



Global and Asia Investment Strategy

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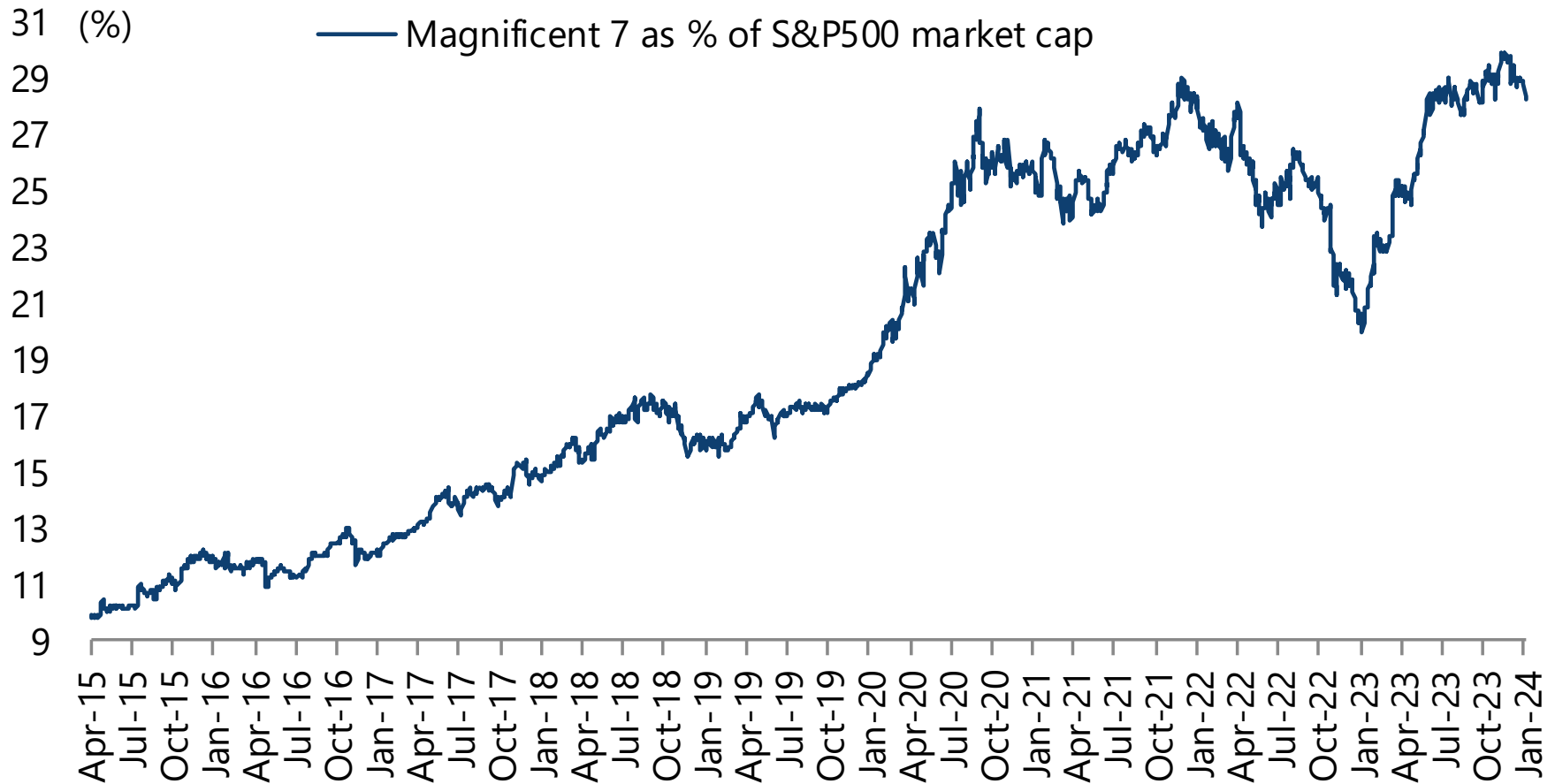
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January 2024

Jefferies

Magnificent 7 as % of S&P500 market capitalisation

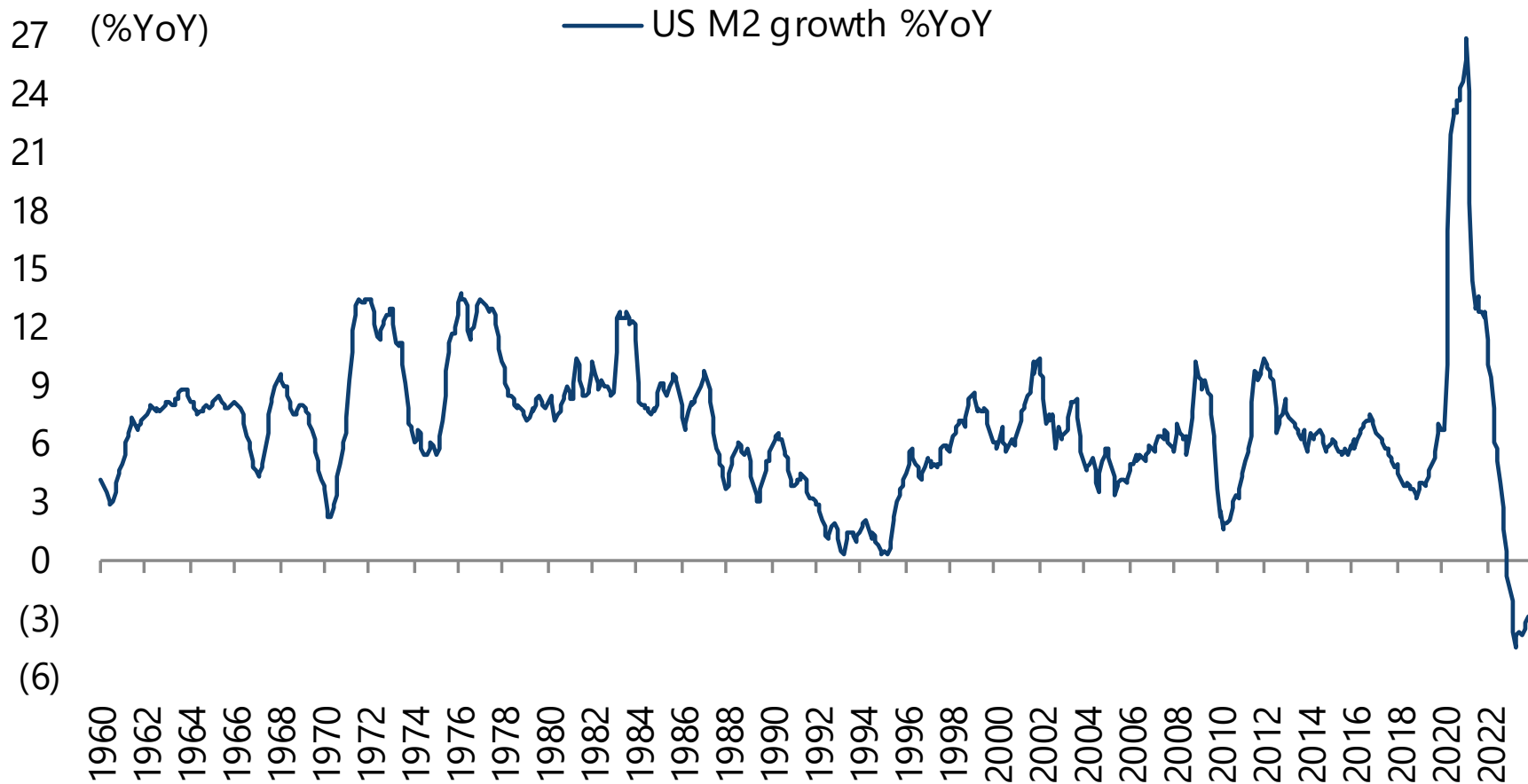


The Magnificent 7 now accounts for 28.3% of S&P500 market capitalisation, though down from a peak of 30% on 20 November.

Note: Magnificent 7 = Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia and Tesla.

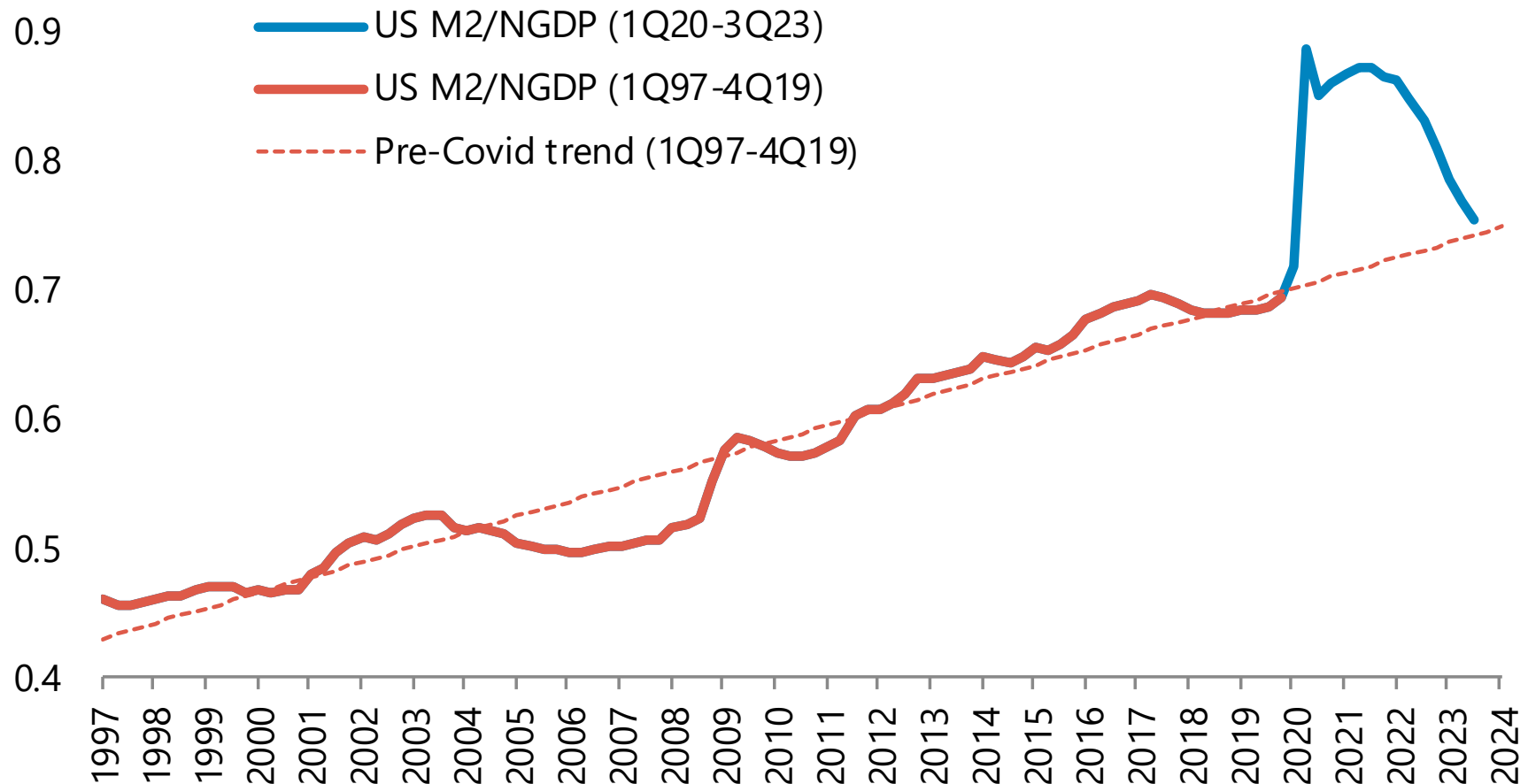
Data up to 4 January 2024. Source: Bloomberg, Jefferies

US M2 growth



US M2 growth has slowed from a record 26.9% YoY in February 2021 to a record 4.5% YoY decline in April 2023 and was a 3.0% YoY decline in November. Source: Federal Reserve, Jefferies

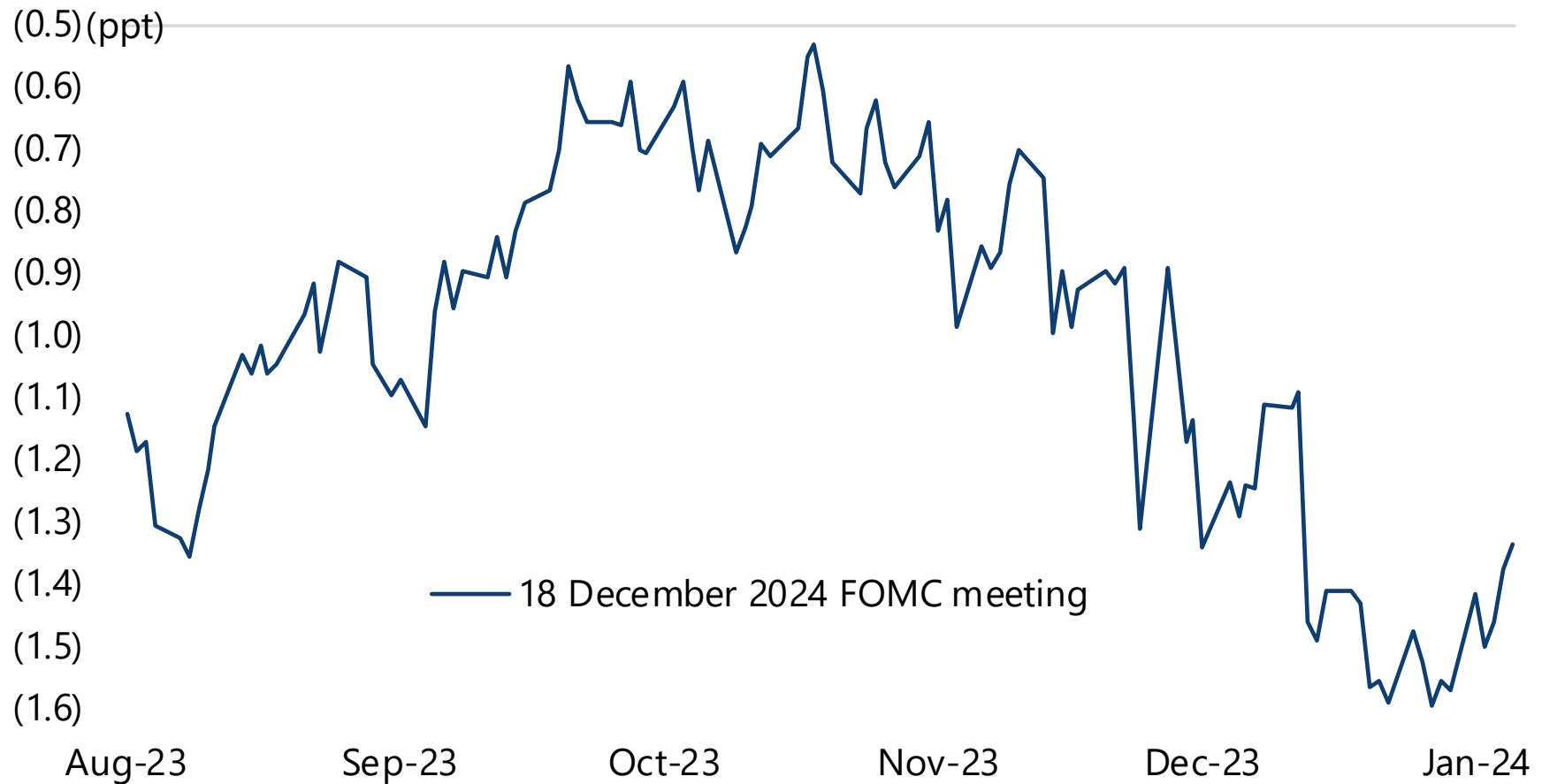
US M2 to nominal GDP ratio vs pre-Covid trend



The US M2 to nominal GDP ratio (the inverse of M2 velocity) declined to 0.754 in 3Q23 or 1.5% above the pre-Covid trend, down from 0.768 or 3.8% above trend in 2Q23 and a peak of 0.887 or 25.9% above trend in 2Q20.

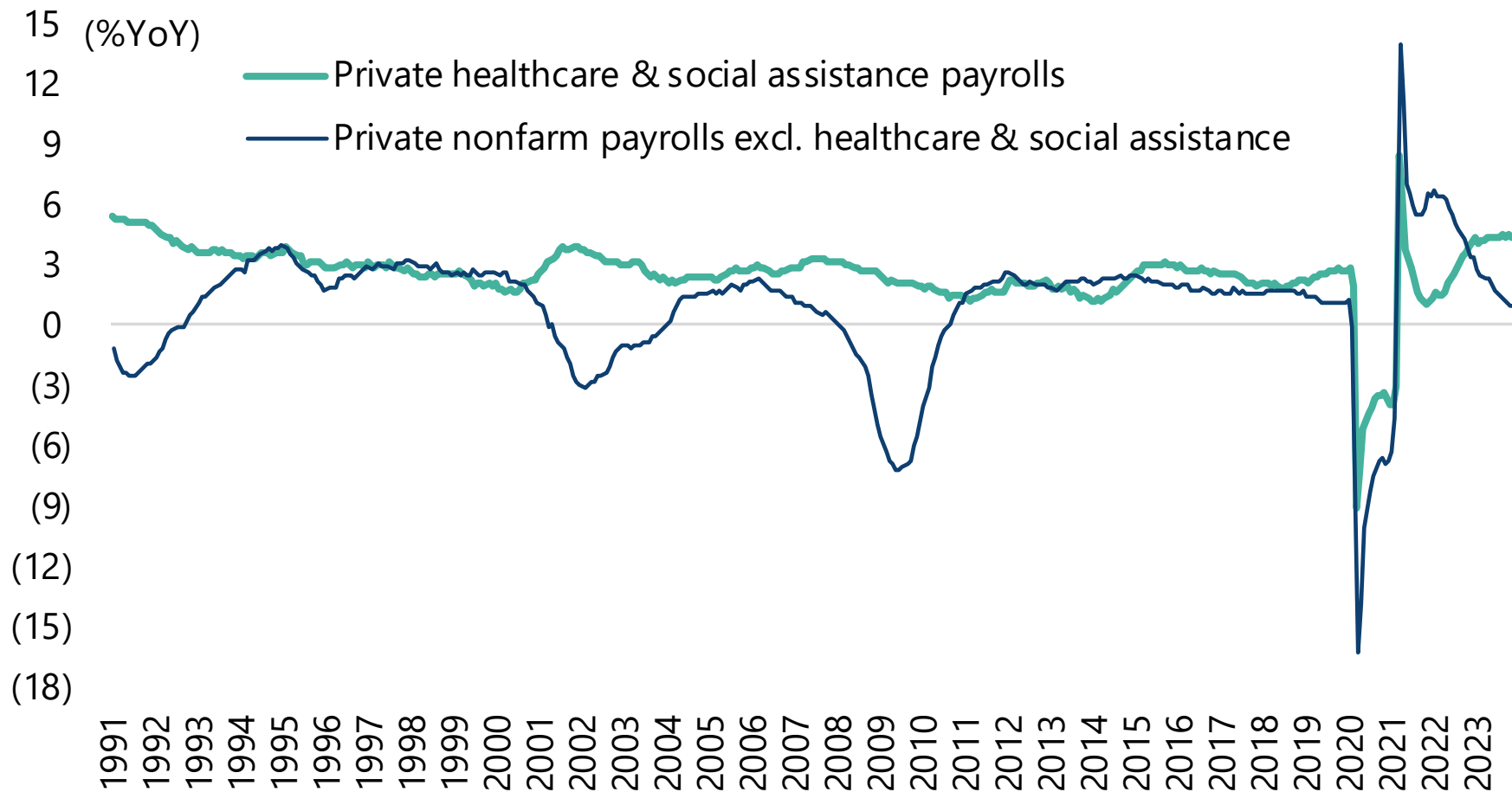
Note: Data up to 3Q23. Source: Federal Reserve, Bureau of Economic Analysis, Jefferies

Fed funds futures implied rate cuts by the end of 2024



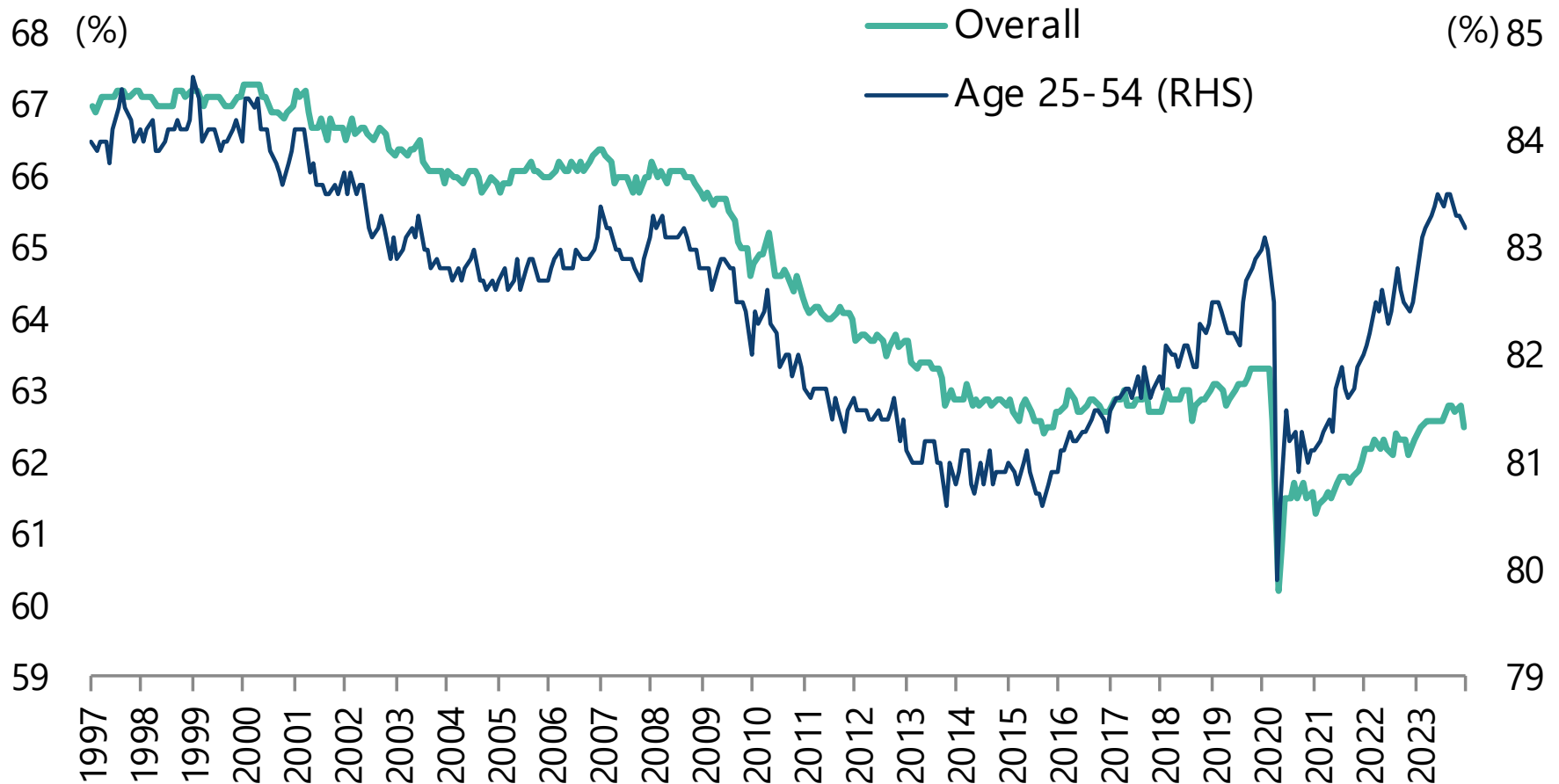
The Fed funds futures are now discounting 134bp of rate cuts by the end of 2024.
Source: Bloomberg, Jefferies

US private nonfarm payrolls excluding healthcare jobs %YoY



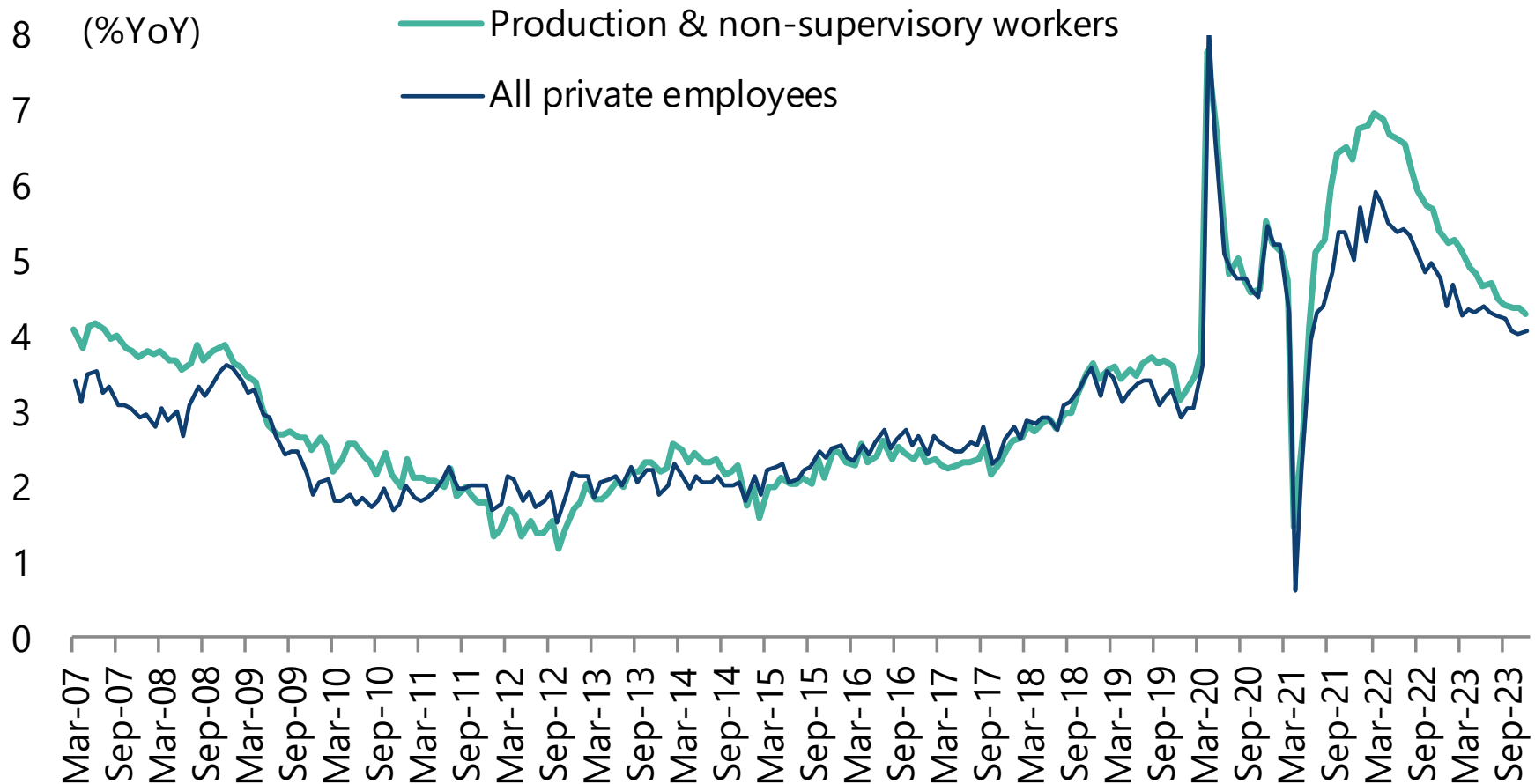
The growth in US private nonfarm payrolls excluding the healthcare sector has slowed from 6.7% YoY in February 2022 to 1.0% YoY in December 2023. This compares with a 4.4% YoY increase in healthcare sector jobs and a 1.7% YoY increase in total nonfarm payrolls. Source: Bureau of Labor Statistics, Jefferies

US labour force participation rate: Overall vs prime-age



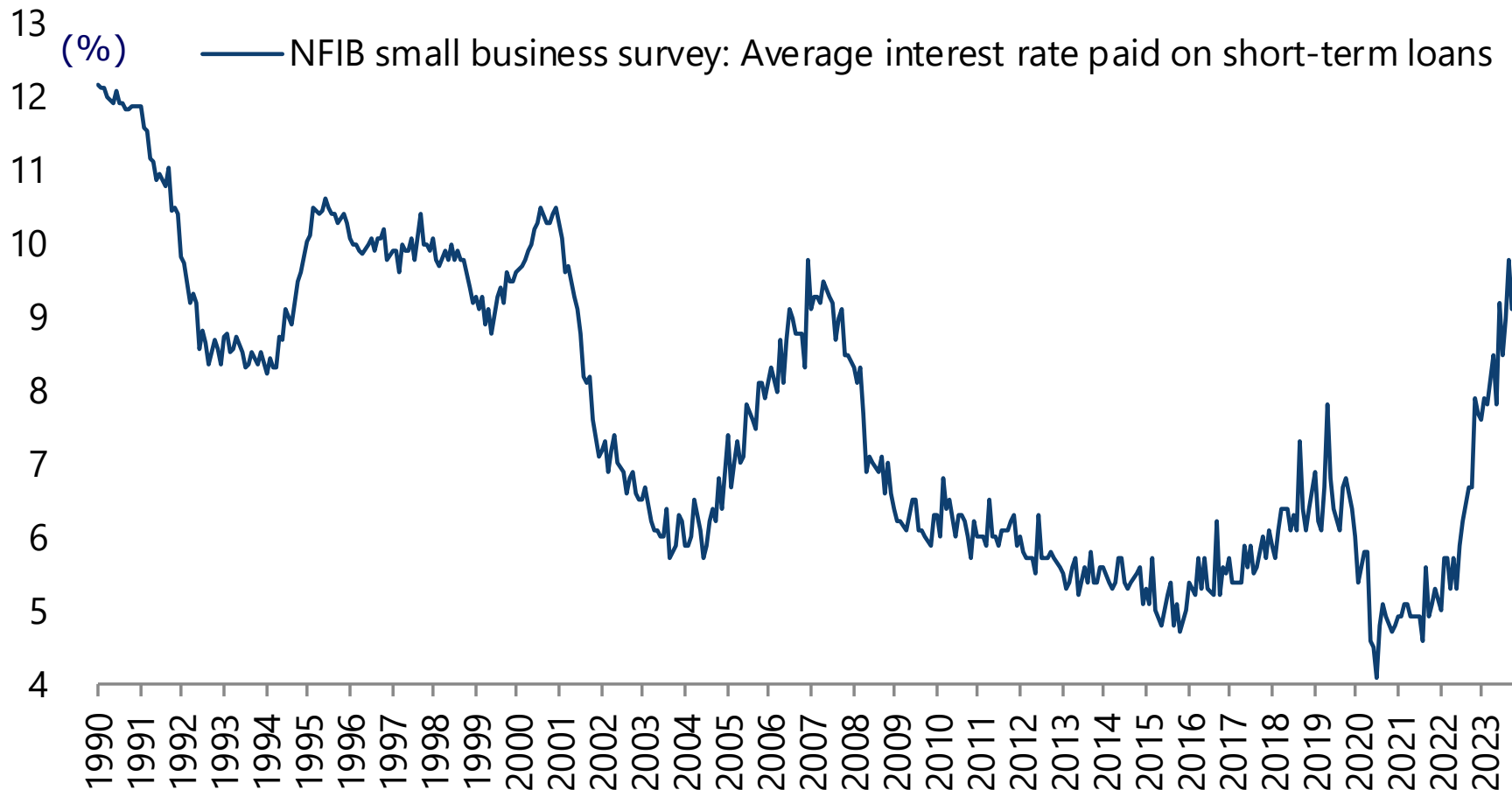
The US prime-age (25-54) labour force participation rate rose to 83.5% in September and was 83.2% in December, compared with the pre-pandemic high of 83.1% in January 2020. The overall participation rate was 62.8% in November and 62.5% in December, compared with 63.3% in January 2020. Source: Bureau of Labor Statistics

US average hourly earnings growth



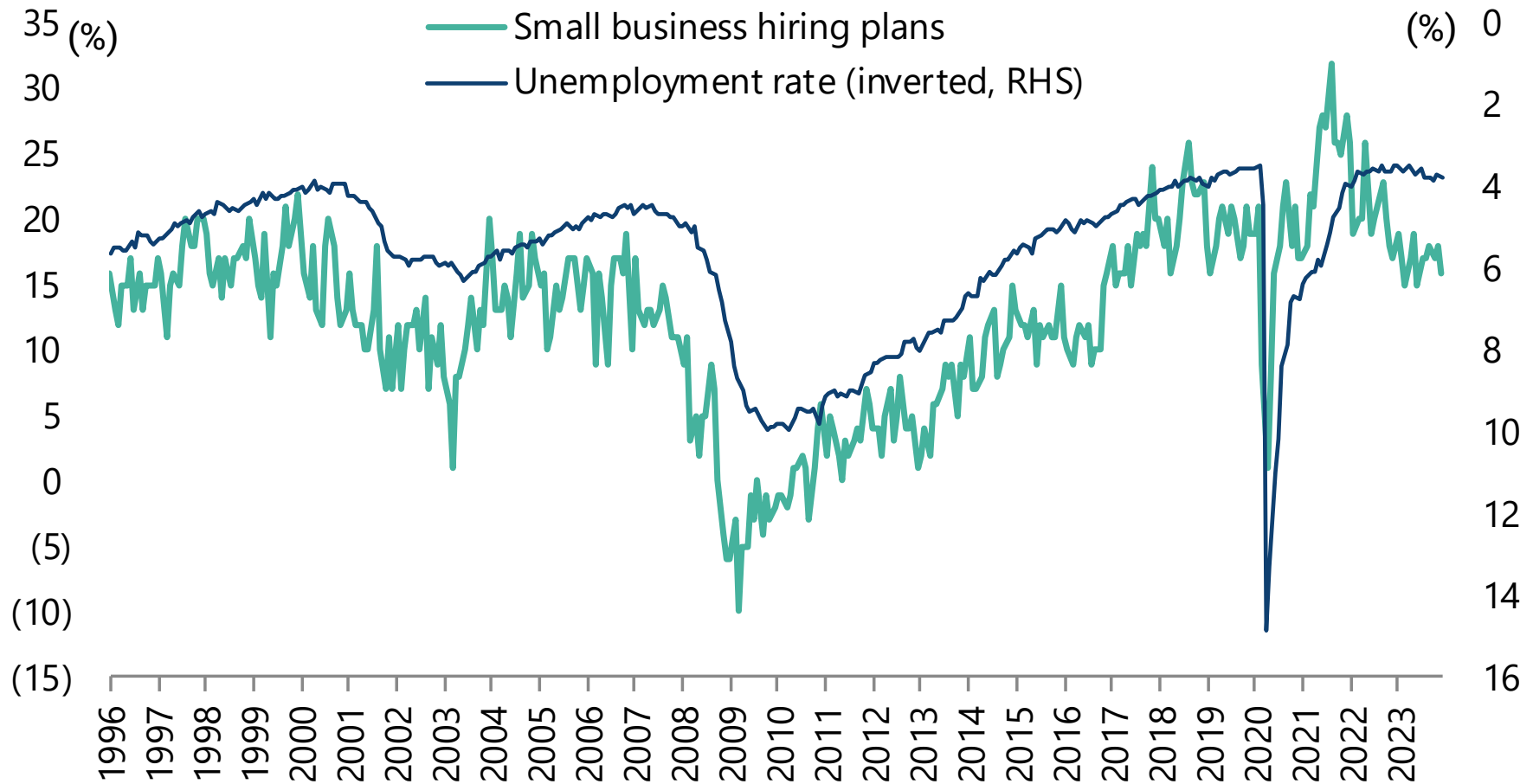
US average hourly earnings growth for private employees slowed from 5.9% YoY in March 2022 to 4.1% YoY in December 2023. While average hourly earnings growth for private production and nonsupervisory workers declined from 7.0% YoY in March 2022 to 4.3% YoY in December 2023. Source: Bureau of Labor Statistics

