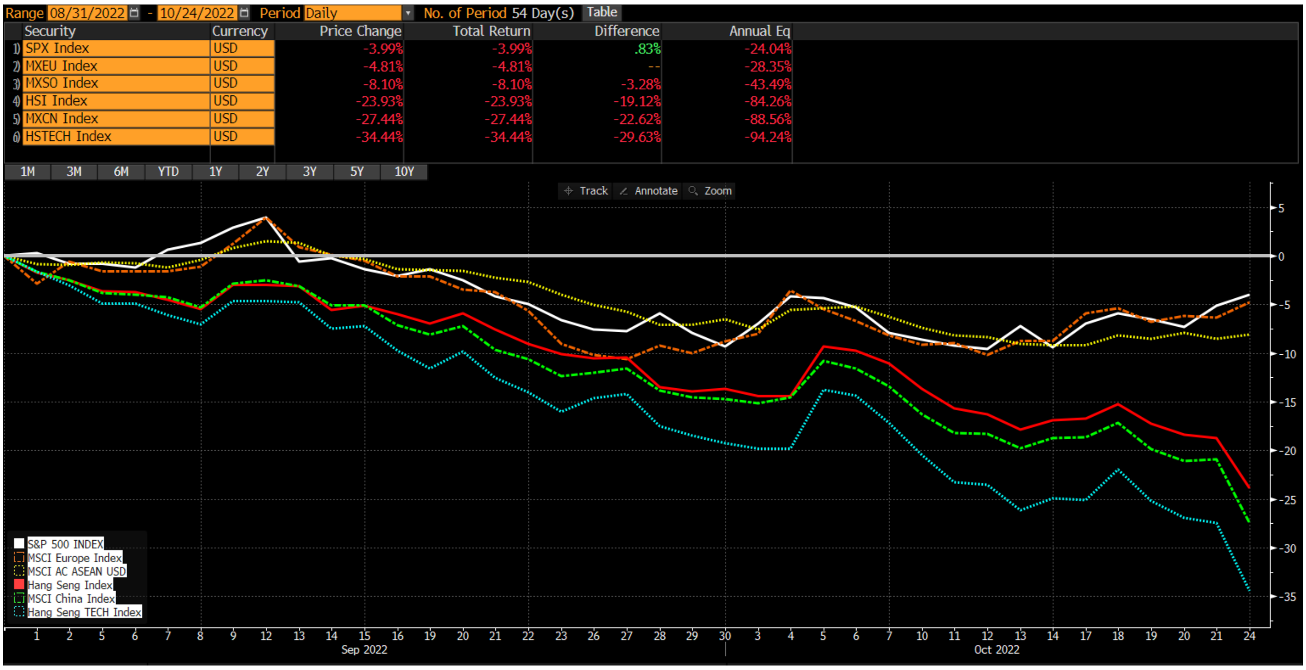
<u>Market Commentary – 2022.10.25</u>

Comments on notable macro developments:

- Economic-related:
    - Global economic activities, from manufacturing to services, have downshifted partially in response to rising interest rates as central banks attempt to clamp down on soaring inflation
    - Still, labor markets across most nations remain fairly robust despite companies began trimming excess payroll
    - As more and more countries recede on COVID-related restrictions, people are shifting away from goods consumption and towards services and entertainment, notably traveling. This results in lower demand for goods, including personal computers, and higher demand for flights and hotels
    - Moderating manufacturing/industrial activities has reduced demand for energy, as shown in lower prices of crude oil and natural gas, and industrial metals. Lower commodity prices are starting to trickle down to softer producer prices and hopefully onto consumer level
- Political-related:
    - Russia-Ukraine conflict is heading into the ninth month with no end in sight. Russia seems stepping up military effort and targeting power plants in major Ukrainian cities, while Ukraine forces are trying to reclaim Southern regions that have been recently annexed by Russia
    - US President Joe Biden has signed off on new restrictions on exporting sensitive American technologies, covering both equipment and personnel, to China. The widening rift sent tremors to a broad range of technology companies across the globe
    - China's once-every-five-year national congress has ended with President Xi Jinping securing an unprecedented third term
    - UK is having yet another new Prime Minister in the form of Rishi Sunak, after Liz Truss decided to resign after being in the role for only 45 days. It is widely expected the new government will endeavor to adopt more austerity policies in managing UK's public finances

