PC Financial (SG) Pte. Ltd.
寶鉅金融（新加坡）有限公司

Southeast Asia Edition

Heritage Account
2020 Q3 Global Investment Guide

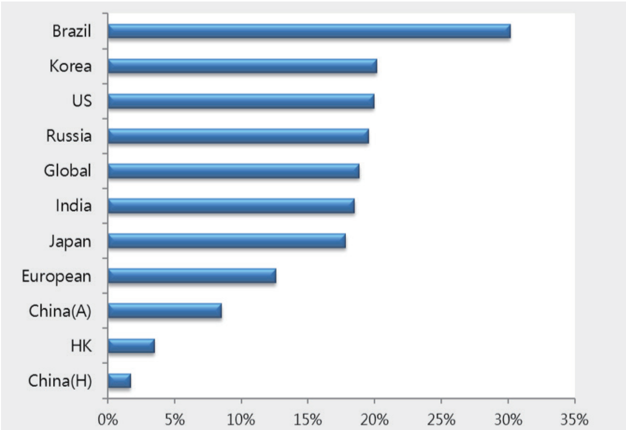

RIVER CRUISE
PC Financial (SG) Pte Ltd
寶鉅金融(新加坡)有限公司
PC iFAST Holding (SG) Pte Ltd
寶鉅奕豐控股(新加坡)有限公司

It was definitely historic. Global equities during the first quarter recorded the fastest 30% drawdown in history, followed by the largest 50-day advance in market history in the second quarter. The S&P 500 index was back above 3,200 on June 8 and the Nasdaq hit a record high on June 23. Meanwhile, commentators have been lining up to claim that markets are detached from fundamentals. In fact, the economic downturn caused by measures to contain the spreading of coronavirus is very different from past recessions, as it has been caused by a deliberate lockdown and not by imbalances in the economic or financial system.

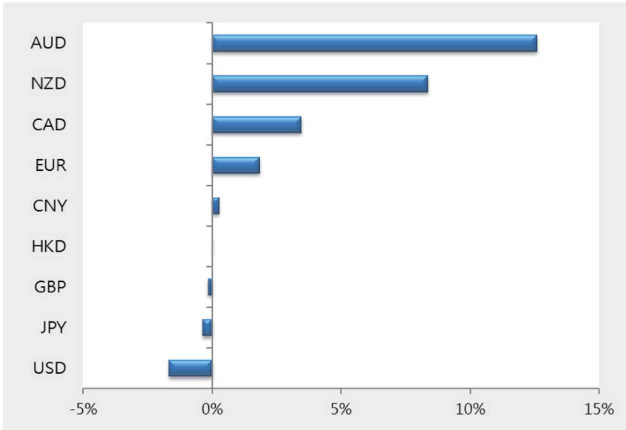
On a macro level, this also means that we are more likely to see a recovery in corporate earnings before we see a broader economic rebound. Based on data from previous recessions, we know that corporate earnings - on average - take 27 months to recover the lowest point it reached during contraction. The equivalent recovery period for economic growth, in comparison, is 58 months. For this reason, we have a more optimistic view on equity markets in the medium term than the economic environment.

The lockdown imposed during the corona crisis had very tangible implications for a large part of societies worldwide, reminding us of the fragility of our economic systems in the face of unfamiliar shocks. On the other hand, for those who are already invested, the crisis might have served as an opportunity to deepen market participation, as the field of investments matures and a greater variety of options becomes available. As your private professional wealth manager, we are committed to our mission to continuously create value for our customers. We aim to safeguard our clients' wealth by delivering sustainable and steady returns, and accomplish our core mission goals for our clients. We construct asset allocation and implement our investment strategies with care and diligence, striving to help our customers navigate their way through the unpredictable financial markets.

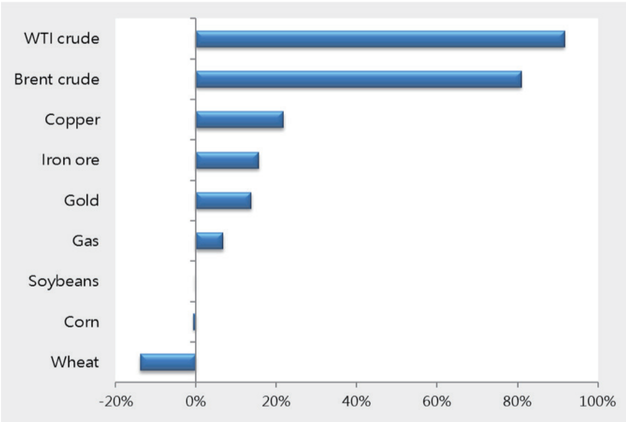
Markets' Performance in the Previous Quarter



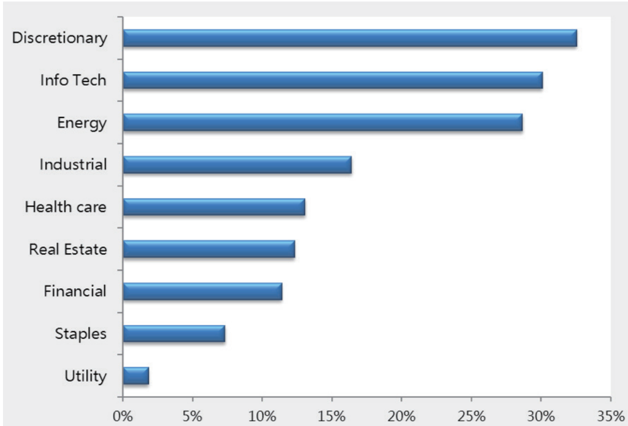
Global Equity Indexes



Major Currencies



Commodities



Sectors

Market Commentary on Previous Outperformers and Underperformers

Outperformers: Brazil, Crude Oil, Australia Dollar

As one of the countries experiencing the worst novel coronavirus outbreaks in the world, the Brazil equity market has performed solidly, rebounding from the bottom of 63,569 points on March 23 to 95,055 points on June 30. The Brazilian central bank cut its benchmark interest rate by 75 basis points to a record low of 2.25%, and added there is still room left for further monetary stimulus to support an economy ravaged by the coronavirus pandemic.

Global oil demand, especially gasoline demand in the U.S. has been recovering from April's lows, but it is still well below the levels typical for this time of the year. Crude oil prices found some support after sliding into negative territory. The rebound is partly due to the idea that the stimulus measures that central banks and governments are pumping into the economy is expected to have a positive impact on economic activity, thereby supporting crude oil demand.

Underperformers: China, US Dollar

Tensions between China and the U.S. remained a focal point for investors. Also, the border dispute between India and China resulted in volatility in the stock markets, due to tensions on further escalation of the dispute. More aggressive stimulus will be needed to support the resumption of China's normal operations, including more local government's investment in infrastructure, education and public health.

The greenback, when gauged using the Bloomberg US Dollar Index (DXY), kept trading within a rangebound pattern in place since mid-June and the upside was always capped at the 97.90 level. Markets are still focused on the developments of the coronavirus pandemic. The ongoing (and potentially additional) stimulus packages by the Federal Reserve limited the dollar's upside.

Quarterly Market Outlook

Investment Market	-2	-1	0	+1	+2	Key Points
Stock Market						
US			X			The market is likely to see rangebound trading with greater volatility
Europe				X		The introduction of European Recovery Fund to boost EU's spirit of unity.
Japan		X				Worst is over, but still a long way to recovery.
China				X		Laggard play plus attractive relative valuations.
North Asia		X				Expect continuation of volatility ahead.
Southeast Asia			X			Stable local currency due to abundant USD liquidity.
Other EM markets				X		Capital outflows reversal, currency stabilization, attractive valuations to benefit EM.
Fixed Income						
US/EU Bond Market			X			Riskier assets set to outperform safe haven choices, but downside risks aplenty.
EM Debts				X		Risk appetite is likely to rise in the short term.
Real Estate			X			Negative outlook for HK commercial property while residential demand still intact.
Commodities						
Energy			X			Expect rangebound trading.
Basic Metal				X		Strong Chinese demand to support prices.
Agriculture				X		Soybean benefits from 1st phase trade deal.

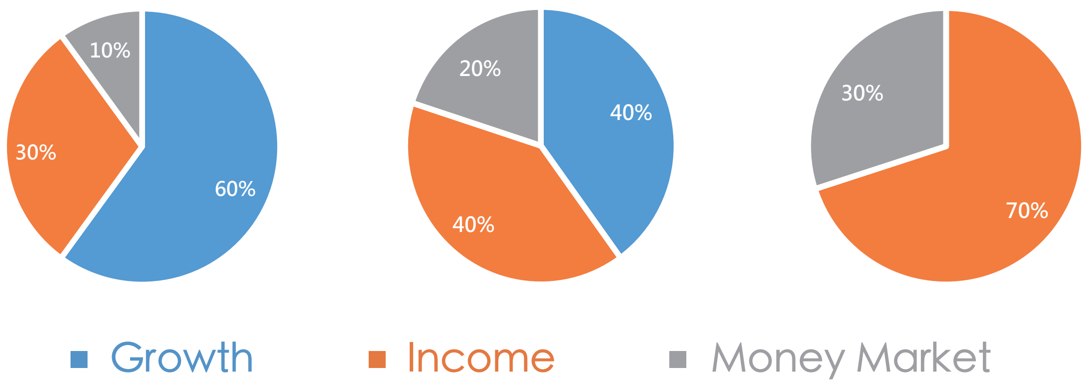
☆ -2 = Strong Sell；-1 = Underweight； 0 = Neutral； 1 = Overweight； 2 = Strong Buy

Portfolio Recommendations

Aggressive

Balanced

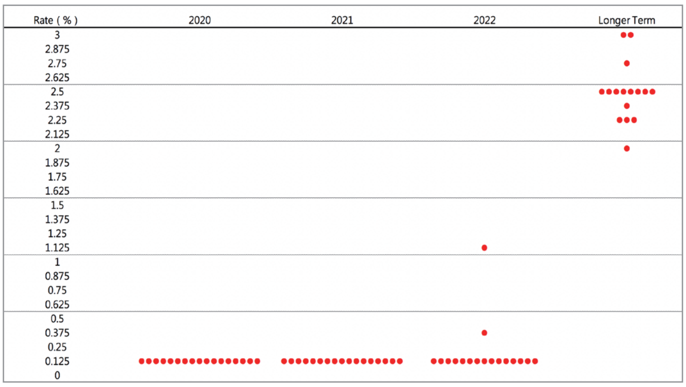
Conservative



U.S.: The market is likely to see rangebound trading with greater volatility.

