



2022 Outlook

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2021 Transcript (Hit 6 out of 10)

2021 Top 10 Predictions	Field	Actual
#1 S&P 500 Index generate positive return	Equity	✓ +20%
#2 Value stock would outperform Growth stock	Equity	✓ +15.8% vs +12.9%
#3 US/EM equity within 10% difference (SPX vs MXEF)	Equity	✗ +22% vs -8%
#4 US 10yr treasury yield would reach 1.5% in year	Bond	✓ Year high 1.74%
#5 High Yield outperform Investment Grade	Bond	✓ +0.6% vs -3.1%
#6 US Dollar Index would record another down year	FX	✗ Dollar Index +7%
#7 EM Local Currency outperform EM Hard Currency	BOND/FX	✗ -10.6% vs -2.5%
#8 Gold lag general commodity (CRB outperform Gold)	Commodity	✓ 32% vs -6%
#9 Bitcoin would ever reach \$30,000 in year	Alternatives	✓ Year high \$67,700
#10 SPX annual volatility would higher than 18%	Volatility	✗ Actual 13%



Replay conclusion last year

- BELIEF or BUBBLE, it only matters what you believe in true value
- Keep looking at other side in divergent world, don't behind imperceptibly

NFT, DeFi, GameFi, SocialFi ? I believe I can fly

APE IN CRYPTO AND NFT WORLD



CRYPTOMINES AND ALL THOSE LEEK



Source: coinmarketcap.com Date: 2021/9/14-2021/12/21

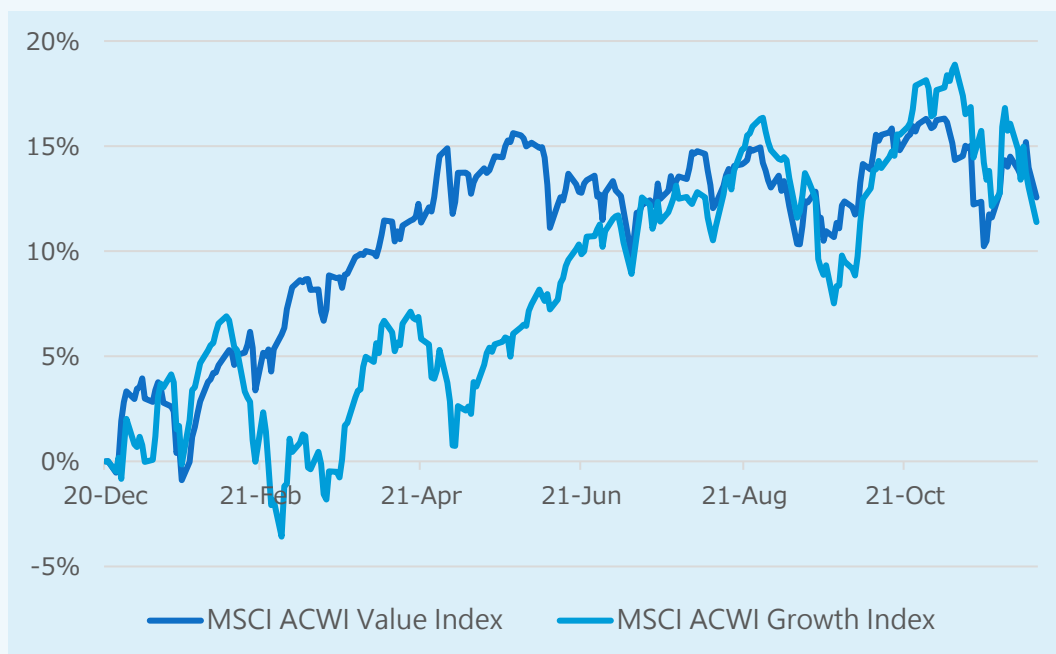


Where are we now

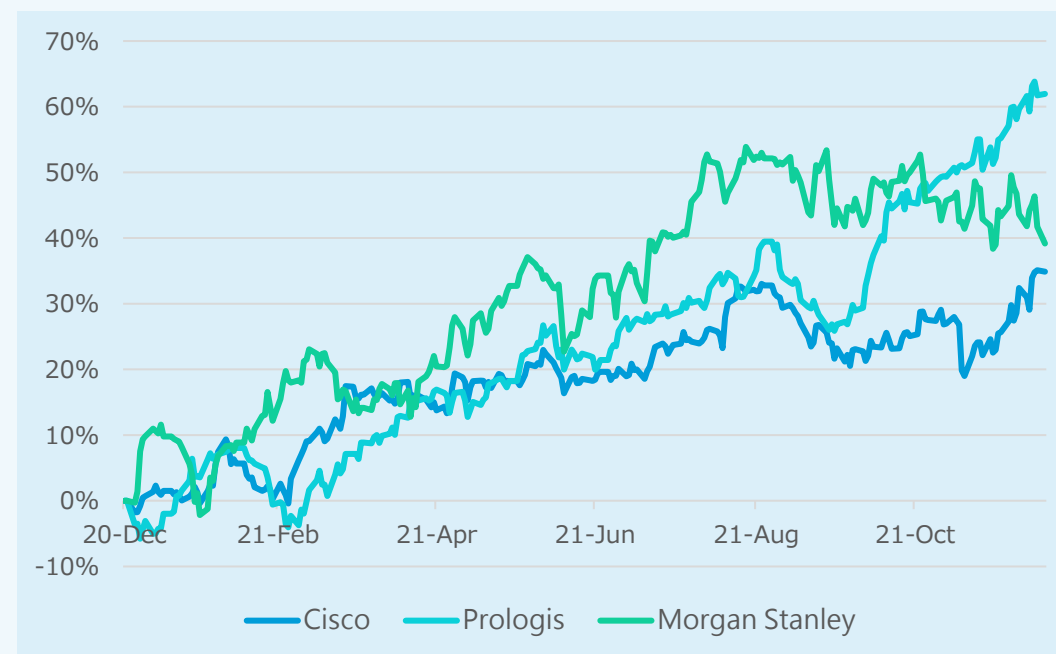
- BELIEF and HODL. Bubble ?
Absolutely NO ! ?
- Some trend commence silently

