

UOB Investment Insights

Market Powerbar

Topic 1: A look back at 2019

Equities

Equity markets were driven by the developments of the US-China trade talks, stalling whenever negotiations disappointed and rallying whenever progress occurred. Overall, global equities ended the year with a 25.5% gain as both sides agreed to a Phase One deal in October.



Trump breaks truce, reignites trade tensions with China.



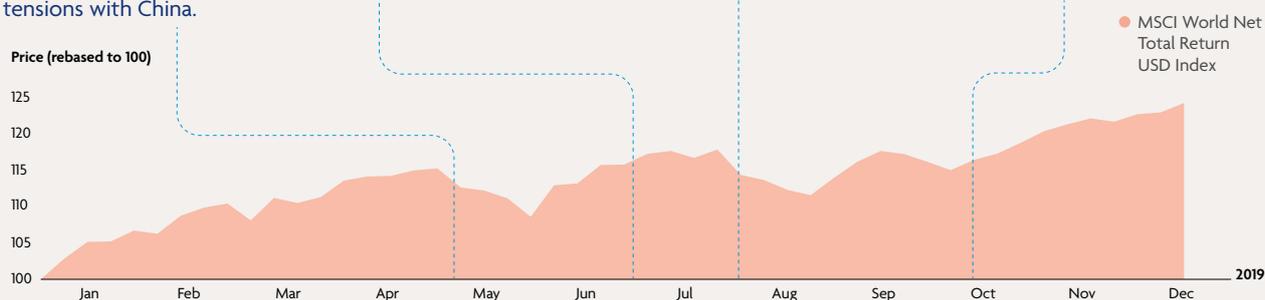
Trump and Xi agreed to restart trade talks.



Trump announced another 10% tariffs on Chinese goods.



US and China announced Phase One trade deal.



Fixed Income

Fears of a possible recession affected fixed income markets – this resulted in the inversion of the US Treasury yield curve in March and August. In order to support global economic growth, the US Federal Reserve (Fed) began easing its monetary policy in July by cutting interest rates thrice in 2019.



US Treasury yield curve between 3-months and 10-years inverts.



Fed cut rates by 25bps for the first time since 2017.



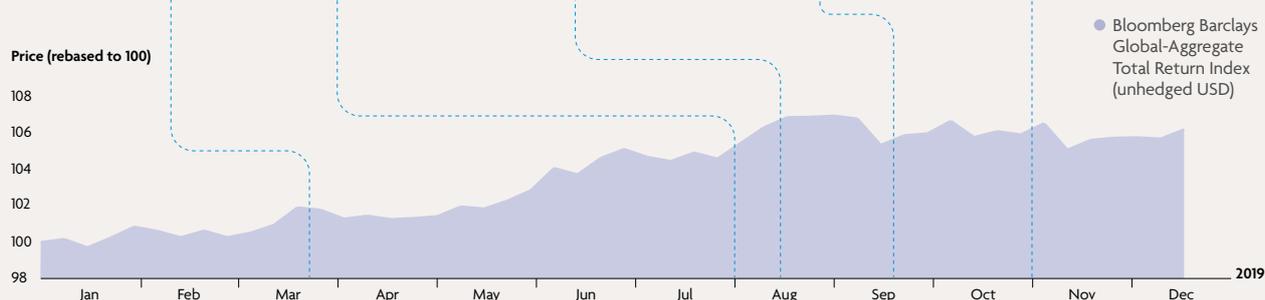
US Treasury yield curve between 2-years and 10-years inverts.



Fed cut rates by 25bps for the second time.



Fed cut rates for the third time to 1.50% – 1.75% and indicated a pause in rate cuts.



Source: Bloomberg. All percentages shown are expressed in their respective local currency terms, and reflect the total returns from 1 January to 15 December 2019.

