In collaboration with:

J.P.Morgan Asset Management

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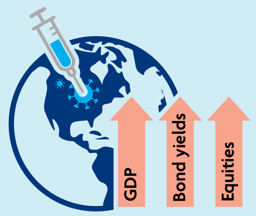
Market PowerBar

APRIL 2021

Key events at a glance

Market recap

Economic recovery: Forging ahead



- As vaccination programmes continue to make progress, expectations towards the reopening and recovery of the global economy have risen. This optimism is also reflected in rising government bond yields.
- Financials, Industrials and Consumer Discretionary have outperformed growth segments like Technology in March. Year-to-date, these sectors have risen 13.3%, 7.9% and 3.6%, and surged 59.7%, 60.2% and 77.9% respectively versus a year ago.
- With the newly approved US stimulus package, US consumer spending is expected to improve and further support cyclical sectors. We remain positive on equities and on our High Conviction calls of US Financials, Consumer Discretionary and Asia ex-Japan equities.

Central banks maintain support with loose monetary policies

- In its March 2021 policy meeting, the European Central Bank (ECB) announced that bond purchases will be increased over the next few months to prevent a disorderly rise in government bond yields.
- On the other hand, the US Federal Reserve (Fed) has kept policy unchanged, but upgraded its 2021 economic and inflation forecasts. The Fed also reiterated its confidence with regards to domestic recovery.
- Overall, central banks remain committed to supporting economic recovery by keeping interest rates low and continuing with loose monetary policies.

A look at this month

APR 22 — ECB

European Central Bank Policy Meeting
European policymakers are expected to maintain their loose monetary policy stance.

APR 27 — BOJ

Bank of Japan (BOJ) Policy Meeting
Markets will be watching to see if the BOJ further expands its stimulus measures.

APR 28 — FED

US Federal Reserve Meeting
Fed Chairman Jerome Powell is expected to provide details on the Fed's plan to address rising bond yields.

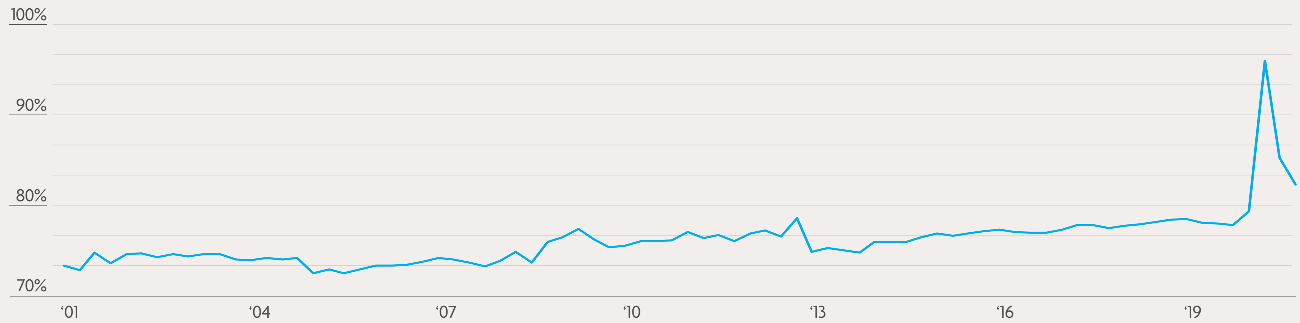
Topic 1:

Wave of fiscal stimulus supports US recovery

President Biden's US$1.9 trillion stimulus package – amounting to nearly 10% of US's GDP – follows close on the heels of the US$900 billion stimulus package that was agreed on recently in December 2020. We expect this added relief to provide a huge boost to US GDP, supporting its 6.3% growth forecast this year. This can help support the US equity market, in particular, the Financials and Consumer Discretionary sectors.

The US's real disposable personal income as % of real GDP

Quarterly real disposable personal income as % of real GDP (chained 2012 prices)

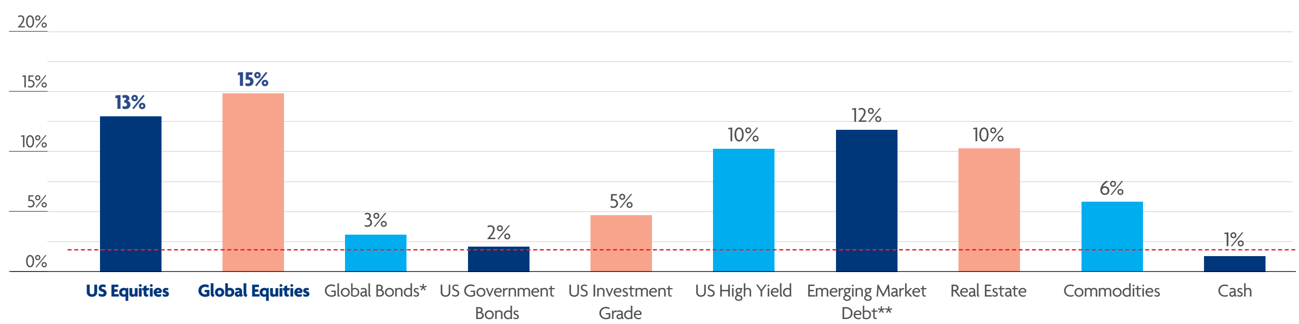


Source: FactSet, U.S. Bureau of Economic Analysis, J.P. Morgan Asset Management. Data as of 31 December 2021.

