

EM Equity Strategy

A China upgrade - why? And why now?

Equity Strategy

Emerging Markets

Upgrade to OW: MSCI China EPS is not affected by the weak property trends

We've always viewed the MSCI China index as a consumption index (internet +consumption 55% weight, property sub-5%) - quite distinct from the China economy. In fact, all through the last 18 months of stress visible in property sector, MSCI China internet EPS is up 23%, while consumption is up 2% (Figure 4). This isn't visible in conventional index EPS numbers that are free-float summations (we've explained the problems with this traditional method in our Nov'22 [note](#), see appendix - basically this is due to distortion of EPS by low PE stocks that have small weight in the index but a big say in determining the EPS). In our preferred index-weighted EPS methodology (the basis for UBS MSCI EM targets), MSCI China EPS is down only ~2% in the last 18 months - outperforming the rest of EM (down ~8%, Figure 2). In other words, the largest stocks in the China index have been generally fine on earnings/fundamentals. So China underperformance is purely due to valuation collapse. What makes us more positive now on earnings are the early signs of pick up in consumption - as seen through robust festive holiday spending numbers YTD ([note1](#), [note2](#)), listed consumer stocks performing better than general consumption in the economy ([report](#)). Any rebound in consumer confidence for us means possibility of household savings flowing into consumption...and markets.

What's changed in our China valuation calculus?

Two things 1) The brief appearance by the 'National team' in February may not be a strong fundamental catalyst from a traditional perspective. But that episode did help put a floor to a collapsing/volatile market - a floor that is 10% below CMP for a market that has fallen 60% in 2 years - changing the downside-risk dynamics. 2) Growing trend of China companies giving positive surprise on [dividends/buybacks](#). This higher visibility of shareholder returns can be useful if global markets get more worried on geopolitics, and in [higher-for-longer](#) scenarios. We would keep an eye on the next leg of [market reforms](#).

An AUM context around the biggest risk on our upgrade - US-China geopolitics

Arguably, the biggest risk to valuations in China could be heightened geopolitical noise in the run-up to US elections in Nov-24. In an attempt to put a quantitative context around this risk, we've identified US\$6tn of US domiciled funds (Source:Bloomberg) with exposure to Chinese equities. Of this, **US\$240bn** (as of end-Feb) are invested in Chinese equities. This compares with: 1) China's onshore institutional AUM of about US\$1.6tn (as of end-2023), including **US\$360bn** of equity mutual funds, and 2) non-US domiciled foreign portfolio investments into China of **US\$270bn** 3) Potential pools of capital from [middle-east](#). Overall, by observing fund flows, we conclude that while there is a marked shift of US money moving from China-focused funds towards India/Japan-focus funds – this isn't such a clear trend outside the US (Figure 16). Meanwhile, the scale-up of the 'EM ex-China' theme is still slow – currently at US\$14bn in AUM (running at US\$0.8-1.0bn in monthly inflows), vs over US\$1.3tn in AUM tracking MSCI EM. Overall, we believe it is possible that the difference between Trump 2.0 and Biden 2.0 may not lie in US-China relationships, but in the US' relationships with the rest of the world.

Tech getting priced in: Downgrade Taiwan/Korea to Neutral

Our APAC tech team has [toned down their long-held bullish call on semis](#) due to an uneven recovery, and we also note that sustained outperformance over the last couple of years has meant the sector is now at decade-high premiums to rest of the universe

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(Figure 19). We fund our China upgrade by **downgrading Taiwan and Korea to Neutral**. Our other themes driving market preferences include: 1) we favour domestic economic support to index EPS, 2) higher for longer oil prices, 3) higher for longer rates (replacing falling US real rates earlier - this change particularly hurts Korea's ranking in scorecard). We also 1) **upgrade Hong Kong** to OW (underperformed sharply YTD, rising dividend support for stocks, potential benefit from tourism pick up) and 2) **Upgrade Thailand to Neutral** (sharp underperformance over 18 months makes valuations affordable, strong ratings upgrade momentum across Thai coverage by UBS team and potential upside from budget approval and spending). We stay OW Brazil, Malaysia, Philippines, and underweight [India](#) and Singapore.

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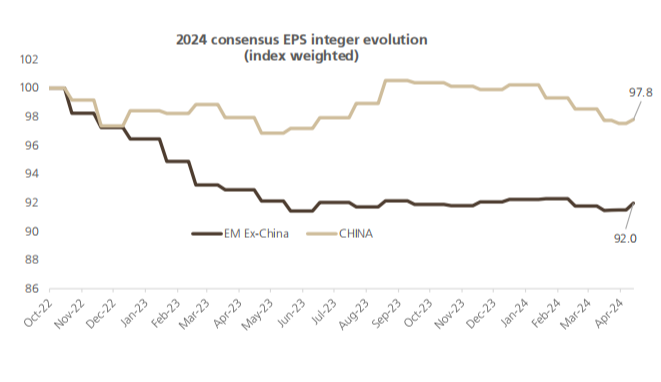
Figure 1: UBS EM and AxJ market ratings

Markets		
Overweight	Neutral	Underweight
China	Taiwan	India
Brazil	Korea	Saudi Arabia
Hong Kong*	South Africa	Singapore*
Malaysia	Mexico	
Poland	Indonesia	
Philippines	Thailand	

Source: UBS. Note: *Singapore and Hong Kong are part of AxJ

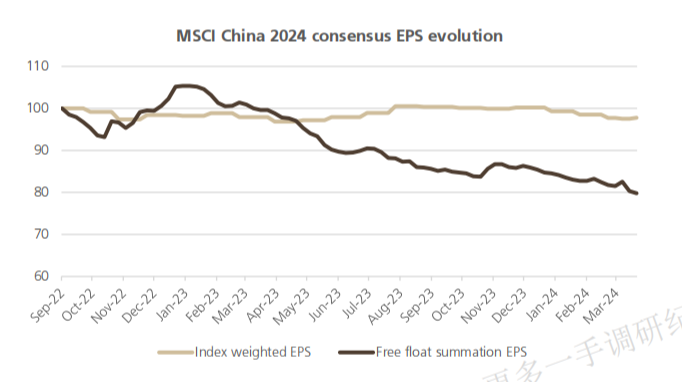
MSCI China consumption has been pretty resilient despite macro issues

Figure 2: On a weighted basis, MSCI China has seen fairly resilient earnings outlook - notwithstanding weak macro



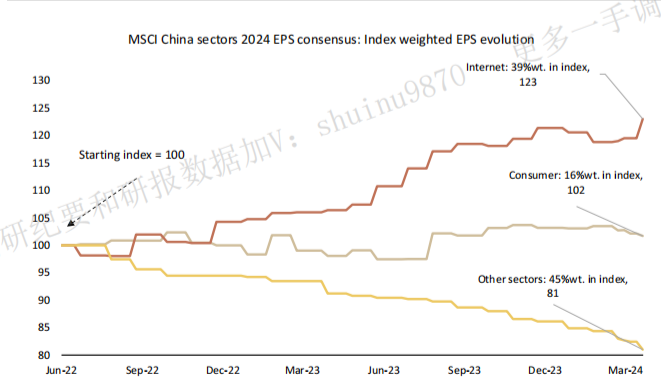
Source: IBES, MSCI, Datastream, UBS

Figure 3: This stability in earnings is not visible in traditional free-float summation EPS - as that gets distorted by low PE stocks (see appendix for details).



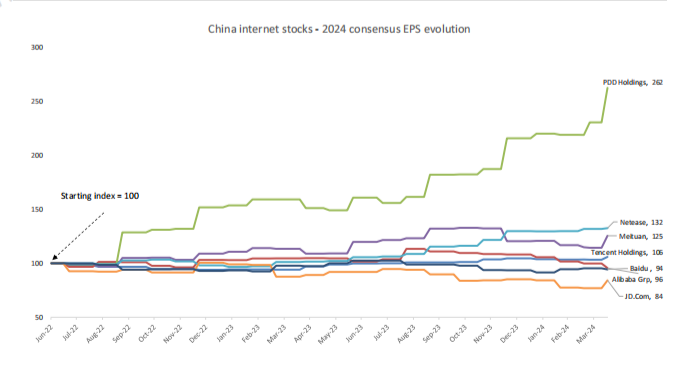
Source: IBES, MSCI, Datastream, UBS

Figure 4: Internet sector (39% wt in MSCI China) and other consumption (16% wt.) have seen flat to sharp rise in earnings over last 18 months.



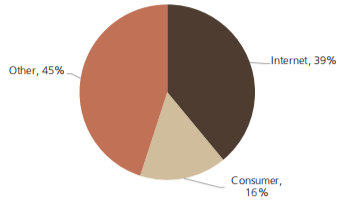
Source: IBES, MSCI, Datastream, UBS

Figure 5: Top 6 internet stocks (35% index weight) - have all individually seen flat to sharp rise in consensus expectations - with some acceleration post recent results



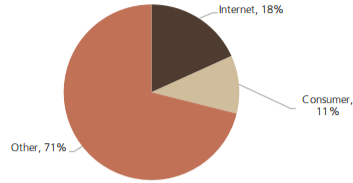
Source: IBES, MSCI, Datastream, UBS

Figure 6: Internet and consumer sectors have 55%+ wt in MSCI China...



