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

Southeast Asia Edition

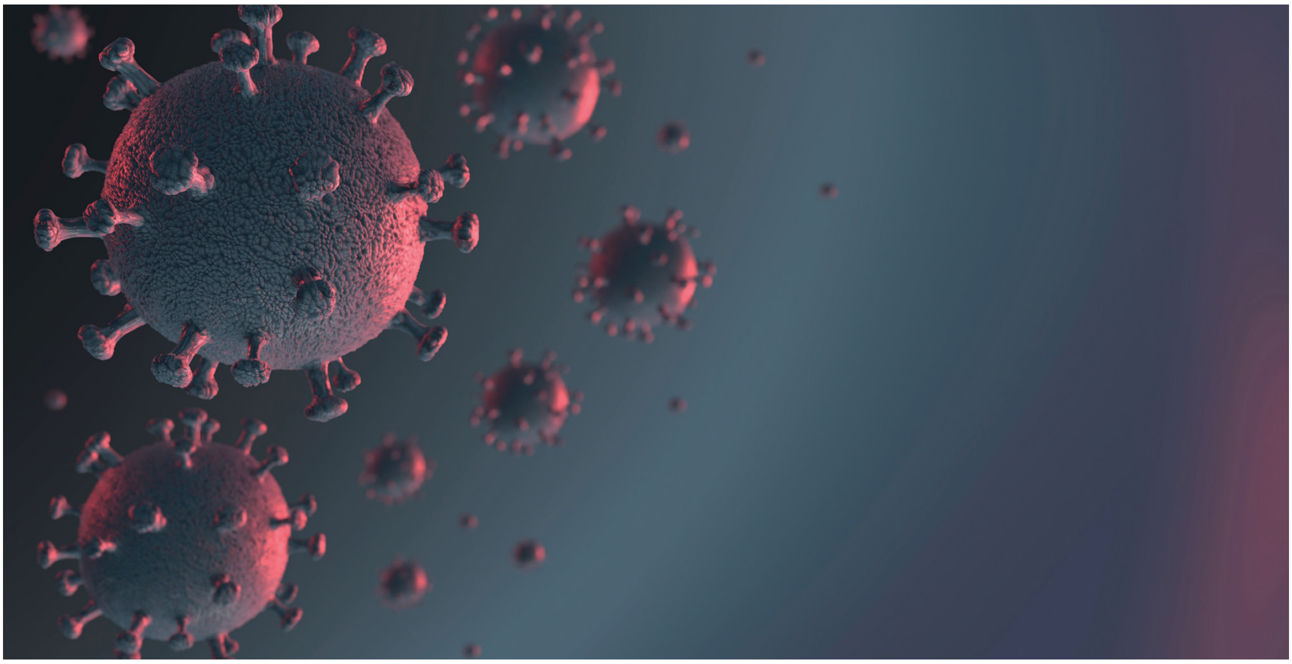
Heritage Account
2020 Q2 Global Investment Guide

Heritage
HK · SG

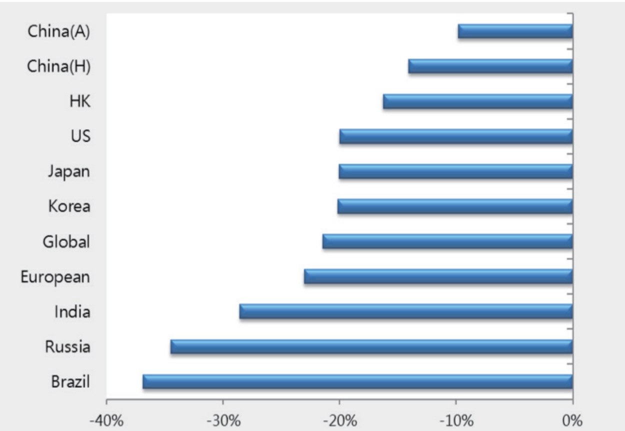

RIVER CRUISE
PC Financial (SG) Pte Ltd
寶鉅金融(新加坡)有限公司
PC iFAST Holding (SG) Pte Ltd
寶鉅奕豐控股(新加坡)有限公司

At the beginning of 2020, the global market faced challenges of the most severe nature. The continued global spread of coronavirus pandemic has led to heightened turbulence in capital markets. Not only did U.S. stocks plunge by more than 30% in a month, Europe and Asia indices also fell into bear market territories. However, what is most worrying is the impact of the outbreak on the real economy. Countries imposed strictest travel bans, restricted restaurants and bars' operations, and cancelled various meetings and events. To promote social distancing, many companies implemented 'work from home' policy. Not only revenue streams for the aviation, tourism, and transportation sectors rapidly froze, the catering and service industries have also been severely affected. Many companies have asked employees to take unpaid leave or have to resort to fire a large number of employees. As a result, unemployment rate is expected to rise sharply. Economists have warned that the global economy may face the biggest financial crisis since the 1929 Great Depression. Even Warren Buffett, who is over 80 years old, may not have experienced such a dire scenario.

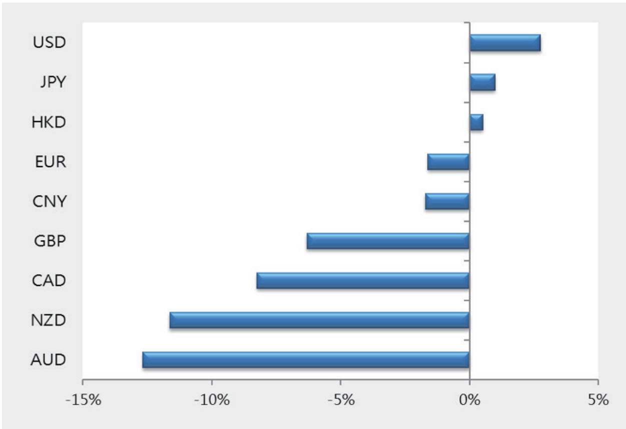
The scale and speed of the current pandemic spread has clearly taken governments and investors by surprise. Last year, the discussion on the bull market was centered on when and how will the current run would end. No one would have expected the 2020 black swan event would take in a form of a sinister coronavirus now known as COVID-19. Although it happened speedily and unexpectedly, its impact may last for a much longer period. History shows that the average magnitude of a bear market decline was 45% and the average duration is 25 months. While several strong rebounds will certainly occur in a bear market, it is difficult for investors to get the timing right. In the meantime, we should brace ourselves for turbulence and be prepared for possible scenarios that may play out. Also, the core strategy we currently recommend to protect your wealth in this bear market, is to diversify via selecting quality assets that are attractively valued and highly liquid for your long term investment portfolio.



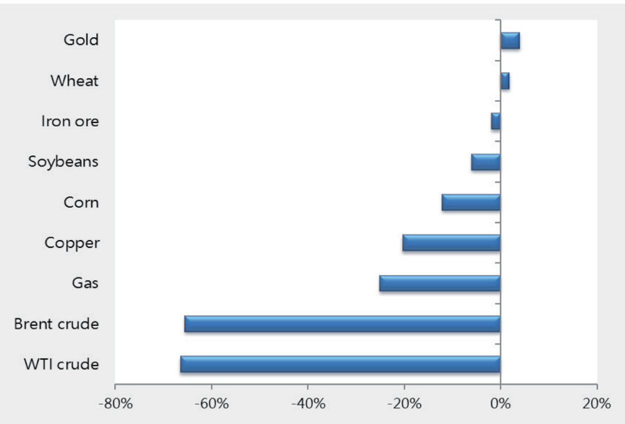
Markets' Performance in the Previous Quarter



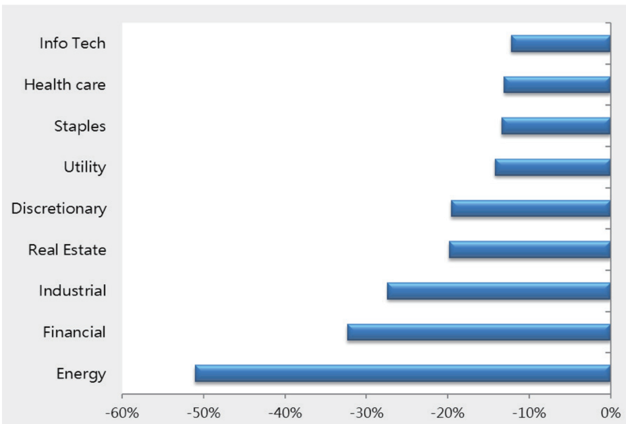
Global Equity Indexes



Major Currencies



Commodities



Sectors

Market Commentary on Previous Outperformers and Underperformers

Outperformers : US Dollar, Japanese Yen

The steep fall in U.S. equity markets in March led to increased demand for the greenback as asset managers rebalance their portfolios at the end of the month. The dollar climbed against major currencies amid quarterly and fiscal year-end demand from portfolio managers and Japanese firms. We think the dollar is likely to remain supported at current levels as investors brace for a sharp economic downturn.
Global stock markets fell amid volatility, and economic damage from the coronavirus pandemic resulted in the MSCI benchmark for world equities witnessing its biggest quarterly decline since the 2008 Global Financial Crisis. In the midst of this, Japanese Yen hit multi-year and all-time-highs against a range of currencies. Judging by how events unfolded in March 2020 market crash, Japanese Yen retained its status as a safe-haven currency.

