support recovery
Eurozone	<ul style="list-style-type: none"> ❑ Inflation situation is expected to deteriorates due to disruption of energy supply stemming from Ukraine-Russia war ❑ ECB expected to catch up on its tightening policy but the belatedness of ECB tightening relative to Fed means limited upside to EUR
UK	<ul style="list-style-type: none"> ❑ Inflation situation expected to deteriorate beyond the current 9% CPI ❑ Manufacturing activity show weakness while services sector supported by solid labor market ❑ BOE expected to do more to rein inflation, but at less aggressive pace vs Fed
Japan	<ul style="list-style-type: none"> ❑ Inflation is picking up but lower comparatively to US and Eurozone ❑ Spending growth may be short-lived as pent-up demand likely to fade ❑ BOJ's monetary policy will remain an outlier among the major economies as BOJ remains accommodative
Australia	<ul style="list-style-type: none"> ❑ Inflation and wages growth are more subdued compare to US and Eurozone ❑ RBA signaling that it could turn more aggressive
Singapore	<ul style="list-style-type: none"> ❑ Headline inflation expected to stay elevated, core inflation expected to pick up ❑ Singapore's growth signal weakened but may be supported by sustained demand from manufacturing
Vietnam	<ul style="list-style-type: none"> ❑ Inflation picks up but it is off from the 2020 pick of 6% ❑ Tourism activity is expected to recovery 2Q but it may not hit government target to reach its 5 million targets ❑ Economy may remain supported by sustained manufacturing demand ;

Economic Country Heatmap – The US and China

US Key Economic Metrics - Losing steam

	2020												2021												2022					
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Real GDP			0.6			-9.1			-2.9			-2.3			0.5			12.2			4.9		5.5			3.5				
Real GDO (% QOQ)			-5.1			-31.2			33.8			4.5			6.3			6.7			2.3		6.9			-1.6				
Leading indicator	0.3	0.0	-5.1	-10.3	-8.8	-6.7	-5.3	-4.3	-3.5	-2.5	-1.9	-1.1	-0.9	-0.9	5.2	12.3	11.5	9.7	8.9	8.7	8.3	8.1	8.0	7.7	6.5	7.3	6.4	-0.3	-0.4	
Retail sales	4.5	4.6	-5.8	-20.2	-5.8	2.2	3.4	3.6	6.6	5.9	4.2	3.2	9.3	6.9	30.3	53.7	28.9	19.4	15.8	15.7	14.3	16.5	18.6	16.8	13.7	17.7	7.1	7.8	8.1	
Industrial production	-2.1	-1.4	-5.3	-17.7	-16.2	-11.0	-7.0	-6.6	-6.6	-4.8	-4.7	-3.3	-1.7	-4.9	1.8	17.9	16.4	10.2	6.6	5.4	4.5	4.8	5.0	3.5	3.2	7.4	5.0	6.3	5.8	
ISM manufacturing (index)	51.4	50.3	49.1	41.6	43.5	52.4	53.9	55.4	55.4	58.8	57.3	60.5	59.4	60.9	63.7	60.6	61.6	60.9	59.9	59.7	60.5	60.8	60.6	58.8	57.6	58.6	57.1	55.4	56.1	53.0
ISM services (index)	56	56.9	52.8	41.5	45.2	56.8	57.0	57.4	57.7	56.1	56.5	57.8	58.5	55.9	62.2	62.7	63.2	60.7	64.1	62.2	62.6	66.7	68.4	62.3	59.9	56.5	58.3	57.1	55.9	55.3
Non farm payrolls ('000)	339	376	-1498	-20493	2642	4505	1388	1665	919	647	333	-115	520	710	704	263	447	557	689	517	424	677	647	588	504	714	398	368	384	372
Initial jobless claims ('000)	191	190	5946	3446	1639	1446	1044	881	795	773	737	773	803	704	658	517	427	405	414	381	376	280	240	224	214	182	171	202	202	229
Unemployment rate (%)	3.5	3.5	4.4	14.7	13.2	11.0	10.2	8.4	7.9	6.9	6.7	6.7	6.4	6.2	6.0	6.0	5.8	5.9	5.4	5.2	4.7	4.6	4.2	3.9	4.0	3.8	3.6	3.6	3.6	
Consumer sentiments (index)	99.8	101.0	89.1	71.8	72.3	78.1	72.5	74.1	80.4	81.8	76.9	80.7	79.0	76.8	84.9	88.3	82.9	85.5	81.2	70.3	72.8	71.7	67.4	70.6	67.2	62.8	59.4	65.2	58.4	50.0
Housing starts ('000 units)	1569	1571	1270	938	1055	1269	1510	1376	1461	1530	1541	1651	1602	1430	1711	1505	1605	1664	1573	1576	1559	1563	1706	1768	1666	1777	1716	1810	1549	
Building permits ('000 units)	1493	1457	1383	1084	1256	1338	1553	1520	1614	1599	1682	1730	1843	1743	1773	1765	1691	1661	1655	1772	1615	1698	1729	1896	1841	1857	1879	1823	1695	
S&P CaseShiller house prices	3.1	3.5	3.9	3.9	3.6	3.5	4.2	5.4	6.7	8.1	9.2	10.2	11.2	12.1	13.5	15.2	17.3	19.2	20.0	19.7	19.1	18.5	18.3	18.5	19.0	20.3	21.1	21.2		
30Y mortgage effective rate (%)	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	3.0	3.4	3.4	3.3	3.3	3.3	3.1	3.1	3.2	3.3	3.4	3.5	3.9	4.3	5.0	5.6	5.5	6.02
PCE core	1.8	1.9	1.7	0.9	1.0	1.1	1.3	1.5	1.6	1.4	1.4	1.5	1.5	1.5	2.0	3.1	3.5	3.6	3.6	3.6	3.7	4.2	4.7	4.9	5.1	5.3	5.2	4.9	4.9	
Core CPI	2.3	2.4	2.1	1.4	1.2	1.2	1.6	1.7	1.7	1.6	1.6	1.6	1.4	1.3	1.6	3.0	3.8	4.5	4.3	4.0	4.0	4.6	4.9	5.5	6.0	6.4	6.5	6.2	6.0	5.9
CPI	2.5	2.3	1.5	0.3	0.1	0.6	1.0	1.3	1.4	1.2	1.2	1.4	1.4	1.7	2.6	4.2	5.0	5.4	5.4	5.3	5.4	6.2	6.8	7.0	7.5	7.9	8.5	8.3	8.6	9.1

Note: Figures are %YOY unless otherwise stated

China Key Economic Metrics - Driven by Post Lockdown Rebound

	2020												2021												2022					
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Real GDP			-6.9			3.2			4.8			6.4			18.3			7.9			4.9		4.0			4.8			0.4	
Real GDP (% QOQ)			-10.3			11.6			3.4			2.6			0.5			1.2			0.7		1.5			1.3			-2.6	
Retail sales			-15.8	-7.5	-2.8	-1.8	-1.1	0.5	3.3	4.3	5.0	4.6			34.2	17.7	12.4	12.1	8.5	2.5	4.4	4.9	3.9	1.7		-3.5	-11.1	-6.7	3.1	
Industrial production			-1.1	3.9	4.4	4.8	4.8	5.6	6.9	6.9	7.0	7.3			14.1	9.8	8.8	8.3	6.4	5.3	3.1	3.5	3.8	4.3		5.0	-2.9	0.7	3.9	
Fixed asset investment		-24.5	-16.1	-10.3	-6.3	-3.1	-1.6	-0.3	0.8	1.8	2.6	2.9		35.0	25.6	19.9	15.4	12.6	10.3	8.9	7.3	6.1	5.2	4.9		12.2	9.3	6.8	6.2	6.1
Exports	-2.9	-40.6	-6.9	3.1	-3.5	0.2	6.8	9.1	9.4	10.9	20.6	18.1	24.6	154.6	30.4	32.1	27.7	32.1	19.2	25.4	28.0	26.9	21.7	20.9	24.1	6.3	14.6	3.9	16.9	17.9
Imports	-12.7	7.7	-1.3	-14.4	-16.7	2.3	-1.6	-2.3	12.7	4.4	3.9	6.5	28.7	18.9	39.1	44.0	52.0	37.1	28.2	32.7	17.2	20.4	31.4	19.5	20.4	10.9	0.1	-0.1	4.1	1.0
Trade balance (US\$bn)	54.7	-62.0	20.0	44.9	61.6	44.7	60.3	57.1	35.3	57.3	74.2	75.8	61.7	35.3	11.7	40.8	43.2	50.1	55.9	59.2	68.1	84.9	71.7	93.9	84.1	29.7	46.8	51.1	78.8	97.9
PMI manufacturing (index)	50.0	35.7	52.0	50.8	50.6	50.9	51.1	51.0	51.5	51.4	52.1	51.9	51.3	50.6	51.9	51.1	51.0	50.9	50.4	50.1	49.6	49.2	50.1	50.3	50.1	50.2	49.5	47.4	49.6	51.7
PMI services (index)	54.1	29.6	52.3	53.2	53.6	54.4	54.2	55.2	55.9	56.2	56.4	55.7	52.4	51.4	56.3	54.9	55.2	53.5	53.3	47.5	53.2	52.4	52.3	52.7	51.1	51.6	48.4	41.9	47.8	54.7
Unemployment rate (%)	5.3	6.2	5.9	6.0	5.9	5.7	5.7	5.6	5.4	5.3	5.2	5.2	5.4	5.5	5.3	5.1	5.0	5.0	5.1	5.1	4.9	4.9	5.0	5.1	5.3	5.5	5.8	6.1	5.9	5.5
Core CPI	1.5	1.0	1.2	1.1	1.1	0.9	0.5	0.5	0.5	0.5	0.5	0.4	-0.3	0.0	0.3	0.7	0.9	0.9	1.3	1.2	1.2	1.3	1.2	1.2	1.2	1.1	1.1	0.9	0.9	1.0
CPI	5.4	5.2	4.3	3.3	2.4	2.5	2.7	2.4	1.7	0.5	-0.5	0.2	-0.3	-0.2	0.4	0.9	1.3	1.1	1.0	0.8	0.7	1.5	2.3	1.5	0.9	0.9	1.5	2.1	2.1	2.5
PPI	0.1	-0.4	-1.5	-3.1	-3.7	-3.0	-2.4	-2.0	-2.1	-2.1	-1.5	-0.4	0.3	1.7	4.4	6.8	9.0	8.8	9.0	9.5	10.7	13.5	12.9	10.3	9.1	8.8	8.3	8.0	6.4	6.1

Note: Figures are %YOY unless otherwise stated

Economic Country Heatmap – EU and UK

EU Key Economic Metrics – Added signs of softening growth momentum

	2020												2021												2022					
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Real GDP			-3.1			-14.7			-3.9			-4.2			-0.9			14.7			4.0			4.7			5.4			
Real GDO (% QOQ)			-3.5			-11.7			12.8			-0.4			-0.1			2.2			2.3			0.2			0.6			
Retail sales	2.2	2.4	-7.8	-18.9	-2.3	1.7	0.5	4.6	2.6	4.7	-1.3	1.8	-4.8	-1.3	13.7	23.7	8.6	5.6	3.4	1.4	2.7	1.6	8.5	2.3	8.5	5.2	1.9	4.0	0.2	
Industrial production	-1.5	-1.8	-13.1	-28.1	-19.4	-11.1	-6.1	-6.5	-5.9	-3.9	1.0	1.6	2.3	-0.5	12.8	40.8	21.4	11.0	8.4	5.5	4.1	0.0	-1.3	1.8	-1.5	1.8	-0.5	-2.0		
PMI manufacturing (index)	49.2	49.2	44.5	33.4	39.4	47.4	51.8	51.7	53.7	54.8	53.8	55.2	54.8	57.9	62.5	62.9	63.1	63.4	62.8	61.4	58.6	58.3	58.4	58.0	58.7	58.2	56.5	55.5	54.6	52.1
PMI services (index)	52.6	52.6	26.4	12.0	30.5	48.3	54.7	50.5	48.0	46.9	41.7	46.4	45.4	45.7	49.6	50.5	55.2	58.3	59.8	59.0	56.4	54.6	55.9	53.1	51.1	55.5	55.6	57.7	56.1	53.0
Unemployment rate (%)	7.5	7.4	7.2	7.4	7.6	8.1	8.4	8.6	8.6	8.4	8.2	8.2	8.3	8.2	8.2	8.2	8.1	7.9	7.7	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.8	6.7	6.6	
ZEW Economic confidence (index)	25.6	10.4	-49.5	25.2	46.0	58.6	59.6	64.0	73.9	52.3	32.8	54.4	58.3	69.6	74.0	66.3	84.0	81.3	61.2	42.7	31.1	21.0	25.9	26.8	49.4	48.6	-38.7	-43.0	-29.5	-28.0
Consumer confidence (index)	-7.5	-6.6	-11.6	-22.7	-18.8	-14.7	-15	-14.7	-13.9	-15.5	-17.6	-13.9	-15.5	-14.8	-10.8	-8.1	-5.1	-3.3	-4.4	-5.3	-4	-4.8	-6.8	-8.3	-8.5	-8.8	-18.7	-16.9	-21.1	-23.6
Sentix investor confidence (index)	7.6	5.2	-17.1	-42.9	-41.8	-24.8	-18.2	-13.4	-8.0	-8.3	-10.0	-2.7	1.3	-0.2	5.0	13.1	21.0	28.1	29.8	22.2	19.6	16.9	18.3	13.5	14.9	16.6	-7.0	-18.0	-22.6	-15.8
Construction output	6.0	-0.6	-16.7	-30.9	-10.9	-4.0	-3.1	0.0	-2.3	-2.3	-0.7	0.5	-3.4	-4.8	21.3	45.0	12.8	4.4	1.6	-2.1	2.1	2.6	0.4	-1.0	4.2	8.6	3.4	3.0		
Core CPI	1.1	1.2	1.0	0.9	0.9	0.8	1.2	0.4	0.2	0.2	0.2	0.2	1.4	1.1	0.9	0.7	1.0	0.9	0.7	1.6	1.9	2.0	2.6	2.6	2.3	2.7	3.0	3.5	3.8	3.7
CPI	1.4	1.2	0.7	0.3	0.1	0.3	0.4	-0.2	-0.3	-0.3	-0.3	-0.3	0.9	0.9	1.3	1.6	2.0	1.9	2.2	3.0	3.4	4.1	4.9	5.0	5.1	5.9	7.4	7.4	8.1	8.6
PPI	-0.8	-1.4	-2.8	-4.6	-5.0	-3.7	-3.2	-2.6	-2.3	-2.0	-2.0	-1.1	0.4	1.5	4.4	7.6	9.6	10.3	12.4	13.5	16.1	21.9	23.7	26.4	30.8	31.5	36.9	37.2	36.3	

Note: Figures are %YOY unless otherwise stated

UK Key Economic Metrics – Uneven growth

	2020												2021												2022					
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Real GDP			-2.0			-21.1			-7.7			-6.3			-5.0			24.5			6.9			6.6			8.7			
Real GDO (% QOQ)			-2.5			-19.4			17.6			1.5			-1.2			5.6			0.9			1.3			0.8			
Monthly GDP (% MOM)	0.1	-0.4	-7.4	-18.9	2.7	9.5	7.9	2.5	1.4	0.8	-2.1	1.3	-2.9	1.0	2.7	2.6	0.7	0.8	-0.2	0.1	0.8	0.3	0.8	-0.2	0.7	0.0	-0.1	-0.2	0.5	
Retail sales	1.5	0.4	-4.3	-18.7	-8.6	1.7	3.6	4.8	6.4	8.0	4.4	7.0	-3.5	-0.7	7.3	36.5	19.8	6.6	0.7	-0.3	-2.0	-1.7	1.2	-0.7	8.1	5.2	0.3	-6.9	-5.7	
Industrial production	-2.2	-2.0	-8.9	-25.5	-21.6	-12.4	-7.7	-5.2	-5.0	-4.7	-2.9	-2.8	-3.9	-3.5	3.7	30.1	23.7	9.8	4.8	3.3	1.9	0.3	0.2	1.0	3.2	2.1	0.7	0.7	0.7	
PMI manufacturing (index)	51.7	51.7	47.8	32.6	40.7	50.1	53.3	55.2	54.1	53.7	55.6	57.5	54.1	55.1	58.9	60.9	65.6	63.9	60.4	60.3	57.1	57.8	58.1	57.9	57.3	58.0	55.2	55.8	54.6	52.8
PMI services (index)	53.2	53.2	34.5	13.4	29.0	47.1	56.5	58.8	56.1	51.4	47.6	49.4	39.5	49.5	56.3	61.0	62.9	62.4	59.6	55.0	55.4	59.1	58.5	53.6	54.1	60.5	62.6	58.9	53.4	54.3
ILO Unemployment rate (%)	3.9	4.0	4.0	4.1	4.1	4.1	4.3	4.6	4.9	5.1	5.1	5.2	5.1	5.1	4.9	4.9	4.9	4.7	4.6	4.4	4.3	4.2	4.1	4.0	4.0	3.8	3.7	3.8		
Jobless claims change ('000)	-0.2	5.9	5.4	1032.7	566.4	-68.5	69.9	39.5	-40.2	-64.1	38.1	-20.4	-20.8	67.3	-19.4	-55.8	-151.4	-136.1	-48.9	-88.0	-85.9	-58.5	-95.1	-51.6	-55.1	-58.0	-81.6	-65.5	-19.7	
GfK consumer confidence (index)	-9	-7	-9	-34	-34	-30	-27	-27	-25	-31	-33	-26	-28	-23	-16	-15	-9	-9	-7	-8	-13	-17	-14	-15	-19	-26	-31	-38	-40	-41
Nationwide house prices (% MOM)	0.8	0.1	0.8	1.0	-1.7	-1.6	2.0	1.8	1.2	0.9	0.9	0.9	0.0	0.5	-0.4	2.4	1.7	0.7	-0.5	2.1	0.3	0.8	1.0	1.2	0.9	1.7	1.1	0.4	0.9	0.3
Mortgage approvals ('000)	68.5	72.2	56.4	15.9	9.3	40.7	68.7	87.5	93.4	99.3	105.0	100.1	95.3	86.0	81.5	85.7	86.5	80.5	76.2	74.3	72.4	67.7	67.6	70.2	73.2	70.2	69.5	66.0	66.2	
Core CPI	1.6	1.7	1.6	1.4	1.2	1.4	1.8	0.9	1.3	1.5	1.1	1.4	1.4	0.9	1.1	1.3	2.0	2.3	1.8	3.1	2.9	3.4	4.0	4.2	4.4	5.2	5.7	6.2	5.9	
CPI	1.8	1.7	1.5	0.8	0.5	0.6	1.0	0.2	0.5	0.7	0.3	0.6	0.7	0.4	0.7	1.5	2.1	2.5	2.0	3.2	3.1	4.2	5.1	5.4	5.5	6.2	7.0	9.0	9.1	
PPI	0.8	0.5	-0.2	-1.7	-2.3	-1.6	-1.7	-1.7	-1.7	-1.4	-0.6	-0.3	0.3	1.1	1.9	3.5	4.4	4.6	5.4	6.1	7.0	8.7	9.4	9.5	10.0	10.3	12.0	14.7	15.7	