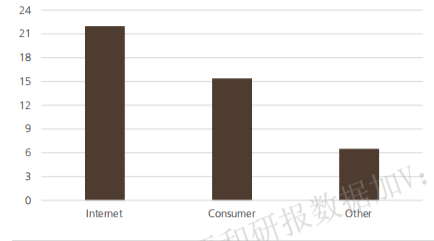
Source: MSCI, Datastream, UBS

Figure 7: ...but other sectors have outsized role in determining conventional EPS



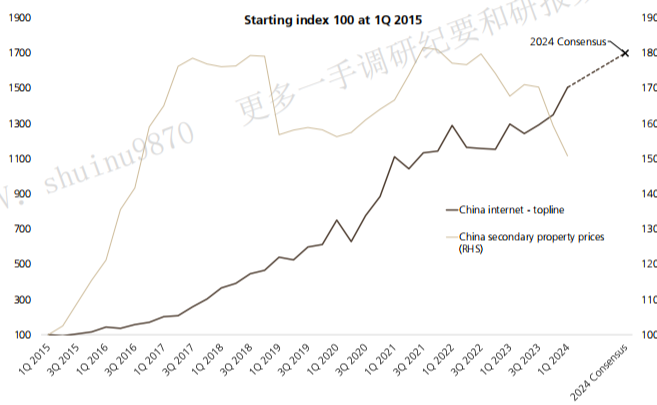
Source: IBES, MSCI, Datastream, UBS

Figure 8: That distortion happens because of low PE for the 'other' sectors (See appendix for details)



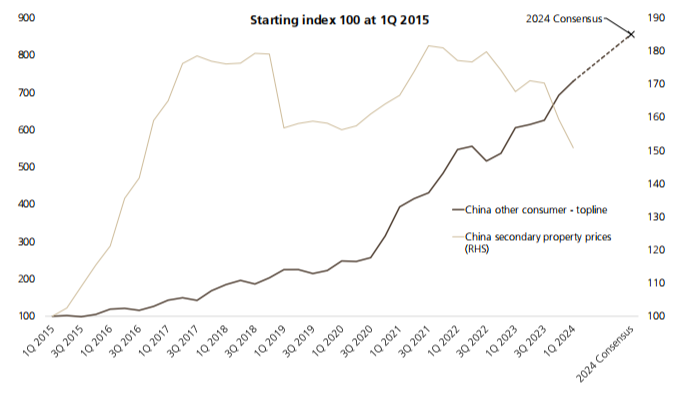
Source: IBES, MSCI, Datastream, UBS

Figure 9: China internet sector topline has had not much relationship with property prices



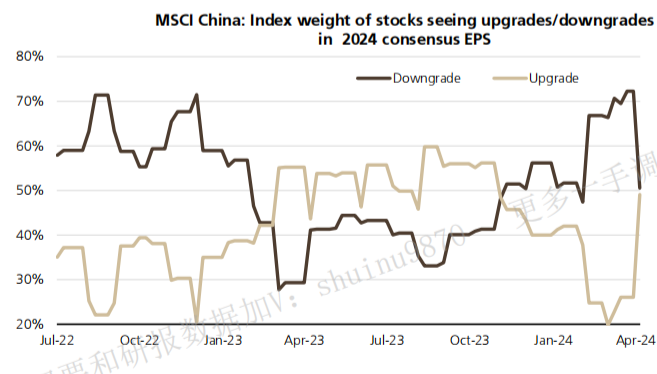
Source: IBES, MSCI, Datastream, Centaline, UBS

Figure 10: Same is true for other consumption stocks in the index



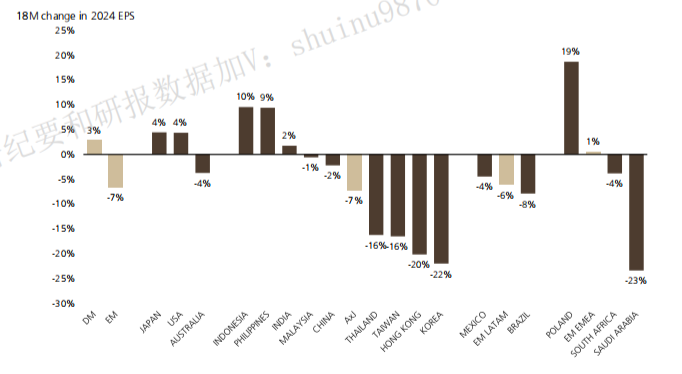
Source: IBES, MSCI, Datastream, Centaline, UBS

Figure 11: Bigger stocks are beginning to see upgrades in China - after recent earnings



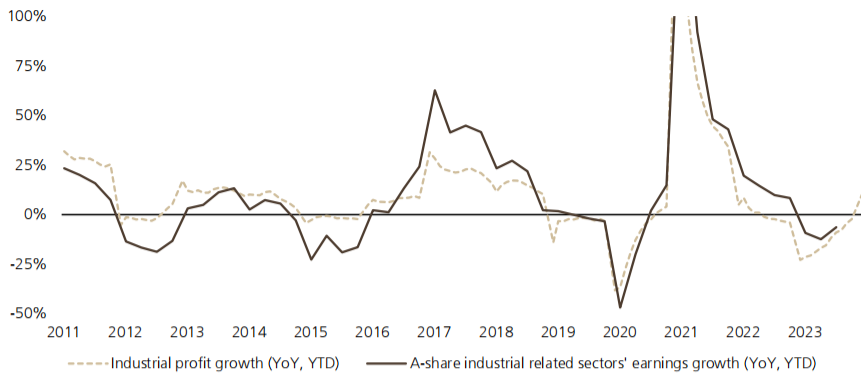
Source: IBES, MSCI, Datastream, UBS

Figure 12: On an index weighted basis, MSCI China EPS has been fairly resilient in the past 18M



Source: IBES, MSCI, Datastream, UBS

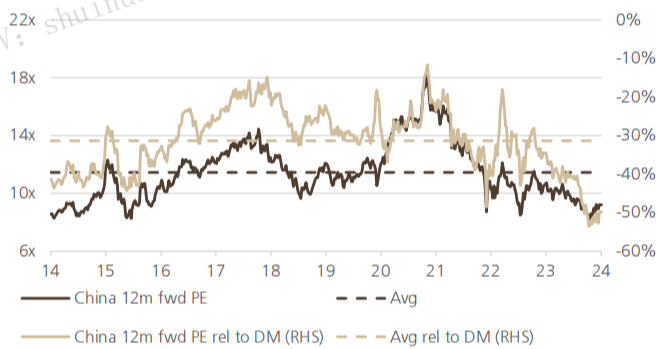
Figure 13: National Bureau of Statistics industrial profits numbers have generally tracked with China A-Share industrial stock profits. That is now pointing to an uptrend



Source: Wind, NBS. Note: A-share industrial related sectors including coal, light manufacturing, food & beverage, textile, building materials, chemicals, healthcare, steel, non-ferrous metals, machinery, national defense, auto, electrical equipment, computer, telecom, electronics, home appliances, utilities and petrochemicals.

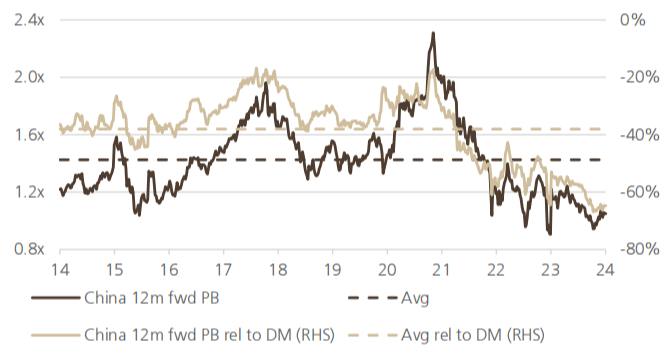
China valuations have not been demanding for close to 2 years now

Figure 14: China-12m fwd PE relative to DM



Source: IBES, MSCI, Datastream, UBS

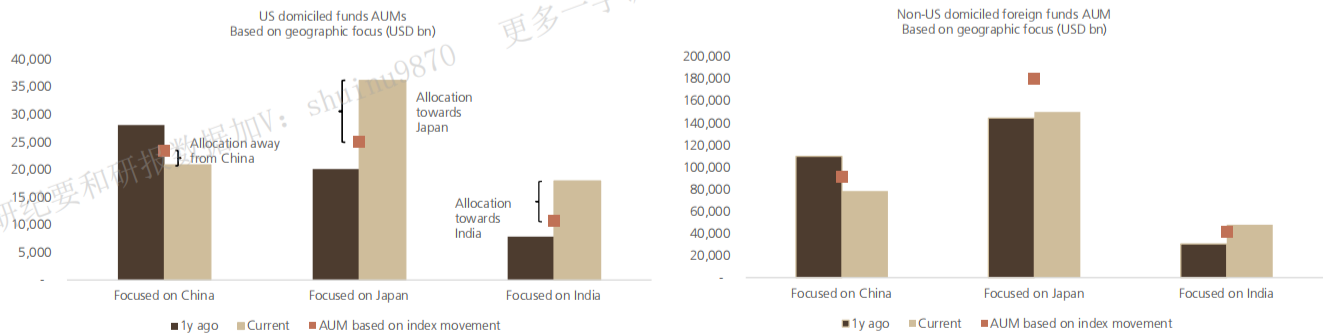
Figure 15: China-12m fwd PB relative to DM



Source: IBES, MSCI, Datastream, UBS

Putting an AUM context around US-China geopolitics

Figure 16: US domiciled China focused funds saw outflows towards Japan and India focused funds, but we don't see a similar trend in non-US domiciled funds (where money has gone out of China but not into Japan/India)



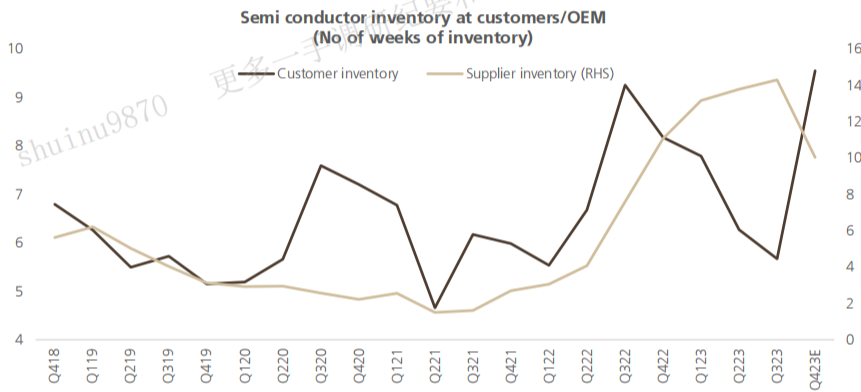
Source: Bloomberg, UBS. Notes: 1) A China focused fund is one that has more than 80% of assets invested in China stocks, and so on, 2) A Non-US domiciled foreign fund for China, is a fund that is based outside of China and US but invests into China, and so on.

