Macro Monthly

For global professional / qualified / institutional clients and investors and US retail clients and investors. For marketing purposes.

UBS Asset Management | Economic insights and asset class attractiveness
October 2020

Evan Brown
Head of Multi-Asset Strategy
Investment Solutions

Luke Kawa
Director
Investment Solutions

It's fiscal policy on the ballot

Highlights

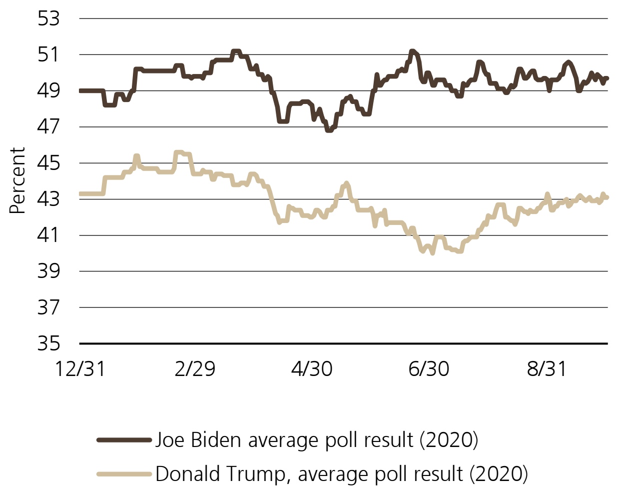
– A full normalization of private sector activity will likely remain elusive well into 2021 due to COVID-19.
– The strength of the US and global economic recovery will depend on continued support from the public sector.
– We believe that investors should focus on which election outcomes deliver the greatest likelihood of necessary fiscal support — a 'Blue Wave' and to a lesser extent, the status quo.
– In our view, a Blue Wave is the most likely election outcome. The resulting spending increase of that outcome could drive cyclicals and global equities ex-US higher and Treasuries and the dollar lower, with US stocks a relative underperformer due to higher taxes.
– We see the outcome that carries the most risk of premature withdrawal of fiscal support and a lower outlook for US growth is a Biden Presidency with a GOP Senate.
– An inconclusive election result is certainly not a market positive, but with post-election volatility already elevated we think the bar is high for major market disruption.

The marquee event of the 2020 schedule is around the corner. From a market perspective, the upcoming November 3 US election and aftermath are assuming increased importance. The persistence of the biggest unscheduled event of 2020 – the COVID-19 pandemic – means the varying election outcomes have implications for fiscal policy that will largely determine whether growth in 2021 is vigorous or downshifts rapidly, leaving lasting scars. The virus will likely continue to delay any full normalization of activity until there is broad inoculation by an effective and trusted vaccine. As such, the private sector will not be at full speed well into 2021, and in need of a crutch. That makes additional fiscal support necessary to continue assisting struggling segments of the economy bridge the gap to a broader recovery.

Risk assets, over time, can weather the prospect of higher taxes on profits. They will have much more difficulty grappling with an absence of fiscal support that puts the nascent earnings recovery in jeopardy and raises the risk of insolvencies among businesses and households whose income streams remain materially impaired due to pandemic.

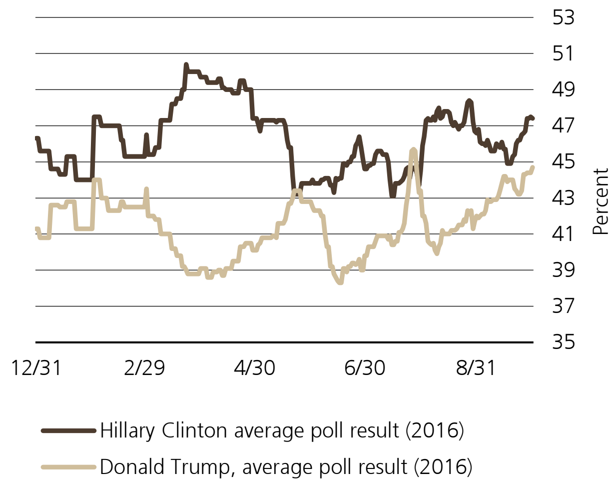
We ascribe 75% odds to Democratic nominee Joe Biden winning the presidency. This is relatively in line with prominent models that aggregate polling data, supplemented by economic and demographic data (FiveThirtyEight). This outcome is likely to be associated with a weaker dollar and better relative performance for equities outside the US. Some, but not all, of the lingering US protectionism discount embedded in international risk assets and foreign exchange is poised to dissipate on a Biden victory.

Exhibit 1: Biden has a bigger lead than Clinton and...



Source: UBS-AM, Real Clear Politics, Bloomberg. Data as of 1 Oct. 2020.

