ALPHA ANNUAL REVIEW

2022 YEAR IN RETROSPECT

Alpha Capital Group

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Preface

Following the aftermath of the Covid pandemic, the global economic recovery has been halted in 2022, as stubborn inflation, rising interest rates and geopolitical conflict between Russia and Ukraine combine to trigger a major correction in international markets. As supply chain bottlenecks persist amidst political conflicts, leading to higher prices for energy commodities, the public has been forced to confront structural changes in the cost of living, and businesses have had to endure tighter financing conditions, triggering a shift in investors' risk appetite towards conservatism. Although the World Bank expects global GDP to grow by 3.1% YoY in 2022, the possibility of a contraction in the structural economy in individual countries due to shaky economic fundamentals has begun to emerge. Uncertainty remains high in both developed and emerging markets, and after two years of bullishness, international equity markets have weakened significantly in 2022, with the MSCI World Index under pressure and posting a significant -19.1% YoY decline. However, apart from the correction in equity markets, individual currencies and commodities have performed well, and the prevailing inflation in the West has not plagued major Asian Pacific markets in 2022. As challenges and opportunities vary from region to region, we undertake further examination of such in this month's annual market review.

Features

US Markets Review

DOW JONES	33,147	- 9.4%
S&P 500	3,839	- 19.9%
NASDAQ	10,466	- 33.8%

YoY 2022

Inflation bites; Fed hikes relentlessly

In both the US and international markets, central banks' interest rate hikes in attempt to curb inflation have posed major challenges for the global economy this year. In the US, previous QE policies have led to annualised inflation climbing from 7% at the end of last year to a high of 9.1%, the highest in 40 years. In the face of soaring prices, the Fed was forced to raise interest rates to suppress inflation for almost a full year, with the benchmark rate rising from almost 0% to 4.75-5%, with 0.5-0.75% monthly rate hikes being felt only in the second half of the year.

After more than six months of sustained rate increases, inflation began to fall slowly in July to end the year at 7.1%, but remained high on a monthly basis, with the decline in core inflation even more insignificant. Despite this, the downward trend in prices in individual areas is evident, but the Fed has indicated that it will not suspend interest rate hikes anytime soon, and the market remains conservative on economic dynamics for the year ahead.

