

# US Debt Ceiling: Does it really matter to the stock markets?

DIGITAL ENGAGEMENT TEAM

1 MARCH 2023

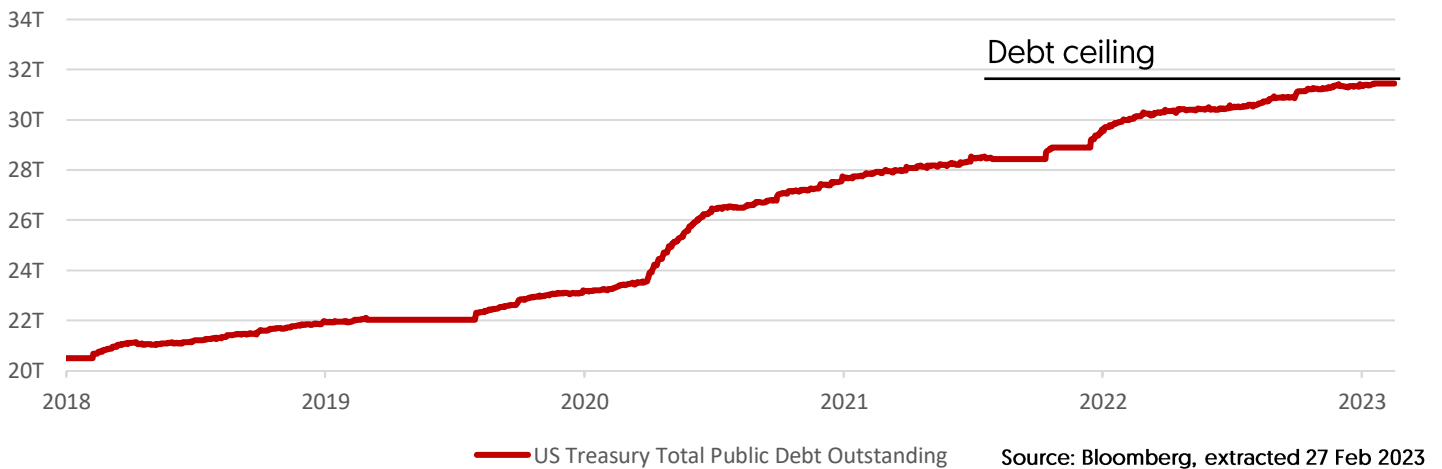
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## What is a debt ceiling?

The US government funds much of its expenses through debt, which is issued by the Treasury.<sup>1</sup> The debt ceiling was created in 1917 to set the maximum limit of outstanding federal debt the US government can incur.<sup>1</sup> The current limit has reached US\$31.4 trillion.<sup>1,2</sup> Raising this limit would allow the government to borrow more to cover government expenditures already approved.<sup>1</sup> Failure to raise the ceiling would mean the government would eventually fail to pay back its debts, technically putting the US government to default.<sup>1</sup> Since the debt ceiling was reached on 19 Jan 2023, the Treasury implemented 'extraordinary measures' that enable the US government to keep operating longer, involving delaying certain investments and redeeming others early.<sup>2,3</sup>

Wall Street banks are warning that the US is heading for the riskiest debt ceiling confrontation since 2011



## How has it affected the stock market?

Historically, the market volatility spiked when the default deadline is much closer.<sup>6</sup> Hence, the stock market is not responding to the debt ceiling risk yet.<sup>3</sup> At the start of 2023, a rally has been built on hopes that inflation is on a trajectory<sup>4</sup> and how the Fed reduced the pace of interest rate hikes.<sup>5</sup> The Congressional Budget Office estimates that the Treasury's use of extraordinary measures would be exhausted between Jul and Sep 2023.<sup>7</sup> Therefore, the stock market will potentially see heightened market volatility around the period.<sup>8</sup> One of the dramatic debt ceiling showdown was during Obama Administration in 2011, the S&P 500 fell by more than 16% over five weeks<sup>6,8</sup> due to the downgrade of credit ratings on the US federal government.<sup>11</sup>

While the US stocks could possibly take a hit in a disorderly episode<sup>8</sup>, companies with resilient margins are likely expected to hold up better in an economic downturn.<sup>10</sup> There are also high-quality international equities that are already benefiting from China's reopening, which could potentially provide relative insulation.<sup>8</sup>



# S&P 500 Index

Below are the **equity index movers** based on their **fundamentals**

## Price Chart



## Looking at the fundamentals

Here are the **index component stocks** that have the highest **Cash & Cash Equivalents**. Companies with ample cash at hand can potentially continue to operate through a crisis<sup>12</sup>