US NFIB Small Business Survey: Average interest rate paid on loans



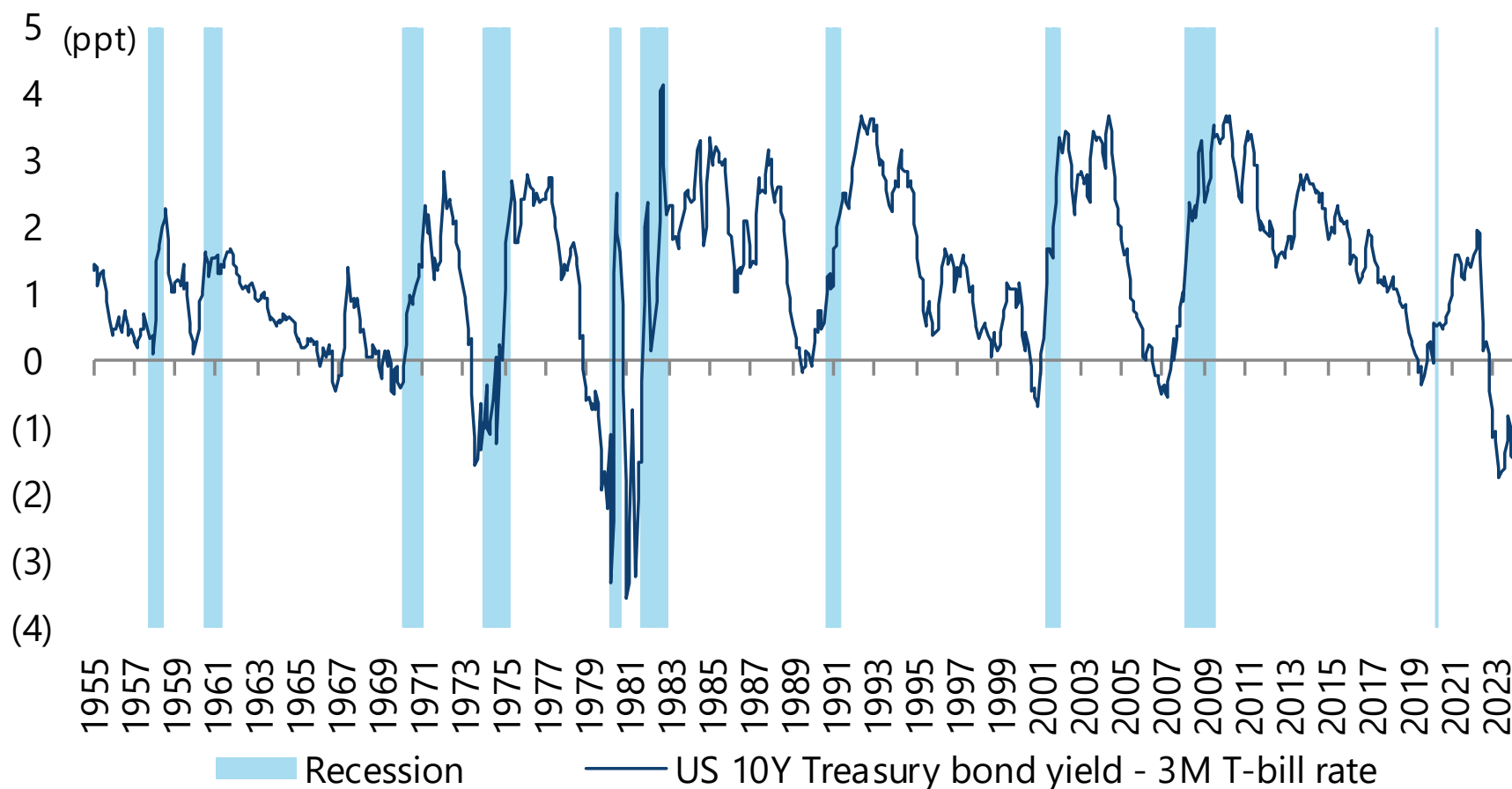
The average interest rate paid on small businesses' loans rose from 9.0% in August to 9.8% in September, the highest level since December 2006, and was 9.3% in November. Small businesses with less than 250 employees account for 75% of US private-sector employment. Source: National Federation of Independent Business (NFIB) Small Business Optimism Survey, ADP Research Institute

US NFIB small business hiring plans index and unemployment rate



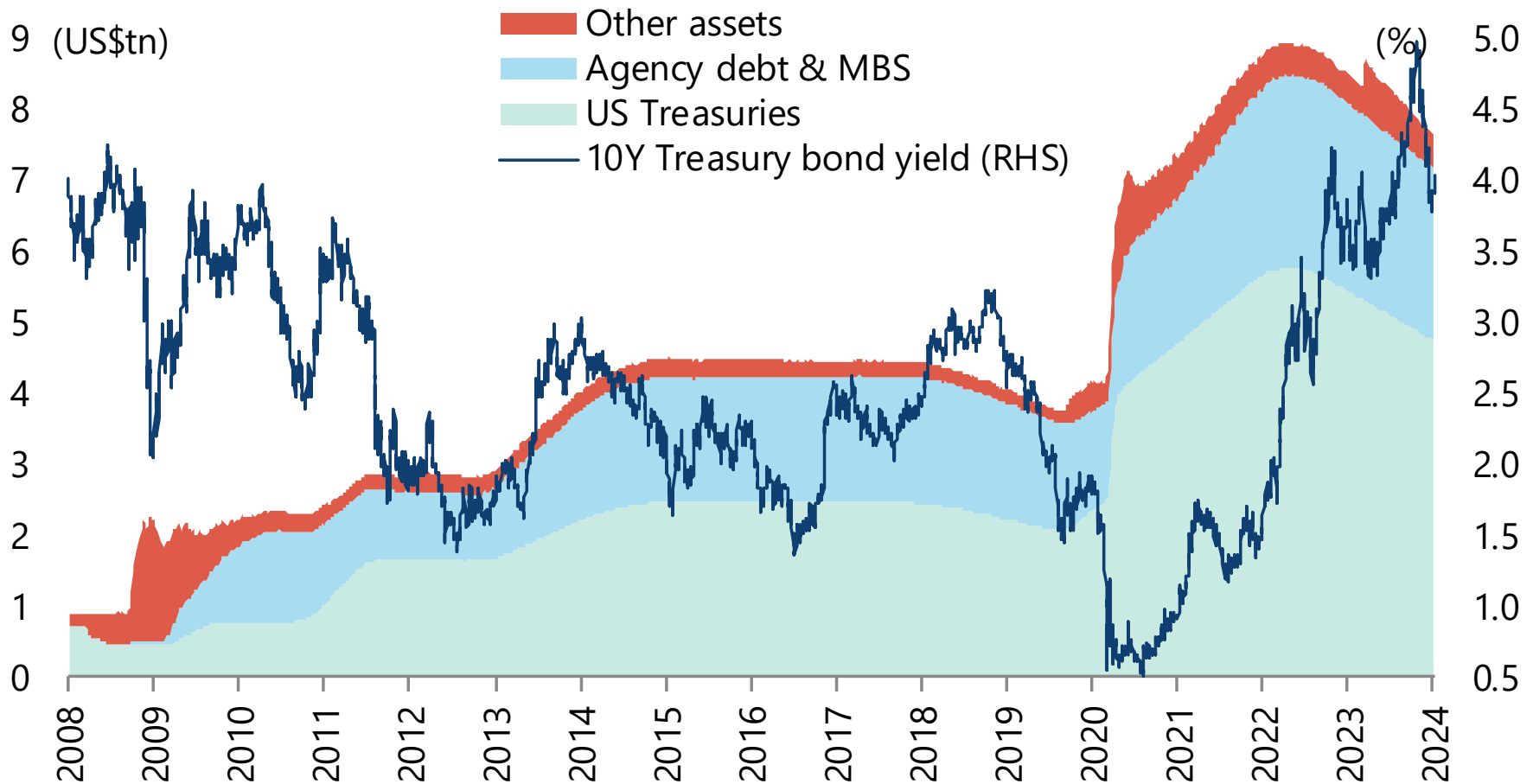
The NFIB small business hiring plans index has declined from 32% in August 2021 to 16% in December 2023.
Source: National Federation of Independent Business (NFIB) Small Business Optimism Survey

US yield curve: 10Y Treasury bond yield minus 3-month T-bill yield



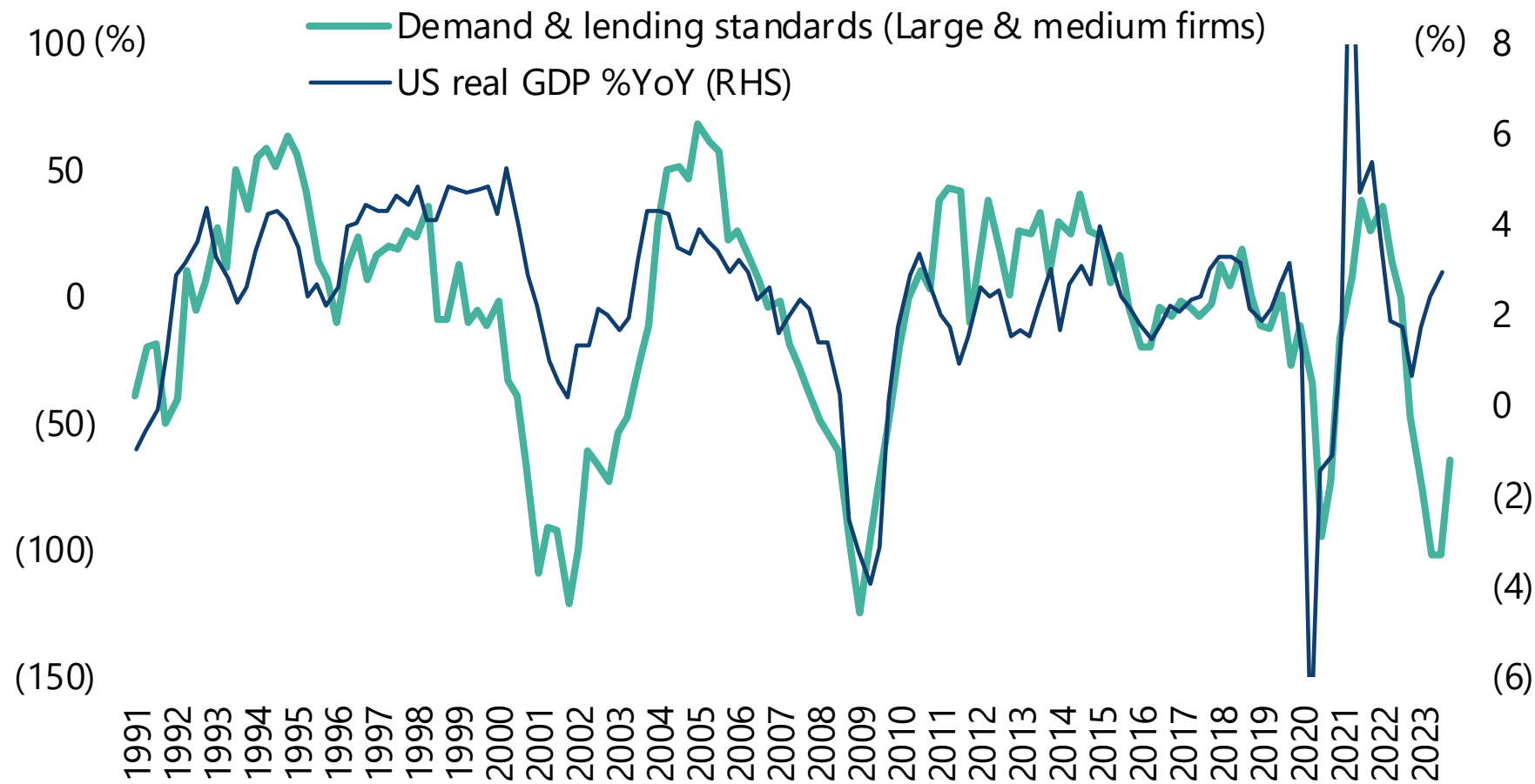
The spread between the 10-year Treasury bond yield and the 3-month T-bill rate has declined to -174bp in May, the lowest level since June 1981, and is now -149bp. Note: Based on monthly average data and the latest figure on 4 January 2024. There has been an average of 11.6 months or 354 days between the first month of an inverted yield curve and the onset of recession during the eight US recessions since 1970. Source: Federal Reserve, Federal Reserve Bank of St. Louis, US Treasury

Federal Reserve balance sheet and 10-year Treasury bond yield



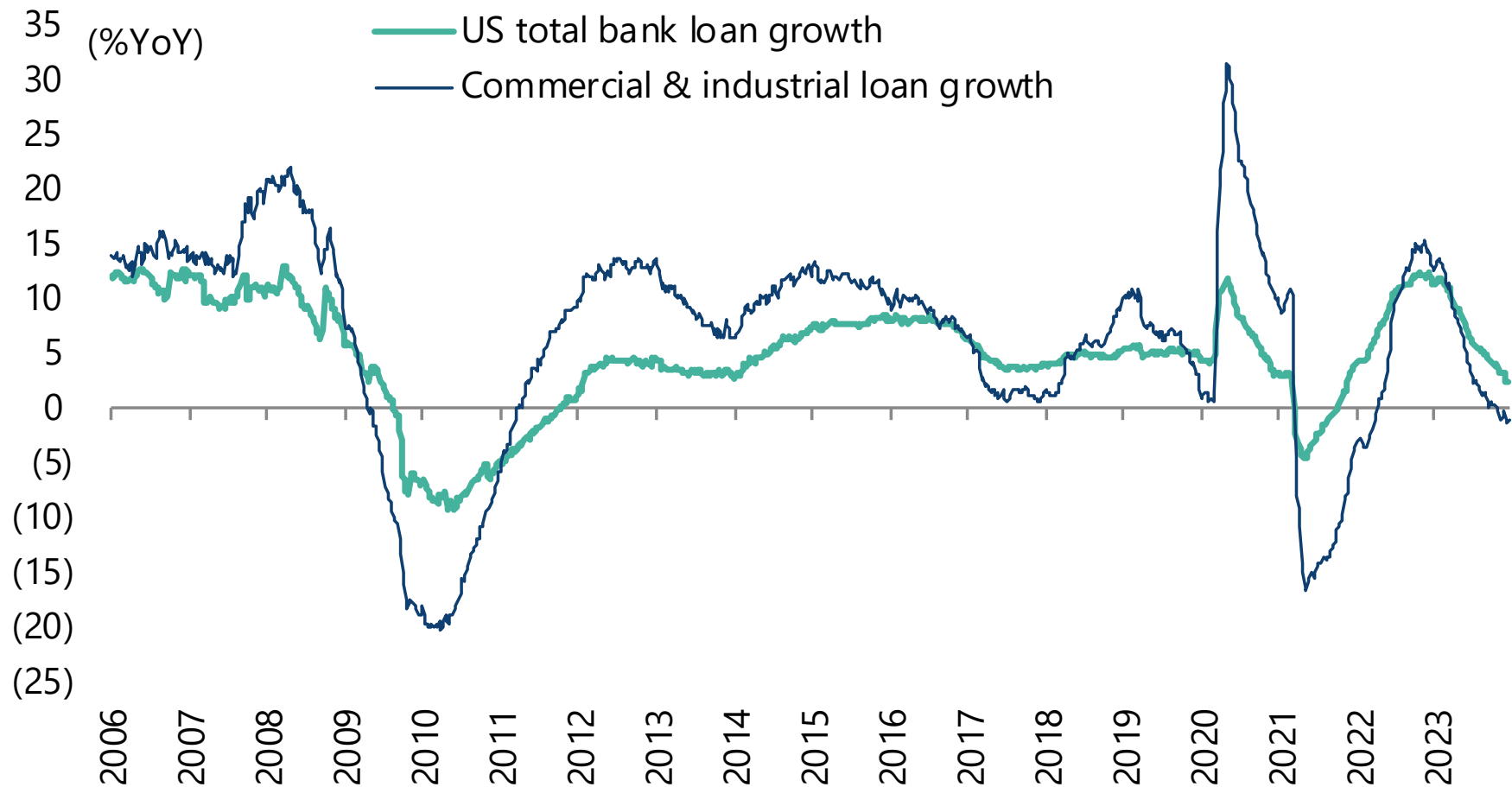
The Fed balance sheet has contracted by US\$1.28tn or 14% from a peak of US\$8.97tn on 13 April 2022 to US\$7.68tn on 3 January 2024. The Fed plans to shrink its balance sheet by up to US\$95bn/month by allowing up to US\$60bn in Treasuries and US\$35bn in agency MBS to roll off every month. Source: Federal Reserve, Bloomberg, Jefferies

Fed loan survey: Combined indicator of loan demand and lending standards



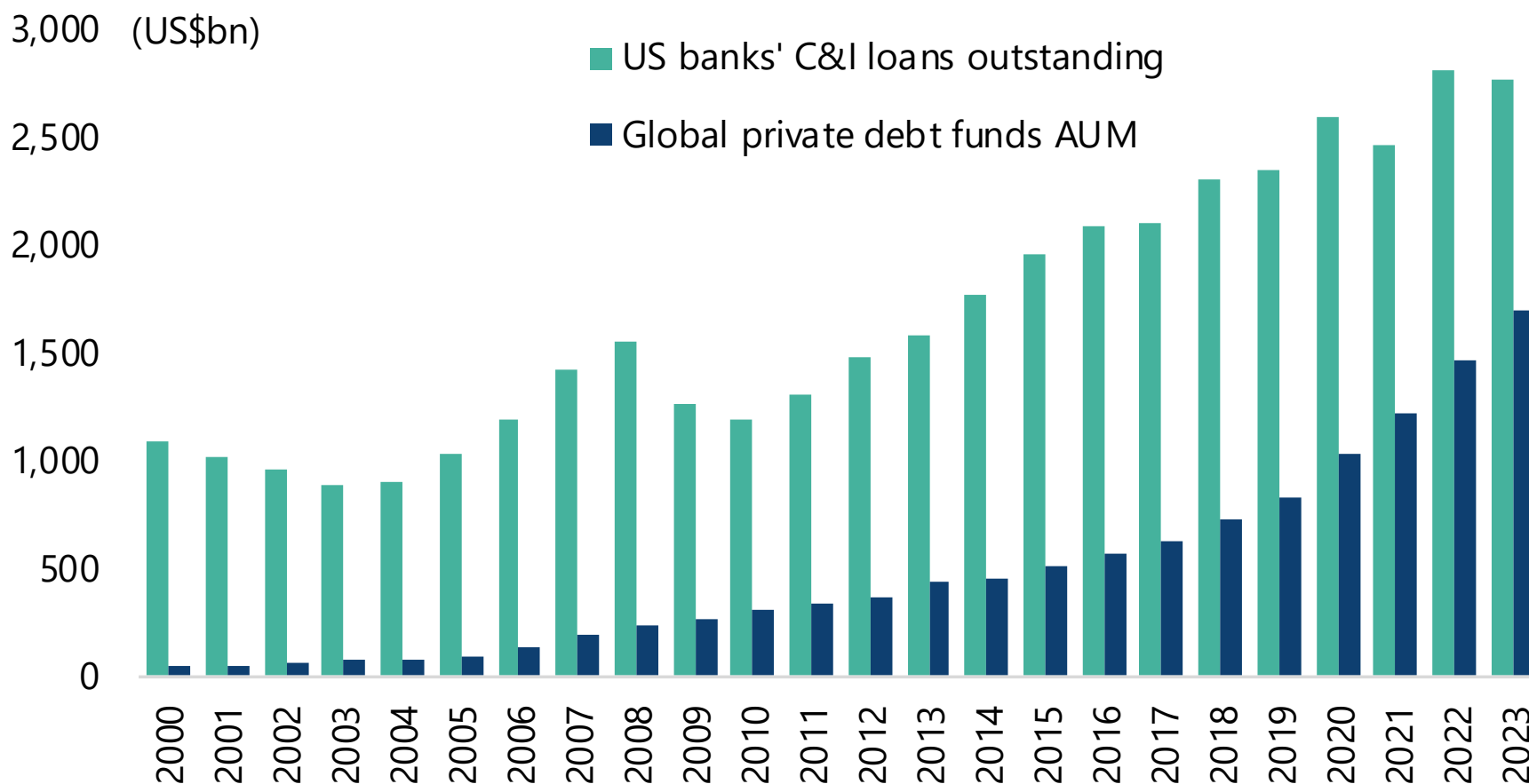
Note: Net % of US banks reporting stronger loan demand + Net % of US banks easing lending standards, large & medium firms. The combined indicator declined to negative 102.4% in the July survey, the lowest level since January 2009, and was -64.4% in the October survey. While US real GDP rose by 2.9% YoY in 3Q23. Source: Federal Reserve – Senior Loan Officer Opinion Survey, US Bureau of Economic Analysis

US commercial banks' total loan growth and C&I loan growth



US commercial banks' total loan growth slowed from US\$1.33tn or 12.5% YoY in early December 2022 to US\$278bn or 2.3% YoY in the week ended 20 December. While commercial and industrial (C&I) loan growth collapsed from US\$373bn or 15.3% YoY in late November 2022 to a US\$33bn or 1.2% YoY decline in the week ended 20 December. Source: Federal Reserve

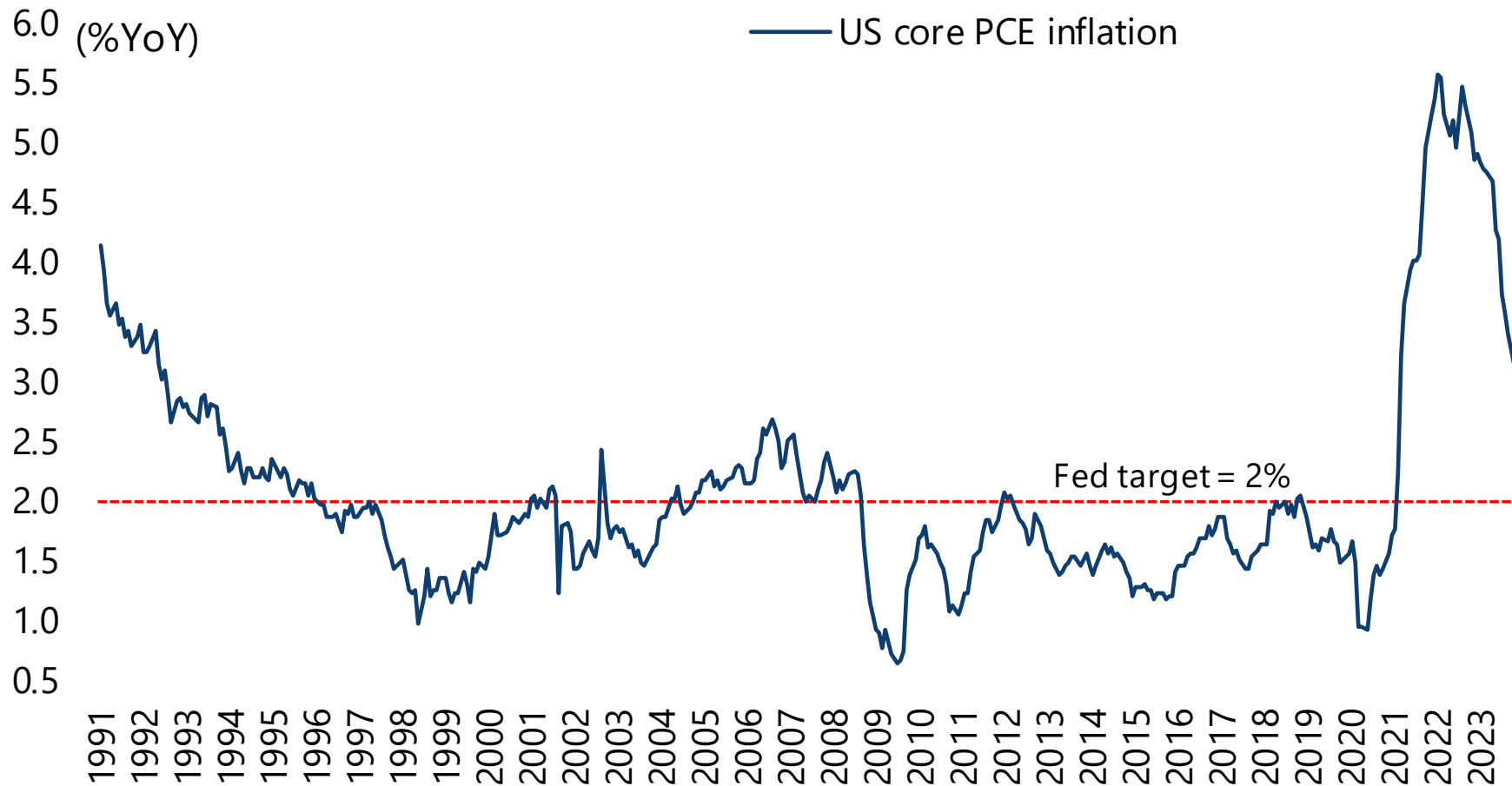
Global private credit assets and US commercial & industrial loans



Private-credit assets under management globally doubled from US\$725bn at the end of 2018 to US\$1.47tn at the end of 2022 and were up another 15% or US\$224bn to US\$1.69tn at the end of 2Q23. US commercial banks' C&I loans rose from US\$2.3tn at the end of 2018 to US\$2.81tn at the end of 2022 but were down 1.3% or US\$37bn in the first 11 months of 2023 to US\$2.77tn in November.

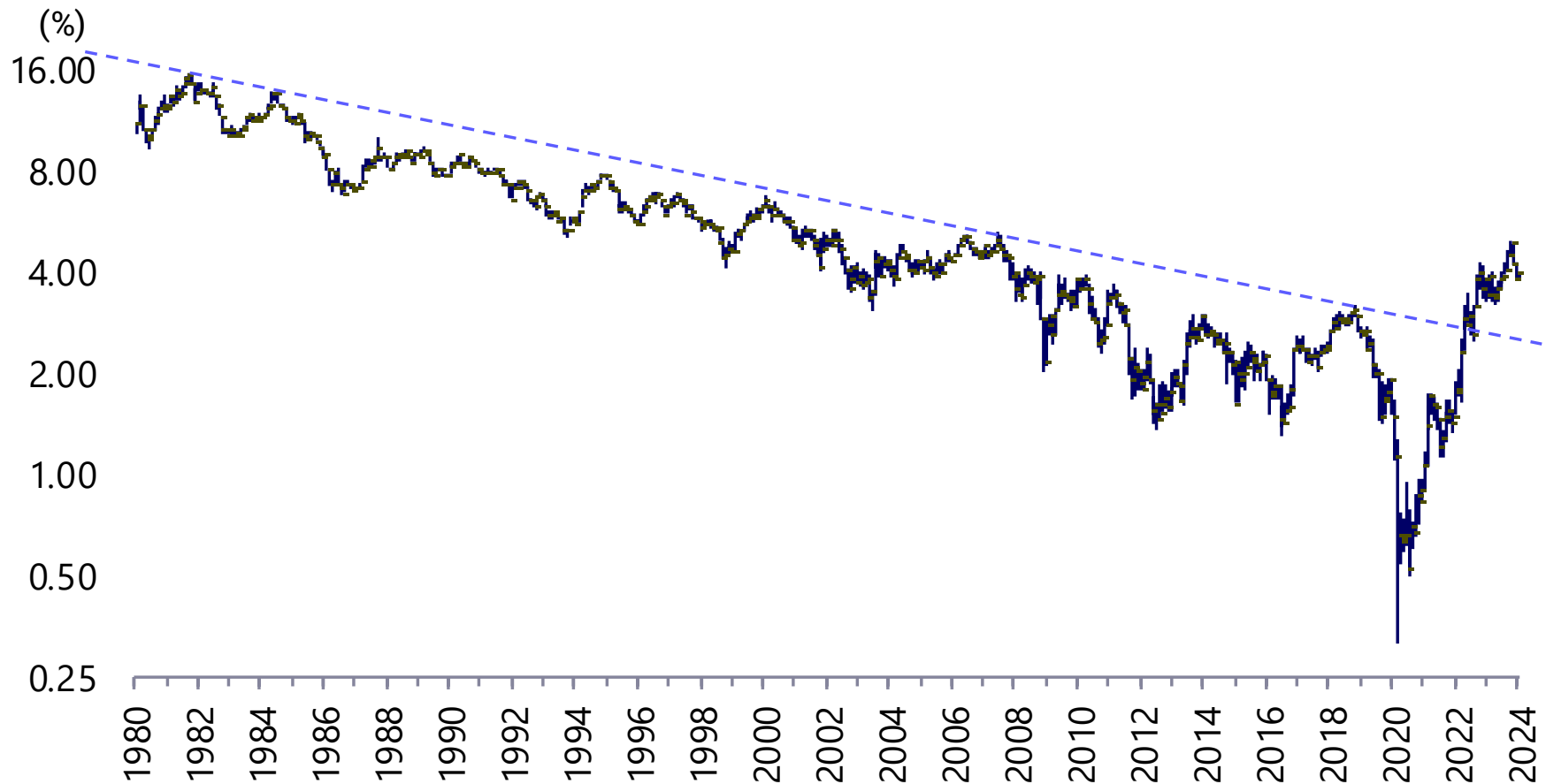
Note: US bank loans data up to November 2023. Private credit AUM data up to 2Q23. Source: Preqin, Federal Reserve

US core PCE inflation



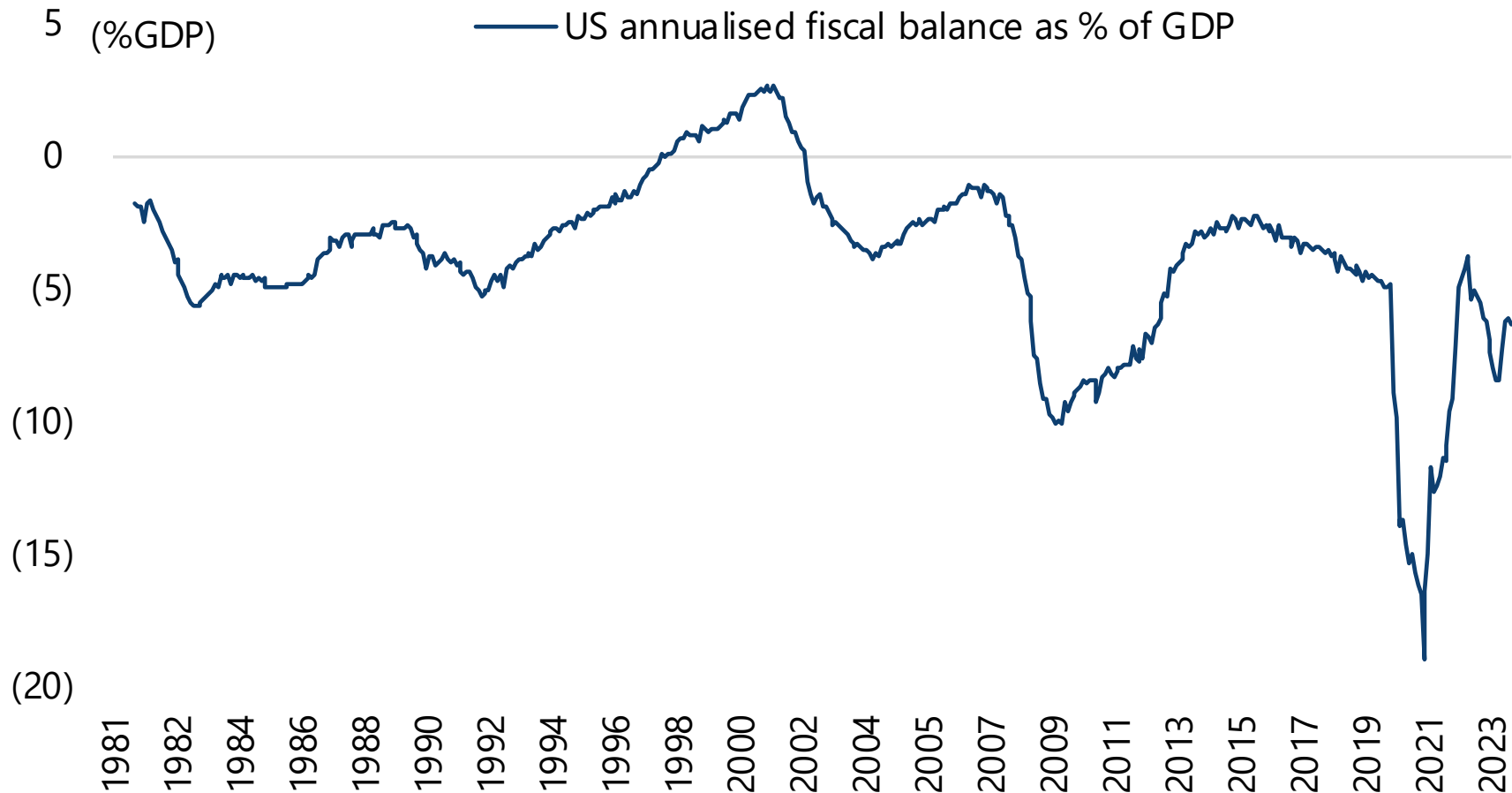
US core PCE inflation fell from 5.6% YoY in February 2022 and 4.7% YoY in May 2023 to 3.2% YoY in November. While headline PCE inflation declined from 7.1% YoY in June 2022 to 2.6% YoY in November 2023. Source: US Bureau of Economic Analysis, Jefferies

US 10-year Treasury bond yield (log scale, monthly)



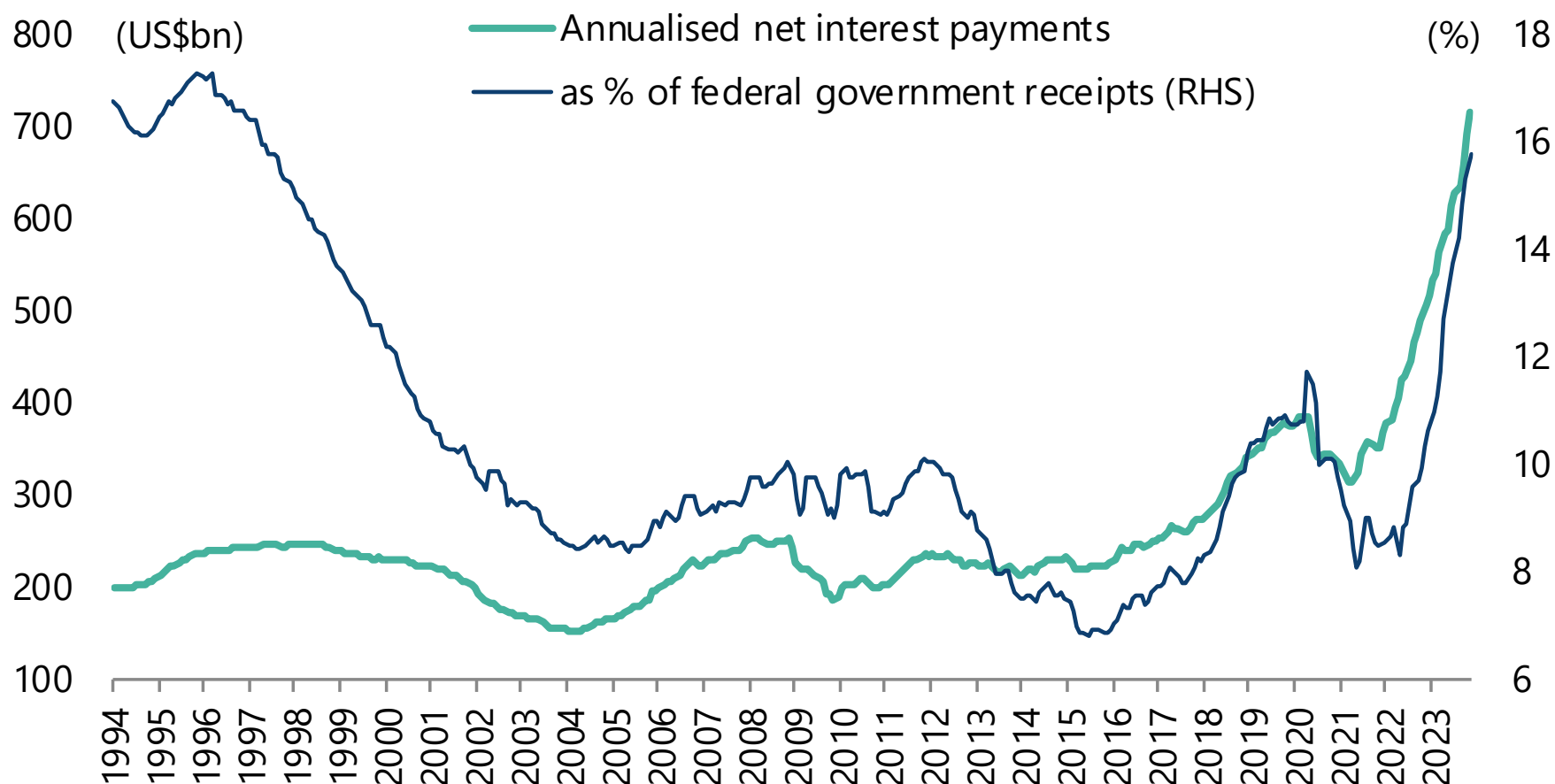
The 10-year Treasury bond yield rose from a low of 0.31% reached in March 2020 to an intraday high of 5.02% on 23 October 2023, the highest level since July 2007. It has since declined to 3.78% on 27 December and is now 4.05%. Source: Bloomberg

