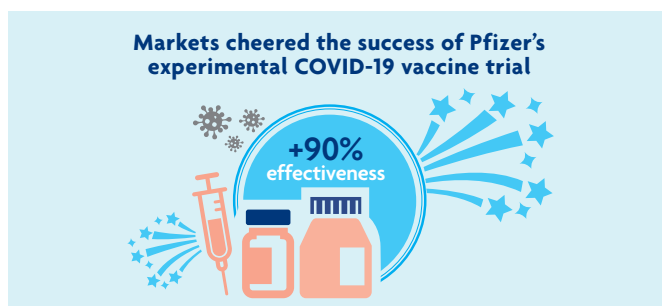


UOB Investment Insights Market PowerBar

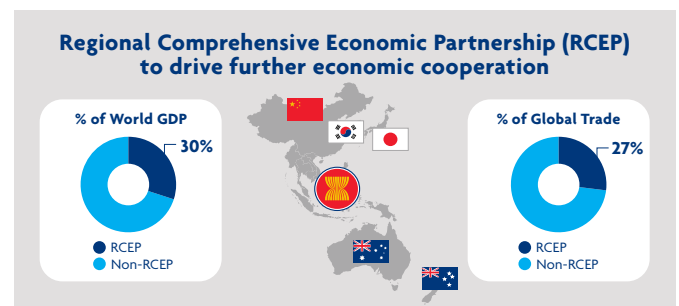
DECEMBER 2020

Key events at a glance

Market recap



- Various pharmaceutical companies have announced that their experimental COVID-19 vaccines are more than 90% effective. They are now seeking regulatory authorisation for emergency use.
- Equity markets celebrated this development with strong gains, particularly in cyclical segments such as the consumer, hospitality and airline industries.
- However, a vaccine still requires time to be manufactured for mass distribution and the earliest for that to happen will likely be mid-2021.

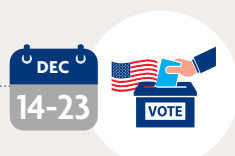


- 15 November 2020 – The RCEP was signed between ASEAN countries, Australia, New Zealand, China, South Korea and Japan.
- The RCEP is the world's largest free trade agreement, covering 30% of global GDP and 27% of global trade. The aim of the RCEP is to lower tariffs, open up trade in services, facilitate foreign investments and enhance intellectual property protection.
- This will bode well for the long-term trade outlook and for Asia ex-Japan equities.

A look at this month



European Central Bank (ECB) meeting
Easing of monetary policy is expected to address a potential 4Q 2020 slowdown.



Voting by US Electors
Electors will meet in their respective US states to officially cast their votes.



Federal Open Market Committee (FOMC meeting)
The US Federal Reserve may ease monetary policy by extending its asset purchase programme.



Brexit transition period ends
If the UK does not request for an extension of the transition period, the status quo terms of the UK's initial post-Brexit arrangements will come to an end.

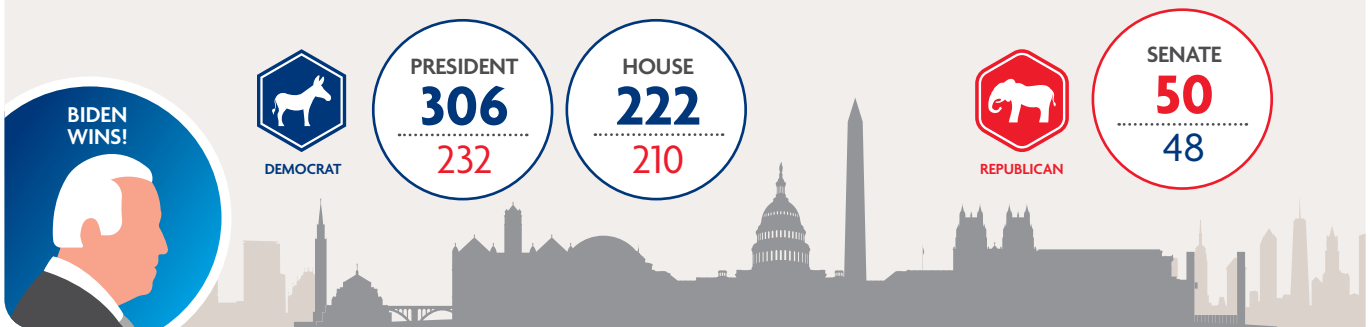
Topic 1:

Trump out, Biden in

After one of the most uncertain and confusing periods in US election history, the election outcome appears to be a divided US government, with Biden in the White House, a likely Republican-majority Senate¹, and a Democrat-controlled House of Representatives. With these, a less aggressive fiscal stimulus is expected.



