Weekly Report

Global Equities

U.S. stocks closed higher last Friday despite GOP negotiators halted ongoing debt ceiling negotiations

Review: U.S. stock indexes closed higher last Friday despite GOP negotiators halted ongoing debt ceiling negotiations, stoking doubt of a deal being reached soon.

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 slightly higher Friday as investors monitor U.S. debt ceiling talks and keeping an eye on the G7 summit in Japan

Review: The MSCI Europe Index rose 0.72% last week as investors monitor U.S. debt ceiling talks and keeping an eye on the G7 summit in Japan.

Outlook: Eurozone is still struggling with the aftermath of the Russia-Ukraine conflict. The continent has experienced substantial reductions in Russian gas supply, which has led to a surge in inflation and a negative impact on purchasing power. These challenges are expected to persist and pose downside risks to the region.

China equities rose last week

Review: The Shanghai Composite Index and Shenzhen Composite Index rose by 0.34% and 1.05% respectively last week. The upward movement was driven by shares associated with memory chips, semiconductors, and automotive chips, which led the gains.

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 more optimistic on Chinese stocks in the near term.

Hang Seng Index fell last week

Review: Hang Seng Index fell 0.90% last week as as investors monitor U.S. debt ceiling talks and keeping an eye on the G7 summit in Japan. In general, global funds are returning to Hong Kong’s stock market as China has scaled back its rigid COVID-19 rules.

Outlook: As PBOC eased its monetary policy and Hong Kong stocks are still trading at attractive valuation, we believe Hong Kong stock market will probably outperform other markets in the upcoming months.

Global Bonds

FTSE World Government Bond fell last week

Review: FTSE World Government Bond Index fell 1.64% 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 between Russia and Ukraine could significantly disrupt the global economy once again. Investors will continue to closely monitor these developments over the coming months.

Global high yield bond and EM bond fell last week

Review: The Bloomberg Barclays High Yield Bond Index recorded 0.64% losses, while Bloomberg Barclays EM USD Aggregate Total Return Index recorded 1.13% 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 2.16% last week

Review: U.S. WTI rose 2.16% last week to US$70.97/bbl. 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 amid the anticipated impact of the upcoming EU's embargo on Russian oil and also the G7 proposal to cap Russian seaborne oil prices.

Outlook: While supply disruptions and geopolitical risks remain concerning factors that could potentially drive oil prices up again, the growing global recession fears have started to exert significant downward pressure on oil prices. Therefore, we maintain a neutral rating on crude oil.

Gold prices fell 1.64% last week

Review: Spot gold fell 1.64% last week to US$1,977.13/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 fell last week

Review: The Bloomberg commodity spot index fell 0.11% last week, closing at 488.88.

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 rose 0.51% last week

Review: The US Dollar Spot Index rose 0.51% last week despite rates markets continue to believe that the Fed will be much more sensitive to the financial stability risks than inflation, and the Fed's aggressive monetary tightening cycle likely come to an end.

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 fell against USD last week

Review: The EUR fell 0.48% against USD last week despite maintaining a hawkish stance as compared to the Fed.

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	19527.04	-0.90	-2.73	-5.74	-1.29	-14.84	-37.48	-16.76
Hang Seng China Enterprise	6633.04	-1.04	-1.94	-6.85	-1.07	-29.64	-46.29	-40.51
Shanghai Composite	3288.74	0.34	-0.38	4.52	6.46	16.88	2.31	42.45
Shenzen Composite	2031.21	1.05	-1.69	2.40	2.81	15.91	9.49	97.05
Dow Jones Industrial	33426.63	0.38	-1.13	6.92	0.84	36.63	34.60	117.23
S&P 500	4191.98	1.65	1.41	7.45	9.18	41.84	53.87	151.14
NASDAQ COMPOSITE	12657.90	3.04	4.85	11.48	20.94	35.75	71.55	261.44
FTSE 100	7756.87	0.03	-1.99	4.96	4.09	29.43	-1.53	14.01
DAX	16275.38	2.27	2.48	16.40	16.89	46.97	23.58	92.10
NIKKEI 225	30792.56	4.83	7.80	15.16	18.00	51.03	34.11	100.30

Source: Bloomberg 2023/5/19

Economic data

Country	Event	Previous	Forecast	Actual	Expectation
Eurozone	CPI YoY (April)	7.0%	7.0%	7.0%	On Par
China	Industrial Production YoY (April)	3.9%	10.9%	5.6%	Below
China	Retail Sales YoY (April)	10.6%	21.9%	18.4%	Below
Japan	CPI YoY (April)	3.2%	3.5%	3.5%	On Par
Japan	PPI YoY (April)	7.2%	5.6%	5.8%	Above
Australia	Unemployment Rate (April)	3.5%	3.5%	3.7%	Above

Source : Bloomberg 2023/5/19

Bond/Forex

Bond Instrument	Price	Change(%)	Yield (%)
US Treasury 30Y	94.6640625	-1.49	3.93
US Treasury 10Y	97 33/65	-1.38	3.68
US Treasury 5Y	98 89/93	-1.21	3.73
US Treasury 2Y	99 3/11	-0.43	4.27
US Tbill 3M	5.11	2.34	5.24
China Govt Bond 10Y	101.40	-0.08	2.71
Japan Govt Bond 10Y	101.02	-0.06	0.39
German Bund 10Y	98.76	-1.25	2.44
UK Gilt 10Y	94.36	-1.67	3.95

Source: Bloomberg 2023/5/19

Currency	Price	Return (Weekly)	Return (Monthly)	Return (YTD)
USD/HKD	7.82	-0.24	-0.38	0.23
HKD/CNH	0.90	1.30	2.31	1.40
USD/CNH	7.02	1.07	1.87	1.61
USD/JPY	137.98	1.06	2.47	4.91
USD/CAD	1.35	0.19	-0.35	-0.45
GBP/USD	1.24	-0.53	-0.19	3.14
AUD/USD	0.67	-0.67	-0.61	-2.32
EUR/USD	1.08	-0.48	-2.03	1.09

Source: Bloomberg 2023/5/19