




Tech-resilience in the path towards multipolarity



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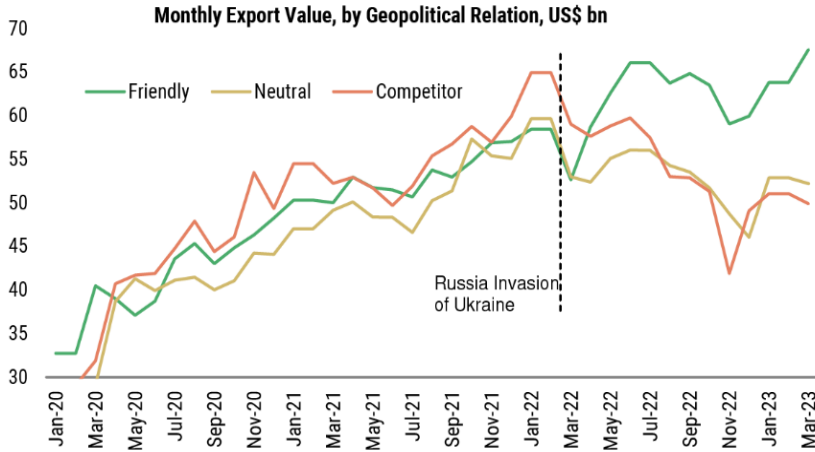
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US-China relation: A game of offense and defense

US-China relation remains top of mind

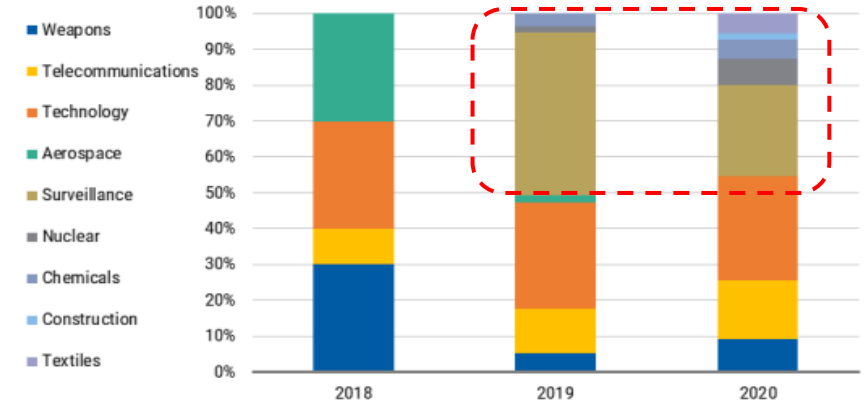
Year-long tension on semi export control ventured to another chapter over past month

China export momentum has diverged since Russia-Ukraine war

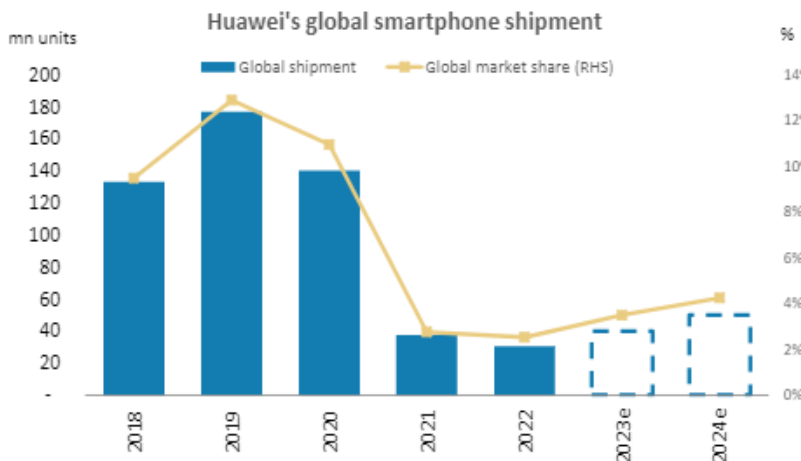


As US further extended entity list to non-weapon categories over past years

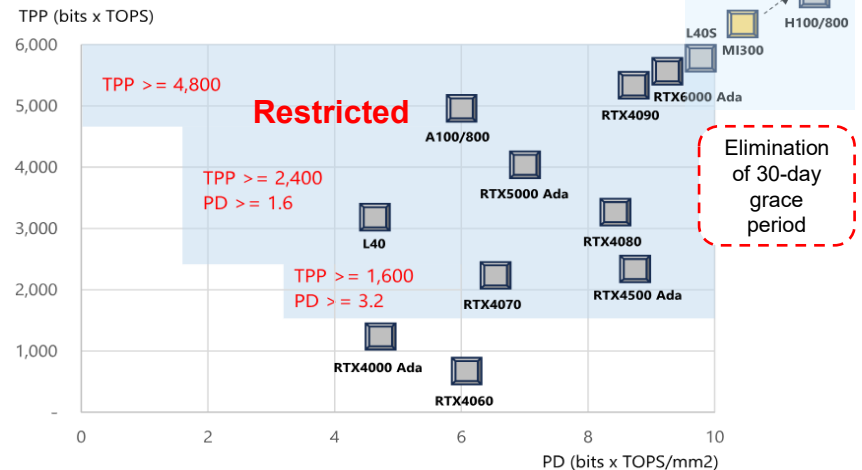
Chinese Additions to US Entity List, by Sector