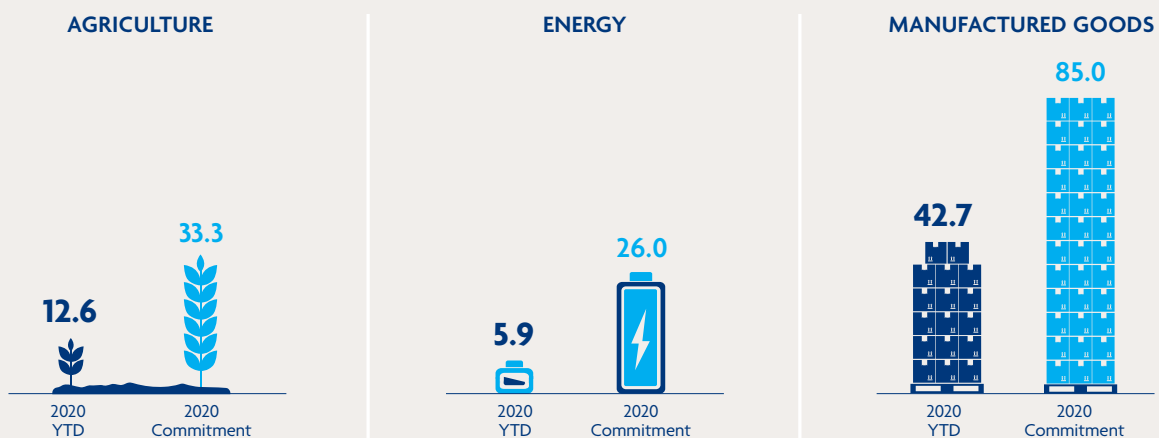
2020 US Election Results



- A gridlocked Congress will likely prevent significant policy changes. For example, there may be disagreement on tax priorities, which could hinder Biden's proposed corporate and individual tax hikes.
- In relation to foreign policy, Biden is expected to work with US allies to collectively apply pressure on China. This policy approach is more predictable, and will likely reduce market volatility and business uncertainty relating to US-China trade.
- It remains to be seen how the new administration will manage China's shortfall in terms of its commitment to imports from the US (As seen in the chart below).

China significantly behind on its committed import targets

USD billions



Source: U.S. Census Bureau, U.S. Trade Representative, J.P. Morgan Asset Management. 2020 YTD trade data is latest available as at September 2020.

Views & Implications:

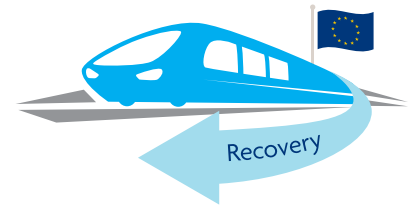
- Although President-elect Biden may not be able to push for his intended USD 3 trillion stimulus given a likely gridlocked Congress, a USD 1 trillion package is still expected to be on the cards. This will aid recovery and bodes well for risk assets.

¹ Pending results from North Carolina and Alaska, in which Republican candidates hold the lead, and two run-off Senate seat elections in Georgia which will take place on 5 January 2021.

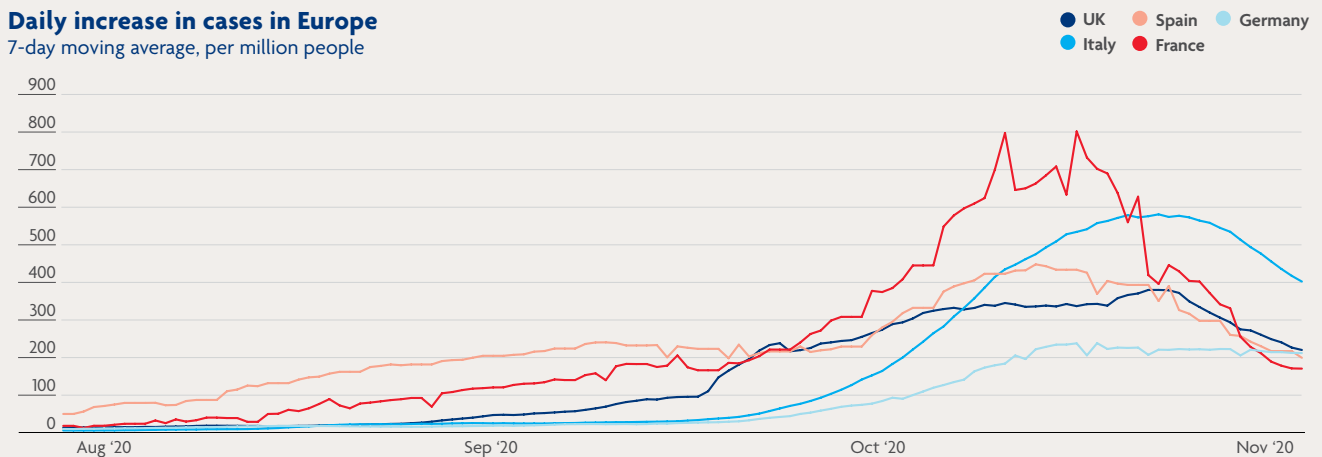
Topic 2:

