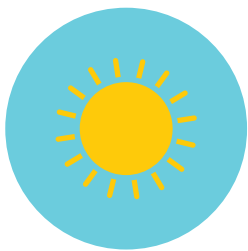




Artificial Intelligence (AI) has become red-hot in the investment market. According to Bloomberg data, US stock markets hit record highs in the first quarter of this year, driven by stocks with AI theme. The popularization of AI is still in its infancy. Although much attention has focused on US mega-cap companies, many Asia companies appear to be major beneficiaries as well. As the epicenter of global semiconductor manufacturing, Taiwan exports rebounded with increasing demand for advanced semiconductors. South Korea is also well positioned due to their production of high bandwidth memory (HBM) chips. India has a large young population and a vast market. In addition, the Indian government actively attracts foreign investment to promote the development of the AI industry. The development of AI has great benefits for automation and improving efficiency. Japan, with aging population, is expected to be a key beneficiary was an AI adopter to grow economy. We raised our outlook on Asian equities to positive in the second quarter.

Source: Bloomberg

12-Month Outlook



Positive

Global Equity

Global Bond

Asian Equity

Precious Metals



Neutral

Hong Kong Equity



Negative

Cash



Global Equity

■ No Change

- Fed Chair Powell indicated that inflation was not far from where it needed to be for the central bank to pivot. It was expected that the first US rate cut to start by mid-2024. Although some investors are concerned about recession under an environment of restrictive monetary policy, the likelihood is shrinking. Rate cut expectation and resilient economy has a positive impact on US stock markets. We believe diversification among regions is the key. We prefer the US, which has a high proportion of growth stocks. Valuation of China and Hong Kong stocks is low but they are still awaiting rebound catalysts
- Elections would be held in many places this year and they may trigger market volatility. However, experience shows that the volatility caused by elections is only short-lived and instead provides investors with bottom-fishing opportunities



Global Bond

■ No Change

- Fed Chair Powell indicated that inflation was not far from where it needed to be for the central bank to pivot. The Dot Plot showed a 75 bps of easing in 2024. These developments reinforced our view that treasury yields have scope to fall
- Continued geopolitical tensions, coupled with the elections held in many places this year, may cause market fluctuations, capital may flow into safe-havens. Government bonds may benefit
- Current high yields in both government bonds and credit markets increase demand from investors who expect stable/declining yields for strong total returns



Asian Equity

▲ Upgrade

- 2024 will see some important elections for Asian markets which could all have impacts on macro and market conditions in the region. Volatility often increases before elections, and markets are also concerned about the political direction of new governments
- Artificial Intelligence (AI) has become red-hot in the investment market. Asia companies such as semiconductor manufacturers in Taiwan, high bandwidth memory (HBM) chips suppliers in South Korea, AI developers in India and AI adopters in Japan appear to be major beneficiaries
- The Bank of Japan continued its JGB purchases with broadly the same amount as before, which led to a decline in long-term interest rates. The normalization of BoJ's monetary policy with an accommodative posture was positive for Japanese equities



Precious Metals

■ No Change

- Central banks and physical demand continue to support gold prices. The inverse relationship between gold and real yields will likely release some upside convexity as real yields fall
- US Federal Reserve's rate cutting cycle in 2024 is expected to support the gold prices
- With the re-emergence of stronger physical market fundamentals, platinum prices look tied to macro precious metals price drivers with a sympathy rally



Hong Kong Equity

■ No Change

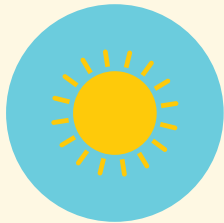
- China announced the 2024 GDP growth target to be around 5% and CPI at 3%. The RMB 1 trillion special central government bond was a positive surprise, showing government determination to help mitigate debt repayment risks at local government level
- Although stimulus measures are expected to continue, it take time to be realized and investors may need to wait longer for earnings recovery
- Geopolitical risks particularly US-China relationship poses a medium-term concern and is a large swing factor of PE multiple. US presidential election may add to uncertainties



Cash

■ No Change

- Cash is a residual of our stance in terms of equities and fixed income
- With interest rates expected to fall, cash is starting to become less attractive. Besides a more resilient economic performance than expected, cash's role as a defensive asset has begun to weaken
- We have revised our 12-month cash outlook to negative, as global bonds have relatively more favorable outlook than cash



Positive



Neutral



Negative

Disclaimer:

All information contained in this document shall only be used as general reference and general investment knowledge for sharing purposes, which may contain "forward-looking" information, including forecasts, estimates of yields or returns and involve risks and uncertainties. All information contained in this document is not intended to provide any forms of guarantee or investment advice, and does not constitute a solicitation of an offer or offer, and shall not be regarded as the basis for any contract, to sell or to purchase any investment products. Information is provided base on sources believed to be reliable, Sun Life Asset Management (HK) Limited, its associated companies and their directors and employees (collectively "Sun Life") gives no express or implied warranty, guarantee or represent its accuracy, effectiveness, completeness of the same.

Investment involves risk, and past performance figures shown are not indicative of future performance. Value of investment may go up or down, and may become valueless. An investor may not get back the amount originally invested. The information contained in this document has not been reviewed in the light of objectives, financial circumstances or needs of an individual investor. Sun Life is not responsible for any loss or damage caused by reliance on any information or advice made in this document, nor is responsible for the accuracy or completeness of any information or advice.

This document has not been reviewed by the Securities and Futures Commission in Hong Kong or any regulatory authorities.

This document is owned by Sun Life Asset Management (HK) Limited. Modification or change is not allowed without the Sun Life Asset Management (HK) Limited's prior consent.

Issued by Sun Life Asset Management (HK) Limited



Check out the
online version