藍石財富管理
BS Wealth Management

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July 2024

# Global Market Watch

International Equity

Regional Equity

Fixed Income

Alternative Investment

## Disclaimers :

# Market Outlook

## US

The U.S. stock market has remained stable over the past month. The S&P 500 index rose by 3.5%, reflecting investors' confidence in the market. Despite manufacturing data falling short of expectations, increased anticipation of a rate cut by the Federal Reserve has driven the stock market higher. Technology stocks have performed particularly well, with Nvidia's strong price increase standing out. The market remains highly attentive to potential changes in Federal Reserve monetary policy and responds sensitively to economic data fluctuations. In May, non-farm payrolls increased by 272,000, with the unemployment rate reported at 4%, further supporting market sentiment.

Looking ahead, based on May's CPI and PPI data indicating that inflation is moving towards the Federal Reserve's 2% target, a rate cut is expected to begin in September. After the rate cut, large-cap growth stocks are anticipated to accelerate their gains over the next 12 months. The expansion of AI applications benefits related areas such as chip design, semiconductor equipment, and memory. However, the U.S. presidential election also impacts market prospects, with Biden underperforming and Trump's odds rising to 63%. Investors are advised to maintain allocations in large technology stocks, particularly in the technology and communication services sectors, and to closely monitor changes in Federal Reserve monetary policy and election dynamics, adjusting flexibly to manage market volatility.

## Europe

The European STOXX 600 index fell by 1.3% in June. Despite the European Central Bank (ECB) announcing a 0.25% rate cut, concerns about the economic outlook persist in the market. The strong performance of technology stocks briefly drove the market up, but overall sentiment remains cautious. ECB President Christine Lagarde's confidence in controlling inflation has not fully alleviated investors' anxiety, especially as the German and French stock markets also face pressure. Political instability in France has further exacerbated market volatility, increasing uncertainty about the future among investors.

Looking ahead, the European market faces multiple challenges, including political uncertainty and adjustments in economic policy. The early legislative elections in France could trigger greater market volatility, and the policy direction of populist parties if they come to power remains unclear, which could have long-term impacts on the market. Changes in ECB monetary policy are also a significant variable. While the ECB's rate cut policy can support the economy to some extent as inflationary pressures ease, its effectiveness remains uncertain. In such an environment, investment strategies should be more cautious. It is advised to reduce allocations to European stocks and to flexibly respond to short-term market fluctuations.

## China

The Hong Kong Hang Seng Index fell by 2.0% this month, reflecting market volatility and changes in investor sentiment. Despite a 2.58% rise in the China and Hong Kong markets this week, indicating investor expectations for stable relations following the U.S.-China meeting, ongoing U.S.-China trade tensions and net capital outflows continue to pressure the market. The State Council's release of healthcare system reform tasks and measures to stabilize the housing market have had some positive impact, but events such as U.S. restrictions on China's access to high-end AI chips and the EU imposing high tariffs on Chinese electric vehicles have negatively affected market sentiment. Additionally, the Beijing Municipal Commission of Housing and Urban-Rural Development's lowering of the minimum mortgage rate and increased efforts to attract and utilize foreign capital demonstrate the government's efforts to promote economic stability.

China's consumer prices in May rose by 0.3% year-on-year, below the expected 0.4%, indicating weak demand. In the long term, strong fiscal measures will help address structural issues such as deflation, weak consumption, and high debt, stabilizing and revitalizing the profit growth of Chinese listed companies. The 20th Central Committee of the Chinese Communist Party's Third Plenum is scheduled to be held in Beijing from July 15 to 18, and is expected to bring further reform policies, boosting the China and Hong Kong stock markets. In terms of investment strategy, it is recommended to focus on companies with strong cash flow and stable profitability, particularly those benefiting from government policy support, such as technology innovation and infrastructure construction. As reforms deepen and the international trade environment improves, these sectors are expected to provide stable returns.

## Japan

Over the past month, the Nikkei 225 Index rose by 2.9%. Despite significant fluctuations in the yen exchange rate, the market remains optimistic about the global economic outlook. Strong corporate earnings reports and investor expectations regarding the Bank of Japan's monetary policy have positively influenced market sentiment. The yen continued to weaken, with the USD/JPY exchange rate breaking through the 160 level, marking a 38-year low. The Bank of Japan's monetary policy meeting maintained the benchmark interest rate, signaling a dovish stance, which caused the yen to depreciate sharply. However, Governor Kazuo Ueda hinted at a possible reduction in bond purchases and a rate hike in July.