Huawei's 5G comeback reignited US attention towards trade restriction

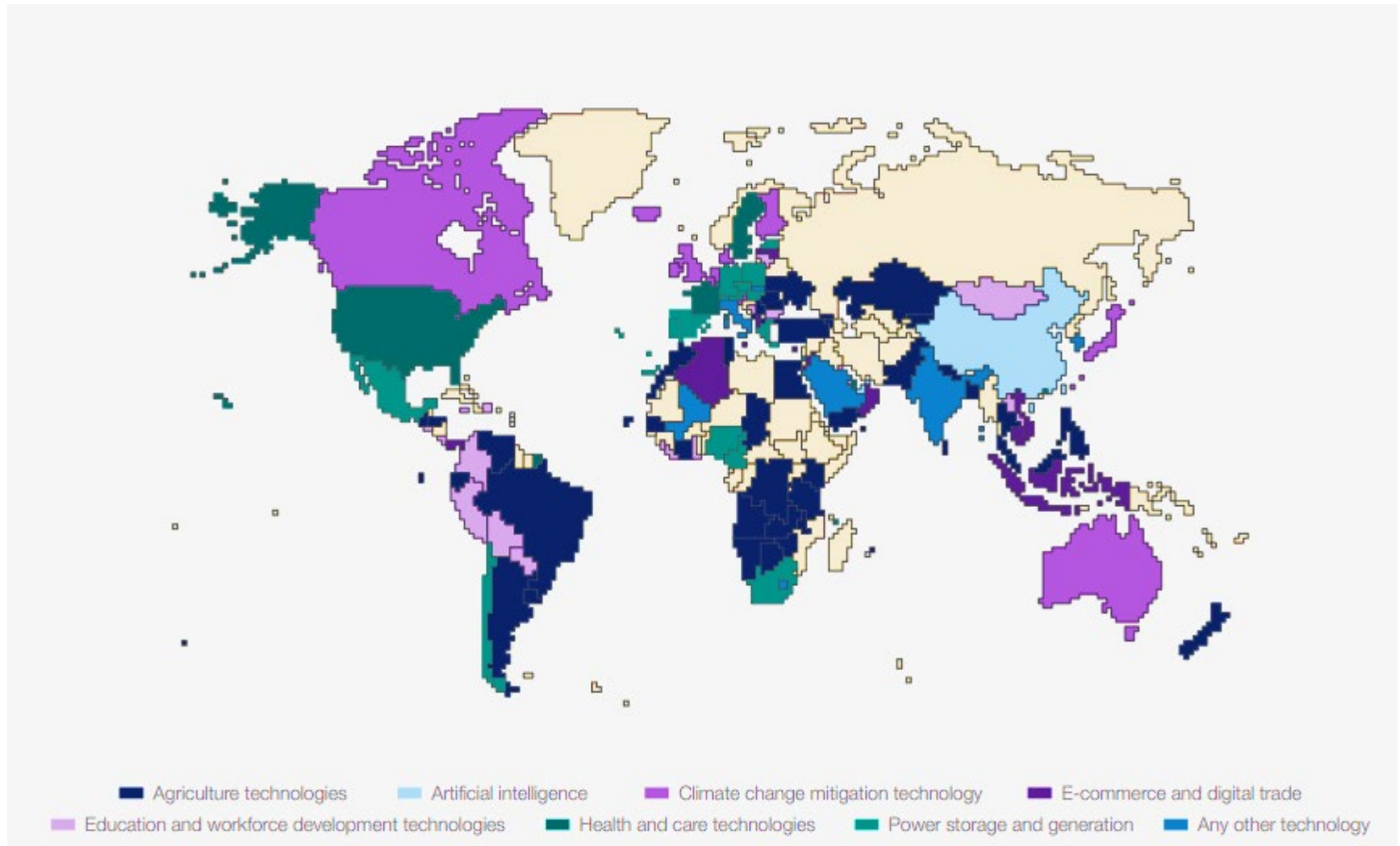


Semis are back in focus with continued expanding restriction by BIS



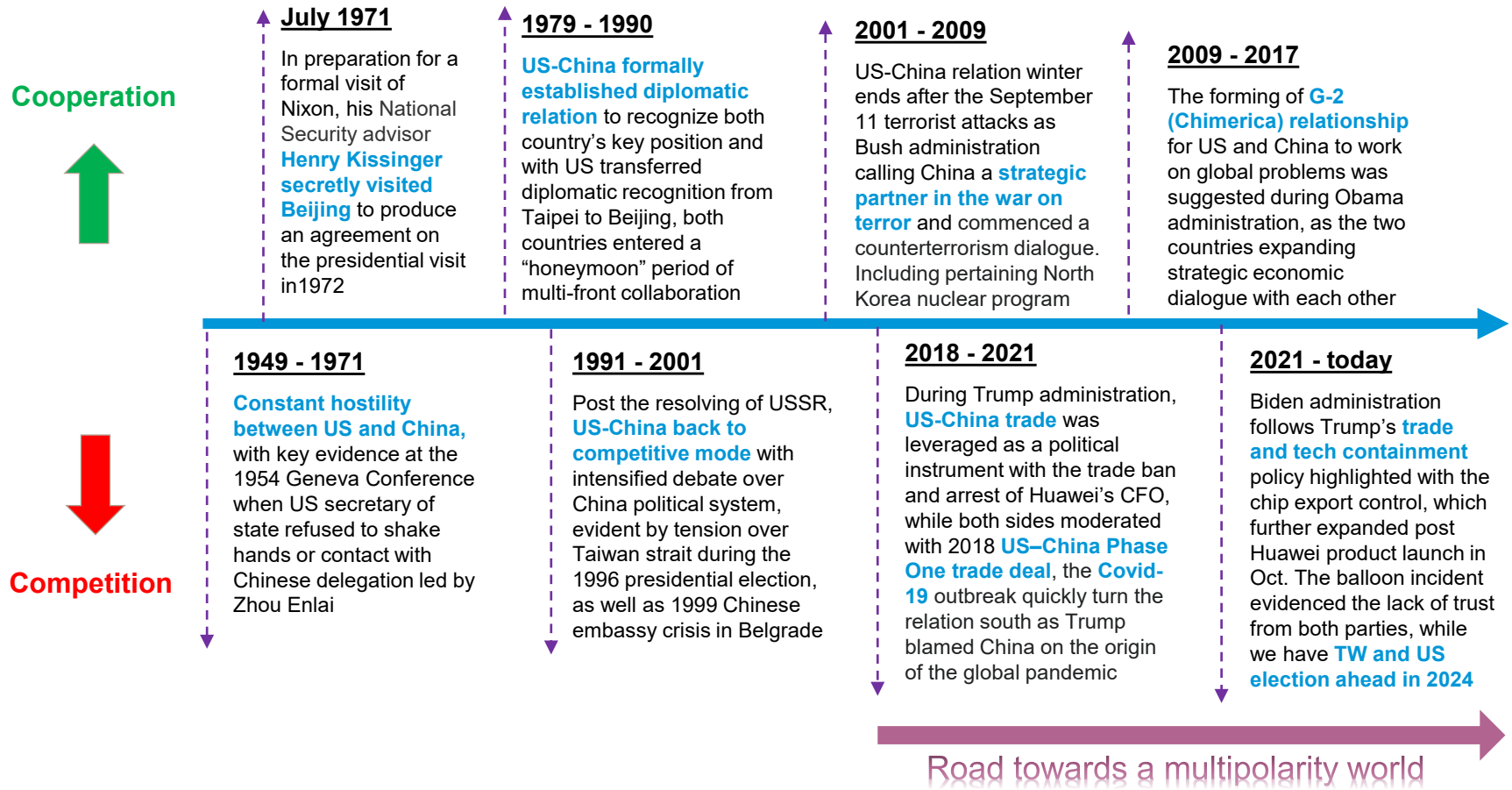
Chokepoint formed to target tech advancement

