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INNOVEST ASSET MANAGEMENT LIMITED

Equity Market
STRATEGY

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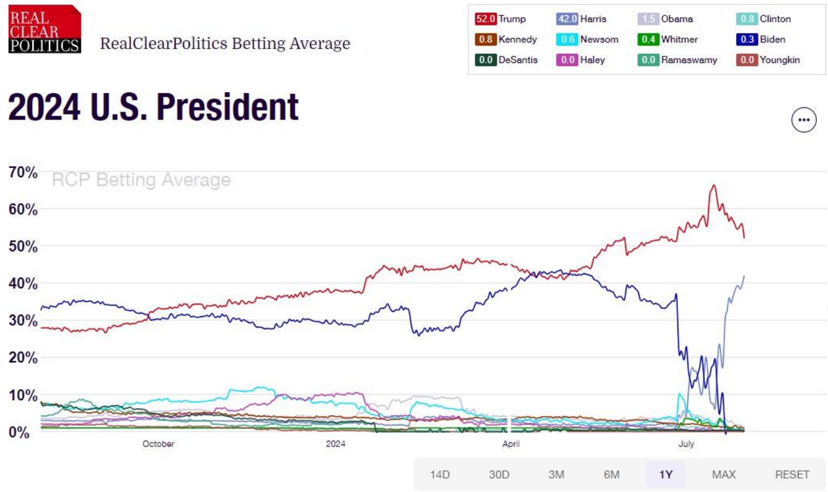
Content

US Presidential Election

Still a Close Race, But Betting Odds and Polls Suggest Trump will Likely Win…



Source: RealClearPolitics. Data as of 1 August 2024.

2024 General Election: Trump vs Harris (5-Way)

Presidential Betting Odds | Trump (R) vs. Biden (D)

Battleground States: Arizona | Nevada | Wisconsin | Michigan | Pennsylvania | North Carolina | Georgia | RCP Electoral Map

This Day In History: July 31, 2020: Biden +7.8 | July 31, 2016: Clinton +1.1

POLLSTER	DATE	SAMPLE	MOE	TRUMP (R)	HARRIS (D)	SPREAD
RCP Average	7/22 - 7/28	—	—	48.1	46.1	Trump +2.0
Harvard-Harris	7/26 - 7/28	2196 RV	2.1	52	48	Trump +4
Reuters/Ipsos	7/26 - 7/28	879 RV	3.5	42	43	Harris +1
Morning Consult	7/26 - 7/28	11538 RV	1.0	46	47	Harris +1
Wall Street Journal	7/23 - 7/25	1000 RV	3.1	49	47	Trump +2
Forbes/HarrisX	7/22 - 7/25	3013 RV	1.8	51	49	Trump +2
NY Times/Siena	7/22 - 7/24	1142 LV	—	48	47	Trump +1
Rasmussen Reports	7/22 - 7/24	1074 LV	3.0	50	43	Trump +7
CNN	7/22 - 7/23	1631 RV	3.0	49	46	Trump +3
NPR/PBS/Marist	7/22 - 7/22	1117 RV	3.5	46	45	Trump +1

Source: RealClearPolitics. Data as of 1 August 2024.

… Thus Time to Revisit Trump's Policies and Key Implications

Polls, Betting Odds and Shooting Incident Imply Trump Victory is Gaining Traction

- **To China, Trump is marginally worse than Harris/Democrat party.** Both administrations will continue to ramp up sanctions/tensions against China as it is politically and strategically correct from the perspectives of most voters. To China, Trump is marginally worse as: (1) he is less predictable; (2) he will likely raise tariff on China goods (60%+ based on latest comments from Trump) and cut US corporate tax rate; (3) he might roll back some of Biden administration climate policies – less electric vehicles and solar panel demand in short.

- **Yes, Trump has a track record of flip-flopping, but <u>import tariff hikes</u> and <u>corporate tax reductions</u> are inevitable, in our view.** On various occasions, including the latest interview with Bloomberg Businessweek, he reiterated his preference for import tariffs – new tariffs of anywhere from 60% - 100% on China goods and 10% tariff on imports from other countries. Regarding corporate tax rate, he vowed to push it lower to 20% (vs. 21% at present) and ultimately to 15%. In our view, the immediate impact will be more Chinese imports to be replaced by domestic production, low-cost countries (e.g. India) and allies of US in Asia (e.g. Japan, South Korea). These measures will likely help domestic jobs market at the expense of inflation and fiscal situation.

- **Return to traditional energy sources and cut back electric vehicle subsidies.** The reduction or even full cancellation of electric vehicle subsidies will definitely hurt demand for electric vehicles and copper in the near term (development of EVs require more copper than traditional autos – charging poles, copper wiring, grid improvement). Demand for crude oil will rebound as the sales mix shifts back to traditional autos. But then, Trump is likely going to offset the positive impact on oil price through regulatory easing.

