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Wealth Management Chief Investment Office
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Global Market Outlook

Growing confidence

Central bank bond purchase tapering and rising expectations of policy rate hikes across developed economies are signs of growing confidence in the economic recovery. Global equities and riskier bonds are likely to remain well-supported on a 6-12-month horizon in this environment as inflation-adjusted interest rates stay low, or negative. We retain a preference for US and Euro area equities.

Emerging Market assets may face more headwinds from China's regulatory crackdown. We believe a more selective sector and country focus in Asia and a preference for Asian/Emerging Market USD bonds are two routes to gain Emerging Market exposure.

Modestly higher US bond yields could prove to be a headwind for gold, though we still expect the USD to weaken as several central banks raise rates ahead of the Fed.

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What are the investment implications of the US' proposed infrastructure and social spending plans?

Is a 4-5% income yield still possible without taking excessive risk?

Where are the opportunities in water-infrastructure-related investments?

Contents

01 Strategy

Investment strategy: Growing confidence 03
Our 12-month tactical asset allocation 05
Multi-asset income strategies 06
Other themes 08
Perspectives on key client questions 09
Future of water and (its) sustainability 11

02 Macro Overview

Summary 13

03 Asset Classes

Bonds 15
Equity 17
Equity sector strategy 19
FX 20
Gold and crude oil 22
Alternatives 23
Technicals 24
Tracking market diversity 25

04 Performance Review

Asset allocation summary 26
Calls summary 27
Market performance summary 29
2021 key events 30
Our key advisory publications 31
Disclosures 32

Investment strategy and key themes

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Chief Investment Officer

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Our preferences over a 12m horizon

- Global equities over bonds and cash
- In equities: US, Euro area favoured
- In bonds: Asia USD, DM High Yield, EM USD preferred
- In FX: USD likely to fall against EUR, GBP, AUD, NZD

Key themes

- Ready, Steady, Rotate
- Race for Income
- USD to slump in 2021
- Disruptive Innovation
- Climate change
- A world of yield-free risk

Growing confidence

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- Emerging Market (EM) assets may face more headwinds from China's regulatory crackdown. We believe a more selective sector and country focus in Asia and a preference for Asian/Emerging Market USD bonds are two routes to gain Emerging Market exposure.
- Modestly higher US bond yields could prove to be a headwind for gold, though we still expect the USD to weaken as several central banks raise rates ahead of the Fed.

Diverging trends

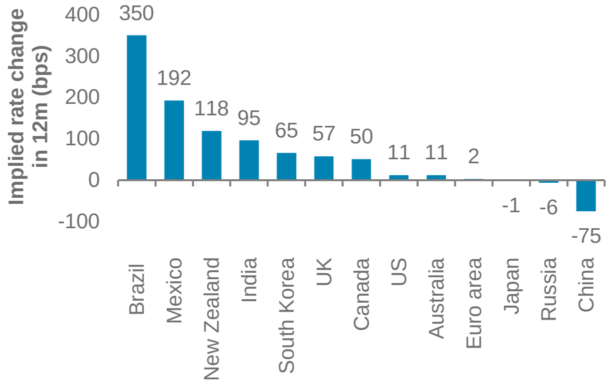
The third quarter of 2021 proved to be difficult for EM equities, which lost 8.1%, while Developed Market (DM) equities were little changed. The 10-year US government bond yield ended the quarter largely where it started, and the USD and gold moved to the top and bottom of their Q3 range, respectively.

Two ongoing policy shifts are likely to continue shaping the market's path from here. The most anticipated of these is the change in direction of Fed policy. While the prospect of a late-2021 start to the Fed's bond purchase tapering plan did not create much turbulence in markets, we would keep a tight watch on any emerging signals on the path of rate hikes from late 2022 onwards, and how these compare with policy tightening plans elsewhere. We currently expect this path to be positive for risk assets and bearish for the USD as many other central banks appear set to tighten policy faster than the Fed. Besides, early stages of Fed tightening cycles have historically tended to be positive for equities and negative for government bonds as a less accommodative policy reflects improving economic growth.

In EMs, the focus remains on the ongoing regulatory tightening in China, most recently in its property sector. While we expect policy measures to help evade a widespread contagion, continued regulatory pressures, loan losses by banks and the property sector's deleveraging raise uncertainty about economic and earnings growth in the next 6-12 months.

Fig. 1 **Many central banks are expected to raise policy rates faster than the Fed**

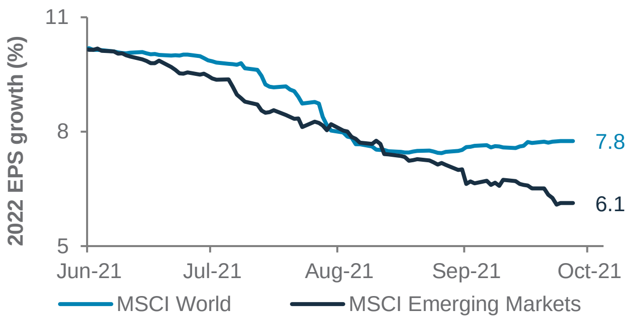
Money market implied policy rate changes in 12 months



Source: Bloomberg, Standard Chartered

Fig. 2 **Widening gap between DM and EM earnings growth expectations for 2022**

2022 earnings growth expectations for DM and EM equities



Source: FactSet, Standard Chartered

Developed Market equities to outperform

Against this backdrop, and the fact that the last few months of the year tend to be seasonally strong for equities, we retain our preference for global equities over bonds and cash, and our preference for the US and Europe. As we have noted before, equity markets' burst of strong performance from recessionary lows is likely to give way to a more moderate pace of gains. Policy rates may be starting to selectively rise, but equity bear markets usually occur only when monetary policy becomes too tight, which we remain a long way away from today at the early stages of the tightening cycle.

Expectations for EM equities, though, appear less rosy for now. While strong DM growth and a weak USD outlook would normally be positive for EM assets, we believe China's regulatory crackdown makes this period different from history as the growth outlook for China, and other EMs with close economic linkages, becomes more uncertain. China's ongoing power shortages risk exacerbating this. The chart above illustrates the point, with continued weakness in the 2022 EM earnings outlook relative to DM. This is the main driver behind our downgrade of Asia ex-Japan equities to least preferred. Having said that, we remain on watch for signs of improving growth on the back of accelerating vaccinations or renewed policy stimulus, which could brighten the outlook.

Positioning within Emerging Markets

Our China regulatory policy concerns notwithstanding, we believe there are several potential approaches to sharpening exposure to Asian and EM assets.

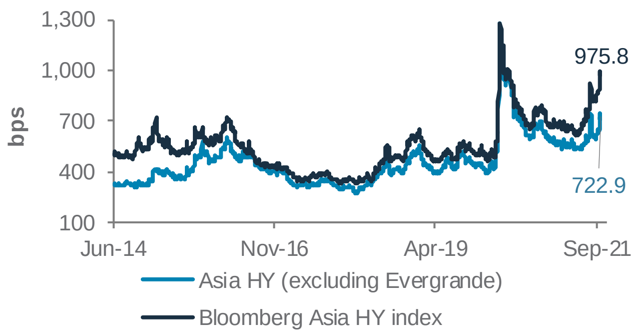
First, within China equities, we prefer onshore China equities over offshore peers. Onshore equities are more diversified sector-wise and sensitive to any future policy support. We also prefer the energy and industrial sectors, which are less correlated with regulatory policy tightening. Finally, we prefer China's technology sector, where the index primarily includes IT hardware and semiconductors (as opposed to the popular consumer 'tech' sub-sectors, which are part of consumer discretionary or communication services sector indices).

Second, within Asia ex-Japan equities, we retain a preference for Indian equities, which are relatively less directly correlated with China's policy and growth than the rest of the region.

Third, we believe exposure via USD-denominated bonds may be attractive. We retain a preference for Asia USD bonds, especially High Yield (HY) debt (vs Investment Grade). While Chinese equities' valuations may have eased during the sell-off, unlike HY bonds, they remain some distance away from inexpensive levels. Asia HY bonds, meanwhile, appear to offer value even without Evergrande's bonds (which form a significant portion of the index). We also retain a preference for EM USD government bonds, which offer broader EM exposure and attractive yields that should help offset any near-term headwinds from higher US Treasury yields.

Fig. 3 **Asia HY bonds offer value even if Evergrande bonds are excluded**

Bloomberg Asia HY index bond yield premium over US Treasuries, with and without Evergrande bonds



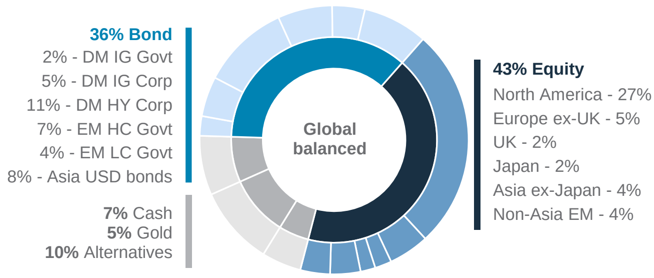
Source: Bloomberg, Standard Chartered

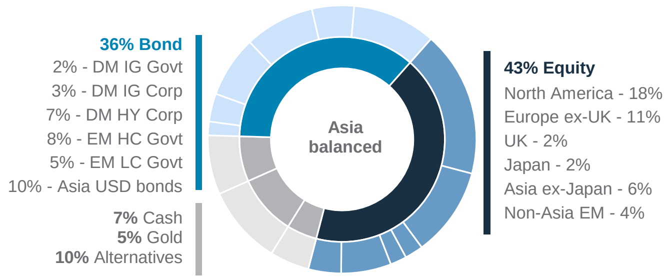
Income and gold

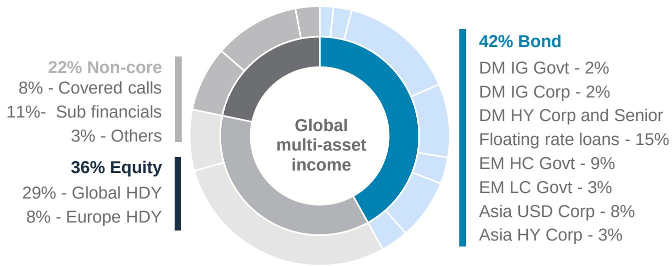
We continue to view DM HY bonds as attractive, especially as an income-earning asset class. More broadly, the Fed's taper talk and China regulatory tightening have helped income potential improve modestly. Higher yields, though, are likely to work against gold over the medium term, even if gold gains in the near term from market uncertainty.

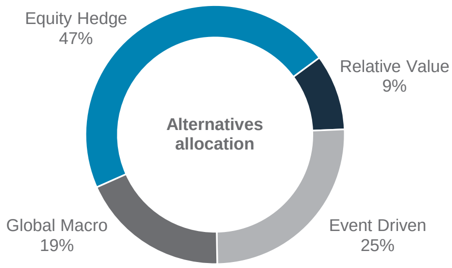
Our 12-month tactical asset allocation

12-month tactical asset allocations for investors with a moderate risk profile (numbers may not sum to 100% due to rounding)









Summary of our key asset class views

	View	Detail
USD cash	▼	+ Safety || - Close to no yield
Bonds		
DM Govt	▼	+ High credit quality || - Unwinding of policy support, inflation risk
DM IG Corporate	▼	+ High credit quality || - Very sensitive to rising US government bond yields
DM HY Corporate	▲	+ Attractive yield, low rate sensitivity || - Valuations, risk of rising defaults
EM USD Govt	▲	+ Attractive yield, attractive value || - Sensitivity to rising Treasury yields, USD rebound
EM Local Ccy Govt	▼	+ Moderate yield, weak USD view || - EM policy rate tightening risks
Asia USD	▲	+ Attractive yield, attractive valuations || - China property sector contagion risks
Equities		
North America	▲	+ Growth, earnings rebound; still-accommodative policy || - Fed tapering, potential tax rise
Europe ex-UK	▲	+ Vaccinations, Value rotation, policy support || - Early policy tightening, slowing China
UK	◆	+ Attractive valuation, Value rotation || - Policy risk, inflation, strong GBP
Japan	◆	+ Global economic recovery || - China policy tightening, structural deflation
Asia ex-Japan	▼	+ Earnings rebound || - China policy tightening, COVID-19 risk
Gold	◆	+ Weak USD, equity volatility hedge || - Higher bond yields, short-lived inflation
Alternatives	◆	+ Diversifier characteristics || - Equity, corporate bond volatility

Source: Standard Chartered Global Investment Committee

Legend: ▲ Most preferred | ▼ Least preferred | ◆ Core holding || **Green:** upgrade from prior view | **Red:** downgrade from prior view

Multi-asset income – at a glance

Trang Nguyen
Portfolio Strategist

Key themes

We believe income potential across the fixed income universe has improved modestly, with the Fed's tapering talk and developments around China's property market pushing global bond yields higher. Our multi-asset income allocation currently yields 4.2% and has delivered a return of 2.6% YTD.