Underperformers : Crude Oi, Global Stock Markets, Risky Assets

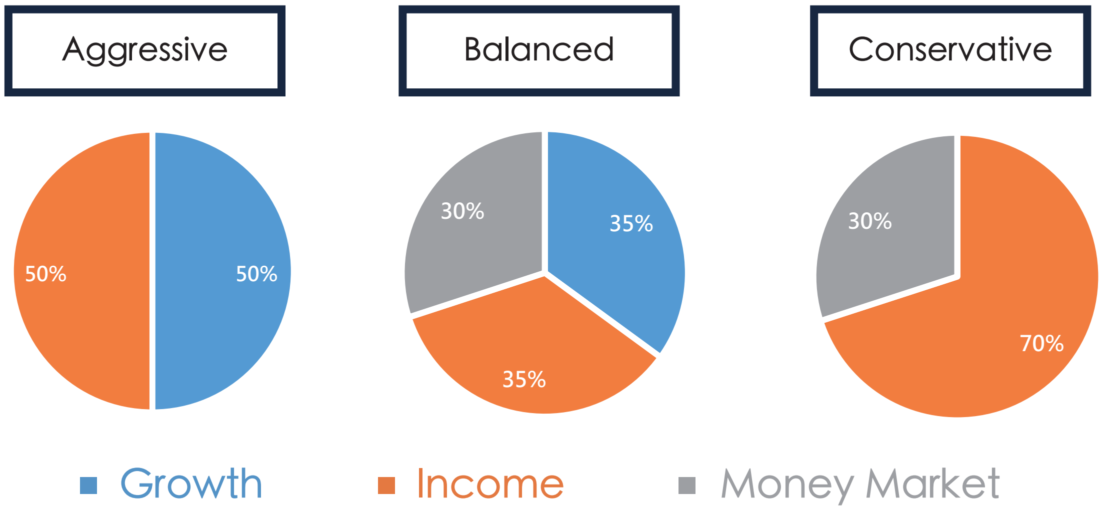
The novel coronavirus pandemic became one of the biggest threats to the global economy and financial markets. Fears about the coronavirus' impact on the global economy rocked markets worldwide, resulting in plunging share prices and bond yields. The benchmark U.S. crude price fell as much as 30%, deepening a rout that began when Saudi Arabia, Russia and other major oil producers failed to agree on the extent of production cuts. It is hard to quantify and estimate the impact of a global economy that came to a standstill as a result of the pandemic, on supply chains, household demand, and financial stability. Thus, policymakers, businesses, and market participants are continuously revising growth estimates in the short and long run.

Quarterly Market Outlook

Investment Market	-2	-1	0	+1	+2	Key Points
Stock Market						
US		■				Valuations have yet to price in the full impact of the coronavirus outbreak.
Europe		■				A prolonged struggle to contain the outbreak implies significant economic damage.
Japan		■				Japan will enter a technical recession due to consumer tax hike and COVID-19 impact.
China				■		Widening interest-rate differential reduces currency depreciation risk + attractive stock valuation.
North Asia			■			Deep value has emerged, but continued volatility is to be expected.
Southeast Asia			■			Highly vulnerable to foreign outflows.
Other EM markets		■				Momentous capital outflow led to widespread currency depreciation.
Fixed Income						
US/EU Bond Market			■			Widening spreads in the energy sector points to the possibility of increased default rates.
EM Debts		■				Fiscal deficit and current account deficit threatened by epidemic.
Real Estate				■		Lower interest rates should aid valuations across most sectors and may bolster capital market activity.
Commodities						
Energy		■				Collapsed demand and oversupply, short-term trend remains weak.
Basic Metal		■				Unlikely to find bottom in 2Q 2020.
Agriculture				■		Wheat prices gain on logistics woes.

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

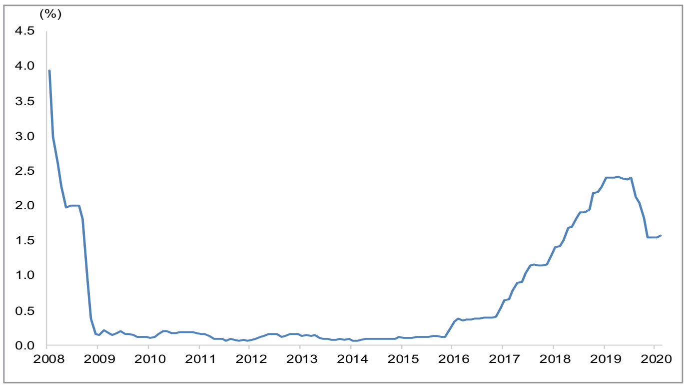
Portfolio Recommendations



U.S.: Valuations have yet to price in the full impact of the coronavirus outbreak

★ After expressing optimism about the U.S. economy in the first two months of 2020, the Federal Reserve swiftly changed its tune in March, announced two emergency rate cuts and promised unlimited bond buying. In addition, the White House and Senate leaders agreed to pass a US$2 trillion stimulus bill, promising to provide direct payments to Americans and relief aid to those directly impacted by the pandemic. This is the biggest economic stimulus package in modern American history. Still, the World Health Organization warned that the U.S. could become the global epicenter of the coronavirus pandemic. Thus, we believe equities have yet to price in a deeper economic damage should the outbreak worsens in the U.S.

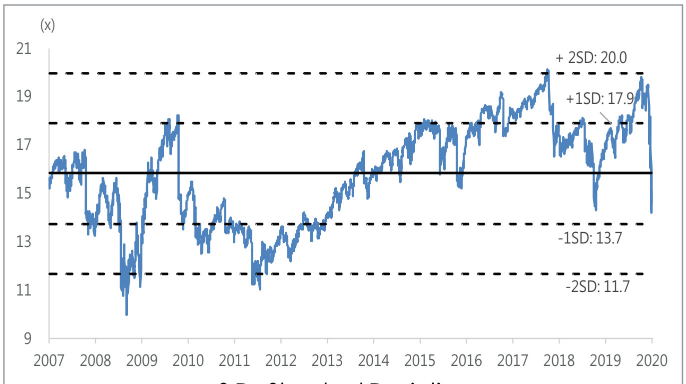
U.S. Effective Fed Funds Rate (%)



★ Data Source:
Board of Governors of
The Federal Reserve System
2020/03/31

★ While the U.S. corporates forward P/E valuations are looking more attractive, we think companies and analysts yet to account for the negative impact of the coronavirus outbreak. Based historical forward P/E valuation, we see stock markets have yet to full factor in a full-year recession (last seen in 2008). Analysts are starting to price a marked slowdown in 2020 and 2021 GDP growth (Bloomberg median consensus 1.1% and 2.0% respectively) vs 2019's 2.3%. We still see downside risk in the U.S. equities for the quarter ahead.

S&P 500 Index forward P/E since 2007



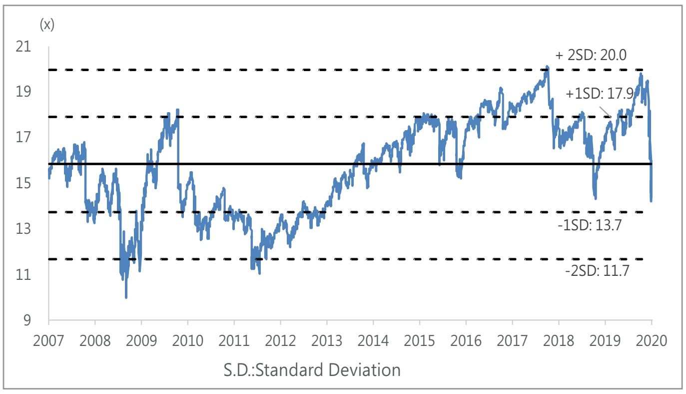
S.D.: Standard Deviation

★ Data Source：Bloomberg, 2020/03/31

Europe : A prolonged struggle to contain the outbreak implies significant economic damage

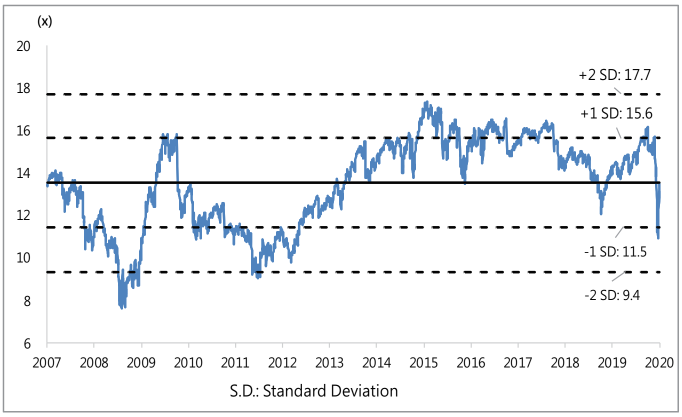
★ Newly classified as the "epicenter" of the global coronavirus pandemic by the World Health Organization, the European Central Bank and European countries promised several fiscal and monetary policies to provide much needed support to the economy and those who were badly impacted by the coronavirus outbreak. Unlike other central banks, the ECB chose to maintain policy rates, preferring to focus on lending support as well as functionality of capital markets. Given that Europe is nearing total lockdown, we see a substantial and long lasting economic damage to Eurozone.