Equities correct; Economy remains solid

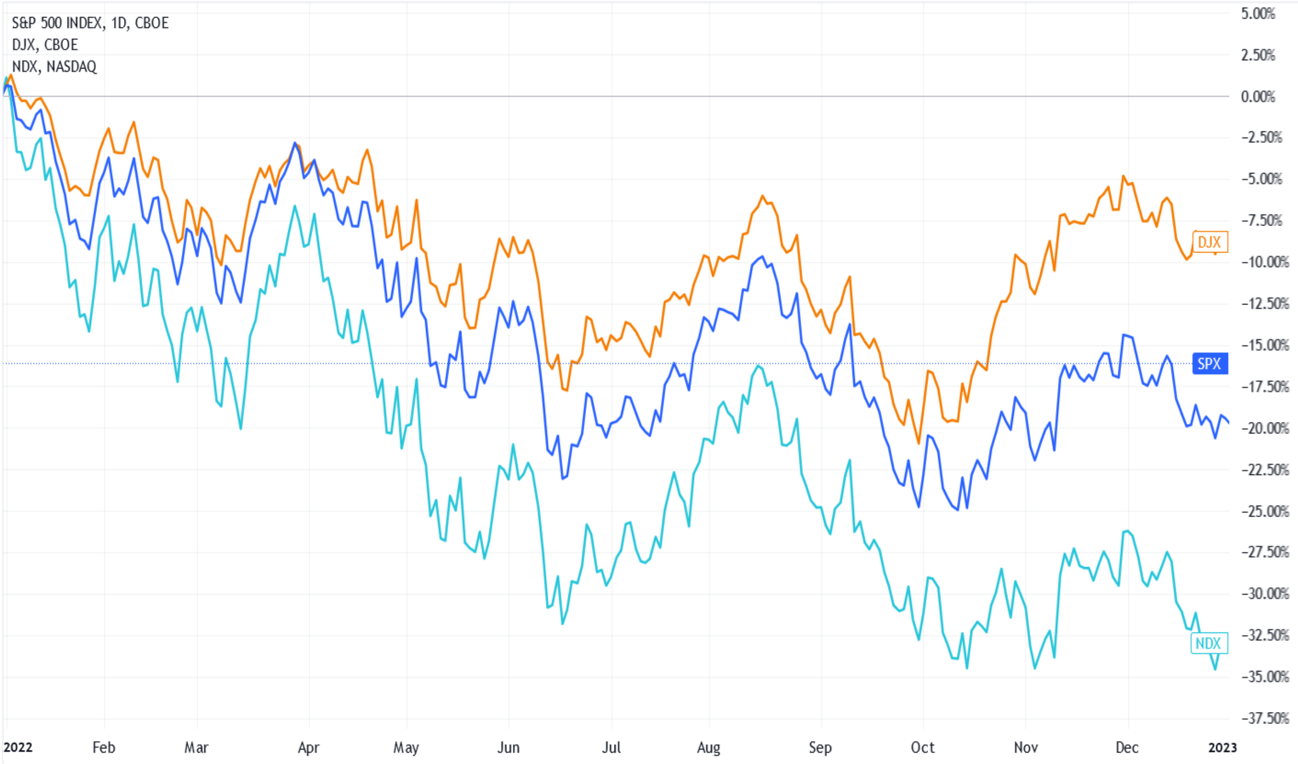
After a QE fueled bull market in 2020-2021, the US stock market has fallen back sharply this year due to the Fed's tightening stance. Investors focused on monthly inflation data, the Fed's monthly rate decision and Chairman Powell's comments throughout the year, but hopes for a fall in inflation were repeatedly dashed, as tightening eased risk appetite causing capital flight. Although a fall in inflation at the end of the year added positive momentum, short-lived rallies have failed to reverse overall weakness in the market. The Dow Jones, S&P 500 and NASDAQ indices are down 18.7%, 26.9% and 21.4% respectively for the year.

The marke correction did not affect the health of the US economy however, as non-farm payroll trends remained positive and the unemployment rate remained at a near half-century low of 3.5-3.7% throughout the year, despite major layoff announcements. US consumer sentiment also remained high, with retail sales ending the year at a record high, and GDP growth rebounded at the end of the year after a slight mid-year decline.

US-China stalemate; Mid terms divide

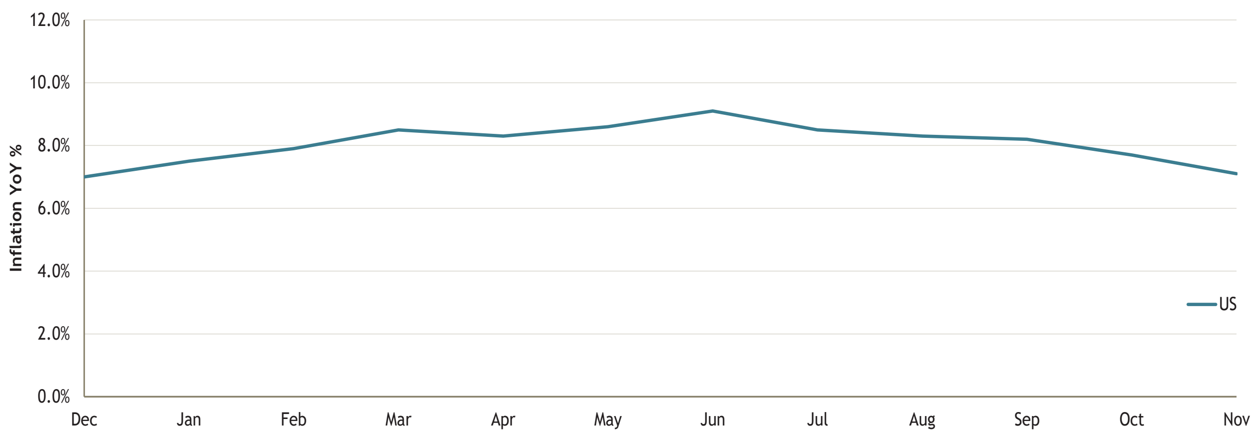
The US-China political stalemate between remained unchanged, with the US adding technology sanctions against China this year, including sweeping restrictions on the sale of high-end chips to China, dealing a serious blow to China's strive for chip dominance. The visit of Nancy Pelosi to Taiwan also ignited tensions between the two countries, and although US president Joe Biden and Chinese president Xi Jinping ostensibly reached limited consensus during their year-end meeting, the core differences between both countries remain.

