# APAC Equity Strategy

## 2H outlook - Still cautious

Equity Strategy

Asia Pacific

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**Earnings growth peaking. Valuations still challenging. Tapering a threat.**

Vaccines and growth recovery led the market from Q4 last year. Over the next six months we think the market direction will increasingly be dictated by monetary policy and Tapering. The first change in policy in the cycle is normally uncomfortable for Asian equities. We also expect Tapering and peaking inflation to drive real yields higher - not typically good for Asian stocks, and a far cry from the falling real yields story of late 2020, early 2021. On a positive note, earnings are strong but export growth is likely peaking, input costs are rising and implied ROE is back at high levels; there's less scope for big upward revisions for 2022E EPS from here. Valuations are retracing from decade-high levels in February - we see further de-rating ahead. Our year-end index target is 840 (5% downside) based on 13.7x 2022 PE (still above average valuation levels). We introduce a preliminary 2022 index target of 900, 2% upside from here.

**Tapering likely the dominant theme. This is more Micropia than Debtopia.**

Into the first shift in Fed policy, relatively expensive outperformers with higher-than-normal trading volumes tend to underperform in the next six months. This time around, Taiwan, India, Korea and China look more vulnerable to underperformance while ASEAN looks better protected into a sell-off. Fundamentally, as policy starts to shift, investors often focus back on liquidity and rate vulnerabilities. In 2013 that was a macro vulnerability (Debtopia). But external balances - for example in Indonesia - look much better and we don't see that narrative playing out again. This time we think the vulnerabilities are more Micro - expensive, negative free cash flow companies, that have been relying on external capital to keep their capex and growth high; and high levels of involvement from retail investors, especially with margin debt.

**Stepping off the cyclicals conveyer belt**

Our biggest call since March last year was to own the Asian cyclicals. However, industrial production in the major Asian economies is above end-2019 levels, exports may be peaking in year-on-year terms, and valuations are now expensive. Medium term, fixed investment is likely to remain very strong into 2H next year so we are not negative on cyclicals, but there is a risk of an air pocket in performance as goods demand slows while services pick up in the coming months. We remove the cyclical theme from our core positioning. This makes the value over growth trade less powerful though with yields likely to rise, we don't think it is time to push back fully into growth stocks.

**Moving underweight India, overweight Malaysia**

Our emphasis is on 1. Tapering, 2. Normalisation and opening-up potential. Taking this all into account at the market level, alongside valuation and earnings fundamentals we tweak some of our market positioning: moving underweight expensive India, tilting more to ASEAN on the opening-up and normalisation trade later this year (Malaysia joining our overweights). We lift Hong Kong to neutral as a counterweight to India. Our core messages are to be underweight Taiwan; it's too early to close out our China underweight for now; Korea remains an overweight by default, especially relative to Taiwan, and alongside Japan. While ASEAN looks the most attractive area overall.

**UBS Research THESIS MAP**

| MOST FAVORED | LEAST FAVORED |
|---|---|
| **Korea, Japan, Singapore, Indonesia, Philippines, Malaysia** | **China, Taiwan, India** |

PIVOTAL QUESTIONS

**Q: How much do earnings recover?**

We expect a 37% rebound in earnings in 2021 as economies open up, revenues pick up and margins expand. Consensus earnings have been revised up, while leading indicators still suggest positive earnings revisions this year, albeit at a slower rate. In 2022, a slowing economy and recovering opex/capex could slow EPS growth to around 12%. Peaking export growth, rising input costs and high implied ROEs also limit the scope for significant upgrades from here.

**Q: How much do valuations de-rate?**

Valuations are retracing from its peak in February, but we expect further de-rating. Relative to the long-run history, equities are still expensive. Tapering and peaking inflation expectations are also likely to drive real yields higher, posing a larger threat to the market. Our models point to a fair value P/E of 13.7x, and 37% EPS growth in end-2021.

WHAT´S PRICED IN?

We estimate that Asia ex Japan equities are pricing in a substantial earnings recovery in 2021.

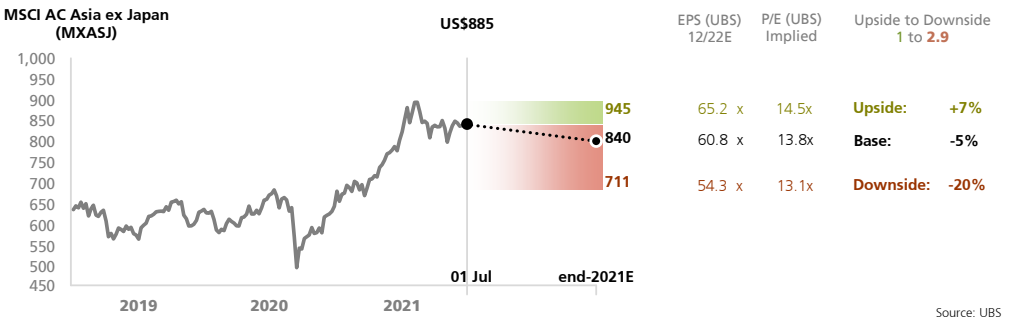
UBS VIEW

End-2021 index target of 840 for MSCI Asia ex Japan, and 1,855 for the TOPIX. We see de-rating for both markets in 2021, with the pace of earnings growth the likely determinant of returns.

RISKS

The shift in Fed policy is likely to be the key debate. Less easy monetary policy, with rising bond yields through Fed tapering and further tightening in China, is the biggest risk to the downside today, in our view. Oil prices, US-China tensions, remain other sources of risk.

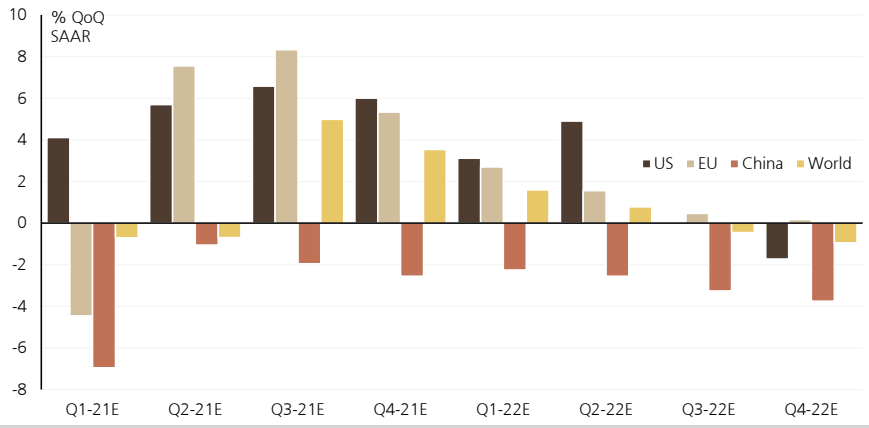
UPSIDE/DOWNSIDE SPECTRUM




Source : UBS

## The macro backdrop

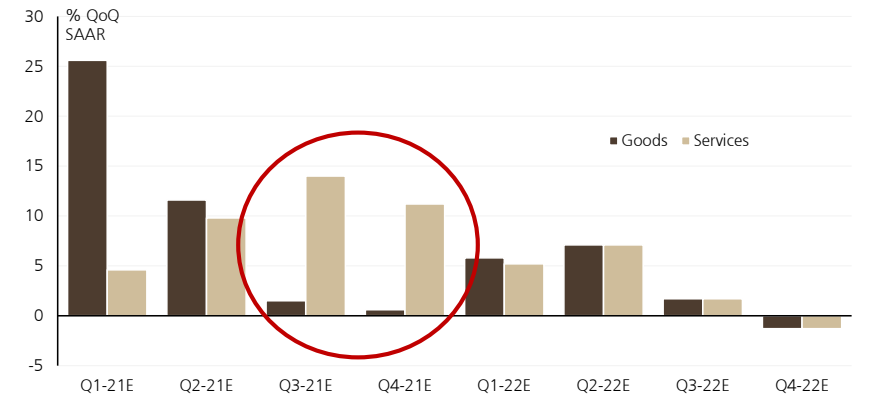
**Figure 1: UBS GDP growth forecasts minus the average growth rates over the last two decades**




Source : UBS

**We expect the strong economic recovery to continue into 2022. Growth is likely to remain above average for most economies especially the US and EU. We also forecast stronger growth in China in 2022 than 2019.**

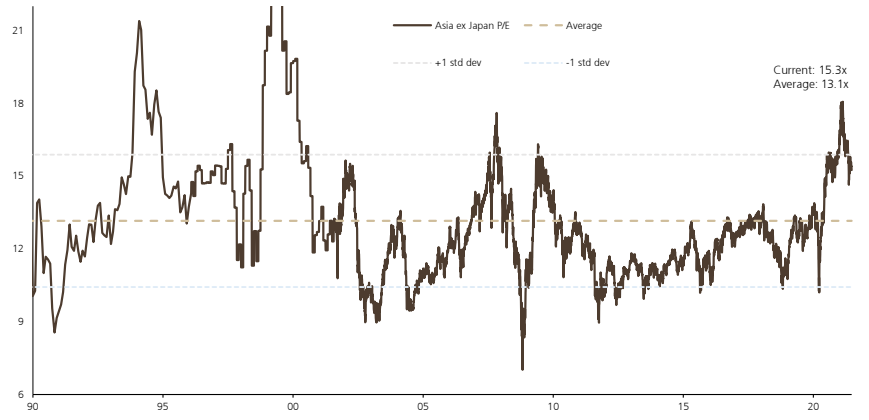
**Figure 2: US personal consumption growth forecasts by goods and services**




Source : UBS

**There could be a shift in growth drivers from manufacturing to services in the short term as easing mobility restrictions lead to a services rebound.**

**Figure 3: Asia ex Japan forward P/E**

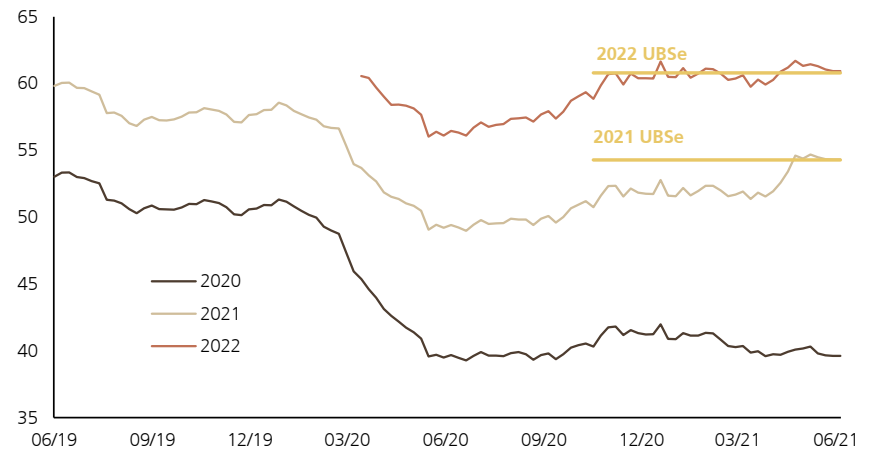



Source : Refinitiv, UBS

**Despite the 8% correction since the market peak in mid-February, we are still in one of the most expensive territories in last two decades. Historical data shows that we are likely to see further de-rating from the current level.**

## Recalibrating the base case

**Figure 4: Consensus EPS level estimates**

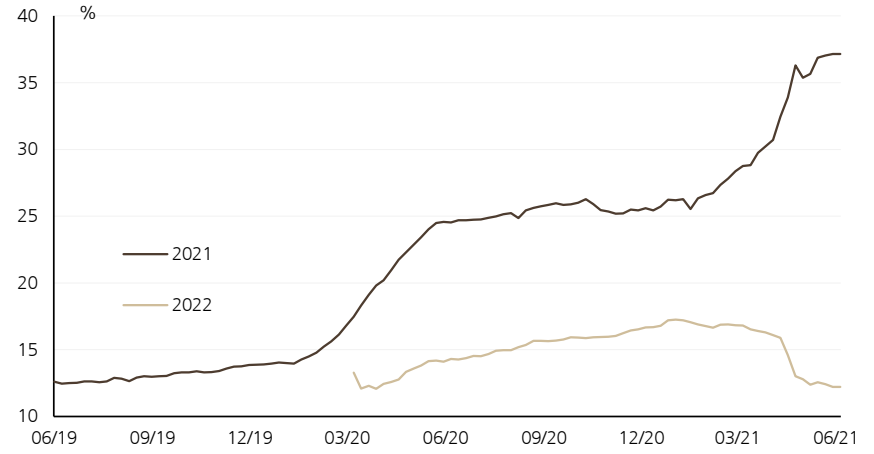



Source : Refinitiv, UBS

**What have earnings done?**

**We first introduced the end-2022 EPS target of 60.8 in the 2021 outlook. Since then, the consensus 2022 EPS estimate has been revised up and is now on a par with our forecast. The 2021 EPS has also been raised while 2020 has come down quite substantially.**

