Alpha Capital Group

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ALPHA
MONTHLY REVIEW

Unit 807, Capital Centre
151 Gloucester Road, Hong Kong

Tel: +852 2539 9088
Fax: +852 2880 0005
Email: alpha.cs@alphacapital-group.com

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January 2023 - Highlights

1. US markets soar as markets speculate reduced interest rate hikes
2. ECB details QT plans as the IMF predicts the UK to fall into recession
3. Asian markets extend recent bull run as HK/China border reopens
4. Natural gas prices continue to fall as EU avoids winter energy crisis
5. USD falls on lower bond yields as Gold stretches rebound run

Jan 2023 MoM Market Snapshot

DOW JONES	34,086	+ 2.8%
FTSE 100	7,771	+ 4.2%
HANG SENG	21,842	+ 10.4%
WTI OIL	78.87	- 2.0%
GOLD	1,945	+ 6.2%
EUR / USD	1.08	+ 1.5%
US 10YR T-NOTE	3.51	- 0.37

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FEATURES

US Markets Review

DOW JONES	34,086	+ 2.8%
S&P 500	4,076	+ 6.1%
NASDAQ	11,584	+ 10.6%

MoM Jan 23

Continuing on from a turbulent 2022, the US market performed relatively solidly this month, as the market digested positive news of a further cooling in US inflation, supporting the Fed's easing of monetary tightening, pushing stocks higher. Inflation CPI rose by 6.4% annually in December, the lowest increase since October 2021, and fell by 0.1% on a monthly basis, the first monthly decline in two and a half years, while core inflation rose by 5.6% annually, in line with expectations. Also of note was that US PPI fell by the largest margin in a single month in December sincethe pandemic, driving expectations that the Fed will raise interest rates by just 0.25% in February. The Dow Jones index rose 2.8% to close at 34,086; The S&P 500 Index rose 6.1% to close at 4,076; and the NASDAQ index rose by 10.6% to close at 11,584 for the month.

On the job market, non-farm payrolls rose by 223,000 in October, again above the 200,000 increase expected, but the rate of growth was the lowest in almost two years. The unemployment rate fell again from 3.7% to 3.5%, while the labour force participation rate rose to 62.3%, the highest since the pandemic. The overall US job market remains solid, but this month Google, Microsoft,

Many US companies announced layoffs this month, as redundancies rose sharply relative to 2022

Amazon, Spotify, and a number of other technology giants have again made announcements of significant layoffs, seemingly in preparation for a possible global recession, but so far these layoffs have not been extended beyond the technology sector.

On the other hand, December retail sales data released this month showed a 6% annual rise, slightly below market expectations, while absolute sales fell for the second month in a row to its lowest point since March 2022, suggesting that US consumers and their household spending budgets may be starting to feel the pressure of the Fed's strong interest rate hikes. However, the US GDP growth rate for Q4 of 2022, announced this month, came at an annual 2.9%, slightly higher than the 2.8% expected by the market, raising investors' hopes that the US might be able to avoid a recession and reach a 'soft landing'.

Tesla (NASDAQ:TSLA) was also in the spotlight at the end of this month when it reported its Q4 earnings for 2022, after falling more than 60% between last September and this month's announcement, but record quarterly sales brought the stock back from the dead, soaring nearly 55% in just one month. The market is closely watching the rest of the corporate earnings announcements in February, which are expected to provide impetus for the short term direction of the US stock market.

European Markets Review

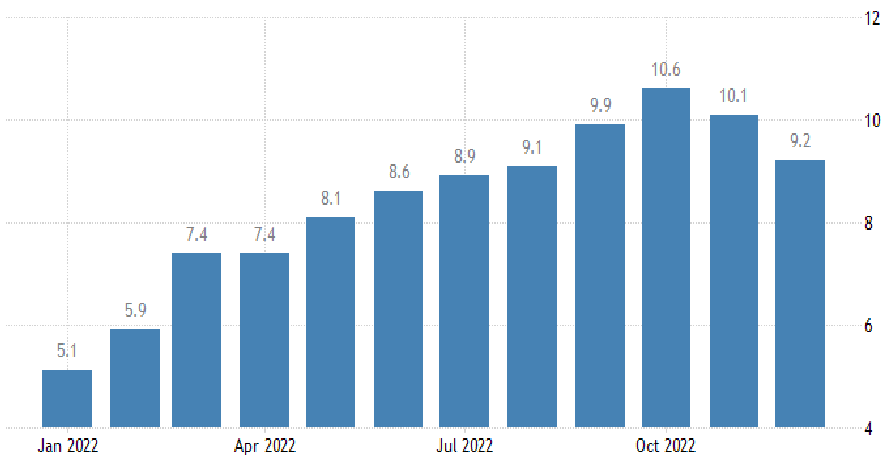
FTSE 100	7,771	+ 4.2%
DAX	15,128	+ 8.6%
CAC 40	7,082	+ 9.4%
STOXX 600	453	+ 6.8%

