

**Ryan Lam, CFA**

Head of Research

ryan.lam@shacombank.com.hk

+852 2841 5283

**Evelyn Huang**

Analyst

evelyn.huang@shacombank.com.hk

+852 2841 5450

# Instant Thoughts

**29 September 2020**

## Things Are Never As Good or as Bad as You Think

- **A resurgence in infections across Europe suggests we shall prepare ourselves for a double-dip recession.**
- **With the passage of time and learning however, we know how to deftly contain outbreak without resorting to sledgehammer policies.**
- **Another half of us secretly yearn for miracle cures. But how many agree to be vaccinated remains in doubt. And all it takes is one absent-minded pharma releasing a defected vaccine to shatter confidence.**
- **Roman poet Phaedrus once remarked, “Things are not always as they seem; the first appearance deceives many.” Now more than ever, investors are best served by their endurance.**

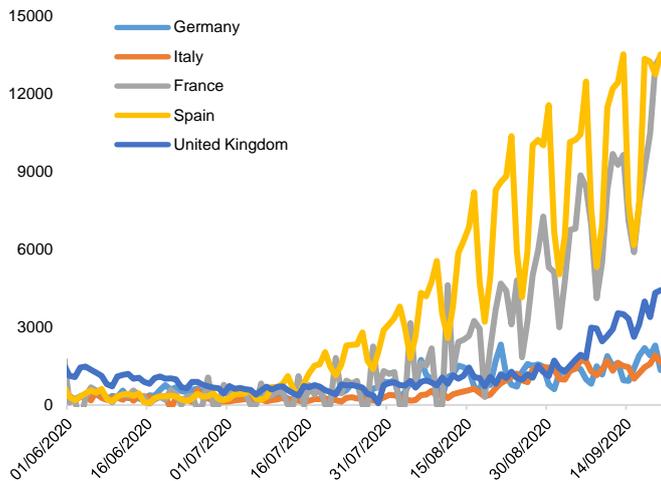
A resurgence in infections across Europe (Exhibit 1) is proving optimists just as wrong as pundits who predicted the World War One would be over by Christmas. Falling victim to their own hubris, from Madrid to Marseille to London, European cities once again race to re-impose a slew of restrictions. Apparently, we shall prepare ourselves for a lonely winter and at worst, a double-dip recession.



上海商業銀行

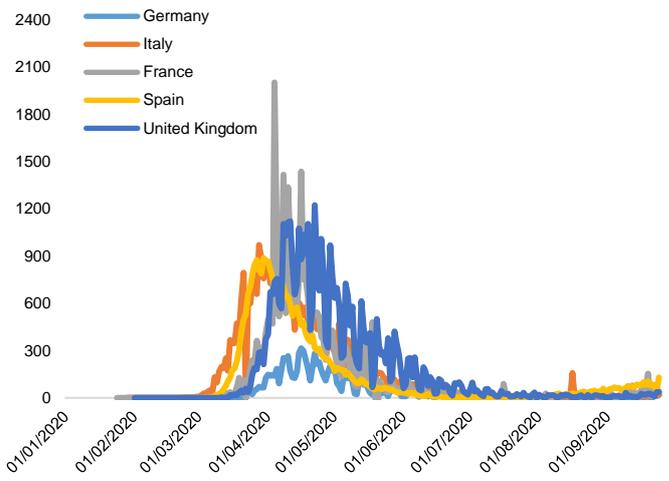
SHANGHAI COMMERCIAL BANK

Exhibit 1: COVID-19 Daily New Cases



Source: WHO, CEIC, Shanghai Commercial Bank

Exhibit 2: COVID-19 Daily New Deaths



Source: WHO, CEIC, Shanghai Commercial Bank

This Pavlovian pessimism is to certain extent a media creation. Progress is, on the other hand, too slow to notice, yet it does not mean it's surreal.

Beating back infection was once synonymous with full-on lockdowns. With the passage of time and learning, fate smiles. Clinical know-how, better drugs, early use of ventilators, and changes in social behaviour all did their parts in slashing the case fatality rate to a fraction of its April peak (Exhibit 2). German have lots to celebrate – it has illustrated to the world how to contain outbreak deftly without resorting to sledgehammer policies. How time has changed.

Gripped constantly between greed and fear, another half of us secretly yearn for miracle cures. But don't preach the gospel of life-altering vaccination without reality check.

How many agree to be vaccinated remains in doubt. Six out of ten Americans think its approval process, under the auspices of Operation Warp Speed, has been politicised. Then come the question of its effectiveness. All it takes is one absent-minded pharma releasing a defected vaccine to shatter confidence. The US swine flu vaccination campaign was torn asunder in 1970s simply because three unrelated deaths were reported in the same day.



