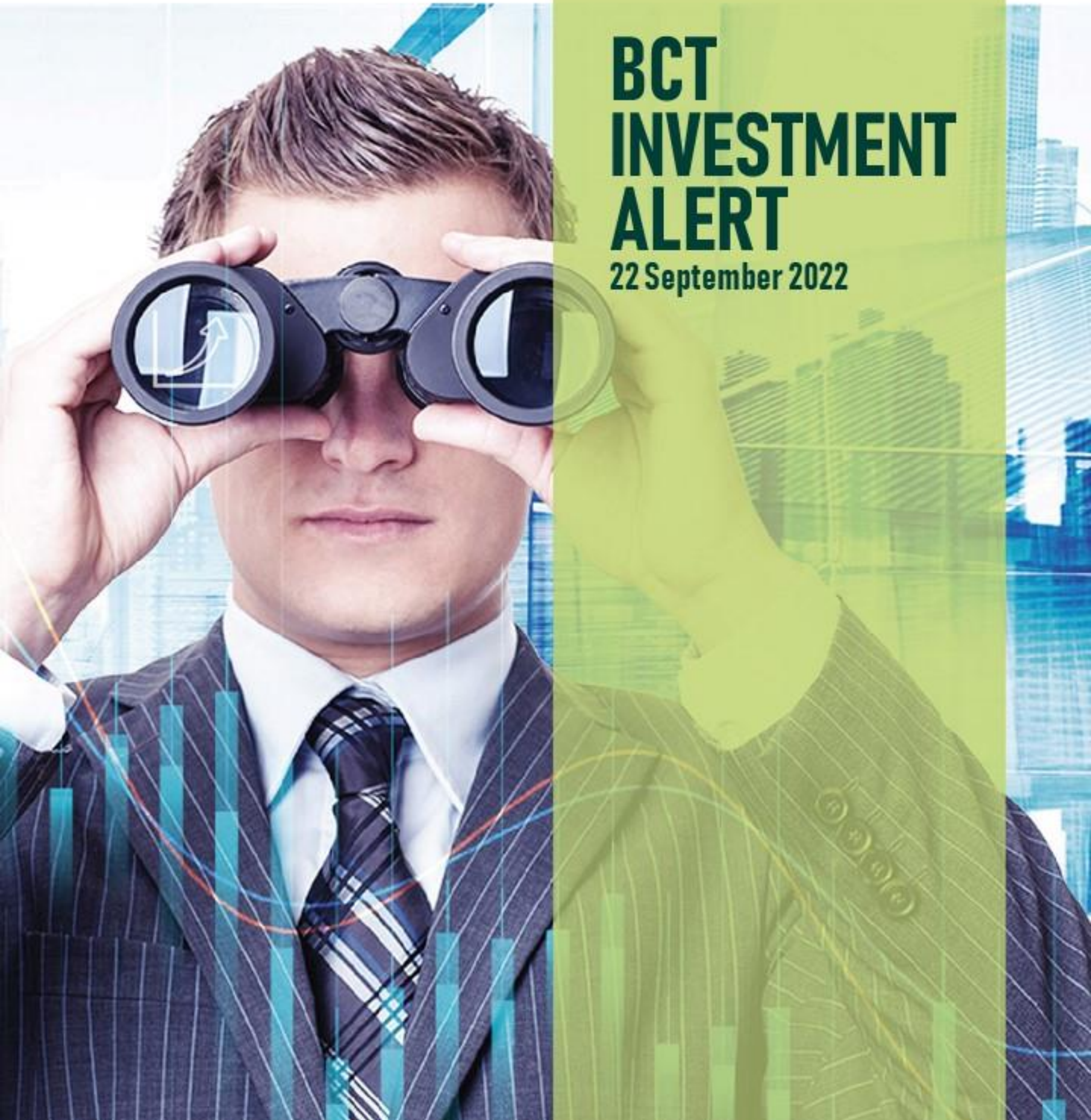
BCT INVESTMENT ALERT

22 September 2022



THE FED'S PRIORITY OF CURBING INFLATION OVER GROWTH CONTINUED

The FOMC raised the Fed funds rate by 0.75% to 3-3.25% on 21 September. This was the third 0.75% rate hike this year as the Fed saw core CPI acceleration in August. The 2-year Treasury bond yield currently at 4.0484%* has discounted another 1-1.25% rate hike for the remaining two meetings in 2022.

The International Monetary Fund further cut global economic growth forecasts in 2022 and 2023 to 3.2% and 2.9% in July respectively, citing rising risk of negative spillovers from the war in Ukraine, weakening global consumer confidence and tighter financial condition. As energy crisis deepens in Europe, the recession risk in EU countries and UK is rapidly rising.

The Chinese economy has experienced bumpy recovery pace in the last three months though the trend showed steady improvement on the government's measures to support housing demand, central bank's liquidity injection and easing regulation overhaul in internet companies. The market is expecting continuous improvement in the real economy in the fourth quarter.

Global equity and bond markets remain vulnerable to news flow in inflation data and rising global recession risk going into the fourth quarter so members should restrain from taking aggressive positioning in the near term. Our fund managers are looking for stabilisation sign of the Fed's rate hike cycle and easing COVID restriction policy in China before increasing allocation to risk assets.

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 21 September 2022