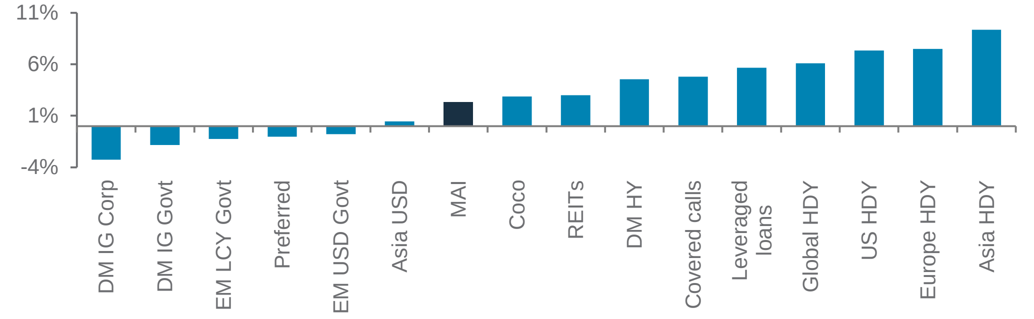
We continue to have a tilt in our diversified income allocation towards high dividend paying equities and hybrid assets, including REITs, contingent convertibles (CoCos) and covered call strategies, with inflation remaining stubbornly high and central banks seemingly moving closer to raising interest rates. The robust growth outlook for DM countries continues to support our preferences for DM-focused income assets. This means we maintain our conviction in European high dividend paying equities and modestly increase exposure to DM HY, leveraged loans and hybrids. These assets offer higher yields and benefit from the vaccination-led economic recovery and a likely weaker USD. We maintain our exposure to EM debt, despite worries over China's growth outlook, with preference towards EM/Asia USD bonds compared with their local currency counterparts.

Key chart

We expect a diversified income allocation to generate positive returns on a 6-12-month basis

Fig. 4 Tapering is not an immediate risk for a diversified income allocation

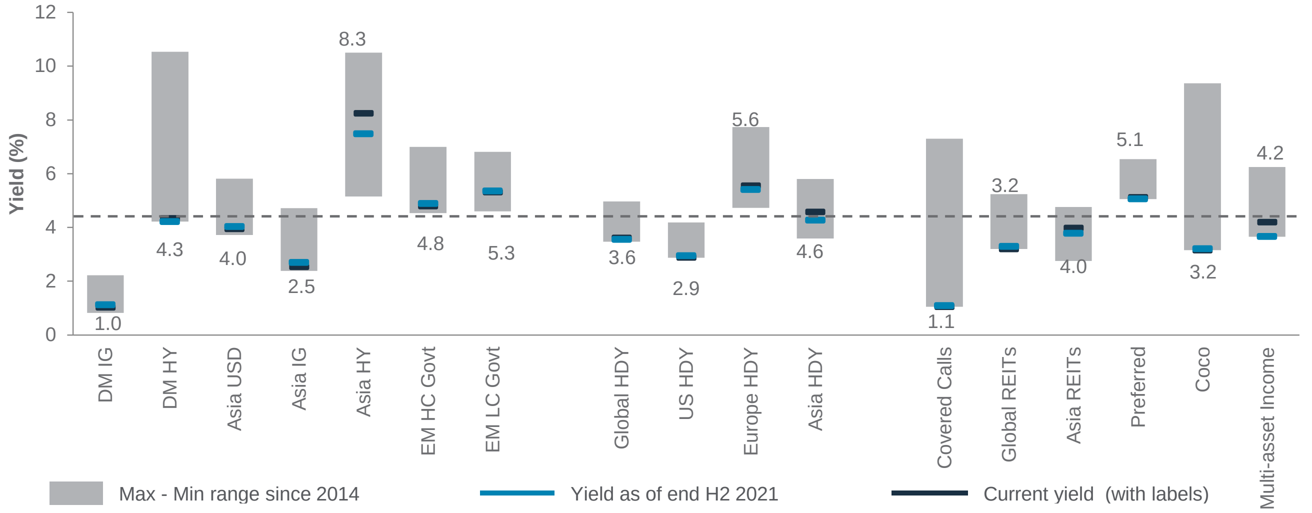
Average total returns in periods when the 10-year US Treasury yield was rising and the Fed policy rate was flat or rising, during 2005 – 2021



Source: Bloomberg, Standard Chartered

Fig. 5 Income opportunities present in high dividend equities, hybrids and select high-yielding bond markets

Dividend yield, yield-to-worst (%) for different income-generating assets



Source: Bloomberg, Standard Chartered. Data as of 30 September 2021. Refer to explanatory notes on Cocos at the end of this document.

Tapering and stubbornly high inflation remain key concerns

Intensified central bank tapering talk and the sell-off in China property bonds have sent global bond yields higher, improving the income potential of various asset classes. However, with USD 15trn of debt offering negative yields, income investors still face a challenging task. We believe that a global diversified income allocation remains a robust solution in this environment as it allows investors achieve around a 4% yield.

Macroeconomic and market conditions suggest tapering and stubborn inflation are likely to be dominating concerns for income investors in the next 12 months. Against this backdrop, we continue to believe in going beyond traditional bonds and tilting an income allocation towards high dividend equities and hybrids. That said, within fixed income, we see opportunities to moderately increase exposure to select high-yielding assets such as DM HY and global leveraged loans. We maintain our preference for Asia HY USD bonds.

Tapering not a significant risk for a diversified income allocation

As the Fed prepares to reduce the size of its monetary stimulus, the risk of rising interest rates in the coming 12-18 months is increasing. This has significant implications for income investors. To help evaluate our asset allocation positioning in the 12 months, we took a closer look at how income assets performed in the past instances of rising 10yr UST yields and short term US policy rates were either flat or rising (figure 4). Three observations emerge from this analysis.

1) High dividend equities were the star performers. Fundamentally, we maintain our conviction towards dividend equities for three reasons: (1) current valuations remain attractive, with yields comparable to many fixed income counterparts; (2) the DM growth outlook remains favourable, supporting the potential for capital appreciation for dividend equities that are largely US- and Europe-focused. For the same reasons, we maintain our conviction in Europe high dividend equities (see Fig. 6); (3) dividend equities should benefit if we see further outperformance of Value vs Growth equities.

2) Within bonds, unsurprisingly, quality bonds, such as DM IG bonds, suffered when bond yields rose. More importantly, among high-yielding assets, DM-focused bonds outperformed their EM counterparts, especially EM local currency (LCY) government bonds. This supports our decision to trim exposure to EM LCY government bonds to fund an increase in DM HY, leveraged loans and hybrids.

3) A diversified income allocation with strong tilt towards high dividend equities, hybrids and select credit components proved to be resilient, delivering a positive return of 2.3%.

Fig. 6 Europe HDY equities are likely to perform well on the back of robust global growth outlook

MSCI Europe HDY vs. Global leading economic indicator

Source: Bloomberg, Standard Chartered

Risk management becomes increasingly important in a rising inflation environment

Inflation is likely to remain a source of worry for investors in the next 12 months. Hence, we believe it makes sense to add the volatility lens to the past studies on how income assets performed in various inflation regimes to help investors better position their portfolio should high inflation persist. Figure 7 shows risk and return trade-offs across income assets in a scenario of rising inflation.

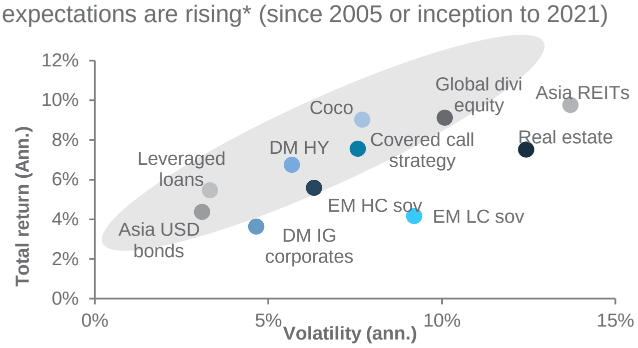
1) Compared with EM bonds, DM HY bonds and global leveraged loans provided one of the best risk/return trade-offs when inflation rises. Fundamentally, we like both DM HY and leveraged loans for improved credit quality, with default rates trending lower and recovery rates improving.

2) Global high dividend equities provided a decent return per unit of risk compared with other equity-like income assets, such as REITs and covered calls.

The depressed level of bond yields globally has been a key motivation for investors to move up the risk curve across and within assets to generate income. As investors persevere with this process, we believe assessing risk and return trade-offs across income assets is a useful step in ensuring investors get their desirable yield without having to take excessive risk.

Fig. 7 Fig. 7 DM HY and global leveraged loans offer attractive risk-adjusted returns in a scenario where high inflation persists

Risk/return trade-off across income assets when inflation expectations are rising* (since 2005 or inception to 2021)



Source: Bloomberg, Standard Chartered; * Inflation expectations are measured by OECD global inflation leading indicator; refer to explanatory notes related to CoCos at the end of this document.

Other themes

Below we provide a brief overview of our currently open thematic ideas, coupled with some recent highlights. For further details, please read our Thematic Investing update to be published next week.

	Key themes	
Structural Themes	**Disruptive Innovation**	Under Disruptive Innovation, we favour 1) fintech, 2) electric vehicles (EVs) and 3) 5G/internet of things (IoT). We have closed our preference for e-gaming on China's regulatory tightening concerns and medical technology due to a stalling in earnings upgrades. The ongoing labour supply shortage is driving innovation as companies accelerate efforts on automation and digitisation. Semiconductor supply is essential to digitisation and governments in the US and Europe recently announced plans to invest in domestic manufacturing supply chain. EV sales surprised positively, with global sales up 160% in the H1 2021, outpacing global car sales that were up 26%, according to Canalys. While earnings revisions (ERI) remain positive, the pace of upgrades moderated on the back of supply chain bottlenecks. These are likely temporary overhangs. We remain constructive on the structural growth of EVs and its beneficiaries. EVs, fintech and IoT continue to see positive earnings upgrades relative to downgrades, thus justifying rich forward valuation multiples (12-month forward P/Es of 20, 37 and 30, respectively).
	Time for climate investing	The backdrop for energy renewables and investments in water resources remains constructive. China announced an end to the funding of overseas coal projects, reducing a key source of carbon emissions, while the US Democrats unveiled a USD 150bn (part of the USD 3.5trn budget) clean energy plan that would reward utilities which increase energy production from renewables. The implementation of EU Green Taxonomy – a classification system for environmentally sustainable activities – is likely to further support renewable and water themes. Other than environmental impacts, water is increasingly being perceived as an essential infrastructure from a social impact perspective. Earnings revision estimates are positive, supporting fund inflows. While earnings revisions for renewables have stalled recently, long-term demand drivers are intact and any market weakness can be opportunity for investors to average-in over the coming quarters.
	A world of "Yield-Free" risk	Major DM central banks edge closer to dialling back emergency support, driving global bond yields higher since early August, resulting in negative returns for bonds across the credit spectrum. The path to higher income over the medium-to-long-term is typically through higher yields, which can often come at the detriment of price returns in the short term. Additionally, investors can also take on more risk, raising exposure to equities, hybrids or to private assets, though this would likely be accompanied by higher volatility and illiquidity, respectively.
Cyclical Themes	**Ready, Steady, Rotate** (Value to outperform Growth)	Value-style equities outperformed Growth equities over the past month, a welcome respite since May (when a revival of the pandemic reignited concerns about growth). While Value-style equities' ERI momentum has moderated, we believe it is likely to outpace Growth equities as vaccinations continue to ramp up, allowing economic activities to normalise. Global economic growth, especially in DMs, is likely to remain well above trend going into 2022, supported by pent-up demand and strong capex spending. We are starting to see signs that US bond yields have bottomed, which is helping the relative performance of Value.
	USD to slump in 2021	We expect USD weakness to resume as other global central banks turn more hawkish than the Fed. Fiscal stimulus in the US, Euro area and Japan should also support global growth, while the US continues to run large twin deficits. For more details, refer to the FX section, pages 20-21.
	Race for Income	The search for income continues to be challenging. Yields across most income assets (except for Asia HY bonds) remain lower, compared with pre-pandemic levels. Rising rates have negatively impacted fixed income returns. We continue to tilt towards income equity and hybrids assets in our Multi-asset income allocation as they are less sensitive to Fed tapering. For more details, refer to the Multi-asset income section, pages 6-7.

Source: Bloomberg, Standard Chartered

Perspectives on key client questions

Audrey Goh, CFA
Senior Cross Asset Strategist

Marco Iachini, CFA
Cross Asset Strategist

Impact of US infrastructure plans

In August, the US Senate passed the USD 1.2trn Infrastructure Investment and Jobs Act across bipartisan lines (69-30). The bill features USD 550bn of new spending, going into areas including transportation, water and broadband.

The Democrats are also working to push through a USD 3.5trn reconciliation package, branded the Build Back Better Act. If passed in its proposed form, the bill would fund new social programmes such as universal pre-kindergarten education, create green jobs to help combat climate change and expand child tax credits.

Here we examine what is in the proposed bill, who are the likely winners, how will new spending be financed and what are the timelines to note. Related to the infrastructure bill, there are also deadlines to raise and extend the US debt limit.

The bipartisan infrastructure bill approved by the Senate is a major step forward in supporting the US's recovery from the pandemic. However, the broader USD 3.5tn package still needs to be approved by both the houses of the Congress, which is likely to result in uncertainty and market volatility over the coming weeks.

Overall, notwithstanding the possibility of some near-term volatility-induced downside caused by political posturing, we believe that the impact on markets will be constructive, particularly for reflation beneficiaries, such as Value sectors, and thematic assets geared to benefit from infrastructure spending (including traditional infrastructure, clean and digital infrastructure assets).