- **Market reactions and policies are always dynamic – but we believe these are key trends with high certainty under Trump presidency.** (1) <u>inflation and interest rates will likely remain sticky</u> as most of his policies are inflationary; (2) <u>USD could weaken moderately in the medium term</u> as Trump might force a lower real interest rates regardless of sticky inflation; (3) <u>prices of EV-related commodities (e.g. copper, aluminum) will be trading rangebound in the near term</u> as Trump said he vowed to end EV mandate **<u>on DAY 1</u>**; but then market has quickly priced in this factor (along with higher China tariffs risks) with copper/alu prices tumbled c.8% in just 2 weeks

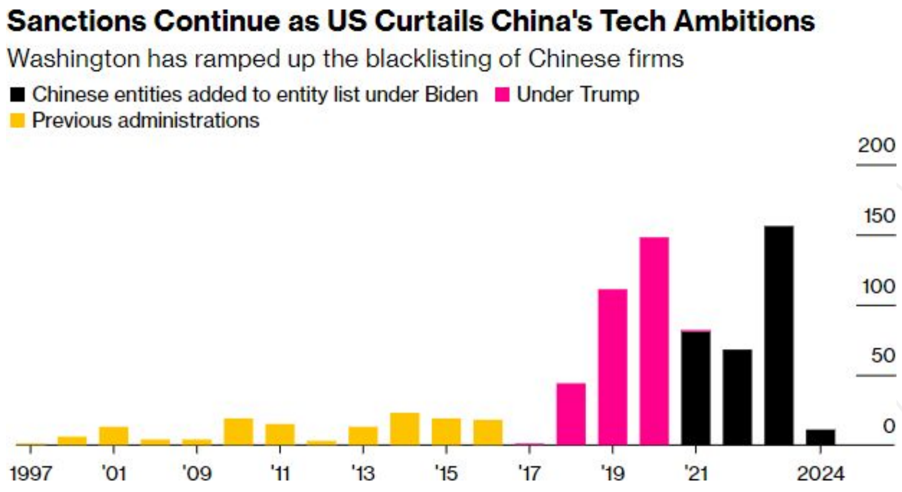
Policy Comparisons: Trump vs. Biden

	特朗普			拜登		
	详情	通胀	增长	详情	通胀	增长
税收	**继续推进大规模减税：** 1）推进2018年税改法案永久化，其中部分个税减免条款即将到期 2）将企业所得税从当前的21%进一步降低至15%，激励企业加大资本支出和生产 3）取消对小费征税	↑	↑↑	**整体加税，尤其是针对富人阶级：** 1）将企业税率提高到28%；提升大公司和跨国企业海外税收 2）免除石油天然气、地产、加密货币交易的补贴 3）提升高收入个人（超40万）和高净值群体（超1亿）的个人所得税	↓	↓
贸易	**坚持美国优先（American First）的贸易政策：** 1）向任何对美国征收出口关税的国家征收同标准的"互惠关税" 2）可能对进入美国的所有商品征收无差别的10%基准关税，并对中国加征60%或更高的关税 3）拒绝TPP协定，战略性追求《美墨加协定》等条款	↑↑	↓	**加强对中国的进口关税，但对盟友较为友善：** 1）加征对中国的关税，包括将新能源车从25%加征至100%，半导体和太阳能电池从25%增加至50%，钢铁、非新能源车锂电池加征至25%等，但部分加征要求暂缓执行 2）增强和盟友贸易，降低对中国的依赖度，强化美国供应链韧性	↑	↓
基础建设	**支持基础设施建设，但暂无明确支出计划：** 1）基建投资仍然瞄准道路、桥梁、海港和新兴技术以来的基础设施 2）确保基建投资真正用于"基础"设施，而非社会福利支出等	↑	↑↑	**继续支持基建投资（Bipartisan Infrastructure Law）：** 1）交通：修缮美国1/5的道路和超过45000个"状况不佳"的桥梁；对铁路等交通设施进行重建和再投资等；总规模近5700亿美元 2）气候能源和宽带建设等：合计投资规模约1400亿美元	↑	↑↑
环境与能源	**回归传统化石能源，寻求美国能源自主：** 1）加快发放石油、天然气勘探许可，增产传统能源； 2）为关键矿物和稀土元素建立能源独立途径，并再度退出巴黎协定 3）上任后将终止电动车补贴	↓	↑	**支持发展清洁能源和削减碳排放：** 1）在美国发展新核电厂，推动2035年以前实现无碳化电力产业的目标 2）规范化自愿碳市场建设并继续扩大特定领域的投资补贴	↑	↑
美国制造	**支持美国制造：** 1）取缔工人竞业协议并承认州外专业执照，促进劳动力流动 2）加强制造业回流和近岸外包，构建以美国和盟友为主的供应链体系	↑	↑↑	**支持美国制造：** 1）投资美国（Investing in America）：增加私营部门投资以创造就业岗位 2）继续支持购买美国货（Buy American），更好地利用联邦采购资金来加强关键产品的和供应链的国内采购 3）加强供应美国（supply America），设立供应链弹性委员会，共享相关数据以改善供应链监测和战略；规划长期工业韧性和供应链投资	↑	↑↑
美元与汇率	**主动压低美元以提振出口：** 1）依靠主动且大幅贬值美元以改善美国贸易赤字，实现贸易平衡目标	↑↑	↑	无明确以汇率为目标的表态，但称"**可以接受/不担心强势的美元**"，长期美元或将维持强势。		
移民和边境安全	**或推出"史上最严苛移民政策"：** 1）暂停各类援助计划、加强移民意识形态筛查，并可能恢复建设边境墙 2）可能终止非法移民子女自动获得美国身份，禁止生育旅游	↑	↓	整体更为温和（提高难民接受上限等）；**但近期非法移民激增，正计划推行一项允许总统暂时对移民关闭南方边境的法案**	↓	↑
货币政策	**鲍威尔会完成任期、11月前应避免降息** 1）没有计划在鲍威尔任期内免除其美联储主席的职务 2）11月总统大选前应该避免降息，以免给经济和拜登选情带来提振	↓	↓	维持美联储独立性，并无明确表态		
加密货币	**支持加密货币** 反对创建中央银行数字货币，捍卫比特币挖矿的权利，确保每个美国人都有权自主管理其数字资产，并在不受政府监控和控制的情况下进行交易			**对加密货币维持谨慎** 拜登政府对比特币等加密货币的监管更为严格，美国证券交易委员会公开反对美国国会为加密资产制定相应法规		

