BCT INVESTMENT ALERT

3 November 2022

GLOBAL MARKETS STILL VULNERABLE TO CONTINUED FED HIKE AND RECESSION RISK

The FOMC raised the Fed funds rate by 0.75% to 3.75-4% on 2 November. This was the fourth 0.75% rate hike this year as the Fed saw core CPI staying above its long-term policy target. The 2-year Treasury bond yield currently at 4.62%* has discounted around another 1% rate hike for the coming six months.

The International Monetary Fund further cut 2023's global economic growth forecast to 2.7% in October, citing deepening concerns in the cost-of-living crisis, tightening financial conditions, Russia's invasion of Ukraine and lingering COVID-19 pandemic.

The Chinese economy posted 3.9% YoY GDP growth for the third quarter led by infrastructure investment while private consumption remained sluggish amid COVID restriction policy and housing market overhang. Economic growth would remain subpar in the coming two quarters given external demand challenge. The recent market weakness was triggered by investor disappointment in insufficient clarity of economic stimulus policy. Investors are looking for further guidance in the Central Economic Work Conference held in December.

Global markets remain vulnerable to news flow in the G7 inflation data and rising global recession risk going into 2023 so members should take prudent positioning in the near term. Our fund managers are still looking for stabilisation sign of the Fed's rate hike pace 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 2 November 2022