The technology of highest strategic importance in each economy, 2023



US-China: a cyclical path with a constant theme

While US-China relation fluctuated, **competition + cooperation** has been the theme



*Admittedly, not only US/China, but all major countries around the world are putting **security** above economic development*

US in Transition: AI, blockchain, and tech re-shoring

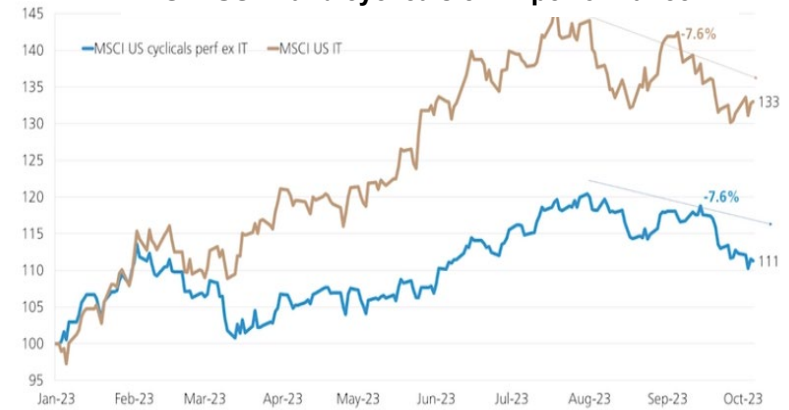
Tech resilience in full display this year

Technology stocks have climbed this year despite the impact of rising rates

NASDAQ 100 ytd performance relative to S&P 500 equal weighted



MSCI US IT and cyclicals ex-IT performance



The S&P 500 12-month forward P/E has increased despite an increase in yields



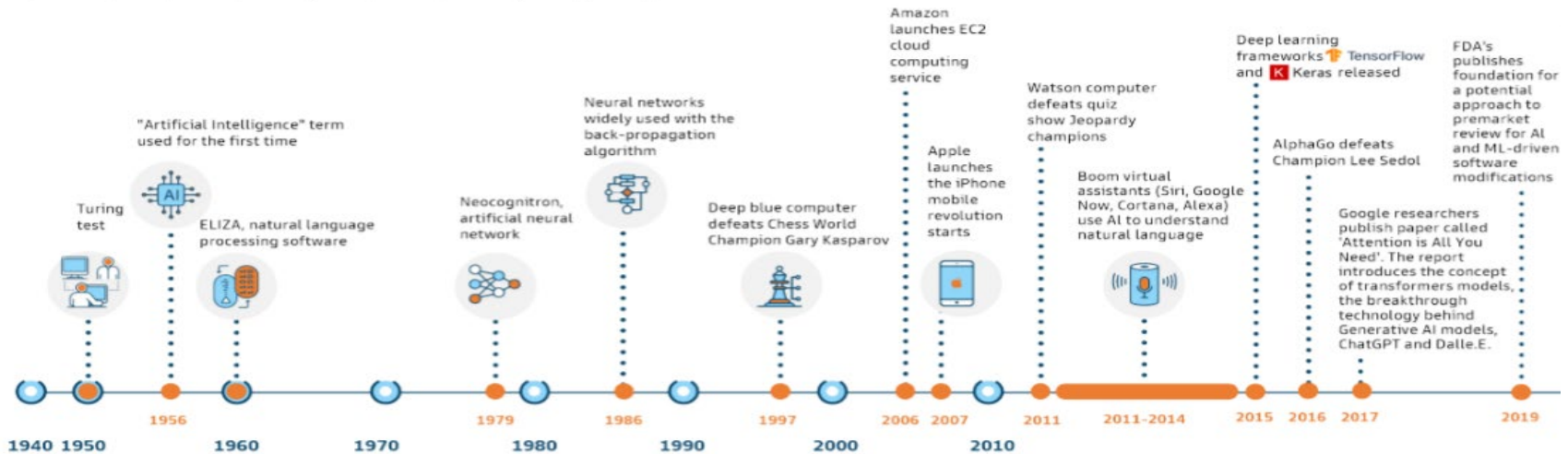
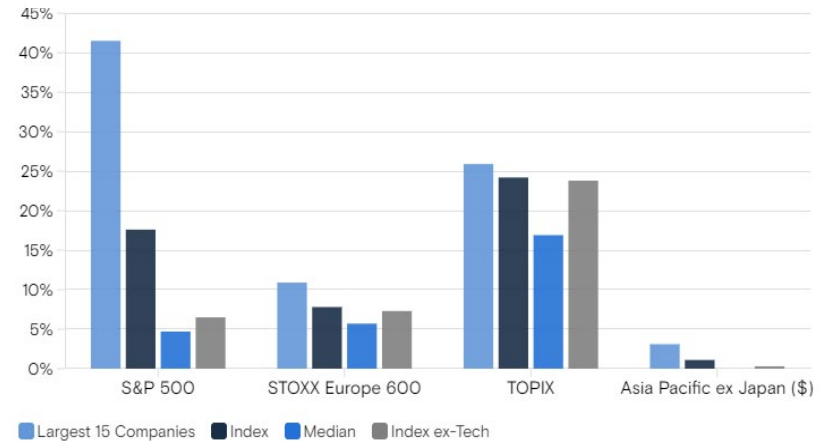
The year of generative AI, or just the beginning?

