The Inquirer

China's Regulatory Tightening: Implications for New-Tech investors

Equity Strategy

19 July 2021

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Global

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New-tech sectors in Asia: the alternatives to China

China's cutting edge technology stocks have borne the brunt of regulatory tightening, falling 40% from the YTD peak. We have been negative on China's growth stocks since October-2020 (see our report Simplistic valuations versus rigorous design 27 October 2020) and downgraded China from a 4-year overweight to neutral in December-2020 (see our report 2021 Year Ahead – More gains ahead 24 November 2020). The regulatory overhang is unlikely to dissipate anytime soon. Prospective returns on invested capital, re-investment rates and total addressable markets (TAM) will be on a weaker trajectory than anticipated earlier. While we remain bullish on equities with a preference for growth stocks (see our report Managing risk, trimming cyclicals 21 June 2021), we recommend that investors rotate into growth/new-tech sectors in Australia, Japan, India and ASEAN (market cap of USD1.9tn in internet/ gaming, e-commerce, EV value chain, biotech & medical instruments, fintech stocks), and away from China (market cap of USD3.6tn in these sectors).

What is driving the regulatory scrutiny?

In our view, China's regulatory restrictions on technology firms and capital markets stem from five concerns, and are weighty, given the explicit convergence of views of both the Chinese Communist Party and the Government. **First**, regulators in China (and globally) are concerned about monopoly power and anti-competitive practices. **Second**, China, like many other countries, is concerned about personal and national security data being accessed by foreign powers, on demand by their investors, regulators, or simply hacked into, raising security and stability concerns. **Third**, China remains eager to open its capital markets to global investors – but, to have many of its technology leaders exclusively listed overseas, mostly excludes local investors from participating in the growth of their national champions, while foreign investors can. **Fourth**, the business models of certain sectors might simply be misaligned with national development goals (recall internet/gaming, education, P2P lending etc. in 2017). Implication: greater uncertainty about prospective ROICs, re-investment rates, TAMs, and monetizing assets to benefit shareholders. And, in our view, greater social responsibility towards stakeholders. **Fifth**, maintaining financial stability by regulating the fintech sector is important to the authorities to avoid recurrence of prior shadow banking bubbles.

Liquidity: a pillar of support for growth/new-tech stocks

We have been in the low inflation-low interest rate camp for more than a decade. Low interest rates support growth/new-tech stocks. As does the rise in the G-4 central bank balance sheets – the correlation between this balance sheet size and Asian growth stocks is 0.93 since 2009 (with value stocks, only 0.53). Our rates strategists project the G-4 central bank balance sheet to expand from USD29.9tn in June 2021 to an estimated USD31.7tn by year-end. Growth/new-tech stocks should benefit – we think the ex-China names have decent market cap, robust fundamental metrics, a long runway for growth, but most importantly, a less uncertain regulatory environment compared with China.

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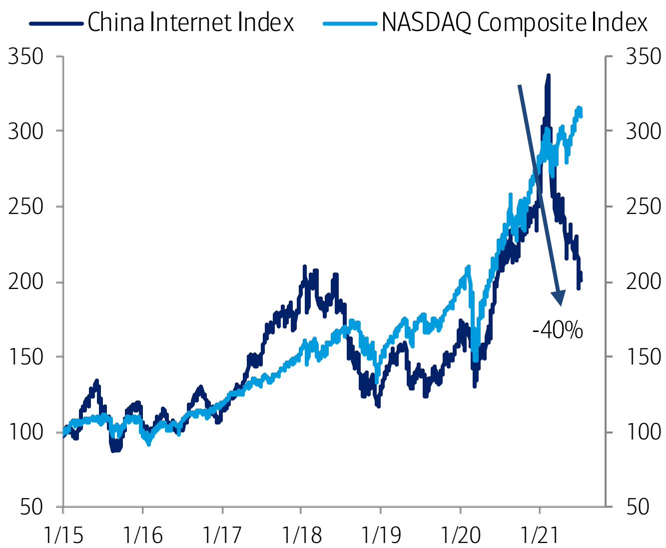
Timestamp: 19 July 2021 08:54AM EDT

