

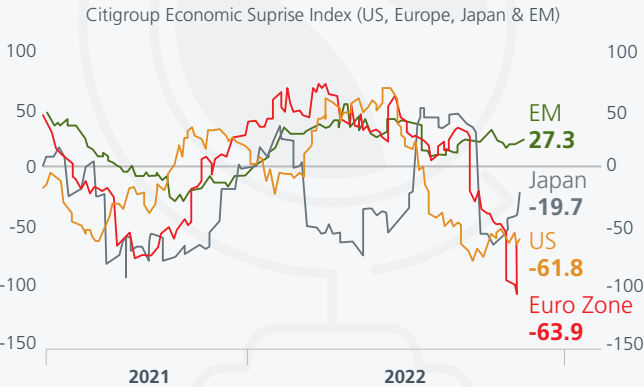
# Monthly Highlights August 2022

Global economic growth is projected to increase at a slower pace led by Developed Markets (DMs). The market outlook remains uncertain; a clear peak in inflation is needed for a sustainable equity rally.

## Macro: Emerging Markets' (EMs) economic data still meeting expectations

### Growth is slowing in DMs

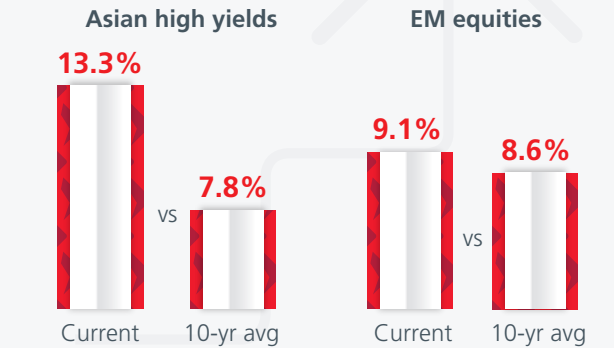
Economic indicators in the DMs are falling short of forecasters' expectations amidst surging inflation and flagging consumer confidence.



## Markets: High yielding assets look attractive while peaking inflation bodes well for an equity rebound

### Attractive yields in select asset classes

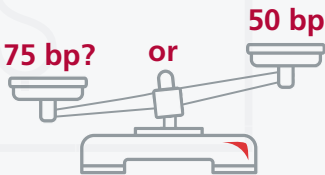
Across the asset classes, Asian high yield bonds are offering the highest yields followed by EM equities<sup>1</sup>.



## Tight US jobs market continues to push up wage costs

The reduced labour supply is a result of many (especially the 45-year-olds and older) having left the work force. The US Fed may have no choice but to continue **hiking rates aggressively** till wage inflation is contained.

September rate hike possibility:



## Balance sheets of EMs' non-financial corporates in good shape

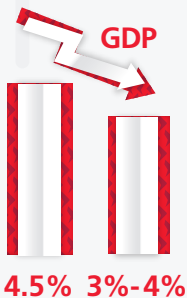
Healthy balance sheets of EMs' non-financial corporates strengthen the investment case for EM equities<sup>2</sup>.



## China signals strong efforts to shore up economy with surprise rate cuts

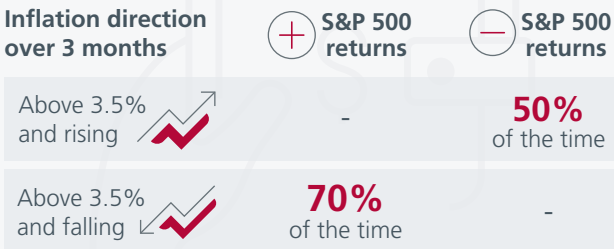


The COVID restrictions on consumption and the property sector crisis have weakened the Chinese economy. As a result, we have **lowered China's 2022 GDP growth expectations.**



## Peaking inflation historically has been good for equities

History suggests that when inflation falls from a level above 3.5%, it is time to buy equities<sup>3</sup>.



<sup>1</sup> Bonds: Nominal Yields, Equities : Earnings Yields, Refinitiv Datastream as at 13 Aug 2022  
<sup>2</sup> Refinitiv Datastream, Q3 2022 as at 23 August 2022  
<sup>3</sup> BCA Research on Inflation Regimes vs S&P 500 median 3 months return (1970-2022)