Market focus turning from infrastructure towards application, but pricing is the key

AI beneficiaries Indexed performance versus equal-weight S&P 500, year-to-date



Concentration of returns in the equity market this year has been extraordinarily high towards largest 15 companies

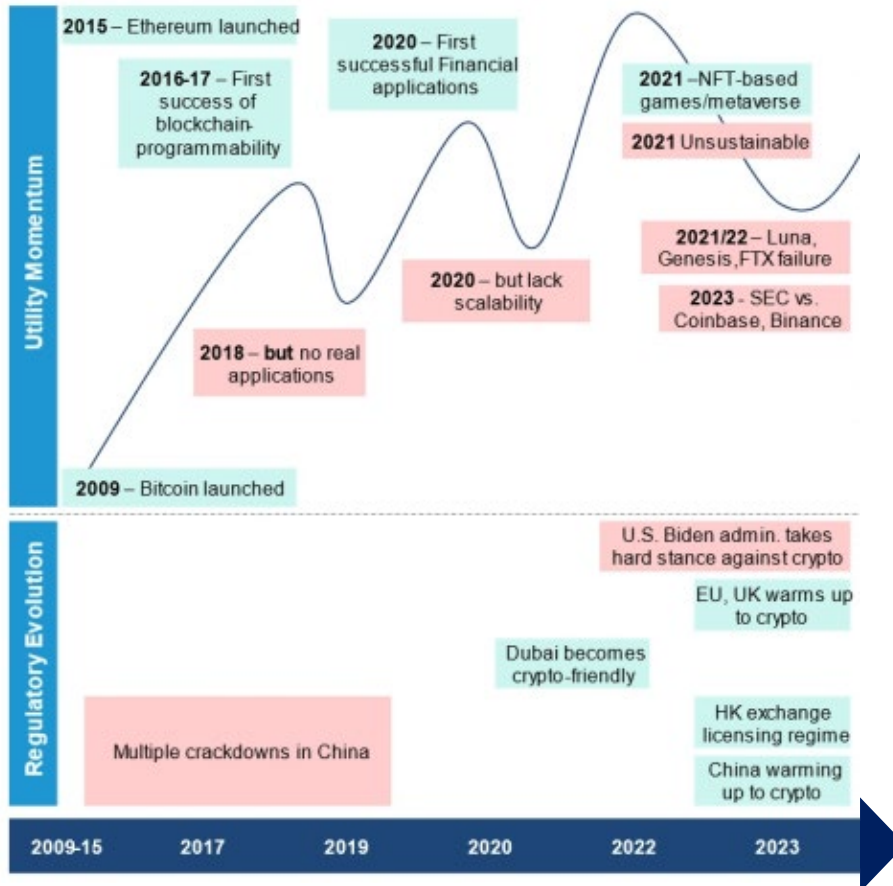


Source: Datastream, STOXX, Goldman Sachs Research. The views are those of the manager and are subject to change

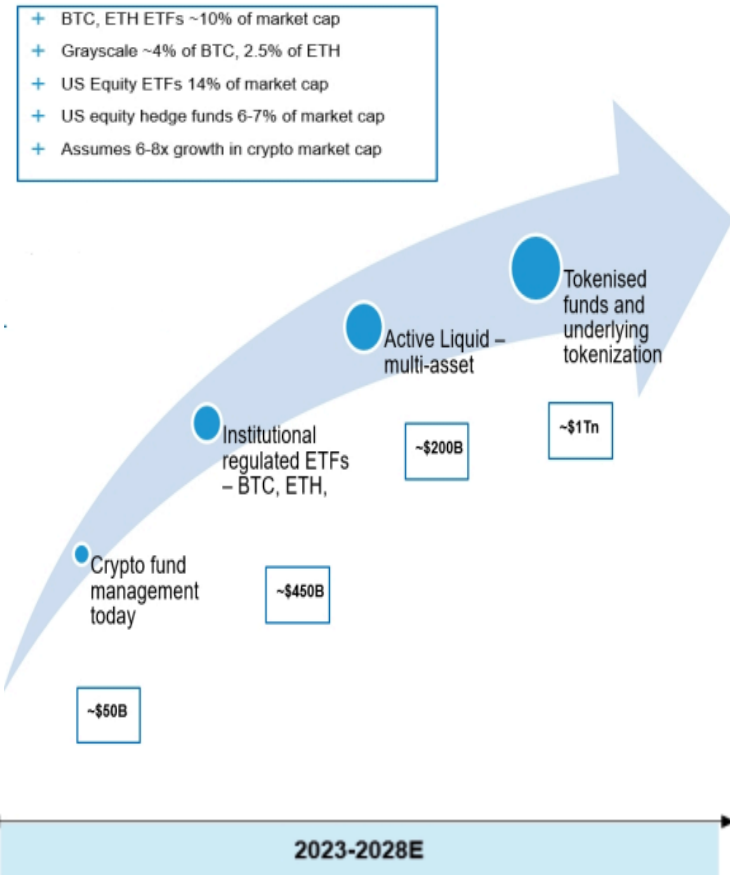
Blockchain/crypto: light at the end of tunnel?

