Investment Playbook Weekly Update

July 4th – July 8th, 2022

LIGHTHOUSE CANTON



Disclaimer

The contents of this document are confidential and are meant for the intended recipient only. If you are not the intended recipient, please delete all copies of this document and notify the sender immediately.

This document, provided as a general commentary, is for informational purposes only and is not to be construed as an offer to sell or solicit an offer to buy any financial instruments in any jurisdiction. This does not constitute any form of regulated financial advice, and your independent financial advisor should be consulted prior to taking any investment decision(s).

This document is based on information from sources which are reliable but has not been independently verified by Lighthouse Canton Pte Ltd and its subsidiaries ("LC"). LC has taken the reasonable steps to verify the contents of this document and accept no liability for any loss arising from the use of any information contained herein. Please also note that past performances are not indicative of future performance.

Information contained herein are those of the author(s) and does not represent the views held by other parties. LC is also under no obligation to update you on any changes made to this document.

This document is prepared by Lighthouse Canton Pte Ltd and its subsidiary, Lighthouse Canton Capital (DIFC) Pte Ltd, which are regulated by Monetary Authority of Singapore (“MAS”) and Dubai Financial Services Authority (“DFSA”) respectively. MAS and DFSA has no responsibility for reviewing, verifying and approving the contents of this document and/or other associated documents. The contents of this document may not be reproduced or referenced, either in part or in full, without prior written permission from LC.

This document is confidential and is only intended for Accredited Investors and/or Professional Clients, as defined by MAS and DFSA.