Don't behind imperceptibly in our old financial world

COMPARE WITH SHARPE RATIO



HOW MUCH MAX DD IN VALUE STOCK



Source: Bloomberg Date: 2021/12/20

Reference to specific company does not constitute any investment recommendation



2022 Top 10 Predictions

- Would be a tough year in general
- Inflation high, FED tighten, stock market with thin cushion from earning growth

Prediction #1 FED would raise federal fund rate at least 0.5%

- In FOMC Sep meeting, half of members didn't predict FED would hike rate in 2022 ! Just in last week Dec meeting, the median prediction turned to hike rate for 0.75% in 2022.
- It doesn't matter about if transition inflation or not. It should relate to what's the rationale of data dependent and AIT (average inflation target)
- Without credibility, don't know how to view FED policy path with risk-free rate. (That's why treasury rate didn't change too much in 2021H2) And really don't know if FED consider about equity market volatility which should not.

FED TURN MORE HAWKISH FINALLY



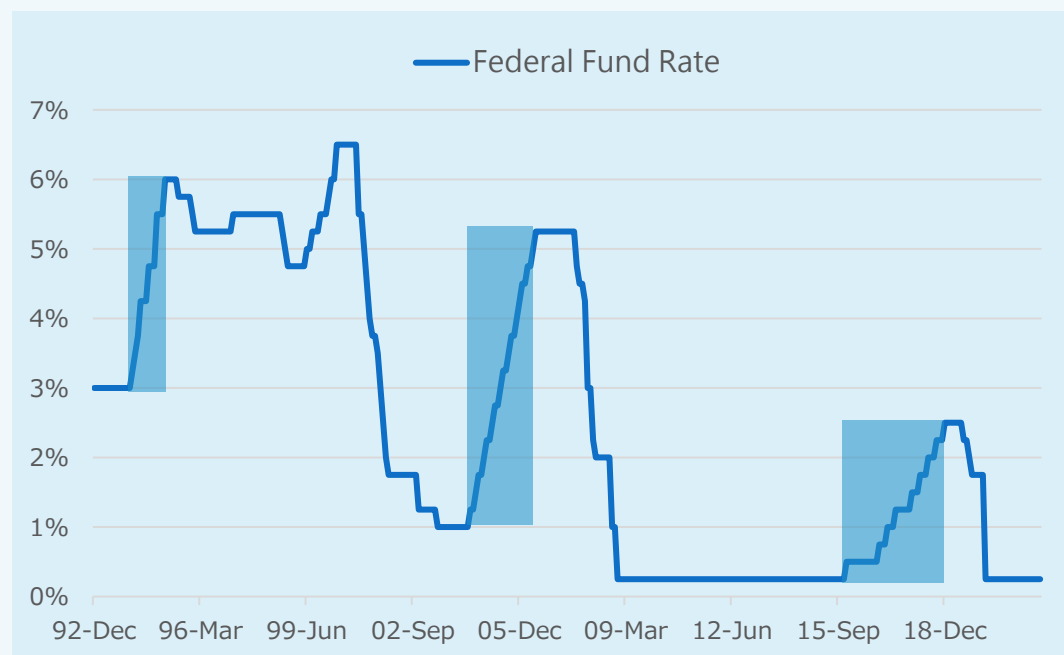
Source: Bloomberg Date: 2021/12/17

Prediction #2 US 10yr treasury yield won't breach 2.25% in year

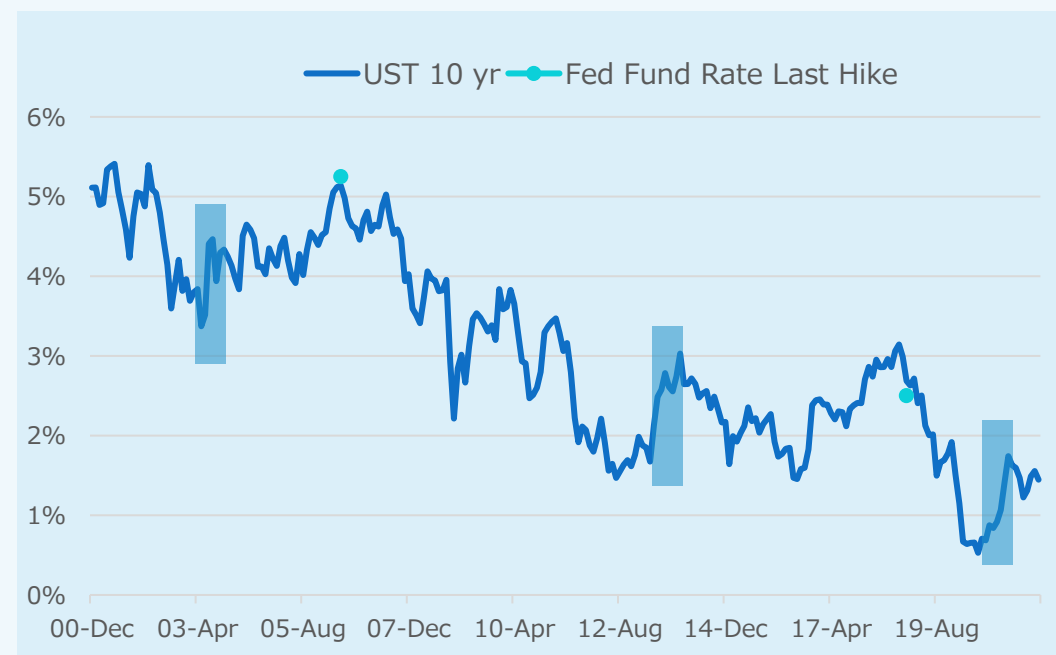
- Market keep discussing about why treasury yield stay in range bond in 2021H2 even though US core CPI keep in 4%-5%
- In the past tighten cycles, bond market would reflect effectively while FED release first tighten signal from easing mode.
- In 2003, US10yr yield sell off to 4.5%, which only lower than 2006 FED fund rate peak 5.25% by 75bp. (ahead 3 years)
- In 2013, US10yr yield sell off to 3%, which higher than 2018 FED fund rate peak 2.375% by 62bp. (ahead 5 years)
- Bond market may forecast this tighten cycle end would be totally 1.5%~2% (6~8 times rate hike) in 3 years.