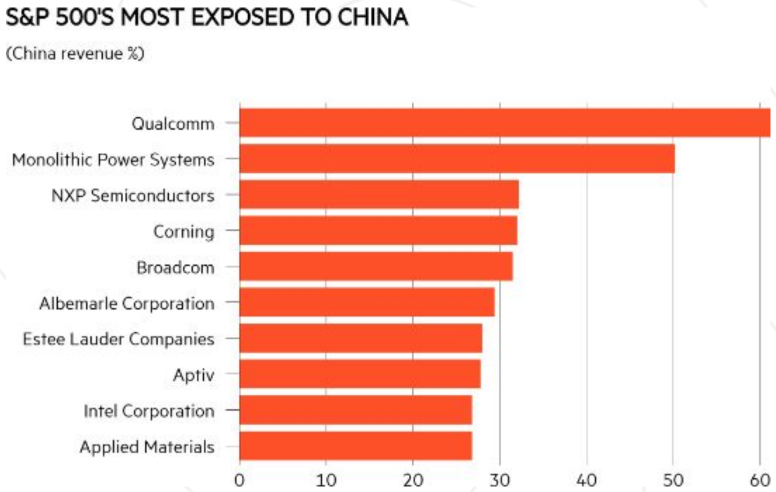
Notable differences in these areas

Sanctions will Ramp Up – Biden/Harris or Trump Administration Does NOT Matter Much

- **US sanctions on China continued to ramp up in recent years – whether it was under Trump or Biden Administration**
- **The core focus is to curtail China's development in technology, new energy and high-value exports**
- **The number of Chinese entities to be added to entity list is expected to rise in the rest of 2024 as presidential election campaign heats up, in our view**



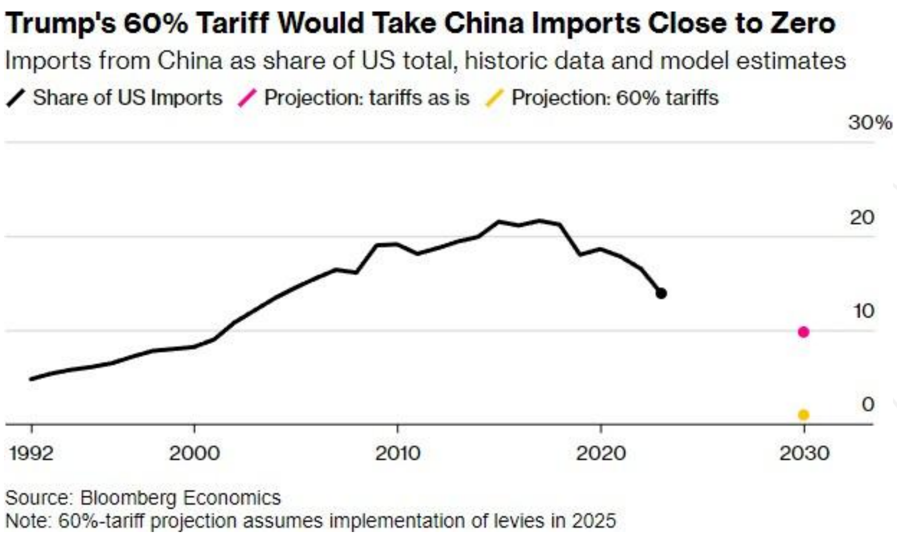
Source: Department of Commerce, Bloomberg

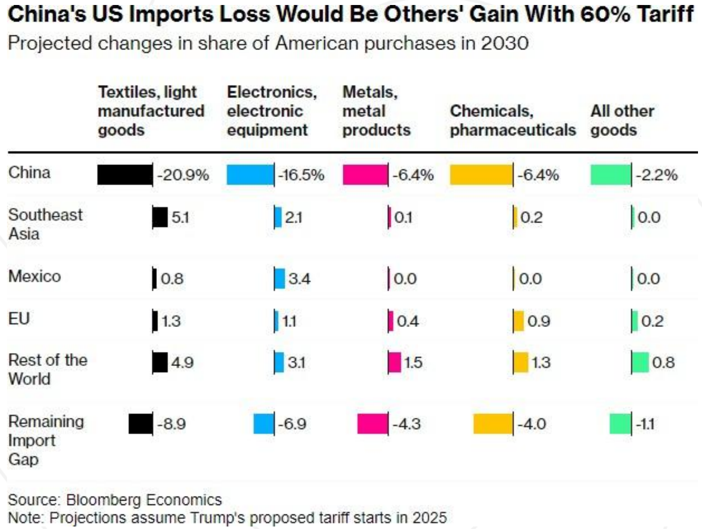


Source: Factset

Trump’s 60%+ Tariff might Take China Imports Close to Zero

- **Trump increased the tariff rate on China imports to 25% during his first term and he recently suggested increasing that to “60% or more”**
- **Should a 60% tariff rate is adopted, the share of Chinese imports may decline to close to zero in 2030, according to Bloomberg Economics’ estimates**
- **This should hurt China’s export to the US and benefit Southeast Asia**