上海商業銀行  
SHANGHAI COMMERCIAL BANK

Roman poet Phaedrus once remarked, "Things are not always as they seem; the first appearance deceives many." Now more than ever, investors are best served by their endurance.



上海商業銀行  
SHANGHAI COMMERCIAL BANK

**Table 1: Strategy Performance Summary**

Date		Key recommendations	Ex post performance (1-month)				
			Entry level*	Low	High	Period-end level	1-month return
8-May-20	08:25	The CNH sellers will re-gain the upper hand	7.0886	7.0651	7.1961	7.0733	-0.2%
30-Jan-20	11:03	The indiscriminate bid for the dollar could remain uninterrupted	98.03	97.36	99.91	98.14	0.1%
20-Jan-20	4:00	We remain stubborn buyers on dips for GBP	1.3000	1.2908	1.3228	1.2921	-0.6%
18-Jan-20	0:00	We remain stubborn buyers on dips for CAD	1.3070	1.3044	1.3302	1.3223	-1.2%
13-Dec-19	11:25	The pair (GBP) will meet strong resistance above 1.35	1.3466	1.2905	1.3466	1.3033	3.3%
30-Oct-19	11:40	Yet more strength for the pound	1.2863	1.2772	1.2970	1.2925	0.5%
23-Oct-19	11:05	Dips (in pound) are buy into	1.2848	1.2772	1.2970	1.2846	0.0%
26-Sep-19	8:30	Dollar shorts are swimming against the tide	98.94	98.85	99.67	98.66	-0.3%
16-Sep-19	09:55	We recommend to re-load yen long exposure	107.77	106.48	108.89	108.69	-0.8%
13-Sep-19	10:55	We see some upside in EUR/USD in the short run	1.1066	1.0880	1.1108	1.1042	-0.2%
1-Aug-19	11:15	Skeptical about just how much juice is left in the dollar rally	98.81	97.22	99.02	98.81	0.0%
26-Jul-19	10:45	We prefer to fade any EUR rallies	1.1148	1.1030	1.1243	1.1140	0.1%
24-Jul-19	10:15	Sterling is likely to be an outcast	1.2434	1.2016	1.2520	1.2256	1.5%
5-Jul-19	10:10	The theme of (HKD) normalisation will unfold yet again	7.7900	7.7883	7.8354	7.8300	0.5%
2-Jul-19	17:30	There is nothing compelling about the current AUD rally	0.6990	0.6788	0.7076	0.6790	2.9%
4-Jun-19	17:30	We see little value in chasing the AUD higher	0.6980	0.6833	0.7048	0.7021	-0.6%
22-May-19	15:50	The pound will test lower levels in the short run	1.2676	1.2512	1.2759	1.2723	-0.4%
8-May-19	14:15	The idea of sell (AUD) in May still looks appealing to us	0.7023	0.6865	0.7023	0.7000	0.3%
2-May-19	11:00	Dollar spike is more than flashes in the pan	97.60	97.04	98.13	97.76	0.2%
29-Apr-19	10:00	The BoC might deliver something for bears to get their teeth into	1.3458	1.3378	1.3505	1.3488	0.2%
9-Apr-19	19:00	It could take weeks for the USD/HKD to revert back to 7.85	7.8423	7.8324	7.8494	7.8483	0.1%
21-Mar-19	10:50	Playing the high-carry USD from the long side	95.88	95.74	97.52	97.39	1.6%
13-Mar-19	10:20	The resolution in sight warrants holding a GBP long position	1.3084	1.3081	1.3381	1.3090	0.0%
8-Mar-19	10:35	EUR/JPY is a cleaner expression of the EUR-bearish view	124.86	123.85	127.45	124.99	-0.1%
19-Feb-19	9:10	Underweighting the dollar and staying nimble	96.83	96.29	97.71	96.48	0.4%
12-Feb-19	9:10	For HKD bear, it is the Trojan horse you want to smuggle in	7.8470	7.8470	7.8500	7.8500	0.0%
31-Jan-19	10:40	The USD will going on struggling	95.26	95.16	97.16	96.06	-0.8%
30-Jan-19	10:10	We have interest in chasing GBP higher	1.3094	1.2779	1.3335	1.3293	1.5%
16-Jan-19	11:20	The GBP remains a buy-in-dip play	1.2845	1.2839	1.3217	1.2905	0.5%