China's Regulatory Tightening: Implications for New-Tech investors

China's cutting edge technology stocks have borne the brunt of regulatory tightening and a falling credit impulse, falling 40% from the YTD peak. We have been negative on China's growth stocks since October-2020 (see our report Simplistic valuations versus rigorous design 27 October 2020) and downgraded China from a 4-year overweight to neutral in December-2020 (*see* 2021 Year Ahead – More gains ahead 24 November 2020). The good news is that we think China's credit impulse might have bottomed. The bad news is that the uncertainty over Chinese regulatory policy remains. Overall, we remain bullish on equities, recently changed our views to prefer growth equities (see our report Managing risk, trimming cyclicals 21 June 2021), and recomend that investors rotate into growth/new-tech firms in Australia, Japan, India and ASEAN, and away from China. While we have championed China's impressive technological advantages and achievements on a global scale for years and predict further Schumpeterian advances from the US-China rivalry (see our report The Paradoxical Investment Advantages of Great Power Rivalry 07 June 2020) – we think the regulatory overhang is unlikely to dissipate anytime soon. Prospective returns on invested capital, re-investment rates and total addressable markets (TAM) will be on a weaker trajectory than anticipated earlier. Instead, try new-tech (internet/ gaming, e-commerce, EV value chain, biotech & medical instruments, fintech) in the ex-China markets – as Exhibit 4 shows, these sectors have considerable presence in these markets with a market cap of USD1.9tn, compared with USD3.6tn in China. They have a longer runway ahead of them in most of these markets, potential economies of scale and scope, can create and monetize adjacent assets, and access to foreign capital and technology. And a more predictable regulatory landscape.

Exhibit 1: Technology Stocks: China vs the US

While the Nasdaq Composite Index is up 12% YTD, China internet stocks are down 20% (*40% from YTD peak*), weighed down by regulatory tightening



Source: BofA Global Research, Bloomberg. Notes: CSI Overseas China Internet Index is used as China Internet Index.

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Exhibit 2: China credit impulse <*CHBGREVO Index*>

After a sharp decline in the preceding months, China's credit impulse is showing signs of bottoming out

Source: Bloomberg. Notes: Credit Impulse measures the impacts of new lending increments, or acceleration of credits, to GDP growth. CHBGREVO Index is the 12 month rolling sum of China credit increment over the 4 quarter rolling sum of nominal GDP.

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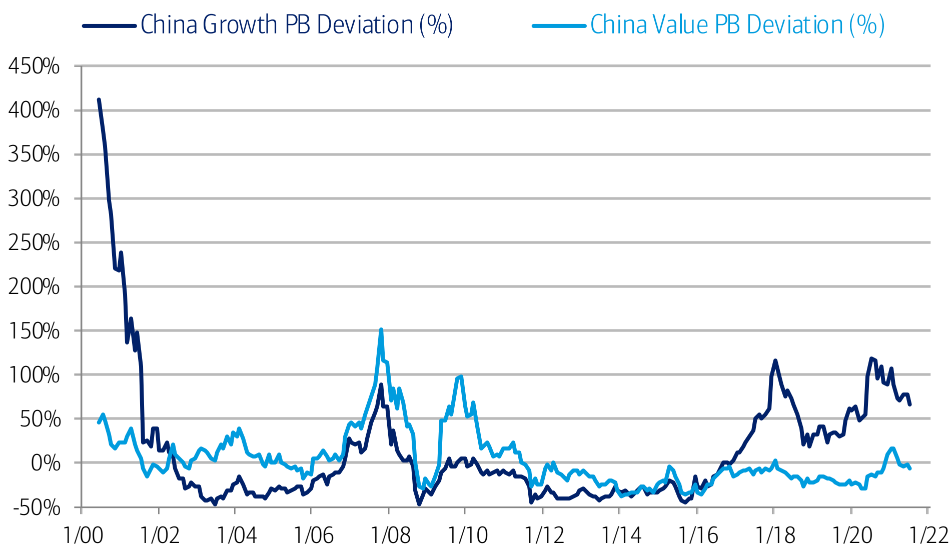
Exhibit 3: Valuation of value and growth: China
Growth: 67.2% above fair value; Value: 6.9% below fair value



Source: BofA Global Research, MSCI, Moody's, FactSet, Refinitiv Eikon, Prof. Damodaran (http://pages.stern.nyu.edu/~adamodar/)

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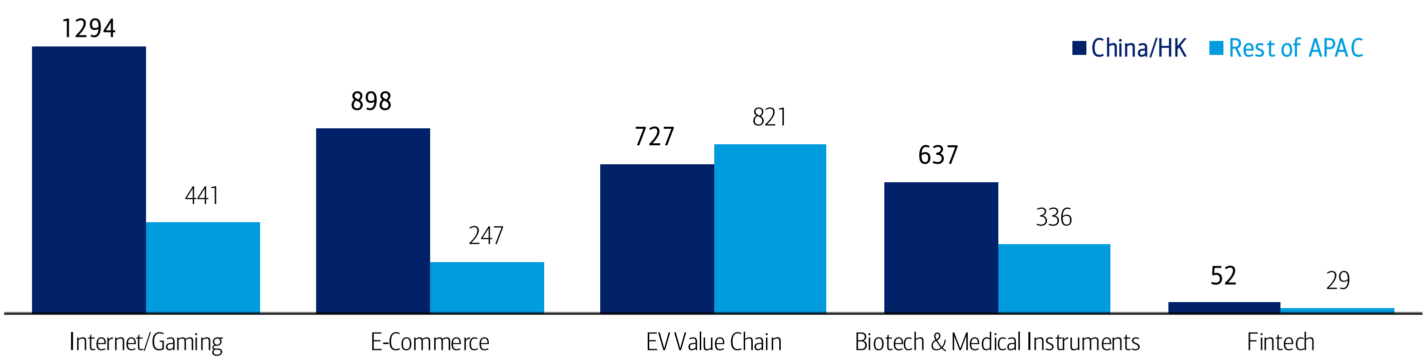
PB, ROE less COE valuation approach