Note: Figures are %YOY unless otherwise stated

Outline-FX

Outlook

EUR	+	EUR To recoup lost ground in 4Q22 and 1Q23 amid ECB's hawkish shift; offsetting weaknesses caused by growth concerns in 2Q and 3Q
GBP	+	BOE nearing end of tightening cycle
AUD, NZD, CAD	+	Influenced by commodity price movement, China growth story, and respective policy expectations
JPY	+	Fed-BOJ policy divergence weighing on JPY, countered by safe haven bids
MYR	+	Sustained growth outlook which offer room for further policy normalization
SGD	+	Supported by positive growth outlook and expectations for MAS gradual appreciation policy
CNY	+	Slight positive as the economy shrugs off Covid uncertainties and recovers from slowdown concerns
USD	-	USD to lose its luster towards end-2022 as the Fed's policy normalizing cycle draws to a close; risks of economic fallout from earlier rapid policy moves

FX Forecasts

	30-Jun	Q3-22	Q4-22	Q1-23	Q2-23
DXY	104.69	106.00	105.00	103.00	102.00
USD/CAD	1.29	1.31	1.30	1.28	1.28
EUR/USD	1.05	1.02	1.03	1.05	1.04
GBP/USD	1.22	1.21	1.22	1.24	1.23
USD/CHF	0.96	0.98	0.97	0.96	0.95
AUD/USD	0.69	0.67	0.69	0.70	0.70
NZD/USD	0.62	0.60	0.62	0.63	0.63
USD/JPY	136	138	135	133	132
USD/MYR	4.41	4.42	4.40	4.38	4.35
USD/SGD	1.39	1.40	1.38	1.37	1.36
USD/CNY	6.70	6.72	6.70	6.68	6.67

Outline-Fixed income

Sovereigns – uncertainty surrounding the impact of QT, impact of aggressive rate hike exercise on the economy

	CURRENT	3Q2022
UST 10Y	2.93%	2.95-3.15%
MGS 10Y	4.13%	4.30-4.50%
SGS 10Y	2.83%	2.85-3.05%

UST Yields to resume upward trajectory in view of Fed’s rate normalization exercise (50-75bps hike each in Jul/ Sept)
Risk – softer inflation, manufacturing and job numbers

MGS Slight correlation to USTs
Higher OPR projection
Support from depth and demand from local investment institutions

SGS Higher yields in view of prominent inflation that may prompt further policy tightening by MAS

Outline- Equity themes and outlooks

- **Key themes:** Inflation and recessionary concerns are likely to remain in 2H22, while in ASEAN and China, reopening and domestic consumption plays are on the cards as China Covid-19 restrictions will likely to ease, and China fiscal policy push will likely benefit construction materials sectors. In addition, the supply-demand deficit in Oil & Gas will likely accelerate investment in green and alternative energy
- **Most Preferred sectors:** CN and SG Domestic consumers, CN Construction, Pharmaceuticals , CN Insurance, CN banks, Consumer staples, and CN insurance
- **Turning positive:** CN Tech on clarity of regulations. And also turning positive on CN consumer discretionary on recovery of consumption post Covid-19 restriction relaxation
- **Least Preferred Sectors:** US Technology and Communication Services, particularly FANMAG stocks (Facebook, Apple, Netflix, Microsoft, Amazon, Google (Alphabet)) as earnings growth are projected to slow after decades of growth, and valuation is still above S&P 500

Country Heatmap- Valuation, earnings revision strength and scoring

Ticker	Country	Price performance			Consensus EPS growth			Trend and Cycle in EPS			Consensus EPS momentum strength			Valuation			Scoring
		1M%	6M%	YTD	2021 vs 2020	2022 vs 2021	2023 vs 2022	Estimated Trend Growth	Current EPS vs Trend	Estimated 1 yr chg in Fwd EPS	Revision vs Benchmark	EPS Revision Strength	Estimated Valuation Re-rating	Current Fwd P/E	Trend Fwd P/E	Trend Fwd P/E (xSD)	
MXCN Index	CH	(1%)	(16%)	(13%)	4%	2%	16%	4.5%	(2%)	4%	3.0	4.0	18%	12.4	12.7	(0.1)	0.94
KOSPI Index	SK	(11%)	(22%)	(22%)	101%	0%	14%	5.0%	(4%)	18%	2.0	2.0	36%	9.6	11.3	(0.8)	0.93
BSE500 Index	India	1%	(11%)	(7%)	80%	18%	19%	7.8%	10%	(8%)	4.0	6.0	(27%)	19.2	17.7	0.4	0.84
PCOMP Index	PH	(3%)	(11%)	(10%)	50%	20%	21%	2.5%	17%	(5%)	2.0	2.0	(3%)	15.6	16.5	(0.3)	0.69
SIMSCI Index	SG	(1%)	(16%)	(14%)	95%	(19%)	23%	0.3%	(19%)	(0%)	1.0	0.0	(15%)	17.4	14.3	1.7	0.50
HSCI Index	HK	(4%)	(14%)	(11%)	16%	(13%)	16%	3.7%	(16%)	9%	(1.0)	(4.0)	31%	10.4	12.7	(0.8)	0.50
FBM100 Index	MY	(5%)	(9%)	(9%)	73%	13%	11%	2.8%	10%	(6%)	0.0	(2.0)	9%	13.7	16.0	(1.3)	0.48
SXXP Index	EU	(2%)	(12%)	(13%)	219%	26%	4%	0.5%	25%	(3%)	0.0	(2.0)	22%	11.8	14.1	(0.9)	0.47
VNINDEX Index	VN	(9%)	(22%)	(22%)	35%	20%	19%	7.4%	12%	(8%)	(1.0)	(4.0)	26%	11.2	14.7	(1.3)	0.42
MCX Index	UK	(4%)	(17%)	(19%)	284%	65%	34%	0.6%	64%	(25%)	(1.0)	(4.0)	11%	13.4	18.1	(0.2)	0.25
MXUS Index	US	(1%)	(19%)	(20%)	92%	19%	9%	6.1%	13%	(1%)	(1.0)	(4.0)	(14%)	17.1	16.8	0.1	0.20
SET Index	TH	(5%)	(6%)	(5%)	146%	3%	10%	6.5%	(4%)	23%	(2.0)	(6.0)	(5%)	15.9	14.1	0.5	0.17
JCI Index	Indo	(5%)	3%	5%	166%	35%	(5%)	6.9%	26%	12%	(2.0)	(6.0)	(0%)	15.1	15.2	(0.1)	0.09
TPX Index	JP	(3%)	(5%)	(4%)	109%	11%	6%	5.2%	5%	(0%)	(3.0)	(8.0)	20%	12.1	18.2	(0.4)	0.08
TWSE Index	TW	(13%)	(22%)	(21%)	75%	10%	(2%)	7.3%	2%	14%	(4.0)	(10.0)	36%	9.6	14.8	(1.7)	0.07
AS51 Index	Aust	(5%)	(9%)	(9%)	202%	31%	5%	0.8%	30%	(4%)	(3.0)	(8.0)	16%	12.7	15.5	(1.3)	0.04

Source: Bloomberg, HLBS Research

- ☐ **Bullish:** we remain bullish China and Hong Kong equities as the valuation is among the cheapest compared to the rest of the world, and the earnings revisions is among the strongest relative to the world
- ☐ **Positive:** We are also constructive on ASEAN equities, namely Malaysia, Vietnam, Philippines, and Singapore
- ☐ **Neutral to Positive:** In terms of valuation, South Korea are turning more attractive but we remain neutral to these two regions as they have high exposure to technology and there is downside risk to its earnings
- ☐ **Bearish:** We remain bearish in U.S as valuation is still relatively high compared to other region despite being down -21% YTD with possible risk to earnings downgrade as the U.S earnings is losing revision momentum and many of companies are guiding weaker earnings guidance for this year, especially the heavily weight tech names

Note: Trend and Cycle in EPS: 1. Estimated Trend Growth- CAGR growth over 14 years adjusted by cyclical of growth for past 14 years, Current EPS vs Trend: Current consensus EPS vs EPS estimated by trend growth, Revision vs benchmark: the consensus EPS revision vs the MSCI world revision, EPS revision strength: the rate of change of the EPS revision over past 1 year, Trend Fwd P/E- Average Fwd P/E over the past 20 years adjusted for cyclical, Scoring: we take the following metrics to score: 1) 2023 vs 2022 growth, 2) Current EPS vs Trend, 3) Estimated 1 yr chg in Fwd EPS, 4) Revision vs Benchmark, 5) EPS Revision Strength, 6) Estimated valuation re-rating, 7) Current Fwd P/E, and 8) Trend P/E (xSD). The scoring is arrive by Comparing the individual metric to max and min in comparison range and we get average of individual Scoring to get the final scoring

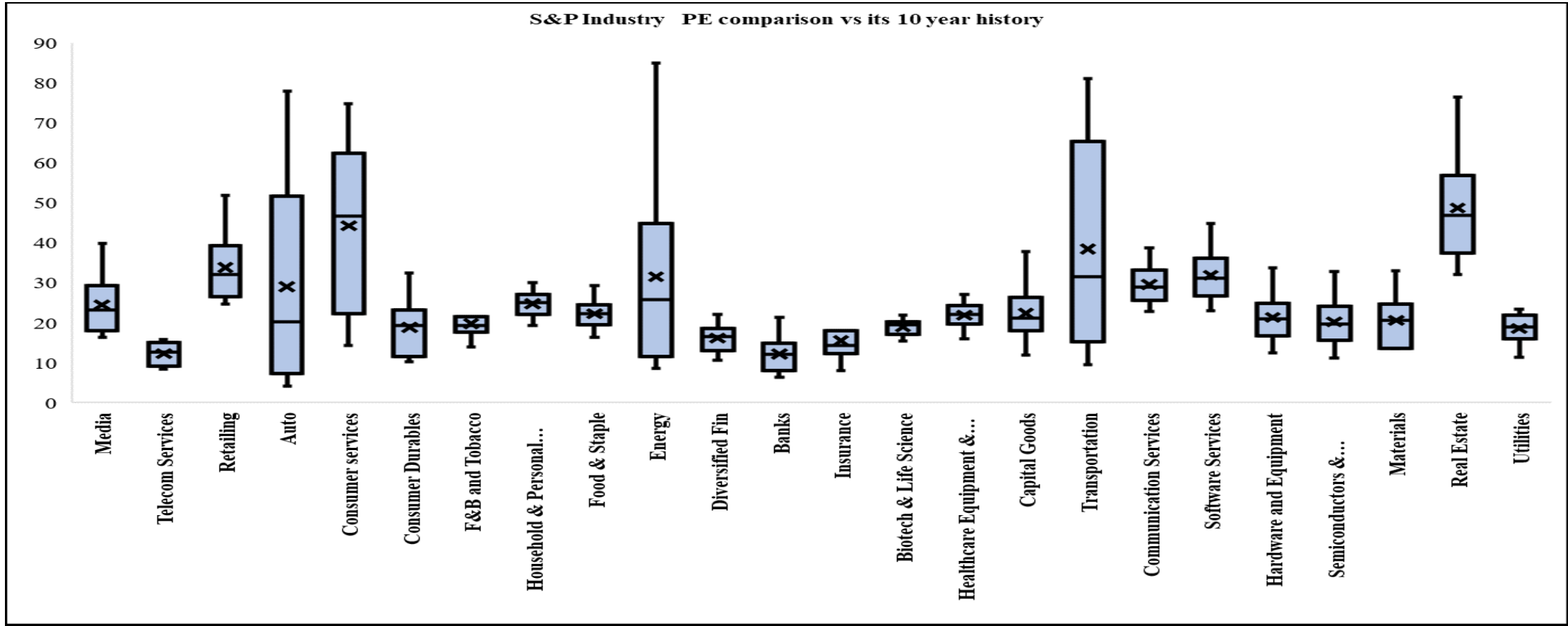
US sector Heatmap- Valuation, earnings revision strength and scoring

Ticker	Country	Price performance			Consensus EPS growth			Trend and Cycle in EPS			Consensus EPS momentum strength			Valuation			Scoring
		1M%	6M%	YTD	2021 vs 2020	2022 vs 2021	2023 vs 2022	Estimated Trend Growth	Current EPS vs Trend	Estimated 1 yr chg in Fwd EPS	Revision vs Benchmark	EPS Revision Strength	Estimated Valuation Re-rating	Current Fwd P/E	Trend Fwd P/E	Trend Fwd P/E (xSD)	
SSTLSX Index	Telecom Services	5%	1%	7%	291%	(5%)	4%	3.2%	(8%)	19%	1.6	6.0	39%	10.2	13.8	(1.3)	0.84
S5CODU Index	Consumer Durables	1%	(27%)	(33%)	158%	18%	2%	11.5%	5%	10%	1.2	2.0	36%	10.6	18.7	(1.7)	0.75
S5DIVF Index	Diversified Fin	1%	(22%)	(20%)	35%	(14%)	12%	2.0%	(16%)	18%	1.4	4.0	9%	15.1	19.3	(0.1)	0.72
S5MATRX Index	Materials	(7%)	(18%)	(19%)	208%	22%	(6%)	6.2%	15%	13%	1.2	2.0	27%	12.1	17.4	(1.2)	0.72
S5PHRM Index	Biotech & Life Science	7%	0%	(5%)	108%	28%	(6%)	8.3%	18%	18%	1.4	4.0	15%	14.1	14.6	(0.2)	0.71
S5HCES Index	Healthcare Equipment & Services	5%	(10%)	(14%)	63%	11%	10%	10.0%	1%	0%	1.4	4.0	(11%)	18.5	16.6	0.6	0.63
S5BANKX Index	Banks	(0%)	(31%)	(25%)	94%	(17%)	15%	6.0%	(22%)	18%	0.6	(4.0)	43%	9.5	23.0	(0.2)	0.63
S5RETL Index	Retailing	6%	(26%)	(30%)	48%	(2%)	29%	10.8%	(12%)	(6%)	1.6	6.0	(55%)	25.8	22.8	0.5	0.63
S5TRAN Index	Transportation	(1%)	(17%)	(19%)	188%	131%	23%	4.1%	122%	(15%)	1.2	2.0	9%	15.1	58.1	(0.1)	0.62
S5FDBT Index	F&B and Tobacco	3%	(2%)	2%	33%	3%	7%	6.9%	(4%)	6%	1.2	2.0	(14%)	19.0	17.8	0.5	0.60
S5CPGS Index	Capital Goods	(3%)	(19%)	(18%)	66%	22%	18%	3.3%	18%	(10%)	1.0	0.0	(4%)	17.2	17.1	0.0	0.58
S5MEDA Index	Media	2%	(32%)	(34%)	61%	15%	18%	9.6%	5%	(6%)	0.6	(4.0)	2%	16.3	18.2	(0.3)	0.53
S5UTILX Index	Utilities	6%	2%	(1%)	24%	8%	7%	2.5%	5%	4%	1.0	0.0	(20%)	20.0	16.1	1.6	0.51
S5TECH Index	Hardware and Equipment	7%	(18%)	(20%)	61%	8%	7%	14.6%	(6%)	21%	0.6	(4.0)	(24%)	20.5	16.0	0.9	0.49
S5ENRSX Index	Energy	(18%)	9%	26%	172%	121%	(11%)	(1.1%)	124%	11%	0.0	(10.0)	56%	7.3	23.4	(0.6)	0.48
S5AUCO Index	Auto	5%	(36%)	(35%)	184%	31%	17%	(70.8%)	349%	(27%)	1.2	2.0	(47%)	24.5	39.1	(0.1)	0.47
S5HOTR Index	Consumer services	1%	(20%)	(24%)	110%	646%	94%	(9.2%)	721%	(53%)	1.8	8.0	(120%)	36.5	75.8	(0.1)	0.47
S5HOUS Index	Household & Personal Product	8%	(9%)	(12%)	4%	5%	10%	4.2%	1%	(4%)	1.0	0.0	(49%)	24.8	20.3	1.4	0.47
S5COMS Index	Communication Services	5%	(9%)	(16%)	41%	30%	10%	1.9%	27%	(6%)	0.8	(2.0)	(42%)	23.6	19.9	0.8	0.45
S5INSU Index	Insurance	1%	(6%)	(4%)	60%	3%	17%	0.3%	3%	(15%)	0.4	(6.0)	18%	13.6	11.6	1.2	0.45
S5SSEQX Index	Semiconductors & Equipment	(3%)	(33%)	(35%)	41%	32%	5%	15.0%	15%	10%	0.0	(10.0)	13%	14.5	20.6	(0.3)	0.45
S5SFTW Index	Software Services	2%	(20%)	(25%)	19%	31%	16%	11.3%	18%	0%	0.6	(4.0)	(43%)	23.8	20.8	0.5	0.44
S5FDSR Index	Food & Staple	5%	(7%)	(11%)	35%	8%	7%	6.5%	1%	1%	0.6	(4.0)	(29%)	21.5	17.6	1.2	0.43
S5REAL Index	Real Estate	6%	(14%)	(20%)	22%	23%	6%	1.2%	21%	3%	0.4	(6.0)	(110%)	34.8	40.1	(0.6)	0.35

Source: Bloomberg, HLBS Research

- ☐ **Bullish:** We remain positive for defensive sectors such as **F&B and Tobacco** ,and **Telecom services** sectors due to **relative strength in earnings revision and relative cheapness of valuation**
- ☐ **Neutral turning Positive:** While market has sold off Banks, Diversified Financial due to recession fears, we think that much of negatives have been priced in and the **valuation remain relatively cheap for these 2 sectors while the earning reversion still remain resilient vs other sectors**
- ☐ **Bearish:** We remain negative on **Technology and Communication services** sectors as earnings major players have revised their outlook and it is still trading at relatively high valuation

