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

10/22

October 2022 - Highlights

1. US stocks rebound amidst positive Q3 corporate earnings
2. ECB raises rates 0.75%, as inflation continues to hit record levels
3. UK political drama persists as Truss resigns after budget blunder
4. China holds 20th party congress as HK stocks record large declines
5. OPEC+ supply cuts support oil rally, Yen continues steady descent

Oct 2022 MoM Market Snapshot

DOW JONES	32,732	+ 13.9%
FTSE 100	7,094	+ 2.9%
HANG SENG	14,687	- 14.7%
WTI OIL	86.53	+ 8.6%
GOLD	1,640	- 1.9%
EUR / USD	0.98	+ 0.0%
US 10YR T-NOTE	4.054	+ 0.225

02

04

05

FEATURES

US Markets Review

DOW JONES	32,732	+ 13.9%
S&P 500	3,871	+ 8.0%
NASDAQ	10,988	+ 3.9%
		+ 6.4%

MoM Oct 22

Having undergone two consecutive months of decline, the US market rebounded significantly this month amidst volatility and the digestion of Q3 corporate earnings. The closely watched CPI inflation rate of 8.2% in September was slightly higher than the 8.1% originally expected, but core CPI inflation returned to its highest level in more than four decades, supporting the possibility of continued sharp interest rate hikes by the Fed. On the other hand, the G20 finance ministers issued an official declaration that the risks to the global economy will continue into next year, again dampening investors' risk appetite. However, a number of Fed officials stated mid-month that the Fed may end its aggressive pace of rate hikes early next year, boosting investment confidence again. Q3 corporate earnings were largely better than market expectations, particularly for traditional banks, healthcare and industrial companies. The Dow Jones Index rose sharply, posting the largest one-month gain in 47 years, leading a rebound in the US stock market. The Dow Jones index surged 13.9% to close at 32,732, while the S&P 500 index rose 8.0% to close at 3,871 and the NASDAQ index rose 3.9% to close at 10,988.

Core inflation figures in the US climbed to 40 year highs this month

US Core Inflation Oct 1982 - Oct 2022

Non-farm payrolls rose by 263,000 in September, down from 315,000 in August, but still ahead of market expectations of 255,000. The unemployment rate in the US fell back to a half-century low of 3.5% from 3.7% in the previous month, again demonstrating that the Fed's agenda of raising interest rates over the past six months has not affected the stability of the job market in the US.

On the other hand, Q3 GDP data released this month showed that after two quarters of negative growth, GDP grew at an annual rate of 2.6%, higher than the market's expectation of 2.3%. This was reflected in better than expected Q3 corporate results released this month, as were those of Q1 and Q2, but surprisingly the technology sector giants, with the exception of Apple, generally underperformed, dragging down technology stocks, hampering the performance of the Nasdaq against other major indices. Notably, META (NASDAQ: META), the parent company of Facebook, Instagram and Whatsapp, performed especially poorly, dropping >20% in a single dayafter results, as the stock suffers an approx. -70% YTD performance for this year.

In addition, the US government increased its export controls on chip technology to China again this month, imposing sweeping restrictions on US citizens working in China to develop or manufacture semiconductor related products, as the US-China relationship continues to deteriorate.