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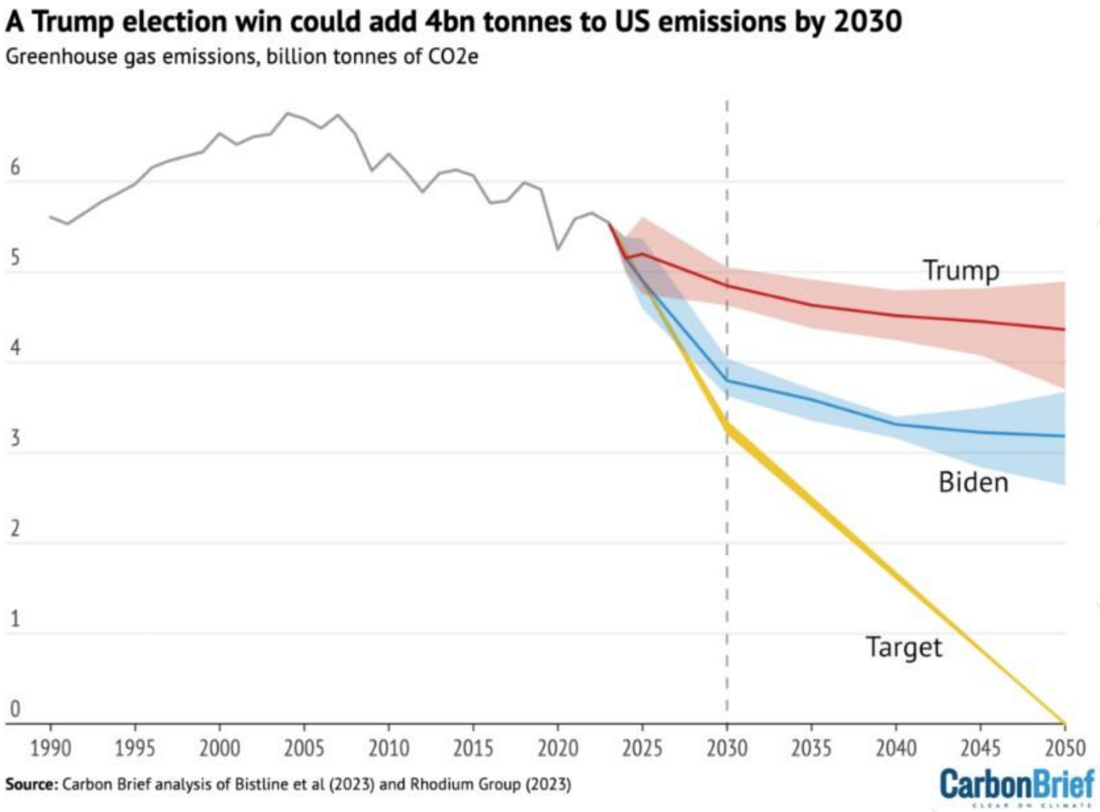
Trump is Not Keen on Carbon Emission Reduction



- **In his first term, Trump pulled the US out of the 2015 Paris climate agreement, rolled back environmental regulations and unleashed oil and gas drilling**
- **Biden then rejoined the Paris accord, ordered the government to decarbonize by 2050, enacted the Inflation Reduction Act, etc**
- **If Trump is elected again, electric vehicles and other "green" businesses will be at risks**
- **For instance, he can slow down the national EV charging network development and pull out of Paris climate agreement again**
- **In short, a Trump election win is likely negative to demand for "green" products (EV, solar panels, charging equipment, etc)**

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Negative Earnings Impact from Tariff

Exhibit 5: We estimate a 60% tariff rate on all Chinese exports to the US could reduce listed companies' earnings by 8% in 2025, assuming a 2pp hit to GDP growth (to non-export-oriented sectors), 50% tariff passthrough rate, and the USDCNY to rise to 8

	All MSCI China companies			59 companies with total foreign revenue (>3%) breakdown by region			
	MSCI China revenue weight	Aggregate foreign revenue exposure (a)	Estimated US revenue exposure^ (b)	MSCI China revenue weight	Aggregate foreign revenue exposure (c)	Aggregate US revenue exposure (d)	Estimated earnings impacts (assuming 60% tariffs, 50% tariff passthrough, USDCNY=8)^^
Consumer Durables & Apparel	2%	41%	23%	1%	52%	29%	-56%
Technology Hardware & Equipment	2%	44%	16%	1%	40%	15%	-46%
Pharmaceuticals Biotechnology & Life Sciences	1%	28%	20%	0%	58%	41%	-33%
Capital Goods	10%	12%	4%	0%	56%	17%	-18%
Transportation	1%	49%	12%	1%	92%	23%	-17%
Semiconductors & Semiconductor Equipment	0%	22%	6%	0%	32%	8%	-9%
Materials	7%	18%	1%	2%	37%	3%	-5%
Software & Services	0%	2%	1%	0%	33%	9%	-4%
Consumer Discretionary Distribution & Retail	8%	6%	2%	3%	14%	4%	-3%
Automobiles & Components	5%	21%	0%	0%	16%	0%	-2%
Health Care Equipment & Services	3%	1%	0%	0%	27%	9%	-2%
Food Beverage & Tobacco	1%	3%	1%	0%	56%	11%	-1%
Energy	27%	21%	0%	0%	28%	0%	0%
Insurance	11%	0%	0%	0%	0%	0%	0%
Banks	10%	8%	0%	0%	0%	0%	0%
Real Estate Management & Development	3%	0%	0%	0%	0%	0%	0%
Media & Entertainment	3%	6%	0%	0%	0%	0%	0%
Utilities	3%	7%	0%	0%	3%	0%	0%
Consumer Services	1%	1%	0%	0%	21%	0%	0%
Financial Services	1%	9%	0%	0%	0%	0%	0%
Telecommunication Services	0%	0%	0%	0%	0%	0%	0%
Consumer Staples Distribution & Retail	0%	1%	0%	0%	0%	0%	0%
Household & Personal Products	0%	3%	0%	0%	0%	0%	0%
Commercial & Professional Services	0%	3%	0%	0%	0%	0%	0%
Direct earnings impacts to exporters to the US		**14%**	**2%**	**9%**	**34%**	**10%**	**-3%**
Indirect earnings impacts of GDP slowdown (1pp drag) to exporters to non-US countries^^^							**-5%**
Total earnings impacts							**-8%**