LIGHTHOUSE CANTON

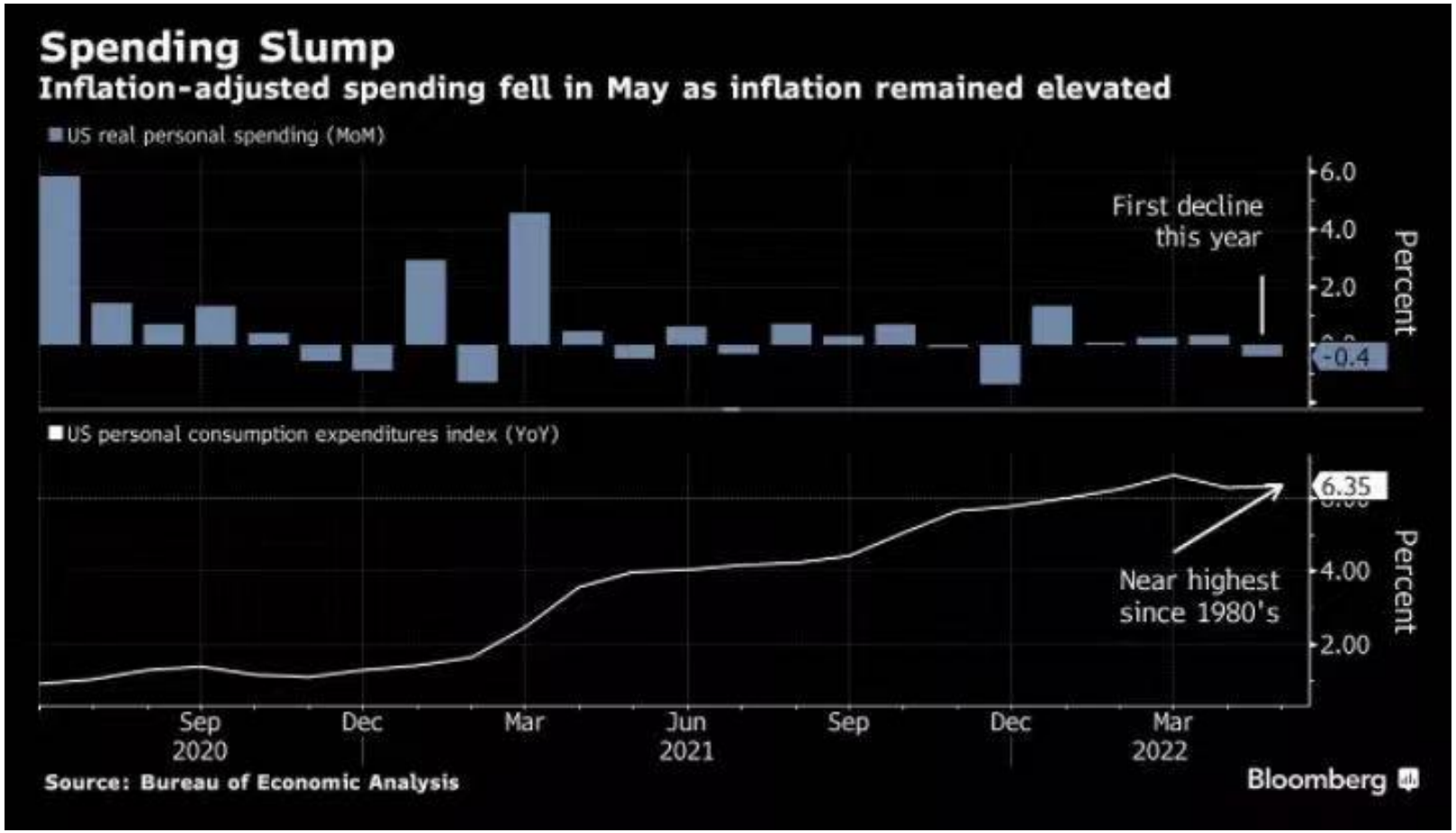
Macro Highlights

1

LIGHTHOUSE CANTON

US Real Spending Contracted in May

The personal consumption expenditure (PCE) index rose 0.6% month-on-month

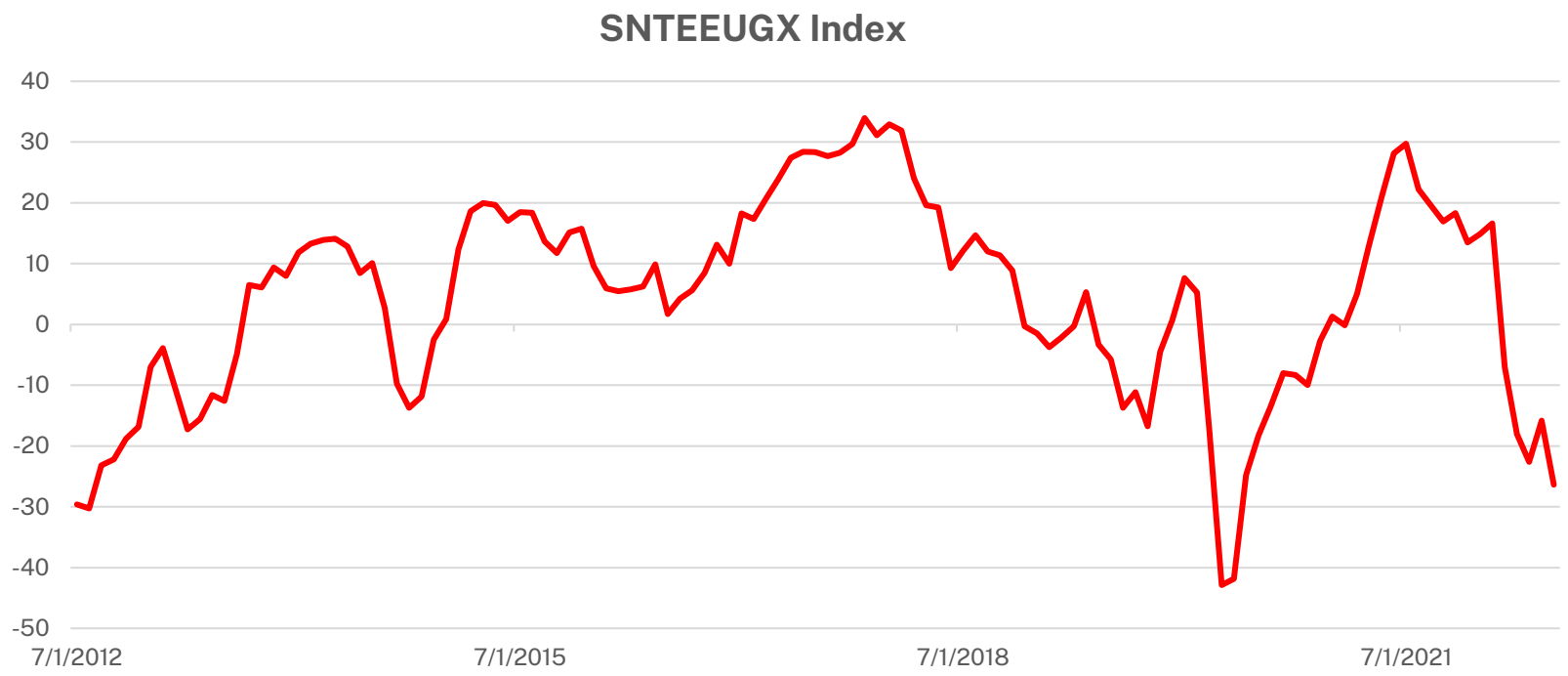


Source: Bloomberg, July 2022

LIGHTHOUSE CANTON

Consumer Sentiment- Eurozone aggregate

Economic sentiment in EU lowest since the start of the pandemic.