The PB-ROE valuation approach shows the relationship between P/B and ROE less the cost of equity (COE). The concept is based on Jarrod Wilcox's book '*Investing by the Numbers*'. A logarithm of the fair value P/B (and not P/B alone) is linearly related to ROE less COE. The COE is calculated as the sum of the prime lending rate of each country and the equity risk premium (ERP). The ERP for each country is estimated using the risk premium of the US and adding a Moody's rating-based default spread multiplied by a factor of 1.25. Prof. Damodaran's (http://pages.stern.nyu.edu/~adamodar/) estimates for ERP for US are used.

Exhibit 4: New-Tech Sectors Market Capitalization (USD bn)
We suggest investors rotate into growth/new-tech firms in Australia, Japan, India and ASEAN, and away from China given the regulatory overhang



Source: BofA Global Research, Bloomberg

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In our view, China's regulatory restrictions on technology firms and capital markets stem from five concerns, and are weighty, given the explicit convergence of views of both the Chinese Communist Party and the Government.[1]

First, regulators in China (and globally) are concerned about monopoly power and anti-competitive practices. There is evidence that superstar firms discourage innovation from non-superstar firms.[2] European regulators have been active in this area for years, and in the US, we have written about the anti-trust work of Lina Khan and Tim Wu (see our report Peak Plutonomy, The Civilizational State and Upside-Down Policy: Implications 16 April 2019), both now in the Biden administration.

Second, data security and national security. China, like many other countries, is concerned about personal and national security data being accessed by foreign powers, on demand by their investors, regulators, or simply hacked into. Also, having these vast troves of personal information in private sector oligopolies, subject to algorithms, AI, cross-selling, privacy breaches and inaccessible to the public sector possibly raises security and stability concerns.

Third, China remains eager to open its capital markets to global investors - a first step in making the Renminbi a widely acceptable reserve currency is to have a broad, deep, and open bond market. But, to have many of its technology leaders exclusively listed overseas, mostly excludes local investors from participating in the growth of their national champions, while foreign investors can. The Walled Garden of the Chinese internet champions does not extend to their financing, but that could change, in our view.

Fourth, the business models of certain stocks or sectors might simply be misaligned with national development goals (recall internet/gaming, education, P2P lending etc. in 2017: see our report Multiple Zones of Simultaneous Uncertainty, and Valuations reflect that 02 November 2018). Implication: greater uncertainty about prospective ROICs, re-investment rates, TAMs, and monetizing assets to benefit shareholders. And, in our view, greater social responsibility towards stakeholders.

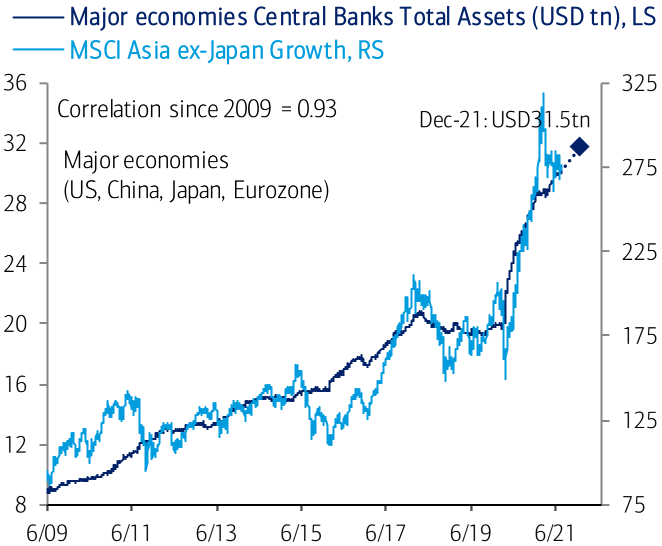
Fifth, maintaining financial stability by regulating the fintech sector is of paramount importance to the authorities to avoid recurrence of prior aggressive shadow banking bubbles, especially in the household sector, like the LG card South Korean consumer credit bubble in 2003.

