

June '22

To:	Our Valued Investors	From:	Chan Wai Chee
Letter:	M02/2022/06	Dept:	Managed Account
Email:	MAenquiries@phillip.com.sg	Date	6 June 2022
Re:	Forex, Treasury bills, Oil, Economies, Stock markets, What we did	Re:	Functions, as fundamentals

JPY, CNY, rush for Treasury bills, Oil

USDJPY, after retreating from 131 during May (126.5 low), is now back almost to 131. As mentioned in our May letter, evidence says it is not because of interest rate differential. If it is about liquidation of China/Hong Kong markets, the last 4 weeks saw SCI gain 200 points, and HSI gain 2,000 points from respective lows. Our AI signaled a BUY for China stocks last week. Could this be the result of believing Li Keqiang's coming into power? Previous market moves on his fiscal stimulus were all short-lived.

While we wait to see where damage was done, we refrain from any fixed income position in sovereigns. We had Sri Lanka. Now, focus shifts to Pakistan. Our entire fixed-income allocation is in Phillip MMF.

Farther away, a longer-term weak JPY will have us reassess stock holdings which income is in JPY.

USDCNY also retreated, from 6.8 TO 6.66. Before the big moves, it was traded below 6.4 for 5 months.

Repo fails, rush for Treasury bills resulting in yields lower than IOBR and RRP, are constant reminders of fractures in our financial system.

Economies

Walmart and Target reported a weak 1Q. Their problems will not be over in 2Q, as oil (producers unwilling to produce more – we reported the March Fed survey result; US refining constraint; Saudi supply is also constrained; oil futures in healthy backwardation) is unlikely to help cool CPI, that likely contributed to some demand destruction.

Underperforming retail and industrial production numbers are now seen in Europe and Japan. Since the early signs were detected quite a while ago (one year?), the question is: "Is this as bad as it gets?"

Lower inflation expectation is a positive.

If you jogged around the Pasir Ris Wafer Fab Park, and talked to operators on the remaining fish farms/shops, you would have heard that they have until end of June to move out. Wafer fabs are expanding.

Stock markets

After all, we have always been taught that stock markets lead the economy.

However, “In Search of the Origins of Financial Fluctuations: The Inelastic Markets Hypothesis” by Xavier Gabaix and Ralph S.J. Koijen, published on May 12, 2022, might have thrown this premise out.

For now, we use some longer-term momentum reading. On Nasdaq 100’s 36-month moving average, monthly range basis, it is still within the 0% to 40% band established since 2010. On Nasdaq 100’s 36-month moving average, monthly close basis, it closed in May below the +10% support established since 2016. We remain cautious, although some reps are getting impatient.

What we did

We aligned newer clients’ holding in Mapletree Industrial, and Capitaland Invest on ex-dividend; and, Baytex. We lowered some exposure to China banks on lowering margins. We took profits on Valaris, Oil Explorers & Producers ETF, SATS, ST Engineering and ENI for all; and Petrobras for some clients. We took loss on StarHub.

The cash in our portfolios: Returns Enhancer (fixed income UTs) – 100%, Global Funds – 92%, Hong Kong Focus - 84%, Customized accounts – 26-54% (US-heavy ones are higher in cash), Asia Opportunities – 40%, Blue Chip Equity Yield – 36%, SMART 1 – 36%, Gold & Resources – 27%, Singapore Equity Yield – 27%, Singapore Growth – 22%, REITs – 12%.

Your portfolio may not have the same numbers indicated, due to holding round lots.

Thank you

We are grateful for your trust, and continuing support. Our portfolios appear well-positioned, based on risks mentioned above.

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