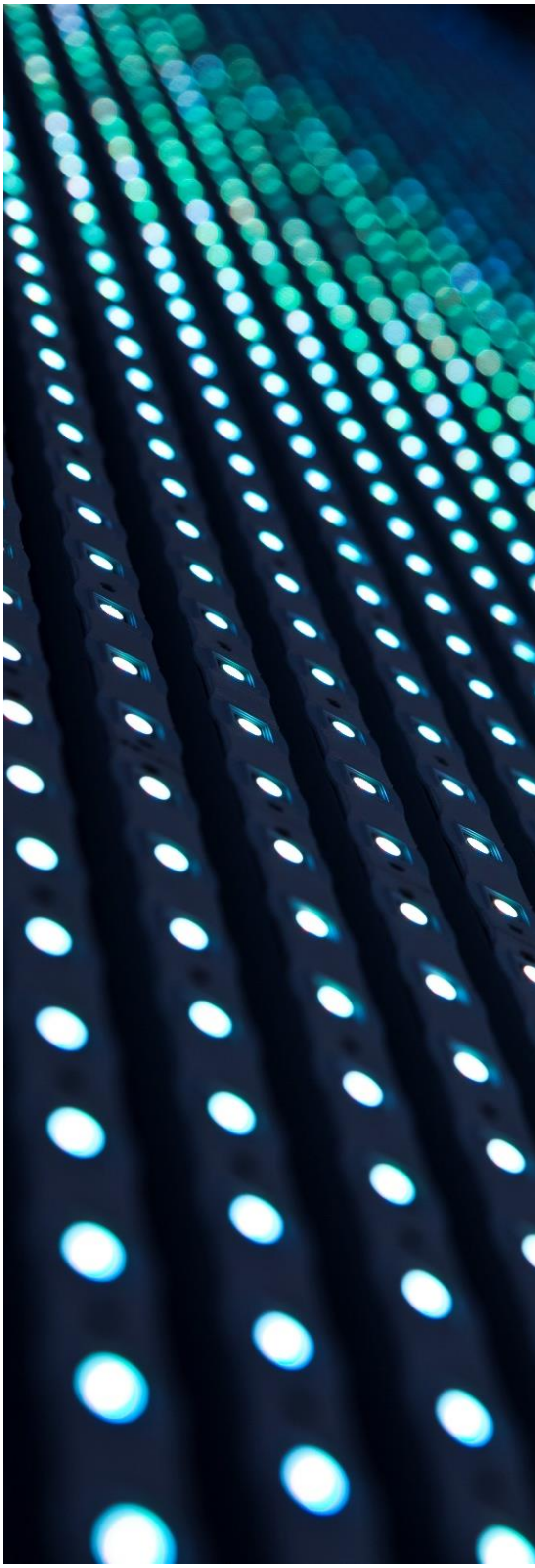


Fig. 8 **Breakdown of bipartisan infrastructure bill**

Infrastructure area	New spending (USD bn)
Transportation and transit	**257**
Roads and bridges	110
Rail	66
Public transport	39
Airports	25
Ports and waterways	17
Clean tech and energy	**88**
Power infrastructure and clean energy	73
EV charging stations	7.5
Low-emission buses and ferries	7.5
Water infrastructure and environmental remediation	**84**
Water distribution, sourcing and storage	63
Environmental remediation	21
Digital infrastructure and resilience	**115**
Broadband	65
Cybersecurity and resilience	50

Source: The White House, Standard Chartered Bank

Likely beneficiaries from the US infrastructure plan

- **US equities:** More fiscal reflation is positive for the outlook for global and US equities (both preferred assets) over a 6-to-12-month horizon.
- **Value-style equities:** We believe Value equities (including energy and financials) are direct beneficiaries of US fiscal stimulus and faster economic reopening. Given the metal-intensive nature of infrastructure and renewables investments, this should also be a positive for metal producers and industrial commodity prices.
- **Water infrastructure:** Clean and wastewater infrastructure companies and water utilities are particularly well-placed as Biden's plans focus on addressing weather resilience and ensuring protection against climate change-fuelled disasters, such as droughts and floods.
- **Renewables and power infrastructure:** Clean energy transition enablers will be key beneficiaries. To achieve Biden's commitment of net zero power sector by 2030, upgrade of energy grids and further penetration in renewable energy production are key. Biden has unveiled a USD 198bn clean energy plan (part of the broader USD 3.5trn reconciliation package) to reward utilities that increase energy production from renewables.
- **Telecom sector and cell towers:** The funding to improve broadband access to low-income and rural community will likely benefit the telecom majors who would receive grants to expand their coverage to underserved communities. Additionally, increased penetration of 5G coverage is also likely to support supply chain relating to 5G equipment, component and service providers (materials and semiconductor-focused firms may benefit also).

Fig. 9 **Value equities are likely to close the gap with government bond yields, in our view**

MSCI ACWI Value/Growth equities ratio vs US 10y yield

Source: Datastream, Standard Chartered

How to pay for it?

The House Ways and Means Committee proposed to increase the top corporate tax rate to 26.5% from 21% and raise the capital gains tax to 25% from 20%. These are less than Biden's initial plan, which contained a 28% corporate tax rate and a 39.6% capital gains tax. The committee's draft text will be included in the Democrats' USD 3.5trn reconciliation bill. Despite the deterioration in Biden's approval rating, we expect both bills to pass Congress by year-end. Higher taxes are likely to lead to a modest hit on corporate earnings.

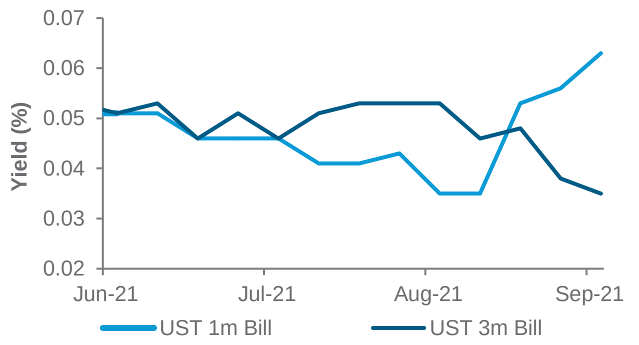
Debt ceiling – kicking the can down the road

The debt ceiling (or limit) is the maximum amount that the US Treasury can borrow. In August, the debt limit was reinstated at ca.USD 28.4trn and the Treasury deployed emergency borrowing authority known as "extraordinary measures" to continue fully funding government operations.

In response to Treasury Secretary Yellen's warning about the Treasury running out of funds to pay its bills by mid-October, Congress passed a nine-week stopgap funding bill just hours before the 30 September deadline. This action has temporarily helped avoid a government shutdown, which is estimated to shrink US GDP by ca.0.1% per week (Source: Moody's) and would have temporarily sent risky assets lower.

Fig. 10 **The one-month Treasury yield has risen ahead of a potential government shutdown; three-month rates, however, suggest investors are not worried**

1m and 3m US Treasury bill yields



Source: Datastream, Standard Chartered

Key developments to watch

Lawmakers will embark on tough negotiations in the coming weeks to implement Biden's policy agenda and then return to debt ceiling talks before the current stopgap bill expires.

- **Democratic Party divide:** Progressive Democrats in the House want to reach a deal with key moderate Democrats over details of the larger USD 3.5tn reconciliation bill before voting on the infrastructure bill. This tug of war within the party may risk seeing the larger bill shrink significantly in size.
- **3 December:** Democrats will have to face Republicans again over a long-term suspension of the debt ceiling. Volatility will likely return.

Should political antics temporarily sour market sentiment, we would take advantage of any such dip to rotate away from both DM government and corporate IG bonds and average into our preferred assets (global, US and European equities) and equity themes.

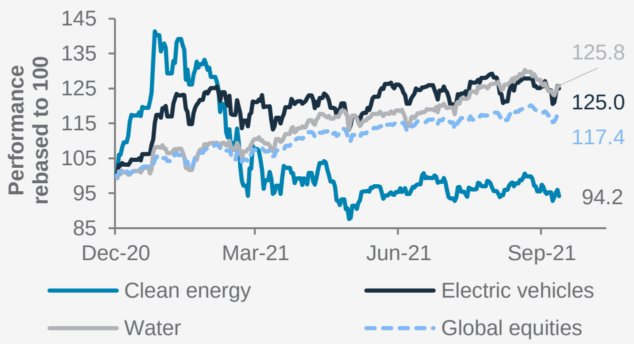
Future of water and (its) sustainability

Climate pledges at UN General Assembly

In March, the UN General Assembly declared the 2018-2028 decade as a Water Action Decade to focus on the increased global pressure on water resources and enhanced risks of droughts and floods. The recent UN General Assembly session highlighted the continued focus on climate change, with additional pledges from countries such as China and the US. Given its significance in today's environment, water is also likely to be a key issue at the upcoming UN Climate Change Conference (COP26) in Glasgow, as nations move towards greater action on climate adaptation.

The growing emphasis and spotlight on water can be seen through recent equity market performance. Among our preferred thematic views, the water theme has performed well, steadily climbing through the year and outperforming other alternative energy and global equities.

Fig. 11 **Water sector performed well this year, while clean energy pulled back**



Source: Bloomberg, Standard Chartered

Valuations for clean energy continue to be expensive and may remain the case given the rising bond yields. This could weigh on renewable energy projects, whose cash flows come further in the future. Nonetheless, the structural long-term drivers remain and present good investment opportunities.

Investment gap in water

The pandemic has highlighted the urgent need for a complete water cycle system. Even in DMs, the outdated systems with poor access to clean drinking water has presented health risks to its citizens. In addition, the American Society of Civil Engineers estimated that USD 7.6bn of treated clean water was lost in 2019 due to leaky pipes. If no further investment is made, the loss could double to USD 16.7bn by 2039. Global water infrastructure is due for necessary upgrades – the Society projects that global financing requirement for water infrastructure could reach USD 6.7trn by 2030 and USD 22.6trn by 2050.

The benefits of improved water and sanitation vastly outweigh the costs. The OECD estimates that 1 USD of investment in water and sanitation saves ca.USD 4 to USD 12 in avoided health care costs alone. Despite the benefits, some of the challenges faced by the water industry include inadequate investment planning, lack of environmental impact assessments and limited public funds in many countries. This has led governments to invite the private sector to participate in building water infrastructure.

Pricing in the risks

Water risks can lead to lower corporate revenues and higher costs, in turn impacting investor's equity holdings. A recent drought in Taiwan, home to the global semiconductor giant Taiwan Semiconductor Manufacturing Company (TSMC), helps to illustrate this issue.

The semiconductor industry is highly water intensive, utilising, for instance, over 3000 gallons of water to produce a single cell phone. Due to the recent drought in Taiwan, the company had to double its expenditure on water supplies, putting aside USD 28.6bn in funds for water orders and tanker truck arrangements. This added to costs equivalent to 2% of the company's quarterly operational cost.

With the challenges to water supply and increased scrutiny on business practices, it is also critical to consider material Environmental, Social and Governance (ESG) risks within various industries and specific companies. The Climate Disclosure Project (CDP) 2020 Global Water Report highlights that the cost of inaction on water risks is up to five times the cost of action. In 2020, companies reported maximum financial impacts of water risks at USD 301bn – five times higher than the cost of addressing them.

Regulators globally are taking action as well. In 2018, Chinese regulators conducted a nationwide plant inspection and ordered shutdowns of tens of thousands of supplier companies because of water pollution breaches.

Innovation in the water industry

Clean water is becoming increasingly scarce and nations are expected to experience a 40% shortfall by 2030, according to Standard and Poor's (S&P). When coupled with regulatory pressures and a need to manage water resources efficiently, the water industry needs to develop technologies to improve the supply, develop efficiencies and improve the quality of water in order to combat the crisis.

Beyond water utilities, innovation and new technologies are also being developed by water infrastructure providers that supply equipment for the design and construction of water facilities, and companies specialising in water treatment, processing, purification and efficiency.

Energy transition and water

Building and transitioning to a sustainable economy comes hand in hand with water conservation. Energy transition and electrification can only be successfully achieved through low-carbon technologies that consume copious amounts of minerals, such as lithium, cobalt, nickel and copper. In essence, the global energy transition can only be achieved through the intensification of mining all over the world. However, mining of these minerals is not only energy intensive, it is also water intensive, adding to the already challenged demand for water resources.

Under a constrained climate scenario, the water consumption of the Australian rare earth industry in 2050 would represent 11.2% of the country's total water usage in 2015, according to public research and training organisation, IFP Energies.

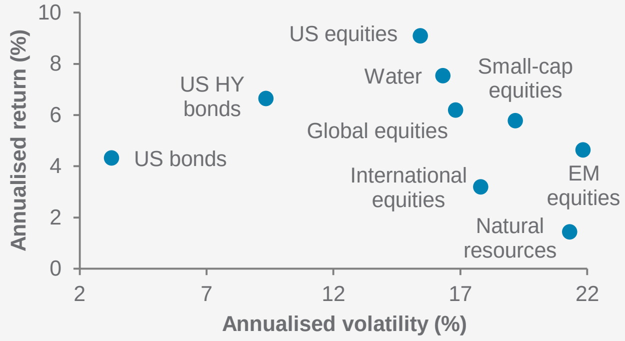
HSBC also estimates that if mining companies had to pay higher water prices due to growing societal demands, there would be a significant impact to revenue and costs. Operating profits could fall by 9% on average, while net debt to operating profits would increase by an average of 40%.

Risk and return characteristics

The above risks notwithstanding, a report by S&P demonstrated the ability of the S&P Global Water index to offer attractive returns for the amount of risk that an investor assumes in a water-related investment. Compared with traditional asset classes, such as global equities, real estate and gold, the index has historically exhibited stronger risk-adjusted returns. The defensive characteristics of water – given the sector's ability to perform better on average during bullish and bearish markets – also helps to provide some buffer during market volatility, making water equities a good source of diversification in one's portfolio.

