



粵創資產管理有限公司  
INNOVEST ASSET MANAGEMENT LIMITED

# Equity Market Strategy

July 2nd, 2024



# Disclaimers

- The content of this presentation is for reference only and does not constitute an offer, solicitation or invitation, publicity, or any other advice or recommendation.
- The information and charts in this presentation are for reference only, and the accuracy of such information and charts is not guaranteed. In making investment decisions, readers are requested to make their own independent thinking and to seek professional advice (if necessary). Fund investment involves risk. Past performance is not indicative of future performance. Before subscribing for a Fund, investors should refer to the relevant offering documents of the Fund for details, including the risk factors involved. If any loss is incurred as a result of the contents of this publication, there shall be nothing to do with Basis Asset Management Limited or any company within its Group.
- This presentation is issued by Innovest Asset Management Limited and has not been reviewed by the Hong Kong Securities and Futures Commission.

## China: High-Frequency Data Indicate Sluggish Economic Recovery

### High-frequency data suggest sluggish economic recovery in June so far...

- **Primary home sales showed very limited improvement post policy easing.** According to weekly sales data and commentaries from industry experts, the positive impact from “517” housing policies only lasted for roughly 2 weeks and the positive impact is more notable on secondary market than primary market. During 1-20 June, accumulated GFA sold is -29%/+9% YoY for the primary/secondary market for the top 30 cities, according to data from Wind.
- **618 consumption performance a slight disappointment.** According to data from Syntun 星图数据, industry GMV during 618 was -7% YoY (vs. +15% in 2023). Although the poor headline sales performance may be partially attributable to cancellation of the pre-sales period this year, the YoY decline still implies sluggish consumer sentiment in general. Another data source Analysys suggested better headline GMV growth of 13.6% YoY, but then the report also suggested that the growth came with steep price discounts and high product return rates.
- **Finished goods inventory still much higher than normal and orderbook trend remains soft.** According to the proprietary monthly survey conducted by Goldman Sachs, inventory of finished goods made from key basic materials remained above normal in the June survey with 20-25% of manufacturing producers seeing excess stock. From the same survey, the orderbook trend also softened, with 29% of respondents expecting a MoM improvement in June (vs. 38% in May), and 57% of respondents expecting a MoM decline in June (vs. 38% in May).
- **Steel demand and daily coal consumption lower than same period last year.** According to data from Mysteel, apparent steel (rebar) demand is down >20% YoY in 3<sup>rd</sup> week of June, extending the sluggish performance over the past few months. The decline in iron ore and steel prices also signaled weak demand. Daily coal consumption at electricity plants in 25 provinces was -6.1% YoY during the 3<sup>rd</sup> week of June (vs. -8.3% YoY in 2<sup>nd</sup> week), which implies soft electricity demand.
- **Run rates at refineries and asphalt plants still slipping.** According data from ICIS, the average utilization rates of refineries slipped further in recent weeks. The reading is the lowest since China reopened after Covid lockdown. Separately, average run rate at asphalt plants fell to 22.2% in the week ended 19 June, the lowest reading in recent years. Although hot weather might have contributed negatively, those readings remain just moderate at best.

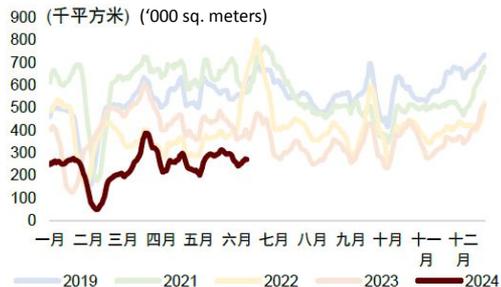
## China: Policy Sweeteners Likely Coming... But Don't Expect Bazookas

... Prompting us to shift our near-term focus to the Third Plenary Session 三中全会 and mid-year Politburo Meeting in search for policy “sweeteners” – NO “bazookas” though

- The current run-rate of high frequency economic data suggest 2Q24 GDP growth (consensus: 5.3% YoY; 1Q24: 5.3% YoY) may slow down sequentially and present mild downside risks to the government's full-year target of c.5% growth.
- At Summer Davos Forum (25-27 June), Premier Li said China is confident in achieving c.5% GDP growth. And in May, President Xi recently met with private enterprises and stressed the country's supportive stance.
- In our view, the tone of top political leaders suggests some policy “sweeteners” will likely be announced around the Third Plenary Session (15 – 18 July) or mid-year Politburo Meeting (around end-July):
  - 50bps RRR cut (2<sup>nd</sup> in the year after 50bps cut in Jan 2024)
  - Supportive policies for sectors related to “new quality productive forces” 新质生产力
  - Some follow-up measures regarding unsold housing inventory
  - Subtle mention of “Chinese-style” quantitative easing (QE) by quasi-official media
  - Potential details about reforms on consumption tax, rural land, fiscal, etc
- We also believe China will ultimately resort to “Chinese-style” QE – although officially it will continue to be called OMO (Open Market Operations), which is technically QE in fact
  - But decision makers are patiently waiting for a more dovish Fed before implementation for fear of massive yuan depreciation and capital outflow
  - The implementation will likely be more gradual than US/Japan and less “directional” (i.e. more flexible maneuver at the expense of policy visibility)