Prediction #2 US 10yr treasury yield won't breach 2.25% in year

RATE HIKE SLOWER AND SLOWER



BOND MARKET HAS CRYSTAL BALL



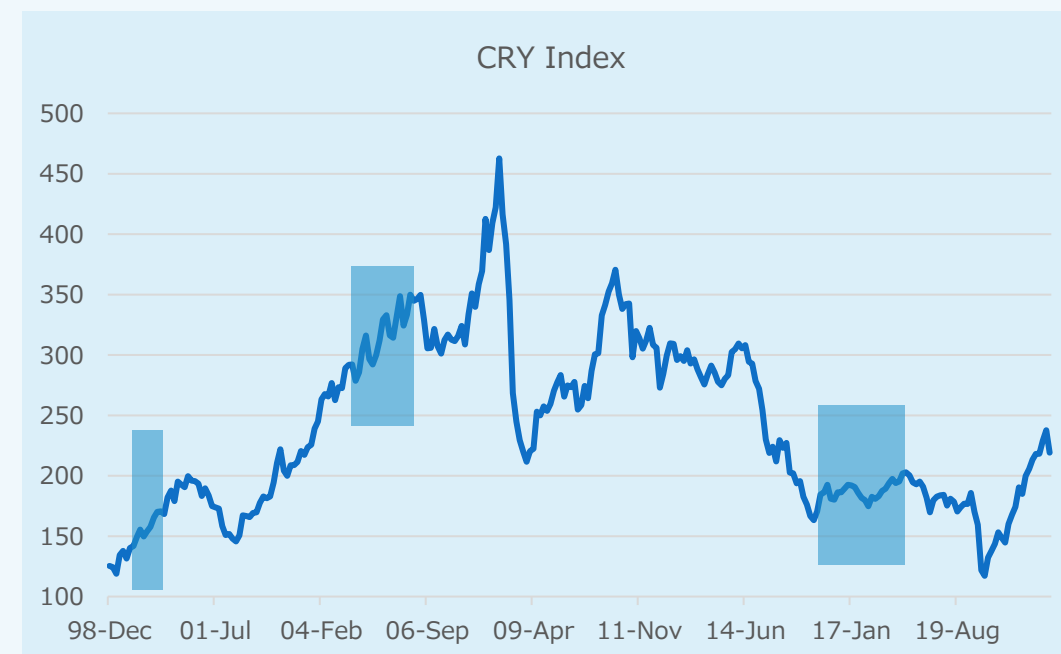
Prediction #3 Commodity index still rise up

ECONOMY KEEP STRENGTH WORLDWIDE

GDP %	2021	2022	2023
World	5.8	4.4	3.6
US	5.6	3.9	2.5
Europe	5.1	4.2	2.5
Japan	1.8	2.9	1.4
EM	6.4	4.9	4.8
CPI %			
World	3.9	3.9	2.9
US	3.3	3.3	2.3
EM	5.5	5.1	4.9