We have been in the low inflation-low interest rate camp for more than a decade. Low interest rates support growth/new-tech stocks. As does the rise in the G-4 central bank balance sheets – the correlation between this balance sheet and Asian growth stocks is 0.93 since 2009 (with value stocks, only 0.53). Our rates strategists project the G-4 central bank balance sheet to expand from USD29.9tn in June 2021 to an estimated USD31.7tn by year-end. Growth/new-tech stocks should benefit – we think the ex-China names have decent market cap, robust fundamental metrics, a long runway for growth, but most importantly, a less uncertain regulatory environment compared with China. They also have easier monetary policy settings, compared with neutral monetary policy in China. Investors have had a long, and profitable engagement with Chinese growth stocks – the recent correction could lure them back to "buying the dip". They are banking on the old, easier regulatory environment returning, an erroneous assumption in our view.

[1] For example, the 8 chapter, 30-page July 6, 2021 document "*Opinions on strictly cracking down on illegal securities activities in accordance with the law*", which includes restrictions on domestic firms listing overseas, was released jointly by the General Office of the Communist Party and the State Council (representing China's government). The document sets 2022 as the first marker to restore order to capital markets.

[2] *The Power of Creative Destruction: Economic Upheaval and the Wealth of Nations* by Céline Antonin, Philippe Aghion, and Simon Bunel, page 122

Exhibit 5: Easy liquidity vs. growth stocks in Asia
Low interest rates and central bank balance sheet expansion support growth/new-tech stocks



Source: BofA Global Research, Bloomberg. Notes: Dot denotes forecast from BofA Global Rates Research.

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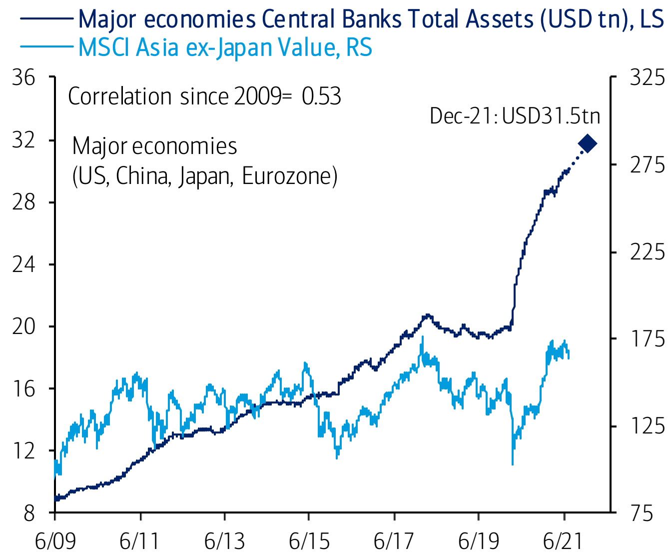
Exhibit 6: Easy liquidity vs. value stocks in Asia
The correlation of value stocks with central bank balance sheet size is much lower (0.53 since 2009) compared with growth stocks (0.93 since 2009)



Source: BofA Global Research, Bloomberg. Notes: Dot denotes forecast from BofA Global Rates Research.

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Exhibit 7: Market intelligence as of 16 July 2021