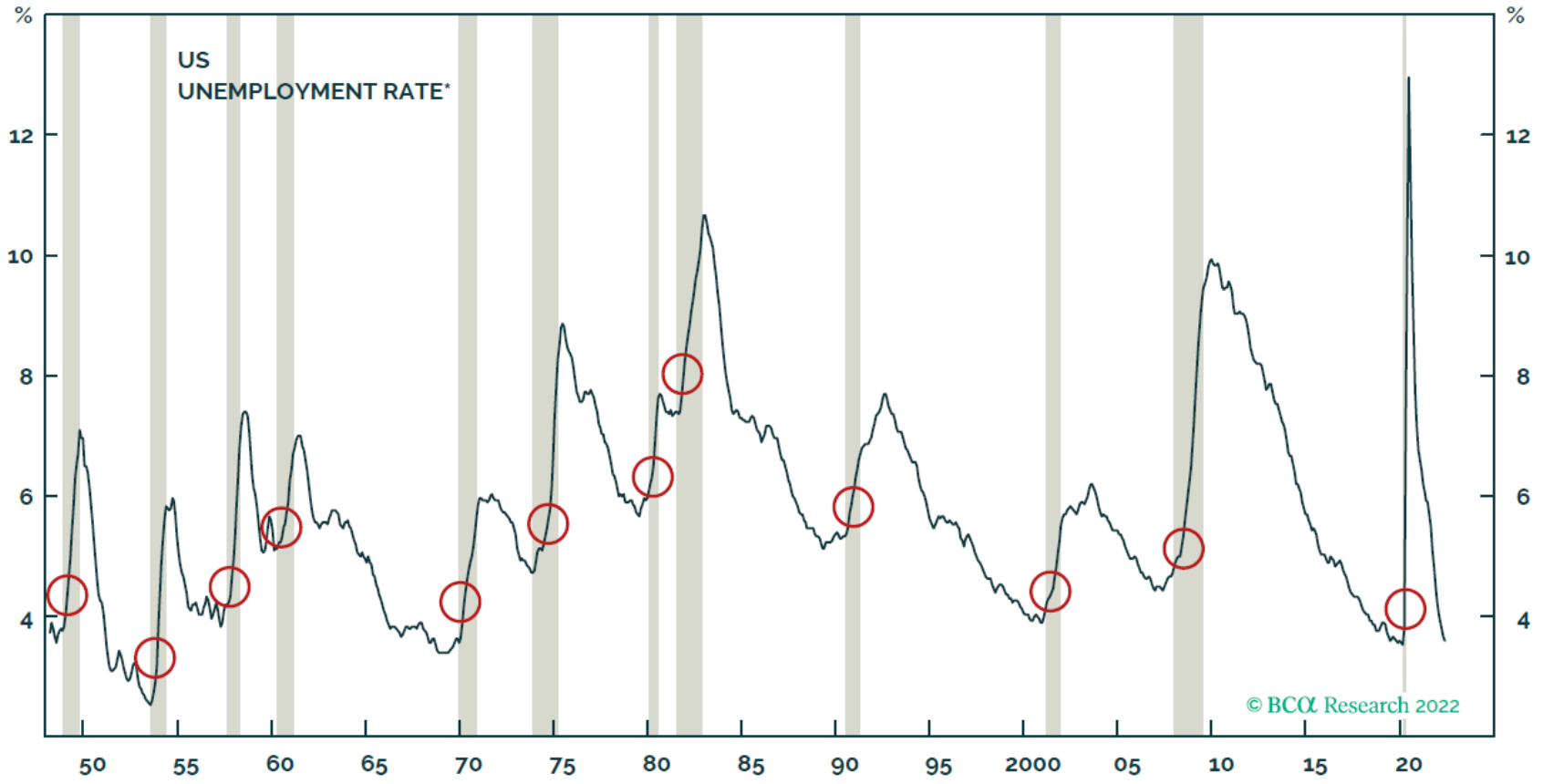
Sentix Economic Indices Euro Aggregate Overall Index

Source: Bloomberg, Jul 2022

LIGHTHOUSE CANTON

Watch Unemployment in the US

UE rate has never risen by more than 0.33% without triggering a recession



* SHOWN AS A 3-MONTH MOVING AVERAGE.

NOTE: SHADED AREAS DENOTE NBER-DESIGNATED RECESSIONS; CIRCLES IN THE CHART DENOTE THE TIMES WHEN THE 3-MONTH MOVING AVERAGE OF THE UNEMPLOYMENT RATE INCREASED BY MORE THAN ONE-THIRD OF A PERCENTAGE POINT FROM RECENT LOWS.

