

# Buckle up for 2022: 3 areas the markets are watching closely in 2022

DIGITAL ENGAGEMENT TEAM

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## TRADING MATTERS SERIES: NEWS FOCUS

*The summary and impact of  
a major news event*

### What are the markets looking out for in 2022?

#### Taking stock: What happened in 2021?

2021 was quite the year for the stock markets. Here are some of the highlights for global financial markets over the past year. We saw:

- A roaring US equity market up 27% and hitting record highs<sup>1</sup>
- A US\$1 trillion wipeout in China's heavyweight tech and property sectors<sup>2</sup>
- Turbo-charged inflation at its highest since 1982, with spiking bond yields accompanying it<sup>2,3</sup>
- Unprecedented supply chain chaos<sup>4</sup>
- New virus variants that threatened the reopening trade time and again<sup>5</sup>

As we kickstart a new year, what then are the markets watching closely for 2022?

#### 3 areas the markets are focusing on in 2022:



#### The constant tussle: Virus vs Vaccines

More than 1 million people in the U.S. were diagnosed with Covid-19 on the first trading day of 2022 as a tsunami of omicron swamps every aspect of daily American life.<sup>6</sup> Yet "Covid" gets just 36 mentions in a list of Bloomberg selected calls in its 2022 investment outlook. As BNY Mellon Wealth Management puts it, the hope is that vaccines mean the world is "turning the corner from pandemic to endemic."<sup>7</sup>



#### Central banking policy: Inflation & Interest Rates

In contrast to "Covid" which is mentioned 36 times, "Inflation" is the most frequently cited term in the Bloomberg list of selected calls, appearing 224 times, and often paired words such as "higher" or "rising." AXA Investment Managers describes it as "the key concern" for 2022, and surging prices hang over nearly every scenario envisaged by Wall Street. The expectation is for policy to tighten and yields to rise.<sup>7</sup>



#### Regulatory rout: China & Common Prosperity

China remains firmly in focus, with a Chinese slowdown seen as a major risk in 2022. Unpredictable domestic policy is also frequently cited as a headache, with Bank of America flagging the "extreme downside risk" of a flare up over Taiwan. For all that, a handful of names including Goldman Sachs argue China isn't yet "uninvestable."<sup>7</sup>

China changed its policy in the last quarter of 2021, reacting to a housing crisis and the slowing economy by boosting liquidity and guiding lending rates lower. That looser stance is set to continue into 2022, widening its divergence with much of the rest of the world.<sup>8</sup>

## Taking stock with OCBC Securities: What did we cover last year?

These 3 areas the markets are focusing on in 2022 are also some areas that OCBC Securities has covered in our previous News Focus thematic highlights. Here is a compilation of some of the sectors and stocks mentioned:

### The reopening trade (July 2021)

*Below are the top companies based on Market Cap mentioned in the News Focus thematic, for their various industries and sectors*



#### Amazon Inc (AMZN US)



- Largest retail company globally by market cap [Companies Market Cap]
- Senate panel approves antitrust bill targeting Apple, Google and Amazon [20 Jan 2022, MarketWatch]
- Amazon's analyst fan base grows even more after the stock stalled [11 Jan 2022, Bloomberg]

Market Cap (USD)	1,538.36 Billion
Analysts' 12M Target Price	4,121.98
Current Price	3,033.35



#### Berkshire Hathaway (BRK/B HK)



- Largest investment company globally by market cap [Companies Market Cap]
- Berkshire Hathaway proposes US\$3.9B Iowa wind, solar project [19 Jan 2022, SeekingAlpha]
- Warren Buffett's Berkshire Hathaway hits all time high at US\$700 billion market valuation [06 Jan 2022, Forbes]

Market Cap (USD)	695.15 Billion
Analysts' 12M Target Price	331.33
Current Price	311.01



#### Cosco Shipping Holdings (1919 HK)



- Largest container shipping company by market cap listed in HK [Companies Market Cap]
- Cosco's earnings jumped 1,651% to 67.6 billion yuan (US\$10.7 billion) in the first three quarters of 2021. The spot rate for a 40-foot container to the U.S. from Asia topped US\$20,000 last year, including surcharges and premiums, up from less than US\$2,000 a few years ago [20 Jan 2022, Bloomberg]

Market Cap (USD)	39.45 Billion
Analysts' 12M Target Price	21.27
Current Price	14.18