Stable coins leading tokenization with payments/funds adoption

The crypto cycle: convergence of utility, scalability and regulatory clarity driven rerating



While institutional adoption and capital inflow helped to increase AUM and transforming crypto to a real industry

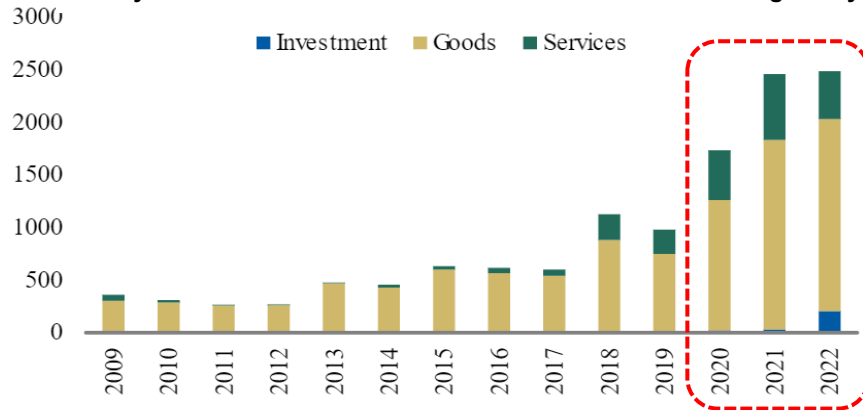


- + BTC, ETH ETFs ~10% of market cap
- + Grayscale ~4% of BTC, 2.5% of ETH
- + US Equity ETFs 14% of market cap
- + US equity hedge funds 6-7% of market cap
- + Assumes 6-8x growth in crypto market cap

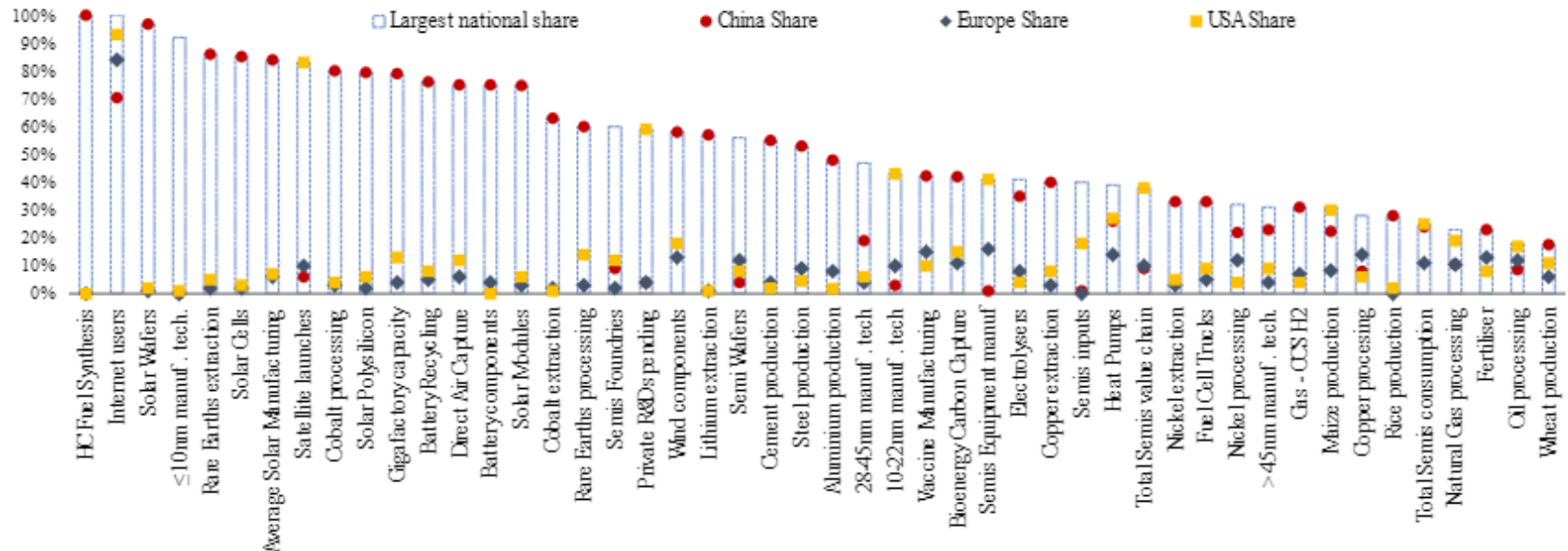
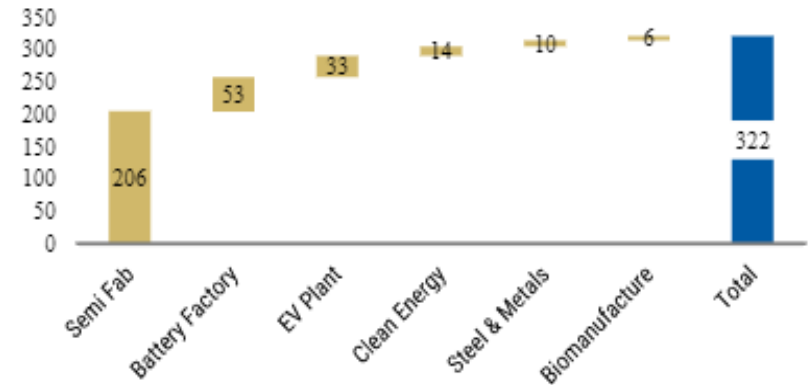
Re-shoring supply chain: a costly process

Trillion-dollar level of spending is required for complete de-risking of int'l supply chain

Policy measures to de-risk trade and investment announced globally



Major announcements of reshoring since 2021 in \$bn by segment



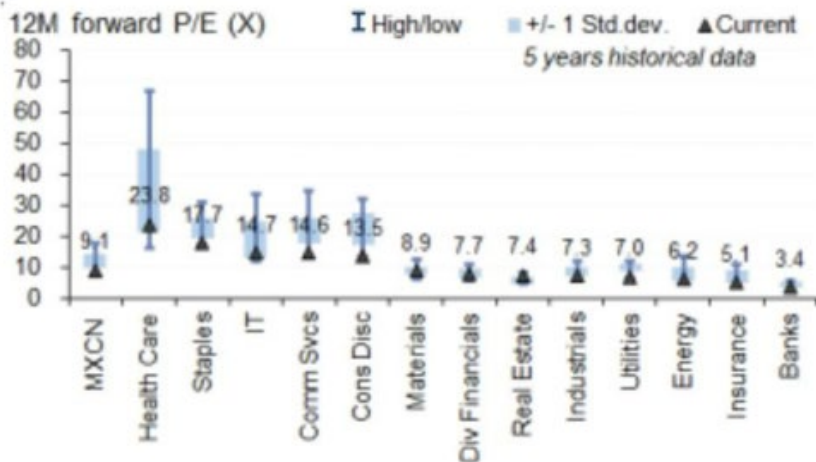
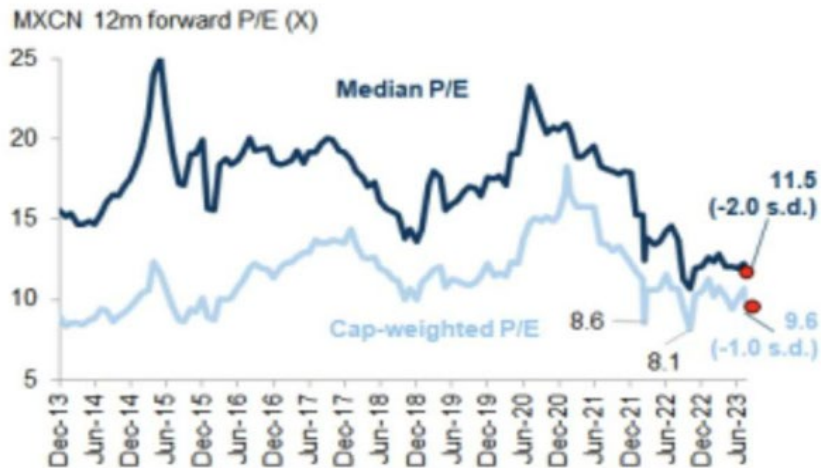
China in Transition: when and how would the rebound happen?

