

Market Outlook – Asset Class 1Q 2022



Equities

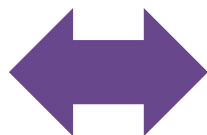


Slightly Overweight

- Although global economic growth continues to decelerate, the global economy should continue to expand with a rate higher than long-term average
- Global financial conditions are expected to tighten as central banks are prepared to withdraw some crisis-era monetary stimulus. Strong flows into equities continues
- Fundamentally, earnings growth expectations remain on a positive track, albeit at a much slower pace than 2021. While all major financial assets have higher valuations relative to history, equities remain relatively attractive and may provide positive real returns as inflation rises
- Longer than expected inflation overshoots may induce an earlier first Fed rate hike next year. A premature shift in monetary policy could create volatility to the stock market. China property-led economic slowdown and Omicron variant spreads are also key risk events to watch



Fixed Income



Neutral

- Government yields might rise moderately boosted by inflationary pressures and central banks tightening expectations
- The yield curve tends to flatten as investors price in a modest slowdown in recovery
- High yield bonds with higher spreads and shorter durations could act as a cushion against interest rate risk and may benefit from a still decent economic expansion



Overweight



Slightly Overweight



Neutral



Slightly Underweight

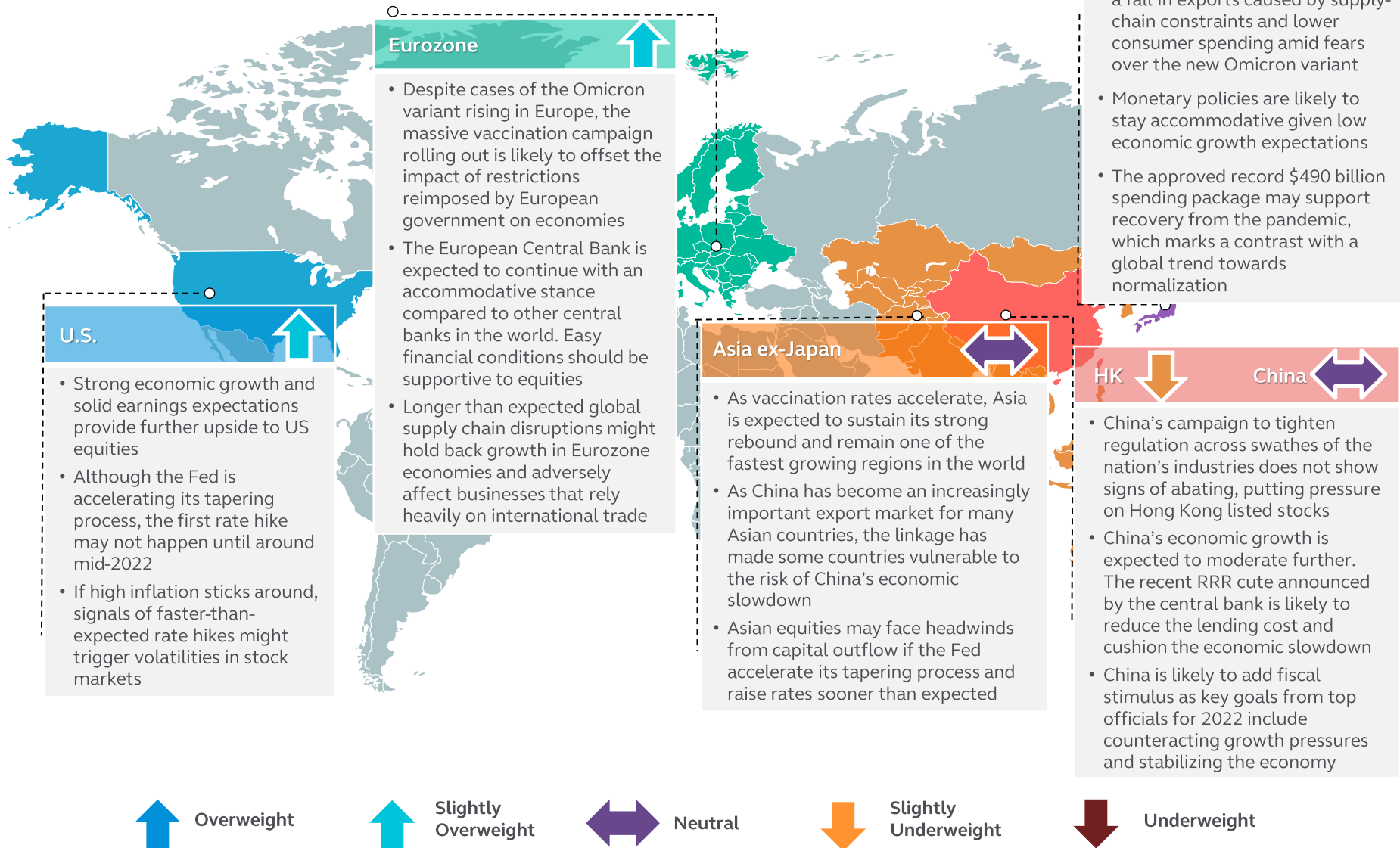


Underweight

Source: Principal Asset Management Company (Asia) Ltd.

