Apr 2024

Global Market Watch

International Equity

Regional Equity

Fixed Income

Alternative Investment

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Market Outlook

US

The US stock market maintained its upward momentum in March, with the S&P 500, Dow Jones, and Nasdaq indices rising by 3.10%, 2.08%, and 1.79% respectively. Market expectations for the pace of interest rate cuts in the US have cooled, but the strong growth in the artificial intelligence and semiconductor industries has propelled the performance of the technology sector, becoming a major driving force for the overall market. However, both the US and global economies remain relatively weak, so the ability of the US economy to achieve a soft landing does not necessarily mean a bright outlook. Data shows that US consumer spending is weak, consumer confidence is declining, and the unemployment rate has slightly increased.

Currently, expectations for interest rate policies and the performance of artificial intelligence companies have supported the expansion of valuations. The forward price-to-earnings ratio of the S&P 500 index has risen to over 20 times, higher than the 10-year average of 17.8 times. The combination of the technology sector and high valuations evokes memories of the 2000 dot-com bubble crisis. In an optimistic market environment, it is easy for us to be blinded, and it is in the midst of frenzy that crises are most easily hidden. As investors, we should remain rational at this stage and avoid repeating past mistakes. As for our perspective, we still have a positive view on the technology and healthcare sectors and believe that they can serve as core assets in a portfolio. At the same time, we recommend allocating the overall investment portfolio in a diversified and balanced manner.

Europe

The European stock market outperformed the United States in March, with the STOXX 600 index rising by 3.65% for the month and 7.03% for the first quarter of the year. Despite the relatively weak European economy, there is still room for the stock indices to catch up.

From an economic perspective, the Eurozone's economy is still hovering on the edge of recession, and progress in the recovery has been slow. Recent data on retail sales and industrial production have shown weakness, and the Eurozone's economy is expected to struggle to gain significant momentum.

The market is more concerned about the shift in monetary policy by the European Central Bank (ECB). In February, the Eurozone's consumer price index rose by 2.6% on an annual basis, the lowest level in three months, primarily influenced by declining energy prices and easing food inflation. The ECB President has indicated that there will be more evidence of inflation easing in the April to June period. In the case of declining inflation, the ECB's monetary policy will gradually shift. While an expected interest rate cut by the ECB may provide some support to the Eurozone economy, the long-standing weakness in the economic environment makes a swift recovery challenging. Investors should prioritize their focus on the US stock market compared to Europe.

China

In March, the gains in the mainland China and Hong Kong stock markets showed a narrowing trend. The Hang Seng Index rose by 0.18% during the month, while the China CSI 300 Index had a slightly higher increase of 1.85%. However, the sentiment in the Chinese and Hong Kong stock markets is warming up, with continued inflows of overseas funds that provide support to market liquidity and performance. It's worth noting that China's economic data is showing signs of improvement. Indicators such as industrial production, exports, and CPI have shown a positive trend. For example, industrial value-added increased by 7% on a yearly basis, surpassing the previous 6.8%, and the CPI rose by 0.7% on a yearly basis, alleviating concerns of deflation in the market. Currently, the stock market trend is gradually forming an upward trend and is expected to enter a longer rebound period.

However, the previous momentum of liquidity growth that supported the market has weakened. Data such as new credit and social financing scale in February experienced a significant monthly decline, reflecting a decrease in market liquidity. The market is paying attention to the positive economic and capital market measures introduced by China, which will drive continuous economic recovery. Investors should be aware that the Chinese stock market tends to be more momentum-driven. If the short-term upward trend fails to break the long-term downtrend, there may be a risk of more prolonged and continuous decline. Therefore, when engaging in short-term speculation, it is important to be sensitive to market information and timely control risks when necessary.

Japan

The Japanese stock market reached a historic high of 40,000 points in March, rising 3.07% for the month and showing a gain of over 20% for the first quarter, outperforming major global stock markets. The rise in the Japanese stock market has been influenced by several factors, including a weakening of the US dollar against the yen and a rebound in economic momentum. The Bank of Japan has ended its negative interest rate policy and conducted its first interest rate hike in 17 years. In fact, Japan's inflation level has surpassed the highs of the past 30 years, which supported the Bank of Japan's decision to raise interest rates. The impact of the Bank of Japan's cessation of ETF purchases on the stock market has been minimal, as the scale of ETF purchases has already declined significantly in recent years.

