中信银行(国际)
CHINA CITIC BANK INTERNATIONAL

Key Takeaways for Investment Insights (Monthly) - March 2023

- After a series of strong economic data, the US dollar rebounded substantially in February. The latest released Personal Consumption Expenditures (PCE) index, the Fed's preferred inflation gauge, shows the US inflation has reaccelerated, which put fears of interest rates going higher and persisting longer to financial markets. The disinflation process probably need some more time to spread through the economy. Money markets are now pricing in Fed funds rate peak at 5.4% and almost zero chance of rate cuts until 2024.

  The question is whether that be enough for the dollar to rally again? It is believed that the trend of falling inflation remains intact and the dollar's recovery is likely to be a relatively short-term correction instead of a trend reversal. As interest-rate expectations level off, the US dollar will lose its shine.

- While Chinese government remains highly pro-growth, and this year's "two sessions" will provide more clarity on annual GDP growth target and policy measures to achieve it. Meanwhile, it is believed that the economy needs more stimulus even as the reopening and renormalization of China have continued to progress. This may lead to an upward shift to Chinese companies' earnings expectations.

- The Fed started to tighten monetary policies aggressively, triggering strong selloffs in both equity and fixed income markets last year. The bond market starts performing better as the market expects interest rates could gradually reach their peak this year. Meanwhile, the bond market has attracted money inflows during these period of time as bonds could provide more protection by paying yield regularly when the inflation remains high. Apart from fixed income, global equities and value stocks with lower multiples which pay higher dividend, could also be a good source of income.

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