US annualised fiscal balance as % of GDP



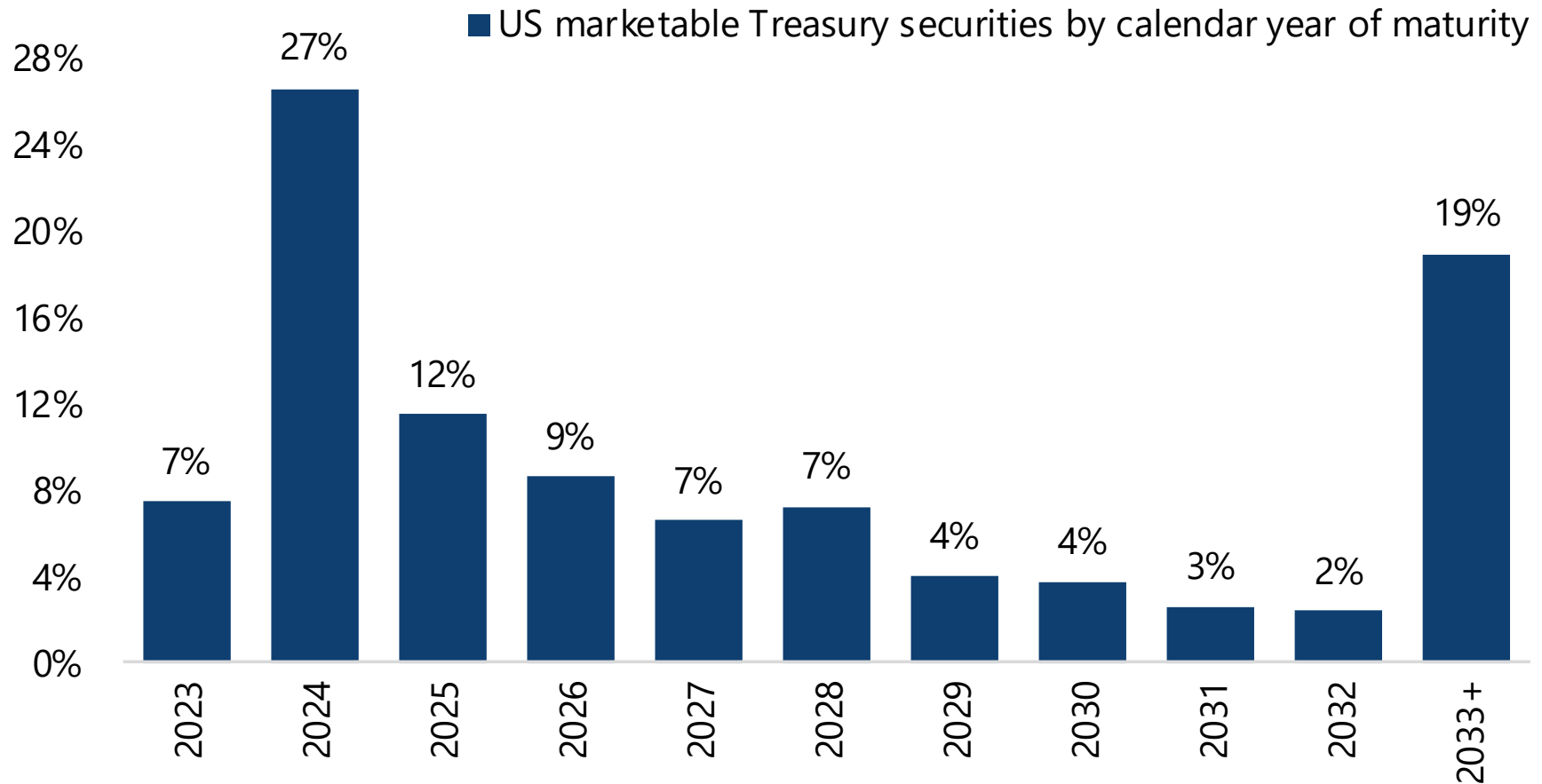
US annualised fiscal deficit as % of GDP rose by 4.6 percentage points from 3.8% in July 2022 to 8.5% of GDP in July 2023 and was 6.4% of GDP in November. Annual fiscal deficit rose from US\$1.375tn or 5.4% of GDP in FY22 ended 30 September 2022 to US\$1.695tn or 6.3% of GDP in FY23 ended 30 September 2023. Source: US Treasury, CEIC Data, Jefferies

US federal government net interest payments as % of receipts



US annualised net interest payments as a percentage of federal government revenues have risen from 8.3% in April 2022 to 15.8% in November 2023, the highest level since July 1997. In US dollar terms federal government's net interest payments have almost doubled from US\$345bn in FY20 ended 30 September 2020 to a record US\$659bn in FY23 ended 30 September 2023 and an annualised US\$717bn in the 12 months to November. Source: US Treasury, CEIC Data, Jefferies

US marketable Treasury securities maturity profile

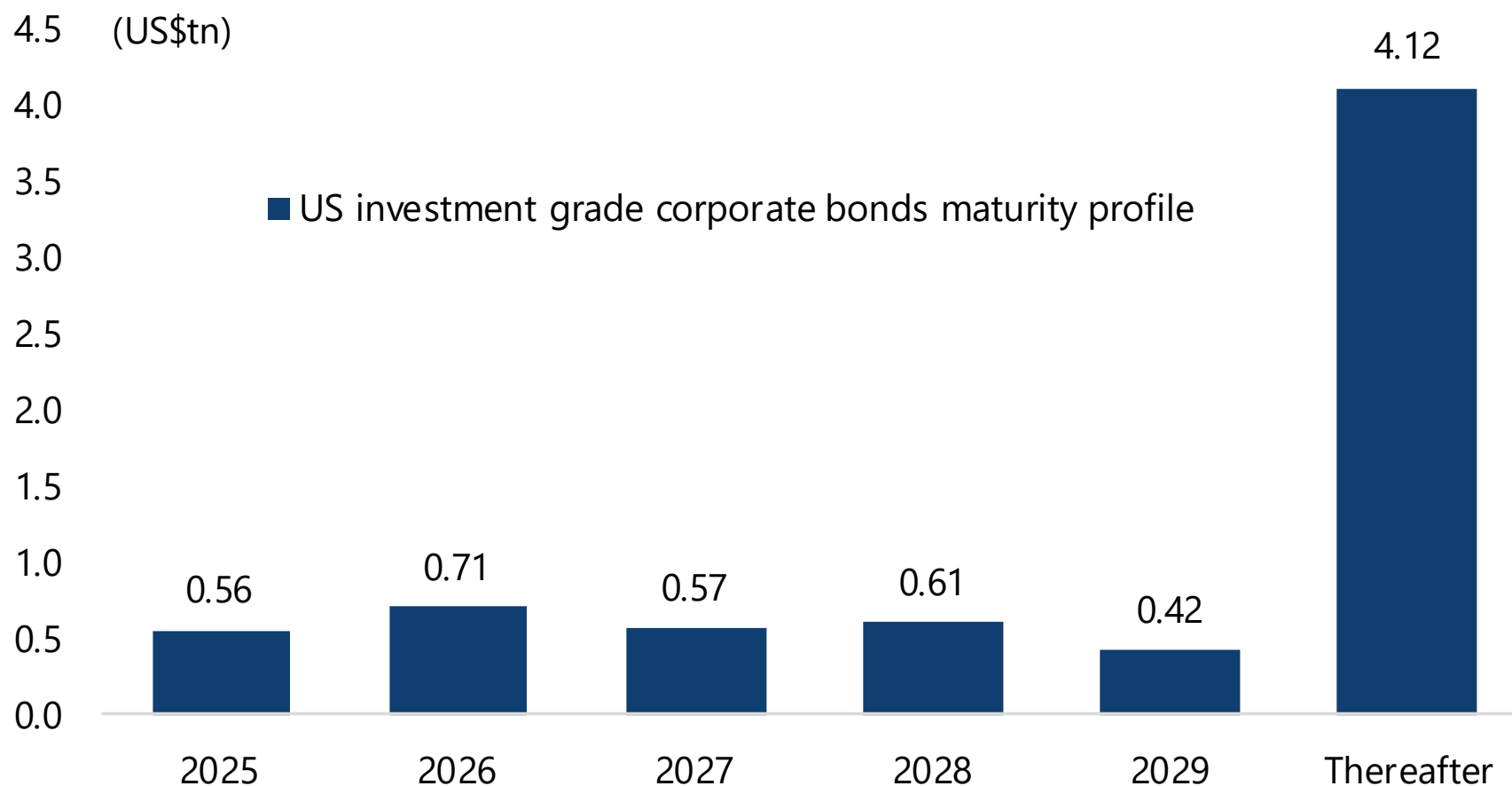


54% of US marketable Treasury securities will mature before the end of 2026. Total outstanding = US\$26.3tn.

Note: Data as of 30 November 2023. Include Treasury bills, notes, bonds, TIPS and floating rate notes.

Source: US Treasury, Jefferies

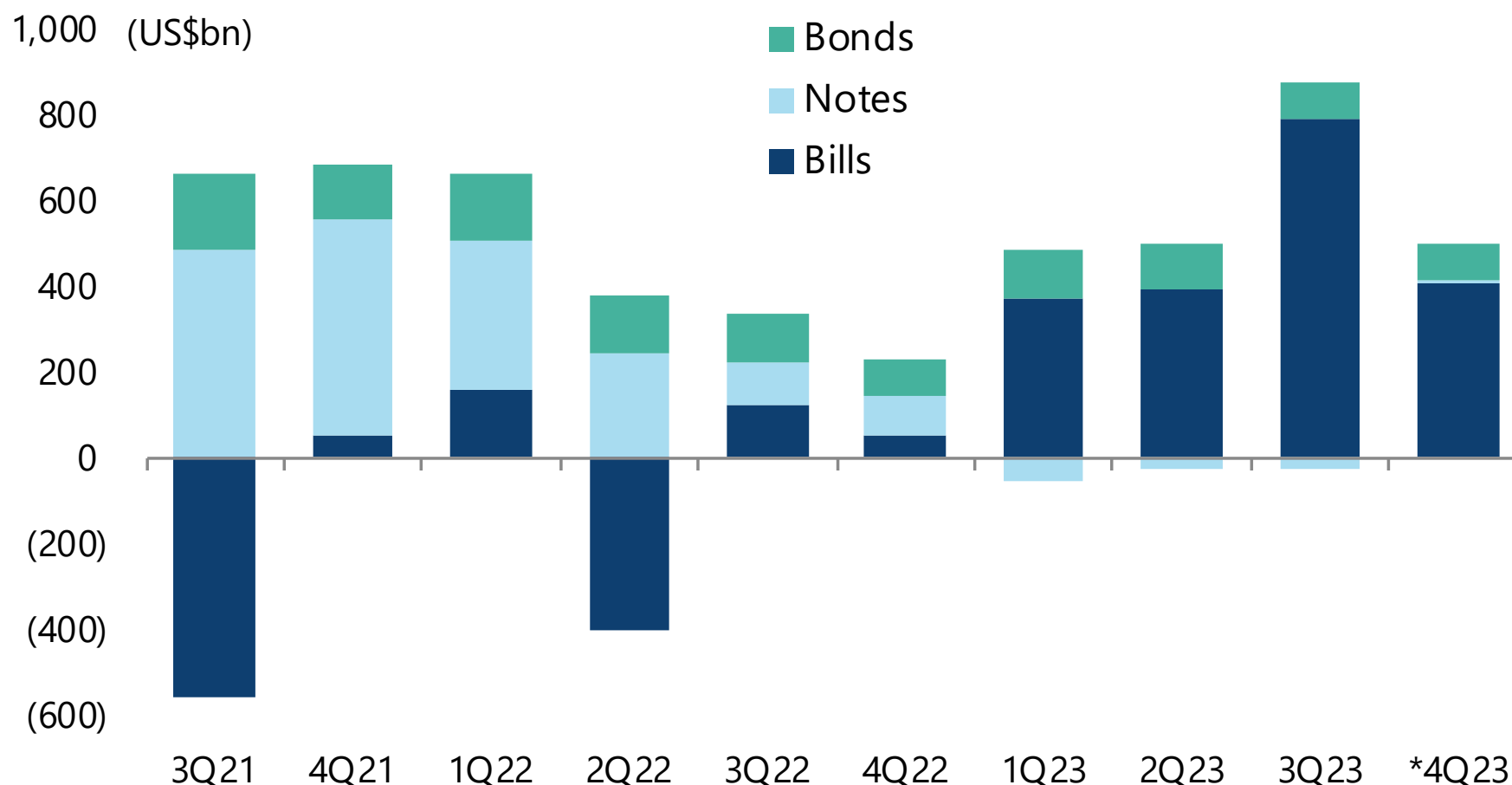
US investment grade corporate bonds maturity profile



US\$2.86tn (41%) of US investment-grade corporate bonds outstanding are due to mature between 2025-2029, while another US\$4.12tn (59%) will only mature after 2029. Note: Based on the Bloomberg US Corporate Index, as of 4 January 2024.

Source: Bloomberg, Jefferies

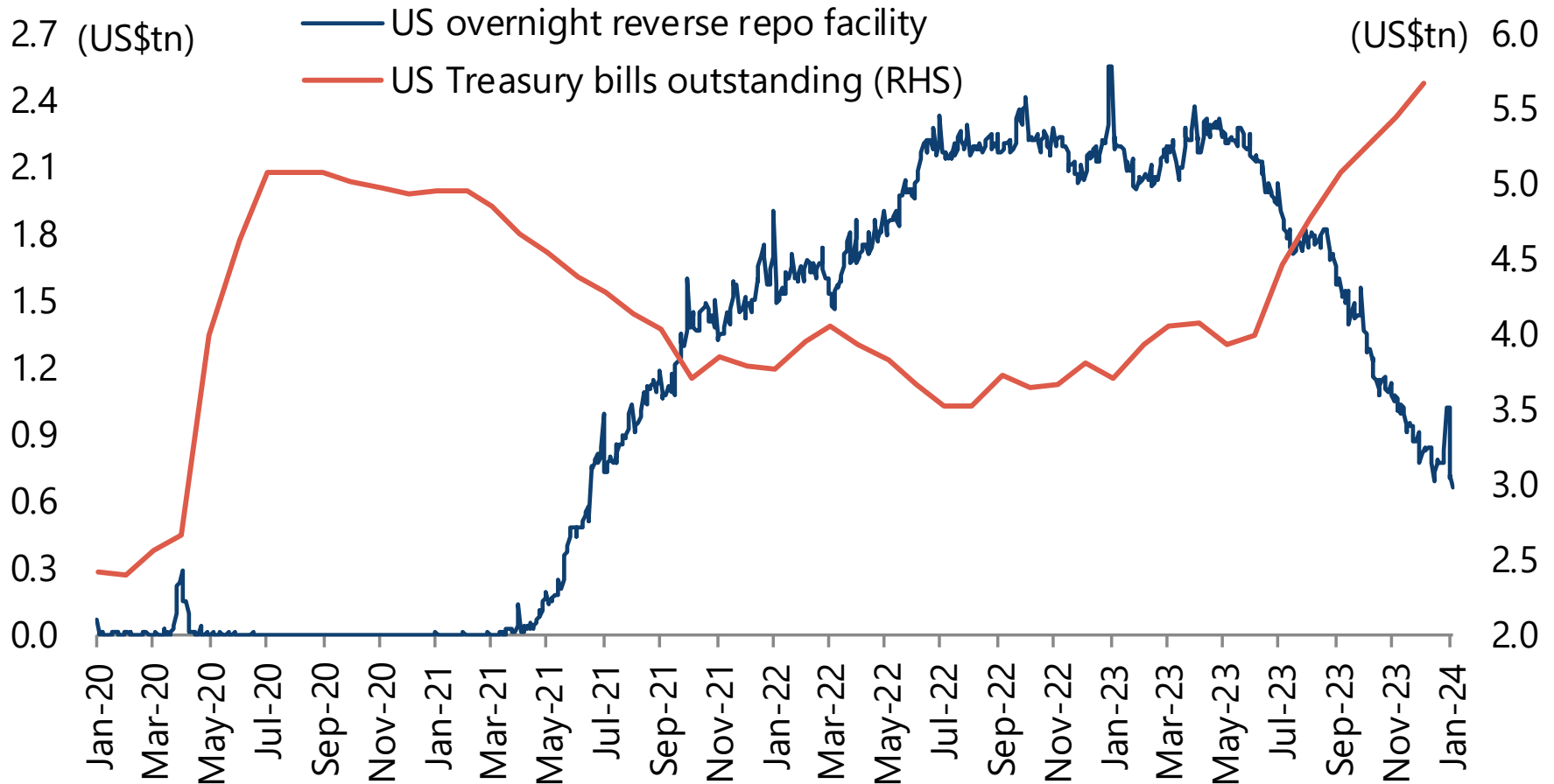
Net issuance US marketable Treasury securities



Net issuance of Treasury bills totaled US\$411bn during October-November and US\$1.974tn in January-November. While net issuance of Treasury notes and bonds totaled only US\$93.8bn in October-November and US\$295bn in the first 11 months of 2023. As a result, net issuance of Treasury bills accounted for 81% of the total net issuance of Treasury securities in October-November and 87% in the first 11 months of 2023, compared with only 30% in 2H22. Note: Bills = maturity < 1 year, Notes = 2-10 years, Bonds = 20-30 years.

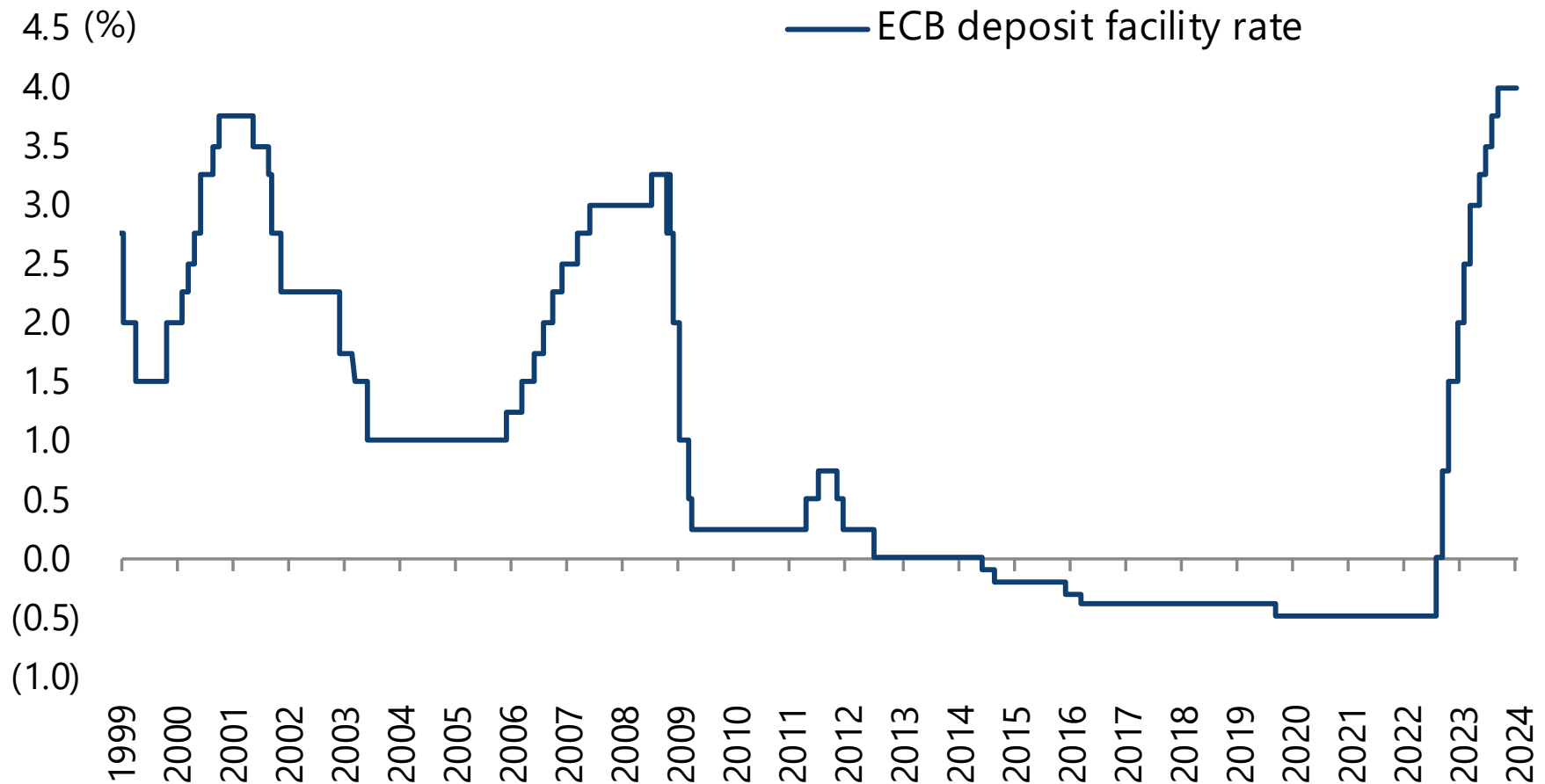
*4Q23 = October-November. Source: SIFMA, US Treasury, Jefferies

Federal Reserve reverse repo facility and Treasury bill outstanding



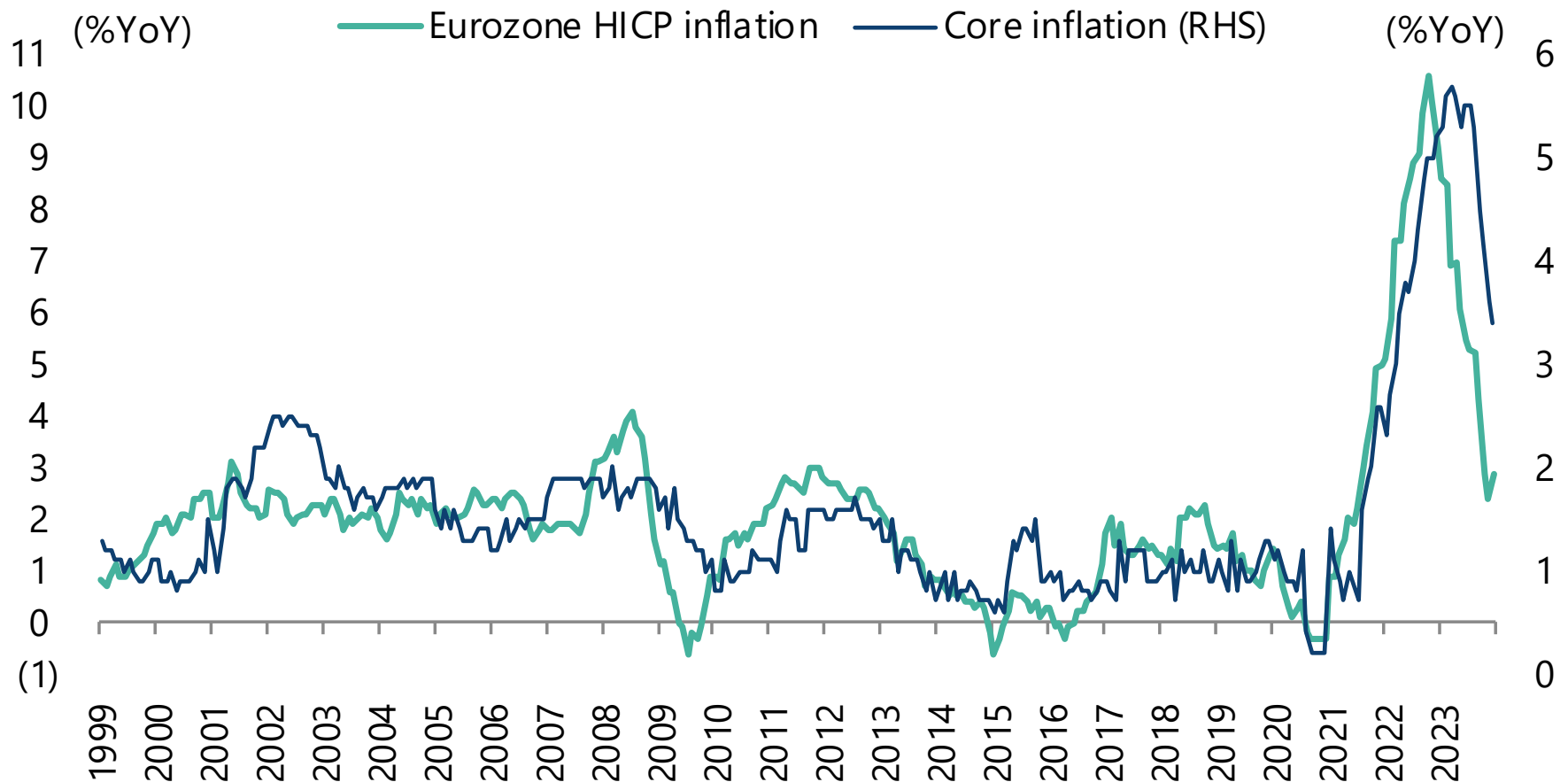
The Fed's reverse repo facility has declined by US\$1.661tn or 71% from US\$2.325tn at the end of April 2023 to US\$665bn on 4 January, while Treasury bills outstanding have risen by US\$1.728tn or 44% from US\$3.943tn at the end of April to US\$5.671tn at the end of November. Source: Federal Reserve, Bloomberg, US Treasury, Jefferies

ECB policy deposit facility rate



The ECB has raised its policy deposit facility rate by 450bp from a negative 0.5% in July 2022 to 4.0%. Money markets are discounting 145bp of rate cuts by the end of 2024. Source: ECB, Bloomberg

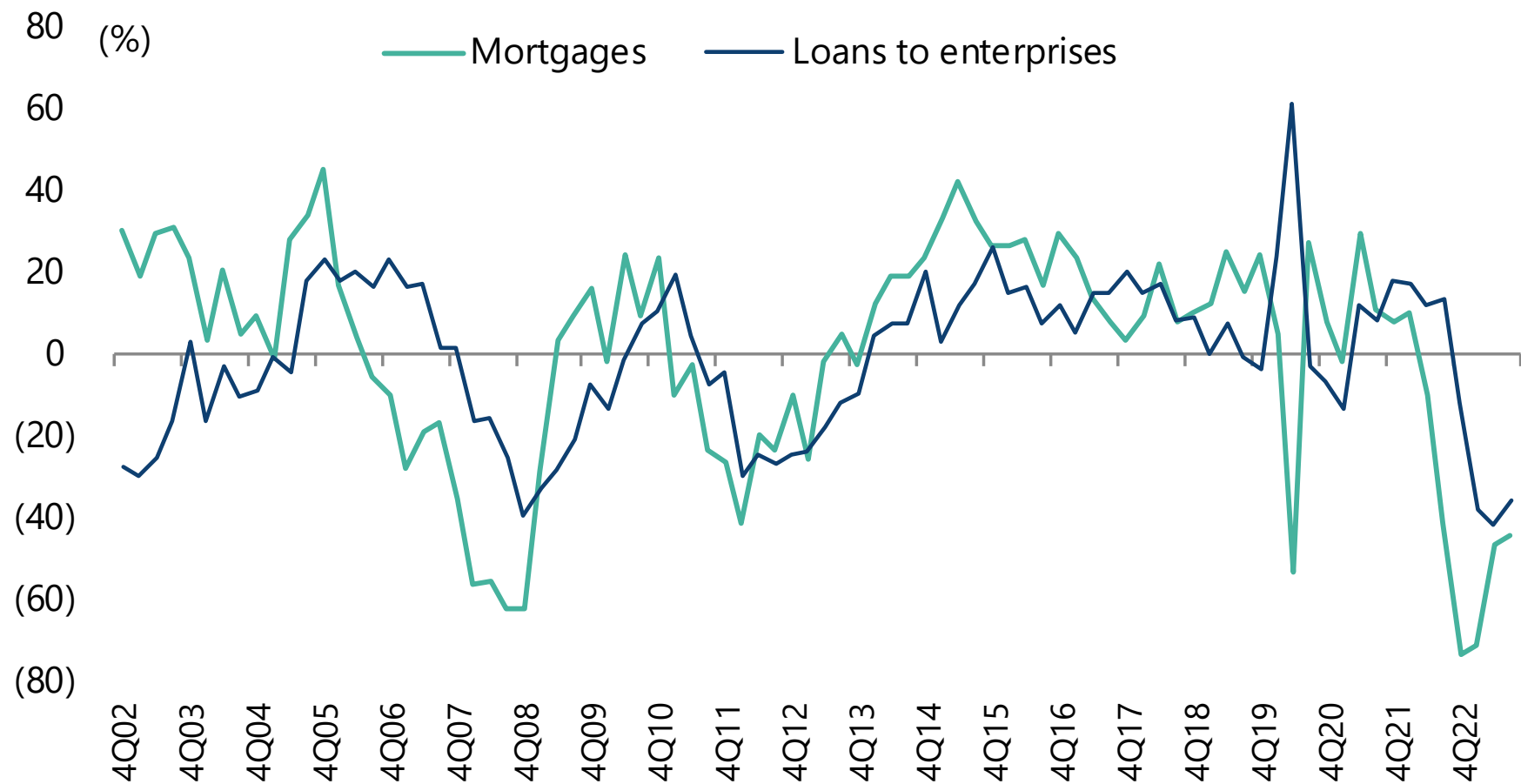
Eurozone HICP inflation



Eurozone HICP inflation rose from -0.3% YoY in December 2020 to a record 10.6% YoY in October 2022. It has since slowed to 2.4% YoY in November 2023 and was 2.9% YoY in December. While core inflation rose to a record high of 5.7% YoY in March and has since slowed to 3.4% YoY in December. Energy price inflation slowed from 44.3% YoY in March 2022 to -6.7% YoY in December 2023.

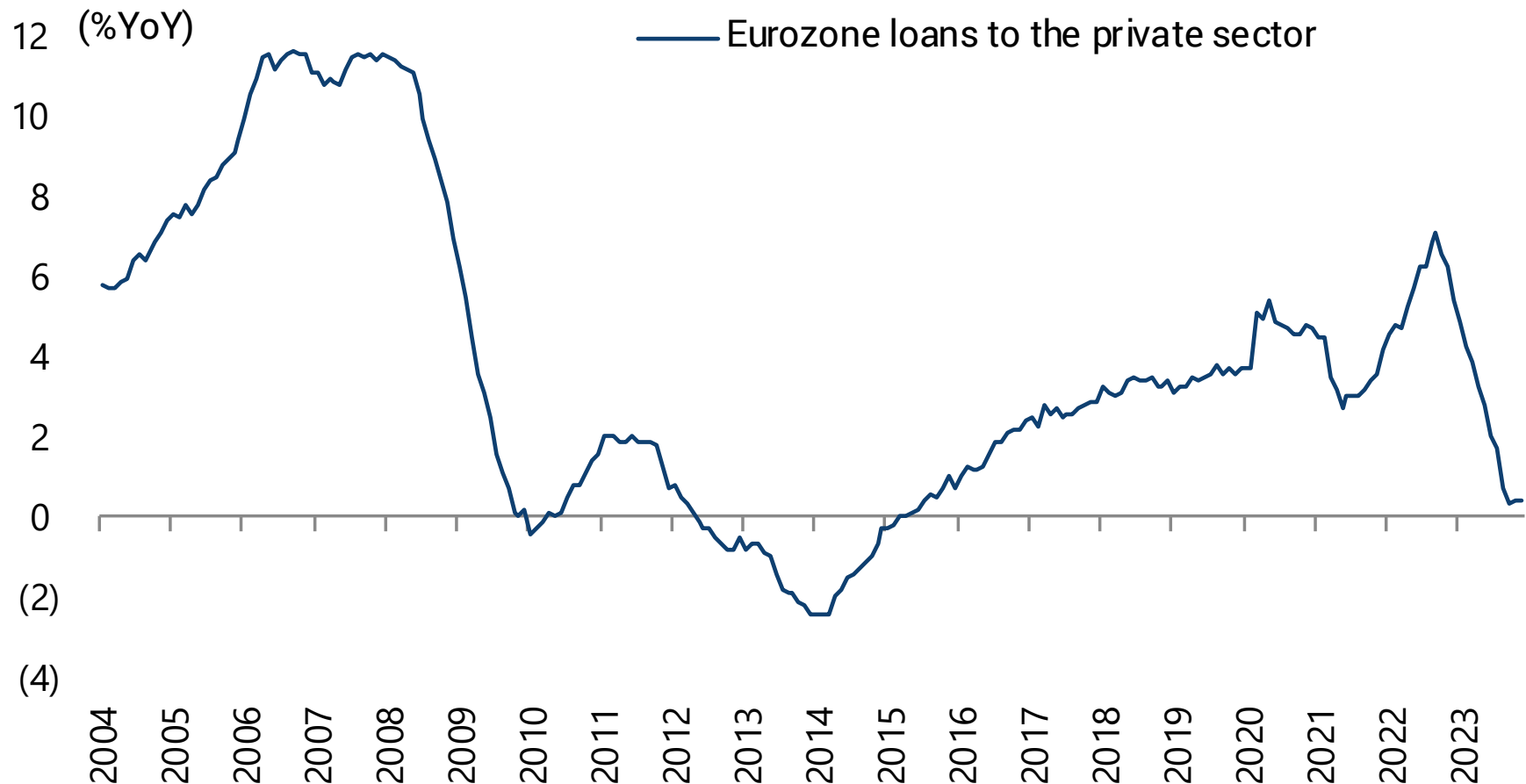
Source: Eurostat

ECB survey: Net % of Eurozone banks reported stronger loan demand



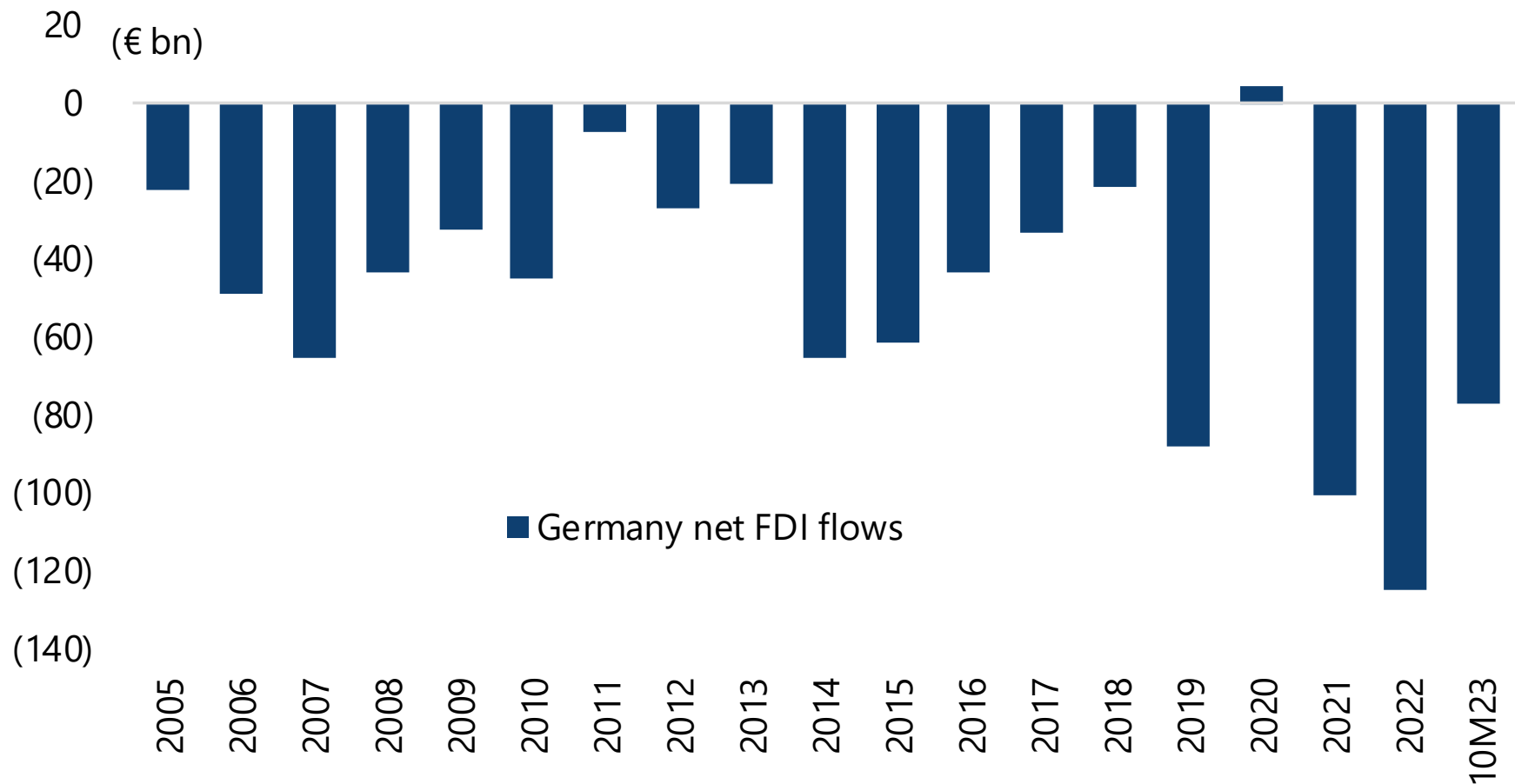
The latest ECB Bank Lending Survey released on 24 October shows that a net 45% of Eurozone banks reported weaker demand for mortgages in 3Q23, though down from 74% in 4Q22 which was the highest level since the survey data began in 4Q02. While a net 36% of banks reported weaker loan demand for enterprises in 3Q23, though down from 42% in 2Q23 which was the highest level since the survey data began in 4Q02. Note: Data up to 3Q23. Source: ECB – Bank Lending Survey

Eurozone loans to the private sector %YoY



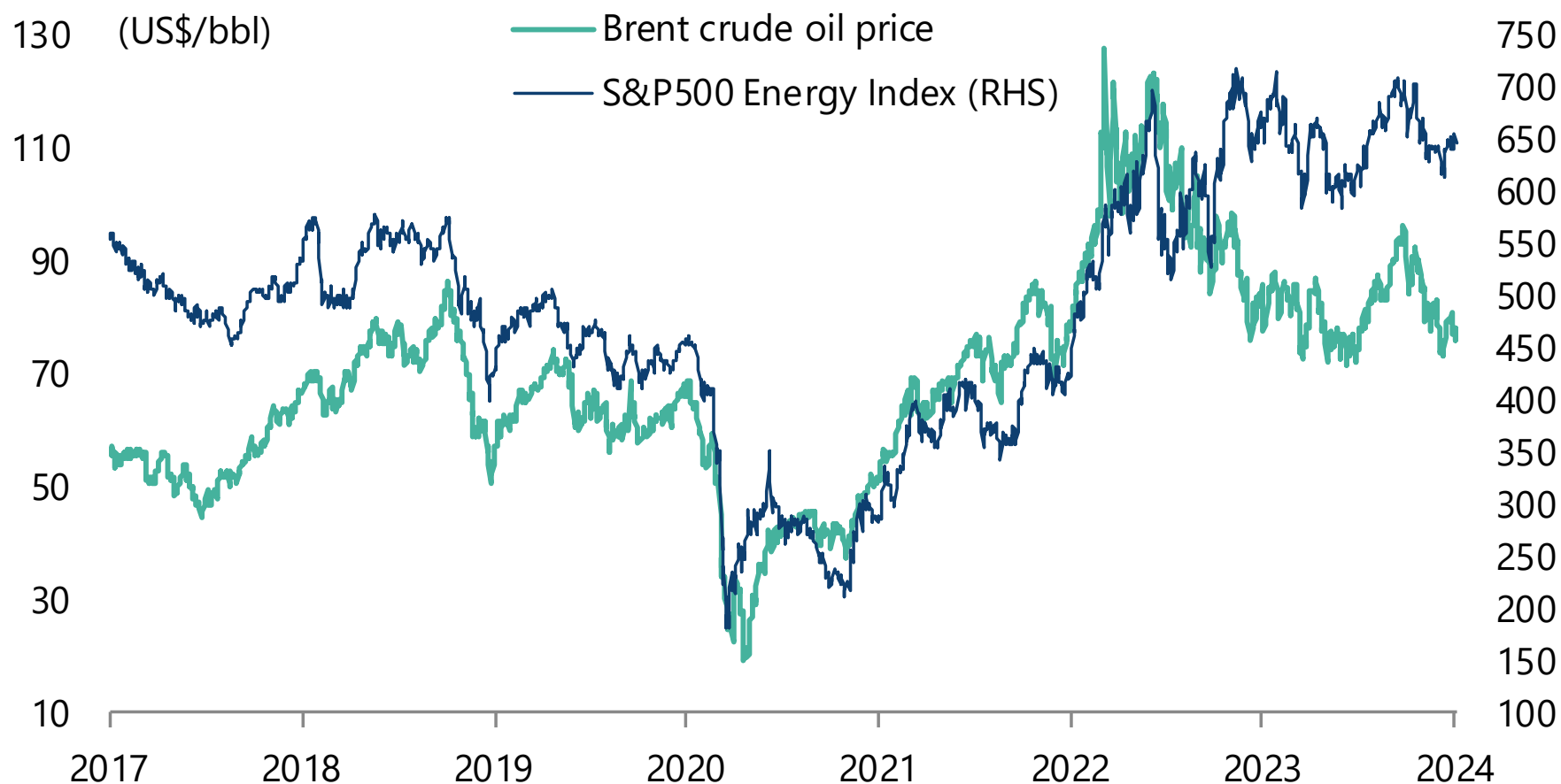
Eurozone loans to the private sector rose by 0.4% YoY in November, down from 7.1% YoY in September 2022, the highest growth rate since November 2008. Source: ECB

