Internal Use Only

June 2024

Global Market Watch

International Equity

Regional Equity

Fixed Income

Alternative Investment

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Market Outlook

US

Over the past month, the S&P 500 index in the United States rose by 4.80%, mainly driven by the surge in Nvidia's stock price, which boosted the technology sector. However, downward revisions in airline industry revenue forecasts and developments in the Trump case put pressure on market sentiment. The Federal Reserve's Beige Book indicated a slight deterioration in the economic outlook and a slowdown in wage growth, increasing market uncertainty. T-Mobile's acquisition of US Cellular assets provided some support to telecom stocks. The rise in 10-year and 30-year US Treasury yields exerted pressure on the stock market. Poor earnings reports from major tech companies like Salesforce and Dell further dented market confidence.

Looking ahead, US economic data suggests an increased likelihood of a soft landing, with April inflation data easing rate hike concerns. Technical indicators show strong momentum in US stocks with low volatility. The Federal Reserve noted that although the Consumer Price Index has improved, it remains to be seen whether current policies are sufficiently tight. Nvidia, a leader in AI, posted impressive earnings, indicating ongoing corporate investment in AI and strong long-term demand. Short-term pullbacks offer buying opportunities for investors. It is recommended that investors seek long-term opportunities in tech stocks while remaining vigilant about market volatility and diversifying portfolio risks.

Europe

Over the past month, the European Stoxx600 index rose by 2.63%, influenced by several key events. ECB policymakers expressed support for upcoming rate cuts, which bolstered market sentiment despite ongoing economic recovery uncertainties. Volkswagen's plan to launch low-cost electric vehicles to counter Chinese competition supported auto stocks, while declines in travel stocks indicated increased market pressure. The Russian airstrike on Kharkiv in Ukraine heightened geopolitical risks, negatively affecting market sentiment.

The US economic situation and policy changes had some impact on European markets. The UK Prime Minister announced the election date, with Labour leading in polls, suggesting potential fiscal policy shifts towards supply-side reforms rather than increased deficits. ECB board member Nagel indicated that if a rate cut occurs in June, a further cut should wait until September, showing cautious steps by the ECB. The Eurozone's May consumer confidence index rose slightly from -14.7 to -14.3, better than expected, indicating a marginal recovery in consumer confidence. Investors should pay attention to the short-term boost from rate cut expectations while remaining cautious of geopolitical risks. Diversifying investments within the portfolio can help reduce risk exposure.

China

Over the past month, the Hong Kong Hang Seng Index rose by 1.78%. Shenzhen's relaxation of real estate restrictions boosted market confidence, although the impact was limited. The easing of US-China tech tensions, with TikTok planning to develop a US version of its core algorithm, kept the market in a wait-and-see state, leaving foreign investment sentiment towards Hong Kong stocks still uncertain. While investment market tension eased, ongoing economic uncertainty continued to weigh on market sentiment.

Looking ahead, Chinese government policy adjustments provide some support for market confidence, particularly in terms of economic growth and stability. The Chinese market has rebounded by about 15% from long-term lows, but investors should be wary of potential short-term overbuying. The China Securities Regulatory Commission's commitment to deepening cooperation with Hong Kong could further boost the performance of Hong Kong stocks. In the future, stronger fiscal measures will be crucial for addressing persistent deflation concerns, sluggish consumer momentum, and a weak real estate market, which are essential for stabilizing and revitalizing the profit growth of Chinese listed companies.

Investors should monitor Chinese government policy directions, especially fiscal and monetary policy adjustments. Defensive assets can be increased in investment portfolios, while attention should be paid to long-term growth sectors such as technology. Additionally, diversifying investments can help reduce risk exposure.

Japan

In the past month, Japan's Nikkei index saw a slight increase of 0.21%. The market sentiment was negatively impacted by an incident involving harmful substances detected in Kobayashi Pharmaceutical's health products, leading to a cautious stance among investors. A Saudi Arabian delegation visited Japan, strengthening economic cooperation between the two countries, while the Sino-Japanese economic dialogue facilitated economic exchange. Despite the absence of major negative news, the strong performance of global tech stocks had a positive effect on the Japanese market.