Exhibit 2: ...national polls are more stable than in 2016.



Source: UBS-AM, Real Clear Politics, Bloomberg. Data as of 1 Oct. 2020.

We favor pro-cyclical positions that stand to benefit from increased optimism on the global economic recovery and higher visibility in an eventual return to pre-COVID-19 patterns and levels of spending. We believe a Biden victory along with a Democratic Congress would accelerate the tailwinds for this trade set, and serve as a particularly potent catalyst for value to outperform growth. We remain diversified, and retain hedges that should be poised to provide meaningful offset if the result is different or inconclusive.

Different election outcomes may introduce more uncertainties into the economic outlook, but are unlikely to change the fundamental realities. After the dust settles, this will still be an early-cycle environment in which positions most closely tied to the healing of the global economy will continue to trend positively or have asymmetric catch-up potential.

Blue wave: 55%

We believe the most likely outcome is a Democratic clean sweep, and stress that the fiscal spending is more important to the macroeconomic and the global market outlook than tax policy changes.

Exhibit 3: Election: Thoughts on initial market implications

Ex-US outperforms US on Trump loss. Watch fiscal policy.

	Blue wave (55%)	Status quo (25%)	Biden win, GOP Senate (20%)
US Risk Assets	− on higher taxes + on fiscal stimulus	+	+ No tax hike; less tariffs − little fiscal support
Ex-US Risk Assets	+	−	+
US dollar	−	+	−
US duration	−	=	+

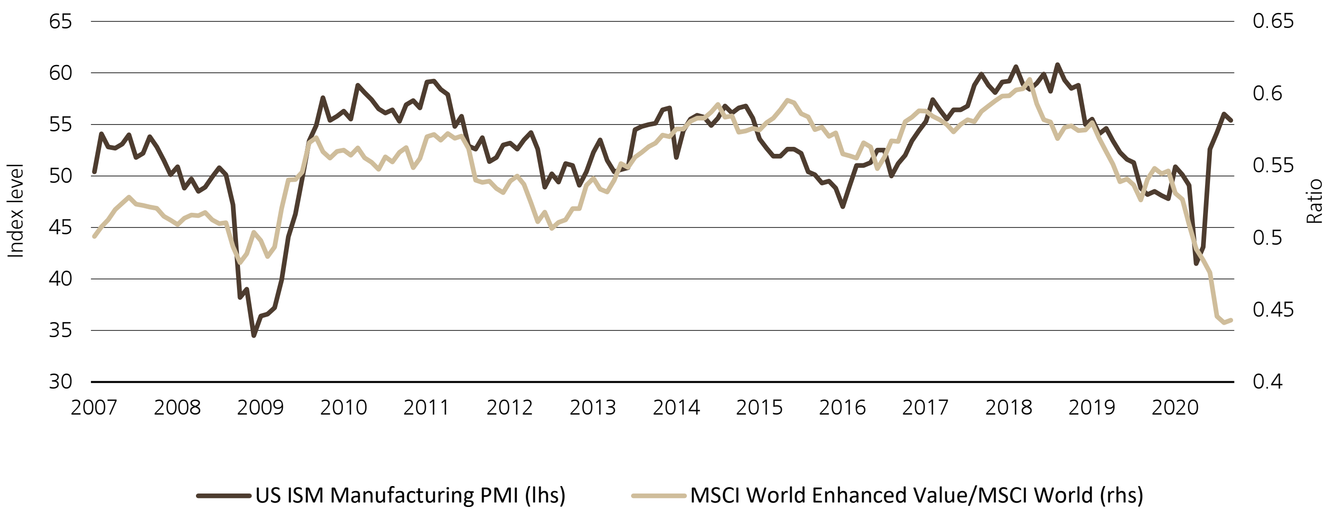
Source: UBS Asset Management. Chart as of October, 2020.

In this scenario, we think enhanced US fiscal spending is likely to disproportionately benefit cyclical areas of the global equity market. Cyclicals do not have a dominant weighting in the S&P 500 Index, particularly relative to other international indexes. Gains accruing to US cyclicals will likely be offset by a Biden tax policy that diminishes the after-tax earnings power and potential for buybacks among US corporations, particularly the health care, technology and communication sectors.

A looming capital gains tax increase, meanwhile, would provide a catalyst for a liquidation event in technology/growth stocks. The immense outperformance of these stocks in recent years, and especially 2020, provides further evidence to believe that selling ahead of a potential tax increase would be concentrated in this cohort. Technology and communication services are also two of the three sectors with the most adverse earnings impact from Biden's proposed tax plan. The potential for more regulatory scrutiny or antitrust proceedings against Big Tech companies looms as an additional negative for the group under this scenario. Even in an economy that has not fully healed from the coronavirus, higher taxes are an integral ideological component of the Democratic agenda to reduce economic inequities.

