UOB PRIVILEGE BANKING

UOB PRIVILEGE CONVERSATIONS

Illuminating the Way Ahead: Clarity in Uncharted Terrain

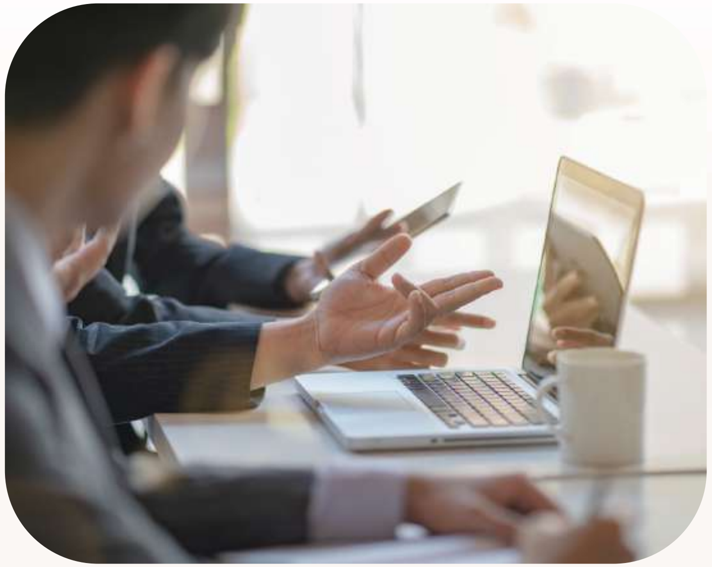
Key Investor Takeaways

Right By You

How should investors manage risks and capture opportunities in the current market landscape?

1 Get Paid While You Wait

With inflation at high levels, letting your cash sit idle will erode the value of your savings.



Instead, invest for income to help tide you through market volatility.

Consider global multi-asset investments, quality fixed income investments and quality dividend-paying stocks.

UOB PRIVILEGE BANKING

2 Lock in Higher Yields

Yields for fixed income assets, including government and Investment Grade bonds, have reached attractive levels.

With central bank rate hikes set to slow down, we expect to see bond yields drift lower across 2023.

Investors should lock in the current high yields to benefit from cash flow returns over the coming years.

3 Consider These Top Ideas

US Financials

- Higher interest rates are boosting net interest margins.
- Bank earnings remain healthy, while long-term fundamentals are strong.

Asia/China

- Asian stocks could pick up momentum as economic re-opening continues.
- Growing Asian middle class and urbanisation will drive sustainable domestic consumption.

Global Healthcare

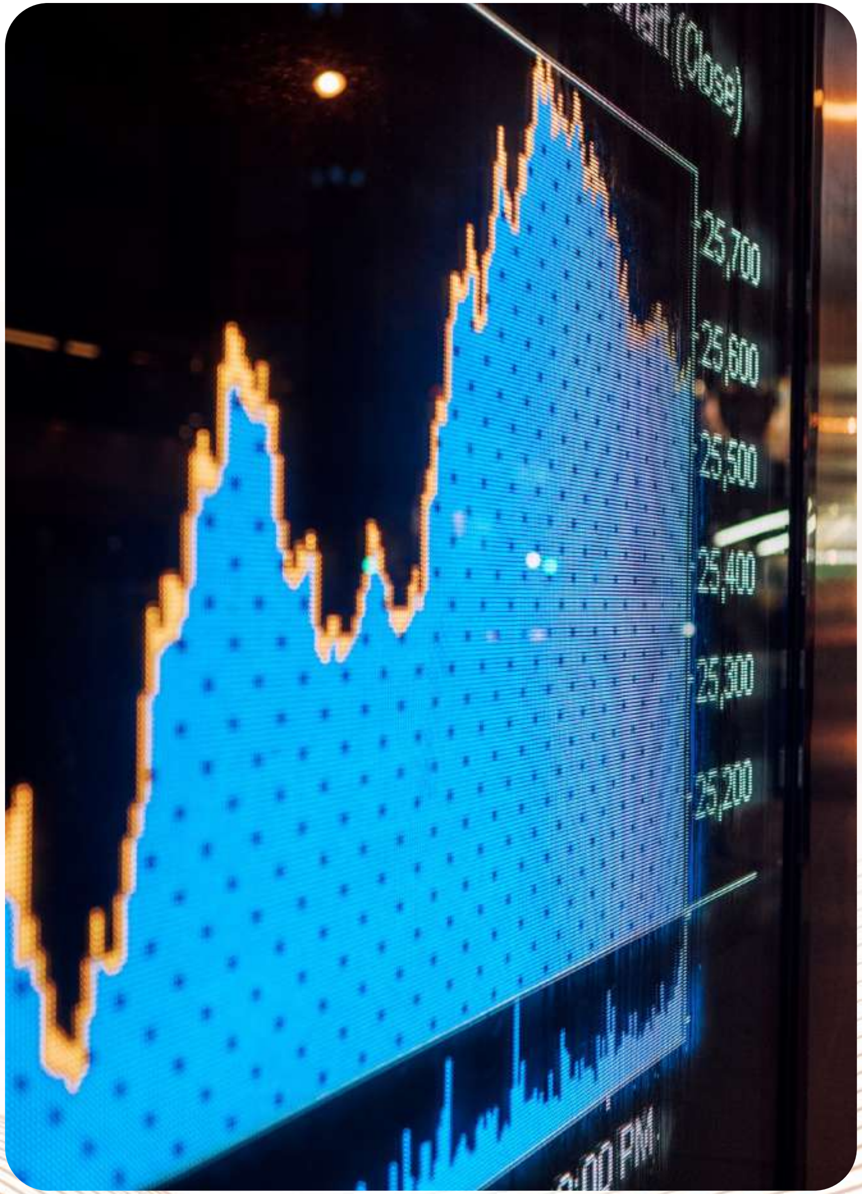
- A defensive and long-term growth profile.
- Supported by inelastic demand and long-term structural drivers (e.g. ageing global population).