Germany net FDI flows



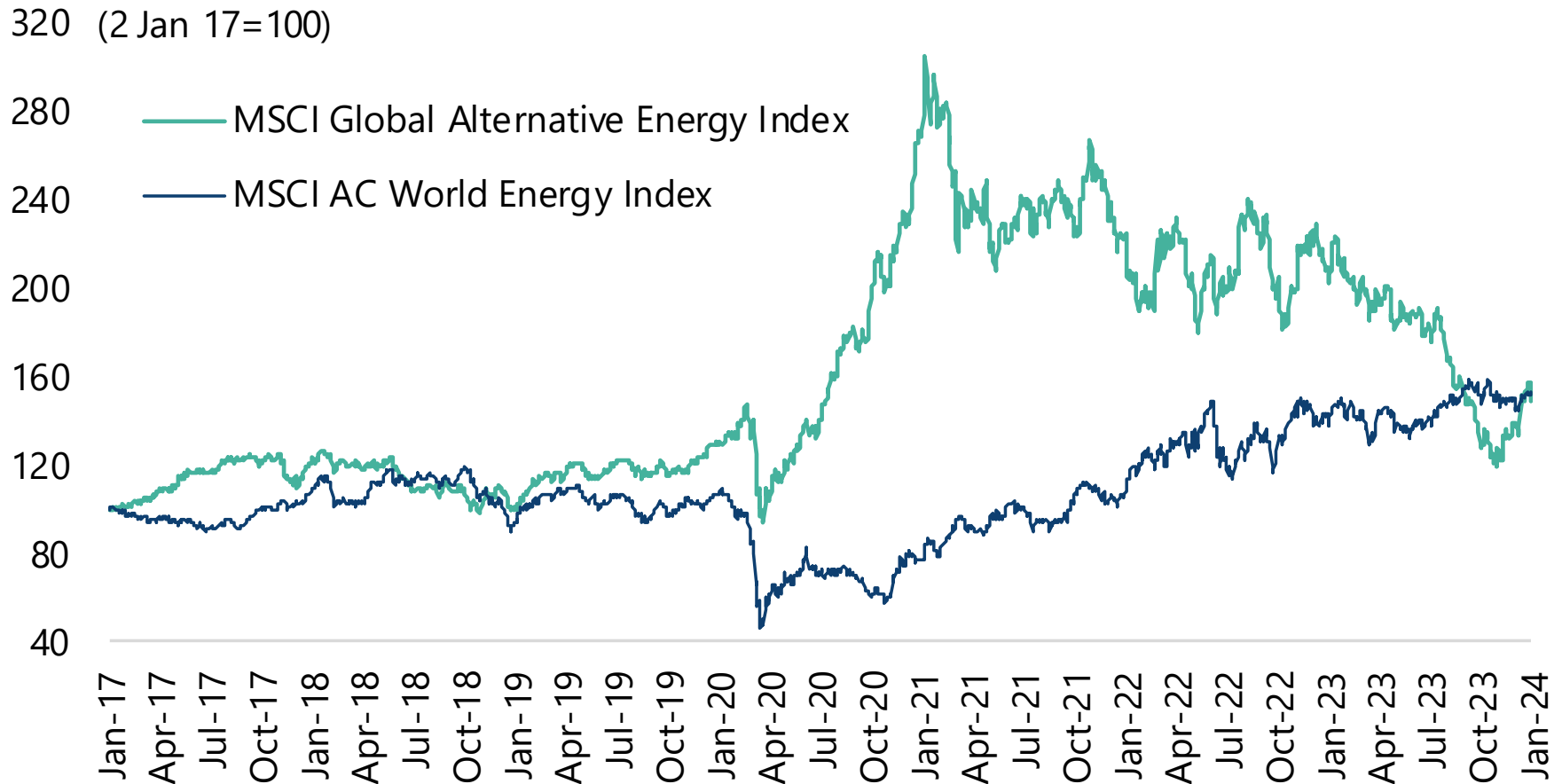
Germany net FDI outflows rose from €100bn in 2021 to a record €125bn in 2022 and €77bn in the first 10 months of 2023.
Source: CEIC Data, Deutsche Bundesbank

Crude oil price and S&P500 Energy Index



The Brent crude oil price has risen by 389% from a low of US\$16/bbl in April 2020 to US\$78.2/bbl, while the S&P500 Energy Index is up 275% from the low reached in March 2020. The Brent crude oil price has declined by 44% from the recent high reached on 7 March 2022, while the S&P500 Energy Index is down 10.8% from the high reached in November 2022. Brent crude oil price has declined by 20% since 28 September 2023 while the S&P500 Energy Index is down 9.2% over the same period. Source: Bloomberg, Jefferies

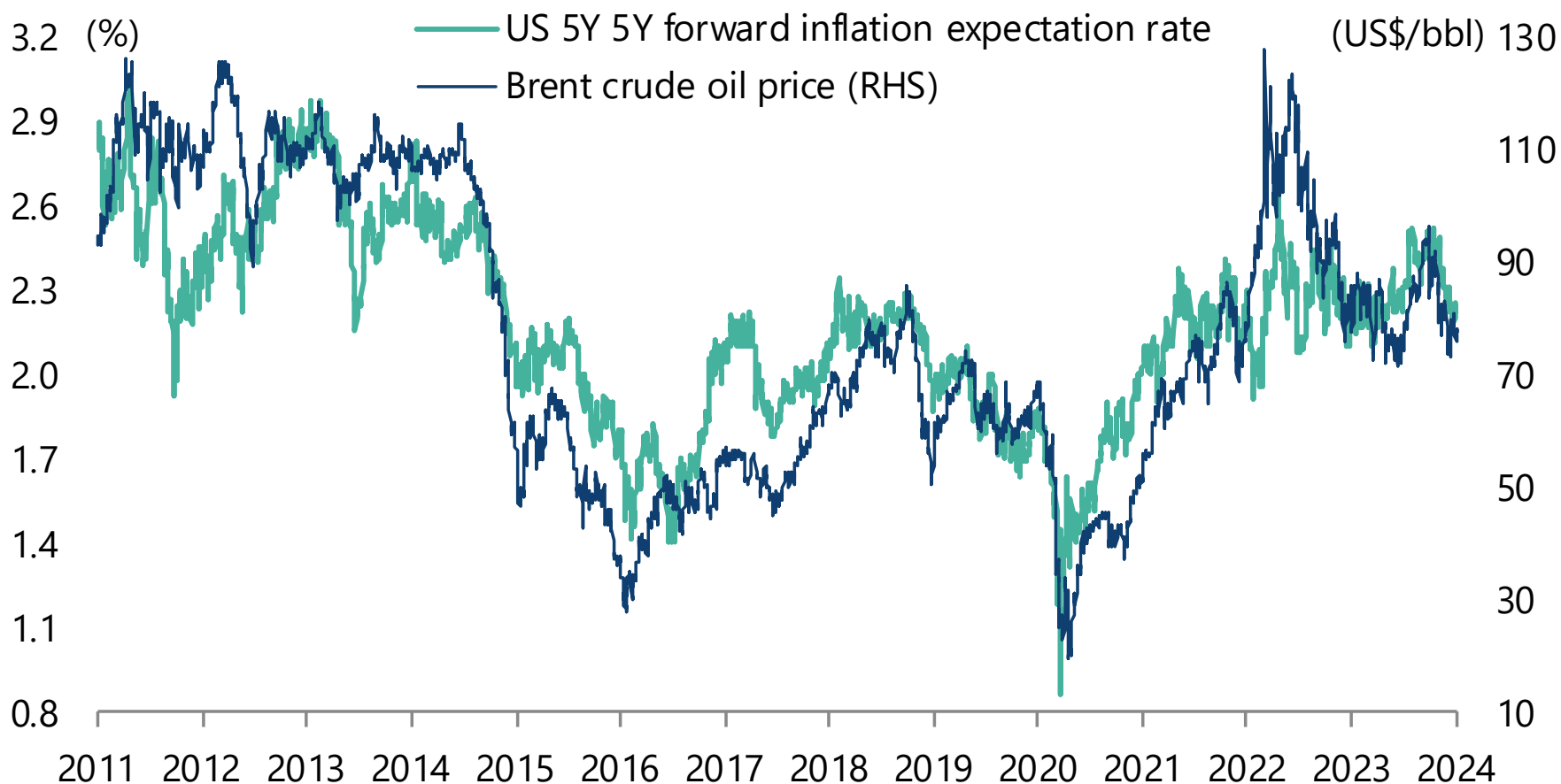
MSCI Global Alternative Energy Index vs MSCI AC World Energy Index



The MSCI Global Alternative Energy Index has declined by 51% on a total-return basis since peaking on 7 January 2021, while the MSCI AC World Energy Index is up 83% over the same period.

Note: Performance in US dollar terms on a total-return basis. Data up to 4 January 2024. Source: Bloomberg, Jefferies

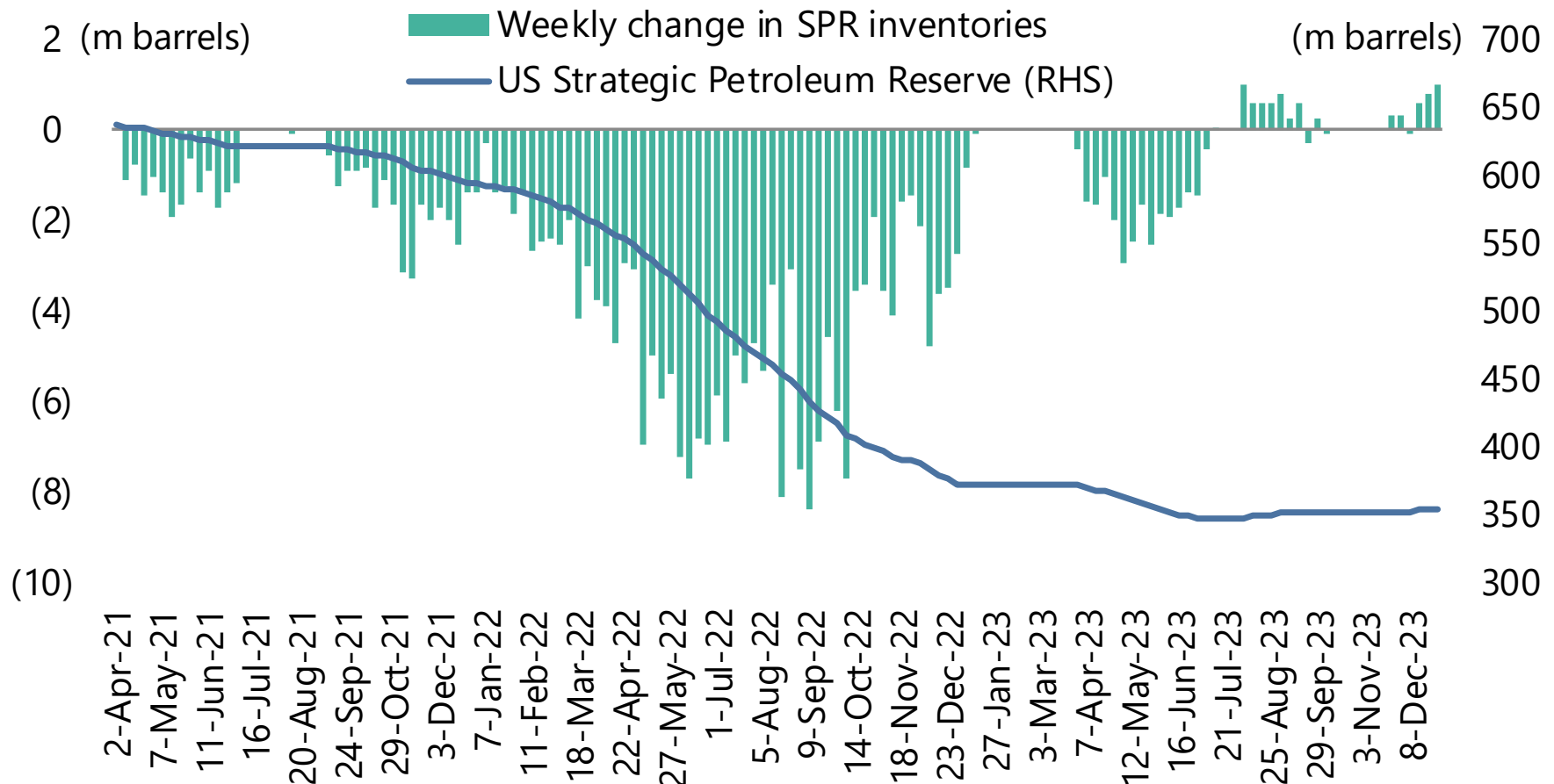
Brent crude oil price and US 5Y forward inflation expectation rate



The Brent crude oil price rose by 36.5% from a recent low of US\$71.6/bbl on 28 June to a high of US\$97.7/bbl on 28 September and has since declined by 19.9% to US\$78.2/bbl. While the US 5-year 5-year forward inflation expectation rate rose from 2.24% on 28 June to 2.53% on 18 October and is now 2.26%. Correlation since 2011 = 0.88.

Source: Bloomberg, Federal Reserve Bank of St. Louis

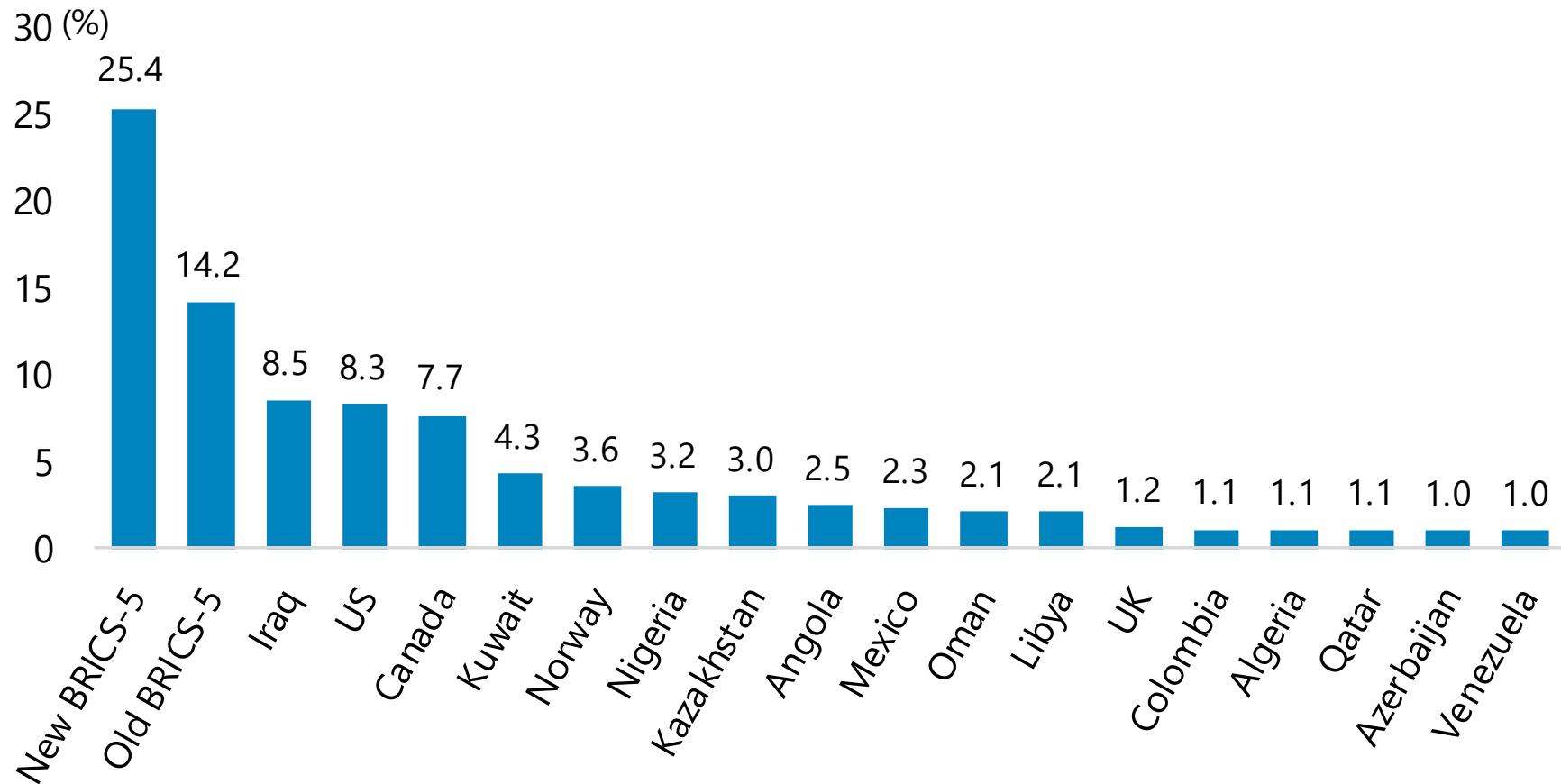
US Strategic Petroleum Reserve (SPR)



US Strategic Petroleum Reserve (SPR) has increased by 4.12m barrels in 3Q23 and 3.11m barrels in 4Q23, after declining by 24.02m barrels in 2Q23. The SPR declined to 346.76m barrels on 7 July, the lowest level since August 1983, and was 354.39m barrels on 29 December. It has declined by 301.76m barrels or 46% since July 2020.

Note: Data up to the week ended 29 December 2023. Source: Energy Information Administration (EIA)

Share of world crude oil exports in 2022

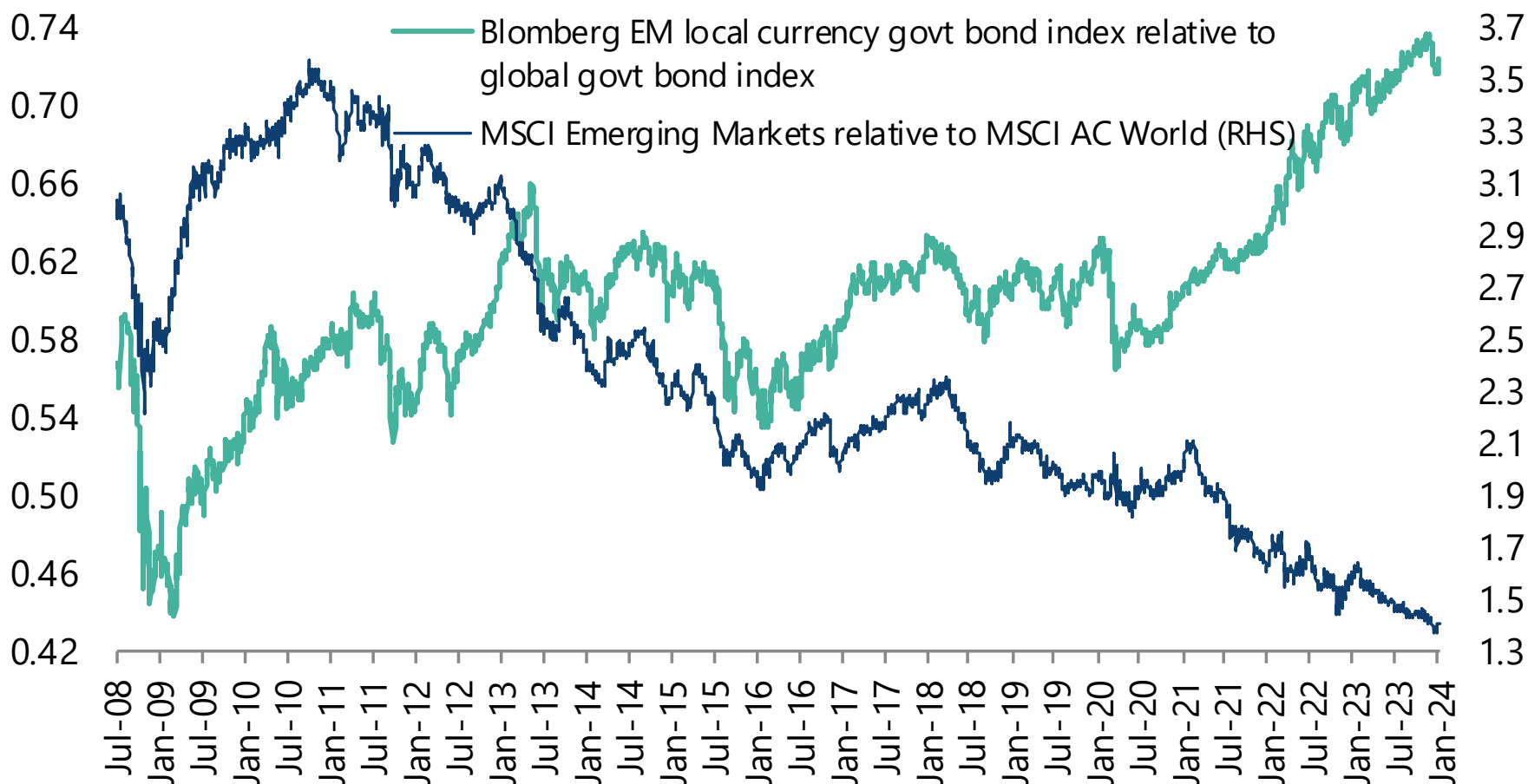


Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates joined BRICS as full members on 1 January 2024.

This means that the expanded BRICS grouping would control 40% of world oil exports.

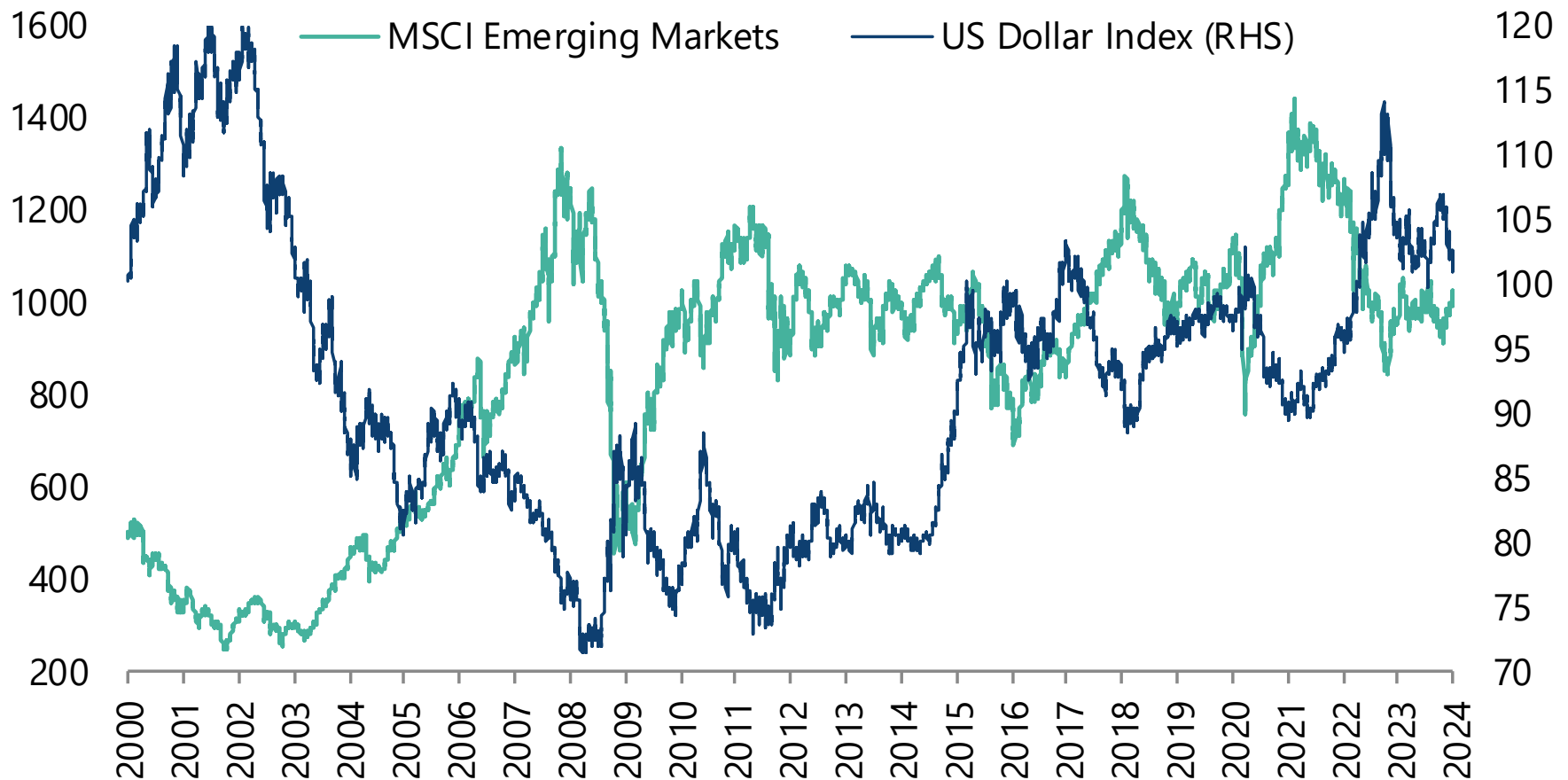
The original five BRICS members accounted for 14.2% of world total crude oil exports in 2022, while the five new members accounted for a further 25.4% of the total. Source: OPEC, Jefferies

EM govt bonds relative to global govt bonds and MSCI EM relative to World



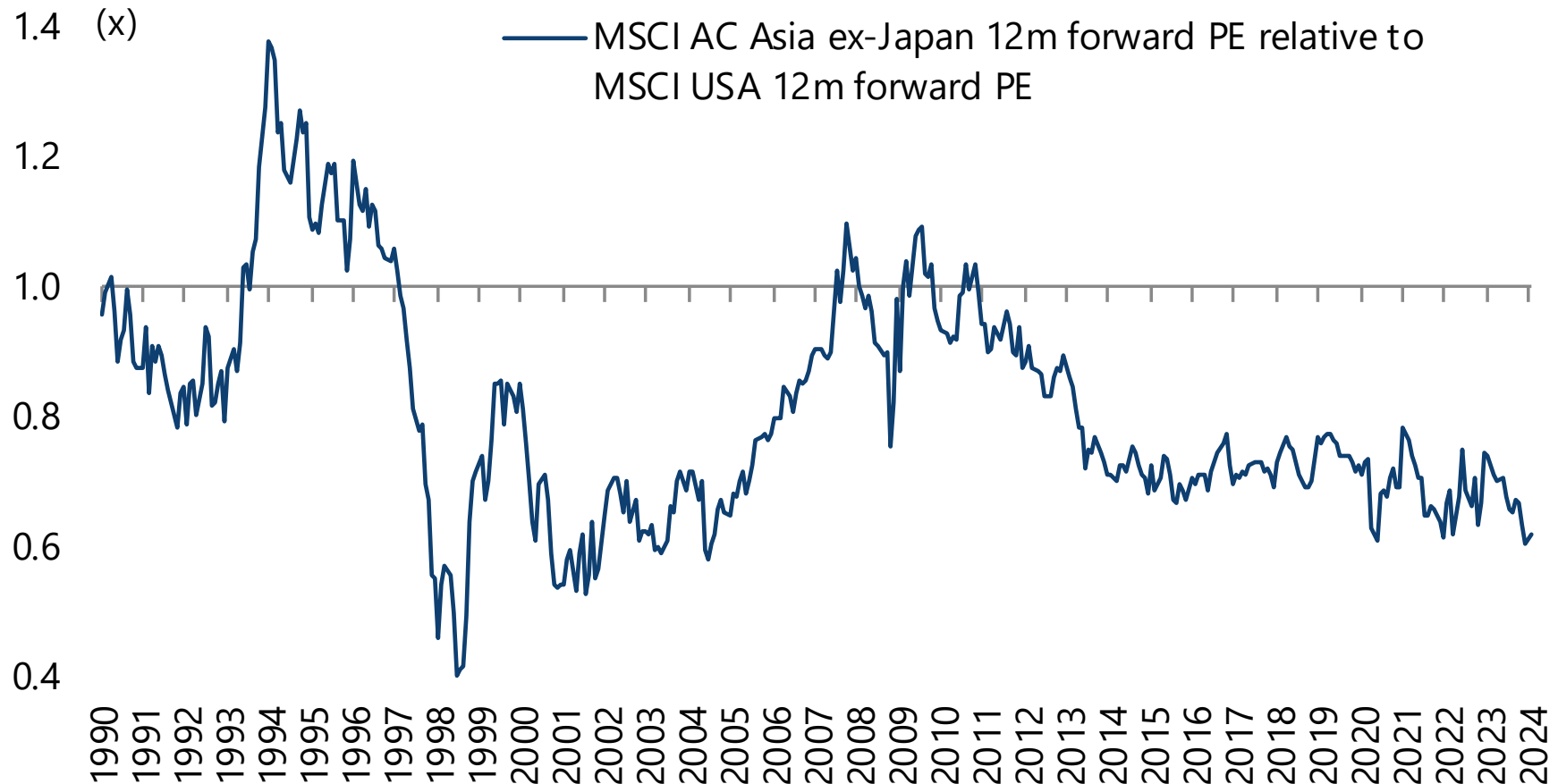
The Bloomberg Emerging Markets local currency government bond index has outperformed the global government bond index by 28% since March 2020. While the MSCI Emerging Markets Index has underperformed the MSCI AC World Index by 34% since February 2021 and by 61% since October 2010. Source: Bloomberg, Jefferies

MSCI Emerging Markets and US Dollar Index



The MSCI Emerging Markets Index has declined by 30.5% since peaking in mid-February 2021, while the US Dollar Index has risen by 15.1% from the low reached in early January 2021. The MSCI Emerging Markets Index has risen by 20% from the recent low on 25 October 2022, while the US Dollar Index is down 10.5% from the high on 28 September 2022. The correlation between the MSCI Emerging Markets and the US Dollar Index has been a negative 0.74 since October 2016. Source: Bloomberg

MSCI AC Asia ex-Japan 12m forward PE relative to MSCI USA



The MSCI AC Asia ex-Japan Index now trades at 12.24x 12-month forward consensus earnings, or a 38% discount to the MSCI USA 12-month forward PE of 19.74x. Source: Datastream, IBES, Jefferies

Asia Pacific ex-Japan asset allocation

(%)	MSCI AC Asia Pacific ex-Japan weightings 29-Dec-23	Recommended weightings 29-Dec-23	Mismatch from benchmark (ppt)	<i>Current MSCI benchmark weightings (4-Jan-24)</i>
Australia	16.8	11.0	(5.8)	16.7
China	25.5	27.0	1.5	25.7
Hong Kong	4.8	5.0	0.2	4.7
India	16.1	18.0	1.9	16.5
Indonesia	1.8	6.0	4.2	1.9
Korea	12.5	11.0	(1.5)	12.2
Malaysia	1.3	2.0	0.7	1.3
New Zealand	0.4	0.0	(0.4)	0.5
Philippines	0.6	1.0	0.4	0.6
Singapore	3.1	2.0	(1.1)	3.0
Taiwan	15.4	14.0	(1.4)	15.2
Thailand	1.7	1.0	(0.7)	1.7
Vietnam	--	2.0	2.0	--
Total	100.0	100.0	--	100.0

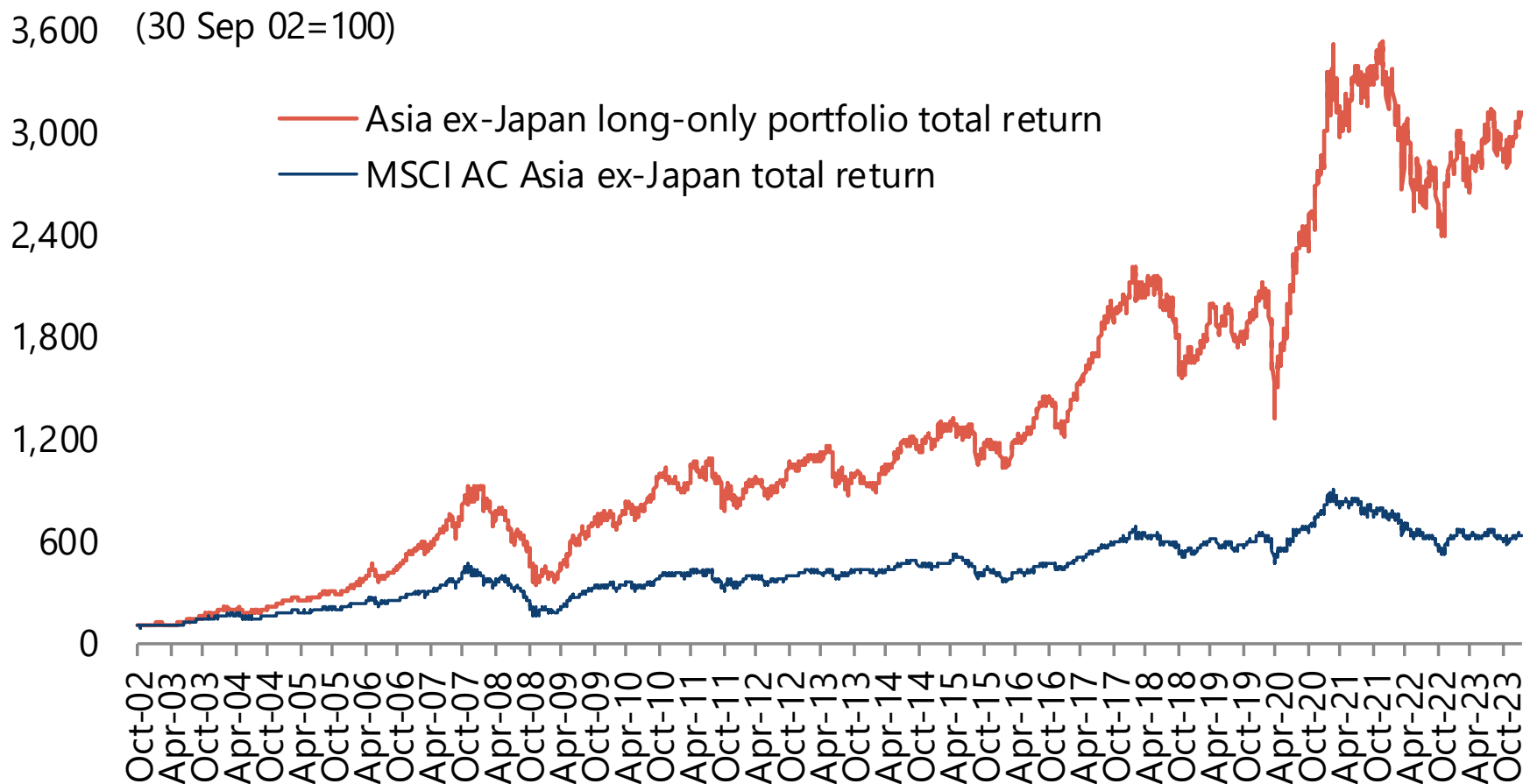
Source: Jefferies, MSCI

Asia ex-Japan absolute-return long-only thematic equity portfolio

Themes	Weight	Stock picks
Australia gold mining	7%	Capricorn Metals
Australia oil & gas	4%	Woodside Energy
China EV battery	5%	Contemporary Amperex Technology (CATL)
China electric vehicle	5%	BYD
China e-commerce	4%	Baidu
Hong Kong insurance	4%	AIA Group
India internet	10%	Reliance Industries (5%), Zomato (5%)
India life insurance	4%	SBI Life Insurance
India property	8%	Macrotech Developers (4%), Godrej Properties (4%)
India public sector banks	4%	State Bank of India
India private sector banks	15%	ICICI Bank (5%), HDFC Bank (5%), Axis Bank (5%)
India energy	4%	JSW Energy
India infrastructure	5%	Larsen & Toubro
Indonesia banks	8%	Bank Central Asia (5%), Bank Syariah Indonesia (3%)
Indonesia consumers	3%	Map Aktiv Adiperkasa (MAPA)
Korea tech	5%	Samsung Electronics Pref
Taiwan tech	5%	TSMC