**Figure 5: Consensus EPS growth estimates**

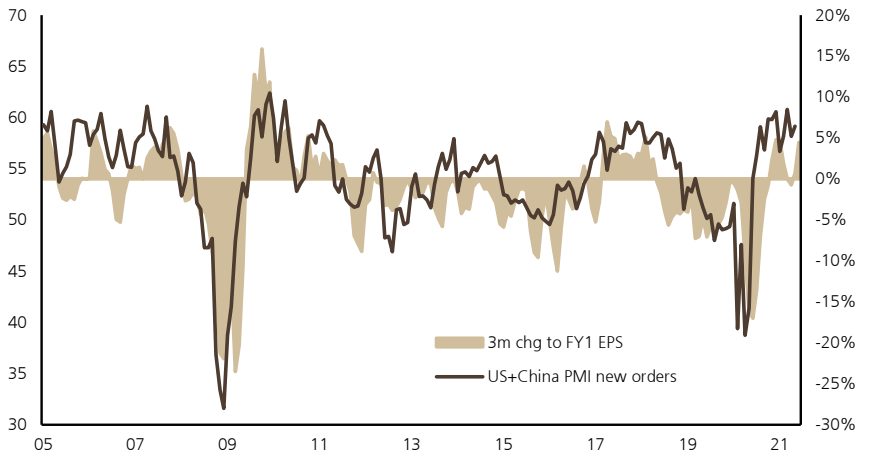



Source : Refinitiv, UBS

**2021 EPS growth has surged to 37% - but this largely reflects the base effect with 2020 numbers being cut.**

## What's next for earnings?

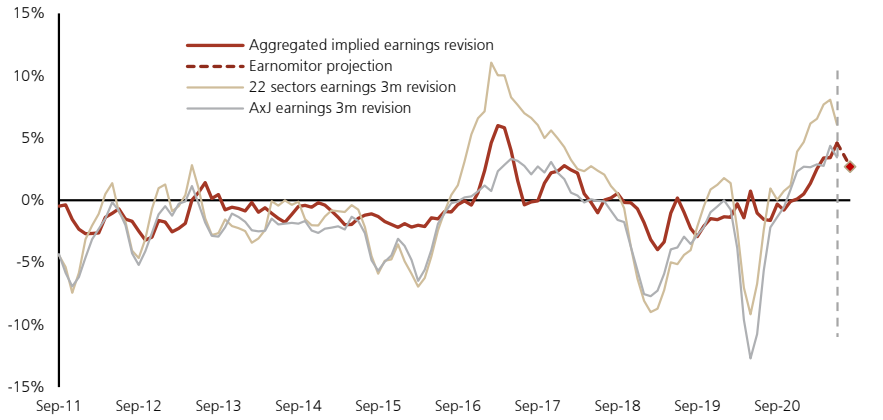
**Figure 6: 3 months EPS revision vs PMI manufacturing new orders index**




Source : Refinitiv, UBS

**Expansionary leading economic indicators have helped to sustain the earnings momentum. While LEIs are still strong, short-term earnings may have some further upside, but we expect momentum to fade into 2022 as LEIs soften.**

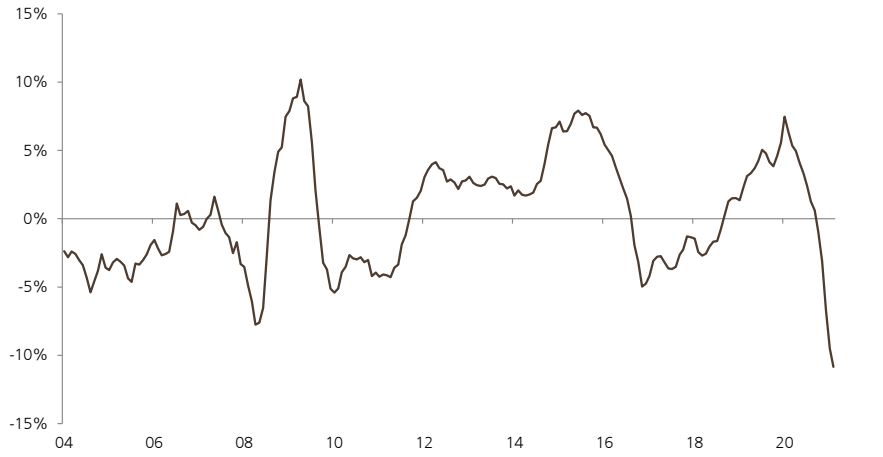
**Figure 7: Earnomitor - an aggregation of leading earnings indicators for the 22 most EPS volatile sectors**




Source : CEIC, Refinitiv, Haver, UBS

**Our Earnomitor, which aggregates the change in various components that feed into the region's earnings, still points to positive revisions over the next two months, albeit at a slightly lower rate.**

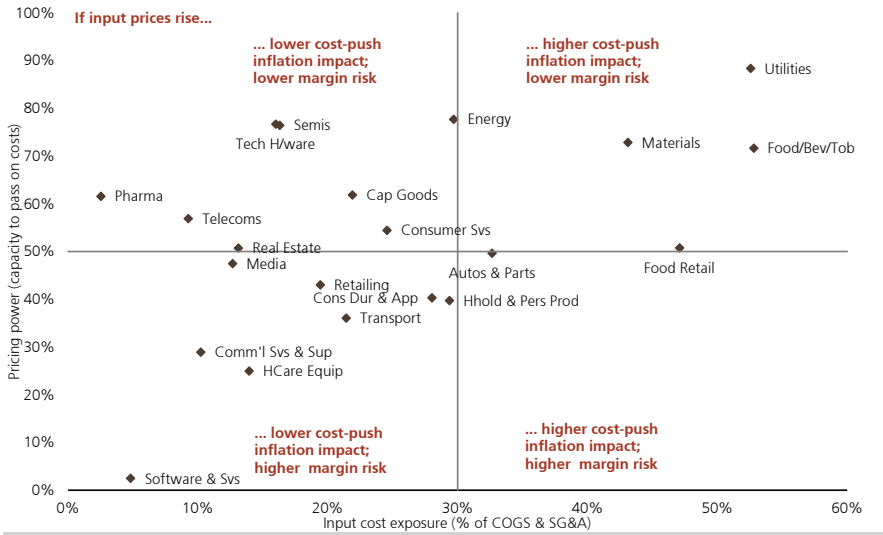
**Figure 8: Average of US and China's CPI minus the average of US and China's PPI**




Source : CEIC, Refinitiv, UBS. Note: when the line is below 0%, it means that the input costs are rising faster than the output.

**Though revenue proxies (Earnomitor, LEIs) are strong the widening gap between PPI and CPI suggests increasing margin pressure. The increasing cost backdrop may limit margin expansion. 2021 EPS may have some upward momentum, but we see no need to increase 2022 numbers.**

**Figure 9: Aggregate pricing power and input price pressures for APAC sectors**




Source : UBS

**Which sectors are more vulnerable to rising input prices? Sectors in the right quadrants have high input costs as a percentage of costs, while those in the upper quadrants have reasonable pricing power. We have had a detail discussion on this topic in our previous commodity note.**

**Figure 10: UBS vs consensus earnings forecast**

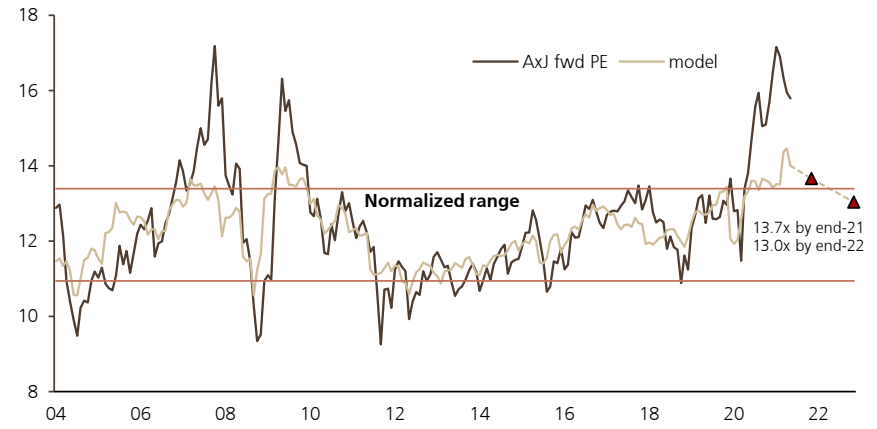
| | As of Nov 2020 | | Current | |
|---|---|---|---|---|
| | UBSe | Consensus | UBSe | Consensus |
| End-21 EPS level | 54.3 | 51.2 | 54.3 | 54.3 |
| End-22 EPS level | 60.8 | 59.3 | 60.8 | 60.9 |
| FY21 EPS growth rate | 30.0% | 26.3% | 37.0% | 37.1% |
| FY22 EPS growth rate | 12.0% | 15.9% | 12.0% | 12.2% |

Source : Refinitiv, UBS

**We believe the net effect is unlikely to cause a major deviation for earnings from our base case. We continue to hold on to our original earnings view of 60.8 by end-2022.**

## How about valuations?

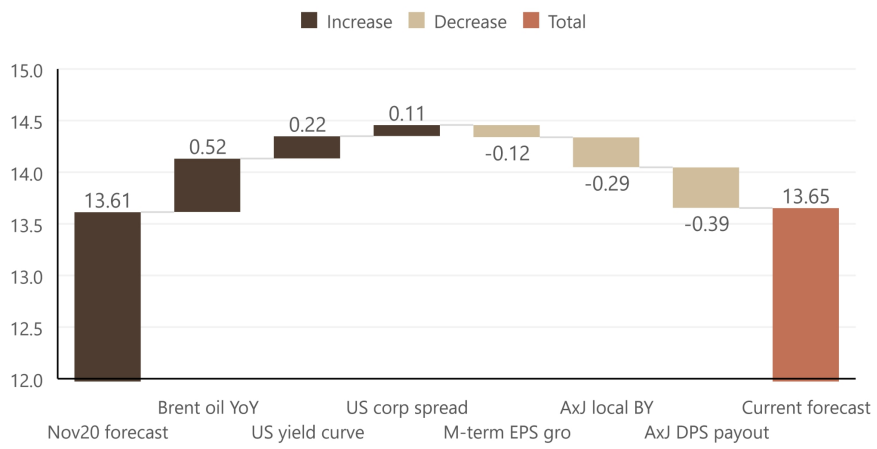
**Figure 11: Asia ex Japan P/E model**




Source : Refinitiv, Bloomberg, UBS

**Our valuations view is built around our Asia ex Japan P/E model, which is currently pointing at 13.7x P/E by the end of 2021. This model takes into account a combination of factors including corporate bond spread, yield curve, Asian local government bond yield, change in oil price, median term earnings growth, and the dividend payout ratio. It only focuses on the "normalized" periods in history, which makes it less effective in periods of bubbles and recessions.**

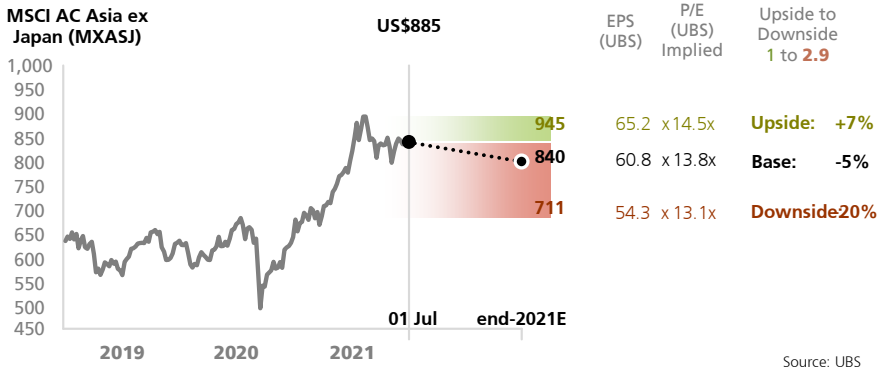
**Figure 12: Revision to 2021 P/E model by factors**