US Sector Valuation comparison



Source: Bloomberg, HLBS Research

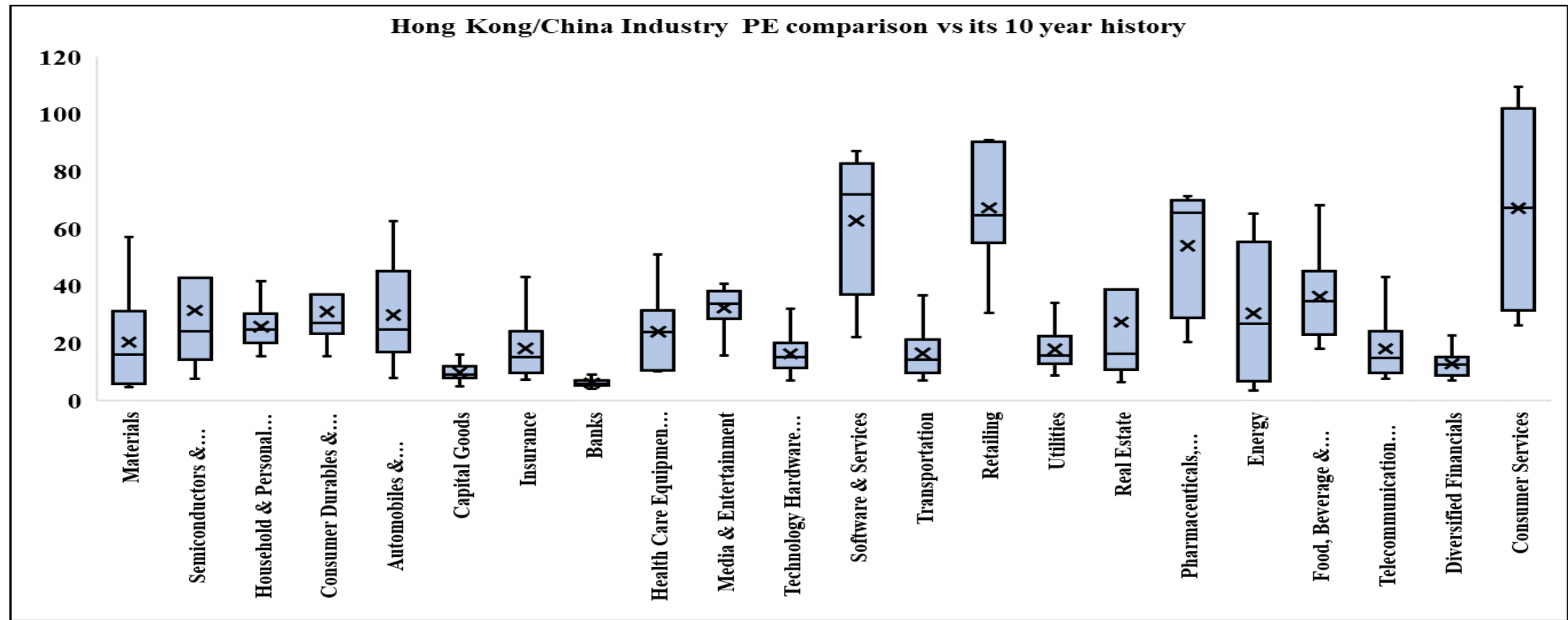
x 10 year mean
— Current PE

China sector Heatmap- Valuation, earnings revision strength and scoring

Ticker	Country	Price performance			Consensus EPS growth			Trend and Cycle in EPS			Consensus EPS momentum strength			Valuation			Scoring
		1M%	6M%	YTD	2021 vs 2020	2022 vs 2021	2023 vs 2022	Estimated Trend Growth	Current EPS vs Trend	Estimated 1 yr chg in Fwd EPS	Revision vs Benchmark	EPS Revision Strength	Estimated Valuation Re-rating	Current Fwd P/E	Trend Fwd P/E	Trend Fwd P/E (xSD)	
SH000914 Index	Financial	(3%)	(11%)	(12%)	2%	9%	14%	11.0%	(2%)	8%	1.8	8.0	60%	6.6	10.2	(0.6)	0.85
SH000916 Index	Telecom	(3%)	(22%)	(25%)	31%	17%	19%	13.2%	3%	28%	1.4	4.0	7%	15.4	25.9	(1.4)	0.81
SH000908 Index	Energy	(9%)	28%	30%	79%	26%	(3%)	0.9%	25%	29%	1.2	2.0	54%	7.6	16.0	(1.1)	0.75
SH000915 Index	IT	(1%)	(26%)	(31%)	53%	(7%)	28%	6.5%	(13%)	10%	1.4	4.0	(37%)	22.7	30.0	(1.0)	0.72
SH000909 Index	Materials	(3%)	(6%)	(9%)	60%	24%	13%	5.8%	18%	0%	1.4	4.0	32%	11.2	20.4	(1.2)	0.72
SH000911 Index	Consumer Discretionary	4%	(4%)	(7%)	(21%)	57%	18%	7.7%	45%	0%	1.4	4.0	(10%)	18.3	16.8	0.2	0.57
SH000917 Index	Utilities	4%	6%	(0%)	(37%)	74%	12%	(1.8%)	77%	(5%)	1.2	2.0	(1%)	16.8	16.9	(0.0)	0.48
SH000910 Index	Industrial	10%	(2%)	(7%)	(8%)	29%	16%	2.0%	26%	(2%)	0.8	(2.0)	(14%)	18.9	16.2	0.4	0.46
SH000912 Index	Consumer Staple	7%	2%	(5%)	(48%)	75%	51%	17.8%	49%	(11%)	1.6	6.0	(128%)	37.9	24.9	1.2	0.44
SH000913 Index	Healthcare	12%	(9%)	(14%)	16%	6%	21%	6.8%	(0%)	(2%)	0.8	(2.0)	(101%)	33.3	28.4	0.6	0.38

- ❑ **Bullish:** We are positive for **China Financial sectors** as we believe that the China reopening is likely benefit from recovery of the economic, while it is trading at **relatively cheap valuation**
- ❑ **Neutral turning Positive:** We turned constructive on **IT sector as clarity on regulation likely add further upside to earnings and valuations**. We are also positive in **Materials sectors in China as infrastructure** push in China likely improve the demand in construction materials.

Hong Kong/China Sector Valuation comparison



Source: Bloomberg, HLBS Research

x 10 year mean
 — Current PE

Thailand sector heatmap

Ticker	Country	Price performance			Consensus EPS growth			Trend and Cycle in EPS			Consensus EPS momentum strength			Valuation			Scoring
		1M%	6M%	YTD	2021 vs 2020	2022 vs 2021	2023 vs 2022	Estimated Trend Growth	Current EPS vs Trend	Estimated 1 yr chg in Fwd EPS	Revision vs Benchmark	EPS Revision Strength	Estimated Valuation Re-rating	Current Fwd P/E	Trend Fwd P/E	Trend Fwd P/E (xSD)	
SETBANK Index	Banks	(5%)	(13%)	(11%)	30%	0%	10%	24.9%	(20%)	40%	1.4	4.0	51%	8.3	11.4	(0.5)	0.72
SETAGRI Index	Agribusiness	(10%)	(16%)	(13%)	64%	(43%)	10%	25.5%	(55%)	52%	1.2	2.0	54%	7.8	11.2	(0.8)	0.71
SETCONMT Index	Construction Mat	1%	(5%)	(3%)	40%	(17%)	15%	6.1%	(21%)	28%	1.2	2.0	26%	12.4	12.6	(0.1)	0.64
SETFIN Index	Finance	(12%)	(18%)	(17%)	16%	15%	18%	12.1%	3%	30%	1.4	4.0	3%	16.2	14.1	0.5	0.64
SETAUTO Index	Automotive	(8%)	(11%)	(9%)	138%	51%	14%	4.2%	45%	57%	0.8	(2.0)	54%	7.7	11.4	(0.5)	0.63
SETCOMUN Index	IT	(10%)	(8%)	(8%)	(5%)	12%	15%	4.3%	7%	11%	1.6	6.0	(29%)	21.7	17.9	1.2	0.61
SETENTER Index	Media	(15%)	(21%)	(18%)	376%	13%	29%	7.3%	5%	37%	1.4	4.0	(64%)	27.6	29.5	(0.1)	0.61
SETPAPER Index	Paper	(5%)	(6%)	(9%)	(10%)	12%	10%	40.6%	(20%)	59%	0.8	(2.0)	38%	10.4	10.2	0.0	0.60
SETPETRO Index	Petrochemical	(9%)	(14%)	(7%)	942%	(16%)	1%	9.5%	(23%)	73%	0.4	(6.0)	54%	7.8	11.7	(0.5)	0.57
SETETRON Index	Electronic component	(3%)	(27%)	(26%)	21%	29%	23%	4.7%	23%	(6%)	1.8	8.0	(94%)	32.7	15.7	1.3	0.57
SETPROP Index	Property	(3%)	(1%)	(2%)	34%	37%	13%	(4.5%)	44%	1%	1.0	0.0	7%	15.7	14.1	0.5	0.54
SETFOOD Index	F&B	(2%)	(3%)	(1%)	(15%)	72%	27%	4.5%	64%	(3%)	1.2	2.0	(31%)	22.0	17.7	0.6	0.53
SETENERG Index	Energy & Utilities	(6%)	(4%)	(1%)	206%	12%	(3%)	3.8%	8%	49%	0.4	(6.0)	34%	11.1	11.6	(0.1)	0.51
SETPKG Index	Packaging	(5%)	(15%)	(18%)	3%	6%	15%	11.9%	(5%)	26%	1.0	0.0	(14%)	19.1	9.7	2.0	0.49
SETTRANS Index	Transporation	0%	7%	7%	130%	(99%)	4634%	66.2%	(100%)	(67%)	1.4	4.0	(236%)	56.5	31.7	0.5	0.47
SETIMM Index	Industrial Mat	(10%)	(8%)	(10%)	54%	55%	26%	(8.2%)	69%	(9%)	0.6	(4.0)	8%	15.4	14.7	0.0	0.47
SETCOM Index	Commerce	(6%)	(5%)	(6%)	19%	(1%)	30%	13.3%	(13%)	1%	1.0	0.0	(81%)	30.4	24.5	0.7	0.46
SETHELTH Index	Healthcare	7%	22%	20%	177%	(28%)	(11%)	17.3%	(38%)	73%	0.4	(6.0)	(92%)	32.3	30.2	0.2	0.42
SETPROF Index	Professional Svcs	(11%)	(11%)	(7%)	102%	33%	46%	19.5%	11%	71%	0.6	(4.0)	(198%)	50.1	24.0	1.5	0.31
SETINS Index	Insurance	(5%)	(10%)	(5%)	(93%)	1496%	33%	(10.8%)	1689%	(23%)	0.0	(10.0)	(6%)	17.8	34.4	(0.2)	0.23
SETHOT Index	Hospitality	(4%)	14%	16%	110%	(212%)	297%	(0.8%)	(213%)	(15%)	0.6	(4.0)	(197%)	50.0	29.8	2.7	0.22

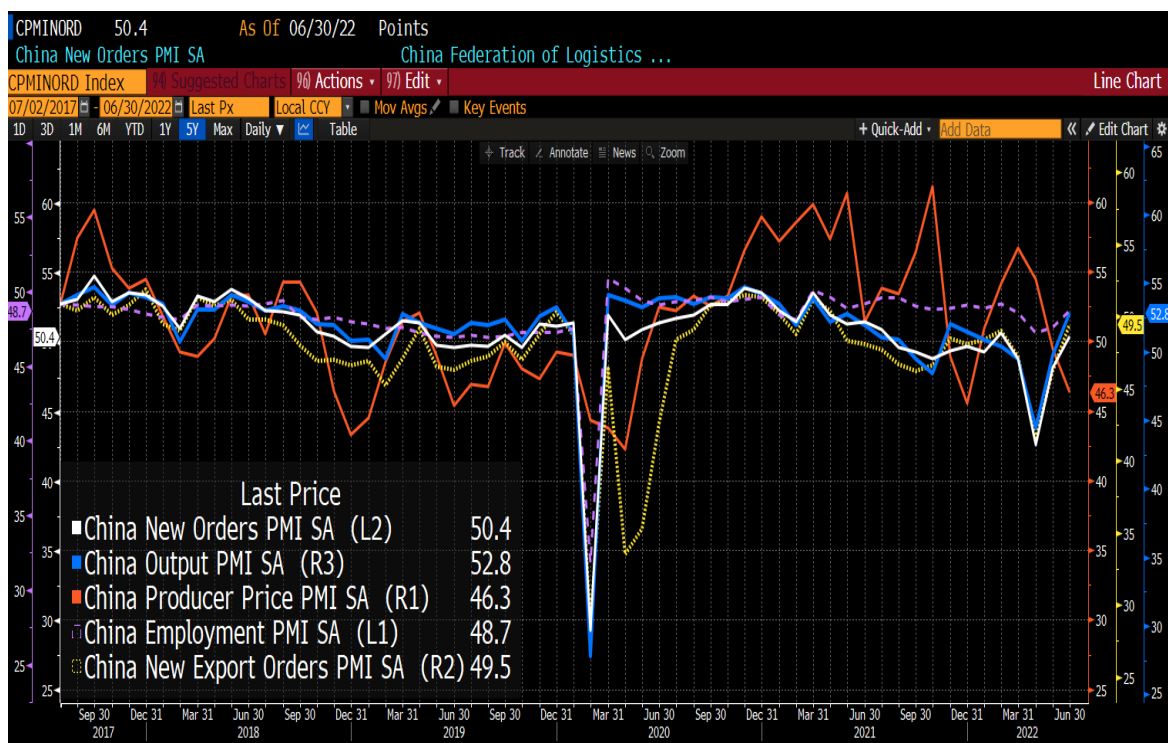
Source: Bloomberg, HLBS Research

Key Investment Themes

Theme 1- Fiscal policy, Covid-19 restrictions relaxation and clarity on regulation present opportunities for Chinese Equities

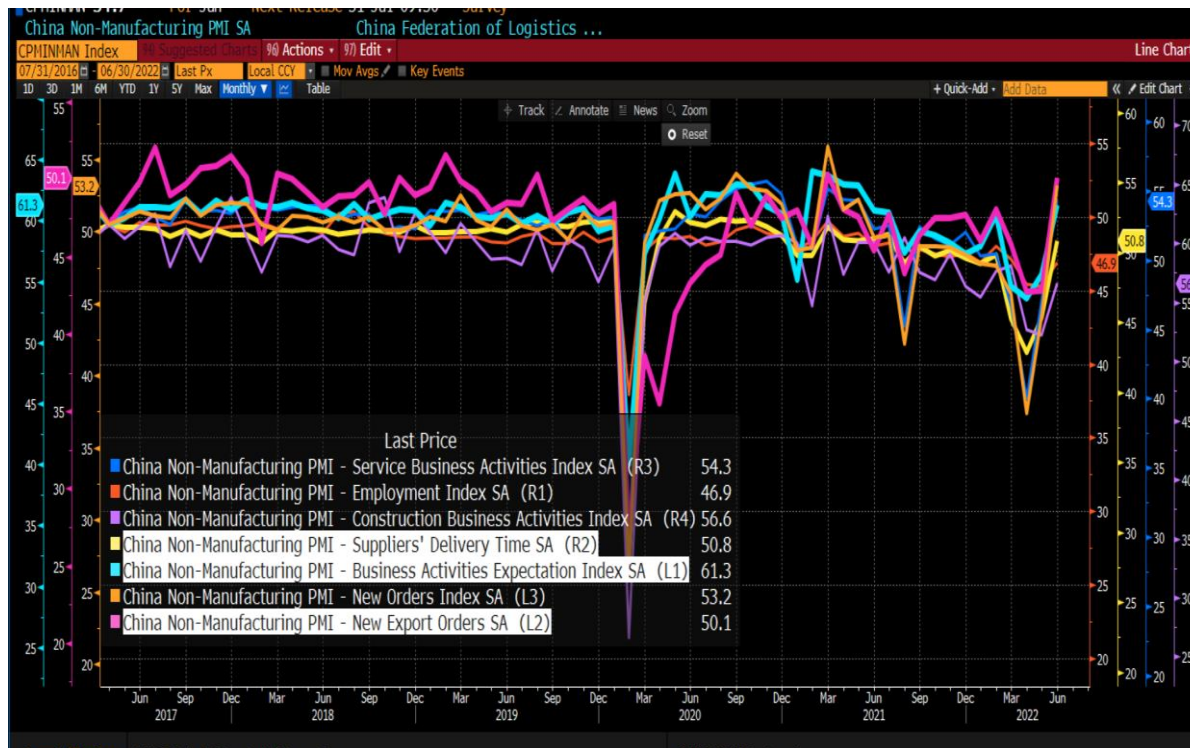
- ❑ China manufacturing PMI has rebounded into expansionary territory (above 50) in June after 3 months of contractionary PMI
- ❑ China manufacturing PMI recovery in June was led by increased in Output and new orders, **which reflects recovery in demand of goods**
- ❑ Similarly, China Non-Manufacturing PMI has recovered strongly to 54.3 **strongly beating the consensus of 50.3 in June**
- ❑ The recovery of China Non-Manufacturing PMI in Jun was led by Construction business and Business activities expectations, **which implies that that the business outlook will likely continue to improve in the coming months**

China Manufacturing PMI recovery led by New orders and output, signaling that Chinese's demand for goods are improving



Source: Bloomberg

China Non- Manufacturing PMI Recovery has been led by Business activities expectation, New Orders and Constructions business



Source: Bloomberg

Theme 1- Covid-19 restrictions relaxation, Fiscal policy, and clarity on regulation present opportunities for Chinese Equities

