INVESTMENT INSIGHT APR 2024

Investment Services Department

Altruist®

Altruist Financial Group Limited
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A BRIEF REVIEW OF THE INVESTMENT MARKETS IN 2024 Q1

Global bond and stock markets performed well in the first quarter. Investor sentiment on possible interest rate cuts by major central banks has fluctuated between optimism and pessimism. The overall market performed well, driven by improving economic indicators and loose monetary policy. However, uncertainties surrounding central bank actions will continue to impact investor sentiment, leading to increased volatility going forward. Factors such as geopolitical tensions and the U.S. presidential election can also cause market volatility.

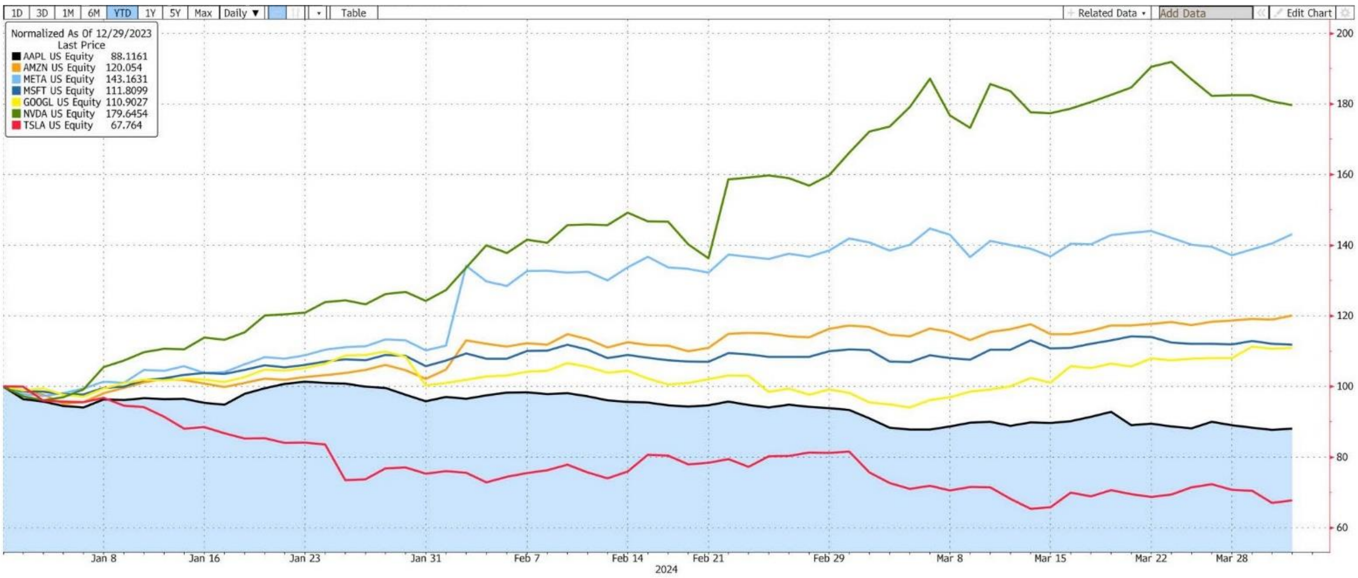
EQUITIES

Since the beginning of this year, all major U.S. stock indexes have climbed strongly, with Nasdaq Composite and S&P 500 indexes leading the gains, both rising over 10%. Despite sharp rises in interest rates, stagflation fears and heightened geopolitics, the bull market continues to climb amid worrying conditions.

Initially, markets rose on expectations that the Federal Reserve would start reducing interest rates shortly. Investors anticipate that this will begin to reduce borrowing rates, stimulate consumer activity, and make yields on stock alternatives such as money market funds less appealing. However, by the first quarter of 2024, US economic indicators remained strong. Inflation was above 3%, and expectations for Fed rate reduction have decreased - from seven members expected 175 basis point cuts at the start of the year to three members expected 75 basis point cuts by the end of 2024 in March.