Source: Bloomberg ECFC , NIC Consolidated Date: 2021/12/21

COMMODITY UP IN TIGHTEN CYCLE

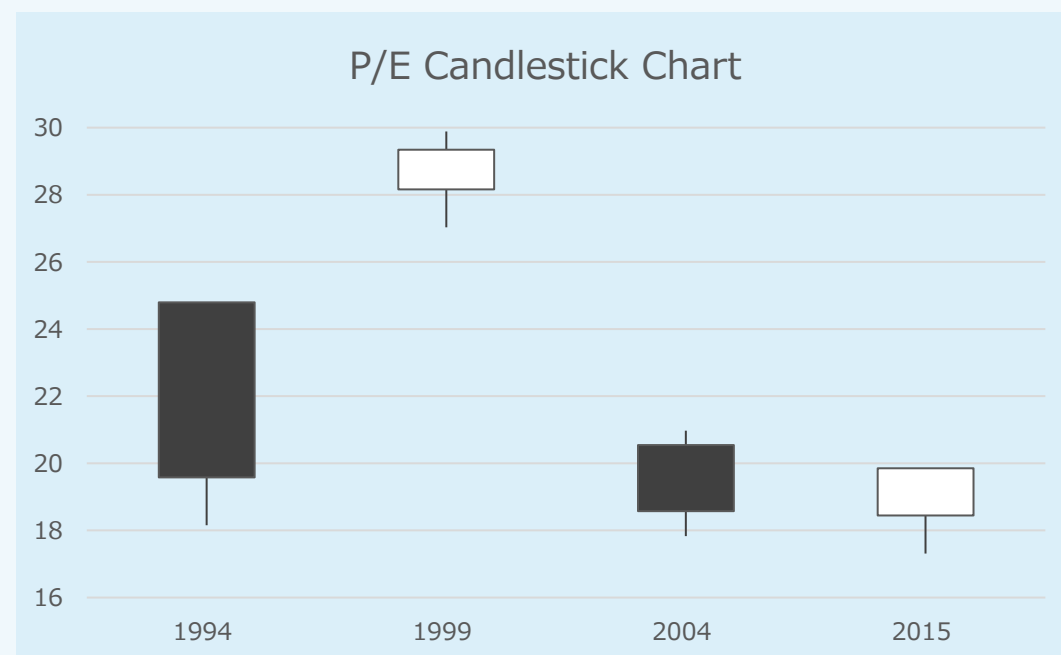


Prediction #4 S&P 500 Index turn negative return

- In 2021, S&P 500 EPS growth up to around 50%. It's easy to call positive index return in year ago even though expected high inflation, risk free rate uptrend.
- The consensus of SPX 2022 EPS growth back to 5%-10% due to high base. And same level as 2023. Wall streets all predict SPX would up to 5%-10% in 2022 (may just consider inline with earning growth)
- Take reference of last 4 times tighten cycle, found PE multiple all be constrained or in tight range from T-6 month to T+6 month (T means first rate hike, which currently expect in 2022 June).
- That means equity only rely on single digit earning growth to keep momentum.

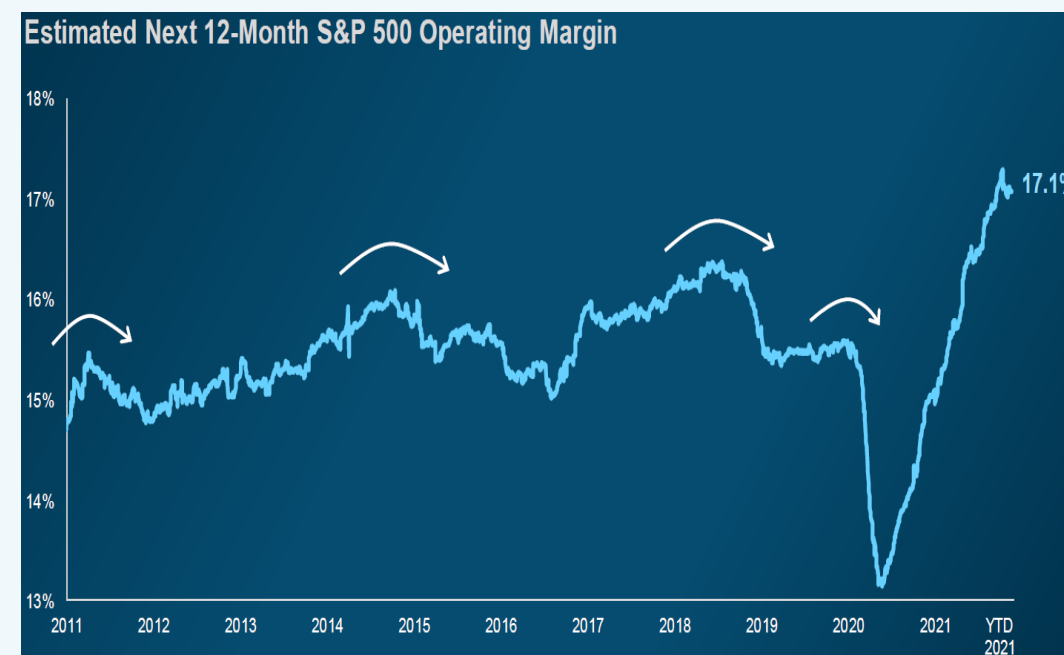
Prediction #4 S&P 500 Index turn negative return

P/E MOVEMENT DURING FIRST HIKE



Source: Bloomberg, NIC Consolidated

OP MARGIN MAY SHRINK ON HIGH PPI



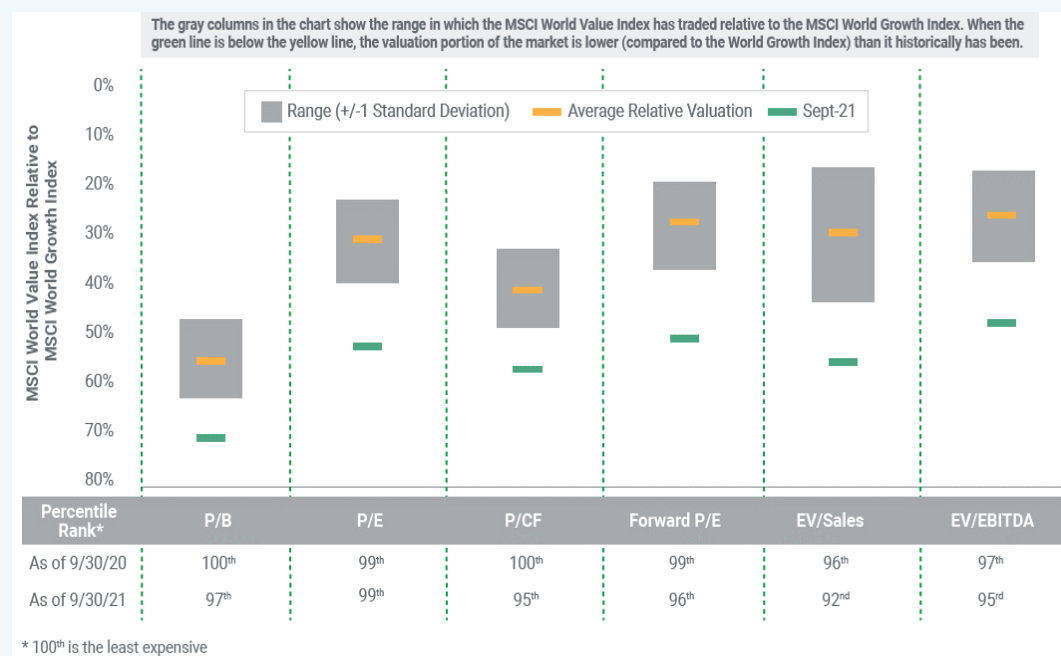
Source: T.Rowe Price

Prediction #5 Value stock would outperform Growth stock

- Value stock is not exciting term, represent old/traditional economy, energy/material/financial/industrial, no BuzzStory, but perform quietly in 2021.
- After the longest period of growth outperform value cycle, value just outperform growth a little bit this year, and the extreme valuation gap still keep the same.
- Actually, lots of growth stock has underperform since 2021 Feb. Worth to watch out how would large growth stock go in 2022.
- When growth story slow down, so does the momentum.