Source: Jefferies

Asia ex-Japan long-only portfolio total return performance in USD terms



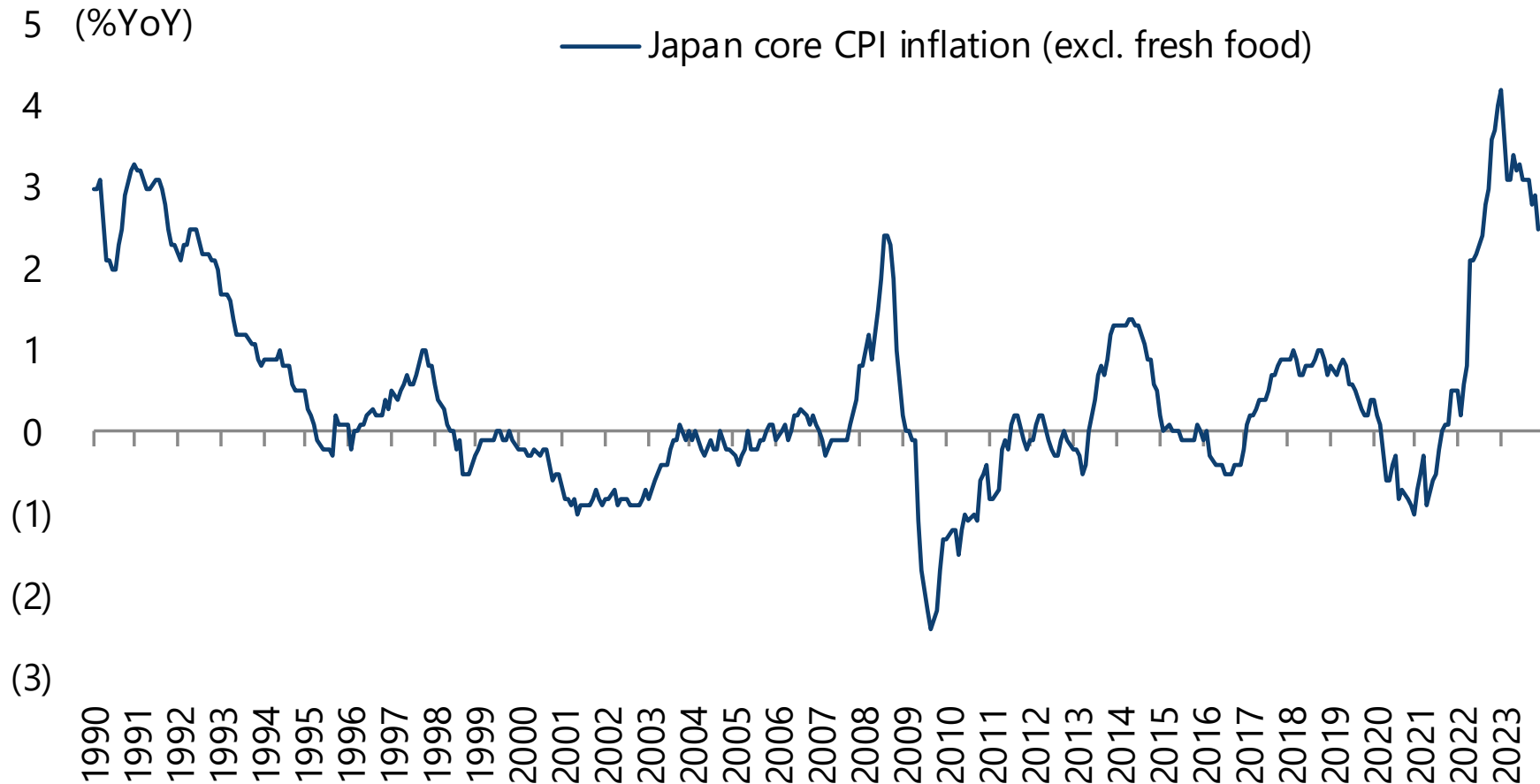
Note: Data up to 4 January 2024. Total return performance in US dollar terms. The Asia ex-Japan long-only portfolio is up 3,020% (annualised 17.6%) since its inception on 30 Sep 2002, compared with a 538% gain (annualised 9.1%) in the MSCI AC Asia ex-Japan Index. Based on the thematic portfolio for long-only absolute-return investors. Source: Datastream, Jefferies

Global long-only equity portfolio

Country	Theme	Stock name	Ticker	Weight (%)
Australia	gold mining	Capricorn Metals	CMM AU	4
China	electric vehicle	BYD	1211 HK	4
Hong Kong	insurance	AIA Group	1299 HK	4
India	internet	Zomato Ltd	ZOMATO IN	4
India	internet	Reliance Industries	RELIANCE IN	4
India	property	Godrej Properties	GPL IN	4
India	banks	Axis Bank	AXSB IN	4
India	banks	ICICI Bank	ICICIB IN	5
India	banks	HDFC Bank	HDFCB IN	5
India	infrastructure	Larsen & Toubro	LT IN	4
Indonesia	banks	Bank Central Asia	BBCA IJ	5
Korea	technology	Samsung Electronics Pref	005935 KS	5
Taiwan	technology	TSMC	2330 TT	4
Japan	machinery	Keyence	6861 JP	4
Brazil	oil & gas	Petrobras	PBR US	4
US	copper/gold mining	Freeport-McMoRan	FCX US	4
US	technology	Nvidia	NVDA US	6
US	technology	Microsoft	MSFT US	4
US	Bitcoin	Grayscale Bitcoin Trust	GBTC US	5
UK	consumer	Greggs	GRG LN	4
France	oil & gas	TotalEnergies	TTE FP	4
Italy	banks	UniCredit	UCG IM	4
Netherlands	technology	ASML	ASML NA	5

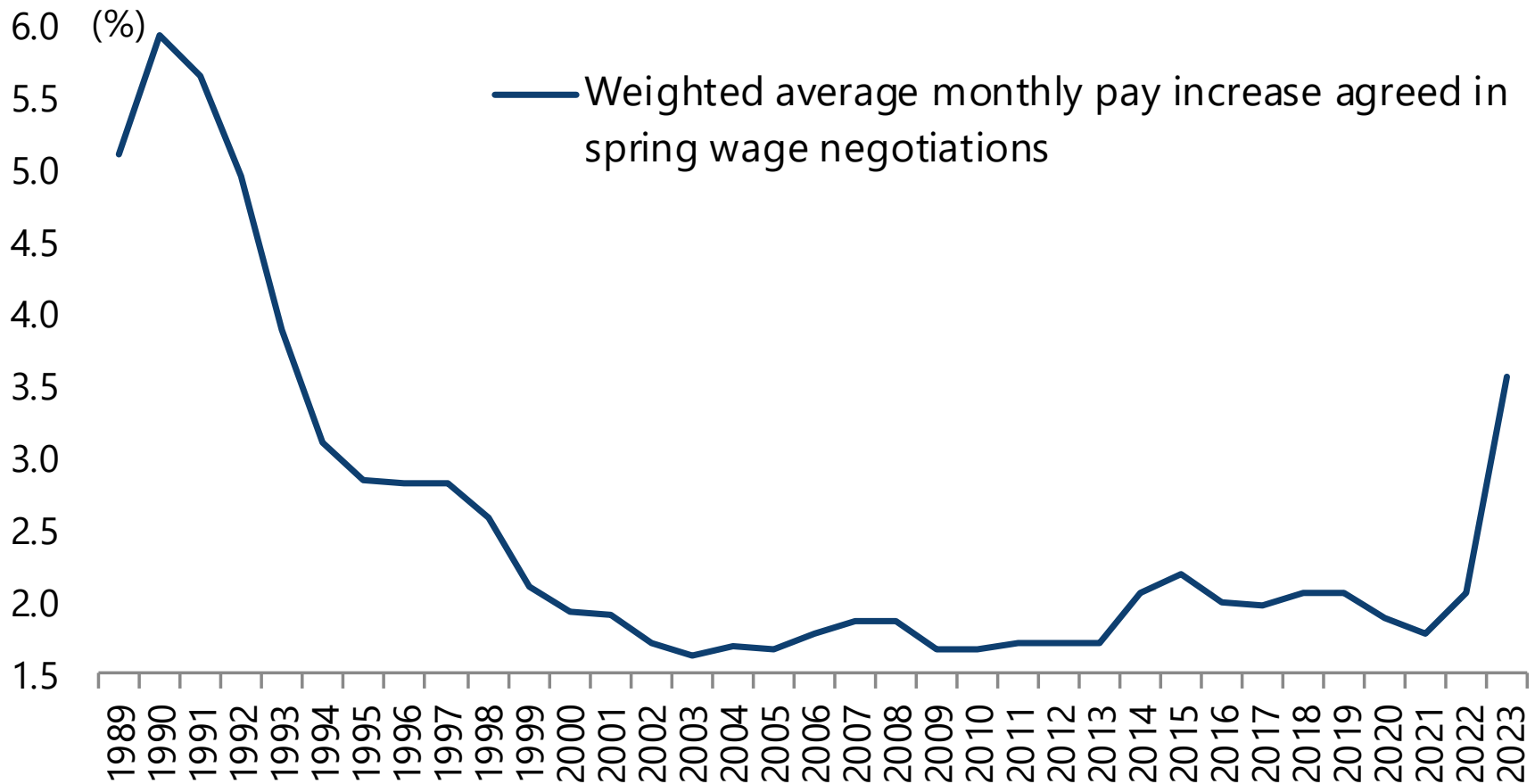
Source: Jefferies

Japan: Core CPI inflation (excluding fresh food)



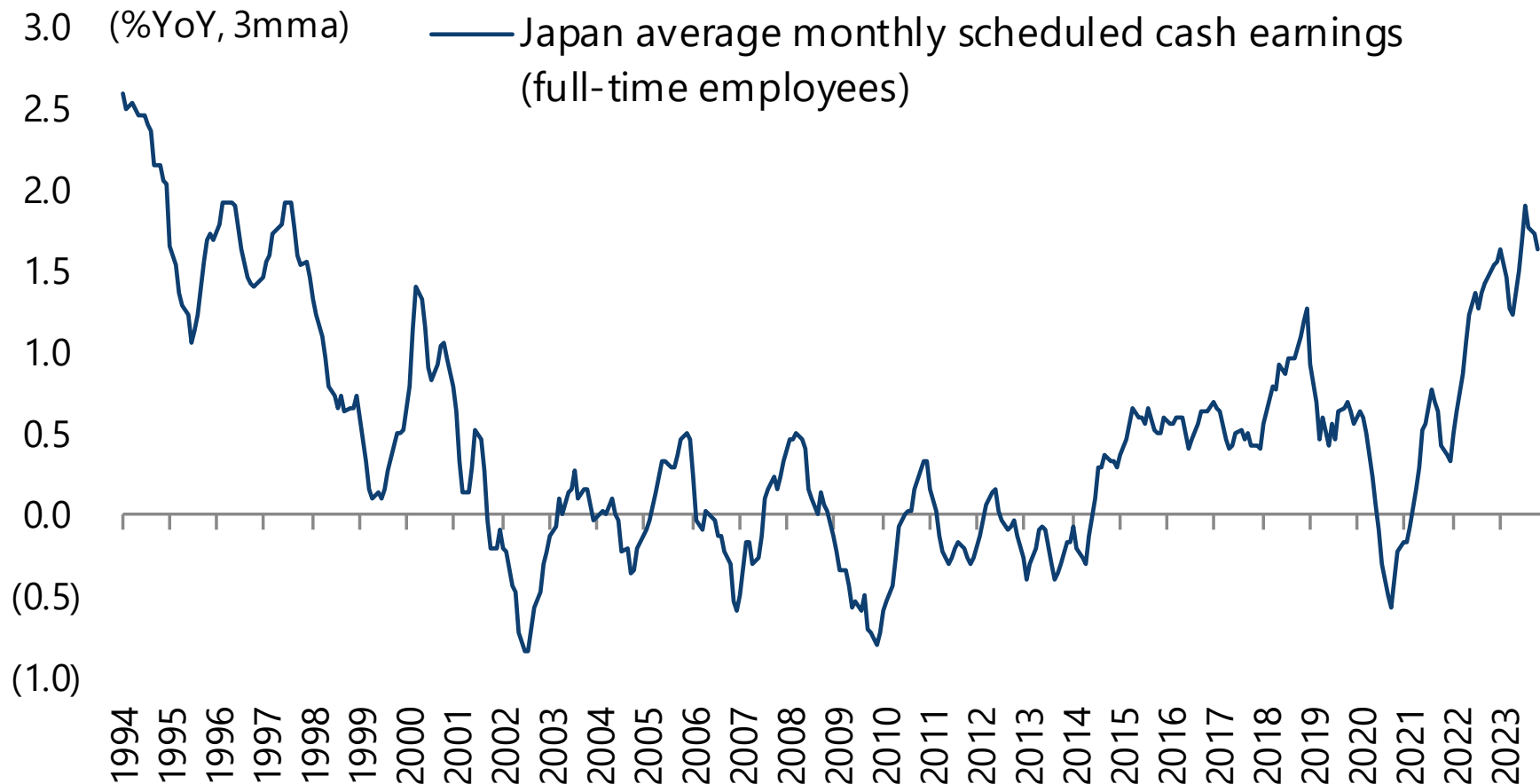
Japan core CPI inflation, which excludes fresh food but includes energy, rose from 0.8% YoY in March 2022 to 4.2% YoY in January 2023, the highest inflation print since September 1981, and has since declined to 2.5% YoY in November. Core CPI inflation has been above the 2% target for 20 consecutive months. Source: Statistics Bureau

Japan: Average wage hikes agreed in spring wage negotiations



The Japanese Trade Union Confederation (Rengo) reported in its seventh (final) survey of 5,272 affiliated unions on 5 July that companies have concluded their annual wage talks with average wage hikes of 3.58%, the largest increase in three decades, including a 2.12% increase in base pay. Source: Japanese Trade Union Confederation (Rengo)

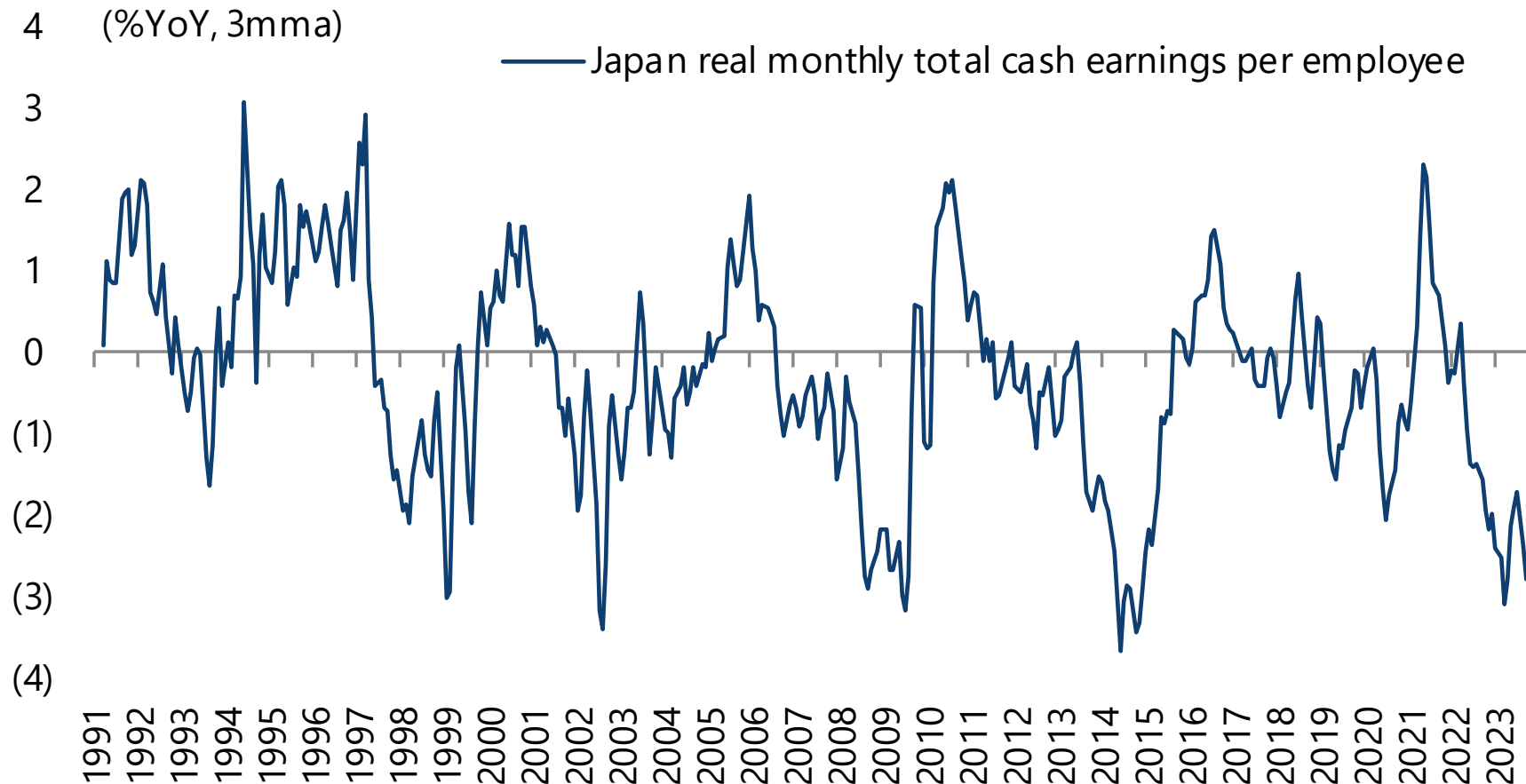
Japan: Average monthly scheduled cash earnings growth



Japan's average monthly scheduled cash earnings for full-time employees rose by 1.9% YoY in the three months to July, the highest growth since July 1997, and were up 1.6% YoY in the three months to October.

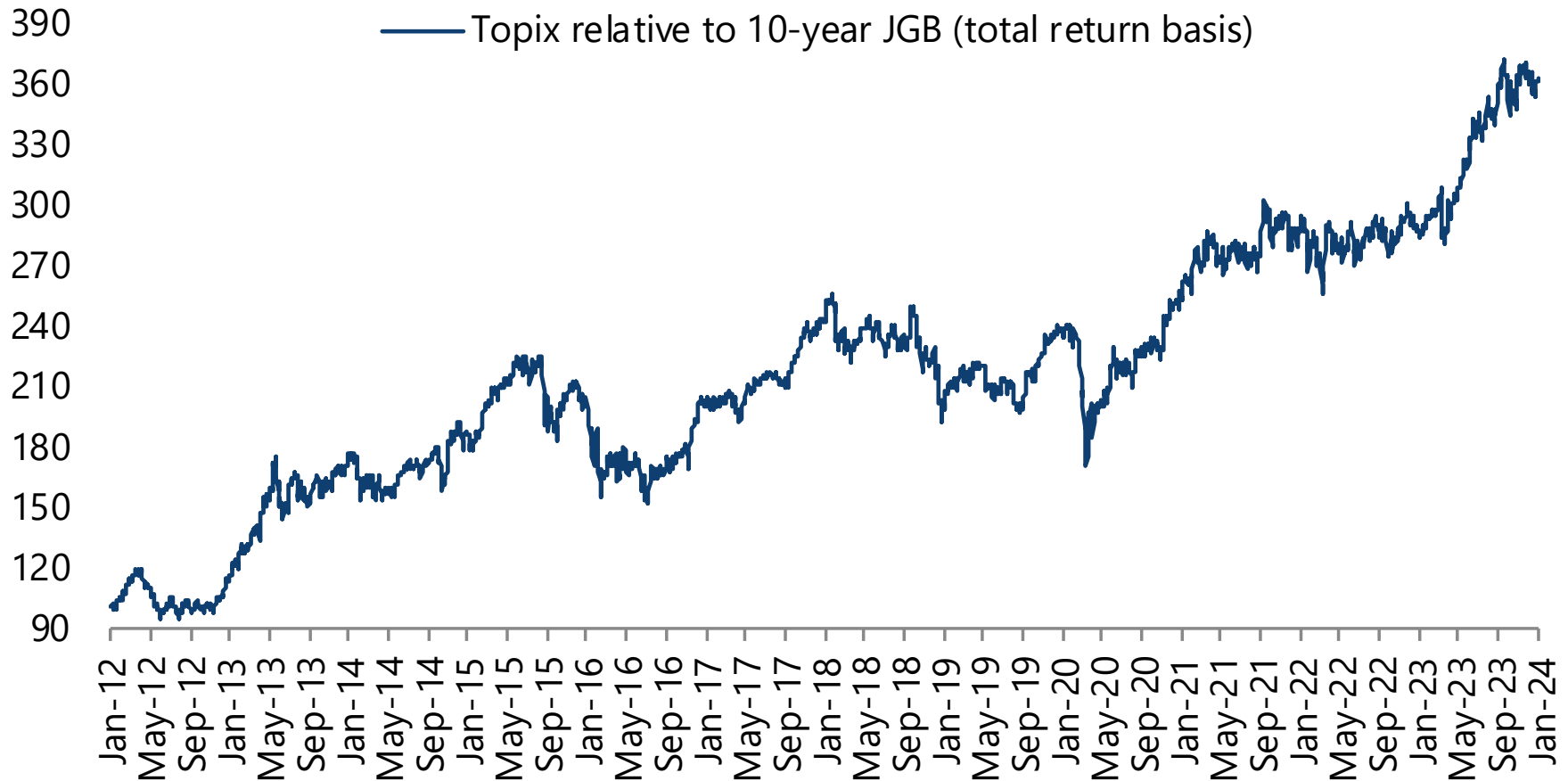
Source: Ministry of Health, Labour and Welfare

Japan: Real average monthly cash earnings growth



Japan's real average monthly total cash earnings per employee declined by 2.7% YoY in the three months to October.
Source: Ministry of Health, Labour and Welfare

Japan: Topix relative to 10-year JGB



The Topix has outperformed the 10-year JGB on a total-return basis by 272% since mid-November 2012 prior to Shinzo Abe's election in December 2012. Source: Datastream

Japan: Real effective exchange rate



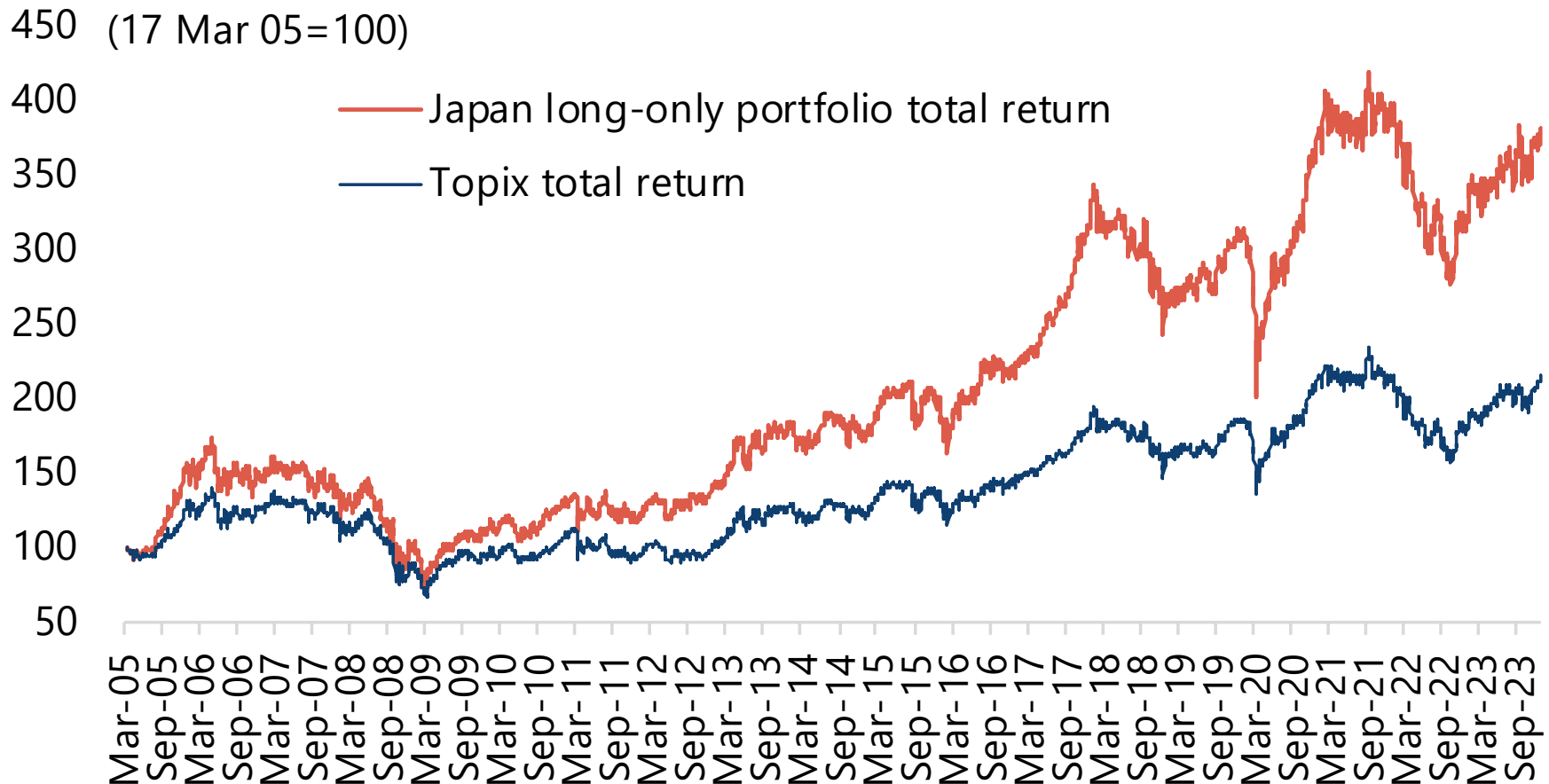
The Japan real effective exchange rate has declined by 31% since May 2020 and by 63% since peaking in April 1995 to the lowest level since 1968. Note: Data up to November 2023. Source: BIS, Jefferies

Japan absolute-return long-only thematic equity portfolio

Theme	Weight (%)	Stocks	Description	Ticker	Weight (%)
Autos	7	Toyota Industries	auto parts maker & logistics	6201 JP	3
		Suzuki Motor	automaker	7269 JP	4
Machinery	12	Keyence	optical-sensor maker	6861 JP	5
		Fanuc	industrial robot maker	6954 JP	4
		Tokyo Electron	semiconductor equipment maker	8035 JP	3
Consumer	20	Hitachi	electronic equipment maker	6501 JP	4
		Sony	consumer electronics maker	6758 JP	6
		Fast Retailing	clothing chain operator	9983 JP	4
		Seven & I	convenience store operator	3382 JP	6
Financials	23	MUFG	mega bank group	8306 JP	6
		SMFG	mega bank group	8316 JP	6
		Resona Holdings	regional bank	8308 JP	7
		Kyoto Financial Group	regional bank	5844 JP	4
Oil & gas	14	INPEX Corp	oil and gas producer	1605 JP	5
		Eneos Holdings	oil refiner	5020 JP	5
		Idemitsu Kosan	oil refiner	5019 JP	4
Gold mining	6	Sumitomo Metal Mining	gold & non-ferrous metal miner	5713 JP	6
Healthcare	8	Hoya	optical glass maker	7741 JP	4
		Takeda Pharmaceutical	pharma company	4502 JP	4
Trading	5	Mitsubishi Corp	general trading company	8058 JP	5
Telecom	5	KDDI Corp	telecom carrier	9433 JP	5

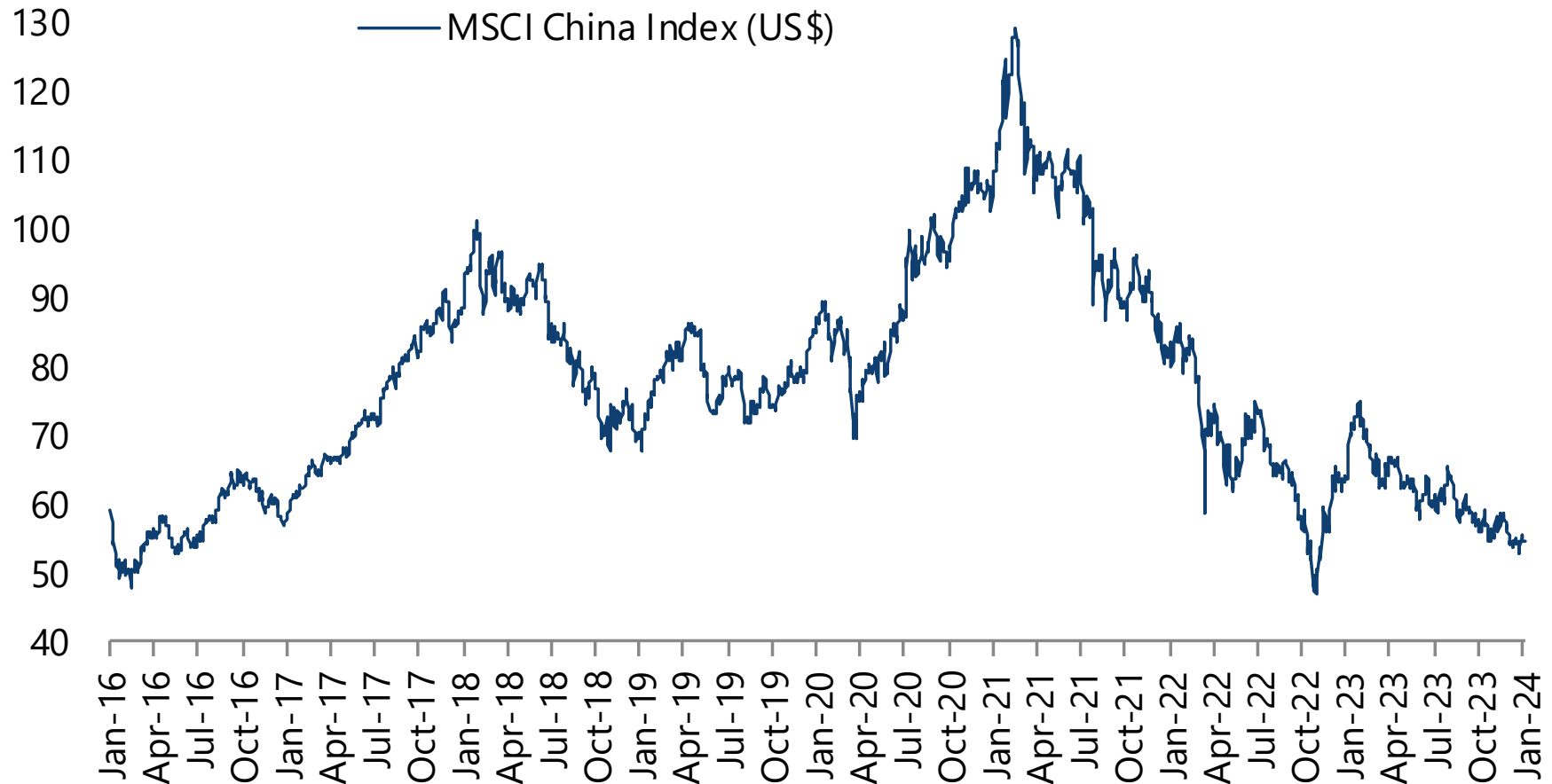
Source: Jefferies

Japan long-only portfolio performance in US dollar terms



Note: Data up to 4 January 2024. Total return performance. The Japan long-only portfolio is up 416% in yen terms (annualised 9.1%) and 273% in US dollar terms (annualised 7.2%) since its inception on 17 Mar 2005, compared with a 193% gain (annualised 5.9%) in yen terms and a 112% gain (annualised 4.1%) in US dollar terms in the Topix. Based on the thematic portfolio for long-only absolute-return investors. Source: Datastream, Jefferies

China: MSCI China Index



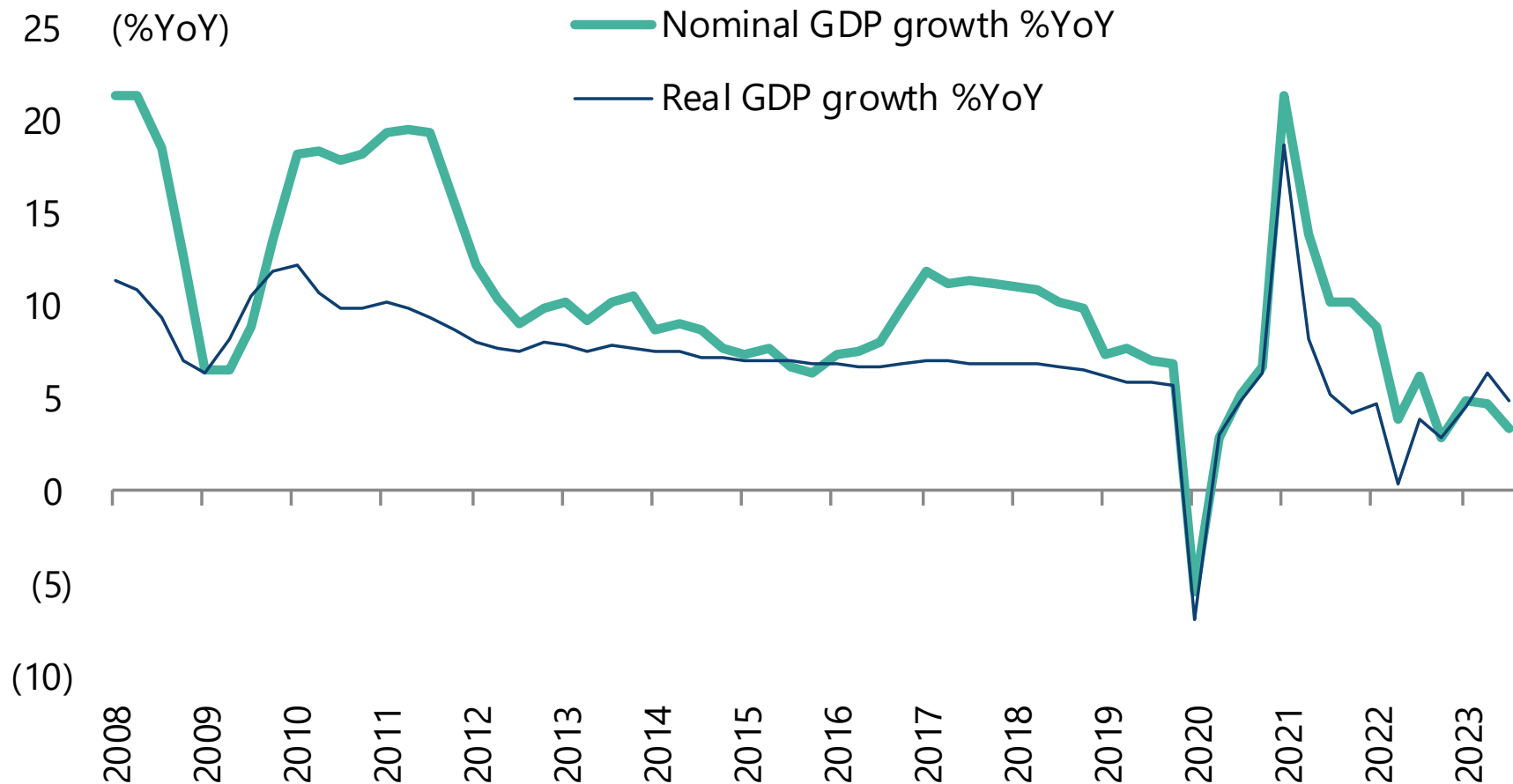
The MSCI China Index has declined by 57.9% in US dollar terms from its recent high reached in mid-February 2021. The index is up 16.4% since bottoming on 31 October 2022, but is down 27.1% since 27 January 2023. The top eight China internet stocks now account for 36.3% of MSCI China, down from 46.9% at the end of October 2020. Source: Datastream, FactSet, MSCI, Jefferies

China: MSCI China relative to MSCI AC Asia Pacific ex-Japan



MSCI China has underperformed MSCI AC Asia Pacific ex-Japan and MSCI Emerging Markets for three consecutive years. It has declined by 49.6% in US dollar terms since the start of 2021, compared with a 21.9% decline in MSCI AC Asia Pacific ex-Japan and a 22.2% decline in MSCI Emerging Markets. Source: Datastream