U.S. stocks were mainly driven by Magnificent 7 (Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia, and Tesla) this quarter. The Magnificent 7 returned 17% in the first quarter, although we're starting to see some divergence in their returns. Nvidia continued to benefit from its focus on artificial intelligence, posting better-than-expected quarterly results amid already high expectations for revenue and net income. The maker of artificial intelligence chips is up 82% this quarter and up 225% last year. Tesla is the Magnificent 7's worst performer recently, with shares down 29% for the quarter and more than 50% off its 2021 highs. Apple shares also fell about 7% in the first quarter.

EXHIBIT 1: Magnificent 7 are falling apart in 2024 Q1



Source: Bloomberg (as at 04/04/2024)

Some European market indexes such as France's CAC 40 hit record highs, but the European stock market as a whole continues to lag behind the United States and Japan. Excluding the United Kingdom, the return rate of the MSCI Europe Index was 9.7%. European stocks ended the quarter higher, largely as investors worried about the risks of concentration in the U.S. market and lower valuatons of European stocks. UK equities lagged most of their world peers with the FTSE All-Share rising just 3.6% since the beginning of the year. The UK market suffered due to its value bias, as well as from the poor performance of the UK economy which was confirmed to have fallen into a technical recession in the last six months of 2023.

EXHIBIT 2: European stocks near all-time highs

Source: Bloomberg (as at 04/04/2024)

Japan was once again the best performing market this quarter. The Topix rose 18.1% and Nikkei 225 rose 21.43% in the first three months of the year despite the Bank of Japan normalizing monetary policy starting in March. The central bank of Japan announced the end of purchases of real estate investment trusts and stock exchange-traded funds, as well as controls on the yield curve and negative interest rate policies.

EXHIBIT 3: Japanese market eclipsing a record that had stood for over three decades

Source: Bloomberg (as at 04/04/2024)

Since the beginning of this year, the Shanghai Stock Exchange and Shenzhen Stock Exchange have witnessed the improvement of China's stock market, but the performance of listed technology companies on the Science and Technology Innovation 50 Index and the GEM Index has fluctuated greatly, currently down 2.69% and 11.18% respectively. Chinese concept stocks and Hong Kong stocks also performed poorly. The Hang Seng Technology Index and the Hang Seng Index fell 8.06% and 1.89% respectively this quarter. The Nasdaq Golden Dragon China Index, which measures the performance of Chinese concept stocks, fell 3.44%.

Although most of the important stocks in the Hang Seng Index rose in this quarter, with Tencent (700.HK) up 4.80% and Meituan (3690.HK) up 20.54%, the overall index still showed a downward trend. The main reason for the poor performance of the index may be the impact of AIA (1299.HK) with a weight of 7% and Alibaba (9988.HK) with a weight of 8%, which fell 7.16% and 22.29% respectively.

EXHIBIT 4: Chinese stock market begins to turn a corner

Source: Bloomberg (as at 04/04/2024)

TABLE 1: Global Stock Markets Performance (% In local currency)

Indexes	2024 Q1	2023 Q4	2023
S&P 500	10.55	11.68	26.26
Nasdaq Composite	9.32	13.84	44.70
STOXX Europe 600	7.85	6.78	16.64
DAX	10.39	8.87	20.31
CAC 40	9.04	5.93	20.10
Nikkei 225	21.43	5.16	30.90
Hong Kong Hang Seng	-2.52	-3.90	-10.46
Hang Seng China Enterprises	0.75	-6.03	-10.74
Shanghai Stock Exchange Composite	2.24	-4.22	-1.04
Shanghai Shenzhen CSI 300	3.10	-6.81	-9.14
Singapore Straits Times	0.05	1.37	4.74
Korea KOSPI	4.02	7.75	19.60
Taiwan TWSE	13.50	9.82	31.34
India SENSEX	2.10	9.96	20.33
Indonesia JCI	1.59	5.11	10.50
Thailand SET	-1.62	-3.44	-12.65
Russia RTS	5.72	9.40	18.77
Brazil IBOV	-4.53	15.12	22.28
S&P Pan Arab Composite	1.73	6.28	10.14
MSCI World	9.01	11.53	24.44

Source: Bloomberg (as at 04/04/2024)

FIXED INCOMES

The Bloomberg Global Aggregate Index dropped 2.1% in fixed income markets last quarter as rates rose in response to stronger-than-expected US inflation statistics in both January and February.