Aggregate earnings impacts to Chinese exporters to the US: -13%

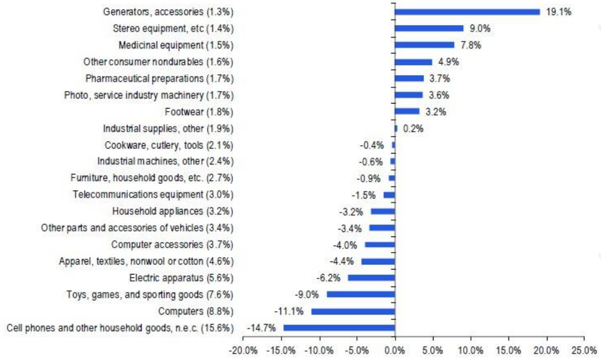
*Note: ^ 59 of MSCI China companies have foreign revenue breakdown by country/region. We use US as % of total calculated based on the 59 companies (column d/c) to proxy for the whole MSCI China universe to estimate column (b=d/c*a). ^^ Earnings impacts are estimated as [(US revenues * (1+ potential FX change) * (1-potential tariff) - US revenue exposure * (1-current tariff)]/current earnings by sector. ^^^ Our economists estimated that 60% US tariffs could drag China GDP by 2pp. We assume half of the additional tariffs could be passed to US customers, considering 1pp lower GDP growth, and estimate it may lead to 0.8% MSCI China revenue decline. Assuming costs are unchanged, earnings could be dragged by 5%.*

Source: Wind, FactSet, Goldman Sachs Global Investment Research

Assuming 60% tariffs, 50% pass-thru and USDCNY depreciates to 8 (vs. 7.24 at present)

- **Exporters' earnings will be most negatively impacted by tariff hikes – in aggregate they will see c.13% earnings decline**
- **Low-end products with low pricing power and ample substitutes will see more notable loss in business**

Figure 6. Value Change CAGR on Top 20 Categories (% weighting) on Chinese Import Goods to the US During 2017-2023



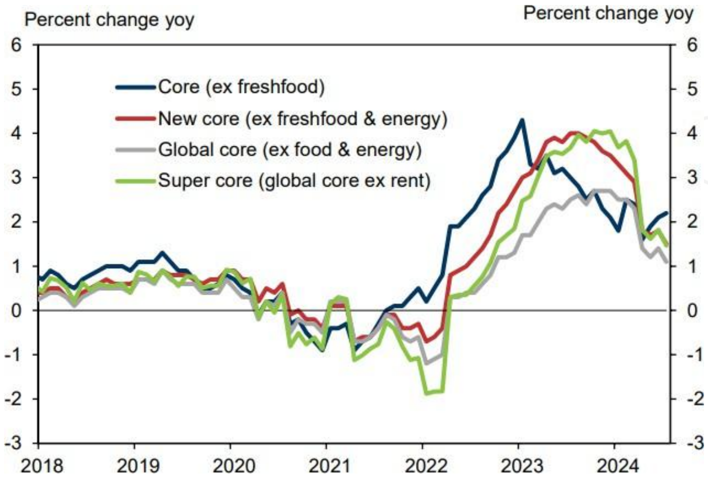
Source: Citi Research, US Census Bureau

Japanese Yen Market

Yen Appreciation to Continue amid Rate Hikes and Tapering

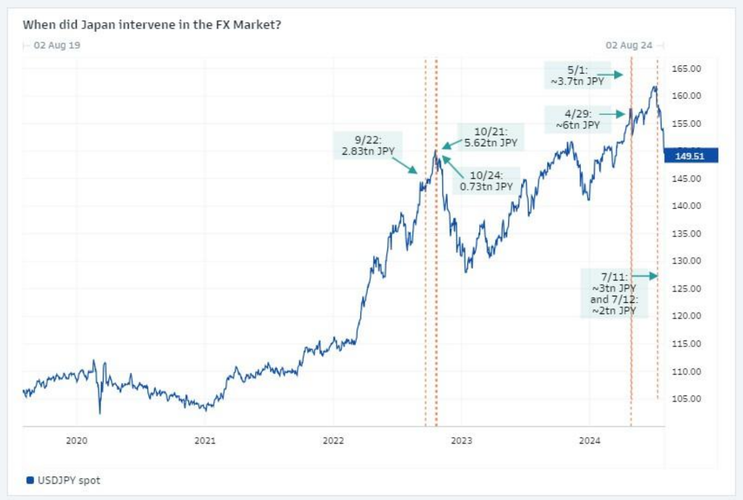
- Kazuo Ueda (植田和男) has become the new BoJ Governor in April 2023 and two policy rate hikes have been initiated by BOJ
- Coupled with inflation remaining above BOJ’s longer term target of 2%, BOJ is expected to raise interest rate by another 1-2 times by end-2024
- Japanese yen has modest appreciation potential against USD as the aggressive and years-long YCC gradually normalizes
- We expect JPY to appreciate to around 120 by end-2027 vs. the USD, as US/JP interest rate differential narrows