\*Entry level recorded at the time of publication, if not stated otherwise

**Total return#** **18.3%**

#Since August 2018

**Hit ratio#** **67.5%**

Source: Shanghai Commercial Bank

## Recent Publications

Never Too Late 	Sep 23, 2020
Constructive Ambiguity 	Sep 17, 2020
History Is Circular 	Sep 11, 2020
Farewell to Summer Breeze 	Sep 4, 2020
I Ease Therefore I Am 	Aug 28, 2020
A Brief Renaissance 	Aug 21, 2020
On Thin Ice 	Aug 17, 2020
Life Is a Process of Becoming 	Aug 11, 2020
Time for Meditation 	Jul 30, 2020
Emotion Moves Us, Literally 	Jul 27, 2020
A Deal Is a Deal 	Jul 22, 2020
Better Than Devil You Know 	Jul 16, 2020
Gambler's Fallacy 	Jul 9, 2020
The Dance of the Millions 	Jul 3, 2020
All Lives Matter 	Jun 26, 2020
Recovery Is A Marathon, Not a Sprint 	Jun 17, 2020
No New Wave, Only the Sea 	Jun 11, 2020
Fly Me to the Moon 	Jun 4, 2020
It's the Silence Between Notes That Makes Music 	May 29, 2020
Who Eats Buffett's Lunch? 	May 28, 2020
Back to Future 	May 13, 2020
House of Cards 	May 8, 2020
Roiling Underneath 	May 4, 2020
Thinking Like a Pro 	Apr 27, 2020
Why Oil Crash Is Not All Bad News 	Apr 22, 2020
Rising from the Dead 	Apr 15, 2020
Love at First Sight 	Apr 7, 2020
Mile Wide, Inch Deep 	Mar 30, 2020
Crossing the Rubicon 	Mar 24, 2020
Turning Fire Hoses Fully Open 	Mar 20, 2020
The ECB Is Obligated to Act. Yesterday. 	Mar 19, 2020
Fed Easing Is a Four-Letter Word for Now 	Mar 16, 2020
How to Save the World Without Being a Jerk 	Mar 13, 2020
The Sparkle Is Wearing Off 	Mar 12, 2020
The Monday Blues 	Mar 10, 2020



上海商業銀行  
SHANGHAI COMMERCIAL BANK

## Disclaimer - Investment Involves Risk

### Investment Risk Disclosure

- The following risk disclosure statement cannot disclose all the risks involved and does not take into account any circumstances that are unknown to Shanghai Commercial Bank Limited (the "Bank"). Investment involves risks. Securities, Investment fund and Bonds are investment products. The price of investment products may go up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying or selling investment products. Any past performance figures shown are not indicative of futures performance. Part of the investment may not be able to liquidate immediately under certain market situation. Customers should refer to relevant offering documents for detailed information, including but not limited to Risk Disclosures, prior to any investment subscription. The products described herein may not be suitable for all people. The decisions to invest are made by customers and customers should not invest in investment products unless the intermediary selling them has explained to them that the product is suitable for them having regard to customers' financial situation, investment experience and investment objectives. Customers should not make any investment decisions based on this document alone. Customers must make their own assessment of the information provided in this document. Customers should carefully consider whether any investment products or services mentioned herein are appropriate for them in view of their financial situations, investment experiences and investment objectives. If customers have any doubt about this material or any relevant offering document, they should consult their own independent advisers on the legal, regulatory, tax, investment and financial implications of the investments (including but not limited to estate duty and withholding tax and other tax obligations which may arise from local or foreign investment) as they deem appropriate to ensure that they understand the nature of the investments in order to consider whether the investments are suitable investments for them.
- Investment Risk in Securities: The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Investment involves risks. Any past performance figures shown are not indicative of futures performance. Part of the investment may not be able to liquidate immediately under certain market situation. Customers must ensure to read and understand the information of Shanghai and Shenzhen Connect A-shares trading of the Bank including relevant details, trading rules, risk, fees, restriction and notices before investing in Shanghai and Shenzhen Connect A-shares trading.
- Investment Risk in investment funds: The prices of investment funds fluctuate, sometimes dramatically. The price of an investment fund may go up or down and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling investment funds. Investment involves risks. Any past performance figures shown are not indicative of futures performance. Part of the investment may not be able to liquidate immediately under certain market situation. Customers should



