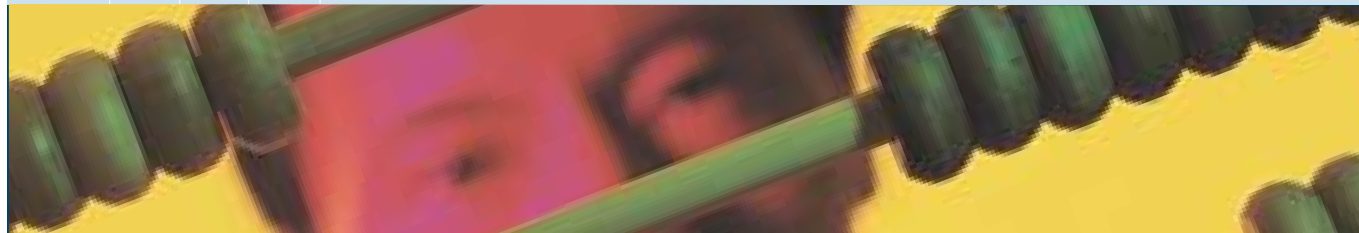


# Equity and Bond Markets

## Outlook for 2002, Quarter 1

REGION/ SECTOR	CURRENT QUARTER OUTLOOK			KEY REASONS FOR CURRENT MARKET OUTLOOK
	Under-weight	Neutral	Over-weight	
<b>EQUITIES</b>				
US		▲		<ul style="list-style-type: none"> <li>US is expected to lead global economic recovery in 2002. However valuation of the US equity market is rather high</li> <li>Uncertainty continues to surround the economy with concerns over corporate earnings and consumer confidence</li> <li>Consumer spending, while resilient, may succumb to rising unemployment, wage freezes and reduction in year-end bonuses.</li> </ul>
Europe		▲		<ul style="list-style-type: none"> <li>There are concerns over prospects of economic recession and further corporate earning downgrades</li> <li>Already, Germany, the largest economy in Euroland, is showing signs of slowdown with falling industrial output and unemployment at nearly 9% of the working population</li> <li>Lacklustre earnings outlook is a concern despite the more attractive valuation of European equities compared to US equities</li> </ul>
Japan		▲		<ul style="list-style-type: none"> <li>The economy is seen mired in a protracted recession amid rising unemployment and falling prices</li> <li>The financial sector continues to be faced with enormous amount of bad debts and bankruptcies in Japan are mounting with the latest casualty being Mycal, the nation fourth largest supermarket operator.</li> <li>Further credit ratings downgrades may be on the cards</li> <li>Policy paralysis appears to plague Premier Koizumi's government as promised reforms are delayed</li> </ul>
Asia ex Japan			▲	<ul style="list-style-type: none"> <li>Market valuations appear undemanding with attractive ROEs</li> <li>Asian countries like China and Korea present good opportunities and are supported by resilient domestic demand</li> <li>Excess liquidity due to global monetary policy easing should support a recovery of the Asian markets in 2002</li> </ul>
Emerging Markets		▲		<ul style="list-style-type: none"> <li>Remaining neutral until there are clearer signs that the global economy is recovering.</li> <li>In times of uncertainty, investor risk aversion towards emerging markets are likely to rise and the decline of two key markets, Argentina and Turkey, adds to the loss of confidence across the sector</li> <li>However, emerging markets are expected to withstand any fallout or contagion effect as restructuring efforts since the Russian and Asian crises have made the developing economies more resilient</li> </ul>

