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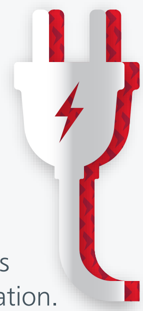
Monthly Highlights January 2023

Markets continue to rally on hopes that global growth will improve post China's reopening alongside easing global inflation.

Macro: Inflation continues to ease in US and Europe

Lower energy prices and improving supply chains cool inflation

CPI y/y	Nov 22	Dec 22
US	7.1%	6.5%
Eurozone	10.1%	9.2%



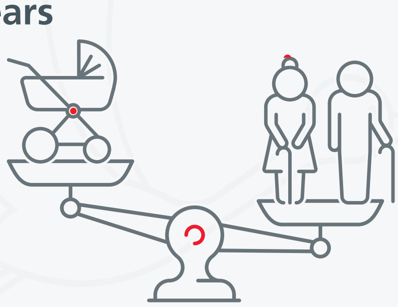
The fight against inflation is likely not over as China's reopening could push up global inflation.

Global business activity still weak despite recent uptick

Composite Purchasing Managers' Index[1]	DEC 2022	JAN 2023*
US	45.0	46.6
Eurozone	49.3	50.2
Australia	47.5	48.2
Japan	49.7	50.8

Risk of a global slowdown remains unless activity levels improve hereon.

China records first population decline in 60 years



Future growth to rely on higher productivity levels to offset the effects of a shrinking labour force and growing retired demographic.

Markets: Risk-on assets do well as sentiment recovers from the trough

Emerging market equities shine; Chinese equities rebound strongly[2]

MSCI EM **8.7%**

MSCI China **13.7%**

Investor optimism is on the rise as expectations of a global recession have fallen after peaking in November 2022[3]

Bonds post a strong start as US Treasury yields fall year-to-date[4]

	YTD	Q422
US 10-yr	-8.5%	1.3%
US 2-yr	-3.6%	4.5%

Expectations are for the US Federal Reserve to deliver a smaller 25 bps rate increase in this week's policy meeting.

US debt ceiling issue could disrupt markets in the run up to June 2023 deadline

A similar crisis caused the S&P 500 to decline by more than 16% in just over five weeks in July and early August 2011 till its resolution days before deadline.

Sources: [1]S&P Global and Refinitiv Datastream, *as at 24 January 2023. [2]MSCI data from Refinitiv Datastream as at 24 January 2023. [3]BAML January 2023 Fund Manager Survey. [4]As at 30 January 2023.

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