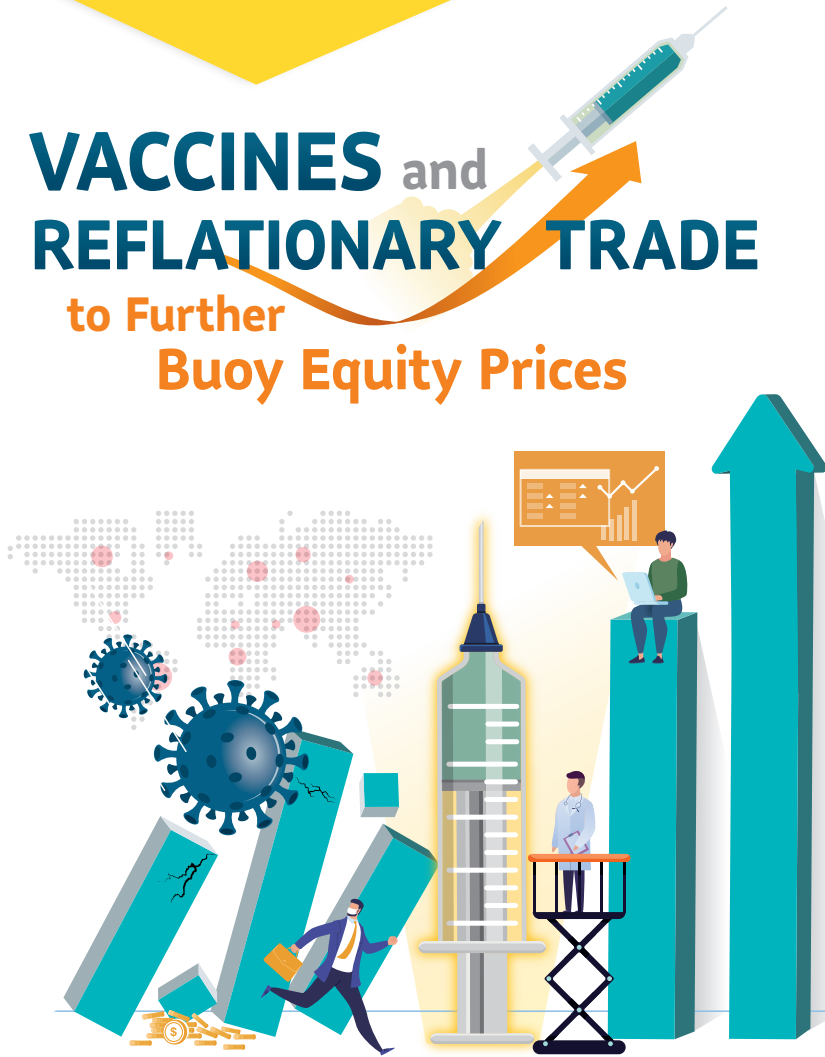


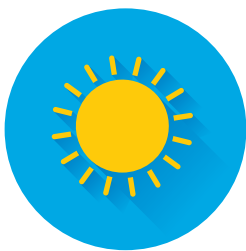
# VACCINES and REFLATIONARY TRADE

to Further Buoy Equity Prices



While daily confirmed cases of COVID-19 infection around the world continues surging unabatedly, the breakthrough in vaccines and rapid approval of use by various nations bring hope to a turning point for the better. As inoculations become more broadly administered, the reflationary pace of global economic activities should quicken. Couple that to continuous supportive monetary backdrop and widely expected pro-international trade stance of new US President Joe Biden, equity markets could further extend the upward momentum from last year. Economic sensitive sectors, which have been lagging behind and relatively cheap in valuations, may attract investors switching over from lofty-valued stocks/sectors. Investors who have been sitting on the fence should pay attention to the changing tide to capture market opportunities.

## POSITIVE



 **Global Equity**

 **Hong Kong Equity**

 **Asian Equity**

 **Basic Materials**

## NEUTRAL



 **Global Bond**

 **Precious Metals**

## NEGATIVE



 **Cash**



**Global Equity**



**POSITIVE**

**NO CHANGE**

- Availability and broad inoculation of COVID-19 vaccines should help quicken the pace of global economic recovery that is supportive to equity markets
- Economic sensitive/Cyclical sectors continued gaining ground as investors expect economic reflation and business conditions to improve further
- Companies on a broad base have said impact of COVID-19 was milder than initially feared which may translate into better than expected Q4 and full year results and constructive to share prices
- Investors should stay cautious on stocks that soared on the pandemic as such gains may be difficult to sustain



**Global Bond**



**NEUTRAL**

**NO CHANGE**

- Breakthrough and growing availability of COVID-19 vaccines has spurred risk-on trades from investors to dump low-yielding government bonds for risk assets
- Record fiscal stimuli would require record issuance of government 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**

- Availability and inoculation of COVID-19 vaccines should lead to gradual resumption of business activities to benefit cyclical and consumption sectors
- Continued stream of IPOs is expected to attract strong interest from local and overseas investors
- Companies have reported milder than expected impact from the pandemic, which may lead to positive earning surprises for Q4 and full year to further boost share prices



**Asian Equity**



**POSITIVE**

**NO CHANGE**

- Availability and inoculation of COVID-19 vaccines are expected to quicken normalization of economic and business activities across Asian region
- Eventual easing of traveling restrictions later in the year should bring a big boost to South East Asian economies given their reliance on tourism
- A Joe Biden presidency is expected to be pro-international trade, plus the ongoing trend of de-globalization should see more capital investment to the Asian region as a whole



**Basic Materials**



**POSITIVE**

**UPGRADED**

- Availability and broader inoculation of COVID-19 vaccines should quicken normalization of economic activities to boost the demand of basic materials
- A "Blue Sweep" by the Democratic Party in the US could see additional fiscal spending and that on infrastructure, which is constructive on basic materials and commodity prices



**Precious Metals**



**NEUTRAL**

**NO CHANGE**

- Gold may lose its lustre as investor sort to profit from reflationary trade, though demand for other precious metals may pick up as economic normalization boost demand for their industrial applications
- A Joe Biden presidency may see the US rejoining the Paris Treaty for Climate Change to expedite a switch to green energy and boost the demand for silver, platinum and palladium

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