MARKET NAVIGATOR
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Sun Life Asset Management
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"DE-GLOBALIZATION" TO PUT THE SPOTLIGHT ON ASIA

One of the lessons the COVID-19 pandemic has taught us, especially to businesses, is the risk of over-reliance on a single source for supply of goods. Over the past few months, various countries around the world had experienced chaos arising from shortages of face mask, paper tissues, bottled water, cooking oil, generic medicines, auto parts, electronic components, among various other things. This has led to a growing trend of de-globalization, whereby multinational companies (MNCs) are diversifying their production base and supply chain so as to reduce the risk of business disruption if another untoward event happen to their core base or sole supplier. More and more MNCs are looking to increase their presence in various Asian countries to benefit the regional economy and investment markets. Investors should heed to this development to capture long-term growth prospect.

POSITIVE	NEUTRAL	NEGATIVE
Global Equity	Global Bond	Cash
Hong Kong Equity	Crude Oil	
Asian Equity	Precious Metals	

Global Equity — POSITIVE

NO CHANGE

- Easing lockdown measures by various countries have seen gradual resumption of economic activities
- Economic sensitive/cyclical sectors have been gaining ground as investors expect economic reflation and buisness conditions to continue to improve
- Asian regional markets are poised to benefit from the trend of de-globalization as multinational companies look to broaden their production base and supply chain
- Investors should be cautious on stocks that soared on the pandemic as such gains may be difficult to sustain

Global Bond — NEUTRAL

NO CHANGE

- Gradual resumption of economic and business activities could weaken the allure of low-yielding bonds
- Record fiscal stimuli would require record issuance of govenment bonds that may drive down government bond prices
- Improving economic conditions should benefit corporate bonds on lower default risk and higher yield (over government bonds) attract income seeking investors

Cash — NEGATIVE

NO CHANGE

- Cash is a residual of our stance in terms of equities and fixed income
- With growing signs of economic activities normalizing, investors should reduce their cash pile and add back to equities

Hong Kong Equity — POSITIVE

NO CHANGE

- Easing restriction on social gathering should lead to gradual resumption of business activites to benefit cyclical and consumption sectors of the economy
- A slew of new-economy China companies are scheduled to be listed in Hong Kong and may attract strong interest from local and overseas investors
- Property prices, both commercial and residential, could further soften with multinational companies look to diversify their presence to other Asian cities

Asian Equity — POSITIVE

NO CHANGE

- Economic and business activities across most Asian region are gradually resuming, with selected countries looking to ease traveling restrictions
- The trend of de-globalization has already seen big multinational companies shifting investment/manufacturing to various Asian countries, and poised to continue

Crude Oil — NEUTRAL

NO CHANGE

- Gradual normalization of economic activities, especially manufacturing, has seen uptick on crude oil demand
- However, traveling is a long way from resumption, which is the single biggest use of crude oil and may weigh on prices
- There are signs some OPEC members are pumping more crude that previously agreed production limits. This could agitate Russia and Saudi Arabia and put the productin cut agreement in jeopardy

Precious Metals — NEUTRAL

▼ DOWNGRADED

- Gold's allure as safe haven asset may diminish as the worst scare of the pandemic gradually subside and that the US dollar steadied after recent pullback
- Other precious metals may gain ground relative to gold as economic normalization may boost demand for industrial applications

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