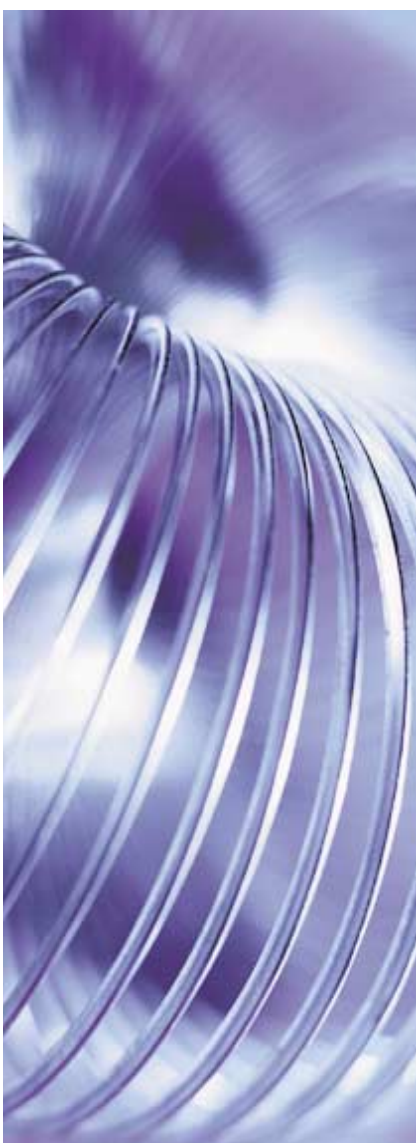


<b>BONDS</b>				
US		▲		<ul style="list-style-type: none"> <li>US bonds are expensive and yields are likely to rise as the economic cycle turns decisively</li> <li>The continued downtrend of interest rates is unlikely to persist as the global economy recovers</li> </ul>
Europe		▲		<ul style="list-style-type: none"> <li>European bonds are considered fair value at current yields</li> <li>With inflation staying low and slowing European economies, more rate cuts to be expected from the European central banks.</li> </ul>
Asia		▲		<ul style="list-style-type: none"> <li>Flush liquidity in regional banking sector to support Asian bond bids.</li> <li>However, the continued downtrend of rates is unlikely to persist as the global economy recovers</li> <li>Japanese government bonds may be negatively affected by possible credit downgrading by international rating agencies.</li> </ul>
Emerging Markets		▲		<ul style="list-style-type: none"> <li>The focus should remain on Argentina debt restructuring</li> <li>However, emerging markets are expected to withstand any fallout or contagion effect as restructuring efforts since the Russian and Asian crises have made the developing economies more resilient</li> </ul>

Note: Market outlook and portfolio weighting recommendations from a survey with various fund managers.

Disclaimer: This article may not be published, circulated, reproduced or distributed in whole or part to any other person without our written consent. This article should not be construed as an offer or solicitation for the subscription, purchase or sale of the fund in question. Whilst we have taken all reasonable care to ensure that the information contained in this article is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents and viewing the prospectus of the relevant fund. Any opinion or estimate contained in this article is subject to change without notice. Any advice herein is made on a general basis and does not take into account the specific investment objective of the specific person or group of persons.

# 2002年， 等待我们的是什么



## 市场展望

2001年对全球市场而言，是一个滑行铁道年。当各主要经济体努力寻找落脚点时，多数投资者心中的问题是：“我们可以期待全球经济和市场在2002年复苏吗？”

好消息是基金经理们怀有的复苏即将到来的感觉在增长。

这一看法得到CMG First State Investments 的支持。他们相信美国联储局积极的 放宽货币政策方针加上更多的刺激措施，再融资活动和存货重建将支持经济在走向2002年下半年时复苏。

## 关键领域

对全球股票市场，AMP Henderson 全球投资者的投资策略主管Shane Oliver 博士 最看好欧洲（依据有吸引力的估价和改善的流动性，最不看日本（由于日本经济的下降风险，那里的收益风险巨。他也认为亚洲除日本外的表现将超出全球股市整体表现，因为亚洲经济已经开始好转。

CMG First State Investments 同样看好亚洲，特别是大中华地区，由于强大的 内需，以及良好的收益增长潜力。该基金管理集团也看好保健业和科技领域。科技领域有更多的增长空间，因为过多的存货终于被利用了。

大华资产管理也期待世界经济可望复苏， 因为对资讯科技和通讯系统的需求增长已经带头开始了更新循环。

对复苏阶段另一个要考虑的领域是高收益债券市场。大华资产管理的副董事Glenn Lee认为 “由于机构和新兴国家见到复苏，他们偿债的能力可望改善，从而导致信贷评级得到改善和资本价值增长。”

因此，尽管有关企业盈利和经济条件的能见度还不明朗，低膨胀环境、放宽的货币政策以及下降的存货对2002年全球经济及股市是好预兆。

继续关注您的长期投资目标并做出明智的投资！



## 主编寄语

一般大众与市场观察家多半都会怀着希望和疑虑的心情迎接即将来临的2002年。市场前景如何？复苏就会到来吗？事实是没有人对此有绝对肯定的答案。

我们接触了许多基金经理，了解他们对全球前景的看法以及他们认为2002年的机会在哪里。虽然目前的经济指标还不能明确显示全球经济的走向，许多人期待美国联储局积极的 放宽货币政策方针加上更多的刺激措施，再融资活动和存货重建将刺激经济复苏。

接下来几个月被人们视为关键时期，因为对消费者和商业情绪的任何意外打击都可能导致刚刚萌生的复苏脱轨。好的消息是科技领域的回弹是可以期待的，并且许多基金经理也对亚洲和我们这部分转抱积极的态度。

正如我们在上一期指出的，投资者应该继续把注意力放在他们的长期投资目标，并在做出任何投资决定前评估资金的财务状况。充分利用您的公积金可动用部分是否应该构成您的新年方案之一呢？对于那些还没有这样做的人来说，您可以考虑开立一个大华银行退休辅助计划户头，以享有更大的税务节省。

