

Subject: Considering the HK or US markets? Why not diversify into both?

Video highlights:

- **Recent Market Correction:** The adjustment in the US stock market was primarily driven by high-valuation stocks, which significantly impacted overall market performance. However, 8 out of 11 sectors have seen gains since the beginning of the year.
- **Sector Valuation Analysis:**
 - **Communication Services:** Valuations have declined below the 5-year average (around 18 times), showing the smallest year-to-date drop among the three sectors.
 - **Consumer Discretionary:** This sector's valuation has also fallen below the 5-year average, with the largest year-to-date decline.
 - **Information Technology:** While valuations have decreased, they remain historically high. This sector constitutes about one-third of the S&P 500, which could continue to affect the market negatively if further adjustments occur.
- **Earnings Growth:** US companies are still profitable, with 10 out of 11 S&P 500 sectors reporting earnings growth, and 7 sectors achieving double-digit growth. However, economic concerns due to tariffs and government layoffs suggest caution in concentrating investments in high-valuation stocks.
- **Hong Kong Market Outlook:** The recent NPC meeting indicated a clear signal for fiscal expansion, with the budget deficit projected to reach 4% of GDP. This includes broad fiscal stimulus covering various sectors like AI, technology, infrastructure, and real estate. With the expansionary fiscal policy and the easing of monetary policy working together, it should support the outlook for the Hong Kong stock market.
- **Valuation Concerns in Hong Kong:** The Hang Seng Index's forward P/E has exceeded the 5-year average (around 11.8 times). While not excessively high, further gains will depend on earnings support.
- **Investment Strategy:** Diversifying across different sectors within the US market, as well as including Asian equities and bonds, is recommended to manage overall portfolio volatility, particularly in response to potential fluctuations caused by US tariff policies.

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