Source : Refinitiv, UBS

**The assumptions have changed since the previous forecast. Interestingly, the net effect still shows a similar level of "fair value" P/E as we wrote in November. Rising oil price, steepening yield curve, and widening corporate spread have almost compensated the drags in lower medium-term earnings growth, higher Asian local bond yield, and lower dividend payout ratio.**

**Figure 13: MSCI Asia ex Japan index target**




Source : Refinitiv, UBS

**Putting these together, we keep our index target of 840 by end-2021, which implies 5% downside from the current level.**

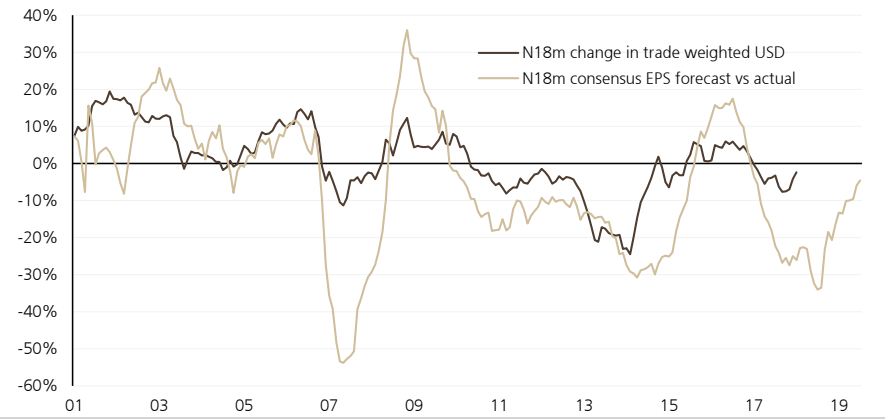
## Preliminary target for 2022

**Figure 14: EPS revision - consensus estimates 'error' factor 18 months ahead**


Source : Refinitiv, UBS. Note: the chart measures the gap between the forecast EPS 18 months ahead of the actual realised EPS.

**There's still a wide range of uncertainties around what earnings will do in 2023. With limited clarity on most of the key drivers, we take the current consensus 13% growth as the best starting point. Historical data shows that on average, the consensus tend to overestimate earnings by 6% 18 months in advance. Simplistically, there could be further downside to the current 2022 estimate.**

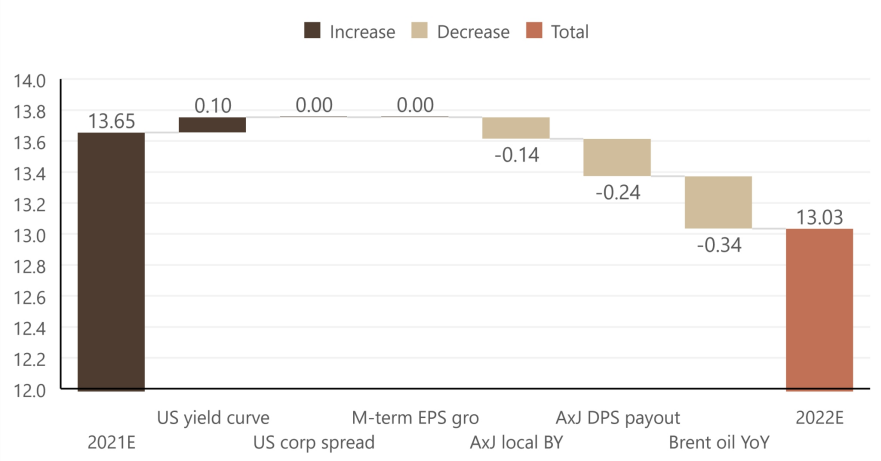
**Figure 15: Dollar moves vs the gap between actual and projected EPS**




Source : Refinitiv, UBS

**However, there are wide swings in the consensus 'error function'. They are especially high going into and out of recessions. In more normalised periods, the direction of the change in trade-weighted USD seems to have some relationship with the degree of forecast errors - a strong dollar being bad and vice versa. UBS is currently expecting a small dollar depreciation next year, which might support the consensus estimate. Without better knowledge on this matter at this point, we take the 13% consensus growth for 2023 as a fair starting point. We will tighten this up over time.**

**Figure 16: Contributors to 2022 P/E model**

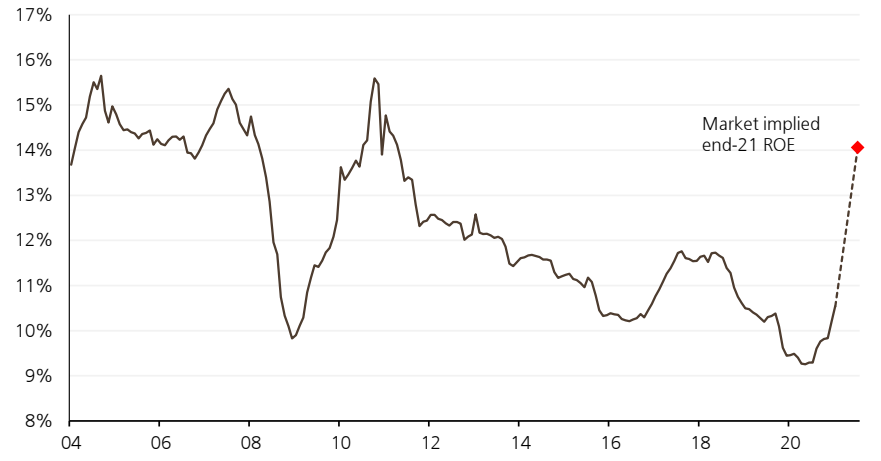



Source : Refinitiv, UBS

**Based on our latest forecasts for the factors, we expect the multiple to continue to de-rate due to headwinds from higher yield, lower payout ratio (less of an issue given the delay in revisions), and lower oil price growth. This now points to a fair value end-2022 forward P/E of 13.0x. Our preliminary 2023 EPS and end-2022 forward P/E forecasts are suggesting an index target of 900 by end-2022, about 2% upside from the current level.**

## How realistic is our 2022 target?

**Figure 17: Trailing ROE for Asia ex Japan and market implied level by end-2021**




Source : Refinitiv, UBS

**Our previous work shows that the market is already pricing in a high level of optimism around profitability. The current P/BV is implying the ROE to return to 2010 levels, which seems stretched given headwinds from rising cost and potentially fading momentum.**

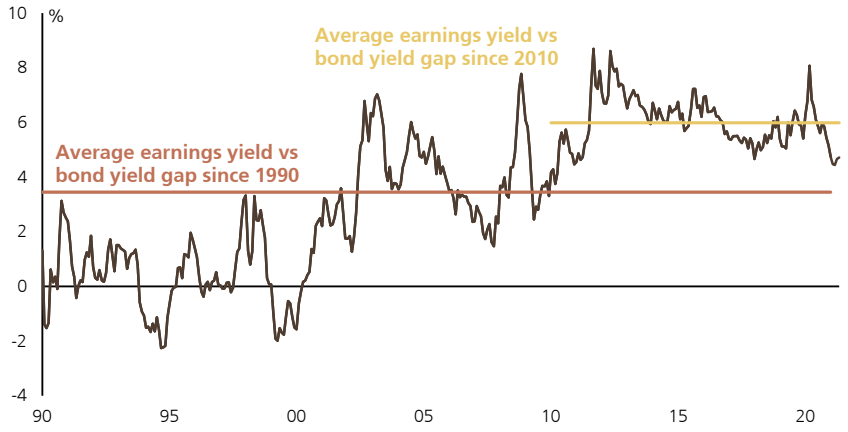
**Figure 18: Forward market returns when market hits 17.5x P/E**

| | N1M | N3M | N1Y | N3Y | N5Y |
|---|---|---|---|---|---|
| 1993 | 17.2% | 1.4% | -3.1% | 5.8% | -43.8% |
| 1999 | 5.0% | 12.2% | -24.2% | -37.9% | -8.0% |
| 2007 | 4.3% | -3.8% | -42.5% | -15.9% | -18.7% |
| Average | 8.8% | 3.3% | -23.3% | -16.0% | -23.5% |

Source : Refinitiv, UBS. Note: forward P/Es were higher in late 1998, but off depressed earnings during the Asian Financial Crisis. So we have excluded this period from the analysis.

**From past occasions when forward P/Es last hit 17.5x (the peak in mid-February), forward returns have generally been poor. Despite the 16% correction since the peak, it is common to see the downturn last longer from here. Our preliminary 2022 index target is only 6% below the peak in mid-February.**

**Figure 19: Asia ex Japan earnings yield minus bond yield gap**



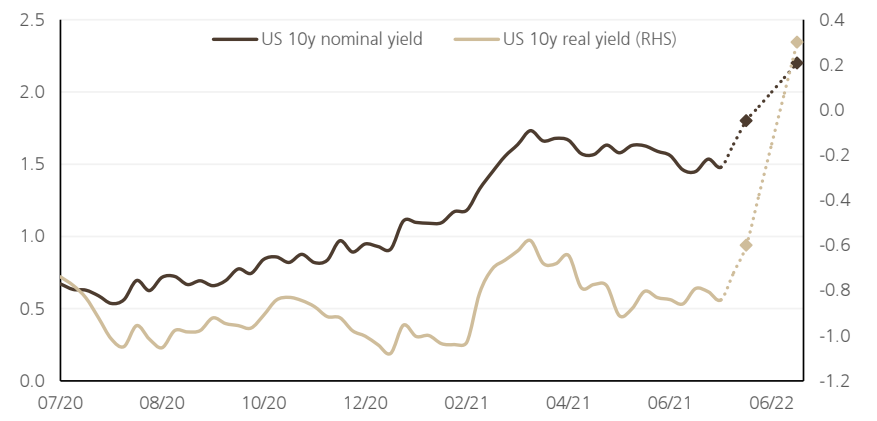

Source : Refinitiv, UBS

**Lastly, rising yield also makes equities seem less attractive on a relative basis. The earnings yield and bond yield gap is now close to decade lows, and could get even lower as bond yields are on the rise. All factors considered, we believe it's reasonable to assume very limited market returns by 2022 from the current level.**

# Themes

## 1. Tapering

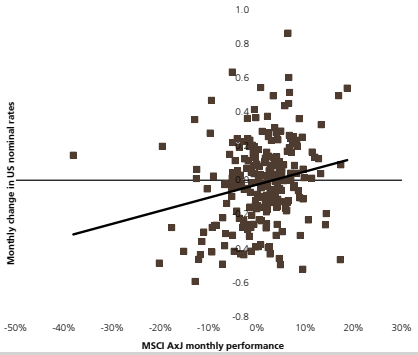
**Figure 20: US 10-year nominal and real yields**




Source : Refinitiv, UBS

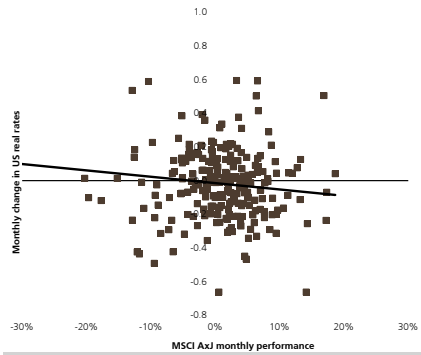
**UBS economics team sees US 10y nominal yields rising to 1.8% at end-2021 and 2.2% at end-2022. Key however is our expectation that inflation is likely to peak and therefore real yields will start to climb back to positive territory.**

**Figure 21: Monthly MSCI AxJ returns vs change in US nominal rates**




Source : Refinitiv, UBS

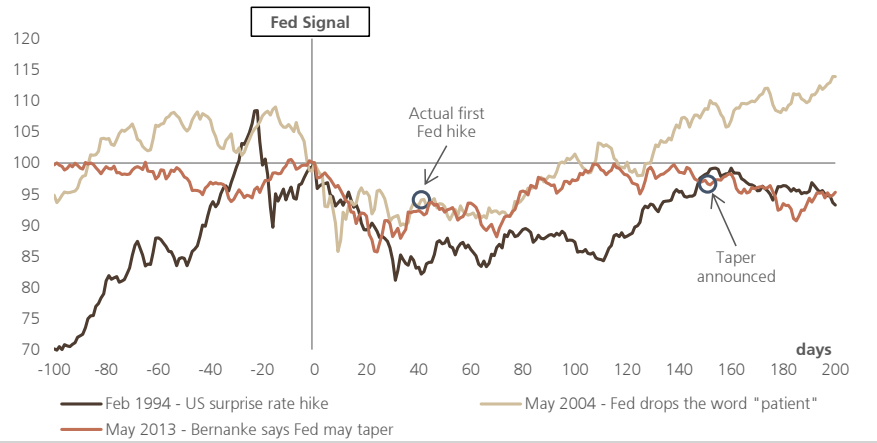
**Figure 22: Monthly MSCI AxJ returns vs change in US real rates**