Markit Eurozone Manufacturing PMI



★ We think the latest economic data, such as the manufacturing PMI, suggests a considerable worsening outlook for Eurozone. The five largest European economies (Germany, United Kingdom, France, Italy and Spain) are also the most badly affected by the coronavirus outbreak, in terms of infection case count. Europe's near total lockdown has ramifications that ripples throughout the economy, not just tourism-related sectors. Current valuations have yet to price in significant challenges ahead, compared to the 2008 Global Financial Crisis as well as the Euro Debt Crisis.

Stoxx 600 Index forward P/E since 2007

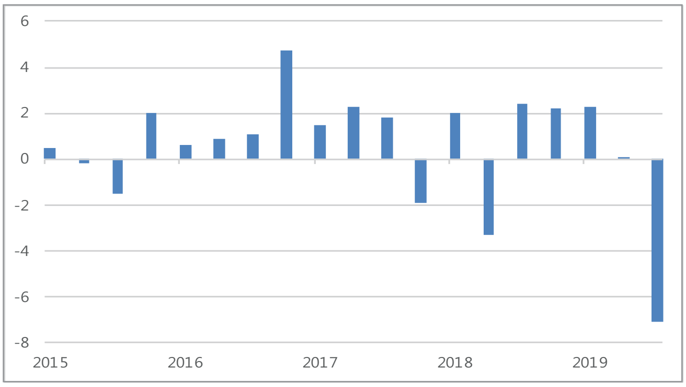


★ Data Source：Bloomberg, 2020/03/31

Japan : Japan will enter a technical recession due to consumer tax hike and coronavirus impact

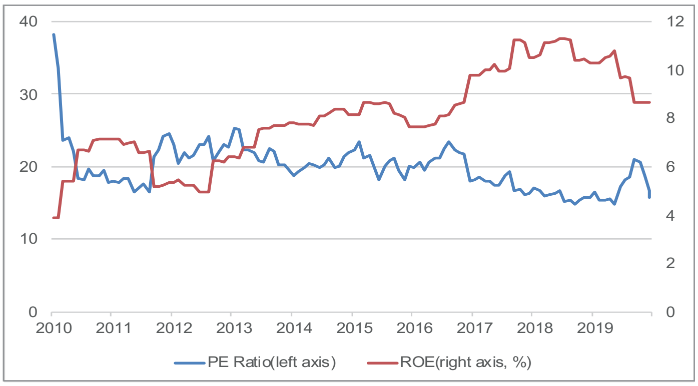
★ Japan annualized real GDP shrank by 7.1% in 4Q19 due to the twin combination of consumption tax hike in last October and disaster caused by super-typhoon Hagibis. Since the beginning of this year, the coronavirus outbreak caused global economic activity and supply chains to grind to a halt. The Tokyo Olympic Games is now postponed to 2021. Analysts expect that the Japanese economy will continue to shrink in the coming next 1-2 quarters, leading Japan to enter into a technical recession. The central bank of Japan did not opt to cut the already negative interest rates, but increased ETF purchases target by 6 trillion yen to 12 trillion yen.

Japan annualized GDP growth rate (%)



★ Japanese companies have benefited from Abenomics, the economic policies launched by the current Prime Minister since coming into power in 2012. Share buybacks increased to the highest level since 2006, while the Nikkei 225 index's return on equity is close to 9% (red line on the right). In addition, the Nikkei 225 Index valuation has returned to a very attractive level (blue line on the right) after recent plunge. However, considering that Japanese economic growth will remain weak in the near future and investors demand higher risk premium compensations, we expect Japanese equities will struggle to show a tepid performance in the short term.

Nikkei 225 Index's ROE (%) and P/E Trend

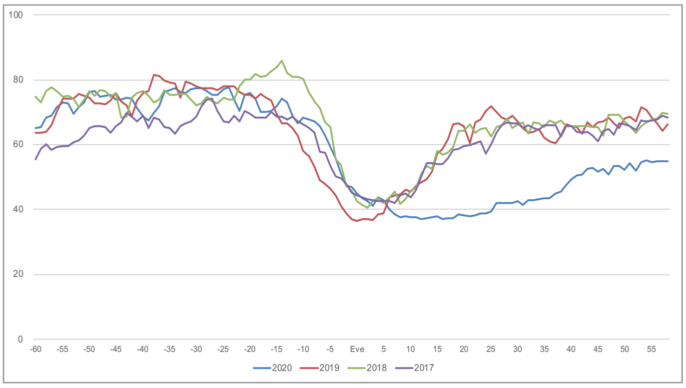


★ Data Source : Bloomberg, 2020/03/31

China : Widening interest-rate differential reduces currency depreciation risk + attractive stock valuation

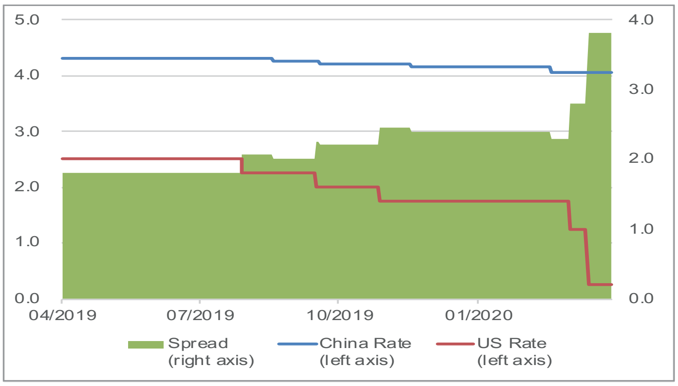
★ The coronavirus pandemic first broke out in China and the Chinese government took draconian containment measures. Also, Chinese economic activity nearly came to a standstill in 1Q20. February's economic data such as PMI, industrial production or retail sales, is significantly worse than expected. While economic activity is still at a recovery stage and coal consumption is rising gradually, overall usage level is still lower than the past three years' post-Lunar New Year comparable period. CICC expects that China's economic growth will shrink by 9.6% in the first quarter, and the annual expected GDP growth is only 2.6%, significantly lower than the governmen's original target of 6%. Economic growth rate is expected to surge to 9% in 2021.

Daily Coal Usage for Power Generation in China (10K Tons)



★ Interest rate differential between the U.S. and China widened after the Fed Reserve's rate cut, higher than most countries. This helps to stabilize the Chinese yuan as currency devaluation and capital outflow risk has reduced. Also, Chinese equities' valuations looks more attractive compared to other emerging markets. Although economic growth may be negatively impacted by the yet-to-be controlled pandemic in the U.S. and Europe in the near term, but we see limited downside risk and expect relative outperformance compared to other markets.

US-China Policy Rate Spread (%)

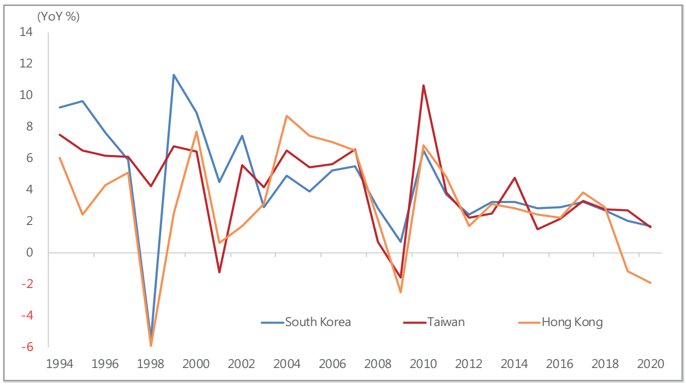


★ Data Source : Bloomberg, 2020/03/31

North Asia : Deep value has emerged, but continued volatility is to be expected

★ Due to geographical proximity, close travel and trade relations with China, North Asia saw a surge in infected cases in early February. While the countries (particularly South Korea and Taiwan) won international praises for their efficiency in containing the pandemic spread, North Asia was not spared from the severe economic fallout. North Asia governments and central banks have promised a combination of fiscal and monetary policies to support the national economy. Given the region's high dependence on China as well as exports, we think the speed of recovery from the economic damage caused by the coronavirus will hinge upon the speed of China's rebound and recovery in global trade.

North Asia's 2020 GDP growth is likely to fall



★ We see deep value emerging in North Asia, particularly in South Korea. This is unsurprising as South Korea is the worst hit country in Asia outside of China. Markets have likely priced in a severe economic fallout as well as manufacturing value-chain disruption. Still, we expect continued volatility in North Asia equities. South Korean and Taiwanese semiconductor as well as manufacturing companies are fully integrated into the global value chain. Given the still developing nature of the pandemic situation in Europe and U.S, North Asia manufacturing firms will likely feel the negative impact on demand and supply from their end-customers.