The Treasury market is able to quickly price in the key implication of a unified government: a stronger fiscal impulse. The about-face in yields on election night in 2016 and during the brief period of time in the 2018 midterm results when the Republican party had a fighting chance of retaining the House demonstrate this. We believe a Blue Wave would be unambiguously negative for US duration. Inflation-linked derivatives imply that investors ascribe similar odds to consumer price inflation averaging below 1% and above 2.5% over the next five years. We think the latter is much more likely than the former if a Blue Wave leads to sustained fiscal expansion. Treasury yields are vulnerable to a shock from this implication of a unified Democratic government.

Exhibit 4: Blue wave fiscal impulse would likely accelerate value catch-up



Source: UBS Asset Management. Chart as of September, 2020.

While Biden will likely continue a policy of US decoupling from China, it is slated to be much more predictable. He is likely to seek a multilateral approach and look to establish consensus with other developed nations in dealings with China on issues such as climate change and human rights. The use of tariffs, whose effects were thoroughly incorporated into the USD/CNY cross during times when levies were threatened or enacted, will likely be de-emphasized over time.

Status quo: 25%

If a Biden victory does not come to pass, we would expect a continuation of market trends during recent years of the Trump presidency to persist in the short term. Emerging market assets would be most at risk. Conversely, US assets would be poised to outperform, with segments of the market most exposed to Biden tax changes benefitting from a relief rally.

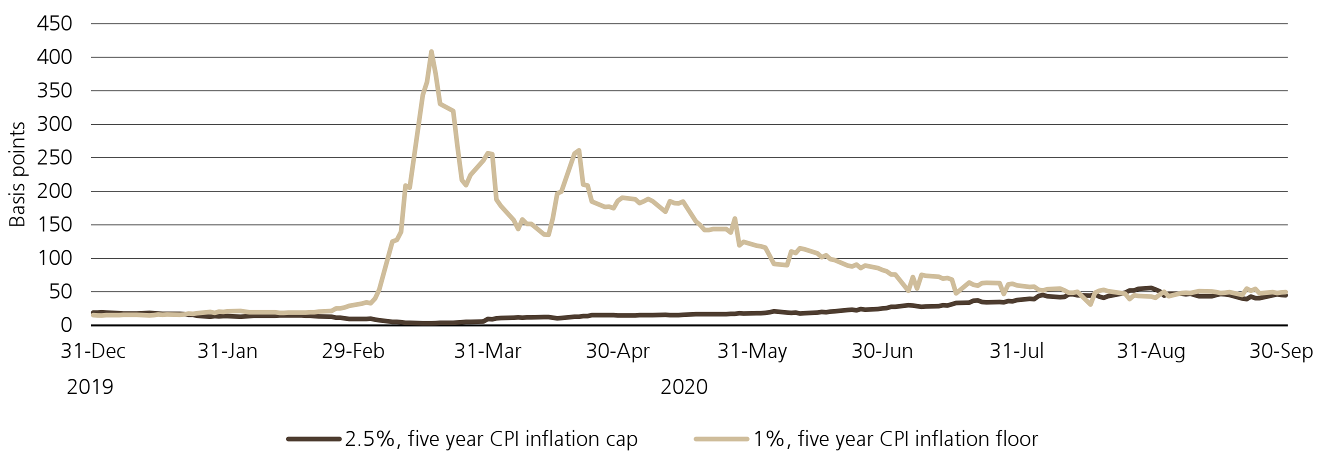
We believe a Trump presidency and divided Congress would be able to provide additional fiscal support in 2020/2021, though not nearly on the same scale as the Blue Wave. Overall, the limited scope for legislation advancing Trump's priorities under a divided Congress could increase trade risks materially during a second term, as the president enjoys more unilateral authority in this domain.

A short position in cyclical Asian currencies would likely serve as an effective hedge to our more procyclical trade set in the event of this result.

Biden win, GOP Senate: 20%

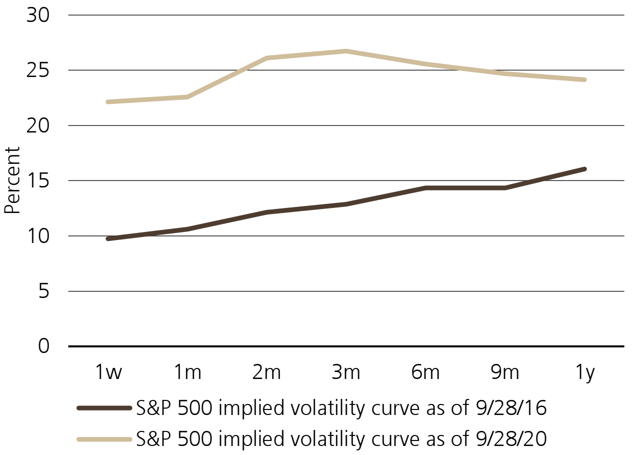
This scenario has the most potential variance between the knee-jerk and medium-term market implications, as well as where our views are most out of consensus. On the surface, this outcome means a more predictable foreign and trade policy with minimal risk of tax increases. We expect that initially stocks would perform well and the dollar would weaken. Whether US assets outperform global equities would be a function of whether trade risks or higher taxes were more thoroughly embedded in prices.