Taking a breather on Asia tech

Our APAC tech team has toned down their long-held bullish call on semis – while the cycle recovery is unfolding, it is uneven. The semis cycle is gradually recovering, but perhaps more uneven than expected earlier. UBS Asia tech team noted some downside to smartphones semis procurement in the near term, and for some of the DRAM segments (smartphone also and PCs). On the other hand, they saw some rush orders for PC semis, upside for server DRAM procurement as well as NAND flash. AI-related demand remains strong, with supply constraints remaining, but easing, into 1H25. UBS analysts continue to expect YoY semis revenue growth to expand till late 2024, and memory undersupply till at least mid 2025. For more details, see [Global I/O Tech Hardware & Semis: 1Q24 UBS APAC Tech Tour: An uneven upcycle](#)

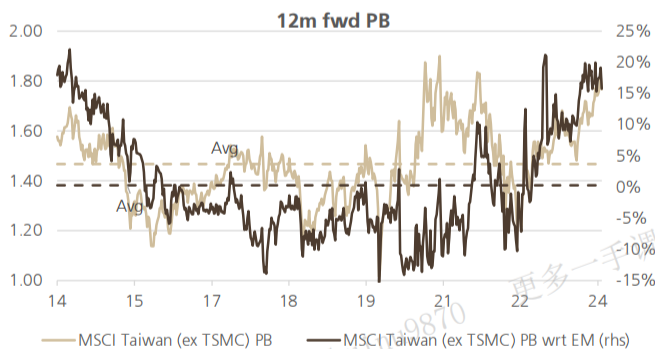
We see that valuations are no longer supportive after recent rally. Taiwan and Korea Tech are at decade-high premium to rest of EM.

Figure 17: Semiconductor inventory at customers higher



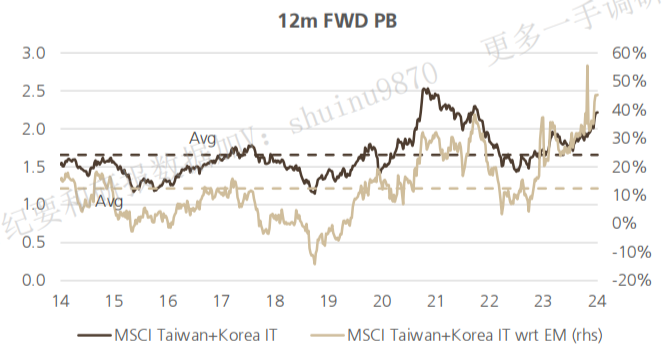
Source: Company report, UBS estimates

Figure 18: MSCI Taiwan (ex TSMC) 12m fwd PB



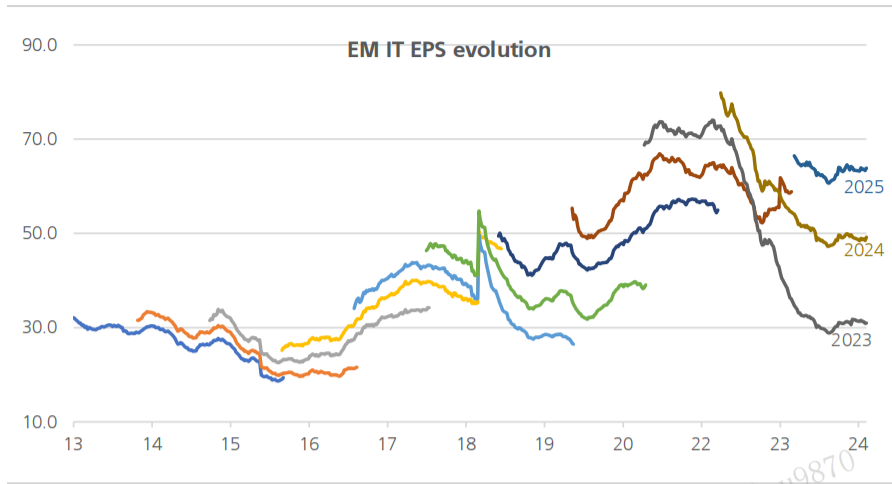
Source: IBES, MSCI, Datastream, UBS

Figure 19: MSCI Taiwan & Korea IT 12m fwd PB



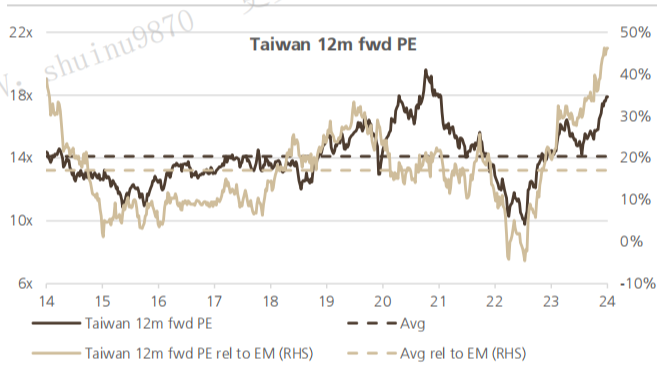
Source: IBES, MSCI, Datastream, UBS

Figure 20: MSCI EM IT EPS evolution - '24 and '25 EPS are either flat or seeing sharp cuts.



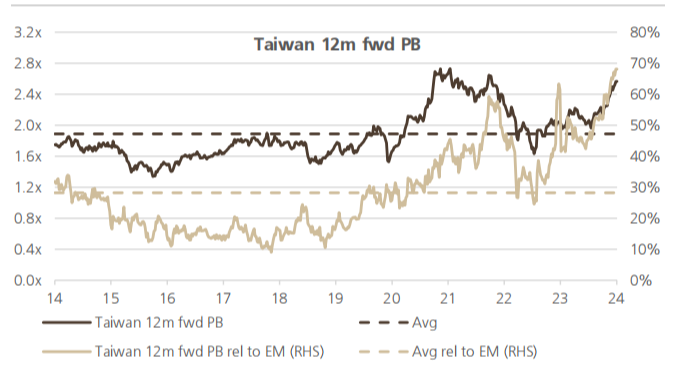
Source: IBES, MSCI, Datastream, UBS

Figure 21: Taiwan 12m fwd PE



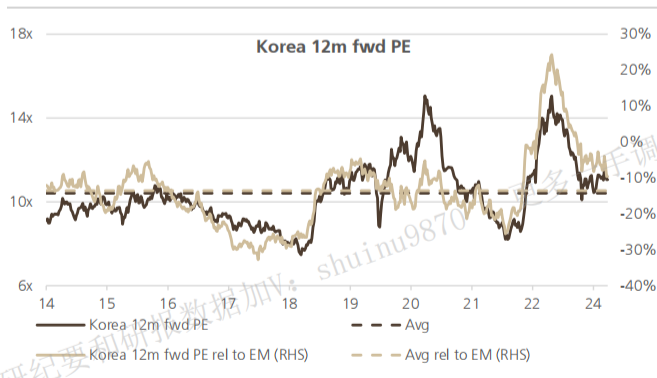
Source: IBES, MSCI, Datastream, UBS

Figure 22: Taiwan 12m fwd PB



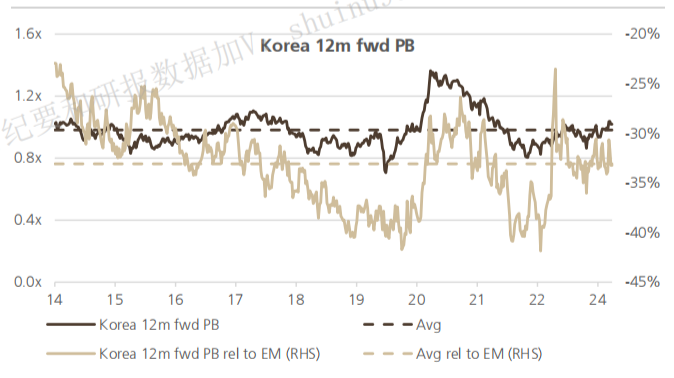
Source: IBES, MSCI, Datastream, UBS

Figure 23: Korea 12m fwd PE



Source: IBES, MSCI, Datastream, UBS

Figure 24: Korea 12m fwd PB



Source: IBES, MSCI, Datastream, UBS

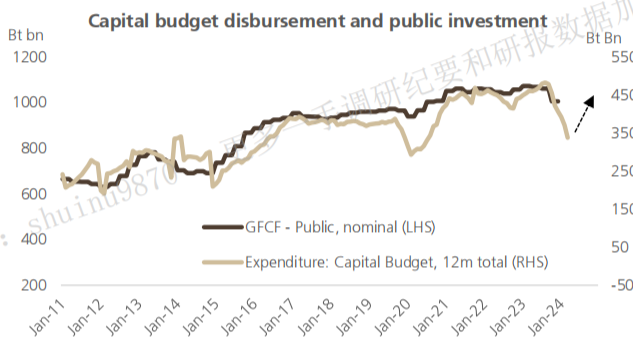
Upgrade Hong Kong to Overweight, Thailand to Neutral

Thailand has been one of the worst performers in Asia last 18-24 months. Domestic demand has been modest, while the recovery of tourist arrivals has been slower than expected. Delays in the government budget were also a drag to the market. However, we are seeing improving momentum in tourist arrivals, particularly from China. The recent budget approval could also be a catalyst for re-rating. For more details, see [Thailand Market Strategy: Pulse check: What's happening in Thailand?](#)

The market's underperformance has also made valuations less demanding, while our UBS net ratings score improved following several rating upgrades from our analysts. We think the risk-reward is balanced at this point, hence we upgrade from underweight to Neutral.

