





# UOB Investment Insights Market PowerBar

FEBRUARY 2022

## A LOOK AT THIS MONTH

Key Developments	What to expect	What this means for investors
 <p><b>The US Federal Reserve (Fed) maintains a hawkish policy stance to rein in inflation.</b></p>	<p>A first rate hike in March is possible, and this could be followed by three more hikes later in 2022.</p>	<p>With rising interest rates, income-seeking investors should consider dynamic strategies to seek yields across various asset classes.</p>
 <p><b>COVID-19 Omicron infections continue to surge in many countries.</b></p>	<p>While the pharmaceutical industry continues to benefit from COVID-19, the demand for healthcare services will also remain supported due to rising affluence and changing demographics.</p>	<p>Many attractive investment opportunities across the healthcare sector will emerge.</p>
 <p><b>Millennials are increasingly influential in society as Baby Boomers gradually retire.</b></p>	<p>More companies will embrace digitalisation and sustainable business practices to woo the Millennial generation.</p>	<p>Businesses that successfully innovate to cater to evolving consumer trends like Millennials' habits are likely to perform well.</p>
Upcoming Event		
 <p><b>Winter Olympics in Beijing, China</b></p>	<p>COVID-related restrictions could ease after the Olympics if the situation improves.</p>	<p>Near-term economic momentum may pick up, supporting investor sentiment in Chinese markets.</p>

## TOPICS AT A GLANCE

**1 Seeking income amid changing market conditions**

▶ Rising inflation and expectations that central banks will raise interest rates could result in market volatility. But there are still opportunities for income-seeking investors.

**2 Healthcare is not just about the pandemic**

▶ While the Omicron variant shows the COVID-19 pandemic is not over yet, the healthcare industry stands to benefit from longer-term trends beyond the pandemic, such as shifting demographics and technological advancements.

**3 Benefiting from generational shifts in consumption**

▶ The Millennial generation is growing in size, wealth and influence, and their behaviour will drive future innovation and business decisions.



Speak to your UOB Advisor today to find out more.

## Topic 1:

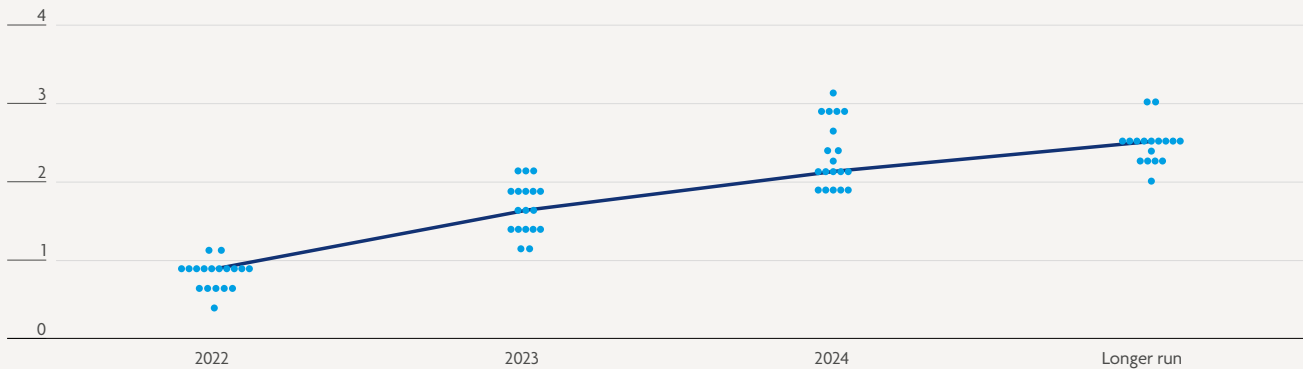
# Seeking income amid changing market conditions

Rising inflation and expectations that central banks will raise interest rates could result in market volatility. But there are still opportunities for income-seeking investors.



Figure 1A:

Federal Reserve's Dot Plot indicates a minimum of three rate hikes this year



Source: U.S. Federal Reserve.