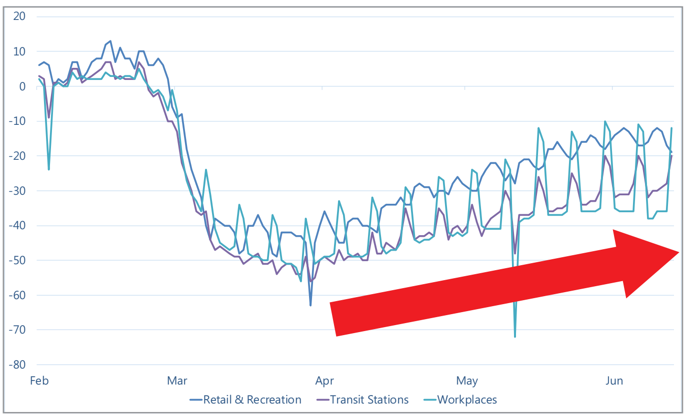
★ U.S. stocks plunged in 1Q20 as coronavirus continued to spread in the U.S. and oil prices collapsed. However, due to a series of timely stimulus policies rolled out by the Fed and the U.S. government, U.S. stocks rebounded rapidly in 2Q20. The Fed announced that the range for fed funds rate will remain unchanged at 0%-0.25% in recent meeting. The dot plot suggests that rates will stay at current levels until the end of 2022. In addition, the Fed has continued to inject liquidity into the market, thus total balance sheet expanded rapidly by nearly US$3 trillion to US$7.1 trillion in the past three months alone.

U.S. Fed funds rate dot plot (%)



★ Analysts are increasingly divided over the future trajectory of U.S., stocks after the rapid rebound in 2Q20. Economic indicators have stabilized and data from Google Mobility Report points to gradually recovering levels of mobility in transit stations, workplaces and retail & recreational place since April's low. On the other hand, investors are still worried about a second wave of outbreak and intensifying geopolitical tensions added uncertainty to economic recovery. We expect that the market is likely to see rangebound trading with greater volatility due supportive policy from government and the Fed still in place, despite cloudy economic outlook and elevated valuation levels. Furthermore, high-quality and value stocks are likely to be chased by the market that is flushed with USD liquidity.

Google mobility trend from YTD 2020

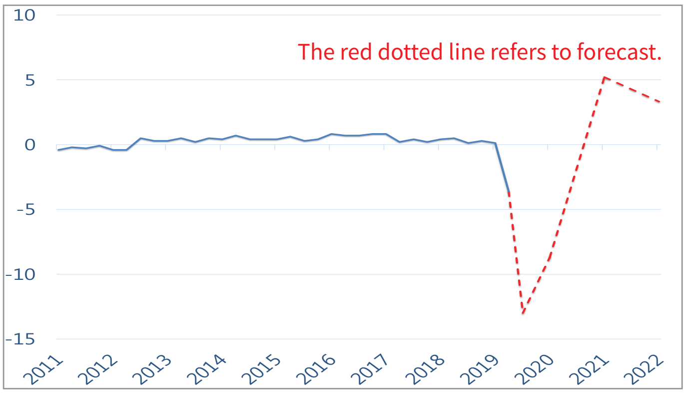


★ Source: Bloomberg, 2020/06/30

Europe: The introduction of European Recovery Fund to boost EU's spirit of unity.

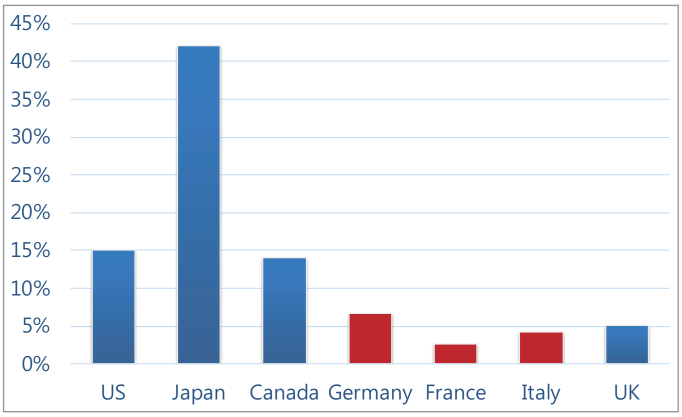
★ The coronavirus outbreak brought commercial activities in the euro zone to a halt. 1Q20 GDP shrank by 3.6% QoQ, the largest decline in 25 years. Recent economic data started to rebound due to the pandemic brought under control and economies reopened. In June, the ZEW economic prosperity index rose to 58.6, a five-year high; the Eurozone PMI also surged from a record low of 13.6 in April to 47.5 in June. Although we see a slight improvement in economic data, the ECB expects the economy to shrink by 13% in 2Q20 and 8.7% in 2020 and the economy will only see a positive recovery to 5.2% and 3.3% in 2021 and 2022 respectively.

Euro zone GDP growth rate (%)



★ The stimulus effect from the initially-implemented EU monetary and fiscal policies was less than other developed countries due to the limitations of the EU's rules and structure. Still, more fiscal and monetary measures being rolled out and the pandemic gradually brought under control, benefitting the region's economic recovery process. More importantly, plans for a 750B euros European recovery fund will likely be passed in July. The fund will help the EU fight the downturn and marks a crucial turning point for the EU economy, financial markets and the unity of EU. We are cautiously optimistic on EU equities and the euro.

Size of fiscal policies for major developed nations (as a % of GDP)

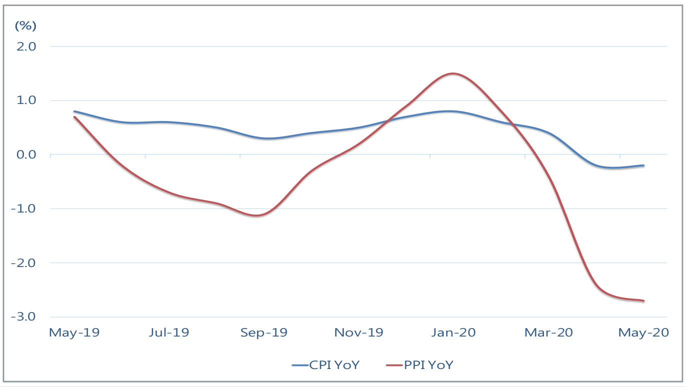


★ Source: Bloomberg, 2020/06/30

Japan: Worst is over, but still a long way to recovery.

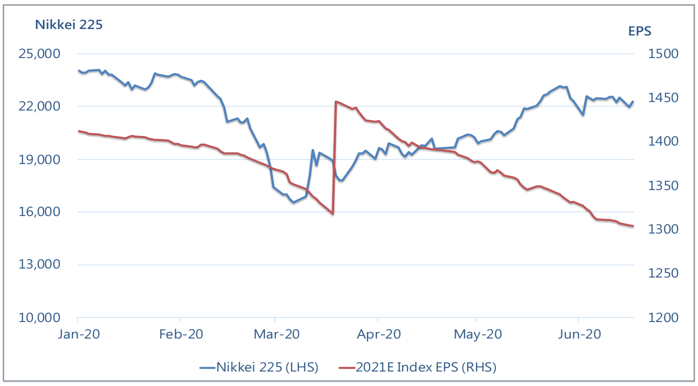
★ As a result of the economic fallout caused by the pandemic, two fiscal rescue packages totaling 234 trillion yen (42% of GDP) were introduced in April and May. Also, the Bank of Japan (BOJ) has pledged, under its yield curve control policy, to anchor the 10-year government bond yield around the 0% target. To simulate domestic spending, Japan lifted all domestic travel restrictions in June. While the deterioration in the Japanese economy has halted given extraordinary stimulus policies, the possible reappearance of deflation is now a concern. CPI excluding fresh food declined for two consecutive months while PPI dropped for three straight months. Weak external demand and a new wave of coronavirus infections may further slow the pace of recovery.

Japan's PPI and CPI for the past one year



★ Despite dismal economic data, Japanese equities' rally in 2Q20 suggest a sharper recovery. By end June, the Nikkei 225 index jumped 34.6% from March's lows. However, in the same period the benchmark's estimated earnings per share for next year was revised downwards by 3.5% instead. This imply corporates and analysts do not necessarily share the same optimism as investors. The divergence in the stock market's performance from analysts' estimates and economic data could be partly due to increased liquidity flowing into equity markets as a result of stimulus policies. We expect Japanese equities to consolidate in the near term as investors evaluate how quickly can the Japanese corporates and the economy, as well as global markets, can rebound from the pandemic-induced crisis.

Nikkei 225 index YTD performance vs 2021E earnings per share (EPS)

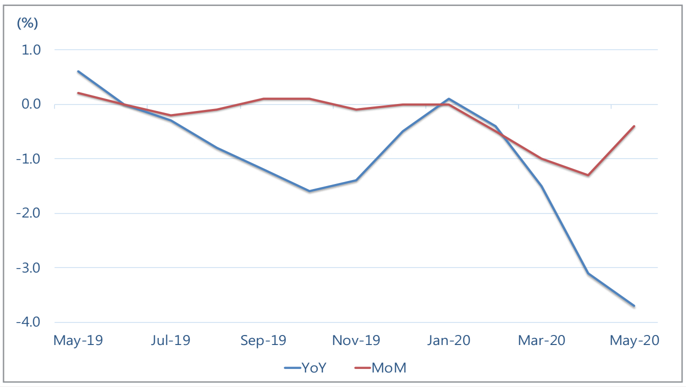


★ Source: Bloomberg, 2020/06/30

China: Laggard play plus attractive relative valuations.