Performance, valuation and growth information by country/region

16-Jul-2021		USD perf (%)			12m forward									EPS growth^ (%)	
Region/Country (# Co)	Mkt cap* (U$bn)	2020	YTD	1m	PE (x)	% dev 10Y avg	PB (x)	% dev 10Y avg	PB at 2008-09-lows	Div yld (%)#	% dev 10Y avg	ROE (%)	10Y avg	CY2021	CY2022
North America (718)	41,101	18.4	14.7	2.2	21.6	31.1	4.0	53.7	1.4	1.5	31.8	18.6	15.8	38.0	10.5
Canada (91)	1,884	2.7	16.3	-4.5	15.2	4.6	1.9	13.8	1.1	2.7	12.4	12.5	11.6	NA	NA
US (627)	39,217	19.2	14.7	2.6	22.1	32.8	4.2	56.2	1.4	1.4	32.8	19.2	16.2	36.6	10.6
Europe (433)	10,909	3.1	10.0	-3.7	16.1	16.9	2.0	21.6	1.0	3.0	20.1	12.3	11.9	45.7	9.7
Austria (5)	33	-4.6	18.7	-7.8	10.5	-0.3	0.9	1.9	0.5	3.6	5.5	9.0	9.0	60.3	8.6
Belgium (12)	159	-9.3	4.1	-6.6	19.9	20.5	1.6	-11.3	0.6	2.5	24.0	8.1	11.0	31.6	6.0
Denmark (18)	447	42.0	11.1	0.2	25.1	36.8	4.9	54.5	1.2	1.7	27.8	19.6	17.2	38.5	-4.7
Finland (11)	185	17.5	11.0	0.4	20.8	28.9	2.6	32.8	1.2	3.1	30.0	12.3	11.9	36.8	4.1
France (71)	1,929	2.4	11.2	-5.2	17.0	25.0	1.8	31.1	0.9	2.8	25.5	10.7	10.3	79.8	12.2
Germany (62)	1,591	9.1	7.1	-3.3	14.8	17.2	1.7	14.6	0.9	2.8	14.9	11.4	11.8	43.5	13.1
Ireland (5)	118	13.7	5.4	-3.0	21.1	18.8	2.3	35.1	0.5	1.6	23.3	10.7	9.5	13.6	14.8
Italy (26)	411	0.0	6.5	-6.4	12.9	8.8	1.4	36.7	0.6	4.3	4.6	10.8	8.7	54.4	14.0
Netherlands (22)	739	22.5	18.8	-2.2	24.9	64.0	2.8	49.1	1.1	1.7	43.6	11.3	12.6	21.0	14.7
Norway (11)	105	-4.5	12.1	-4.8	14.6	15.3	2.0	33.3	0.9	3.9	18.2	13.9	12.2	45.5	3.7
Portugal (4)	32	11.1	-6.5	-5.9	20.5	35.0	2.0	29.0	1.2	3.6	23.6	10.0	10.4	35.7	16.1
Spain (18)	399	-5.9	1.4	-9.8	14.1	13.0	1.2	4.7	1.0	4.1	18.9	8.7	9.6	28.9	18.7
Sweden (42)	651	22.6	18.2	-1.5	19.3	26.4	2.9	42.6	1.1	2.6	33.3	14.9	13.3	19.8	9.5
Switzerland (40)	1,683	9.3	8.8	-1.6	20.0	23.3	3.2	33.6	1.4	2.6	22.3	16.1	14.9	10.0	10.2
UK (86)	2,429	-13.4	10.0	-4.4	12.4	-4.8	1.7	0.3	1.1	4.1	4.8	13.4	12.9	68.8	5.5
Asia Pac (1548)	12,542	17.1	2.4	-2.2	15.5	17.9	1.7	23.6	0.9	2.4	15.7	10.8	10.3	33.7	11.1
Japan (272)	3,932	12.2	0.4	-2.4	15.7	13.7	1.4	16.2	0.8	2.2	4.0	8.7	8.5	21.7	13.3
Australia (64)	1,207	5.7	7.4	-5.2	16.8	12.3	2.2	22.1	1.3	4.2	12.2	13.2	12.3	23.4	6.1
New Zealand (7)	41	17.9	-14.9	-0.1	37.7	73.8	3.4	44.2	1.3	2.1	49.6	8.9	10.8	-7.7	15.1
Asia ex-Japan (1205)	7,363	22.5	3.0	-1.7	15.1	23.1	1.8	26.6	1.0	2.2	20.6	12.0	11.7	38.2	11.8
China (737)	3,070	27.3	-4.0	-2.0	14.9	36.2	1.9	27.3	1.1	1.7	39.0	12.4	13.4	17.0	18.3
Hong Kong (37)	555	2.5	8.9	0.9	17.4	16.3	1.3	10.8	0.8	2.8	10.8	7.5	7.9	32.2	13.1
India (101)	858	14.1	12.8	-1.2	22.4	32.6	3.3	30.5	1.4	1.4	17.3	14.7	15.0	33.2	16.9