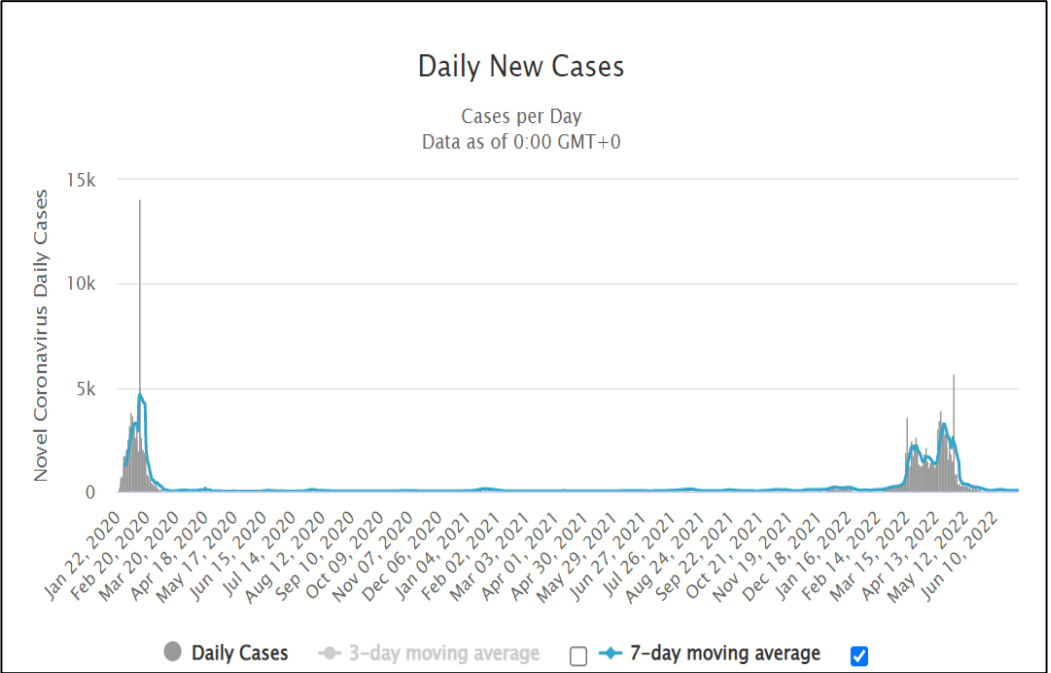
- ❑ China has made a huge step forward in slashing its quarantine period for travelers from 21 days to 10 days
- ❑ This allows businesses and capital to flow more easily given that international travelers are able to enter into China more easily
- ❑ While China and Hong Kong border restriction are relatively stricter compared to the rest of the world, **this also implies that there is further room for China and Hong Kong border restriction to continue to relax should the Covid-19 situation improve**
- ❑ **We believe that the worst of China Covid-19 lockdown has passed**, with daily new cases continue to trend down
- ❑ While market may still worry about surge of cases in key cities like Shanghai and Beijing, **we believe the China is better prepared for subsequent wave of infection given that it has implemented vaccine mandate and significantly its testing abilities**

China has made a huge step forward in the quarantine requirement for international travelers, while there is still room for more restrictions to be lifted

Key Quarantine period comparison		
Country/ Area	Old Covid rules	New Covid rules
China	1. Maximum of 21 days of isolation in the past	1. Reduce the quarantine time to 10 days 2. 7 days at facility, 3 days Self quarantine
Hong Kong*	1. 7 days at hotel quarantine	1. 5 days at hotel quarantine, 2 days at home
Singapore	1. No quarantine or SNH required for "Fully Vaccinated" Travellers 2. Pre-departue test required within 2 days before departure	1. No quarantine and no Pre-Departure Test required as long as "Fully Vaccinated" Travellers
Thailand	1. Travellers need to apply "Thailand Pass" 2. No Pre-departure Test required for "Fully Vaccinated" Travellers 3. Pre-departure Test required for Unvaccinated 4. Travel insurance with coverage of >US\$10,000 required	1.No longer required to apply "Thailand Pass" 2. No Pre-departure Test required for "Fully Vaccinated" Travellers 3. Unvaccinated can enter arrive without pre-departure test and will take one immediately upon arrival 4. No travel insurance required
United States	1.Requires all travelers to test negative bfore flying to US	1. No quarantine and no Pre-Departure Test required as long as "Fully Vaccinated" Travellers but recomened to do self-test 3 days before travel 2. Travellers with the vaccines not updated will be recommnded to stay home and self-quarantine

Source: Various Foreign Ministries, HLBS Research
*Hong Kong restriction still under review

China Daily new Cases has hit a new low in 2022, opening up for reopening

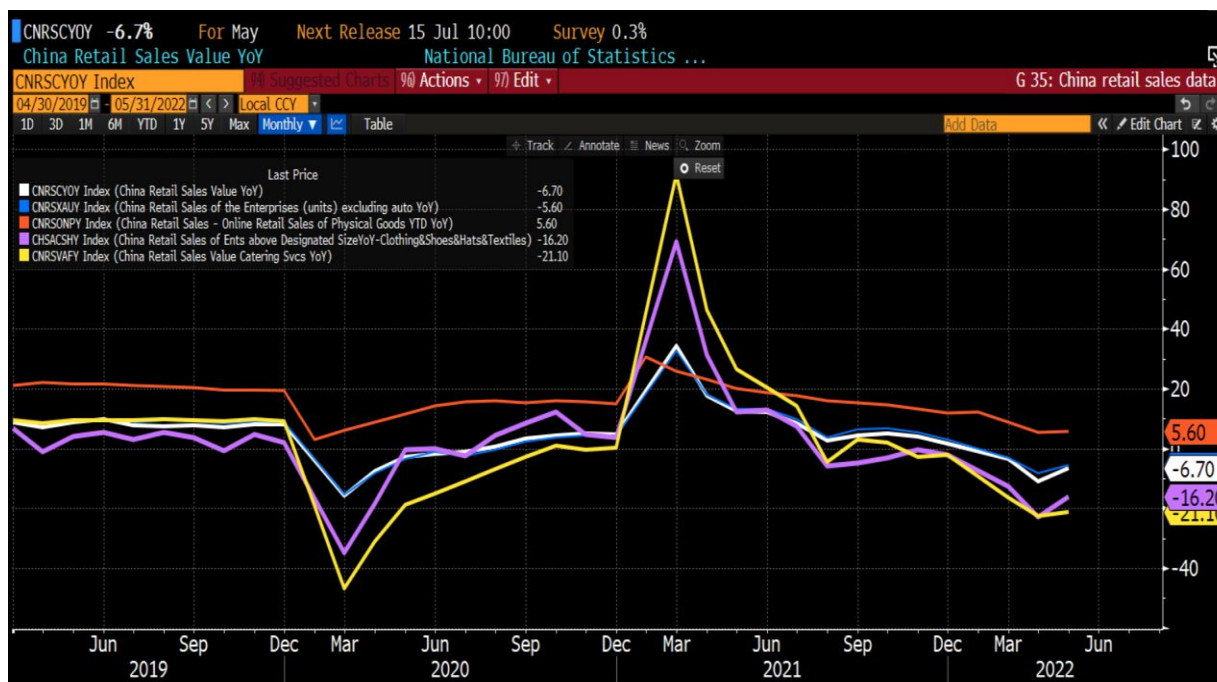


Source: Worldometer

Theme 1- Covid-19 restrictions relaxation, Fiscal policy, and clarity on regulation present opportunities for Chinese Equities

- ❑ Using the data in 2020, China retail sales continued recovery from Apr 2020 to Dec 2020 and posted a strong year on year growth in Jan 2021- Mar 2021, **due to strong demand and low base**
- ❑ The Covid lockdown in 2022 has similar timeline compared to Covid lockdown in 2020, **hence we believe that China retail sales could be on recovery and growth mode for the next 1 year**
- ❑ In addition, with PBOC continue to encourage lending to support business to recover from lockdown, and also with the 20th Party Congress upcoming, **Credit impulse in China is expected to improve and this could likely be positive for the stock market return as Credit impulse traditionally have led the stock market by about 3-6 months.**

China Retail sales likely recover strongly after the reopening



Source: Bloomberg

China credit impulse likely improve and it has led stock market performance in previous cycles

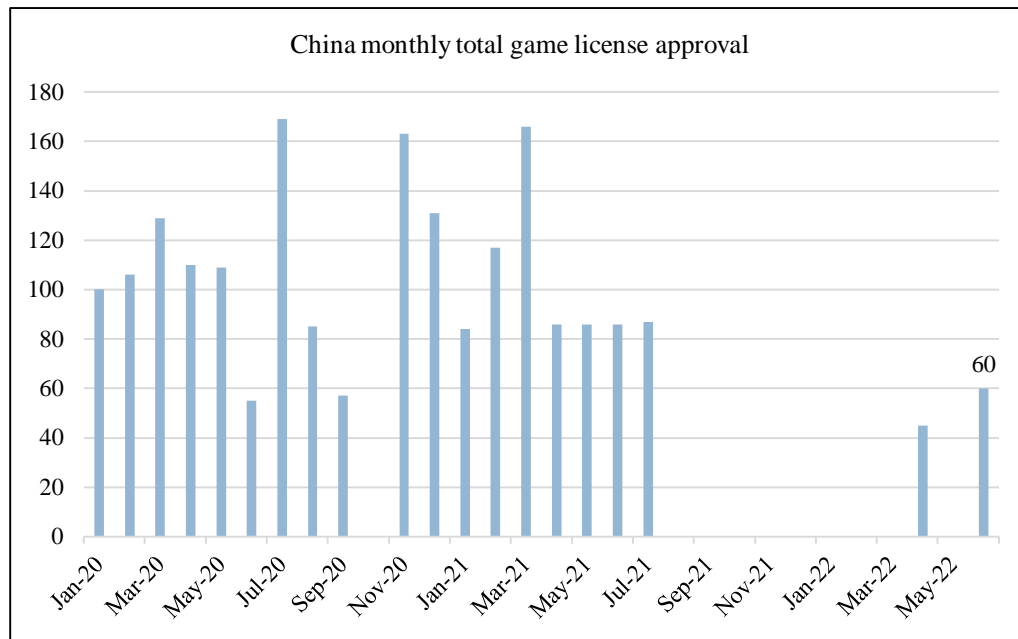


Source: Bloomberg

Theme 1- Covid-19 restrictions relaxation, Fiscal policy, and clarity on regulation present opportunities for Chinese Equities

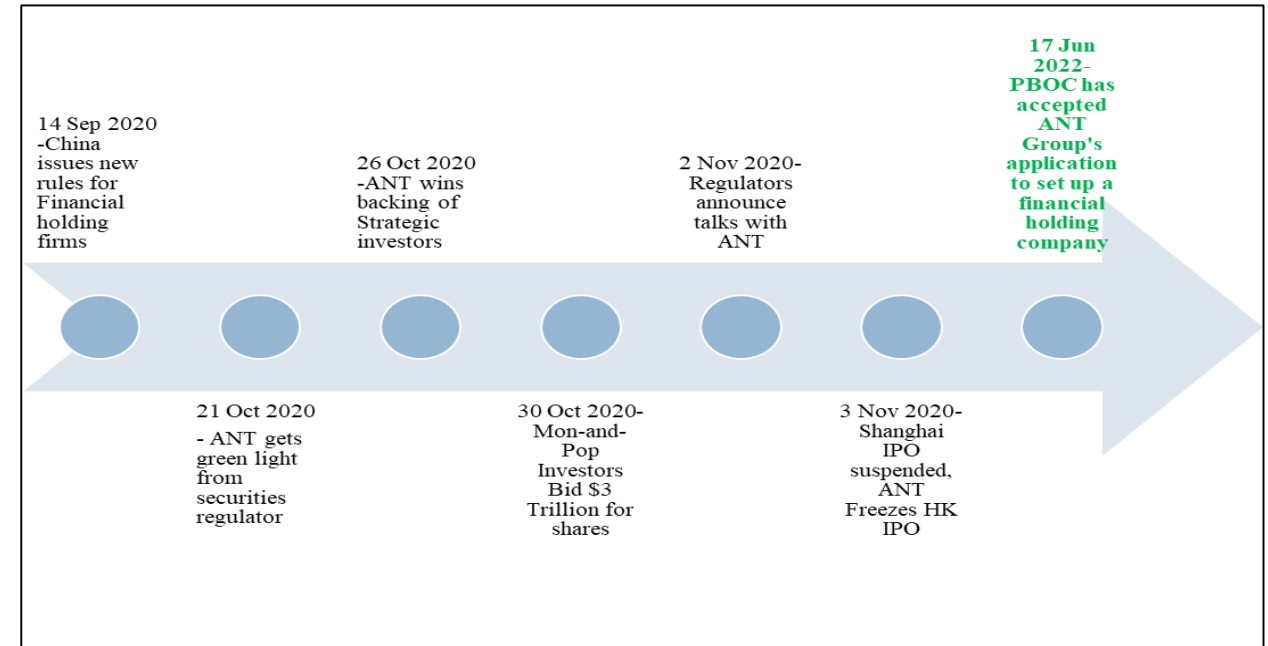
- ❑ On top of the China relaxation of Covid-19 restriction, China is also relaxing their crackdown on sectors like Tech and property
- ❑ For most part of 2021, China Technology has **underperformed the general market** as **Chinese government have increased their regulation oversight on areas like game license approval, China tech acquisition, China tech IPO, and etc**
- ❑ As China continue to recover from Covid-19 situation and with China still sticking to its GDP target of 5.5%, China is relaxing their regulation on Tech sector by **restarting game license approval and approving key IPO such as ANT financial**
- ❑ **With the shift in the policy stance, we believe that China Tech share could likely continue to normalize as regulation overhang have been removed**

China Gaming approval jump to the highest since July 2021



Source: China National Press and Public Administration, HLBS Research

Timeline of ANT Financial IPO Saga



Source: Bloomberg

Theme 1- Covid-19 restrictions relaxation, Fiscal policy, and clarity on regulation present opportunities for Chinese Equities

- ❑ To boost the economy in order to help with its economy recovery from the Covid-19 lockdown, China has boosted its general budget expenditure to be higher than 2021 and 2020 to about RMB 26.7 trillion yuan
- ❑ On the Provincial level, **the investment plans % to GDP for 2022 was much higher than in 2021 for most of the provinces in China**
- ❑ Hence, should China follow through its infrastructure promises, **we will see a much higher infrastructure construction activities in 2022 or even 2023 and this will generate demand for construction materials and services**

China General Budget expenditure is going to be higher than 2020

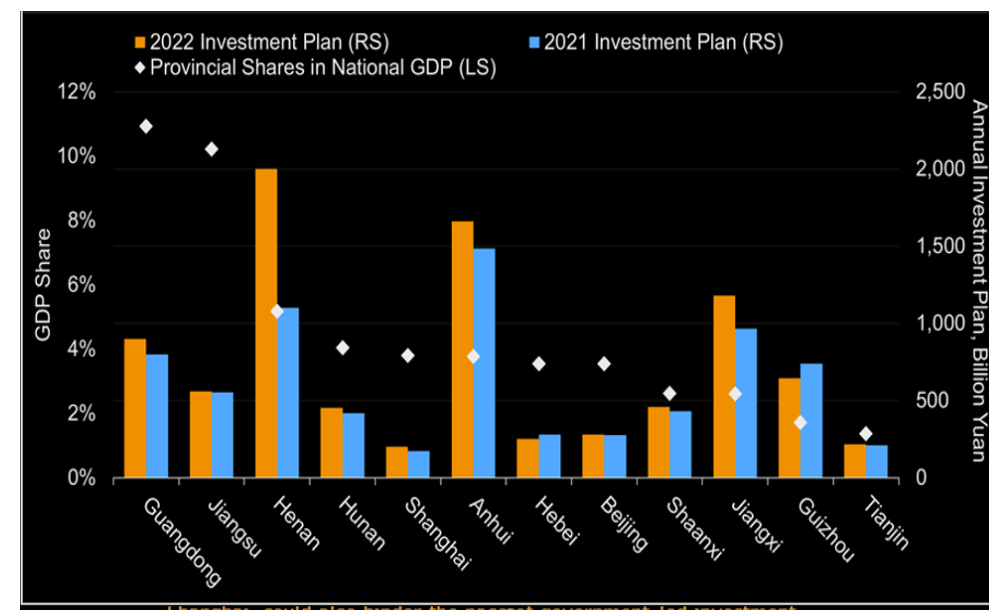
Stimulus Breakdown

China has pumped tens of trillions of yuan into the economy in recent years

Type of support	2022	2021	2020
PBOC relending programs	520.6 billion yuan	258.7 billion yuan	2.9 trillion yuan
Liquidity via RRR and policy loans	930 billion yuan	303.4 billion yuan	2.7 trillion yuan
PBOC small business tools	17.4 billion yuan	395.7 billion yuan	25.7 billion yuan
PBOC green project tools	72.8 billion yuan	N/A	N/A
PBOC profit transfers	1.1 trillion yuan	N/A	N/A
Tax and fee cuts	2.5 trillion yuan	1.1 trillion yuan	2.5 trillion yuan
Special sovereign bond issuance	N/A	N/A	1 trillion yuan
Local government special bond issuance	3.65 trillion yuan	3.65 trillion yuan	3.75 trillion yuan
General budget expenditure	26.7 trillion yuan	25 trillion yuan	24.7 trillion yuan
Total fiscal and monetary support	35.5 trillion yuan	30 trillion yuan	37.5 trillion yuan

Source: Bloomberg

China's Investment plans

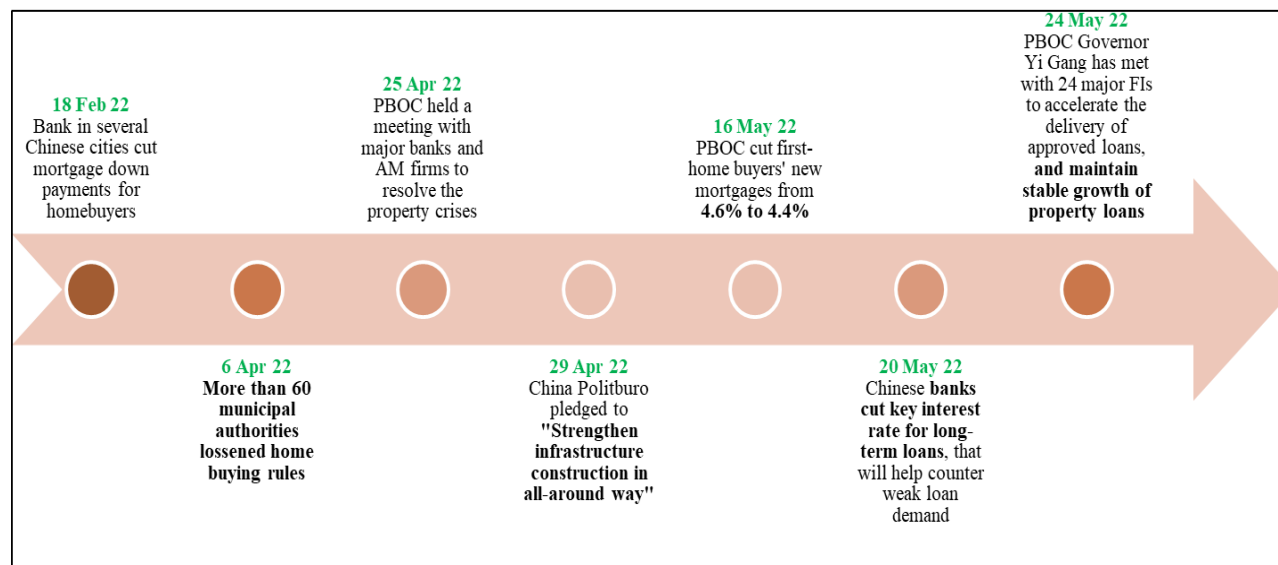


Source: Bloomberg

Theme 1- Covid-19 restrictions relaxation, Fiscal policy, and clarity on regulation present opportunities for Chinese Equities