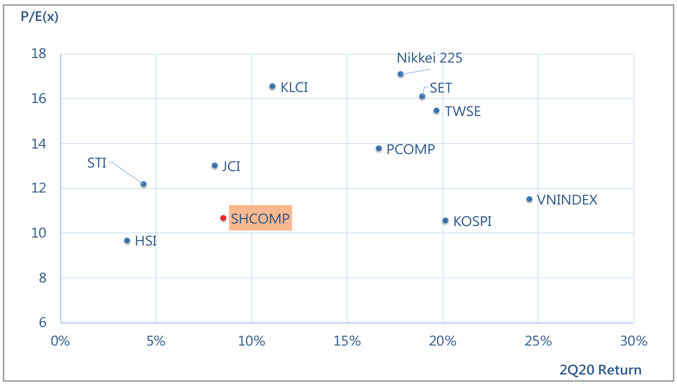
★ A key event that occurred in 2Q20 was the "Two Sessions" – the annual meetings of China's top legislature and its top advisory body. The gathering, which usually sets the policy direction for the year ahead, was of particular interest this year due to the pandemic. For the first time in history, China did not set a GDP target, instead focused on jobs creation (9 million in urban areas). The fiscal deficit target of 3.6% of GDP this year was higher than 2019's 2.8%, implying more fiscal policy room to address the economic fallout. We believe the key to recovery is stimulating domestic demand, as external demand may remain weak for an extended period of time. Despite the strong rebound in PMIs since hitting historical lows in February, the latest tepid consumer inflation rate as well as continued fall in producer prices implies weak domestic spending, clearing showing the Chinese economy is not out of the woods yet.

China's producers price index



★ Despite being one of the earliest countries to ease lockdown measures, plus positive indicators such as rebound in Chinese demand for crude oil and PMIs signaling a relatively swift economic recovery, Chinese equities have yet to perform as spectacularly compared to other markets. In terms of relative valuations, the Chinese market is one of the cheapest in Asia. We think the combination of attractive interest rate differentials as well as a recovering Chinese economy bodes well for Chinese equities in the near term.

Shanghai composite index (SHCOMP) 21E forward P/E and return vs Asian peers

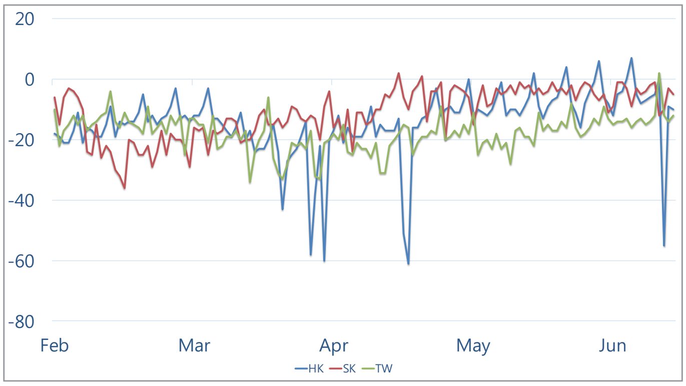


★ Sources: China National Bureau of Statistics, Bloomberg, 2020/06/30

North Asia: A continuation of volatility to be expected.

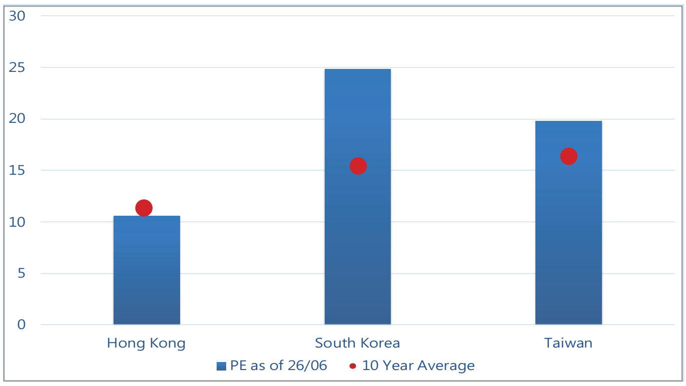
★ North Asia (Hong Kong, South Korea, and Taiwan) took drastic measures to stop the spread of the virus at the initial stage of the outbreak. The pandemic is now pretty much under control in the region. The Google Mobility Trend shows that economic activity has gradually returned to normal. However, recent economic data released in these areas show that the economic situation remains grim. Unemployment rate rose, especially in Hong Kong, which saw unemployment rate hit a 15-year high. Also, as exports from these regions are highly reliant on the Chinese market, the speed of their economic recovery will depend on the speed of recovery of the Chinese economy and global trade.

Google mobility trend from YTD 2020



★ After rapidly rebounding in 2Q20, South Korea and Taiwan equities' valuations became less attractive. Furthermore, the geopolitical tensions faced by these countries differs in intensity, such as the to-be-implemented National Security Law in Hong Kong and the renewed tensions between South Korea and North Korea. In addition, relations between China and the U.S. - major trading partners of these countries - remains intense, and sanctions on Huawei is likely to have negative impact on countries highly exposed to electronic product exports. However, markets will continue benefit from supportive policies. Thus, we see continued volatility in these markets.

North Asia's P/E valuation vs 10 year average

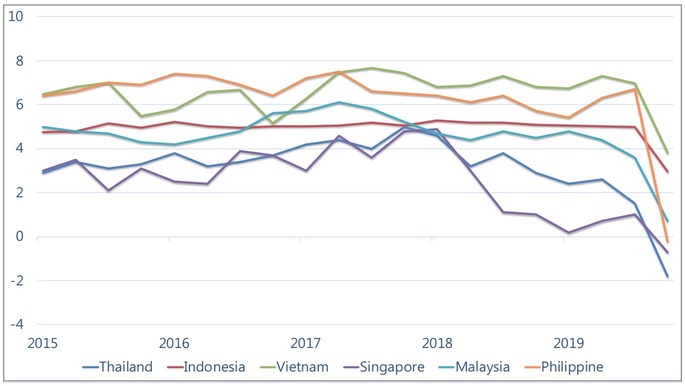


★ Source: Bloomberg, 2020/06/30

South East Asia: Stable currency due to abundant USD liquidity.

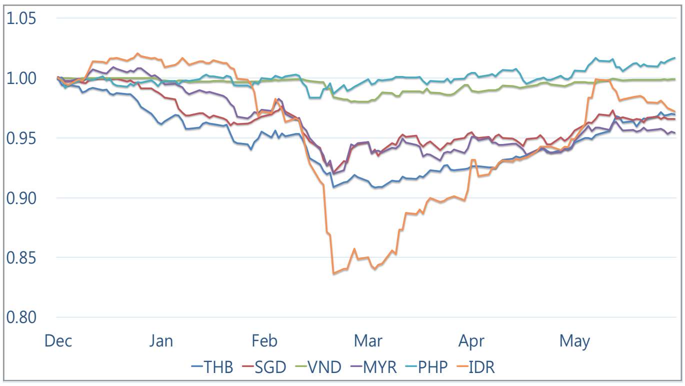
★ Most countries in the ASEAN-6 have managed to bring the pandemic under control, except for Indonesia and the Philippines, but all countries can't wait to restart their economies in order to mitigate the economic fallout from the coronavirus. The latest ASEAN 1Q20 GDP growth recorded a rapid decline. The Thai economy, which is highly dependent on tourism, contracted by 1.8% YoY. As the economic structure and fiscal stimulus are differs among the countries, their economic recovery will also likely to show different trajectories. Overall, the market expects the ASEAN-6 economies to shrink by 2.2% in 2020.

ASEAN-6 GDP growth rate (%)



★ ASEAN equities did not rebound as strongly compared to the developed countries in 2Q20. Thus, the current price-to-earnings ratio for the MSCI ASEAN index is still lower than its 10-year average. On the other hand, the currencies of the ASEAN-6 had depreciated rapidly in March, but have since then steadily appreciated against the USD in 2Q20 after Fed increased USD liquidity. Thus, YTD performance of the ASEAN-6 currencies remains little changed. Even though some ASEAN-6 nations still have room for interest rate cuts, due to consideration of abundance of USD liquidity and the interest rate differentials with the U.S., we expect ASEAN-6 currencies to remain stable in the coming quarter.

ASEAN-6's currencies YTD changes



★ Source: Bloomberg, 2020/06/30

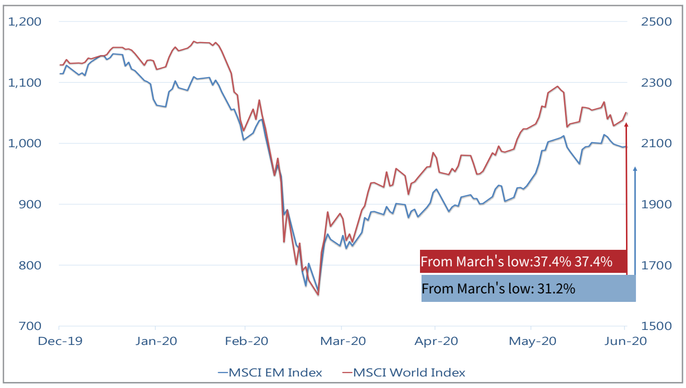
Other Emerging Markets: Capital outflows reversal, currency stabilization, attractive valuations benefit EM.

★ Global central banks pumped monies into financial systems to prevent shocks and kept interest rates low. As financial conditions stabilized and the USD fell from its peak, investors turned their attention to the heavily sold-off EM assets. As a result, EM equities entered into a bull market towards the end of April. The trajectory continued into early June as economies reopened, and demand for commodities started recovering, benefitting EM economies. Although the coronavirus outbreak has yet to peak in certain EM regions such as Latin America, we think factors such as the hunt for more attractive valuations, yield and returns, as well as stabilization of EM currencies against the USD are likely to result in continued foreign flows into EM markets. As such, we upgrade our call from underweight to overweight.