上海商業銀行  
SHANGHAI COMMERCIAL BANK

refer to relevant investment fund offering documents for detailed information, including but not limited to Risk Disclosures, prior to any investment fund subscription. Customers should carefully consider whether any investment products or services mentioned herein are appropriate for them in view of their financial situations, investment experiences and investment objectives. Please refer to explanatory memorandum or relevant materials of the fund for further information. The subscription of investment fund is subjected to prevailing regulatory requirements and restrictions and relevant terms and conditions of the Bank. The Bank acts as a distributor of the funds managed by fund houses and the funds are the product of the third party fund houses. For distribution of funds – in respect of an eligible dispute (as defined in the Terms of Reference for the Financial Dispute Resolution Centre in relation to the Financial Dispute Resolution Scheme) arising between the Bank and the customers out of the selling process or processing of the related transaction, the Bank is required to enter into a Financial Dispute Resolution Scheme process with the customers; however any dispute over the contractual terms of the product should be resolved directly between the third party fund house and the customers.

- Investment Risk in Bonds: Bond investments are not bank deposits and involve risks, including the possible loss of the principal amount invested. Customers should be aware of the risk of exchange rate fluctuations for bonds denominated in non-local currency, which may cause a loss of principal. Unless specified, these investments are not guaranteed by the Bank. The prices of bonds fluctuate, sometimes dramatically. The price of a bond may go up or down and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of subscribing and redeeming bonds. Investment involves risks. Any past performance figures shown are not indicative of future performance, which the Bank does not guarantee the existence of a secondary market for bonds. Part of the investment may not be able to liquidate immediately under certain market situation. Customers should refer to relevant bonds offering documents for detailed information, including but not limited to Risk Disclosures, prior to any bonds subscription.
- RMB is subject to exchange rate risk (only applicable to Individual Customers): RMB is currently not freely convertible. Customers should be aware that they can conduct conversion of RMB at CNH rate through bank accounts, for which it is subject to the requirements specified by the Relevant Authorities from time to time, the requirements specified by the Bank and/ or the RMB position and commercial decisions of the Bank at that moment. RMB Conversion Limitation Risk (only applicable to Corporate Customers): RMB is currently not freely convertible. Corporate Customers should be aware that they can conduct conversion of RMB through bank accounts, for which it is subject to the requirements specified by the Relevant Authorities from time to time, the requirements specified by the Bank and/ or the RMB position and commercial decisions of the Bank at that moment. RMB investments are subject to exchange rate fluctuations which may provide both opportunities and risks. The fluctuation in the exchange rate of RMB may result in losses in the event that the customer converts RMB into HKD or other foreign currencies. If the home currency of the customer is different from the Investment product currency or the Investment



上海商業銀行  
SHANGHAI COMMERCIAL BANK

product's reference currency, changes in currency exchange rates may erode the investment gains or widen the investment losses of the customer.

- The information of this document has not been reviewed by the Securities and Futures Commission of Hong Kong or any regulatory authorities in Hong Kong.

**Important Notice / Disclaimer:**

- This document is issued and solely owned by the Bank. This document is for general information and reference only and does not constitute any offer, solicitation, invitation, advice or recommendation to subscribe, trade, redeem or sell for any deposits or investments. No representation, guarantee or other assurance as to the outcome of any investment has been made or will be given to you by or on behalf of the Bank.
- This document contains information from third party, which may be incomplete or simplified. Although the information herein contained is obtained or compiled from sources the Bank believes to be reliable, it has not been independently verified. The Bank cannot and does not represent or warrant the accuracy, validity, reliability, timeliness or completeness of any such information (whether in whole or in part), and accepts no liability for any loss or damage howsoever arising from or in reliance upon the whole or any part of such information or opinions (unless due to the negligence or wilful default of the Bank, the Bank's authorised officers, employees or agents). The Bank reserves the right to amend all or any part in this document, which all views, forecasts and estimates constitute judgments made before the publication date, and are subject to change without further notice. This document contains certain statements that may be deemed as forward-looking statements involving risks and uncertainties. Customers should be aware that actual results may differ materially from those projected, estimated, assumed or anticipated in any such forward-looking statements due to different factors, risks and economic situation.
- The information herein contained may not be reproduced, quoted, distributed, disclosed or published (whether in whole or in part) in any media for any purpose without prior express written consent from the Bank. The Bank accepts no liability for any loss arising from or in reliance upon such information or contents. This document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution would be contrary to the laws or regulations.
- The Bank and its affiliates or subsidiaries, and/or their officers, directors, agents and employees may have positions in and may trade for their own account in all or any of the securities or investments mentioned in this document. Companies within the Bank may have provided investment services or underwritten in relation to these securities. Commission or other fees may be earned by the Bank respect of the services provided by them relating to these securities or investments.



上海商業銀行  
SHANGHAI COMMERCIAL BANK