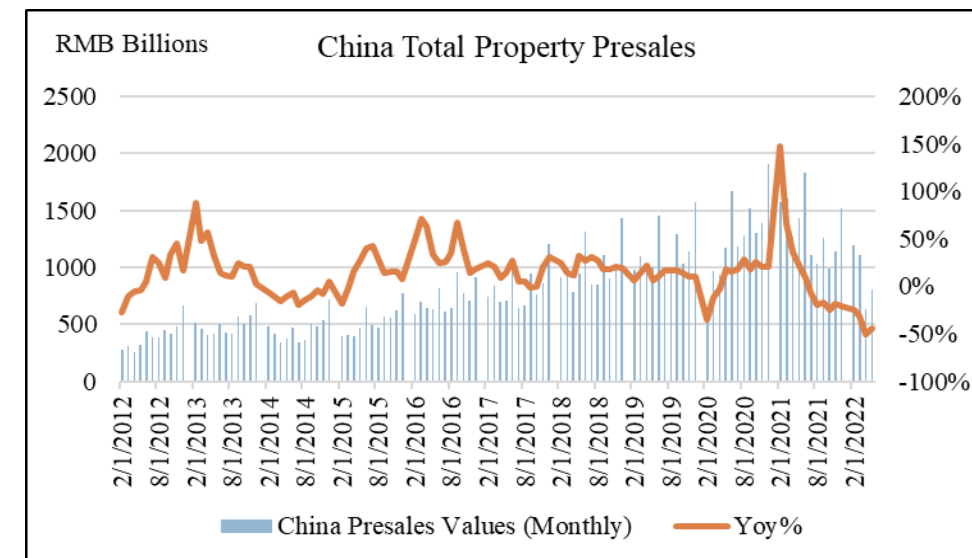
- ❑ Chinese Property is one the key contributor in the construction sectors in China
- ❑ Chinese Property have been underperforming since 2021 due to the “3 Red line” regulations that China implemented at the start of 2021.
- ❑ **The aim of Chinese government to implement the “3 Red line” policies was to weed out inefficiencies in the property market and force property developers with unsustainable business model and debt level to restructure**
- ❑ Hence, many of the major Chinese developers like Shimao, Sunac, Country Garden, has been actively restructuring their debt to make their balance sheet healthier.
- ❑ With many of Chinese developers going through restructuring and bankruptcies, and with PBOC encouraging consolidation in the sector, **we believe that weakness in property sector are at tail end of the cycle**, even as the China property Presales remain weak in June
- ❑ With a possible recovery of the property sector as China re-open, **this will support the construction demand going forward**

China continue to ease its property and construction measure to support its fiscal push



Source: Bloomberg, HLBS Research

With supportive policy, we can expect construction and presales activities to pick up

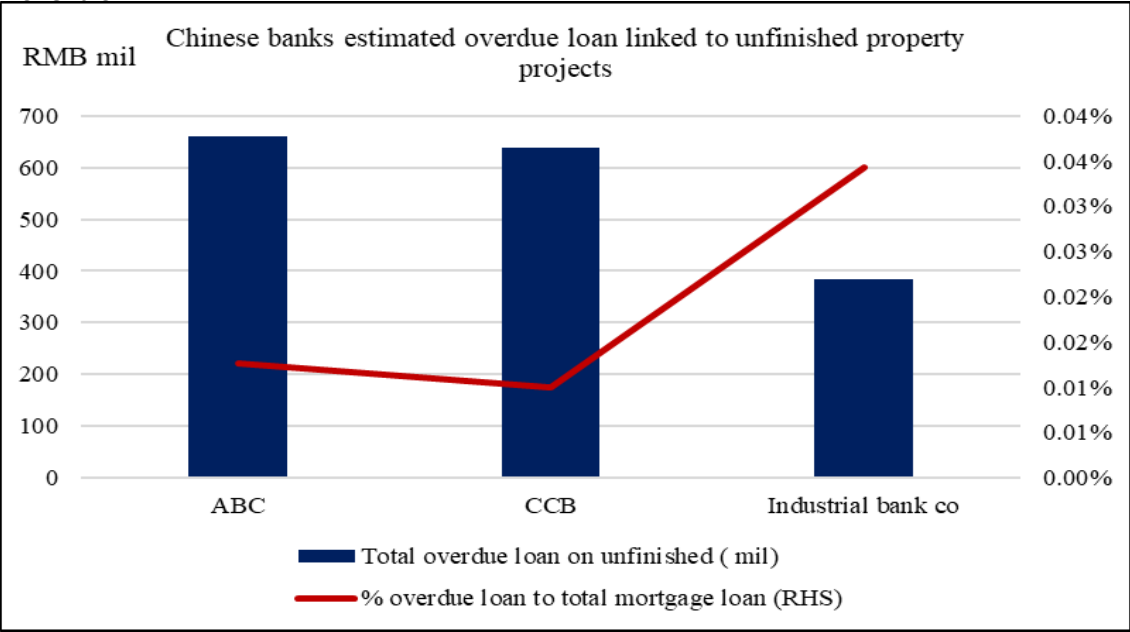


Source: Bloomberg, National Bureau of Statistics

Theme 1- Covid-19 restrictions relaxation, Fiscal policy, and clarity on regulation present opportunities for Chinese Equities

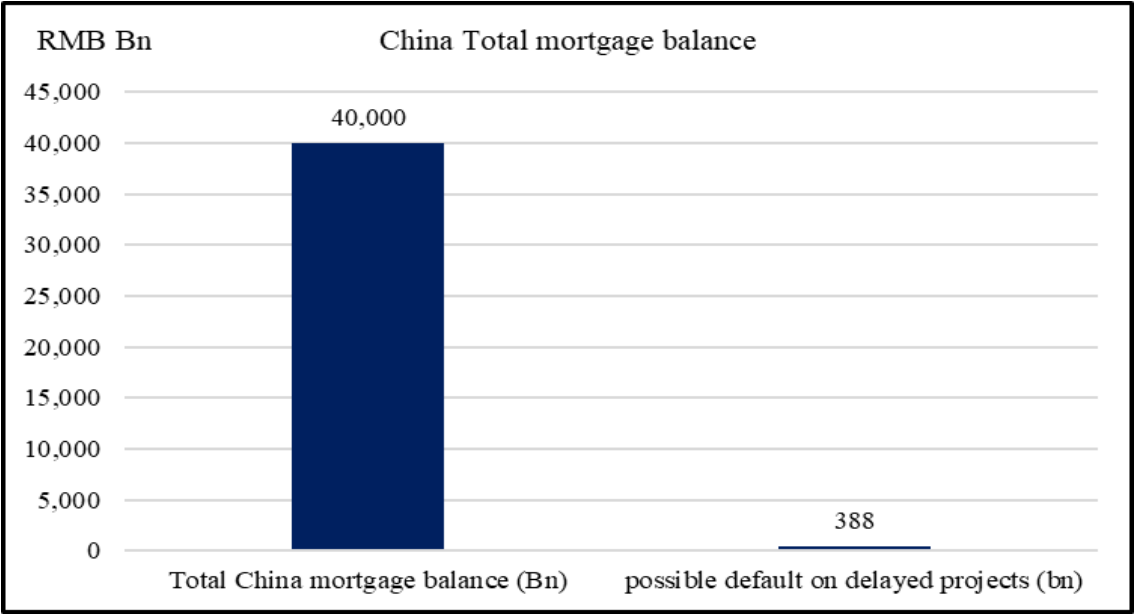
- ❑ There are increasing number of buyers of delayed projects that have stopped mortgage payments in China
- ❑ It is estimated that homebuyers of at least 100 projects across 50 cities as of 13 Jul have stopped mortgage payments
- ❑ Based on Jefferies' estimate, it is estimated that if loans on all the delayed projects defaulted the bad debt amount would be around RMB 388 billion, or about 1% of total mortgage balance in China
- ❑ It is unlikely that all loan on delayed projects will go default and hence the impact of mortgage non-payment is likely to be minimal on major banks' balance sheets
- ❑ Lastly, banks with significant mortgages exposure **Agricultural bank of China (ABC), China Construction bank (CCB), and Postal Savings Bank of China** have estimated that delinquent mortgages to have minimal impact on their books.
- ❑ Hence, the likelihood of a contagion effect on mortgages defaults in China is likely to be low.

Concern on contagion effect due non-payment of unfinished property projects may be overblown



Source: Bloomberg

While non-payment on delayed property project may worsen, the impact of possible default on all delayed projects is likely to be minimal

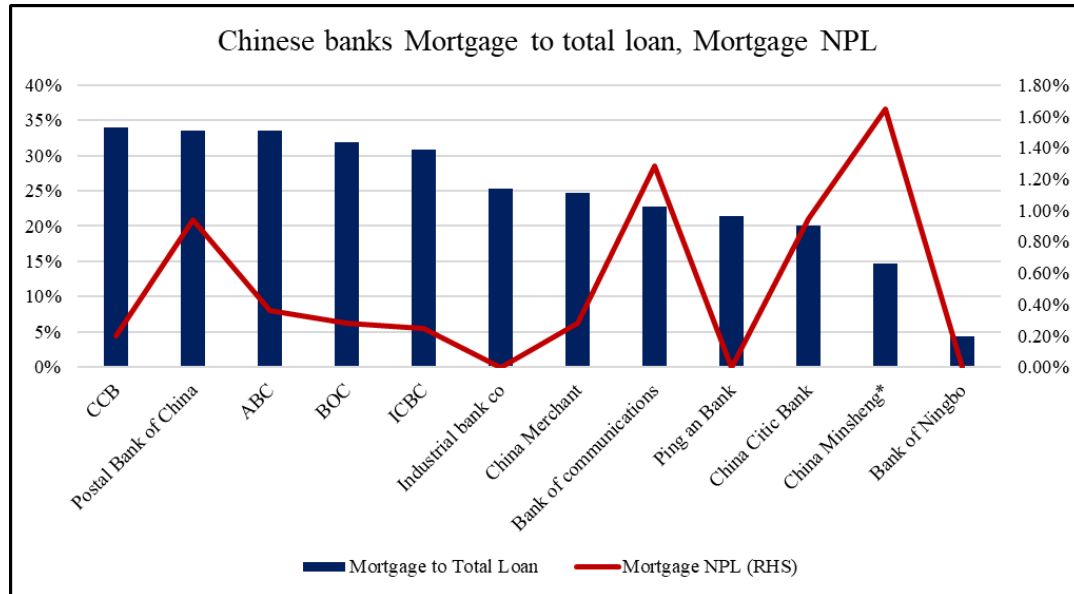


Source: Bloomberg, Jefferies

Theme 1- Covid-19 restrictions relaxation, Fiscal policy, and clarity on regulation present opportunities for Chinese Equities

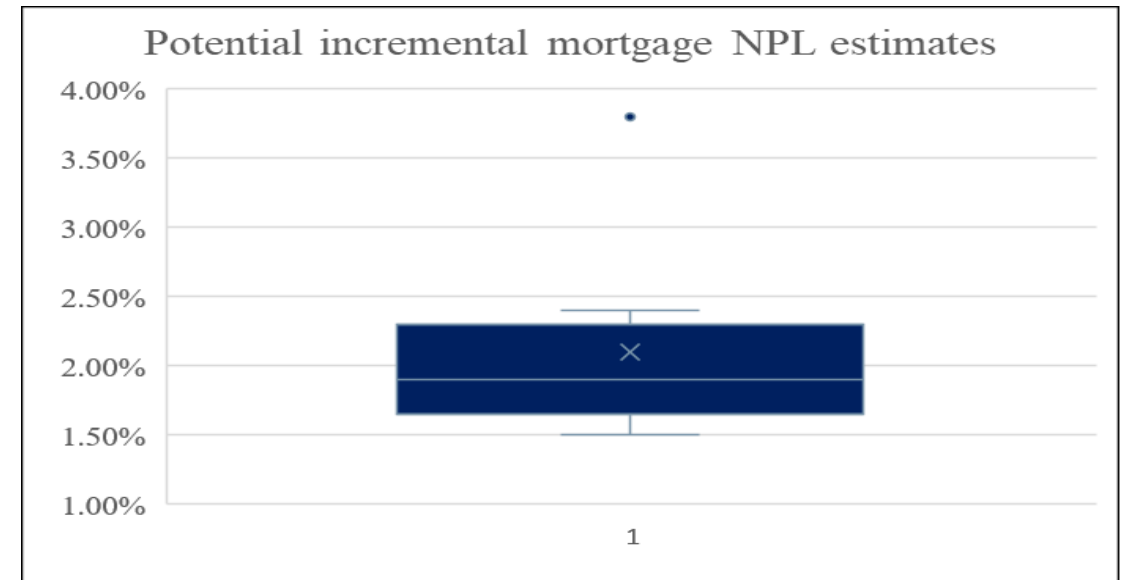
- While Chinese banks have large exposure to total loan, the incremental NPL to the total loan likely to be minimal even if worst case were to materialize
 - ❑ Mortgages form 30%-35% of total loan books for biggest banks in China such as CCB, ABC, BOC, and ICBC
 - ❑ While the absolute amount of loan is substantial, Chinese banks have been able to manage the bad debt for mortgages well, such that the NPL for mortgages for most of major banks falls within 0.6% to 0.8% of the mortgage books
 - ❑ Based on estimates by various banks, the estimate for incremental mortgage NPL due to non-payment of mortgages on unfinished projects range from 1.5% to 3.8%
 - ❑ Assuming the worst case scenario that the mortgage increase by 3.8%, the incremental increase to total loan in system would only be around 0.95%
 - ❑ However, it is unlikely that all of the mortgages for the unfinished projects to go into default as PBOC has assured that they will step in to help in managing these mortgages

While major Chinese banks have large exposure to mortgages, NPL on Mortgages have been very controlled below 1% of total mortgage loan and >0.5% of total loans



Source: Bloomberg

Varying estimates on potential incremental mortgage NPL estimates but the worst case unlikely to materialize

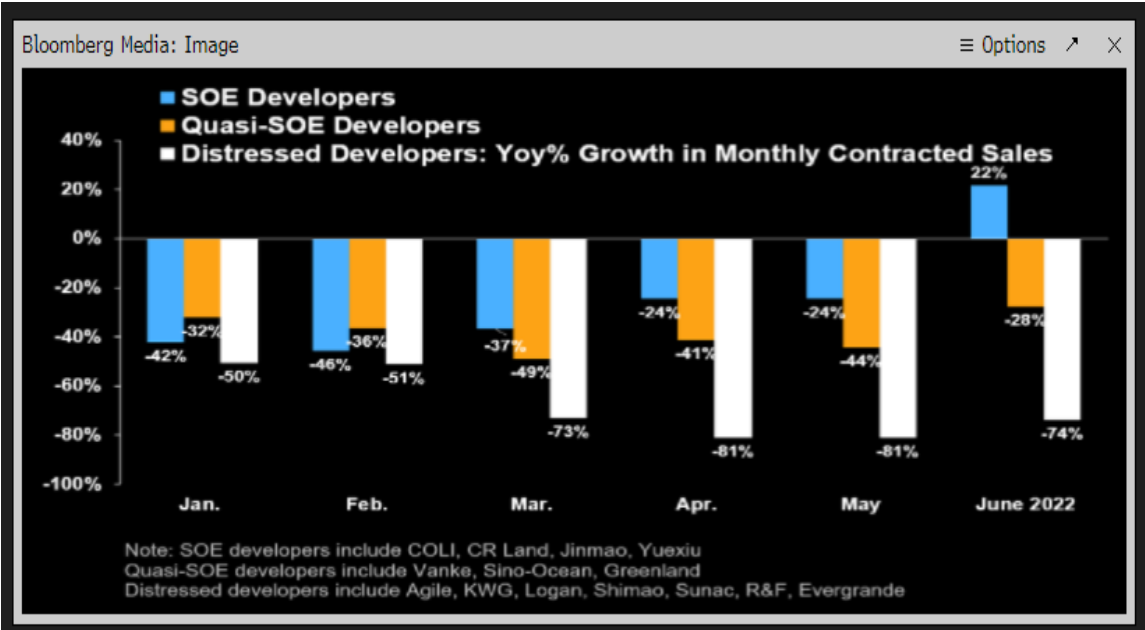


Source: Various Global Banks

Theme 1- Covid-19 restrictions relaxation, Fiscal policy, and clarity on regulation present opportunities for Chinese Equities

- ❑ The long standing concern since 2021 has been the defaults and credit quality of the Property sector in China
- ❑ Since 2021, there have been notable defaults and non-payment by notable Property developers like Shimao, Sunac.
- ❑ As the China’s “3 Red line” policy on Property Sector have been trying to reduce inefficiencies and cut debt in the property sector, it likely that the China’s property sector is much healthier now compared to 2021 as it is estimated that 75% of China high yield developer bonds likely have either defaulted or has been exchanged or extended by end of 2022
- ❑ And also, China property presales likely are showing early signs of bottoming, as SOE developers’ presales have recorded positive yoy% for the first time since 2022
- ❑ Hence, despite the tough environment and cash flow that property developers in China had experienced since 2021, it is likely that Chinese property developer debt risk is likely at tail end of the cycle.