Exhibit 5: Markets are not priced for a potential sustained fiscal expansion to propel inflation higher



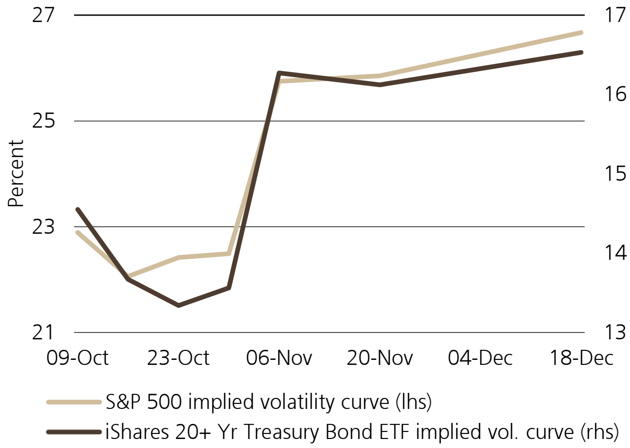
Source: UBS-AM, Bloomberg. Data as of 1 October 2020.

Exhibit 6: Unlike 2016, stocks appear to have priced in election risk well ahead of event



Source: UBS-AM, Bloomberg. Data as of 30 September 2020.

Exhibit 7: The US election looks to be priced as a persistent shock for equity, bond volatility



Source: UBS-AM, Bloomberg. Data as of 30 September 2020.

Because of the importance of fiscal support to keep macro momentum intact, we believe over the medium term this outcome would be the least constructive for risk assets. While we still expect some degree of fiscal support in this scenario, it is also the outcome with the greatest risk of no additional meaningful fiscal thrust to cushion the lingering pandemic-related blows to individuals, businesses, and other levels of government.

From a legislative perspective, we fear that this would be akin to a third term for former President Barack Obama, with Republican lawmakers displaying an increased commitment to fiscal hawkishness. A repeat of the fiscal consolidation that occurred through much of the Obama administration would dampen the speed of the economic recovery. The downshift to a sluggish recovery could raise the risks to our base case for a continued healing of the US and global economies, which we believe would be associated by higher risk premia in financial markets. As such, the impact a President Biden would have on the Treasury market is binary, and hinges upon which party controls the Senate.

We exercised discretion in modestly adjusting the odds for this outcome upwards relative to model-based projections in light of Republican Senate candidates' tendency to outperform President Trump in close 2016 statewide races, a dynamic that is curiously absent from current polling.

Indecision day

The deluge of mail-in ballots due to the ongoing pandemic raise the prospect that the winner of the presidential election, as well as some Congressional seats, will not be known on the night of November 3/early morning of November 4. Based on current polling, the most obvious path to a conclusive result on the night of involves a decisive Biden victory in Florida, a state which begins tabulating mail-in ballots over three weeks prior to Election Day.

Other potential key tipping point states that either candidate would need to secure victory (Pennsylvania, Wisconsin, Michigan) will accept ballots that arrive after November 3. These states do not allow for mail-in ballots to be processed before Election Day. Based on the expected skew of the mail-in ballots, a Biden lead in some or all of those states on November 3 would strongly imply a victory.

The scenario for a prolonged inconclusive result, and ensuing potential legal battles, involves President Trump prevailing in Florida and having narrow leads in the other aforementioned states on November 3 that dissipate as more mail-in ballots are counted.

The pricing of equity and rates volatility is consistent with the election serving as the start of a moderately higher volatility regime. To markets, the election is not an event, but a persistent shock.

This dynamic could be driven by an inconclusive election outcome in the aftermath of the Nov. 3 vote, with narrow margins and mail-in ballots yet to be counted. Or, investors may perceive heightened policy risks during the transition period. We are wary of the prospect for additional trade or other actions against China to be taken in the intervening period between the election and the inauguration if Biden prevails. This would also push back the timing of any additional fiscal thrust into 2021.

Any lack of immediate clarity on the election outcomes would not be a positive for risk assets, but we are not convinced that this dynamic is a reason to substantially reduce such exposures. That this volatility already appears to be priced in raises the bar for any political disruption to meaningfully roil markets.