European Markets Review

FTSE 100	7,094	+ 2.9%
DAX	13,253	+ 9.4%
CAC 40	6,266	+ 8.7%
STOXX 600	412	+ 6.5%

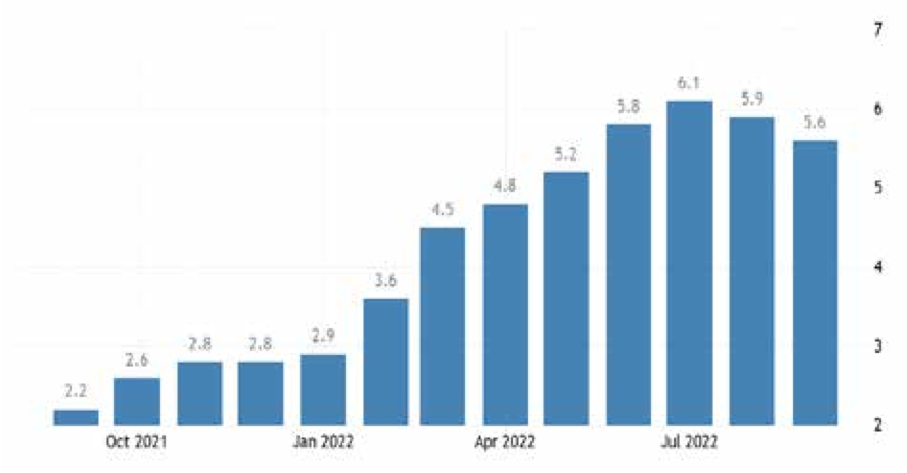
MoM Oct 22

The ECB raised interest rates again this month by 0.75% to 2%, in line with expectations, as rates reached their highest levels since 2009. ECB President Lagarde said that there may be a lag in inflation and that hikes are expected to continue in the coming months, with QT to be discussed at the December meeting. On the other hand, inflation in the Eurozone set another record, climbing to 9.9% in September, in line with expectations, but showing no sign of slowing down from August's sharp 0.9% rise, In addition, the Eurozone Manufacturing PMI registered 46.6 in October, a near three-year low, as economic activity trends lower. More notably, the share price of Credit Suisse Group (SWX:CSGN) collapsed this month as the company announced major restructuring plans, including massive job cuts worldwide and a US$40 billion financing plan. The STOXX600 index rose 6.5% to close at 412.

The recent political turmoil in the UK can definitely be described as a "rollercoaster". After prime minister Truss failed to reassure the market by changing the tax rebate scheme at the beginning of the month, her chancellor was immediately replaced and the new chancellor has since withdrawn almost all tax cuts and significantly reduced energy subsidies. However, the market remained pessimistic, forcing Truss to resign in disgrace, leaving the former finance minister Sunak to replace her as prime ,inister. On the other hand, the UK's GDP figures for August show that the economy has already slowed, with GDP falling by 0.3% montl;y, raising the possibility of a technical recession in the near future. The FTSE100 index rose 2.9% to end the month at 7,094.

France's inflation has slowed in recent times, the only one of Europe's largest economies to do so

France Inflation Sep 2021 - Sep 2022



The German statistics office released Q3 economic data showing a surprising 0.3% GDP growth in the quarter, much higher than the -0.2% expected and the 0.1% in Q2, reducing the likelihood of a technical recession in the near term, almost exactly contrary to the UK. The ZEW Economic Sentiment Index also rebounded slightly to -59.2 from -61.9 in September. However, inflation surged to 10% in September, up from 7.9% in August, shocking the market, as protests erupted across the nation against high prices. The DAX index rose 9.4% to close at 13,253..

France's Q3 economic data revealed that GDP grew by 1% this quarter, largely in line with expectations. In addition, inflation fell unexpectedly to 5.6% in September, down from 5.9% in August, remaining relatively low compared to other European countries, as France remains the least dependent on Russian energy amongst the largest European economies. The CAC40 index rose by 8.7% to close at 6,266.

Asian Pacific Markets Review

HANG SENG	14,687	- 14.7%
SSE	2,893	- 1.5%
TAIEX	12,949	- 3.5%
NIKKEI	27,587	+ 6.4%

MoM Oct 22

China held its 20th National Congress this month, as its new Politburo members were announced, stressing the importance of stabilising economic momentum and maintaining a dynamic Covid-Zero policy. The market had originally predicted a possible relaxation of the policy but expectations have so far been dashed. China's mixed economic data readings continued, with Q3 GDP growth coming in better than expected at 3.9%, up sharply from 0.4% in Q2, driven mainly by industrial investment, reflecting the stimulating effect of the government's policies. However, total retail sales grew by 2.5% in September, down by more than half from 5.4% in August, indicating that the overall recovery in social retail sales is still taking time. In addition, China's property sales remained sluggish with local governments even deciding to buy homes themselves, with overall housing prices continuing to fall by 1.5% in September. The Shanghai Composite Index, dropped 4.3% this month, closing at 2,893.