## High-Frequency Data – Housing Market

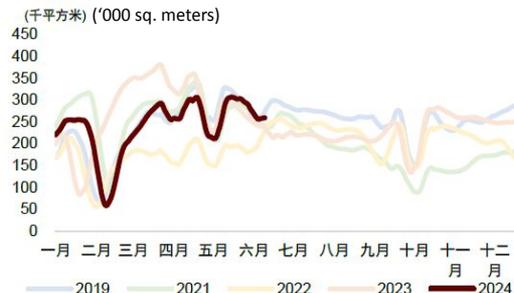
### New home sales volume (GFA) in 30 major cities



注: 我们对 30 大中城市商品房成交面积进行了 30 日移动平均

Source: Wind, CICC. Note: 30-day moving average is used.

### Secondary market home sales volume (GFA) in 15 cities



注: 我们对 15 个城市二手房成交面积进行了 30 日移动平均

Source: Wind, CICC. Note: 30-day moving average is used.

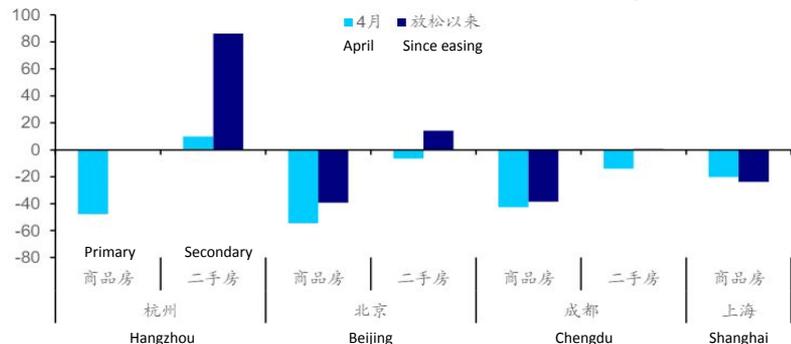
### Land transaction volume (GFA)



注: 我们计算的是 2023 年土地成交建面与 2019 年同期均值的同比

Source: Wind, CICC.

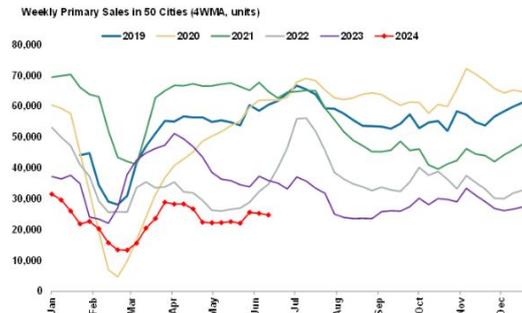
### Home sales area YoY growth in: (1) April; (2) since policy easing



Source: Wind, Haitong International estimates.

Hangzhou: 9 May – 22 Jun  
 Beijing: 29 Apr – 22 Jun  
 Chengdu: 28 Apr – 22 Jun  
 Shanghai: 28 May – 22 Jun

### New home sales volume (units) in 50 cities



Source: CREIS, Morgan Stanley. Note: 4-week moving average is used.

## High-Frequency Data – 618 Online Shopping Event

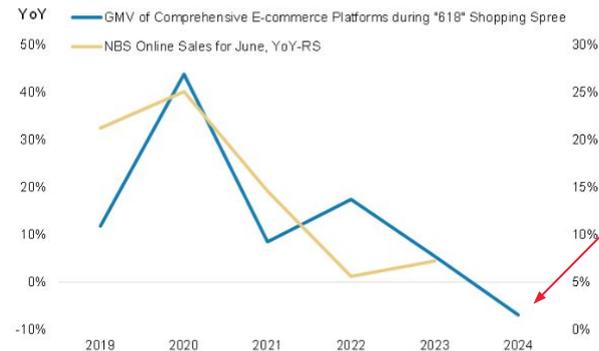
### “618” Shopping Event Performance – Data from **Analysys**