North Asia's Forward P/E Valuation

Forward P/E	2008 GFC Low	End 2019	Mar-20
Hong Kong	7.6x	11.2x	9.7x
South Korea	7.1x	15.8x	10.5x
Taiwan	8.8x	18.4x	13.8x

★ Data Source : Bloomberg, 2020/03/31

South East Asia : highly vulnerable to foreign outflows

★ The export-dependent ASEAN had barely recovered from the collateral damage due to the U.S.-China trade war, when the bloc has to now deal with the economic fallout as a result of coronavirus outbreak. Recent revisions by analysts see Singapore and Thailand at the greatest risk of facing a full year growth contraction, while other ASEAN nations are likely to record weak growth comparable to the 2008 Global Financial Crisis period. However, fiscally, Singapore still has the most robust balance sheet among Southeast Asian countries, which is expected to provide effective economic support. Due to investors' preference for the greenback during times of uncertainty, we expect continued outflows from ASEAN markets in the second quarter.

ETF net flows from ASEAN-6

ETF Flows (US$)	YTD (mil)
Singapore	234.5
Indonesia	1.01
Vietnam	-44.4
Thailand	-29.2
Philippines	-50.6
Malaysia	-122.6

★ We stretched our analysis for forward P/E valuations from January 2008 to present day. Although markets are expecting ASEAN economies to be more badly affected than during the 2008 financial crisis, we note that ASEAN equities are still not trading close to trough valuations, implying potential further downside. Active trade amongst ASEAN has been critical to the bloc's growth. Given current travel restrictions, we think the ASEAN bloc will only see light at the end of the tunnel when their biggest trading partner – China – experiences a sharp rebound.

ASEAN Forward P/E valuation

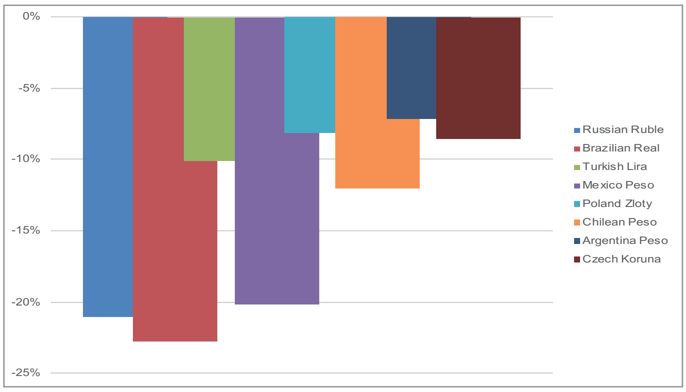
Country	2008 GFC Low	End 2019	End Mar-20
Singapore	7.8x	13.2x	10.9x
Indonesia	6.0x	16.4x	10.6x
Vietnam	8.2x	16.1x	9.8x
Thailand	5.3x	16.9x	13.4x
Philippines	8.3x	16.8x	10.9x
Malaysia	9.2x	16.6x	14.8x

★ Data Source : Bloomberg, 2020/03/31

Other Emerging Markets : Momentous capital outflow led to widespread currency depreciation

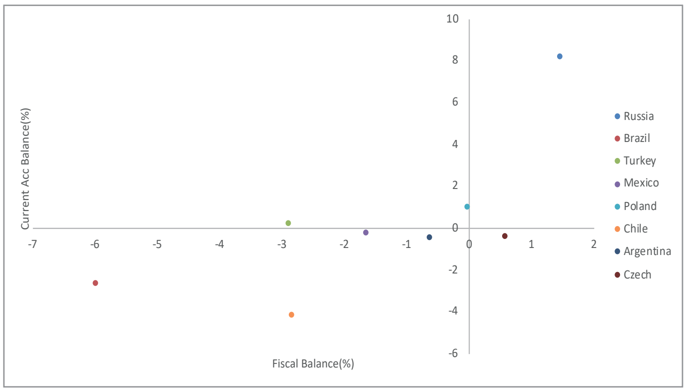
★ Foreign fund flows fled emerging markets (EM) due to factors such as the global coronavirus pandemic; plunge in oil prices; USD strengthening and tightening liquidity conditions. According to Reuters, the total outflow for EM bonds and equity funds in February and March exceeded US$80 billion. EM currencies also rapidly depreciated against the greenback. Year-to-date, commodities-dependent nations such as Russia and Brazil saw their local currencies tanking by more than 20%. The combination of U.S. interest rate cuts; unlimited quantitative easing policy as well as currency swap agreements to inject liquidity into markets may help to create conditions for the stabilization of EM currencies against the USD.

Year-to-date EM currencies depreciation (%)



★ However, some EM nations face the thorny issue of fiscal and current account deficits, such as Latin America nations, Brazil and Chile. Others such as Eastern Europe nations (Poland and Russia) enjoy surpluses instead. With the need to balance currency exchange rate stability and economic stimulus, Latin American countries will have less policy room for implementation of expansionary monetary and fiscal stimulus compared to Eastern Europe.

EM Current account and fiscal account balance (%)

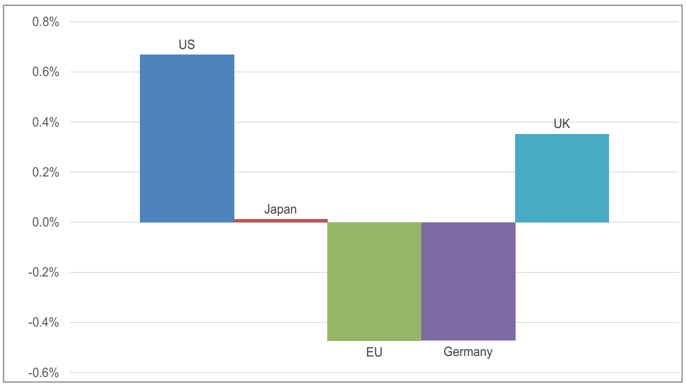


★ Data Source : Bloomberg, 2020/03/31

Bond Markets : Widening spreads in the energy sector points to the possibility of increased default rates

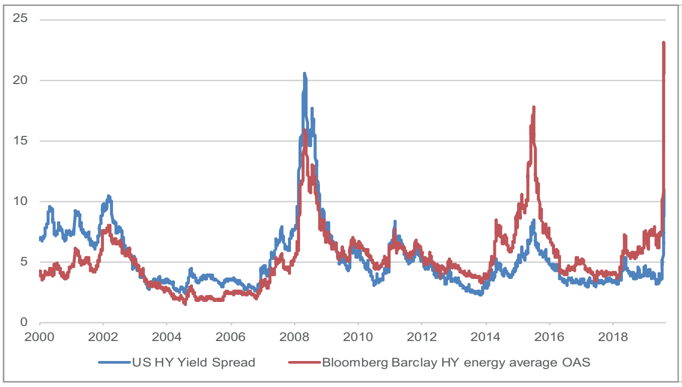
★ Globally, central banks and governments collaborated to roll out economic stimulus measures and cut interest rates to stabilize economies due to the coronavirus pandemic. Federal funds target range is now at 0-0.25%, and the U.S. 10-year treasury yields hit a new low. Although it is still difficult to fully quantify the impact of the pandemic on economies, there is still demand for safe-haven assets. Coupled with Fed's unlimited quantitative easing policy to support liquidity, we expect in the near term, government bonds will still be the recipient of fund flows.

10-Year Treasuries Yield in DMs (%)



★ The energy sector is one of the key issuers in the U.S. high-yield bond market. As OPEC+ was unable to reach an agreement on production cuts in March, the plunge in oil prices, together with the expected collapse in demand for oil due to the pandemic, U.S. high-yield bond spread has widened significantly to more than 1,000 bps. Average option adjusted spread (OAS) for high yield bonds issued by the energy sector has exceeded 2,000 bps, a record high. Although we are optimistic about the medium-to-long term trend for oil prices, we expect in the near term, oil prices will still trade at current levels with high levels of volatility. This will negatively affect the energy sector's ability to repay and refinance high-yield debt. Default risk is likely to rise in the foreseeable future.

US High Yield Spread and Energy HY OAS (%)



★ Data Source：Bloomberg, 2020/03/31

Industry Trends and Outlook

Banking – Rate cut is negative for the sector's profitability

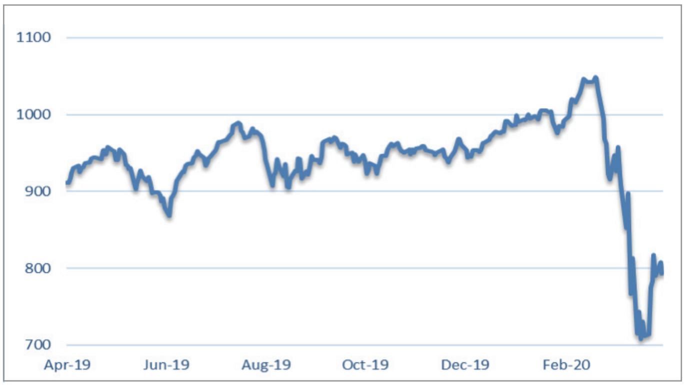
★ The US S&P 500 Financials Index fell sharply by 36.38% in the first quarter of this year due to the global spread of the pandemic. Given the still ongoing outbreak, analysts expect that the U.S. economy to contract sharply in the first quarter. The Federal Reserve has cut interest rates twice in a row in March. Although the likelihood of the Fed to cut rates into negative territory remains low, net interest margins (NIM) compression as a result of rate cuts will limit banks' profit growth potential. On the other hand, although the sector's price-to-book (P/B) valuation has fallen off the cliff, sector is unlikely to escape the impact of deteriorating economic conditions. This is negative for financial stocks.