Source : Refinitiv, UBS

**Generally there's a positive correlation between a nominal rise in yields and Asian equities. Tapering is more likely to be consistent with rising real yields (with breakeven expectations falling) which suggests a more uncomfortable ride for Asian equities.**

**Figure 23: Asian equities performance around the first Fed shift in policy**




Source : Refinitiv, UBS

**Tapering is likely to be one of the most significant events in the second half. The first shift in policy has typically been uncomfortable for Asian stocks. We don't see any reason to think this time will be any different, not least given how supportive policy has been to equity returns in the last year.**

**Valuations are also more expensive than the last two periods of policy shifts, which doesn't fill us with comfort.**

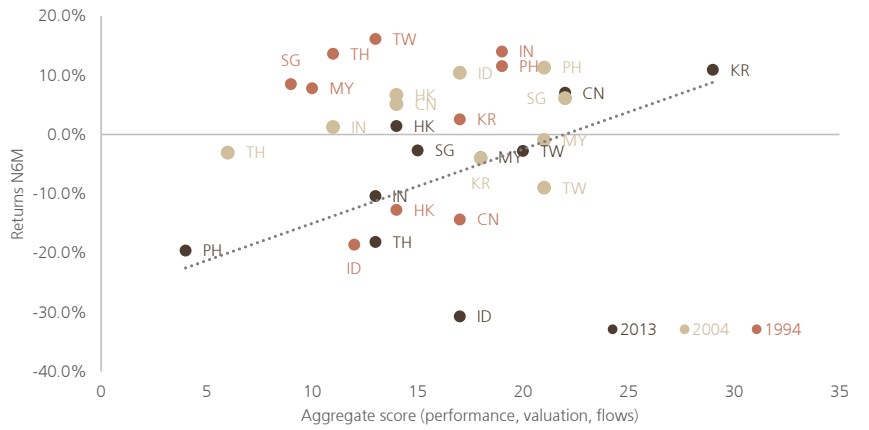
**Figure 24: There is little consistency between sector or market returns and Fed policy shifts**

| | IN | CN | HK | ID | KR | MY | PH | SG | TH | TW |
|---|---|---|---|---|---|---|---|---|---|---|
| 1994 Hike | 14.0% | -14.3% | -12.7% | -18.6% | 2.6% | 7.8% | 11.6% | 8.5% | 13.6% | 16.1% |
| 2004 Hike | 1.3% | 5.2% | 6.7% | 10.4% | -4.0% | -0.9% | 11.3% | 6.2% | -3.0% | -9.0% |
| 2013 Taper | -10.4% | 7.0% | 1.4% | -30.7% | 10.9% | -3.8% | -19.5% | -2.7% | -18.1% | -2.8% |
| | ENG | MAT | IND | CON DISC | CON STP | HEALTH | FIN | IT | COMMS | UTILS |
| 2004 Hike | 9% | 13% | 8% | 2% | 0% | 4% | 3% | -15% | 2% | 4% |
| 2013 Taper | 0% | 3% | 3% | 7% | -6% | -3% | -1% | 3% | -9% | -6% |

Source : Refinitiv, UBS

**Should we dust down the last sell-off's playbook? Not necessarily. There's limited consistency between what works and doesn't in each first shift in policy sell-off. And rightly so: the vulnerable markets and sectors change cycle to cycle.**

**Figure 25: Market factors scores versus returns after Fed policy shifts**




Source : Refinitiv, UBS. Note: The aggregate score is based on: 1) Performance: 12m relative performance; 2) Valuation: relative P/BV versus 5yr ave; and 3) Flows: 6m average value turnover versus 3yr ave, and ranked the markets accordingly. The higher the score, the market is more likely to have outperformed, and vice versa.

**We test the characteristics of relative winners and losers, using market performance, valuations and flows leading up to the change in policy. Relative performance has a strong correlation with returns in the next months. The same is true of valuations, albeit to a lesser degree, while flows are less relevant. But taking these together, there is a strong relationship between the characteristics and returns as Fed policy shifts.**

**Relative outperformers and expensive markets with above-average trading volumes tend to underperform, while their counterparts outperform.**

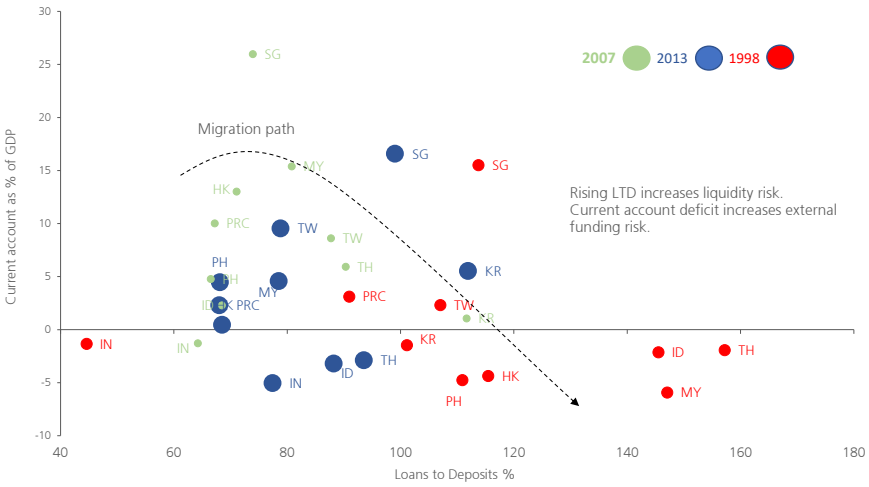
**Figure 26: Scorecard of vulnerabilities to tapering that might impact returns**

| | PH | MY | AU | SG | ID | TH | HK | JP | CN | IN | TW | KR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Performance rank | 10 | 12 | 5 | 7 | 9 | 11 | 6 | 4 | 8 | 2 | 1 | 3 |
| Valuation rank | 8 | 6 | 9 | 10 | 12 | 3 | 11 | 5 | 2 | 4 | 7 | 1 |
| Flows rank | 11 | 9 | 12 | 8 | 3 | 7 | 4 | 10 | 5 | 6 | 1 | 2 |
| **AGGREGATE SCORE** | **29** | **27** | **26** | **25** | **24** | **21** | **21** | **19** | **15** | **12** | **9** | **6** |
| **RANK** | **1** | **2** | **3** | **4** | **5** | **6** | **6** | **8** | **9** | **10** | **11** | **12** |

Source : Refinitiv, UBS

**This time around, China, India, Taiwan and Korea look more vulnerable to underperformance into a tapering sell-off, while ASEAN looks better positioned.**

**Figure 27: In 2013, Asia's credit cycle (Debtopia) had led to substantial macro imbalances**




Source : CEIC, Haver, UBS

**While last cycle's vulnerabilities arose because of Debtopia (the rapid build-up of credit in Asia, and deteriorating macro balances) thankfully, those weak spots hadn't become as bad as going into 1997/1998.**

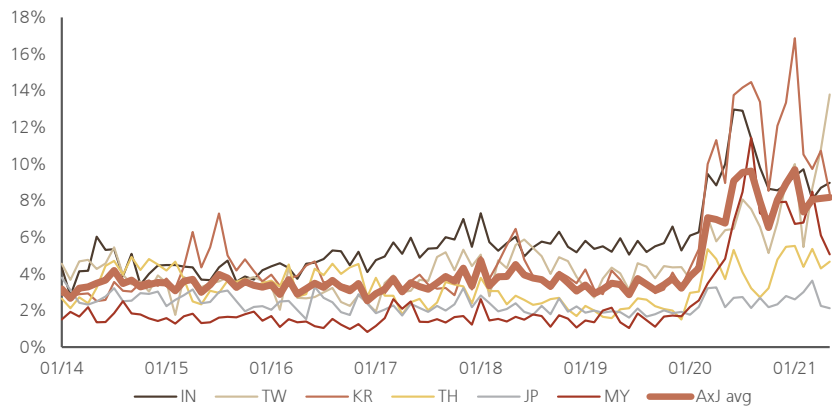
**Figure 28: But macro balance sheet has ensued and vulnerabilities are significantly lessened**

| | Fwd P/E | Fwd P/E Apr13 | Real bond yield today | Real bond yield Apr13 | REER Today | REER Apr13 | C/A% GDP Q121 (*4Q20) | C/A % GDP Q213 |
|---|---|---|---|---|---|---|---|---|
| China | 15.6 | 8.8 | 1.4 | 4.3 | 127 | 114 | 2.4 | 2.3 |
| Hong Kong | 17.5 | 14.9 | -0.4 | -2.6 | 118 | 102 | 9.0 | 0.5 |
| India | 22.5 | 13.5 | 1.0 | 0.3 | 101 | 98 | 1.3* | -5.0 |
| Indonesia | 14.5 | 15.1 | 4.4 | 2.4 | 89 | 97 | -0.2 | -3.2 |
| Korea | 11.8 | 7.9 | 0.2 | 0.8 | 108 | 103 | 4.9 | 5.5 |
| Malaysia | 13.7 | 14.6 | 0.8 | 1.7 | 85 | 100 | 4.6 | 4.6 |
| Philippines | 18.2 | 20.5 | -0.5 | 0.7 | 117 | 112 | 3.3 | 4.5 |
| Singapore | 14.1 | 14.1 | 0.2 | 0.1 | 105 | 113 | 18.6 | 16.6 |
| Taiwan | 16.0 | 14.1 | -1.0 | -0.1 | 110 | 100 | 14.6 | 9.5 |
| Thailand | 18.6 | 12.3 | 0.5 | 0.8 | 104 | 108 | 3.3* | -2.9 |

Source : Refinitiv, Bloomberg, UBS

**Most importantly, many of these imbalances have lessened. In Indonesia in particular, the real yield is much higher, current account almost negligible for now, real effective exchange rate is lower and so too is the forward P/E. We don't see the same challenges to higher yields as in 2013.**

**Figure 29: Regional markets retail turnover as % of market cap**

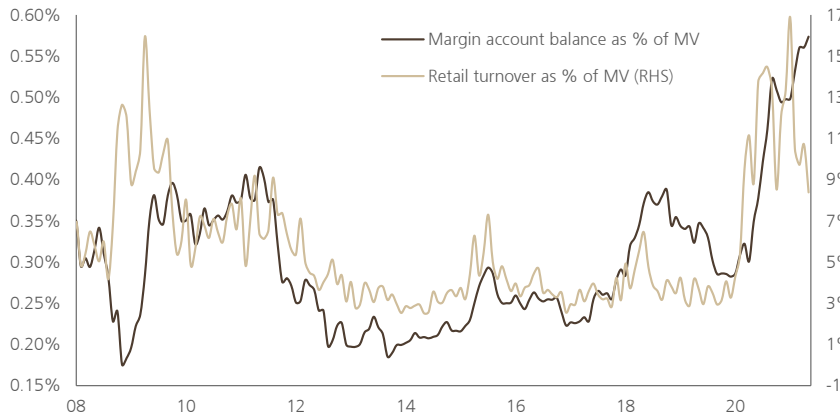



Source : CEIC, Refinitiv, Bloomberg, UBS

**So where are those vulnerabilities?**

**Not too much at the macro as the micro level. There are two we are concerned with. The first is the retail investor which has become a driving force in the market.**

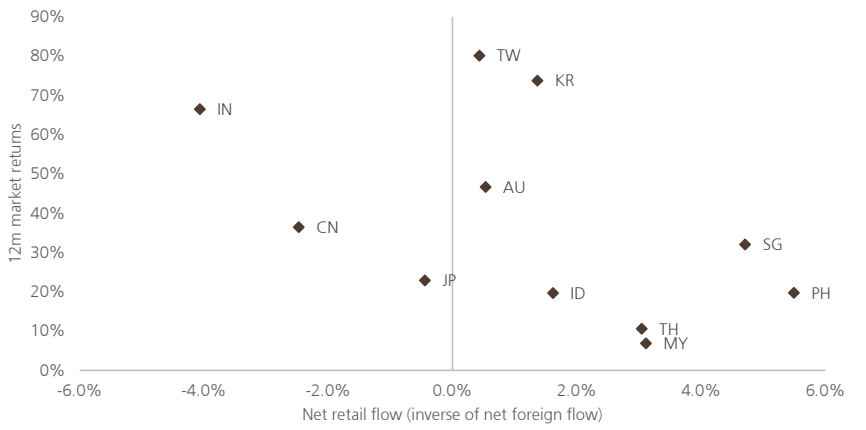
**Figure 30: Korea margin account balance vs retail turnover**




