



2020 Market Outlook

2020年市场展望

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Important Information

重要信息

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The value of investments may rise or fall due to changes in the rate of exchange in the currency in which the investments are denominated if it is different from the investor's own currency.

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Throughout this document where charts indicate that a third party (parties) is the source, please note that the source references the raw data received from such parties.





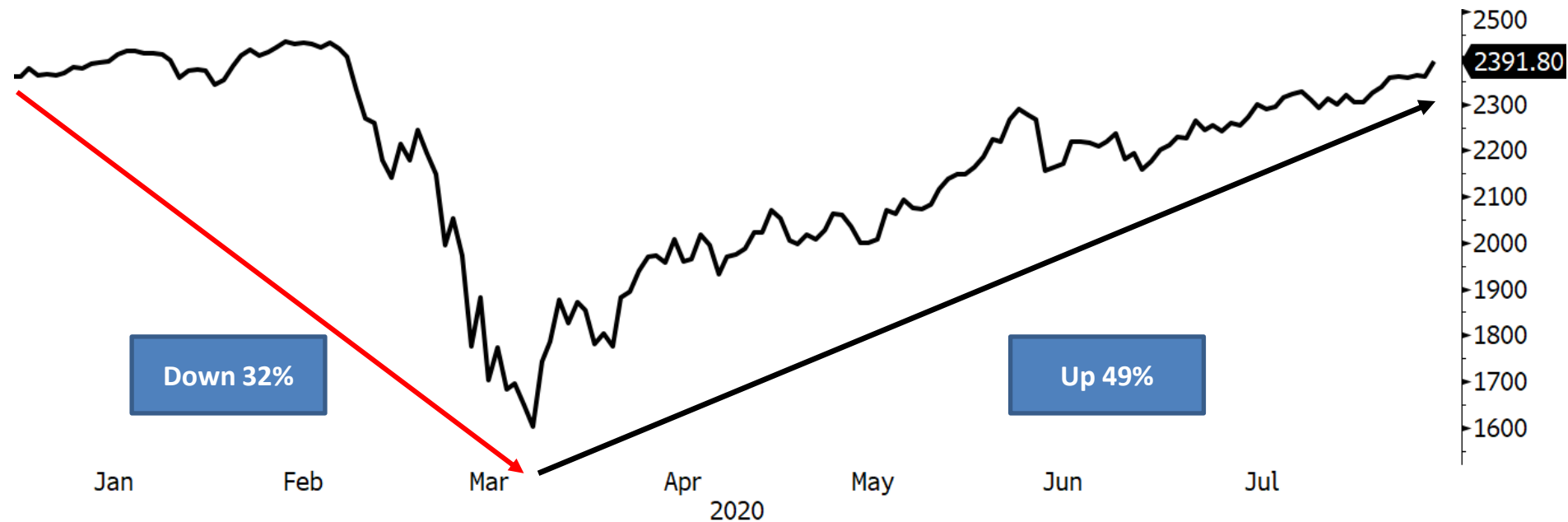
Quick look back 快速回顾



Performance of global equities so far in 2020 截至2020年的全球股票表现

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MSCI World Index

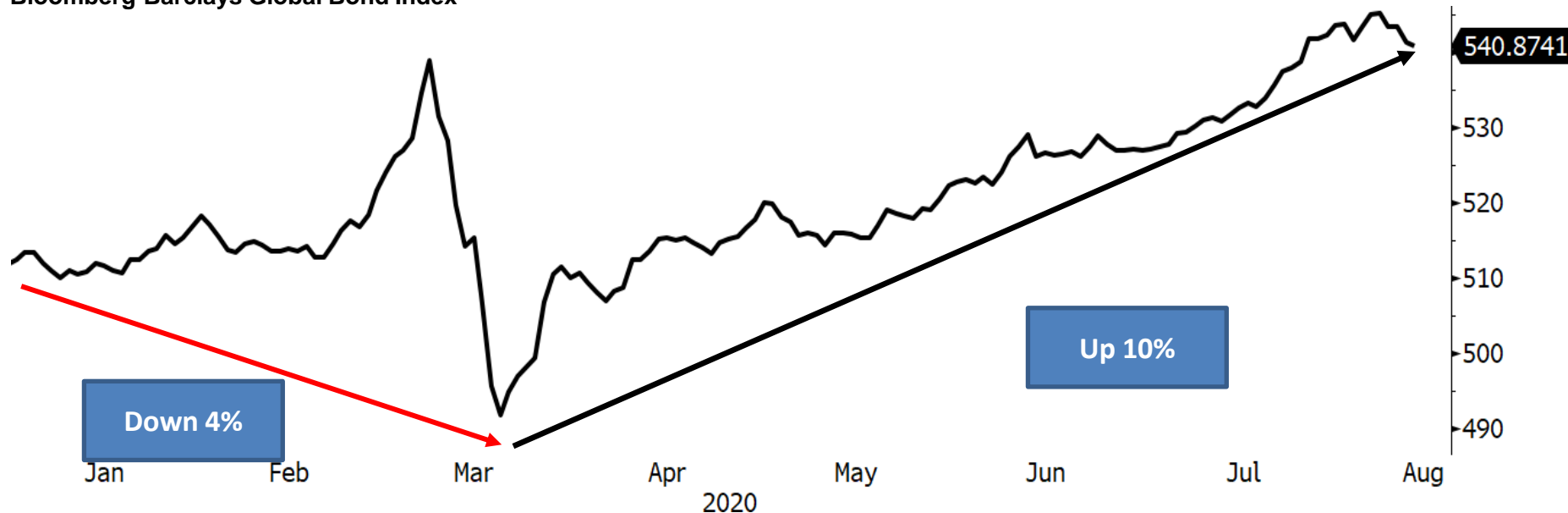


Source: Bloomberg; 13 August 2020

Performance of global bonds so far in 2020 截至2020年全球債券表現

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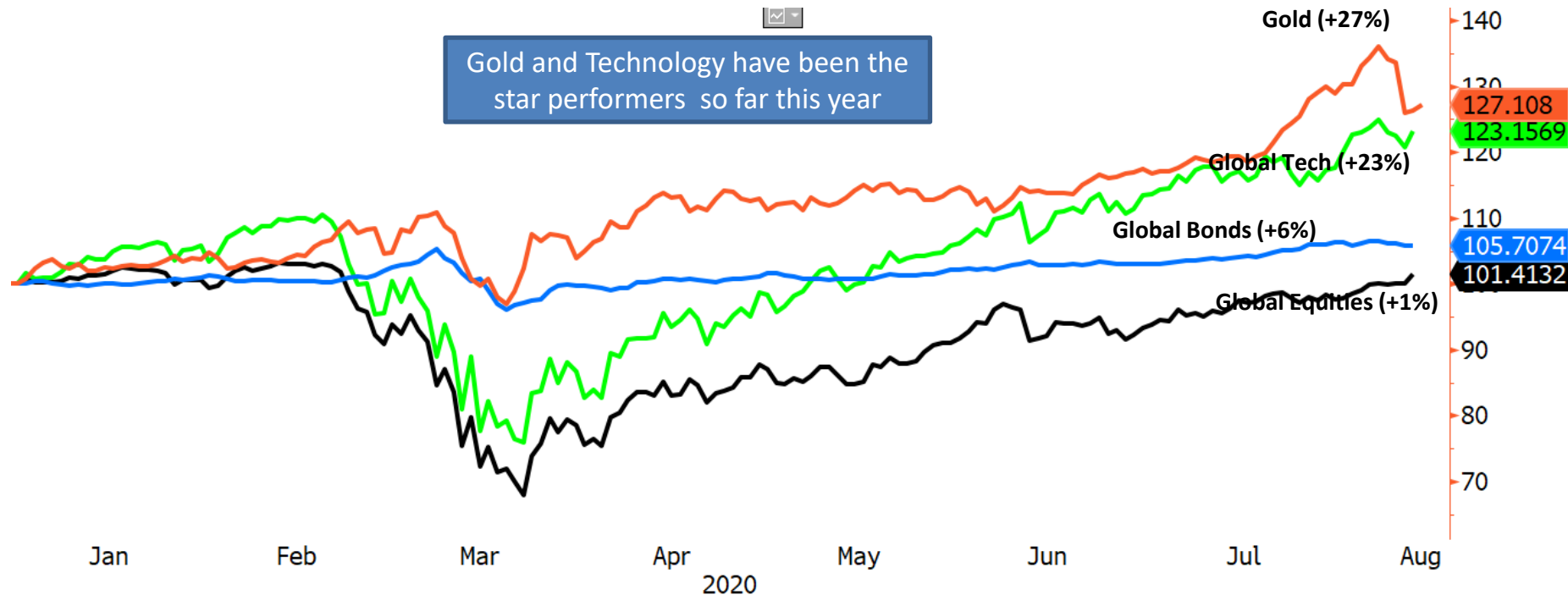
Bloomberg-Barclays Global Bond Index



Source: Bloomberg; 13 August 2020

Relative performance of asset classes so far this year 到目前为止, 资产类别的相对表现

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Source: Bloomberg, 13 August 2020

Covid-19 has caused
significant economic
damage

疫情已造成
重大经济损
失



Global economy is experiencing its darkest hour since the Great Depression

全球经济正在经历自大萧条以来最黑暗的时刻

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- **IMF - World economy to shrink by 4.9% in 2020 much worse than during the global financial crisis when it shrank by 0.1%**
- **World Bank - Global economic output to shrink by 5.2% in 2020. Advanced economies to shrink by 7% and EM economies to contract 2.5% (the first contraction since 1960)**
- **UN - Pandemic to wipe out US\$8.5 trillion in global output – a wipe-out of almost all gains in past 4 years**
- **OECD - global growth to fall by as much as 7.6% in 2020**