S&P500 Financial Sector Index

Consumer Discretionary - Negative outlook due to deteriorating economic conditions

★ Indicators signaling the extent of the negative impact on the U.S. economy due to the pandemic has recently became clearer. The latest published data on initial jobless claims had hit a record high. The US S&P 500 Consumer Discretionary Index fell 22.77% year-to-date. The index tanked 41% and 57% respectively during the 2000 and 2008 economic crisis. As we expect that economic conditions will continue to deteriorate, consumer discretionary sales will likely be under pressure. Hence, we remain negative on the sector's outlook.

S&P500 Consumer Discretionary Index



★ Data Source：Bloomberg, 2020/03/31

Technology – Technology sector shows resilience

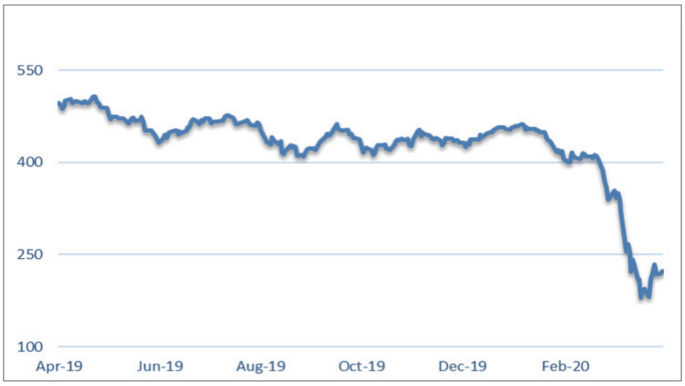
★ Although major index S&P 500 fell 23.53% year-to-date, the drop in magnitude for S&P 500 Information Technology Index was less severe. The index lost 16.35% year-to-date, similar to defensive plays such as consumer staple stocks. It also outperformed other sub-indices, a strong indicator of resilience. Currently, markets are clouded by pessimism, and the technology sector's performance is likely to follow general markets' trajectory in the short term. However, the sector price-to-earnings (P/E) ratio fell below 20x, close to the 10-year average. Also, the technology sector is less affected by the pandemic, a worthy consideration for investors.

S&P 500 Information Technology Index

Energy – oil prices slump spells trouble for the sector's income and balance sheets

★ The S&P 500 Energy Index plunged more than 50% in the first quarter, due to coronavirus and the plunge in oil prices. The energy index is the worst performer for all S&P 500 sub-indices. Although energy sector's valuations is near a 10-year low, low oil prices has negative implications on energy companies' capital structure and earnings outlook. However, we think oil prices are nearing the bottom after sharp declines in the first quarter. How oil prices will move in the future will depend on negotiation process among the major oil producers.

S&P 500 Energy Sector Index



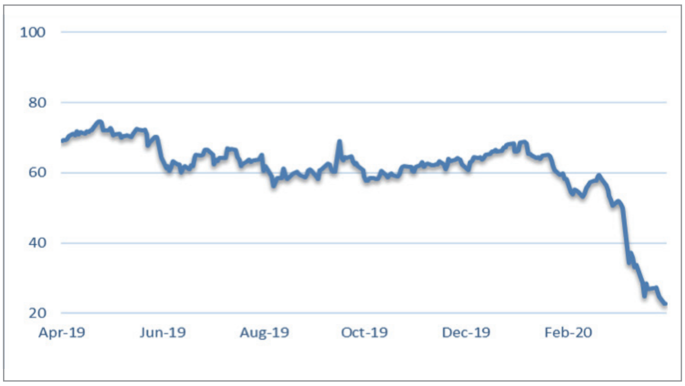
★ Data Source：Bloomberg, 2020/03/31

Commodity Trends and Outlook

Crude Oil – Collapsed demand and oversupply = cheap oil

★ The coronavirus outbreak has drastically weakened the demand for crude oil, as the need for crude products such as gasoline, diesel and jet fuel grinded to a halt, as millions find themselves in lock-down or factories have shutdown for social distancing purposes. In addition, oil producers such as OPEC, Russia and the United States were unable to come to consensus on the magnitude of oil production cuts. A price war is currently waged by Saudi Arabia after the collapse of OPEC+ negotiations in March. Although further downside is limited, we remain bearish on oil prices in the near term.

Brent Crude Futures (US$/bbl)



Crude Palm Oil – Staying low for longer

★ Crude palm oil (CPO) futures contract on Bursa Malaysia has fallen from its peak in end December 2019, with deliveries for May 2020 now trading at RM2,470/MT. Due to concerns over demand disruption as a result of coronavirus, low crude oil prices as well as weak alternative biofuel prices, we see little improvement for CPO prices. While buyers stock up ahead of the Muslim holy month of Ramadan, thereby supporting demand, still, palm oil imports into China and India – the world's largest consuming markets – have reduced considerably, we see greater downside risk to our view than upside.

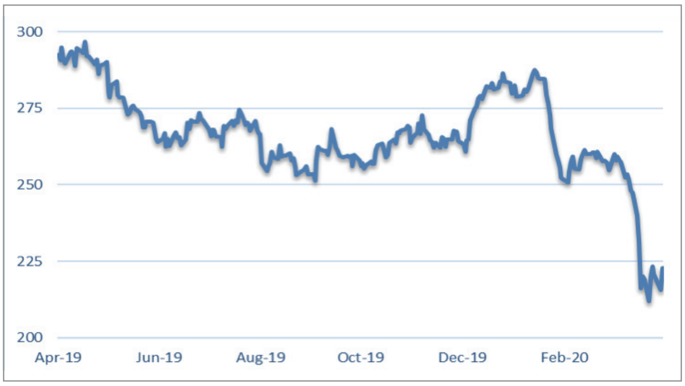
CPO Futures (RM$/MT)

★ Data Source : Bloomberg, 2020/03/31

Copper prices: unlikely to find bottom in 2Q2020

★ Copper, ranked as the third-most-consumed industrial metal in the world and a barometer of the global economy, experienced heavy sell-off. Year-to-date, copper futures have plunged more than 20%, as the coronavirus pandemic forced massive shutdowns worldwide and curbed the demand for industrial commodities. China, which consumes half of the world's copper, may not be able to rescue the market on its own despite best efforts to resume full factory production levels. We think the cumulative impact of demand losses by other major economies is likely to drag down copper prices further.

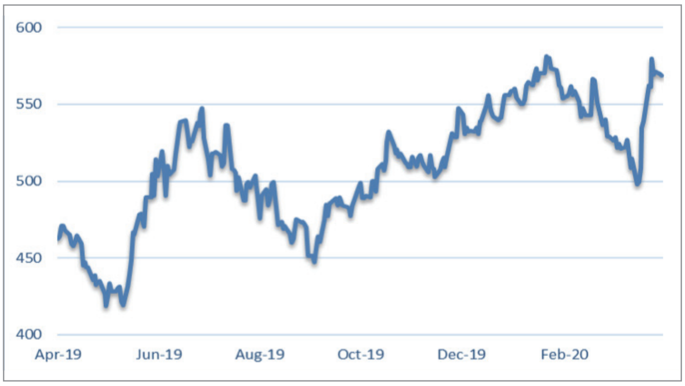
Copper Futures (US$/lb)



Agriculture – wheat prices gain on logistics woes.

★ Wheat is set for the longest run of gains for a most-active contract since June as the coronavirus outbreak boost near-term demand and risk disrupting shipping in some regions. Flour-based products are amongst the supplies being scooped up as people turn to comfort foods and stay home from work and school. In addition, China reportedly booked 340,000 tonnes of U.S. tons of hard red winter wheat and made its largest one-day corn purchase of American corn in seven years. The drastic measures undertaken by governments to curb the outbreak have sparked concerns about logistical issues affecting shipping and ports. We remain positive on wheat prices for the quarter ahead.

Wheat Futures (US$/bushel)



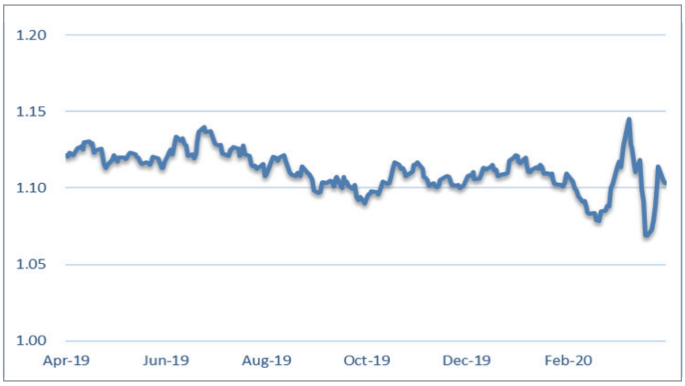
★ Data Source : Bloomberg, 2020/03/31

Currency Trends and Outlook

EUR/USD : Resistance : 1.15 / Support : 1.05

★ Eurozone's March PMI was hit by an unprecedented major blow after accounting for the impact of COVID-19 outbreak. Both the Eurozone Composite PMI and Services PMI reached historical lows. As countries adopt more stringent pandemic containment policies, we expect downside risks to economic growth will continue to intensify in the coming months. In the long run, EU countries will make major structural adjustments and allow a weaker EUR in order to maintain the viability of the EUR. Therefore, we believe EUR/USD will be well supported at 1.05, but we do not rule out further depreciation of the EUR to almost par with USD.