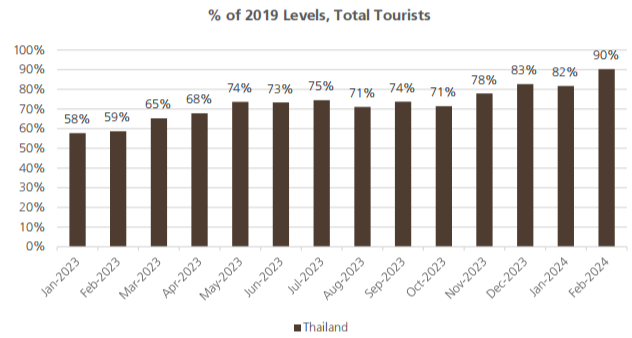
We also upgrade Hong Kong to OW (underperformed sharply YTD, rising dividend support for stocks, potential benefit from tourism pick up).

Figure 25: Capital budget disbursement and public investment in Thailand



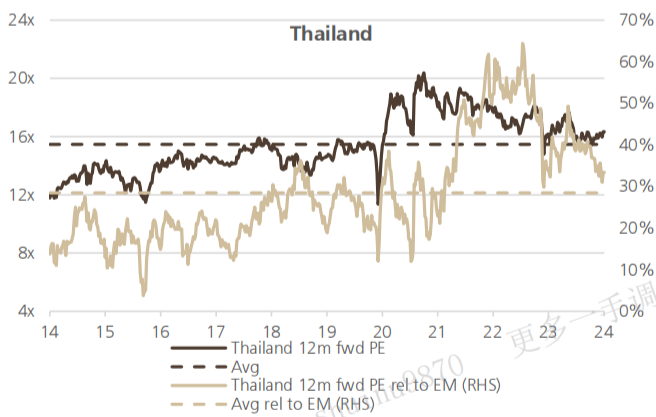
Source: Haver, Ministry of Finance, NESDB

Figure 26: Total tourists visits in Thailand nearing pre-Covid levels



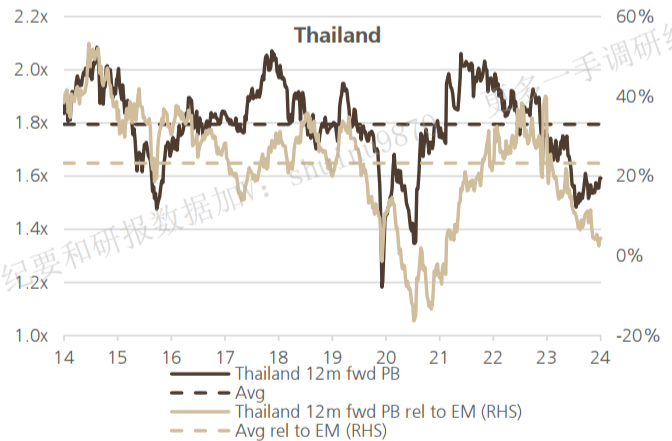
Source: Haver, UBS estimates

Figure 27: Thailand PE



Source: IBES, MSCI, Datastream, UBS

Figure 28: Thailand PB



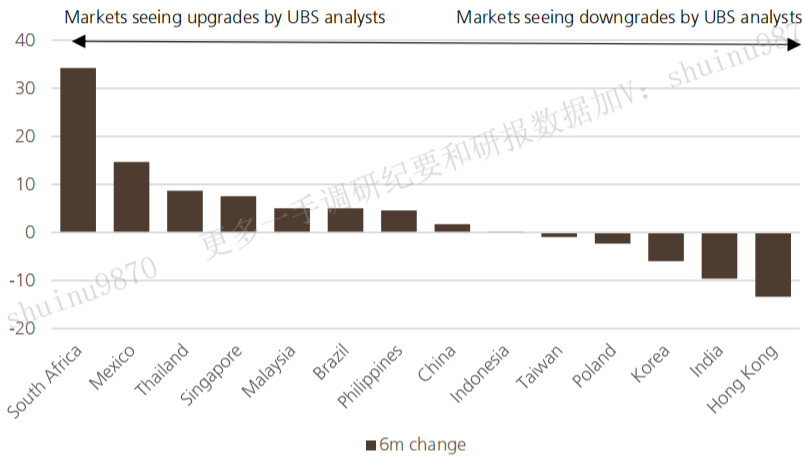
Source: IBES, MSCI, Datastream, UBS

Figure 29: Thailand stocks ratings got upgraded in last three months by UBS analyst

Company	Market cap (USDmn)	UBS rating	Latest price	UBS PT	Upside/downside	12m fwd PE		12m fwd PE	
						Latest	10y avg	Latest	10y avg
PTT Exploration & Production	17,470.88	Buy	160.0	169.0	6%	8.7	12.0	1.1	1.1
CP Axtra	9,457.76	Buy	30.5	40.0	31%	28.3	27.7	1.1	7.2
True Corporation	7,792.81	Buy	7.8	9.9	27%	86.7	389.9	3.1	2.7
Krung Thai Bank	6,458.03	Buy	16.0	19.0	19%	5.6	7.8	0.5	0.8
Bumrungrad Hospital	5,072.42	Buy	224.0	280.0	25%	24.4	35.4	6.3	7.2
Global Power Synergy	4,226.78	Buy	46.3	62.1	34%	21.6	22.1	1.2	1.7
SCG Packaging PCL	3,689.85	Buy	31.3	39.0	25%	20.7	23.8	1.4	2.0
B.Grimm Power Public Comp	2,007.65	Buy	24.6	35.7	45%	27.3	31.3	1.6	3.2
Ngem Tid Lor	1,715.48	Buy	20.4	25.3	24%	11.7	17.4	1.7	2.4
Srisawad Corporation	1,633.47	Buy	38.8	45.0	16%	9.7	17.8	1.6	4.3

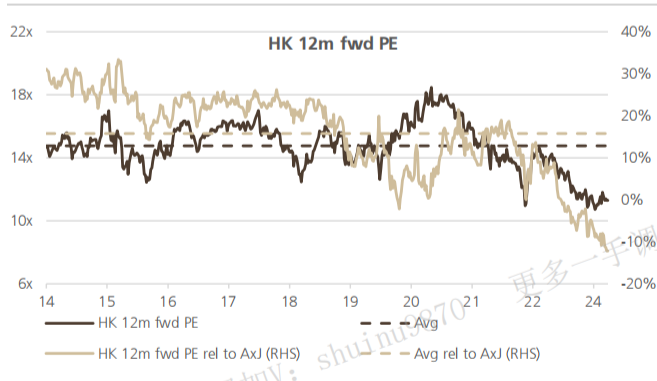
Source: Datastream, UBS. [PTT Exploration & Production](#), [CP Axtra](#), [True Corporation](#), [Krung Thai Bank](#), [Bumrungrad Hospital](#), [Global Power Synergy](#), [SCG Packaging PCL](#), [B.Grimm Power](#), [Ngem Tid Lor](#), [Srisawad Corp](#)

Figure 30: Thailand (along with South Africa and Mexico) seeing upgrades in recent months by UBS research, while HK/India/Korea seeing downgrades.