Dismal economic data

经济数据不佳

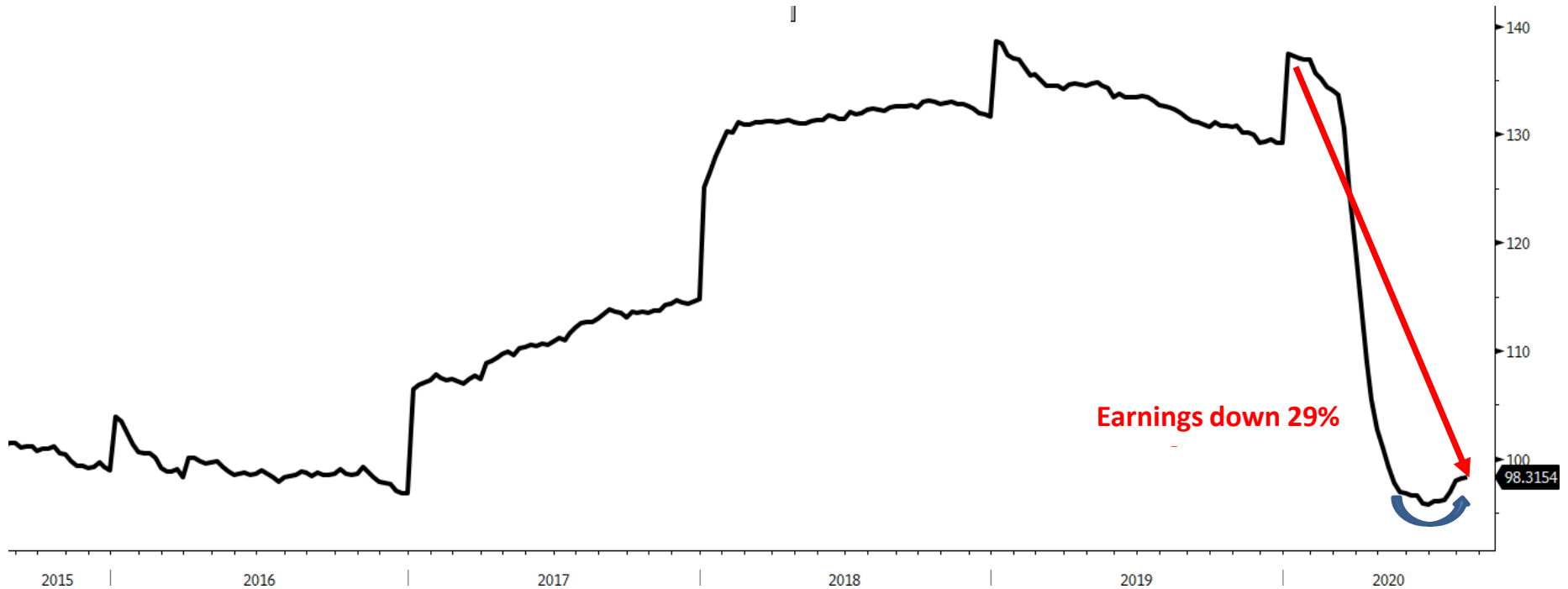
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- **US economy slumped by 33% in 2Q20 after a 5% contraction in 1Q**
- **US economy has lost more than 12 million jobs in the first 7 months of this year – equivalent to jobs created in the past 5 years**
- **Fed forecasting a 6.5% US economic contraction in 2020 and sees a long road to full recovery for US economy**
- **China's economy contracted by 6.8% in 1Q - the first economic contraction in more than 30 years**
- **EU economy down by 12% in 2Q sharpest decline since time series started in 1995**
- **UK economy shrank 20% in 2Q the largest contraction by any major economy so far this year**



Global earnings down sharply 全球收入急剧下降

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Source: Bloomberg, 13 August 2020



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Despite weak economic data, markets have rebounded sharply since the low on 23rd March 2020

尽管经济数据疲软，但自2020年3月23日的低点以来，市场已大幅反弹



Are markets disconnected from economic reality

市场是否脱离了经济现实

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Performance of Global Equity Markets (March low – 12 Aug)

	% Change
Global Equities	49%
US Equities	53%
Europe Equities	45%
Asia ex-Japan Equities	43%
Japan Equities	30%

Markets rallied sharply even though economy & earnings have been weak

Source: Bloomberg; Price change in US Dollars based on MSCI indices



Performance of Global Equities during Past Crisis (1970 – 2010)

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过去危机期间的全球股票表现(1970年至2010年)

	Down	Month	Up	Month
Oil Crisis (1973-74)	-27%	58	+118%	76
Black Monday (1987-1988)	-22%	0.4	+31%	14
911 (2001)	-51%	31	+139%	62
SARS (2002-2003)	-15%	3.5	+46%	10
Global Financial Crisis (2007-2009)	-60%	16.5	+90%	11
CNY Devaluation (2015-2016)	-19%	9	+43%	23
COVID-19 (Feb – June 2020)	-34%	1	+49%	4.5

Source: OCBC Investment Research & Bloomberg, 5 August 2020

What's behind the
recent market rally?

Hope, Fear & Liquidity

最近的市场反弹背后原因
是什么？

希望，恐惧与流动性



What's behind the market rally? 市场反弹的背后原因是什么？

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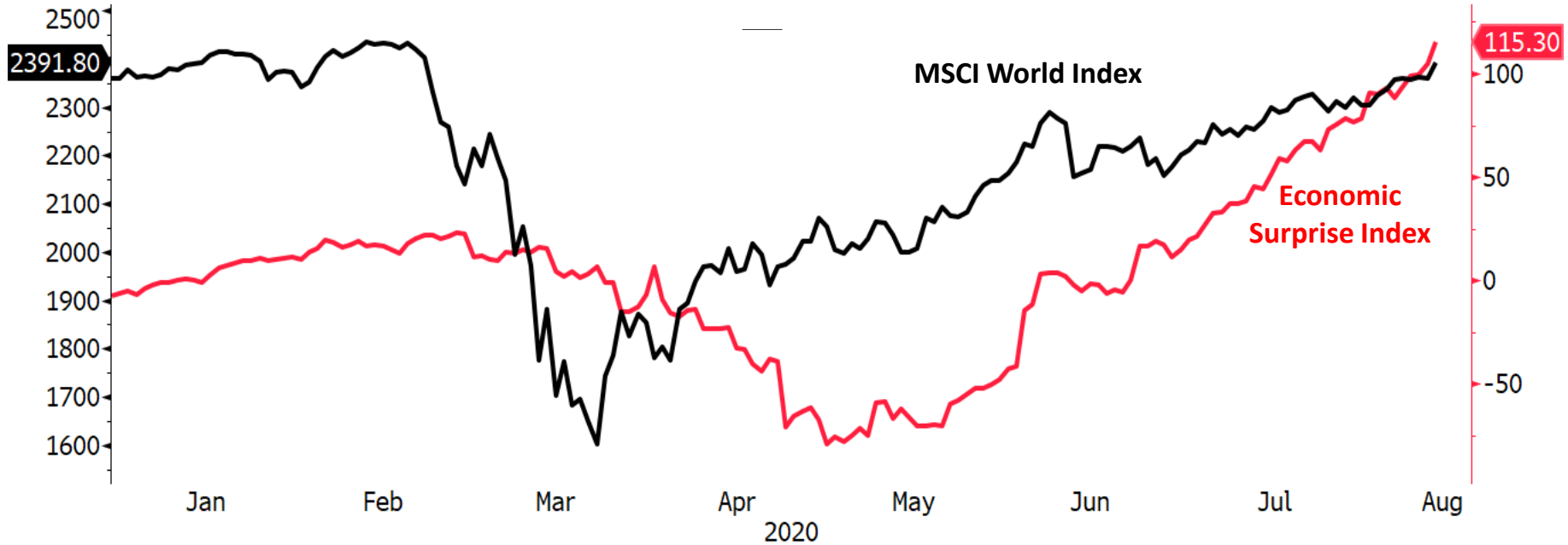
- **Green shoots of recovery**
- **Hope that re-opening and vaccines will boost economy**
- **Extraordinary monetary and fiscal policy**
- **Investors fearful of missing out on the rally (FOMO mania?)**
- **Abundance of liquidity and ultra-low rates**



