

1 China took actions to support the country's economic growth

MAR 2019
5-15

Two Sessions

- National People's Congress (NPC)
- Chinese People's Political Consultative Conference (CPPCC)



Two Sessions are annual meetings comprising of two major Chinese political bodies - NPC and CPPCC - that allow the Chinese legislature to review the government's work in the past year and to revisit its economic and social targets for 2019.

Highlights of the Two Sessions

Targets set:

6.0-6.5%
GDP growth

4.5% urban
unemployment rate

APR 2019
1

RMB 2 trillion tax cuts

(equivalent to 2% of GDP) focused on manufacturers and small businesses.



Views & Implications

- The NPC delivered a clear message that the top priorities for the government this year will be economic stabilisation and employment. We expect China's GDP to **grow at 6.3%** in 2019.
- This could ease worries on economic slowdown and **boost sentiments for China A-shares**, which still offer attractive valuations.

2 Global central banks are turning dovish



Meetings



Growth forecast in 2019



Rate hike



Market liquidity

MAR 2019
7

European
Central Bank

Eurozone growth forecast

1.1% vs **1.7%**

No rate hike
expected
in 2019

vs

1 rate hike
expected
in 2H 19

Targeted Longer-Term Refinancing Operations (TLTRO-III) will be launched in September 2019 to support bank lending.

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Federal
Open Market
Committee

US growth forecast

2.1% vs **2.3%**

No rate hike
expected
in 2019

vs

2 rate hikes
expected
in 2019

The Balance Sheet Reduction programme will start to slow down in May and end in September 2019, helping to ease financial conditions in the market.

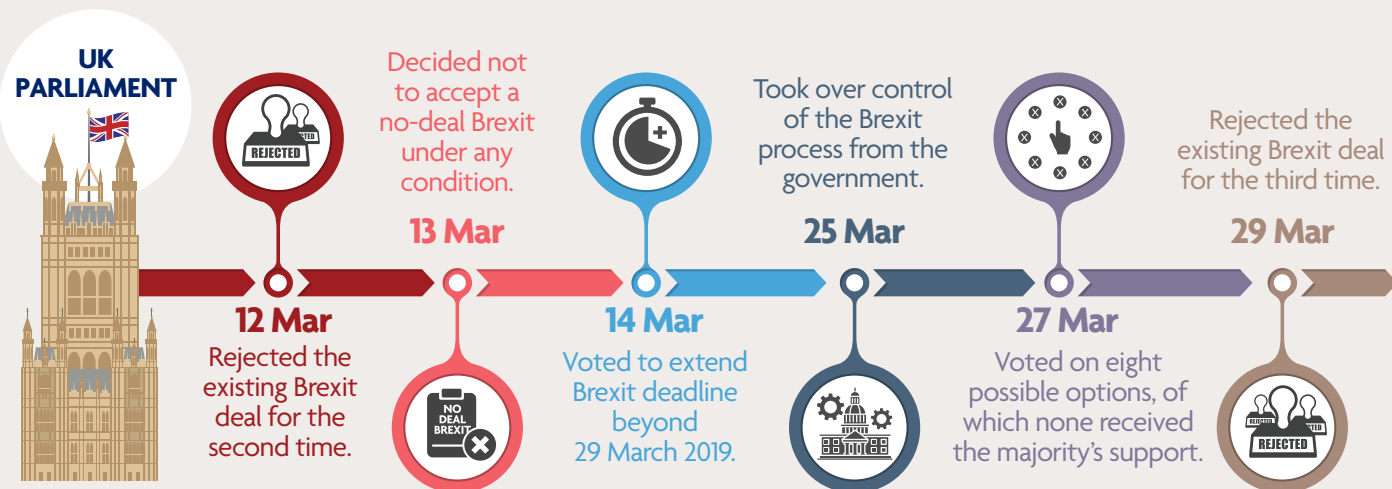
● Mar 2019

● Dec 2018

Views & Implications

- The March meetings have confirmed that central banks will take a break from tightening their monetary policies. We expect the ECB to hold off from any rate hikes in 2019 and to hike rates once in H2 2020. The Fed is likely to keep rates unchanged in 2019 and have a rate cut in 2020.
- The dovish central banks could put a cap on interest rates. Investors can consider **investment grade bonds** to generate income and to lower overall portfolio risk.

3 Brexit remains highly uncertain



Views & Implications

- The risk of a no-deal Brexit persists as the UK Parliament remains divided over Brexit plans.
- This uncertainty could drive **higher volatility in European markets**, but the risk of contagion to other markets remains low at this point.
- Investors looking to build tactical positions could consider **Chinese equities, Global innovation and Global healthcare**, which are less sensitive to European political risks.

Key events in April

APR 2019
11 to **19**
MAY 2019

**India
General Election**



- The UK parliament will need to propose a new deal by 12 April 2019 to obtain a longer extension. Otherwise, the UK may face a case of a no-deal Brexit.

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**Indonesia
General Election**



- Pre-election polls indicate that the incumbent Bharatiya Janata Party, led by Prime Minister Narendra Modi is likely to win the elections.
- A Modi-led victory would mean better policy continuity and relative economic stability.

Brexit deadline



- According to the results from several recent surveys, Indonesian President Joko Widodo (Jokowi) is likely to win the 2019 elections.
- A Jokowi victory is likely to support equity markets and the Indonesian Rupiah.



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