中信银行(国际)
CHINA CITIC BANK INTERNATIONAL

Key Takeaways for Investment Insights (Monthly) - May 2023

- The market is expecting the Fed's rate hike cycle to come to an end. However, the recent crisis in regional US banks has led to tighter credit standards in the industry. In addition, the influx of funds into money market funds has reached historic highs, which could lead to credit tightening and increase the risk of a US economic recession. At the same time, if the US is unable to raise the debt ceiling in time, the Treasury will not be able to issue any bills or bonds, which could cause US Treasury yields to rise, with shorter-term notes being more sensitive to changes. For fixed income strategy, it could be appropriate to increase duration slightly, and diversify to investment grade credits. As for global equity strategy, diversifying to the healthcare sector could be considered.

- Chinese stock markets corrected last month, dragging down the overall performance of Asian stock markets. However, China's policies are geared towards loose monetary policy, and some banks have lowered deposit interest rates, which not only alleviates the pressure of the continued narrowing of net interest margins of domestic banks but also helps to increase depositors' investment or consumption intentions, which is beneficial for China's financial markets. The recent pullback in Asian stock markets may provide opportunities for bargain hunting, particularly in sectors with higher dividend yields, such as domestic banks. In addition to dividends, the Asian bond market offers attractive yields and can help to control portfolio volatility.

- The EUR and GBP have outperformed in value against the USD since the beginning of the year. In fact, inflation in the Eurozone and UK is higher than that in the United States. The ECB and BOE may end their rate hiking cycles later than the Fed, which may create further upside for the EUR and GBP. However, the interest rate hike expectations may soften if inflation in the Eurozone and the UK starts to come down, that may post pressure on both EUR and GBP. On the other hand, the longer term outlook of AUD and CNH remain positive against the backdrop of the China recovery and the weakening USD.

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