LIGHTHOUSE CANTON

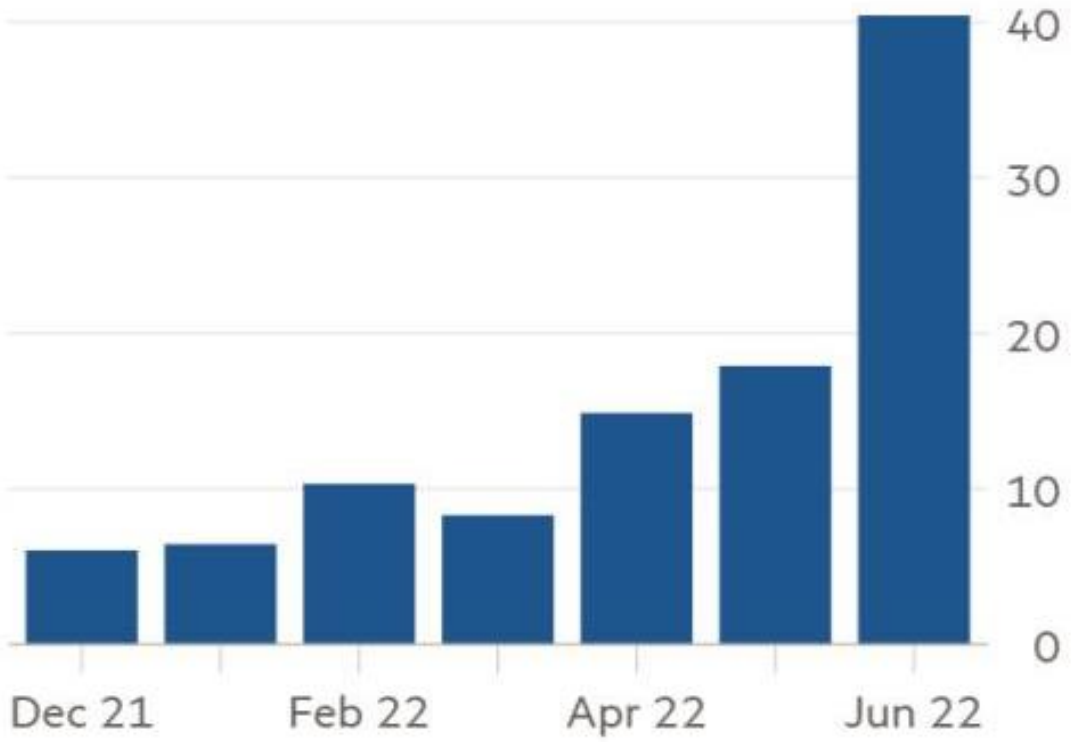
Fixed Income Highlights

2

LIGHTHOUSE CANTON

No. of distressed European Bonds Rises

Face value of corporate debt with spreads above 10 percentage points (€bn)

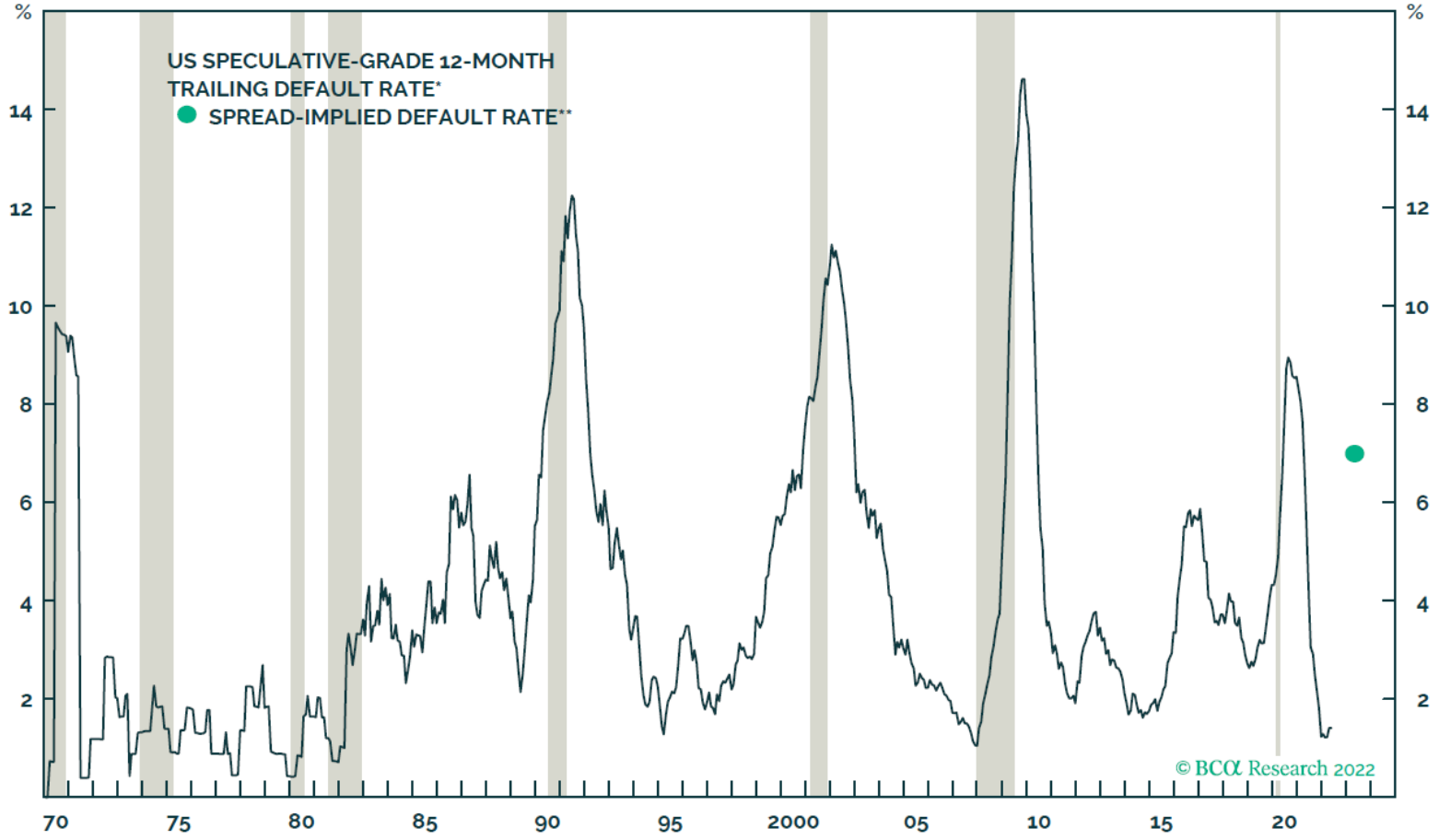


Source: FT.com, ICE Data Services, July 2022

LIGHTHOUSE CANTON

High Yield Spreads

High yield bonds have priced in a lot of bad news



* SOURCE: MOODY'S INVESTORS SERVICE.