Indonesia (22)	96	-10.6	-13.3	-5.9	14.4	-0.8	2.1	-20.6	1.4	3.4	-21.1	14.3	18.0	27.6	20.8
Korea (103)	1,113	42.6	3.3	-2.5	11.5	18.0	1.3	27.4	0.9	1.8	2.0	11.2	10.6	101.5	3.9
Malaysia (36)	104	0.0	-12.2	-5.8	13.6	-11.3	1.5	-14.1	1.3	4.2	-23.7	10.7	11.2	107.1	-5.9
Pakistan (3)	2	-20.3	-8.8	-3.8	6.4	-15.7	1.1	-24.6	0.8	6.1	17.0	16.5	18.5	27.2	30.3
Philippines (17)	50	-4.7	-9.7	-8.2	17.4	1.5	1.6	-28.0	1.3	1.7	15.3	9.4	13.2	52.9	25.2
Singapore (19)	180	-11.3	7.7	-1.9	14.1	7.7	1.2	-1.4	0.9	4.0	1.8	8.5	9.3	45.2	13.2
Taiwan (87)	1,202	37.2	18.5	0.3	16.0	13.9	2.6	46.4	1.0	3.4	13.0	16.0	12.4	44.0	2.5
Thailand (43)	133	-13.9	-5.4	-8.3	18.0	30.5	1.9	4.2	0.9	2.9	13.1	10.6	13.7	60.4	13.9
EMEA (164)	1,104	-9.8	12.2	-3.8	10.1	8.6	1.4	21.2	0.7	4.9	-13.9	13.8	12.4	65.8	9.4
Czech Republic (3)	9	-6.2	17.8	-4.1	14.2	12.7	1.3	-2.3	1.3	6.0	5.7	9.2	10.9	-1.8	18.6
Egypt (3)	6	-25.0	-7.7	9.4	7.4	-18.6	1.4	-15.2	1.1	4.7	-36.6	18.6	17.6	20.5	14.3
Greece (5)	14	-30.0	3.8	-9.8	12.6	-2.5	3.9	151.4	0.7	7.7	-85.4	30.7	12.3	26.6	15.4
Hungary (3)	19	-11.8	13.0	-6.4	9.4	-1.9	1.3	16.4	0.6	2.5	29.1	13.2	11.2	67.5	11.7
Kuwait (6)	43	-13.6	15.8	0.6	19.2	-0.7	1.9	6.2	na	2.9	1.1	10.1	9.4	22.2	13.1
Poland (14)	60	-11.8	9.4	-3.0	12.7	7.7	1.3	10.2	0.8	3.3	16.5	10.1	10.0	38.5	-3.5
Qatar (12)	54	-6.3	1.2	-0.8	12.8	0.9	1.7	-2.0	na	3.9	9.0	13.5	13.9	22.8	12.2
Russia (25)	278	-17.1	13.6	-4.5	6.4	16.7	0.9	41.0	0.5	8.4	-40.7	13.5	11.2	123.0	5.1
Saudi Arabia (36)	242	-2.3	23.9	-0.8	18.6	4.7	2.2	19.6	na	3.3	17.7	12.1	10.6	57.5	9.1
South Africa (37)	300	-5.7	7.8	-6.9	9.9	-25.5	1.7	-15.8	0.9	4.1	-15.3	17.2	15.4	54.2	13.3
Turkey (11)	21	-9.9	-21.5	-3.2	5.2	-36.5	0.9	-24.9	0.7	7.7	-83.9	16.8	14.2	50.7	20.9
UAE (9)	60	-6.2	21.8	-2.2	13.1	18.4	1.3	-1.2	na	4.3	6.7	10.0	12.1	9.8	16.8
Latin America (101)	667	-16.0	5.2	-2.7	10.3	-17.7	1.9	15.5	1.2	4.4	-25.3	18.1	13.0	176.8	-0.1
Argentina (3)	10	12.3	-2.2	-3.0	27.0	45.8	1.9	12.6	0.6	0.2	93.8	7.2	19.2	na	na
Brazil (54)	443	-20.9	5.9	-3.5	8.8	-20.4	1.9	27.8	1.1	5.1	-24.4	21.3	13.3	181.3	-3.5
Chile (13)	35	-8.3	-7.9	-8.6	13.3	-13.7	1.1	-28.6	1.1	3.3	-1.5	8.4	10.2	98.8	12.5
Colombia (5)	13	-22.9	-19.6	-0.1	10.9	-15.5	1.0	-27.1	na	2.8	12.2	9.0	10.6	162.4	39.8
Mexico (23)	151	-4.0	13.6	0.9	14.5	-9.1	2.2	-1.1	1.5	3.4	-33.2	15.0	13.8	132.1	5.9
Peru (3)	15	-9.5	-21.3	-1.8	11.2	-12.1	1.5	-23.7	0.5	3.2	-25.7	13.7	16.1	820.2	18.8
Developed Markets (1562)	58,026	14.1	12.4	0.5	19.7	27.3	2.9	43.5	1.2	1.9	28.9	14.9	13.2	38.4	10.3
Emerging Markets (1414)	8,399	15.8	3.8	-2.2	13.7	18.3	1.8	26.6	1.0	2.6	12.3	13.3	12.5	51.1	10.0
World (2976)	66,424	14.3	11.3	0.2	18.7	25.4	2.7	39.9	1.1	2.0	26.5	14.6	13.1	40.4	10.2