#### Singapore Airlines (SIA SP)



- Largest airline in Singapore by market cap [Companies Market Cap]
- Number of passengers flying SIA, Scoot doubles to almost 600,000 in December [17 Jan 2022, The Straits Times]
- Singapore Airlines launches 7-year US dollar bond issue: Term sheet [12 Jan 2022, CNA]

Market Cap (USD)	11.27 Billion
Analysts' 12M Target Price	4.64
Current Price	5.11

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### Rising bond yields (March 2021)

*Below are the top companies based on Market Cap mentioned in the News Focus thematic, for their various industries and sectors*



#### JPMorgan (JPM US)

J.P.Morgan

- Largest bank globally by market cap (Companies MarketCap)
- JPMorgan shares fell 6% after CFO lowers guidance on 'headwinds' including wage inflation. The bank posted its smallest quarterly earnings beat in nearly two years (14 Jan 2022, CNBC)

Market Cap [USD]	436.37 Billion
Analysts' 12M Target Price	174.04
Current Price	147.66



#### ICBC (1398 HK)

ICBC

- Largest bank in China by market cap (Companies MarketCap)
- China urges banks to boost lending after slow start to 2022 (21 Jan 2022, Bloomberg)
- China property, financials gain as lenders cut borrowing costs (20 Jan 2022, Bloomberg)

Market Cap [USD]	252.22 Billion
Analysts' 12M Target Price	6.09
Current Price	4.70



#### DBS (DBS SP)

DBS

- Largest bank in Singapore by market cap (Companies MarketCap)
- DBS appoints Yeo Chee Leong as the Managing Director and Senior Risk Executive, Hong Kong and Chief Credit Officer, Greater China (20 Jan 2022, DBS)
- DBS to buy Citigroup Taiwan assets for NT\$60 billion, Economic Daily News says (17 Jan 2022, The Edge Singapore)

Market Cap [USD]	67.84 Billion
Analysts' 12M Target Price	37.50
Current Price	35.55



#### UOB (UOB SP)

UOB

- 3<sup>rd</sup> largest bank in Singapore by market cap (Companies MarketCap)
- Brokers' take: Analysts largely positive on UOB's purchase of Citi assets (17 Jan 2022, The Business Times)
- UOB to buy Citigroup's consumer business in 4 countries for about S\$4.9 billion (14 Jan 2022, CNA)

Market Cap [USD]	37.73 Billion
Analysts' 12M Target Price	33.26
Current Price	30.37

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### Regulatory rout (Aug/Sep 2021)

*Below are the top companies based on Market Cap mentioned in the News Focus thematic, for their various industries and sectors*

#### Tencent Holdings [700 HK]

 Tencent 腾讯

- Largest internet company in China by market cap [Companies Market Cap]
- U.S. antitrust bill expanded to include TikTok, Tencent's WeChat [20 Jan 2022, Bloomberg]
- Tencent pursues quieter investment strategy amid China's Big Tech crackdown [19 Jan 2022, Financial Times]

Market Cap [USD]	585.84 Billion
Analysts' 12M Target Price	589.16
Current Price	474.80

#### Alibaba Group [9988 HK]

 Alibaba Group  
阿里巴巴集团

- 2<sup>nd</sup> largest internet company in China by market cap [Companies Market Cap]
- Jack Ma's Ant Group implicated in corruption scandal by Chinese media [21 Jan 2022, Financial Times]
- Exclusive: U.S. examining Alibaba's cloud unit for national security risks – sources [20 Jan 2022, Reuters]

Market Cap [USD]	353.95 Billion
Analysts' 12M Target Price	193.07
Current Price	127.10

#### Meituan [3690 HK]

 Meituan

- 3<sup>rd</sup> largest internet company in China by market cap [Companies Market Cap]
- Starbucks expands coffee delivery and services in China through tie-up with Meituan [18 Jan 2022, CNBC]
- Meituan backs A.I. chip start-up as Chinese tech giants pour money into semiconductors [17 Jan 2022, CNBC]

Market Cap [USD]	187.52 Billion
Analysts' 12M Target Price	314.55
Current Price	238.00

#### JD.com [9618 HK]

 JD.COM

- 4<sup>th</sup> largest internet company in China by market cap [Companies Market Cap]
- Alibaba, JD.com rally as China's central bank cuts key interest rate [20 Jan 2022, SeekingAlpha]
- Shopify steps up China expansion through tie-up with e-commerce giant JD.com [18 Jan 2022, CNBC]

Market Cap [USD]	122.59 Billion
Analysts' 12M Target Price	399.24
Current Price	306.20

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