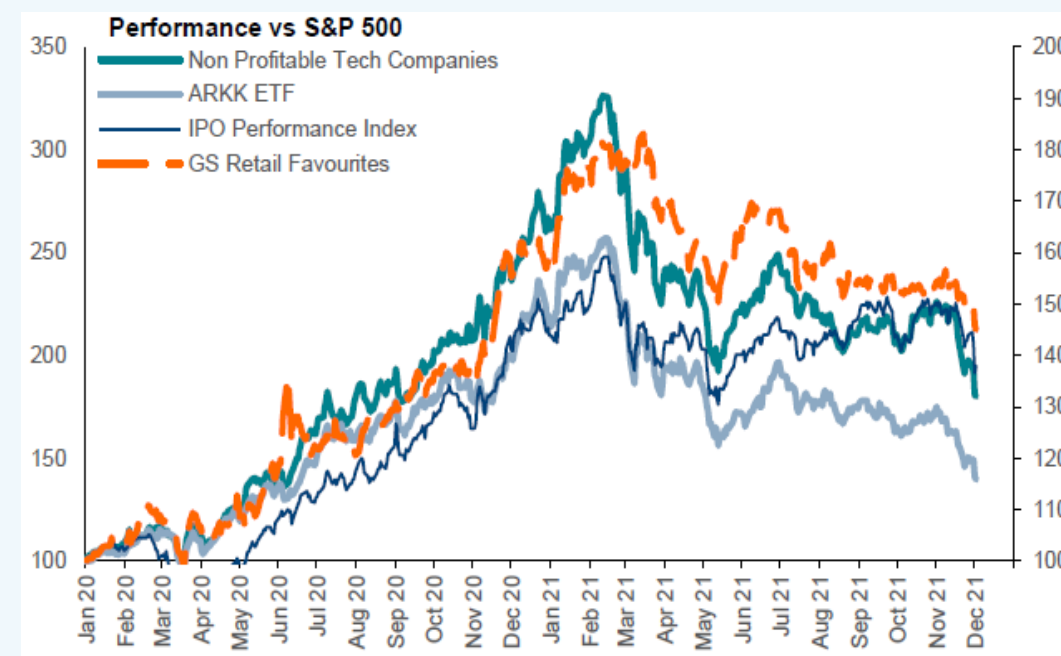
Prediction #5 Value stock would outperform Growth stock

VALUE CHEAP AS TRAP, OR AS TRASH



Source: Brandes

FANCY STOCK FEVER FADING OUT



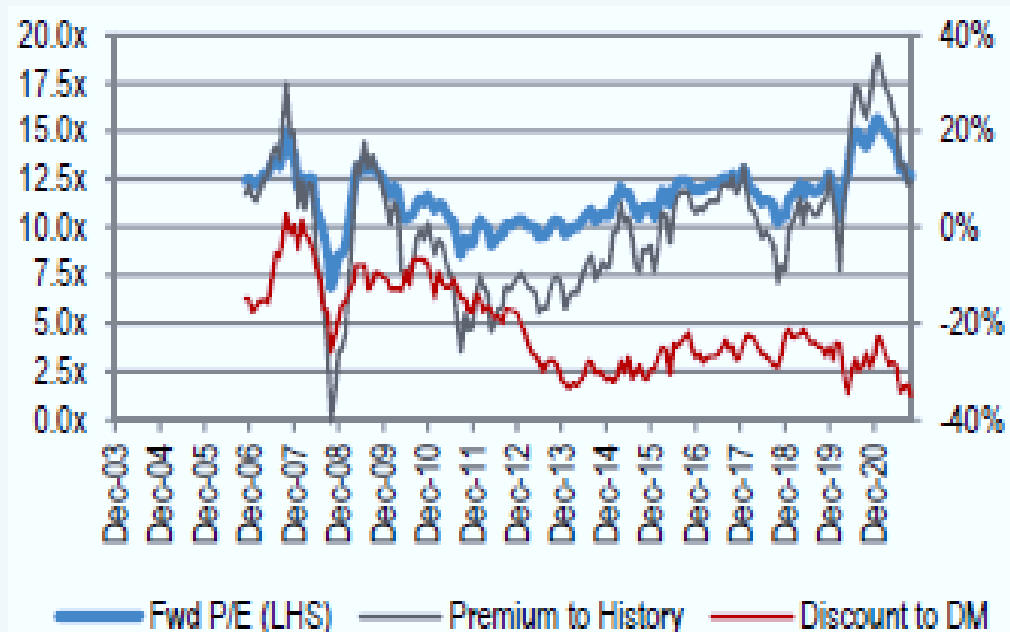
Source: BNP Paribas

Prediction #6 EM equity would outperform US (MXEF vs SPX)

- It's rare for US & EM with almost 30% gap and opposite direction in history. The last time is in 2013, same as Fed showing taper intention. Inflation indeed hurt EM.
- China represents 35% of EM (down from 40% in 2021end), and that explain the weakness of EM due to China implement restricted regulation in tech related industries. The weakness also lead valuation discount further.
- It's all about China, full of policy risk market, however, it's too big to ignore. Still need to keep eyes on, detractor and contributor always take turns.
- Most EM markets go through the tighten cycle much earlier than DM markets, may get benefit if any inflation easing.