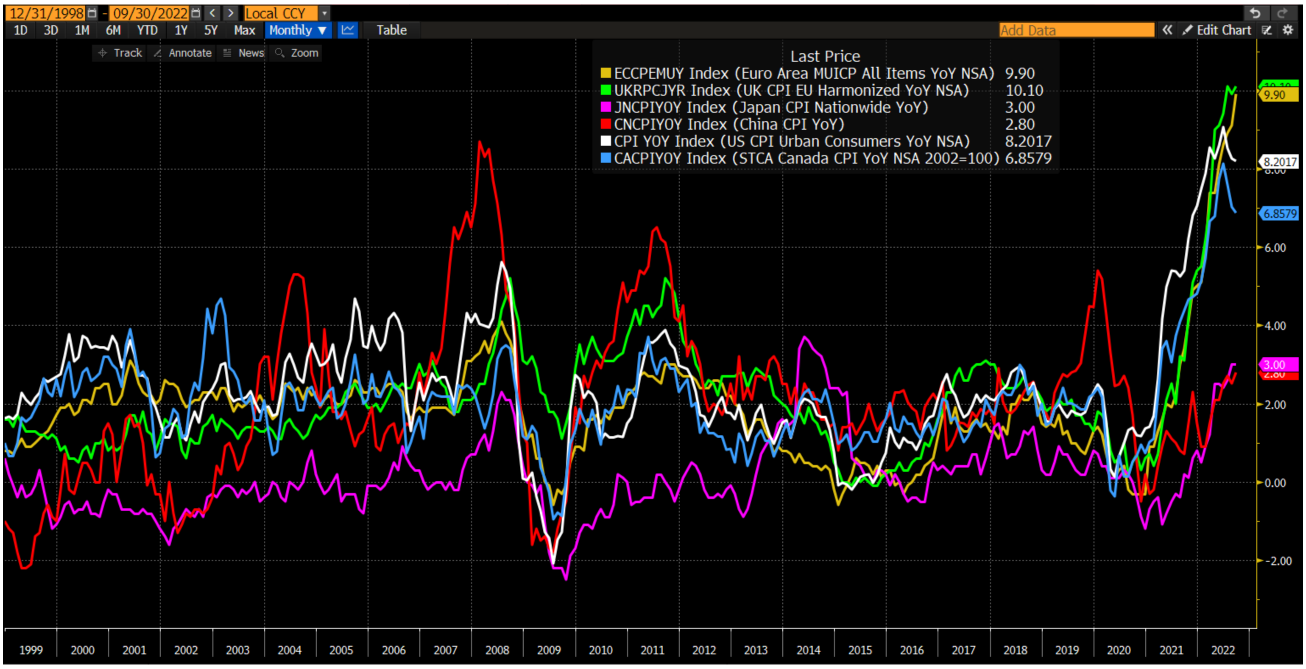
Chart 1 – Selected stock market benchmarks performance (in USD terms) from Aug 31 – Oct 24



It has been a brutal summer with most assets losing grounds against an ever-stronger US dollar with the Federal Reserve committed to taming stubborn inflation even at risk of sinking the economy into recession. The strong words and aggressive rate hikes have led to a rare unison bear market in equities, bonds and commodities. Widening interest rate spreads have also seen other major currencies sunken to multi-decade lows versus the US dollar. Meanwhile, rising costs of borrow has dampened investor interests in physical assets, such as properties, and speculative assets, including so-called meme stocks and cryptocurrencies.

During the month of October, some divergence began to appear across stock markets with US, Europe and South East Asia stabilizing and even rebounding. On the other hand, markets that are more dependent on the tech sector continued drifting lower. The plunge is particularly notable for non-profitable companies as investors lost patience, and confidence, that these companies could make it through the prevailing backdrop of slower economic growth and monetary tightening.

Chart 2 – Inflationary pressure remains stubbornly high among developed markets fueled by services-related items despite commodity/producer prices began moderating



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