Source : Refinitiv, UBS

**In Korea where we have data, margin levels are at very high levels. We see these as vulnerable to both a higher cost of money, and as we demonstrated in April 2020, to higher volatility.**

**Figure 31: Net retail flow vs 12m market returns**




Source : Refinitiv, Bloomberg, UBS

**Retail has become a significant determinant of performance, and we impute net retail flows as an inverse of net foreign flows. Taiwan and Korea saw net retail buying, which have had an outsized role in the markets' outperformance. While retail has also been a net buyer in ASEAN, these markets have underperformed. This suggests that foreign selling was met by retail buying, rather than retail driving price discovery.**

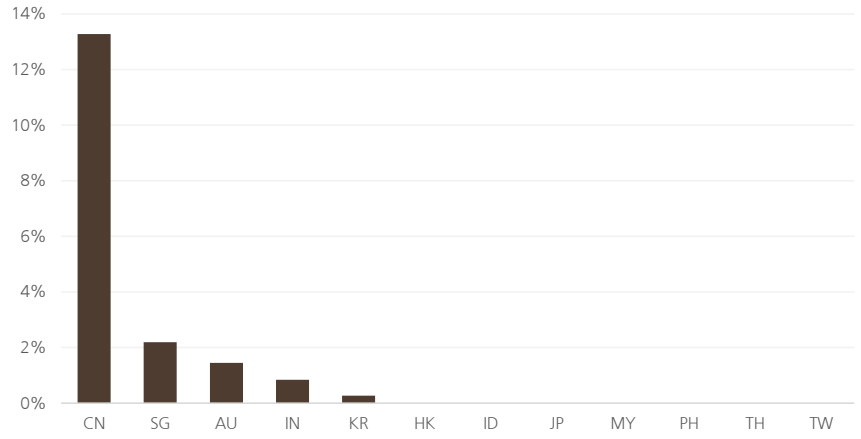
**Figure 32: Relative P/BV of negative free cash flow companies in Asia ex Japan**


Source : Refinitiv, UBS

**The other area where we are concerned with at the micro level is companies with negative free cash flow and expensive valuations.**

**Negative free cash flow companies are now trading at the highest P/BV level relative to the market in the past 20 years. The market may be pricing in excessive optimism on these companies, with growth fuelled by external capital, which may be challenged into a sell-off and as yields rise.**

**Figure 33: Exposure of APAC markets to expensive and negative free cash flow companies that have raised equity in the past three years (% of market cap)**




Source : Bloomberg, Refinitiv, UBS

**We screened for companies with negative free cash flow, expensive valuations and have raised equity in the past three years. China has a disproportionately large share relative to other markets, due to its significant exposure to growth companies.**

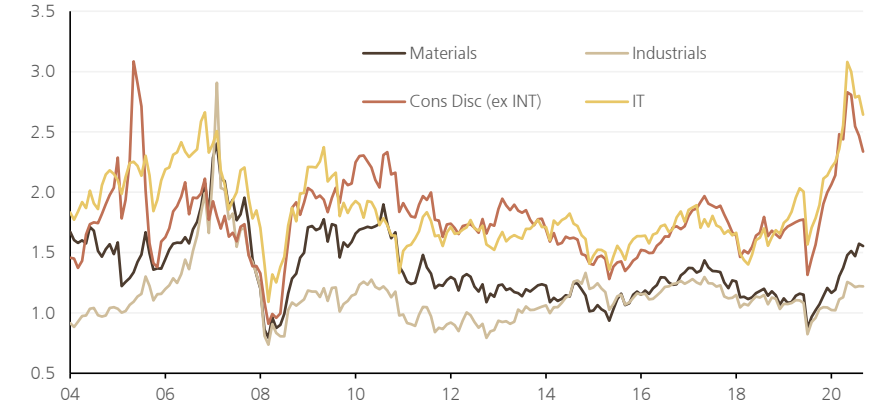
## 2. Cyclicals

**Figure 34: Cyclicals relative to defensives P/BV vs US ISM manufacturing new orders**


Source : Refinitiv, UBS

**We have been arguing for the cyclical recovery since last year's market trough. Cyclicals in general now are trading at the most expensive range relative to defensives even after recent corrections.**

**Figure 35: Cyclical sectors P/BV**




Source : Refinitiv, UBS

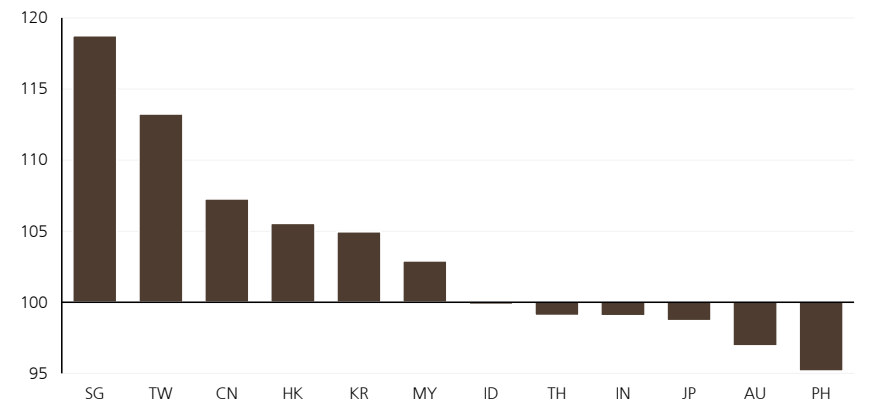
**IT and consumer discretionary in particular have re-rated, while deep cyclicals (materials and industrials) have relatively lagged.**

**Figure 36: Korea exports and YoY growth**


Source : Bloomberg, UBS

**The cyclical outperformance is led by rapid topline growth. In Korea, low base effect and surging global demand have already taken its export 12% higher than the pre-COVID levels, and the momentum is still strong. However, year-on-year export growth rates are likely peaking and will slow.**

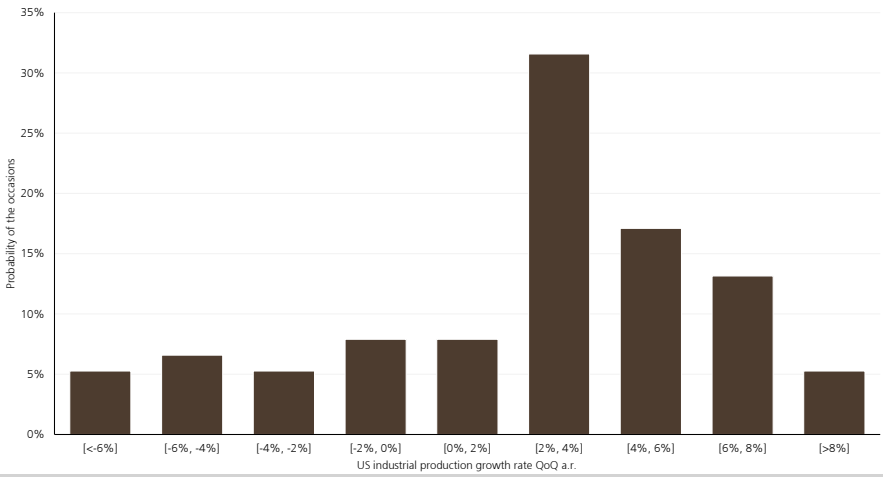
**Figure 37: 1Q21 Industrial production (4Q19=100, local FX, seasonally adjusted)**




Source : Refinitiv, UBS

**The region's industrial production has seemed well-recovered. In local currency terms, more than half of the markets under our coverage, especially the tech-heavy ones such as Taiwan, China and Korea, are already higher than the pre-COVID levels, while Philippines as the worst hit market is only 5% below 2019 levels.**

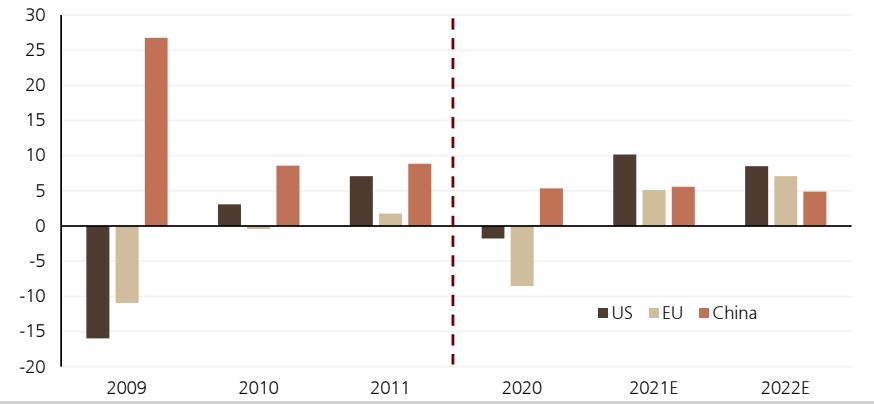
**Figure 38: The range of outcomes for US industrial production growth QoQ when ISM manufacturing new orders index is stable or up**




Source : Refinitiv, UBS

**Current valuations have generally needed LEIs to remain strong for sustained performance. However as Figure 2 showed, we expect a brief softening in goods demand, which historically would lead to lower LEIs in three-quarters of the occasions.**

**Figure 39: Fixed investment growth YoY**

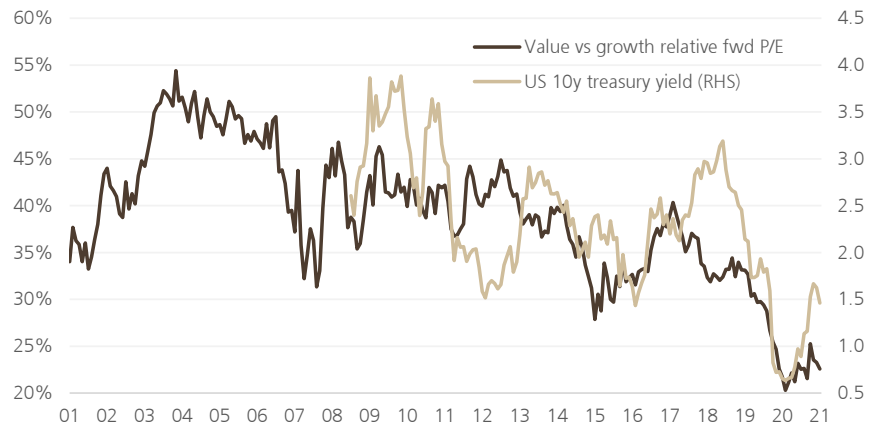



Source : UBS

**Valuations being high, the risk that is not strong enough to sustain multiples and a potential softening in goods demand all suggest cyclicals may have an air pocket in the short term. However, medium-term demand drivers especially for Capital Goods and Tech look solid with high forecast Fixed Investment particularly in the US and Europe. With this in mind, we wouldn't be underweight cyclicals, but the strong outperformance of the past year looks largely done. We remove 'cyclicality' as our key factor in our market selection models.**

## 3. Growth vs value

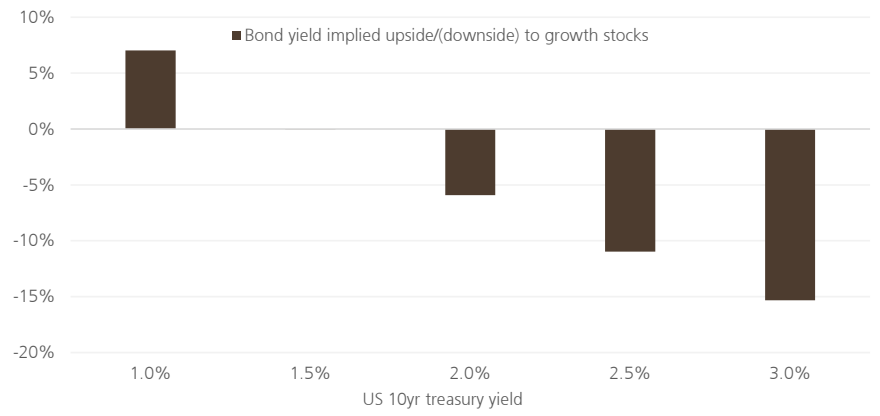
**Figure 40: Value vs growth stocks relative forward P/E**




