

# Navigating Inflation and Geopolitics: Cash Matters

DIGITAL ENGAGEMENT TEAM

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## TRADING MATTERS SERIES: NEWS FOCUS

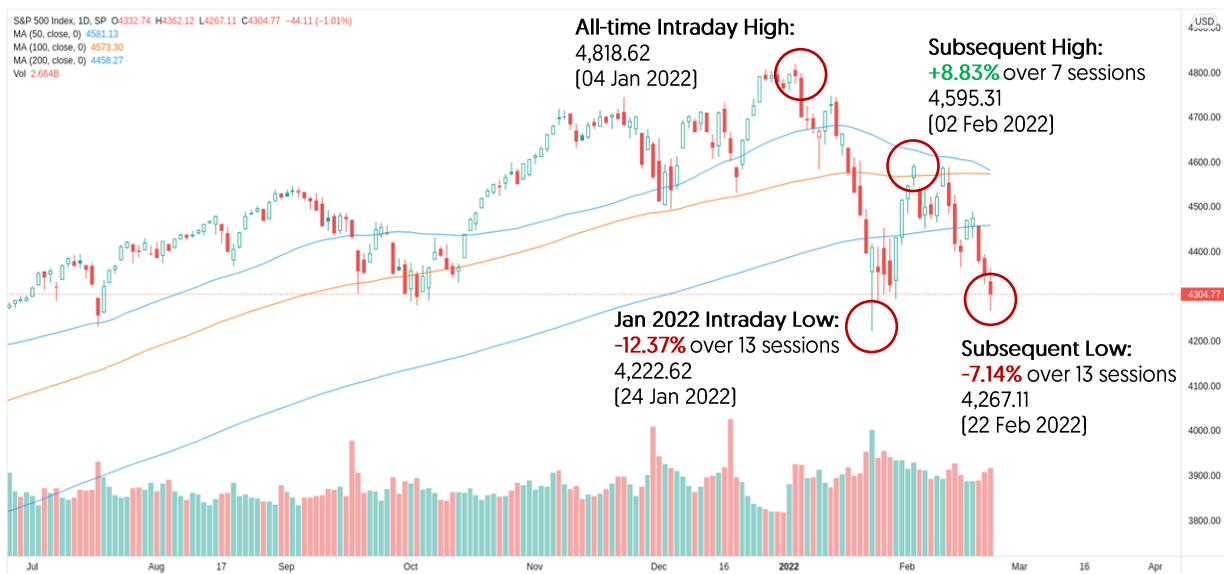
*The summary and impact of a major news event*

### The current macroeconomic environment

#### What are we dealing with?

Geopolitics and inflation have dominated news headlines for the past few weeks.<sup>1</sup> US CPI has hit 7.5% year-on-year in January, at its highest in 40 years.<sup>2</sup> Meanwhile, fears of the impact of war in Ukraine continue to grow, after Russia announced an attack on Ukraine days after recognising two breakaway separatist-held regions.<sup>3</sup>

Amidst the uncertainties, markets have whipsawed as they try to figure out how to price in a potentially more aggressive US Fed<sup>4</sup> and a Russia hit with more and more sanctions.<sup>5</sup> The S&P 500 has already experienced its worst January since 2009 and a technical correction.<sup>6,7</sup> The question on everyone's mind: What lies ahead?



Source: Bloomberg, TradingView, extracted 22 Feb 2022 closing

Facing these uncertainties, investors have slashed bullish bets on bank bonds, boosted cash levels and rotated toward safe havens, according to Bank of America's latest European investor survey.<sup>8</sup> Banks like Goldman Sachs have also told clients to switch to cash.<sup>8</sup>

Despite this, investors don't seem ready to abandon the stock market yet, and have sunk US\$152 billion into equities this year, according to JPMorgan.<sup>6</sup> They cite a bull case for equities: Despite red-hot inflation, some companies have ridden the wave of price pressures to record profits,<sup>6</sup> passing on rising costs to consumers.<sup>9</sup>

Geopolitics and rising rates also don't hurt all stocks the same. Growth stocks that rely on future rather than current cash flows experience much greater risk as rates rise,<sup>10</sup> while weak-balance-sheet stocks are more vulnerable with spreads widening.<sup>11</sup>

In this environment, cash and cash flows as it seems, do matter.