Global equities rallied as economic data surprised on the upside

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经济数据推动全球股市上涨



Source: Bloomberg, 13 August 2020



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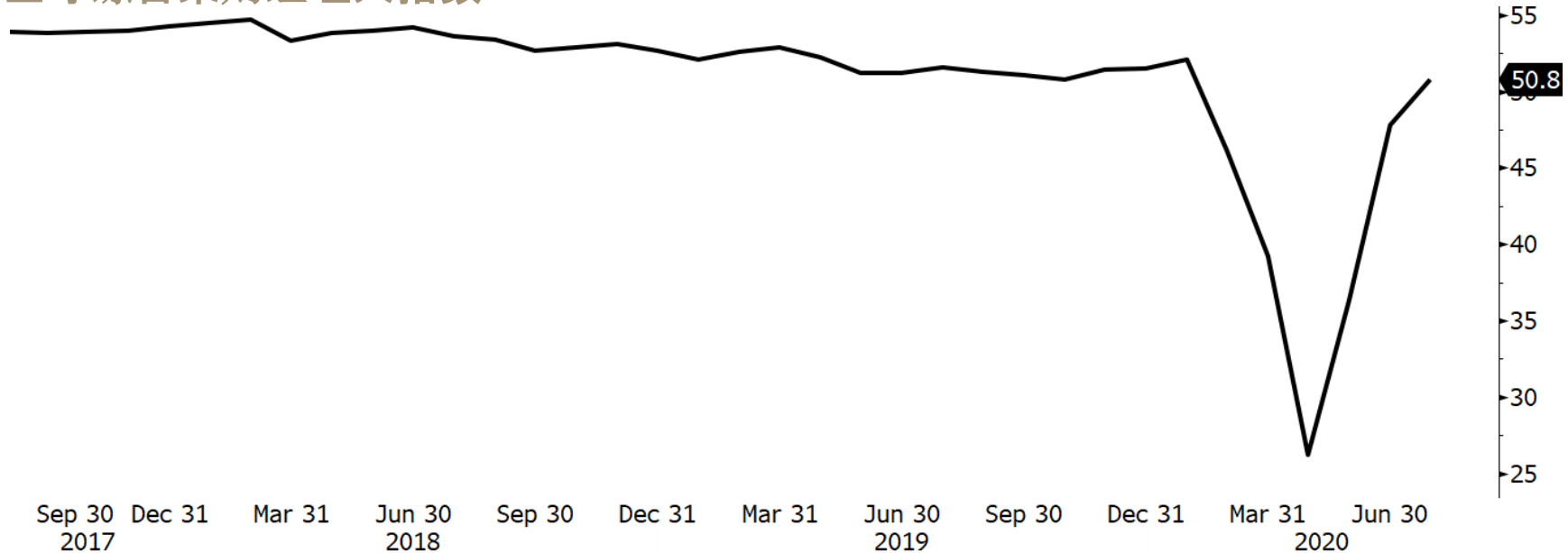
Green shoots - Signs of a global rebound

绿芽-全球反弹的迹象

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Global Composite Purchasing Managers' Index*

全球综合采购经理人指数*



Source: Bloomberg, 13 August 2020

* Economic indicator derived from monthly survey of private sector companies. Global business conditions indicator



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Markets hoping that a vaccine or cure for Covid-19 will be found soon

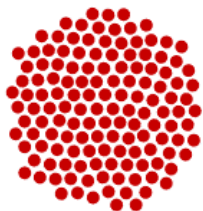
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市场希望能很快找到冠病疫苗或疗法

Pre-clinical

vaccines not yet in human trials

139



Phase 1

vaccines in small-scale safety trials

25



Phase 2

vaccines in expanded safety trials

17



Phase 3

vaccines in large-scale efficacy trials

7



Approved

vaccines approved for general use

0

Source: WHO. Last updated 11 Aug

Researchers around the world are racing to develop a vaccine against Covid-19, with **more than 170 candidate vaccines now tracked** by the World Health Organization (WHO).

Vaccines normally require years of testing and additional time to produce at scale, but scientists are hoping to develop a coronavirus vaccine within 12 to 18 months.



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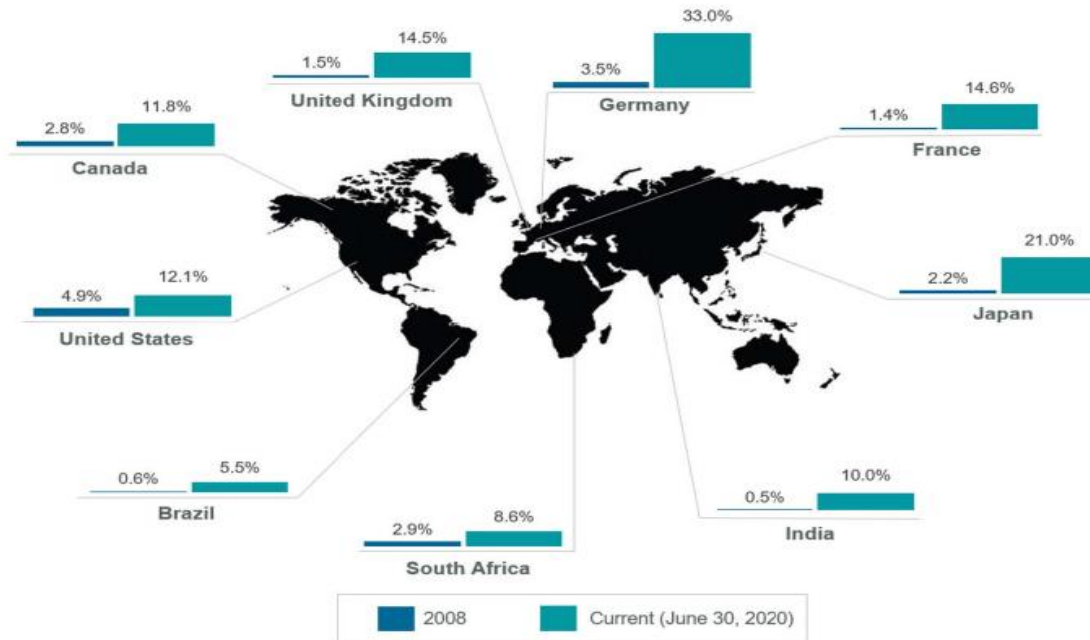
Huge fiscal stimulus unleashed due to Covid-19

疫情推出了巨大的财政刺激方案

Country	Cumulative Fiscal Stimulus to date (USD bn)	% of GDP	Country	Cumulative Fiscal Stimulus to date (USD bn)	% of GDP
US	3953	19.9%	Australia	145	11.6%
Japan	1720	35.4%	Canada	137	8.9%
Germany	1447	40.9%	Switzerland	75	11.2%
European Union	1329	10.0%	Singapore	66	19.6%
China	705	4.6%	Malaysia	63	2.8%
Italy	643	37.5%	Thailand	61	11.8%
UK	616	24.6%	Sweden	49	10.0%
France	443	18.8%	New Zealand	47	25.6%
South Korea	197	12.8%	Indonesia	48	4.6%
India	180	6.1%	Hong Kong	37	9.5%
Spain	165	14.0%	RoW	861	--
Total			12986		

Source: OCBC Treasury Research

Huge fiscal stimulus unleashed due to Covid-19 疫情推出了巨大的财政刺激方案



Fiscal Stimulus: GFC vs. COVID-19

Source: Legg Mason,
ClearBridge Investments

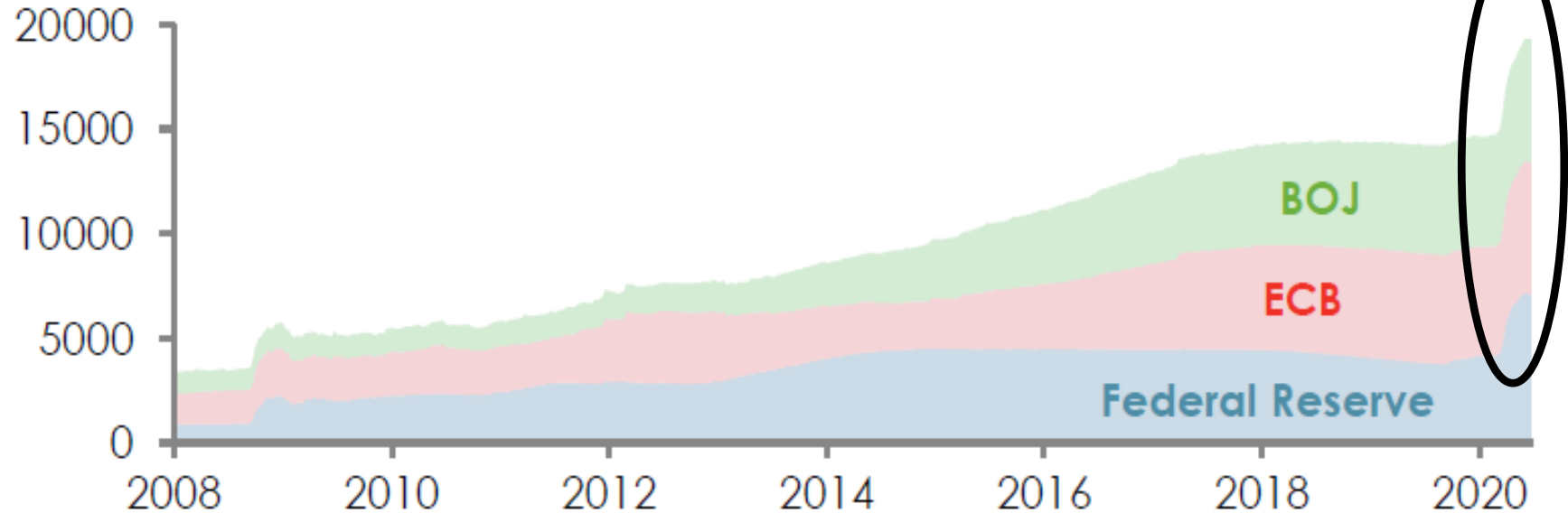
Stimulus as a % of GDP. Source: IMF. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Rapid expansion of central bank balance sheets and possibly more to come

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中央银行资产负债表的迅速扩张 可能还会有更多

(US\$ bn, at constant exchange rates)