Recent history shows that the departure from political norms does not necessarily weigh on US equity valuations. We do not expect such a period would necessarily elicit downward revisions to earnings unless widespread civil unrest evolves into a broad, prolonged drag on commerce and significantly eroded credibility in US institutions and the power of the State. Long positions in the yen and gold relative to the US dollar should provide some degree of protection against these tail scenarios.

A contested election could become a sizable, persistent negative for markets if its ripple effects included a sharp decline in consumer confidence and irreparable damage to any possibility of more fiscal support in 2020 and 2021. Volatility fostered by lingering uncertainty over the election results is likely to create dislocations that become attractive investment opportunities.

Conclusion

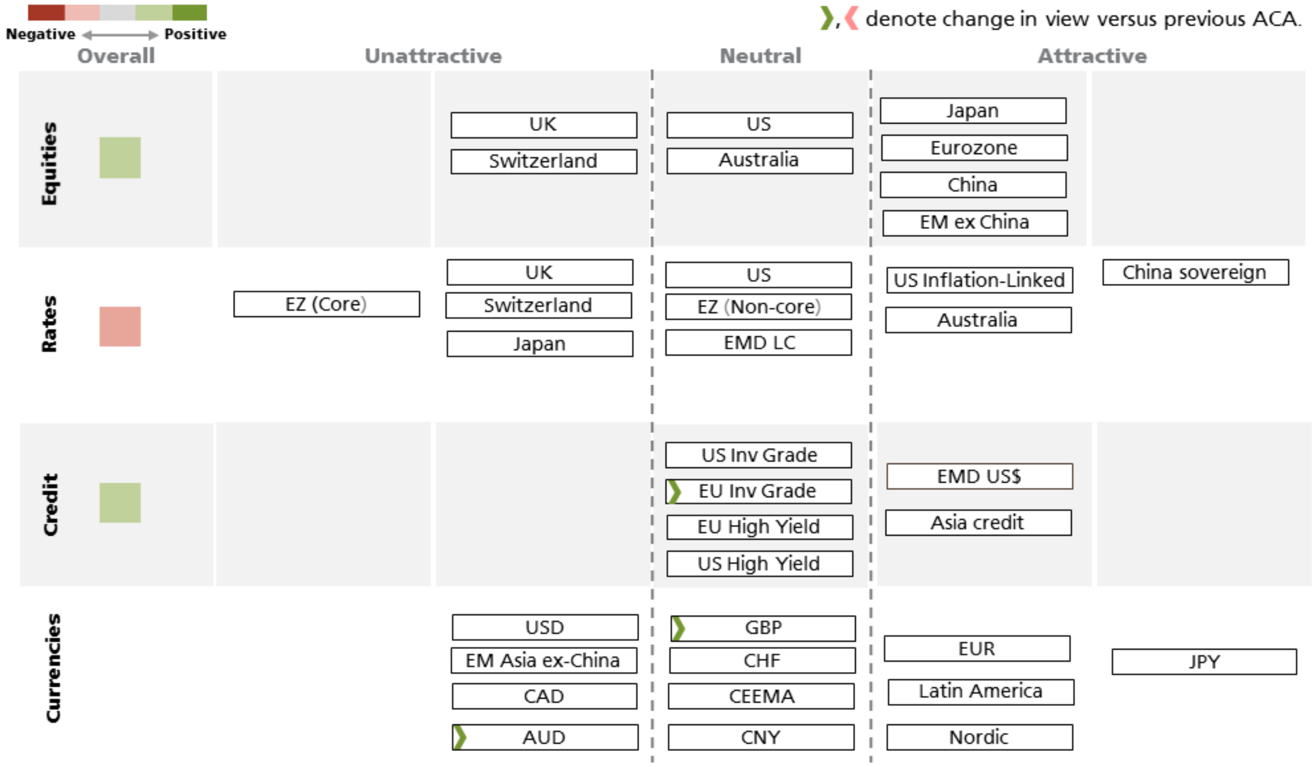
Recency bias aside, most US elections do not catalyze a substantive turn in the macroeconomic environment that provides investable themes. We believe the 2020 election is different. The election is of tactical importance to the near-term outlook for growth because of its implications for still-needed fiscal support. And our modal scenario offers the possibility of bringing about a regime change of persistent fiscal expansion in the US, with potentially immense cross-asset ramifications. This outcome would likely hasten and increase the magnitude of outperformance for our preferred relative value opportunities.

