

# Market Outlook – Asset Class 1Q 2021



## Equities



Overweight

- The global economy is likely to continue its recovery from the COVID-19 related shock in 2021. The prospect of vaccines on the horizon has boosted hopes of an end to the pandemic-wrought downturn
- Global monetary policy remains as easy as it has ever been and will remain accommodative in the future. Negative real interest rates, forward guidance and balance sheet will be used to keep risk premia suppressed
- Global financial conditions reached a new high with ample liquidity flowing towards the capital market and acting as a backstop for equities
- On fundamentals, aggregated bottom-up earnings estimates show that several markets are projected to exceed their pre-COVID (2019) EPS by end-2021
- Fund flows are expected to support the general high valuations with more strategic reallocation towards equities from money market and bonds



## Fixed Income



Slightly Underweight

- Government yield curve is likely to steepen driven by expectations on the ongoing economic recovery
- Fed's dovish tilt through a revised inflation targeting framework is likely to anchor interest rates at record-low level for a few years
- Central bank's bond purchases and accommodative stance is likely to attract further flows into corporate bonds



Overweight



Slightly Overweight



Neutral



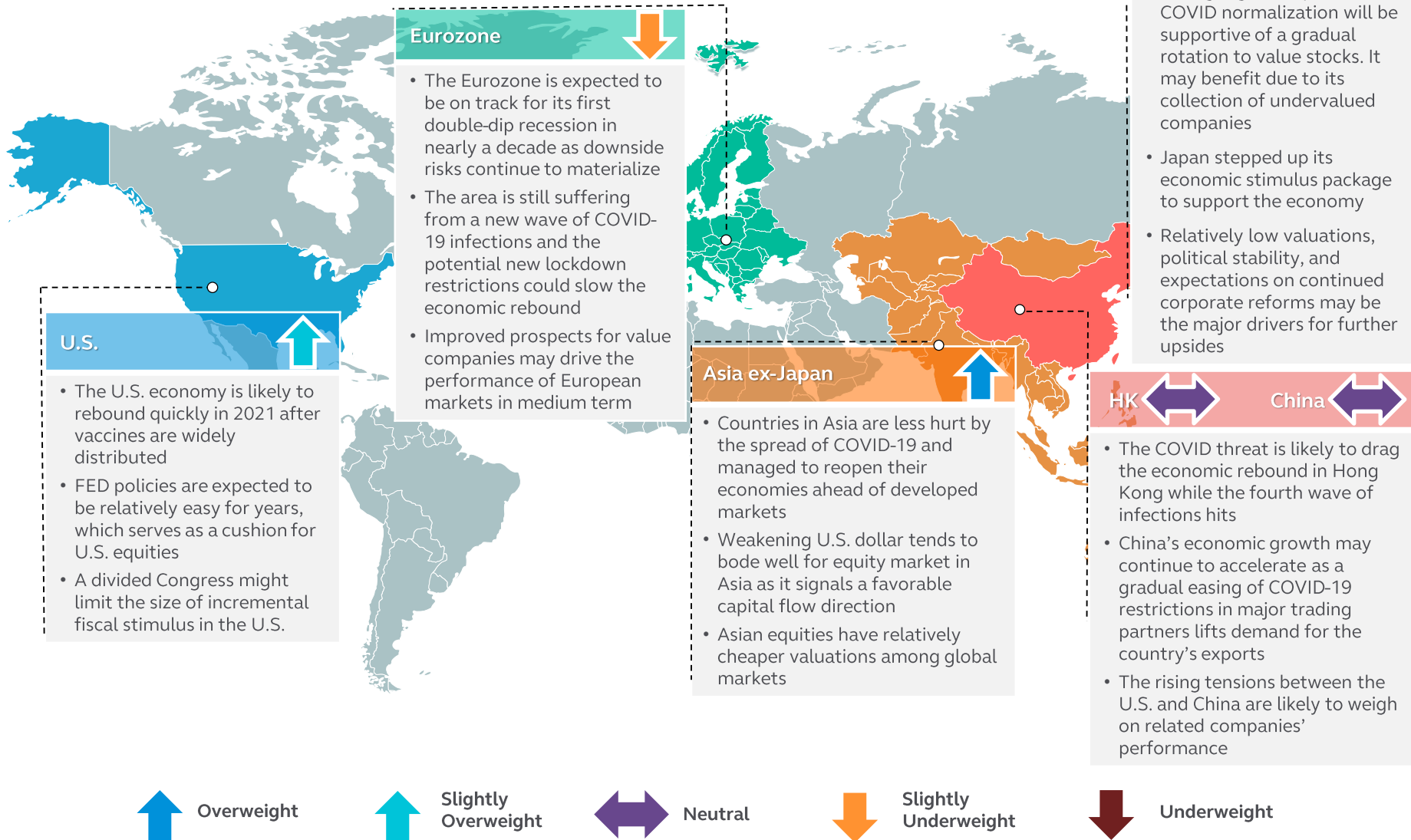
Slightly Underweight



Underweight

Source: Principal Asset Management Company (Asia) Ltd. & Principal Global Investors – Principal Global Asset Allocation.

