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Citibank Wealth Management



Market Overview



Investment Strategy



Apr 12, 2021
with data as of Apr 9, 2021

Hong Kong / China Stock

Weekly Investment Insight

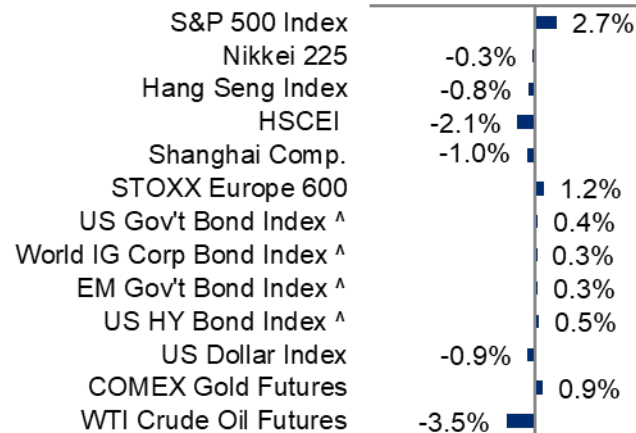
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Equity Market Performance

Equity	9-Apr Close	Weekly Change	Change (%)				
			Weekly	1-Month	3-Month	6-Month	YTD
Global / US							
MSCI AC World Index (Local)	803	14.1	1.8%	4.8%	5.7%	18.4%	8.6%
S&P 500 Index	4,129	108.9	2.7%	6.5%	8.0%	18.7%	9.9%
DJ Industrial Average	33,801	647.4	2.0%	6.2%	8.7%	18.2%	10.4%
Russell 2000 Index	2,243	-10.4	-0.5%	-0.1%	7.3%	37.0%	13.6%
Europe							
STOXX Europe 600	437	5.0	1.2%	4.0%	6.3%	18.1%	9.6%
FTSE 100 Index	6,916	178.5	2.6%	2.8%	0.6%	14.9%	7.0%
DAX Index	15,234	127.0	0.8%	5.5%	8.4%	16.7%	11.0%
CAC 40 Index	6,169	66.4	1.1%	4.1%	8.1%	24.7%	11.1%
Japan							
Topix	1,959	-12.1	-0.6%	2.2%	5.6%	18.9%	8.6%
Nikkei 225	29,768	-85.9	-0.3%	2.5%	5.8%	26.0%	8.5%
Emerging Market							
MSCI EM Index	1,330	-7.9	-0.6%	0.9%	-1.7%	18.5%	3.0%
Asia							
MSCI Asia ex Japan	874	-5.5	-0.6%	0.5%	-1.4%	18.1%	3.7%
Shanghai Composite	3,451	-33.7	-1.0%	2.7%	-3.3%	5.5%	-0.6%
CSI 300	5,035	-126.2	-2.4%	1.3%	-8.4%	7.6%	-3.4%
Hang Seng Index	28,699	-239.9	-0.8%	-0.3%	2.9%	19.0%	5.4%
HS China Enterprise Index	10,977	-240.0	-2.1%	0.0%	0.2%	14.1%	2.2%
MSCI China Index	109	-2.4	-2.2%	-1.7%	-3.5%	7.7%	0.2%
S&P/ASX 200	6,995	166.5	2.4%	3.3%	3.5%	14.6%	6.2%
Taiwan TAIEX Index	16,854	282.8	1.7%	6.3%	9.0%	30.8%	14.4%
Kospi Index	3,132	19.1	0.6%	5.2%	-0.6%	30.9%	9.0%
BSE Sensex 30 Index	49,591	-438.5	-0.9%	-2.8%	1.7%	22.4%	3.9%
Jakarta Composite Index	6,070	58.8	1.0%	-2.1%	-3.0%	20.1%	1.5%
Straits Times Index	3,185	2.9	0.1%	2.4%	6.4%	25.7%	12.0%
FTSE Bursa Malaysia KLCI	1,612	26.9	1.7%	-0.8%	-1.3%	5.4%	-0.9%
SET Index	1,566	-29.9	-1.9%	1.0%	1.9%	23.6%	8.1%
Latin America							
Brazil Ibovespa Index	117,670	2,416.6	2.1%	5.7%	-5.9%	20.7%	-1.1%
Mexico IPC Index	47,628	381.4	0.8%	1.1%	1.9%	23.7%	8.1%
Emerging Europe							
Russia RTS Index \$	1,418	-48.9	-3.3%	-4.3%	-3.3%	21.8%	2.2%