Source : Refinitiv, UBS

**Falling bond yields have supported the outperformance of growth stocks in recent years. The cyclical rebound and higher yields over the past 12 months have caused that to reverse.**

**Figure 41: Bond yield implied upside/(downside) for growth stocks**




Source : Refinitiv, UBS

**Our analysis of growth stocks in Asia ex Japan suggests that a further rise in bond yields to 2% (versus 1.6% today) would lead to a 5% de-rating in growth. There is still some pressure on growth stock valuations to come.**

**Figure 42: Value stocks (20th percentile) forward P/E vs median**


Source : Refinitiv, UBS

**Over the coming months we expect yields to rise modestly but much of the cyclical rebound (for cyclical stocks) is behind us. With valuations still favouring value, and yields on our forecasts likely to rise, this still supports value over growth, but by a much lower margin than over the past 12 months given cyclicals are now generally expensive and the cyclical indicators may be close to peaking.**

# Market model

**Figure 43: Macro factors scorecard (higher the better)**

| | Taper vulnerability | | | | Change in 2021 GDP growth rate | TOTAL |
|---|---|---|---|---|---|---|
| | *Relative retail participation* | *Flows, valuations, and returns* | *Cash flow stress* | Aggregate | | |
| Philippines | *-0.5* | *+1.0* | *0.0* | +0.5 | 3.0 | **+11.3** |
| Malaysia | *-0.5* | *+1.0* | *0.0* | +0.5 | 2.0 | **+10.8** |
| Thailand | *-0.5* | *0.0* | *0.0* | -0.5 | 3.5 | **+9.0** |
| Japan | *0.0* | *0.0* | *0.0* | 0.0 | 1.0 | **+8.5** |
| Hong Kong | *0.0* | *0.0* | *0.0* | 0.0 | -0.1 | **+8.0** |
| Indonesia | *-0.5* | *0.0* | *0.0* | -0.5 | 1.8 | **+7.5** |
| Australia | *-1.0* | *+1.0* | *0.0* | 0.0 | -2.1 | **+6.5** |
| Singapore | *-0.5* | *0.0* | *0.0* | -0.5 | -1.0 | **+6.0** |
| India | *0.0* | *-1.0* | *0.0* | -1.0 | -2.3 | **+3.3** |
| Korea | *-1.0* | *-1.0* | *0.0* | -2.0 | -1.2 | **+3.3** |
| China | *0.0* | *0.0* | *-1.0* | -1.0 | -2.8 | **+2.3** |
| Taiwan | *-1.0* | *-1.0* | *0.0* | -2.0 | -2.6 | **+1.8** |
| Asia ex Japan | | | | | | **+3.3** |

Source : Refinitiv, Bloomberg, UBS

**Our macro scorecard now reflects Tapering risks and 'normalisation' – or the potential for growth to rebound. We prefer markets where there is still the potential for an economic rebound on 'opening up'. And those markets that may suffer less from Tapering concerns – where retail participation is lower/less predominant; where the last 12-month performance, valuation and volume has been lower; and where there are lower levels of negative FCF companies that have been tapping the equity market.**

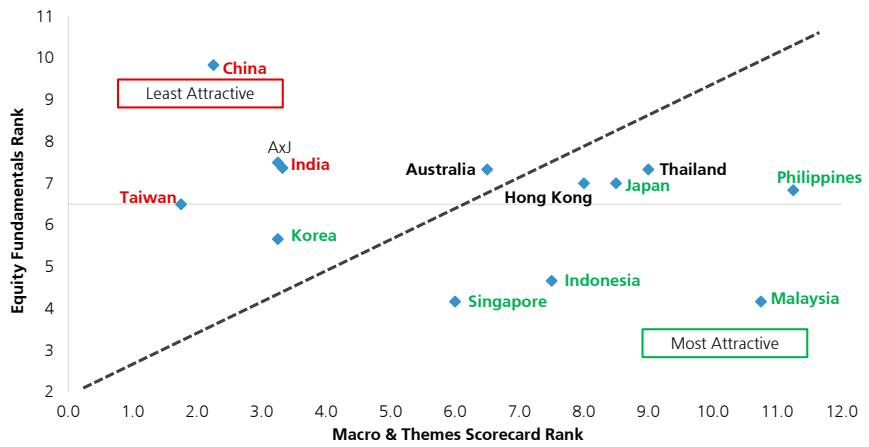
**Figure 44: Fundamentals scorecard (lower the better)**

| | P/Book relative vs. 10y ave (std devs) | Rank | Fwd P/E relative vs. 10y ave (std devs) | Rank | Implied LT growth vs. 10y ave (std devs) | Rank | 2020-2022 EPS CAGR | Rank | 3m revision to 12m fwd EPS | Rank | 3m change in EPS revision | Rank | AVERAGE Rank |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Malaysia | -2.19 | 2 | -3.13 | 1 | -1.02 | 1 | 39.8% | 2 | -0.9% | 8 | -4.0% | 11 | **4.2** |
| Singapore | -2.10 | 3 | -1.69 | 3 | 0.64 | 4 | 28.2% | 5 | 2.4% | 7 | 0.9% | 3 | **4.2** |
| Indonesia | -2.41 | 1 | -3.04 | 2 | -0.79 | 2 | 24.3% | 7 | -1.3% | 10 | -1.0% | 6 | **4.7** |
| Korea | -0.34 | 9 | -0.84 | 9 | 2.15 | 12 | 44.5% | 1 | 13.6% | 2 | 8.5% | 1 | **5.7** |
| Taiwan | 2.09 | 12 | -1.40 | 4 | 2.03 | 11 | 20.9% | 9 | 14.5% | 1 | 4.1% | 2 | **6.5** |
| Philippines | -1.96 | 5 | -1.16 | 6 | -0.55 | 3 | 38.3% | 3 | -5.2% | 12 | -4.1% | 12 | **6.8** |
| Hong Kong | -2.02 | 4 | -1.37 | 5 | 1.59 | 6 | 22.3% | 8 | -0.9% | 9 | -3.3% | 10 | **7.0** |
| Japan | -0.97 | 7 | -0.92 | 7 | 1.85 | 8 | 17.2% | 11 | 5.3% | 4 | -0.7% | 5 | **7.0** |
| Australia | -0.68 | 8 | -0.84 | 8 | 1.88 | 9 | 13.9% | 12 | 10.2% | 3 | 0.5% | 4 | **7.3** |
| Thailand | -1.74 | 6 | 0.75 | 11 | 2.02 | 10 | 35.0% | 4 | 3.3% | 6 | -2.1% | 7 | **7.3** |
| India | -0.28 | 10 | 0.44 | 10 | 1.48 | 5 | 24.7% | 6 | 3.9% | 5 | -3.0% | 9 | **7.5** |
| China | 0.59 | 11 | 1.78 | 12 | 1.74 | 7 | 17.5% | 10 | -3.1% | 11 | -2.6% | 8 | **9.8** |
| Asia ex Japan | | | | | | | | | | | | | **7.4** |

Source : Refinitiv, UBS

**We also, as always, take into account current valuations (relative to history, relative to the market) and earnings – growth rates and momentum.**

**Figure 45: The aggregated market scorecard**




Source : UBS

**Combining these scores China and Taiwan continue to look unattractive, while ASEAN generally looks more positive.**

**Figure 46: Market recommendation summary**

| Overweight | | Neutral | Underweight |
|---|---|---|---|
| Korea | Indonesia | Australia | China |
| Japan | Philippines | Thailand | Taiwan |
| Singapore | Malaysia ▲ | Hong Kong ▲ | India ▼ |

Source : UBS

**We lift Malaysia to Overweight, reflecting its valuation, reopening potential and generally better scores on our Tapering risk framework. India by contrast looks more challenging – expensive, middle of the pack on earnings; more challenged on our Tapering framework.**

**Figure 47: India vs Indonesia - relative performance and forward P/E**


Source : Refinitiv, UBS

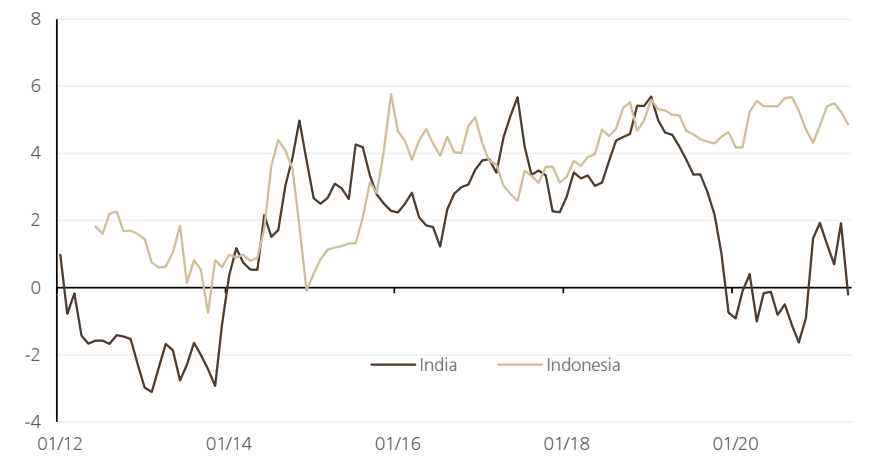
**India looks especially interesting as an underweight relative to Indonesia. Not only has it materially outperformed Indonesia…**

**Figure 48: Real effective exchange rate**


Source : Bloomberg, UBS

**...but Indonesia's real effective exchange rate is lower...**

**Figure 49: Real bond yields**




Source : Refinitiv, UBS

**Real bond yields higher and valuations relative to history also favour Indonesia.**

**Figure 50: Korea relative price to book vs Taiwan**


Source : Refinitiv, UBS

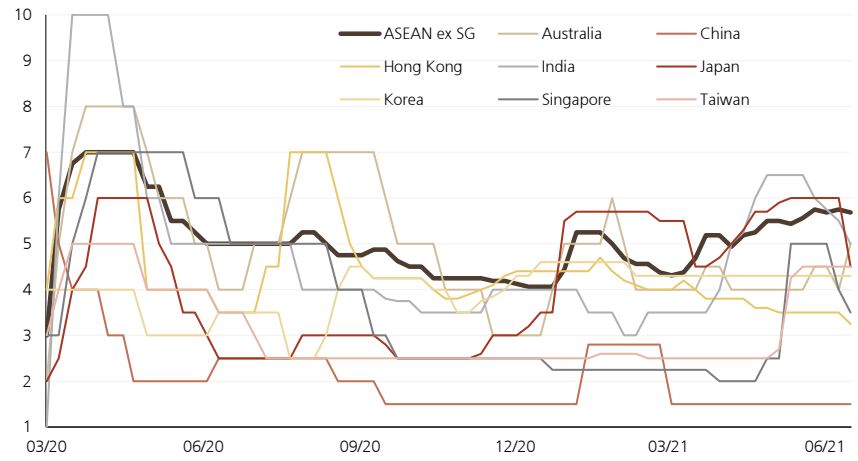
**Another interesting market pair is Korea and Taiwan. Both cyclical, valuations favour Korea.**

**Figure 51: Korea relative EPS momentum vs Taiwan**


Source : Refinitiv, UBS

**Meanwhile, earnings momentum is largely similar, not in our view justifying the valuation gap in Korea's favour.**

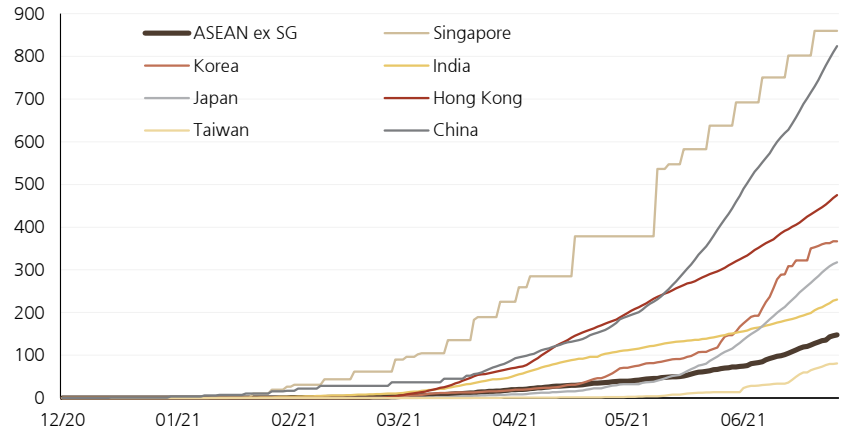
**Figure 52: UBS mobility restrictions tracker (higher score = more restrictions)**