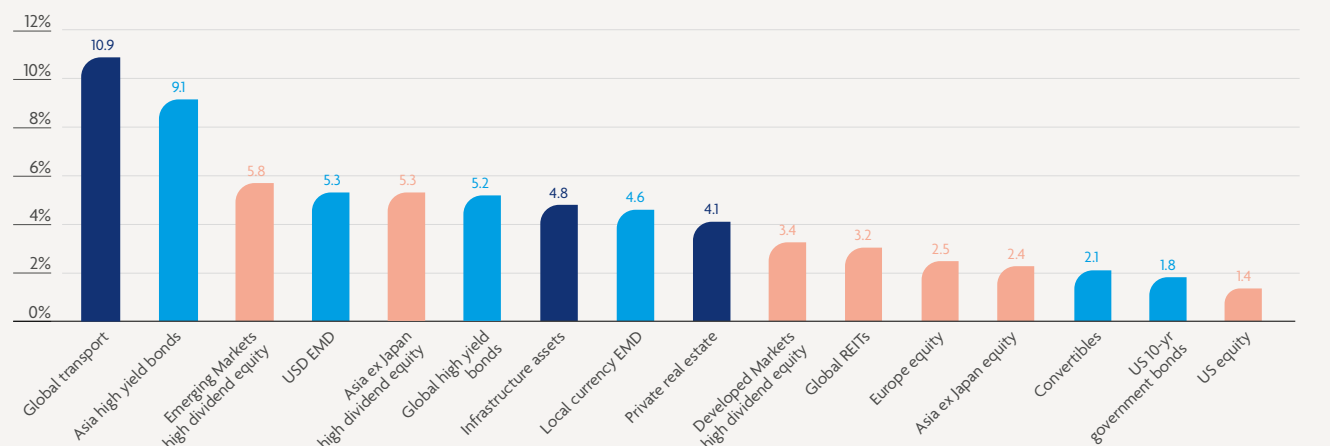
## Key takeaways

1. High inflation continues to concern markets as investors expect policymakers to raise interest rates to curb price increases. The US Federal Reserve (Fed) is projecting at least three rate hikes for 2022 (Figure 1A). Despite the Fed's tightening cycle, investors can still hunt for yield from their investments.
2. Whether it is from stocks, bonds or alternative assets (Figure 1B), a steady income stream from these assets provides some degree of stability to an investor's potential total return.
3. However, investors should not blindly chase the highest yield but look for what matches their investment goals and risk appetite. Investment grade bonds are more stable in a recession scenario. High dividend stocks could provide some upside if inflation is running hot as companies are still generating profits.

Figure 1B:

Current range of yields (%) offered by various asset classes

Asset class yields (%)



Source: FactSet, J.P. Morgan Asset Management.



## In summary

- ▶ Investors are facing uncertainty and volatility from many different directions. An income strategy is a way to seek diversified returns from a range of assets that will help add to returns or provide a steady source of cash.

## Topic 2:

# Healthcare is not just about the pandemic

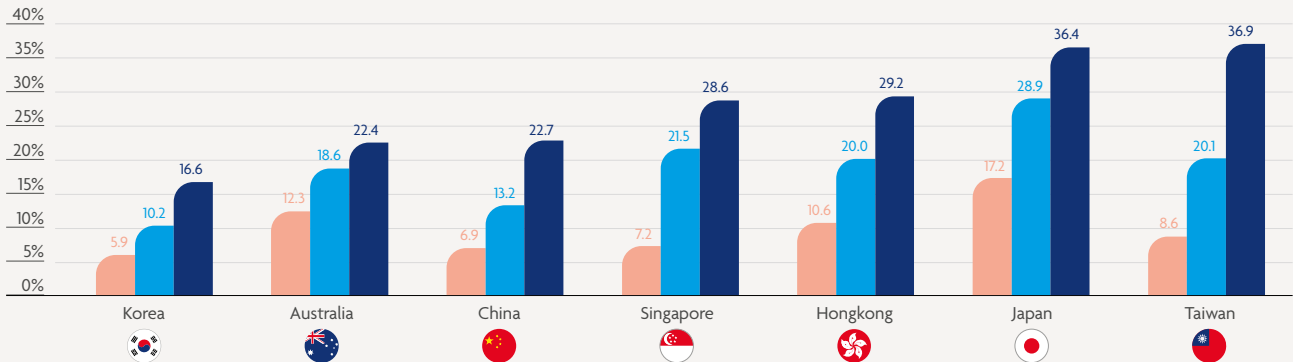
While the Omicron variant shows the COVID-19 pandemic is not over yet, the healthcare industry stands to benefit from longer-term trends beyond the pandemic, such as shifting demographics and technological advancements.



Figure 2A:

### Ageing populations means more healthcare spending

Population over 65 (%)



Source: J.P. Morgan Asset Management; National Development Council of Taiwan (NDC), United Nations Population Project (UN).