China property presales likely showing sign of bottoming, especially for SOE developers



Source: Bloomberg

Based on Bloomberg research, 75% of China high yield developer bonds likely have defaulted or Been exchanged or extended by the end of 2022

Summary of Defaults and Extensions (2021/2022)					Summary of Defaults and Extensions (2021/2022)				
Default/Exch (\$Bn)	Total\$ Bond (\$Bn)	Issuer	Resolution	Next Maturity Price	Default/Exch (\$Bn)	Total\$ Bond (\$Bn)	Issuer	Resolution	Next Maturity Price
0.6	0.6	Sunshine 100	Default		0.8	0.7	Risesun	Exchange	
0.6	0.6	China Fortune Land	Default		0.2	0.3	Sunkwan	Exchange	
0.6	0.3	Oceanwide	Default		0.2	0.6	Dafa	Exch & Default	
1.1	1.1	Sichuan Languang	Default		0.4	0.5	Golden Wheel Tiandi	Restructuring	
19.2	19.2	China Evergrande	Default		0.3	0.4	Shinsun	Exchange	
4.0	4.0	Fantasia	Default		0.2	0.2	JY Grandmark	Exchange	
0.7	0.7	Sinic	Default		5.7	5.7	Yuzhou	Default	
1.3	1.3	Modern Land	Restructuring		0.7	1.6	China South City	Exchange	
0.2	0.7	Xinyuan	Exchange		2.2	2.2	Yango Group	Exch & Default	
0.7	2.2	Yango Group	Exch & Default		0.3	0.3	Guorui	Default	
1.4	3.6	Fujian Yango	Default		3.4	3.4	Zhenro	Exch & Default	
11.9	11.9	Kaisa	Default		1.4	1.4	Jingrui	Exch & Default	
3.2	3.2	Aoyuan	Default		0.2	0.2	Vincheng	Exchange	
0.5	0.3	Guorui	Exchange		0.6	3.4	Ehouse	Default	
0.2	0.2	Ganglong	Exchange		0.7	1.4	Redco	Exchange	
50.1	53.9				0.7	0.9	Zhongliang	Exchange	
29%	31%				8.1	8.1	Sunac	Default	
					0.2	0.5	Jiangsu Zhongnan	Exchange	
					0.3	0.3	Datang Group	Exchange	
					0.5	3.9	Greenland	Extension	
					4.9	4.9	Guangzhou R&F	Exch. & Exch	
					0.1	0.1	Leading	Exchange	
					0.5	2.2	Powerlong	Exchange	
					6.1	6.1	Shimao	Default	
					1.3	1.3	Jiayuan	Exch/Extend Priced in	20s
					3.7	3.7	Logan	Exch/Extend Priced in	20s
					2.3	2.3	Ronahine	Exch/Extend Priced in	10s
					1.5	1.5	Redsun	Exch/Extend Priced in	Aug 40s/Oct 20s
					2.7	2.7	Times	Exch/Extend Priced in	10s
					50.2	60.8			
					37%	45%			
					66%	76%			

Source: Bloomberg

Theme 1: China Consumer Services- China relaxation of Covid-19 measure will benefit domestic consumption

Re-opening plays (China)																		
Ticker	Name	Industry	Price	Market cap (US\$ mil)	Broken high	1Wk %	3M%	YTD	Fwd 2023 PE	PE z-score	FY+1 Net income	FY+2 Net income	FY+1 growth	FY+2 growth	PB	PB z-score	Div yield	ESG Score
NKE US Equity	NIKE INC -CL B	Sportswear	105.11	165,419		(3%)	(21%)	(37%)	22	(0.24)	6,121	7,346	1%	20%	10.8	0.08	1.1%	A
KER FP Equity	KERING	Luxury goods	495.75	61,860		(2%)	(6%)	(28%)	14	(0.55)	3,914	4,335	23%	11%	4.6	0.45	2.4%	AAA
6110 HK Equity	TOPSPORTS INTERN	Sportswear	6.94	5,482		(1%)	8%	(12%)	12	(0.72)	2,623	3,182	7%	21%	3.5	(0.72)	4.4%	BBB
1929 HK Equity	CHOW TAI FOOK JE	Jewelry	14.88	18,955		(0%)	11%	6%	16	1.09	7,711	9,231	15%	20%	4.4	2.02	3.1%	BBB
881 HK Equity	ZHONGSHENG GROUP	Car Dealership	53.25	16,372		(3%)	(0%)	(11%)	9	(0.21)	10,115	12,125	21%	20%	2.7	0.51	1.6%	BBB
1910 HK Equity	SAMSONITE INTL	Travel and Leisure	16.88	3,092		1%	(1%)	7%	12	(0.01)	167	256	1067%	53%	4.2	0.96		N.S.
27 HK Equity	GALAXY ENTERTAIN	Macau Gaming	45.60	25,339		(3%)	(1%)	14%	21	3.86	1,163	9,075	(12%)	680%	2.9	(0.79)	0.7%	BBB
1928 HK Equity	SANDS CHINA LTD	Macau Gaming	17.50	18,042		(4%)	(8%)	(4%)	21	4.25	(982)	670	6%	168%	20.3	2.36		AA

Convicted ideas Top convicted play will be TopSport International (6110. HK) and Zhongsheng Group to play for the recovery of retail in China.

Positive: We also turning positive on China casino names like Galaxy Entertainment and Sands China as Hong Kong and possibly Macau will likely relax its restrictions

Theme 1: China Tech- Normalization of regulation likely spur interest in China Tech

China Tech																		
Ticker	Name	Industry	Price	Market cap (US\$ mil)	Broken high	1Wk %	3M%	YTD	Fwd 2023 PE	PE z-score	FY+1 Net income	FY+2 Net income	FY+1 growth	FY+2 growth	PB	PB z-score	Div yield	ESG Score
9618 HK Equity	JD.COM INC-CL A	Tech- Online platform	244.00	97,087		(1%)	10%	(9%)	26	(0.43)	18,292	27,778	614%	52%			2.0%	BB
9988 HK Equity	ALIBABA GROUP HO	Tech- Online platform	108.70	300,307		(7%)	14%	(9%)	13	(1.94)	132,587	158,709	113%	20%				BBB
BIDU US Equity	BAIDU INC-SP ADR	Tech	145.26	50,195		(6%)	12%	(2%)	17	0.16	16,545	21,040	62%	27%	1.3	(1.18)		BBB
700 HK Equity	TENCENT	Tech	335.00	410,641		(5%)	(10%)	(24%)	20	(2.47)	117,827	144,688	(48%)	23%	3.1	(2.34)	0.5%	BBB

- **Convicted Ideas:** We are positive names such as **Tencent, Alibaba, and JD** as the valuation are current trading at -2SD away from 10-year mean, and these 3 players have **strong business model and have already shown the ability to generate recurring net profit and Free cash flow**. We also believe that they will be able to weather over the competition from new players such as Bytedance and Kuaishou

Theme 1: China construction - Infrastructure push in China will improve outlook

China Fiscal spending play																		
Ticker	Name	Industry	Price	Market cap (US\$ mil)	Broken high	1Wk %	3M%	YTD	Fwd 2023 PE	PE z-score	FY+1 Net income	FY+2 Net income	FY+1 growth	FY+2 growth	PB	PB z-score	Div yield	ESG Score
390 HK Equity	CHINA RAIL GR-H	Infrastructure- Const	5.22	22,842		8%	2%	27%	3	(0.93)	30,679	33,935	11%	11%	0.5	(0.89)	4.1%	B
3969 HK Equity	CHINA RAILWAY -H	Infrastructure- Const	2.52	6,280		2%	5%	(5%)	6	0.53	3,703	4,037	13%	9%	0.6	(1.11)	7.9%	A
1157 HK Equity	ZOOMLION HEAVY-H	Infrastructure- Const	4.27	7,063		0%	(12%)	(6%)	5	(0.40)	5,599	6,133	(11%)	10%	0.5	(0.35)	8.8%	BBB
914 HK Equity	CONCH CEMENT-H	Cement	34.45	26,271		1%	(12%)	(4%)	5	(1.40)	28,305	29,091	(15%)	3%	0.8	(1.90)	8.1%	B
1313 HK Equity	CHINA RES CEMENT	Cement	5.18	4,608		(2%)	(18%)	(7%)	6	(0.53)	5,436	5,818	(30%)	7%	0.6	(0.89)	10.0%	BB
347 HK Equity	ANGANG STEEL-H	Steel	2.68	4,193		(6%)	(27%)	(17%)	4	(0.90)	5,322	6,065	(23%)	14%	0.4	(1.13)	9.7%	N.S.
323 HK Equity	MAANSHAN IRON-H	Steel	2.19	3,826		(5%)	(24%)	(11%)	3	(0.41)	3,937	4,347	(26%)	10%	0.4	(0.44)	18.7%	B
581 HK Equity	CHINA ORIENTAL	Steel	1.69	801		(7%)	(22%)	(25%)	2	(0.74)	2,600	2,700	4%	4%	0.2	(0.58)	14.2%	N.S.

- **Convicted Ideas:** We are positive on cement players like **Anhui Conch Cement (914 HK)** and **China Resources Cement (1313 HK)** as they are trading at **-2SD** of its 10 year average mean **PB** , and they have been market leaders in the cement players **with strong ability to maintain their dividend yield as they have been prudent with their dividend payout ratio, where they have been maintaining 30% dividend payout ratio and regular dividend payment despite the cyclical nature of cement industry**

Theme 1: CN Financials- Recovery of Chinese economy likely aid in bank’s loan growth

CN Banks																		
Ticker	Name	Industry	Price	Market cap (US\$ mil)	Broken high	1Wk %	3M%	YTD	Fwd 2023 PE	PE z-score	FY+1 Net income	FY+2 Net income	FY+1 growth	FY+2 growth	PB	PB z-score	Div yield	ESG Score
3988 HK Equity	BANK OF CHINA-H	CH Banks	2.73	129,765		(5%)	(5%)	6%	3	(0.53)	224,881	240,378	4%	7%	0.4	(1.13)	9.5%	BBB
1398 HK Equity	ICBC-H	CH Banks	4.05	219,031		(5%)	(8%)	(1%)	3	(0.38)	358,576	381,025	3%	6%	0.4	(2.18)	8.5%	BBB
1288 HK Equity	ABC-H	CH Banks	2.55	149,269		(6%)	(7%)	4%	3	(0.64)	257,439	276,501	7%	7%	0.4	(1.55)	9.5%	BBB
939 HK Equity	CCB-H	CH Banks	4.99	160,743		(4%)	(8%)	(0%)	3	(0.59)	324,051	349,552	7%	8%	0.4	(1.84)	8.5%	A

- **Convicted Ideas:** We are also positive on Chinese banks as the recovery in Chinese economy will spur loan growth , with Bank of China being the highest convicted names among the Chinese banks

Theme 1: CN Financials- Recovery in Chinese economy likely aid in Insurance recovery

Insurers																		
Ticker	Name	Industry	Price	Market cap (US\$ mil)	Broken high	1Wk %	3M%	YTD	Fwd 2023 PE	PE z-score	FY+1 Net income	FY+2 Net income	FY+1 growth	FY+2 growth	PB	PB z-score	Div yield	ESG Score
2318 HK Equity	PING AN-H	Life Insurers	48.05	115,439		(8%)	(13%)	(11%)	5	(1.08)	119,063	143,988	17%	21%	0.9	(2.27)	5.9%	BBB
2628 HK Equity	CHINA LIFE-H	Life Insurers	11.98	99,005		(4%)	5%	(2%)	5	(0.88)	47,567	57,640	(7%)	21%	0.6	(1.64)	6.3%	BB
966 HK Equity	CHINA TAIPING IN	Life Insurers	8.38	3,837		(5%)	(9%)	(18%)	3	(0.82)	8,126	9,366	8%	15%	0.3	(1.69)	5.5%	B
1336 HK Equity	NEW CHINA LIFE-H	Life Insurers	18.82	11,785		(6%)	(10%)	(2%)	3	(1.31)	11,407	14,987	(24%)	31%	0.5	(1.78)	9.0%	B
2601 HK Equity	CHINA PACIFIC-H	Life Insurers	17.62	27,620		(5%)	(2%)	(11%)	5	(1.32)	24,237	29,546	(10%)	22%	0.6	(2.19)	6.6%	BB
1299 HK Equity	AIA	Life Insurers	82.85	126,291		(2%)	5%	7%	15	(0.58)	7,105	8,193	(4%)	15%	2.1	(0.02)	1.8%	AA
2328 HK Equity	PICC P&C-H	General Insurer	8.28	23,461		(1%)	5%	38%	5	0.20	26,072	29,255	17%	12%	0.8	(0.89)	5.8%	BB

○ Convicted Ideas:

- **We are positive on China Life Insurance (2628. HK)** as it is more focused in the life insurance business and has the **highest correlation to the stock market performance**. And also, China Life has also a **high dividend yield of 6%** and it is able to sustain its dividend yield as its payout ratio has been only 36% of net income for the past 10 years

Theme 2- Rising rates could likely benefit financial despite recession risk

- ❑ Based on the previous cycles of rate hikes, Financials generally outperformed the market when Federal Reserve was hiking rates
- ❑ Financials are likely to continue to outperform the market 3 to 6 months after Federal Reserve stop hiking the rates
- ❑ Hence, as rising rates will likely result in higher NIM for most of the financials, especially banks with high exposure to traditional banking services like personal and commercial loans, financials is also likely to outperform this rate hike cycle even after Federal Reserve stop hiking rate.

Financial generally did well when Federal reserve embarks on rate hike

Rate hike period	Rate hike Length (Months)	Fed Interest Rate Regime	S&P 500	US Financial	DBS	CH Financial
Jun 1999 to May 2000	11	Rate hike	7%	(5%)	19%	(11%)
Jun 2004 to Jun 2005	12	Rate hike	5%	4%	1%	8%
Jun 2005 to Jun 2006	12	Rate hike	7%	10%	27%	5%
Dec 2016 to Dec 2017	12	Rate hike	18%	19%	45%	30%
Dec 2017 to Dec 2018	12	Rate hike	(5%)	(15%)	0%	(10%)
March 2022 to June 2022	3	Rate hike	(14%)	(19%)	(12%)	1%

Source: Bloomberg, HLBS Research

Financials likely perform well after 3-6 months of the rate hike cycle

Rate hike period	Rate hike Length (Months)	Fed Interest Rate Regime	S&P 500			US Financials			CH Financials		
			+1M	+3M	+6M	+1M	+3M	+6M	+1M	+3M	+6M
Jun 1999 to May 2000	11	Rate hike	(0%)	1%	(6%)	(3%)	10%	11%	9%	27%	32%
Jun 2004 to Jun 2005	12	Rate hike	4%	3%	5%	1%	0%	8%	2%	1%	(1%)
Jun 2005 to Jun 2006	12	Rate hike	1%	5%	12%	3%	7%	14%	3%	5%	13%
Dec 2016 to Dec 2017	12	Rate hike	5%	4%	5%	6%	6%	1%	8%	10%	6%
Dec 2017 to Dec 2018	12	Rate hike	3%	9%	13%	8%	11%	13%	4%	13%	11%

Source: Bloomberg, National Bureau of Statistics

Theme 2: Financials- Interest rate hike provide tailwinds to Bank earnings

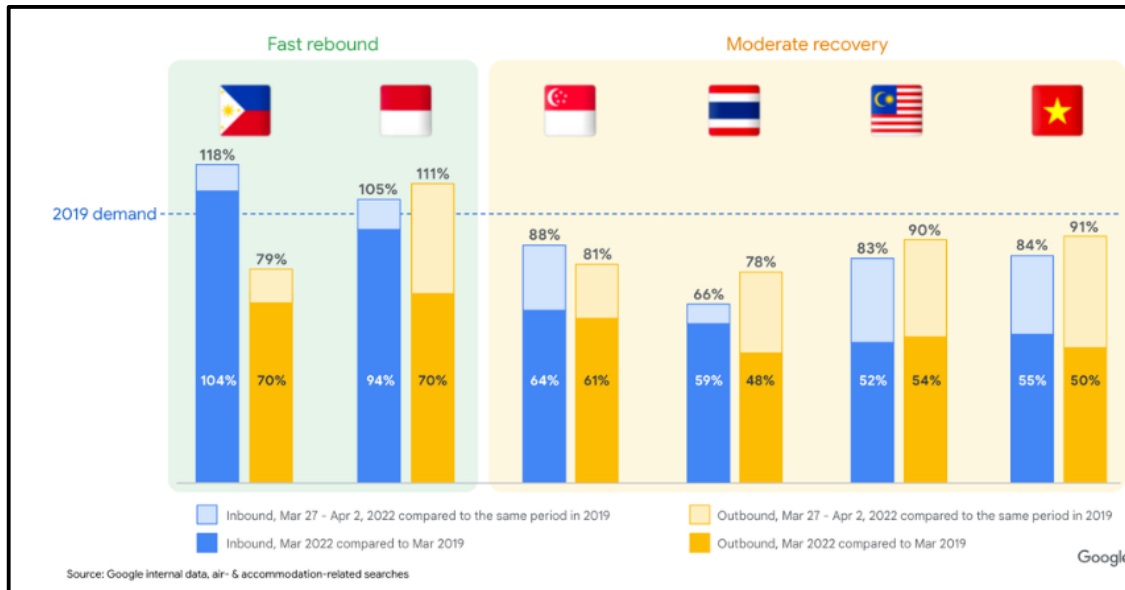
Banks																		
Ticker	Name	Industry	Price	Market cap (US\$ mil)	Broken high	1Wk %	3M%	YTD	Fwd 2023 PE	PE z-score	FY+1 Net income	FY+2 Net income	FY+1 growth	FY+2 growth	PB	PB z-score	Div yield	ESG Score
DBS SP Equity	DBS GROUP HLDGS	SG Banks	29.80	54,569		(1%)	(10%)	(7%)	9	1.05	7,422	8,873	9%	20%	1.4	1.66	4.6%	AA
UOB SP Equity	UNITED OVERSEAS	SG Banks	26.05	31,040		(1%)	(14%)	(1%)	8	0.98	4,403	5,342	8%	21%	1.0	0.39	4.6%	AA
OCBC SP Equity	OCBC BANK	SG Banks	11.25	35,977		(1%)	(4%)	1%	8	1.05	5,415	6,230	11%	15%	1.0	(0.03)	4.7%	AA
USB US Equity	US BANCORP	US Banks	45.32	67,334		(3%)	(13%)	(18%)	9	(0.97)	6,295	7,621	(21%)	21%	1.5	(0.30)	4.1%	BBB
WFC US Equity	WELLS FARGO & CO	US Banks	39.07	148,089		(3%)	(15%)	(18%)	8	(0.50)	15,795	19,057	(27%)	21%	0.9	(1.10)	2.3%	BB
NAB AU Equity	NATL AUST BANK	Australian Banks	28.30	60,464		1%	(12%)	0%	12	0.99	6,987	7,509	10%	7%	1.5	1.72	7.1%	A
ANZ AU Equity	AUST AND NZ BANK	Australian Banks	21.93	41,213		(4%)	(18%)	(18%)	10	(0.27)	6,163	6,484	0%	5%	1.0	(0.71)	9.4%	AA