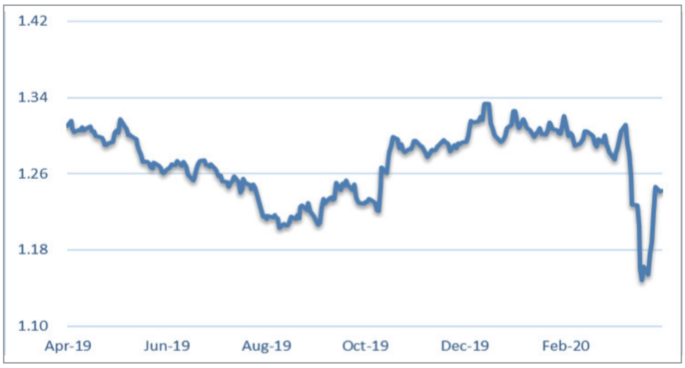
EUR/USD



GBP/USD : Resistance : 1.34 / Support : 1.10

★ GBP has fallen recently due to three factors: (1) Economic activity was severely affected by the pandemic, resulting in investors' preference for the USD. (2) Brexit has brought great uncertainty regarding the U.K's future. (3) Brexit became official on 31 January 2020. During this year's transition period, some European-centric businesses must shift their headquarters or production lines back to Europe, causing fund flowing out of the U.K., which is detrimental to the Pound. If the U.K. cannot return to the EU single market with low tariffs, and London loses its status as Europe's financial center, we do not rule out further downside potential for the Pound.

GBP/USD

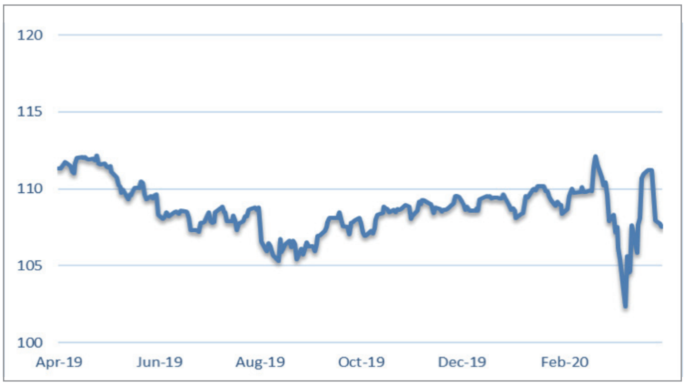


★ Data Source：Bloomberg, 2020/03/31

USD/JPY : Resistance : 115 / Support : 100

★ Initial estimates for Japan's seasonally adjusted manufacturing purchasing managers index (PMI) in March fell to 44.8, the lowest level since April 2009, worse than previous value of 47.8. Japan's economy is expected to shrink by 4% this year. The Tokyo 2020 Olympic Games will be postponed for one year. This is the first time that the Olympic Games have been postponed during peaceful times. Decrease in international tourist arrivals and falling domestic consumption are expected to dampen economic growth. The most pessimistic view held by economists on Japan's economic losses in 2020 is over 3 trillion yen. This means Japanese Yen may not play the role as a safe-haven investment strategy in this wave of market correction (or continued fall) as investors may prefer to hold the dollar.

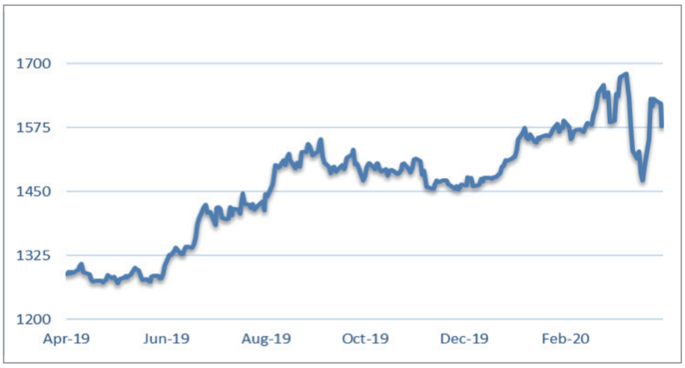
USD/JPY



XAU/USD : Resistance : 1700 / Support : 1450

★ Investors start to question whether gold is still a safe-haven during the coronavirus pandemic. Gold prices have not necessarily risen with the sharp decline in the U.S. stocks as investors' preference for liquidity result in profit-taking in gold in the market turmoil. This situation also occurred at the end of 2008, when the gold price dropped by more than 20% in a month, and fell to around US$700 in November, before triggering safe-haven purchases. With the release of unprecedented liquidity by the Federal Reserve, some funds re-entered the gold market, and it regained its status as a safe-haven asset. Before this happen again, we expect that the investors may still prefer to hold cash, especially the US dollar. Gold price may experience another round of decline before rebounding.

XAU/USD



★ Data Source : Bloomberg, 2020/03/31

Currency Trends and Outlook

AUD/USD : Resistance : 0.70 / Support : 0.50

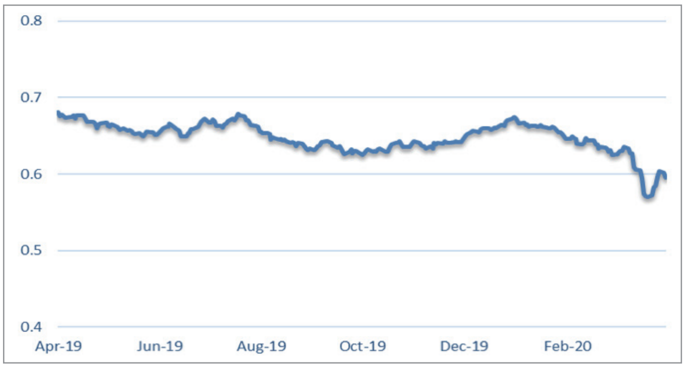
★ The Reserve Bank of Australia (RBA) cut interest rates by 25 basis points to an all-time low of 0.50% at the beginning of March. This is the fourth rate cut by the RBA in less than a year. The coronavirus pandemic has spread globally and is hitting the Australian economy hard, especially for the education and tourism sector. The RBA initially believes that Australia's economic growth in the first quarter will be reduced by 0.2 percentage points due to the coronavirus outbreak. However, the RBA is now concerned that the economic blow will be more severe than previous estimates. The RBA also announced that it is ready to buy Australian public debts at any time to support markets. Risk aversion is now close to the level seen in 2008 Global Financial Crisis. If it continues, we are almost certain that the AUD has further downside potential.

AUD/USD

NZD/USD : Resistance : 0.70 / Support : 0.55

★ The Reserve Bank of New Zealand announced a rate cut of 75 basis points on Marc 千 h 16, reducing the official overnight rate (OCR) to 0.25%, and the Monetary Policy Committee agreed to maintain OCR at this level for at least 12 months. The main reason for the rate cut is that the pandemic continues to dampen demand for trade, tourism, and domestic production. Expenditure and investment will be sluggish for a long period of time. Negative economic effects will continue to expand, and the New Zealand economy may experience three consecutive quarters of recession. In addition, the central bank has taken a historic step, saying in a statement that it will purchase up to 30 billion New Zealand dollars of government bonds in the secondary market in the next 12 months, and introduced quantitative easing policies. The New Zealand dollar is still under pressure at least in the short term.

NZD/USD

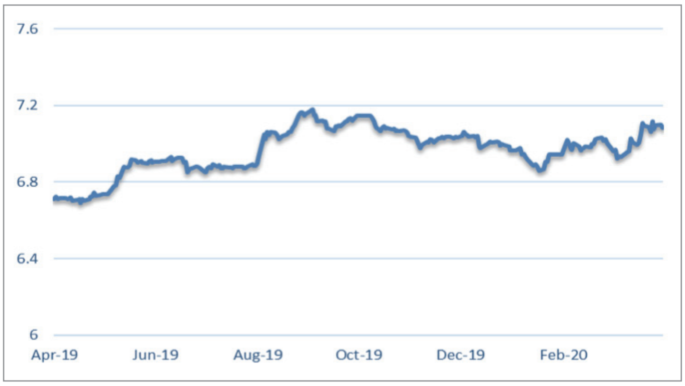


★ Data Source : Bloomberg, 2020/03/31

USD/CNY : Resistance : 7.20 / Support : 6.50

★ Resumption of China business activities is still slow and will be a drag on first quarter's GDP growth. The pandemic has now spread to Europe and the U.S.. With China central bank's relatively slower pace in cutting rates versus its western counterparts, CNY-denominated assets are now more attractive to long-term foreign investors due to the widening interest rate differentials between China and western countries. At the same time, China's sovereign debt default rate remains low, and Chinese equities is undervalued. As the depreciation of the CNY in the first quarter has reflected the pandemic's impact on China's economy, we expect with the subsequent normalization of activities in China as well as the U.S. enhanced measures to contain the pandemic will see USD/CNY pair trading near 6.90.

