

UOB Investment Insights

Market Powerbar

October 2019 Highlights

Topic 1: IMF further downgraded global growth outlook

- **Rising trade and geopolitical tensions** have taken a toll on businesses' confidence, investment decisions, and global trade.
- In October, the International Monetary Fund (IMF) downgraded full-year global growth outlook further from its July forecasts.



Views & implications

- Although expected to be slower, global growth is still positive, supported by a healthy labour market and dovish central banks.
- In such an environment, risk-assets could still generate returns but with higher volatility. Investors can consider Global Multi-Asset/Balanced strategies, which could help lower overall volatility.

Topic 2: The US and China are close to finalising "phase one" deal

2019 Oct 12 - 13 The US and China announced a partial trade deal.



SUSPEND

5% tariff hike on US\$260 bn of Chinese goods

The US agreed to suspend tariff hike initially planned to take effect on 15 Oct 2019.




China promised to buy more US agricultural products.



China pledged to open up its financial services sector.

Possible 'phase two' negotiation topics:



Technology transfers between the US and China



Suspension of additional tariffs on Chinese goods initially planned to take effect on 15 Dec 2019

Latest Development: On 7 Nov, China's Commerce Ministry said that China and the US has agreed to lift tariffs in phases as progress is made on the agreement.

Views & implications

- As of the time of writing, expectations are for an agreement to be signed by the end of the year. This will be a step towards further negotiations and a **possible resolution earliest by the first half of 2020**.
- Overall, we expect the Chinese yuan to weaken mildly. We keep to our forecast of the USD/CNY rising gradually to 7.20 by end of 2019 and 7.30 by middle of 2020.

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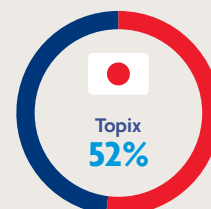
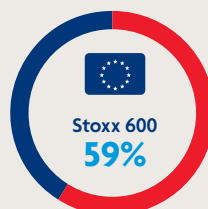
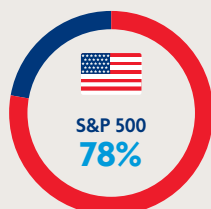
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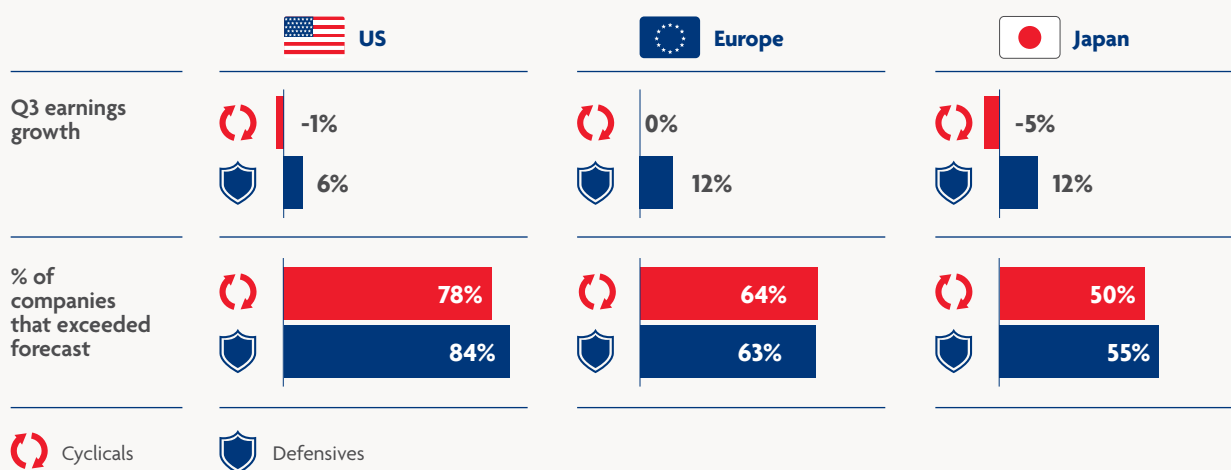
Topic 3: Global Q3 earnings at a glance

Companies that exceeded forecast in Q319 (%)

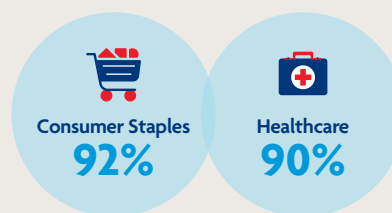
- US companies have outperformed their global counterparts - almost 4 in 5 exceeded earnings forecast.



- Against a softer global growth backdrop, defensive sectors, which are less reliant on the overall economy, have reported stronger earnings growth and more positive surprises than cyclicals.



- Among the defensive sectors in the US, the **Consumer Staples** and **Healthcare** sectors have seen the highest number of companies that posted positive earnings surprises.



Source: J.P. Morgan, Bloomberg, 1 November 2019

Views & implications

- The US **Consumer Staples** sector, which deals with everyday necessities like food and household items, has proven to be resilient. Given the uncertainty around trade and slowing growth, consumer staples stocks remain attractive.
- Investors can also consider our megatrend idea of **Global Healthcare**. Long-term structural growth is supported by an ageing population as demand for healthcare products and services are expected to increase.



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