Fig. 12 **Water has a favourable risk-return profile compared with other indices**

Risk-return data from 2006 to 2020



Source: S&P Dow Jones indices LLC, Standard Chartered

Outlook for water investments

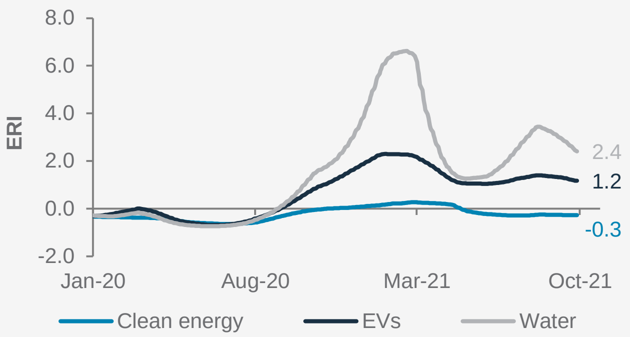
The global water market is estimated to be worth about USD 65bn annually, with 71% being attributed to water equipment suppliers and the remaining to wastewater treatments.

We believe there are wide-ranging long-term investment opportunities in the water sector as leading governments and companies step up to address the world's water-related issues.

Currently, there are about 65 water funds, managing about USD 35bn in assets. Increasing concerns around climate-change-induced water shortages have led to rising demand for water-related investments. The past year has seen new launches of water funds, attracting total inflows of USD 3.9bn, according to Morningstar.

Fig. 13 **Earnings revisions for the water sector remains elevated**

Earnings revision data for 2020-2021



Source: FactSet, Standard Chartered

We retain our conviction in the water theme given its increasing importance, economically and socially. Additionally, strong fundamental drivers, such as rising demand for water resources, higher private and public investments in water infrastructure as well as innovations in water-related technologies are likely to further support this theme.

Macro overview – at a glance

Rajat Bhattacharya
Senior Investment Strategist

Key themes

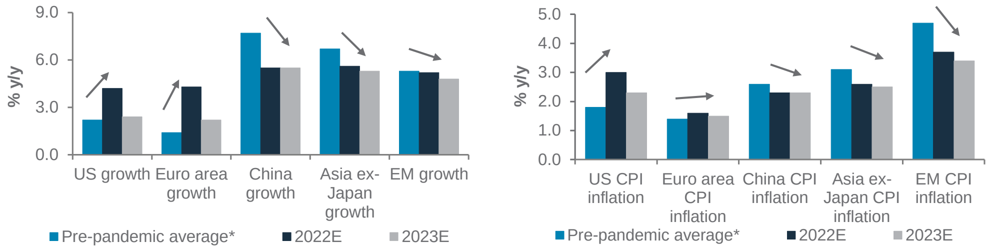
As the global economy enters the second phase of its lopsided recovery (see page 14), we expect growing divergence in the growth and inflation outlook between Developed Markets (DM) and Emerging Markets (EM), especially China. As the charts show, the US and Euro area are likely to deliver stronger growth and moderately higher inflation in the next two years, compared with their pre-pandemic trends, while trend growth and inflation in China are likely to slow. While DMs' extensive vaccination coverage (aiding an early return of normalcy) explains part of this divergence vs EMs, China's policy-driven economic soft-landing is playing an increasing role. We expect China's regulatory reforms and property sector deleveraging to last well into next year, although targeted monetary and fiscal easing are likely to offset this to some degree. The ECB and BoE, in contrast, have started to taper their pandemic-era bond purchases and the Fed has signalled it will likely start tapering this year and end bond purchases by mid-2022. Nevertheless, inflation-adjusted policy rates across DMs are likely to remain negative, at least over the next 12 months, which is likely to support growth. We also expect new fiscal stimulus in the US, Euro area and Japan to cushion some of the impact of the "fiscal cliff" as their 'emergency' post-pandemic fiscal spending programmes are unwound.

Key chart

US and Euro area are likely to see stronger growth and moderately higher inflation in the next two years vs pre-pandemic trends, while China and EMs are likely to see a deceleration

Fig. 14 **The consensus sees diverging growth/inflation trends between DMs and EMs**

Consensus estimates for GDP growth and inflation in 2022-23 vs pre-pandemic average



Source: Bloomberg, Standard Chartered; *2010-19 average, except EM growth (2010-18 average)

Monetary Policy	Macro factors positive for risk assets	Macro factors negative for risk assets
US ▽ ◇ ▲	+ 56% fully vaccinated; above-trend growth + Jobs, excess savings to lift consumption + Business restocking, infrastructure boost + Fed rates on hold; still-high fiscal support	– Proposed tax hikes, fiscal drag from 2022 – COVID revival; precautionary savings – Slowing goods demand; supply bottlenecks – Faster Fed tightening on any inflation surprise
Euro area ▽ ◇ ▲	+ 63% fully vaccinated; above-trend growth + Excess savings; Recovery Fund pay-out + Negative ECB rates; German fiscal easing	– COVID variants risk; slowing vaccinations – Precautionary savings; supply, energy crunch – ECB tapering; German coalition delay
China ▼ ◇ △	+ 70% fully vaccinated to lift consumption + Strong exports; likely infrastructure boost + PBoC's likely targeted policy easing	– Regulatory tightening; COVID zero-tolerance – Global goods-to-service shift to hit exports – Near-term power shortages; geopolitical risk
Japan ▽ ◆ △	+ Strong export growth, pent-up demand + 59% fully vaccinated; rates to improve in Q4 + New government likely to boost fiscal stimulus	– COVID uncertainty; precautionary savings – Global goods-to-service shift to hit exports – Structural deflationary forces
UK ▽ ◇ ▲	+ 67% fully vaccinated; above-trend growth + 'Living with COVID' strategy to lift consumption + Infrastructure boost; strong foreign investment	– COVID variant risk; precautionary savings – Brexit-based job market, supply disruptions – High inflation; tighter monetary policy risk

Source: Standard Chartered Global Investment Committee

Legend: ▲ Tighter policy | ▼ Easier policy | ◆ Neutral policy

US and Europe assume growth leadership

The global economy has recovered faster than expected, with output already returning to pre-pandemic levels. However, the recovery has been lopsided, with China regaining lost output in 2020 itself, followed by the US in Q2 21 and Europe likely by end-2021. Meanwhile, output in EMs, excluding China, is likely to return to pre-pandemic levels in 2022 or later.

Is global growth nearing its peak?

While global growth will inevitably slow after this year's strong rebound as the base effect fades and emergency stimulus measures are unwound, we expect the US and Europe to assume the growth leadership in the next 12 months, while China settles close to a still-healthy 5% growth as a result of the government's controlled, policy-driven soft-landing.

We expect US and Euro area economies to grow just above 4% in 2022, expanding well above the pre-pandemic trend. Rising vaccinations are reducing the need for governments to impose widespread lockdowns as part of their "living with COVID" strategy (this became clear during the Q3 pandemic resurgence) and enabling economic activity to return to normal. The expected approval of vaccines for 5-11-year-olds in Q4 and booster doses for the elderly and those at risk are likely to support growth by enabling more parents and caregivers to return to work. Wider vaccinations are also likely to enable the services industries to pick up the baton of growth from the goods sector. Savings rates in both the US and Europe remain unusually high, despite drawdowns this year, which is likely to support services consumption.

China's economy is set to slow further in the coming months due to a combination of tighter credit policy imposed in H1, a "zero-tolerance" COVID policy, regulatory tightening on property and other sectors and the evolving power crunch partly due to coal shortages as a result of the government's focus on the environment. Exports are a bright spot amid sustained global demand. While we expect Beijing to persist with its reforms, we are likely to see targeted policy easing, including PBoC cuts to bank reserve requirements and revival of local government spending in infrastructure projects, in the coming months in a bid to stabilise growth above 5% in 2022.

Upside risks

Investment, both by the government and companies, holds the key to further upside growth surprises. In the US, there is a good chance that President Biden's USD 4trn spending plan (see pages 9-10) will partly get approved by Congress. Even if a USD 2trn package is approved, half funded by taxes, it could potentially lift US growth by an additional 0.5ppt in 2022.

Meanwhile, in Europe, the disbursement of EUR 750 Recovery Fund should support growth in major beneficiaries such as Italy and Spain. In Germany, a coalition led by the Social Democrats and Greens could lead to relaxation of fiscal policy. The new government can push back the restoration of debt caps imposed by the constitution (currently suspended until end-2022 due to the pandemic). It also has some leeway through both budgetary and off-budget spending, given the surplus in the years running up to the pandemic. A significant portion is likely to be invested in 'green' projects, digitalisation and retooling of the German industrial sector for the EV age. Such investments typically have high growth multipliers.

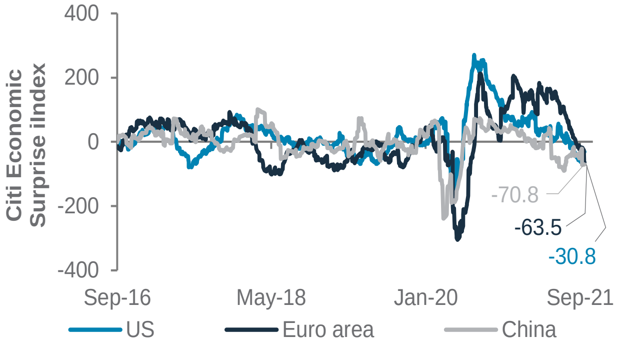
Will stimulus trigger inflation, tighter monetary policies?

Near-term inflation pressures have started to fade, especially in the US, as base effects from last year's recession fall away and supply bottlenecks ease in sectors linked to economic reopening. Some price pressures are likely to stay stubborn, especially in semiconductors and shipping. In Europe, energy prices are likely to drive headline inflation higher in winter, but core inflation remains subdued. We see low probability of US and Euro area core inflation rising significantly in the next 12 months, primarily because of the still-significant slack in job markets, which is likely to keep wage pressures under control.

This implies, the Fed and the ECB are unlikely to raise interest rates over the next 6-12 months, even if both unwind their emergency bond purchase programmes, as we expect. Both central banks have adopted an average inflation targeting policy, which enables them to tolerate above-target inflation for a while. Only a significant surge in long-term inflation expectations would make them consider hiking rates sooner. For now, inflation expectations are within long-term ranges.

Fig. 15 Economic data surprises have turned negative; fiscal stimulus in US, Europe could trigger a reversal

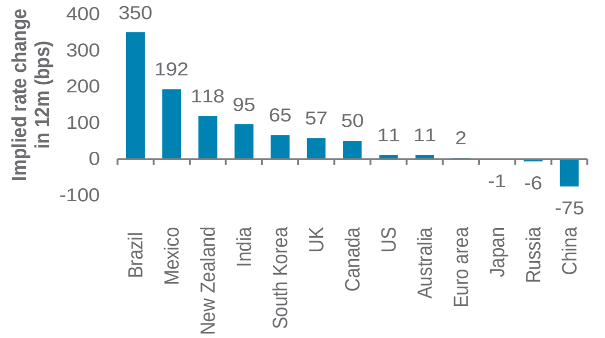
Economic surprise indices for the US, Euro area and China



Source: Bloomberg, Standard Chartered

Fig. 16 Rate hike expectations in the US and Euro area are low vs EMs; an upsurge in inflation could alter that

Money market implied policy rate changes in the next 12m



Source: Bloomberg, Standard Chartered

Bonds – at a glance

Abhilash Narayan
Senior Investment Strategist

Cedric Lam
Senior Investment Strategist

Key themes

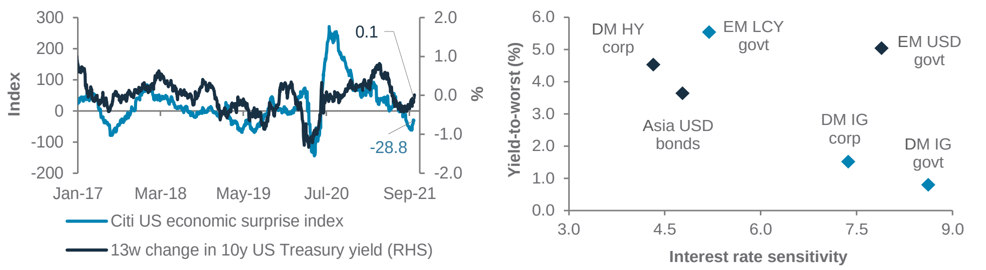
Anticipated Fed tapering and China High Yield property bonds were the key drivers for the weakness in bond performance in September. While the Fed looks increasingly likely to commence tapering later this year, persistent global growth concerns (across the US and China) mean that 10-year US Treasury yields are likely to trade in the 1.5%-1.75% range over the next 6-12 months. A less easy Fed policy is likely to force several EM central banks to hike rates, which leads us to downgrade EM local currency bonds to less preferred. However, recent IMF SDR disbursement, higher commodity prices and strong flows mean we continue to like EM USD government bonds. We also retain our preference for Asia USD bonds, as we believe the current valuations have priced in a lot of bad news.

