

UOB Investment Insights

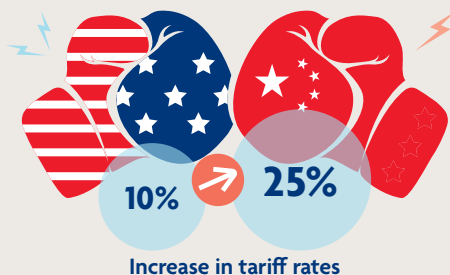
Market Powerbar

May 2019 Highlights

Topic 1: US-China trade tensions escalate

MAY 2019
10

The Trump administration increased tariff rates to 25% on **USD 200bn** worth of Chinese goods.



China retaliated by matching the increase in tariff rates on **USD 60bn** worth of US imports.

JUN 2019
1

Views & implications

Trade deal scenarios for 2019

Best case
10% probability



- Both sides reach trade truce and existing tariffs are removed

Base case
60% probability



- Resolution is reached in 2H 2019
- Existing tariffs remain

Worst case
30% probability



- US imposes additional tariffs on Chinese goods
- More restrictions on technology transfer

Source: UOB Global Economics & Markets Research, 13 May 2019

- Markets are likely to see higher volatility in the coming weeks. Investors can diversify their portfolio allocation to less volatile solutions such as investment grade bonds or multi-asset strategies to protect against downside risks.

Topic 2: Trump calls on the Fed to help win the trade war



"It would be game over, we win!"

VS

"We are data dependent"



Trump predicted that China will have rate cuts to stimulate the Chinese economy, and **encouraged the Federal Reserve to follow suit** to support the US economy.

The Fed's current stance is to be **"data dependent"**, and it is likely to **stay on hold with no rate hikes or cuts**.

Views & implications

- The Fed's Chairman Powell has repeatedly stressed the importance of the Fed's independence from political pressure and its commitment to transparency and accountability to Congress.
- If the negative impact on the US economy starts to worsen, the Fed may choose to cut rates sooner than 2020.

UOB Investment Insights

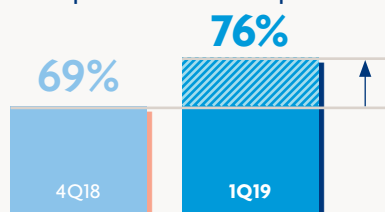
Market Powerbar

May 2019 Highlights

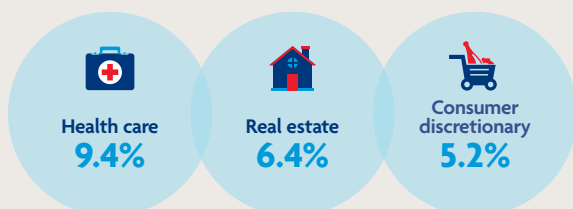
Topic 3: US 1Q earnings

- In 1Q19, more S&P 500 index companies have reported earnings that exceeded market expectations compared to 4Q18.
- In aggregate, companies reported earnings 5.4% higher than estimates.

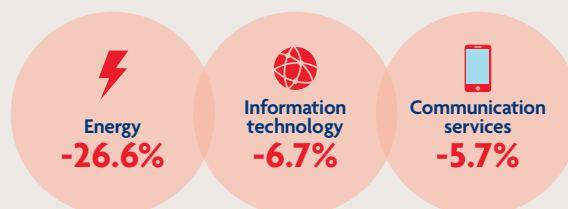
% of companies that exceeded expectations



Sectors with positive earnings as at 1Q19



Sectors with negative earnings as at 1Q19



Source: Factset Earnings Insight, 24 May 2019

Views & implications

- Despite the global economic slowdown and US-China trade tensions, corporate fundamentals remain relatively resilient.
- Investors with higher risk appetite can take advantage of the current market volatility and accumulate quality companies with high free cash flow, low leverage and high return on equity.

Key events in June



JUN 2019
17

US public hearing on tariffs on Chinese goods.

June FOMC meeting

The Fed is expected to keep rates unchanged, but could comment that the US-China trade tensions are key to watch.

JUN 2019
20



JUN 2019
24

Tariff hike on USD 325 billion worth of Chinese imports could be implemented any time after 24 June.

G20 Summit in Osaka Japan

Trump and Xi are expected to meet and there could be a possible positive outcome of another ceasefire.

JUN 2019
28-29





RIGHT BY YOU

The information herein is given on a general basis without obligation and is strictly for information purposes only. It is not intended as an offer or solicitation with respect to the purchase or sale of any investment or insurance product mentioned herein. Nothing herein should be construed as a recommendation or advice to transact in any investment or insurance product mentioned herein.

Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, United Overseas Bank Limited (“the Company”) and its employees cannot be held liable for any errors, inaccuracies or omissions, howsoever caused, or for any decision or action taken based on the information or views expressed in this publication.

The Company does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any errors, inaccuracies or omissions. Any opinions, projections and other forward-looking statements regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. Investors may wish to seek advice from an independent financial advisor before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider whether the investment or insurance product in question is suitable for you.

United Overseas Bank Limited Co. Reg. No. 193500026Z