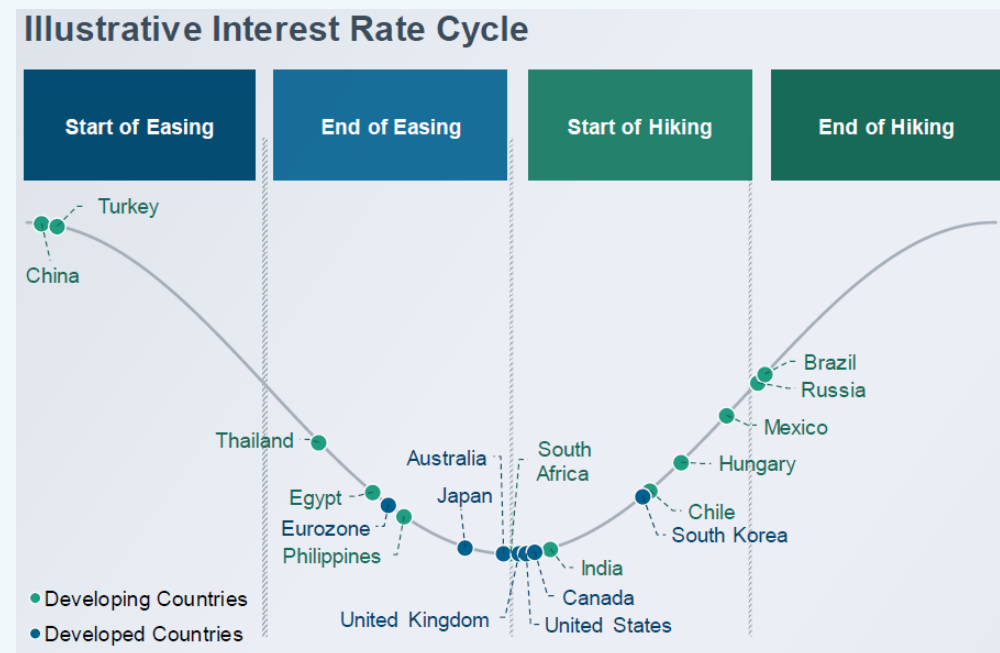
Prediction #6 EM equity would outperform US (MXEF vs SPX)

CHEAP VALUATION, ALL ABOUT CHINA



Source: JP Morgan

MOST EM CLOSE TO END OF HIKING



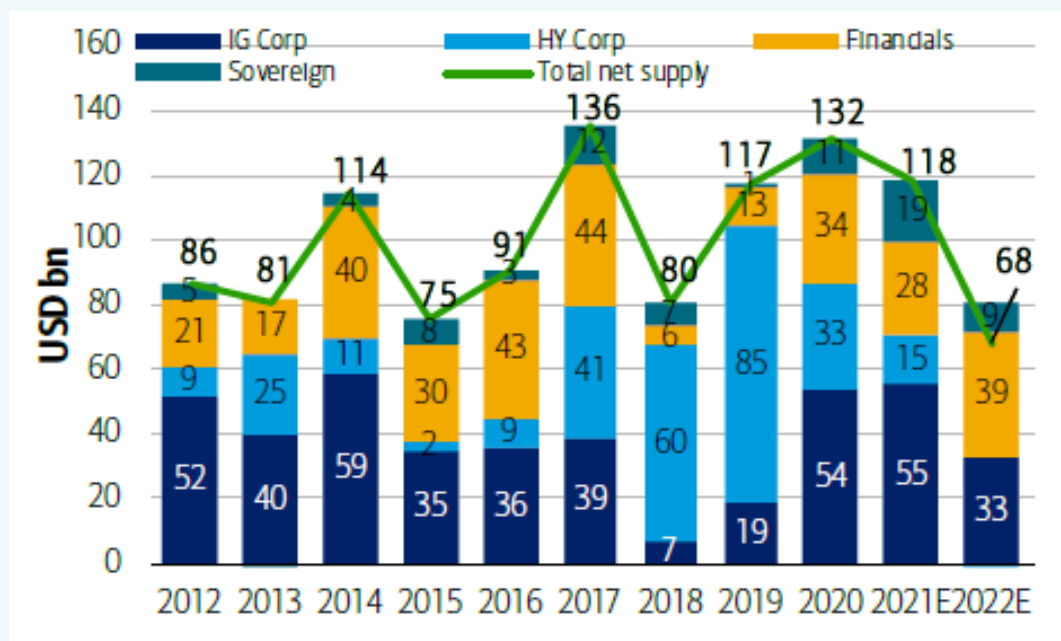
Source: T.Rowe Price

Prediction #7 Asia high yield would outperform global high yield

- All about China story again, the high default rate and further uncertainty of China property sector drive Asia HY market to break 2020 Mar market low.
- It's unclear that how China government prevent property sector bond problem transit to crisis. Especially we are talking about estimated 25%-30% GDP industries if including all related sectors.
- Wall street is not bearish and believe China gov should have all of tools to solve only if they want to. BoA estimated Asia HY may deliver 20% total return in 2022.
- The other point would be supply and demand, as new issue shrinking out, usually show certain pessimistic level and may bring good return afterward .