- **Positive:** We remain positive for SG banks as well as SG Banks Net interest income have high correlation to the increased in interest rate.
- **Neutral:** We currently remain neutral on US Banks as investment banking income for major banks like Morgan Stanley and Citigroup are falling. We are slightly positive on regional US banks like US Bancorp and Wells Fargo as they have more exposure to traditional banking services. We are also slightly positive on Australian banks like ANZ and NAB as they are have attractive dividend yield

Theme 3- Recovery in domestic & intra-region consumption in ASEAN after end of Covid-19 measures

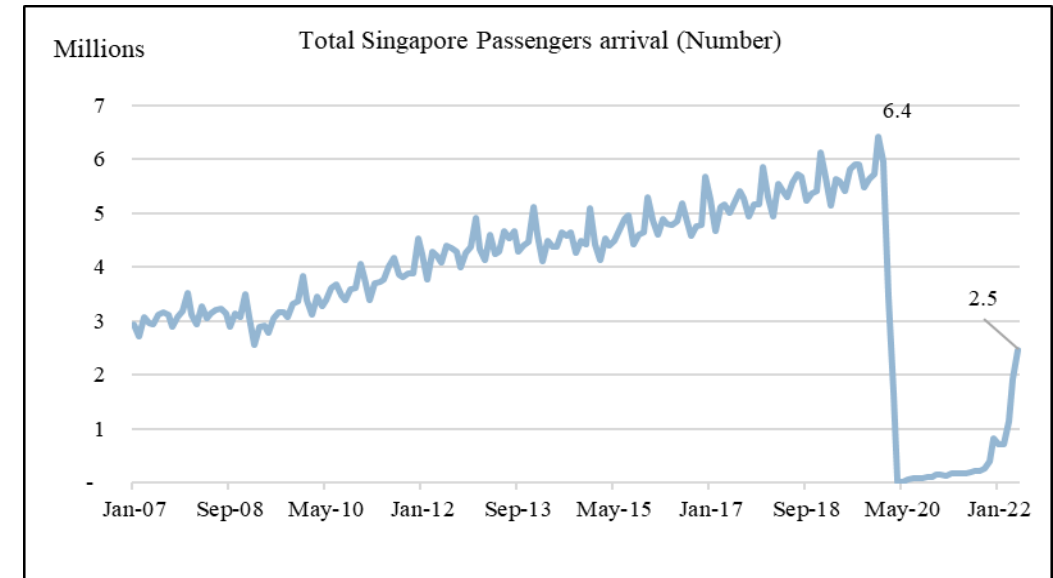
- ❑ Currently, ASEAN have fully normalize their travel and domestic Covid-19 restriction back to Pre-Covid-19.
- ❑ Hence, the travel impulse both domestically and within the region have surged close to 90% of Pre-Covid level
- ❑ And also, using Singapore Changi Airport air traffic as an indication, we can see that passenger traffic are rapidly recovering back to Pre-Covid level
- ❑ Hence, with mobility both domestically and within ASEAN region rapidly recovering, domestic consumption are also likely to pick up and this will likely benefit domestic consumption and services companies in the region

Outbound and inbound travel interest within ASEAN has recovered to at least 90% pre-covid level



Source: Google

Singapore being a major air hub is seeing rapid recovery of passenger traffic



Source: CAAS

Theme 3: ASEAN Consumer Services- Being a front runner in reopening will help ASEAN consumption

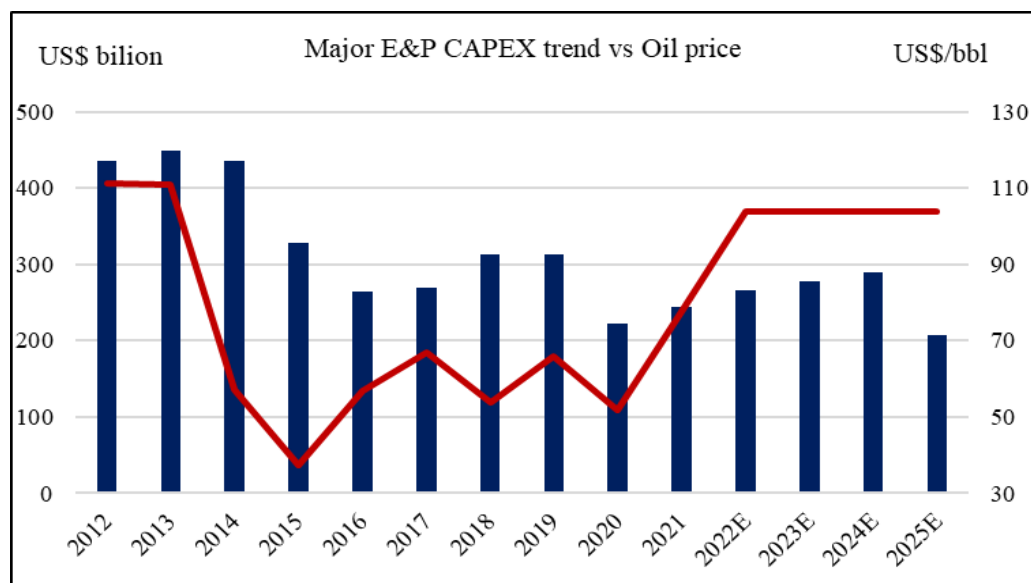
Re-opening plays																		
Ticker	Name	Industry	Price	Market cap (US\$ mil)	Broken high	1Wk %	3M%	YTD	Fwd 2023 PE	PE z-score	FY+1 Net income	FY+2 Net income	FY+1 growth	FY+2 growth	PB	PB z-score	Div yield	ESG Score
Gens SP Equity	GENTING SINGAPOR	Travel and Leisure	0.75	6,442		3%	(5%)	(2%)	16	0.30	324	549	77%	70%	1.1	(0.89)	1.3%	BB
CD SP Equity	COMFORTDELGRO CO	Travel and Leisure	1.41	2,174		1%	(5%)	2%	13	(0.65)	196	227	51%	16%	1.1	(0.85)	3.0%	N.S.
SATS SP Equity	SATS LTD	Travel and Leisure	4.00	3,199		3%	(7%)	3%	22	2.22	72	208	253%	188%	2.8	0.27		N.S.
ART SP Equity	ASCOTT RESIDENCE	Hospitality REITS	1.13	2,643		(1%)	2%	12%	22	(0.74)	144	197	(53%)	37%	1.0	1.06	3.8%	N.S.
CDREIT SP Equity	CDL REIT	Hospitality REITS	1.22	1,072		(1%)	(6%)	7%	18	1.35	59	78	(13%)	33%	0.9	0.53	3.5%	N.S.
KORE SP Equity	KEPPEL PACIFIC O	Commercial REITS	0.70	731		(1%)	(5%)	(9%)	11	(1.17)	71	67	(8%)	(5%)	0.9	0.14	8.6%	N.S.
SGREIT SP Equity	STARHILL GLOBAL	Retail REITS	0.58	924		1%	(4%)	(9%)	14	2.23	93	99	64%	6%	0.7	0.86	6.6%	N.S.
CPALL TB Equity	CP ALL PCL	TH retailing	61.00	14,957		(5%)	(9%)	4%	25	1.07	16,459	21,766	27%	32%	5.1	(1.55)	1.0%	BBB
CPN TB Equity	CENTRAL PATTANA	TH retailing	60.25	7,353		(4%)	(2%)	8%	24	2.40	9,002	11,211	26%	25%	3.6	(1.00)	1.0%	BBB
BJC TB Equity	BERLI JUCKER PCL	TH retailing	30.75	3,364		(5%)	(12%)	1%	20	0.29	5,100	6,342	42%	24%	1.1	(1.01)	2.1%	BBB

- **Conviction idea:** We like names like Genting Singapore, Thai Beverage, SATS, and Comfort Delgro to play for recovery in ASEAN consumer services due relaxation of Covid-19 restriction

Theme 4- Scarcity of Fossil fuels will spur further investments in green energy

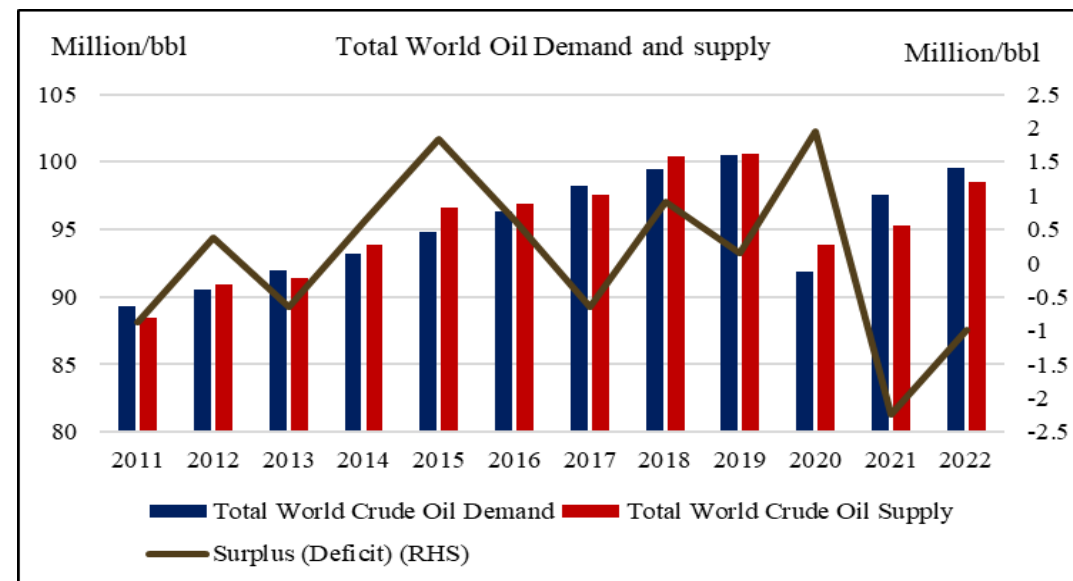
- ❑ The current high oil price is mainly supply driven, with the demand continue to normalize
- ❑ The oil market continue to remain in supply deficit in 2022, and the oil market have been in supply deficit since 2021
- ❑ However, even with the **oil price back to 2012 high**, Major Exploration and Production (E&P) oil companies are **not expected to increase their CAPEX back to 2012 high due to green energy push by government, which increase financing cost for oil & gas projects and lowering the future returns**
- ❑ With the lack of investment in oil & gas, **this will imply that oil & gas will continue to remain in shortage and this will push further investment in alternative source of energy in order to bring down the cost of energy and to meet their green targets.**

Major E&P Capex is not projected to reach previous 10 year high, despite oil price at 10 year high



Source: Bloomberg

The world continue to be running on supply deficit for world, even before accounting for Russia oil supply drop off

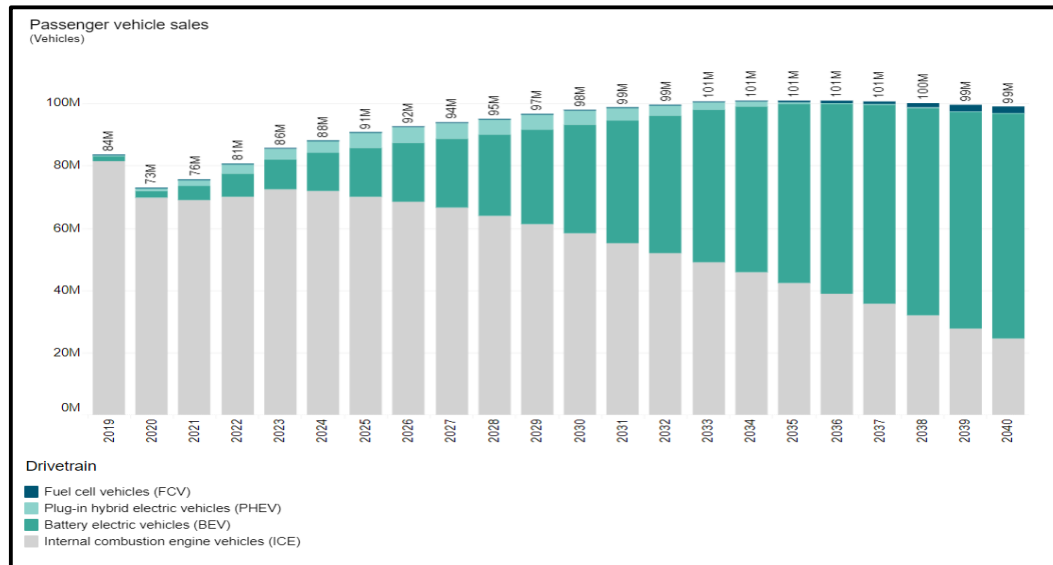


Source: Bloomberg

Theme 4- Scarcity of Fossil fuels will spur further investments in green energy

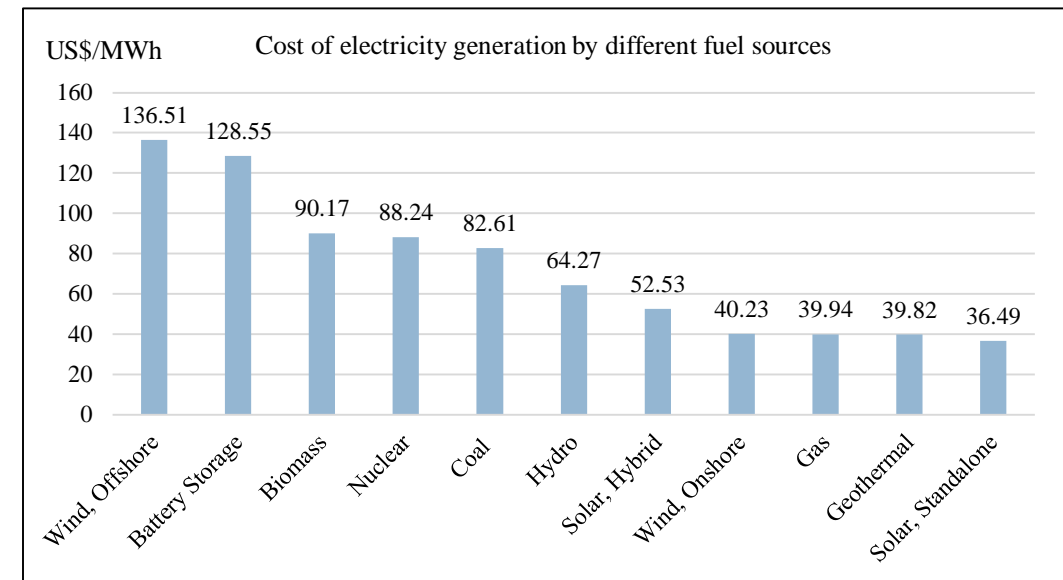
- ❑ Over the past decades, the cost of producing electricity using Wind and Solar has dropped significantly to be on par with electricity produced using oil and gas
- ❑ **This means that with alternative sources of energy like Wind and Solar becoming more competitive against oil and gas, this will incentivize utilities to add more Wind and Solar capacity as they are now able to generate similar level of returns compared to building a traditional gas-fired power plant**
- ❑ Hence, with further push into green energy, adjacent industries like EV, EV charging, and battery storage will **continue to proliferate as government continue to push to meet their green goals and to fill the gap from oil supply shortage.**

The scarcity of Fossil fuel and the gain in EV sales will continue to spur battery technologies and alternative fuel energy



Source: Bloomberg BNEF

Cost of using Wind and Solar to generate electricity are already on par with gas in US, creating further incentive to build new capacity