MSCI EM currency index YTD performance

★ However, we are mindful that the path to global economic recovery remains uncertain. Key downside risks include a strong resurgence of coronavirus infections that forces governments to implement social distancing measures again and slower-than-expected global economic recovery, negatively impacting the demand for commodities. Still, we believe it is unlikely governments would be shutting down the economies for a second time, because of the high social and economic cost, particularly for EM countries who have limited fiscal policy room to continue support an already fragile economy.

EM equities vs DM equities (YTD)

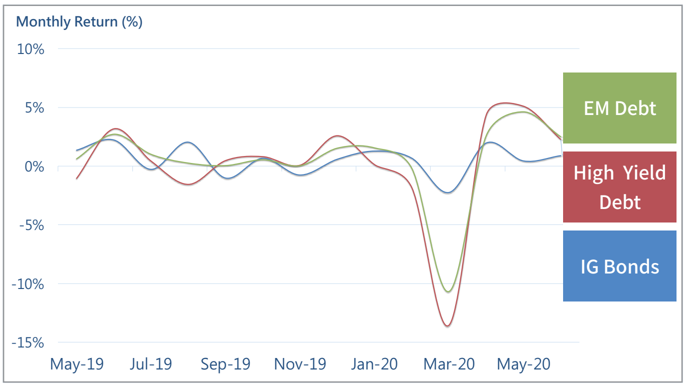


★ Source: Bloomberg, 2020/06/30

Bond Markets: Riskier assets set to outperform safe haven choices, but downside risks aplenty.

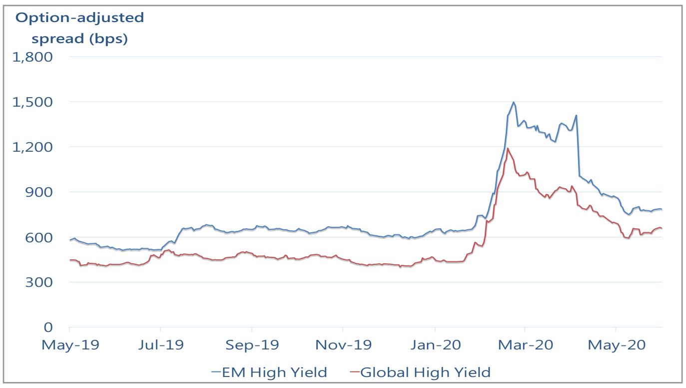
★ Safe haven assets underperformed riskier bonds as risk appetite returned to markets from April onwards. As the pandemic was brought under control in major economies and governments subsequently focused on reopening, volatility receded and credit conditions improved. Thus, funds rotated out of safe but low-yielding investments into higher yielding bonds. Still, on 11 June the U.S. government 10-year bond yields fell to 0.65% while the return on the 30-year bond dropped 10 basis points to 1.40%, as a surge in infected cases in the U.S. and China spooked fear. Hence, we think the demand for investment grade fixed income will remain resilient given the unpredictable nature of the coronavirus pandemic.

Monthly return for investment grade bonds, high yield and EM bonds



★ Prices for global high yield and emerging market bonds rose, while yields fell and spreads narrowed as a result of improving credit conditions since March. In 2Q20, Global high yield bonds rose 12.2%, while spreads fell by 359 bps. EM dollar-denominated high yield debt jumped 15.0% while spreads narrowed by 578 bps. With the weakening of USD in the near term as a result of rising risk appetite, we expect high yield and EM bonds to outperform investment grade bonds. Downside risk include slower-than-expected economic recovery, unexpected spike in global coronavirus infection rates, as well as increased China and the U.S. geopolitical tensions that would result in increased risk aversion.

Global high yield and EM high yield option-adjusted spread (OAS bos)



★ Source: Bloomberg, 2020/06/30

Industry Trends and Outlook

Banking – High loan loss provisions to hurt profitability

★ Rotation into cyclical sectors from end May onwards resulted in the S&P500 Financial Sector Index rising 3.1% in the first two weeks of June, outperforming "pandemic proof" sectors such as Healthcare (-5.1%) and Consumer Staples (1.2%). With the reopening of the U.S. economy in May, we expect improving economic conditions help relieve pressure on expected losses. Also, changes to the Volcker Rule provide banks with additional source of income. Still, low interest rate outlook will affect net interest income, while persistent elevated levels of unemployment meant banks with higher exposure to consumer credit lending are likely to report higher loan losses. Still, the finance industry is better capitalized compared to the 2008 Global Financial Crisis. Upgrade to neutral outlook.

S&P500 Financials Index

Consumer Discretionary – Negative, be selective

★ The 17.7% MoM surge in U.S. in May retail sales surprised markets, suggesting a much quicker rebound in consumer sentiment. However, the unexpected increase in consumer spending could be due to pent-up demand post lockdown period. Continued elevated levels of unemployment and potential new wave of coronavirus outbreaks threaten to derail the sector's fragile recovery. Still, the S&P 500 Consumer Discretionary Index also include "pandemic-proof" stocks such as Amazon.com and Home Depot, which will likely to continue outperforming, as U.S. consumers adjust to the "new normal" until a vaccine is developed. We advocate selective exposure to "pandemic-proof" names while periodic resurgence of infections likely to dampen investor and consumer sentiment.

S&P500 Consumer Discretionary Index

★ Source: Bloomberg, 2020/06/30

Technology – Winners in accelerated digital transformation

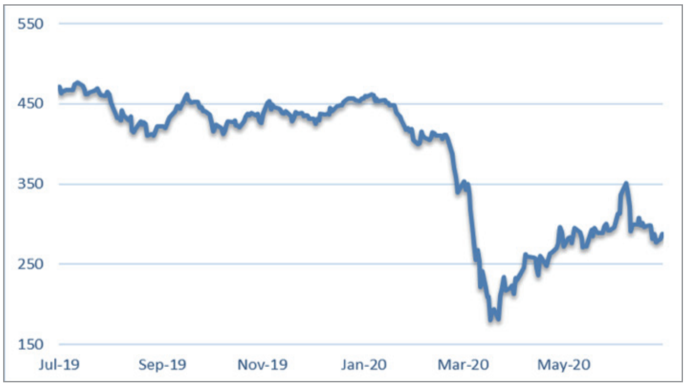
★ The coronavirus outbreak has forced the acceleration of adoption to new technology. As a result, sales in e-commerce platforms, digital media, security and communications software surged and so did the share prices of Information Technology (IT) companies. We expect to see continued demand for IT in the near term, due to: (1) fundamental shift in shopping habits from physical to online stores and preference for cashless payment to benefit companies like Visa, Mastercard and PayPal; (2) work-from-home arrangements are likely to remain in place as the U.S. brace for periodic resurgence in coronavirus cases until a vaccine is developed, benefitting cloud providers – Microsoft and Google, and productivity providers – Zoom and Slack.

S&P500 Info Technology Sector Index

Energy – Negative outlook despite oil price rebound

★ Rebound in crude oil demand due to reopening of economies and OPEC+ production supply cuts resulted in WTI futures surging to around US$37.12/bbl by mid June. In addition, the S&P 500 Energy Sector Index rose 66.5% since March's lows. Still, given the sector's high cost structure and oil prices are still trading below the breakeven cost for many U.S. energy companies, more defaults will likely occur. For example, Chesapeake Energy, one of the largest U.S. natural gas producers, has filed for bankruptcy. While we think the worst is likely over, the financial health of U.S. energy corporates remains a key concern. Also, higher oil prices may encourage U.S. shale producers to increase production, potentially worsening oversupply issues.

S&P500 Energy Sector Index



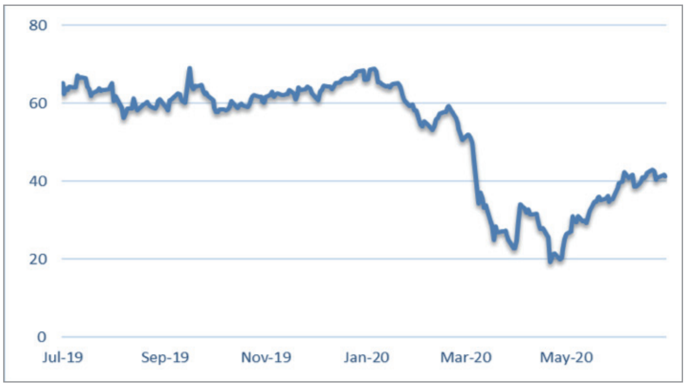
★ Source: Bloomberg, 2020/06/30

Commodity Trends and Outlook

Crude Oil – Expect rangebound trading

★ Due to the pandemic which resulted in a near complete pause in global economic activities, crude oil prices experienced great volatility in 2Q20. The WTI even fell into negative territory, a historical first. As more economies gradually reopened on top of oil production cuts, crude prices have rebounded sharply. Presently, OPEC+ will extend the production cuts agreement to end July with a monthly review until end 2020 in order to stabilize market supply. As the economy restarts, the market expects demand to gradually recover. We expect crude oil to continue find a new equilibrium price in 3Q20 while prices will likely greatly fluctuate around current price level.

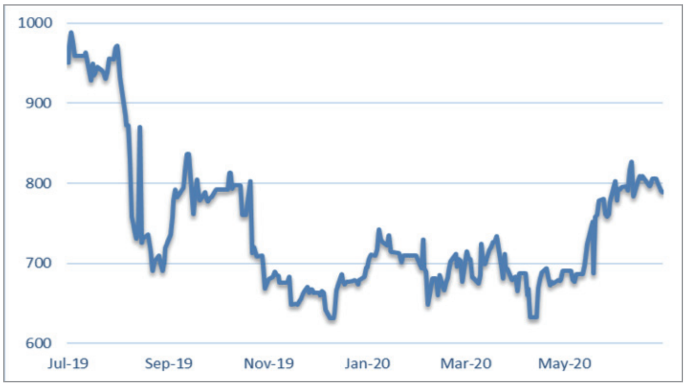
Brent Crude Futures (US$/bbl)



Iron Ore – Strong Chinese demand to support prices

★ As a major iron ore importing country, China imported 445 million tons of iron ore during the January-May pandemic period this year, a 5.1% YoY increase. As demand remained strong but supply fell due to the impact of coronavirus, iron ore prices rose steadily in 2Q20. Meanwhile, iron ore inventory continued to decline in past year in China, indicating strong domestic demand. Strong demand will help maintain iron ore prices. In addition, investors need to pay attention to the speed of recovery of the Brazilian iron ore production capacity and changes in the relationship between China and Australia.