Looking ahead, the market will continue to focus on the Federal Reserve's interest rate cut expectations and the Bank of Japan's policy direction. With inflationary pressures rising, the Bank of Japan might reduce bond purchases and consider raising interest rates in July. Rising energy costs pushed May's core CPI up by 2.5% year-on-year, providing support for a policy adjustment by the central bank, although economists believe this figure is insufficient to prompt immediate action. In the long term, the outlook for the Japanese stock market is favorable. Investors are advised to consider gradually accumulating high-quality stocks, especially during periods of market volatility. It is recommended to moderately allocate high-quality stocks and to remain flexible in responding to market changes. Close attention should be paid to central bank policy changes to adjust investment portfolios and ensure stability in a dynamic market environment.

## Emerging Market

In the past June, the MSCI Emerging Markets Index rose by 3.9%. Despite ongoing global economic uncertainties, investor risk appetite towards emerging markets has increased. The World Bank's report raised the global economic growth forecast to 2.6%, with China's forecast for this year being adjusted upwards to 4.8%. Meanwhile, the G7 countries announced a $50 billion loan plan for Ukraine, using the interest from frozen Russian assets to support a multi-year debt plan. President Putin stated that if Ukraine withdraws its troops, Russia would ceasefire and engage in peace talks, which has bolstered market expectations for a de-escalation of the situation.

Looking ahead, the investment outlook for emerging markets remains optimistic. Taiwan and South Korea stocks led the rise in the Asia-Pacific market, primarily benefiting from the performance of chip manufacturers and positive news related to artificial intelligence (AI). Under Prime Minister Modi's third term, India continues its policies, with a new fiscal budget to be released in late July, focusing on the Production Linked Incentive Scheme and infrastructure investment. Recent foreign capital inflows are expected to sustain the momentum, driving the Indian stock market to continue its upward trend.

In terms of investment strategy, it is advisable to consider increasing allocations to Taiwanese and South Korean tech stocks while continuously monitoring policy changes in India and their impact on the market. Additionally, maintain flexibility in responding to geopolitical risks and adjust investment portfolios timely to seize growth opportunities in emerging markets.

## Bond Market

The ICE BofA Global Corporate Bond Index rose by 0.3% over the past month. The yields on 10-year and 2-year U.S. Treasury bonds fell to 4.2% and 4.7%, respectively, as market expectations for Federal Reserve rate cuts increased. This was further supported by rising demand for safe-haven assets. The market anticipates that the Fed will cut rates twice in 2024, driving down Treasury yields. Additionally, demand for U.S. Treasuries has rebounded, with some traders re-entering the Treasury market and futures contract demand increasing.

Looking ahead, the Fed's delay in cutting rates provides investors with more time to lock in high yields. It is expected that U.S. Treasury yields are unlikely to rise significantly, and the potential for capital appreciation from rate cuts may emerge next year. Considering the resilience of the U.S. economy and the need for significant debt issuance due to the accumulating fiscal deficit, it is recommended to focus on medium-term bond allocations to capture opportunities from changes in the yield curve. Moreover, the spread between investment-grade and non-investment-grade corporate bonds has narrowed to long-term lows. If the economic outlook unexpectedly worsens, the low spreads may not offer sufficient buffer protection, highlighting the risk of high-yield bonds.

On the other hand, this year, Asian investment-grade and high-yield bonds have outperformed the global aggregate bond index and exhibited lower volatility. Therefore, increasing the allocation of these bonds in investment portfolios could help achieve more stable returns.

## Performance of major market indices (in Local Currency)

| Market Indices | 1m (%) | 3m (%) | 6m (%) | 1yr (%) | 3yr (%) | 5yr (%) |
|---|---|---|---|---|---|---|
| MSCI World Index | 2.2 | 2.6 | 12.5 | 19.5 | 21.6 | 66.6 |
| MSCI Emerging Markets Index | 3.9 | 5.3 | 9.6 | 12.7 | -12.1 | 16.1 |
| US S&P 500 Index | 3.5 | 3.9 | 14.5 | 22.7 | 27.1 | 85.6 |
| Europe STOXX 600 Index | -1.3 | -0.2 | 6.8 | 10.7 | 12.9 | 32.9 |
| Japan NIKKEI 225 Index | 2.9 | -2.0 | 18.3 | 19.3 | 37.5 | 86.1 |
| Korea KOSPI 200 Index | 6.1 | 1.9 | 5.4 | 9.1 | -15.1 | 31.3 |
| China CSI 300 Index | -3.3 | -3.7 | 0.9 | -9.9 | -33.7 | -9.5 |
| Hong Kong Hang Seng Index | -2.0 | 7.1 | 3.9 | -6.3 | -38.5 | -37.9 |

Source : FE Analytics, Data as of 30-6-2024

## 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.

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