But perspective is necessary. The global economic recovery is not on the ballot in 2020. Under the two most probable scenarios, we expect adequate policy support going forward. And there is still a possibility of a fiscal breakthrough prior to the election that buttresses the economy through the first quarter of 2021, and reduces some of the near-term importance of this event from an investing lens. Whether Trump or Biden emerges victorious and no matter what the composition of Congress, we feel that global activity should continue to gain traction, aiding our procyclical, early-cycle trade set.

Negative ⟷ Positive

Asset class attractiveness (ACA)

The chart below shows the views of our Asset Allocation team on overall asset class attractiveness, as well as the relative attractiveness within equities, fixed income and currencies, as of 1 October 2020.



Source: UBS Asset Management Investment Solutions Macro Asset Allocation Strategy team as at 1 October 2020. Views, provided on the basis of a 3-12 month investment horizon, are not necessarily reflective of actual portfolio positioning and are subject to change.

Negative ⟷ Positive

Asset Class	Overall signal	UBS Asset Management's viewpoint
Global Equities		– Global equities remain slightly expensive in the very near term given election and US stimulus uncertainties. But our outlook for stocks over the next 12m remains positive and we view the recent pullback as an opportunity to increase risk. The economic recovery is likely to continue next year on the back of additional global fiscal stimulus and still accommodative financial conditions. – The global economic recovery to date has been stronger than expected, which is not reflected in the performance of more economically-sensitive segments of the equity market. We remain focused on relative value opportunities that offer attractively priced exposure to the turn in global growth. – Structurally higher multiples may ultimately be warranted should governments and central banks successfully implement countercyclical macroeconomic policy and the current experience is perceived to be a useful template to address future downturns.
US Equities		– US equities continue to command premium valuations. The sectoral composition drives this dynamic, with a higher weighting towards acyclical defensive technology than other markets. This characteristic may not prove a boon in the event that investors aim to boost cyclical exposure. – Rising political uncertainty ahead of the November election and the prospect of a prolonged dispute over an inconclusive result loom as acutely American risks with asymmetric downside potential relative to other countries. – Nonetheless, unprecedented support from the Federal Reserve and the combination of a hefty capital account surplus coupled with a global search for yield in a low-growth backdrop diminish the left-tail risk while sustaining right-tail outcomes.
Ex-US Developed market Equities		– The relatively attractive valuation of non-US equities in advanced economies must be balanced against their significant global exposure in what shaping up to be an uneven recovery with trade volumes remaining depressed. – Pockets of value can be found in Japan and portions of the European market such as banks and Italy. Countries with significantly above-average public health outcomes and fiscal impulses, namely Germany and Japan, are particularly attractive options to play divergent economic outcomes associated with differing policy responses.
Emerging Markets (EM) Equities		– The stabilization of growth in China, one of our macroeconomic themes, is a positive for the cohort, particularly for countries with the tightest economic and financial linkages. However, a more conservative Chinese stimulus will likely limit positive spillovers, with a lackluster outlook for global trade an overhang for EM at large. South Korea's success in overcoming the pandemic also makes its domestic equities more attractive than the broad EM index. – The lack of flattening in the infection curve for many developing nations may delay a return to economic health, but this headwind must be balanced against the potential for an expansion in risk appetite and a less negative trend in earnings expectations.
China Equities		– China's superior fiscal and monetary capacity to respond to shocks along with its first-in, first-out status on the global pandemic have allowed its domestic equities to hold up better in 2020 compared to emerging market equities as a whole. We believe this relative resilience will be sustained, with Beijing indicating a commitment to prioritize employment and relax the deleveraging campaign. – Headline risk may rise as the US election draws nearer, with bipartisan support for a tougher stance towards the world's second-largest economy due to the condition of trade, the COVID-19 crisis, and Hong Kong's autonomy. So long as the phase 1 trade deal remains intact, we believe the relative downside for Chinese equities is limited.
Global Duration		– The long end of sovereign curves can serve as a release valve for any signs of economic optimism as central bank commitments to keep policy rates low remain credible. – Nonetheless, sovereign fixed income continues to play an important diversifying role in portfolio construction. Inflation-linked U.S. debt is preferred to plain vanilla Treasuries, given the likelihood that any sustained back-up in yields will be concentrated in inflation breakevens.

