Internal Use Only

藍石財富管理
BS Wealth Management

May 2024

Global Market Watch

International Equity

Regional Equity

Fixed Income

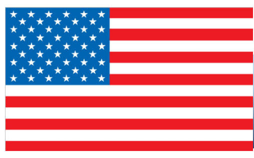
Alternative Investment

Disclaimers :

藍石財富管理
BS Wealth Management

Internal Use Only

Market Outlook



US

April was a significant challenge for the investment market, mainly due to the uncertainty in the monetary policy of the Federal Reserve and geopolitical tensions in the Middle East. The S&P 500 fell by 4.16%, while the Dow Jones Industrial Average and the Nasdaq Composite Index dropped by 5.0% and 4.46% respectively.

The geopolitical tensions in the Middle East had a short-term impact as the catalyst for the market decline. The high valuation levels of the US stock market itself triggered the alarm for a market correction, and the conflict in the Middle East added to the concerns. However, these geopolitical risks could lead to rising oil prices, increased inflation, and further risks of economic recession.

Another key factor contributing to the stock market decline was the unexpected increase in US inflation. The monthly growth rate of the US Consumer Price Index (CPI) and Core CPI in March was 0.4%, marking the third consecutive month above market expectations. The unexpected rise in inflation guided market expectations for the Federal Reserve's monetary policy stance this year. Currently, based on interest rate futures data, the timing of the first interest rate cut has been pushed back to September.

Facing numerous uncertainties such as interest rate policies and the US presidential election, investors should remain vigilant about the risks of market downturn and pay attention to diversifying portfolio risks.

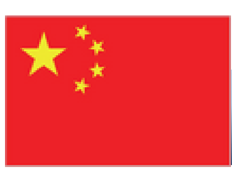
Europe

In April, European stock markets outperformed the United States, with the STOXX 600 index falling by 1.52% for the month. However, the performance of the German and French stock markets was weaker, with declines of 3.03% and 2.69% respectively.

The performance of European stock markets was supported by market expectations of interest rate cuts by the European Central Bank (ECB). The ECB stated in its interest rate statement that it would appropriately lower the level of monetary policy restrictions. Influenced by the ECB's remarks, the interest rate futures market predicts a higher chance of an interest rate cut by the ECB in June of this year. In fact, the weak inflation situation in the eurozone supports the decision for an interest rate cut by the ECB. March inflation data for the eurozone showed a slowdown in inflation, with both CPI and Core CPI declining. An interest rate cut would be beneficial for the region's exports and corporate profitability.

However, the eurozone economy faces some headwinds, such as the sudden Middle East conflict leading to higher oil prices. If oil prices continue to rise, it could increase operating costs for eurozone companies and pose a risk of economic downturn.

In the short term, European stock markets are expected to benefit from the expectations of interest rate cuts. However, in the long term, it is still necessary to pay attention to the risks of a downturn in the eurozone economy and rising energy prices.



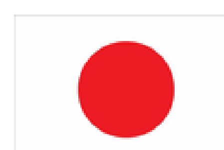
China

In late April, the Hong Kong stock market saw significant gains, leading to a 7.39% increase in the Hang Seng Index for the month, while the China A-share market, represented by the CSI 300 Index, only rose by 0.24%.

Some economic data in China showed improvement, with the official manufacturing Purchasing Managers' Index (PMI) for March improving significantly to 50.8, returning to expansion territory above 50 and ending a five-month contraction trend. The mainland Chinese economy continued to recover, and the commodity price index also saw a slight monthly increase of 0.6%, indicating gradual recovery in downstream consumption. From a positive perspective, the undervalued factor of Hong Kong stocks played a role in attracting capital inflows.

However, it is important to note that China's inflation level remains low, with the Consumer Price Index (CPI) rising only 0.1% year-on-year in March, while the Producer Price Index (PPI) fell 2.8% year-on-year in the same month. This indicates low inflation and weakness in the real estate industry in China, reflecting that a full recovery in domestic demand may still take more time.

Although Hong Kong stocks have experienced a sharp rise, it may be a reflection of short-term speculative trading. Additionally, since the exchange rate of the Chinese yuan has not shown a significant increase, it is difficult to determine if capital will shift towards long-term inflows. Therefore, investors should exercise caution when evaluating the performance of the Chinese and Hong Kong stock markets.



Japan

Due to the uncertainty in the movement of the Japanese yen, the Japanese stock market reached a historical high of 40,000 points in March but experienced a significant decline in April, with the Nikkei Index falling by 4.86% for the month.