China: Nominal GDP growth and real GDP growth



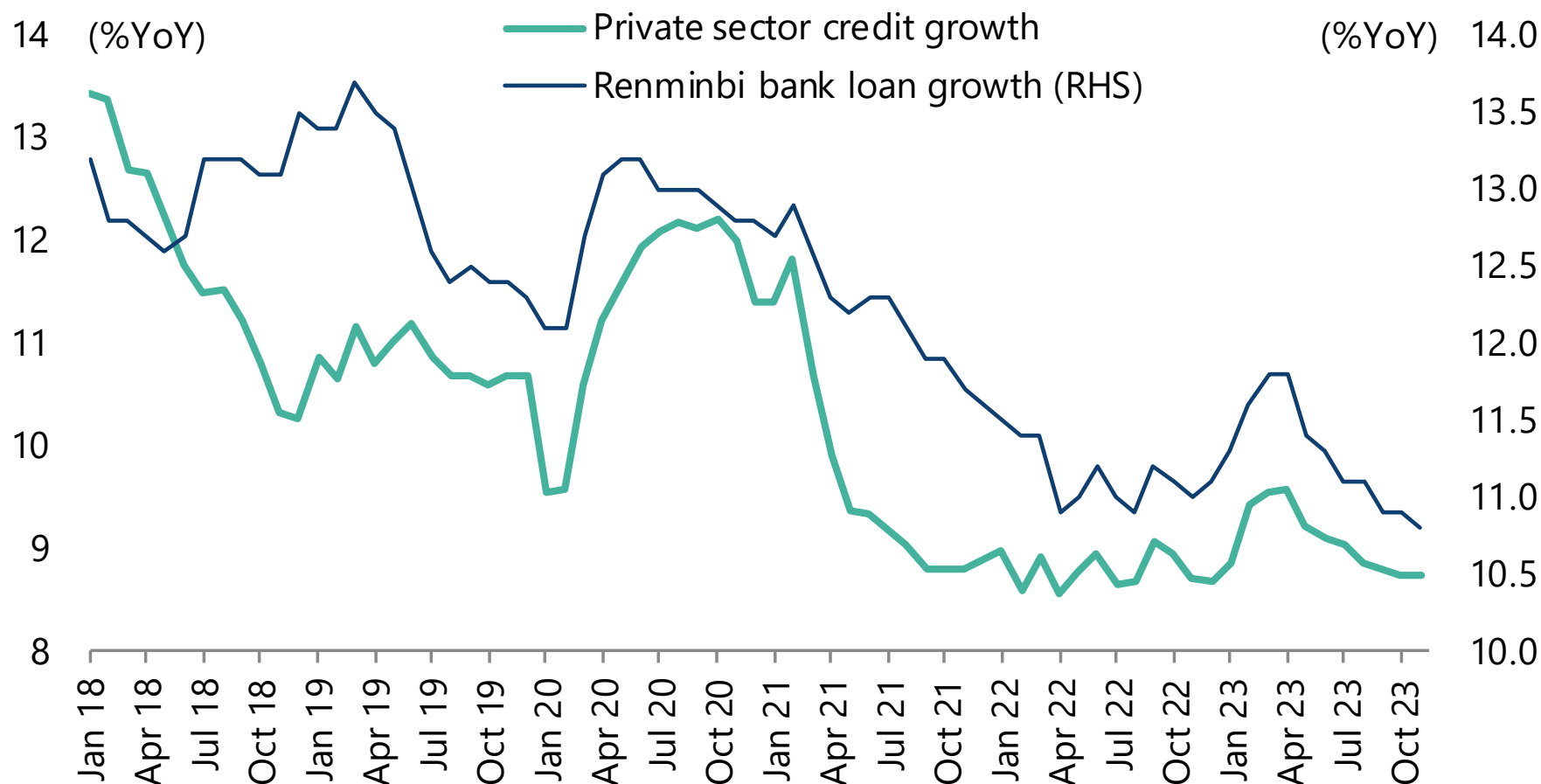
China's nominal GDP growth slowed from 4.8% YoY in 2Q23 to 3.5% YoY in 3Q23, compared with an annualised 8.9% growth in the five years before the pandemic. While real GDP growth slowed from 6.3% YoY in 2Q23 to 4.9% YoY in 3Q23. For the second quarter in succession nominal growth was lower than real growth. Source: National Bureau of Statistics, CEIC Data, Jefferies

China: M2 growth



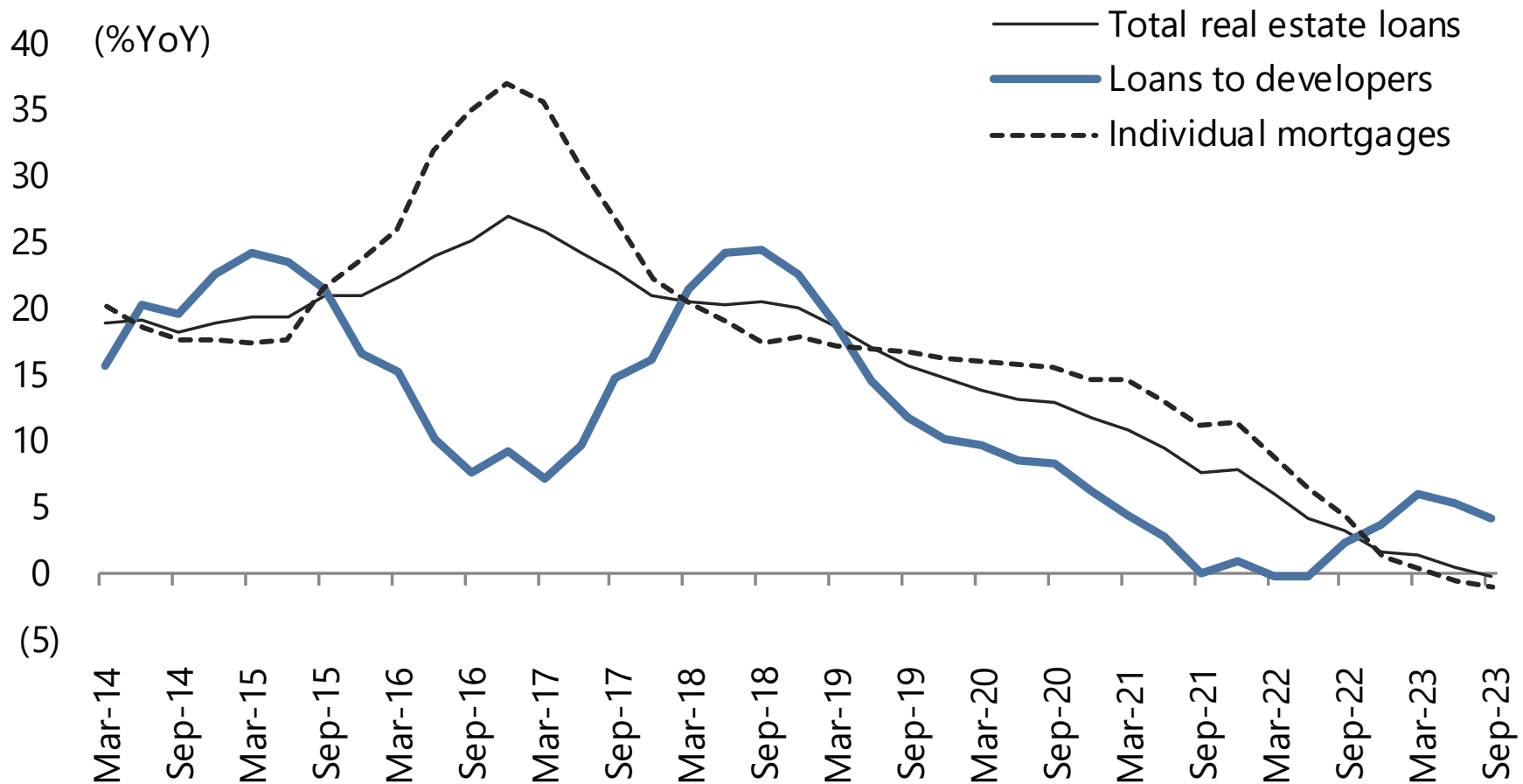
China M2 growth rose from 8.1% YoY in April 2021 to 12.9% YoY in February 2023, the highest level since March 2016. It has since slowed to 10% YoY in November, the lowest level since March 2022. Source: PBOC, CEIC Data

China: Renminbi bank loan growth and private sector credit growth



China renminbi bank loan growth slowed from 11.8% YoY in April to 10.8% YoY in November, while private sector credit growth slowed from 9.6% YoY in April to 8.7% YoY in November. Note: Private sector credit = Social financing outstanding excluding equity financing, government bonds, ABS and loan write-offs. Source: PBOC, CEIC Data, Jefferies

China: Property-related bank loan growth



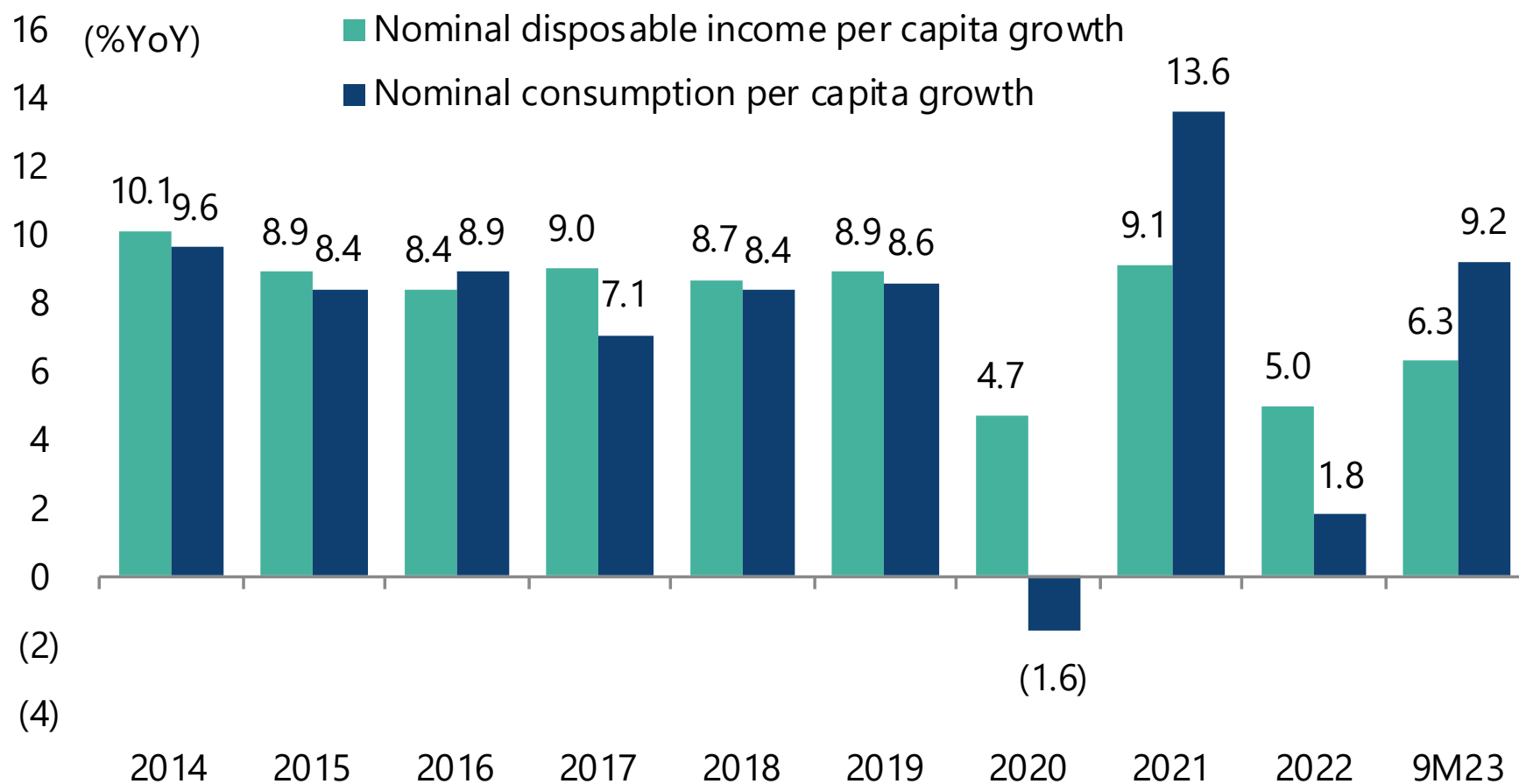
China property-related bank lending, including loans to developers and mortgages, declined by 0.2% YoY in 3Q23. Residential mortgages declined by 1.2% YoY in 3Q23 following a 0.7% YoY decline in 2Q23. While the growth in loans to developers slowed from 5.9% YoY in 1Q23 to 4.0% YoY in 3Q23. Note: Quarterly data up to 3Q23. Source: PBOC, CEIC Data, Jefferies

China: Banking system net interest margin



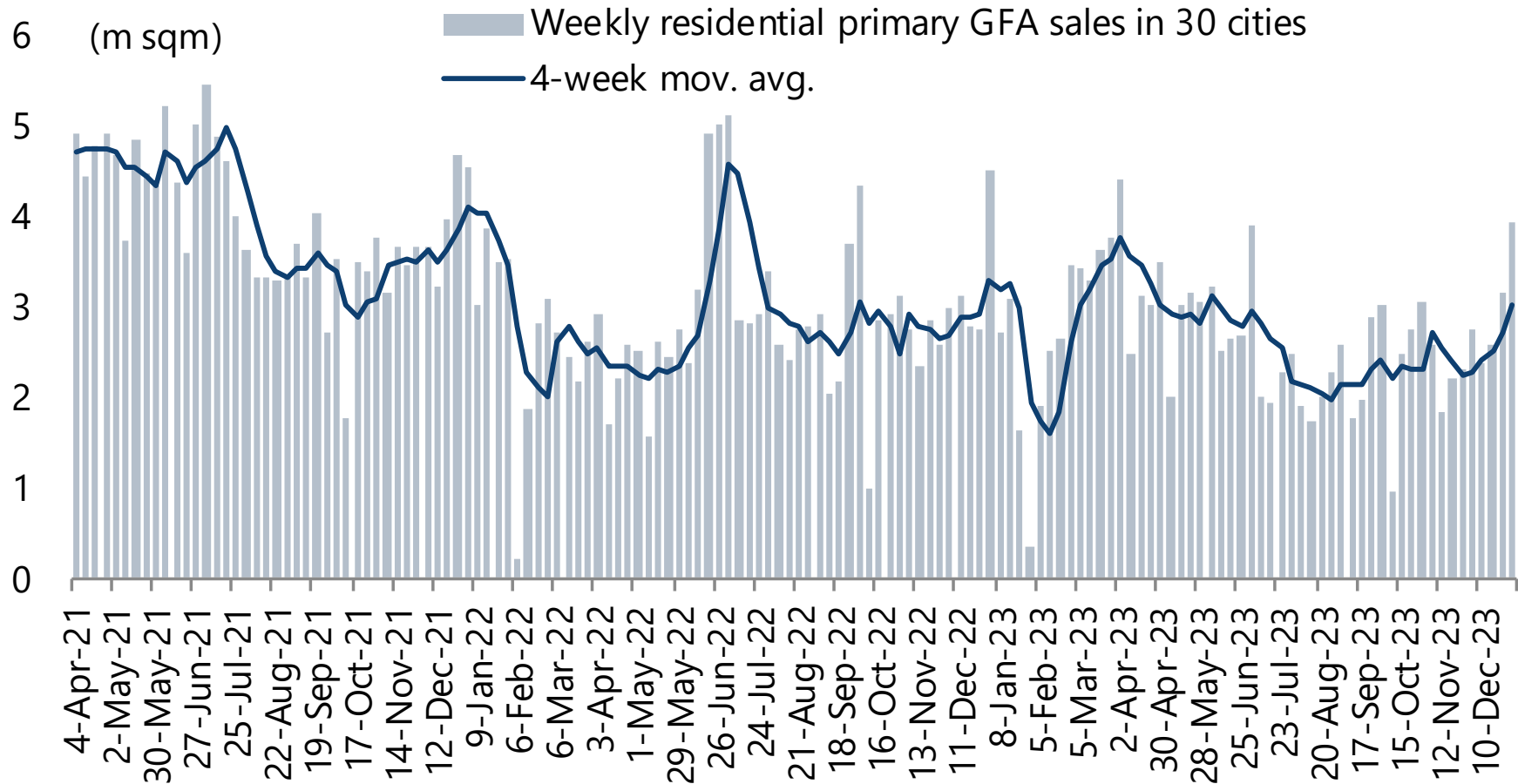
China's commercial banks were operating on a record low net interest margin of 1.725% as of 3Q23.
Source: China Banking and Insurance Regulatory Commission (CBIRC), CEIC Data

China: Household consumption growth and income growth



China per capita consumption rose by 9.2% YoY in the first three quarters of 2023, compared with a 6.3% YoY increase in disposable income per capita. Source: National Bureau of Statistics, CEIC Data, Jefferies

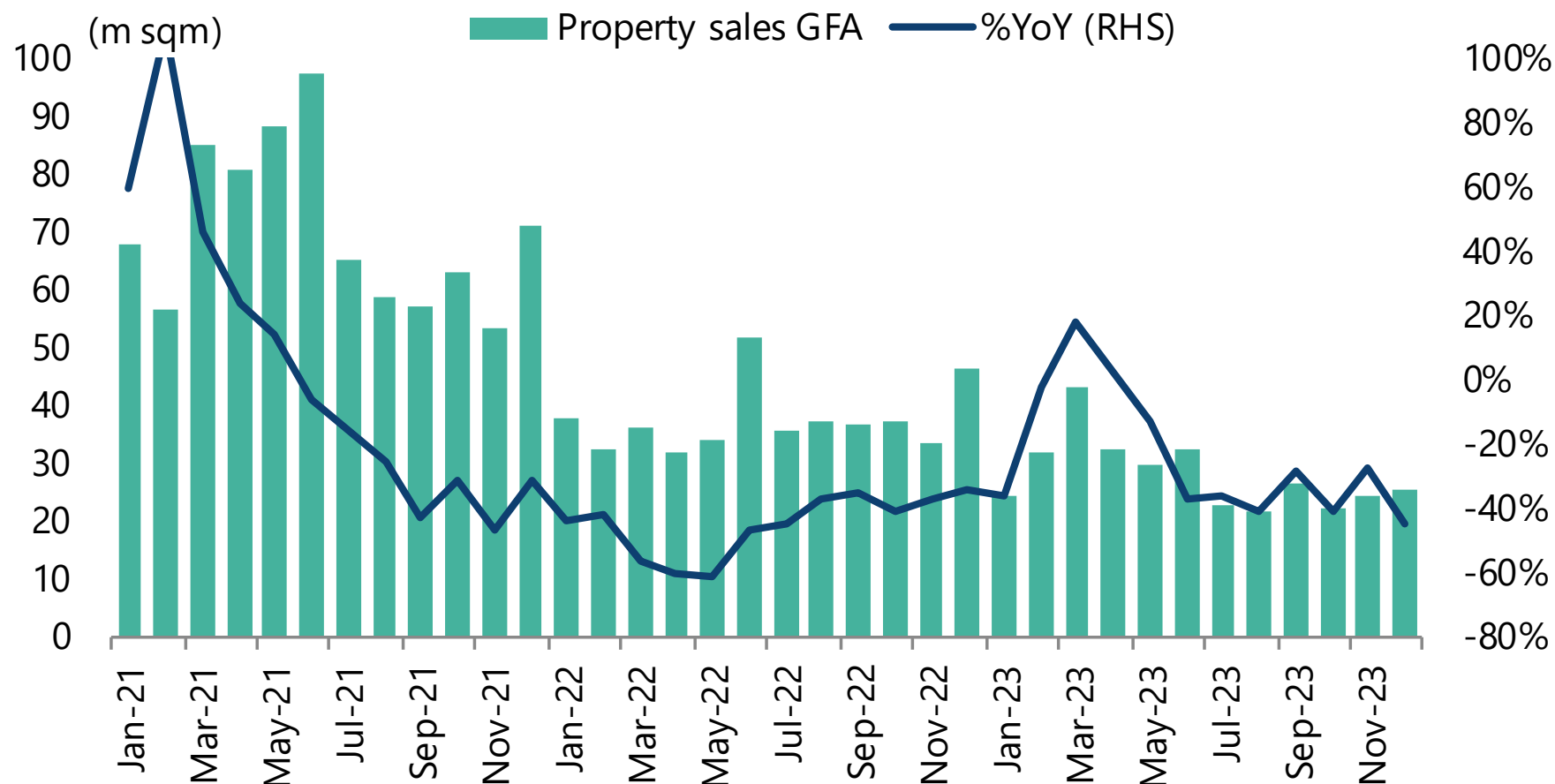
China: Residential primary floor space sales in 30 major cities



China weekly primary residential floor space sold in 30 major cities declined by 9% YoY to an average of 3.024m sqm in the four weeks to 31 December, though up 52% from an average of 1.988m sqm in the four weeks to 27 August 2023.

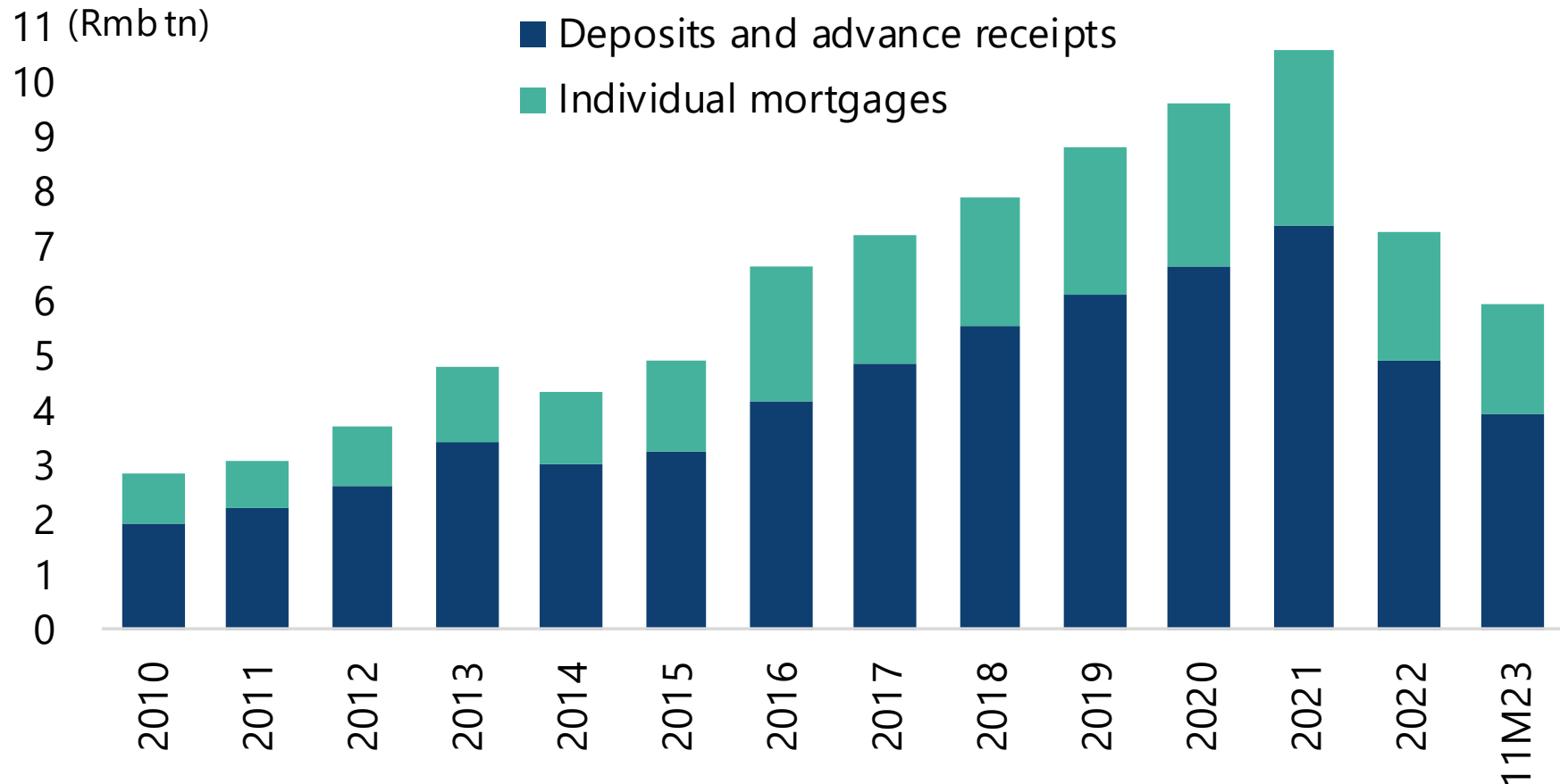
Note: Data up to the week ended 31 December 2023. Source: WIND, Jefferies

China: Property sales by top-100 developers (GFA basis)



China property sales volume by the top 100 developers rose by 4.8% MoM to 25m sqm in December but was down 45.5% YoY.
 Source: China Real Estate Information Corp (CRIC), Jefferies

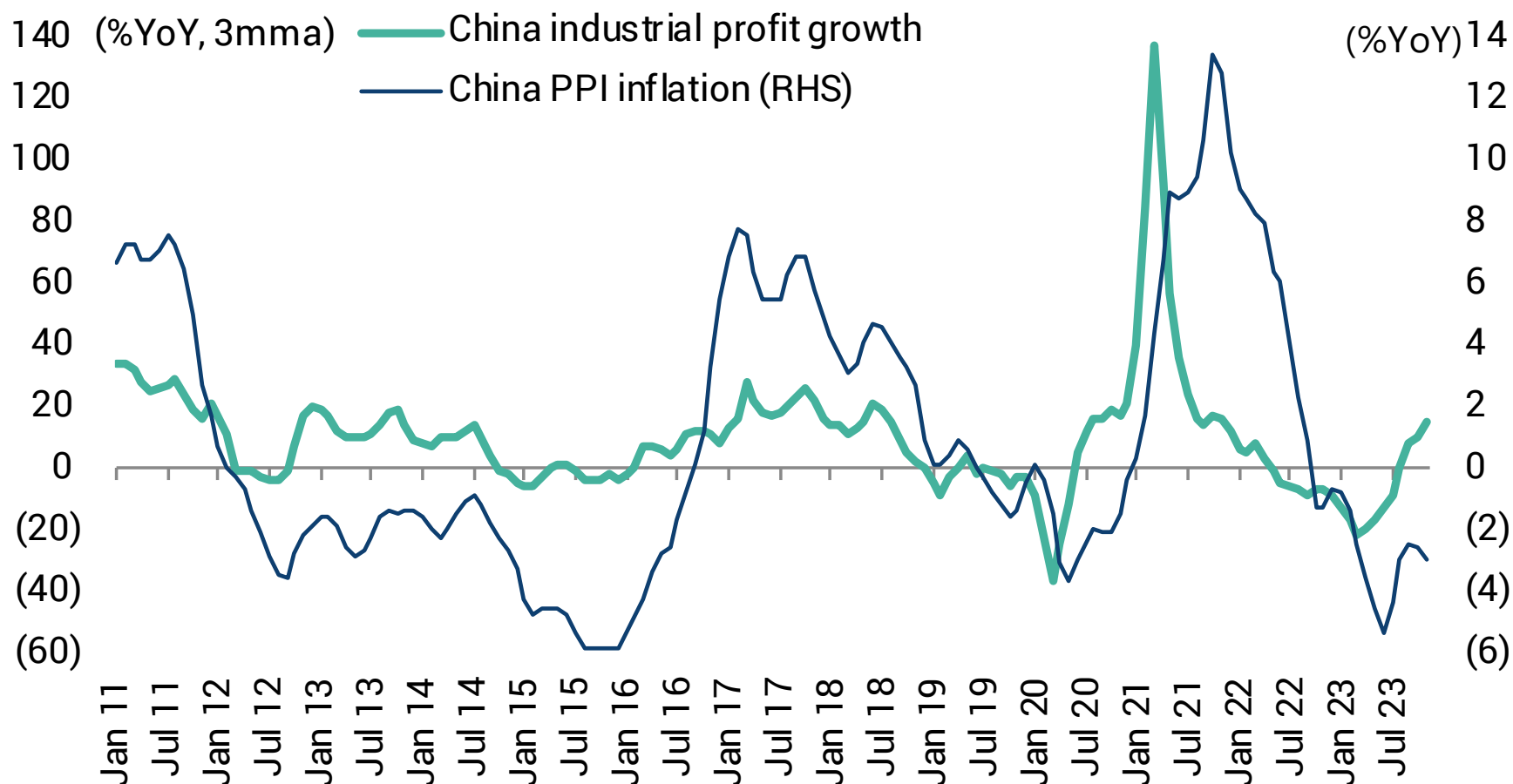
China: Funds from pre-sales for property developers' investment



China property pre-sales proceeds, including deposits, advance receipts and mortgages, are on course to reach Rmb6.5tn in 2023 (Rmb6tn in January-November), compared with Rmb8.9tn in 2019 before the pandemic.

Note: Data up to November 2023. Source: National Bureau of Statistics, Jefferies

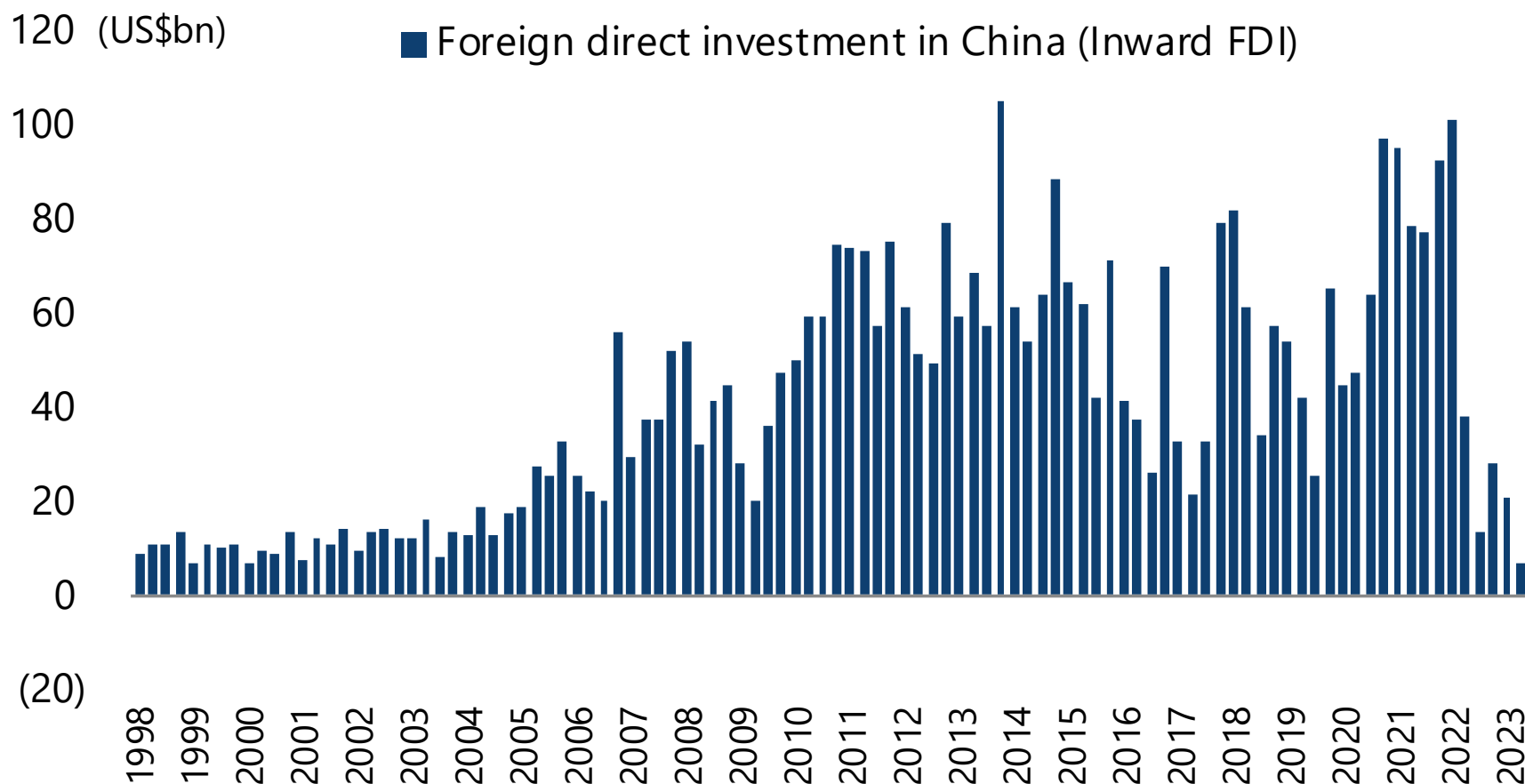
China: Industrial profit growth and PPI inflation



China industrial profits rose by 29.5% YoY in November and were up 14.6% YoY in the three months to November, up from a 21.4% YoY decline in 1Q23. While PPI declined by 3.0% YoY in November, up from a 5.4% YoY decline in June.

Source: National Bureau of Statistics, CEIC Data, Jefferies

China: Foreign direct investment in China (Inward FDI)



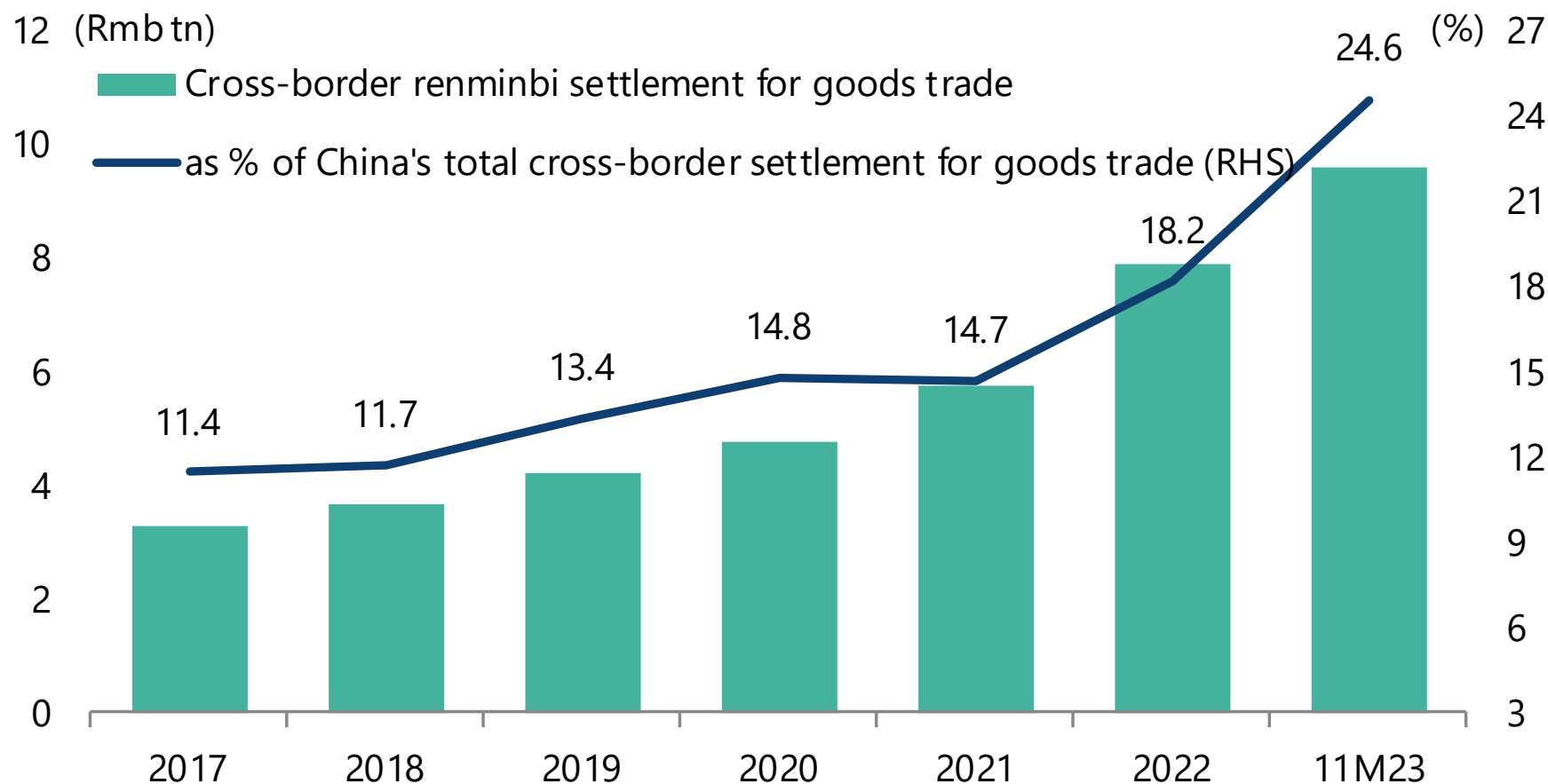
Foreign direct investment in China plunged by 82% YoY to US\$6.75bn in 2Q23, the smallest quarterly inward FDI amount since 1Q00. It turned negative for the first time in 3Q23, falling to minus US\$11.8bn. Source: State Administration of Foreign Exchange (SAFE)

China: Exports to Global South and G7 as % of total exports



China's exports to Global South now amount to 36% of its annualised total exports, up from 21% at the beginning of 2008, while the share of exports to G7 declined from 39% to 29% over the same period. Annualised exports to Global South have risen from US\$772bn in June 2020 to US\$1.30tn in April 2023 and US\$1.24tn in November. Note: Global South includes Asean, Latin America, Africa, India, Pakistan, Saudi Arabia, UAE and Turkey. Source: CEIC Data, General Administration of Customs, Jefferies

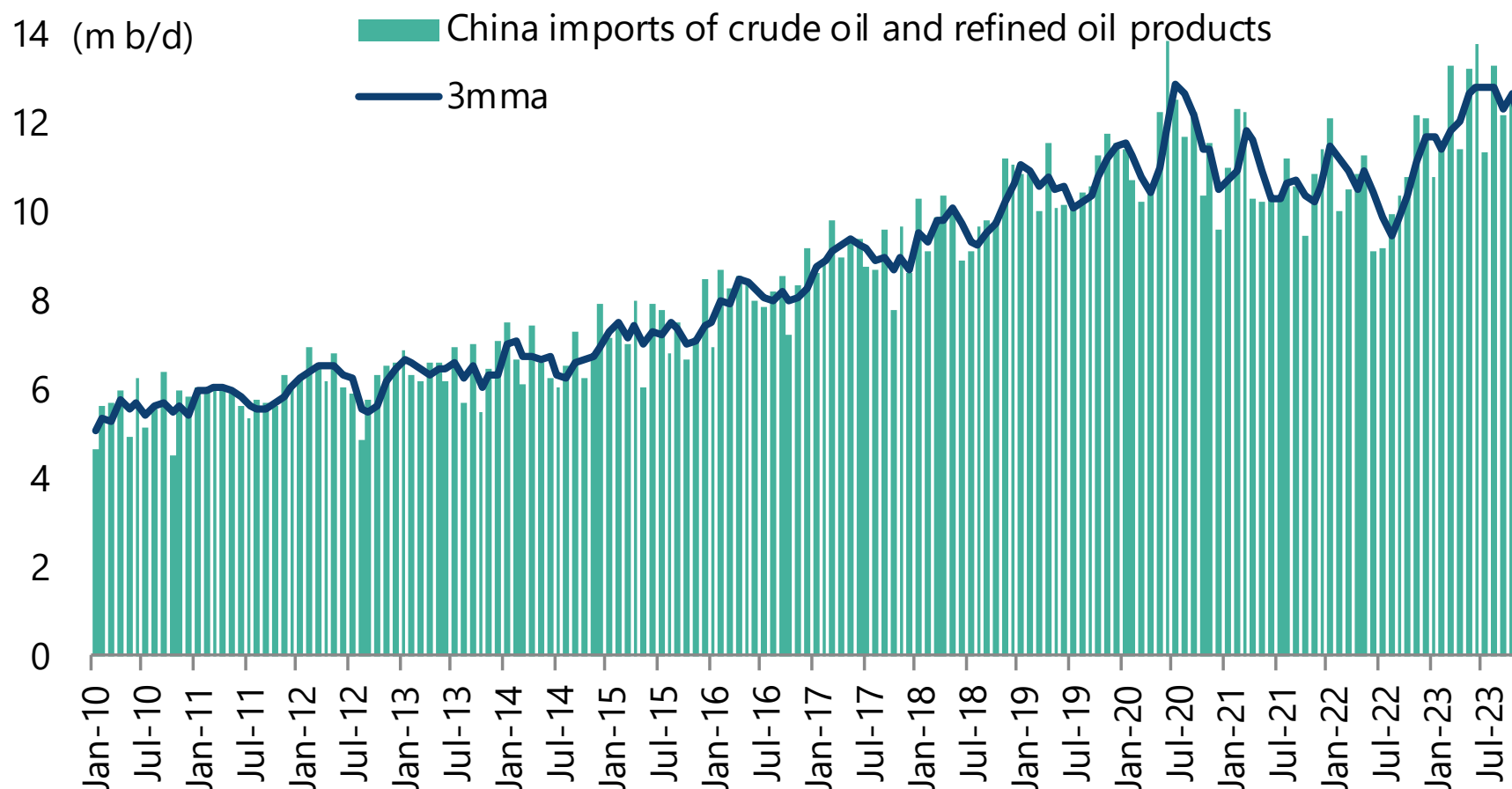
China: Cross-border renminbi settlement for goods trade



China's cross-border goods trade settlement in renminbi totaled Rmb9.6tn in the first 11 months of 2023, accounting for 24.6% of China's total cross-border settlement for goods trade, up from 18.2% in 2022 and 14.7% in 2021.