** BASED ON CURRENT HIGH-YIELD CORPORATE BOND SPREAD, DEFAULT-ADJUSTED SPREAD OF 100 BPs, AND A 40% RECOVERY RATE.

NOTE: SHADED AREAS DENOTE NBER-DESIGNATED RECESSIONS.

LIGHTHOUSE CANTON

Fixed Income – Executive Summary

- US Treasury yields have recently been rolling over from multi-year highs. The 10-year yield closed below 3% on June 30th for the first time since early June. Both real rates as well as market-based inflation expectations are responsible for declining nominal yields. Market participants have been revising down their expectations for how aggressively the Fed will hike interest rates. Meanwhile, growth expectations for the US continue to deteriorate. These dynamics suggest that investors expect the Fed to succeed in taming inflationary pressures, but that it will come at the expense of the economy. The inversion of the yield curve (2s10s) also signal the same.

- Meanwhile in EU, the Sentix fell sharply to -26.4 as against estimates of -20. Market participants believe that the EU is more susceptible to recession relative to US, given the fragility of their economies and their dependency on Russia for gas, especially with the impending winters. Owing to this the EURUSD traded below 1.02 levels, lowest in the last 20 years.

LIGHTHOUSE CANTON

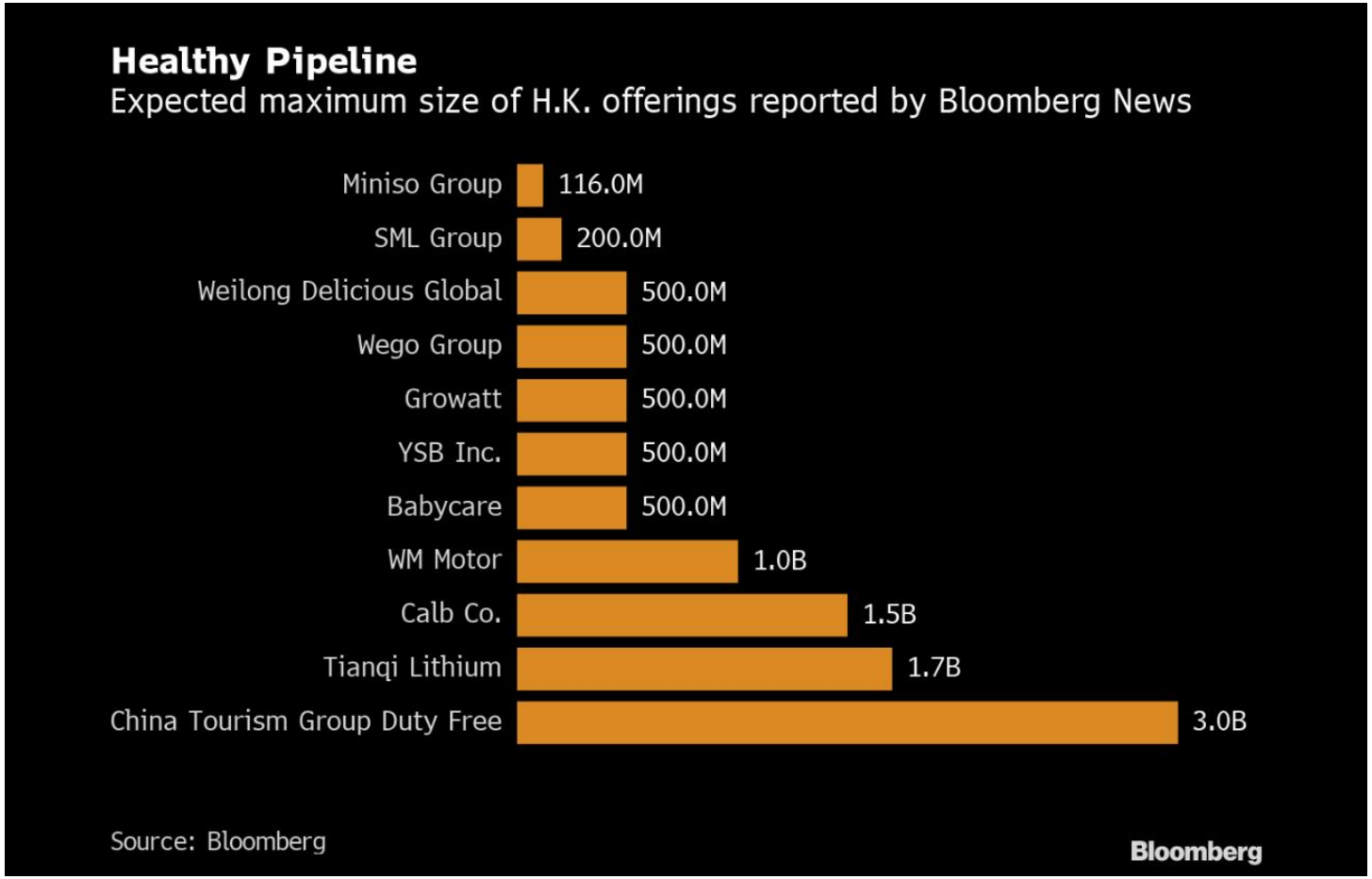
Equities Highlights

3

LIGHTHOUSE CANTON

Hong Kong is Expecting Big China IPO Deals

HKEX only raised $2.6 billion in 1H22, 92% lower than last year. But a few billion $ deals are in the pipeline for 2H22.