**Source #1:**  
**Analysys**  
 Positive YoY growth but growth rates appear just modest anyway

Source: *Analysys, Goldman Sachs.*

### “618” Shopping Event Performance – Data from **Syntun**



**Source #2:**  
**Syntun**  
 Unprecedented GMV decline

Source: *Syntun, CEIC, Morgan Stanley.*

### “618” Shopping Event Performance – Data from **Syntun**

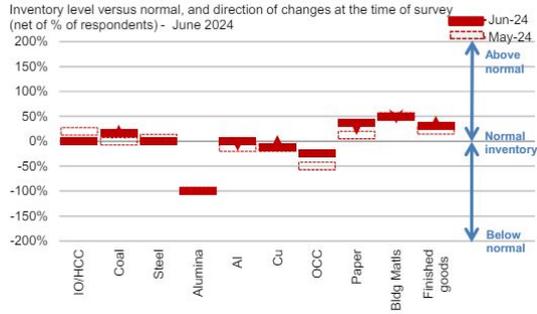
	2023 618 Shopping Festival	2024 618 Shopping Festival
<b>Traditional B2C + livestreaming eCommerce</b>	798.7	778.5
yoy %	9.8%	-2.5%
Time span	Platforms started on 8pm on May 31	Tmall started on 8pm on May 20; JD started on 8pm on May 31
<b>Traditional eCommerce GMV (Rmb bn, B2C only)</b>	614.3	571.7
yoy %	-5.4%	-6.9%
Market share	#1 Tmall #2 JD #3 Pinduoduo	#1 Tmall #2 JD #3 Pinduoduo
<b>Livestreaming eCommerce GMV (Rmb bn)</b>	184.4	206.8
yoy %	28%	12.1%
Livestreaming eCommerce GMV relative to traditional eCommerce GMV %*	30%	36%
Market share	#1 Douyin #2 Diantao #3 Kuaishou	#1 Douyin #2 Kuaishou #3 Diantao
<b>On-demand retail GMV (Rmb bn)</b>	24.3	24.9
yoy %	8%	2.5%
Market share	#1 Meituan Instashopping #2 JD Daojia #3 Ele.me	#1 Meituan Instashopping #2 JD Now #3 Ele.me
<b>Community group purchase GMV (Rmb bn)</b>	16.7	13.9
yoy %	9%	-16.8%
Market share	#1 Duo Duo Grocery #2 Meituan Select #3 Xingsheng Youxuan	#1 Duo Duo Grocery #2 Meituan Select #3 Xingsheng Youxuan

**Source #2:**  
**Syntun**  
 Weaker growth across all channels vs. last year

Source: *Syntun, Goldman Sachs.*

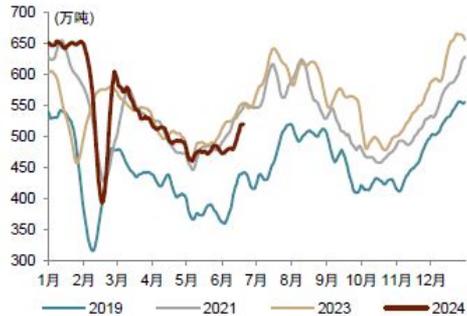
## High-Frequency Data – Upstream/Mid-Stream Industries

### Net inventory levels and changes



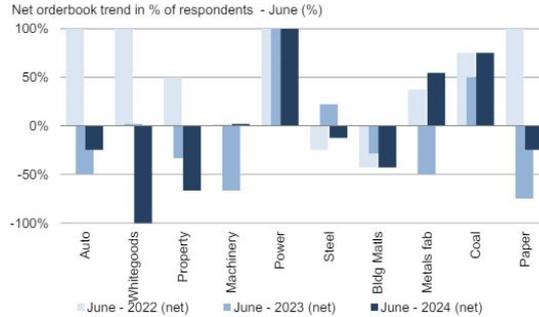
Source: Goldman Sachs.

### Daily coal consumption at electricity plants in 25



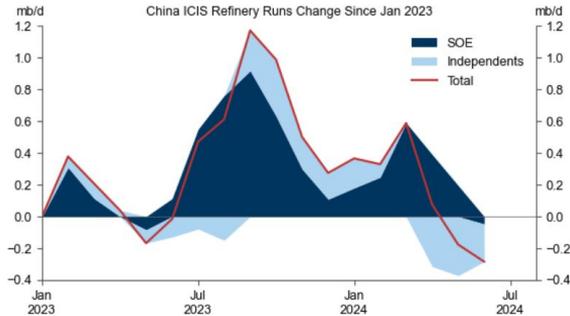
Source: Goldman Sachs.

### Orderbook survey by segment



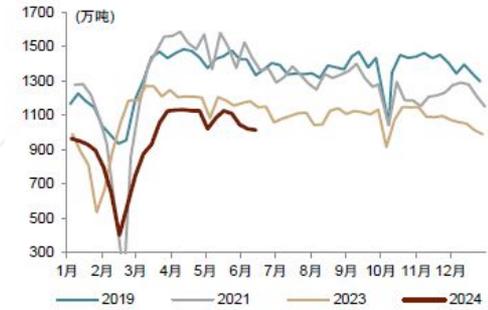
Source: Goldman Sachs.

### China refinery run rate



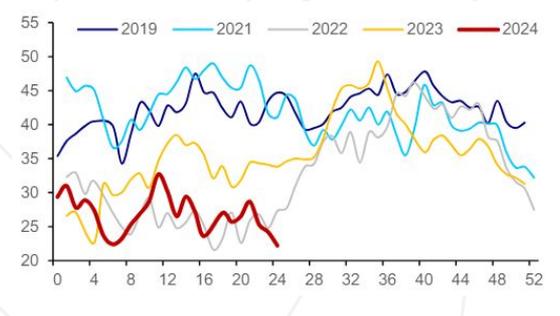
Source: ICIS, Goldman Sachs.

### Apparent steel demand



Source: Mysteel, CICC.

### Asphalt plants utilization (%)



Source: Wind, Haitong International. \*X-axis shows weeks of the year.

