

ALPHA

MONTHLY REVIEW

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04/23

April 2023 - Highlights

1. US banking crisis subdues as companies record positive Q1 earnings
2. ECB signals more rate hikes as UK inflation remains stagnant
3. China records 4.5% Q1 GDP growth as HK tourist numbers improve
4. BOJ announces surprise review of loose monetary policy
5. USD retreats as bond yields drop, WTI oil continues recent downtrend

Apr 2023 MoM Market Snapshot

DOW JONES	34,098	+ 2.5%
FTSE 100	7,870	+ 3.1%
HANG SENG	19,894	- 2.5%
WTI OIL	77.05	- 2.3%
GOLD	1,999	+ 0.7%
EUR / USD	1.110	+ 2.7%
US 10YR T-NOTE	3.42	- 0.04

02



FEATURES

- 2 US Markets Review
- 3 European Markets Review
- 4 Asian Pacific Markets Review
- 5 Commodities & Forex Review

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US Markets Review

DOW JONES	34,098	+ 2.5%
S&P 500	4,169	+ 1.5%
NASDAQ	12,226	+ 0.0%

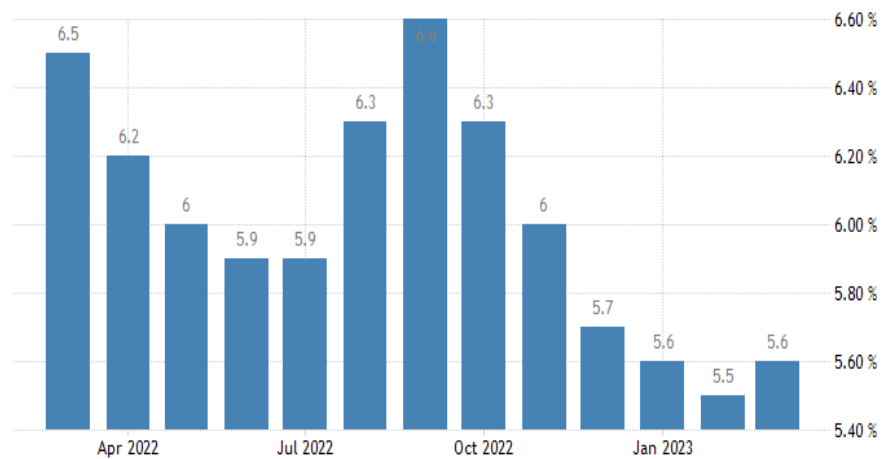
MoM Apr 23

Following on from last month's banking crisis, US markets were relatively stable this month amidst the release of a mixed bag of economic data. Inflation in the US fell by 1% in March, down sharply from 6% in February and below market expectations of 5.2%. However, core inflation rose by 5.6%, slightly above the 5.5% recorded in February, the first rebound after five consecutive months of decline, as the Fed emphasised that monetary policy will remain tight for "a considerable period of time" and "for much longer than the market expects". For the time being, US inflation remains well above the Fed's target range as the Fed is expected to raise rates by 0.25% in May. The Dow Jones index rose 2.5% to close at 34,098; the S&P500 index rose 1.5% to close at 4,169; and the NASDAQ index recorded virtually no gains or losses to close at 12,226.

Total retail sales in the US rose by an annualized 2.9% in March, significantly lower than the 5.8% increase in February and below market expectations of 3.2%, the lowest increase since mid-2020. The figures show that while most goods consumption in absolute terms fell sharply, service consumption, which had been subdued earlier, continued to

January non-farm payrolls recorded the highest increase half a year, shocking US markets

US Core Inflation Mar 2022 - Mar 2023



rise, suggesting that the recovery of the US service sector is firmly underway. Moreover, a number of US companies released their financial results for Q1 of the year, with the banking sector's performance over the past quarter being the most interesting to the market. Despite the turmoil in the US banking system over the past month, most of the banking giants, including JP Morgan Chase, Citibank and Bank of America, all reported strong Q1 results this month. Many banks reported higher than expected growth in lending revenue, driven by widening net interest rate spreads amidst the Fed's rate hikes. The results also showed that a large number of depositors shifted their deposits to safer banks in the wake of the crisis

at regional banks, allowing banking giants such as JP Morgan Chase to reap the benefits of the crisis at regional banks as they reported an increase in total deposits in Q1.

On the other hand, a number of US technology giants including Microsoft, Google, Meta, Netflix, Amazon and others also reported strong Q1 results, with revenues and earnings averaging better than expected. On a macro level, despite the Fed's fastest ever interest rate hike in US history in the recent year, the financial results of major US companies remained relatively strong on a quarterly basis, and this quarter was no exception, clearly boosting investor risk sentiment and driving the market higher again.

