Cyprus Just A Hiccup As Stocks March On

Unease among investors as Cyprus' banking and debt crisis temporarily slammed the brakes on the record-breaking rise of equity markets. Ultimately, however, the €10 billion bailout deal – whatever the pain for the Cypriots and their financial sector clients – was enough to get share prices moving upward again. With economic numbers consistently pointing to growth and upbeat consumers ready to spend, any temporary market hiccups in the weeks ahead look like opportunities for better-value investment.

RECOMMENDATIONS:

- **Equity funds:** Asian company shares remain popular with investors, thanks to positive long-term economic fundamentals, strong balance sheets and low borrowing. The Aberdeen Asian Smaller Companies Fund offers exposure to small and medium-sized enterprises that benefit from strong consumer spending and offer better value than large-cap Asian companies do right now.

  North Asia does offer attractive valuations, and the Fidelity China Focus Fund lets you tap into China's medium-term recovery. For wider exposure to emerging markets, where economies are set to grow faster than in the developed world, consider the First State GEM Leaders Fund.

- **Equity-Linked Convertible Investments:** For clients comfortable with more risk, equity-linked convertible investments offer attractive yield with potential equity upside. For CapitaLand, which combines exposure to China's consumer recovery and its property sector, consider striking at or below the S$3.43 support level. On Wall Street, General Motors should benefit from renewal of the ageing U.S. automobile fleet, with its current average vehicle age of 11 years.

- **Bonds:** Bonds with shorter maturity can reduce interest rate risk in case of future rate hikes. The recent Singapore dollar issue from Biosensors Investments, an innovative medical devices manufacturer, offers a coupon of 4.875 per cent per annum and an approximate yield to maturity of around 3.6 per cent. Looking ahead, high-yield debt offers better value than investment-grade bonds.

- **Bond Funds:** The Templeton Global Total Return Fund's diversified portfolio includes higher-yielding emerging market sovereign debt. An average duration of just under three years reduces interest rate risk, and currency exposure maximises the potential total return.

- **Currencies:** Talk of an end to U.S. Federal Reserve quantitative easing, or an increase in the supply of money, has removed a drag on the value of the greenback, which is set to strengthen over time as fewer dollars are injected into the economy. Singapore dollar clients may consider a Dual Currency Returns pairing against the U.S. dollar at levels closer to S$1.2350, where we see stronger support.

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