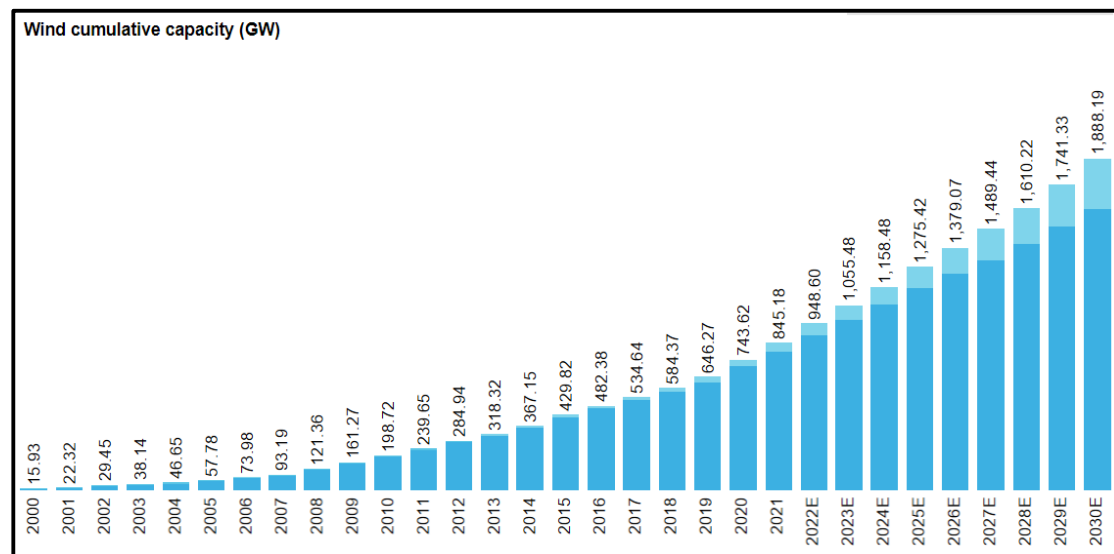


Source: IEA

Theme 4- Scarcity of Fossil fuels will spur further investments in green energy

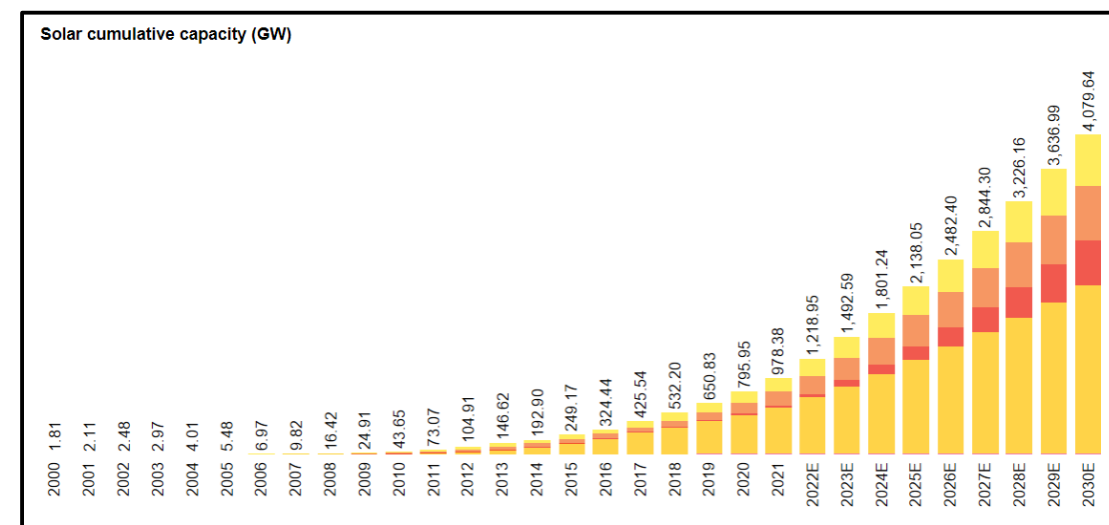
- ❑ With better returns, urgency to fill supply gap from oil & gas, and to meet green targets, **Wind and Solar capacity are expected to grow exponentially in the next 5 years**
- ❑ Wind capacity is expected to grow 74% in the next 5 years or CAGR of 11% while Solar is expected to grow 114% in the next 5 years or CAGR of 17%
- ❑ **With the expected increase in capacity for both Solar and Wind, we can expect demand for construction services and materials for Wind and solar to surge**
- ❑ Together with the green energy themes, we can expect EV and EV material demand such as Lithium to continue to surge

Given the unwillingness for Oil & Gas players to add capacity, Alternative energy like Wind and Solar will pick up the slack



Source: Bloomberg BNEF

Given the unwillingness for Oil & Gas players to add capacity, Alternative energy like Wind and Solar will pick up the slack



Source: Bloomberg

Theme 4: Green Energy- Scarcity of Fossil fuels will spur further investments in green energy

Clean Energy									
Ticker	Name	ETF style	Price	Market cap (US\$ mil)	Broken high	1Wk %	3M%	YTD	Morningstar Rating
QCLN US Equity	FIRST TRUST NASDAQ CLEAN EDG	Green Energy	55.31	1,977		7%	(6%)	(19%)	
2809 HK Equity	GLOBAL X CHINA CLEAN ENE-HKD	Green Energy	145.15	403		0%	12%	(6%)	
ICLN US Equity	ISHARES GLOBAL CLEAN ENERGY	Green Energy	19.99	5,035		3%	(4%)	(5%)	

- **Positive:** We can look at the above 3 ETFs to gain exposure for the whole supply chain of clean energy plays

Theme 5- Focus on emerging markets, income, high quality, and value names

- ❑ Over the past 6 bear markets, there were 2 recession that followed after the bear has start to happen
- ❑ In the past 6 bear markets, **China and Hong Kong market has outperformed the US in 3 out of 6 bear markets**
- ❑ In the period where China and Hong Kong have underperformed, it was mainly due **its valuation being above the 5-year average prior the bear market happens.**
- ❑ Other emerging markets like India, Thailand, Malaysia and Indonesia were more resilient in previous bear market **as they have outperformed US in 5 out of 6 bear markets**
- ❑ Hence, given that market such as China and Hong Kong **were already trading below the 5 year average valuation before the current bear market happens, we can expect China and Hong Kong market to outperform in 2H22.**

Bear Market Period	Bear Market Length (Months)	NBER Recessions	Fed Interest Rate Regime	Length of Recession (Months)	S&P Start	S&P End	S&P 500 Peak to Trough	US	China	Hong Kong	Taiwan	South Korea	India	Singapore	Malaysia	Thailand	Indonesia	Phillippines	Russia*	Brazil
Jan 2022 to Jun 2022	6	2023?	Tightening		4800	3795	(21%)	(21%)	(11%)	(9%)	(21%)	(22%)	(10%)	(1%)	(8%)	(3%)	2%	(12%)	N.A.	(2%)
Feb 2020 to Apr 2020	2		Easing		3421	2191	(36%)	(23%)	(8%)	(11%)	(16%)	(20%)	(29%)	(23%)	(14%)	(26%)	(28%)	(25%)	(36%)	(49%)
Sep 2018 to Dec 2018	3		Tightening		2941	2347	(20%)	(14%)	(12%)	(10%)	(13%)	(14%)	(9%)	(5%)	(8%)	(8%)	5%	(5%)	(2%)	20%
May 2011 to Oct 2011	5		No Change		1371	1075	(22%)	(15%)	(26%)	(27%)	(25%)	(20%)	(19%)	(17%)	(7%)	(15%)	(5%)	(4%)	(31%)	(30%)
Oct 2007 to Mar 2009	17	Dec 2007 to Jun 2009	Easing	18	1576	667	(58%)	(49%)	(60%)	(58%)	(49%)	(41%)	(53%)	(55%)	(39%)	(53%)	(45%)	(47%)	(71%)	(54%)
Mar 2000 to Oct 2002	31	Mar 2001 to Nov 2001	Tightening	8	1553	769	(50%)	(41%)	(47%)	(44%)	(54%)	(10%)	(48%)	(33%)	(31%)	(25%)	(43%)	(43%)	1%	(60%)

Bear Market Period	Bear Market Length (Months)	NBER Recessions	Fed Interest Rate Regime	Length of Recession (Months)	US		China		Hong Kong		Taiwan		South Korea		India		Singapore		Malaysia		Thailand		Indonesia		Phillippines		Brazil	
					PE (Start of period)	5yr Avg	PE (Start of period)	5yr Avg	PE (Start of period)	5yr Avg	PE (Start of period)	5yr Avg	PE (Start of period)	5yr Avg	PE (Start of period)	5yr Avg	PE (Start of period)	5yr Avg	PE (Start of period)	5yr Avg	PE (Start of period)	5yr Avg	PE (Start of period)	5yr Avg	PE (Start of period)	5yr Avg	PE (Start of period)	5yr Avg
Jan 2022 to Jun 2022	6	2023?	Tightening		25	22	15	15	10	12	16	16	13	14	26	28	14	16	17	17	22	22	19	19	23	23	6	6
Feb 2020 to Apr 2020	2		Easing		21	20	14	13	11	12	18	14	17	11	22	23	12	12	17	22	18	22	17	22	17	22	19	22
Sep 2018 to Dec 2018	3		Tightening		21	19	10	12	9	12	14	14	9	11	24	22	11	13	18	18	16	16	19	19	21	21	14	14
May 2011 to Oct 2011	5		No Change		16	17	13	17	13	15	16	54	11	13	17	20	10	12	17	17	12	12	17	17	16	16	11	11
Oct 2007 to Mar 2009	17	Dec 2007 to Jun 2009	Easing	18	17	17	31	15	20	14	17	16	15	11	26	18	12	10	19	19	14	14	17	17	16	16	14	14
Mar 2000 to Oct 2002	31	Mar 2001 to Nov 2001	Tightening	8	28	26	9	17	18	18	35	30	17	16	37	16			35	35			26	26			22	22

Theme 5- Focus on emerging markets, income, high quality, and value names

- ❑ In a bear market cycle, **Value strategy and Income strategy** will outperform the generate market and growth strategy
- ❑ **This is especially so when the monetary policy is in tightening regime**
- ❑ **In general, income strategy and value strategy will outperform the general market by 5%-10%**
- ❑ In the bear market cycle, **Consumer staples, Health care and Utilities** will outperform the general market given that they have outperformed in 8 out of 8 of bear market
- ❑ The sector we should avoid will Technology, Consumer discretionary and communication services in the US as they are generally the worst performers in the bear market, **especially if a recession were to happen.**

Bear Market Period	Bear Market Length (Months)	NBER Recessions	Fed Interest Rate Regime	Length of Recession (Months)	S&P Start	S&P End	S&P 500 Peak to Trough	S&P 500	Value Strategy	Growth Strategy	Income Strategy
Jan 2022 to Jun 2022	6	2023?	Tightening		4800	3795	(21%)	(21%)	(13%)	(29%)	(9%)
Feb 2020 to Apr 2020	2		Easing		3421	2191	(36%)	(10%)	(21%)	(5%)	(15%)
Sep 2018 to Dec 2018	3		Tightening		2941	2347	(20%)	(14%)	(12%)	(16%)	(8%)
May 2011 to Oct 2011	5		No Change		1371	1075	(22%)	(8%)	(14%)	(10%)	(7%)
Oct 2007 to Mar 2009	17	Dec 2007 to Jun 2009	Easing	18	1576	667	(58%)	(49%)	(55%)	(49%)	(56%)
Mar 2000 to Oct 2002	31	Mar 2001 to Nov 2001	Tightening	8	1553	769	(50%)	(41%)	(34%)	(54%)	(15%)
Jul 1998 to Oct 1998	3				1191	923	(23%)	(12%)	(14%)	(11%)	(10%)
Jul 1990 to Oct 1990	3	Jul 1990 to Mar 1991		8	370	295	(20%)	(15%)	(12%)	(11%)	N.A.

Bear Market Period	Bear Market Length (Months)	NBER Recessions	Fed Interest Rate Regime	Length of Recession (Months)	S&P Start	S&P End	S&P 500 Peak to Trough	S&P 500	Technology	Health Care	Consumer discretionary	Financials	Communication Svcs	Industrials	Consumer Staples	Energy	Real Estate	Materials	Utilities
Jan 2022 to Jun 2022	6	2023?	Tightening		4800	3795	(21%)	(21%)	(27%)	(9%)	(33%)	(19%)	(30%)	(17%)	(7%)	29%	(21%)	(19%)	(2%)
Feb 2020 to Apr 2020	2		Easing		3421	2191	(36%)	(24%)	(16%)	(16%)	(23%)	(36%)	(20%)	(31%)	(15%)	(53%)	(25%)	(30%)	(19%)
Sep 2018 to Dec 2018	3		Tightening		2941	2347	(20%)	(14%)	(19%)	(8%)	(17%)	(16%)	(10%)	(17%)	(6%)	(23%)	(8%)	(15%)	(1%)
May 2011 to Oct 2011	5		No Change		1371	1075	(22%)	(15%)	(10%)	(10%)	(11%)	(28%)	(12%)	(20%)	(4%)	(21%)	(15%)	(23%)	0%
Oct 2007 to Mar 2009	17	Dec 2007 to Jun 2009	Easing	18	1576	667	(58%)	(49%)	(45%)	(32%)	(47%)	(74%)	(42%)	(56%)	(26%)	(42%)	(71%)	(51%)	(40%)
Mar 2000 to Oct 2002	31	Mar 2001 to Nov 2001	Tightening	8	1553	769	(50%)	(41%)	(76%)	(4%)	(34%)	(8%)	(67%)	(29%)	23%	(18%)	(20%)	(18%)	(39%)
Jul 1998 to Oct 1998	3				1191	923	(23%)	(12%)	(9%)	(5%)	(18%)	(25%)	5%	(17%)	(10%)	(6%)	N.A.	(19%)	5%
Jul 1990 to Oct 1990	3	Jul 1990 to Mar 1991		8	370	295	(20%)	(15%)	(26%)	(7%)	(27%)	(34%)	(6%)	(23%)	(5%)	0%	N.A.	(18%)	1%

Theme 5: Consumer staples- A stable play in high inflationary environment

Consumer staples (Convicted Ideas)																		
Ticker	Name	Industry	Price	Market cap (US\$ mil)	Broken high	1Wk %	3M%	YTD	Fwd 2023 PE	PE z-score	FY+1 Net income	FY+2 Net income	FY+1 growth	FY+2 growth	PB	PB z-score	Div yield	ESG Score
KMB UN Equity	KIMBERLY-CLARK	Consumer staples- Household Pro	136.05	45,839		0%	9%	(3%)	20	2.69	1,950	2,312	7%	19%	47.5	(0.46)	3.4%	AA
KHC UW Equity	KRAFT HEINZ CO/T	Consumer staples- Food Products	39.18	47,954		3%	(6%)	11%	14	(0.39)	3,298	3,402	226%	3%	1.0	(0.20)	4.1%	A
K UN Equity	KELLOGG CO	Consumer staples- Food Products	73.89	24,965		1%	10%	17%	17	1.11	1,388	1,440	(7%)	4%	6.6	(0.42)	3.1%	AAA
CAG UN Equity	CONAGRA BRANDS I	Consumer staples- Food Products	35.74	17,151		2%	1%	6%	12	0.58	1,235	1,282	39%	4%	2.0	(0.63)	3.5%	AA

Consumer staples (Others)																		
Ticker	Name	Industry	Price	Market cap (US\$ mil)	Broken high	1Wk %	3M%	YTD	Fwd 2023 PE	PE z-score	FY+1 Net income	FY+2 Net income	FY+1 growth	FY+2 growth	PB	PB z-score	Div yield	ESG Score
WMT UN Equity	WALMART INC	Consumer staples- retailing	125.37	343,658		0%	(20%)	(13%)	18	0.62	17,579	18,808	29%	7%	4.5	1.08	1.8%	BBB
COST UW Equity	COSTCO WHOLESALE	Consumer staples- retailing	492.22	218,035		(1%)	(16%)	(13%)	35	1.30	5,811	6,397	16%	10%	10.9	1.64	0.7%	A
KR UN Equity	KROGER CO	Consumer staples- retailing	47.95	34,311		(2%)	(17%)	7%	12	(0.19)	2,853	2,868	72%	1%	3.7	0.14	1.8%	AA
PG UN Equity	PROCTER & GAMBLE	Consumer staples- Household product	145.70	349,578		(0%)	(8%)	(10%)	23	1.35	14,823	15,376	4%	4%	7.8	1.83	2.4%	A
CLX UN Equity	CLOROX CO	Consumer staples- Household product	147.60	18,167		1%	2%	(14%)	27	2.92	503	664	(29%)	32%	45.4	(0.19)	3.1%	AA
CL UN Equity	COLGATE-PALMOLIV	Consumer staples- Household product	78.43	65,720		(1%)	(3%)	(7%)	23	1.03	2,554	2,776	18%	9%	204.7	0.88	2.3%	AA
MO UN Equity	ALTRIA GROUP INC	Consumer staples- Tobacco	41.96	75,971		0%	(22%)	(8%)	8	(0.92)	8,717	9,137	252%	5%		1.29	8.6%	BBB
PM UN Equity	PHILIP MORRIS IN	Consumer staples- Tobacco	90.65	140,518		(5%)	(10%)	(2%)	15	0.42	8,456	9,177	(7%)	9%			5.5%	BBB
MDLZ UW Equity	MONDELEZ INTER-A	Consumer staples- Food Products	61.97	85,762		(1%)	(2%)	(5%)	19	0.03	4,074	4,316	(5%)	6%	3.0	1.36	2.3%	BBB
ADM UN Equity	ARCHER-DANIELS	Consumer staples- Food Products	72.69	40,903		(2%)	(25%)	9%	12	(0.16)	3,559	3,322	31%	(7%)	1.7	1.86	2.1%	AA
CPB UN Equity	CAMPBELL SOUP CO	Consumer staples- Food Products	49.46	14,866		2%	8%	17%	17	1.26	858	871	(14%)	1%	4.4	(1.53)	3.0%	AA
CAG UN Equity	CONAGRA BRANDS I	Consumer staples- Food Products	35.74	17,151		2%	1%	6%	12	0.58	1,235	1,282	39%	4%	2.0	(0.63)	3.5%	AA
TSN UN Equity	TYSON FOODS-A	Consumer staples- Food Products	83.03	30,019		(4%)	(13%)	(4%)	10	(1.73)	3,318	2,830	9%	(15%)	1.6	(0.33)	2.2%	BBB
GIS UN Equity	GENERAL MILLS IN	Consumer staples- Food Products	76.43	45,641	All time Hi	1%	9%	16%	18	2.23	2,413	2,526	(11%)	5%	4.3	(0.12)	2.7%	AAA
HSY UN Equity	HERSHEY CO/THE	Consumer staples- Food Products	219.78	45,188		(0%)	(2%)	15%	25	2.41	1,664	1,777	13%	7%	15.5	(0.30)	1.6%	A
KO UN Equity	COCA-COLA CO/THE	Consumer staples- Beverages	62.38	270,419		(1%)	(3%)	7%	23	1.70	10,736	11,438	10%	7%	10.9	1.12	2.8%	AA
BF/B UN Equity	BROWN-FORMAN -B	Consumer staples- Beverages	70.93	33,671		1%	4%	(2%)	33	1.21	946	1,029	13%	9%	12.4	0.07	2.5%	AA
TAP UN Equity	MOLSON COORS-B	Consumer staples- Beverages	58.25	12,650	52 Wk Hi	7%	5%	28%	13	(0.41)	852	921	(15%)	8%	0.9	(0.52)	2.5%	AAA
PEP UW Equity	PEPSICO INC	Consumer staples- Beverages	170.10	234,752		(0%)	(0%)	(1%)	23	1.41	9,294	9,909	22%	7%	12.7	(0.26)	2.6%	AA
STZ UN Equity	CONSTELLATION-A	Consumer staples- Beverages	244.98	46,739		1%	(2%)	(2%)	19	1.84	2,028	2,309	5120%	14%	4.0	0.72	1.3%	BBB
MNST UW Equity	MONSTER BEVERAGE	Consumer staples- Beverages	96.80	51,272		(0%)	17%	1%	30	0.27	1,434	1,683	4%	17%	7.5	(0.73)		B

- **Convicted Ideas:** Consumer staples (F&B) like Kraft Heinz, and Conagra are top convicted ideas for Food Staples sectors due to better earnings outlooks and relatively reasonable valuations.

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