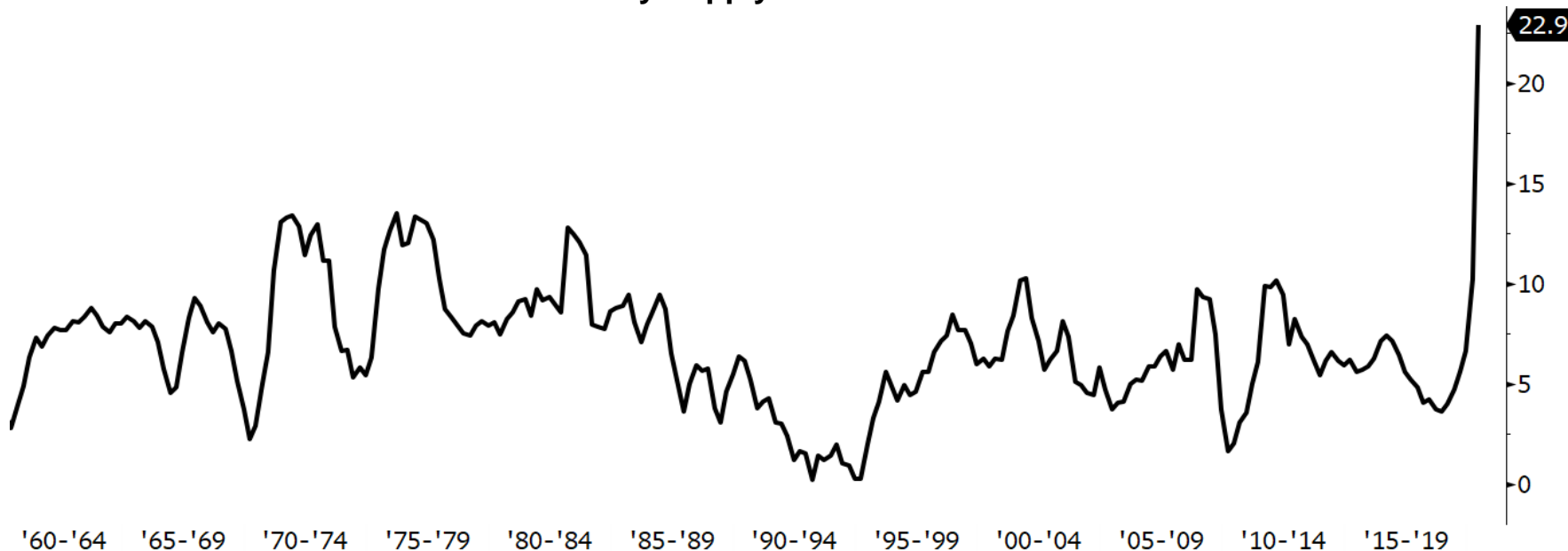
Source: Bank of Singapore, 3 July 2020

Ultra loose monetary policy has caused an explosion in money supply

超宽松的货币政策导致货币供应量激增

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US M2 Money Supply Year-On-Year Growth



Source: Bloomberg, 13 August 2020



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**May be still too
early to assume
that the worst
is over**

**认为最坏的情况已
经过过去还为时过早**



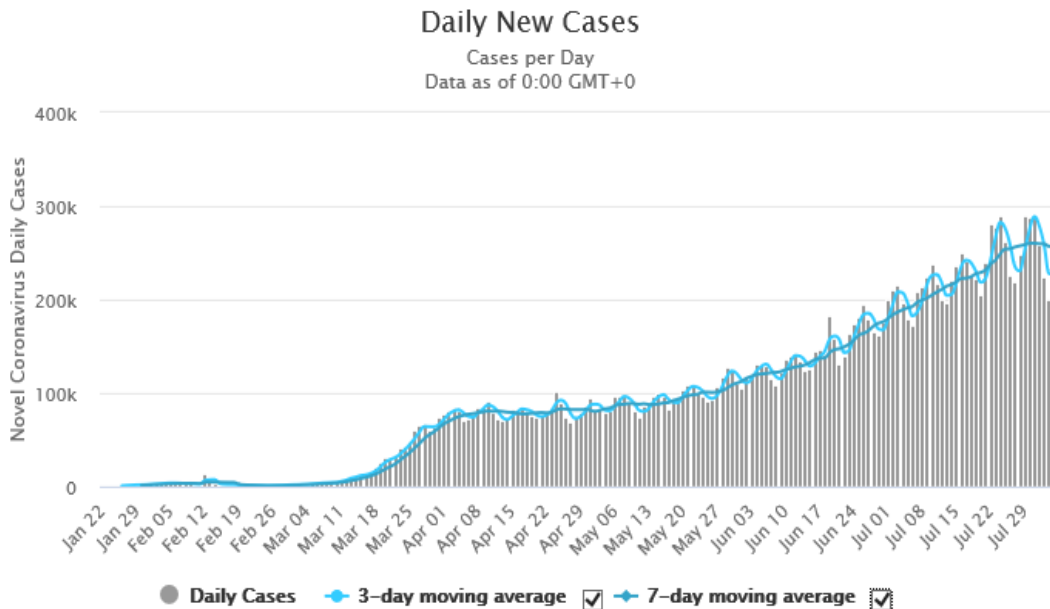
Global COVID-19 new cases remains high

Second wave of infections seen in many parts of the world

全球冠病新病例仍然很高

世界许多地方都出现了第二波感染

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Coronavirus Cases:

20,827,512

[view by country](#)

Deaths:

747,583

Source: Worldometer, 5 August 2020



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Daily new Covid-19 cases (7-day moving average)

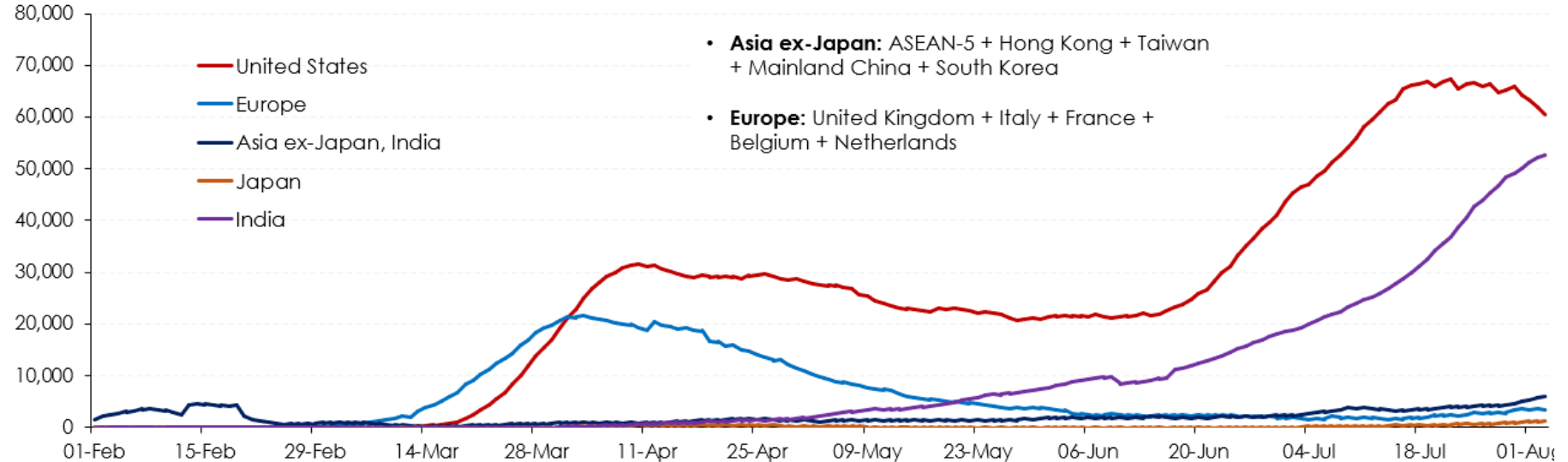
Big second wave in the US but some improvement seen recently

每天冠病新案例(7天移动平均数)

美国掀起第二波巨浪, 但最近有所改善

Daily Covid-19 cases (7-day moving average)

Asia and Europe have successfully flattened the curve. Outbreaks appear more controlled in Asia.



Source: Bloomberg, 3 August 2020



Daily new Covid-19 cases (7-day moving average)

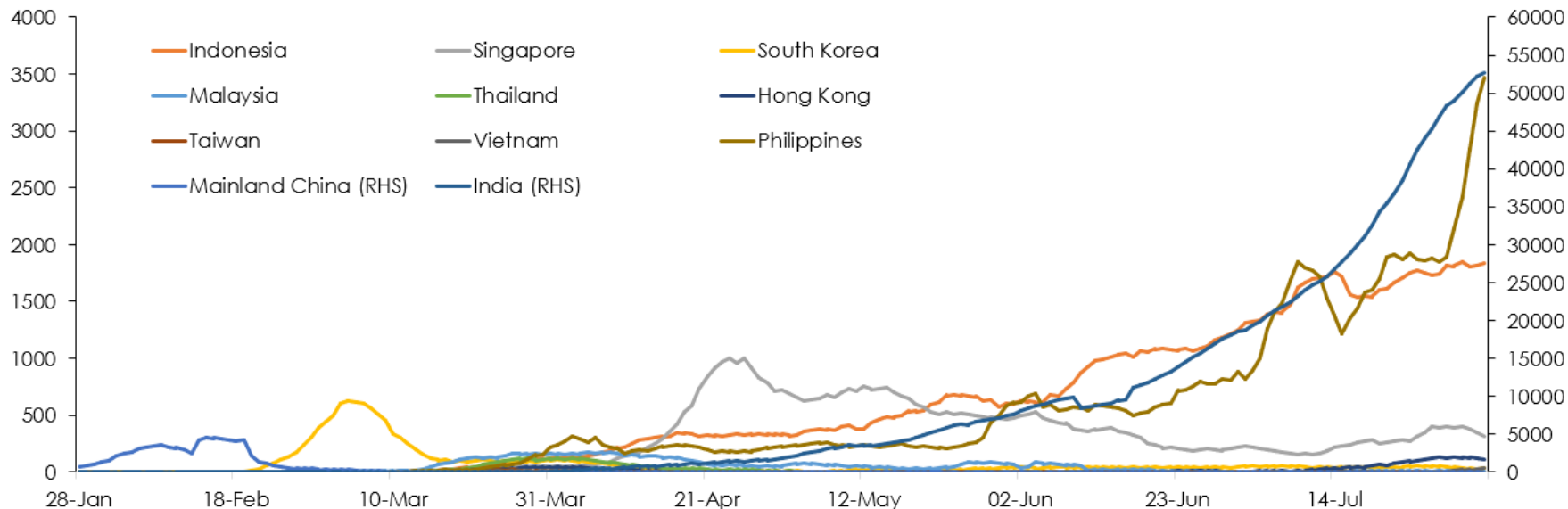
Indonesia, Philippines and India struggling to contain Covid-19 cases

