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Equity – Strong start to 2023

- Global equities (FTSE All World) rallied in January, posting their best monthly gain since July 2022. Softer inflation prints across major markets and expectations of slower rate to have boosted investor sentiment in risk assets. S&P500 and Nasdaq increased 6.18% and 10.68%, respectively. MSCI EU and MSCI EM increased 7.85% and 6.72%, respectively. CSI300 Index and ChiNext increased 7.37% and 9.53%, respectively. HSI and HSCEI gained 10.42% and 10.74%, respectively.
- China's NBS PMI staged a significant rebound in January, attributable to a weak base in December and the subsiding impact from the first wave of COVID-19 infections after major loosening of pandemic controls last December. The improvements were broad-based, with both manufacturing and non-manufacturing returning to the expansionary territory. China's January NBS manufacturing PMI index gained from 47.0 to 50.1. The new orders PMI rose from 43.9 to 50.9. The non-manufacturing PMI surged to 54.4 due to a notable revival in service activities and still resilient construction activities. The services sector sub-index displayed a meaningful rebound as households recovered from the first wave and returned to outdoor venues to celebrate the holiday. Sectors most dependent on in-person interactions, such as retail, accommodation and catering, surged by more than 24pts compared with last December. On the whole, the normalization of economic activities, combined with the continued policy supports, will help the Chinese economy to stage a rebound to above 5% in 2023.

Index	Settle	Net Change (+/-%)		Valuation (2023)	
		MoM	YTD	PE	PB
DJIA	34,086.04	2.83%	2.83%	18.90	4.62
S&P 500	4,076.60	6.18%	6.18%	18.40	3.99
Nasdaq	11,584.55	10.68%	10.68%	29.23	4.75
Nikkei	27,327.11	4.72%	4.72%	18.52	1.63
FTSE100	7,771.70	4.29%	4.29%	10.00	1.56
CAC40	7,082.42	9.40%	9.40%	11.63	1.80
DAX	15,128.27	8.65%	8.65%	12.58	1.60
SHCOMP	3,255.67	5.39%	5.39%	12.25	1.36
CSI300	4,156.86	7.37%	7.37%	14.47	1.79
ChiNext	2,942.75	9.53%	9.53%	33.67	4.66
HSI	21,842.33	10.42%	10.42%	12.12	1.25
HSCEI	7,424.92	10.74%	10.74%	10.07	1.16
TWSE	15,265.20	7.98%	7.98%	11.45	2.03
KOSPI	2,425.08	8.44%	8.44%	10.52	0.95
JCI	6,839.34	-0.16%	-0.16%	14.44	1.85