Key Questions Raised

UOB PRIVILEGE BANKING

1. Interest rates continue to climb. Recession risks are looming on the horizon. When will the worst be over for investors?

- The trajectory for interest rates depends largely on the inflation rate moving forward. Inflation is likely to have peaked in the United States in particular and is trending downwards to a level where the Federal Reserve may eventually slow down or pause its rate hikes.
- At the same time, investors should not necessarily fear a recession. A growth slowdown or slightly negative growth would cool down inflation, which could contribute to central banks taking a more accommodative stance. This would in turn boost financial markets.



2. What is the outlook for Asian currencies and economic growth?

- The major Asian economies are primarily export-driven, and shipments have been slowing down due to weakening global demand. This is detrimental for local currencies.
- Asian economies are also heavily dependent on China. The world will be closely watching its COVID-19 infection trends over the coming months, in anticipation of a full and sustained recovery of China's economy. A successful recovery will allow Asian currencies to stabilise or strengthen later in the year, in tandem with the Chinese yuan.
- While the Chinese markets are currently rallying faster than expected, there are several structural reasons why investors with a medium- or long-term outlook should consider Asian markets with a high sensitivity to China's growth.

3. What should investors do while waiting for a sustainable recovery?

- Targeting short-term fixed income assets such as Investment Grade bonds makes sense in the short run. Investors can lock in the current high coupon rates, and these assets are fairly liquid so investors can easily rebalance their portfolios if they subsequently feel more comfortable taking on more risk.
- Beyond locking in high yields, investors can consider quality dividend-paying stocks as part of a well-diversified portfolio. Many quality companies are now trading at attractive valuations, presenting opportunities for capital appreciation when markets recover.

4. How can bond investors capitalise on rising interest rates? Are yields sufficiently attractive at the moment?

- Bond investors should be discerning, as the outlook differs for different fixed income sectors.
- There are pockets of opportunities, for example with short-dated, high-quality Investment Grade bonds. Investors holding such bonds are subject to less interest rate risk, and yields are sufficiently high at the moment that they serve as relatively defensive assets.

5. We can't foretell black swan events, but what kind of grey swan event might result in a global or Asian recession?

- A grey swan event refers to a low-probability event that would have a devastating effect on markets if it does materialise.
- One such grey swan event is China not being able to contain the spread of COVID-19 and the Chinese government reinstating zero-COVID lockdowns. This could significantly disrupt the supply chain again and represent a huge negative for the global economy.
- Another possibility is inflation staying higher than markets anticipate. This is not likely because inflation is already being tamed by the heightened interest rates.

6. What opportunities can investors capitalise on to help withstand a recession?

- Gold has traditionally been a useful asset class for investors to diversify their portfolios and manage risks. It is less volatile and likely to receive a boost when inflation tapers off and the Federal Reserve slows down its rate hikes.
- Watch European investment grade bonds closely. Valuations are very attractive relative to historic levels, with the market pricing in a recession for the continent.
- Consider US Dollar-denominated assets. For example, investors in US Dollar-based Investment Grade bonds have the potential to receive attractive yields.

7. Chinese equities have rallied for the past few months. Will the rally continue and how much upside is left?

- The Chinese government's policies have a strong influence on key industries. Due to the tech sector crackdown and zero-COVID policy, Chinese equities are one of the most undervalued markets in the world. If they return to historical levels, they should outperform relative to other richly valued markets.
- Many may have underestimated the potential for China's economy to significantly rebound and the potential impact of China's industries and supply chain recovering after the spring festival. As such, Chinese stocks offer significant upside.

UOB PRIVILEGE BANKING

Speak to your UOB Client Advisor today.

View our 2023 Market Outlook publication for more insights.

go.uob.com/2023outlook

Right By You

IMPORTANT NOTICE AND DISCLAIMERS:

The information contained in this publication is given on a general basis without obligation and is strictly for information purposes only. This publication is not intended to be, and should not be regarded as, an offer, recommendation, solicitation or advice to buy or sell any investment or insurance product and shall not be transmitted, disclosed, re-produced, re-distributed, duplicated, copied, relied upon or incorporated into derivative works, in whole or in part, by any person for whatever purpose. Any unauthorised use is strictly prohibited. Any description of investment or insurance products, if any, is qualified in its entirety by the terms and conditions of the investment or insurance product and if applicable, the prospectus or constituting document of the investment or insurance product. Nothing in this publication constitutes account, legal, regulatory, tax, financial or other advice. If in doubt, you should consult your won professional advisers about issues discussed herein.

The information contained in this publication, including any data, projections and underlying assumptions, are based on certain assumptions, management forecasts and analysis of known information and reflects prevailing conditions as of the date of publication, all of which are subject to change at any time without notice. Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, United Overseas bank Limited ("UOB") and its employees make no representation or warranty of any kind, express, implied or statutory, and shall not be responsible or liable for its completeness or accuracy. As such, UOB and its employees accept no liability for any error, inaccuracy, omission or any consequence or any loss/damage howsoever suffered by any person, arising from any reliance by any person on the views expressed or information contained in this publication.

Any opinions, projections and other forward looking statements contained in this publication regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. Investors may wish to seek advice from an independent financial advisor before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider whether the investment or insurance product in question is suitable for you.

This advertisement has not been reviewed by the Monetary Authority of Singapore.