European recovery delayed, not derailed

Europe's recovery has been interrupted by a resurgence in COVID-19 cases, leading governments to reintroduce lockdowns in a bid to stem the rise in infections. While this will weigh on growth in the near-term, progress on vaccine development lowers the risks of a slowdown. We remain positive on European growth equities.



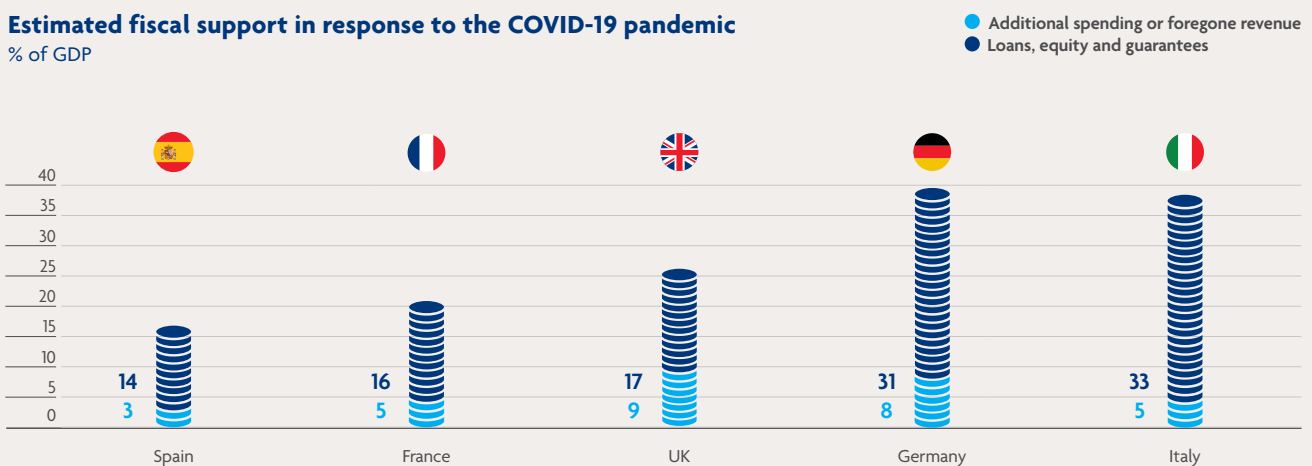
Daily increase in cases in Europe
7-day moving average, per million people



Source: Johns Hopkins University, World Bank, J.P. Morgan Asset Management. Population numbers are based on World Bank data as of 30 December 2019. Data as of 30 November 2020.

- Parts of Europe, including France, Germany, and the UK, have locked down again to battle a second wave of infections. These measures are likely to weigh on 4Q 2020 economic activity.
- On the bright side, positive results on vaccine efficacy, lowers the risks of an extended slowdown in Europe. Additionally, the European Union (EU) is focused on extending income support and loan guarantee schemes (as seen in the chart below), while the European Central Bank (ECB) is also expected to increase support through the Pandemic Emergency Purchase Program (PEPP).

Estimated fiscal support in response to the COVID-19 pandemic
% of GDP



Source: IMF Fiscal Monitor, J.P. Morgan Asset Management. Data represent key fiscal measures announced in response to the COVID-19 pandemic as of 11 September 2020.

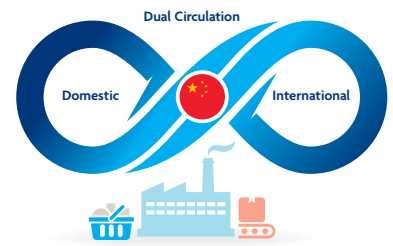
Views & Implications:

- European growth is expected to rebound next year, supported by positive vaccine news and continued policy support.
- We remain positive on European growth equities, with climate-friendly technologies and ESG priorities boosting the outlook.