Ticker	Name	Price	Cash & Cash Equivalents [USD]	Ex Date	Latest Amount [USD]	Analysts Consensus 12M Target Price	Upside from Analyst Consensus [%]
GS US	GOLDMAN SACHS GROUP	365.53	241.83B	1/3/2023	2.50	399.77	9.37%
BRK US	BERKSHIRE HATHAWAY INC	304.66	128.59B	N/A	N/A	370.50	21.61%
MS US	MORGAN STANLEY	96.70	128.13B	30/1/2023	0.78	101.42	4.88%
BK US	BANK OF NEW YORK MELLON	50.84	96.69B	20/1/2023	0.37	56.39	10.91%
AMZN US	AMAZON.COM INC	93.76	53.89B	N/A	N/A	133.96	42.87%
USB US	US BANCORP	47.58	53.54B	29/12/2022	0.48	55.17	15.95%
SCHW US	SCHWAB [CHARLES] CORP	77.88	40.19B	9/2/2023	0.25	92.03	18.17%
WFC US	WELLS FARGO & CO	46.78	34.60B	2/2/2023	0.30	53.26	13.84%
AXP US	AMERICAN EXPRESS CO	173.30	33.91B	5/1/2023	0.52	187.36	8.11%
C US	CITIGROUP INC	50.47	30.58B	3/2/2023	0.51	56.73	12.40%

Here are the **index component stocks** that have the highest **Profit Margin**. Companies with healthy profit margin are likely expected to hold up better in an economic downturn<sup>10</sup>

Ticker	Name	Price	Profit Margin [%]	Ex Date	Latest Amount [USD]	Analysts Consensus 12M Target Price	Upside from Analyst Consensus [%]
PSA US	PUBLIC STORAGE	295.22	103.99%	14/3/2023	3.00	335.44	13.63%
ROP US	ROPER TECHNOLOGIES INC	428.99	84.60%	6/1/2023	0.68	500.50	16.67%
PLD US	PROLOGIS INC	122.91	56.33%	16/3/2023	0.87	141.48	15.11%
CME US	CME GROUP INC	184.14	53.61%	9/3/2023	1.10	202.27	9.84%
V US	VISA INC-CLASS A SHARES	220.35	51.03%	9/2/2023	0.45	263.47	19.57%
FANG US	DIAMONDBACK ENERGY INC	144.36	49.88%	2/3/2023	2.95	176.55	22.30%
SBNY US	SIGNATURE BANK	113.81	49.59%	26/1/2023	0.70	145.53	27.87%
MRO US	MARATHON OIL CORP	25.83	47.68%	14/2/2023	0.10	33.83	30.99%
VRSN US	VERISIGN INC	198.28	47.29%	5/5/2011	2.75	247.33	24.74%
CPT US	CAMDEN PROPERTY TRUST	114.83	45.77%	30/3/2023	1.00	137.16	19.44%



# Hang Seng Index

Below are the **equity index movers** based on their **fundamentals**

## Price Chart



Source: Bloomberg, extracted 27 Feb 2023

## Looking at the fundamentals

Here are the **index component stocks** that have the highest **Cash & Cash Equivalents**. Companies with ample cash at hand can potentially continue to operate through a crisis<sup>12</sup>

Ticker	Name	Price	Cash & Cash Equivalents [HKD]	Ex Date	Latest Amount [HKD]	Analysts Consensus 12M Target Price	Upside from Analyst Consensus [%]
1398 HK	IND & COMM BK OF CHINA-H	3.95	3.35T	4/7/2022	0.29	5.11	29.48%
939 HK	CHINA CONSTRUCTION BK	4.85	2.87T	29/6/2022	0.36	6.46	33.12%
5 HK	HSBC HOLDINGS PLC	59.05	3.34T	2/3/2023	0.23	67.96	15.08%
3988 HK	BANK OF CHINA LTD	2.90	2.21T	7/7/2022	0.22	3.38	16.39%
267 HK	CITIC LTD	8.86	794.62B	21/9/2022	0.20	N/A	N/A
2318 HK	PING AN INSURANCE GROUP	53.50	652.40B	20/9/2022	0.92	72.86	36.19%
3968 HK	CHINA MERCHANTS BANK-H	43.45	598.49B	7/7/2022	1.52	57.76	32.93%
2388 HK	BOC HONG KONG	26.60	436.77B	15/9/2022	0.45	33.88	27.35%
941 HK	CHINA MOBILE LTD	57.30	272.35B	6/9/2022	2.20	77.49	35.24%
857 HK	PETROCHINA CO LTD-H	4.08	235.26B	9/9/2022	0.20	4.84	18.50%

Here are the **index component stocks** that have the highest **Profit Margin**. Companies with healthy profit margin are likely expected to hold up better in an economic downturn<sup>10</sup>

