

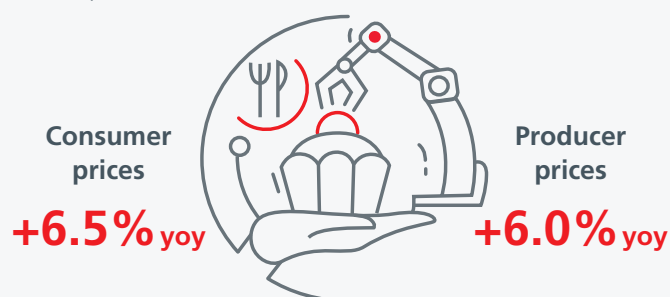
Monthly Highlights February 2023

Sticky inflation tempers rate cut expectations. Meanwhile, Emerging Markets see strong inflows.

Macro: Still high inflation fuels prospects of interest rate hikes

US inflation stays sticky

Food and energy prices keep inflation higher than expected.



Markets: Equity and bond markets take a breather following a strong January

US bond yields rise as investors pare back US rate cut expectations

Yet, there is scope for yields to trend lower over the longer term.



Source: Bloomberg. Month to date as of 28 February 2023.

Bank of Japan gets a new governor

If Kazuo Ueda starts to normalise monetary policy, cash rich Japanese companies may be able to ride out higher rates better.



% of non-financial companies that are net cash¹

Topix	56%
FTSE All-Share	21%
MSCI Euro	19%
S&P 500	14%

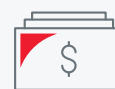
Source: CLSA. February 2023.

Pro-growth budget may revive sentiment towards Indian equities

Strong consumption growth, government-led structural reforms and infrastructure spending should benefit Indian equities.



Lowers personal income tax



Increases capital expenditure



Maintains fiscal consolidation

Chinese balloon incident raises US-China tensions

But investors remain optimistic about the Chinese economy.

90% of surveyed investors expect the Chinese economy to strengthen over the next 12 months²

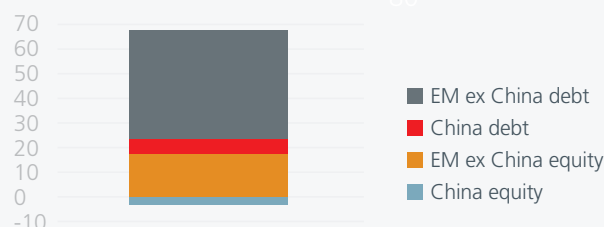


Inflows into Emerging Markets (EM) reach 2-year highs

EM ex China bonds attracted most inflows, followed by Chinese equities.



Non-resident portfolio flows into EM (January, USD bn)



Source: IIF. Non-resident portfolio flows are a subsection of overall net capital flows, which include all types of flows from both residents and non-residents covering portfolio flows, banking flows, direct investment, and other components of the financial account in a nation's balance of payment. February 2023.

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