

US Rate Cut: How would it impact global stock returns?

EQUITY STRATEGY TEAM

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TRADING MATTERS SERIES:
NEWS FOCUS

The summary and impact of a major news event

Historical view of US interest rate cut

The US Federal Reserve (Fed) has embarked on 14 rate cycles since 1929, and upon analysing, certain trends become apparent.¹ Although the sample size is not statistically significant, the data is compelling. Of the 14 rate cycles since 1929, 12 of them saw positive US S&P 500 returns for the 12-month period following the first rate cut.¹ It is worth noting that the two negative periods, which occurred after rate cuts in 2001 and 2007, are relatively recent but were influenced by unique circumstances such as the dot-com implosion and the subprime mortgage crisis, respectively.¹

Potential impact on the current US Market

There are 7 central bankers meeting scheduled in the month of September 2024, with the market's focus primarily on the anticipated rate cut by the US Fed, potentially to deliver 25 basis points (bps) at each of the remaining three meetings of 2024.² This expectation has led to a significant influx of approximately US\$90 billion into US money market funds during the first half of August 2024, as investors aim to secure attractive yields that could outlast the projected interest rate reduction.³

04 Sep 2024	Bank of Canada	Potentially expect 25bps rate cut
12 Sep 2024	European Central Bank	Potentially expect an 80% chance for a rate cut
18 Sep 2024	US Federal Reserve	Potentially expect a 25bps rate cut
19 Sep 2024	Bank of England	Cut rates in Aug 2024 and be careful of possible further rate cuts
20 Sep 2024	Bank of Japan	Back on 31 Jul, hiked rates from Zero to 0.25%
24 Sep 2024	Reserve Bank of Australia	Ruled out of rate cut for rest of 2024
26 Sep 2024	Swiss National Bank	Potentially expect a 25bps rate cut

Source: Bloomberg, extracted on 22 Aug 2024

A big plus for markets is the abundance of US\$6.21 trillion liquidity on the sidelines which could likely be a supportive base for the stock markets. Research suggests that "defensive" sectors, such as healthcare and utilities, which are known for their resilience during times of economic uncertainty, tend to perform well when interest rates are rising.¹ Conversely, "cyclical" sectors like consumer discretionary and industrials thrive in an expanding economy and may benefit from a potential rate decrease. Therefore, the market may wonder if a sector shift to cyclicals is on the horizon.¹

