

Monthly Highlights October 2022

Growing recession fears dent risk appetites. Global and Asian equities are now fairly valued while Asian high yield credit spreads appear more attractive than the US given the easing monetary and fiscal policy in China.

Macro: Worsening global outlook amid tighter financial conditions

Signs of deteriorating global trade



Eroding consumer and business sentiment



Falling freight rates



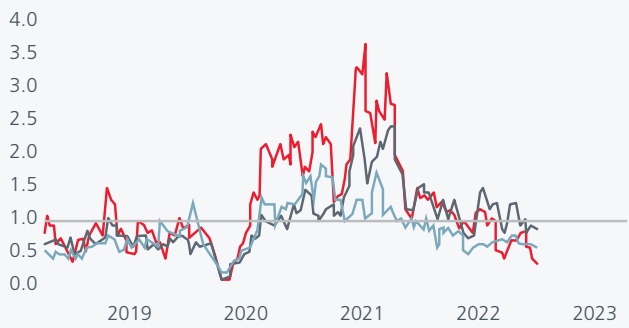
Declining export volumes seen in Korea and Taiwan*

*Korea: bellwether for global trade and technology
Taiwan: bellwether for technology demand.

Markets: Challenging month for EM assets amid soaring global yields and stronger USD

Equities' outlook remains bearish with earnings under pressure


Number of earnings upgrade/Number of earnings downgrades less than 1 suggest a peak in earnings²




Region	Ratio
US	0.35
Emerging Markets	0.61
Europe	0.85

China's 3Q GDP beats forecast


Quarter	GDP Growth
3Q	3.9%
2Q	0.4%




No meaningful property sales recovery despite policy support



but outlook is cloudy



Weakening global demand



No signs of easing of zero COVID policy

Value stocks cheap in both Developed and Emerging markets

Value/Growth discount³

Market	Discount
Developed Markets	26.2%
Emerging Markets	36.7%



US Fed to keep raising rates on tight labour market

Real disposable income y/y growth

-3%

versus

Nominal wage y/y growth¹


10%

Likely to be another 75bps hike in Nov.

Bonds to do better as global inflation likely to moderate in next 3-9 months

Asian high yield spreads appear more attractive than the US⁴

Asset Class	Spread
Asian high yield spreads	1,629 bps
US high yield spreads	488 bps



Sources: ¹Refinitiv Datastream as at 27 September 2022. ²Earnings revision ratio (weekly) data from MSCI indices from Refinitiv Datastream as at 26 October 2022. ³Based on MSCI World Value weighted to Broad Market Forward Price to Earnings (%) and MSCI EM Value Weighted to Broad Market Forward Price to Earnings (%) as at 26 September 2022. ⁴US HY Index and ICE BofA Asian Dollar High Yield Index – Option Adjusted Spread from Refinitiv Datastream as at 26 October 2022.

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