Iron Ore Futures (CNY$/MT)

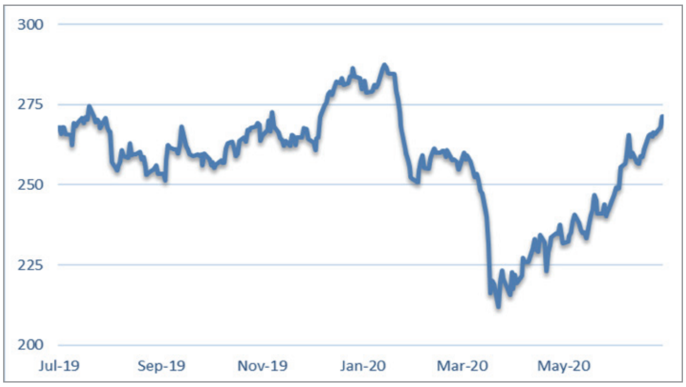


★ Source: Bloomberg, 2020/06/30

Copper Prices: Supply still tight, supports copper price

★ Copper is a barometer of global economic conditions. Still, copper prices continued to rise in 2Q20, despite the near halt in global economic activities due to the pandemic. This is because while demand for copper dropped, supply was disrupted due to the pandemic and hence boosted copper prices. With the resumption of global economic activities and economic stimulus policies rolled out globally, we believe the demand for copper will increase further. Furthermore, South America, the main source of copper supply, still severely impacted by coronavirus, and the normalization of supply is dependent on how the pandemic situation develops. Thus, we expect copper prices to continue rising in 3Q20.

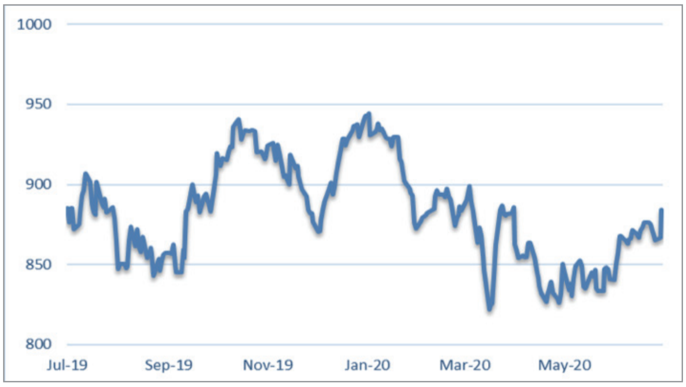
Copper Futures (US$/lb)



Agriculture – Soybean benefits from 1st phase trade deal

★ Soybean price rebounded after China gradually increased its purchases when prices declined in early 2Q20. The first phase of the trade agreement signed by China and the U.S. at the end of last year included China purchasing about US$36.5 billion of U.S. agricultural products by the end of this year. However, due to the pandemic, China's overall purchase of agricultural products from the U.S. is only US$4.65 billion, of which soybeans accounts for only US$1.2 billion. As the domestic outbreak in China eases and the nearing of U.S. presidential elections, China is expected to increase its procurement of U.S. agricultural products. We expect soybean prices to be supported by the move in the coming quarter.

Soybean Futures (US$/bu)



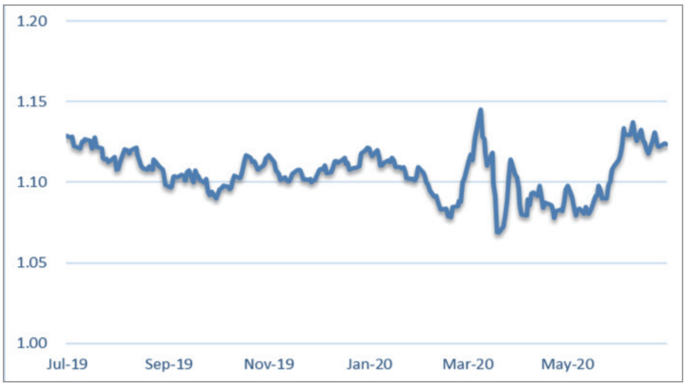
★ Source: Bloomberg, 2020/06/30

Currency Trends and Outlook

EUR/USD：Resistance：1.15 / Support：1.05

★ A second wave of coronavirus cases in countries such as China and the U.S. that have eased lockdown restrictions will likely keep investors cautious in the months ahead. This could damage the performance of the EUR and other "risk-on" currencies against safe haven choices such as the USD and the JPY. Looking at data, flash June PMI estimates points to a likely modest Euro zone economic recovery this month. Adding to the overall gloom is the spread of geopolitical tensions, such as China-India border dispute, while tensions between North Korea and South Korea rose again. This has already begun to take its toll on EUR/USD, which is now well down from the high above 1.14 reached earlier this month, and further losses from current levels would be unsurprising.

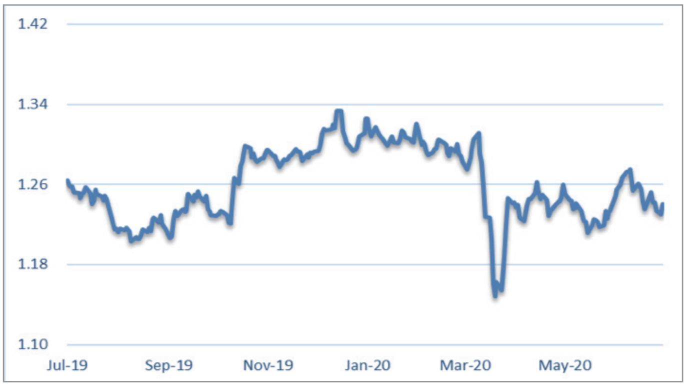
EUR/USD



GBP/USD：Resistance：1.34 / Support：1.10

★ The announcement of further Quantitative Easing (QE) and consideration of possible rate cuts into negative territory by the Bank of England, all helped to fuel a decline in the attractiveness of pound sterling. Signs that global confidence has been falling as well as a highly globalised UK economy have contributed to a weaker pound. The pound is suffering from the lack of clarity on whether health of the British economy warrants additional stimulus, and how post-Brexit would look like after the transition period is over. Further clarity on these two key topics will provide investors a greater reason to be confident in the GBP's future direction. For now, the lack of clarity has resulted in a weak GBP/USD.

GBP/USD

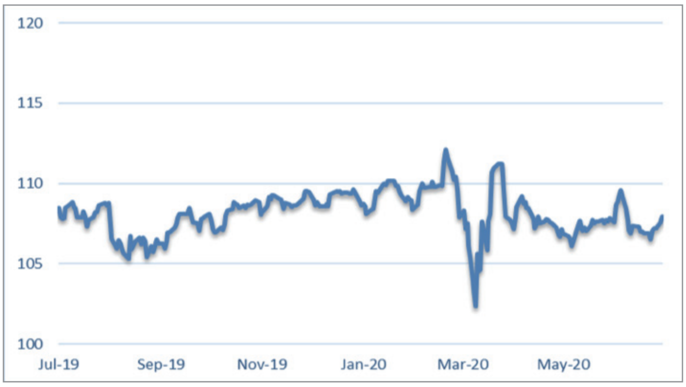


★ Source: Bloomberg, 2020/06/30

USD/JPY：Resistance：110 / Support：100

★ Bank of Japan (BOJ) Governor Haruhiko Kuroda said that the BOJ is ready to unroll further easing measures when necessary amid the harsh virus-induced financial conditions, although conceded that Japan's economic situation and outlook remain severe. BOJ remained committed to buy government bonds in a flexible manner so as to guide long-term yields at close to 0%. The weakening JPY could actually help the Japanese economy recover from its current recession. However the biggest problem for the world now is the surge in infections in emerging economies. Should a second wave of infections occur in advanced nations leading to lockdowns and other measures again, this will have a negative impact on the economies. Hence, the yen could edge higher as growing concerns about a rise in coronavirus cases underpin safe-haven demand for the currency.

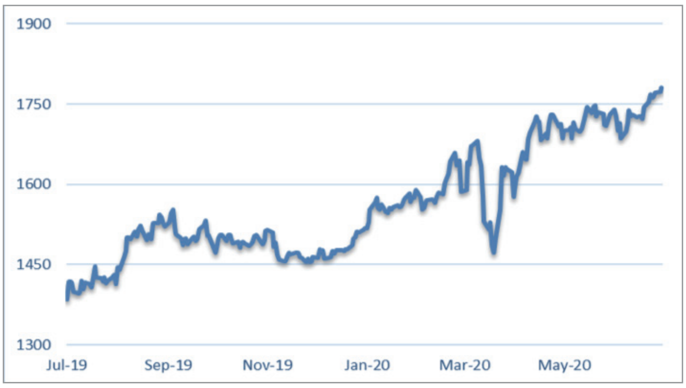
USD/JPY



XAU/USD： Resistance： 1,900 / Support：1,300

★ Gold prices by end May struggled to gain further upside since XAU/USD bottomed in late March. Since then, the non-fiat currency yellow metal has largely seen directionless trading. The fundamental force driving bullion prices is the nuanced balance between the USD and Treasury yields. This narrative has not materially changed since. In an environment with a rising USD and falling local bond yields, gold may struggle to find direction in the near term. However, depressed borrowing costs, as central banks refrain from raising rates too soon, can work in XAU/USD's favor. Still, downside risk include a swift resurgence in volatility that boosts demand for liquidity, as with what happened during the coronavirus outbreak.