Countries with higher European government bond yields, such as Italy (+0.8%), outperformed Germany (-1.0%). European government bonds have returned -0.6% overall, while U.S. Treasuries have returned -1.0%. The Bank of England kept its forward guidance, emphasizing that policy must "remain restrictive for sufficiently long" in order to bring inflation back to goal, which is why UK Gilts continued to trail (-1.8%).

Because of the looser financial market circumstances and lower interest rate sensitivity, high yield credit performed better than investment grade credit in the first quarter of the year. The Global Investment Grade Index finished the quarter with negative returns of -0.8%, while the European and US high yield indices reported returns of 1.6% and 1.5%, respectively. At the same time, emerging market debt increased 1.4% as the impact of the strengthening US currency on the asset class was offset by high real yields.

EXHIBIT 5: High yield bond outperformed while short-term U.S. treasury bill stayed steady

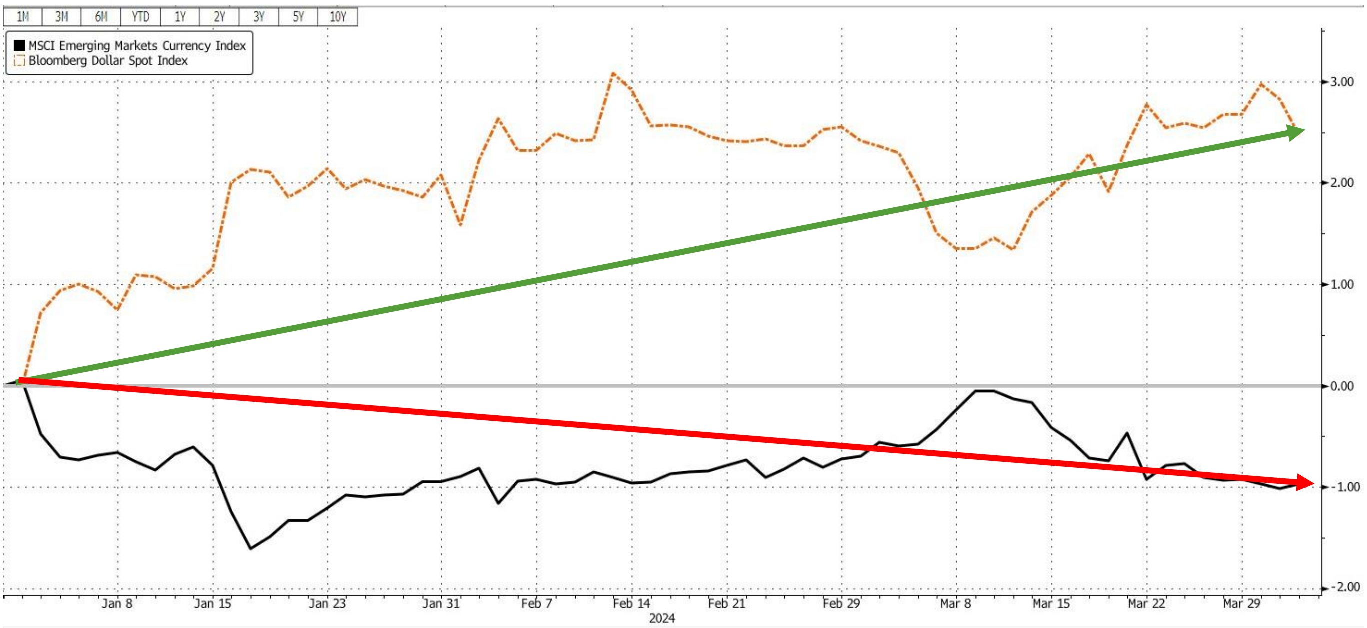
Source: Bloomberg (as at 04/04/2024)