Source: Bloomberg, July 2022

LIGHTHOUSE CANTON

Valuations are still not cheap

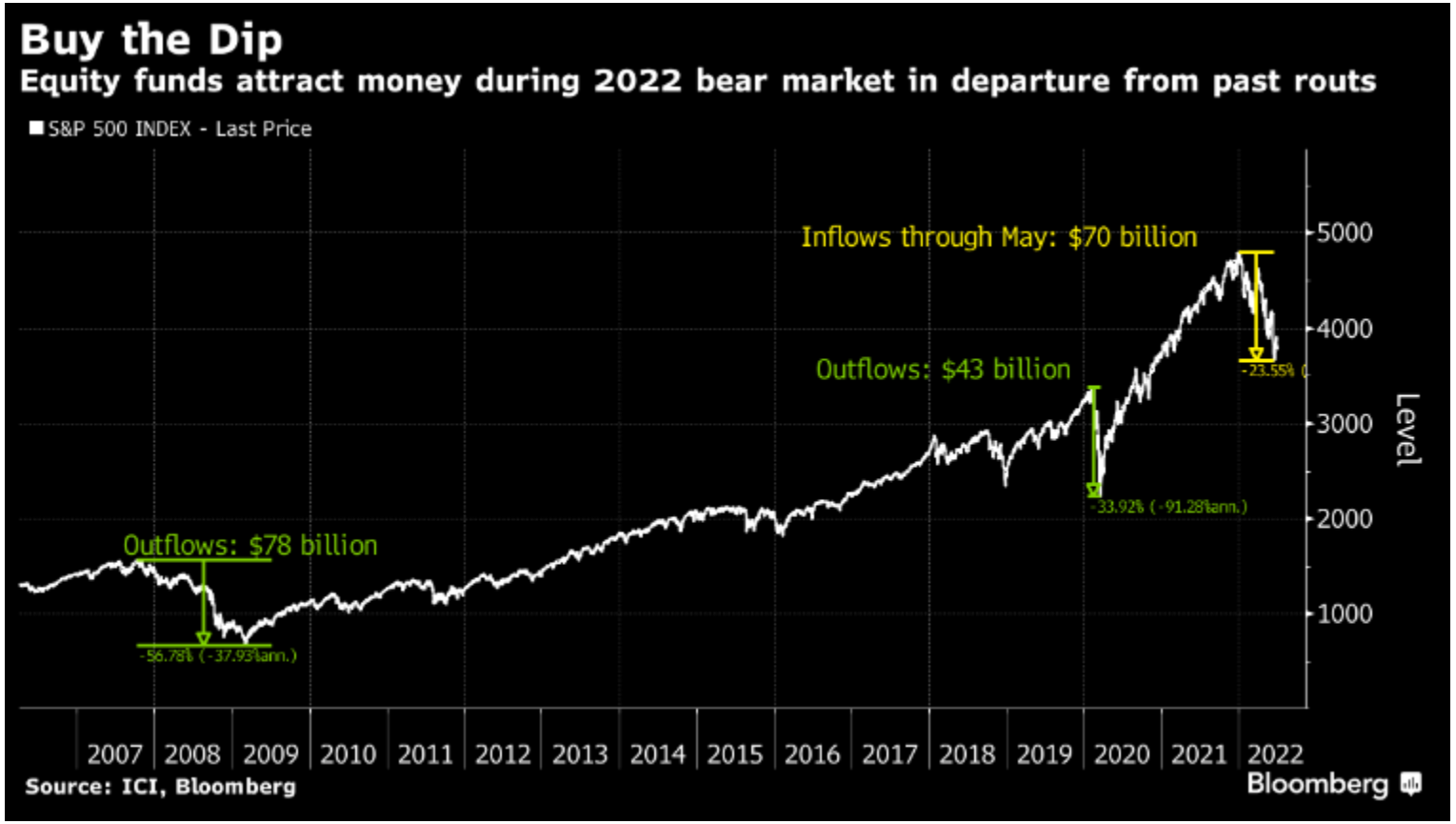
Current P/E levels are quite a bit above past bear cycle lows



LIGHTHOUSE CANTON

Investors continue to buy the dip

Unlike previous corrections, equity funds and ETFs saw an inflow of 70 billion during the first 5 months of the year



LIGHTHOUSE CANTON

Equities – Executive Summary

- As mentioned previously, **we continue to be skeptical of the current analysts' earnings estimates** and expect earnings to be revised lower in the upcoming quarters. We believe that the bottom for equities, is yet to be reached.

- That being said, **we see encouraging signs in the tech sector, especially semiconductors**. Reporting earnings last week, Micron (a chipmaker) presented revenue projections that were miles below Wall Street estimates. Instead of collapsing, the stock dropped 3% on that day before rallying 6% the very next day, illustrating that a **lot of bad news has now been priced in for the most beaten down / high quality stocks**.