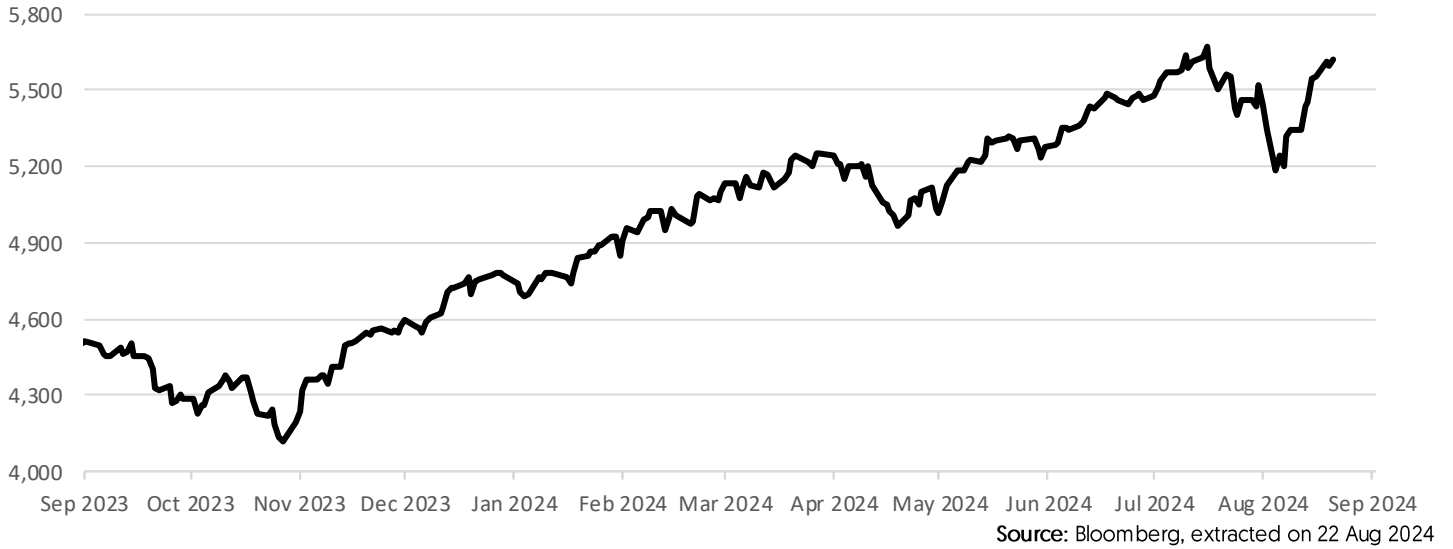
Potential impact on the Asian Market

The anticipation of US rate cuts has resulted in the weakening of the US dollar (USD).⁴ With the Fed expected to begin its rate-cutting cycle, anticipates further USD weakness, particularly against Asian currencies.⁴ Substantial USD hoarding in Asia, particularly in China, Taiwan, and Korea, may likely begin to unwind.⁴ As such, there may significantly shifts in speculative positioning and could drive an increased portfolio allocation towards Emerging Markets in Asia.⁴ Foreign portfolio investments into Asia are expected to increase, driven by a recovery from outflows that began in July 2024.⁴ Despite recent net foreign equity outflows in Taiwan and Korea, there are signs of a rebound, which could lead to increased capital inflows into Asian markets as these markets stabilize.⁴ China's economic situation remains a critical factor. A significant policy package aimed at stabilizing the property market could be introduced by the end of the year.⁴



United States

Below are the **index stocks** with **market cap of more than USD 50B**



Top 30 index stocks based on Market Capitalisation

Ticker	Name	Market Cap (USD)	Price (USD)	Earning Announcement Date	Analysts' Consensus 12M Target Price (USD)	Potential returns from Analyst Consensus	Dividend Yield
AAPL US	APPLE INC	3.41T	224.53	10/31/2024	241.72	7.66%	0.45%
MSFT US	MICROSOFT CORP	3.09T	415.55	10/24/2024	502.66	20.96%	0.72%
NVDA US	NVIDIA CORP	3.04T	123.74	8/29/2024	142.20	14.92%	0.03%
GOOGL US	ALPHABET INC-CLA	2.03T	163.80	10/24/2024	206.71	26.20%	0.49%
AMZN US	AMAZON.COM INC	1.85T	176.13	10/25/2024	219.00	24.34%	N/A
META US	META PLATFORMS INC	1.35T	531.93	10/25/2024	571.32	7.40%	0.38%
BRK/B US	BERKSHIRE HATHAWAY	967.93B	449.03	11/4/2024	459.00	2.22%	N/A
LLY US	ELI LILLY & CO	906.87B	954.17	10/30/2024	993.97	4.17%	0.54%
AVGO US	BROADCOM INC	755.67B	162.34	9/5/2024	193.27	19.05%	1.29%
TSLA US	TESLA INC	672.98B	210.66	10/18/2024	214.91	2.02%	N/A
JPM US	JPMORGAN CHASE & CO	616.35B	216.63	10/11/2024	222.97	2.92%	2.12%
WMT US	WALMART INC	607.93B	75.58	11/19/2024	80.11	5.99%	1.10%
V US	VISA INC-CLASSA SHARES	575.89B	267.94	10/24/2024	304.57	13.67%	0.78%
UNH US	UNITEDHEALTH GROUP INC	534.40B	578.72	10/14/2024	621.54	7.40%	1.45%
XOM US	EXXON MOBIL CORP	509.73B	114.73	10/28/2024	132.02	15.07%	3.31%
MA US	MASTERCARD INC - A	433.13B	468.82	10/25/2024	519.95	10.91%	0.56%
PG US	PROCTER & GAMBLE CO/THE	400.54B	170.15	10/18/2024	174.07	2.30%	2.37%
JNJ US	JOHNSON & JOHNSON	390.82B	162.35	10/15/2024	170.71	5.15%	3.05%
COST US	COSTCO WHOLESALE CORP	389.05B	877.56	9/26/2024	890.23	1.44%	0.53%
ORCL US	ORACLE CORP	380.53B	138.08	9/11/2024	150.31	8.86%	1.16%
HD US	HOME DEPOT INC	362.91B	365.36	11/12/2024	373.65	2.27%	2.46%
ABBV US	ABBVIE INC	346.86B	196.37	10/28/2024	197.31	0.48%	3.15%
BAC US	BANK OF AMERICA CORP	304.49B	39.24	10/15/2024	45.58	16.16%	2.65%
KO US	COCA-COLA CO/THE	298.80B	69.33	10/24/2024	69.85	0.75%	2.80%
NFLX US	NETFLIX INC	295.68B	688.96	10/18/2024	699.07	1.47%	N/A
MRK US	MERCK & CO. INC.	295.43B	116.55	10/31/2024	140.81	20.82%	2.64%
CVX US	CHEVRON CORP	266.53B	145.73	10/28/2024	175.96	20.74%	4.47%
CRM US	SALESFORCE INC	250.57B	258.59	8/28/2024	296.78	14.77%	0.62%
ADBE US	ADOBE INC	247.17B	557.44	9/12/2024	612.22	9.83%	N/A
AMD US	ADVANCED MICRO DEVICES	245.52B	151.70	10/31/2024	184.89	21.88%	N/A



