

# March '22

<b>To:</b>	Our Valued Investors	<b>From:</b>	Chan Wai Chee
<b>Letter:</b>	M02/2022/03	<b>Dept:</b>	Managed Account
<b>Email:</b>	MAenquiries@phillip.com.sg	<b>Date:</b>	3 March 2022
<b>Re:</b>	War, Bond yields & REITs, Crude, Forex - War or Taper & China, Gold, US	<b>Re:</b>	Functions, as fundamentals

## War

How the financial world reacts to a war depends on information fed to its participants. There are very few areas we can cover. The war is but one week old, and the time leading to the invasion - to see how the markets had been positioning - is also short. Negotiations have started, so if the foes are undecided, who are we to guess?

We can look at sanctions that are being implemented.

On the SWIFT and CBR sanction, there remains uncertainty if the energy trades are excluded (German and some EU needs). On the payment front i.e. CHIPS, there are 24 non-US banks, of which 4 are from China, and 1 each from India and UAE. These countries abstained from a recent UN vote against Russia.

As to how affected companies are able to get financing or make payments to shareholders or suppliers, there is no updated information (after December) regarding the actions taken by Russia to safeguard or move its reserves. If one is to speculate, then one should expect a country (that produces many chess grandmasters) to have made some pre-emptive moves already. And, of course, there are other payment avenues (no matter how crude, in today's technological context).

Which means, there are investment opportunities.

Few companies already initiated plans to move out of, or sell assets in, Russia. This probably protects the share price now, but will sacrifice future cash-flows. We will need to decide if we want to hold on to these companies in our portfolios, as getting out at a "protected" share price is tempting.

Other investment opportunities that can come later include Germany's revised defence budget. If this conflict forces China and Russia to the same side, then the current deglobalisation process would accelerate. We still do not see anything replacing or enhancing the current collateral-based (deficient) global financing system, but hope rises now.

## **Bond Yields & REITs**

US Treasury longer-term bond yields, by 1 March, erased all the gains of February. But, 2 March, some of these gains was restored.

The Eurodollar yield curve got more inverted than when it started inverting in December.

The US Treasury 10- minus 2-year yield last showed gains between December 27 and January 7 (0.72% to 0.89%). Since, this has dropped to 0.36% on 2 March.

This, and geopolitical manoeuvres that would accelerate regardless of the outcome of this war (looking at Russia's and NATO's efforts over several years), shift our focus now to one that rhymes with falling yields (REITs) and lower growth.

## **Crude Oil**

More are accepting the \$100 target.

## **Forex - War or Taper, & China**

This war, so far, moved the USD Index from 96.5 to 97.5.

When Crimea was taken, there was not any significant move in the US\$ Index. However, Russia continued its interference in other areas in Ukraine for the months that followed. The US\$ Index moved from 80 to 90.

During that same period, the Fed was busy tapering. US Treasury 10- and 30- year yields fell about 0.4% to 0.5%. Only mainstream media could not understand.

US\$ strengthening was matched by CNY strengthening, and SCI soared.

Let's wait a while to see if we can repeat the 2014 playbook.

## **Gold**

Gold is above \$1900, as compared to \$1800 a month ago. Silver has breached the \$24.44 resistance.

## **US**

CFNAI for January is +0.42. Earnings have been good, generally, but not guidance.

## **Thank you**

We are grateful for your trust, and continuing support.

### Important Information

This newsletter is provided to you for general information only and does not constitute a recommendation or an offer or solicitation for any investment. The information contained in the newsletter has been obtained from public sources which Phillip Securities Pte. Ltd. ("PSPL") has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions contained in this newsletter are based on such information and are expressions of belief of the individual author or the indicated source (as applicable) only. PSPL makes no representation or warranty, express or implied, that such information is accurate, complete, appropriate or verified or should be relied upon as such. Past performance of any investment product or company referred to in this newsletter is not indicative of future results.

Any such information or opinion contained in this newsletter is subject to change, and PSPL shall not have any responsibility to maintain or update the information or opinions made available or to supply any corrections, updates or releases in connection therewith. In no event will PSPL or persons associated with or connected to PSPL, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this newsletter, (i) be liable in any manner whatsoever for any consequences (including but not limited to any special, direct, indirect, incidental or consequential losses, loss of profits and damages) of any reliance or usage of this newsletter or (ii) accept any legal responsibility from any person who receives this newsletter, even if it has been advised of the possibility of such damages. Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

This newsletter does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This newsletter should not be relied upon exclusively or as authoritative without further being subject to the recipient's own independent verification and exercise of judgment.

Recipients should be aware that many of the investment products which may be described in this newsletter involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such investment products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any investment product should not be considered to be a disclosure of all risks or a complete discussion of such risks. You should seek advice from a qualified financial advisor before relying on the information, analyses and opinions for any investment decisions.

Our representatives appointed under the Financial Advisers Act ("FAA") may be authorised to engage in non-FAA activities of marketing, client acquisition and client servicing of managed accounts services. Our representatives who are appointed under the Securities and Futures Act to conduct fund management activity ("FM Reps"), i.e. the Portfolio/Fund Managers, will be managing clients' money and investments, in addition to marketing, client acquisition and client servicing of managed accounts services.

PSPL is a member of the PhillipCapital Group of Companies. The PhillipCapital Group of Companies, their affiliates and/or their officers, directors and employees may own or have positions in any shares, units and other investments mentioned herein or any investment related thereto and may from time to time add to or dispose of any such investment. Any member of the PhillipCapital Group of Companies may have acted upon or used the information, analyses and opinions herein before they have been published.

This newsletter has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this document by mistake, please delete or destroy it, and notify the sender immediately. PSPL shall not be liable for any direct or consequential loss arising from any use of material contained in this newsletter.

This newsletter is only for the purpose of distribution in Singapore. The information and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, availability or use would be contrary to the applicable law or regulation or which would subject PSPL to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

V05/2020