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每天冠病新案例 (7天移动平均数)

印度尼西亚, 菲律宾和印度努力遏制新冠疫情案例

Daily Covid-19 cases (7-day moving average)



Source: Bloomberg, 3 August 2020



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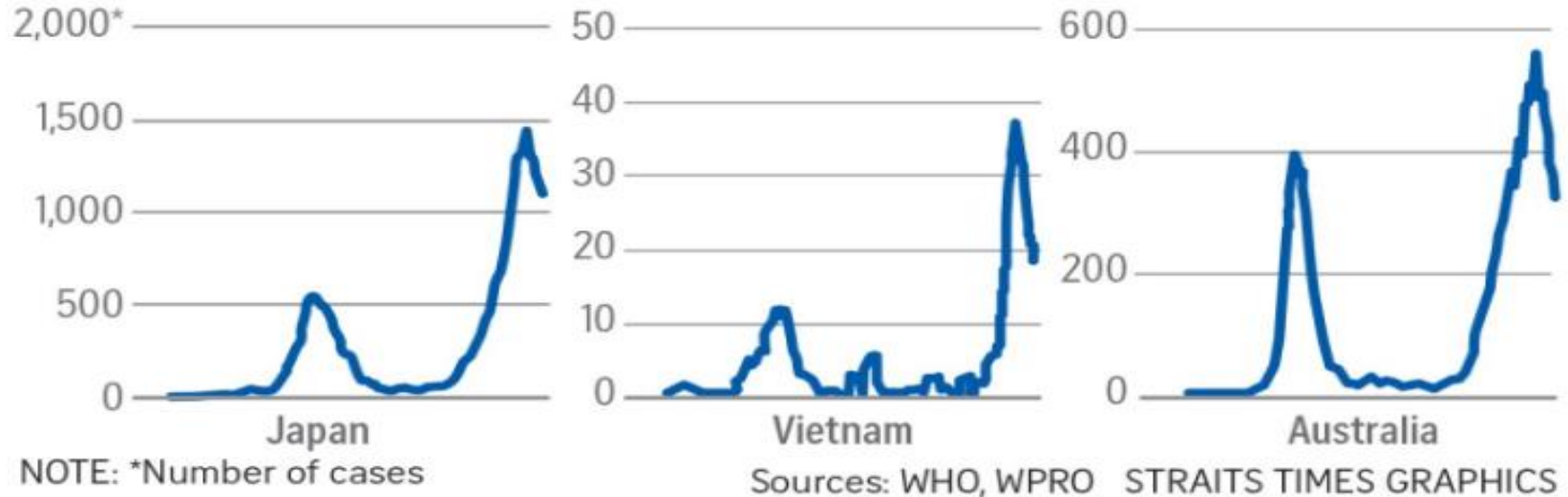
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More people infected in 2nd Wave

第二波感染人数增加



Source: The Straits Times, 19 August 2020

New COVID-19 epicenters

新的疫情震中心

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#	Country, Other	Total Cases
	World	20,827,512
1	USA	5,360,302
2	Brazil	3,170,474
3	India	2,399,992
4	Russia	907,758
5	South Africa	568,919
6	Peru	498,555
7	Mexico	498,380
8	Colombia	422,519
9	Chile	378,168
10	Spain	376,864

Source: Worldometer, 13 August 2020

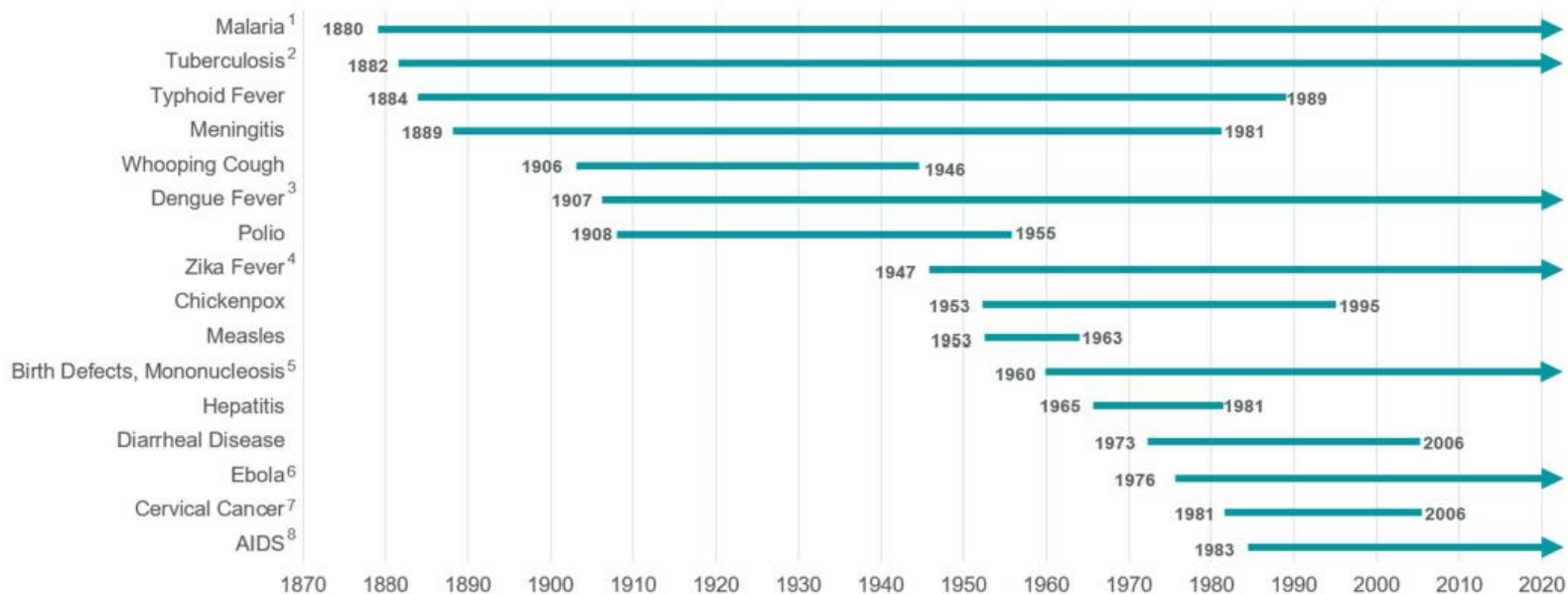


Historically vaccine development takes decades not years

But the global resources devoted to Covid-19 could shorten the process

从历史上看, 疫苗开发需要几十年而不是几年 但是, 全球资源的投入可能会缩短流程

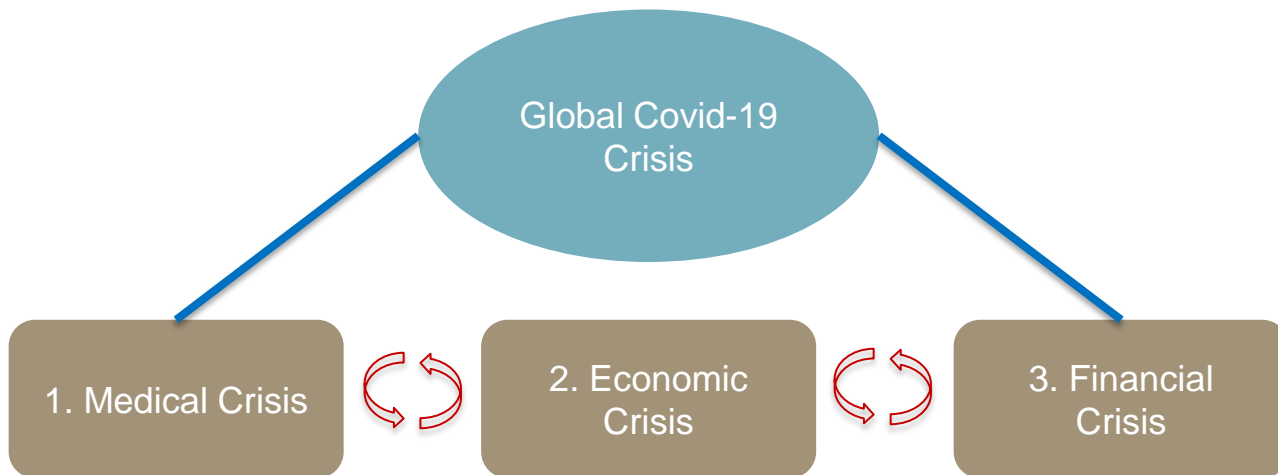
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Source: Legg Mason, ClearBridge Investments



