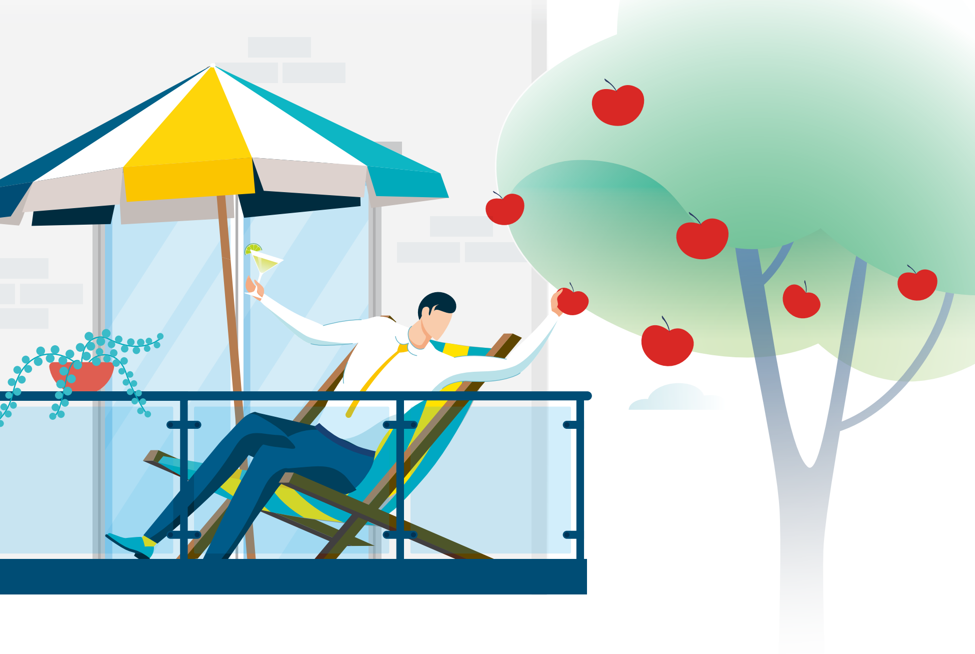
MARKET NAVIGATOR
2021Q3

Sun Life Asset Management
永明資產管理

Summer Doldrums Provide A Window
to Adjust Portfolios to Capture Future Economic Growth



Looking back at major stock market returns over 40 years revealed summer months are the least favourable period of the year, hence the reference of summer doldrums. Recent resurgence in daily infection counts are causes for concern, though it's relieving seeing almost all nations are stepping up efforts to get their people vaccinated and economic activities, both manufacturing and services, are strengthening. Corporate earnings are improving and second quarter results should confirm the upward trend. Growing hawkish stance by central banks could lead to short-term market jitters, but at the same time provides a window for investors to adjust and position their portfolios to capture future economic growth.

POSITIVE	NEUTRAL	NEGATIVE
Global Equity	Global Bond	Cash
Hong Kong Equity	Precious Metals	
Asian Equity		
Basic Materials		

Global Equity

POSITIVE

NO CHANGE

- Despite the rebound in daily infection numbers across various countries due to new virus variants, daily death counts continued a downward trend confirming benefits of vaccinations and prompting all nations to step up the pace of inoculation
- Some nations have started easing of travel restrictions, mainly within national and regional borders (i.e., European Union), giving a lift to services-related activities while manufacturing activities remain robust
- Recent softening in economic sensitive sectors should be viewed as a breather instead of a trend reversal. Market gains are broadening into other sectors, which are signs of healthy rally. Yet, after strong gains in the first half, further gains in equity prices could slow down in coming months

Global Bond

NEUTRAL

NO CHANGE

- Stronger than expected inflation figures have prompted officials at the US Fed and other central banks begin the discussion of how and when to start reining in ultra-loose monetary policy
- A more hawkish stance among central bankers have caused yield curves to flatten, with short-end yields rising while long-end yield dropping
- Meanwhile, low-grade bonds (i.e., junk bonds) and emerging market bonds have rallied as investors rush to capture yield premiums such securities offer though investors need to be mindful of issuer default risks

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 take steps to reduce cash pile and add back to equities

Hong Kong Equity

POSITIVE

NO CHANGE

- Broad market indexes have been weighted down by mega-cap technology stocks on Chinese government's increasing scrutiny against anti-competition practices
- Cyclical plays have been doing well as investors expect strong results in corporate earnings as mid-year reporting season approaches
- Overall market valuations have turned attractive on higher earnings and dividends and should be rewarding for investors with medium to longer term investing horizons

Asian Equity

POSITIVE

NO CHANGE

- Continued strong demand from US and Europe has resulted in bloated order books for manufacturers across Asia, notably those based in Taiwan, South Korea, Vietnam, India and Singapore
- Recent upshot in daily infection cases, primarily due to spreading of new virus variants, has casted a shadow on the pace of reopening to foreign visitors with tourism being an important industry for many South East Asian nations
- Regional governments are stepping up efforts to secure supply of vaccines and broadening vaccinations which is an encouraging development in the fight against the pandemic and to facilitate restart of economy

Basic Materials

POSITIVE

NO CHANGE

- Crude oil prices stay strong, with both Brent and WTI benchmarks well above US$70/barrel, as disagreement flaring within OPEC+ on future production quotas. Medium term, rising demand from global economic rebound could overwhelm supply growth to lend further upside to energy prices
- Industrial metals prices have eased back after reaching multi-year highs as Chinese government moved to cool down run away gains. This is likely a temporary pause as demand from economic rebound and increase in infrastructure spending are genuine while supply growth are being capped by lack of manpower and tighter regulations on environmental concerns

Precious Metals

NEUTRAL

NO CHANGE

- Stronger than expected inflation data have lifted gold prices back to around US$1,800/oz, though further gains may be limited as investors may opt for other commodities and assets to hedge against inflation that is fuelled by economic expansion
- Growing effort and infrastructure spending on renewable and green energy projects should boost demand for silver, platinum and palladium

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