Source: Bloomberg L.P., as of Apr 9, 2021

Major Index Performance



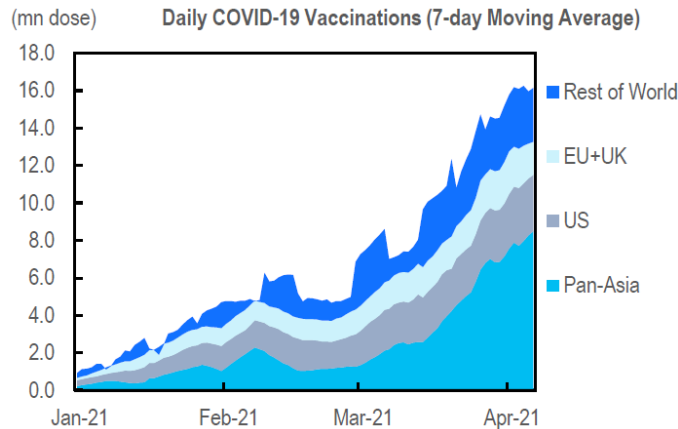
Source: Bloomberg L.P., as of Apr 9, 2021

Weekly Review & Economic / Political Events

- The FOMC minutes showed that it will “likely be some time” before the economy recovers enough to begin tapering and the committee viewed “the risks to the outlook for inflation as broadly balanced”, signaling no urgency to begin pulling back the accommodative policy support.
- China headline CPI inflation picked up from -0.2%YoY in February to 0.4%YoY.
- The IMF said it expects global economy to grow by 6% in 2021, up from its 5.5% forecast in January. For 2022, global GDP is expected to grow by 4.4%, versus January’s estimate of 4.2%.
- OPEC+ agreed to gradually increase output by 1.1-m b/d over the next three months while keeping a cautious approach in managing supply on a monthly basis.

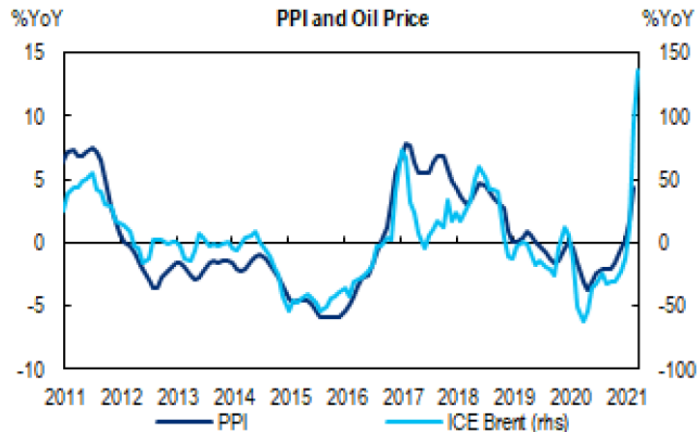
Navigating Recovery

Pan-Asia region may form herd immunity by vaccination by 4Q21-1H22



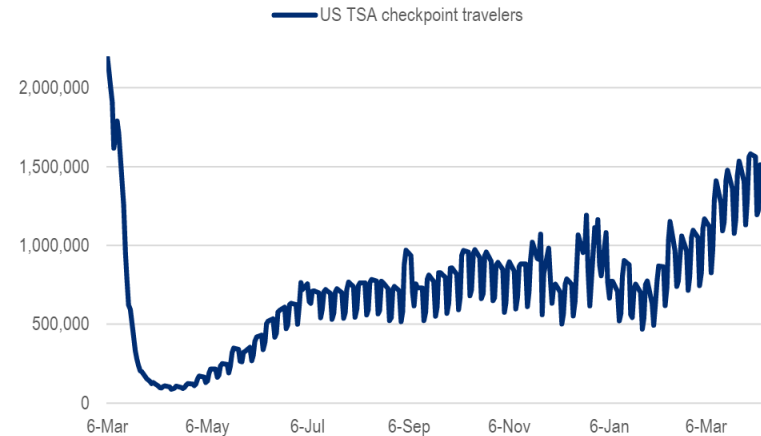
In the Pan-Asia region, daily vaccinations have surged since early March, led by China and India. The Pan-Asia region's daily vaccinations account more than 50% of the world's in early April (vs. the end of February: 18%).