Source: BofA Global Research, MSCI, IBES estimates. Note: numbers in red text indicate that the valuation metric is 2 standard deviations above its 10-year average. Numbers in green indicate the valuation metric is 2 standard deviations below its 10-year average. #Positive deviation for dividend yield implies current dividend is LOWER than the 10yr average and vice-versa. *Market caps shown are free float. ^Currency for EPS growth estimates: (a) UK: GBP; (b) Eurozone country and regional indices: EUR; (c) Other regional indices, Russia, Peru: USD; (d) Other individual countries: Local currency.

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Exhibit 8: Emerging Markets Market Intelligence as of 16 July 2021 by Industry
Performance, valuation and growth information by industry for Emerging Markets

16-Jul-2021		US$ perf (%)			12m forward								EPS growth^ (%)	
Sector (# Co)	Market cap* (U$bn)	2020	YTD	1m	PE (x)	% dev 10Y avg	PB (x)	% dev 10Y avg	Div yld (%)#	% dev 10Y avg	ROE (%)	10Y avg	2021E	2022E
Emerging Markets (1414)	8,399	15.8	3.8	-2.2	13.7	18.3	1.8	26.6	2.6	12.3	13.3	12.5	51.1	10.0
Autos (45)	305	73.1	2.1	-2.1	19.9	100.2	1.9	54.7	1.3	36.7	9.7	13.3	120.4	26.9
Cons Durables (35)	147	42.0	24.6	4.7	23.8	67.3	4.3	119.2	1.3	49.2	18.0	13.5	46.0	19.8
Cons Svc (22)	88	16.1	-32.2	-9.2	25.8	26.8	2.9	16.5	1.2	29.7	11.1	12.4	471.9	83.4
Media & Entertainment (42)	730	49.1	3.1	-3.1	24.6	NA	3.9	NA	0.4	NA	16.0	NA	76.5	-14.8
Retailing (45)	888	31.6	-8.3	-0.3	27.7	NA	3.5	NA	0.2	NA	12.8	NA	3.6	45.3
Energy (59)	414	-18.3	8.8	-6.6	7.9	-2.0	0.8	10.0	5.6	-34.4	10.7	9.9	174.2	8.2
Capital Goods (110)	228	6.9	7.2	0.7	12.8	9.3	1.2	5.0	2.3	0.2	9.6	10.1	44.4	16.3
Comm Svc (9)	27	27.6	21.9	-2.0	18.4	8.7	3.0	-4.2	1.6	22.9	16.3	18.4	25.5	22.2
Transportation (49)	160	-6.8	21.5	2.4	14.2	-12.9	2.1	31.4	2.2	7.2	15.1	10.1	324.6	-21.3
Materials (165)	730	21.5	17.1	0.5	9.1	-19.7	1.7	40.5	4.8	-34.3	19.1	11.2	201.5	-6.7
Real Estate (65)	167	-20.3	-6.1	-6.8	6.3	-27.3	0.8	-25.3	5.5	-23.1	12.5	12.4	12.4	15.4
Banks (134)	1,089	-13.5	6.1	-4.7	8.3	1.9	0.9	-12.7	4.5	-7.8	11.3	13.2	20.0	11.6
Div Financials (82)	195	1.2	1.5	-4.1	11.8	4.9	1.4	18.9	3.1	8.9	12.2	10.8	18.0	12.9
Insurance (34)	222	-9.7	-2.6	-3.0	8.0	-30.9	1.0	-32.4	4.4	-43.9	12.1	12.3	15.1	7.8
Semis (41)	762	67.5	12.5	-2.4	18.4	46.7	4.2	90.2	2.3	20.0	23.0	17.8	37.8	20.4
Software (37)	212	52.1	3.9	-1.7	32.2	NA	5.8	NA	1.7	NA	17.9	NA	10.9	16.0
Tech Hard/Equip (86)	761	49.6	1.7	-0.5	13.0	14.0	1.8	36.4	2.6	16.5	14.2	12.0	54.2	16.1
Food/Staples Retail (26)	96	-2.1	1.9	-2.4	22.8	6.0	3.4	13.1	2.3	-4.0	14.8	13.8	23.3	18.3
Food Beverage (90)	291	13.1	-3.0	-4.0	21.5	9.1	3.3	12.7	2.3	12.1	15.4	14.9	22.0	11.0
Household Products (18)	89	9.9	3.4	-2.7	34.7	22.1	5.5	-13.2	1.5	15.7	15.9	22.6	29.5	17.5
Health Care Equip/Svc (41)	105	37.5	-7.4	-4.1	24.8	16.0	4.1	37.2	1.6	21.1	16.6	14.1	93.3	-22.1
Pharma & Biotech (87)	317	58.0	10.1	4.0	49.0	99.7	5.5	58.9	0.5	50.8	11.3	14.6	43.6	30.1
Telecom (36)	210	-14.2	6.3	-2.9	15.7	11.7	2.2	20.1	3.9	9.2	14.2	13.4	31.4	11.8
Utilities (56)	166	-8.7	0.7	-5.5	11.4	6.8	1.1	8.8	3.8	3.0	9.7	9.6	8.0	11.3

Source: BofA Global Research, MSCI, IBES estimates. Note: #Positive deviation for dividend yield implies current dividend is LOWER than the 10yr average and vice-versa. *Market caps shown are free float. ^Currency for EPS growth estimates: (a) UK: GBP; (b) Eurozone country and regional indices: EUR; (c) Other regional indices, Russia, Peru: USD; (d) Other individual countries: Local currency.