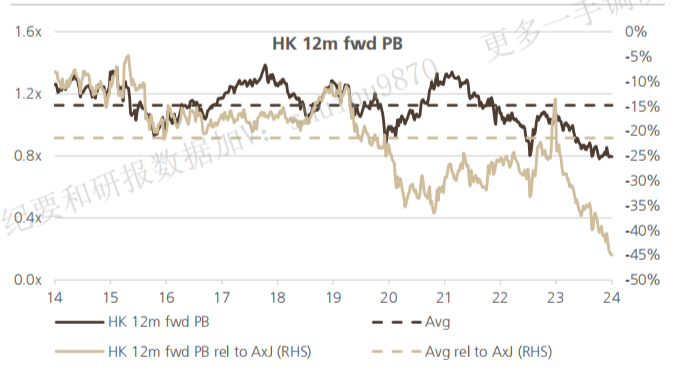
Source: UBS

Figure 31: Hong Kong PE



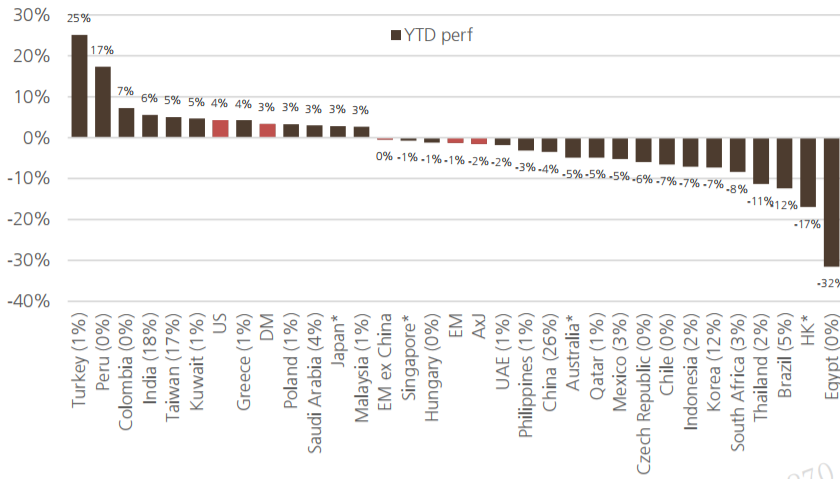
Source: IBES, MSCI, Datastream, UBS

Figure 32: Hong Kong PB



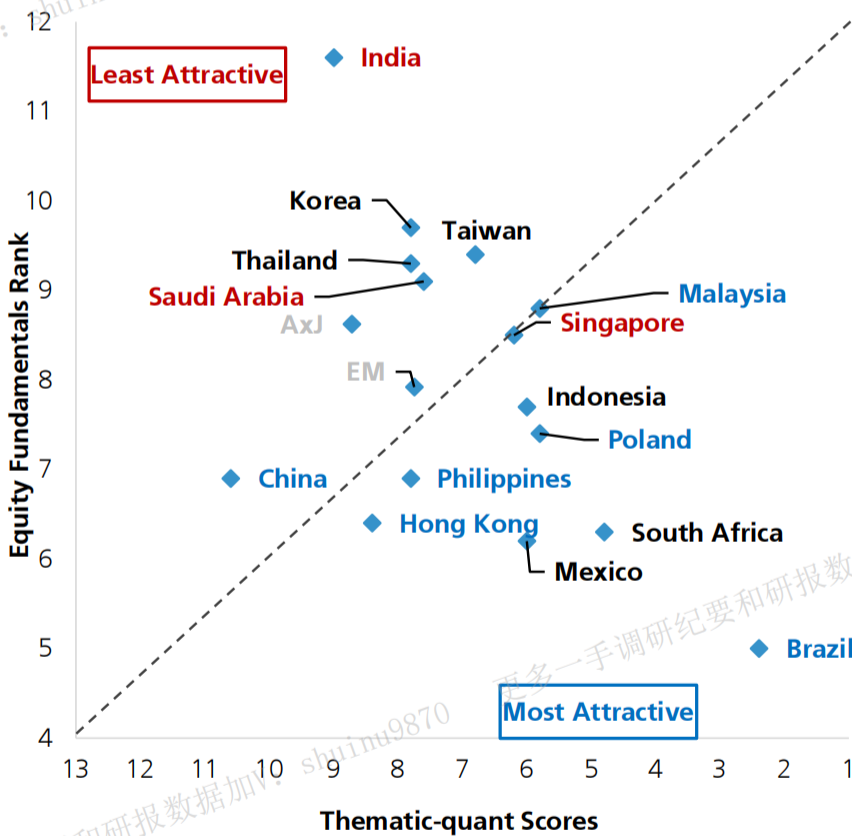
Source: IBES, MSCI, Datastream, UBS

Figure 33: Major EM markets YTD performance



Source: MSCI, Datastream, UBS. Note: % in brackets is weight in MSCI EM. * these markets are not part of MSCI EM.

Figure 34: UBS EM and AxJ scorecard on market rankings



Source: UBS

We update our EM and Asia ex Japan scorecards - replacing our earlier theme of 'fall in US real yields' with a 'higher for longer rates' theme. We also take into account recent valuations changes, UBS bottom-up ratings updates and UBS economics growth forecast changes.

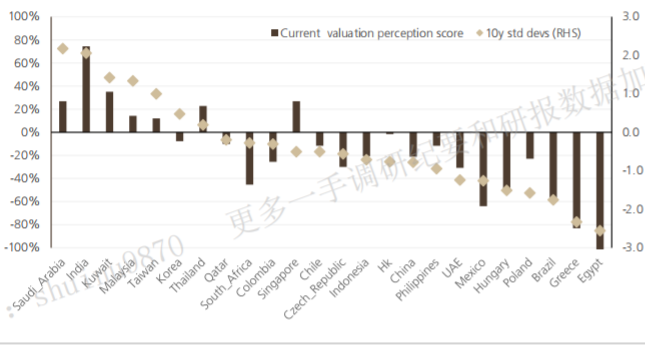
We now upgrade China and swap out of Korea and Taiwan. Hong Kong looks attractive after recent underperformance, and could benefit from dividends focus and pick up in Chinese tourism. Thailand also gets upgraded to Neutral after steady underperformance over 18 months, with UBS Thailand team upgrading a bunch of stocks (Figure 29) recently, and potential macro uplift from budget spending.

Figure 35: Macro scorecard

	Earnings sensitivity to GDP outlook	Rank	Exposure to tech cycle bottoming	Rank	Sensitivity to higher-for-longer US yields	Rank	Sensitivity to oil (supply driven)	Rank	UBS ratings bottom-up vs. 5y history (%ile)	Rank	AVERAGE RANK
China	-1.03	12	5%	3	-0.7%	15	-0.08%	15	57%	8	+10.6
Hong Kong	-	6	0%	6	-0.5%	12	0.08%	8	48%	10	+8.4
Indonesia	0.01	5	0%	6	0.5%	2	0.00%	14	76%	3	+6.0
India	0.12	4	0%	6	-0.5%	14	0.05%	11	48%	10	+9.0
Korea	-0.59	11	47%	2	-0.3%	8	0.24%	5	29%	13	+7.8
Malaysia	-0.42	10	0%	6	0.0%	5	0.11%	7	95%	1	+5.8
Philippines	-0.10	8	0%	6	-0.4%	10	0.03%	12	76%	3	+7.8
Singapore	-0.09	7	0%	6	-0.1%	6	0.07%	9	76%	3	+6.2
Thailand	-0.01	6	0%	6	-0.4%	9	0.06%	10	57%	8	+7.8
Taiwan	-	6	72%	1	-0.5%	11	0.02%	13	76%	3	+6.8
Brazil	0.57	1	0%	6	0.3%	3	0.34%	1	95%	1	+2.4
Mexico	0.25	3	0%	6	0.0%	4	0.25%	4	29%	13	+6.0
Poland	-0.21	9	0%	6	0.5%	1	0.26%	3	48%	10	+5.8
Saudi Arabia	-	6	0%	6	-0.6%	13	0.22%	6	-	7	+7.6
South Africa	0.57	2	0%	6	-0.3%	7	0.29%	2	71%	7	+6.8
Asia ex Japan EM	-	-	-	-	-	-	-	-	-	-	+7.7

Source: IBES, MSCI, Datastream, UBS

Figure 37: Market perception score



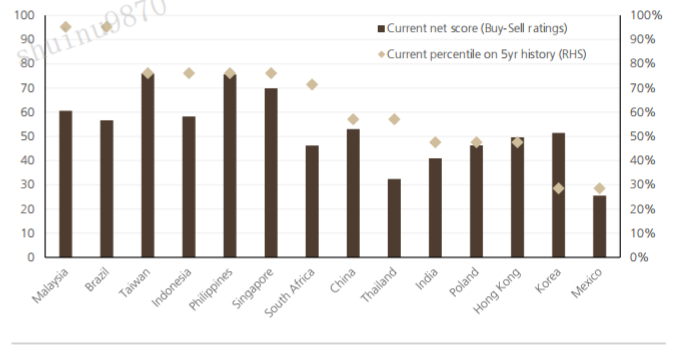
Source: IBES, MSCI, Datastream, UBS.

Figure 36: Equity fundamentals scorecard

	P/Ebook relative vs. 10y avg (std dev)	Rank	Free FCF relative vs. 10y avg (std dev)	Rank	24m Net EPS growth vs. 10y avg (std dev)	Rank	Free ROE vs. 10y avg (std dev)	Rank	ES by sector vs. 10y avg (std dev)	Rank	Valuation perception score (vs. 5yr hist)	Rank	AVERAGE RANK
Brazil	-1.52	3	-1.35	5	-0.66	10	0.15	7	0.89	3	-1.75	1	5.00
Mexico	-0.27	9	-1.30	6	0.01	7	1.31	2	-2.18	14	-1.26	3	6.20
South Africa	-1.27	4	-1.27	7	0.56	3	-0.08	9	0.16	6	-0.28	9	6.30
Hong Kong	-2.55	1	-2.80	1	-0.01	8	-0.79	13	-0.21	7	-0.76	6	6.40
Philippines	-0.84	7	-1.94	4	-1.26	15	0.65	4	0.37	5	-0.94	4	6.90
China	-2.46	2	-2.01	3	-0.83	11	-0.95	14	1.46	2	-0.78	5	6.90
Poland	-0.13	10	-0.97	11	-0.46	9	0.56	6	-0.70	9	-1.57	2	7.40
Indonesia	-0.60	8	-2.12	2	-0.87	12	-0.26	10	1.92	1	-0.71	7	7.70
Singapore	0.07	12	-1.02	9	-0.93	13	1.59	1	-0.57	8	-0.50	8	8.50
Malaysia	-1.03	6	-1.00	10	0.01	6	-0.76	12	0.59	4	1.34	13	8.80
Saudi Arabia	0.34	13	-1.22	8	0.65	2	0.02	8	-	7	2.18	15	9.10
Thailand	-1.12	5	0.32	12	0.41	5	-1.11	15	-1.46	11	1.19	10	9.30
Taiwan	3.29	15	3.02	15	1.42	1	0.59	5	-1.86	13	1.00	12	9.40
Korea	-0.10	11	0.49	13	0.51	4	-0.62	11	-1.39	10	0.48	11	9.70
India	2.39	14	1.48	14	-0.97	14	1.20	3	-1.54	12	2.06	14	11.60
Asia ex Japan EM	-	-	-	-	-	-	-	-	-	-	-	-	8.45
EM	-	-	-	-	-	-	-	-	-	-	-	-	7.91