### Cash and Cash Flows Matter

- Goldman Sachs highlights that cash itself is helped by better yields in short-dated rates markets<sup>8</sup>
- For stocks, company debt levels become more pertinent as rates rise and the taps of central-bank liquidity turned off<sup>11</sup>
- Fiduciary Trust International highlights the shift toward quality, picking stocks with more stability, predictable earnings, lower debt and stronger balance sheets and cash-flow growth<sup>11</sup>
- Morgan Stanley similarly makes the case to seek haven in quality stocks in the face of geopolitical risk<sup>11</sup>



The flight to safety

# Straits Times Index

A glance at the companies with the highest cash and cash flows, and the biggest equity index movers based on their % change in 2022

## Price chart and technicals



## Top leaders & laggards [01 Jan 2022 – 23 Feb 2022]

Here are the biggest index leaders & laggards year-to-date, to show in more detail which companies have fluctuated the most in this period of geopolitical and interest rate uncertainty

Ticker	Name	Price	% Change	Ticker	Name	Price	% Change
SCI SP	Sembcorp Industries	2.46	+23.00 %	KDCREIT SP	Keppel DC REIT	2.19	-9.87 %
UOB SP	United Overseas Bank	32.38	+20.37 %	MCT SP	Mapletree CommTrust	1.85	-7.50 %
KEP SP	Keppel Corp	6.02	+17.58 %	FLT SP	Frasers L & C	1.41	-7.24 %
DBS SP	DBS Group Holdings	36.50	+11.76 %	MLT SP	Mapletree Log Trust	1.77	-6.44 %
ST SP	Singtel	2.56	+10.34 %	MINT SP	Mapletree Ind Trust	2.56	-4.20 %

Source: Bloomberg, extracted 23 Feb 2022 closing

## Looking at the fundamentals

Here are the index component stocks that have the highest upside to their analyst consensus 12-month target prices as compiled by Bloomberg. Cash, cash flows, and measures of liquidity have also been provided

Ticker	Name	Price	Cash & Cash Equivalents [USD mil]	Cash Flows from Operations [USD mil]	CFO/Total Liabilities	Analysts Consensus 12M Target Price	Upside from Analyst Consensus [%]
WIL SP	WILMAR INTERNATIONAL LTD	4.39	6341.54	51.14	0.14	5.93	35.10%
CIT SP	CITY DEVELOPMENTS LTD	7.01	1970.42	-350.35	-3.35	9.05	29.04%
THBEV SP	THAI BEVERAGE PCL	0.675	1136.93	898.58	10.70	0.87	28.25%
YZJSGD SP	YANGZIJANG SHIPBUILDING	1.37	1504.63	-78.50	-4.69	1.74	26.64%
ST SP	SINGTEL	2.53	564.71	3831.59	24.35	3.16	24.92%
CD SP	COMFORTDELGRO CORP LTD	1.44	663.50	350.30	21.18	1.76	22.52%
JCNC SP	JARDINE CYCLE & CARRIAGE	21.78	4113.30	2754.40	22.57	27.00	23.97%
MINT SP	MAPLETREE IND TRUST	2.54	148.92	167.23	9.15	3.11	22.57%
DFI SP	DAIRY FARM INTL HLDGS LTD	2.64	262.70	1067.20	16.26	3.25	23.01%
GENS SP	GENTING SINGAPORE LTD	0.765	2467.78	279.30	41.85	0.92	20.57%

Source: Bloomberg, extracted 24 Feb 2022 closing

# Hang Seng Index

A glance at the companies with the highest cash and cash flows, and the biggest equity index movers based on their % change in 2022

## Price chart and technicals



## Top leaders & laggards (01 Jan 2022 – 23 Feb 2022)

Here are the biggest index leaders & laggards year-to-date, to show in more detail which companies have fluctuated the most in this period of geopolitical and interest rate uncertainty

Ticker	Name	Price	% Change	Ticker	Name	Price	% Change
688 HK	China Overseas Land	25.10	+35.97 %	2269 HK	Wuxi Biologics	62.10	-32.90 %
1928 HK	Sands China	22.85	+25.83 %	175 HK	Geely Auto Holdings	15.92	-25.26 %
883 HK	CNOOC	10.02	+24.78 %	2688 HK	ENN Energy Holdings	110.00	-25.07 %
5 HK	HSBC Holdings	58.10	+23.88 %	2018 HK	AAC Tech Holdings	23.70	-23.05 %
960 HK	Longfor Group Holdings	44.50	+21.25 %	2382 HK	Sunny Optical	191.90	-22.18 %