Key chart

Tapering expectations and bottoming out of negative economic data surprises driving US yields higher; we favour bonds (in dark blue) offering higher credit spread and shorter duration (ie, interest rate sensitivity)

Fig. 17 **Short-maturity and higher yield bonds remain favoured**

Citi US Economic Surprise Index and 13w change in 10y US government bond yield; yield-to-worst and interest rate sensitivity (duration) of various bond sub-asset classes



Source: Bloomberg, Standard Chartered

Preference order		The bullish case	The bearish case
	DM HY corporate ▽ ◇ ▲	+ Balance sheet improvement in 2021 + Default rates have declined sharply + Low interest rate sensitivity	– Expensive valuations – Increase in supply
	Asia USD ▽ ◇ ▲	+ Strong credit fundamentals + Robust structural foreign demand + Attractive valuations relative to the US	– Risk of higher defaults in China – Lower yields vs other EM bonds
	EM USD government ▽ ◇ ▲	+ Higher commodity prices + Cheaper valuations vs US IG/HY bonds + Improvement in EM FX reserves	– High interest rate sensitivity – Low vaccination rate. Risk of renewed lockdowns
	EM local currency ▼ ◇ △	+ EM growth rebound, potential USD weakness + Moderately attractive yield	– Tighter EM monetary policy – Risk of outflows due to Fed tapering – Higher volatility due to FX exposure
	DM IG corporate ▼ ◇ △	+ Strong credit fundamentals + Attractive hedged yield for foreign investors	– Expensive valuations – High interest rate sensitivity – Low absolute yield
	DM IG government ▼ ◇ △	+ High credit quality + Fed, ECB unlikely to hike rates at least in the next 12 months	– Higher growth and/or inflation – Large net issuance increase – Fed likely to begin tapering in Q1 22

Source: Standard Chartered Global Investment Committee

Legend: ▲ Most preferred | ▼ Less preferred | ◆ Core holding

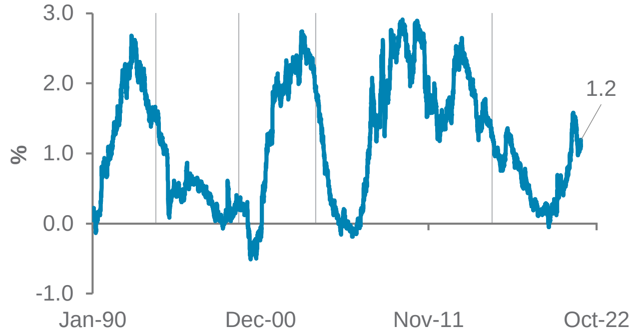
What does the Fed's latest guidance on tapering mean for government bond yields?

The firmer guidance around tapering in the latest FOMC meeting does not come as a surprise. While Fed comments appear to suggest modestly earlier timetable for tapering than market expectations, tapering itself is unlikely to have a significant market impact, in our opinion.

What stands out to us is the latest Fed dot plot projection, which indicates that the Fed could potentially begin hiking rates in late 2022 and potentially hike rates 3-4 times by end-2023. The more hawkish dot plot, along with recent data improvements, has led to a sharp surge in US Treasury yields.

Fig. 18 Yield curve steepness peaks well ahead of Fed rate hike

Difference between 10y and 2y US Treasury yields. Grey lines indicate start of Fed hiking cycles



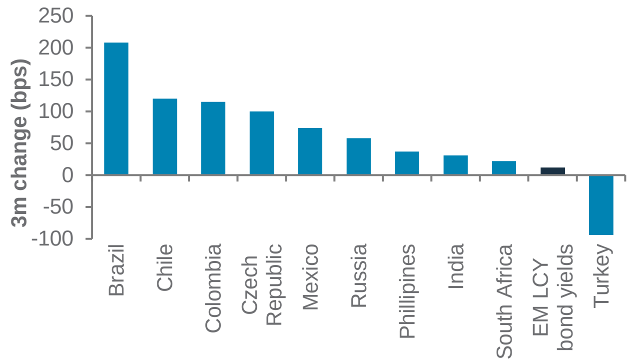
Source: Bloomberg, Standard Chartered

While we do not rule out a short-term overshoot of our 1.50%-1.75% range for the 10-year US government bond yield, we believe there are two key takeaways for investors

1. Historically, the steepness of the yield curve has typically peaked well in advance of the commencement of a hiking cycle. Hence, we believe the US government yield curve is unlikely to steepen materially over the next 12 months.

Fig. 19 EM local currency bond yields are expected to rise as markets price in rate hikes

Change in 2y interest rate expectations over the last three months for various EM countries



Source: Bloomberg, Standard Chartered

2. Several EM central banks are likely to hike rates given the backdrop of stronger growth and elevated inflation. We thus expect EM local currency bond yields to rise further, offsetting the potential FX appreciation should USD depreciate in line with our expectations. Given the dimmer return outlook and high volatility of the asset class, we downgrade them to less preferred.

How do the recent developments in the China property sector impact Asian USD bonds?

Concerns around China Evergrande's potential default and the spill-over effects have dominated news headlines and led to a sharp decline in China property developer bonds. Despite the negative headlines, we retain a favourable view of Asian USD bonds for the following reasons:

1. The aggregate credit quality for Asian USD bonds remains high (BBB+ on average). Over 75% bonds within Asian USD bond space are Investment Grade (IG) rated. The credit spreads for IG-rated bonds have been stable over the past month. In fact, China HY property bonds account for less than 10% of the overall market.

2. Apart from HY property developers, H1 results revealed strong EBITDA and revenue growth on average for Asian corporates. While still higher than pre-pandemic levels, the leverage for IG bond issuers and several sectors within the HY bond space has declined. Hence, while fundamentals for the property sector are arguably weak, it is important to not lose sight of the broader improvement.

3. Lastly, we believe the risk-reward for Asian USD bonds, especially HY bonds, is extremely attractive. As highlighted earlier (figure 20), credit spread for Asian HY bonds are extremely cheap, even if we exclude China Evergrande. Additionally, the ratio of HY to IG credit spreads is the highest in the last 10 years. Therefore, while we acknowledge the risk of further downside in the near term, we believe current valuations offer attractive entry points for long-term investors.

Fig. 20 Asian HY bonds are extremely cheap relative to IG-rated bonds

Ratio of JACI Asia USD HY/IG bonds spread-to-worst

Source: Bloomberg, Standard Chartered

Equity – at a glance

Daniel Lam, CFA
Senior Cross-asset Strategist

Fook Hien Yap
Senior Investment Strategist

Key themes

Global equities remain a preferred asset class on a 12-month horizon as we expect the global recovery to extend, central banks to remain focused on supporting economic growth and rising corporate and consumer spending to help drive earnings growth. The US remains a preferred market, with the Fed's increasing confidence in the US economy, combined with fiscal and infrastructure stimulus. The Euro area market is also preferred, with the catalyst of potentially more fiscal stimulus in Germany. A change in the government, opening the room for more stimulus, is also the reason why we upgrade Japan to a core holding.

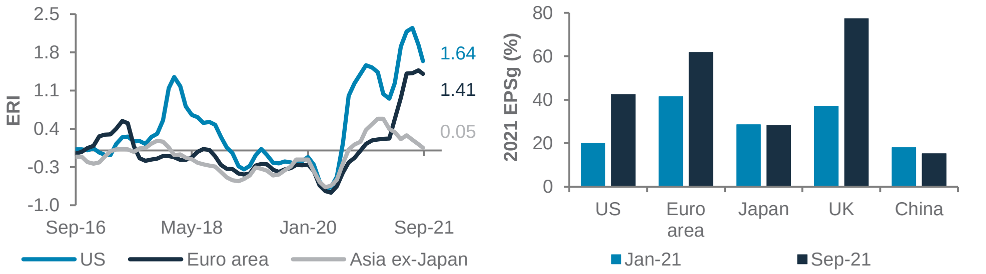
On the flipside, we downgrade Asia ex-Japan to less preferred from a core holding previously. Unlike the DM governments, the Chinese government is pushing through changes to companies due to the "common prosperity" initiative. This is leading to uncertainties in the markets, compared to most DM countries.

Key chart

US and Euro area continue to see strong upward revisions to earnings estimates, while China is a drag on Asia ex-Japan's earnings

Fig. 21 **Earnings revisions continue to be very positive in the US and Euro area, but flat in Asia ex-Japan amid downgrades in China's 2021 expected earnings growth**

Earnings Revision Indices (ERI); expected 2021 earnings growth, 1-Jan-2021 vs today



Source: MSCI, FactSet, Standard Chartered; Note: Earnings revision index (ERI) = (number of earnings upgrades/number of earnings downgrades – 1), taking 3m moving average

Preference order		The bullish case	The bearish case
	US equities ▽ ◇ ▲	+ Fiscal, infrastructure stimulus + Strong earnings + Innovative premium	– Valuation expensive – Tax reform – Non-US regions tilted more to cyclical/Value
	Euro area equities ▽ ◇ ▲	+ ECB dovish + Fiscal upside in Germany + Vaccination leader	– Lower RoE vs peers – Need global growth to sustain in order to outperform the US
	UK equities ▽ ◆ △	+ Attractive valuation + Value heavy + ESG inflow	– Post-Brexit trade uncertainties – Stronger GBP holding back gains – Household savings rise, but lag other regions
	Japan equities ▽ ◆ △	+ Fiscal stimulus from new PM + Attractive valuation + Cyclicals heavy	– Covid uncertainties – JPY firm vs USD
	Asia ex-Japan equities ▼ ◇ △	+ Attractive valuation + Light positioning + Growth differentials converge vs DM	– China uncertainties – Geopolitics – Less access to effective vaccines
	Within AXJ	India equities ▲ South Korea equities ◆	China equities ◆

Source: Standard Chartered Global Investment Committee

Legend: ▲ Most preferred | ▼ Less preferred | ◆ Core holding

DM over EM: Regulation clarity matters

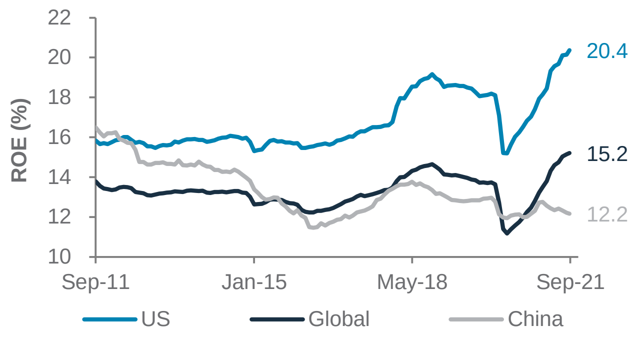
Our regional views are led by our continued confidence in Developed Market growth, in contrast with uncertainty over the path of regulatory tightening in China.

US and Euro area growth confidence, policy support. The Fed's confidence in the economy, continued steady earnings growth and policy support in the form of infrastructure stimulus are the key reasons why we like US equities.

The strong policy support, in stark contrast to China, can also be seen in the Euro area. The fresh catalyst is that a potential left-winged coalition in Germany means more room for fiscal stimulus. We believe this is going to provide fresh impetus for the region to outperform. (Japan has been upgraded to a core holding with the new leadership potentially a catalyst for an increased fiscal stimulus).

Fig. 22 The US generates superior returns on equity, one reason for its valuation premium

Consensus returns on equity in various regions

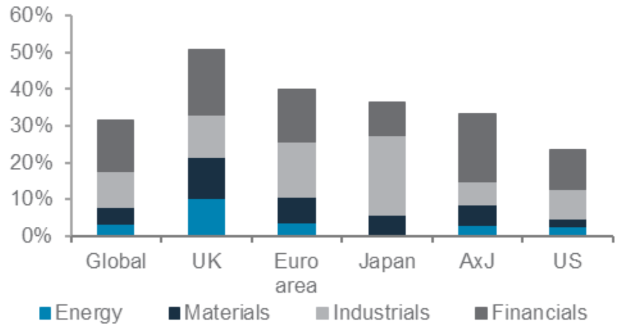


Source: MSCI, FactSet, Standard Chartered

Innovation premium. Another key reason of outperformance in these two regions lies in the "innovation premium". These two regions are heavy in stocks with long-term structural themes, such as fintech and semiconductors. Factors, such as the acute chip shortage, is likely to help the sector to remain strong against pullback from macro factors, such as rise in yields.

Fig. 23 The Euro area has a larger exposure to Value sectors than global equities

Value sectors (energy, materials, industrials, financials) as a percentage of the index



Source: MSCI, FactSet, Standard Chartered

Value rotation. Value sectors are cyclical in general, with attractive dividend yields or valuations at a discount to the broader market. We expect the Value style to outperform Growth during periods of rising growth and higher bond yields. Euro area is likely to benefit from this, with its heavy Value exposure. (UK is a core holding due to post-Brexit trade uncertainties and relative strength in the GBP).

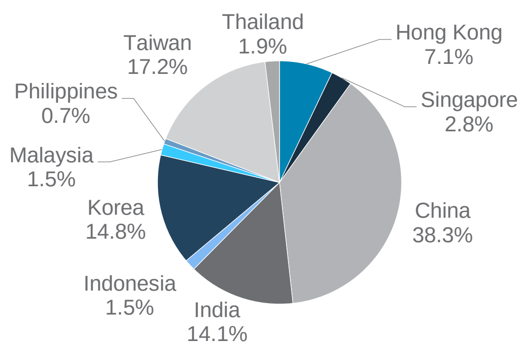
China uncertainties. We believe Asia ex-Japan is likely to underperform DM over a 6-12 month horizon due to uncertainties in China, which makes up close to 40% of the index. Compared with the last few months, the scope of the sectors that are affected by the drive to "common prosperity" has only been on the rise.

For investors, the main issue is that it is nearly impossible to quantify the impact of increased regulatory scrutiny on the outlook for earnings. Ongoing power shortage issues are also a near-term challenge. It is much easier to estimate DM earnings changes.

Moreover, the Chinese government appears to be more agnostic to the potential slowdown in the economy than many investors would have assumed a few months before. Thus, we expect China economic growth slowing to 5% in 2022.

Fig. 24 MSCI China includes c.40% of MSCI Asia ex-Japan

Composition of MSCI Asia ex-Japan by market weight



Source: MSCI, FactSet, Standard Chartered

We acknowledge that, having underperformed by 17% vs global equities YTD, there could be tactical rebounds in Asia ex-Japan equities; but on a 6-12 month horizon, the risk-reward lies in our preferred markets, the US and Europe.

We believe offshore China equities are likely to perform in line with Asia ex-Japan and China onshore equities are likely to outperform offshore ones, given offshore equities have more regulatory risks, in our opinion.

India remains our preferred market within Asia ex-Japan due to strong earnings growth and accommodative policies, while we have downgraded Korean equities to core holding within Asia ex-Japan.