Topic 3:

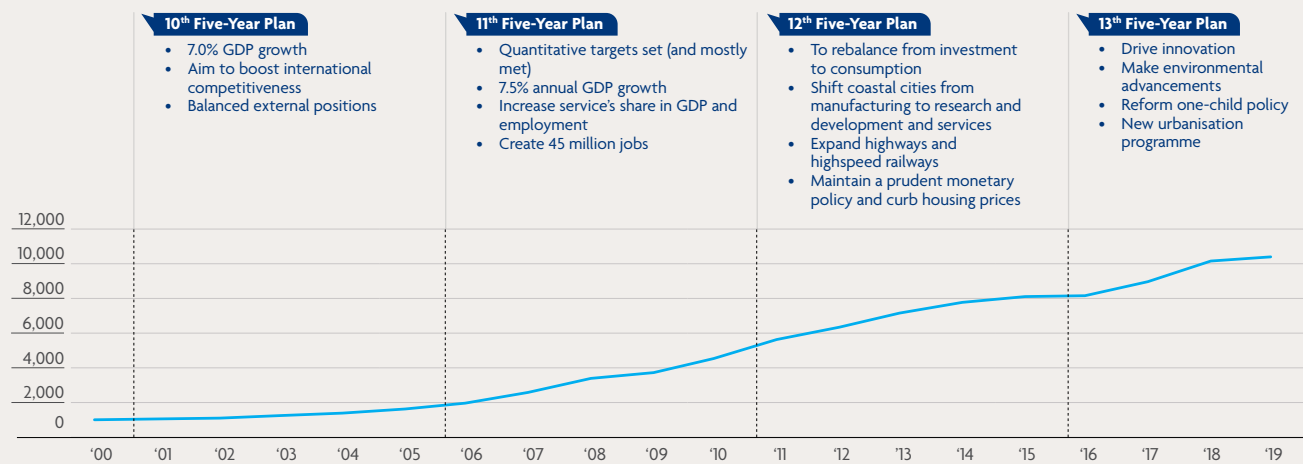
Key takeaways from China's 14th Five-Year Plan

The key focus of China's 14th Five-Year Plan will be on promoting high-quality growth development in the long-run through economic rebalancing towards domestic consumption, new infrastructure investment and innovation.



China has achieved decent economic growth since the 10th Five-Year Plan

China's economic growth, USD per Capita

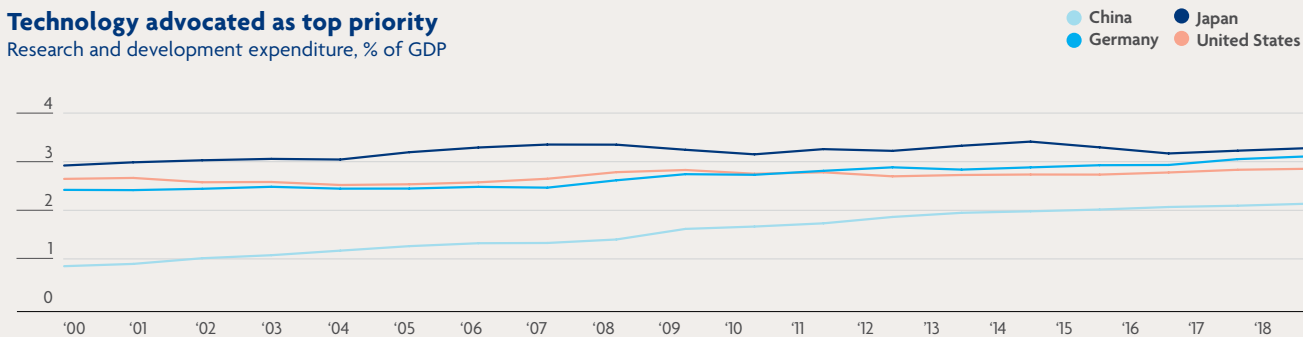


Source: CEIC, National Bureau of Statistics of China, J.P. Morgan Asset Management. Data as of 10 November 2020.

- There will be an emphasis on the quality of growth, with China's government advocating a "dual circulation" strategy that redirects some manufacturing and services towards the domestic economy.
- The aim is to develop self-sufficiency and reduce both export dependence and reliance on foreign sources for food, technology and energy. To promote domestic consumption, the priorities are improving income distribution, developing rural regions and promoting urbanisation.
- New regulations have been imposed on China's technology and online platform companies to encourage a level-playing field. However, it is unlikely that regulators will severely constrain the growth of these companies, seeing how they play a key role in China's economy as shown by the rising share of research and development spending as a percentage of GDP in the chart below.

Technology advocated as top priority

Research and development expenditure, % of GDP



Source: World Bank, J.P. Morgan Asset Management. Data as of 10 November 2020.

Views & Implications:

- The implementation of the 14th Five-Year Plan could mean exciting opportunities for investors to benefit from the economic growth and restructuring in China.
- China's continuing transition to a consumer economy alongside technological upgrades bodes well for the China Megatrend story, which could also lead to more investment opportunities. We remain positive on Chinese equities.



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