Ticker	Name	Price	Profit Margin [%]	Ex Date	Latest Amount [HKD]	Analysts Consensus 12M Target Price	Upside from Analyst Consensus [%]
6 HK	POWER ASSETS HOLDINGS	42.00	481.19%	1/9/2022	0.78	52.38	24.70%
1038 HK	CK INFRASTRUCTURE	41.70	112.78%	2/9/2022	0.70	53.85	29.14%
388 HK	HONG KONG EXCH & CLEAR	318.60	59.51%	8/3/2023	3.69	391.46	22.87%
823 HK	LINK REIT	50.85	59.42%	21/11/2022	1.51	62.77	23.44%
12 HK	HENDERSON LAND DEVELOP	27.40	56.08%	5/9/2022	0.50	29.51	7.70%
1177 HK	SINO BIOPHARMACEUTICAL	4.07	54.38%	6/9/2022	0.06	7.22	77.40%
316 HK	ORIENT OVERSEAS INTL LTD	132.00	42.35%	1/9/2022	3.43	121.20	-8.18%
700 HK	TENCENT HOLDINGS	349.40	40.14%	20/5/2022	1.60	437.71	25.27%
1398 HK	IND & COMM BK OF CHINA-H	3.95	39.74%	4/7/2022	0.29	5.11	29.48%
101 HK	HANG LUNG PROPERTIES	15.30	37.07%	3/5/2023	0.60	19.29	26.07%



# Straits Times Index

Below are the **equity index movers** based on their **fundamentals**

## Price Chart



## Looking at the fundamentals

Here are the **index component stocks** that have the highest **Cash & Cash Equivalents**. Companies with ample cash at hand can potentially continue to operate through a crisis<sup>12</sup>

Ticker	Name	Price	Cash & Cash Equivalents [SGD]	Ex Date	Latest Amount [SGD]	Analysts Consensus 12M Target Price	Upside from Analyst Consensus [%]
DBS SP	DBS GROUP HOLDINGS LTD	34.46	54.17B	10/4/2023	0.50	39.88	15.73%
UOB SP	UNITED OVERSEAS BANK LTD	29.98	49.42B	28/4/2023	0.75	34.13	13.83%
OCBC SP	OVERSEA CHINESE BANK COR	12.73	34.97B	8/5/2023	0.40	14.58	14.54%
SIA SP	SINGAPORE AIRLINES LTD	5.73	15.36B	9/12/2022	0.10	5.83	1.82%
JM SP	JARDINE MATHESON HLDGS	49.75	6.37B	18/8/2022	0.55	62.60	25.83%
WIL SP	WILMAR INTERNATIONAL LTD	3.88	5.72B	27/4/2023	0.11	5.24	35.16%
JCNC SP	JARDINE CYCLE & CARRIAGE	29.61	4.72B	29/8/2022	0.28	N/A	N/A
ST SP	SINGAPORE TELECOMM	2.38	3.52B	18/11/2022	0.05	3.12	31.11%
GENS SP	GENTING SINGAPORE LTD	1.01	3.33B	N/A	0.02	1.11	10.34%
CLI SP	CAPITALAND INVESTMENT	3.72	2.67B	5/5/2022	0.12	4.23	13.79%

Here are the **index component stocks** that have the highest **Profit Margin**. Companies with healthy profit margin are likely expected to hold up better in an economic downturn<sup>10</sup>

Ticker	Name	Price	Profit Margin [%]	Ex Date	Latest Amount [SGD]	Analysts Consensus 12M Target Price	Upside from Analyst Consensus [%]
FLT SP	FRASERS LOGISTICS & COMM	1.26	161.85%	17/11/2022	0.04	1.39	10.16%
MLT SP	MAPLETREE LOGISTICS TRUST	1.68	115.31%	30/1/2023	0.02	1.74	3.32%
KDCREIT SP	KEPPEL DC REIT	1.95	83.26%	7/2/2023	0.05	2.07	6.39%
MINT SP	MAPLETREE INDUSTRIAL TR	2.38	72.00%	2/2/2023	0.03	2.59	8.85%
MPACT SP	MAPLETREE PAN ASIA TR	1.72	69.48%	7/2/2023	0.02	1.87	8.62%
CLAR SP	CAPITALAND ASCENDAS REIT	2.77	56.21%	9/2/2023	0.08	3.06	10.64%
CICT SP	CAPITALAND INTEG COMM	1.94	50.17%	8/2/2023	0.05	2.24	15.50%
OCBC SP	OVERSEA CHINESE BANK COR	12.73	49.23%	8/5/2023	0.40	14.58	14.54%
DBS SP	DBS GROUP HOLDINGS LTD	34.46	47.89%	10/4/2023	0.50	39.88	15.73%
SGX SP	SINGAPORE EXCHANGE LTD	8.81	41.07%	16/2/2023	0.08	9.62	9.17%

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