

Bracing for re-opening

Recent global economic data underscored the scale of the economic damage caused by the Covid-19 lockdown. While the economic data could remain weak in coming months, we believe the worst of the economic shock is likely behind us. Major economies are gradually lifting their Covid-19 lockdowns. Nonetheless, until we find a cure or have a vaccine, the re-opening process will be slow as governments are wary of triggering a second/third wave of virus outbreak.

KEY TRENDS FOR A POST-COVID WORLD

Although we are not completely out of the woods, it is critical for us to think ahead and consider the impact of the virus on consumers, markets and economies. Figure 1 highlights some of the key trends we are anticipating in a post Covid-19 world.

Firstly, as we brace for re-opening of economies, some countries could recover faster than others from the crisis. With China leading the recovery, we believe related Chinese assets would likely outperform in the next 6-12 months. Secondly, the crisis has led to an increased emphasis on healthcare, which will drive stronger demand and higher spending in the sector. Pharmaceutical and biotechnology companies that are involved in drug/vaccine development, as well as new healthcare solutions e.g. Telemedicine are potential beneficiaries.

Thirdly, the crisis has led to a shift in lifestyle and work practices, which has led to accelerated digital adoption. This will be positive for companies with exposure to areas such as online consumption/services/payment, as well as remote working solutions. Fourthly, the virus pandemic is forcing companies and countries to become more self-reliant, which could lead to further de-globalisation. Nevertheless, it could mean increased opportunities in selected sectors such as robotics and automation as companies look to shift their supply chains.

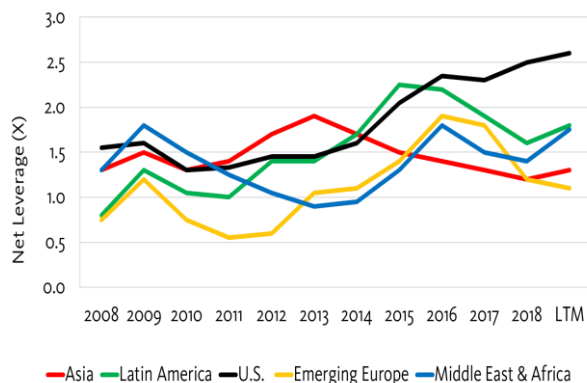
Lastly, we expect government debt levels to remain high and interest rates to remain low for longer. Hence, the hunt for yield theme will remain relevant although we will prefer to stick with quality credits such as Asia Investment Grade and selected dividend yield plays at the current juncture.

Figure 1: Key trends in a post-Covid world

- 1 Pace of recovery will vary across economies
- 2 Increased emphasis on healthcare
- 3 Accelerated digital adoption
- 4 De-globalisation and supply chain shifts
- 5 Higher debt; Interest rates to remain low for longer

Source: Maybank Group Wealth Management Research | May 2020

Figure 2: Investment Grade net leverage worldwide comparison



Sources: J.P. Morgan and Bloomberg | May 2020
LTM incorporates partial 3Q19 results for Emerging Market corporates and 2Q19 for Developed Markets

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