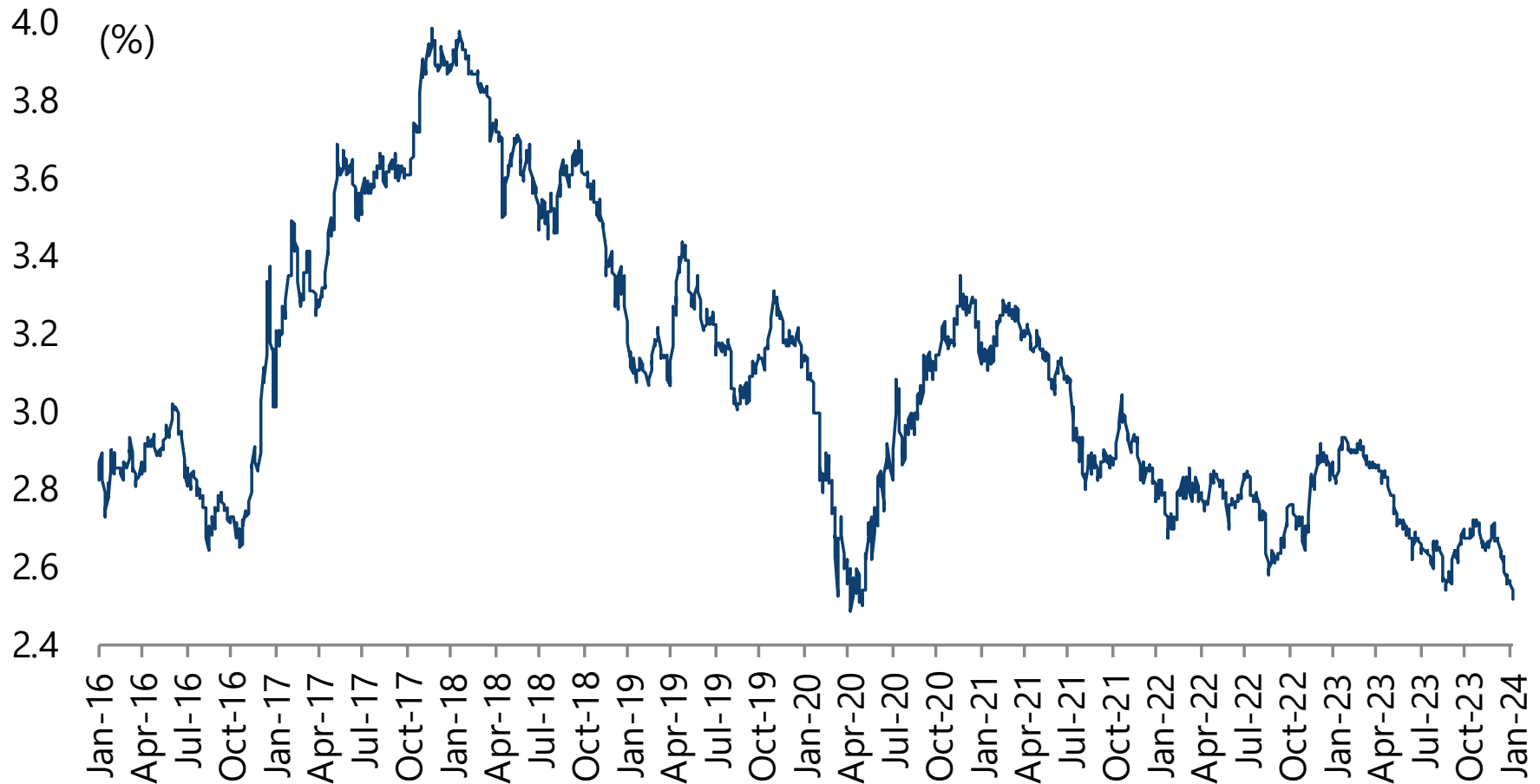
Source: PBOC, State Administration of Foreign Exchange (SAFE), CEIC Data, Jefferies

China: Imports of crude oil and refined oil products



China's imports of crude oil and refined oil products have increased from a recent low of 9.5m b/d in the three months to August 2022 to 12.1m b/d in the three months to November 2023, close to the previous peak of 12.9m b/d reached in the three months to July 2020. Note: Data up to November 2023. Source: General Administration of Customs, CEIC Data

China: 10-year government bond yield



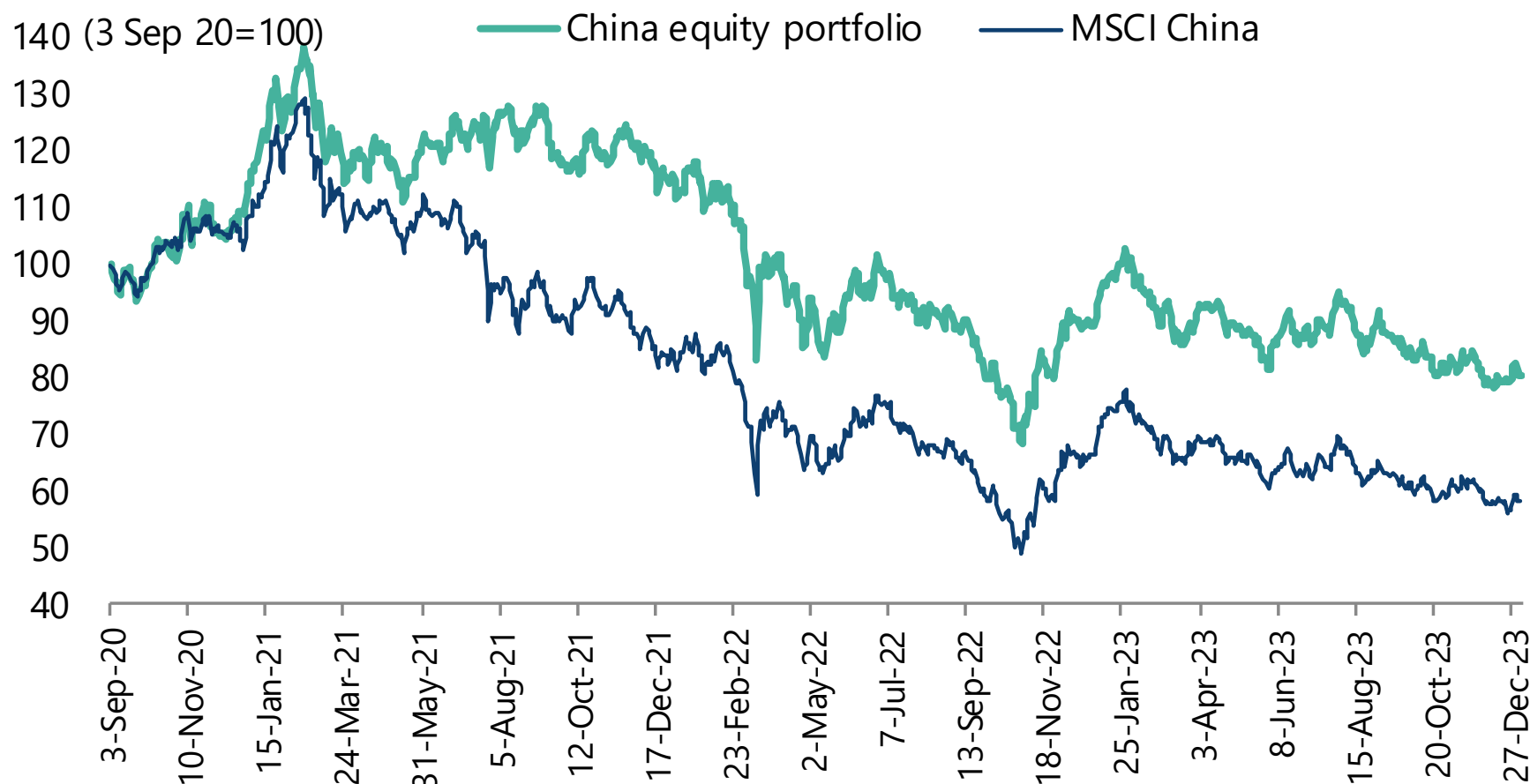
China 10-year government bond yield has declined from 2.72% in mid-October to 2.52%, compared with the previous low of 2.54% reached in August 2023. Source: ChinaBond, Bloomberg

China long-only equity portfolio

Stock name	Ticker	weighting (%)	Description
CNOOC	883 HK	5	oil & gas company
Alibaba	9988 HK	4	e-commerce
JD.com	9618 HK	3	e-commerce
Meituan	3690 HK	3	e-commerce
Tencent	700 HK	5	internet media
Baidu	9888 HK	5	internet media
NetEase	9999 HK	3	internet media
Trip.com	9961 HK	5	online travel
AIA (HK)	1299 HK	5	insurance company
China Yangtze Power	600900 CH	4	power generation company
East Money	300059 CH	4	online financial information platform
Zijin Mining (H)	2899 HK	5	metal mining
Contemporary Amperex Technology (CATL) (A)	300750 CH	6	electric vehicle battery maker
Advanced Micro-Fabrication Equipment (A)	688012 CH	4	semiconductor equipment
China Resources Land	1109 HK	4	property developer
China Overseas Land & Investment	688 HK	4	property developer
HSBC	5 HK	4	Hong Kong bank
Swire Pacific	19 HK	4	Hong Kong conglomerate
Sun Hung Kai Properties	16 HK	4	Hong Kong real estate
BYD	1211 HK	6	electric vehicle maker
Huizhou Desay SV Automotive (A)	002920 CH	3	auto parts supplier
Fuyao Glass	3606 HK	5	auto glass producer
KE Holdings (Beike)	BEKE US	5	housing transaction platform

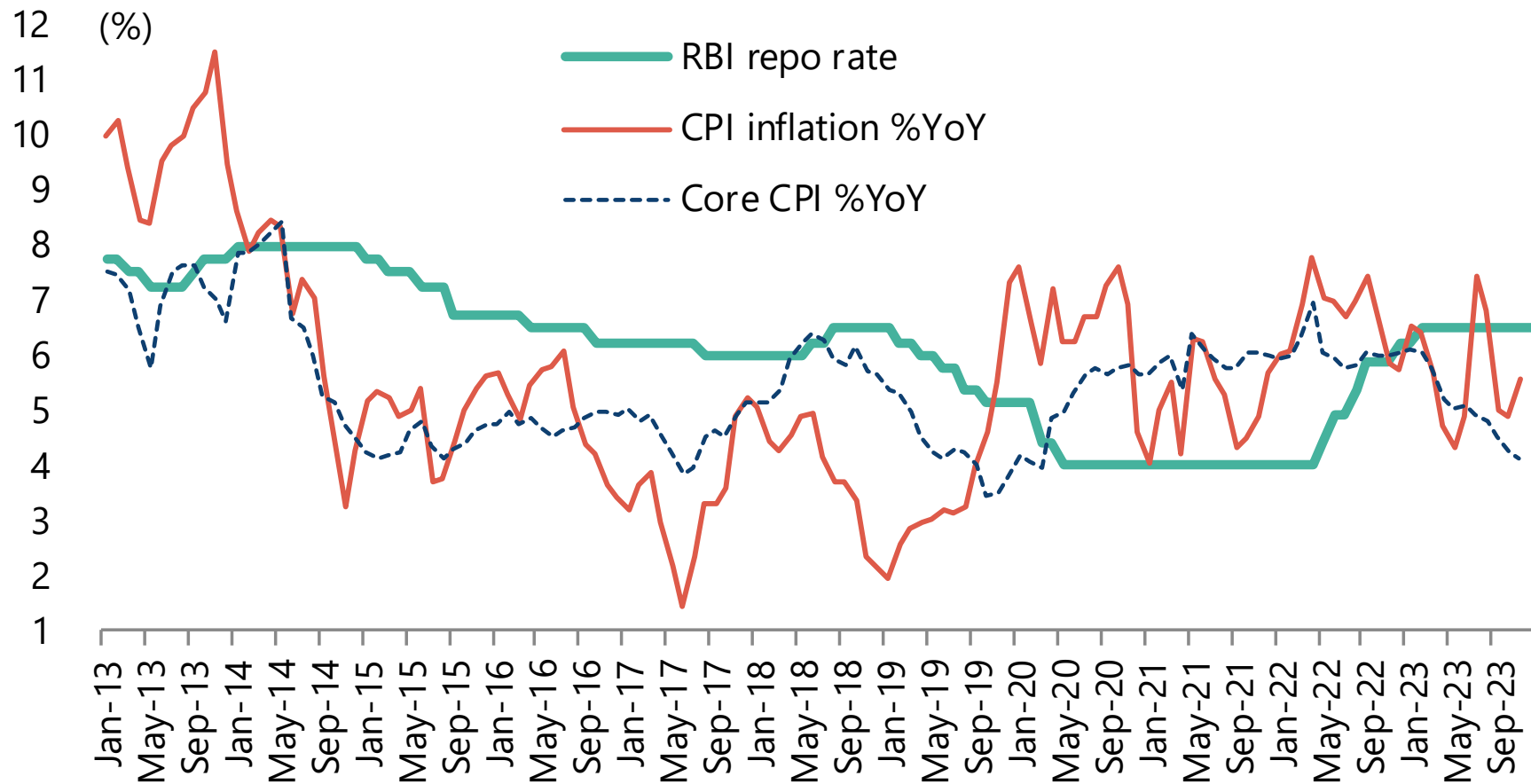
Source: Jefferies

China long-only equity portfolio performance and MSCI China



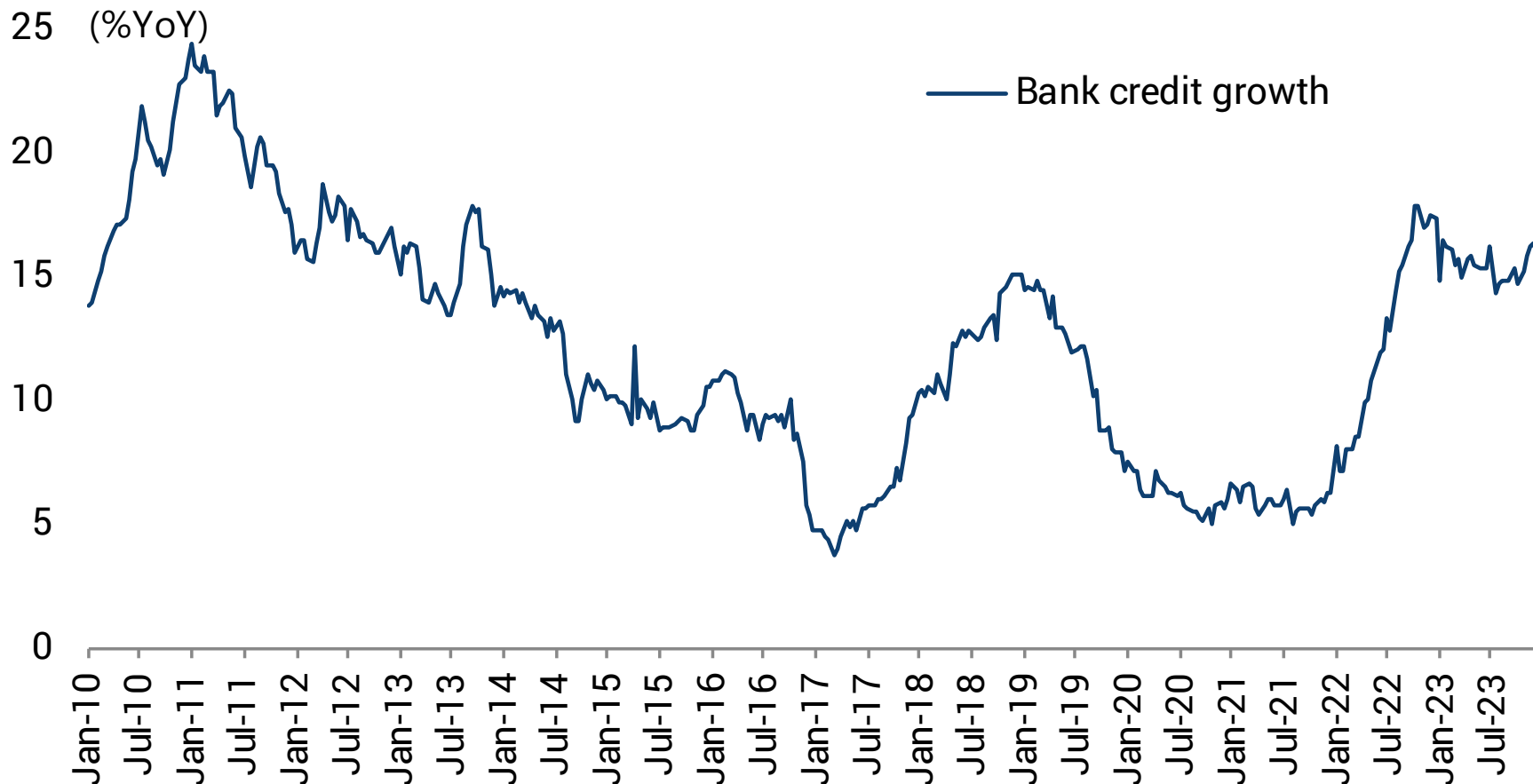
The China long-only equity portfolio has declined by 19.5% in US dollar terms on a total-return basis since inception on 3 September 2020, compared with a 41.8% decline in the MSCI China Index. It has, therefore, outperformed by 38.4%. Note: Data up to 4 January 2024. Source: Jefferies, Datastream

India: RBI policy repo rate and CPI inflation



The Reserve Bank of India has raised the key policy repo rate by 250bp since May 2022 to 6.5%, though it kept the policy rate unchanged in the past five meetings since April. Headline CPI inflation declined from 7.4% YoY in July to 4.9% YoY in October and was 5.6% YoY in November, while core CPI inflation slowed from 4.9% YoY in July to 4.1% YoY in November. Food prices were up 8.7% YoY in November while energy (fuel & light) prices were down 0.8% YoY. Source: Reserve Bank of India, MOSPI

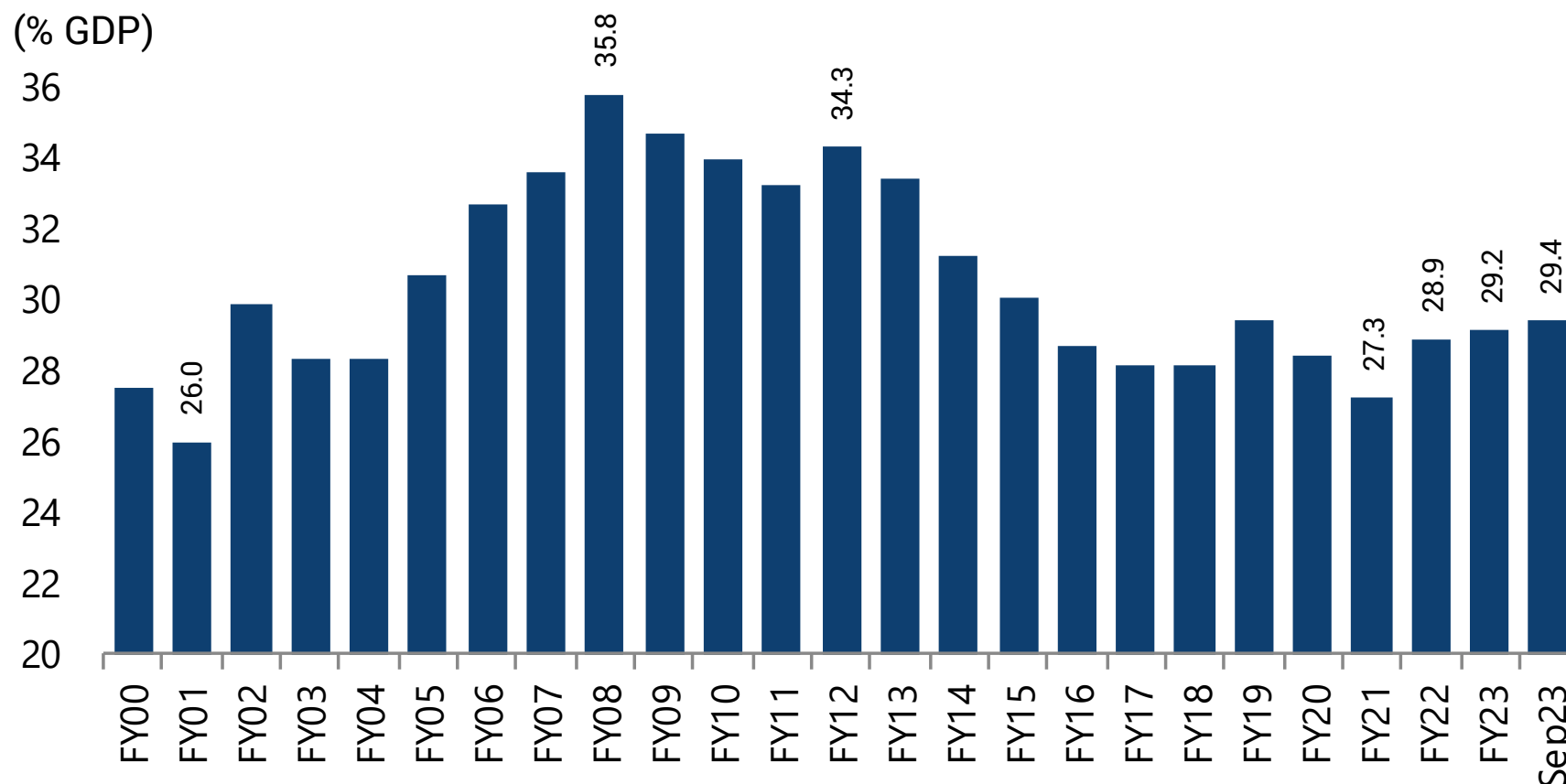
India: Bank credit growth



India bank credit growth has risen from 7.1% YoY in late January 2022 to 18% YoY in early October 2022, the highest level since June 2012, though it has since slowed to 15.8% YoY in the week ended 15 December 2023.

Source: Reserve Bank of India, CEIC Data

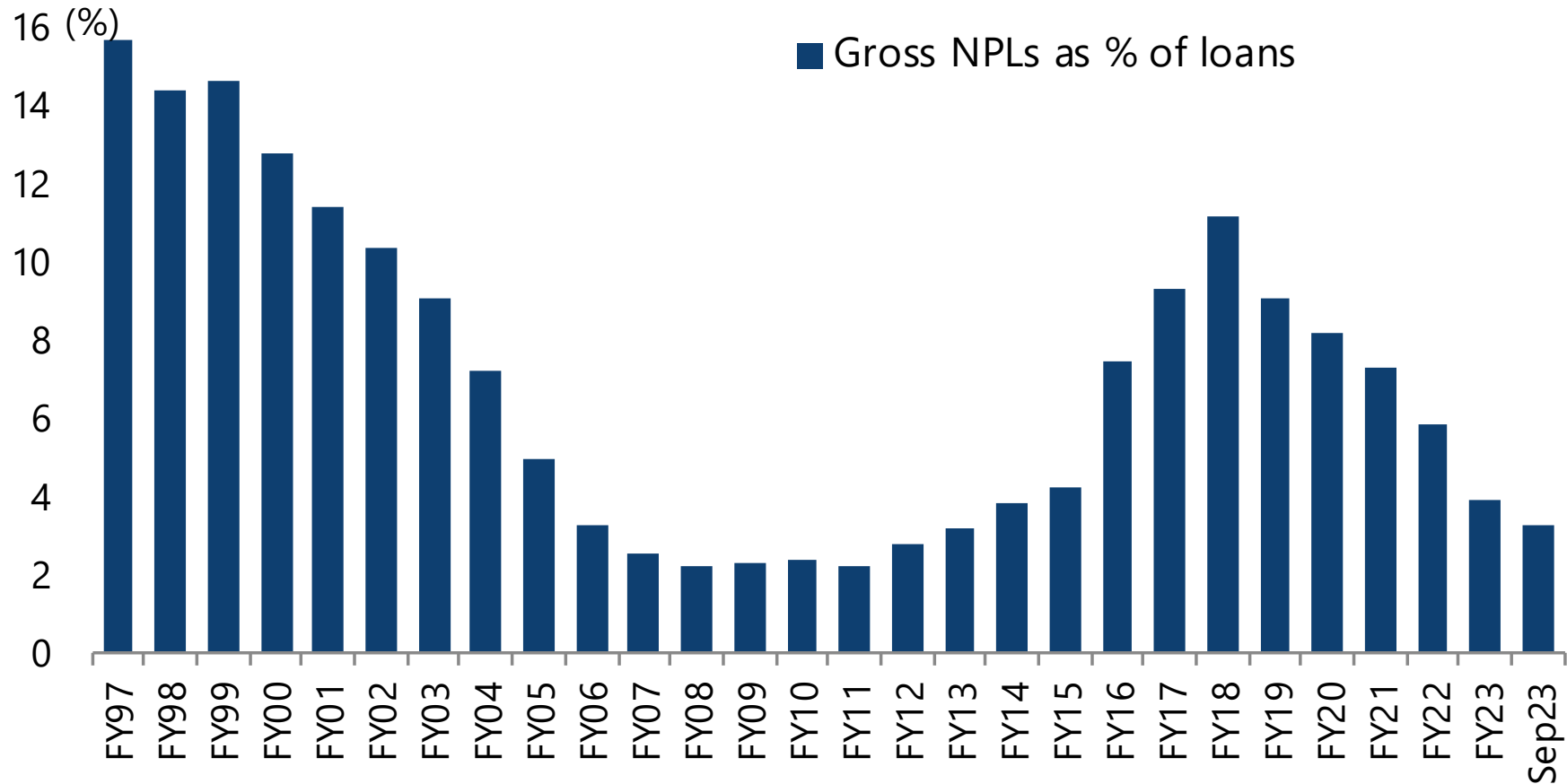
India: Gross fixed capital formation as % of nominal GDP



The gross fixed capital formation (GFCF) to nominal GDP ratio has declined from a peak of 35.8% in FY08 to a low of 27.3% in FY21 and has since risen to 29.2% in FY23 and an annualised 29.4% in the four quarters to September 2023.

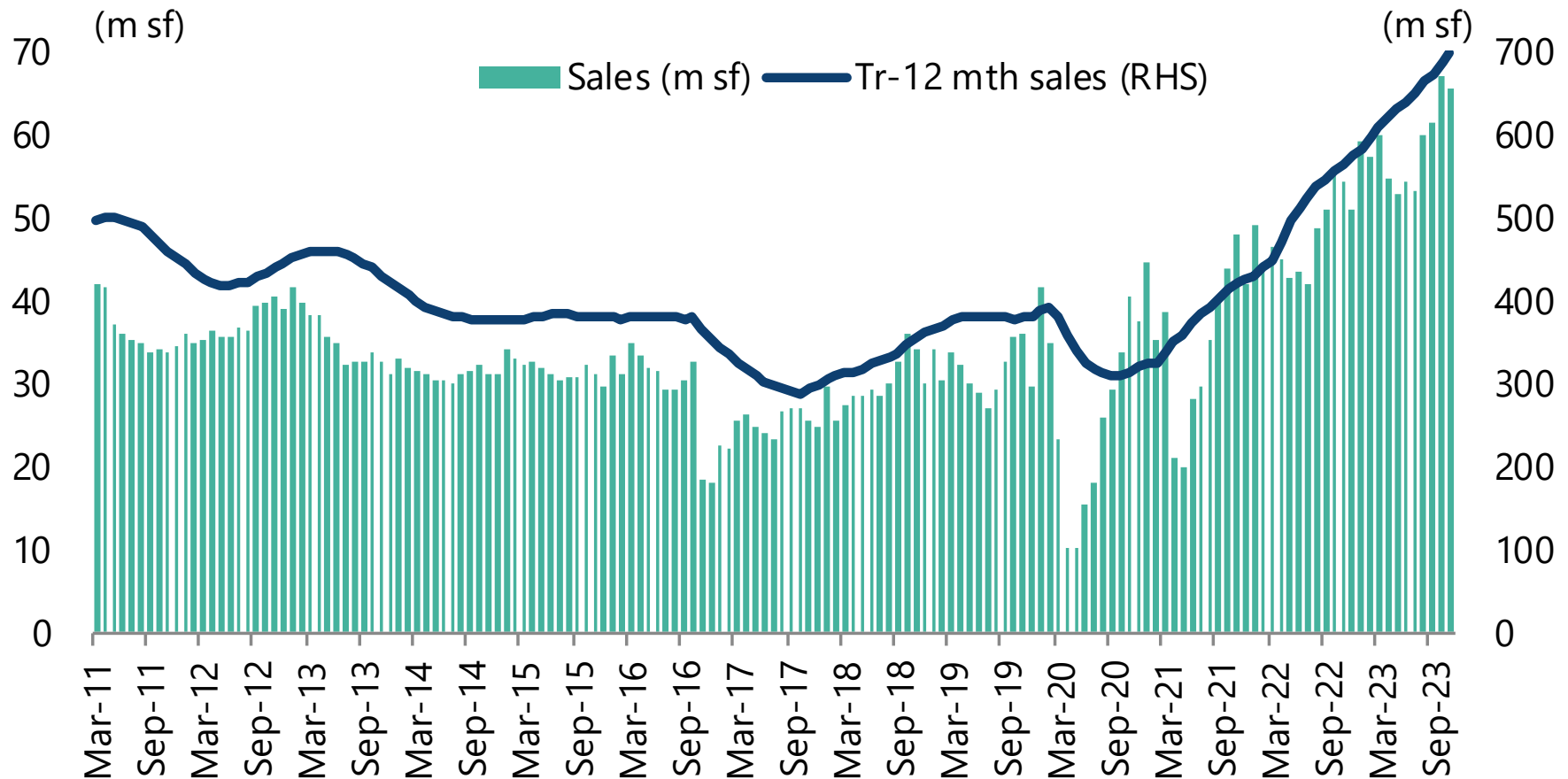
Note: Fiscal years ending 31 March. Source: MOSPI, CEIC Data

India: Banks' gross NPL ratio



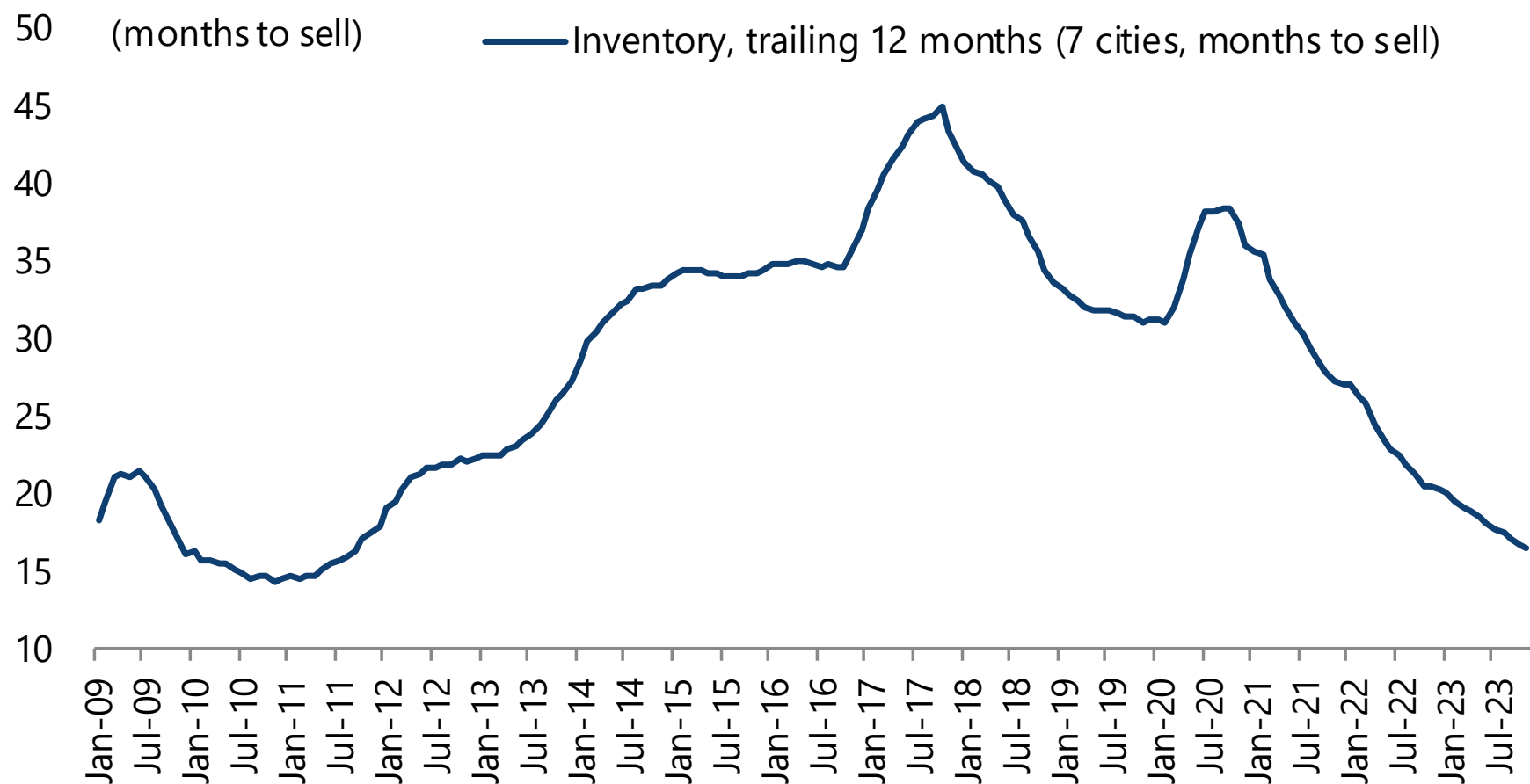
Indian banks' gross NPL ratio has declined from 11.2% in FY18 to a decade low of 3.3% in September 2023. Note: Fiscal years ending 31 March. Source: Reserve Bank of India, Jefferies