Looking ahead, the Bank of Japan's accommodative monetary policy and the government's economic reform measures will continue to support stock market growth. The depreciation of the yen has enhanced export competitiveness, bolstering corporate profits. Technical indicators suggest that the Japanese stock market has strong momentum with low volatility. Despite increasing global economic uncertainties, the financial health and profitability of Japanese companies remain robust, attracting international capital inflows.

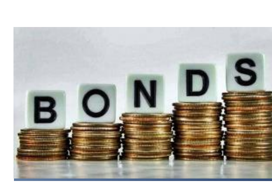
The core Consumer Price Index (CPI) growth slowed to 2.2%, with factors such as a slowdown in food price inflation and the expansion of free high school education in Tokyo indicating that inflation may gradually ease. In this context, investors may focus on export-oriented companies and tech stocks while maintaining diversified investments to mitigate risks. Considering the supportive effect of yen depreciation on export companies, moderately increasing allocations in these areas could yield better returns.

Emerging Market

Over the past month, the MSCI Emerging Markets Index rose by 0.20%. Saudi Arabia's plan to sell shares in Saudi Aramco had a significant impact on the global energy market and affected the Saudi stock market. A report from the Institute of International Finance showed global national debt totals rising to $315 trillion, with the growth in emerging market debt being a major factor. While expectations of increased capital inflows provide support to emerging markets, trade frictions between China and Russia may put pressure on some emerging markets.

Emerging markets face challenges amid a global economic slowdown and rising geopolitical risks. However, with the restructuring of global supply chains and changes in trade patterns, emerging markets are poised to benefit from industrial shifts and increased investments. Rising U.S. Treasury yields and ongoing concerns over high interest rates have led to capital outflows from emerging markets, but South Korea's industrial production exceeded expectations. India's market was affected by uncertainties surrounding parliamentary elections, while Brazil saw improvement in inflation indicators and a drop in unemployment rates. Although raw material stocks were dragged down, energy stocks rose against the trend.

Despite short-term challenges, emerging markets still offer considerable growth potential in the long term, particularly with opportunities arising from global supply chain restructuring and industrial shifts. It is advisable to moderately increase defensive assets in portfolios and closely monitor geopolitical and economic policy developments to flexibly adjust investment strategies.



Bond Market

In the past month, the ICE BofA Global Corporate Bond Index increased by 1.02%. This was mainly driven by increased demand for high-yield bonds, particularly supported by expectations of rate cuts by the European Central Bank. U.S. 10-year and 30-year Treasury yields rose, while 2-year yields fluctuated, reflecting different market expectations for the economic outlook. Emerging market bonds showed mixed performance, with some countries facing debt pressures, but high-yield bonds remained attractive. The rise in the U.S. dollar and UBS raising its target for the S&P 500 index negatively impacted the overall bond market performance.

Looking forward, U.S. bond yields are expected to fluctuate within a range, influenced by economic data and policy changes. If the 2-year bond yield remains above 5% and the stock market rises, it may indicate a return of inflation; if yields exceed 5% and the stock market falls, it could signal stagflation. Additionally, if the 10-year bond yield falls below 3.8% and the stock market plummets, it suggests a recession risk. Investors are advised to maintain defensive allocations, focusing on high-credit-quality bonds and corporate bonds with stable cash flows, while moderately increasing allocations to high-yield emerging market bonds to diversify risks and enhance returns.

Performance of major market indices (in Local Currency)

Market Indices	1m (%)	3m (%)	6m (%)	1yr (%)	3yr (%)	5yr (%)
MSCI World Index	3.8	3.5	14.5	23.4	21.7	72.4
MSCI Emerging Markets Index	0.2	4.2	8.6	11.6	-14.9	16.4
US S&P 500 Index	4.8	3.6	15.5	26.3	25.5	91.8
Europe STOXX 600 Index	2.6	4.8	12.3	14.7	16.0	40.4
Japan NIKKEI 225 Index	0.2	-1.7	14.9	24.6	33.4	86.8
Korea KOSPI 200 Index	-2.1	-0.2	4.0	2.3	-17.7	29.1
China CSI 300 Index	-0.7	1.8	2.4	-5.8	-32.9	-1.4
Hong Kong Hang Seng Index	1.8	9.5	6.1	-0.9	-38.0	-32.8

Source : FE Analytics, Data as of 31-5-2024

BS Investment Management Services

BS Investment Management Services

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.