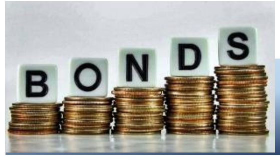
Compared to other major markets worldwide, the underlying conditions of the Japanese economy are favorable. The profitability of Japanese companies is improving, and wages are showing positive growth. The latest average wage increase during the "shunto" negotiations reached 5.2%, exceeding market expectations, reflecting a willingness of companies to increase spending. Currently, the main buyers in the Japanese stock market are still foreign investors, but with increased inflation, Japanese households are more likely to convert cash deposits into investments, which will provide greater room for capital inflows into the stock market. Although the yen may face some headwinds and potentially appreciate in the short term, the fundamentals of the Japanese economy are solid, and the stock market performance may be driven by corporate earnings. As portfolio managers, we believe that the Japanese stock market remains attractive and will closely monitor developments in the relevant market.

Emerging Market

The emerging markets performed well in March, with the MSCI Emerging Markets Index rising 2.72% for the month, and the MSCI Asia Emerging Markets Index increasing by 3.50%. This growth was primarily driven by emerging Asian countries.

The Chinese stock market played a pivotal role in driving the performance of the emerging markets index. Currently, both the Chinese and Hong Kong stock markets are experiencing a recovery, with previously outflowing foreign funds returning and positive sentiment spreading to other Asian countries. The South Korean KOSPI Index rose by 3.95% in March, driven by advancements in artificial intelligence that boosted Korean exports and further supported the local economy's performance.

In addition, major central banks in the United States and Europe are expected to shift towards a tightening monetary policy in the middle of this year. With inflation in major countries easing and expectations of global central bank rate cuts stimulating investor sentiment, there is increased interest in investing in emerging markets. The market expects the Federal Reserve to potentially cut rates in June, which could weaken the US dollar and enhance the attractiveness of emerging market currencies and stocks. Therefore, considering including emerging market assets in portfolios may be an option in anticipation of a weaker US dollar. However, it is important to note that countries like India and South Korea will be holding elections in April, which could increase volatility in emerging market stocks and should be monitored carefully.



Bond Market

The bond market saw a slight recovery in March, with the Bank of America Merrill Lynch Global Corporate Bond Index rising by 0.85%. However, US bond yields remained volatile, with the yield on 10-year US Treasury bonds hovering around 4% to 4.3%. The market generally expects the Federal Reserve to conduct its first rate cut of the year in June. According to data from the interest rate futures market, there is approximately a 60% probability of a 0.25% rate cut to a ceiling of 5.25% at the June meeting, with a 5% probability of a 0.5% rate cut. Following the rate cut, the Federal Reserve is expected to initiate a downward trend in interest rates. Additionally, the US government plans to increase the issuance of bonds and conduct repurchase operations, which is expected to have a positive impact on the supply and demand dynamics of US Treasuries. Although bond prices are still at elevated levels, it may provide an opportunity for bond allocation.

Furthermore, there may be opportunities in the Chinese bond market. Data shows that both primary and secondary markets for residential properties in China have shown a significant narrowing of year-on-year declines in 2024, indicating that the worst-case scenario for mainland Chinese real estate may have been reached or passed, or that there may still be opportunities for entering the market at a bottom. However, it is important to note that investing in Chinese mainland real estate bonds still carries risks.

Performance of major market indices (in USD)

Market Indices	1m (%)	3m (%)	6m (%)	1yr (%)	3yr (%)	5yr (%)
MSCI World Index	1.76	2.82	-1.53	-15.62	-35.41	-13.68
MSCI Emerging Markets Index	0.21	-3.19	-7.06	-18.67	-42.10	-42.89
US S&P 500 Index	2.81	-1.04	11.68	7.38	-24.58	8.18
Europe STOXX 600 Index	2.18	1.90	9.49	5.34	-20.75	-1.41
Japan NIKKEI 225 Index	3.01	8.47	20.49	23.15	22.27	63.10
Korea KOSPI 200 Index	1.93	12.37	24.94	26.60	1.01	39.23
China CSI 300 Index	3.10	10.16	22.53	27.86	32.26	85.38
Hong Kong Hang Seng Index	3.45	4.64	16.16	11.31	9.66	30.08

Source : FE Analytics, Data as of 31-3-2024

BS Investment Management Services

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Active Portfolio

Balanced Portfolio

Strategic Partners

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.