## High-Frequency Data – Additional Trackers also Suggest Limited Improvement



Source: CPCA, Shandong Longzhong Information, CFETS, CUSTEEL, Shanghai Shipping Exchange, Bloomberg Economics

Short-term (1 Month) Views

**Summary**

## July: About Time to Play the Mind Game... Again

### Recap of previous month:

For June, Hang Seng Index (HSI) entered consolidation and fell c.1% for the month. Investor sentiment turned more cautious during the month as high-frequency data suggest sluggish economic recovery and US/EU ramped up political/trade pressure on China.

### Our view for the coming month:

“To Hold Without Lifting; Stability First” 托而不举, 稳字当先 has been the key strategy and motto adopted by the Chinese top decision-makers over the past few years. This means stimulus or policy easing will only kick in when instability appears in the economy or financial markets. With SHCOMP back to below the psychologically important level (3,000 points), HSI hovering marginally below 18,000 points, insignificant post-517 housing market improvement and potential 2Q24 GDP marginal slowdown, we are once again close to the struggling situation seen in early 2024 – and that was the moment when the government stepped up support (RRR cut, financial market reform talks, replacement of CSRC heads, housing market policy rollouts, etc).

We therefore believe top decision makers will likely announce some positives in coming month (or two) to cushion downside in the financial markets. We expect HSI to remain weak in the first half of July before staging a potential rebound in the back half amid more policy speculation ahead of the Third Plenary Meeting (15-18 July) and mid-year Politburo Meeting (around end-July). Overall, in July, we expect HSI to trade around 18,000 points with potential overshoot to c.17,500 before policy speculation kicks in.

Other key events to watch for in July: (1) likely profit warnings from some China property developers; (2) any dividend tax reduction announcement around important meetings?; (3) ex-dividends from major Chinese banks may drag headline HSI performance

## Recap of Past Third Plenary Meetings

- The Third Plenary Meeting will likely reiterate the key priorities set in the 2017 Party Congress as Xi remains the President
- Key focuses: Productivity improvement, rural-land reform, fiscal reform, support to housing sector and private enterprises

### List of 3<sup>rd</sup> Plenary Meeting of CPC Party Congress

Party Congress	Date	Main outcome
11th	Dec 18-22, 1978	Shift the focus of Party work to socialist modernization and economic work. A directional change.
12th	Oct 20, 1984	Reform from rural to urban areas, break-through in key concepts like commodity economy and law of value
13th	Sep 26-30, 1988	Price and wage reform; strengthen and improve the ideological and political work in enterprises
14th	Nov 11-14, 1993	Lay out the framework of socialist market economy system.
15th	Oct 12-14, 1998	New socialist rural area developments
16th	Oct 11-14, 2003	Improve socialist market economy system concept, scientific development. Shareholding is a main form of public ownership, establish modern property rights system. Non-SOE entities can enter any field unless prohibited.
17th	Oct 9-12, 2008	Rural area reform, especially transferability of rural land contracting and management rights
18th	Nov 9-12, 2013	Comprehensive elaboration on main reform areas, market should play a decisive role in resource allocation
19th	Feb 26-28, 2018	Institution reforms for the Party and the government

Source: Party documents.

### List of meetings on reforms after the 20<sup>th</sup> Party Congress

Commission	Date	Main outcome
Central Comprehensively Deepening Reforms Commission	Jun 11, 2024	Improve China's modern enterprise system; Food security; Promote innovations via opening-up
	Feb 19, 2024	Land management system; Green transformation of the Chinese economy; Promote innovations
	Nov 7, 2023	Promote the construction of a beautiful China; Improve state-owned capital operation budget system; Improve the regulatory mechanism for natural monopolies; Experts participation in public decision-making process; Zoning control of the ecological environment
	Jul 11, 2023	Higher-level opening-up to promote new development model; Deepening rural reform; Gradual shift from dual control of energy consumption to dual control of carbon emissions; Compensation system reform for universities and research institutes; Oil and natural gas market reforms; Power system reform
Central Financial & Economic Affairs Commission	Apr 21, 2023	Deepening reforms as the fundamental driving force for promoting Chinese-style modernization; Strengthen the leading role of enterprises in scientific and technological innovations; Improve the management of SOEs; Promote the development of private economy
	Feb 23, 2024	Large-scale equipment renewal and consumer goods replacement; Reduce the logistics cost of the economy; Maintain the share of the manufacturing sector in the economy relatively stable
	Jul 20, 2023	Protect farmland; Transformation and utilization of saline-alkali land
Central Financial Commission	May 5, 2023	Accelerate the construction of modern industrial system; Support China's modernization with high-quality population development
	Mar 13, 2024	Study Xi's speech at Two Sessions, implement government work report; Prevent financial risk, strengthen financial regulation, promote high-quality development
	Nov 20, 2023	Study Xi's speech at the Central Financial Work Conference. Five key areas including innovations, green, inclusive, pension and digital finance; Strengthen financial regulation and prevent financial risks; Overarching Party leadership on financial work

Source: Party documents.