Will COVID-19 cause a financial crisis? 新冠疫情会引起金融危机吗？



Source: Bank of Singapore



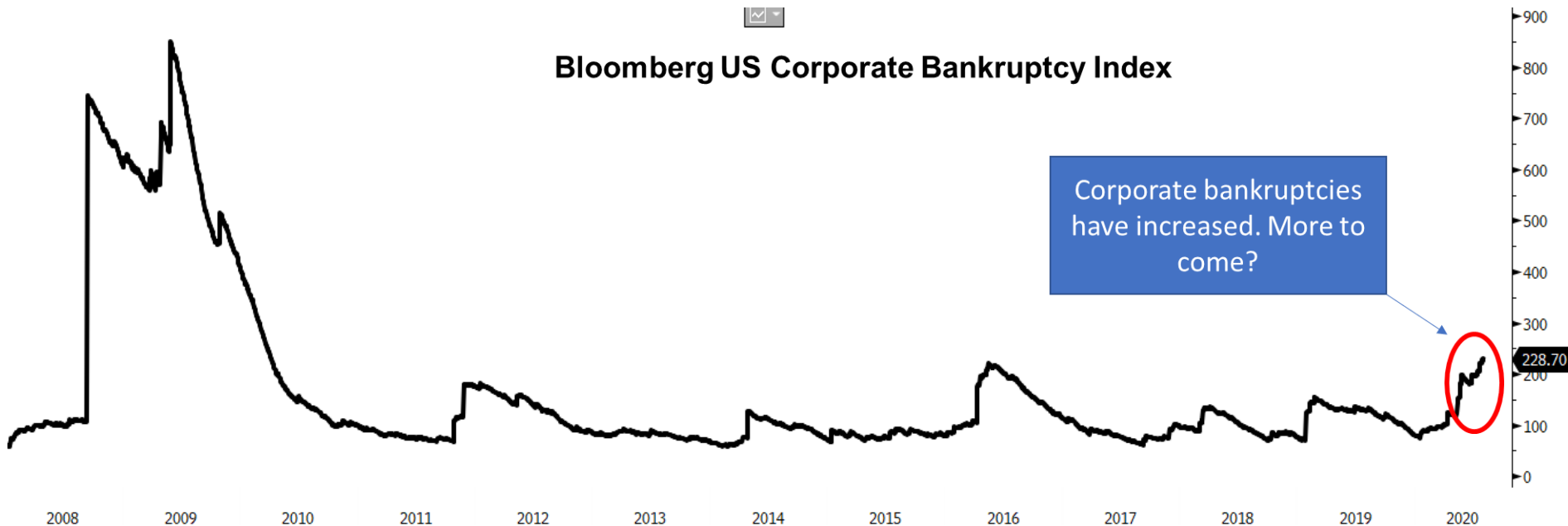
No signs that COVID-19 will cause another financial crisis yet

But we are keeping a close watch on corporate failures

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尚无迹象表明疫情会引起另一场金融危机 但是我们一直在密切关注公司的失败

Bloomberg US Corporate Bankruptcy Index



Source: Bloomberg, 13 August 2020



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Expect a tough stance on China in run-up to US election in Nov

US electorate have an unfavorable opinion of China

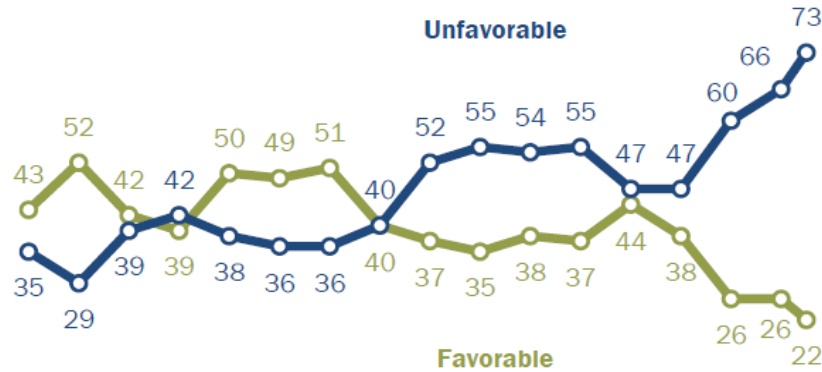
预计11月美国大选前夕中国将采取强硬立场

美国选民对中国持不利态度

Unfavorable views of China reach new highs in U.S.

% who say they have a(n) ___ opinion of China

100 %



Source: Pew Research Center, 30 July 2020

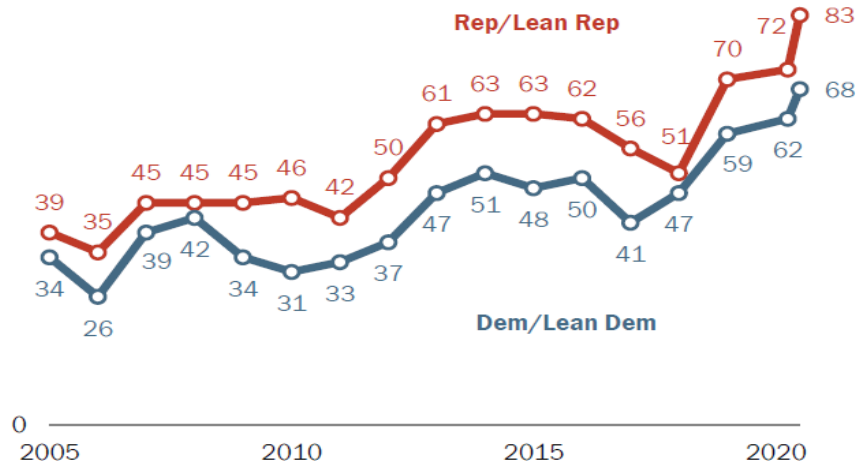
Expect a tough stance on China in run-up to US election in Nov

预计11月美国大选前夕中国将采取强硬立场

Republicans remain more unfavorable toward China, but all partisans are increasingly negative