Source: IBES, MSCI, Datastream, UBS

Figure 38: UBS analysts' ratings net score



Source: UBS

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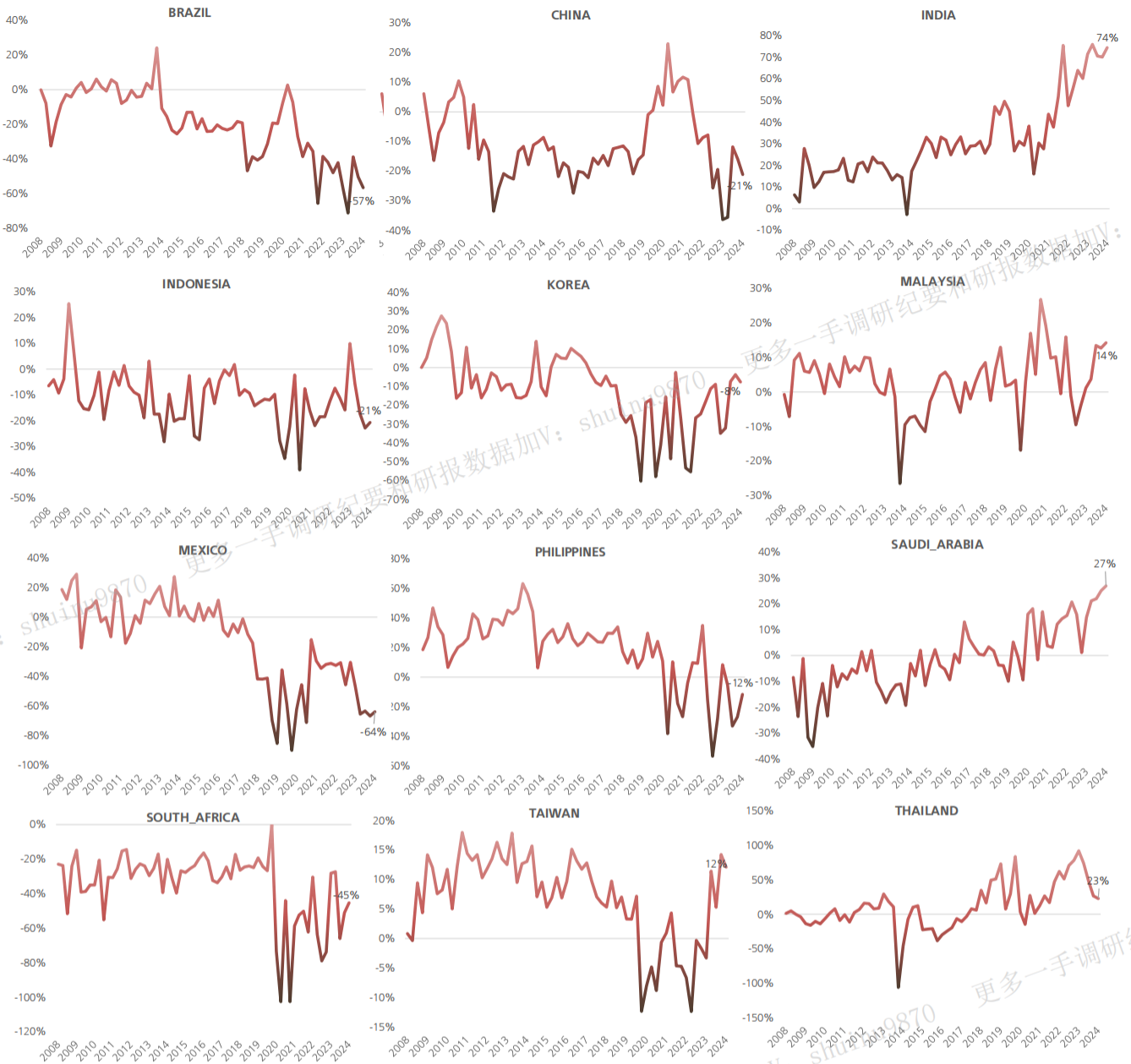
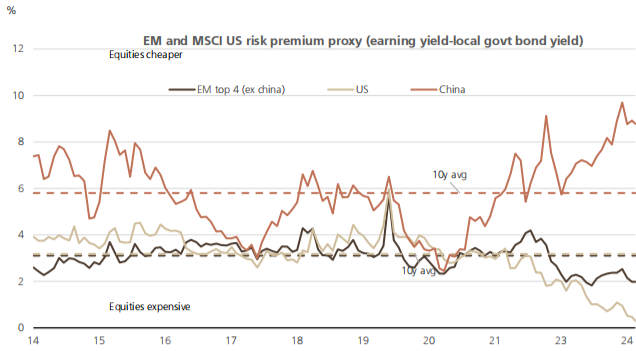


Figure 39: 'Perception' premium of markets - 15 years history



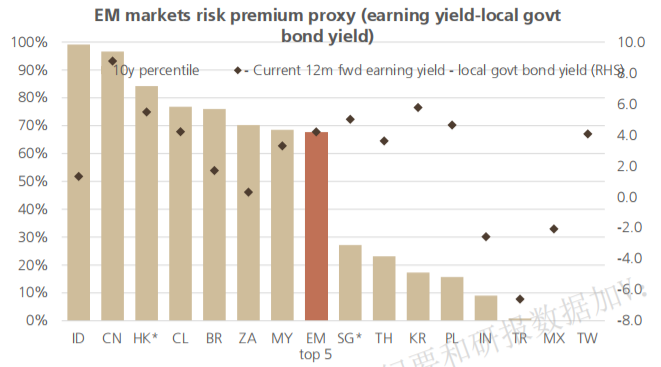
Source: IBES, MSCI, Datastream, UBS. ([report link](#))

Figure 40: MSCI EM and MSCI US ERP proxy



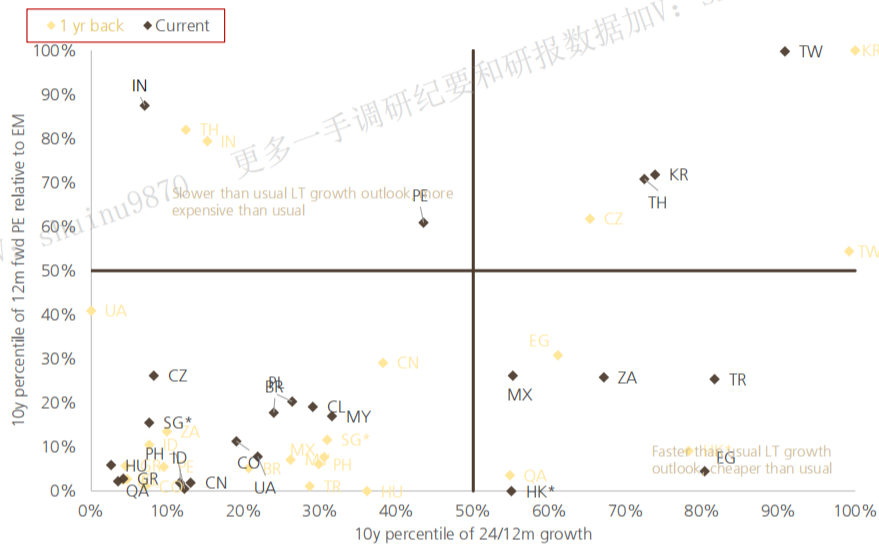
Source: IBES, MSCI, Datastream, UBS. Note: EM