## Summary of Upcoming Major Events

Date	Events
5 July	<b>US – Job data</b> <ul style="list-style-type: none"> <li>Nonfarm payrolls are expected to drop to c.190k (vs. 272k in April)</li> <li>Will unemployment rate continue to rise above 4%? Consensus estimates (from 7 economists) range from 3.9 to 4.0% for June, therefore a print &gt;4.0% definitely implies a weak job market</li> </ul>
11 July	<b>US – CPI</b> <ul style="list-style-type: none"> <li>Will the downtick in core CPI continue?</li> </ul>
23 July	<b>US – Existing Home Sales</b> Will it stay weak amid elevated mortgage rate?
1 August (31 July in US)	<b>US – FOMC Meeting</b> Market pricing points to no cuts; watch for any indications from Powell of taking the first cut in the next meeting (i.e. September)
30 June – 3 July	<b>CH – PMI</b> Will the divergence between official/Caixin PMI continue? Any further deterioration in the official PMI?
12 July	<b>CH – Export Data</b> Can the strength sustain into June?
22 July	<b>CH – Loan Prime Rate (LPR)</b> Despite low probability, any unexpected reduction?

# Long-term Views Summary

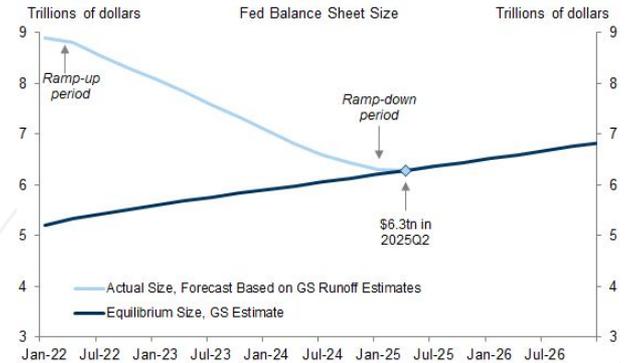
## US Market Views: Slower QT ahead of US Election an Intentional Pivot

**2017-2019 Taper Cycle implies bumpier road ahead amid valuation de-rating despite positive earnings growth; Fed's announcement on 1 May to slow QT starting on 1 June is likely an intentional pivot due to election factor, which will potentially keep valuation elevated for longer, in our view**

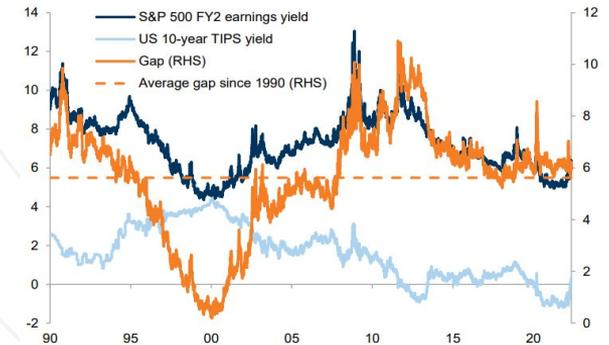
- Fed entered phase 1 (Jun-Aug 2022) of this round of tapering cycle by shrinking its balance sheet by a cap of \$47.5bn per month and we are now in phase 2 (since Sep 2022), with the amount increased to \$95bn per month; but then in the May FOMC, the Fed announced to slow QT size to \$60bn per month starting on 1 June 2024
- In the 2017-2019 Taper Cycle, S&P 500's 12-month forward P/E **de-rated from c.18x to c.14x at one point** and recovered to the pre-taper level only after Fed's sharp policy U-Turn in late 2019
- The slower QT, coupled with resilient near-term earnings, will potentially keep the overall market valuation elevated for longer – likely to facilitate re-election of Joe Biden, in our view
- While valuation may stay at an elevated level for longer (potentially till November election) due to Fed's intentional pivot, we continue to believe S&P 500 Index's 2024E **P/E of 22x** (above LT ave. of 15.7x) is not compelling enough to us amid: (1) slowing but still elevated inflation; (2) geopolitical tensions between global super-powers; (3) US economic growth slowdown
- **Strategy:** Stay relatively defensive and nimble; shift some allocation to liquid Gold ETF (e.g. GLD US) or physical gold trust (e.g. PHYS US); cautious on unprofitable Tech with high valuation; prefer IG vs HY in USD markets; gradually increase overall investment portfolio duration to capture peaking market interest rates

