

## Investment Outlook for Q2 2018: Tactical Strategy to Navigate Volatile Markets (23 April 2018)

**Mr. Henry Chan, Chief Investment Officer at BEA Union Investment, shares his views on trends in the equity and bond markets and his consequent strategy.**

**Q1 : In view of current volatility, what is the outlook for the equity market?**

A1 : The consensus view on growth, inflation and interest rates has become more mixed. Economic and earnings fundamentals, however, have broadly remained unchanged. We therefore still expect to see steady growth with moderate inflationary pressure.

**Q2 : Based on current trends, what is your strategy in picking stocks? Which sectors and markets do you prefer?**

A2 : We expect to see more sector rotation and earnings surprise to come from a more diverse range of stocks and sectors. This means that a “buy and hold” strategy may not work as well as it did last year. We will need to make more tactical moves based on valuation discipline.

**Sectors we prefer:**

- Consumer staples
- Energy

**Markets we prefer:**

- **Hong Kong:** Due to liquidity support and potential earnings surprises
- **Singapore and Thailand:** Both have good domestic growth support and some interesting bottom-up opportunities in energy-related stocks

**Q3 : What are your views on bonds?**

A3 : Bonds have become more attractive following the recent surge in bond yields, while interest rate hikes are already largely priced-in. Asian bonds remain attractive, especially high-yield bonds which still offer a 6-7% yield.

In general, investors should choose their investments based on their risk appetite and personal considerations.

**Risk takers:** Invest in an equity-biased multi-asset fund

**Risk-averse investors:** Invest in a bond-biased multi-asset fund

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