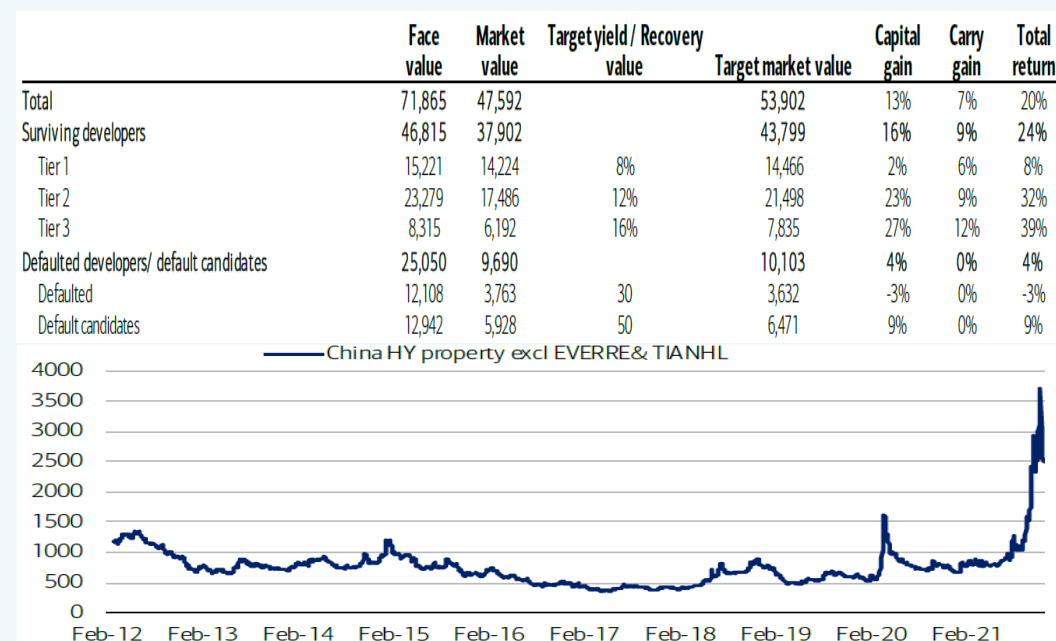
Prediction #7 Asia high yield would outperform global high yield

ASIA NET SUPPLY FALL DRAMATICALLY



Source: BoA

EXPECTED ASIA HY TOTAL RETURN 20%



Prediction #8 SPX 2022 max drawdown would exceed 10%

- Although SPX up more than 20% this year, Russell 2000 Index (the smallest 2000 stocks of Russell 3000 index) only up 10% and trending down recently.
- They said, when General move on, but soldiers don't follow, something happen.
- Possibly due to uncertainty, investors only put money in last resort. At least, we could fall down together if something happen.
- Quiet coincidence, recent years take turns by low volatility year with low drawdown (2017,2019,2021) and more than 10% drawdown year (2016, 2018, 2020). Let's see.

Prediction #8 SPX 2022 max drawdown would exceed 10%

WHEN LARGE OUTPERFORM SMALL

Return	Russell 1000(A)	Russell 2000(B)	(A) – (B)
2007	3.9%	-2.7%	6.6%
2008	-39.0%	-34.8%	-4.2%
2009	25.5%	25.2%	0.3%
2010	13.9%	25.3%	-11.4%
2011	-0.5%	-5.5%	4.9%
2012	13.9%	14.6%	-0.7%
2013	30.4%	37.0%	-6.6%
2014	11.1%	3.5%	7.5%
2015	-1.1%	-5.7%	4.6%
2016	9.7%	19.5%	-9.8%
2017	19.3%	13.1%	6.2%
2018	-6.6%	-12.2%	5.6%
2019	28.9%	23.7%	5.2%
2020	18.9%	18.4%	0.5%
2021	21.0%	10.1%	10.9%

Source: Bloomberg, NIC consolidated Date: 2021/12/17

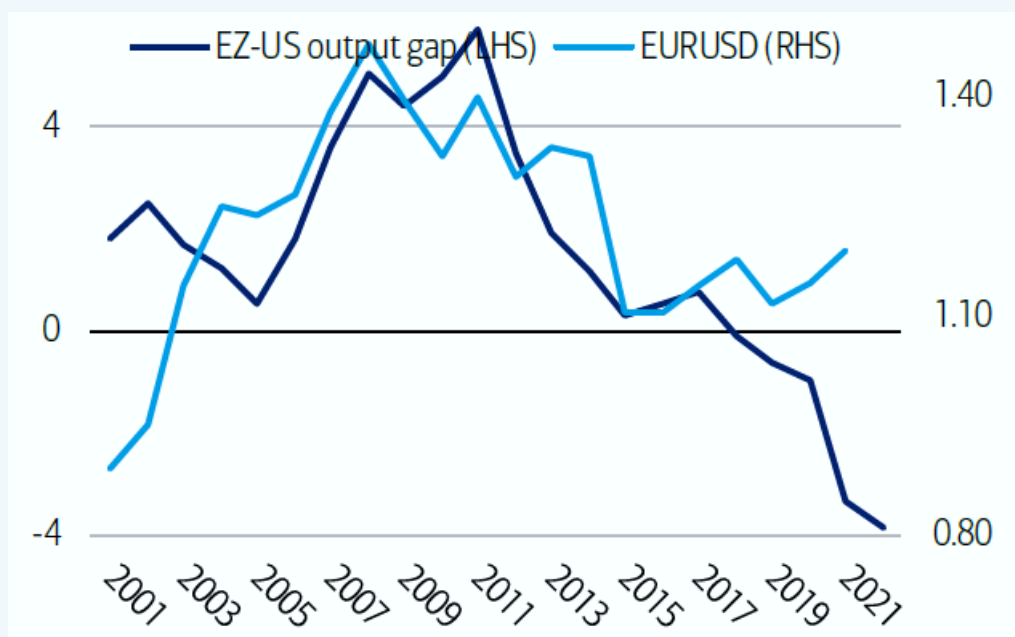
ALL LEAD TO NEXT YEAR CORRECTION

	Max DD	SPX Return	Tighten Cycle
1999	-12%	21%	Yes
2000	-17%	-9%	Yes
2001	-30%	-12%	
2002	-34%	-22%	
2003	-14%	29%	
2007	-10%	5%	
2008	-49%	-37%	
2009	-30%	26%	
2010	-16%	15%	
2011	-19%	2%	
2012	-10%	16%	
2015	-12%	1%	Yes
2016	-10%	12%	Yes
2018	-20%	-4%	Yes
2020	-34%	18%	