Major changes vs previous views are highlighted in **RED**

### Fed balance sheet to shrink: a year-long progress



### S&P 500 earnings yield gap below LT average



Source: Basis Asset Management, Bloomberg, Goldman Sachs

## China Market Views: Taming Big Gray Rhinos Takes Time

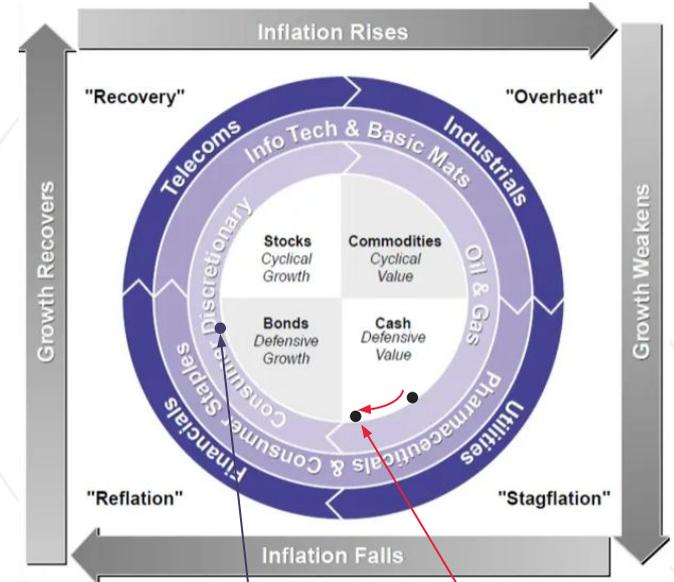
- LGFV debt and property sector are regarded as two big gray rhinos given their importance to the economy, asset markets and banking system
- Top-level decision makers have taken a piecemeal approach thus far (Rmb1trn local debt swap program, city-level housing policy easing, etc.), which suggests a gradual pace of deleveraging and longer drag on economic recovery
- Unless policymakers turn to a “bazooka-style” approach (which we see unlikely at present given the scale of the problems and challenging geopolitical/economic conditions), we see no quick fix to the problems and the deleveraging processes could take another few years
- We expect the overall government policy direction to remain **“To Hold Without Lifting; Stability First”** 托而不举, 稳字当先, which means stimulus or policy easing will only kick in when instability appears in the economy or financial markets
- We thus expect China/HK equity market major direction to remain range-bound with downside cushioned by cautious government support but upside capped by continued deleveraging efforts, unless we see turns in policy direction and/or improvement in geopolitical/economic conditions

## Putting US/China Economic Cycle Into Perspective

- US Economic Cycle is in the late “stagflation” phase (i.e. slowing growth and falling inflation) and China in the late “reflation” phase (but can be swung by policies), in our view
- Our base case is a mild US recession to take place around 2Q24; US corporate earnings momentum will weaken further in coming months as impact from the rapid interest rate hikes to ripple through the economy; expect US HY default risks to rise
- Our Recommendations:
  - **Equity:** Stay very cautious on loss-making companies with poor cashflow/balance sheet as global interest rate remains elevated
  - **Credit:** Overweight IG vs. HY in the USD markets (IG ETF: LQD US); for investors with heavy US equity market exposure, increase US IG credit exposure by cutting equities
  - **Asset Allocation:** Reiterating our prudent stance; suggest maintaining some gold allocation on a 3-6 months horizon to hedge US recession risks in around 2Q24

Major changes versus previous views are highlighted in **RED**

### BofAML Investment Clock Framework



Source: BofAML, Basis AM **US** has moved further to the very-late stage in “stagflation”, in our view

**China** is likely at this point; however it can be heavily swung by China policies

时间	事件	重点关注
<b>2023年4季度</b>		
11月30日-12月12日	联合国气候变化大会（COP28）	关注全球与中国碳达峰、碳中和工作进展
12月14日	欧央行议息会议	关注欧央行货币政策走向
12月14日	FOMC议息会议	关注对于全球流动性环境的影响
12月	中央政治局会议	关注经济政策走向
12月	中央经济工作会议	回顾2023年经济形势，部署2024年经济工作
<b>2024年</b>		
1月	1号文件发布	一般为农业相关主题
1月左右	地方两会	关注重点地方的政策导向
1月15日-1月19日	达沃斯世界经济论坛	关注全球主要领袖在论坛上的相关发言
2月1日	FOMC议息会议	关注对于全球流动性环境的影响
2月	中国央行2023年第四季度货币政策执行报告	回顾2023年四季度货币政策情况，部署未来货币政策工作
3月初	全国两会	关注政府工作报告的政策导向
3月	中国财政部2023年财政政策执行报告	回顾去年财政政策情况，部署未来财政政策工作
3月	OECD发布经济前瞻	关注全球经济预测
3月21日	FOMC议息会议	关注对于全球流动性环境的影响
3月左右	博鳌亚洲论坛2024年会	关注领导人在年会上的相关发言
4月	中央政治局会议	关注经济政策走向
5月2日	FOMC议息会议	关注对于全球流动性环境的影响
5月	中国央行第一季度货币政策执行报告	回顾一季度货币政策情况，部署未来货币政策工作
6月13日	FOMC议息会议	关注对于全球流动性环境的影响
7月	中央政治局会议	关注经济政策走向
7月26日-8月11日	巴黎奥运会	关注相关产业的影响
8月1日	FOMC议息会议	关注对于全球流动性环境的影响
8月	中国央行第二季度货币政策执行报告	回顾二季度货币政策情况，部署未来货币政策工作
9月19日	FOMC议息会议	关注对于全球流动性环境的影响
11月5日	美国总统大选	关注美国政局变化
11月8日	FOMC议息会议	关注对于全球流动性环境的影响
11月	中国央行第三季度货币政策执行报告	回顾三季度货币政策情况，部署未来货币政策工作
11月	G20峰会在里约热内卢举行	关注峰会议题
12月19日	FOMC议息会议	关注对于全球流动性环境的影响
12月	中央政治局会议	关注经济政策走向
12月	中央经济工作会议	回顾2024年经济形势，部署2025年经济工作