Hong Kong

Below are the **index stocks** with **market cap of more than HKD 50B**



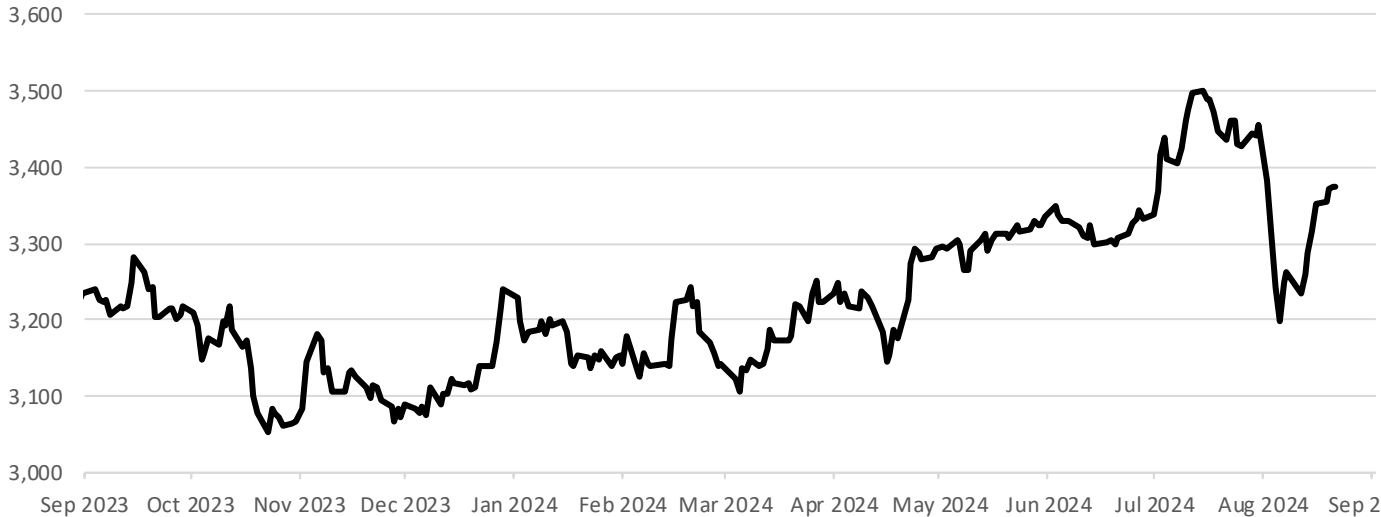
Top 30 index stocks based on Market Capitalisation