China PPI reflation accelerated further in March



Structurally, PPI and core-CPI reflation would support the already strong industrial profits and help repair the profitability of services sectors. But Be mindful of the sentiment impact of higher inflation readings in the near-term.

US Air travel rapidly increasing



In the US, general mobility data shows driving already above levels that prevailed last summer. Daily data continues to show a rapid increase in air travel. The reopening rebound continues at a rapid pace.

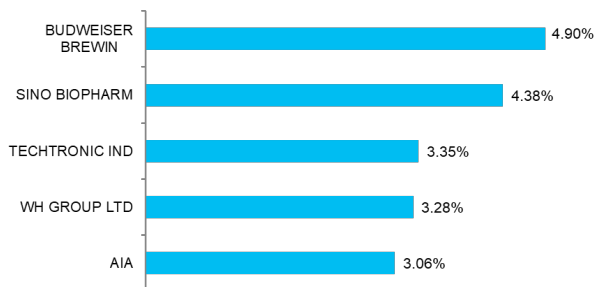
Core Positioning, Core Convictions

- We expect modest single-digit per annum US large cap performance with an opportunity for COVID-cyclicals to mean revert and catch up to COVID-defensives as the economy reopens. Stock markets outside the U.S. offer attractive long-term valuation prospects.
- In the months ahead, we expect occasional bouts of uncertainty and market volatility. Dividend stocks and stocks with high ESG scores should be less volatile than the market at large.
- In addition to possible growth disappointments or an unexpected rise in interest rates, COVID, US-China relations, historically rich valuations in some areas and geopolitical provocations rank among the top risks.
- We see mean reversion and financial repressions as major themes in our 2021 Outlook. Greening the world, hyper-connectivity, a G2 world and longevity (Health Care) represent unstoppable trends.

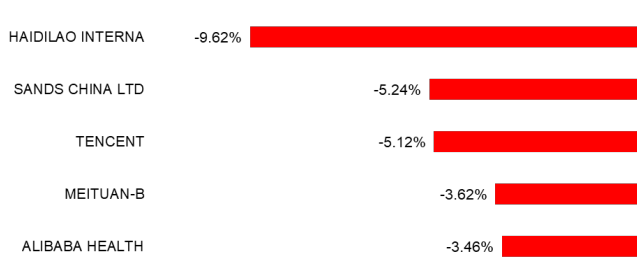
Hong Kong / China Stock Update

Top/Bottom Five HSI Constituents

Top 5 performers



Bottom 5 performers



Source: Bloomberg L.P., as of Apr 9, 2021

- Alibaba was fined 18.2 billion yuan (US\$2.8 billion) by China's antitrust regulators. The company was ordered to correct its misconduct, and pay a fine equivalent to 4 per cent of its total 2019 revenue.
- Prosus sold 191.89 million shares of Tencent for HK\$114.1 billion, reducing its stake to 28.9%. That worked out as HK\$595 per share.
- Geely's total sales in Mar-21 were in-line with expectations at +37% YoY (+30% MoM) to 100k units.
- Chalco reported its preliminary 1Q21 net profit at Rmb967mn, up ~30 times YoY and 234% QoQ.

China Internet

- Following the sector rotation sell-off, internet companies across all regions have retreated from the peak in mid-Feb and currently accumulating YTD share price performance of +12.5% for China Internet, compared to US internet names at 16.8%, Korea internet at 20.8%, Japan internet & games at 8.0%.
- While most Chinese Internet companies delivered solid 4Q20 results with a few missing slightly on earnings, in light of regulatory overhang and sector rotation de-risk, most internet companies experienced large volatility of share price movement over the first three months of 2021.
- Following 4Q20 print and mgmt comments on outlook, we believe 1H21 key trends to focus on are: 1) regulatory headwind and impact on growth and share price sentiment; 2) increased spending budget in lower tier cities penetration through community group buy expansion and supply chain and logistics network investment; 3) Secular recovery of ad spend with short video and live streaming to continue gaining share; 4) offline entertainment and leisure activities pick up steam benefiting travel, movie, restaurants and local services online ad budget spend in addition to transaction commission & revs stream of OTAs, content production and sharing economy demand; 5) emphasis on technology innovation and support of industrial digitalization could become key success factors for internet companies.
- We believe most of the share prices are likely to remain range bound or under pressure in the short term before investors gain more clarity into the regulation implications and possible estimates revision. We believe the overhang could gradually ease off with the strength of fundamental results stimulating investors' appetite on growth stories of the internet sector and expect 2H21 share prices to show stronger rebound.