Chinese equities are cheap, and market knows it...

P/E at trough across sectors vs past 5 years regardless of difference in fundamentals

Valuation trends towards Nov 22' trough when covid-zero still hold

MSCI comparison to Nifty50 show expanding gap since 2022



...as there's still unresolved concerns over long-term

2023 marks the start of China transiting to the "new norm" while everyone still adapting

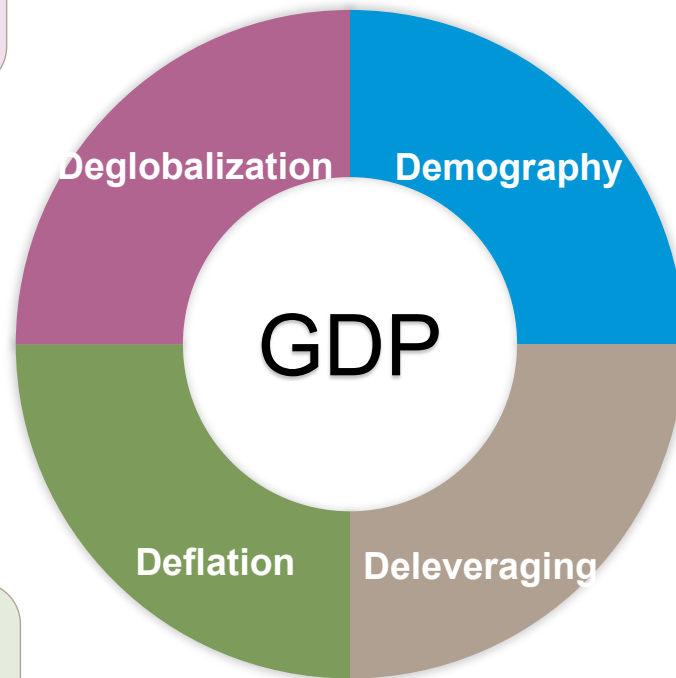
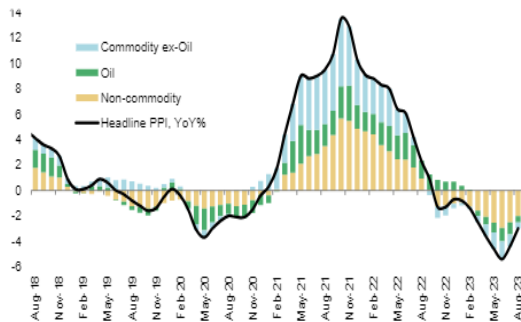
De-risk supply chain

Continued de-risking of supply chains away from China would mean slower FDI flows and reduced productivity spillovers

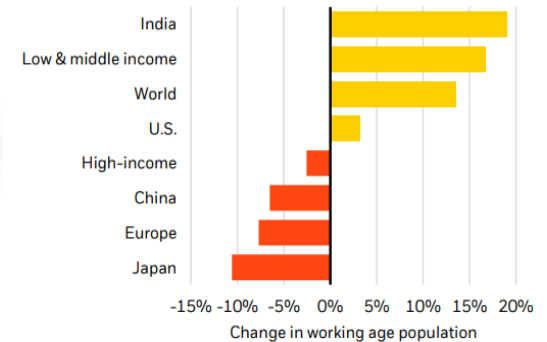
Elderly society

China sees rising age dependency ratio amid decelerating growth of working age population.

China's PPI year-over-year breakdown



Projected change in working-age population between 2020 and 2035



Spillover to consumption

Demand deficiency and deflationary pressure emanating from deleveraging in the property sector and LGFVs

Debt to GDP

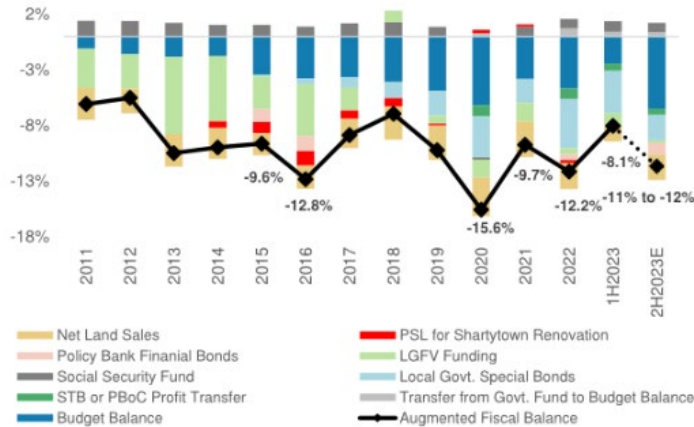
China's debt to GDP towards 298% in 2023 (behind Japan and France), while central government debt to GDP ratio only at ~20%