% who say they have an unfavorable opinion of China

100%

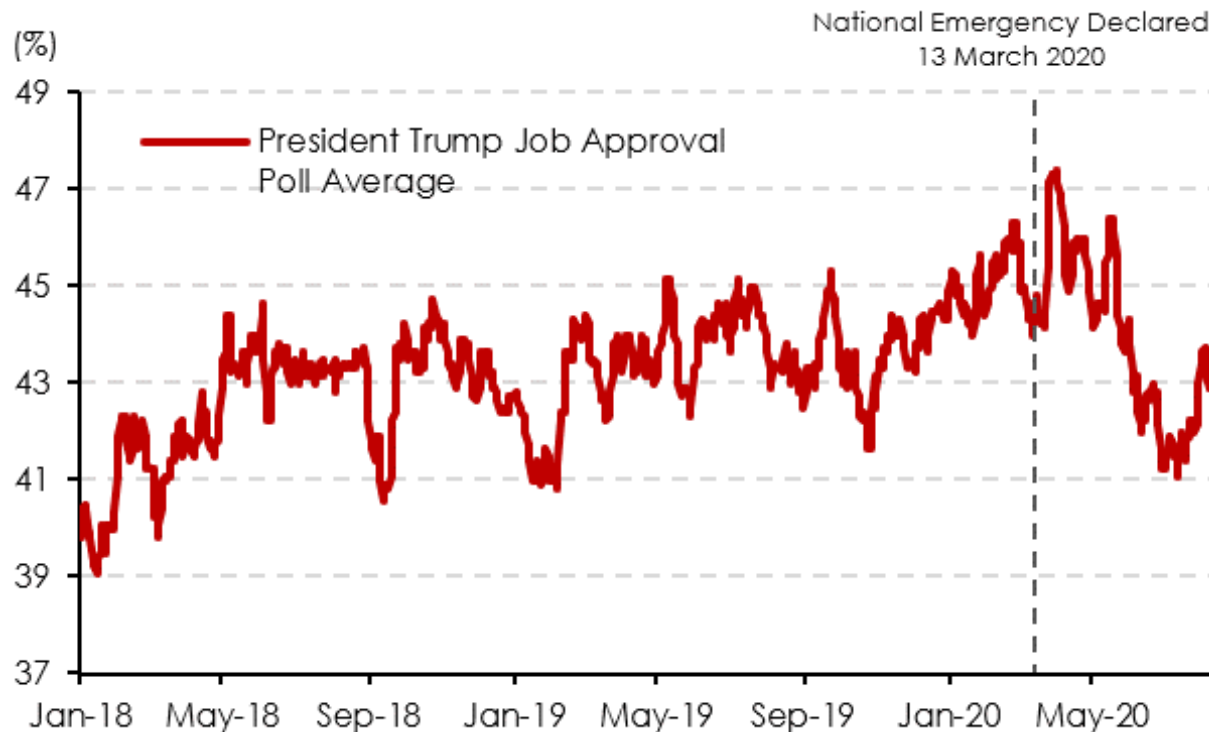


Source: Pew Research Center, 30 July 2020



Trump's job approval rating has plunged

特朗普的工作支持率下降



Source: Bloomberg, 12 August 2020

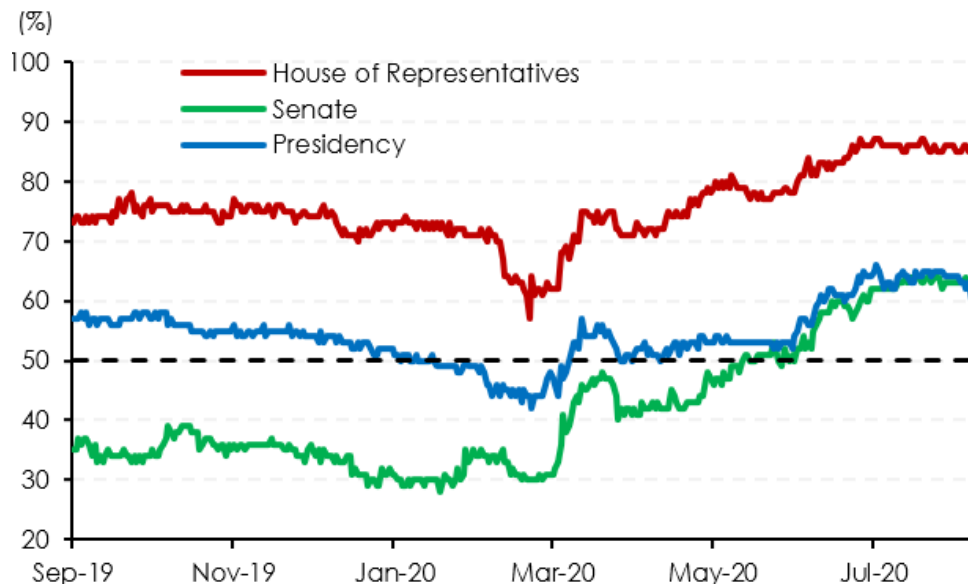


Prediction market probabilities

Looking at a Democratic landslide victory in November

预测市场概率

展望11月的民主党压倒性胜利



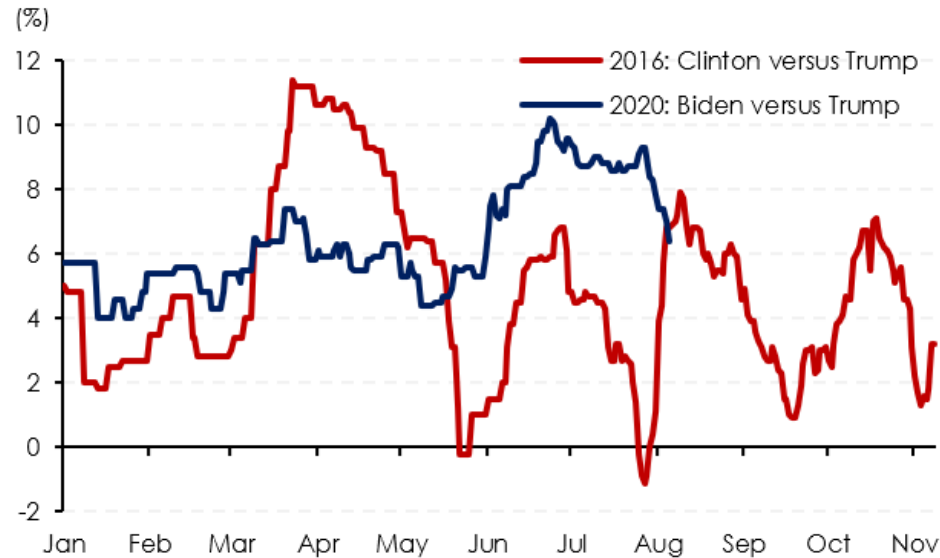
Source: Bloomberg, 10 August 2020



Wait a minute... The polls said Clinton would win in 2016 too
Difference is Biden has kept a healthy lead against Trump, but don't be complacent

等等...民意调查显示克林顿也将在2016年获胜

区别在于,拜登在对抗特朗普方面保持了健康的领先优势,但不要自满



Source: Bloomberg, 10 August 2020



Timeline for US 2020 elections

美国2020年选举时间表

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Timeline	Event
August 24 – 27	Republican Convention (Jacksonville, FL)
29-Sep	First Presidential Debate (South Bend, IN)
07-Oct	Vice Presidential Debate (Salt Lake City, UT)
15-Oct	Second Presidential Debate (Miami, FL)
22-Oct	Third Presidential Debate (Nashville, TN)
03-Nov	2020 Presidential Election

Source: Media reports, Bank of Singapore

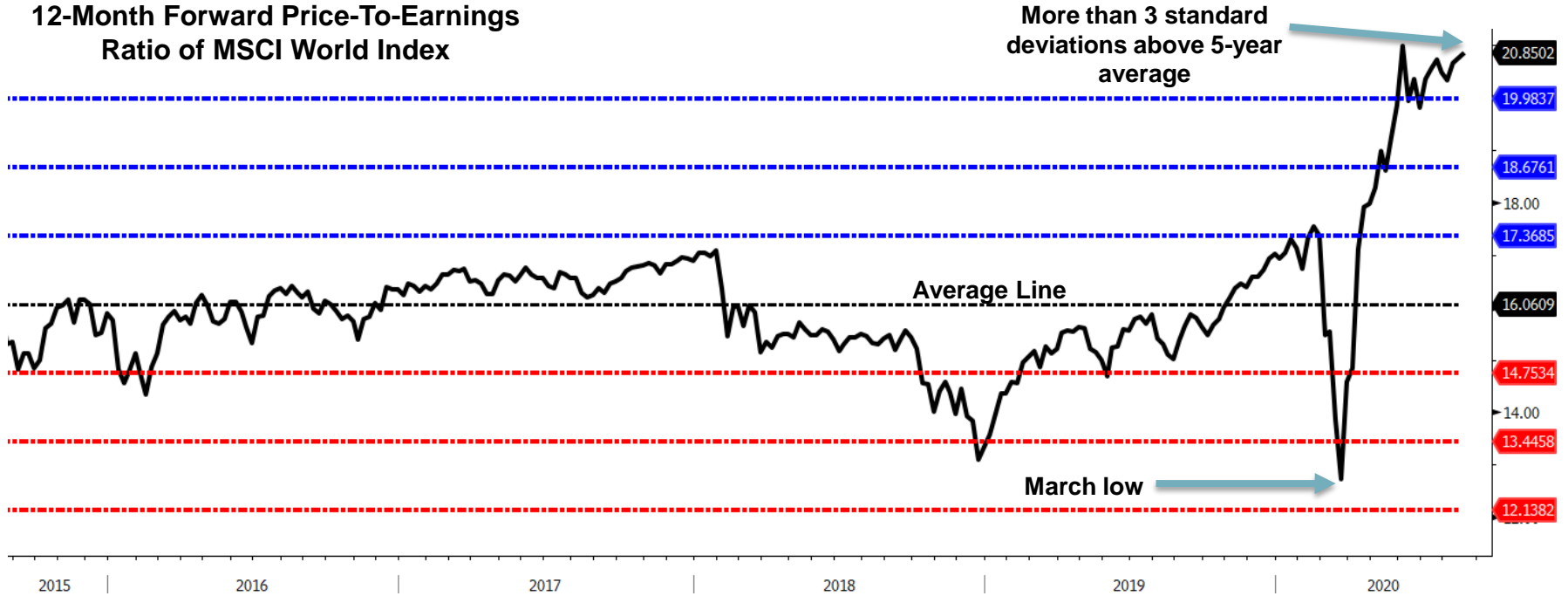


P/E ratio indicates that Global equities are not cheap

市盈率表明全球股票并不便宜

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12-Month Forward Price-To-Earnings
Ratio of MSCI World Index



Source: Bloomberg, 13 August 2020



Are analysts' earnings growth forecasts still too optimistic? 分析师的收入增长预测是否仍然过于乐观?

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	2020F	2021F
World	-14%	29%
US	-12%	25%
Europe	-10%	38%
Japan	-21%	35%
Asia ex-Japan	-7%	25%

Source: Bloomberg, 13 August 2020



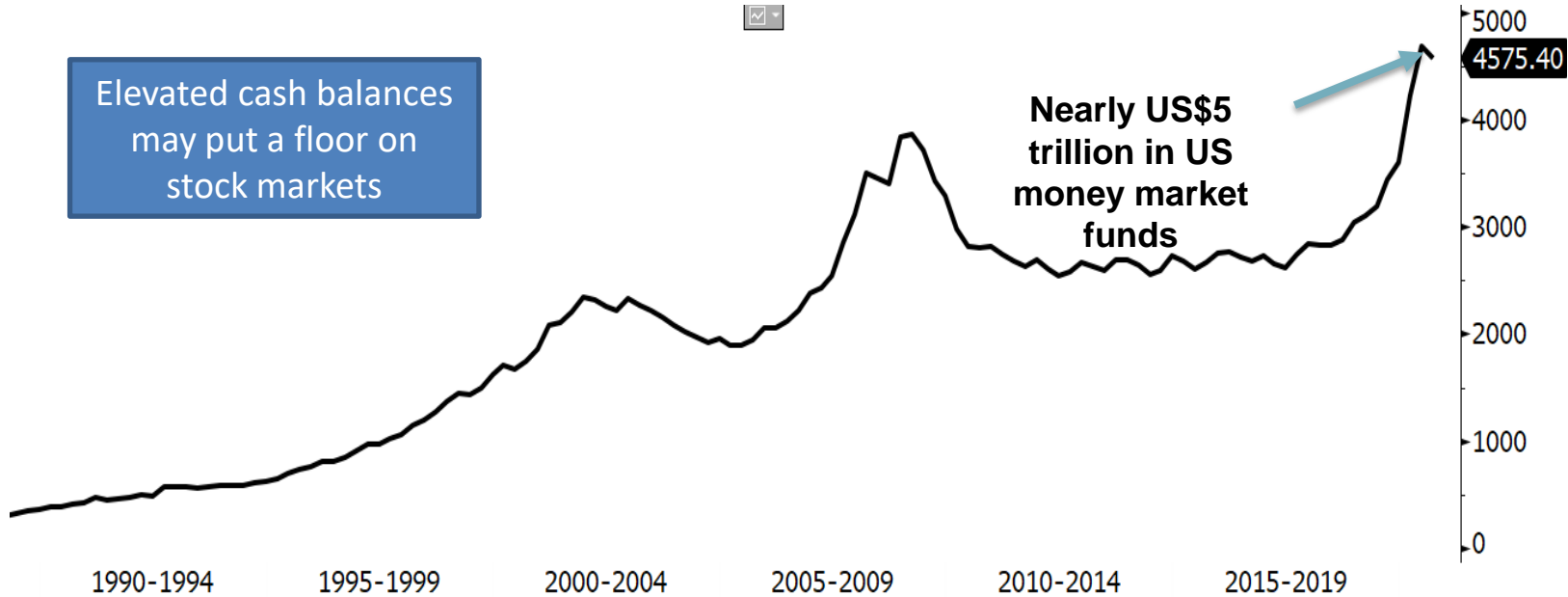
Cash parked in US Money Market Funds at a record high

