Weekly Report

Global Equities

U.S. stocks rose on Friday on strong tech earnings and the January jobs report came in much better than expected

Review: U.S. stocks closed lower on Friday on strong tech earnings and the January jobs report came in much better than expected.

Outlook: Despite the Fed reluctance to confirm the conclusion of the rate hike cycle, their agreement to 'proceeds carefully' with rate-setting implies little upside to US rates from here. As a result, we anticipate the U.S. market will remain robust, with the possibility of rate cuts in 2024.

European stocks closed higher on Friday as the Bank of England and the Fed kept rates steady, while strong tech stock earnings also played a role

Review: The MSCI Europe Index rose 0.05% last week as the Bank of England and the Fed kept rates steady, while strong tech stock earnings also played a role.

Outlook: To counter speculation about imminent interest rate cuts, the ECB emphasized its commitment to retaining borrowing costs at record highs, despite lower inflation projections. We believe that an extended pause at this peak rate will continue to exert pressure on the Eurozone economy.

China equities closed lower last week

Review: The Shanghai Composite Index and Shenzhen Composite Index fell by 6.19% and 11.10% last week, respectively. Chinese investors panicked on Friday as shares closed at five-year low, with no clear reason for the sharp swings. Traders speculated that forced sales by leveraged shareholders contributed to sudden market losses.

Outlook: While a soft rebound is expected for China's property sector, a return to normalcy is not yet foreseen. Persistent challenges include unfinished homes, local government debts, and geopolitical risks. While 2024 risks seem milder than 2023, we remain cautiously optimistic about Chinese stocks in the near term.

Hang Seng Index fell last week

Review: Hang Seng Index fell 2.62% last week, mainly attributed to losses in the China stock market and fears the Chinese government's efforts to bolster the economy are insufficient.

Outlook: 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 rose last week

Review: FTSE World Government Bond Index rose 0.37% 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 rose last week

Review: The Bloomberg Barclays High Yield Bond Index recorded 0.07% gains, while Bloomberg Barclays EM USD Aggregate Total Return Index recorded 0.70% gains.

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 fell 7.35% last week

Review: U.S. WTI fell 7.35% last week to US$72.46/bbl despite 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 1.05% last week

Review: Spot gold rose 1.05% last week to US$2,031.92/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 fell last week

Review: The Bloomberg commodity spot index fell 2.14% last week, closing at 468.63.

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 0.47% last week

Review: The US Dollar Spot Index rose 0.47% last week despite investors remained optimistic that the Fed would not raise interest rates further as the inflation is cooling.

Outlook: We believe there will be further weakness in the USD in the coming quarters, but the downward trajectory is far from straightforward. Despite 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 0.51% against USD last week despite investors remained optimistic that the Fed would not raise interest rates further as the inflation is cooling.

Outlook: 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	15510.42	-2.62	-6.20	-28.39	-9.02	-47.04	-44.59	-27.41
Hang Seng China Enterprise	5219.73	-2.64	-6.91	-29.34	-9.51	-54.85	-52.70	-45.12
Shanghai Composite	2680.48	-6.19	-8.49	-17.86	-9.90	-23.33	2.38	34.29
Shenzen Composite	1422.24	-11.10	-19.80	-34.26	-22.61	-39.03	8.57	37.96
Dow Jones Industrial	38654.42	1.43	3.17	13.94	2.56	24.10	52.11	150.27
S&P 500	4958.61	1.38	5.56	19.88	3.96	27.57	81.12	182.51
NASDAQ COMPOSITE	15628.95	1.12	7.61	30.17	4.11	12.79	111.14	287.67
FTSE 100	7615.54	-0.26	-0.96	-3.62	-1.52	17.35	6.10	18.08
DAX	16918.21	-0.25	1.95	9.32	0.99	20.36	48.82	85.35
NIKKEI 225	36323.47	1.14	8.83	32.04	8.54	26.21	74.26	158.12

Source: Bloomberg 2024/2/2

Economic data

Country	Event	Previous	Forecast	Actual	Expectation
Japan	Jobless Rate (January)	2.5%	2.5%	2.4%	Below
Japan	Retail Sales YoY (December)	5.3%	5.1%	2.1%	Below
South Korea	Industrial Production YoY (December)	5.3%	5.3%	6.2%	Above
Russia	Industrial Production YoY (December)	4.3%	3.6%	2.7%	Below
Vietnam	CPI YoY (January)	3.58%	3.30%	3.37%	Above
Brazil	Unemployment Rate (December)	7.5%	7.6%	7.4%	Below

Source： Bloomberg 2024/2/2

Bond/Forex

Bond Instrument	Price	Change(%)	Yield (%)
US Treasury 30Y	108.890625	2.50	4.22
US Treasury 10Y	103 53/64	0.99	4.02
US Treasury 5Y	100 2/27	-0.64	3.98
US Treasury 2Y	99 25/32	-0.27	4.37
US Tbill 3M	5.22	0.72	5.37
China Govt Bond 10Y	102.05	0.65	2.43
Japan Govt Bond 10Y	99.38	0.43	0.67
German Bund 10Y	100.48	0.56	2.15
UK Gilt 10Y	96.26	0.43	3.74

Source: Bloomberg 2024/2/2

Currency	Price	Return (Weekly)	Return (Monthly)	Return (YTD)
USD/HKD	7.82	0.12	0.14	0.14
HKD/CNH	0.92	0.22	0.50	1.06
USD/CNH	7.21	0.34	0.69	1.21
USD/JPY	148.38	0.64	2.63	5.25
USD/CAD	1.35	0.45	0.83	1.74
GBP/USD	1.26	-0.79	-0.88	-0.97
AUD/USD	0.65	-1.57	-3.07	-4.48
EUR/USD	1.08	-0.51	-1.51	-2.36

Source: Bloomberg 2024/2/2