BEA MPF e - Newsletter

April 2021

Message from the Investment Manager

U.S. Equities Surge on The Back of Stimulus Plan Passage

Global stock markets got stabilised in March, with the U.S. equity market as the outperformer. Dow Jones and S&P 500 both hit record highs at the end of March. Following the passage of the USD1.9 trillion American Rescue Plan, it was reported in late March that the U.S. President Biden was planning to launch an infrastructure plan of up to USD3 trillion, which is conducive to the U.S. stock market sentiment.

Divergence of China and U.S. Equity Markets

Unlike U.S. equities, the Chinese stock indices have fallen around 15-20% from their peaks in mid-February. Investors concern about the policy might tighten by People’s Bank of China. But we would expect the tightening would not be as aggressive as it did in 2013 and 2015. Since the outbreak of COVID-19, China’s pandemic-related support amounts to roughly 4.7% of GDP according to the IMF, while it is close to 30% of GDP in the U.S. China would be easier to normalise its fiscal hole when compared to the U.S.

Sector rotation continues with economic recovery. In the medium term, we continue to like technology, domestic consumption and cyclicals such as Macau gaming. We will stay with the conviction strategy and avoid too many active tradings for a stable growth of the portfolio in medium to longer term.

U.S. Treasury Yield May Consolidate

The U.S. Treasury yield may consolidate with heavy short positioning and renewed concerns on another wave of lockdown in Europe. As for the financial issue with a China asset management company, we sold it off earlier to mitigate the default risk exposure.

We would expect developed market stocks outperform, and maintain our constructive market view in China and Hong Kong markets, thanks to the improving domestic demand outlook, favourable liquidity, and monetary policy. We will continue to look at electric vehicles, where component makes are preferred to OEMs.