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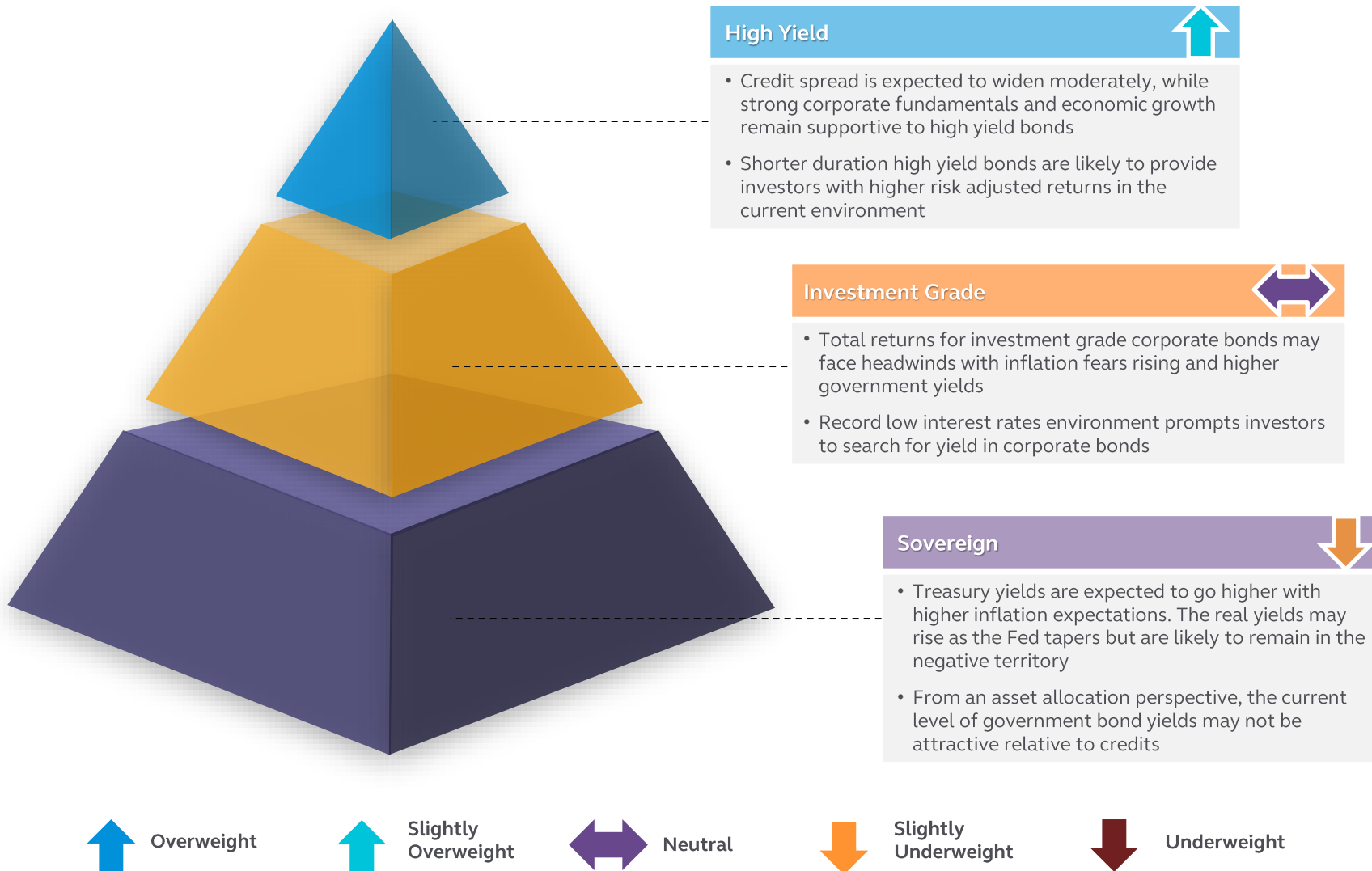
Market Outlook – Equities 1Q 2022



Source: Principal Asset Management Company (Asia) Ltd.
 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 2022



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