Japanese inflation is hitting levels not seen since the early 1980s



Source: Goldman Sachs, Ministry of Internal Affairs and Communications

USDJPY trend and timing of central bank interventions



Source: Goldman Sachs, Bloomberg

Content

August: PBOC Rate Cuts and Dovish Fed to Bring Marginal Offsetting Impact

Recap of previous month:

- For July, Hang Seng Index (HSI) corrected for the second consecutive month and ended c.1% lower (dividend adjusted). Investor sentiment turned
- negative in the back half of the month as share prices of US mega-tech companies slumped due to concerns over potential earnings misses and
- unwind of carry trades amid JPY strength. Furthermore, the failed assassination raised Trump's US presidential election winning odds, which prompted investors to revisit some of "Trump Trades". As a result, Asian exporters and commodities tumbled as Trump's policies (import tariffs and EV subsidy cuts) are seen as unfavorable to those segments in general. The closely-watched Third Plenum held in late July turned out to be almost a non-event, which was a bit disappointing.

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. After some market instability recently, we have started to see modest supportive policy rollouts: (1) PBOC announced 10bps/20bps cut in LPR and MLF;
- (2) MoF arranging c.Rmb300bn ultra long-term special bonds to support equipment upgrades and consumer product replacements. As recent data
- show cooling US economy and inflation, we expect the Fed to send dovish signals in upcoming FOMC meetings. This should allow PBOC to further ease monetary policy (e.g. RRR reduction) in coming weeks. Despite global tech sector correction, BOJ rate hike and rising US recession fear, these supportive factors could marginally offset such negative impact. Overall, we expect HSI to perform relatively better than the global markets in August given its lower valuation, tech exposure and foreign ownership level.

- Other key events to watch for in August: (1) earnings from US mega tech and China/HK companies; (2) tone of US/JP central banks - BOJ and FOMC meetings; (3) economic policy views from Kamala Harris

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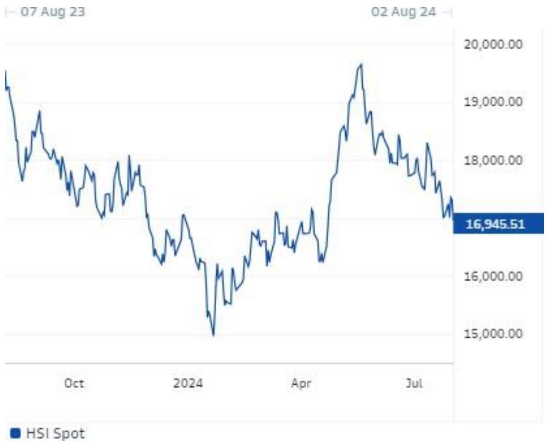
HSI Technical Review

- **Hang Seng Index has seen a downtrend recently as the post-1Q results optimism fades and global equity markets correct**
- **Technically the index is entering the typical oversold territory (<30) with RSI standing at c.39**

Hang Seng Index trading range (1 year)



Hang Seng Index 14D RSI (3 years)

Hang Seng Index realized volatility (1 year)

Source: Goldman Sachs, Refinitiv

Earnings Preview: Can China Narrow the Gap with the World/US?

- For instance, Hang Seng Index's 12-month blended forward EPS estimates have been flattish over the past 2 years, which trailed the solid c.9%/11% increase for the MSCI World/S&P500 Index
- We did see very modest earnings momentum improvement for HSI after the 1Q24 results, but then weak macro data in the past few months failed to prompt analysts to lift their earnings forecasts – attention is shifted to 2Q corporate earnings for further clues for the rest of the year
- Despite low valuation, better earnings momentum is needed for HSI to deliver stronger price gains, in our view

Rebased EPS Estimates (12-month blended forward) in past 2 years

Total Returns (HSI, S&P500, MSCI World) in past 2 years

17

Summary of Upcoming Major Events

Date	Events
1 August (31 July in US)	**US – FOMC Meeting** Market pricing points to no cuts; watch for any indications from Powell of taking the first cut in the next meeting (i.e. September)
2 August	**US – Job data** • Further softening in nonfarm payrolls and any downward revisions? (vs. 206k in April) • Will unemployment rate rise further? It will be the fourth monthly consecutive increase if so
14 August	**US – CPI** • Will the downtick in core CPI continue?
22 August	**US – Existing Home Sales** Will it stay weak amid elevated mortgage rate? Market is widely expecting c.4mn units
31 July – 1 August	**CH – PMI** Will the divergence between official/Caixin PMI continue? Any further deterioration in the official PMI?
7 August	**CH – Export Data** Can the strength sustain?
20 August	**CH – Loan Prime Rate (LPR)** Chance of rate cut will be higher if Fed sent dovish signal in July FOMC

Content

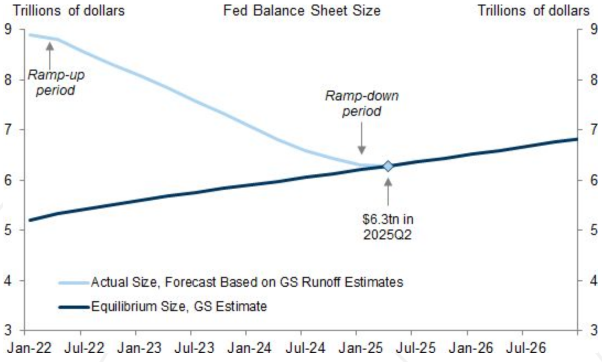
US Market Views: Slower QT ahead of US Election an Intentional Pivot