塞尼卡曾说，“如果你不知道驶向哪一个港口，那就没有顺风船。”那就确定 明确的目标，并为实现它而努力。

新年快乐！

高志坚  
副总裁  
投资服务部主管  
个人财务服务总部

## INVEST TALK

Published by  
**UOB Investment Services Division,  
Personal Financial Services Sector**  
United Overseas Bank Limited,  
Head Office  
80 Raffles Place, #09-00, UOB Plaza 1,  
Singapore 048624  
Tel: 539 2789 Fax: 539 2840

Editorial Team  
Advisor – **Sim Puay Suang,**  
Chief Editor – **Kenneth Koh Chi Kian,**  
Editor – **Constance Wong Mei Fong**

Printed by  
**KHL Printing Co Pte Ltd**

Designed by  
**Litt Lindden Design Associates**

We welcome your feedback and  
comments. Please send to **The Editor,  
Constance.WongMF@UOBgroup.com**

# INVEST TALK

## Inside

**Feature Story:**  
Guaranteed Rewards  
**Fund Feature:**  
Bullish On Technology  
**Market Bulls and Bears:**  
Equity And Bond Markets  
**Product Highlights**

## WHAT'S AHEAD IN YEAR 2002

### Market Outlook

**Year 2001 has been a roller-coaster year for the global markets. With major economies trying to find their footing, the question at the back of most investors' minds is, "are we looking to a recovery in the global economy and markets in year 2002?"**

The good news is that there is now a growing feeling amongst fund managers that a recovery will kick in.

This view is supported by **CMG First State Investments** who believes that the US Federal Reserve's aggressive easing of monetary policy coupled with more fiscal stimulus, re-financing activities and inventory rebuilding will help to fuel the economy to a recovery towards the second half of 2002.

### Key Sectors

Within global equity markets, **Dr Shane Oliver, Head of Investment Strategy at AMP Henderson Global Investors**, favours Europe most (on the basis of attractive valuations and improving liquidity) and Japan the least (where the risk to earnings is immense given the downside risk to the Japanese economy). He is also of the view that equity markets in non-Japan Asia are likely to outperform global equities generally as Asian economies start to turn around.

**CMG First State Investments** is equally bullish on Asia, in particular the Greater China region, in view of the strong domestic demand, undemanding valuations and potentially good earnings growth. The fund management group also favoured the healthcare and technology sector. There is "more room for growth in the technology sector as excess inventory in the sector is finally being utilised".

**UOB Asset Management** is also looking to a recovery in world economies supported by a pick up in demand for IT and telecommunications systems as the start of the replacement cycle kicks in. Another area to consider in the recovery phase is the high yield bond market.

"As Corporate and Emerging countries see recovery, their ability to service their debts is perceived to improve, leading to improve credit ratings and appreciation of capital values." Said **Glenn Lee, Associate Director of UOB Asset Management.**

As such, although visibility with regards to corporate earnings and economic conditions is still unclear, the environment of low inflation, easing monetary policy and decreasing inventory bodes well for the global economy as well as equity markets worldwide for year 2002.

Stay focus in your long-term objectives and invest wisely!

## Editor's Note

*The advent of year 2002 will most certainly be greeted with equal measures of hope and trepidation by the general public and market watchers alike. What is the market ahead? Will there be a recovery? The fact is that no one has definite answers to these pivotal questions for sure.*

*We have spoken with several fund managers to seek their views on the global outlook and where they think the opportunities are for year 2002. While current economic indicators have yet to show a clear signal of where the global economy is heading, many expect the US Federal Reserve's aggressive easing of monetary policy coupled with more fiscal stimulus, re-financing activities and inventory building to fuel the economy to a recovery.*

*The next few months are seen to be crucial as any unexpected shocks to consumer or business sentiment could derail the nascent recovery. The good news is that the technology sector is expected to bounce back and many of the fund managers have also turned positive on Asia and our part of the world.*

*As highlighted in our earlier issue, investors should stay focused on their long-term objectives and review their personal finances before making an investment decision. Shouldn't one of your New Year resolutions be to make full use of your available CPF money? For those who have not done so already, you could also open a UOB Supplementary Retirement Scheme (SRS) account to enjoy greater tax savings.*

*Seneca once said that, "If one does not know to which port one is sailing, no wind is favorable."*

*Set definite goals and make the most of what you have.*

*Best wishes for a Happy New Year.*

*Yours truly,  
**Kenneth Koh Chi Kian**  
Vice President  
Head, Investment Services Division  
Personal Financial Services Sector*