

Ride the value recovery trade

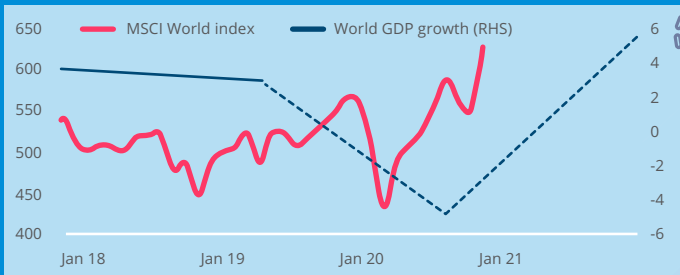
WHAT HAPPENED?

The global rally broadened in November as a rush of positive news delighted the markets.

Encouraging progress made in COVID-19 vaccine discoveries had triggered the recovery trade.

The rally could extend into 2021 as investors look beyond the resurgence of virus cases.

Global equities responding to a V-shaped recovery in 2021



Markets are also in favour of the new US political leadership; as President-elect Joe Biden would likely focus on:

- ① The pandemic and economic recovery
- ② The restoration of US credibility in international relations, and easing of US-China tensions

WHAT DOES THIS MEAN?

Investors are taking the lead by buying into laggards

WHAT SHOULD YOU DO?

As risk appetite and macroeconomic conditions improve, we see tactical buying opportunities in the following countries and sectors:

- ① **ASEAN:** The region suffered from the loss in tourism receipts, decline in exports, contraction in domestic consumption, and foreign outflows
- ② **Europe:** Core sectors such as oil and gas, banks, and consumer stocks suffered from the pandemic
- ③ **Energy:** Oil supply and demand should become more balanced as globaleconomic activities pick up
- ④ **Banks:** The operating environment for banks should improve next year as the economy gradually improves
- ⑤ **Asia ex-Japan Real Estate and REITs:** Hong Kong and Singapore property prices and sales remain rather resilient, while REITs provide stable dividends
- ⑥ **Tourism:** Hotels, airport operators, restaurants, and travel industries should benefit from a rebound in travel activities

While growth stocks have been pushed aside in favour of Value, this is only until valuations normalise.

Over the long term, Growth should outperform Value stocks.

Growth has proven to outperform Value in the long run