Global Equity Index Performance, Forecasts & Valuation

Region / Index	Past Performance			9-Apr Close	Valuation				
	1-Week	3-Month	YTD		Forecast P/E ratio 2021	Forecast P/E ratio 2022	Forecast P/B ratio 2021	Forecast P/B ratio 2022	
Global									
MSCI AC World Index (Local)	1.8%	5.7%	8.6%	803	20.4	18.0	2.8	2.6	
MSCI EM Index	-0.6%	-1.7%	3.0%	1,330	15.2	13.3	1.9	1.7	
US									
S&P 500 Index	2.7%	8.0%	9.9%	4,129	23.7	20.6	4.2	3.9	
DJ Industrial Average	2.0%	8.7%	10.4%	33,801	21.6	19.1	4.8	4.5	
Russell 2000 Index	-0.5%	7.3%	13.6%	2,243	35.7	26.5	2.3	2.1	
Europe									
STOXX Europe 600	1.2%	6.3%	9.6%	437	18.3	15.9	2.0	1.9	
FTSE 100 Index	2.6%	0.6%	7.0%	6,916	14.4	12.8	1.7	1.6	
DAX Index	0.8%	8.4%	11.0%	15,234	16.7	14.7	1.8	1.7	
CAC 40 Index	1.1%	8.1%	11.1%	6,169	18.4	15.7	1.8	1.7	
Japan									
Topix	-0.6%	5.6%	8.6%	1,959	16.8	14.7	1.4	1.3	
Nikkei 225	-0.3%	5.8%	8.5%	29,768	21.6	18.9	2.1	1.9	
Asia									
MSCI Asia ex Japan	-0.6%	-1.4%	3.7%	874	16.8	14.5	1.9	1.7	
Shanghai Composite	-1.0%	-3.3%	-0.6%	3,451	12.2	11.4	1.5	1.3	
CSI 300	-2.4%	-8.4%	-3.4%	5,035	13.7	12.9	2.0	1.8	
Hang Seng Index	-0.8%	2.9%	5.4%	28,699	13.1	11.4	1.3	1.2	
HS China Enterprise Index	-2.1%	0.2%	2.2%	10,977	10.9	9.7	1.3	1.2	
MSCI China	-2.2%	-3.5%	0.2%	109	16.2	13.9	2.1	1.8	
S&P/ASX 200	2.4%	3.5%	6.2%	6,995	19.6	18.6	2.2	2.2	
Taiwan TAIEX Index	1.7%	9.0%	14.4%	16,854	17.4	16.1	2.2	2.3	
Kospi Index #	0.6%	-0.6%	9.0%	3,132	14.3	11.8	1.2	1.1	
BSE Sensex 30 Index	-0.9%	1.7%	3.9%	49,591	22.3	18.5	3.2	2.8	
Jakarta Composite Index	1.0%	-3.0%	1.5%	6,070	16.4	12.3	1.9	1.8	
Straits Times Index	0.1%	6.4%	12.0%	3,185	15.2	13.1	1.1	1.1	
FTSE Bursa Malaysia KLCI	1.7%	-1.3%	-0.9%	1,612	13.6	14.4	1.6	1.5	
SET Index	-1.9%	1.9%	8.1%	1,566	19.7	16.7	1.7	1.7	
Latin America									
Brazil Ibovespa Index	2.1%	-5.9%	-1.1%	117,670	10.5	10.2	1.8	1.7	
Mexico IPC Index	0.8%	1.9%	8.1%	47,628	15.4	13.9	2.0	1.9	
Emerging Europe									
Russia RTS Index \$	-3.3%	-3.3%	2.2%	1,418	7.5	6.6	0.9	0.8	