Source : UBS

**One of our key calls has been to prefer ASEAN to China and Taiwan this year. The ASEAN side of this has been challenged by a slower pace of vaccine roll-out and occasional mobility restrictions. We continue to think however that restrictions will ease, setting up a bigger rebound in growth and earnings relative to Taiwan and China.**

**Figure 53: Vaccine dose per 1,000 population**




Source : Ourworlddata.org, UBS

**And vaccine rollouts are now beginning to pick up pace, though have some way to run.**

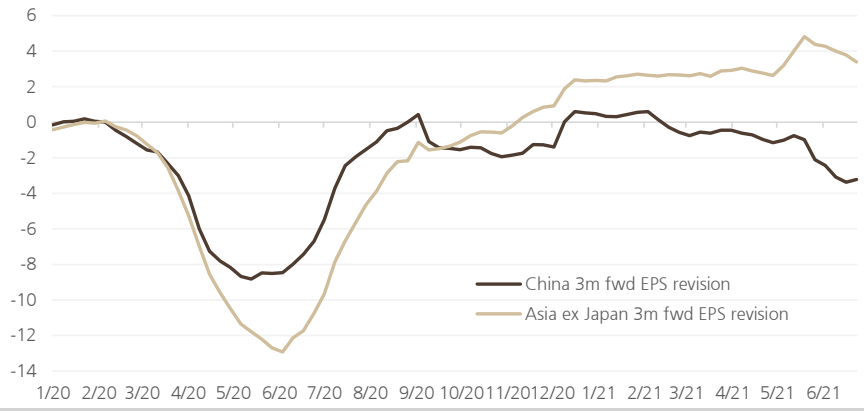
**Figure 54: China forward P/E relative to MSCI Asia ex Japan**


Source : Refinitiv, UBS

**We've been underweight China since mid last year. Having been first in and first out of lockdowns, the recovery has been more advanced and earnings were more resilient.**

**Chinese equities have since underperformed due to concerns over tightening credit, higher bond yields and rising regulatory risks. Despite the correction, valuations remain expensive. Its forward P/E relative to the region is still in the 90th percentile of its historical range.**

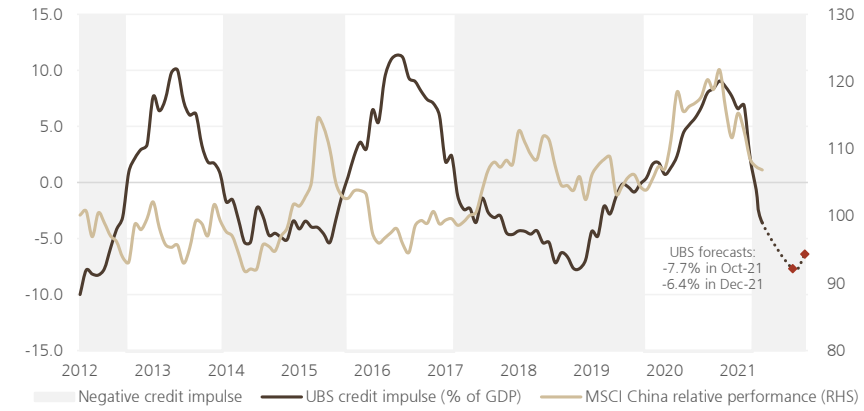
**Figure 55: EPS momentum for China vs Asia ex Japan**




Source : Refinitiv, UBS

**While we are seeing upgrades for Asia ex Japan, China has lagged, providing limited support for the latter to outperform given already rich valuations.**

**Figure 56: China credit impulse vs relative market performance**




Source : Bloomberg, Refinitiv, UBS

**With its more advanced recovery, China is also ahead in tightening policy. Credit growth is slowing, and credit impulse is turning more negative, which is unlikely to support further outperformance in the near term.**

# Appendix

## Figure 57: Summary of our regional allocation views

| | UBS STRATEGY VIEW | KEY DEBATES | RISKS TO OUR VIEW |
|---|---|---|---|
| OVERWEIGHT | | | |
| Korea | Preferred play on a global cyclical recovery as global lockdowns ease. Valuations are not inexpensive but earnings continue to be strong. The memory upcycle could last longer into mid-2022. The pandemic is relativerly contained and vaccination rate is ramping up. | • Outlook for DRAM and NAND<br>• Risk of another COVID-19 wave<br>• Will shareholder returns improve? | • Memory prices fall<br>• Global growth disappoints<br>• Significant Yen weakness<br>• Trade tensions |
| Japan | Cyclical valuations are reasonable and earnings momentum is strong. Japan also offers cyclicality to benefit from global lockdowns easing. | • BoJ policy impact on yields and FX<br>• Risk of another COVID-19 wave<br>• Will better corp governance lift ROE? | • Stronger JPY<br>• Global growth disappoints<br>• Trade tensions escalate |
| Singapore | Attractive valuations and Singapore should benefit from strong global growth as lockdowns ease. Rising yield will benefit the financials. The country is taking the lead in vaccination and is less exposed to tourism than Hong Kong. | • How quickly can global travel resume?<br>• What to expect for the yield?<br>• How bad will Bank NPLs be? | • Travel restrictions in place for longer<br>• Fed policy<br>• Trade tensions escalate |
| Philippines | Inexpensive valuations. Uncertainty around recovery on tourism may weigh on the economy but stock market exposure is smaller. Growth should return as vaccines become widely available. | • How quickly can lockdowns ease?<br>• The Fed, USD and bond yields<br>• When will foreign flows return? | • Accessibility of the vaccines<br>• Progress on reforms<br>• Oil prices and current account |
| Indonesia | Valuations look very attractive and we expect growth and earnings to rebound as Indonesia catches up. With a better current account position and higher real yield, Indonesia is now less vulnerable to tapering. | • How quickly can lockdowns ease?<br>• The Fed, USD and bond yields<br>• How bad will NPLs be? | • Accessibility of the vaccines<br>• Fed policy<br>• Current account<br>• Commodity Prices |
| Malaysia | A combination of attractive valuations, low retail participation, and strong recovery potential as the normalization trend continues. | • How quickly can lockdowns ease?<br>• Can the oil rebound continue? | • Accessibility of the vaccines<br>• Oil price<br>• Politics<br>• Currency |
| NEUTRAL | | | |
| Australia | Valuations are in the middle range. The outlook for financials looks better in a rising yield environment, but the materials sector is vulnerable to the normalization in commodity prices. | • Commodity prices have already peaked?<br>• The impact of rising yield?<br>• Outlook for the AU$? | • Commodity prices<br>• Rates and the AU$<br>• Fed policy |
| Thailand | The most tourism exposed market, and therefore so dependent on global opening up. Asset price valuations are reasonable, and there is some cyclicality in this market, but we would rather be closer to global opening up to be overweight. | • How quickly can lockdowns ease?<br>• How fast can tourism return? | • Tourist arrivals return quicker<br>• Oil prices<br>• Infrastructure spending<br>• Thai bond yields |
| Hong Kong | Middle range valuations, earnings growth, and neutral exposure to macro factors in the regional context. More exposure to tourism and less cyclicality still make Hong Kong less attractive vs Singapore. | • How fast can tourism return?<br>• Does the southbound flow continue?<br>• Can the credit cycle keep going?<br>• How to increase the vaccine take-up rate? | • China visitor arrivals<br>• Fed policy and impact on HIBOR<br>• Property related measures (policy)<br>• Southbound flow |
| UNDERWEIGHT | | | |
| China | First in and first out of the COVID-19 lockdowns, the potential for further recovery from here is more limited than the rest of the region and valuations are at relatively expensive. The regulation overhang on Internet and potential credit tighening could cause negative surprises. | • Credit growth outlook?<br>• Do reforms continue to progress?<br>• Do trade tensions escalate? | • Regulation on internet stocks<br>• China policy tightening<br>• US-China trade relations |
| Taiwan | While Taiwan's tech heavy index has benefitted from tech spend during the pandemic and its earnings have held up relatively well as a result, valuations are already pricing this in and we see more potential to benefit from a rebound in global activity in Korea and Japan. | • What could drive tech earnings higher?<br>• China end-demand outlook<br>• Business implications from trade war | • China/Global economic outlook<br>• Success of Apple product launches<br>• Trade tensions |
| India | Expensive valautions with fading earnings momentum. Less scope for economic rebound this year and have already outperformed Indonesia by 31% YTD. Low real yield and expensive currency suggest some vulnerability in the tapering environment. | • How quickly can lockdowns ease?<br>• How long will the retail flows persist?<br>• Reform progress? | • Accessibility of the vaccines<br>• Retail flows<br>• Fiscal policy<br>• Oil prices, current account, & FX |

Source : UBS

# Valuations

## Figure 58: Market performance and valuations

| 22 Jun 21 | % of | Performance US$ (%) | | | | P/E (x) | | | P/Book (x) | | | EPS growth (%) | | | DY (%) | ROE (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MSCI | index | 1m | 3m | YTD | 2020 | 2020 | 2021E | 2022E | 2020 | 2021E | 2022E | 2020 | 2021E | 2022E | 2021E | 2021E |
| **China** | 42.2 | -0.5 | -6.0 | -2.6 | 27.3 | 19.2 | 16.5 | 14.0 | 2.14 | 1.98 | 1.78 | 4.1 | 16.6 | 18.3 | 1.6 | 12.0 |
| **Hong Kong** | 7.4 | -2.1 | -0.8 | 7.2 | 2.5 | 24.4 | 18.5 | 16.3 | 1.40 | 1.33 | 1.27 | -25.6 | 32.1 | 13.3 | 2.7 | 7.2 |
| **Indonesia** | 1.3 | 0.9 | -7.9 | -10.4 | -10.6 | 20.8 | 16.2 | 13.5 | 2.40 | 2.22 | 2.05 | -23.8 | 28.7 | 20.1 | 3.0 | 13.7 |
| **India** | 11.6 | 2.6 | 5.7 | 12.5 | 14.1 | 31.4 | 23.5 | 20.1 | 3.71 | 3.37 | 3.02 | 10.9 | 33.8 | 16.7 | 1.3 | 14.4 |
| **Korea** | 15.2 | 2.0 | 3.1 | 4.0 | 42.6 | 23.7 | 11.9 | 11.3 | 1.41 | 1.36 | 1.24 | 17.3 | 98.3 | 5.3 | 1.7 | 11.4 |
| **Malaysia** | 1.5 | -0.1 | -4.6 | -8.1 | 0.0 | 27.0 | 12.8 | 13.9 | 1.64 | 1.56 | 1.49 | -34.6 | 110.4 | -7.3 | 4.6 | 12.1 |
| **Philippines** | 0.7 | 9.6 | 8.1 | -4.6 | -4.7 | 31.3 | 20.6 | 16.2 | 1.84 | 1.75 | 1.62 | -47.6 | 51.9 | 27.1 | 1.5 | 8.5 |
| **Singapore** | 2.4 | -1.1 | -0.3 | 6.8 | -11.3 | 21.6 | 15.0 | 13.1 | 1.28 | 1.22 | 1.17 | -34.1 | 44.3 | 14.2 | 3.8 | 8.1 |
| **Thailand** | 1.9 | 1.2 | -3.5 | -0.5 | -13.9 | 32.0 | 20.2 | 17.6 | 2.18 | 2.00 | 1.91 | -44.9 | 58.5 | 15.0 | 2.7 | 9.9 |
| **Taiwan** | 15.7 | 2.1 | 3.9 | 14.0 | 37.2 | 22.4 | 15.9 | 15.5 | 2.85 | 2.58 | 2.43 | 26.9 | 41.2 | 3.0 | 3.4 | 16.3 |
| **Asia ex Jp** | | **0.6** | **-1.2** | **3.1** | **22.5** | **21.9** | **16.0** | **14.3** | **2.02** | **1.89** | **1.73** | **2.0** | **37.1** | **12.2** | **2.1** | **11.8** |
| **Japan*** | 31.5 | 1.6 | -2.4 | 1.4 | 12.2 | 20.2 | 16.7 | 15.0 | 1.49 | 1.42 | 1.34 | 21.4 | 20.5 | 11.3 | 2.1 | 8.5 |
| **Australia*** | 9.8 | 1.2 | 6.3 | 9.5 | 5.7 | 26.1 | 20.2 | 17.6 | 2.43 | 2.33 | 2.28 | -20.2 | 29.1 | 14.8 | 3.6 | 11.6 |
| **APAC** | | **0.9** | **-1.0** | **3.0** | **17.1** | **21.8** | **16.4** | **14.8** | **1.84** | **1.74** | **1.61** | **4.6** | **32.4** | **11.3** | **2.3** | **10.6** |
| **USA** | | 2.7 | 7.9 | 12.7 | 19.2 | 31.6 | 23.2 | 21.0 | 4.74 | 4.42 | 4.03 | -8.8 | 35.9 | 10.7 | 1.4 | 19.0 |
| **Europe** | | 0.3 | 7.3 | 11.4 | 3.1 | 24.7 | 17.1 | 15.6 | 2.13 | 2.02 | 1.91 | -26.1 | 43.7 | 10.0 | 2.9 | 11.8 |
| **Emerging** | | 1.3 | 0.8 | 4.3 | 15.8 | 21.6 | 14.4 | 13.1 | 2.05 | 1.90 | 1.74 | -3.2 | 49.8 | 10.1 | 2.5 | 13.2 |
| **World** | | **1.9** | **6.0** | **10.6** | **14.3** | **27.3** | **19.6** | **17.8** | **2.98** | **2.80** | **2.59** | **-11.4** | **39.3** | **10.3** | **1.9** | **14.3** |

