Key Take Away for Investment Insights (Monthly) – Sep 2023

- The overall bond yields went up and this put pressure on bond prices. However, the central banks have started to slow down the pace of rate hike. It is expected that global inflation will gradually be brought under control, signaling the end of the rate hike cycle and benefiting bond investments. However, before the Fed decides to pause or lower interest rates, the interest rate market will continue to fluctuate. It is beneficial to diversify the overall bond portfolio across different regions, especially in markets where interest rate hikes have been paused or rate cuts have begun, such as Asia and specific emerging markets. This diversification will help mitigate interest rate risks. However, the debt issues in China's real estate sector are difficult to resolve in the short term, and investors need to guard against the negative impact of these issues on Chinese high-yield bonds and even the Asian high-yield bond market.

- For the stock market, with the increase in cost of capital and the reduction of excess market liquidity, there is still room for downward adjustment in the high-valuation sectors. This could potentially weigh on the overall US stock market. However, certain sectors such as energy and healthcare have shown contrary trends by rising over the past month. This highlights the importance of diversifying stock portfolios across different sectors and regions worldwide. Furthermore, both the Chinese and Hong Kong stock markets experienced declines in August, reaching their lows for the year. Nevertheless, considering the Chinese government's active support for the economy and capital markets, the current valuations of the Chinese and Hong Kong stock markets may present some long-term investment opportunities. However, it is important to note that the subdued market sentiment could still impact the overall market trend. When deploying investment strategies, it may be prudent to focus on sectors that benefit from supportive policies or have relatively reasonable valuations.

- For the FX market, individual European countries have experienced negative GDP growth. While Germany managed to narrowly emerge from recession in the second quarter, weak local exports and a rapid decline in the manufacturing sector have raised concerns about the overall economic outlook in the Eurozone. Conversely, data suggests that the US economy continues to exhibit resilience, leading the market to believe that the US economy may not enter a recession in the short term. As a result, the USD has shown relative strength, putting pressure on the EUR. Meanwhile, commodity currencies may face greater volatility in this environment.

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Important Note and Risk Disclosure Statement