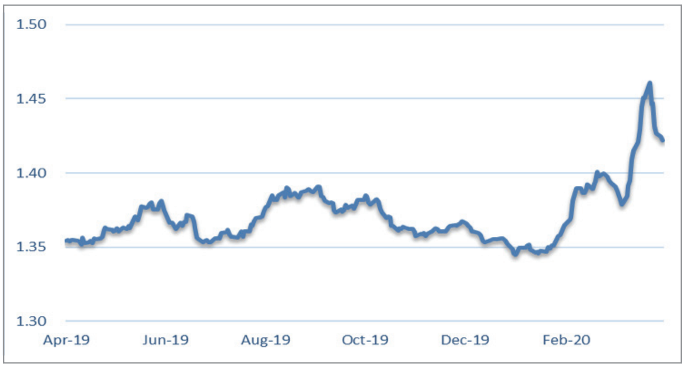
USD/CNY



USD/SGD : Resistance : 1.50 / Support : 1.35

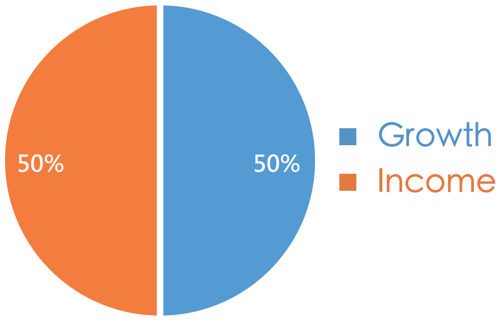
★ Preliminary data showed that Singapore's first quarter GDP shrunk 2.2% year-on-year. The government has downgraded its full-year GDP growth forecast range to -1% to -4%, from a previous projected range of -0.5% to 1.5%. The small Southeast Asian city-state is a major port, financial hub and tourist destination, a bellwether for global trade. As international trade and tourism flows froze due to the pandemic, the Singapore's economy is under tremendous pressure. In addition, Singapore's February 2020 core inflation rate was negative, falling from 0.3% registered in January to -0.1%, the first negative value in nearly 10 years. We expect further monetary easing in the next meeting and any appreciation in SGD will be capped in the coming quarter.

USD/SGD



★ Data Source : Bloomberg, 2020/03/31

Aggressive Portfolio Growth



Mutual Fund				
Investment Asset	CUR	Investment Type	Market	ISIN
First State China Growth I Acc Fund	USD	Invests companies whose revenues derived from Greater China.	Greater China	IE0008368742
Franklin Technology Fund	USD	Participates in high growth areas like e-commerce and artificial intelligence	Global IT sector	LU0109392836
JPMorgan ASEAN Equity Fund	SGD	Provide long-term capital growth by investing in companies whose primary business is in ASEAN.	ASEAN	LU0532188223

Exchange Trade Fund				
Investment Asset	CUR	Investment Type	Market	ISIN
DB X-Trackers MSCI Korea UCITS Index ETF	USD	Tracks the MSCI Total Return Net Korea Index.	South Korea	LU0292100046
iShares Nasdaq Biotechnology ETF	USD	Tracks the NASDAQ Biotechnology Index	US	US4642875565

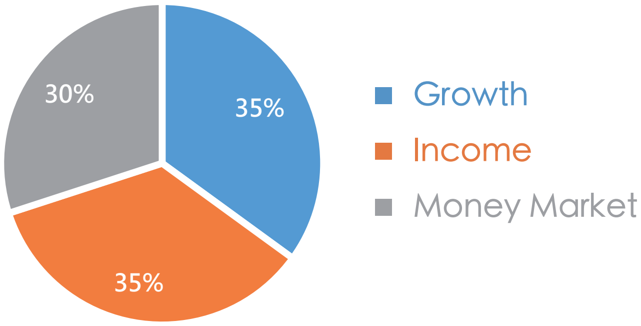
Corporate Stock				
Investment Asset	CUR	Investment Type	Exchange	ISIN
Sheng Siong Ltd	SGD	Consumer Staple. One of the largest supermarket operators in Singapore.	SGX	SSG SP
Tencent Holdings Ltd	HKD	E-Commerce play. Provides Internet and mobile value-added services, online advertising and e-commerce transactions.	HKSE	700 HK
Walmart Inc	USD	Consumer Staple. Operates discount stores, supercentres and neighbourhood markets.	NYSE	WMT US

Aggressive Portfolio Income

Corporate Bond				
Investment Asset	CUR	Investment Type	Coupon	ISIN
Chip Eng Seng Corp Ltd	SGD	YTM: 6.488% / Maturity Date: 2021.06.14	4.750%	SG73C5000004
Credit Suisse AG	HKD	YTM: 5.446% / Maturity Date: 2023.08.08	6.500%	XS0957135212
<Note> The YTM shown here is for reference only, the actual rate is based on the quoted price at the point of transaction.				

Mutual Fund				
Investment Asset	CUR	Investment Type	Market	ISIN
JPMorgan Global High Yield Bond Fund	USD	Investing primarily in below investment grade global fixed and floating rate debt securities	Global	LU0344579056
Eastspring Investments - Asian Local Bond Fund	USD	Primarily fixed income / debt securities issued by Asian entities or their subsidiaries.	Asia	LU0315179829

Balanced Portfolio Growth



Mutual Fund				
Investment Asset	CUR	Investment Type	Market	ISIN
BlackRock Global Allocation Fund	USD	Invest in a portfolio of global equities, debt and money market securities.	Global	US09251T5092
Allianz Income and Growth Fund	SGD	U.S. and/or Canadian corporate debt securities and equities.	U.S./Canada	LU0943347566

Exchange Traded Fund				
Investment Asset	CUR	Investment Type	Market	ISIN
iShares MSCI China ETF	USD	Tracks the MSCI China Index.	China	US46429B6719
EMQQ The Emerging Markets Internet & E-Commerce ETF	USD	Tracks the EMQQ The Emerging Markets Internet & Ecommerce Index	Emerging Markets	US3015058890

Corportate Stock				
Investment Asset	CUR	Investment Type	Exchange	Code
Top Glove Corporation Bhd	SGD	One of the world's largest latex glove makers. Produces surgical and vinyl examination gloves.	SGX	TOPG SP
VISA	USD	The World's largest credit card issuers.	NYSE	V US

Balanced Portfolio Income

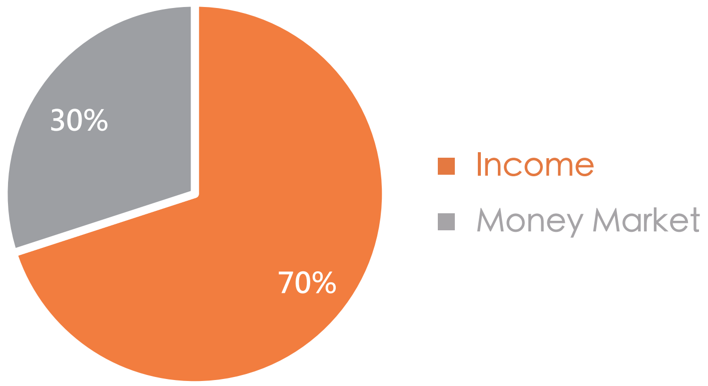
Corporate Bond				
Investment Asset	CUR	Investment Type	Coupon	ISIN
Mapletree Treasury Services	SGD	YTM: 4.158% / Maturity Date: Perpetual. Call: 2022.01.19	4.500%	SG78A5000007
OUE Ltd	SGD	YTM: 5.014% / Maturity Date: 2023.04.13	1.500%	XS1796078324
<Note> The YTM shown here is for reference only, the actual rate is based on the quoted price at the point of transaction				

Exchange Traded Fund				
Investment Asset	CUR	Investment Type	Market	ISIN
BMO Asia USD Investment Grade Bond ETF	HKD	Tracks the Barclays Asia USD Investment Grade Bond Index.	HKSE	HK0000221389
iShares iBoxx $ Investment Grade Corporate Bond ETF (LQD)	USD	Tracks the Markit iBoxx USD Liquid Investment Grade Index.	NYSE	US4642872422

Balanced Portfolio Money Market

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

Conservative Portfolio — Income



Corporate Bond				
Investment Asset	CUR	Investment Type	Coupon	ISIN
Verizon Communications	USD	YTM: 2.029% / Maturity Date: 2024.03.15	2.000%	US92346MFF32
Keppel Corp Ltd	SGD	YTM: 3.974% / Maturity Date: 2042.09.07	4.000%	SG6W26985096
<Note> The YTM shown here is for reference only, the actual rate is based on the quoted price at the point of transaction				

Mutual Fund				
Investment Asset	CUR	Investment Type	Market	ISIN
Templeton Global Bond Fund	SGD	Maximise total return through a portfolio of fixed or floating rate debt securities issued by government or government-related issuers worldwide	Global	LU0320763948
Eastspring Investments - Asian Local Bond Fund	USD	Primarily fixed income / debt securities issued by Asian entities or their subsidiaries	Asia	LU0315179829
Pimco Income Fund	USD	Seek high income with prudent investment management	Global	IE00B7KFL990
Templeton Global Return Fund	USD	Invest principally in a portfolio of fixed and/or floating rate debt obligations issued by government or government-related entities	Global	LU0170475312

Conservative Portfolio — 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	Principally in US Dollar denominated debt securities.	US	LU0064963852

Quarterly Discussion Theme - The yield-hunter's headache: investing in a negative interest rate environment

The U.S. Federal Reserve (the Fed) slashed rates for the second time on March 15, reducing the benchmark interest rate by 100 bps. Including the 50 bps reduction in the last emergency rate cut on March 3, the Fed lowered interest rates twice in a row for a total of 150 bps in March alone. Federal funds rate target range has now dropped to 0 - 0.25%. Since 2008 Global Financial Crisis, various central banks dropped the cost of borrowing in order to stimulate economies. Some opted to allow interest rates to enter into negative territories, upending the traditional economic school of thought that the baseline for interest rates is zero. Global bond yields continued to decline over the past 10 years. In this current issue of the Global Investment Guide, we explore the concept of ultra low or negative interest rates, its impact on the economy as well as asset prices.

