Mar 2024

Global Market Watch

International Equity

Regional Equity

Fixed Income

Alternative Investment

藍石財富管理
BS Wealth Management

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Market Outlook

US

The latest quarterly financial reports from the US stock market have been impressive. According to Factset data, the latest quarter showed an improving trend in revenue, with the S&P 500 index expected to see a 4% year-on-year increase in earnings for the fourth quarter of last year. The technology and healthcare sectors, which we have been optimistic about, saw revenue growth of over 7%, higher than most other industries.

Furthermore, the recent economic data released by the US has been positive. The annualized GDP growth for the fourth quarter of last year was 3.3%, surpassing market expectations. In January, non-farm payrolls increased by 353,000, nearly double the expected figure. The Purchasing Managers' Index (PMI) for both the manufacturing and services sectors in January exceeded expectations. The Conference Board Consumer Confidence Index for January also surpassed expectations and the previous value. The strong economic data has tempered market expectations for an early interest rate cut in March, but the market still anticipates the possibility of five rate cuts. However, indicators suggest the potential for a technical adjustment in the market, including the Fear and Greed Index reaching a level of 79 and the RSI index for US stocks showing a bearish divergence pattern. Investors should be cautious about the possibility of a significant adjustment in US stock positions.

Europe

The European stock market showed weaker growth compared to the United States, with the STOXX 600 index rising by only 1.84% in February. This can be attributed to the region's sluggish economic performance.

Germany, the economic powerhouse of Europe, has experienced negative GDP growth for the past three quarters, raising concerns about a potential economic recession. Additionally, Germany's manufacturing Purchasing Managers' Index (PMI) unexpectedly dropped to 42.3, indicating challenges in economic activity.

The European Central Bank (ECB) may face difficulties implementing more aggressive monetary policies due to the Eurozone's relatively high Consumer Price Index (CPI) of 2.8%. This could hinder the ECB's ability to stimulate economic growth and impact the business environment.

With high interest rates set by the ECB, Germany's stagnant GDP, and the sharp decline in manufacturing PMI, there is an increased risk of an economic downturn in Europe. Short-term investors may consider avoiding European stocks. In the long run, European stock markets have not performed as well as their US counterparts, making high-quality US stocks a potential alternative.

China

China's latest round of reserve requirement ratio (RRR) cuts has officially been implemented, boosting market sentiment and leading to a rebound from the low levels. In February, the Hang Seng Index rose by 6.63%, while the CSI 300 Index in China saw a significant increase of 9.35%.

The People's Bank of China announced a reduction in the 5-year loan prime rate (LPR) to 3.95%, marking the largest decrease in five years. This move is seen as a measure to support the domestic property market, with the market interpreting the LPR cut as a signal for the rise in share prices of some real estate companies. Additionally, the China Securities Regulatory Commission has implemented strict market rescue policies, including regulatory measures against abnormal trading activities and illegal behavior that disrupt market order.

These measures clearly indicate the Chinese government's intention to strengthen market expectation management and boost investor confidence. Currently, both the Chinese and Hong Kong stock markets are valued at historically low levels, indicating potential for an upward rebound. From a technical perspective, the Hang Seng Index has shown a series of higher lows, suggesting the possibility of a cyclical turnaround. However, the market is still awaiting more definitive stimulus policies, so it is advisable to wait for clearer news and market performance.

Japan

The Japanese stock market continued its upward trend in February, following its previous record high. The Nikkei 225 index rose by 8.6% for the month. Despite the depreciation of the Japanese yen against the US dollar during the same period, the Nikkei index, when measured in US dollars, still performed strongly.

By the end of February, the Nikkei index had approached the 40,000-point level. Although the Japanese economy experienced a technical recession in the fourth quarter of 2023, data indicates an improvement in Japanese consumer confidence, with short-term capital expenditure growth rates remaining high across various industries. This reflects optimistic outlooks among businesses for future operating conditions.