Negative ⟷ Positive

Asset Class	Overall signal	UBS Asset Management's viewpoint
US Bonds		– US Treasuries should remain the world's preeminent safe haven and top source of risk-free yield, despite the year-to-date convergence in core borrowing costs among sovereigns. The Federal Reserve's immense quantitative easing is an important countervailing force against even more dramatic issuance. We expect a continued steepening in the yield curve, as flexible average inflation targeting increases the potential risk to the long end of the curve over time. Tweaks to the central bank's asset purchasing program or explicit messaging would likely be deployed to limit any increase in yields deemed detrimental to the burgeoning recovery.
Ex-US Developed-market Bonds		– We continue to see developed-market sovereign yields outside the U.S. as unattractive. The Bank of Japan's domination of the Japanese government debt market and success in yield curve control diminishes the use of the asset class outside of relative value positions. The potential for European fiscal integration is a factor that may compress periphery spreads, but perhaps at the expense of rising core borrowing costs, as well.
US Investment Grade (IG) Corporate Debt		– Spreads have retraced materially thanks to enduring Fed support amid an improving economic outlook. Even after a surge of issuance, US IG is one of the few sources of quality, positive yield available and therefore a likely recipient of ample global savings. However, the duration risk embedded in high-grade debt as the economy recovers as well as the potential for spread widening should threats to the expansions arise serve as material two-sided risks that weigh on total return expectations for this asset class.
US High Yield Bonds		– The recovery in commodity prices and trough in activity spurred a swift snapback in spreads in Q2, with all speculative grades outperforming IG in Q3. – Lingering concern on the durability of the economic recovery amid ebbing fiscal support may result in persistent solvency risks that limit the appeal of the asset class.
Emerging Markets Debt US dollar Local currency		– Emerging market dollar-denominated bonds and Asian credit are enticingly valued and poised to perform well in environments in which growth expectations improve or plateau, so long as highly adverse economic outcomes fail to materialize. – The enhanced carry profile of local EM debt must be balanced against the potential for currencies to serve as a release valve amid swelling fiscal and monetary policy accommodation.
Chinese Bonds		– Chinese government bonds have the highest nominal yields among the 10 largest fixed income markets globally and have delivered the highest risk-adjusted returns of this group over the last 5 and 10 years. The nation's sovereign debt has defensive properties that are not shared by most of the emerging-market universe. We believe that slowing economic growth and inclusions to global bond market indices should put downward pressure on yields during the next 3-12 months.
Currency		– Foreign exchange markets provide the cleanest expressions for relative value positions across a variety of themes and time horizons, particularly protection in the event downside risks manifest. – The US dollar is overvalued. The shrinking US yield premium incentivizes global investors to hedge dollar-denominated exposures and may herald a sustained turn the greenback, especially in the event a global turn in activity endures and is accompanied by stronger performance outside the US.

Source: UBS Asset Management. As of 1 October 2020. Views, provided on the basis of a 3-12 month investment horizon, are not necessarily reflective of actual portfolio positioning and are subject to change.

A comprehensive solutions provider

UBS Asset Management Investment Solutions manages USD 118 billion (as of 30 June 2020). Our 100+ Investment Solutions professionals leverage the depth and breadth of UBS's global investment resources across regions and asset classes to develop solutions that are designed to meet client investment challenges. Investment Solutions' macro-economic and asset allocation views are developed with input from portfolio managers globally and across asset classes.

For more information, contact your UBS Asset Management representative or your financial advisor.

For marketing and information purposes by UBS. For global professional / qualified / institutional clients and investors and US retail clients and investors.

This document does not replace portfolio and fund-specific materials. Commentary is at a macro or strategy level and is not with reference to any registered or other mutual fund.

Americas
The views expressed are a general guide to the views of UBS Asset Management as of October 2020. The information contained herein should not be considered a recommendation to purchase or sell securities or any particular strategy or fund. Commentary is at a macro level and is not with reference to any investment strategy, product or fund offered by UBS Asset Management. The information contained herein does not constitute investment research, has not been prepared in line with the requirements of any jurisdiction designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. All such information and opinions are subject to change without notice. Care has been taken to ensure its accuracy but no responsibility is accepted for any errors or omissions herein. A number of the comments in this document are based on current expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from expectations. The opinions expressed are a reflection of UBS Asset Management's best judgment at the time this document was compiled, and any obligation to update or alter forward-looking statements as a result of new information, future events or otherwise is disclaimed. Furthermore, these views are not intended to predict or guarantee the future performance of any individual security, asset class or market generally, nor are they intended to predict the future performance of any UBS Asset Management account, portfolio or fund.

EMEA
The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith, but is not guaranteed as being accurate, nor is it a complete statement or summary of the securities, markets or developments referred to in the document. UBS AG and / or other members of the UBS Group may have a position in and may make a purchase and / or sale of any of the securities or other financial instruments mentioned in this document. Before investing in a product please read the latest prospectus carefully and thoroughly. Units of UBS funds mentioned herein may not be eligible for sale in all jurisdictions or to certain categories of investors and may not be offered, sold or delivered in the United States. The information mentioned herein is not intended to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units. Commissions and costs have a negative impact on performance. If the currency of a financial product or financial service is different from your reference currency, the return can increase or decrease as a result of currency fluctuations. This information pays no regard to the specific or future investment objectives, financial or tax situation or particular needs of any specific recipient. The details and opinions contained in this document are provided by UBS without any guarantee or warranty and are for the recipient's personal use and information purposes only. This document may not be reproduced, redistributed or republished for any purpose without the written permission of UBS AG. This document contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

UK
Issued in the UK by UBS Asset Management (UK) Ltd. Authorised and regulated by the Financial Conduct Authority.

