Weekly Report

Global Equities

U.S. stocks closed lower on Friday as investors worried about more interest rate hikes and the Israel-Hamas conflict spreading

Review: U.S. stocks closed lower on Friday as investors worried about more interest rate hikes and the Israel-Hamas conflict spreading.

Outlook: Despite the Fed's persistent hawkish stance, forward indicators suggest that the peak of inflation is on the horizon. Consequently, we anticipate that the U.S. market may rebound as future rate hikes are likely to be less aggressive than initially anticipated, particularly with inflation reaching its peak.

European stocks closed lower on Friday as investors digested comments from U.S. monetary policymakers and worried about Israel-Hamas conflict escalation

Review: The MSCI Europe Index fell 3.45% last week as investors digested comments from U.S. monetary policymakers and worried about Israel-Hamas conflict escalation.

Outlook: Despite ECB President Christine Lagarde hinted a potential change in direction that could signify the peak has been reached, but she did not completely rule out further rate hikes if necessary. We belief that any prolonged pause at this peak rate will continue to weigh on the Eurozone economy.

China equities closed lower last week

Review: The Shanghai Composite Index fell by 3.40% last week, while Shenzhen Composite Index fell by 4.98% last week. This was mainly attributed to global concerns stemming from the escalation of the Israel-Hamas conflict.

Outlook: As inflation continued to rise moderately, this has left more room for PBOC to continued its easing monetary policies. In addition, China government pledge for more tax cuts and infrastructure spending to boost the economy. Therefore, we are cautiously optimistic on Chinese stocks in the near term.

Hang Seng Index fell last week

Review: Hang Seng Index fell 3.60% last week, primarily due to the global concerns stemming from the escalation of the Israel-Hamas conflict.

Outlook: Hong Kong's economy lost momentum in 2Q23. The GDP contracted by -1.3% on a sequential basis, following a sharp rebound in 1Q23. Several obstacles to the economic recovery persist, including slower growth in China, tighter financial conditions, and disruptions to global trade due to geopolitical tensions. We will continue to monitor the developments over the coming months.

Global Bonds

FTSE World Government Bond fell last week

Review: FTSE World Government Bond Index fell 0.89% last week.

Outlook: The big question that arises is whether the current trend of flight to safety is warranted. Although central banks are taking measures to tighten the economy due to concerns regarding inflation, the potential risks of a global economic slowdown and the ongoing conflict on Russia/Ukraine and Israel/Hamas could significantly disrupt the global economy. Investors should continue to closely monitor these developments over the coming months.

Both global high yield bond and EM bond fell last week

Review: The Bloomberg Barclays High Yield Bond Index recorded 0.85% losses, while Bloomberg Barclays EM USD Aggregate Total Return Index recorded 1.22% losses.

Outlook: We expect the market to continue to price in the timing of the Fed's tightening monetary policy, which will limit EM bond market's rise. Bonds with good fundamentals and short maturities will reduce portfolio volatility.

Weekly Report

Commodities

U.S. WTI crude rose 1.21% last week

Review: U.S. WTI rose 1.21% last week to US$86.90/bbl as increasing number of investors began to recognize the growing risk of supply shortages due to OPEC+ production cuts. Currently, investors remain very sensitized to demand-supply shifts and also to OPEC+ signals as the latter's output cuts can play a swing role in oil prices.

Outlook: While OPEC+ output cuts and geopolitical risks remain concerning factors that could potentially drive oil prices up again, the growing global recession fears exert downward pressure on oil prices too. Therefore, we maintain a neutral rating on crude oil.

Gold prices rose 2.51% last week

Review: Spot gold rose 2.51% last week to US$1,973.92/oz. While gold is considered an inflation hedge, higher interest rates lift the opportunity cost of holding zero-yield bullion. However, gold prices are expected to hold firm this quarter as investors seek refuge from recession and war risk.

Outlook: Gold can be used as a hedge against inflationary pressures and serve as a safe-haven asset amid investors grappled with uncertainty around the geopolitical tensions and global economic slowdown.

The Bloomberg commodity spot index rose last week

Review: The Bloomberg commodity spot index rose 0.50% last week, closing at 510.24.

Outlook: Inflation and geopolitical tensions continue to poses downside risks to the global economic recovery. Investors need to remain cautious and monitor the developments in the coming months.