Equity sector strategy

Fook Hien Yap
Senior Investment Strategist

Focus on Value, reopening and policy matters

US

Preferred sectors: Financials, healthcare, energy

US healthcare is upgraded to preferred. The sector trades at a 14% discount to the market, which is wider than the historic average of a 4% discount. Earnings momentum is improving as hospital visits delayed by the pandemic resume. Changes to drug pricing policies remain a risk, but do not seem to be a priority for the Biden administration now.

US financials remain preferred. We expect continued strength of the US economy and higher bond yields to support financials' interest income. Buybacks are also supportive, and valuations for the sector remain relatively low. The 12-month forward P/E of 14x is a 36% discount to the market, compared with a historic average discount of 24%.

US energy remains preferred. A reflationary background favours the sector, while global economic reopening should boost energy demand. The oil price is also sustained by the disciplined supply from OPEC+. Energy sector equities have lagged the oil price recovery significantly, with opportunity for a catch-up, in our view.

Europe

Preferred sectors: Financials, technology, industrials, energy

Europe industrials is upgraded to preferred. Capex growth, supported by strong corporate earnings, is expected to bulk up the order books of industrial companies. The sector also benefits from governments' infrastructure and green transition spending, while a reopening would support the aerospace- and transportation-related assets.

Fig. 25 **Value sectors tend to outperform Growth sectors when yields are rising, which we expect will play out for the next 6-12 months**

Ratio of MSCI AC World Value/MSCI AC World Growth and the US 10y government bond yield

Source: FactSet, Standard Chartered

Europe financials remain preferred. The ECB has removed dividend and buyback restrictions after Sep-2021, a positive signal for the sector, in our view. We also expect higher bond yields to drive a broad rotation into Value style equities, benefitting the financials sector.

Europe energy remains preferred. The sector also benefits from a rotation to Value and we believe there is opportunity for the sector to catch up with the oil price recovery.

Europe technology remains preferred. A large segment of the sector (over 40%) is exposed to the semiconductor market, where cyclical and structural demand remains strong. The persistent shortage in semiconductors could extend to 2022. Semiconductor companies' valuations are also less vulnerable to the impact of higher yields.

China

Preferred sectors: Technology, industrials, energy

China technology[1] is upgraded to preferred. The sector primarily includes hardware and semiconductor companies, where their growth is aligned to government policies for technology self-sufficiency and stronger local manufacturing.

China industrials remains preferred. We see the sector is aligned to policymakers' target for increasing domestic high-end manufacturing and expanding the supply chain expertise for growth industries such as EVs.

China energy remains preferred. The sector is supported by elevated oil prices benefitting producers. With energy security important to policymakers, we see the sector as relatively shielded from regulatory uncertainty in the next 6-12 months.

Fig. 26 **Our preferred sectors (highest rated on top)**

US	Europe	China[1]
Financials	Financials	Technology
Healthcare	Technology	Industrials
Energy	Industrial	Energy
	Energy	

Source: Standard Chartered

Note: 1. Largest stocks in MSCI China Technology are Xiaomi, Sunny Optical, Xinyi Solar. Largest stocks in MSCI China Discretionary are Alibaba, Meituan, JD.com. Largest stocks in MSCI China Communication Services are Tencent, Baidu, NetEase.

FX – at a glance

Manpreet Gill
Head, FICC Investment Strategy

DJ Cheong, CFA
Investment Strategist

Key themes

We expect the counter-cyclical USD to weaken over a 12-month horizon and the EUR, AUD, NZD and GBP are our preferred currencies. Fiscal stimulus in the US, Euro area and Japan should support global growth. China may continue to de-leverage and implement regulatory changes, but is also likely to add policy stimulus to avoid a sharp drop in growth. Relative real rates should also weigh on the USD. We expect broad central bank policy tightening. The RBNZ, BOE and BOC may hike rates well before the Fed, and despite low expectations for ECB and BoJ policy changes, even a mild hawkish surprise could have a strong impact. Large US twin deficits could accelerate momentum once the USD decline begins. Key risks to our view are a further hawkish shift in the Fed's reaction function that effectively abandons Average Inflation Targeting (AIT), failure of Chinese policy to prevent sharply lower growth and disappointing fiscal policy initiatives in Germany, the Euro area and Japan.

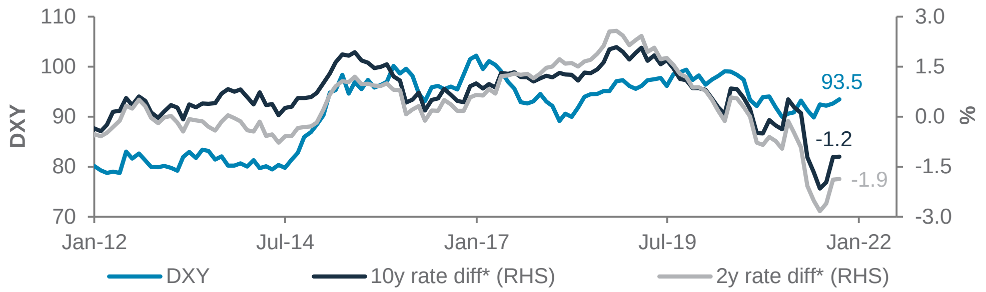
Short-term, choppy range-bound trading may extend as key risk concerns play out and markets react to economic data. The USD is testing key technical support levels. A sustained USD index (DXY) break above 95 suggests a possible capitulation of short USD positions could be seen before stabilisation and the start of the expected medium-term decline.

Key chart

DXY has not yet responded to the negative shift in relative real interest rates. We expect the USD to fall unless the Fed shifts its reaction function and abandons AIT. DXY resistance around 95 should hold near term. A break below 91 could signal deeper losses ahead

Fig. 27 **The USD did not decline as real yield differentials fell**

USD index (DXY) chart with USD index-weighted 2y and 10y real rate differentials



Source: Bloomberg, Standard Chartered; *Government bond yields deflated by respective CPI indices

Fig. 28 **Summary of major currency drivers**

12-month outlook	The bullish case	The bearish case	12-month outlook	The bullish case	The bearish case
USD (DXY) ▼	+ Relative economic growth and less AIT + Safe-haven in a risk-off event	– Fed AIT policy and ample USD supply – US twin deficits and global growth	USD/ JPY ◆	+ Rising nominal US Treasury yields + Weak safe-haven demand for JPY	– Narrowing real yield differentials – Currency hedging of offshore assets
EUR/ USD ▲	+ More aggressive EU fiscal stimulus policy + China stimulus boosts global growth	– Fiscal stimulus disappoints – ECB forced to remain ultra-dovish	USD/ CNY ◆	+ Regulatory and policy uncertainty + Slow credit impulse and fiscal stimulus	– CGB yields; capital & reserves inflows – Strong exports; controlled imports
GBP/ USD ▲	+ Capital inflows seeking value + Likely higher bond yields	– Resurgence of post-Brexit risks – Threat of move to fiscal austerity	USD/ CAD ◆	+ Oil, commodity price dependency + Faster growth may be priced in	– Global growth positive for trade – Bank of Canada remains hawkish
AUD/ USD ▲	+ Global growth and commodity prices + Stronger post-lockdown demand	– RBA may lean against AUD rise – China demand and China tensions	NZD/ USD ▲	+ Hawkish RBNZ as growth rises + Terms of Trade; undervalued	– Lagging vaccination rates; slow opening – Fast RBNZ hiking cycle may end

Source: Standard Chartered Global Investment Committee

Legend: ▲ Most preferred | ▼ Less preferred | ◆ Core holding

Consolidation should lead to USD weakness

We expect further bouts of volatility and range-trading in the coming months to ultimately lead to a broadly weaker USD.

EUR/USD could test key support around 1.15 near term, but we expect the pair to rally towards 1.23 over 12 months. The new German coalition government will likely be pivotal in addressing fiscal policy expansion that also allows slow ECB policy normalisation. The EUR would be vulnerable if China fails to provide sufficient stimulus to stabilise domestic and global growth. **GBP/USD could test strong technical support around 1.32 near term. Our 12-month expectations for a GBP rise are tempered at 1.41.** A more hawkish BoE policy to combat rising inflation pressure could hamper growth. Post-Brexit and Scottish independence could weigh on the GBP as broad economic growth improves.

Fig. 29 **A new German coalition may re-set fiscal policy, EU fiscal unity and trigger EUR recovery**

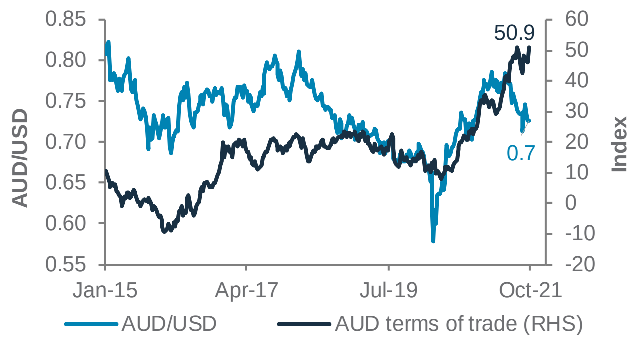
EUR/USD with 200-DMA

Source: Bloomberg, Standard Chartered

AUD/USD is likely to find strong support at 0.70–0.71 and we expect steady gains towards 0.77 over the next 12 months. The AUD has been depressed by lockdowns and low vaccination rates, but Australia remains attractive from a Terms of Trade perspective. This headwind is likely to lift in Q4 as vaccination rates pick up, and the RBA has stayed on course to taper monetary support ahead of the Fed. Risks to AUD strength are centred around China growth momentum and bilateral China tensions. **NZD/USD support around 0.67–0.68 should hold before the cyclical rally resumes towards 0.74 within 12 months.** The RBNZ is likely the most hawkish G10 central bank as the economy surges and inflation rises. Terms of Trade are also positive, but we are also watching relatively low vaccination rates that could weigh on the recovery in tourism. A faster hiking cycle could mean that NZD gains are front-loaded over the next 3-6 months.

Fig. 30 **AUD/USD can rally on global growth, attractive Terms of Trade and more hawkish RBA**

AUD/USD vs Australian Terms of Trade* index



Source: Bloomberg, Standard Chartered
*The ratio of the index of export prices vs import prices

Regulatory uncertainty and economic rebalancing are current concerns, but overall, **we look for a range-bound USD/CNY around 6.45.** We expect a policy mix that continues to enable overarching political objectives but also prevents widespread contagion and ensures social stability. The structural shift towards CNY currency and CGB holdings for investors and reserves management should cap rallies. **USD/JPY should remain range-bound around the 110 level,** although the JPY is cheap by various measures and likely oversold. Surprisingly, real yield differentials have not pushed USD/JPY lower, but this could change soon. A new Japanese prime minister and election could see a shift to more aggressive fiscal policy as the BoJ stands aside.

Fig. 31 **Summary of Asian currency drivers**

12-month outlook	USD/SGD ▼	USD/INR ▼	USD/MYR ▼	USD/KRW ▼
The bullish case	+ Risk of new COVID variants, slow opening + SGD fairly valued and MAS neutral Oct & Apr	+ High asset valuations; RBI cooling policies + RBI intervention; risk of rising oil prices	+ China dependency and commodity prices + Central bank may lean against MYR strength	+ Reliance on the trend of USD and CNY + Sensitivity to negative risk sentiment
The bearish case	– USD/SGD is a good regional proxy for broad USD weakness – High vaccination rates augur growth once border policy relaxes	– Trend for capital inflows into bonds and equities can extend – Strong FX reserves and contained current account deficit	– Faster vaccinations and regional growth; Onshore short MYR – MYR undervalued on REER basis and rising real rates supportive	– KRW is cheap vs exports; equity outflows reversal helps KRW – BoK likely to hike soon and rate differentials to favour KRW

Source: Standard Chartered Global Investment Committee

Legend: ▲ Most preferred | ▼ Less preferred | ◆ Core holding

Gold, crude oil – at a glance

DJ Cheong, CFA
Investment Strategist

Key themes

Mixed fundamentals in gold. Although gold remains a core holding from a portfolio context, we now expect the precious metal to trade sideways over the next 6-12 months. Broad USD weakness should be a supportive factor for the precious metal as physical markets (ie, jewellery) continue their recovery. Gold also remains a good portfolio diversifier. However, we believe gold's gains will likely be capped by higher US inflation-adjusted yields (ie, increasing the opportunity costs of owning gold) as the Fed turns less accommodative.

Demand-side factors to underpin oil prices. We still expect oil prices to deliver moderately positive returns amid an orderly unwind of OPEC+ supply cuts, subdued US shale production and a broad-based improvement in global oil demand. We believe OPEC+ has a strong incentive to continue managing the market amid a still-fragile recovery in global oil markets as COVID-19 risks lurk in the background. While non-OPEC+ supply growth could rebound next year, we believe this will likely be short-lived given the level of under-investment. Oil markets should remain in a deficit as the global growth recovery gathers steam.