## Major Events for 2024

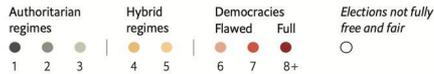
### Key things to monitor:

- **Housing and economic policies during the Third Plenary Meeting in China**
- **Timing of first rate cut by Fed and ECB**
- **US Presidential Election**
  - **Market widely expecting Trump to return**
  - **Poll suggests Trump will win**
  - **Trump victory will likely introduce higher policy uncertainties**

### 2024 Election events that could most impact APAC trading and market structure

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	No date yet
13 <sup>th</sup> <b>Taiwan</b> (Presidency, Legislative Yuan)	8 <sup>th</sup> <b>Pakistan</b> (National Assembly)  14 <sup>th</sup> <b>Indonesia</b> (Presidency, Reg Rep, Council, House of Rep.)	15 <sup>th</sup> -17 <sup>th</sup> <b>Russia</b> (Presidency)  31 <sup>st</sup> <b>Ukraine</b> (Presidency – may not occur due to martial law)	10 <sup>th</sup> <b>S. Korea</b> (National Assembly)	TBC <b>India</b> (House of The People)	6 <sup>th</sup> -9 <sup>th</sup> <b>EU</b> (Parliament)			16 <sup>th</sup> & 25 <sup>th</sup> <b>USA</b> (Presidential Debates)	1 <sup>st</sup> & 9 <sup>th</sup> <b>USA</b> (Presidential Debates)	5 <sup>th</sup> <b>USA Election</b> (Presidency, Senate and House of Rep.)		By Jan 28, 2025 <b>UK</b> (House of Commons)

#### Countries with an election in 2024, by democracy score

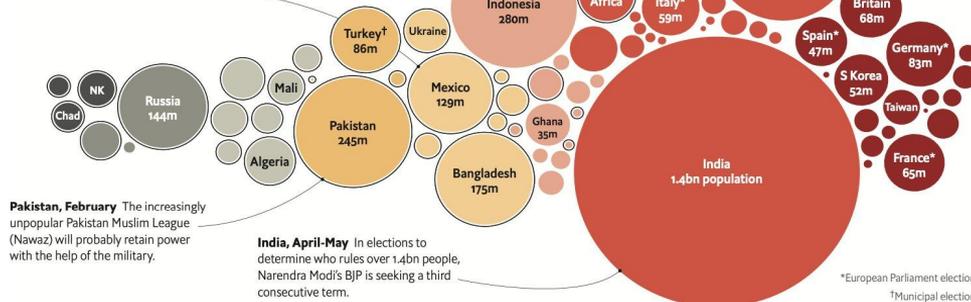


**US, November 5<sup>th</sup>** Domestic politics are likely to remain painfully polarised, but who wins matters greatly for foreign policy.

**Britain** A win for Labour could see the Conservatives unravel, but will also expose Labour's schisms.

**Mexico, July** Morena's re-election as ruling party is almost assured, and Mexico will have a woman president for the first time.

**South Africa** The ANC may fall short of a majority, which would be a political earthquake weakening president Cyril Ramaphosa.



**Pakistan, February** The increasingly unpopular Pakistan Muslim League (Nawaz) will probably retain power with the help of the military.

**India, April-May** In elections to determine who rules over 1.4bn people, Narendra Modi's BJP is seeking a third consecutive term.

Source: The Economist, JP Morgan

# Election Calendar for 2024

**Number of Countries**

**40 (21% of Global)**

**Population**

**3.2bn (41% of Global)**

**GDP**

**\$44.2bn (42% of Global)**

## Contact information

For additional information please contact:

Sam Lau

SamLau@basisamhk.com

+852 3701-0312

Cyrus Chong

CyrusChong@basisamhk.com

+852 3701-0306

Rio Wang

RioWang@basisamhk.com

+852 3701-0305

Kelvin Chan

KelvinChan@basisamhk.com

+852 3701-0303

Hermia Chan

HermiaChan@basisamhk.com

+852 3701-0307

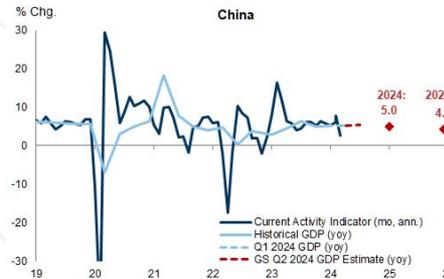
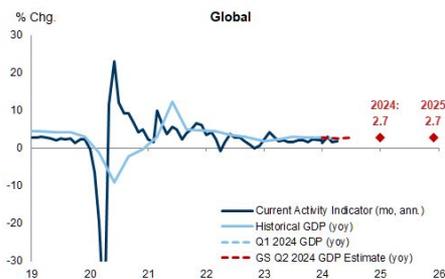