MoM Jan 23

The Eurozone's annual inflation for December came in at 2%, down significantly from 10.1% in November, recording a second consecutive month of lower inflation. However, with ECB President Christine Lagarde reiterating this month that inflation remains stubbornly high, the market expects rate hikes to continue. In addition, the ECB will also begin quantitative tightening in Q1 of this year and is expected to reduce its balance sheet by around €15 billion per month in Q2, reaching a total asset reduction of approx. €180 billion for the year. Moreover, European listed companies announced their Q4 2022 earnings this month, as did the US, averaging a 9.5% increase in earnings growth, well above expectations. The STOXX600 index rose by 6.8% to close at 453 for the month.

Eurozone records two consecutive months of inflation decline, as inflation has seemingly peaked

Eurozone Inflation Rate Jan 2022 - Dec 2022



The UK's inflation dilemmas have recently begun to show signs of easing, with December's 10.5% annualised inflation rate recording the second consecutive month of decline, but still showing an increase of 0.4% on a monthly basis. However, the challenges facing the UK economy remain clear, with the IMF declaring that the UK will be the only developed economy to experience negative growth among the world's major economies in 2023, with GDP expected to contract by 0.6%. In addition, Chancellor Jeremy Hunt stressed that he would not compromise on tax cuts and would stick to his target of halving inflation within the year, as the market expects further rate hikes until at least mid-year. The FTSE 100 index rose 4.2% to end the month at 7,771.

Germany reported an unexpected negative GDP growth of -0.4% in Q4 of 2022, lower than the expected 0%, but GDP for the year still grew by 1.8%, slightly lower than the original forecast of 1.9%. The government expressed that the impact of the Russia-Ukraine conflict had partially subsided and that the winter energy crisis feared earlier had not materialised. The ZEW Economic Sentiment Index also picked up significantly this month with a reading of 16.9, well above December's -23. The DAX index rose 8.6% to end the month at 15,128.

France's inflation rate unexpectedly picked up in December, posting a annual increase of 6%, slightly higher than the 5.9% forecast, and the first monthly increase in the last 4 months. On the other hand, the economy and livelihoods in France were temporarily paralysed by a major strike initiated by labour groups, against plans to raise the retirement age and the general high cost of living, but the government has yet to show any sign of retreating for the time being. The CAC 40 index rose 9.4% to end the month at 7,082.

Asian Pacific Markets Review

HANG SENG	21,842	+ 10.4%
SSE	3,255	+ 5.3%
TAIEX	15,265	+ 7.9%
NIKKEI	27,327	+ 0.1%

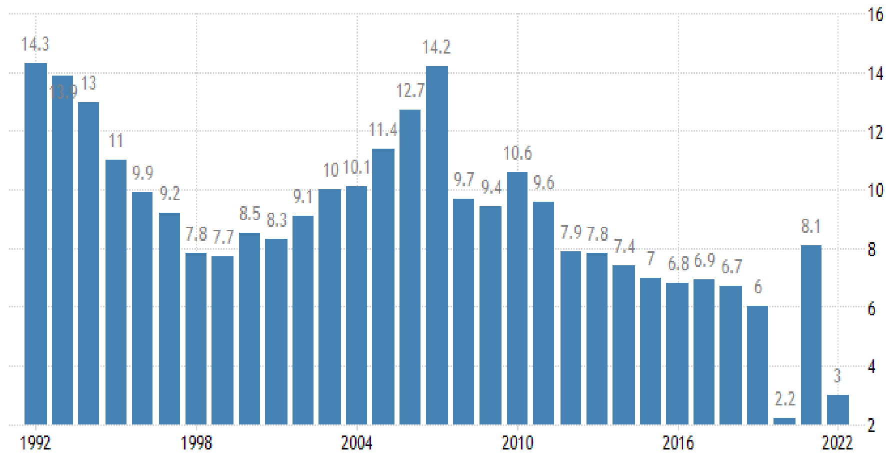
MoM Jan 23

China's Q4 2022 annual GDP growth came in at 2.9%, slightly above market expectations but significantly slower than the 3.9% growth seen in Q3. In addition, GDP growth for the full year 2022 was 3%, higher than the 2.7% forecast, but still some way short of the 5.5% growth target initially set, as the pace of growth slowed to its lowest since 1976, with the exception of 2020. On the other hand, retail sales fell by -1.8% in December, but the pace of decline has slowed considerably, as the spread of Covid cases is still depressing consumer momentum, but this is expected to stabilise in Q2. The lifting of centralised quarantine restrictions for arrivals this month will also boost tourism in China, that should support an economic rebound in the middle of the year. The SSE Index closed the month at 3,255, up 5.3%

