

UOB Investment Insights Market PowerBar

FEBRUARY 2021

Key events at a glance

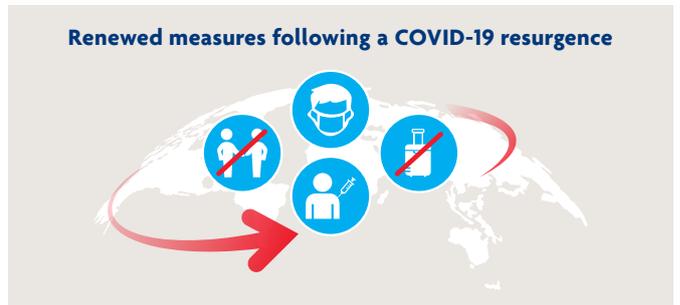
Market recap

The inauguration of US President Joe Biden



- On 20 January 2021, Joe Biden was sworn in as the 46th President of the United States, taking over from outgoing President Donald Trump. Senator Kamala Harris was also sworn in as Vice President.
- Top priorities for the Biden Administration include driving economic recovery and pandemic control.
- Biden unveiled a US\$1.9 trillion fiscal relief plan which includes unemployment benefits, household payments, state relief, and funding for vaccination programmes.

Renewed measures following a COVID-19 resurgence



- On the back of the rising number of COVID-19 infections, lockdown measures have been extended till February 2021 in the UK and several European countries. This is despite ongoing vaccination programmes.
- In Asia, Japan and China have also reinstated various forms of lockdown measures with the number of new cases rising since the start of the year.
- These renewed measures are likely to result in different paces of economic recovery across countries and industries, with some sectors like e-commerce and Healthcare likely to be more resilient than others.

A look at this month



Bank of England Policy Meeting
A unanimous decision was made by UK policymakers to leave interest rates and monetary policy unchanged.



China's Spring Festival Golden Week
Chinese markets will be closed as the country celebrates the Lunar New Year.



People's Bank of China Loan Prime Rate Decision
The PBOC is likely to keep its policy rates unchanged.

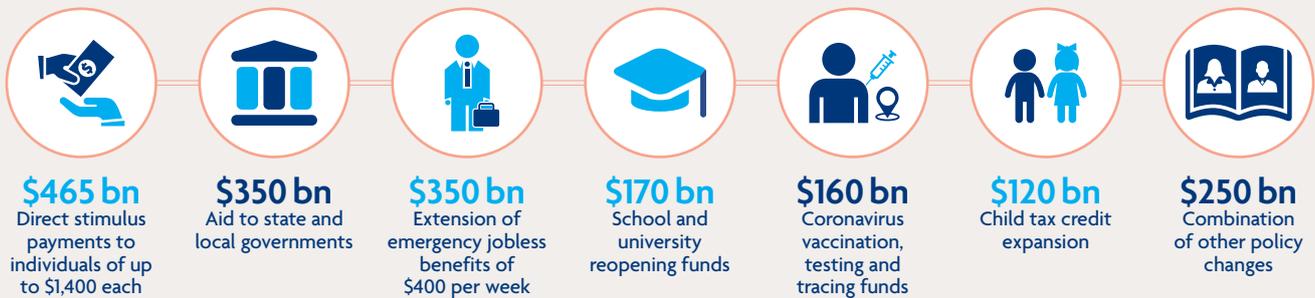
Topic 1:

A 'Blue Ripple' opens up more fiscal spending

The Democrats now control both the Congress and the White House by a slim margin after taking both seats in the State of Georgia runoff elections, reducing the 'Blue Wave' to just a 'Blue Ripple'. A united US government may now be able to push through legislation and focus on COVID-19 related fiscal stimulus, infrastructure spending and clean energy.



Main elements of Biden's proposed US\$1.9 trillion COVID-19 stimulus plan



Source: Analysis of plan by Committee for a Responsible Federal Budget, Financial Times. Data as at 15 January 2021.

- The Democrats' narrow majority in Congress may restrain some of the more ambitious priorities of Biden's legislative agenda, but will have positive implications for the US economic outlook nonetheless.
- The Biden administration will likely only receive US\$1 trillion out of the US\$1.9 trillion that was asked for. However, this COVID-19 stimulus package will be followed by an infrastructure proposal that supports clean energy initiatives.