Source: Bloomberg, NIC consolidated
Only show the year of more than 10% max drawdown

Prediction #9 EUR would depreciate versus JPY (Short EURJPY)

OUTPUT GAP IMPLIED WEAK EUR



Source: BoA,

EURJPY USUALLY DOWN WITH WEAK SPX

Return	SPX	EURJPY	Return	SPX	EURJPY
2004	10.9%	3.0%	2013	32.4%	26.4%
2005	4.9%	0.3%	2014	13.7%	0.1%
2006	15.8%	12.6%	2015	1.4%	-9.8%
2007	5.5%	3.8%	2016	12.0%	-5.9%
2008	-37.0%	-22.3%	2017	21.8%	10.0%
2009	26.5%	5.1%	2018	-4.4%	-7.0%
2010	15.1%	-18.6%	2019	31.5%	-3.2%
2011	2.1%	-8.1%	2020	18.4%	3.6%
2012	16.0%	14.9%	2021	23.0%	1.3%

Source: Bloomberg, NIC consolidated Date: 2021/12/17

Prediction #10 Bitcoin market cap share would down below 40%

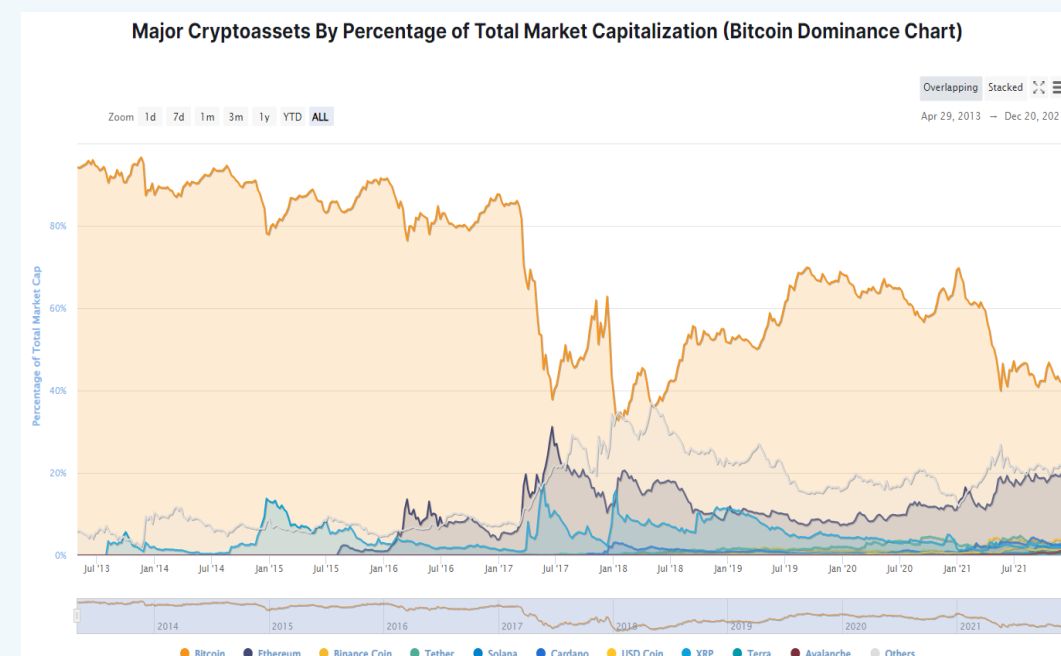
- Total cryptocurrency market capitalization ever reach \$3TN in 2021 from last year \$650bn, and mainly be considered as alternative asset by companies and money managers.
- Ethereum2.0/DeFi/Dogecoin/DAO/NFT/Coinbase/GameFi/Play to earn/AVAX/Solana... everything booming in one year, and so does leek
- Return always comes with volatility, just like wild westward movement, it's whole new digital world to gain metaverse asset, but need risky in real world asset.
- This call not mean for total crypto market cap up or down, but only reflect to view that new projects/items/coins/virtual verses would come hundreds after hundreds. Bitcoin price would be less important in the long run.

Prediction #10 Bitcoin market cap share would down below 40%

CRYPTOCURRENCY REACH \$2TN MKT CAP



BITCOIN DOWN TO 40% MKT SHARE WHILE MARKET BOOMING



Summary

2021 Top 10 Predictions	Field
#1 FED would hike federal fund rate at least 0.5%	MACRO
#2 US 10yr treasury yield won't breach 2.25% in year	Bond
#3 Commodity index still rise up	Commodity
#4 S&P 500 Index turn negative return	Equity
#5 Value stock would outperform Growth stock	Equity
#6 EM equity would outperform US (MXEF vs SPX)	Equity
#7 Asia high yield would outperform global high yield	BOND
#8 S&P 500 Index 2022 max drawdown would exceed 10%	Volatility
#9 EUR would depreciate versus JPY (Short EURJPY)	Currency
#10 Bitcoin market cap share would down below 40%	Alternatives



Crash here, Reborn somewhere

- In old world, the more bored, the better
- In new world, the more bubble, the better
- No need for FOMO, but have to know world indeed changing

A low-angle, upward-looking photograph of several modern skyscrapers. The buildings are constructed with glass and steel, featuring repetitive window patterns and architectural details like balconies and overhangs. They converge towards the top of the frame against a clear, pale blue sky. The perspective creates a sense of height and scale.

2022 Outlook

Q&A SECTION



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