MARKET NAVIGATOR
2020Q1

Sun Life
Asset Management
永明資產管理

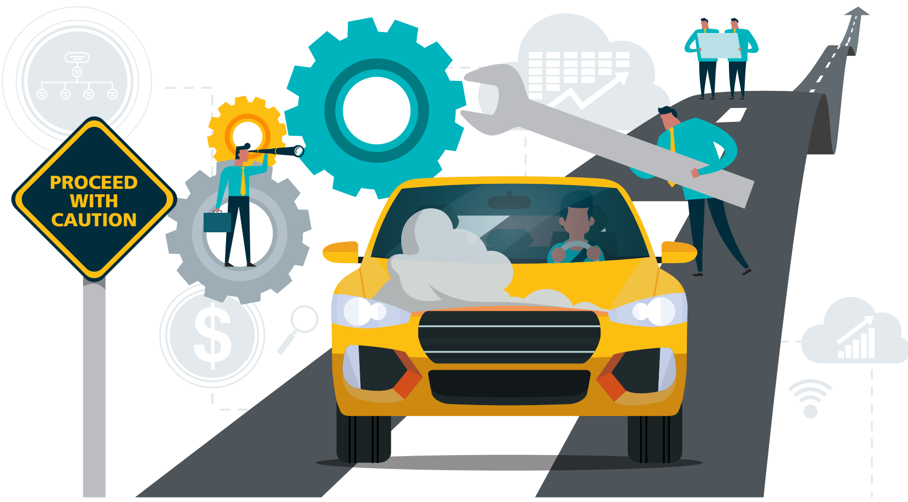
RELIEVE BUT DON'T RELAX

25.2%
Last year's return of the MSCI World Index was the best annual performance since 2009

US$11 trillion
Amount of outstanding global bonds with negative yields at year end, down from a peak of nearly $17 trillion at end of last August

US$1,600
Spot price of gold, per ounce, has risen to the highest level since 2013 as investors sought for havens from market and geopolitical uncertainties

The announcement of a first phase of trade agreement between the US and China has lift the gloom that had weighed on global markets. Investor sentiment has clearly improved with risk assets enjoyed strong run late last year. While global economic growth could see a positive jolt, company earnings need to demonstrate clear improvement before further market upside can be seen. This is because asset prices have moved in advance and market valuations are at expensive to highly expensive levels. Against a brighten market backdrop, investors may feel obliged to make more boldly investment decisions. Our advice is to proceed with caution.



POSITIVE	NEUTRAL	NEGATIVE
Precious Metals	Global Equity	Hong Kong Equity
	Global Bond	High Yield Bond
	Commodities	
	Cash	

Global Equity — NEUTRAL

▲ UDGRADED

- Global recessionary risk has receded – helped by pre-emptive monetary policy loosening by major central banks (US Fed cut targeted rates 3 times, European Central Bank restarted bond purchases)
- US-China trade tension eases after reaching a phase one agreement should lift trade flows and business activities
- However, market valuations are getting more stretched as share prices have front-loaded positive developments, probably leaving limited upside
- Political and geopolitical risks could lead to big gyrations in share prices

Global Bond — NEUTRAL

■ NO CHANGE

- Government bond prices continued underlie by monetary easing stance of US Fed, ECB and BOJ and investors demand for yield (stable income)
- Reflationary expectation (for higher economic growth) may reduce attractiveness of fixed income instruments
- Rising energy and commodity prices may limit further upside on bond prices

Cash — NEUTRAL

▼ DOWNGRADED

- Cash is a residual of our stance in terms of equities and fixed income
- As we uplifted our stance on equities and maintain neutral stance on bonds, cash has been lowered to neutral

Hong Kong Equity — NEGATIVE

■ NO CHANGE

- A truce of the US-China trade dispute has lifted market sentiment, and H-shares and Red Chips benefitted from expectations of government support to economic growth
- Local economic outlook remains murky with domestic consumption and tourism under strain
- Downward pressure on property prices of all types (commercial, retail, residential) could weight on overall equity market

High Yield Bond — NEGATIVE

■ NO CHANGE

- Easing of trade tension between US and China should be supportive to business operating environment, though intense market competition could lead to weeding out of weaker players (those with junk credit ratings)
- High yield bond spreads have fallen to multi-year low (especially in the US), leaving little room for upward gains

Commodities — NEUTRAL

▲ UDGRADED

- A trade truce between the US and China should support global economic growth which is positive for commodity demand
- Expectations of economic stimulus measures from the China government could also lend support to industrial metals, such as iron ore, aluminum, copper, etc
- Rising geopolitical risk between US and Iran adds to the high stake and uncertainties of crude oil prices

Precious Metals — POSITIVE

■ NO CHANGE

- Gold prices continued to be supported by rebuilding of gold reserves by various central banks
- Investors looking for safe haven from heightened geopolitical risks could be seeking refuge in gold and other precious metals that are relatively cheaper

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