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Exhibit 9: Asia ex-Japan Market Intelligence as of 16 July 2021 by Industry
Performance, valuation and growth information by industry for Asia ex-Japan

16-Jul-2021		US$ perf (%)			12m forward								EPS growth^ (%)	
Sector (# Co)	Market cap* (U$bn)	2020	YTD	1m	PE (x)	% dev 10Y avg	PB (x)	% dev 10Y avg	Div yld (%)#	% dev 10Y avg	ROE (%)	10Y avg	2021E	2022E
Asia ex-Japan (1205)	7,363	22.5	3.0	-1.7	15.1	23.1	1.8	26.6	2.2	20.6	12.0	11.7	38.2	11.8
Autos (44)	303	73.3	2.0	-2.1	20.0	101.8	1.9	55.4	1.2	36.8	9.7	13.3	121.9	27.1
Cons Durables (33)	141	43.4	23.8	4.4	23.4	56.8	4.2	101.0	1.4	50.1	18.0	13.9	43.2	18.6
Cons Svc (27)	123	12.4	-26.8	-8.5	27.9	28.8	3.1	3.1	1.3	37.8	11.0	14.3	NA	144.6
Media & Entertainment (36)	694	51.5	3.4	-3.2	24.6	NA	3.9	NA	0.3	NA	16.0	NA	76.0	-15.5
Retailing (31)	737	37.3	-9.9	0.3	28.8	NA	3.7	NA	0.1	NA	12.8	NA	0.3	49.1
Energy (36)	185	-6.9	5.3	-8.2	11.7	6.5	1.1	-4.8	3.4	1.8	9.3	10.8	84.8	11.3
Capital Goods (109)	278	4.2	11.2	1.1	12.1	7.8	1.1	1.1	2.5	1.7	8.7	9.4	47.4	11.2
Comm Svc (9)	27	27.6	21.9	-2.0	18.4	10.6	3.0	13.8	1.6	18.1	16.3	15.9	25.5	22.2
Transportation (44)	144	-3.8	24.0	2.9	14.0	-18.4	1.9	42.1	2.3	19.4	13.6	8.0	502.7	-21.8
Materials (119)	367	26.4	17.2	2.2	12.4	1.5	1.6	34.1	2.9	4.7	12.6	9.8	105.0	-0.7
Real Estate (74)	284	-16.1	-0.1	-4.3	8.3	-21.4	0.7	-8.1	4.8	-23.8	8.6	7.5	14.8	13.0
Banks (84)	743	-7.9	4.5	-4.4	7.7	-4.8	0.8	-19.5	4.4	-6.2	10.4	12.3	17.3	9.5
Div Financials (78)	233	26.0	10.4	1.7	15.9	17.5	2.1	35.5	2.3	23.4	13.1	11.4	25.2	10.9
Insurance (27)	342	4.5	-1.1	-0.6	10.6	-19.6	1.2	-20.5	3.1	-43.8	11.4	11.5	14.2	8.0
Semis (41)	762	66.7	12.4	-2.4	18.4	45.5	4.2	89.3	2.3	20.2	23.0	17.8	37.8	20.4
Software (34)	199	53.1	3.7	-1.9	31.3	NA	5.7	NA	1.7	NA	18.2	NA	10.2	15.8
Tech Hard/Equip (87)	765	49.4	1.7	-0.5	13.0	14.4	1.8	36.4	2.6	16.2	14.2	12.1	53.9	16.1
Food/Staples Retail (13)	32	-5.9	-2.1	-4.9	27.2	26.1	2.6	6.9	1.7	13.1	9.4	11.2	8.1	21.7
Food Beverage (78)	243	25.7	-6.4	-4.1	21.4	13.6	3.3	31.6	2.3	6.7	15.4	13.3	17.0	11.4
Household Products (16)	76	11.9	2.0	-3.3	33.9	15.0	6.2	-10.5	1.6	0.4	18.3	23.8	19.3	13.7
Health Care Equip/Svc (36)	85	56.5	-10.5	-4.6	22.6	-2.0	3.8	39.5	1.8	-30.4	16.6	11.6	99.6	-26.2
Pharma & Biotech (84)	306	63.4	9.8	4.3	54.8	97.0	6.3	61.9	0.4	54.1	11.4	14.7	53.3	33.0
Telecom (22)	123	-17.6	-1.1	-3.1	17.7	17.4	2.0	14.1	3.8	7.5	11.4	11.8	33.3	17.6
Utilities (43)	171	-9.1	4.5	-4.0	13.7	8.2	1.3	-2.4	3.6	-7.7	9.2	10.3	3.7	10.7

Source: BofA Global Research, MSCI, IBES estimates. Note: #Positive deviation for dividend yield implies current dividend is LOWER than the 10yr average and vice-versa. *Market caps shown are free float. ^Currency for EPS growth estimates: (a) UK: GBP; (b) Eurozone country and regional indices: EUR; (c) Other regional indices, Russia, Peru: USD; (d) Other individual countries: Local currency.

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