Key Take Away for Investment Insights (Monthly) - Aug 2023

- In July there are few central banks that have raised interest rate, including US Fed, European Central Bank (ECB), and Bank of Canada (BOC). In Canada, although the year-on-year inflation rate has slowed down, local prices have continued to rise since the beginning of the year, similar to the US. In particular, the further relaxation of immigration policies in August will lead to a continued increase in population, which will drive demand and support prices. In addition, the price of oil has benefited from production cuts and improving demand, which is conducive to Canada, one of the major oil-producing countries. All these factors will help improve the outlook for the Canadian dollar.

- In terms of the stock market, the investors were worried that the increase in the US stock market was overly concentrated in few individual tech giants, but with the Nasdaq 100 index lowering the weight of seven major tech stocks, the situation may improve. In fact, with the latest earnings releases by US stocks, the healthcare and financial industries show signs of catching up. On the other hand, individual Asian stock markets have performed well since the beginning of the year, including Japan, Taiwan, South Korea, and India. The Indian stock market has benefited from demographic structure and technological development, which continue to attract foreign capital inflows. Overall, the slower rate hikes in the US and the weaker US dollar will help improve the outlook for Asian stock markets, and China's stock market also has the potential to catch up, especially since the July meeting held by the The Political Bureau of the Communist Party of China Central Committee that released positive signals to the market.

- In terms of the bond market, funds have continued to flow into investment-grade bonds in the US and Asia since the beginning of the year to lock in relatively high historical yields. In addition, the interest rate hike cycles of individual emerging markets peaked earlier than the US (the Brazilian central bank has temporarily paused rate hike since last September), and the slower pace of interest rate hikes in the US is conducive to emerging market bonds with more attractive yields. However, it should be noted that emerging market bonds are relatively more volatile and bond portfolios should be diversified.

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