European Markets Review

FTSE 100	7,870	+ 3.1%
DAX	15,922	+ 1.9%
CAC 40	7,491	+ 2.3%
STOXX 600	466	+ 2.0%

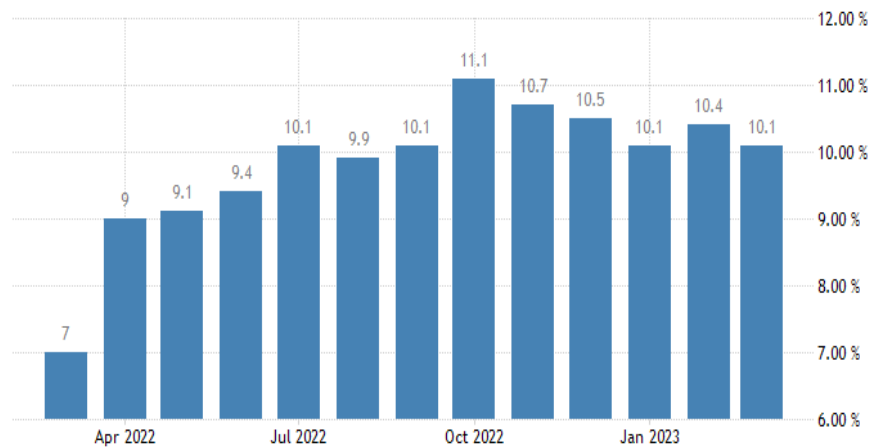
MoM Apr 23

ECB officials continued with more hawkish commentary this month with the Deputy Governor stating that recent core inflationary pressures in the Eurozone have been stronger than expected, predicting another 0.5% rate hike in May. However, the Eurozone's annual inflation data for March was a positive surprise, coming in at 6.9%, below market expectations of 7.1% and showing signs of a significant slowdown from February's 8.5%. Nevertheless, like the US, core inflation rose to a new record high of 5.7%. European companies also reported generally positive Q1 earnings this month, with many citing the lifting of the China's Zero-Covid policies should help to expand revenue forecasts for the current year. The STOXX600 index touched a near 14-month high this month, rising 2% to close at 466.

While inflation in Europe showed signs of a downturn, inflation in the UK remained stubbornly strong. Although lower than the 10.4% recorded in February, the 10.1% rate of inflation in March was still higher than the 9.8% forecast, marking the seventh consecutive month of inflation above the 10% level. In addition, core inflation came in at 6.2% for March, remaining at the record high set in February. The data has reduced the chances of

Inflation in the EU shows no signs of slowdown as continues its soaring trajectory in the year

UK Inflation Mar 2022 - Mar 2023



the Bank of England suspending rate hikes in the near term, and the market is now projecting that rates will rise by 0.5% in both the May and June meetings. The FTSE 100 index rose 3.1% to end the month at 7,870.

Germany's economic ministry surprisingly adjusted its economic outlook this month as industrial production, and the underlying business environment all point to a stronger economic recovery this year, raising its 2023 GDP growth forecast from 0.2% to 0.4%. Inflation expectations for 2023 were to 5.9% and 2.7% from 6.6% and 3% respectively for 2023 and 2024. However, the ZEW economic sentiment Index continued its recent downward trend in April,

falling to 4.1, below expectations of 15.3, as companies remain relatively pessimistic. The DAX index grew 1.9% to close at 15,922 this month.

France's inflation statistics for March continued its downward trend, coming in at 5.7%, significantly lower than the 6.3% recorded in February but still above market expectations of 5.6%. Of particular concern is the rising price of food, the severity of which has prompted the government to negotiate prices with food manufacturers this month, in addition to the ongoing unrest sparked by the government's decision to raise the retirement age, which has now persisted for 2 months. The CAC 40 index ended the month at 7,491, up 2.3%.

Asian Pacific Markets Review

HANG SENG	19,894	- 2.5%
SSE	3,323	+ 1.6%
TAIEX	15,579	- 1.8%
NIKKEI	28,856	+ 2.9%

MoM Apr 23

China reported further positive economic data this month, with GDP growth of 4.5% in Q1, higher than the 4% expected and significantly higher than the 2.9% recorded in Q4 of last year. In addition, retail sales posted a stunning 10.6% annualized growth in March, well ahead of market expectations of 7.4% and the 3.5% growth in February, with service sector related food and beverage revenues rising by an impressive 26.3%. On the other hand, local trade data released this month showed that China's total exports rebounded to 0.5% in Q1, a significant recovery from the -6.8% decline in the previous quarter. The improvement exceeded market expectations and showed a clear recovery in local production capacity following the elimination of the Covid Zero policy. The Shanghai Composite Index (SSE), up 0.7%, ending the month at 3,279.