Source: Bloomberg, extracted 23 Feb 2022 closing

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Here are the index component stocks that have the highest upside to their analyst consensus 12-month target prices as compiled by Bloomberg. Cash, cash flows, and measures of liquidity have also been provided

Ticker	Name	Price	Cash & Cash Equivalents [USD mil]	Cash Flows from Operations [USD mil]	CFO/Total Liabilities	Analysts Consensus 12M Target Price	Upside from Analyst Consensus [%]
2269 HK	WUXI BIOLOGICS	61.75	2044.79	260.96	22.31	135.85	120.00%
1177 HK	SINO BIOPHARMACEUTICAL	5.21	1243.31	814.98	22.66	10.11	94.06%
175 HK	GEELY AUTO HOLDINGS	15.16	3066.29	261.45	3.87	29.41	94.03%
241 HK	ALIBABA HEALTH	5.08	1746.59	149.49	29.27	9.67	90.33%
9988 HK	ALIBABA GROUP HOLDING	104.9	42236.53	34239.25	38.21	192.98	83.97%
3690 HK	MEITUAN-CLASS B	170.2	7903.65	1437.04	14.37	307.97	80.94%
1810 HK	XIAOMI CORP-CLASS B	14.96	9156.48	3364.23	17.88	27.02	80.65%
6098 HK	COUNTRY GARDEN SERVICES	47.45	3344.74	545.57	24.99	77.03	62.33%
1211 HK	BYD CO LTD-H	232.2	5613.03	6087.72	30.73	374.96	61.48%
762 HK	CHINA UNICOM HK	4.21	N/A	15423.10	42.00	6.41	52.15%

Source: Bloomberg, extracted 24 Feb 2022 closing

# S&P 500 Index

A glance at the companies with the highest cash and cash flows, and the biggest equity index movers based on their % change in 2022

## Price chart and technicals



Source: TradingView, extracted 22 Feb 2022 closing

## Top leaders & laggards [01 Jan 2022 – 23 Feb 2022]

Here are the biggest index leaders & laggards year-to-date, to show in more detail which companies have fluctuated the most in this period of geopolitical and interest rate uncertainty

Ticker	Name	Price	% Change	Ticker	Name	Price	% Change
HAL US	Halliburton Co	31.68	+38.52 %	ETSY US	Etsy Inc	116.51	-46.78 %
OXY US	Occidental Petroleum	38.69	+33.46 %	PYPL US	PayPal Holdings Inc	100.72	-46.59 %
SLB US	Schlumberger NV	39.74	+33.10 %	MRNA US	Moderna Inc	135.73	-46.56 %
MRO US	Marathon Oil Corp	21.74	+32.84 %	FB US	Meta Platforms Inc	198.45	-41.00 %
HES US	Hess Corp	93.94	+26.89 %	NFLX US	Netflix Inc	367.46	-39.00 %

Source: Bloomberg, extracted 23 Feb 2022 closing

## Looking at the fundamentals

Here are the index component stocks that have the highest upside to their analyst consensus 12-month target prices as compiled by Bloomberg. Cash, cash flows, and measures of liquidity have also been provided

Ticker	Name	Price	Cash & Cash Equivalents [USD mil]	Cash Flows from Operations [USD mil]	CFO/Total Liabilities	Analysts Consensus 12M Target Price	Upside from Analyst Consensus [%]
ETSY US	ETSY INC	116.51	619.40	678.956	40.85	236.56	103.04%
MRNA US	MODERNA INC	135.73	5550.00	2026.971	42.45	264.21	94.66%
PYPL US	PAYPAL HOLDINGS INC	100.72	5197.00	6340	11.72	181.36	80.07%
ENPH US	ENPHASE ENERGY INC	126.56	119.32	352.028	21.35	220.12	73.93%
BBWI US	BATH & BODY WORKS INC	50.32	1979.16	2039	16.67	85.95	70.81%
DISH US	DISH NETWORK CORP-A	27.57	2280.28	3311.776	13.74	46.67	69.27%
FB US	META PLATFORMS INC-A	198.45	16601.00	57683	140.32	332.26	67.43%
CRM US	SALESFORCE.COM INC	190.54	4753.00	4801	19.35	315.98	65.83%
GNRC US	GENERAC HOLDINGS INC	270.99	147.34	411.156	15.78	449.21	65.77%
UAA US	UNDER ARMOUR INC-A	15.79	1669.45	664.829	22.91	25.60	62.11%

Source: Bloomberg, extracted 23 Feb 2022 closing

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