Solutions? State leverage + private sector growth

Reaching the Nash equilibrium between government and civilians

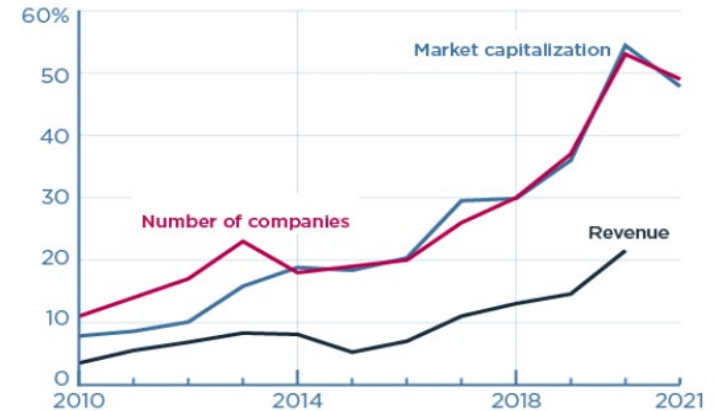
NPC Standing Committee approved a mid-year expansion to the Central budget in mid-Oct, the first time since 1998

Augmented Fiscal Balance, % of GDP

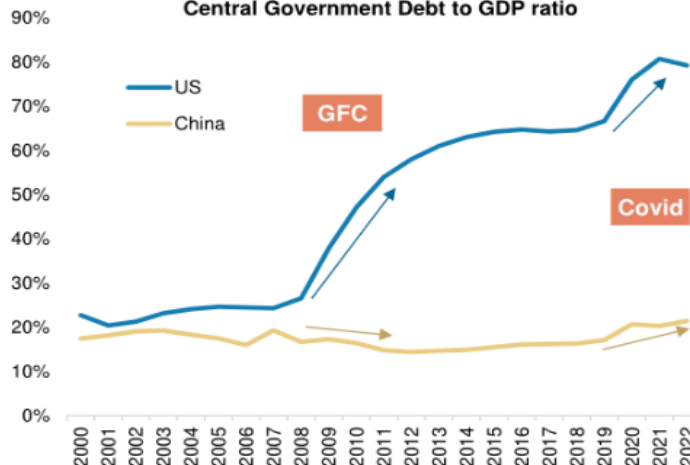


Nowadays, China's private enterprises contribute 60% of GDP, 60% of tax income, 70% of total investments and 80% of urban employment

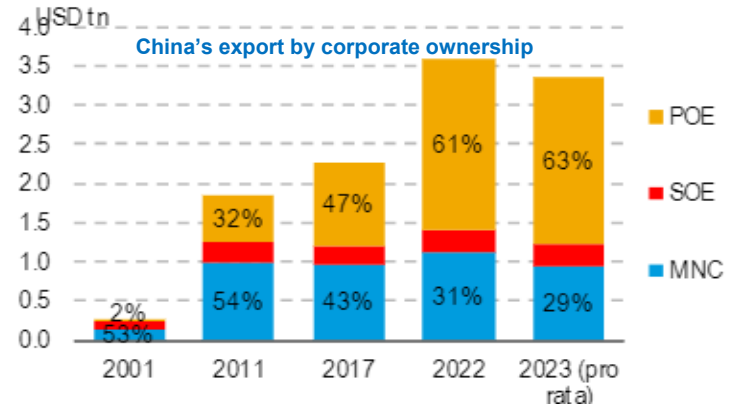
Private firms' share % among China's largest 100 listed firms by mkt cap



Central Government Debt to GDP ratio



China's export is increasingly driven by private enterprises, setting up factories/stores/R&D centers overseas and rebuilding global supply chains

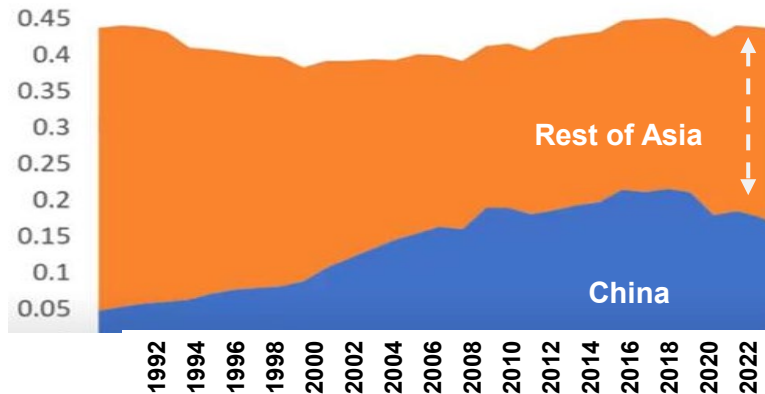


Friend-shoring: Investment opportunities across Asia

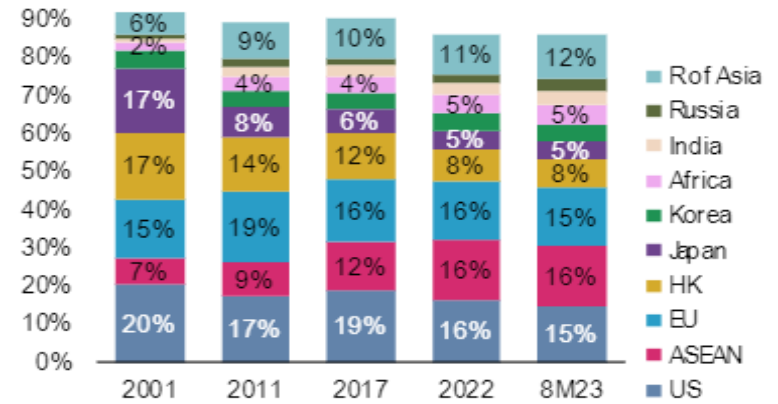
Not a decoupling scenario feared by market

Instead, a slowdown of globalization while supply chain readjust to such changes in focus