Biden's US\$2 trillion infrastructure proposal



Source: The Biden Plan to build a modern, sustainable infrastructure and an equitable clean energy future, The 2020 Joe Biden presidential campaign.

Views & Implications:

- A unified US government suggests more fiscal support and a faster US economic recovery. The new administration is likely to implement more policies supporting electric vehicles, wind and solar energy, and energy storage.
- With Biden in the White House, the US will likely rejoin various sustainable initiatives taking place globally. This supports our call on Sustainability as a Megatrend.

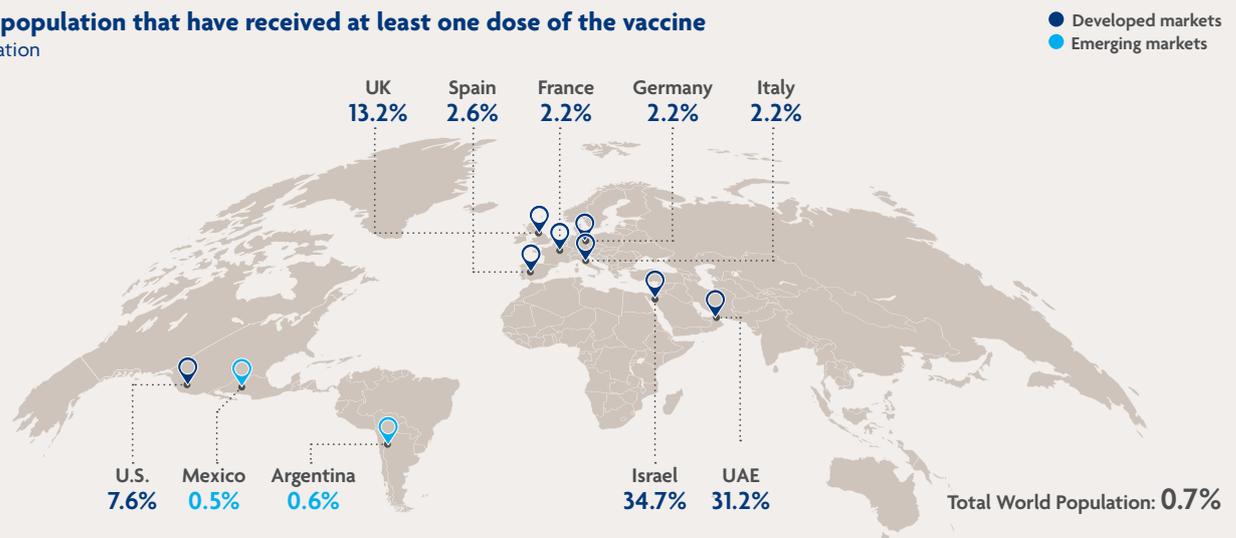
Topic 2:

2021: A year of growth normalisation

The year 2021 is likely to be a year of recovery and growth normalisation. Vaccine rollouts will help to facilitate the re-opening of major economies and broaden the recovery to service sectors including consumer-related and financial sectors.



Share of population that have received at least one dose of the vaccine % of population



Source: Our World in Data, J.P. Morgan Asset Management. Data as at 31 January 2021.

- Despite the rising number of new COVID-19 cases, investors remain relatively optimistic in view of the vaccine roll-outs this year. Developed countries are expected to see a majority of their populations inoculated by the middle of 2021.
- Global economic data has remained relatively robust, with global Purchasing Manager Indices (PMIs) having staged a sharp recovery in recent months. Notably, the services PMI still lags behind manufacturing PMI, but the recovery is expected to expand towards retail, hotels, restaurants and leisure.

Global manufacturing and services PMI



Source: Australian Industry Group, Institute for Supply Management, J.P. Morgan Economic Research, Markit, J.P. Morgan Asset Management. Data as at 15 January 2021.

Views & Implications:

- We see 2021 as a year of recovery and growth normalisation, supported by vaccine rollouts and continued policy support. The global recovery is expected to broaden from manufacturing and extend to services, which will benefit our High-Conviction calls such as US consumer discretionary and US financial equities.



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