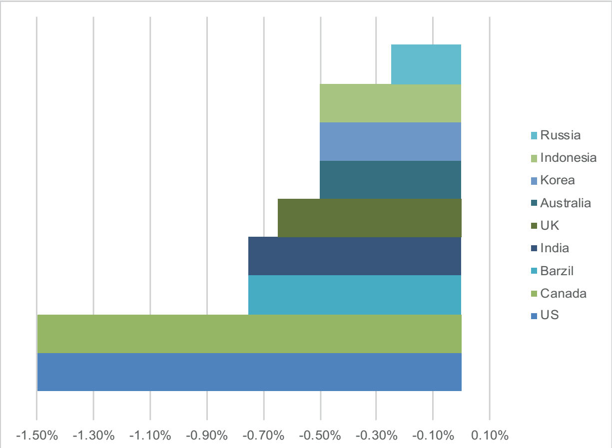
Negative / Ultra low interest rate environment

As a result of the 2008 Global Financial Crisis as well as the Eurozone debt crisis, the European Central Bank (ECB) became the first major central bank to experiment with negative interest rate policy by reducing deposit interest rate to -0.1%. Subsequently, the ECB cut interest rates over the years, resulting in the current deposit rate of -0.5%. In Asia, the Bank of Japan (BOJ) joined the negative interest rates club by dropping rates to -0.1% in 2016, a level which the BOJ has maintained till today. Other central banks that utilize negative interest rates as a monetary policy tool include Switzerland and Denmark.

In the first quarter of 2020, global markets are rocked by the insidious spread of the novel coronavirus pandemic. To cushion the pain as a result of the economic fallout due to draconian containment measures, major central banks (with the exception of ECB) lowered interest rates (see Figure 1). In March, the United States, the world's largest economy, dropped federal funds target rate's lower bound to 0%, just one step away from negative interest rates territory. As a result, the U.S. 10-year Treasury yields fell to 0.3137%, a historical low, beating the record held during the 2008 Global Financial Crisis. In addition to the sharp decline seen in the U.S. 10-year Treasury yields, shorter-term US Treasury yields, such as the two-month Treasury yields, fell below the 0% level, forcing short-term treasury debt holders to accept negative returns.

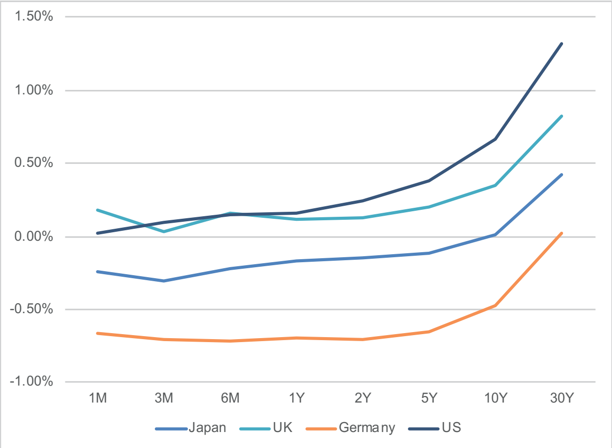
In the past 10 years, global interest rates have been falling and developed markets' bond yields are on a downward trend. The negative interest rates phenomena are more common found in Europe. Amongst the E.U. nations, the entire German government bond yield curve sits below the below 0% level (see Figure 2). Globally, as of February 26, the total value of negative interest rate bonds reached US$3.97 trillion, accounting for more than 27% of global bonds market value.

Fig 1: Global Major Central Banks' Interest Rates' Decisions (YTD)



★ Source: Bloomberg, 2019/12/31 - 2020/03/31

Fig 2: Major Developed Countries' Yield Curve



★ Source: Bloomberg, 2019/12/31 - 2020/03/31

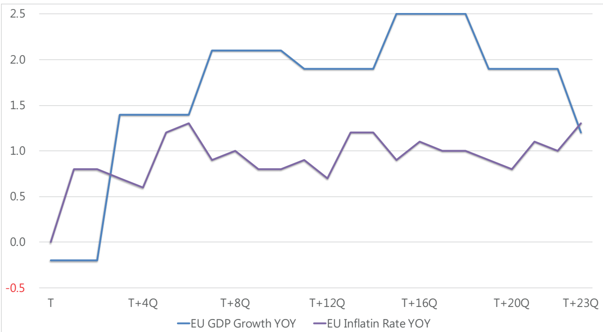
Quarterly Discussion Theme - The yield-hunter's headache: investing in a negative interest rate environment

The effectiveness of negative interest rate policy on economic stimulus is limited

The BOJ and the ECB are two examples of central banks implementing negative interest rates to encourage financial institutions to support the economy and increase inflation through cheap lending.

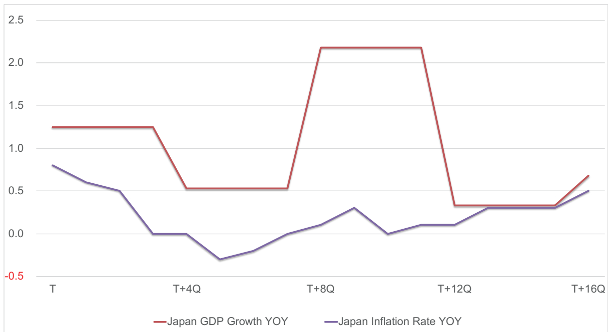
In the initial stage of negative interest rates' implementation in the Eurozone, real GDP growth did improve slightly, but as interest rates venture deeper in negative territory, the marginal benefits in stimulating the economies effectively, as a result of implementing negative interest rates, diminished over time. Real GDP growth began to decline (see Figure 3). In the same period, Eurozone's core inflation rate has not improved substantially from the beginning till present moment, and is still far from the ECB's 2% target inflation rate. The situation in Japan is even more worrisome. Negative interest rate policies neither had positive impact on real GDP growth rate nor improvement in core inflation (see Figure 4). This implies that Japan has fallen into a "liquidity trap", which means almost everyone prefers to hold cash to spending. Based on the situation seen in Japan and the Eurozone, the implementation of negative interest rate policy alone has limited impact on stimulating the economy and inflation.

Fig 3: EU Real GDP Growth Rate (%, Blue) and Inflation Rate (%, Purple)



★ Source: Bloomberg, 2019/12/31 - 2020/03/31

Fig 4: Japan Real GDP Growth Rate (%, Red) and Inflation Rate (% Purple)



★ Source: Bloomberg, 2019/12/31 - 2020/03/31

Impact of negative interest rates on asset prices

Interest rate plays a fundamental role in pricing assets. Based on conventionally-used asset pricing models applying the concept of discounted present value of cash flows, low interest rates (also known as risk-free rates) implies lower discount rates, resulting in higher present values, benefitting asset prices.

However, when risk-free rate turns negative, the discounted present value calculation becomes distorted and pricing models such as the capital asset pricing model (CAPM) may not work effectively. In addition, the implementation of negative interest rates sends a pessimistic signal to markets on the state of economy. Hence, investors demand higher risk premium to compensate for undertaking risks. Therefore, the expected impact on changes in asset prices due to negative interest rates is vastly different from a simple rate cut.

On the other hand, the U.S. were able to maintain positive interest rates, unlike the EU and Japan. Thus, arbitrage opportunities arises between the U.S. and the EU as well as Japan due to interest rate differentials. Investors can borrow cheaply in Euro or Japanese Yen to invest in U.S. markets with a positive rate of return. Hence, funds continued to flow into the U.S., creating a bull market for equities and bonds. With the recent U.S. rate cuts, this interest rate differentials have narrowed sharply. If the U.S. adopts negative interest rate policy in future, this arbitrage opportunity will disappear. Investors may switch out of U.S. investments, putting downward pressure on US dollar assets.

As the low interest rate environment becomes the new normal plus the recent equities plunge, investors are faced with limited choices when it comes to demanding stable positive returns. Given the recent uncertainty in capital markets, we recommend investors to consider adding in alternative investments and insurance products that provide stable and consistent returns in the long run.

Heritage HK · SG

PC Financial (SG) Pte. Ltd. diversified investment tools

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)

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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

PC Series Fund

Funds with flexible features to help you achieve your investment goals

Available fund types:

- Equity Fund
- Hedge Fund
- Bond Fund
- Real Estate Fund
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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	First State Investments (Hong Kong) Ltd	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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