Currencies

USD fell 0.46% last week

Review: The US Dollar Spot Index fell 0.46% last week despite evidence of U.S. economic resilience might lead to the possibility of interest rates remaining higher for an extended period. Furthermore, the market expects the Fed to raise its benchmark rate by another 25 basis points by the end of 2023.

Outlook: We believe there will be further weakness in the USD in the coming quarters, but the downward trajectory is far from straightforward. Although the fragility of global financial system has been exposed by recent banking crisis, but subsequent financial mishaps may once again trigger a funding squeeze in USD demand.

EUR rose against USD last week

Review: The EUR rose 0.17% against USD last week despite evidence of U.S. economic resilience might lead to the possibility of U.S. interest rates remaining higher for an extended period.

Outlook: Despite the ongoing energy crisis, the Eurozone economy has shown a surprising level of resilience in the last quarter. While the EUR is not impervious to changes in interest rate expectations, we anticipate that the ECB is likely to experience a less severe rate repricing compared to the Fed. Moreover, we expect inflation in the Eurozone to be more structural than in the US, which could prompt the ECB to maintain higher interest rates for a more extended period than the Fed. Therefore, we believe that the USD will continue to weaken against the EUR.

Weekly Report

Major market indexes

Index Name	Price	Return (Weekly)	Return (Monthly)	Return (Annual)	Return (YTD)	Return (3Y)	Return (5Y)	Return (10Y)
Hang Seng Composite	17172.13	-3.60	-4.90	5.93	-13.19	-31.09	-32.25	-26.35
Hang Seng China Enterprise	5871.71	-3.99	-6.24	6.42	-12.43	-42.01	-42.63	-44.88
Shanghai Composite	2958.24	-3.40	-5.56	-2.66	-4.24	-9.75	14.01	34.94
Shenzen Composite	1789.89	-4.98	-6.46	-9.00	-9.40	-18.66	37.65	66.32
Dow Jones Industrial	33127.28	-1.61	-2.46	6.58	-0.06	16.91	31.50	114.17
S&P 500	4224.16	-2.39	-2.22	12.56	10.02	21.90	54.13	140.74
NASDAQ COMPOSITE	12983.81	-3.16	-1.73	19.56	24.05	12.43	74.57	230.41
FTSE 100	7402.14	-2.60	-3.67	6.20	-0.67	26.31	6.43	10.55
DAX	14798.47	-2.56	-4.88	16.24	6.28	17.02	31.26	65.39
NIKKEI 225	31131.59	-3.27	-3.92	15.77	19.30	32.38	41.44	112.46

Source: Bloomberg 2023/10/20

Economic data

Country	Event	Previous	Forecast	Actual	Expectation
Australia	Unemployment Rate (September)	3.7%	3.7%	3.6%	Below
Japan	CPI YoY (September)	3.2%	3.0%	3.0%	On Par
China	Retail Sales YoY (September)	4.6%	4.9%	5.5%	Above
China	Industrial Production YoY (September)	4.5%	4.4%	4.5%	Above
Eurozone	CPI YoY (September)	4.3%	4.3%	4.3%	On Par
U.K.	CPI YoY (September)	6.7%	6.6%	6.7%	Above

Source: Bloomberg 2023/10/20

Bond/Forex

Bond Instrument	Price	Change(%)	Yield (%)
US Treasury 30Y	85.4296875	-5.00	5.08
US Treasury 10Y	91 31/32	-2.30	4.92
US Treasury 5Y	98 83/85	-0.86	4.86
US Treasury 2Y	99 55/64	0.06	5.08
US Tbill 3M	5.30	-0.65	5.46
China Govt Bond 10Y	98.41	-0.12	2.70
Japan Govt Bond 10Y	99.68	-0.73	0.84
German Bund 10Y	97.56	-1.23	2.89
UK Gilt 10Y	89.39	-1.95	4.67

Source: Bloomberg 2023/10/20

Currency	Price	Return (Weekly)	Return (Monthly)	Return (YTD)
USD/HKD	7.82	0.11	0.12	0.31
HKD/CNH	0.94	0.13	0.02	5.53
USD/CNH	7.33	0.25	0.15	5.85
USD/JPY	149.86	0.28	0.71	14.35
USD/CAD	1.37	0.76	1.94	1.19
GBP/USD	1.22	-0.54	-0.49	0.56
AUD/USD	0.63	-0.47	-1.74	-7.35
EUR/USD	1.06	0.17	-0.14	-1.19

Source: Bloomberg 2023/10/20