Figure 41: EM markets ERP proxy



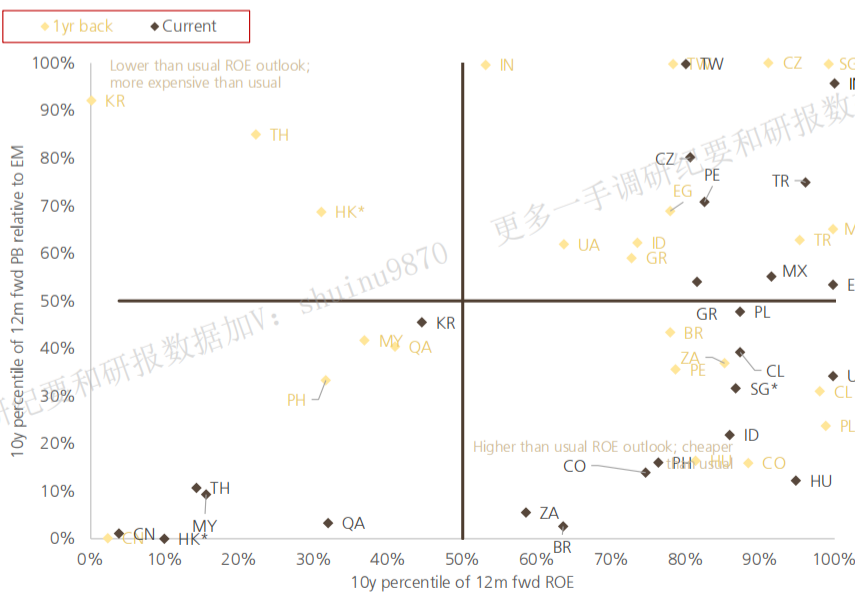
Source: IBES, MSCI, Datastream, UBS

Figure 42: EM markets 12m fwd PE versus EPS growth



Source: IBES, MSCI, Datastream, UBS

Figure 43: EM markets 12 fwd PB versus ROE



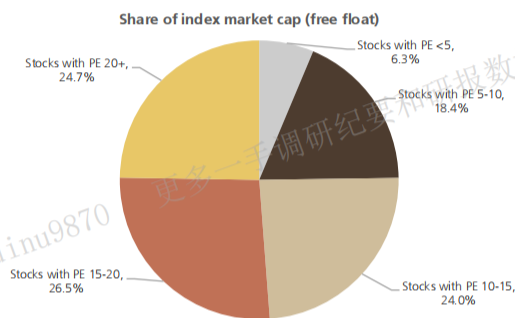
Source: IBES, MSCI, Datastream, UBS

Appendix

The problems with forecasting on free-float EPS/PE

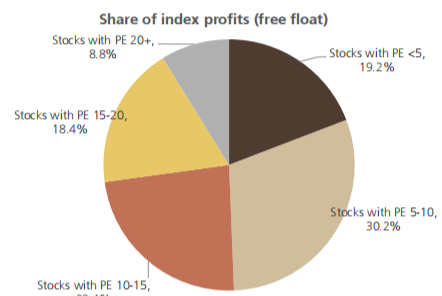
The conventional index construction methodology for free-float weighted indices is a useful tool to get a sense of financials at the index level. However, these can cause problems when being used for forecasting. In particular, higher PE stocks end up with a far lower weight in the EPS, than their share in the index itself. As we see below, stocks with PE less than 10x in the MSCI EM index today, have a c25% share in the index, but contribute 49% to the index EPS. This causes problems in forecasting, since the index itself is dominated by the movements in higher PE stocks, while the index EPS tracks the lower PE stocks more. The same conundrum is evident in the MSCI China sectoral breakdown in [Figure 6](#) to [Figure 8](#) in this report.

Figure 44: Low PE stocks (less than 10x) account for 32% of index market cap ...



Source: IBES, MSCI, Datastream, UBS

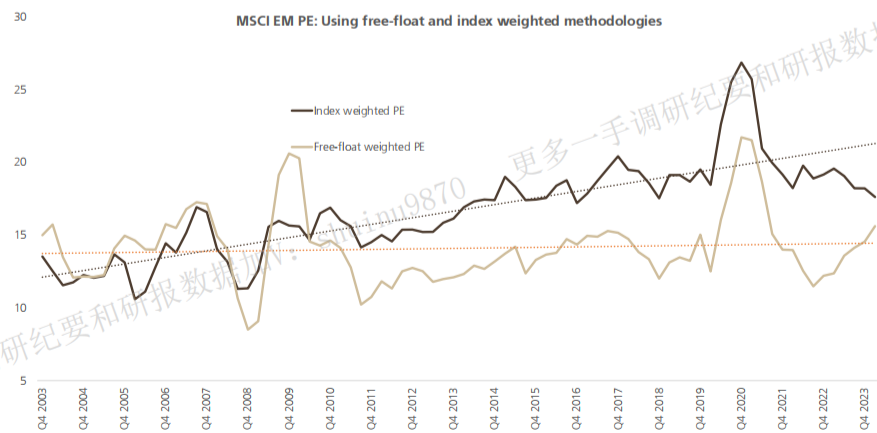
Figure 45: ... but 49% of index profits calculated using free-float methodology



Source: IBES, MSCI, Datastream, UBS

For our MSCI index target forecasting methodology, we look at index weighted PE rather than free-float weighted PE. The charts below show the difference between our index weighted PE and the traditional free-float weighted PE on MSCI EM. This is applied to our bottoms-up built index EPS (100 stocks and 60 market-sub-sectors that account for 80% of EM index by weight).

Figure 46: If the index is imagined to be reduced to a single representative stock, the PE calculated using index weights is the more natural representation than free float weighted



Source: IBES, MSCI, Datastream, UBS

Figure 47: EM markets performance and valuation (consensus)

	Performance (US\$)					12m fwd P/E (x)			EPS growth (%)			12m fwd P/B (x)			12m fwd ROE		12m fwd dividend yield	
	YTD 2024	1m	3m	2023	2022	Latest	LT avg	YOY change	2024E	2025E	2026E	Latest	LT avg	YOY change	Latest	LT avg	Latest	LT avg
China	-3.5%	-1.7%	7%	-11%	-22%	9.2	11.4	-14%	14.7	13.7	11.3	1.1	1.4	-14%	11%	12%	3.0%	2.4%
India	5.6%	2.3%	4%	21%	-7%	22.2	19.1	14%	14.0	15.6	5.5	3.6	2.8	20%	16%	15%	1.3%	1.6%
Taiwan	5.0%	-5.0%	8%	31%	-29%	17.9	14.1	24%	21.3	20.3	13.8	2.6	1.9	27%	14%	13%	2.7%	3.8%
Australia	-4.9%	-3.4%	1%	15%	-5%	16.6	15.7	14%	-5.3	3.0	3.3	2.2	1.9	6%	13%	12%	4.0%	4.5%
Korea	-7.3%	-4.3%	4%	24%	-29%	11.1	10.4	-26%	88.2	27.0	10.3	1.0	1.0	5%	9%	10%	2.1%	2.0%
Brazil	-12.4%	-4.6%	-7%	33%	15%	7.9	10.4	11%	2.4	4.6	8.4	1.3	1.5	3%	16%	15%	6.3%	4.5%
Saudi Arabia	3.0%	-2.1%	3%	11%	-5%	18.1	17.1	12%	19.7	14.9	12.6	2.2	2.1	1%	12%	12%	3.4%	3.6%
Hong Kong*	-16.9%	-9.2%	-8%	-15%	-5%	11.3	14.8	-21%	13.9	10.2	6.8	0.8	1.1	-25%	7%	8%	4.8%	3.3%
Singapore*	-0.8%	-0.2%	5%	5%	-11%	12.0	13.2	-4%	3.6	7.0	7.5	1.2	1.2	-11%	10%	9%	4.9%	4.2%
South Africa	-8.4%	2.9%	2%	2%	-3%	9.4	12.4	4%	11.7	19.2	10.8	1.4	1.9	-10%	15%	15%	4.2%	3.6%
Mexico	-5.2%	-1.5%	-1%	42%	-2%	13.0	15.0	6%	26.7	15.7	7.2	2.2	2.1	4%	17%	14%	4.4%	2.8%
Indonesia	-7.1%	-10.3%	-7%	8%	4%	12.5	14.8	-5%	3.3	8.1	8.0	2.2	2.4	-2%	18%	16%	4.6%	3.0%
Thailand	-11.3%	-5.2%	-5%	-10%	5%	16.3	15.5	1%	13.2	14.8	8.5	1.6	1.8	-9%	10%	12%	3.2%	3.1%
Malaysia	2.7%	-0.4%	4%	-3%	-6%	13.9	15.1	7%	12.9	7.6	4.8	1.3	1.5	2%	9%	10%	4.2%	3.5%
UAE	-1.8%	-2.6%	-3%	1%	-6%	9.2	11.4	-13%	-7.0	4.2	6.6	1.3	1.4	-6%	14%	12%	5.0%	4.3%
Poland	3.3%	3.9%	12%	49%	-27%	9.7	11.1	33%	-13.9	9.1	-0.6	1.2	1.1	30%	12%	10%	5.1%	3.7%
Qatar	-4.9%	-3.7%	-3%	2%	-7%	10.1	12.5	-2%	6.9	2.1	6.4	1.3	1.7	-4%	13%	14%	5.0%	4.2%
Kuwait	4.7%	-3.1%	-1%	-7%	10%	15.2	16.4	32%	6.4	2.7	-0.1	1.8	2.0	-4%	12%	13%	3.4%	3.4%
Turkey	25.1%	14.0%	19%	-5%	91%	5.1	6.8	20%	8.8	33.4	12.9	1.3	1.1	31%	25%	16%	4.6%	4.5%
Philippines	-3.2%	-9.2%	-2%	4%	-14%	12.1	16.6	-10%	10.7	9.2	4.3	1.6	2.0	-1%	13%	12%	2.6%	1.9%
Greece	4.3%	-1.9%	0%	50%	0%	9.1	12.3	-2%	2.8	3.4	24.1	1.7	1.7	16%	19%	14%	5.9%	4.1%
Chile	-6.5%	0.5%	5%	6%	23%	9.9	13.8	20%	9.5	6.3	10.9	1.2	1.4	16%	12%	10%	6.7%	3.6%
Peru	17.4%	2.5%	21%	37%	9%	13.4	12.6	33%	23.1	15.3	8.5	2.1	1.8	34%	16%	14%	4.0%	2.6%
Hungary	-1.2%	-3.8%	-6%	51%	-31%	5.4	9.1	10%	-11.9	-2.7	12.9	0.9	1.1	23%	16%	13%	5.1%	3.2%
Czech Republic	-5.9%	-0.7%	-2%	39%	-12%	12.2	13.1	-13%	5.7	-5.6	-1.6	1.7	1.4	-18%	14%	11%	7.2%	6.2%
Colombia	7.3%	-1.0%	3%	15%	-5%	6.4	10.8	8%	-7.7	12.7	6.7	0.8	1.2	-6%	13%	11%	7.7%	3.5%
Egypt	-31.5%	-8.0%	-35%	42%	-23%	5.6	8.8	-30%	52.5	25.0	15.0	1.9	1.8	5%	34%	21%	4.4%	3.1%
EM	-1.3%	-2.1%	4%	10%	-20%	12.2	12.0	1%	19.9	15.6	12.6	1.5	1.5	7%	12%	12%	3.0%	3.0%
Asia ex Japan	-1.5%	-2.6%	5%	6%	-19%	12.9	12.8	-3%	23.7	16.5	13.2	1.4	1.4	3%	11%	11%	2.7%	2.7%
Japan*	2.8%	-6.5%	1%	21%	-16%	15.6	14.1	18%	13.8	8.7	8.9	1.5	1.2	26%	10%	9%	2.2%	2.3%
USA	4.3%	-4.1%	3%	27%	-19%	20.9	18.3	11%	9.7	13.9	11.9	4.1	3.2	15%	20%	17%	1.4%	1.8%
Europe	1.7%	-2.5%	5%	21%	-15%	13.6	14.3	4%	3.5	10.3	8.7	1.9	1.7	5%	14%	12%	3.5%	3.6%
World	3.3%	-3.9%	3%	24%	-18%	18.4	16.6	11%	7.7	12.3	10.6	3.0	2.3	15%	16%	14%	2.0%	2.4%