XAU/USD



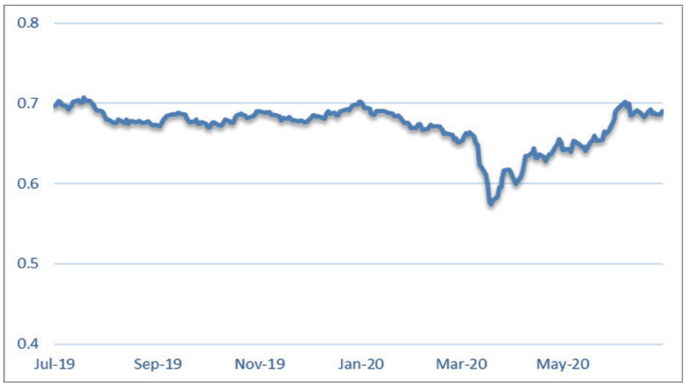
★ Source: Bloomberg, 2020/06/30

Currency Trends and Outlook

AUD/USD：Resistance：0.70 / Support：0.60

★ The AUD may face heightened liquidation pressure if concerns about a second wave of coronavirus cases compels government officials to reinstitute or extend growth-hampering lockdown policies. With the U.S. as the newest epicenter - though Brazil has been catching up - a slower-than-planned reopening could undermine economic activity in the world's largest economy. Consequently, a chilling effect may subsequently spread and dampen appetite for cycle-sensitive currencies like the AUD. Its commodity-linked nature makes its particularly vulnerable to oscillations in global sentiment, particularly during a time of almost-unprecedented uncertainty. However, even more worrisome are coronavirus-related trends sprouting in China: Australia's largest trading partner. Given the fundamental circumstances, it is not outlandish to hold a bearish outlook in these uncertain times.

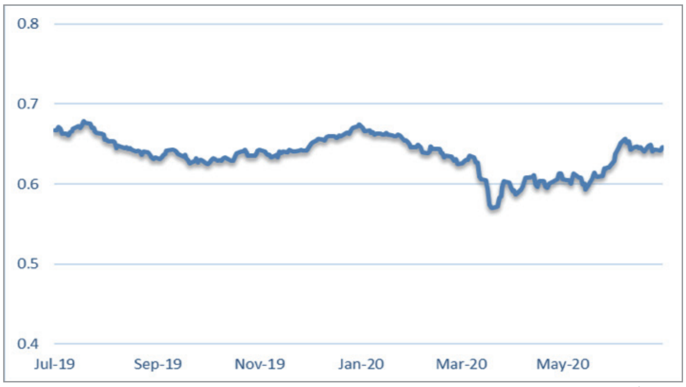
AUD/USD



NZD/USD： Resistance： 0.70 / Support：0.55

★ New Zealand supplies China with vast quantities of dairy products and meat, notably lamb and beef. Robust demand for these relatively expensive products is held to be indicative of China's growing, affluent middle class. If Chinese economic growth is at risk, be it from a financial meltdown, trade wars, or a pandemic like the 2020 pandemic, capital tends to flee peripheral economies. This is because the outsized importance of exports in those countries' economic growth model tends to make them more sensitive to the cyclical nature of the global business cycle. Under these circumstances, NZD will likely weaken along with other growth-oriented assets as China's demand for exports from New Zealand is expected to decline.

NZD/USD

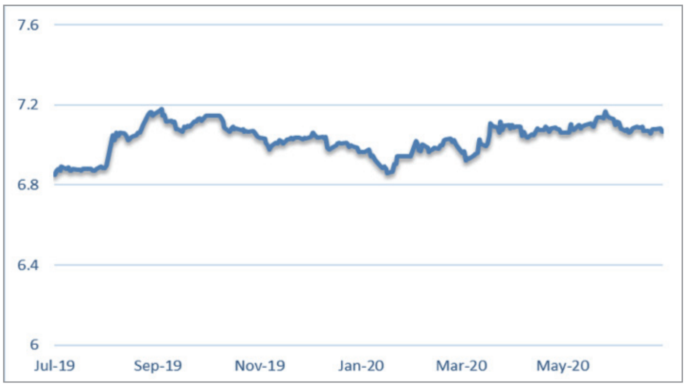


★ Source: Bloomberg, 2020/06/30

USD/CNY：Resistance：7.20 / Support：6.80

★ Despite the renewed elevated political risk between the U.S. and China, CNY/USD remains flat during the quarter (2Q) at about 7.09. While it is inevitable that China and the U.S. relations will remain tense until the U.S. elections are held in November, the fact that both sides are still honoring the Phase One trade deal probably soothed nerves regarding the CNY. At the same time, the "world's factory" is showing tentative signs that contraction likely bottomed in 1Q20 (-6.8%). Exports have stabilized to grow modestly while industrial production rebounded from an unprecedented 1.1% contraction in March to grow 4.4% y/y in May. Both the official and Caixin manufacturing PMI rebounded into expansionary territory above 50. As the Chinese economy is on track for a firmer recovery in 2H20 and assuming China and the U.S. relations do not deteriorate beyond the current war of words, previous view of a recovery in CNY in 2H20 remains intact.

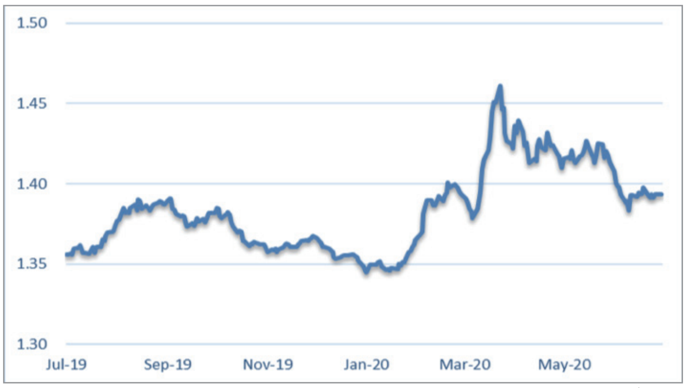
USD/CNY



USD/SGD：Resistance：1.50 / Support：1.35

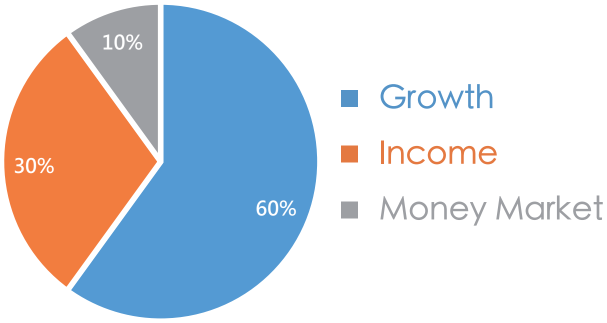
★ The SGD has been relatively weak against the greenback this year. It has dropped by about 5%, partly because the Monetary Authority of Singapore (MAS) allowed it to decline. Although the authority does not set rates, it manages how the SGD trades against other key currencies. Still, analysts believe that rates will turn negative for the first time since 2011. They attribute this to the MAS decision to provide sufficient liquidity in the financial market. If the SGD becomes too flushed with liquidity relative to the USD, the financial sector may be willing to swap SGD for USD at very low SGD borrowing costs.

USD/SGD



★ Source: Bloomberg, 2020/06/30

Aggressive Portfolio



Growth

Mutual Fund

Investment Asset	CUR	Investment mandate	Market	ISIN
First State China Grow th I Acc Fund	USD	Invests companies w hose revenues derived from Greater China.	Greater China	IE0008368742
Franklin Technology Fund	USD	Participates in high grow th areas like e-commerce and artificial intelligence.	Global IT sector	LU0109392836
Janus Henderson Life Sciences Fund	USD	Invests primarily in equity of companies that are in health and personal care, medicine or pharmaceuticals.	Healthcare	IE0009355771

Exchange Traded Fund

Investment Asset	CUR	Investment mandate	Market	Ticker
Vanguard FTSE Europe Index	USD	Tracks the FTSE Developed Europe All Cap Index.	Europe	VGK US
Invesco DB Base Metals Fund	USD	Tracks the DBIQ Optimum Yield Industrial Metals Index.	Global	DBB US

Corporate Stock

Investment Asset	CUR	Company Description	Exchange	Ticker
Sheng Siong Ltd	SGD	Consumer Staple. One of the largest supermarket operators in Singapore.	SGX	SSG SP
Tencent Holdings Ltd	HKD	E-commerce play. Provides Internet and mobile value-added services, online advertising and e-commerce transactions.	HKSE	700 HK
Caterpillar Inc	USD	World's leading manufacturer of heavy machinery and equipment.	NYSE	CAT US

Income

Corporate Bond

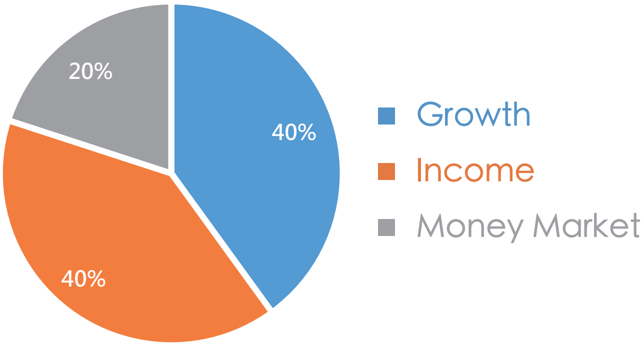
Investment Asset	CUR	Investment Description	Coupon	ISIN
Chip Eng Seng Corp Ltd	SGD	YTM: 9.24% / Maturity Date: 2021.06.14	4.750%	SG73C5000004
Emperor International Holdings	HKD	YTM: 5.46% / Maturity Date: 2022.03.30	4.700%	HK0000334208
<Note> Indicative YTM for reference only. Actual YTM is based on the quoted price at point of transaction.				