- The majority of the COVID relief package will go to middle- and low-income households. In reference to the chart above, we see a sharp jump in the disposable personal income levels of households post the initial stimulus payment.
- We expect US consumers to increase their spending as the economy reopens, which in turn will provide a large boost to consumption within the US and abroad.
- However, on the flip side, the unprecedented fiscal stimulus has sparked inflation concerns. This has resulted in a sharp rise in US Treasury bond yields – which have exceeded 1.7% as of 30 March 2021. Historically, rising bond yields have not posed much of a problem for US equities in a low and rising inflation environment. This is shown in the chart below, where US and global equities have returned positive gains during such periods.

Asset class performance in low and rising inflation

Arithmetic average of nominal annual returns for the years in each category from December 1989 to December 2020



Source: Barclays, Bloomberg, Dow Jones, Factset. Federal Reserve, J.P. Morgan, MSCI Global, NCREIF, Strategas/Ibbotson, J.P. Morgan Asset Management. *Global bonds based on the period 1991-2020. **EM debt based on the period 1994-2020.

Views & Implications:

- The massive tidal wave of fiscal stimulus will raise US growth expectations this year and improve US earnings forecasts. An earnings recovery can support market valuations going forward.
- With the Fed staying dovish by keeping interest rates low through 2023, this is supportive for equities in general. We remain positive on the US market, and favour the Financial and Consumer Discretionary sectors.

Topic 2:

China onshore equities: Short-term risk, long-term opportunity

China onshore equity markets have corrected from their recent highs in February 2021. Whilst market data point toward a continued economic recovery, this data may not hold strong in the near-term as the low-base effects from 2020 wear off. That said, while we see volatility for China equities in the near-term, they remain an attractive long-term investment that will benefit from the ongoing reforms and domestic growth.

Key Priorities of the 14th Five-Year Plan

Economy
- **> 6.0%** 2021 GDP target
- **2x** China's economy by 2035
- **< 5.5%** Surveyed urban employment rate

Technology
- Raise research and development spending by **7.0% per annum** from 2021 – 2025
- Focus on **Healthcare, semiconductors, and Artificial Intelligence**

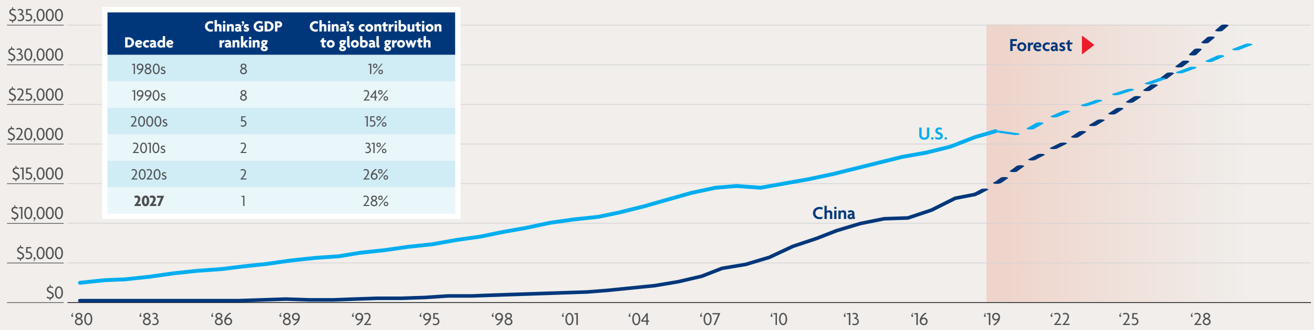
Urbanisation
- Develop **rural regions**
- Increase **city clusters** and their integration

Dual Circulation
- Boost **domestic consumption**
- Rely less on **manufacturing**

Source: National Bureau of Statistics of China, J.P. Morgan Economic Research, J.P. Morgan Asset Management. Data as of 15 March 2021.

- Recent economic data releases – credit growth, retail sales, industrial production – indicate that China's growth activity has remained strong. We are expecting China's GDP for 2021 to rise by 8.5%.
- Future economic data may moderate lower as the low-base effects from 2020 wear off. While this may cause some short-term volatility, it can also provide longer-term investment opportunities with a temporary market sell-off. China's strong growth performance in 2020 after the COVID-19 outbreak has enabled Beijing to focus on policy goals that will improve the quality of economic growth, supporting its "internal circulation" supply chain, and innovation drive. The US Bureau of Economic Analysis (BEA) forecasts that the size of China's economy will match that of the US by 2027 (refer to below chart).

GDP size (China vs the US)
GDP size, billions, current prices, US dollars



Decade	China's GDP ranking	China's contribution to global growth
1980s	8	1%
1990s	8	24%
2000s	5	15%
2010s	2	31%
2020s	2	26%
2027	1	28%

Source: BEA, National Bureau of Statistics of China, J.P. Morgan Asset Management. Data as of 31 December 2020.

Views & Implications:

- Being the quickest to bounce back from the pandemic slowdown, China onshore equities have experienced a strong rally but this will be accompanied by volatility in the near-term. However, we remain optimistic towards the China structural growth story, which is supported by a strong post-pandemic recovery and the focus on Technology and Innovation as cited in China's 14th Five-Year Plan.
- Investors should adopt a long-term approach when investing in the growth opportunities of China that are enabled by their multi-year initiatives.

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