Hong Kong's new chief executive Lee announced in his first policy address a number of measures to attract foreign talents and enterprises, including a stamp duty rebate for foreigners who purchase properties in the future, but the market response was lukewarm. The government has relaxed the immigration restrictions to "0+3" for a month so far, but visitor arrivals have increased by less than 10%, as the tourism industry continues to linger. However, the jobs market continued to stabilize, with the seasonally adjusted unemployment rate for July-September recording 3.9%, down 0.2% from the previous month, and back to its lowest level seen since Covid. On the stock market front, the market was sensitive to the outcome of the 20th National Congress in China and it looked as though China's dynamic Covid-Zero policy would remain intact, with investors clearly turning defensive and withdrawing from the market, dragging the Hang Seng down 14.7% this month, closing at 14,687.

As Japan continues to face prolonged depreciation of its currency, the central bank again kept interest rates unchanged at -0.1% this month, but decided to change a number of economic data forecasts. The central bank expects GDP growth to reach 2% for 2022, down from its previous forecast of 2.4%, and 1.9% for 2023, lower than the previous forecast of 2.0%. Also noteworthy is it also raised its inflation forecast to 2.9% for the year, much higher than the 2.3% forecast, as inflation seems to have exacerbated in Japan. In addition, the trade deficit for the six months from April to September reached a record high of 11 trillion yen, adding to uncertainty in the economy. The Nikkei index followed the US market higher, rising 6.4% to end at 27,587.

Chinese Covid-Zero policy conitnues to drag stocks lower as HK's Hang Seng fell 14.7% this month

Commodities and Forex Review

GOLD	1,640	- 1.9%
SILVER	19.11	+ 0.4%
WTI OIL	86.53	+ 8.6%
EUR / USD	0.98	+ 0.0%
USD / JPY	148.74	+ 2.8%

MoM Oct 22

Crude oil prices have been on a downward trajectory since the middle of the year as global recession fears have intensified and US crude oil production has picked up, losing ground to the 80 mark in mid-September. However, as prices continued to fall, OPEC+ announced a policy change this month, abruptly cutting production by two million barrels per day, the largest since mid-2020. The US subsequently criticized OPEC+'s decision as a profit-driven move that could worsen global inflation and implemented countermeasures, including releasing a new round of strategic crude oil reserves and banning exports of refined oil products. On the other hand, the three major international energy agencies (EIA/IEA/OPEC) announced the lowering of forecasts for global crude oil demand growth in 2023, reflecting global recessionary pressures as WTI crude oil ending the month at 86.5, up 8.6%.

As crude oil rebounded, natural gas, also an energy product, suffered a sharp decline during the month. LNG exports from the US have risen sharply since the border conflict between Russia and Ukraine, while natural gas stocks in the EU have now been replenished to near total capacity, meaning that it is unlikely that natural gas will be in short supply during the winter period, sending European TTF gas prices down sharply, in contrast to crude oil. The EU TTF ended the month at 122.6, down 35%.

After a volatile September, the foreign exchange market stabilised this month. While the ECB raised interest rates by a further 0.75%, some countries that had started to raise rates earlier, such as Canada and Australia, began to slow down their rate hikes, allowing the Euro to recover considerably in the middle of the month. However, with the border conflict between Russia and Ukraine worsening and news of record inflation figures in many European countries, the Euro pulled back towards the end of the month as the EUR/USD closed at 0.98, essentially flat for the month. On the other hand, the continued depreciation of the Japanese Yen continued during the month. The market suspects the Bank of Japan conducted two "unofficial" foreign exchange interventions, which, while allowing the currency to recover considerably in the short term, hardly altered the recent trend of a falling yen. USD/JPY closed the month at 148.74, up 2.8%. Behind the yen's decline, of course, is the bullishness of the US dollar, which weakened slightly this month as the market looks to be awaits the Fed's early October decision. However, for the first time since 2007, the US 10 year bond yield broke above 4%, no doubt keeping the dollar attractive in international currency markets. The US dollar DXY closed the month at 111.53, down 0.6%.

WTI oil prices partially regained lost ground this month as OPEC+ announces massive supply cuts

ALPHA

MONTHLY REVIEW

Disclaimer: This document is marketing material. The views in this document are those of the author and do not necessarily represent the views expressed or reflected in other company communications, strategies or funds. The information here within is for reference only. The company does not guarantee the completeness or accuracy of the information, nor does it assume any responsibility for investment decisions based on the information. All relevant data may change with market conditions. All investments involve risks, including the risk of possible loss of principal. This document should not be regarded as investment advice or used in investment decisions.

Research Department
research@alphacapital-group.com