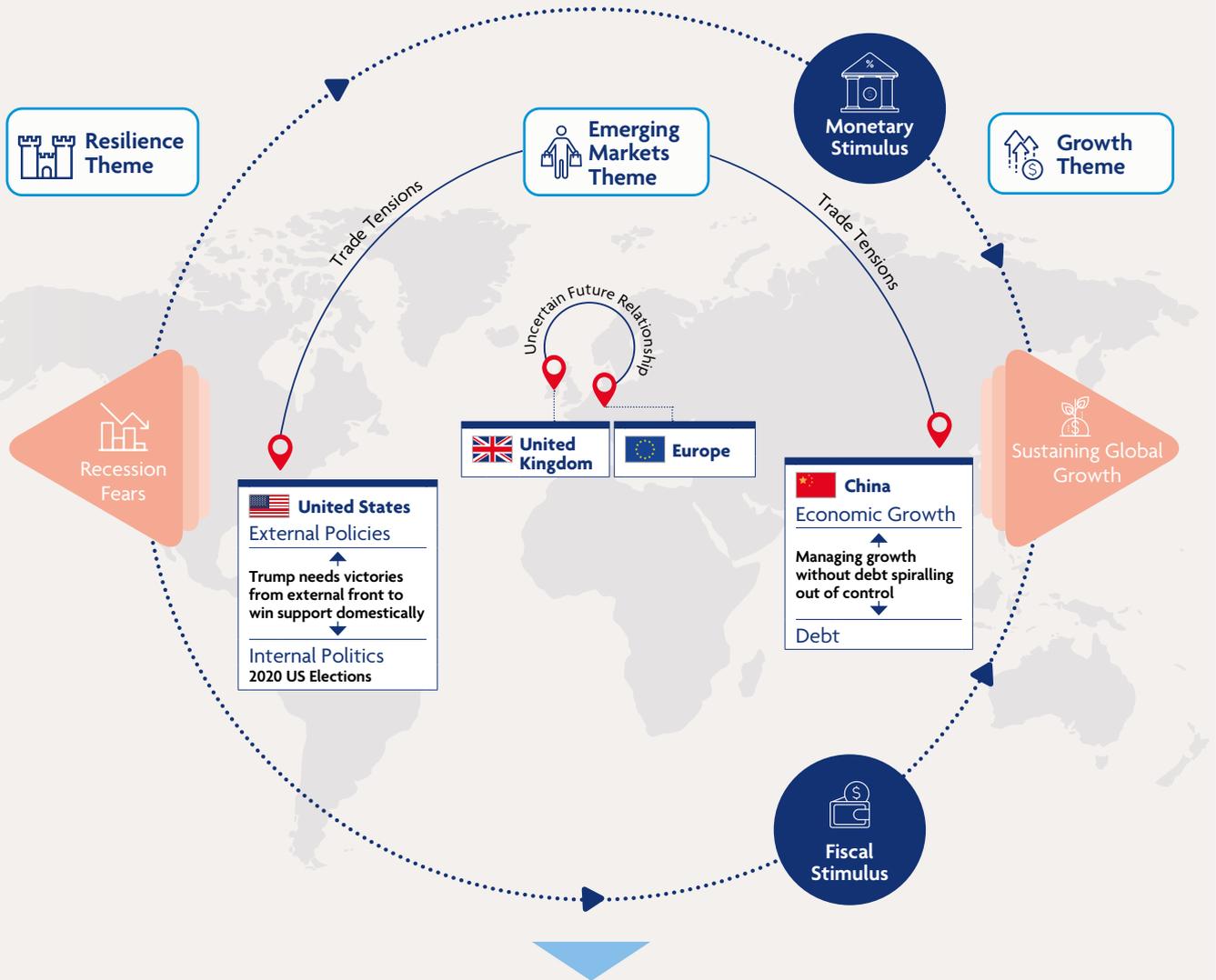
Investors have to be selective going forward given higher asset valuations and find the right opportunities amid new uncertainties.

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Topic 2: Maintaining balance amid the uncertainties

Global economic growth in 2020 is likely to improve from 2019, but the presence of many market-moving forces raises the (low) possibility of a recession. These forces can create volatility for markets and shape the direction of the global economy in 2020.



Investment Themes for 2020

We have identified three specific investment themes to help investors find balance and navigate the year ahead.



Resilience Theme
Build resilience in a portfolio using defensive assets. This will reduce the likelihood of a large drawdown.



Emerging Markets Theme
Seek out companies that tap onto the faster growth rate of emerging markets and their domestic consumption trends.



Growth Theme
Leverage on companies that are able to deliver sustainable and superior earnings growth in an uncertain environment.

Visit uob.com.sg/soy2020 to read more about our high-conviction and megatrend ideas that leverage off the above themes.



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