Key chart

Gold can still deliver positive returns even in a scenario of rising US inflation-adjusted yields, as long as the USD weakens

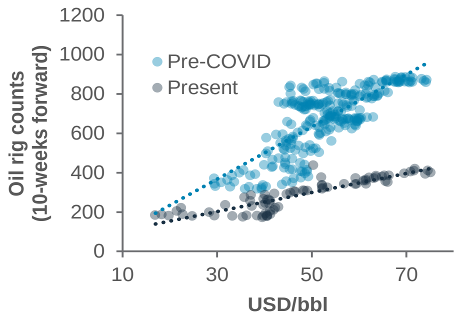
The mantra of capex discipline among US shale oil operators will likely persist, but moderately higher drilling activity poses an upside risk to supply growth

Fig. 32 **Getting inflation and the Fed's reaction function right is key for gold**

52-week gold return distributions (%) in different inflation-adjusted* yield regimes

Fig. 33 **US rig counts could rise even though capex discipline is here to stay**

US oil rigs*** vs WTI crude oil prices (front-end; USD/bbl) in different environments



Source: Bloomberg, Standard Chartered
*Proxied by 10y US Treasury Inflation Protection Securities; Measured over a 52-week period
**Density plots are used to observe the distribution of a variable in a dataset
*** Pre-COVID (before the oil price plunge in February 2020)

	The bullish case	The bearish case
Gold ◆	+ Broad USD weakness (denomination effect) + Recovery in physical markets as consumer buying (ie, jewellery) returns + Renewed demand from central banks + Portfolio/fiat currency debasement hedge qualities	– Higher inflation-adjusted yields as Fed turns less accommodative – Already well-anchored inflation expectations – Speculative disinvestment/ subdued ETF flows could continue to pressure gold

	The bullish case	The bearish case
Crude oil ◆	+ A broad-based recovery in global oil demand/trade + Continued capex discipline among shale oil operators + Incentives for OPEC+ to manage oil supply + Weather-related factors + Renewed geopolitical tensions within the Middle East	– Waning OPEC+ compliance as oil prices rise – Rising drilling activity could result in higher-than-expected supply – Still fragile and uneven recovery in oil demand – Markets may not be able to absorb the return of Iranian oil

Source: Standard Chartered Global Investment Committee

Legend: ▲ Bullish | ▼ Bearish | ◆ Range-bound

Alternatives – at a glance

Trang Nguyen
Portfolio Strategist

Key themes

We see Alternative Strategies as a useful addition to a traditional, long-only equities/bonds allocation, offering exposure to sources of return that may not be directly accessible via long-only investments in stocks and bonds.

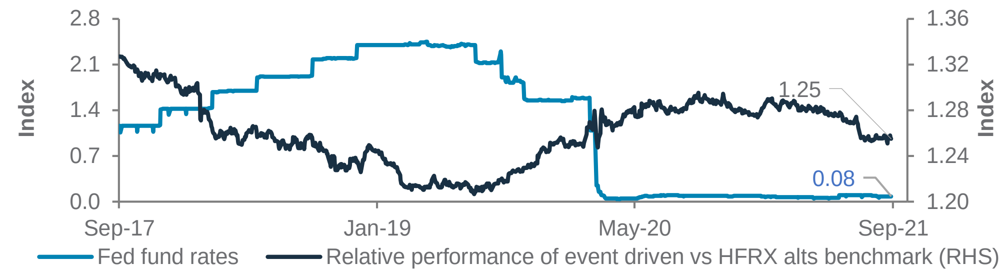
We continue to view Alternative Strategies as a core holding. Within Alternatives, Equity Hedge remains most preferred on the back of (1) an improved growth outlook, which should be supportive for corporate earnings and (2) wider dispersion in performance across equity sectors and regions. Low intra-stock correlation due to varying degrees of recovery across regions and sectors globally can also create opportunities for Equity Hedge strategies. We have downgraded Event-driven strategies from most preferred to a core holding. While strong M&A activity has been supportive, rising fund costs stemming from potentially higher interest rates can create a headwind for Event-driven outperformance. For similar reasons, we continue to view Relative Value as least preferred. This strategy tends to struggle when interest rates rise. Expectations of higher commodities prices and a weaker USD over the medium term are supportive for Global Macro/CTA. However, as central banks around the globe start withdrawing stimuli, uncertainties in market conditions could create challenges for managers within this space.

A much weaker-than-expected equity market and a further tightening of liquidity conditions are the key risks to our views.

Key chart

While strong M&A activity has been positive for Event Driven, this strategy tends to struggle when interest rates rise

Fig. 34 **Higher interest rates are likely to create headwind for Event-driven strategies**
Relative performance of HFRX event driven vs global HFRX alternatives benchmark and Fed fund rate



Source: Bloomberg, Standard Chartered

Preference order		The bullish case	The bearish case
Equity Hedge	▽ ◇ ▲	+ Positive equity market outlook + Improved risk sentiment + Low intra-equity correlations	– Expensive equity valuations – Unexpected short-covering activity
Event Driven	▽ ◆ △	+ Positive M&A activity outlook + Positive corporate earnings outlook + Low funding cost, falling deal spreads	– Rising interest rates
Global Macro	▽ ◆ △	+ Clear broad market trends in commodities, currency markets + High credit/equity market stress	– Rising equity markets
Relative Value	▼ ◇ △	+ Low funding cost for leverages + Wide dispersion in credit sector performance for price discrepancies opportunities	– Rising interest rates – Tightening liquidity in credit markets – Spikes in bond market volatility

Source: Standard Chartered Global Investment Committee

Legend: ▲ Most preferred | ▼ Less preferred | ◆ Core holding

Technicals

Manish Jaradi
Senior Investment Strategist

US 10-year Treasury yield: Setting a base

The US 10-year Treasury yield has finally broken above a stiff resistance area – the 200-DMA – roughly coinciding with a horizontal trendline from August at 1.38%. The resistance area has capped the yield for weeks, and a break above is a bullish sign, raising the odds that the downturn from March could well be over. The break has opened the way towards key resistance around 1.50%-1.55%. This resistance is crucial for a medium-term higher-yield outlook to reassert. The probability is only growing after the recent bullish break.

Asian equities: Correction may not be over

While the slide in the MSCI Asia ex-Japan index has paused in recent weeks, it may be too soon to conclude that the seven-month long correction is over for two reasons. First, the bearish gap in late July on the weekly charts, associated with the break below the 50-WMA. As the accompanying chart shows, in the past, breaks below the 50-WMA have invariably opened the way towards the 200-WMA. The longer-term moving average currently stands at 722 (about 10% below the 30 September close).

Secondly, despite the rebound in early September, the index has failed to break above the 50-WMA. From a longer-term perspective, the upward-sloping 200-WMA and a new record high in 2021 suggests that the recent decline is a correction and is not enough to alter the long-term trajectory just yet. But the index may need to go lower before it regains strength.

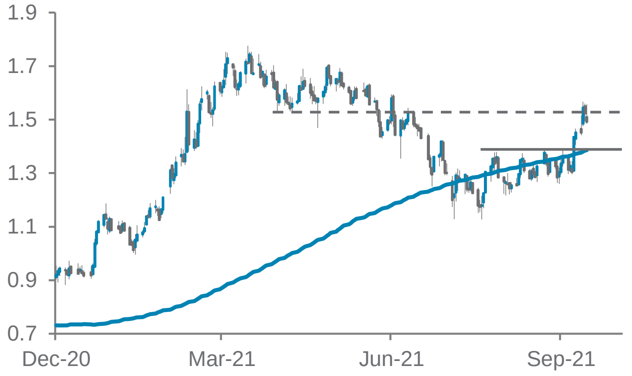
Euro area equities: Pause before new highs?

Following the bullish break earlier this year, the MSCI EMU index has more upside in the medium term. As the accompanying chart shows, the potential target of the five-year sideway pattern works out to about 173 (18% from 30 September close).

However, the index is looking overbought as it tests major resistance at the 2000 high of 154. The 14-month RSI has turned lower from near 70-levels that were associated with a pause in the index, but not enough to derail the uptrend. The index has quite strong support at 137-141, which could limit the decline and set the floor for an eventual break above the 2000 high.

Fig. 35 US 10-year Treasury yield: Setting a base

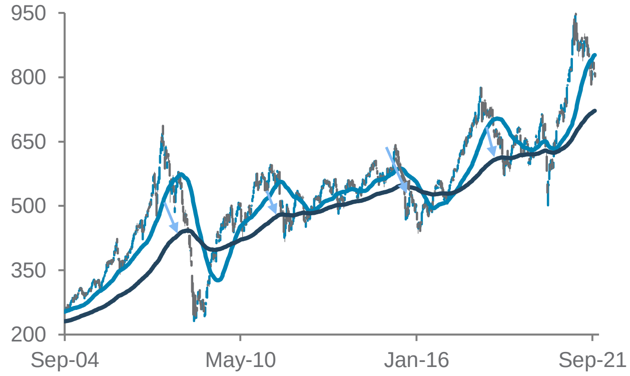
US 10y yield daily chart with 200-DMA



Source: Refinitiv, Standard Chartered

Fig. 36 Asian equities: Correction may not be over yet

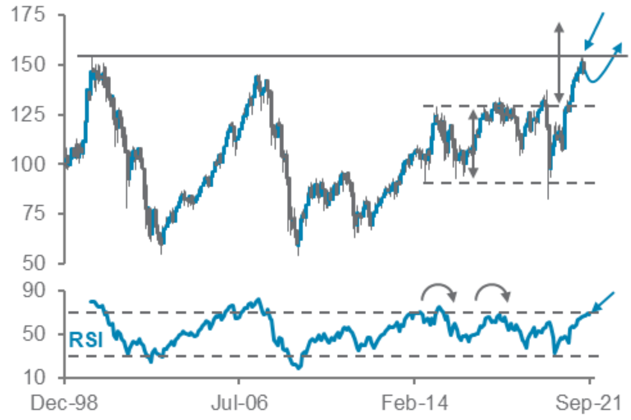
MSCI Asia ex-Japan index weekly chart with 50-WMA and 200-WMA



Source: Refinitiv, Standard Chartered

Fig. 37 Euro area equities: Pause before new highs?

MSCI EMU index monthly chart with RSI



Source: Refinitiv, Standard Chartered

Tracking market diversity

Francis Lim
Senior Quantitative Strategist

About our market diversity indicators

Our market diversity indicators help to identify a potential change in short-term trends due to a fall in market breadth across equities, credit, FX and commodities. When market diversity falls, it implies either buyers or sellers are dominating, leading to a rapid rise or fall in asset prices. This is usually unsustainable and is likely to be followed by a slowdown or a reversal. Our diversity indicator is based on a statistical index called fractal dimension; a value below 1.25 serves as a guideline that prices are rising or falling too fast.

Where is diversity falling or rising this month?

Based on our proprietary diversity indicator, we do not see imminent signs of price reversal across the assets we track, with exception for natural gas in the commodities basket and China sectors. Supply chain bottlenecks and rising demand have caused natural gas prices to more than double YTD (+132%). Our diversity indicator has worsened further from last month, signalling a higher risk of chasing the rally.

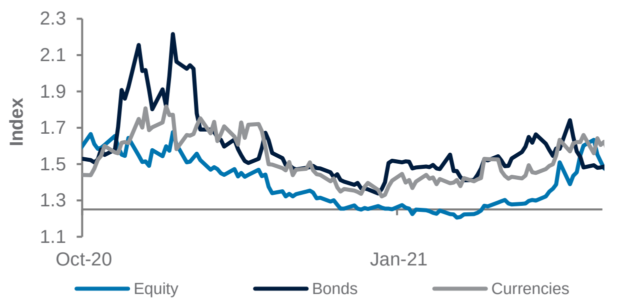
For equities, our indicator sees no visible crowding. This includes US and European equities, our preferred equity regions, which have risen 15% and 9.5% YTD. Our indicator does show increased crowding into Japanese equities, following recent optimism surrounding economic reopening and expectations of changes in Japanese politics.

Meanwhile, the recovery in bonds, especially in DM and EM credits since the first quarter of this year, has not triggered any red flags in our diversity indicator. This suggests the prevailing trends in the bond space are unlikely to be disrupted by a lack of investor diversity.

At the sector level, our diversity indicator is signalling a heightened likelihood of a reversal in the downtrend in China's technology- and property-related sectors. Having said that, we would be cautious about timing a reversal in this case given the risk of regulatory tightening overriding any diversity signal.