Cross border access between Hong Kong and China officially began this month, albeit on a limited quota system, which is expected to improve the conditions required for an econonic recovery this year. A business outlook survey conducted by the Hong Kong government revealed that businesses generally believe the worst is over as the retail, F&B, hotel and tourism sectors are predicted to rebound this year on the back of positive factors the gradual relaxation of pandemic-related restrictions. However, the weakness in Hong Kong's external trade continued, with exports and imports falling by 28.9% and 23.5% respectively in December. While exports to Mainland China are expected to improve, exports to other Asian markets as well as Europe and the US will continue to be affected by the deteriorating external environment. However, the stock market continued its recent bullish trend, with the Hang Seng Index posting its third consecutive monthly gain since the end of October last year, led by the continued surge in the technology and real estate sectors,, to end the month at 21,842, up 10.4%.

Japan announced this month that its annual inflation rate had reached 4% in December, double the central bank's target of 2%, and the highest in almost 41 years, putting direct pressure on the BOJ to adjust interest rates. However, the BOJ again maintained current interest rates unchanged this month, as BOJ head Tôhiko Kuroda emphasised the importance of an accommodative monetary policy to Japan's long-term economic growth. Moreover, the BOJ's decision to relax its rate control target area to -0.5%~0.5% at the end of last year has yet to resolve its distorted yield curve dilemma. On the other hand, Japan's registered 11.5% export growth in December, better than the 10.6% expected, but the trade deficit for the year reached a record high, as a lower yen drove up imports relative to exports. The Nikkei index closed at 27,327, up 0.1% for the month.

China's 2022 full year GDP growth came in at just 3%, the second lowest in decades



Commodities and Forex Review

GOLD	1,945	+ 6.2%
SILVER	23.83	- 1.4%
WTI OIL	78.87	- 2.0%
EUR / USD	1.08	+ 1.5%
USD / JPY	130.11	- 0.7%

MoM Jan 23

The crude oil market has been relatively stable of late compared to the rollercoaster volatility seen last year. The three major global energy agencies (EIA/IEA/OPEC) reversed their pessimistic forecasts of falling demand this month, mainly due to a clear move away from China's dynamic Covid-Zero policy, a continued trend towards a return to normal economic activity. Morever, The EIA forecasts that supply will increase by approx. 1.12 million barrels this year, an increase of more than 1%, while the US, Norway, Canada and Venezuela are expected to continue to increase production, offsetting the continued decline in Russian supply. WTI crude oil ended the month at 78.87, down -2.0%.

Natural gas prices, which climbed in the middle of last year, have come under significant pressure recently as Europe seemingly avoids a winter energy crisis. The surprisingly warm winter in the northern hemisphere is expected to continue to depress gas demand, and with global gas supply having picked up significantly, the oversupply of gas has led to a decline in prices since August of last year, taking European gas prices to their lowest level in a year and a half. European natural gas EU TTF prices plunged 27.6% to close at 55.74 for the month.

In the foreign exchange markets, with global inflation data showing signs of a pullback, market forecasts of a slower pace of interest rate hikes by the Fed led to a general weakening of US treasury rates during the month, which saw a shift in risk appetite back to equities, reducing the attractiveness of the dollar as a defensive investment. The USD DXY index ended the month at 102.1, down 1.3%. The decline in the US dollar also directly boosted the performance of non-US currencies, with the Australian dollar in particular gaining ground, mainly due to a much higher quarterly inflation rate of 7.8% than forecast, driving speculation that the RBA may push further rate hikes this year beyond the original two 0.25% increases. The AUD/USD was up 3.5% for the month to close at 0.70.

As for precious metals, gold has been on an upward trend since hitting a low of around $1,600 last November and this month was no exception. With the World Bank and IMF lowering their global economic growth forecasts for 2023 this month, the risk of a global recession has boosted investor demand for gold as a safe-haven, while the world's major gold ETFs have also seen continued net inflows. Moreover, the continued fall in the US dollar as mentioned above, has also reduced the cost of gold to international capital, supporting gold's upward movement. Gold has now rebounded for two and a half months after seven consecutive months of decline last year, recovering about three quarters of last year's losses. Gold closed at 1,945, up 6.2% for the month.

Gold continued its rebound, recovering about 3/4 of last year's losses in just two and a half months

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Research Department
research@alphacapital-group.com