As for the US dollar's strength against the Japanese yen, it is mainly influenced by the rise in the US dollar index. The USD/JPY exchange rate briefly climbed above 150. Market expectations for the pace of interest rate cuts in the United States have cooled, with the current expectation that the Federal Reserve may not begin cutting rates until June. However, the Bank of Japan is moving closer to exiting its zero-interest-rate policy, which is expected to narrow the interest rate differential between the US dollar and the Japanese yen, favoring the yen's performance.

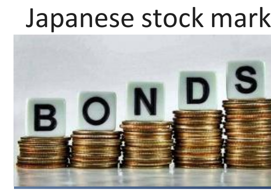
Despite the positive trend in the Japanese stock market, the 14-day Relative Strength Index (RSI) has risen to a level of 82, indicating a potential risk of a significant correction in the stock market. It is advisable to approach short-term investment decisions in the Japanese stock market with caution.

Emerging Market

Emerging markets saw a noticeable rebound in February, with the MSCI Emerging Markets Index and MSCI Asia Emerging Markets Index rising 4.96% and 6.01% respectively. Overall, these indices performed better than the European and American markets.

One of the main reasons for the rebound in emerging markets was the recovery of the Chinese stock market. The Hang Seng Index increased by 6.63% monthly, while the CSI 300 Index surged even higher by 9.35%. China implemented a series of measures, including reducing the 5-year Loan Prime Rate (LPR) to 3.95%, and the China Securities Regulatory Commission took regulatory measures against abnormal trading behavior by certain institutions. The market interpreted the LPR reduction as one of the measures to support the domestic property market.

In terms of individual emerging markets, both the Indian and Korean stock markets recorded gains. The Korean government introduced plans to stimulate its stock market, attracting nearly 25% of net capital inflows for the whole year, which contributed to the rise in the Korean stock market. As for India, the general elections are approaching, scheduled to be held from April to May 2024. According to surveys, 52% of the people believe that Modi is most suitable to be the next Prime Minister of India. If Modi can successfully win re-election, it is expected to attract favorable inflows of overseas funds into India.



Bond Market

The bond market weakened in February as the Bank of America Merrill Lynch Global Corporate Bond Index fell by 1.43%. This decline was driven by expectations of a delayed interest rate cut, resulting in rising interest rates.

The rise in interest rates presents potential opportunities for bond allocation. US inflation remains moderate, reducing the urgency for the Federal Reserve to implement rapid rate cuts. The Federal Reserve Chairman indicated a low likelihood of a rate cut in March, shifting market expectations towards a possible cut in June. Additionally, the US government plans to increase bond issuance and engage in repurchase operations, which will positively influence the supply and demand dynamics of US Treasuries.

In Europe, although the economy is weaker compared to the US, the European Central Bank may postpone rate cuts in March. German interest rates are currently supported, but it is anticipated that the European Central Bank will implement rate cuts later in the year, providing investment opportunities. European sovereign bonds are considered a hedge against the economic downturn in the eurozone.

Overall, both European and American interest rates are projected to decline throughout the year, benefiting the performance of the bond market.

Performance of major market indices (in USD)

Market Indices	1m (%)	3m (%)	6m (%)	1yr (%)	3yr (%)	5yr (%)
MSCI World Index	4.11	10.37	11.76	22.94	22.38	59.99
MSCI Emerging Markets Index	4.63	3.43	4.14	5.91	-23.77	-2.86
US S&P 500 Index	5.17	11.57	13.06	28.36	33.72	83.02
Europe STOXX 600 Index	1.46	6.27	7.63	9.45	8.88	26.08
Japan NIKKEI 225 Index	7.27	15.53	16.79	29.88	-3.75	36.22
Korea KOSPI 200 Index	6.06	0.98	2.60	8.83	-26.01	1.66
China CSI 300 Index	9.14	-0.30	-5.36	-16.65	-40.83	-10.93
Hong Kong Hang Seng Index	6.47	-3.35	-10.03	-16.33	-43.55	-42.18

Source : FE Analytics, Data as of 29-2-2024

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Our asset management services cater to both monthly contributors and lump sum investors, managing funds in the Insurance Investment Linked Scheme (ILAS) portfolio. Our goal is to achieve long-term investment returns while facilitating estate planning for our clients.