

A person wearing a headset is shown from the side, with their right hand raised in the air. They are wearing a light blue long-sleeved shirt. In the background, there is a laptop on a desk and a blurred office environment with a plant on a shelf. The word "Editorial" is overlaid in white text on a semi-transparent dark blue rectangular background.

Editorial

I believe I speak for many when I say that 2020 was a year that we wish to forget – a year that saw economies, businesses, societies and individuals deeply impacted by a global pandemic that emerged without warning. Countries went under lockdown, and we have all had to adapt to very different ways of living and working. With the US elections over and the promising developments on the COVID-19 vaccine front, the world is looking forward to a return to normalcy. However, it bears noting that this “normal” will be vastly different from the one in the days pre COVID-19.

Even as the world anticipates the day when COVID-19 is no longer a global threat with effective vaccines readily available, the reality is that the way we work and socialise will likely have changed permanently. Business meetings will be a hybrid of face-to-face interactions and those conducted via online collaboration platforms such as Zoom and Microsoft Teams, reducing the need for business travel and further enabling work-from-anywhere arrangements.

Digitalisation is now a business necessity and is likely to continue. E-commerce will thrive on the back of new entrants and brick and mortar shops reinventing themselves by offering online shopping options. People movement will be reduced as work from home arrangements become more common among workers – benefitting the logistics industry that delivers food and products to people.

The global supply chain will also evolve: Many countries have become dependent on cheap manufacturing centres such as China, Vietnam and Mexico. But the pandemic has caused governments and companies to start building resilience into their supply chains. This may bring about higher costs to businesses and customers in the future.

As the world heals and remodels itself after this pandemic, this gives rise to investment opportunities if we remain at the forefront of new developments. We broadly categorise these into the following three themes:

Recovery

With a working vaccine on the horizon, investors will look toward a reopening of the global economy. However, the recovery will be uneven:

Countries that have managed the COVID-19 crisis better and sectors that have benefitted from the pandemic, will recover faster. Identifying the economies and sectors that have the potential to perform better is important when making decisions on your investment portfolio.

Technology

The United States (US) and China are locked in a race for technological supremacy. Artificial Intelligence and cloud computing are the new engines of economic growth. 5G networks and massive data centres are the infrastructure required to power these engines and new technology development will provide opportunities for investors to ride on this growth.

Sustainability

The US, Europe and China are leading the charge in embracing environmentally-friendly projects to address climate change. The widespread use of social media has raised awareness on socially-acceptable corporate behaviour, including control and governance issues. Sustainable investing is also entering the mainstream: Investors are increasingly realising the impact their investments can have on the world they live in while recognising that investing responsibly does not mean having to compromise on returns.

Alongside the opportunities we see, there remain investment risks that we need to keep an eye on: The production and distribution of COVID-19 vaccines could face hiccups along the way, hampering economic recovery as a result. US-China tensions will likely continue as the US seeks to contain the rise of China. With its new administration however, the US may perhaps strike a more moderate tone than the past four years. Last but not least, government debt has risen by 78% this year in advanced economies alone¹, increasing the burden on public finances which could eventually impact financial markets.

As we look forward to stepping out of COVID-19's shadow in 2021, the expected recovery will provide the tailwind for markets, setting the stage for us to revisit our investment ideas and tap onto new and sustainable opportunities as we work towards our financial goals. It will be an exciting year ahead, and I wish you success in your investing journey.

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