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BCT Flash Report

18 November 2021



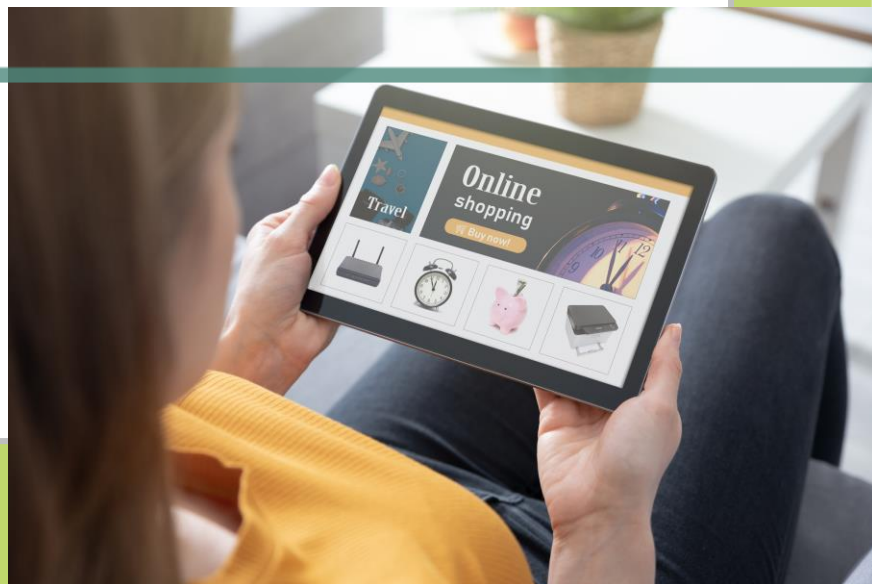
Is there still prospect for the U.S. market?

Post-pandemic · Inflation · Investment Opportunities

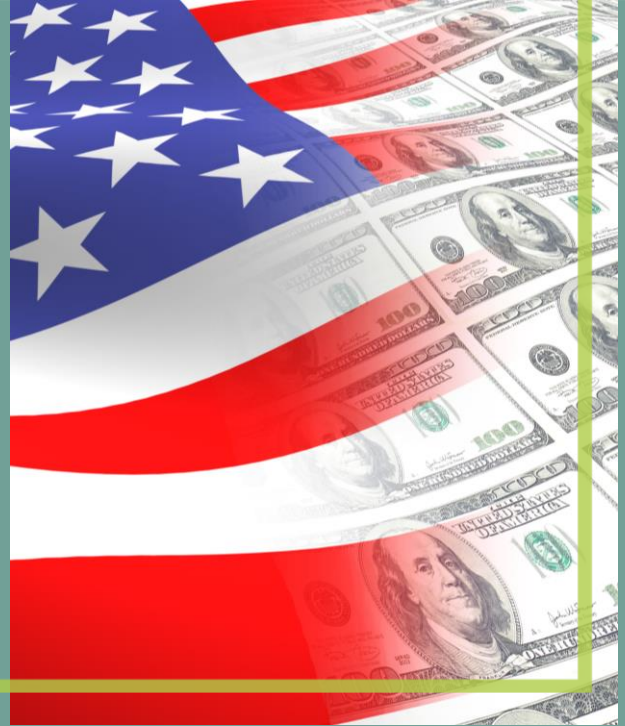
Among all MPF funds, the best performing fund category differs every year. The Greater China Equity funds performed the best in 2020 while the U.S. Equity funds ranked No.1 in 2019¹. Although no fund category is a sure-win in the market, U.S. equity clearly stands out because the U.S. indices, including the "Nasdaq 100" Index and the "S&P 500" Index, outperformed other major market indices (such as StoxxEurope600 and "HSI", the most well-known index among Hong Kong people)² in the last 5 years. Between the above two indices in the U.S., the "Nasdaq 100" outperformed the "S&P 500" in nine out of ten years³.

Investment Opportunities in the Post-pandemic New Normal

"**Stay-at-home Economy**" emerged as a new living style. Activities like consumption, business, entertainment, education, medical, etc., can all be carried out beyond the boundaries of time and location. The new lifestyle is shaping the future, from Internet of Things (IOT) to metaverse, and not surprisingly, relevant sectors will benefit from this transformation. Is this a trend or a dream, the answer is already out there. The information technology sector is developing rapidly, with North America accounting for 34% of the global market share in 2020⁴. To fully capture the opportunities from both the new and old economies in the world's largest mature market, the "Nasdaq 100" and the "S&P 500" can't be missed.



With the U.S. market melting up to new records, is there any room for further upside? Let's look at three consolidated views from our investment managers:



1. Strong earnings in Q3

It is expected that US corporate profits will continue to grow amid the global economic recovery. For the "S&P 500" companies that have announced the third-quarter earnings reports⁵, 81% recorded profits above estimates while 75% issued positive earnings surprises. Good economic fundamentals and corporate profits will continue to support the U.S. equity.

2. Positive outlook for tech stocks

The major U.S. tech giants reported good earnings. Among all, Facebook's Q3 earnings exceeded expectation and it announced Meta would be the new company's name, signaling its new direction to build the metaverse. Under the backdrop of global net zero commitments to tackle climate change, Tesla's market value has exceeded \$1 trillion for the first time, making it the fifth largest listed company in the U.S. The news brought forth recent rallies in the global electric vehicle stocks. It is expected that the tech industry will have a lot of potential investment opportunities in the foreseeable future.

3. Accommodative monetary policy remains

The Federal Reserve announced to start tapering debt purchases by \$15 billion monthly from November, but Chairman Jerome Powell reiterated that there is no plan for any rate hikes yet and the Fed will maintain loose monetary policy until the central bank's goals on employment and inflation are achieved. The market has responded well to this move, while the U.S. economy benefits from keeping inflation under control with tapering.

As the largest mature market in the world, the U.S. market is a key component in any representative global market indices and also a key asset class to be included in a well-diversified investment portfolio for long-term investment like MPF. You can click [HERE](#) to learn more about relevant information from BCT.

Investment involves risks. Past performance is not indicative of future performance.

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Sources or remarks:

1. Lipper, being ranked according to the median of each MPF fund category (MPFA's MPF classification), as of 31 December 2020
2. Lipper, as of June 30 2021
3. Lipper, as of 31 December 2020
4. The Business Research Company, as of December 2020
5. Data as of 11 November 2021