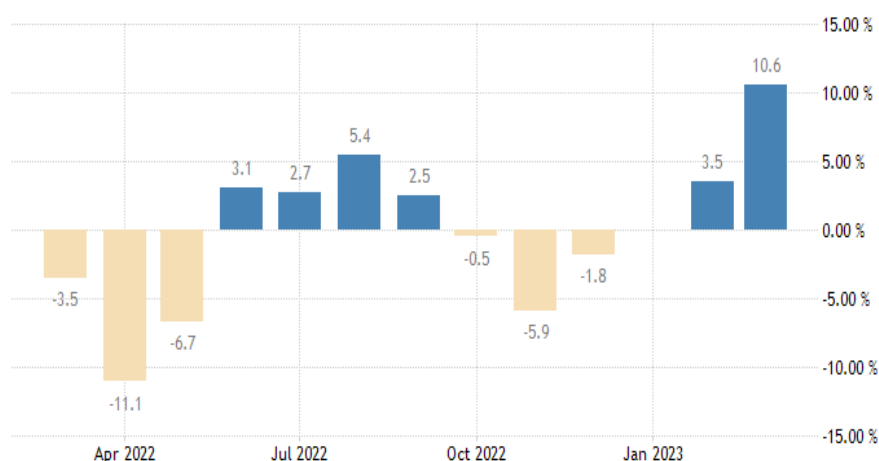
The Hong Kong Immigration Department announced this month that between January and March this year, global arrivals to Hong Kong exceeded 3.75 million, with Mainland China accounting for more than 75%, an increase of up to three times compared to the same period last year, as the May 1 holiday period is expected to push tourism

activity to its peak. Furthermore, Hong Kong's seasonally adjusted unemployment rate for January to March this year was 3.1%, marking the eleventh consecutive month of decline, bringing the rate back down to mid-2019 levels. However, trade performance still leaves much to be desired, with the value of total exports and imports falling by 1.5% and 0.6% in March, below market expectations of 0.1% and 2.5% growth respectively. Exports have now fallen for eleven consecutive months, while imports have also fallen for nine consecutive months, although the rate of decline has slowed considerably compared to the previous period. The Hang Seng Index dropped below the 20,000 mark again at the end of the month to close at 19,859, down 2.1%.

The Japanese government announced earlier this month that it would impose export controls on 23 types of semiconductor manufacturing equipment, following the lead of the US in targeting China's development of semiconductors, worsening Sino-Japanese relations. In addition, the Bank of Japan issued an official statement at the end of the month, unexpectedly stating that it would "review and assess" its long-standing monetary easing policy, but that it would continue to maintain a negative rate policy in the short term. The central bank also released its quarterly outlook, projecting higher economic growth than expected, but raised its inflation forecast for the year to 2-2.5% from 1.5-2%. The Nikkei index rose 0.4% to end the month at 27,445.

China recorded immense retail sales growth in March, as the upswing in retail sentiment persists

China Retail Sales Annualized Growth % - Mar 2022 - Mar 2023



Commodities and Forex Review

GOLD	1,999	+ 0.7%
SILVER	20.79	+ 4.9%
WTI OIL	77.05	- 2.3%
EUR / USD	1.110	+ 2.7%
USD / JPY	136.4	+ 2.7%

MoM Apr 23

The minutes of the Fed's March meeting released this month show that the banking crisis has increased uncertainty in the economy and many officials have lowered their expectations interest rate hikes in the US. In addition, central banks around the world, such as Canada, Australia, India and South Korea, have suspended rate hikes in recent months, reinforcing investors' belief that the Fed is nearing the end of its rate hike cycle as the 10 year US bond yield fell to 3.3%, its lowest level this year. Although this subsequently reversed as US employment data was released, it inevitably weighed on the US dollar's movement as the DXY index fell below its February low to touch 101 again, ending the month at 102.5, down 5%. This also led to gains in non-US currencies such as the Japanese yen and the Euro, with EUR/USD ending the month at 1.11, up 2.7% and the USD/JPY ending the month at 136.40, up 2.7%.

However, the focus of the foreign exchange market this month was not on the temporary fluctuations of individual currencies, but on the projection that recent agreements between China and various countries around the world will directly threaten the US dollar's position as the world's

reserve currency. From China's recent efforts to bring Saudi Arabia and Iran together after seven years of broken relations, to the announcement of two major investments in China by Saudi Aramco and the possible discussion of using the Yuan to settle oil purchases directly, all directly challenge the US dollar's position on the global stage. However, with the US dollar still holding over 50% of the world's foreign exchange reserves, compared to just 3% for the Yuan, it is still too early to say if the Yuan will overtake the US dollar as the global reserve currency in the near future, but there is no denying that the influence of the Yuan is quietly expanding globally.

In the crude oil market, OPEC+ unexpectedly announced a production

cuts earlier this month, which led to the three global energy agencies (EIA/IEA/OPEC) lowering their crude oil supply budgets, sending prices up for a short period of time, which was eventually offset by expected production increases from non-OPEC countries. However, current core inflation figures for both the US and Europe remain higher than market expectations, increasing the likelihood that the Fed and the ECB will continue to push interest rates higher, indirectly lowering the outlook for crude oil demand as investors reassess recessionary fears. On the other hand, the EIA and IEA also indicated that global crude oil demand growth would slow for 2023, driving prices down significantly as the WTI closed at 77.0, down 2.3% for the month.

WTI Oil has been relatively stagnant this year ever since the end of a rocky 2022



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