

Market Outlook – Asset Class 2Q 2021



Equities



Overweight

- The global economy should continue to recover from the COVID-19 related shock as mass vaccination is expected to result in a lower number of infections and the removal of legal limits on social contact gradually
- Highly accommodative monetary policy stance along with positive fiscal policy response is a material tailwind to risk assets
- Global financial conditions are likely to remain easy and continue to act as a backstop for equities
- Fundamentally, aggregated bottom-up earnings estimates stay on a positive track, driven by cyclical sectors
- Strong inflow into equities and plentiful access to capital across financial markets have led to an improvement in investor sentiment and are expected to support the high valuations of the stock market



Fixed Income



Slightly Underweight

- Government yield curve is likely to steepen driven by expectations on the ongoing economic recovery
- Fed's dovish stance and patience in rate hikes are likely to anchor interest rates at record-low level for a few years
- Credits may continue to be supported by a decreasing default rate and better than expected economic recovery. Valuations are expensive in general, especially in the investment-grade space



Overweight



Slightly Overweight



Neutral



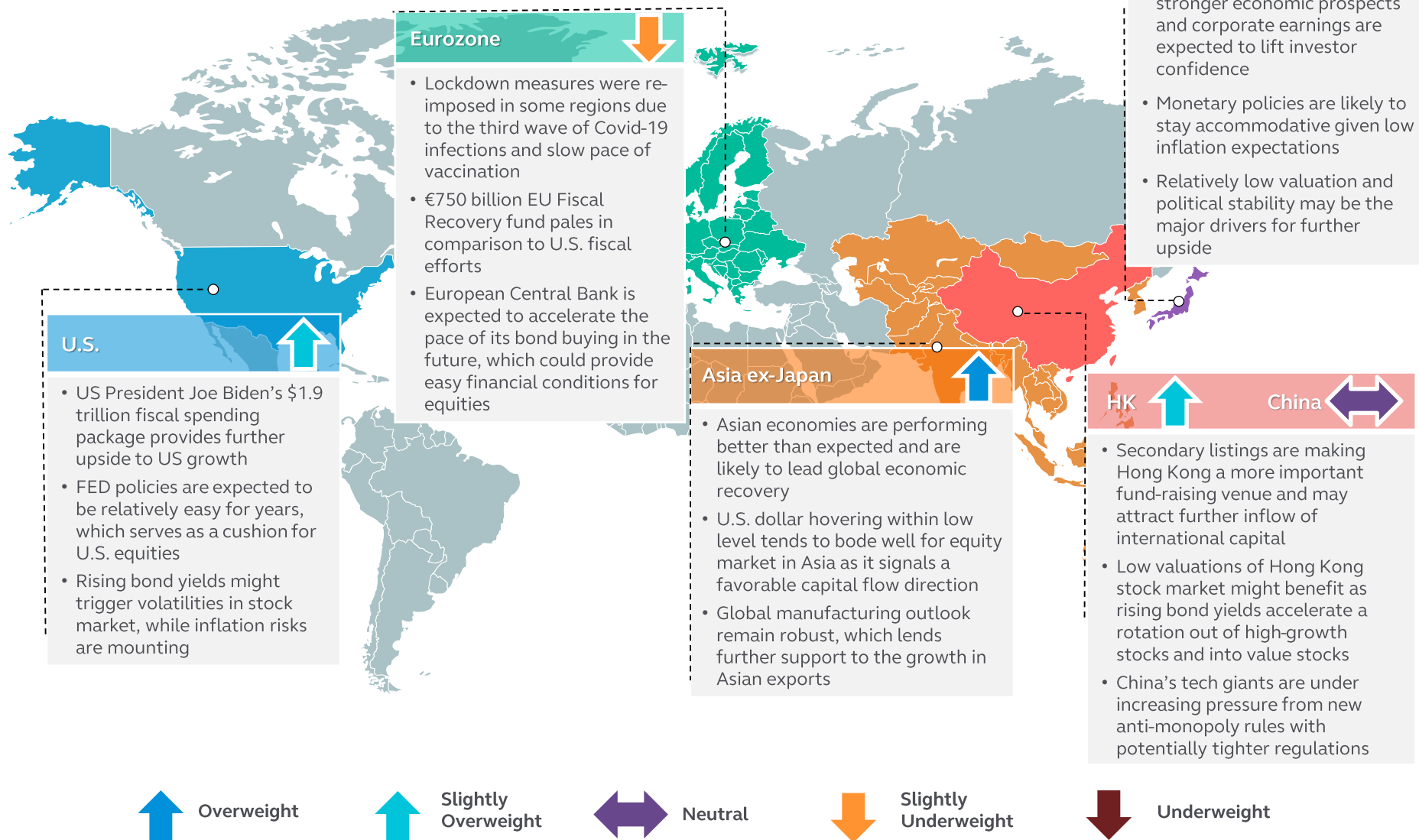
Slightly Underweight



Underweight

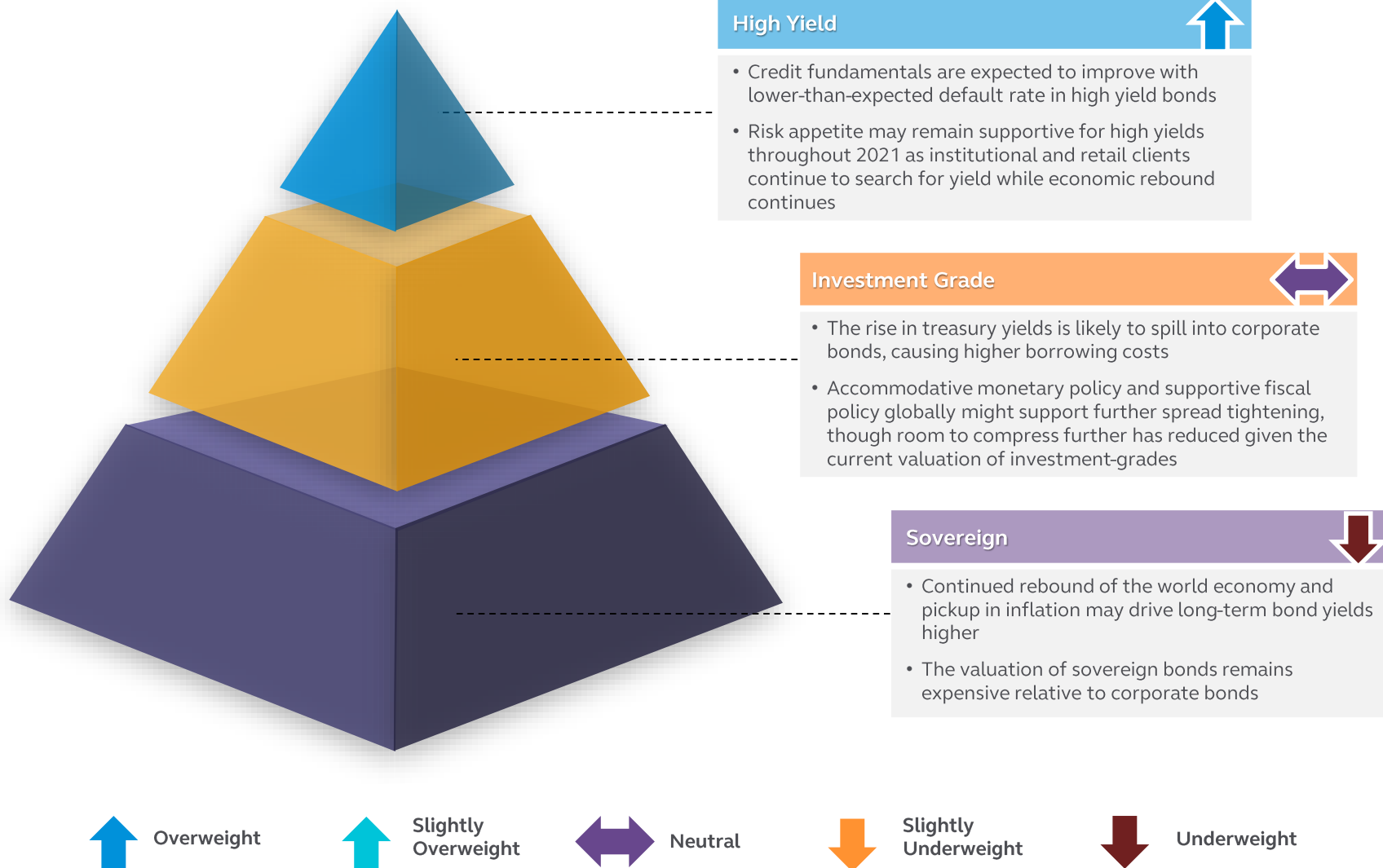
Source: Principal Asset Management Company (Asia) Ltd. & Principal Global Investors – Principal Global Asset Allocation.

Market Outlook – Equities 2Q 2021



Source: Principal Asset Management Company (Asia) Ltd. & Principal Global Investors – Principal Global Asset Allocation. The geographical classification of above listed equity markets is based on MSCI 2020 annual market classification review. For more information, please refer to <https://www.msci.com/market-classification>

Market Outlook – Fixed Income 2Q 2021



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