

bct

BCT INVESTMENT ALERT

12 MAY 2022



MARKET VOLATILITIES? STAY CALM AND VIGILANT



VIEW ON LATEST MARKET CORRECTIONS AMID RATE HIKES

Performance in global equity and bond markets remained weak since the beginning of the second quarter*: S&P 500 Index and Hang Seng Index fell -11.7% and -10.7% respectively while FTSE World Government Bond index dropped -6.7%. The weak market conditions were mainly affected by the accelerated pace of interest rate hikes by the Federal Reserve (Fed) in response to high inflation and the downward revision of the global growth outlook for 2022.

Bond markets have swiftly priced in a faster U.S. rate hike cycle with futures currently implying a 2.70% increase in the Fed fund rate in 2022 (versus 0.75% hike so far) while upcoming inflation data in the U.S. could start to see moderation and temper the market's fear of more aggressive Fed tightening cycle.

Our central scenario remains global economic growth to converge to long-term trend in 2022 while the U.S. growth will outperform the rest of developed markets. Strong consumer spending and labour market in the U.S. economy lead us to believe that an U.S. recession is less likely.

In China, a simple extrapolation of Shanghai's lockdown further into the year might be too pessimistic. Activities outside of Shanghai have started to recover since early April, and there are also signs of a gradual reopening in May/June. May's politburo meeting called for the most concerted efforts to stabilise the economy since 2018.

MPF is a long term investment. We suggest members to review your investment goals, understand your risk tolerance level and invest according to the appropriate equity content level. BCT will continue to maintain a closed dialogue with fund managers and share investment updates regularly.

* Source: BCT, data as of 10 May 2022