CURRENCIES

In the currency markets, the reduction in expectations of rate cuts by the Federal Reserve has resulted in the US dollar gaining strength once again. This has been reflected in the performance of the dollar index, which measures the value of the greenback against other major currencies. By the end of the quarter, the dollar index has risen by almost 3%. The Japanese yen has been trading near 34-year lows against the dollar, and there is speculation that the Japanese government may intervene in the currency market to support the yen. Such intervention could involve actions taken by the central bank to influence the value of the yen and mitigate its decline.

Overall, the strengthening of the dollar has had significant implications for global economies and financial markets and will create challenges for both major and developing economies.

EXHIBIT 6: Strong dollar affects international currencies



Source: Bloomberg (as at 04/04/2024)

TABLE 2: Major Currencies Performance (% In terms of USD)

Currency	% Change in 2024 Q1	% Change in 2023 Q4
Euro	-2.68	4.41
British Pound	-2.37	4.36
Japanese Yen	-7.00	5.91
Hong Kong Dollar	-0.18	0.24
Chinese Renminbi (CNY)	-1.81	2.79
Australian Dollar	-4.74	5.86
New Zealand Dollar	-5.79	5.35
Singapore Dollar	-2.37	3.48
South Korean Won	-4.54	4.76
Taiwanese Dollar	-3.99	5.10
Indian Rupee	-0.23	-0.20
Indonesian Rupiah	-3.10	0.38
Thai Baht	-6.27	6.65
Russian Ruble	-3.22	9.03
Brazilian Real	-3.92	3.64

Source: Bloomberg (as at 01/04/2024)

COMMODITIES

It is predicted that metal commodities will perform well in 2024, especially gold, silver and copper. Precious metals were the second-best-performing sector after a surge in soft assets, driven by rising U.S. Treasury yields and fading hopes of U.S. interest rate cuts. In addition, gold continued to soar and hit new highs due to strong physical demand from investors and Asian central banks.

Since March, global copper prices have continued to rise. In mid-March, the international copper price (LME copper) exceeded US$9,000/ton; it is still higher than US$8,700/ton. We are at an important seasonal turning point in the copper market. Since the end of December last year, the refined copper market has experienced an obvious seasonal surplus phase, and this phase is about to end. Inventories will gradually decline in the second quarter of this year due to strong demand for copper in China and continued supply constraints. A supply shortage pattern in the copper market may gradually form, and continued supply shortages will support copper prices.

EXHIBIT 7: Top performing commodities: Gold, Silver and Copper

Source: Bloomberg (as at 04/04/2024)