2022 YoY Performance of major US market indices



2022 YoY US inflation trends

US Inflation 2022



Economy	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
US	7.0%	7.5%	7.9%	8.5%	8.3%	8.6%	9.1%	8.5%	8.3%	8.2%	7.7%	7.1%

European Markets Review

FTSE 100	7,451	- 0.7 %
DAX	13,923	- 13.0%
CAC 40	6,473	- 10.3%
STOXX 600	424	- 13.2%

YoY 2022

UK political turmoil; Inflation upheaval

The UK has been on a political rollercoaster this year. Prime Minister Boris Johnson was forced to resign mid-year after a series of scandals, followed closely by the tragic death of Queen Elizabeth II. After taking office, new Prime Minister Liz Truss unveiled a mini-budget that triggered a collapse in UK bonds and drove the central bank to intervene. As a result, the Chancellor was immediately replaced, almost all tax cuts were withdrawn, and Truss became the shortest-serving Prime Minister in UK history, being replaced by former chancellor Rishi Sunak.

Further to the political turmoil, the UK endured a difficult year economically as inflation climbed from 5.5% to 10.7%, a 41-year high. Paradoxically, the pace of rate rises was the strongest of the major European economy, but six months of hikes showed no inflation pullback, as the economy is forecasted for two years of recession. Ironically, the FTSE100 index fell just 0.7% this year, outperforming other major European indices.

Germany's energy crisis; Sentiment hit

Germany has arguably been the country most affected by the Russia/Ukraine war as the country struggled with an energy crisis this year. following combined Western sanctions against Russia, which cut out major gas and crude oil supplies. The government stated that the cheap energy era was over, and that price increases are "permanent", dealing a severe blow to the costs and competitiveness of its local manufacturing and export industries.

Germany, like the UK, also ended the year with a double-digit inflation, rising from 4.9% to 10%, as major blows were dealt to the economy. The ZEW economic sentiment index recorded ten consecutive negative readings from March onwards, dropping below its Covid low of 2020, and reaching its lowest level since the GFC in 2008, reflecting German enterprises' worries on the economic outlook of the country. The DAX index recorded a decline of 15.4% for the year.