- By nature, we have never been big fans of cyclical stocks (volatile top line and margins) and as the probability of a recession increases, **we reiterate our cautious stance for commodity related stocks** such as energy and materials. With Crude Oil (WTI) trading below 100$, we believe **Oil & Gas related stocks should be removed from portfolios**, if not done previously.

LIGHTHOUSE CANTON

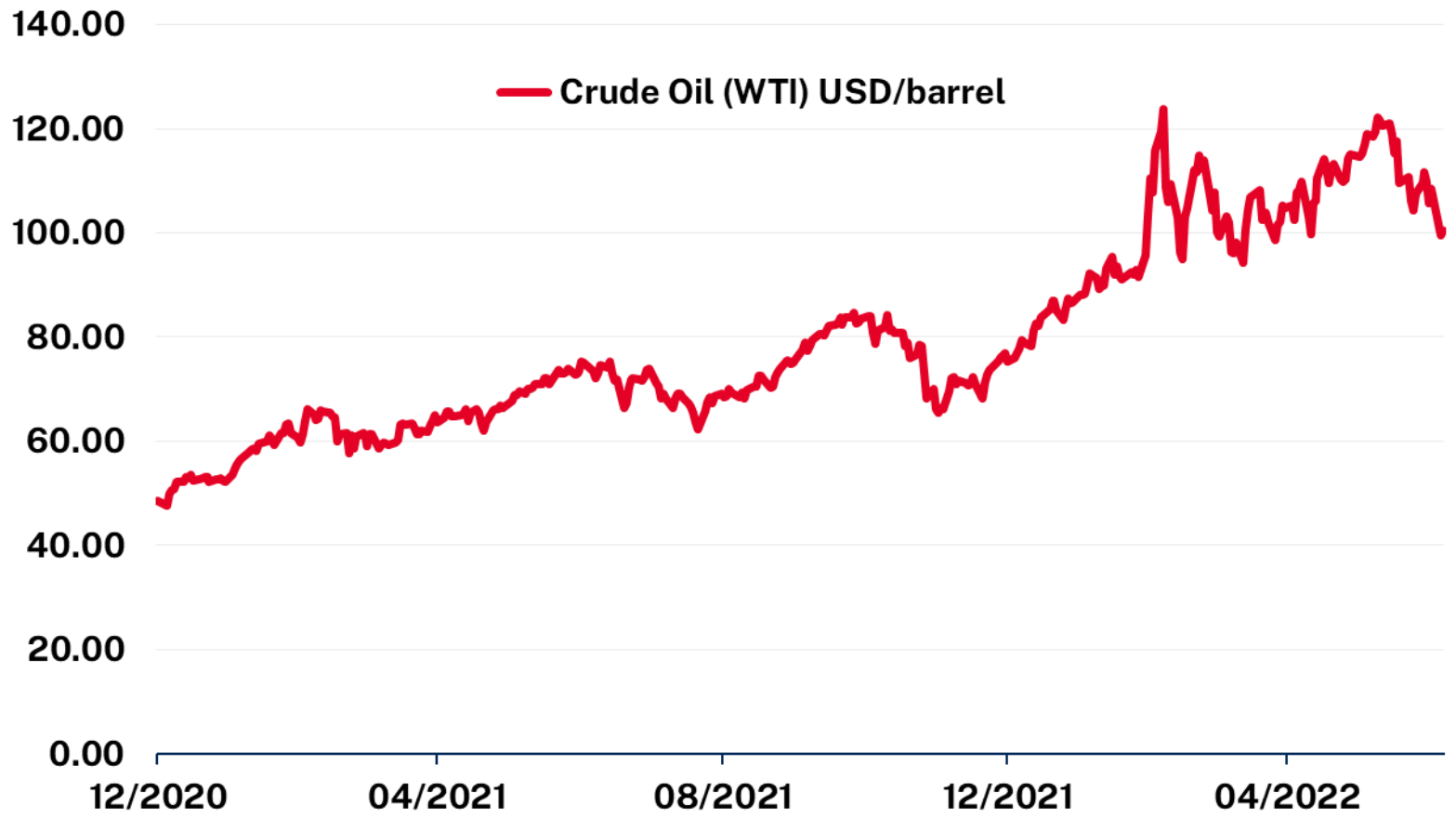
Forex, Commodities & Alternatives Highlights