The Japanese yen continued to depreciate, reaching a level of around 160 against the US dollar at the end of April before rebounding to around 155. Market expectations suggested possible intervention by the Bank of Japan, but later there were doubts about whether the central bank would take further action.

Despite the Bank of Japan's termination of its negative interest rate policy, it has not been able to prevent the depreciation of the Japanese yen. Additionally, Japan's prices have been strengthening, which may imply that the central bank might need to further raise interest rates to address the economic situation. However, behind the recovery in inflation, it may also indicate strengthening economic activity, reflecting that the Japanese economy still has upward momentum, which would be favorable for the profit outlook of Japanese companies.

While the fundamentals of the Japanese economy remain stable, the current adjustment in the stock market may be influenced by the uncertain outlook for the Japanese yen. However, we should closely monitor opportunities for buying at lower levels.

Emerging Market

In April, emerging market stocks showed resilience compared to the European and American stock markets, with the MSCI Emerging Markets Index rising by 1.22% for the month and the MSCI Asia Emerging Markets Index increasing by 1.77%. This increase was primarily driven by the performance of the Chinese stock market, including a 7.39% rise in the Hang Seng Index.

Hong Kong stocks played an important role in driving the performance of the emerging market indices. Currently, China accounts for approximately 26.7% of the MSCI Emerging Markets Index, and Hong Kong stocks are constituents of the Hang Seng Index. Therefore, the performance of Hong Kong stocks in April contributed to the overall performance of the emerging market indices.

One of the risks faced by emerging markets is the movement of the US dollar. Traditionally, the performance of emerging market indices tends to be influenced by the trend of the US dollar exchange rate. Currently, the movement of the US dollar is influenced by the interest rate policies of the Federal Reserve, and the inflation trend seems to lean towards maintaining a high level around 3%. This has led to market expectations that the authorities may postpone the timing of the next interest rate cut. Therefore, in the short term, emerging markets may face the risks of a correction in Hong Kong stocks and a stronger US dollar simultaneously, and investors should exercise caution.

Bond Market

In April, the bond market's performance was slightly weaker, with the Bank of America Merrill Lynch Global Corporate Bond Index falling by 2.16%. The decline in bonds was mainly influenced by rising bond yields.

The yield on 10-year US Treasury bonds rose to 4.6%, reaching as high as 4.73% at one point. The increase in yields put pressure on bond prices. In fact, the rise in yields was primarily driven by the overall increase in US inflation. The US Consumer Price Index (CPI) rose by 3.5% year-on-year in March, while the core CPI increased by 3.8%. If the upward trend in inflation continues, the US may face another "stagflation" crisis.

Under pressure from the stagflation crisis, the Federal Reserve indicated in the minutes of its March meeting that inflation was not enough to support rate cuts. Additionally, the latest interest rate decision revealed that starting from June, the Fed's balance sheet reduction, known as "tapering," would be reduced from a maximum of $60 billion per month to $25 billion.

Despite the potential crisis from rising inflation, the Fed's message of reducing the scale of tapering implies that a slowdown in monetary tightening policies remains the main trend. Furthermore, the current relatively high bond rates may provide greater room for interest rate cuts, which is favorable for supporting a rebound in bond prices.

Performance of major market indices (in USD)

Market Indices	1m (%)	3m (%)	6m (%)	1yr (%)	3yr (%)	5yr (%)
MSCI World Index	-3.85	3.12	19.38	16.55	12.47	51.71
MSCI Emerging Markets Index	0.26	7.19	14.29	7.05	-22.39	-3.08
US S&P 500 Index	-4.16	3.92	20.07	20.78	20.44	70.94
Europe STOXX 600 Index	-2.50	2.33	17.77	4.79	2.53	23.09
Japan NIKKEI 225 Index	-8.50	0.05	19.77	15.16	-7.41	22.31
Korea KOSPI 200 Index	-4.53	4.11	15.48	4.21	-31.17	3.26
China CSI 300 Index	0.05	11.14	1.96	-14.41	-37.13	-14.31
Hong Kong Hang Seng Index	7.46	14.65	3.85	-10.39	-38.59	-40.00

Source : FE Analytics, Data as of 30-4-2024

BS Investment Management Services

BS Investment Management Services

Active Portfolio

Balanced Portfolio

Strategic Partners

RL360°
Friends Provident International
Heng An Standard Life 恒安標準人壽
FTLife 富通保險
Sun Life Financial

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.

info@bs-wealth.com

www.bs-wealth.com