Money Market

Mutual Fund

Investment Asset	CUR	Investment Mandate	Market	ISIN
JPMorgan Global High Yield Bond Fund	USD	Invests primarily in below investment grade global fixed and floating rate debt securities.	Global	LU0344579056
Eastspring Investments - Asian Local Bond Fund	SGD	Invests in debt securities denominated in Asian currencies issued by Asian entities or their subsidiaries, rated and unrated.	Asia	LU0315179829

Balanced Portfolio



Growth

Mutual Fund

Investment Asset	CUR	Investment Mandate	Market	ISIN
BlackRock Global Allocation Fund	USD	Invests in a portfolio of global equities, debt and money market securities.	Global	LU0072462426
JPMorgan ASEAN Equity Fund	SGD	Invests in companies domiciled in countries that are members of ASEAN.	Southeast Asia	LU0532188223

Exchange Traded Fund

Investment Asset	CUR	Investment Mandate	Market	Ticker
iShares MSCI China ETF	USD	Tracks the MSCI China Index.	China	MCHI US
EMQQ The Emerging Markets Internet & E-Commerce ETF	USD	Tracks the EMQQ The Emerging Markets Internet & Ecommerce Index.	Emerging Markets	EMQQ US

Corporate Stock

Investment Asset	CUR	Company Description	Exchange	Ticker
Xiaomi Group	HKD	Manufacturer of smart devices and IoT products.	HKSE	1810 HK
VISA	USD	The w orld's largest credit card issuers.	NYSE	V US

Income

Corporate Bond

Investment Asset	CUR	Investment Description	Coupon	ISIN
ANZ Banking Group	USD	YTM: 5.23% / Maturity Date: Perpetual	6.750%	USQ08328AA64
New World Development	HKD	YTM: 3.64% / Maturity Date: 2030.04.05	3.830%	HK0000596509
<Note> Indicative YTM for reference only. Actual YTM is based on the quoted price at point of transaction.				

Exchange Traded Fund

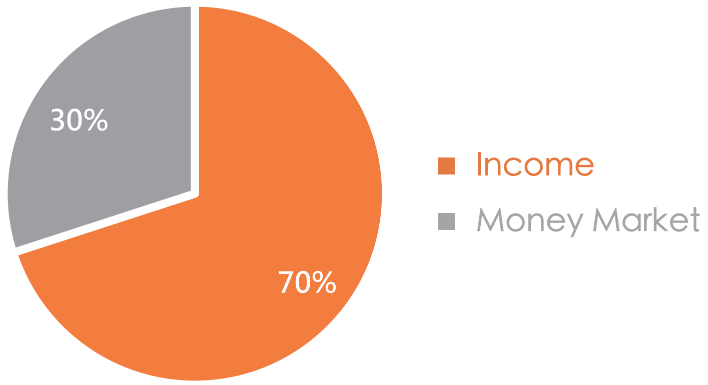
Investment Asset	CUR	Investment Mandate	Market	Ticker
BMO Asia USD Investment Grade Bond ETF	HKD	Tracks the Barclays Asia USD Investment Grade Bond Index.	HKSE	9141 HK
iShares iBoxx $ Investment Grade Corporate Bond ETF (LQD)	USD	Tracks the Markit iBoxx USD Liquid Investment Grade Index.	NYSE	LQD US

Money Market

Mutual Fund

Investment Asset	CUR	Investment Type	Market	ISIN
Fidelity US Dollar Cash Fund	USD	Principally in USD denominated debt securities.	United States	LU0064963852

Conservative Portfolio



Income

Corporate Bond

Investment Asset	CUR	Investment Description	Coupon	ISIN
Macquarie bank	USD	YTM: 3.00% / Maturity Date: 2030.06.03	3.624%	USQ568A9SQ14
Saudi Aramco	USD	YTM: 3.40% / Maturity Date: 2039.04.16	4.250%	XS1982113463
<Note> Indicative YTM for reference only. Actual YTM is based on the quoted price at point of transaction.				

Mutual Fund

Investment Asset	CUR	Investment Mandate	Market	ISIN
Allianz Income and Growth	HKD	The Fund aims for long-term capital growth and income by investing in the U.S. and/or Canadian corporate debt securities and equities.	US/Canada	LU0689472784
Eastspring Investments - Asian Local Bond Fund	SGD	Invests in debt securities denominated in Asian currencies issued by Asian entities or their subsidiaries, rated and unrated.	Asia	LU0315179829
Pimco Income Fund	USD	Seek high income with prudent investment management.	Global	IE00B7KFL990
Templeton Global Return Fund	USD	Invests principally in a portfolio of fixed and/or floating rate debt obligations issued by government or government-related entities.	Global	LU0170475312

Money Market

Mutual Fund

Investment Asset	CUR	Investment Type	Market	ISIN
Fullerton SGD Cash Fund	SGD	Invests in short-term liquid assets denominated in SGD.	Singapore	SG9999005961
Fidelity US Dollar Cash Fund	USD	Invests in principally in USD denominated debt securities.	United States	LU0064963852

Quarterly Discussion Theme – Digital transformation in the age of coronavirus

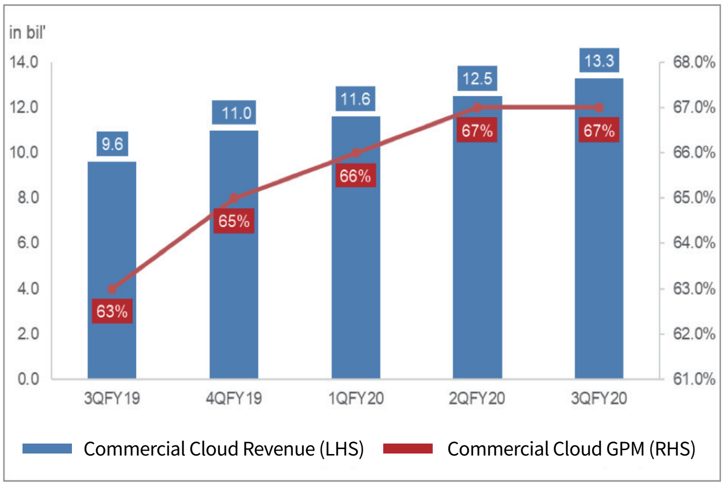
Digital transformation in the age of coronavirus

When coronavirus was first discovered in Wuhan, China, most governments and investors had expected the situation similar to the 2003 SARS outbreak, where meticulous contract tracing, quarantine and warmer weather would help halt the spread. However, its highly transmittable and relatively deadly characteristics plus the assumption that asymptomatic spread of coronavirus is possible, the pandemic forced governments to implement lockdown measures to contain the outbreak. In this current issue, we look at how, despite lockdown and social distancing measures in place, technology has helped us carry on with our lives through digital transformation in how we work and how we make purchases in the age of coronavirus.

Technology: A "necessary" spending for business continuity

The benefits of cloud infrastructure has been fairly well-known to companies prior to the pandemic, as corporates in a globalized world needed to access applications and data anywhere in the world with the availability of internet connection. In addition, larger tech companies such as Amazon Web Services, Google Cloud and Microsoft Azure provide one-stop solutions that include taking care of costly data security concerns that would inevitably arise with remote working arrangements, as well as collaboration software services while smaller players such as Zoom and Slack specializes in communication platforms.

Fig 1: Microsoft's commercial cloud revenue and gross profit margin (GPM)



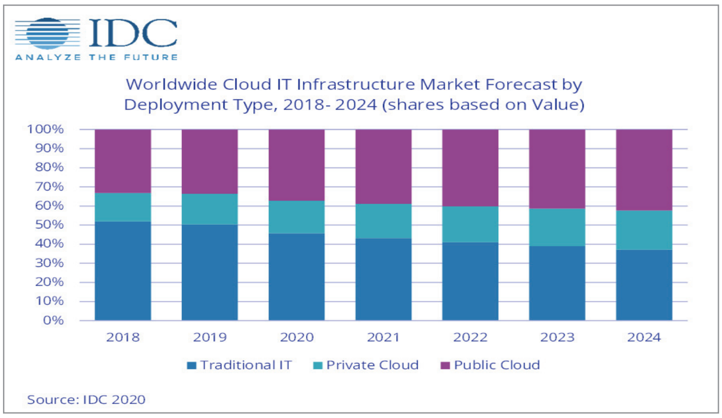
★ Source: Microsoft 3QFY20 presentation as of 2020/04/29

While investments into productivity and collaborative digital infrastructure has been increasing for years, the current coronavirus pandemic has forced corporates to digitally transform even more quickly due to lockdown measures and social distancing regulations that forced millions of employees to work from home. During Microsoft's 3QFY20 earnings call with analysts, CEO Satya Nadella remarked that they "have seen two years' worth of digital transformation in two months". Microsoft reported its commercial cloud revenue grew 39% YoY while gross margin percentage increased 4 points YoY to 67%.

We believe the pandemic has lasting impact on corporates, through the use of technology, on their plans for business continuity as well as workplace safety arrangements. Alphabet Inc's CEO Sundar Pichai during the 1QFY20 earnings call revealed that they are in discussions with many corporate customers to reinvent their business models to address concerns on business continuity and managing remote workforce. The concerns are particularly valid when many governments have yet to fully allow unrestrictive travel and resurgence of coronavirus infections in some countries have forced the temporary pause of reopening plans, as in the case of China's capital (schools were shut) and Texas, U.S. (reopening plans were paused).

In fact, technology intelligence provider International Data Corporation (IDC) noted that vendor revenue from sales of IT infrastructure products for cloud environments, including public and private cloud, increased 2.2% in 1Q20 while traditional, non-cloud infrastructure declined 16.3% YoY. Also, the IDC expects spend on cloud IT infrastructure to exceed spend on non-cloud infrastructure in 2020, reaching 54.2% of overall IT infrastructure spend. Investments on cloud infrastructure is expected to grow at a five-year CAGR of 9.6%.