4

LIGHTHOUSE CANTON

Oil back below 100$

Crude Oil trades 15% below its recent peak because of recession fears

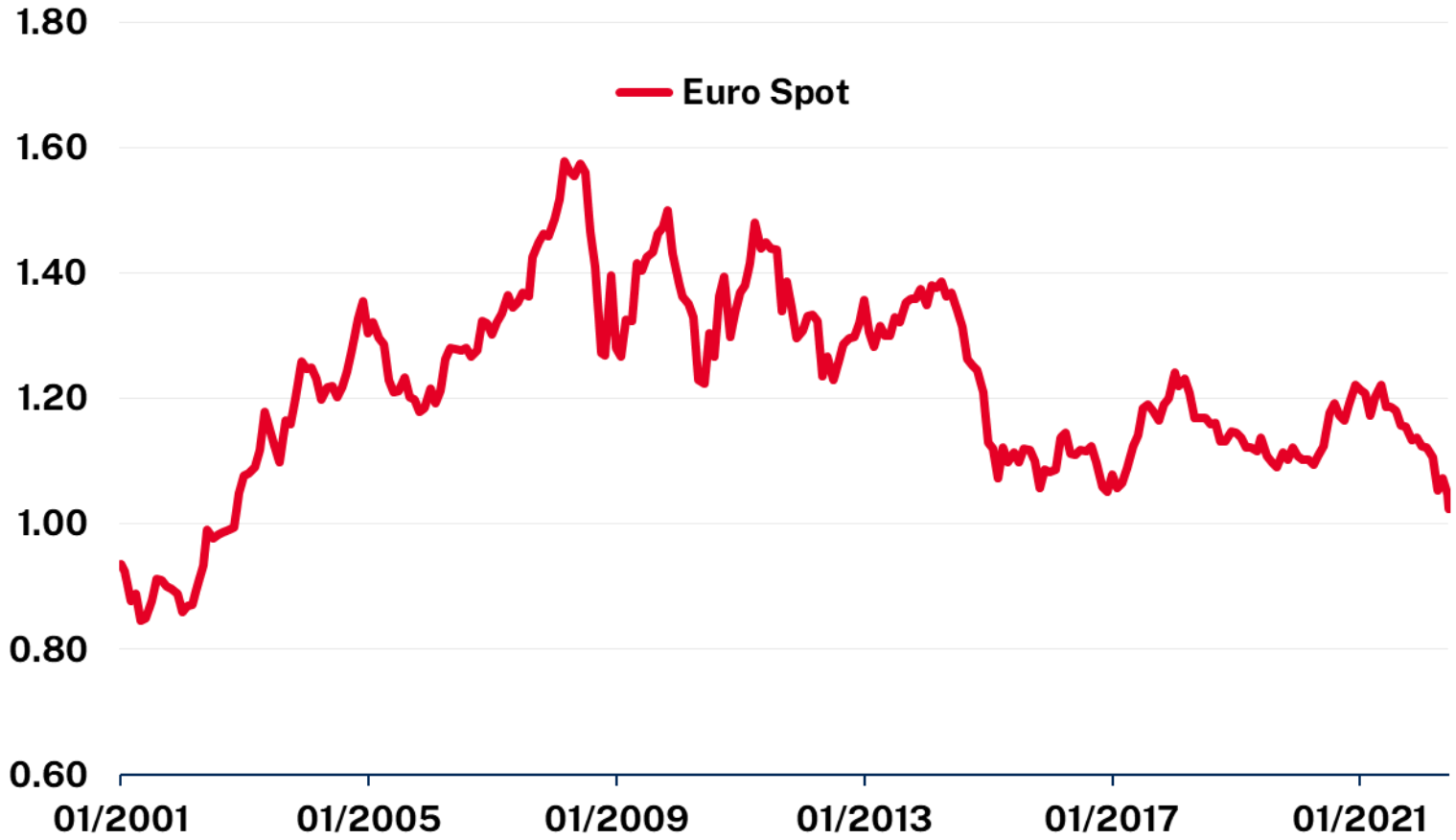


Source: FT.com, ICE Data Services, July 2022

LIGHTHOUSE CANTON

EUR/USD Close To Parity

Euro trades at 20-year low and likely to reach parity with USD



Source: FT.com, ICE Data Services, July 2022

LIGHTHOUSE CANTON

FX, Commodities & Alts – Executive Summary

- **Falling commodity prices** do not reflect an improvement in fundamentals (increase in supply) but they rather **reflect financial speculators' shifting their positions in anticipation of a withering of demand**. Oil & Wheat prices have corrected back to their price before Russia's invasion of Ukraine; Copper trades at an 18-month low.

- Currencies remain also very volatile and many of them are trading close to historical low. The last one to join the club is EUR which at 1.02 trades at a 20-year low versus the USD. The list of countries which currency is trading at or close to a 5-year low is expanding quickly and now counts: Pakistan, Russia, South Korea, Hong Kong, Japan, India, Turkey, Euro-Zone, Colombia, Thailand, The Philippines, Chile and Argentina.

LIGHTHOUSE CANTON

LIGHTHOUSE CANTON

Singapore

Lighthouse Canton Pte Ltd

16 Collyer Quay
#11-02
Income at Raffles
Singapore 049318
Phone: +65 67130570

Dubai

Lighthouse Canton Capital DIFC Pte Ltd

The Exchange
Gate Village 11, Unit 204
Dubai International
Financial Centre
PO Box 507026
Dubai, UAE
Phone: +971 45 861500

India

LC Capital India Private Limited

First Floor, Aloft hotel,
Asset no. 5B, Hospitality
District, Aerocity
New Delhi, 110037 (India)

H9 EFC,12th Floor
Parinee Crescenzo,
G Block BKC
Mumbai 400051

Phone: +91 9650473961

info@lighthouse-canton.com
service@lighthouse-canton.in
Lighthouse Canton