Source : IBES, Datastream, UBS. Note: *Japan and Australia data for March and June year-ends, respectively

## Figure 59: Asia ex Japan sector performance and valuations

| 22 Jun 21 | % of | Performance US$ (%) | | | | P/E (x) | | | P/Book (x) | | | EPS growth (%) | | | DY (%) | ROE (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Asia ex Japan | index | 1m | 3m | YTD | 2020 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2021 | 2021 |
| **Energy** | 2.7 | 4.6 | 6.5 | 12.1 | -6.9 | 23.7 | 13.1 | 11.7 | 1.22 | 1.17 | 1.10 | -33.3 | 81.2 | 11.9 | 3.1 | 9.0 |
| **Materials** | 4.8 | -3.2 | 5.5 | 12.7 | 26.4 | 23.9 | 12.1 | 12.0 | 1.68 | 1.55 | 1.43 | -0.2 | 97.2 | 0.6 | 2.9 | 12.8 |
| **Industrials** | 6.0 | 3.8 | 8.5 | 14.6 | 3.0 | 25.1 | 13.2 | 12.9 | 1.49 | 1.36 | 1.25 | -20.0 | 90.3 | 2.1 | 2.2 | 10.3 |
| **Cons Disc** | 17.8 | 2.0 | -7.7 | -6.1 | 38.7 | 42.9 | 30.2 | 21.2 | 3.44 | 3.16 | 2.81 | -10.7 | 42.1 | 42.8 | 0.5 | 10.5 |
| **Cons Staples** | 4.9 | -0.8 | 0.5 | -2.4 | 18.3 | 29.9 | 25.6 | 22.7 | 4.06 | 3.77 | 3.47 | 9.3 | 16.8 | 12.6 | 2.0 | 14.7 |
| **Health Care** | 5.3 | 1.9 | 12.8 | 5.4 | 61.3 | 69.7 | 39.9 | 38.9 | 6.56 | 5.77 | 5.13 | 46.5 | 74.2 | 2.6 | 0.9 | 14.4 |
| **Financials** | 17.9 | -2.0 | -1.2 | 4.2 | -0.8 | 11.2 | 9.6 | 8.8 | 1.08 | 1.04 | 0.96 | -5.1 | 17.0 | 9.4 | 3.5 | 10.8 |
| **Real Estate** | 4.0 | -0.1 | -2.9 | 3.4 | -16.1 | 10.7 | 9.4 | 8.3 | 0.83 | 0.78 | 0.73 | -7.8 | 13.8 | 13.2 | 4.4 | 8.3 |
| **Tech** | 23.1 | 1.8 | 0.0 | 4.7 | 56.7 | 25.0 | 17.6 | 14.8 | 3.01 | 2.85 | 2.53 | 41.1 | 41.9 | 19.2 | 2.3 | 16.2 |
| **Comms Svs** | 11.2 | -0.2 | -7.6 | 3.7 | 29.9 | 36.4 | 21.8 | 24.2 | 4.22 | 3.67 | 3.28 | 14.3 | 67.1 | -10.0 | 0.8 | 16.8 |
| **Utilities** | 2.4 | -0.1 | 0.1 | 7.1 | -9.1 | 14.8 | 13.5 | 12.4 | 1.39 | 1.24 | 1.18 | 18.5 | 9.4 | 8.9 | 3.5 | 9.2 |
| **Asia ex Jp** | | **0.6** | **-1.2** | **3.1** | **22.5** | **21.9** | **16.0** | **14.3** | **2.02** | **1.89** | **1.73** | **2.0** | **37.1** | **12.2** | **2.1** | **11.8** |

Source : Refinitiv, UBS

## Figure 60: Japan sector performance and valuations

| 22 Jun 21 | % of | Performance JPY (%) | | | | P/E (x) | | | P/Book (x) | | | EPS growth (%) | | | DY (%) | ROE (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MSCI Japan | index | 1m | 3m | YTD | 2020 | Mar 22 | Mar 23 | Mar 24 | Mar 22 | Mar 23 | Mar 24 | Mar 22 | Mar 23 | Mar 24 | Mar 23 | Mar 23 |
| **Energy** | 0.6 | 5.1 | -6.0 | 30.3 | -34.5 | 7.6 | 7.0 | 6.7 | 0.54 | 0.51 | 0.49 | 573.5 | 9.6 | 3.4 | 4.9 | 7.4 |
| **Materials** | 4.9 | -0.5 | -3.8 | 6.8 | 13.1 | 13.8 | 12.7 | 11.9 | 1.30 | 1.22 | 1.11 | 128.9 | 8.3 | 6.9 | 2.5 | 9.6 |
| **Industrials** | 21.9 | 3.9 | -1.3 | 10.5 | 3.1 | 18.0 | 15.6 | 14.4 | 1.63 | 1.52 | 1.39 | 135.7 | 15.6 | 7.8 | 1.9 | 9.7 |
| **Cons Disc** | 19.0 | 5.2 | 2.1 | 11.3 | 8.5 | 15.4 | 13.3 | 12.0 | 1.38 | 1.28 | 1.17 | 21.0 | 15.7 | 11.3 | 2.1 | 9.6 |
| **Cons Staples** | 7.2 | 3.7 | 2.1 | 3.2 | -0.2 | 24.1 | 21.6 | 19.7 | 2.33 | 2.22 | 2.08 | 30.9 | 11.6 | 9.6 | 2.1 | 10.3 |
| **Health Care** | 10.2 | 6.9 | 1.1 | -2.0 | 17.9 | 30.1 | 26.1 | 23.6 | 2.84 | 2.68 | 2.52 | 13.6 | 15.4 | 10.4 | 1.7 | 10.3 |
| **Financials** | 8.8 | -2.6 | -7.5 | 16.6 | -15.5 | 9.3 | 8.6 | 8.0 | 0.52 | 0.50 | 0.48 | 9.9 | 8.7 | 6.8 | 4.7 | 5.9 |
| **Real Estate** | 3.7 | 6.2 | 3.3 | 19.8 | -18.3 | 17.2 | 16.0 | 15.1 | 1.31 | 1.25 | 1.22 | 11.2 | 7.4 | 6.3 | 2.9 | 7.8 |
| **Tech** | 13.8 | 5.1 | 6.4 | 11.8 | 21.0 | 25.9 | 22.5 | 20.1 | 2.62 | 2.42 | 2.23 | 20.0 | 15.0 | 11.8 | 1.6 | 10.8 |
| **Comms Svs** | 8.7 | -2.6 | -8.3 | 2.5 | 29.5 | 13.2 | 13.8 | 13.4 | 1.94 | 1.77 | 1.56 | -40.2 | -4.4 | 2.7 | 2.5 | 12.8 |
| **Utilities** | 1.0 | -0.8 | -12.0 | 1.3 | -15.4 | 11.9 | 10.2 | 9.6 | 0.56 | 0.54 | 0.52 | -27.9 | 16.6 | 6.4 | 2.9 | 5.2 |
| **Japan** | | **3.2** | **-0.6** | **8.7** | **6.6** | **16.7** | **15.0** | **13.9** | **1.42** | **1.34** | **1.25** | **20.5** | **11.3** | **8.3** | **2.3** | **8.9** |

Source : Refinitiv, UBS

## Figure 61: Australia sector performance and valuations

| 22 Jun 21 | % of | Performance AUD (%) | | | | P/E (x) | | | P/Book (x) | | | EPS growth (%) | | | DY (%) | ROE (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MSCI Australia | index | 1m | 3m | YTD | 2020 | Jun 20 | Jun 21 | Jun 22 | Jun 20 | Jun 21 | Jun 22 | Jun 20 | Jun 21 | Jun 22 | Jun 21 | Jun 21 |
| **Energy** | 3.3 | 7.9 | -2.5 | 4.3 | -31.9 | 17.2 | 43.5 | 15.9 | 1.21 | 1.52 | 1.43 | -20.3 | -60.5 | 173.2 | 1.5 | 3.5 |
| **Materials** | 19.1 | -1.1 | 8.6 | 6.0 | 8.8 | 18.2 | 10.6 | 9.5 | 3.03 | 2.56 | 2.49 | 3.5 | 71.1 | 11.9 | 6.8 | 24.1 |
| **Industrials** | 5.1 | 6.7 | 11.0 | 4.8 | -14.7 | 58.3 | 261.5 | 41.9 | 4.96 | 4.75 | 5.39 | -41.1 | -77.7 | 523.9 | 2.4 | 1.8 |
| **Cons Disc** | 7.0 | 7.3 | 16.3 | 23.8 | 6.3 | 38.3 | 31.6 | 28.8 | 5.31 | 4.92 | 4.74 | -14.0 | 21.4 | 9.6 | 2.4 | 15.6 |
| **Cons Staples** | 5.2 | 3.2 | 7.4 | 6.0 | 4.7 | 29.9 | 26.5 | 25.1 | 5.69 | 5.36 | 5.25 | -7.1 | 13.0 | 5.4 | 2.8 | 20.2 |
| **Health Care** | 11.1 | 6.5 | 14.2 | 8.8 | 0.8 | 49.4 | 37.9 | 39.8 | 9.85 | 8.32 | 7.52 | -5.0 | 30.3 | -4.7 | 1.1 | 21.9 |
| **Financials** | 35.0 | 2.8 | 8.6 | 21.4 | -9.1 | 24.8 | 18.4 | 16.5 | 1.77 | 1.67 | 1.63 | -33.9 | 34.9 | 11.7 | 3.9 | 9.1 |
| **Real Estate** | 6.7 | 8.1 | 12.0 | 9.5 | -9.4 | 21.3 | 19.7 | 18.2 | 1.19 | 1.24 | 1.22 | -18.2 | 8.4 | 8.1 | 3.1 | 6.3 |
| **Tech** | 3.5 | 17.6 | 11.8 | 1.0 | 50.3 | 141.2 | 139.2 | 108.9 | 15.89 | 11.70 | 11.14 | -19.1 | 1.4 | 27.8 | 0.4 | 8.4 |
| **Comms Svs** | 2.1 | 9.5 | 14.5 | 14.2 | 12.3 | 42.2 | 41.6 | 38.6 | 5.43 | 5.05 | 5.00 | -23.7 | 1.5 | 7.6 | 2.4 | 12.2 |
| **Utilities** | 1.7 | 6.7 | -3.0 | -5.4 | -24.1 | 12.5 | 22.6 | 20.5 | 1.12 | 1.31 | 1.32 | -6.3 | -44.5 | 9.9 | 5.7 | 5.8 |
| **Australia** | | **4.1** | **9.6** | **12.4** | **-3.7** | **26.1** | **20.2** | **17.6** | **2.43** | **2.33** | **2.28** | **-20.2** | **29.1** | **14.8** | **3.6** | **11.6** |

Source : Refinitiv, UBS

### Valuation Method and Risk Statement

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