粵創資產管理有限公司  
INNOVEST ASSET MANAGEMENT LIMITED

# Appendix

## Weaker Global Growth and Tighter Financial Conditions in Most Major Economies

Economics							Markets						Equities												
GDP growth (%)	2024				2025		Interest rates 10Yr (%)	Last	E2024	E2025	FX	Last	3m	12m	S&P 500	E2024		E2025		Returns (%)	12m	YTD	E2024 P/E		
	GS (Q4/Q4)	Cons. (Q4/Q4)	GS (CY)	Cons. (CY)	GS (CY)	Cons. (CY)										GS	Cons.	GS	Cons.						
Global	2.8	--	2.7	2.6	2.7	2.6	US	4.43	4.25	4.10	EUR/\$	1.08	1.05	1.08	Price	5,200	--	--	--	S&P 500	-2	11.3	22.2x		
US	2.4	1.6	2.8	2.4	2.2	1.8	Germany	2.49	2.25	2.00	GBP/\$	1.27	1.24	1.28	EPS	\$241	\$244	\$256	\$278	MXAPJ	2	7.5	14.7x		
China	4.7	4.7	5.0	4.9	4.2	4.5	Japan	1.00	1.25	1.80	\$/JPY	156	155	150	Growth	8%	10%	6%	14%	Topix	6	15.7	16.1x		
Euro area	1.4	1.2	0.8	0.7	1.4	1.4	UK	4.17	3.75	3.75	\$/CNY	7.22	7.30	7.20						STOXX 600	4	8.8	14.3x		
Policy rates (%)	2024				2025		Commodities	Last	3m	12m	Credit (bp)	Last	1H24	2H24	Consumer	2024		2025		Wage Tracker 2024 (%)					
	GS	Mkt.	GS	Mkt.	Crude Oil, Brent (\$/bbl)	82										87	82	USD	IG	87	89	90	US	CPI (%, yoy)	Unemp. Rate
US	4.88	4.91			3.88	4.36	Nat Gas, NYMEX (\$/mmBtu)	2.84	2.70	4.00	HY	300	297	291	Euro area	2.4	6.7	2.1	6.7	--	--	--	--		
Euro area	3.25	3.26			2.25	2.63	Nat Gas, TTF (EUR/MWh)	34.64	30	32	EUR	IG	121	121	120	China	0.4	--	1.5	--	--	--	--	--	
China	1.70	1.85			1.70	--	Copper (\$/mt)	10,295	10,500	13,000	HY	328	341	336	Japan	0.13	0.36			0.63	0.52				
Japan	0.13	0.36			0.63	0.52	Gold (\$/troy oz)	2,408	2,600	2,700															

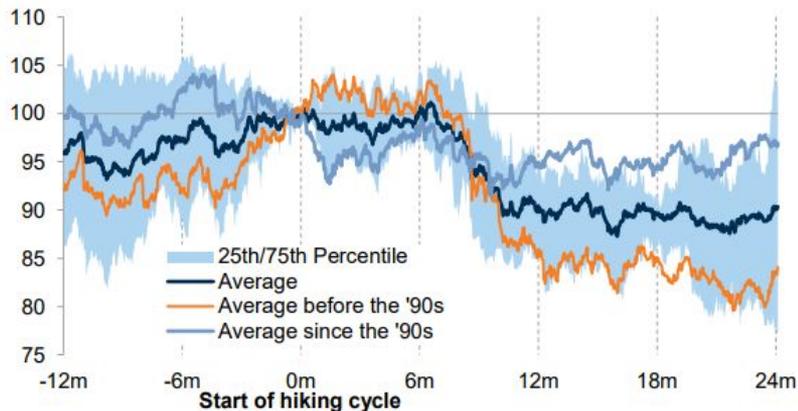


Source: Basis Asset Management, Bloomberg, Goldman Sachs. Data as of 24 May 2024.

## US Equity Valuations to De-rate and Value to Outperform Growth During Fed Rate Hike Cycles

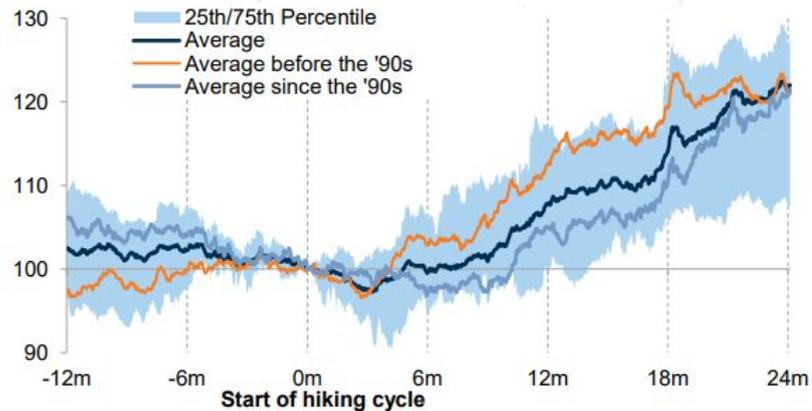
### Equity valuations de-rated on average during Fed rate hike cycles

S&P 500 12-month forward P/E ratios (trailing P/E before 1985)



### Value has eventually outperformed growth during Fed rate hike cycles

S&P 500 12-month forward P/E ratios (trailing P/E before 1985)



Source: Basis Asset Management, Bloomberg, Goldman Sachs



粵創資產管理有限公司

INNOVEST ASSET MANAGEMENT LIMITED

**Knowledge**

格致

**Integrity**

誠信

**Professional**

專業