India: Residential property project sales in top-7 cities



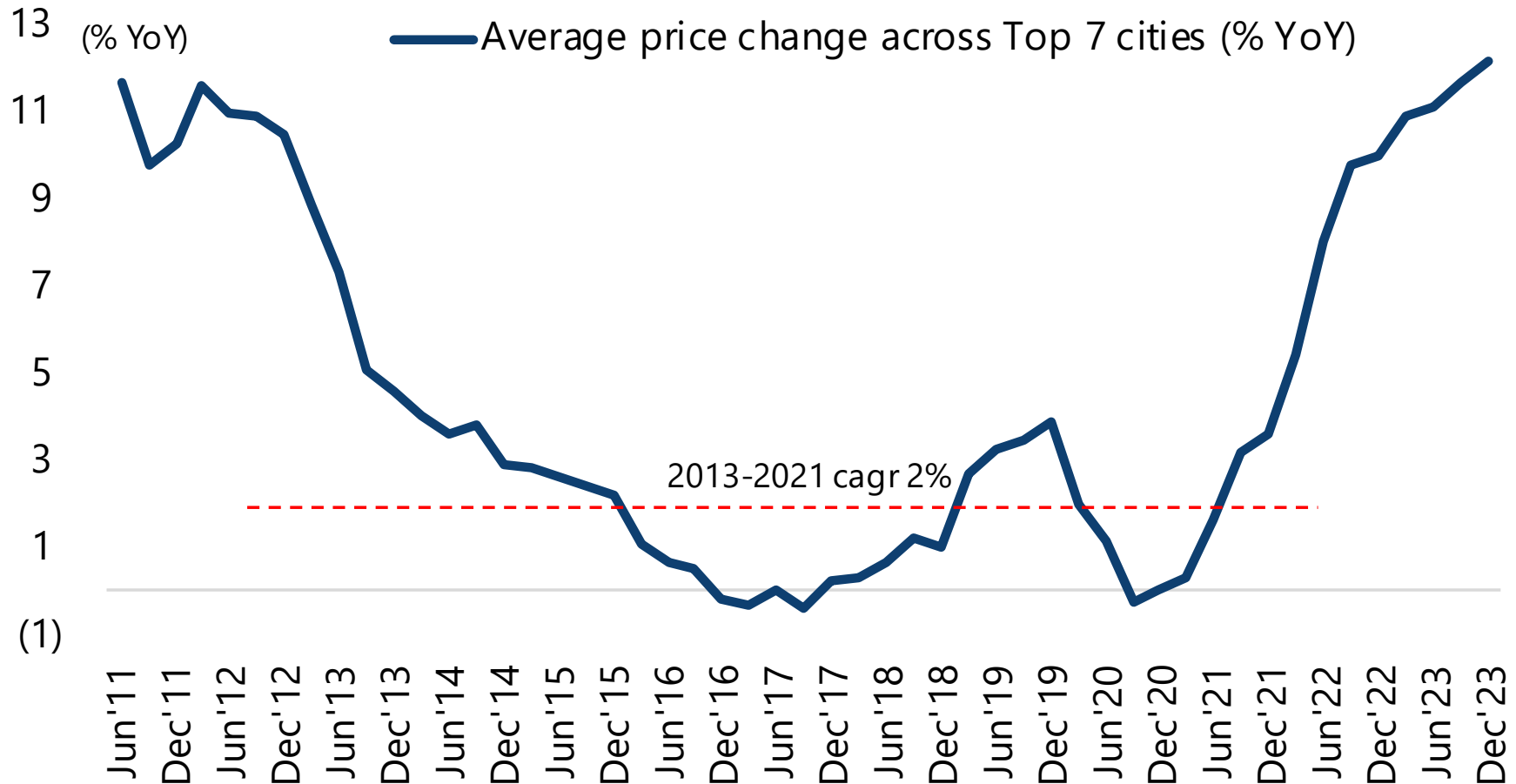
India annualised residential property project sales in top-7 cities have risen from 309m sq ft in the 12 months to October 2020 to 699m sq ft in the 12 months to November 2023. Source: Propequity, Jefferies

India: Residential inventory trend in top-7 cities



India residential inventory levels have declined to a 12-year low of 16.5 months of sales for the top-7 cities.
Note: Trailing 12-month basis. Data up to November 2023. Source: Propequity, Jefferies

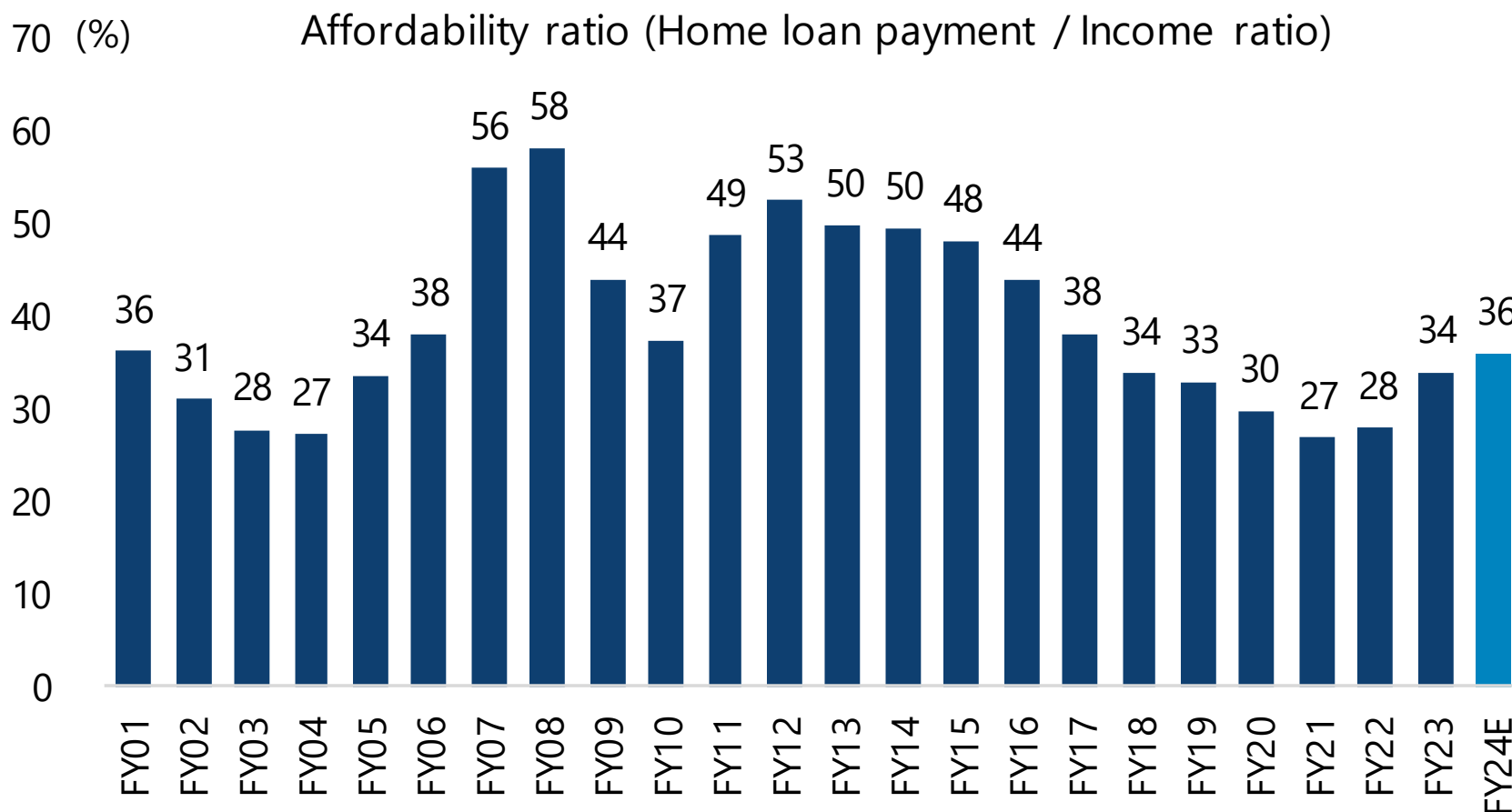
India: Average residential property price change across Top 7 cities



India residential property prices across the top seven cities rose by an average 11.7% YoY in 3Q23 and an estimated 12.2% YoY in 4Q23, the highest growth rate since 1Q11.

Source: Cushman & Wakefield, Knight Frank, Jefferies

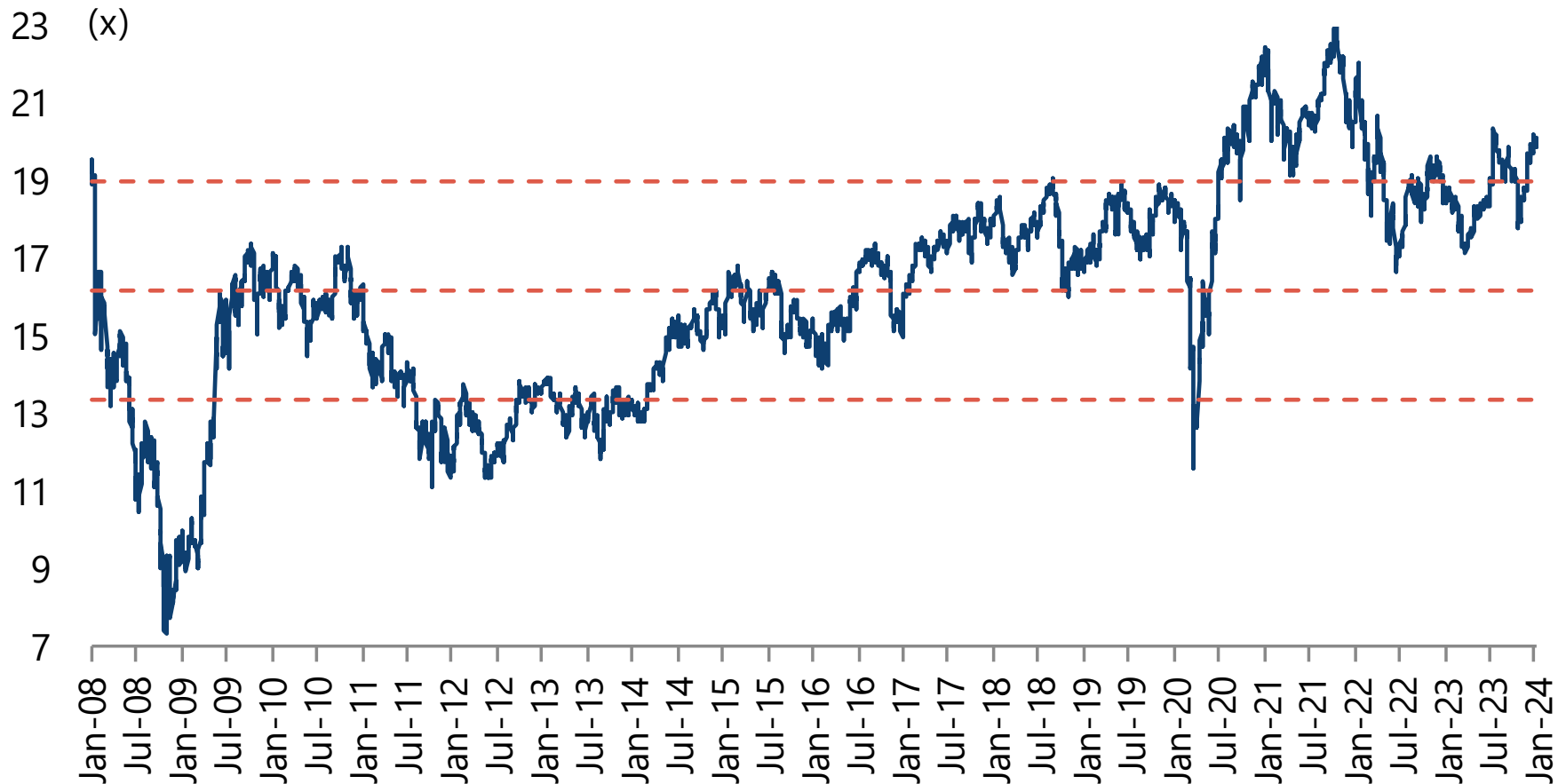
India: Housing affordability ratio



India housing affordability ratio, measured as mortgage payment as % of income, has declined from 53% in FY12 to 27% in FY21 and was 34% in FY23 ended 31 March. The affordability ratio is estimated by Jefferies' India office to rise to 36% in FY24 assuming an 8.75% mortgage rate. This remains below the average of 40% between FY01 and FY22.

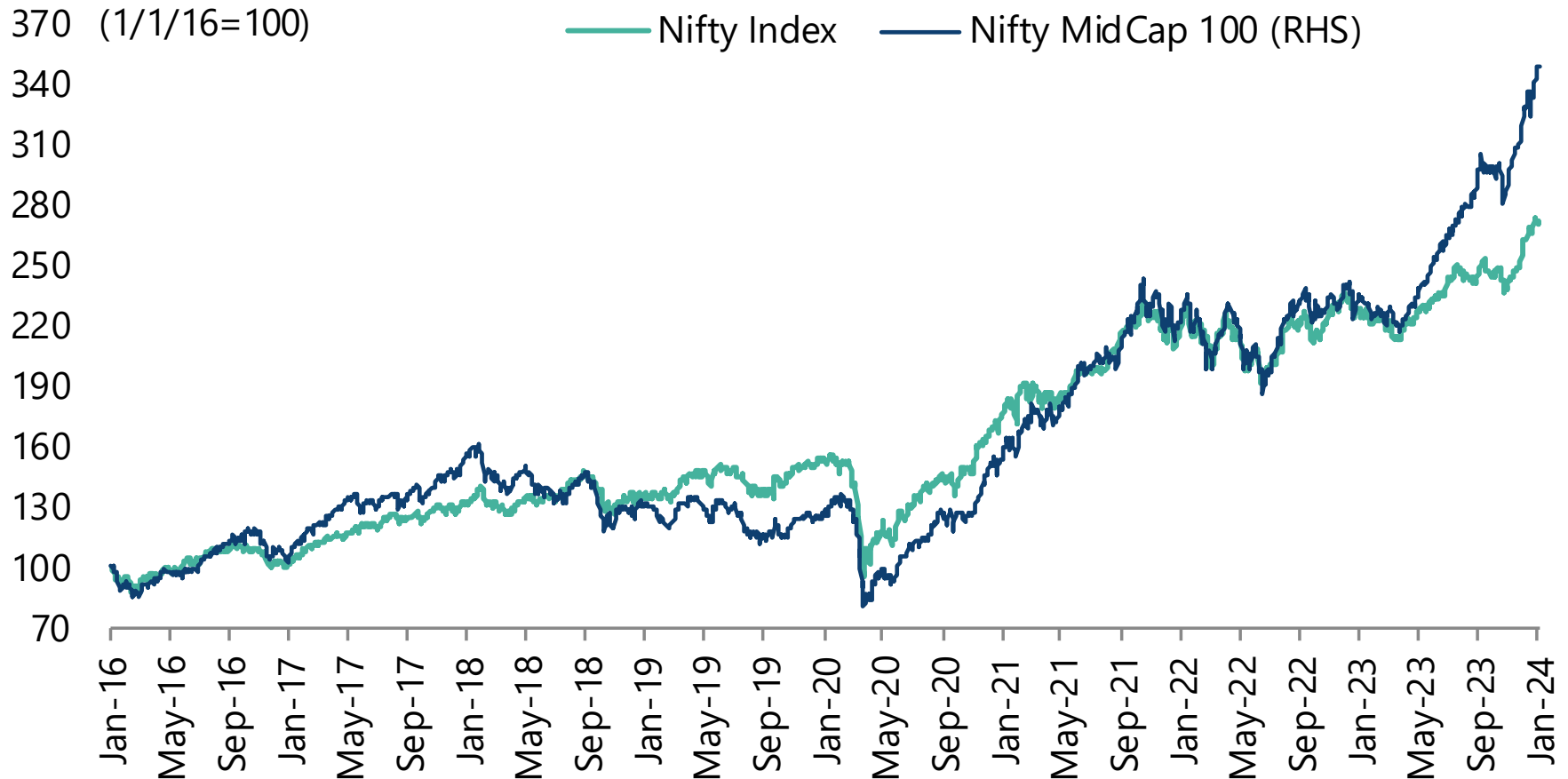
Note: Jefferies forecast for FY24. Source: HDFC, SBI, Jefferies

India: Nifty 12-month forward PE



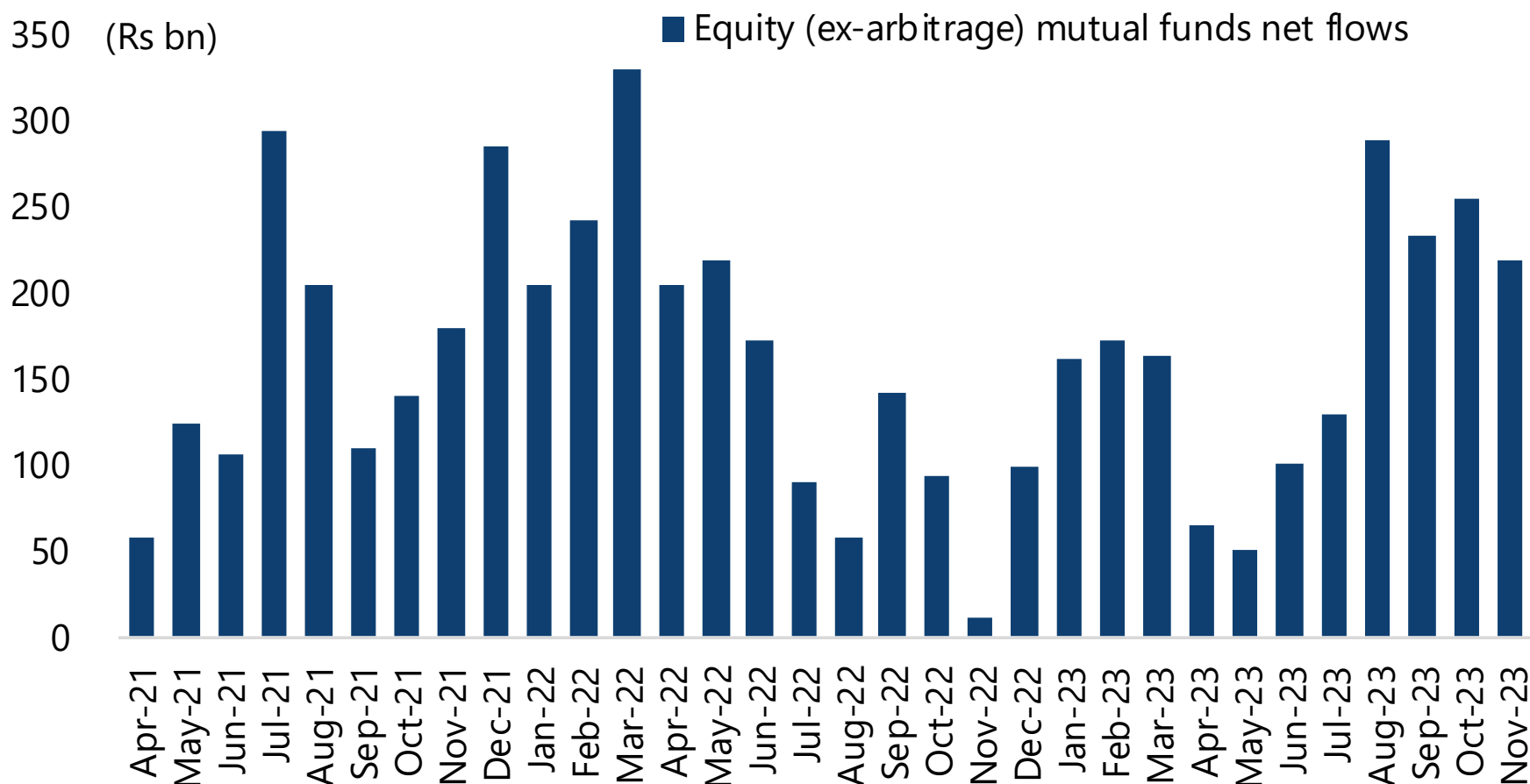
The Nifty Index now trades on 20x one-year forward earnings, compared with a long-term average of 16.2x since 2008 and a 10-year average of 17.7x. Note: Dotted lines denote mean and +/-1 s.d. Source: Bloomberg, Jefferies

India: Nifty MidCap 100 Index relative to Nifty



The Nifty MidCap 100 Index trades at 27.7x 12-month forward earnings and is up 50% since the start of 2023, compared with a 20% gain in the Nifty Index. Source: Bloomberg

India: Net inflows into domestic equity mutual funds



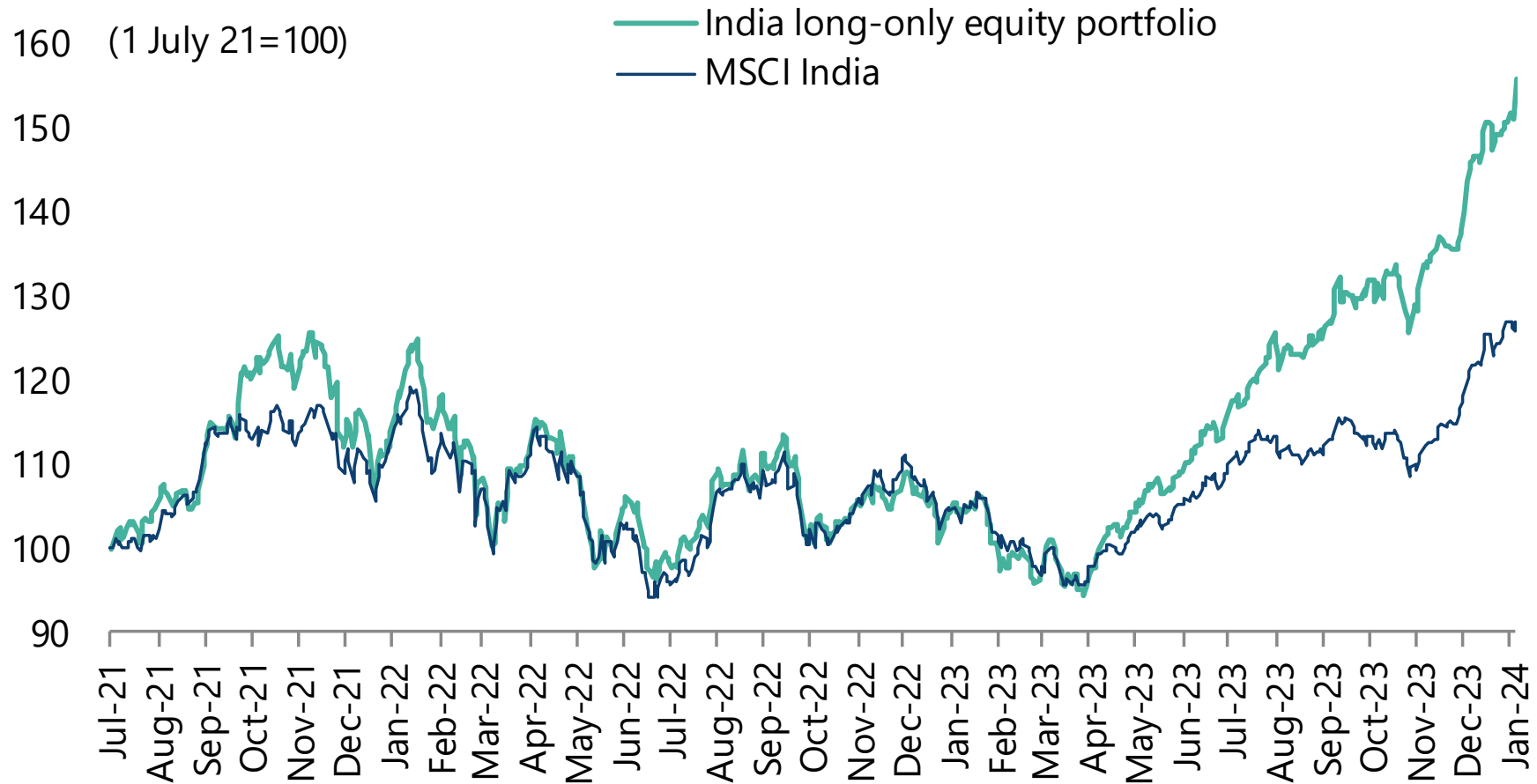
Monthly net inflows into domestic equity mutual funds declined from Rs174bn in February to Rs50bn in May and have since risen to Rs290bn in August and Rs219bn in November. Note: Include Equity funds, Solution-Oriented schemes, 65% of Hybrid and 20% of Index Funds. Exclude arbitrage funds. Data up to November 2023. Source: AMFI, Jefferies

India long-only equity portfolio

Sector	Stock name	Ticker	weighting (%)
Financials	ICICI Bank	ICICIBC IN	7
	HDFC Bank	HDFCB IN	7
	Axis Bank	AXSB IN	6
	State Bank of India	SBIN IN	5
	AU Small Finance Bank	AUBANK IN	4
	SBI Life Insurance	SBILIFE IN	6
	REC Limited (Rural Electrification Corp)	RECL IN	6
Energy	Reliance Industries	RELIANCE IN	9
	Coal India	COAL IN	4
	JSW Energy	JSW IN	5
Real Estate	Godrej Properties	GPL IN	5
	Century Textiles	CENT IN	4
	DLF Limited	DLFU IN	5
	Macrotech Developers	LODHA IN	5
Infrastructure	Larsen & Toubro	LT IN	6
Transport	Adani Ports & Special Economic Zone	ADSEZ IN	6
Power equipment	Thermax	TMX IN	5
Internet	Zomato	ZOMATO IN	5

Source: Jefferies

India long-only portfolio performance vs MSCI India



The India long-only equity portfolio has risen by 55.9% in US dollar terms on a total-return basis since inception on 1 July 2021, compared with a 27.2% gain in the MSCI India Index and a 27.3% gain in the Nifty Index.

It has, therefore, outperformed the MSCI India by 22.6% since inception and outperformed the Nifty by 22.4%.

Note: Data up to 4 January 2024. Performance in US dollar terms on a total-return basis. Source: Datastream, Jefferies

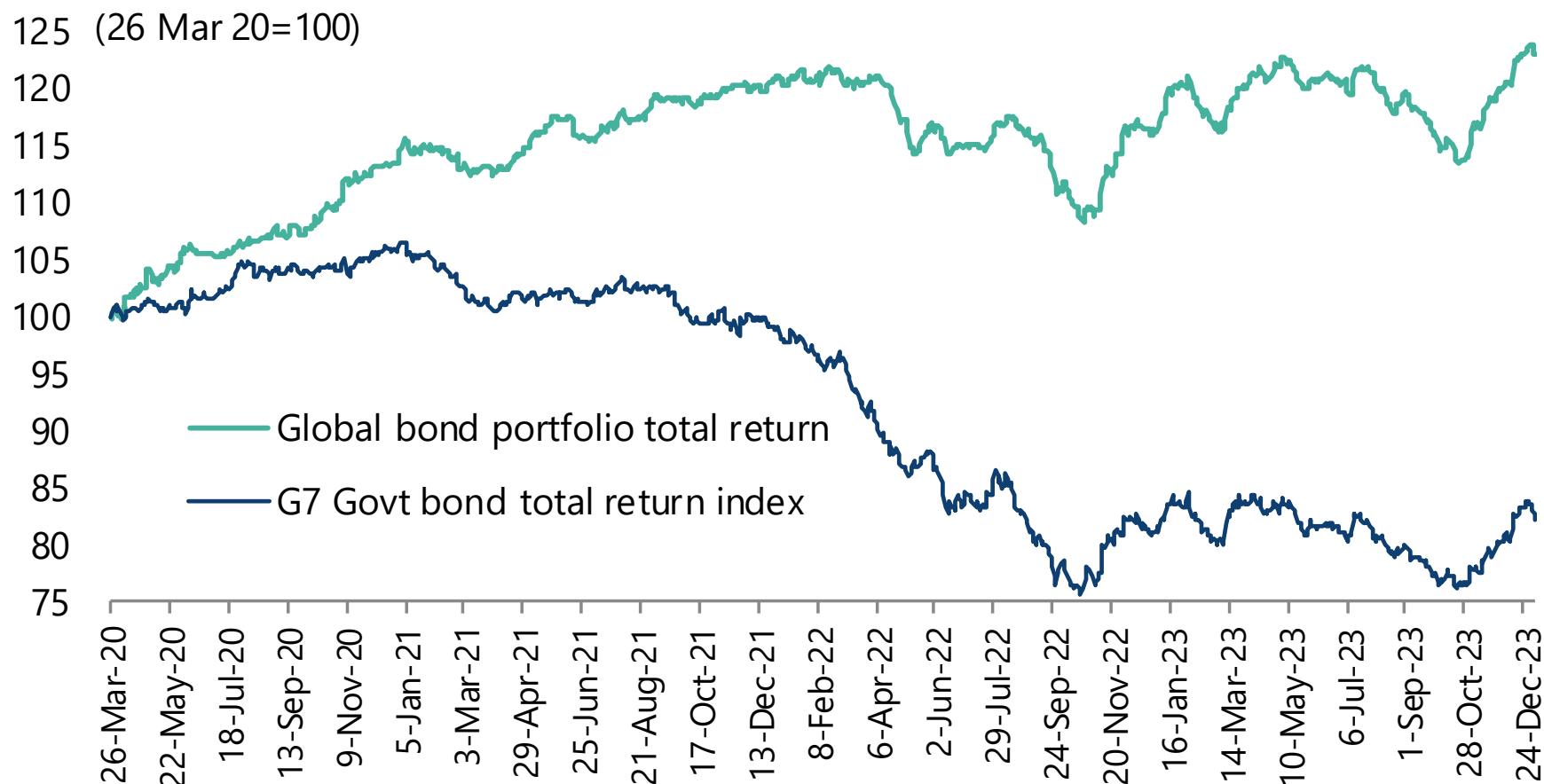
Global sovereign bond portfolio

Government bonds	Yield (%)	Weight (%)
China renminbi 10-year	2.54	20
Indonesia rupiah 10-year	6.66	30
India rupee 15-year	7.34	20
Singapore dollar 10-year	2.76	10
Brazil real 10-year	10.54	20
Average yield/Total weight	6.36	100

Note: Average G7 government bond yield = 2.93%. Data as of 4 January 2024.

Source: Jefferies, Bloomberg

Global sovereign bond portfolio performance and G7 Govt Bond Index



The global sovereign bond portfolio has risen by 23% in US dollar terms on a total-return basis since inception on 26 March 2020, while the Bloomberg G7 government bond index is down 17.7% over the same period.

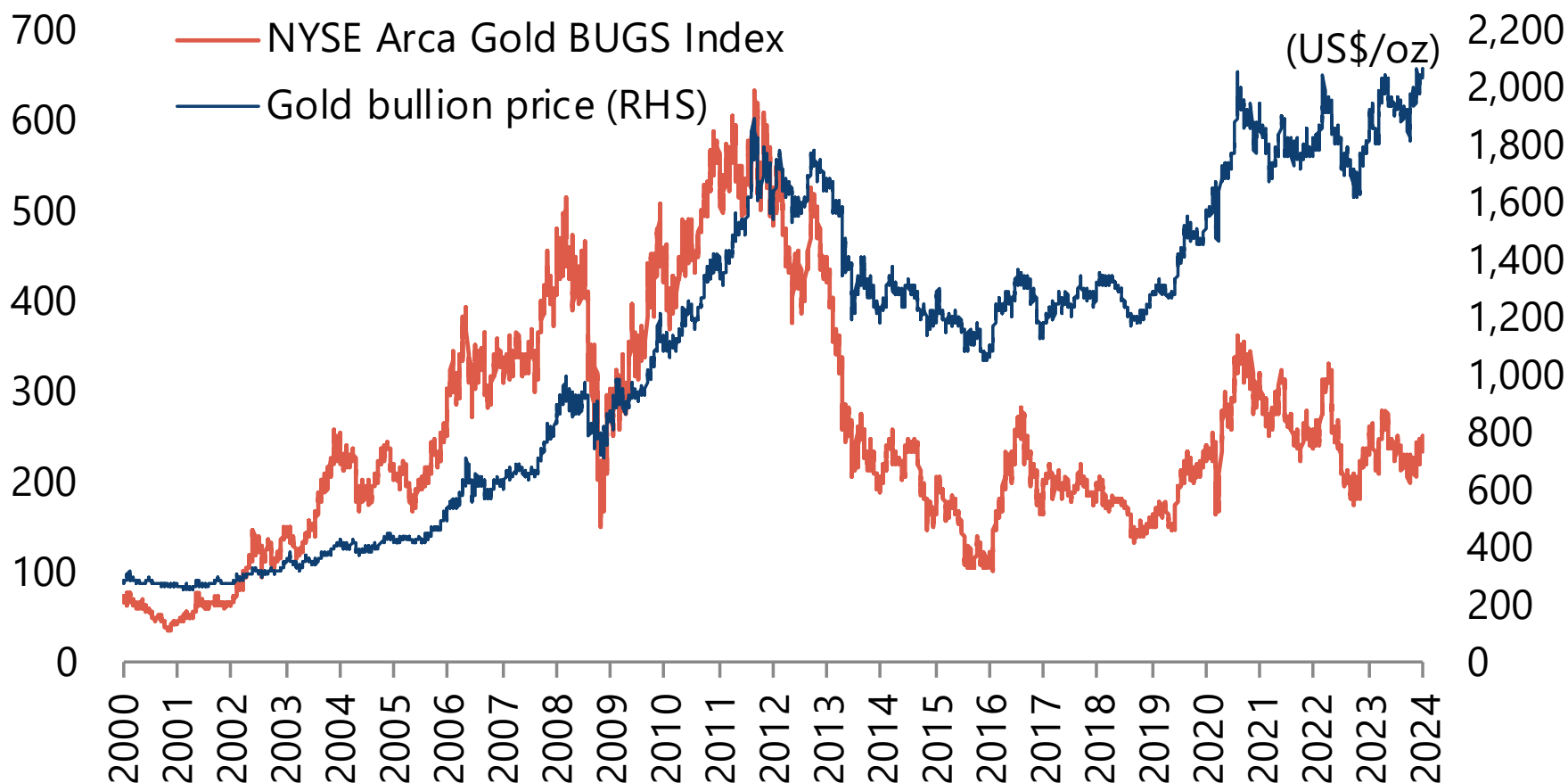
Note: Data up to 4 January 2024. Source: Jefferies, Bloomberg

Recommended long-only asset allocation for US-dollar-denominated pension funds

Weight (%)	Investment type
40%	Physical gold bullion
30%	Asia ex-Japan equities, weighted according to the long-only thematic portfolio
20%	Unhedged gold mining stocks
10%	Bitcoin

Source: Jefferies

Gold bullion price and gold mining stocks index in US dollar terms



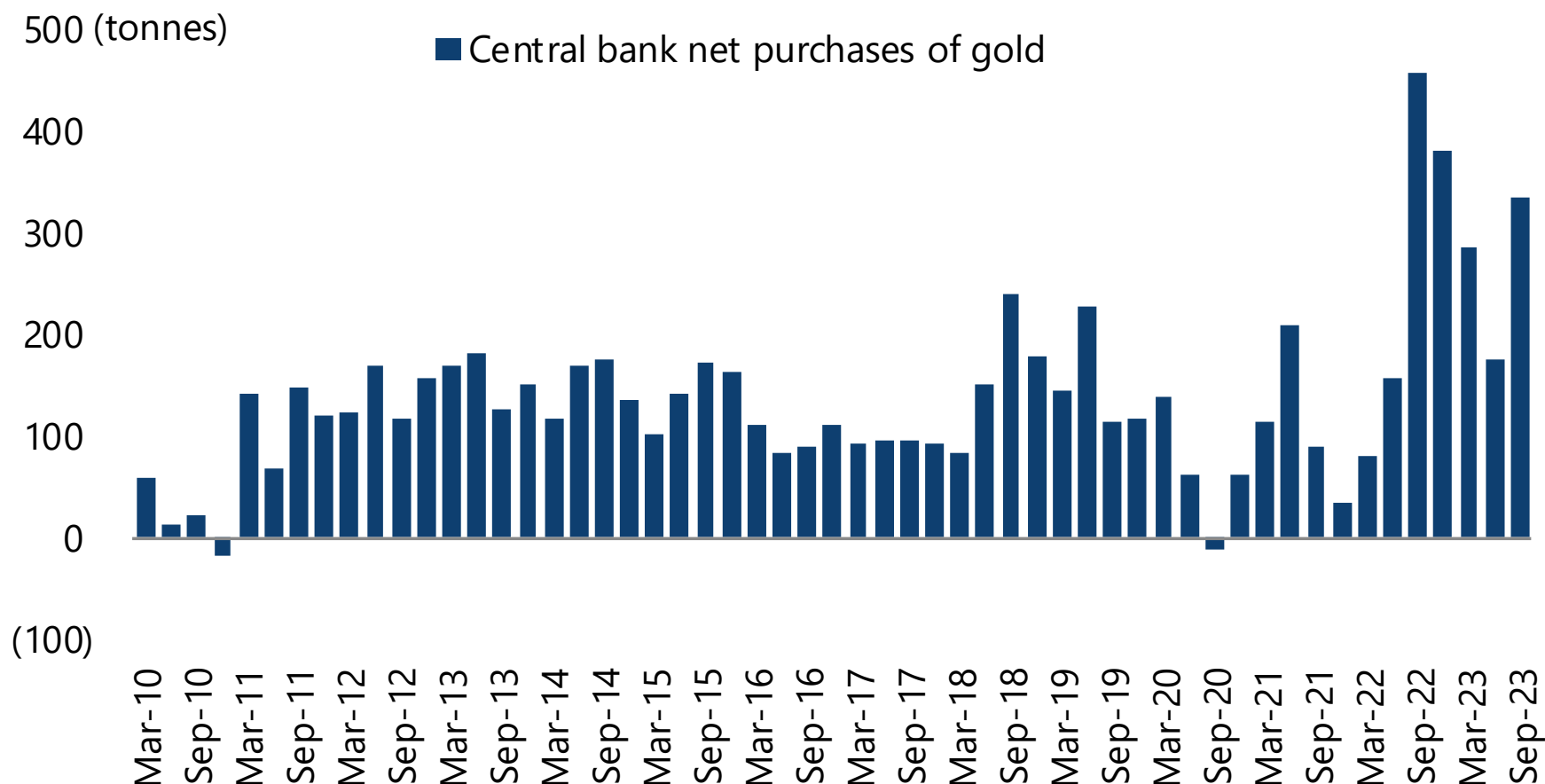
Gold bullion price rose from a closing low of US\$1,622/oz on 26 September 2022 to a new record closing high of US\$2,077/oz on 27 December 2023 and is now US\$2,042/oz. The NYSE Arca Gold BUGS Index of unhedged gold mining stocks has risen by 33% from the recent low on 26 September 2022. The index has underperformed the gold bullion price by 38% since July 2020 but outperformed by 7.3% since September 2022. The index is now trading at November 2005 level when the gold price was around US\$470/oz. The long-term gold price target is now US\$5,500/oz. Source: Bloomberg, Jefferies

Gold holdings by ETFs



Gold holdings by ETFs have declined by 799 tonnes or 23% from the peak of 3,453 tonnes reached in October 2020 to 2,654 tonnes.
Note: Data up to 4 January 2024. Based on Bloomberg's daily gold ETFs data. Source: Bloomberg

Central bank net purchases of gold



Global central banks bought a record net 1,082 tonnes of gold in 2022 and a net 800 tonnes in the first three quarters of 2023.
Source: World Gold Council

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