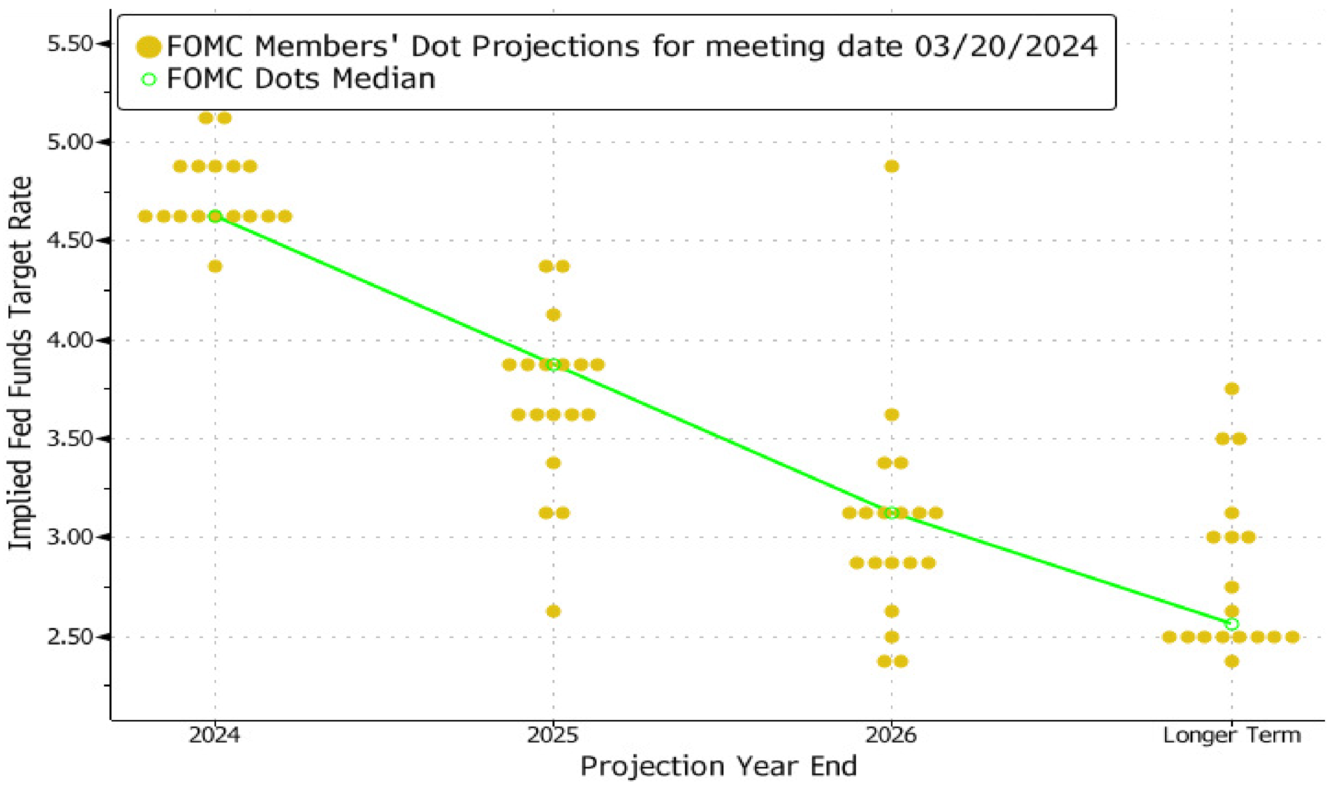
WHAT TO WATCH IN THE REST OF THE YEAR?

1) U.S. interest rate

Not long ago, market confidently predicted that the Federal Reserve would cut interest rates three times starting in June this year, and the economy would slide into the soft landing. At the beginning of April, things seemed not that simple.

Strong growth data coupled with some hawkish comments from senior Fed officials have led markets to reassess the likelihood of a rate cut in recent days, making a rate cut more likely and further out. The CME Fedwatch tool a month ago forecasted a 74% chance of at least one rate cut in June, based on futures prices. As of 3 April morning, the probability was 58%.

EXHIBIT 8: The FOMC members' projection and the expectation implied by Fed Fund Futures



Source: Bloomberg (as at 04/04/2024)

2) Risk of recession in United States

The risk of a U.S. economic recession still exists and cannot be ignored. Despite a survey conducted by Deutsche Bank in March, which found that nearly half of the 250 investors don't expect a U.S. recession and that inflation will remain above the Fed's 2% average target through the end of 2024, there are still too many uncertainties in the U.S. economic data. Additionally, U.S. stock assets are also at historically high levels, which increases the risks of U.S. stock investment.

