Key Takeaways for Investment Insights (Monthly) - April 2023

- The banking turmoil strengthens the market's conviction that this round of interest rate hikes is approaching the end. More clarity on the Fed's monetary policy and stability in rates have bought flows back into fixed income. In addition to US treasuries, investment-grade bonds' attractiveness has been increased especially the yield spread widened on the back of declining treasury yields.

- The outlook for US dollar has deteriorated given market anticipating a Fed pivot. A weaker US dollar could help emerging markets and even the entire Asia economies attract more capital inflows. The RRR cut by PBoC not just signals the Chinese government's support to economic growth but also gives support to stock markets. Besides equities, Asian fixed income provides both higher yields and diversification to investment portfolios.

- Against the backdrop of rising recession risks in the U.S. and Europe, investors can take government bonds and investment-grade bonds into consideration of core portfolio. In terms of the stock market, some dividend-paying stocks with high cash levels and industries that are less affected by economic cycles (such as healthcare) are expected to have relatively stable prospects.

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