Ticker	Name	Market Cap (HKD)	Price (HKD)	Earning Announcement Date	Analysts' Consensus 12M Target Price (HKD)	Potential returns from Analyst Consensus	Dividend Yield
700 HK	TENCENT HOLDINGS LTD	3.53T	371.60	14/11/2024	477.16	28.41%	0.90%
1398 HK	IND & COMM BK OF CHINA	2.30T	4.64	30/08/2024	5.13	10.61%	7.01%
857 HK	PETROCHINA CO LTD-H	1.72T	6.74	26/08/2024	8.23	22.12%	6.92%
941 HK	CHINA MOBILE LTD	1.64T	74.30	21/10/2024	85.37	14.90%	6.69%
9988 HK	ALIBABA GROUP HOLDING	1.58T	79.95	15/11/2024	104.34	30.50%	1.19%
3988 HK	BANK OF CHINA LTD-H	1.47T	3.54	29/08/2024	4.14	16.89%	7.10%
939 HK	CHINA CONSTRUCTION BANK	1.46T	5.65	30/08/2024	6.57	16.30%	7.53%
5 HK	HSBC HOLDINGS PLC	1.23T	66.20	29/10/2024	80.03	20.89%	7.14%
883 HK	CNOOC LTD	991.18B	20.35	28/08/2024	21.80	7.12%	6.19%
3968 HK	CHINA MERCHANTS BANK	904.66B	33.50	29/08/2024	42.26	26.15%	6.26%
386 HK	CHINA PETROLEUM & CHEM	839.27B	4.96	25/08/2024	5.39	8.77%	7.37%
1088 HK	CHINA SHENHUA ENERGY CO	831.29B	32.90	30/08/2024	40.66	23.58%	7.36%
2628 HK	CHINA LIFE INSURANCE CO	793.66B	10.68	29/08/2024	14.27	33.58%	4.30%
2318 HK	PING AN INSURANCE GROUP	745.46B	34.00	22/08/2024	52.18	53.48%	7.61%
1211 HK	BYD CO LTD-H	726.02B	225.20	28/08/2024	304.88	35.38%	1.46%
3690 HK	MEITUAN-CLASS B	666.13B	107.70	28/08/2024	143.23	32.99%	N/A
1299 HK	AIA GROUP LTD	600.35B	51.40	14/03/2025	88.81	72.77%	3.01%
2899 HK	ZIJIN MINING GROUP CO LTD	459.86B	16.00	23/08/2024	20.86	30.36%	2.00%
9999 HK	NETEASE INC	460.50B	140.00	22/08/2024	200.81	43.43%	2.82%
1810 HK	XIAOMI CORP-CLASS B	475.00B	17.52	14/11/2024	22.73	29.74%	N/A
9618 HK	JD.COM INC-CLASS A	343.48B	102.40	15/11/2024	151.86	48.30%	2.79%
9633 HK	NONGFU SPRING CO LTD-H	322.21B	28.30	27/08/2024	43.09	52.26%	2.82%
388 HK	HK EXCHANGES & CLEARING	293.88B	228.60	21/10/2024	284.17	24.31%	3.59%
2388 HK	BOC HONG KONG HOLDINGS	244.76B	23.45	29/08/2024	26.68	13.79%	7.24%
9888 HK	BAIDU INC-CLASS A	242.79B	85.00	22/08/2024	133.96	57.60%	N/A
6690 HK	HAIER SMART HOME CO LTD	237.40B	22.90	27/08/2024	34.98	52.76%	3.61%
267 HK	CITIC LTD	216.43B	7.39	30/08/2024	N/A	N/A	7.57%
9961 HK	TRIP.COM GROUP LTD	219.56B	330.80	26/08/2024	518.29	56.68%	N/A
16 HK	SUN HUNG KAI PROPERTIES	207.92B	71.20	05/09/2024	89.76	26.07%	6.45%
981 HK	SEMICON MANUFACTURING	198.81B	16.62	11/11/2024	19.31	16.18%	N/A