APAC
This document and its contents have not been reviewed by, delivered to or registered with any regulatory or other relevant authority in APAC. This document is for informational purposes and should not be construed as an offer or invitation to the public, direct or indirect, to buy or sell securities. This document is intended for limited distribution and only to the extent permitted under applicable laws in your jurisdiction. No representations are made with respect to the eligibility of any recipients of this document to acquire interests in securities under the laws of your jurisdiction. Using, copying, redistributing or republishing any part of this document without prior written permission from UBS Asset Management is prohibited. Any statements made regarding investment performance objectives, risk and/or return targets shall not constitute a representation or warranty that such objectives or expectations will be achieved or risks are fully disclosed. The information and opinions contained in this document is based upon information obtained from sources believed to be reliable and in good faith but no responsibility is accepted for any misrepresentation, errors or omissions. All such information and opinions are subject to change without notice. A number of comments in this document are based on current expectations and are considered "forward-looking statements". Actual future results may prove to be different from expectations and any unforeseen risk or event may arise in the future. The opinions expressed are a reflection of UBS Asset Management's judgment at the time this document is compiled and any obligation to update or alter forward-looking statements as a result of new information, future events, or otherwise is disclaimed. You are advised to exercise caution in relation to this document. The information in this document does not constitute advice and does not take into consideration your investment objectives, legal, financial or tax situation or particular needs in any other respect. Investors should be aware that past performance of investment is not necessarily indicative of future performance. Potential for profit is accompanied by possibility of loss. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Australia
This document is provided by UBS Asset Management (Australia) Ltd, ABN 31 003 146 290 and AFS License No. 222605.

China
The securities may not be offered or sold directly or indirectly in the People's Republic of China (the "PRC"). Neither this document or information contained or incorporated by reference herein relating to the securities, which have not been and will not be submitted to or approved/verified by or registered with the China Securities Regulatory Commission ("CSRC") or other relevant governmental authorities in the PRC pursuant to relevant laws and regulations, may be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Securities in the PRC. The securities may only be offered or sold to the PRC investors that are authorized to engage in the purchase of Securities of the type being offered or sold. PRC investors are responsible for obtaining all relevant government regulatory approvals/licenses, verification and/or registrations themselves, including, but not limited to, any which may be required from the CSRC, the State Administration of Foreign Exchange and/or the China Banking Regulatory Commission, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or foreign investment regulations.

Hong Kong
This document and its contents have not been reviewed by any regulatory authority in Hong Kong. No person may issue any invitation, advertisement or other document relating to the Interests whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Interests which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) and the Securities and Futures (Professional Investor) Rules made thereunder.

Japan
This document is for informational purposes only and is not intended as an offer or a solicitation to buy or sell any specific financial products, or to provide any investment advisory/management services.

Korea
The securities may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the Capital Market and Financial Investment Business Act and the Foreign Exchange Transaction Law of Korea, the presidential decrees and regulations thereunder and any other applicable laws, regulations or rules of Korea. UBS Asset Management has not been registered with the Financial Services Commission of Korea for a public offering in Korea nor has it been registered with the Financial Services Commission for distribution to non-qualified investors in Korea.

Malaysia
This document is sent to you, at your request, merely for information purposes only. No invitation or offer to subscribe or purchase securities is made by UBS Asset Management as the prior approval of the Securities Commission of Malaysia or other regulatory authorities of Malaysia have not been obtained. No prospectus has or will be filed or registered with the Securities Commission of Malaysia.

Singapore
This document has not been registered with the Monetary Authority of Singapore pursuant to the exemption under Section 304 of the SFA. Accordingly, this document may not be circulated or distributed, nor may the Securities be offered or sold, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 304 of the SFA.

Taiwan
This document and its contents have not been reviewed by, delivered to or registered with any regulatory or other relevant authority in the Republic of China (R.O.C.). This document is for informational purposes and should not be construed as an offer or invitation to the public, direct or indirect, to buy or sell securities. This document is intended for limited distribution and only to the extent permitted under applicable laws in the Republic of China (R.O.C.). No representations are made with respect to the eligibility of any recipients of this document to acquire interests in securities under the laws of the Republic of China (R.O.C.).

Source for all data and charts (if not indicated otherwise):
UBS Asset Management.

www.ubs.com/am-linkedin

AMMA-5310 10/20
www.ubs.com/am

UBS