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Fear of missing out driving idle money into investment markets

现金存入美国货币市场基金，创历史新高

担心错过将闲置资金带入投资市场



Source: Bloomberg, 13 August 2020

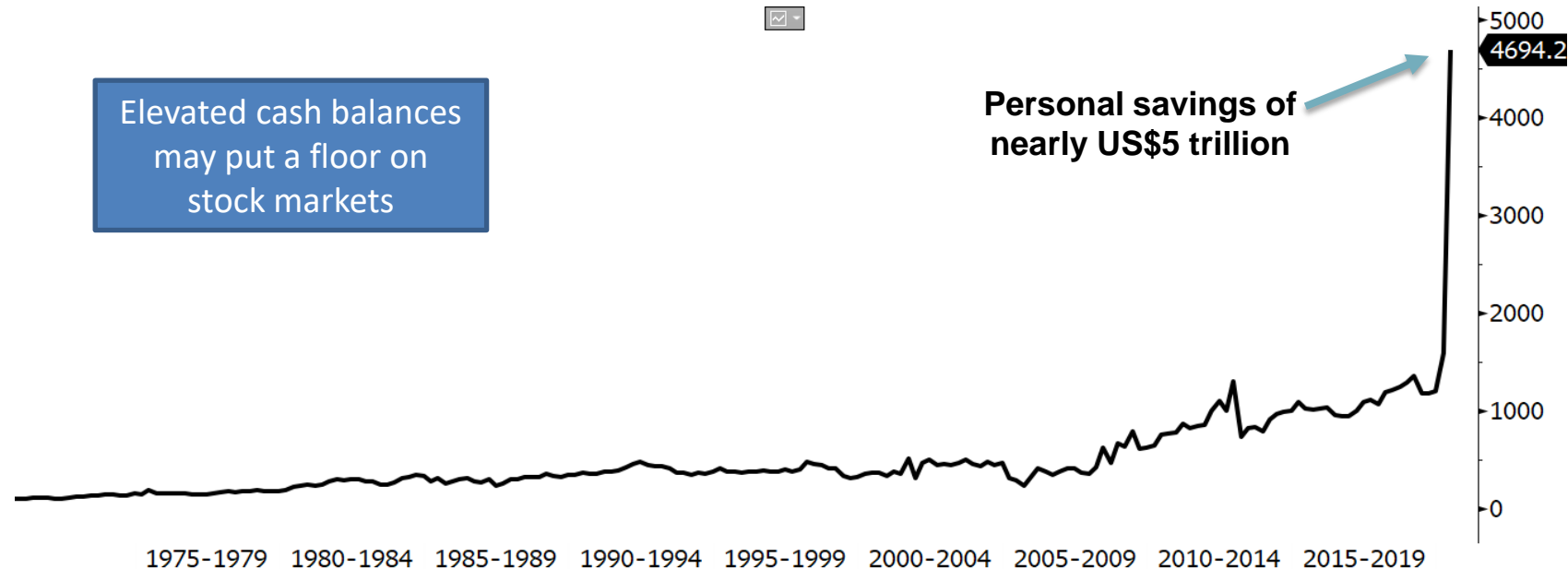
Ample cash on the sidelines

Sharp increase in US Personal Savings

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现金充裕

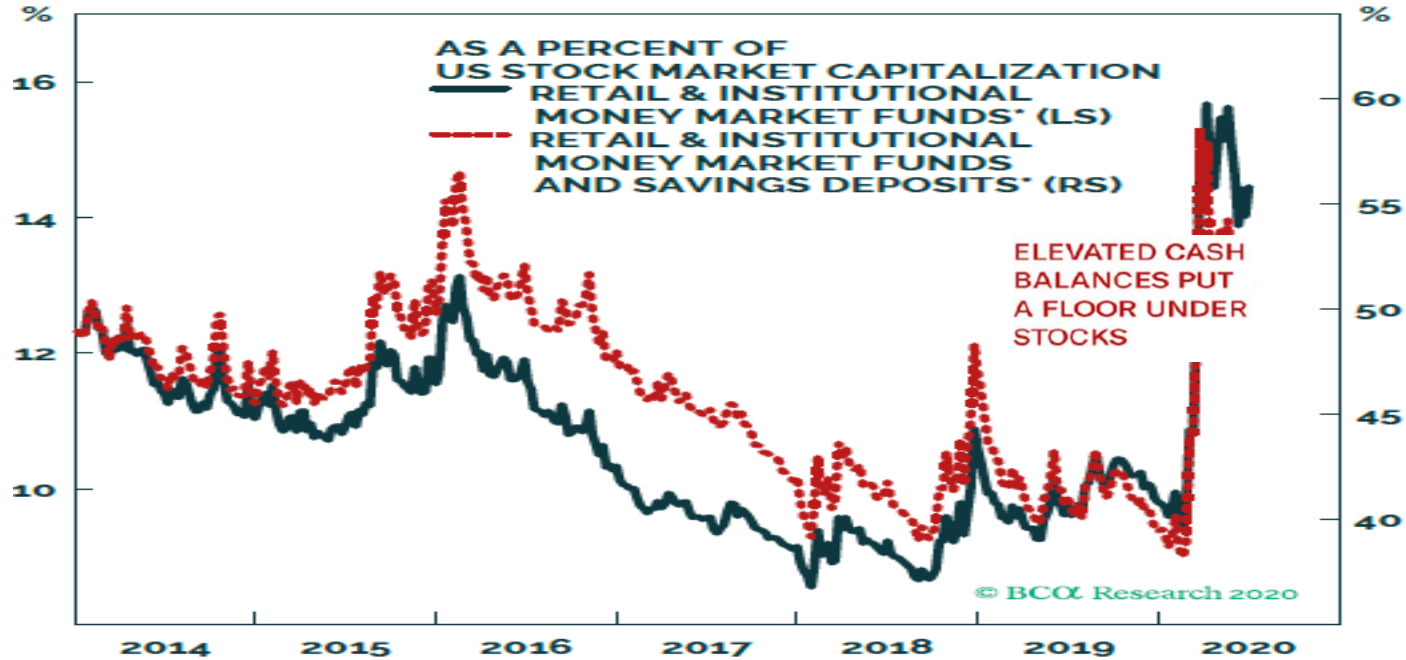
美国个人储蓄急剧增加



Source: Bloomberg, 13 August 2020

Abundance of liquidity offers market support 流动性充裕提供市场支持

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Source: BCA Research, 9 July 2020



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Market Returns During Economic Expansions

Following the End of Recessions, Equities Typically Do Quite Well



经济扩张期间的市场回报
经济衰退结束后，股票通常表现良好

S&P 500 Returns During Economic Expansions

Trough Month	S&P 500 Level	Peak Month	S&P 500 Level	Duration (Months)	Change
Nov. 30, 1970	87.2	Nov. 30, 1973	95.9	36	10.0%
Mar. 31, 1975	83.4	Jan. 31, 1980	115.1	58	38.1%
July 31, 1980	121.7	Jul. 31, 1981	130.9	12	7.6%
Nov. 30, 1982	138.5	Jul. 31, 1990	356.2	92	157.1%
Mar. 28, 1991	375.2	Mar. 30, 2001	1160.3	120	209.2%
Nov. 30, 2001	1139.5	Dec. 31, 2007	1468.4	73	28.9%
Jun. 30, 2009	919.3	Feb. 28, 2020	2954.2	128	221.3%
Average:				74	96.0%

Source: Legg Mason, ClearBridge Investments



Expect markets to be choppy in 2H2020

Uncertainties remain

预计2020年第二季度市场将波动

不确定性依然存在

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- **Covid-19 second wave – how bad will it be?**
- **Even as economies re-open, restrictions remain in place which may still curb economic activity and lockdowns may happen again**
- **Recovery is likely to be slow gradual recovery rather than V-shaped (quick sharp rebound)**
- **Other risks like escalating US-China tension, US elections and corporate defaults could also rattle markets**



- **Invest carefully. Don't get carried away by the recent rally**
- **Keep a diversified portfolio**
- **Buy carefully and gradually. Dollar-cost-average i.e. diversify over time as well**
- **Abundance of liquidity should prevent markets from re-testing March lows**



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重要信息

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