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

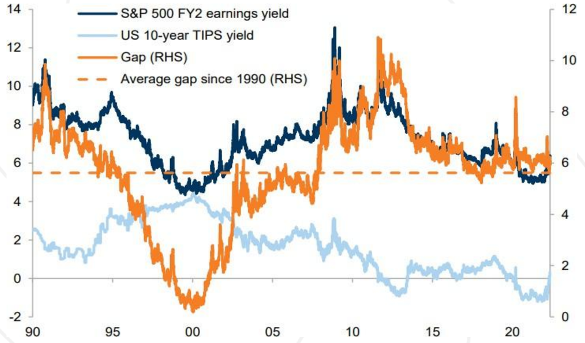
- Fed entered phase 1 (Jun-Aug 2022) of this round of tapering cycle by shrinking its balance sheet by a cap of $47.5bn per month and we are now in phase 2 (since Sep 2022), with the amount increased to $95bn per month; but then in the May FOMC, the Fed announced to slow QT size to $60bn per month starting 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**

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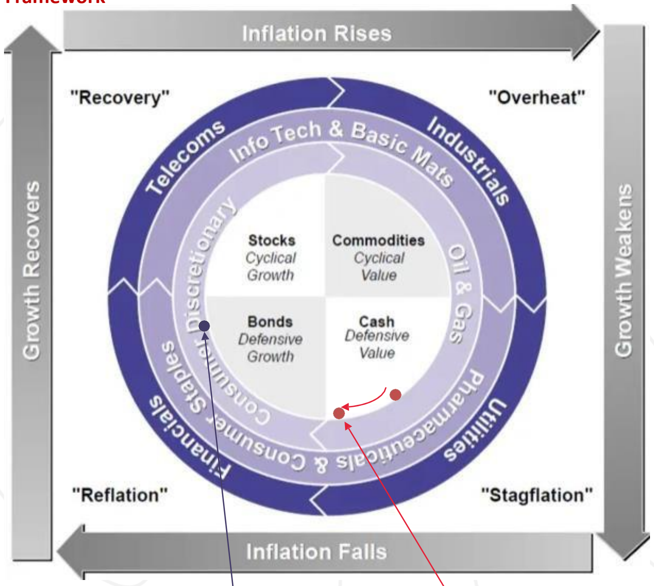
Putting US/China Economic Cycle Into Perspective

- 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

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Major Events for 2024

时间	事件	重点关注
2023年4季度		
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
2024年		
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

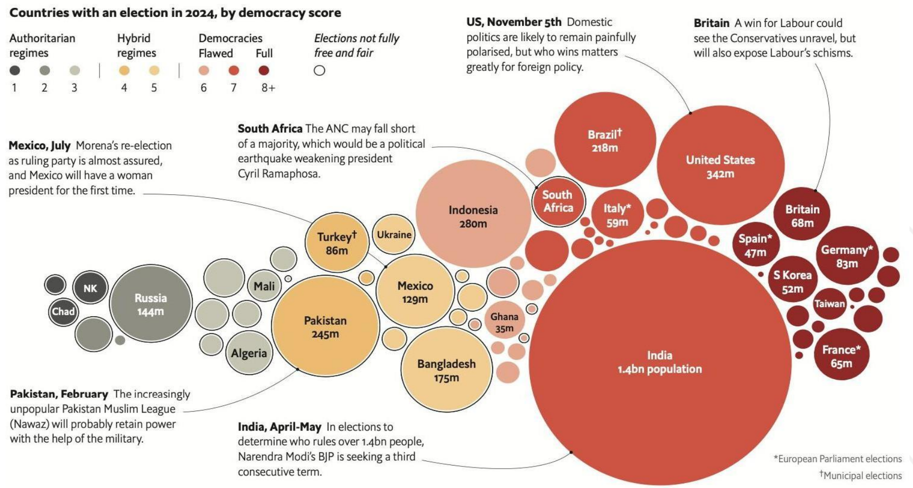
Key things to monitor:

- **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**

Election Calendar for 2024

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
13th **Taiwan** (Presidency, Legislative Yuan)	8th **Pakistan** (National Assembly) 14th **Indonesia** (Presidency, Reg Rep. Council, House of Rep.)	15th-17th **Russia** (Presidency) 31st **Ukraine** (Presidency – may not occur due to martial law)	10th **S. Korea** (National Assembly)	TBC April/May **India** (House of The People)	6th-9th **EU** (Parliament)			16th & 25th **USA** Presidential Debates	1st & 9th **USA** Presidential Debates	5th **USA Election** (Presidency, Senate and House of Rep.)		By Jan 28, 2025 **UK** (House of Commons)



Number of Countries

40 (21% of Global)

Population

3.2bn (41% of Global)

GDP

$44.2bn (42% of Global)

Source: The Economist, JP Morgan

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APPENDIX

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Weaker Global Growth and Tighter Financial Conditions in Most Major Economies

Economics

GDP growth (%)	2024 GS (Q4/Q4)	2024 Cons. (Q4/Q4)	2024 GS (CY)	2024 Cons. (CY)	2025 GS (CY)	2025 Cons. (CY)
Global	2.8	--	2.7	2.6	2.7	2.6
US	2.4	1.6	2.8	2.4	2.2	1.8
China	4.7	4.7	5.0	4.9	4.2	4.5
Euro area	1.4	1.2	0.8	0.7	1.4	1.4

Policy rates (%)	2024 GS	2024 Mkt.	2025 GS	2025 Mkt.
US	4.88	4.91	3.88	4.36
Euro area	3.25	3.26	2.25	2.83
China	1.70	1.85	1.70	--
Japan	0.13	0.36	0.63	0.52

