

HIGHLIGHTS

Market Review

- ❖ Mr. Market has been particularly schizophrenic in the past 12 months: Fed expectations have swung from 6 (interest rate) cuts to 2 cuts, back to 6 cuts, and then 1.5 cuts
- ❖ April 2024: markets were down due to renewed jitters that the war on inflation was not won. Alongside that, interest rates rose 0.2%.
- ❖ May 2024: markets rallied due to improving growth expectations and interest rates declined marginally.
- ❖ Facts tell us that trying to time and make money off short-term forecast is difficult, even for expert forecasters which often get it wrong.

Emerging Opportunities

- ❖ China 'A' equities were flat in May: even though market rallies may pause, it is not a signal that the rally is over.
- ❖ China is executing on a *long-term* strategy to become a global powerhouse. Even so, there is room for Chinese equities to go up further without having to wait so long due to undemanding valuations and low investor positioning today.
- ❖ Vietnam equities rebounded strongly in the past month, as markets re-focused on fundamentals.
- ❖ Vietnam's economy has continued to recover on multiple fronts, providing fuel for equities to rise. The cyclical real estate market is bottoming, with business confidence growing as seen from improvements in credit growth.

Know What You Own Well

- ❖ Markets have a gravitational force that anchors their upward trajectory: persistent fundamental or valuation drivers. **Prudent investing means understanding which of these drivers are expected to help deliver returns.**

Applications to different market:

- ❖ S&P 500: Investing in this popular market means having the view that strong earnings will continue (better margins and positive earning revisions seem to support this view so far). The higher valuation is less helpful here.
- ❖ Recovery-themed positions such as US Small-caps or Europe: Better valuations and improving earnings growth can support gains as economies recover – such positions offer good 'pent-up' potential but may come with more volatility.

Shopping For Income

How long will today's high-income last?

- ❖ Unlike a timed-sale on Shopee or Lazada, there is no obvious countdown timer for markets. Speculators have gotten interest rate forecasts wrong through the year.

If we can't tell when, what can I do?

- ❖ It may not make sense to try to 'time' a better deal that may not arrive. Better to lock in the yield that one is satisfied with today.

Am I more suited for High or Lower income?

- ❖ It may come down to your tolerance for volatility. If you have the patience and tolerance for large price swings, then high income may be for you, vice versa.

Read the full commentary [here](#)