Straits Times Index

Below are the **index stocks** with **market cap of more than SGD 1B**



Source: Bloomberg, extracted on 22 Aug 2024

Top 30 index stocks based on Market Capitalisation

Ticker	Name	Market Cap [SGD]	Price [SGD]	Earning Announcement Date	Analysts' Consensus 12M Target Price [SGD]	Potential returns from Analyst Consensus	Dividend Yield
DBS SP	DBS GROUP HOLDINGS LTD	101.11B	35.78	07/11/2024	39.63	10.76%	5.65%
OCBC SP	OVERSEA-CHINESE BANKING	64.15B	14.34	08/11/2024	15.65	9.12%	6.03%
UOB SP	UNITED OVERSEAS BANK LTD	51.13B	30.68	08/11/2024	34.16	11.33%	5.66%
ST SP	SINGAPORE TELECOMM	48.71B	2.93	08/11/2024	3.45	17.72%	4.44%
WIL SP	WILMAR INTERNATIONAL LTD	19.66B	3.08	21/02/2025	3.40	10.28%	5.40%
SIA SP	SINGAPORE AIRLINES LTD	18.32B	6.11	08/11/2024	6.44	5.36%	7.79%
STE SP	SINGAPORE TECH ENGINEERING	13.97B	4.56	13/02/2025	4.85	6.38%	3.57%
CICT SP	CAPITALAND INTEG COMM	14.14B	2.08	06/02/2025	2.24	7.58%	5.05%
CLI SP	CAPITALAND INVESTMENT	13.13B	2.58	28/02/2025	3.51	36.22%	4.56%
THBEV SP	THAI BEVERAGE PCL	12.56B	0.49	22/11/2024	0.63	29.20%	4.51%
CLAR SP	CAPITALAND ASCENDAS REIT	12.44B	2.79	20/02/2025	3.09	10.70%	5.26%
SGX SP	SINGAPORE EXCHANGE LTD	11.33B	10.60	31/01/2025	10.66	0.61%	3.25%
KEP SP	KEPPEL LTD	11.16B	6.14	05/02/2025	7.81	27.15%	5.50%
JCNC SP	JARDINE CYCLE & CARRIAGE	11.00B	27.60	28/02/2025	25.58	-7.32%	5.68%
JM SP	JARDINE MATHESON HLDGS	10.70B	37.32	07/03/2025	40.67	8.97%	6.11%
YZJSGD SP	YANGZUIJIANG SHIPBUILDING	9.92B	2.55	26/02/2025	3.16	24.12%	2.59%
GENS SP	GENTING SINGAPORE LTD	9.84B	0.82	21/02/2025	1.14	38.57%	4.91%
SCI SP	SEMBCORP INDUSTRIES LTD	8.49B	4.76	20/02/2025	6.75	41.81%	2.94%
HKL SP	HONGKONG LAND	7.83B	3.59	28/02/2025	3.61	0.01	6.20%
MPACT SP	MAPLETREE PAN ASIA COM TR	6.94B	1.30	25/10/2024	1.51	16.50%	6.33%
MINT SP	MAPLETREE IND TRUST	6.78B	2.38	25/10/2024	2.48	4.40%	5.20%
MLT SP	MAPLETREE LOGISTICS TRUST	6.67B	1.32	24/10/2024	1.57	19.06%	6.09%
SATS SP	SATS LTD	5.23B	3.59	08/11/2024	3.85	7.30%	0.43%
STM SP	SEATRIUM LTD	5.14B	1.44	26/02/2025	2.62	81.77%	N/A
CIT SP	CITY DEVELOPMENTS LTD	4.68B	5.07	26/02/2025	7.04	38.78%	1.53%
UOL SP	UOL GROUP LTD	4.52B	5.23	27/02/2025	7.44	42.17%	2.80%
FCT SP	FRASERS CENTREPOINT TRUST	4.27B	2.34	25/10/2024	2.46	5.28%	5.18%
VMS SP	VENTURE CORP LTD	4.10B	14.06	21/02/2025	14.72	4.70%	5.30%
FLT SP	FRASERS LOGISTICS & COMM	3.95B	1.03	06/11/2024	1.24	20.63%	7.39%
DFI SP	DFI RETAIL GROUP HOLDINGS	2.58B	1.92	28/02/2025	2.43	26.50%	4.45%

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