Markets

Interest rates 10Yr (%)	Last	E2024	E2025
US	4.43	4.25	4.10
Germany	2.49	2.25	2.00
Japan	1.00	1.25	1.80
UK	4.17	3.75	3.75

FX	Last	3m	12m
EUR/$	1.08	1.05	1.08
GBP/$	1.27	1.24	1.28
$/JPY	156	155	150
$/CNY	7.22	7.30	7.20

Commodities	Last	3m	12m
Crude Oil, Brent ($/bbl)	82	87	82
Nat Gas, NYMEX ($/mmBtu)	2.84	2.70	4.00
Nat Gas, TTF (EUR/MWh)	34.64	30	32
Copper ($/mt)	10,295	10,500	13,000
Gold ($/troy oz)	2,408	2,600	2,700

Credit (bp)		Last	1H24	2H24
USD	IG	87	89	90
	HY	300	297	291
EUR	IG	121	121	120
	HY	328	341	336

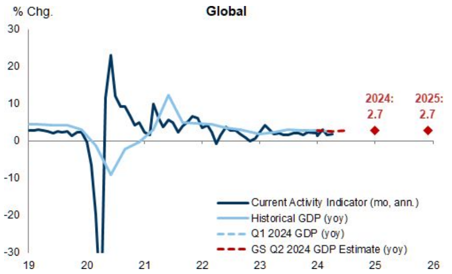
Equities

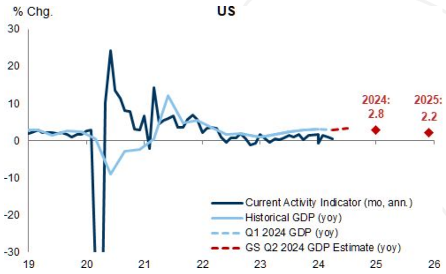
S&P 500	E2024 GS	E2024 Cons.	E2025 GS	E2025 Cons.
Price	5,200	--	--	--
EPS	$241	$244	$256	$278
Growth	8%	10%	6%	14%

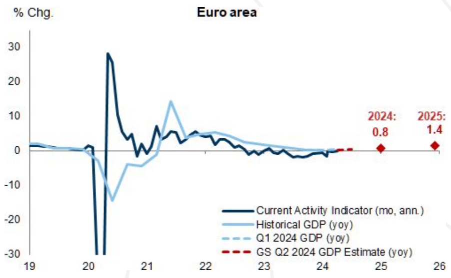
Returns (%)	12m	YTD	E2024 P/E
S&P 500	-2	11.3	22.2x
MXAPJ	2	7.5	14.7x
Topix	6	15.7	16.1x
STOXX 600	4	8.8	14.3x

Consumer	2024 CPI (%, yoy)	2024 Unemp. Rate	2025 CPI (%, yoy)	2025 Unemp. Rate
US	3.3	3.8	2.7	3.7
Euro area	2.4	6.7	2.1	6.7
China	0.4	--	1.5	--

Wage Tracker 2024 (%)	Q1	Q2	Q3	Q4
US	4.3	--	--	--
Euro area	--	--	--	--
China	--	--	--	--





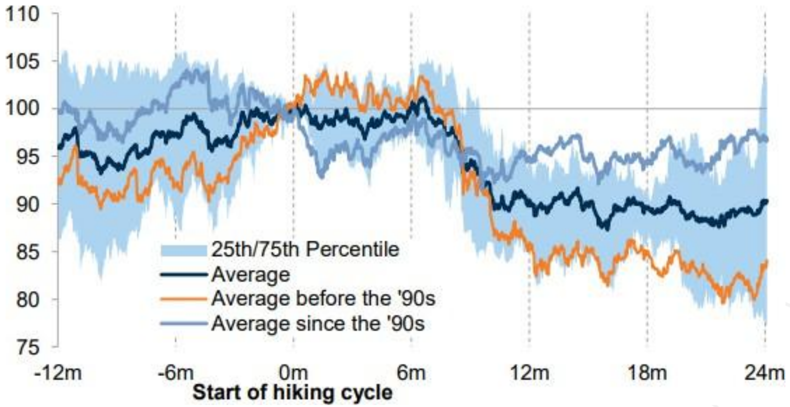


Source: Basis Asset Management, Bloomberg, Goldman Sachs. Data as of 24 May 2024.

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

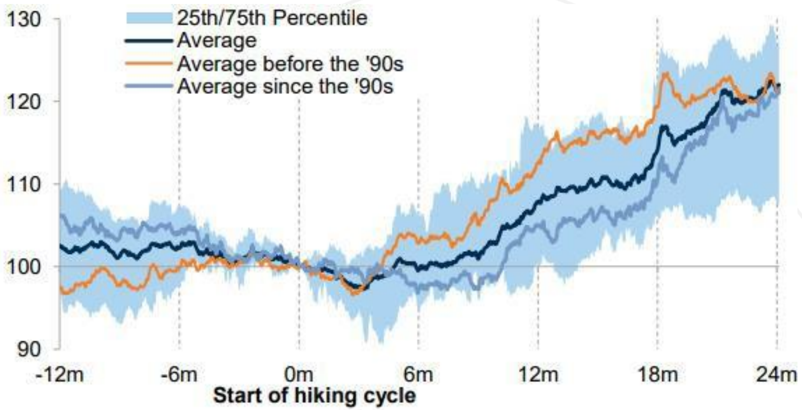
Equity valuations de-rated on average during Fed rate hike cycles

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

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Knowledge

格致

Integrity

誠信

Professional

專業