Source: IBES, MSCI, Datastream, UBS. Note: * markets are not part of MSCI EM

Figure 48: EM sectors performance and valuation (consensus)

	% of index	Performance (US\$)					12m fwd P/E (x)			EPS growth (%)			12m fwd P/B (x)			12m fwd ROE		12m fwd dividend yield	
		YTD 2024	1m	3m	2023	2022	Latest	LT avg	YOY change	2024E	2025E	2026E	Latest	LT avg	YOY change	Latest	LT avg	Latest	LT avg
Banks	17.4%	0.5%	-2.2%	3%	13%	-6%	7.7	8.0	11%	7.6	7.9	6.9	0.9	1.0	9%	12%	12%	4.9%	4.4%
Semiconductors & Semiconductor Equipment	11.6%	12.4%	-4.9%	13%	37%	-37%	18.0	14.1	10%	57.5	30.0	14.6	3.8	2.6	40%	2.1%	19%	2.0%	3.0%
Technology Hardware & Equipment	9.1%	-6.1%	-1.2%	3%	35%	-29%	16.0	12.0	-18%	66.4	34.2	16.0	1.6	1.4	15%	10%	12%	2.3%	2.8%
Materials	7.7%	-3.6%	3.2%	7%	2%	-14%	13.3	11.3	23%	30.4	25.1	14.7	1.4	-1.3	14%	10%	12%	3.0%	3.7%
Media & Entertainment	6.0%	-2.0%	0.9%	7%	-4%	-32%	14.5	22.9	-29%	19.4	15.6	13.6	2.2	3.3	-10%	15%	14%	1.1%	0.5%
Energy	5.7%	8.6%	3.7%	9%	28%	-24%	8.8	8.3	19%	-10.4	0.8	2.6	1.1	0.8	11%	13%	10%	5.3%	4.6%
Capital Goods	5.0%	-1.7%	-1.6%	5%	7%	-10%	13.6	11.9	14%	32.3	20.5	15.6	1.5	1.1	18%	11%	10%	2.2%	2.3%
Consumer Discretionary Distribution & Retail	4.9%	-12.6%	-6.1%	-3%	-10%	-18%	9.9	20.5	-31%	25.8	17.1	14.0	1.5	2.7	-24%	15%	13%	1.3%	0.5%
Automobiles & Components	4.0%	0.5%	-2.6%	12%	31%	-33%	12.7	11.8	-3%	18.5	17.9	24.2	1.6	1.3	16%	12%	11%	2.2%	2.0%
Food Beverage & Tobacco	3.5%	-6.7%	-3.9%	-2%	4%	-10%	18.4	19.9	-3%	32.7	14.4	10.9	2.8	2.9	-4%	15%	15%	3.1%	2.6%
Utilities	3.0%	4.8%	1.1%	7%	3%	-4%	11.2	11.1	-12%	48.9	14.3	13.0	1.2	1.1	11%	11%	10%	3.8%	4.0%
Telecommunication Services	2.8%	-2.9%	-2.9%	-3%	8%	-14%	15.3	15.1	-1%	16.8	15.3	13.1	2.2	2.0	-9%	14%	13%	4.0%	4.0%
Diversified Financials	2.8%	-5.8%	-2.6%	-3%	16%	-14%	11.0	11.2	-12%	17.8	13.8	25.5	1.4	1.3	-11%	12%	11%	3.3%	3.3%
Consumer Services	2.6%	13.7%	3.5%	24%	-13%	16%	19.2	23.2	-26%	24.1	28.6	29.1	2.5	2.5	16%	13%	11%	0.7%	1.3%
Insurance	2.5%	-4.2%	-5.8%	4%	3%	-10%	7.8	10.1	2%	25.2	10.0	27.1	0.8	1.2	-1%	11%	12%	5.1%	3.5%
Software & Services	2.5%	-8.0%	-8.5%	-10%	16%	-30%	25.1	24.7	13%	16.1	14.7	15.7	6.2	5.2	30%	25%	21%	2.7%	1.1%
Pharmaceuticals Biotechnology & Life Sci	-2.3%	-16.3%	-9.6%	-10%	-3%	-25%	27.6	28.2	-11%	18.8	29.7	24.4	2.8	3.6	-15%	10%	13%	0.9%	0.8%
Transportation	2.0%	-2.6%	-0.8%	1%	5%	-10%	13.2	14.6	21%	4.4	5.8	28.6	NA	1.6	9%	11%	12%	3.0%	2.6%
Consumer Staples Distribution & Retail	1.4%	-11.7%	-6.2%	-5%	7%	-11%	20.0	21.6	5%	27.6	19.2	23.3	3.8	3.1	15%	19%	14%	2.3%	2.3%
Consumer Durables & Apparel	1.2%	-2.6%	1.4%	6%	-13%	-23%	15.2	16.1	-10%	31.3	16.7	10.7	2.5	2.4	-13%	17%	15%	2.7%	2.3%
Health Care Equipment & Services	1.0%	1.7%	-3.3%	6%	4%	-18%	22.4	22.9	-15%	20.4	18.5	15.4	2.4	3.0	2%	11%	13%	1.6%	1.7%
Household & Personal Products	0.8%	-9.9%	-1.7%	-6%	3%	-12%	29.7	30.3	-7%	0.5	17.0	14.9	3.9	5.8	-1%	13%	19%	2.1%	1.7%
Equity Real Estate Investment Trusts	0.1%	-14.5%	-9.0%	-8%	29%	-10%	NA	9.5	NA	NA	NA	NA	0.0	NA	NA	NA	NA	NA	NA
Commercial & Professional Services	0.0%	13.4%	7.7%	8%	4%	-26%	37.6	NA	360%	20.9	16.2	-25.6	9.7	2.2	5734%	26%	14%	0.9%	2.1%
EM		-1.3%	-2.1%	4%	10%	-20%	12.2	12.0	1%	19.9	15.6	12.6	1.5	1.5	7%	12%	12%	3.0%	3.0%

Source: IBES, MSCI, Datastream UBS

We would like to thank **Chandan Kishore** and **Nandish Panwala**, our research support service professionals, for their assistance in preparing this research report.

更多一手调研纪要和研报数据加V：shuinu9870 更多一手调研纪要和研报数据加V：shuinu9870 更多一手调研纪要和研报数据加V：shuinu9870 更多一手调研纪要和研报数据加V：shuinu9870 更多一手调研纪要和研报数据加V：shuinu9870 更多一手调研纪要和研报数据加V：shuinu9870 更多一手调研纪要和研报数据加V：shuinu9870 更多一手调研纪要和研报数据加V：shuinu9870 更多一手调研纪要和研报数据加V：shuinu9870 更多一手调研纪要和研报数据加V：shuinu9870

Valuation Method and Risk Statement

In addition to industry- and company-specific risk, we point out to investors the potential risks inherent in investing in companies with significant assets and business operations in emerging markets. Potential EM-related risks include the volatile nature of the currency, regulatory and sociopolitical risk, and abrupt potential changes in the cost of capital and economic growth outlook. Valuations can also be impacted by 'contagion' from developments in other emerging markets. Each of the above has the potential to significantly impact company/industry performance.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	51%	36%
Neutral	FSR is between -6% and 6% of the MRA.	40%	38%
Sell	FSR is > 6% below the MRA.	8%	33%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2024.

1: Percentage of companies under coverage globally within the 12-month rating category.

2: Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3: Percentage of companies under coverage globally within the Short-Term rating category.

4: Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

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Company Name	Reuters	12-month rating	Price	Price date
B.Grimm Power Public Company	BGRIM.BK	Buy	Bt25.50	22 Apr 2024
Bumrungrad Hospital	BH.BK	Buy	Bt225.00	22 Apr 2024
CP Axtra⁷	CPAXT.BK	Buy	Bt31.75	22 Apr 2024
Global Power Synergy	GPSC.BK	Buy	Bt48.25	22 Apr 2024
Krung Thai Bank⁷	KTB.BK	Buy	Bt16.60	22 Apr 2024
Ngern Tid Lor	TIDLOR.BK	Buy	Bt21.00	22 Apr 2024
PTT Exploration & Production⁴	PTTEP.BK	Buy	Bt157.50	22 Apr 2024
SCG Packaging PCL	SCGP.BK	Buy	Bt32.00	22 Apr 2024
Srisawad Corporation	SAWAD.BK	Buy	Bt39.75	22 Apr 2024
True Corporation¹³	TRUE.BK	Buy	Bt7.65	22 Apr 2024

Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.

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