Fig 2: Global cloud IT infrastructure market forecast for 2018 - 2024



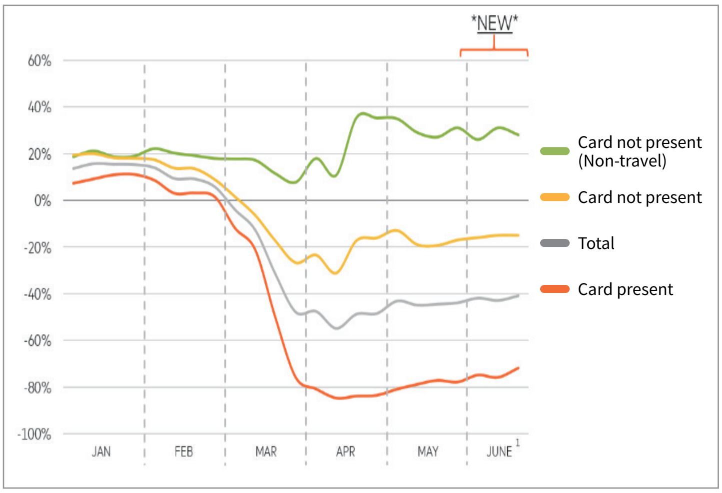
★ Source: IDC Press Release as of 2020/06/25

Quarterly Discussion Theme – Digital transformation in the age of coronavirus

E-commerce and contactless payment: the "new normal" shopping experience

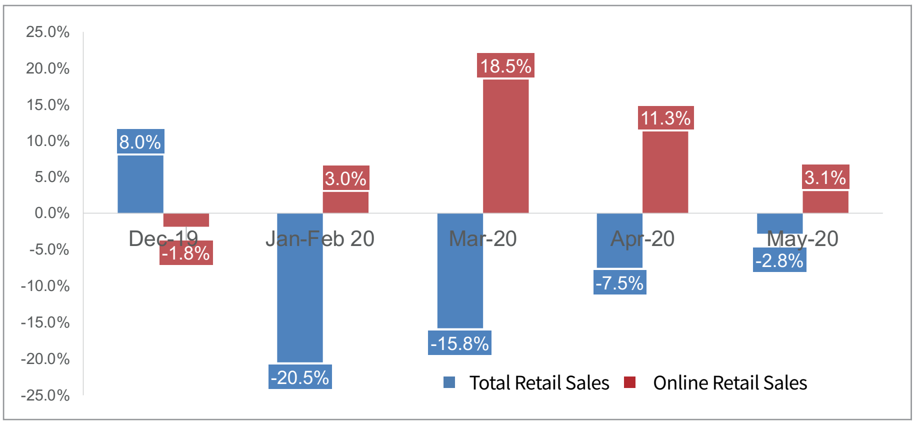
Another direct beneficiary of the pandemic are the e-commerce players, which helped minimize disruption for both consumers and retailers as they embraced online shopping services during the lockdown period. Also, technology players in payment services such as MasterCard and Visa saw the acceleration of the trend from cash to electronic forms of payment as consumers primarily purchased online. Visa Inc reported volumes for e-commerce excluding travel rose 18% YoY in April while volumes arising from physical card use dropped 45%.

Fig 3: Mastercard said in its latest press release that volume for contactless payment (card not present) remains healthy



★ Source: MasterCard press release as of 2020/06/24

Fig 4: China's total retail sales growth vs online retail sales growth (YoY)



★ Source: China National Bureau of Statistics, PCSFG 2020/06/16

Post-lockdown however, we expect the fear of catching the coronavirus, particularly in countries experiencing a resurgence of outbreak, would mean the preference to shop online and contactless payment could well persist till at least end 2020. Based on data released by China's National Bureau of Statistics, national online sales continued to grow in May (3.1%), despite total retail sales contracting 2.8% YoY. Online retail sales as a percentage of total retail sales remained around 25%, lower than during the peak of the pandemic (27.6% in March) but only a slight dip from April's 25.6%. Based on Mastercard's study on global consumers' current and future spending behaviour, 30% of consumers in Australia, 49% in India, 55% in China and 34% in Japan intend to make more purchases online. Also, seven in 10 consumers (74% globally) state they will continue to use contactless payment services after the pandemic is over.

Downside risks to our call

Our optimism on the technology sector is based on the following assumptions:

1. Governments are unlikely to enforce another economic shutdown on a scale similar to 1Q20 even if a new wave of coronavirus outbreak occurs.

2. Given the likelihood of such outbreaks remains high after lockdown measures are relaxed, as seen in multiple countries such as the U.S., South Korea and Sweden, corporates will have to plan for a certain degree of social distancing measures in workplaces, including work-from-home arrangements and remote collaboration as preferred ways to ensure business continuity.

3. Based on the base case scenario from the IMF and World Bank's forecasts, the global economy is expected to recover in 2H20 and record positive growth in 2021. As corporate earnings usually recover faster than the broader economy, capital expenditure on IT infrastructure is expected to remain resilient despite the current downturn.

Still, should the worst case scenario materialize - a new wave of coronavirus outbreak overwhelmingly forces governments to enforce strict lockdown measures again to avoid overwhelming healthcare capacity - this would materially affects both corporates and consumers' ability to spend, which in turn negatively affect revenues for even essential IT spending, e-commerce platforms and switch volumes for payment providers.

We remain cognizant of the fact that the coronavirus pandemic is a highly unpredictable black swan event which may be only be over when a vaccine is successfully developed. Still, the occurrence of a pandemic in a digital world has not only helped to save lives (such as the use of healthcare technology and contact tracing apps) but also minimized disruption to our daily routine, so that we still can carry on working and shopping and stay safe.

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Securities

Broad range of stocks from different markets
HK Stocks, China A-shares, US Stocks, Singapore stocks

A stable & reliable platform allowing you to trade anytime, anywhere
Online trading plaform, mobile trading platform

We help you track markets and gain insight to global markets
Daily focused stocks, daily market updates, global market focus and weekly market updates

Check your account status at any time
Monthly statement, customized investment solutions

Reasonable fees
Enjoy premium service at a reasonable price

Structured Products

Equity Linked Note (ELN)
Structured investment product linked to equity. Performance of the product depends on the stock price of the underlying equities

Structured Note (SN)
With a diverse range of underlying investment including equity, indexes, interest rates, commodities or a portfolio, an investor can receive agreed interest income or earn capital gain at agreed participation rate at maturity. The outperformance of the note at maturity depends on the performance of the underlying investment.

Dual Currency Investment (DCI)
Also known as Premium Currency Investment (PCI), this is a structured investment that combines a foreign currency investment with a foreign exchange option.

Bonds

Wide variety of bonds
Wide range of bonds issued by different countries, government, financial institutions and other large corporates

Various settlement methods to suit your needs
Various currencies, rates and maturities available

Excellent Custodian Service
Collection of bond interest, exercise of rights, redemption at maturity and trading on secondary markets

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Available fund types:
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PC Financial (SG) Pte. Ltd. diversified investment tools

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We provide access to more than 60 asset managers with more than 1,000 funds under management. Asset managers on our platforms are well known and focused in Asia, Europe, and the US and include such diverse areas as technology, fixed income, and alternative investments like hedge funds.
We can tailor-make a suitable fund portfolio for you based on your investment objectives.

Reputable Fund Houses					
01	BlackRock (Singapore) Limited	20	Fidelity International - UCITS II ICAV	39	Natixis Investment Managers (Natixis IF Luxembourg)
02	Aberdeen Asset Management Plc	21	First State Investments (Hong Kong) Ltd	40	Natixis Investment Managers (Ostrum AM and H2O Funds)
03	Aberdeen Standard Investments (Asia) Limited	22	First State Investments (Singapore)	41	Neuberger Berman - Retail Funds
04	AllianceBernstein (Singapore) Ltd. ("ABSL")	23	Franklin Templeton Investments	42	Nikko Asset Management Asia Limited
05	Allianz Global Investors Singapore Ltd	24	Fullerton Fund Management Company Ltd	43	Nikko Asset Management Luxembourg S.A.
06	Amundi Luxembourg S.A.	25	Fullerton Fund Management Company Ltd - Fullerton Lux Funds	44	NN Investment Partners
07	Amundi Singapore Limited	26	HSBC Global Asset Management (Singapore) Limited	45	Philip Capital Management
08	APS Asset Management Pte Ltd	27	J.P. Morgan Asset Management	46	Philip Capital Management - Philip Select Fund
09	Aviva Investors Asia Pte Ltd	28	Janus Henderson Investors - Capital Funds SICAV	47	PIMCO Funds: Global Investors Series plc
10	BNP Paribas Asset Management - BNPP Funds & Paribas A	29	Janus Henderson Investors - Horizon Fund SICAV	48	PineBridge Investments Ireland Limited
11	BNY Mellon Investment Management Singapore Pte. Limited - MGF	30	Janus Henderson Investors (Singapore) Limited	49	PineBridge Investments Singapore Limited
12	Columbia Threadneedle Investments (Lux)	31	Legg Mason Asset Management Singapore Pte Ltd	50	Principal Asset Management (S) Pte Ltd
13	Columbia Threadneedle Investments (OEIC)	32	Legg Mason Asset Management Singapore Pte Ltd (Recognized)	51	RHB Asset Management Pte Ltd - China-ASEAN Fund
14	Deutsche Noor Islamic Funds plc	33	Lion Global Investors Limited	52	RHB Asset Management Pte Ltd - Retail Funds
15	DWS Investments S.A.	34	Lion Global Investors Limited - LGlobal Funds	53	Schroder Investment Management
16	DWS Investments Singapore Limited	35	Manulife Global Fund	54	UBS Asset Management (Singapore) Ltd
17	Eastspring Investments (Singapore) Limited	36	Manulife Investment Management (Singapore) Pte. Ltd.	55	UOB Asset Management
18	Fidelity International	37	Maybank Asset Management Singapore Pte Ltd	56	UTI International (Singapore) Pte Ltd
19	Fidelity International - S$ Share Class	38	Natixis Investment Managers (Natixis IF Dublin)	57	Wells Fargo Funds Management LLC

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