Fig. 38 Average market diversity score across equities, bonds and FX

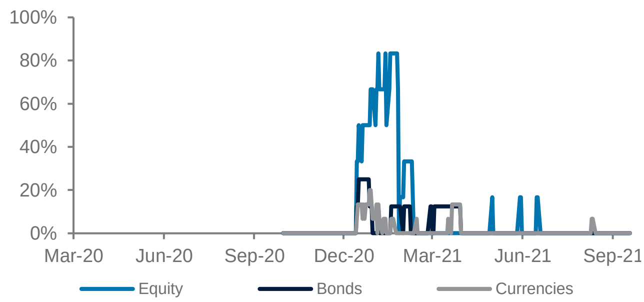
Market diversity is generally healthy



Source: Standard Chartered

Fig. 39 % of assets with diversity score <1.25

No red flags across key markets



Source: Bloomberg, Standard Chartered

Fig. 40 Healthy diversity at broad asset class level, but keep an eye on sectors

Level 1	Market diversity	30-day diversity trend
FTSE World Broad IG Bond	●	→
MSCI All Country World	●	↑
Gold	●	↑
HFRX Global Hedge Fund Index	●	↑
China Sectors		
Communication Services	◐	→
Real Estate	◐	→
Commodities		
Natural Gas	○	→

Source: Bloomberg, Standard Chartered; data as on 27 September 2021

Legend: ○ Very low ◐ Low/moderate ● High

Asset allocation summary

		ASIA FOCUSED				GLOBAL FOCUSED			
Summary	**View**	**Conservative**	**Moderate**	**Moderately Aggressive**	**Aggressive**	**Conservative**	**Moderate**	**Moderately Aggressive**	**Aggressive**
Cash	▼	16	7	3	0	16	7	3	0
Fixed Income	◆	60	36	26	7	60	36	26	7
Equity	▲	24	43	57	84	24	43	57	84
Gold	◆	0	5	4	4	0	5	4	4
Alternatives	◆	0	10	9	4	0	10	9	4
Asset class									
USD Cash	▼	16	7	3	0	16	7	3	0
DM Government Bonds	▼	3	2	1	0	4	2	2	0
DM IG Corporate Bonds	▼	6	3	2	1	8	5	3	1
DM HY Corporate Bonds	▲	12	7	5	1	17	11	8	2
EM USD Government Bonds	▲	14	8	6	2	11	7	5	1
EM Local Ccy Government Bonds	▼	8	5	4	1	7	4	3	1
Asia USD Bonds	▲	17	10	7	2	13	8	6	2
North America Equities	▲	10	18	24	35	15	27	36	53
Europe ex-UK Equities	▲	6	11	15	21	3	5	7	10
UK Equities	◆	1	2	3	4	1	2	3	4
Japan Equities	◆	1	2	3	4	1	2	2	4
Asia ex-Japan Equities	▼	3	6	8	12	2	4	5	7
Non-Asia EM Equities	◆	2	4	5	8	2	4	5	7
Gold	◆	0	5	4	4	0	5	4	4
Alternatives	◆	0	10	9	4	0	10	9	4

All figures in %. Source: Standard Chartered

Note: Allocation figures may not add up to 100 due to rounding

Legend: ▲ Most preferred | ▼ Least preferred | ◆ Core holding

Calls summary

Fig. 41 **Performance of key themes since *Outlook 2021***

	Calls	Open date	Close date	Absolute	Relative
Level 1	Cash to underperform asset classes	13-Dec-20	**Open**		✓
	Global government bonds to underperform asset classes	13-Dec-20	**Open**		✓
	Credit to outperform asset classes	13-Dec-20	25-Feb-21		✗
	Global equities to outperform asset classes	13-Dec-20	**Open**		✓
	Credit to underperform other level 1 asset classes	29-Apr-21	27-May-21		✗
	Gold to outperform other level 1 asset classes	27-May-21	24-Jun-21		✗
Bonds	DM IG government bonds to underperform global bonds	13-Dec-20	**Open**		✓
	EM LCY government bonds to outperform global bonds	13-Dec-20	25-Feb-21		✓
	DM IG corporate bonds to underperform global bonds	13-Dec-20	**Open**		✗
	DM HY corporate bonds to outperform global bonds	13-Dec-20	**Open**		✓
	EM USD government bonds to outperform global bonds	13-Dec-20	**Open**		✓
	Asia USD bonds to outperform global bonds	13-Dec-20	**Open**		✓
	EM LCY government bonds to underperform global bonds	30-Sep-21	**Open**		–
Equities	US equities to outperform global equities	13-Dec-20	**Open**		✓
	Euro area equities to outperform global equities	13-Dec-20	25-Feb-21		✓
	Japan equities to outperform global equities	13-Dec-20	29-Apr-21		✗
	Asia ex-Japan equities to outperform global equities	13-Dec-20	29-Apr-21		✗
	China offshore equities to outperform Asia ex-Japan equities	13-Dec-20	25-Mar-21		✗
	China onshore equities to outperform Asia ex-Japan equities	13-Dec-20	24-Jun-21		✓
	South Korea equities to outperform Asia ex-Japan equities	13-Dec-20	30-Sep-21		✗
	Euro area equities to underperform global equities	25-Mar-21	27-May-21		✗
	UK equities to outperform global equities	25-Mar-21	30-Sep-21		✗
	India equities to outperform Asia ex-Japan equities	25-Mar-21	**Open**		✓
	Euro area equities to outperform global equities	27-May-21	**Open**		✗
	Japan equities to underperform global equities	27-May-21	30-Sep-21		✗
	Asia ex-Japan equities to underperform global equities	30-Sep-21	**Open**		–
Currencies	USD to weaken	13-Dec-20	**Open**	✗	
	EUR to strengthen against the USD	13-Dec-20	**Open**	✗	
	GBP to strengthen against the USD	13-Dec-20	**Open**	✓	
	AUD to strengthen against the USD	13-Dec-20	**Open**	✗	
	CNY to strengthen against the USD	13-Dec-20	27-May-21	✓	
	SGD to strengthen against the USD	13-Dec-20	25-Mar-21	✗	
	KRW to strengthen against the USD	13-Dec-20	**Open**	✗	
	INR to strengthen against the USD	13-Dec-20	25-Mar-21	✓	
	MYR to strengthen against the USD	13-Dec-20	24-Jun-21	✗	
	NZD to strengthen against the USD	24-Jun-21	**Open**	✗	
	CAD to strengthen against the USD	24-Jun-21	30-Sep-21	✗	
	SGD to strengthen against the USD	30-Sep-21	**Open**	–	
	INR to strengthen against the USD	30-Sep-21	**Open**	–	
	MYR to strengthen against the USD	30-Sep-21	**Open**	–	

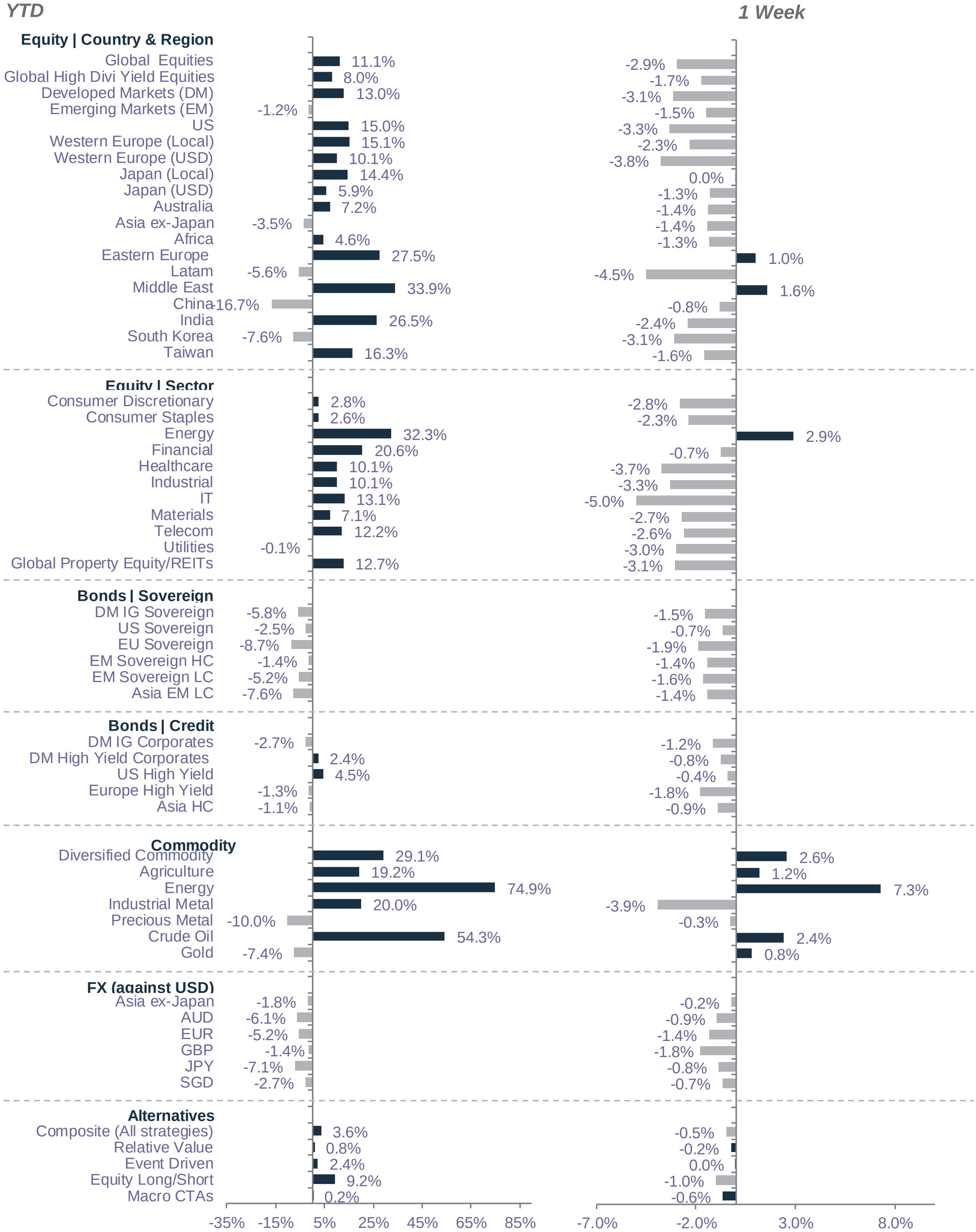
	Calls	Open date	Close date	Absolute	Relative
Alternatives	Equity Hedge to outperform Alternative Strategies	13-Dec-20	**Open**		✓
	Global Macro to underperform Alternative Strategies	13-Dec-20	24-Jun-21		✓
	Event Driven to outperform Alternative Strategies	25-Mar-21	30-Sep-21		✗
	Relative Value to underperform other Alternative Strategies	24-Jun-21	**Open**		✗
Themes	**Global Value to outperform global Growth equities**	**13-Dec-20**	**Open**		✓
	Race for Income – absolute return of income basket	**13-Dec-20**	**Open**	✓	
	Race for Income – vs. 4% yield target	**13-Dec-20**	**Open**	✓	
	USD to slump in 2021	**13-Dec-20**	**Open**	✗	
	Time for climate investing - average of component indices	13-Dec-20	**Open**	✓	
	• Circular Economy	13-Dec-20	24-Jun-21	✓	
	• Alternative Energy	13-Dec-20	**Open**	✗	
	• Solar	13-Dec-20	**Open**	✗	
	• Wind	13-Dec-20	**Open**	✗	
	• Water	13-Dec-20	**Open**	✓	
	Disruptive Innovation – average of components	13-Dec-20	**Open**	✓	
	• Internet of Things (IoT)	13-Dec-20	**Open**	✓	
	• Electric Vehicles	13-Dec-20	**Open**	✓	
	• Medical Technology	13-Dec-20	30-Sep-21	✓	
	• eSports / Online gaming	29-Apr-21	30-Sep-21		✗
	• Fintech	14-May-21	**Open**		✓
	In a world of yield-free risk – average of component indices	13-Dec-20	**Open**	✓	
	FTSE 250 to outperform FTSE 100	13-Dec-20	24-Jun-21		✓

Source: Bloomberg, Standard Chartered

Performance measured from 13 December 2020 (release date of our Outlook 2021) to 30 September 2021 or when the view was closed

Legend: ✓– Correct call; ✗ – Missed call; n/a – Not Applicable; '**Open**' indicates the call stays open going into 2021. Past performance is not an indication of future performance. There is no assurance, representation or prediction given as to any results or returns that would actually be achieved in a transaction based on any historical data.

Market performance summary*



Source: MSCI, JPMorgan, Barclays, Citigroup, Dow Jones, HFRX, FTSE, Bloomberg, Standard Chartered
*All performance shown in USD terms, unless otherwise stated
*YTD performance from 31 December 2020 to 30 September 2021 and 1 week-performance from 23 September 2021 to 30 September 2021

2021 key events

OCTOBER 2021

22	Deadline for Japan General Elections
28	BoJ policy decision
28	ECB policy decision

NOVEMBER 2021

1-12	UN Climate Change Conference in Glasgow
3	FOMC policy decision
4	BoE policy decision

DECEMBER 2021

Dec	China Annual Economic Work Conference
15	FOMC policy decision
16	BoE policy decision
16	ECB policy decision
17	BoJ policy decision
31	Iran's deadline for the US to end sanctions

JANUARY 2022

26	FOMC policy decision

FEBRUARY 2022

3	BoE policy decision
3	ECB policy decision

MARCH 2022

Mar	China National People's Congress session
9	South Korea Presidential election
10	ECB policy decision
16	FOMC policy decision
17	BoE policy decision
27	Hong Kong Chief Executive election

APRIL 2022

Apr	France Presidential elections
14	ECB policy decision

MAY 2022

4	FOMC policy decision
5	BoE policy decision

JUNE 2022

9	ECB policy decision
15	FOMC policy decision
16	BoE policy decision

JULY 2022

21	ECB policy decision
27	FOMC policy decision

AUGUST 2022

4	BoE policy decision

SEPTEMBER 2022

8	ECB policy decision
15	BoE policy decision
21	FOMC policy decision

OCTOBER 2022

27	ECB policy decision

NOVEMBER 2022

2	FOMC policy decision
3	BoE policy decision
8	US House/Senate elections

DECEMBER 2022

14	FOMC policy decision
15	ECB policy decision
15	BoE policy decision

Central bank policy | Geopolitics | EU politics

X – Date not confirmed | ECB – European Central Bank | FOMC – Federal Open Market Committee (US) | BoJ – Bank of Japan | BoE – Bank of England | RBA – Reserve Bank of Australia

Our key advisory publications

ANNUALLY

Annual Outlook

MONTHLY

Global Market Outlook

WEEKLY

Weekly Market View

DAILY

Global Wealth Daily

AD HOC

Market Watch

360 Perspectives

Investment Brief

Annual Outlook – The Annual Outlook highlights our key investment themes for the year, the asset classes we expect to outperform and the likely scenarios as we move through the year.

Global Market Outlook – Our monthly publication which presents the key investment themes and asset allocation views of the Global Investment Committee for the next 6-12 months.

Weekly Market View – Our weekly publication which provides an update on recent developments in global financial markets and their implications for our investment views.

Global Wealth Daily is an early morning update of major economic and political events and their day-to-day impact on various assets classes the previous day.

Market Watch focuses on major events or market developments and their likely impact on our investment views.

360 Perspectives provides a balanced assessment of the outlook for an asset class. It presents both the positives and negatives of the asset class, as well as the major drivers, instead of offering a specific view.

Investment Brief explains the rationale behind our views on an asset class, incorporating the fundamental and technical drivers.

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