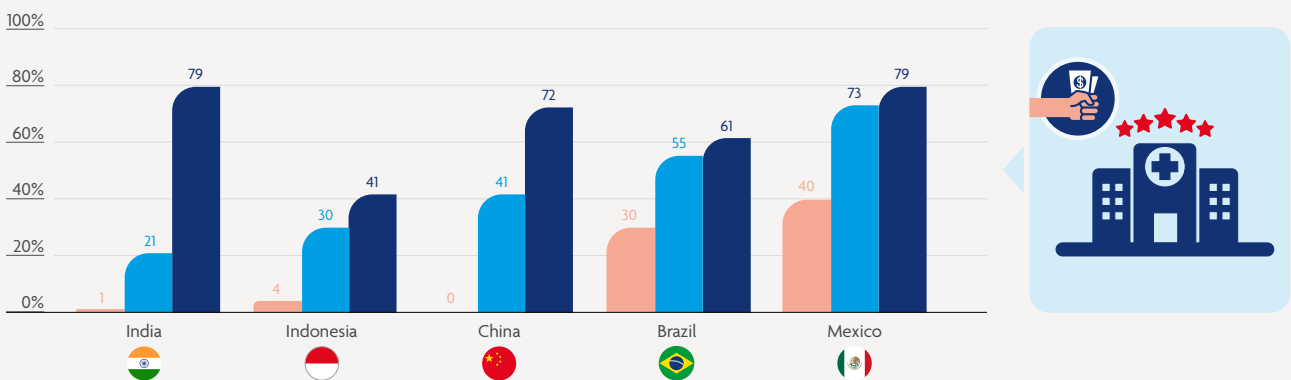
## Key takeaways

1. Societies' general healthcare spending is unlikely to decrease even after the pandemic. Multiple countries face an ageing population in the future (Figure 2A). This comes with more chronic health conditions and more frequent and costlier treatments.
2. More focus on preventive measures and general population health can be expected. Improving the level of care for marginalised groups will involve healthcare companies leveraging on data, leading to more opportunities for investors in healthcare IT services.
3. Additionally, new drug launches, developments in gene therapy and nanotechnology are but a few of the new promising innovations healthcare companies are working on. A growing middle class across emerging markets also means that spending on new treatments may increase (Figure 2B).

Figure 2B:

### Growing middle class means more disposable income for expenses such as healthcare

Population in middle class (%)



Source: FactSet, Standard & Poor's, U.S. Federal Reserve, J.P. Morgan Asset Management.



## In summary

- ▶ The healthcare sector is increasingly exciting with new innovations constantly being worked on and demand for its services expected to increase. The sector offers plenty of investment opportunities beyond developments in dealing with the COVID-19 pandemic.

## Topic 3:

# Benefiting from generational shifts in consumption

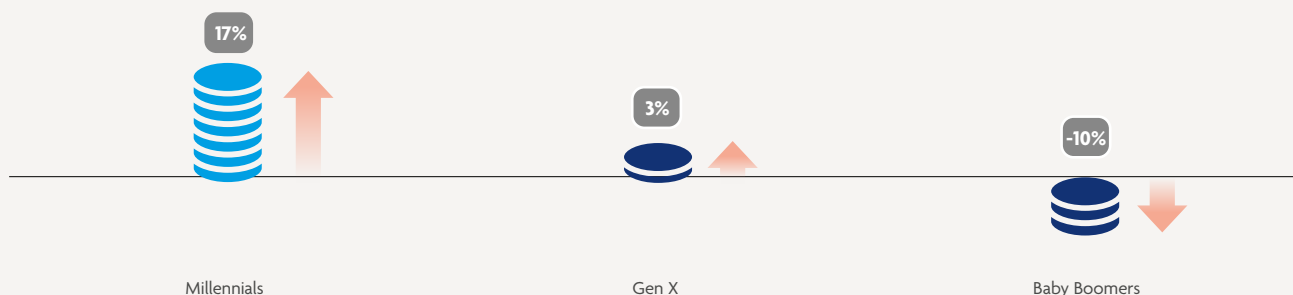
The Millennial generation is growing in size, wealth and influence, and their behaviour will drive future innovation and business decisions.



Figure 3A:

### Millennials are expected to be spending more than other generations over the next few years

Total change in spending over the next 5 years



Source: Goldman Sachs Asset Management, Financial Times (October 2018).

### Key takeaways

1. Millennials – typically defined as those born between the early 1980s and 2000 – are increasingly influential in society and are soon expected to overtake the Baby Boomer generation to become the largest demographic globally.
2. In terms of consumer spending power, they are expected to spend 17% more by 2025 (Figure 3A). Businesses will increasingly have to cater to their needs and priorities to remain relevant in the coming decades.
3. Millennials have unique priorities, including healthcare, climate change and income inequality (Figure 3B), and companies will have to cater to these priorities when making business decisions.

Figure 3B:

### Healthcare, unemployment and climate change dominate Millennials' top concerns



**28%**  
Healthcare/  
disease prevention



**27%**  
Unemployment



**26%**  
Climate change/protecting  
the environment



**19%**  
Economic  
growth



**19%**  
Crime/personal  
safety



**19%**  
Income inequality/  
distribution of wealth



**17%**  
Corruption with  
business or politics



**14%**  
Political instability/wars/  
conflicts between countries



**14%**  
Education,  
skills and training



**11%**  
Terrorism

Source: Deloitte "The Deloitte Global 2021 Millennial and Gen Z Survey".



### In summary

- ▶ Investors can benefit from thematic investment strategies that ride on Millennials' consumption habits. As millennials hit their prime spending years, more markets will be disrupted to serve new needs.
- ▶ Companies must innovate to offer a redefined consumer experience to win them over. Businesses with approved practices, such as sustainability, fair worker treatment and the flexibility to meet new needs and wants have the greatest long-term potential.



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