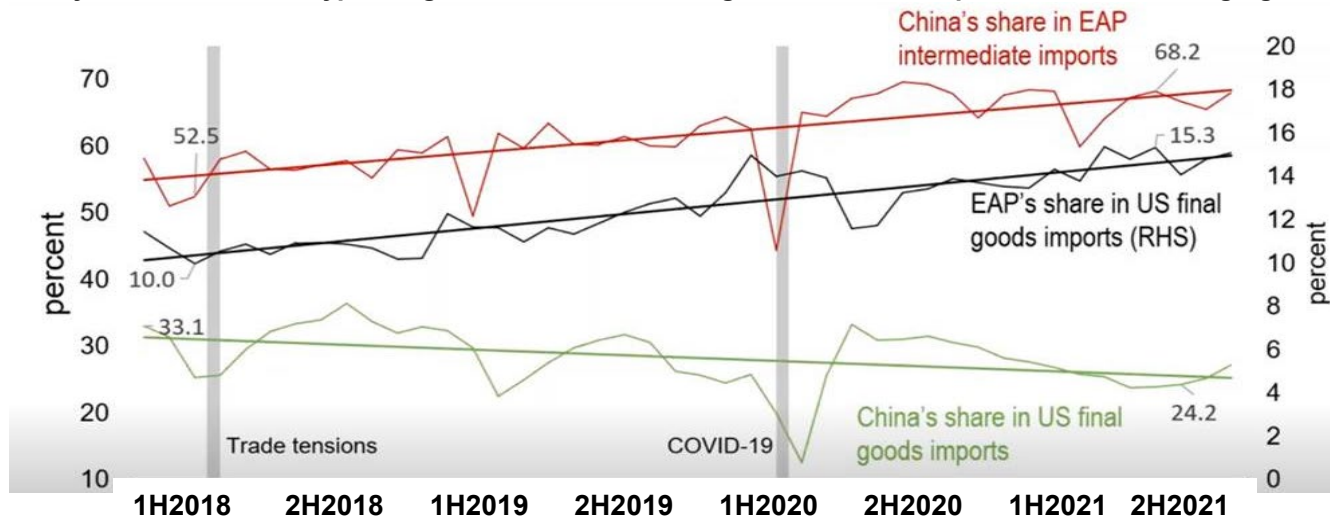
China's share of US import fell below 20% since 2022 while rest of Asia stood to benefit with share gain



Same trend can be observed from China's export with ASEAN replacing US to be the largest export partner



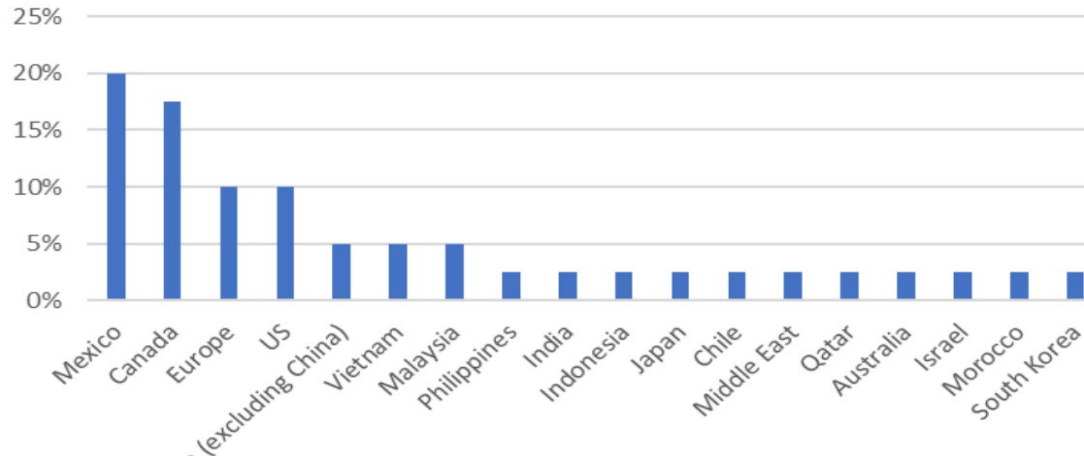
Notably, China has been bypassing such restriction through intermediate export with Asian emerging markets



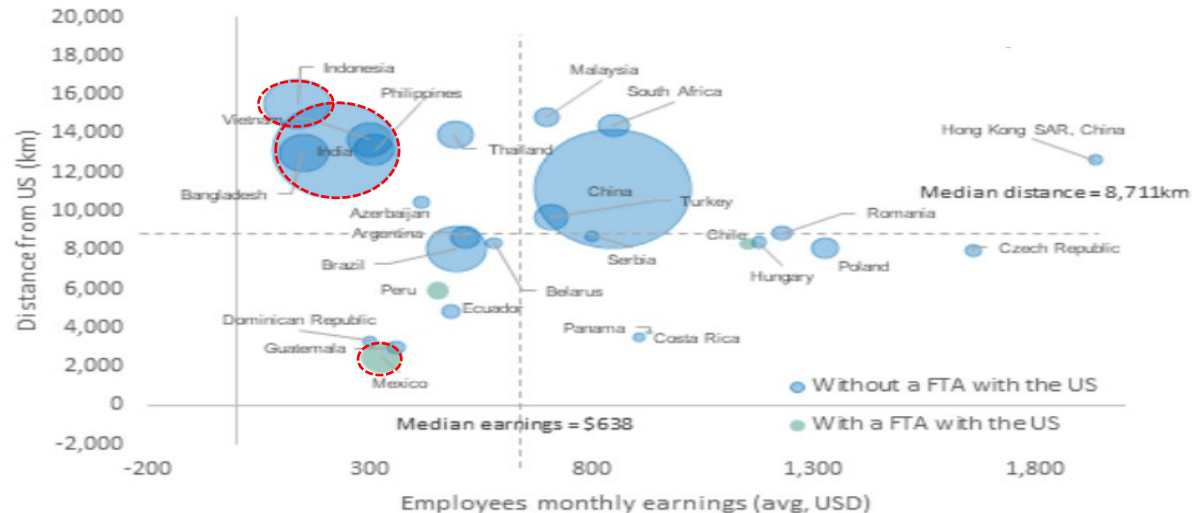
Likely beneficiaries in US-China rivalry

Mexico, India, Vietnam could be key of nearshoring and friend-shoring beneficiaries

Frequently mentioned nearshoring candidates by the US and LATAM analysts as of 2022



US companies likely need several geographic options to replicate the scale of China





Thank you

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