Source: Bloomberg L.P. and Citi Forecasts, performance and market data as of Apr 9, 2021

Bond and Commodities Performance

Fixed Income	9-Apr Close	Weekly Change	Weekly	Change (%)			
				1-Month	3-Month	6-Month	YTD
Bond Indices							
FTSE US Gov't Bond Index	917	3.5	0.4%	-0.3%	-2.7%	-4.0%	-3.8%
FTSE WBIG - Corporate Index	314	0.9	0.3%	0.5%	-1.8%	-0.3%	-2.7%
FTSE High Yield Market Index	1198	6.4	0.5%	1.2%	1.4%	6.7%	1.6%
JPM HY Bond Spread-to-Worst Gbl	414	-5.0	-1.2%	-8.6%	-10.0%	-28.6%	-11.2%
US Treasury Yields							
				Change in Yield (in bps)			
3-Month - Yield (%)	0.01	--	-1	-2	-6	-9	-5
2-Year - Yield (%)	0.15	--	-3	-1	2	0	3
5-Year - Yield (%)	0.86	--	-11	6	38	53	50
10-Year - Yield (%)	1.66	--	-6	13	54	88	75
30-Year - Yield (%)	2.33	--	-3	10	46	76	68
Commodity							
Commodity	9-Apr Close	Weekly Change	Weekly	Change (%)			
				1-Month	3-Month	6-Month	YTD
Energy							
WTI Crude Futures (\$/barrel)	59.3	-2.1	-3.5%	-7.3%	13.6%	46.1%	22.3%
Brent Crude Futures (\$/barrel)	63.0	-1.9	-2.9%	-6.8%	12.4%	46.9%	21.5%
Natural Gas Futures (MMBtu)	2.5	-0.1	-4.3%	-5.1%	-6.4%	-7.8%	-0.5%
Base Metals							
LME Aluminum Futures (\$/MT)	2264.0	38.5	1.7%	4.4%	12.0%	22.9%	14.4%
LME Copper Futures (\$/MT)	8926.5	136.5	1.6%	1.7%	9.8%	32.0%	14.9%
Precious Metals							
Comex Gold Futures (\$/oz.)	1744.8	16.4	0.9%	1.6%	-4.9%	-9.4%	-7.9%
Comex Silver Futures (\$/oz.)	25.3	0.4	1.5%	-3.3%	2.8%	0.9%	-4.1%

Source: Bloomberg L.P., as of Apr 9, 2021

Please note and carefully read the Important Disclosure on the last part

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Higher Credit Risk – Unrated or non investment grade Debt Securities generally have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. There is greater risk of non-payment of interest and loss of principal. Many issuers of these Debt Securities have experienced substantial difficulties in servicing their debt obligations, which has led to default and restructurings. The issuers of these Debt Securities generally have to pay a higher rate of interest than investment grade Debt Securities.

Higher Liquidity and Secondary Market Risk – The markets in which unrated or non investment grade Debt Securities are traded are generally more limited than those in which investment grade Debt Securities are traded. This lack of liquidity may make it more difficult to resell these Debt Securities and obtain market quotations.

Downgrade Risk – Downgrades in the credit rating of unrated or non investment grade Debt Securities by rating agencies are generally accompanied by declines in the market value of these Debt Securities. In some circumstances, investors in the unrated or non investment grade Debt Securities market may anticipate such downgrades as a result of these credits being placed on "credit watch" by rating agencies, causing volatility and speculation of further credit deterioration.

Higher Vulnerability to economic cycles - During economic downturns, unrated or non investment grade Debt Securities are typically more susceptible to price volatility and fall more in value than investment grade Debt Securities as i) investors may reevaluate holdings in lower-quality bonds in favor of investment-grade corporate Debt Securities; ii) investors become more risk averse; and iii) default risk rises. This is often referred to a "flight to quality".

Event Risk – This includes any of a variety of events that can adversely affect the issuer of unrated or non investment grade Debt Securities, and therefore the issuer's ability to meet debt service obligations to repay principal and interest to Debt Securities holders. Event risk may pertain to the issuer specifically, the industry or business sector of the issuer, or generally upon the overall economy. It could have a direct or indirect impact on the issuer and their outstanding debts.

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