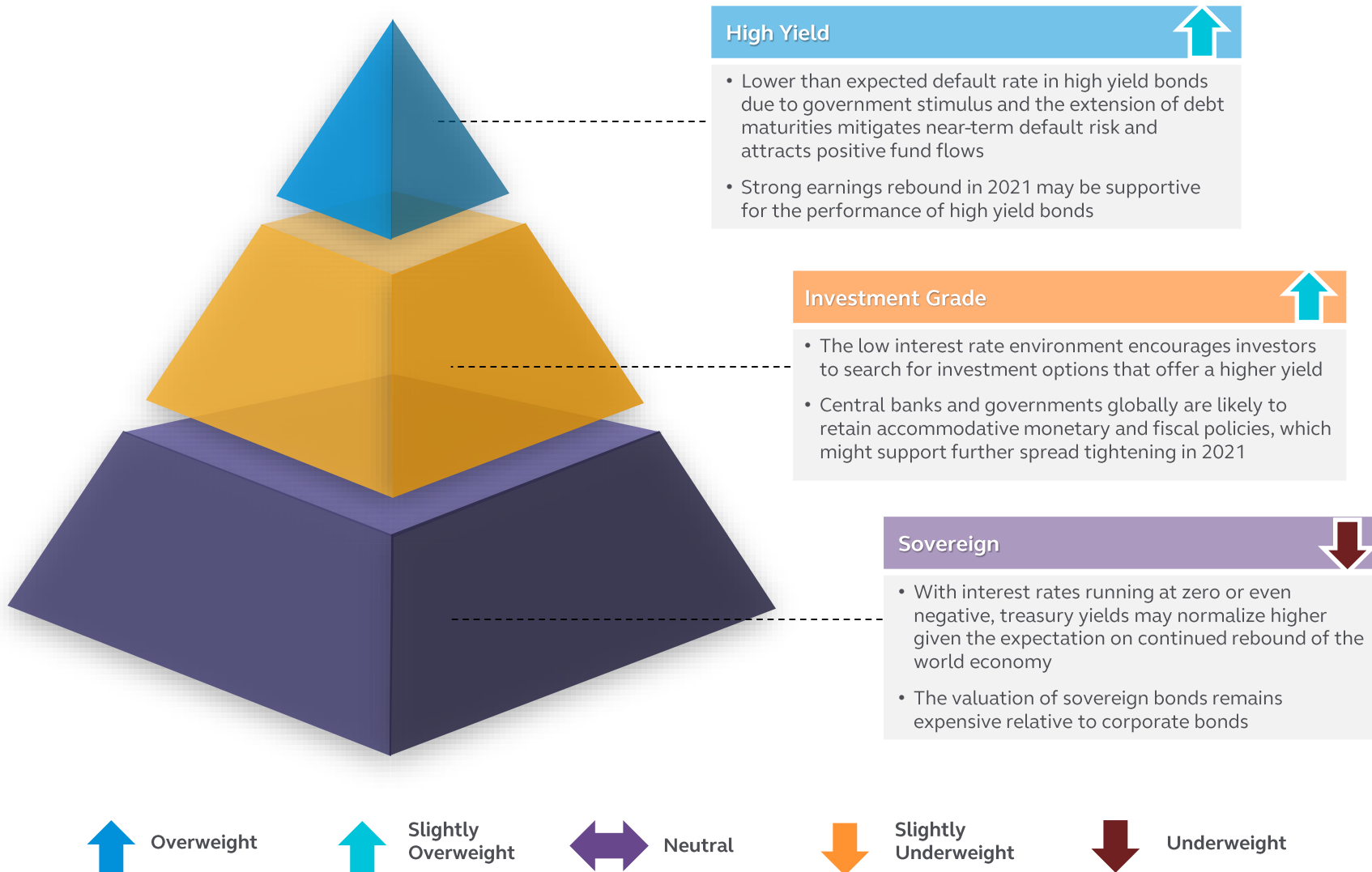
# Market Outlook – Equities 1Q 2021



Source: Principal Asset Management Company (Asia) Ltd. & Principal Global Investors – Principal Global Asset Allocation. The geographical classification of above listed equity markets is based on MSCI 2020 annual market classification review. For more information, please refer to <https://www.msci.com/market-classification>



# Market Outlook – Fixed Income 1Q 2021



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