Source: Bloomberg

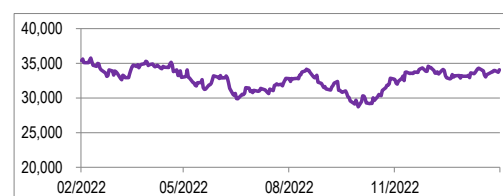


Fig. 1 One year performance of Dow Jones Index

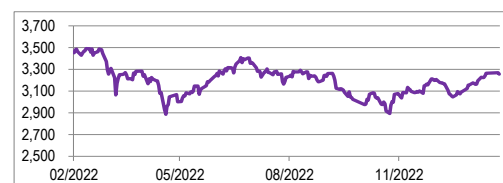


Fig. 2 One year performance of Shanghai Composite

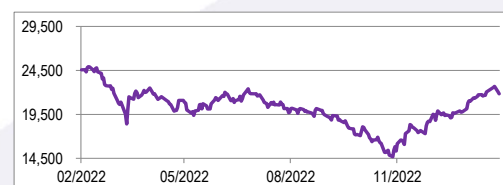


Fig. 3 One year performance of Hang Seng Index

Fixed Income – Developed market yields declined

- Global rates rallied at the start of the year. Despite the efforts of Fed officials, US Treasury yields declined throughout the month. Atlanta Fed President commented on the need for the Fed to work hard to control inflation. A tight labor market was indicated by a 53-year low in the unemployment rate, but slowing wage growth was seen as a potential sign of a Fed pause. Finally, the US-10-yr Treasury Yield ended the month by decreasing 37bp to 3.51%.
- The Eurozone had a month of ups and downs in January. German and French HICP showed disinflationary surprises and, coupled with easing recession fears, caused a rally in European rates markets. The 2Y and 10Y Bunds yields hit lows in mid Jan after a Bloomberg report saying a 25bp hike was gaining support, but hawkish rhetoric from the governing council pushed yields up. Finally, Euro 1-yr Government yield decreased 29bp to 2.29%. In UK, A tight labor market indicated a possible interest rate increase of 50 basis points in February, but weak economic indicators such as low retail sales and consumer confidence pointed towards a dovish outcome from the Bank of England's February meeting. Finally, 10Y gilt yield decreased 34bp to 3.67%.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	3.87%	3.37%	3.51%	-37	-37
US 30-yr Treasury Yield	3.96%	3.54%	3.63%	-33	-33
Euro 10-yr Govt Yield	2.44%	2.02%	2.29%	-29	-29
Japan 10-yr Govt Yield	0.53%	0.39%	0.50%	7	7
China 10-yr Govt Yield	2.93%	2.82%	2.90%	6	6

Source: Bloomberg

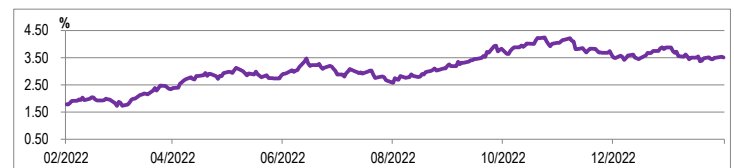


Fig. 4 One year performance of US 10-yr Treasury Yield

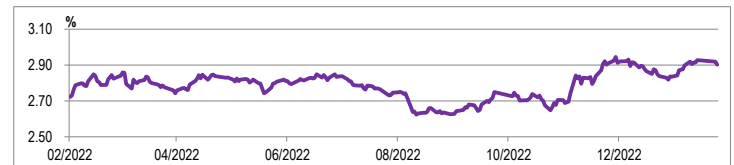


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Oil price fell and gold price rose

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	81.62	72.84	78.87	-1.73%	-1.73%
Brent Oil (bbl)	88.19	77.84	84.49	-1.65%	-1.65%
Gold Spot (oz)	1,946.11	1,832.89	1,928.36	5.72%	5.72%
CMX Silver (oz)	24.37	23.42	23.84	-0.85%	-0.85%
CMX Copper (lb)	426.75	374.05	422.60	10.90%	10.90%
LME Zinc (mt)	3,508.25	3,019.25	3,418.76	13.84%	13.84%
LME Aluminum (mt)	2,624.25	2,222.95	2,613.00	11.21%	11.21%

Source: Bloomberg

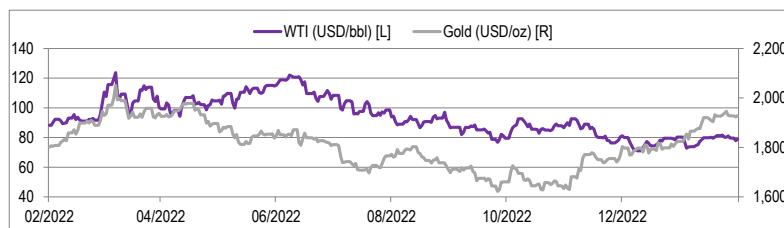


Fig. 6 One year performance of Oil and Gold Price

Oil prices dropped in early Jan due to COVID-19 cases in China and global economic concerns, but improved later in the month with easing COVID policy and slowing Fed rate hikes. The price rebounded after a 10% drop, but struggled to find direction at the end of the month as market awaits OPEC+ meeting and EU ban on Russia's oil. Finally, oil price fell 1.73% to US\$78.87/bbl at the end of the month.