3) Election on United States

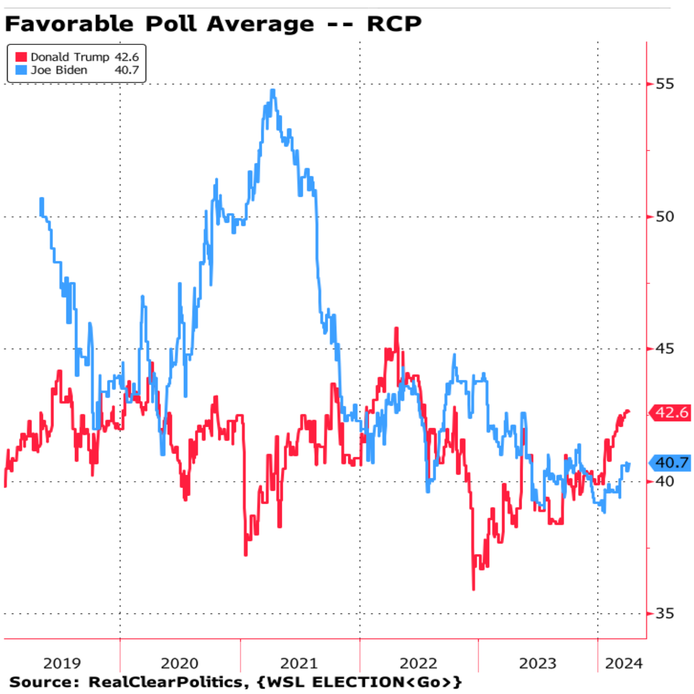
Election results ultimately will influence government policy, law, and foreign relations. Political order can have wide-range consequences for policy and society. Given the strong bipartisan sentiment, investors naturally believe the outcome could have a significant impact on financial market sentiment and prices.

In the past, U.S. stocks have tended to perform above average under presidents such as Biden seeking re-election. Since World War II, in a year when a president sought re-election, the S&P 500 has risen, with an average total return of 15.5%, regardless of who won. By comparison, the index's average annual return over the same period was 12.8%.

Tax and spending policy is one of the focuses for investors this year. Tax cuts enacted during Trump's presidency are set to expire in 2025, and Republicans are expected to try to prevent that from happening. Democrats and Biden have enacted a sweeping law, aimed at promoting clean energy and lowering prescription drug costs and are expected to seek to raise taxes for corporations and the wealthy while expanding social safety nets such as investments in child care.

If the U.S. economy does begin to slow and slip into recession, the fiscal response and the ultimate political leader will become even more important to markets. As the campaign progresses and policy proposals are unveiled, certain areas of the stock market could become particularly volatile, including those related to health care costs, defense spending or energy regulation.

EXHIBIT 9: Trump leads Biden in key swing states



Source: Bloomberg (as at 04/04/2024)

TABLE 3: Performance of S&P 500 Index during in U.S. president election year

Year	Gain/ loss (%)	Year	Gain/ loss (%)	Year	Gain/ loss (%)	Year	Gain/ loss (%)	Year	Gain/ loss (%)
2024	?	2004	10.88	1984	6.27	1964	16.43	1944	19.54
2020	18.39	2000	-9.10	1980	32.50	1960	0.45	1940	-9.55
2016	11.95	1996	22.93	1976	23.93	1956	6.49	1936	33.74
2012	15.99	1992	7.62	1972	19.00	1952	18.16	1932	-14.78
2008	-37.00	1988	16.61	1968	11.04	1948	5.37	1928	37.88

Source: Altruist Investment Services Department and Bloomberg (as at 04/04/2024)

CONCLUSION

The market outlook on stock returns in 2024 is divided, with bullish and bearish views closely aligned. Slowing inflation, a still-strong labor market, and signals that the Federal Reserve is expected to cut interest rates in 2024 have led to higher stock prices in the fourth quarter of 2023. On the other hand, declining manufacturing output, record high credit card balances, inflation still missing the Fed's target, and slower GDP growth expectations are all potential danger signs.

Bonds appear to have a clearer path to positive returns in 2024 than stocks. Under various circumstances, many countries' bonds will show a positive trend in 2024. For example, bonds have higher interest payments, the value of bonds may increase when interest rates fall, and bond demand may also increase when stocks fall.