Gold prices rose in Jan boosted by a weaker USD and an expected end to the Fed's tightening cycle. Gains were supported by a slowdown in US wage growth, which reduced pressure for rate hikes, and a decline in the USD and yields after US inflation data. Gold received further support from hawkish comments by the ECB and additional USD weakness, but retreated towards the end of the month due to better-than-expected US GDP data. Finally, gold price closed at 1928.36/oz, increased 5.72% MoM.

FX – USD weakened

- The rebound in risk sentiment continued at the beginning of the year, with the FX market reflecting “risk-on risk-off” (RORO) dynamics and expectations that the tightening cycle is close to an end. A rise in US stocks and a drop in US Treasury yields coincided with the USD weakness in January. Despite hawkish signals from Fed officials who maintained the “higher for longer” stance, the slowdown in inflation and positive outlook for the US economy painted by economic data took precedence. The DXY ultimately fell 1.38% in January.
- In the Eurozone, better than expected activity data and lower inflation fueled positivity during the past month. However, the euro lost some momentum after a report from Bloomberg that ECB may consider a 25bp hike in March. Despite hawkish remarks from ECB officials, the EUR-USD gained 1.48% in January. GBP’s performance was affected by challenging data in the UK, with a tight labor market suggesting a 50bp hike in February but weakness in other indicators indicating a dovish outcome. Strong wage growth, private sector pay, and higher than expected core inflation favored a hawkish outcome at the BoE’s February meeting. However, weak retail sales, consumer confidence, and PMI raised concerns about the UK economy before the BoE’s decision. Finally, GBP gained 1.96% against the USD in January.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	105.04	101.64	102.10	-1.38%	-1.38%
EUR / USD	1.092	1.052	1.086	1.48%	1.48%
USD / CNH	6.927	6.714	6.757	-2.39%	-2.39%
USD / JPY	133.4	127.9	130.1	-0.79%	-0.79%
GBP / USD	1.241	1.191	1.232	1.96%	1.96%
USD / CAD	1.367	1.331	1.331	-1.83%	-1.83%
AUD / USD	0.712	0.673	0.706	3.55%	3.55%
USD / CHF	0.936	0.916	0.916	-0.90%	-0.90%

Source: Bloomberg

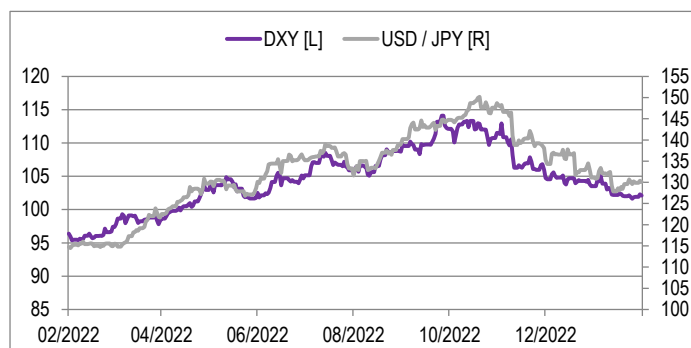


Fig. 7 One year performance of DXY and JPY

Economic Calendar (February 2023)

Monday	Tuesday	Wednesday	Thursday	Friday
		1 MBA Mortgage Applications ADP Employment Change Markit US Manufacturing PMI ISM Manufacturing	2 FOMC Rate Decision Initial Jobless Claims Factory Orders Durable Goods Orders	3 Change in Nonfarm Payrolls Unemployment Rate
6	7 Trade Balance	8 MBA Mortgage Applications	9 Initial Jobless Claims	10 U. of Mich. Sentiment
13	14 CPI MoM N/A	15 MBA Mortgage Applications Empire Manufacturing Retail Sales Advance MoM Industrial Production MoM	16 Housing Starts Initial Jobless Claims PPI Final Demand MoM	17 Leading Index
20	21 Markit US Manufacturing PMI Existing Home Sales	22 MBA Mortgage Applications	23 GDP Annualized QoQ Initial Jobless Claims	24 Personal Income Personal Spending New Home Sales U. of Mich. Sentiment
27 Durable Goods Orders	28 Chicago Purchasing Manager Conf. Board Consumer Confidence			

Source: Bloomberg