France's stable growth; Averts crisis

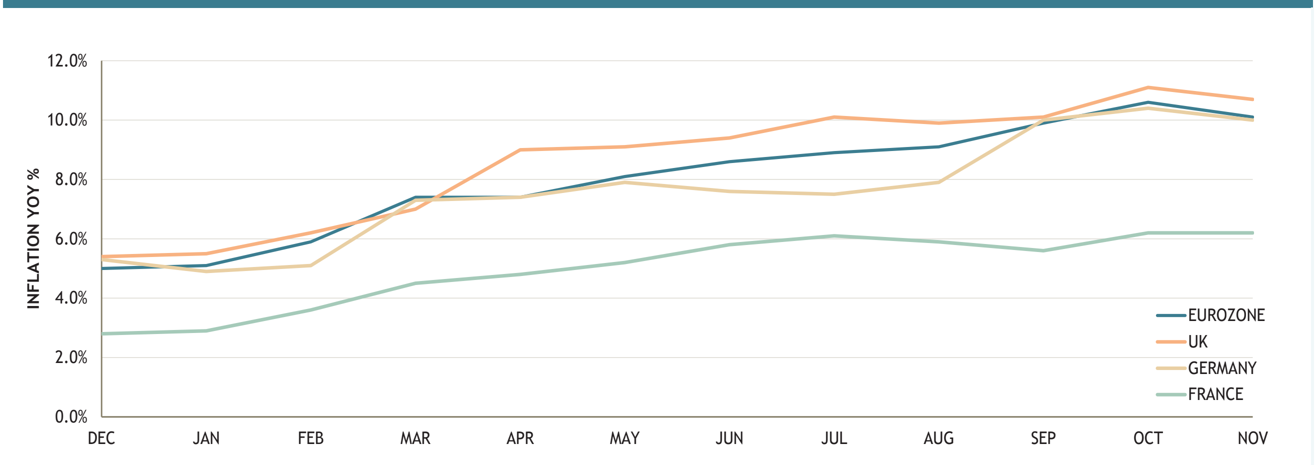
France's economic performance this year has been the most solid of Europe's major economies. President Macron was successfully re-elected in April, as he pushed through a 25 billion Euro anti-inflation programme, the "France 2030" technological development plan and tax incentives for the manufacturing sector, as total exports reached record highs.

On the other hand, although inflation in France, like that in the UK and Germany, reached 40 year highs, the rate of increase was comparatively low, rising from 2.9% to 6.2%. This was attributed to nuclear power contributing 70% of France's energy, with less reliance on Russian energy allowing it to avert the energy crisis. The CAC 40 index rose by 28.9% over the year.

2022 YoY Performance of major European market indices

2022 YoY Major European markets' inflation trends

European Inflation 2022



COUNTRY	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
EUROZONE	5.0%	5.1%	5.9%	7.4%	7.4%	8.1%	8.6%	8.9%	9.1%	9.9%	10.6%	10.1%
UK	5.4%	5.5%	6.2%	7.0%	9.0%	9.1%	9.4%	10.1%	9.9%	10.1%	11.1%	10.7%
GERMANY	5.3%	4.9%	5.1%	7.3%	7.4%	7.9%	7.6%	7.5%	7.9%	10.0%	10.4%	10.0%
FRANCE	2.8%	2.9%	3.6%	4.5%	4.8%	5.2%	5.8%	6.1%	5.9%	5.6%	6.2%	6.2%

Asian Pacific Markets Review

HANG SENG	19,781	- 15.0%
SSE	3,089	- 14.9%
TAIEX	19,781	- 22.6%
NIKKEI	27,279	- 10.9%

YoY 2022

China's property drag; Covid quandary

China's economic dynamics continued to be affected by the property crisis that erupted at the end of last year, with economic growth slowing significantly. Since the collapse of China Evergrande, news of foreign bond defaults by major developers such as Fantasia, Kaisa and Sunac have emerged, and the 100 largest developers in China ended the year with a -28.4% decline in total sales, as consumption related retail sales also fell for eight months this year. Despite the central bank lowering reserve rates several times to stimulate the flow of capital, and various local governments purchasing property, the housing market remained sluggish until year end.

Beyond property, economic growth was also severely affected by China's Covid-Zero policy. Many cities were under full/partial lockdown at various times, resulting in unstable GDP growth of 1.6%, -2.7% and 3.9% for the first three quarters. Covid-Zero also created serious social tensions for the population, manifesting into the largest protests in over 30 years at the end of the year. Despite the government gradually relaxing Covid-Zero policies thereafter, the balance between growth and stability remains a difficult one. The Shanghai Composite Index declined 7.1% for the year.

HK recovery stalls; Year end stock rally

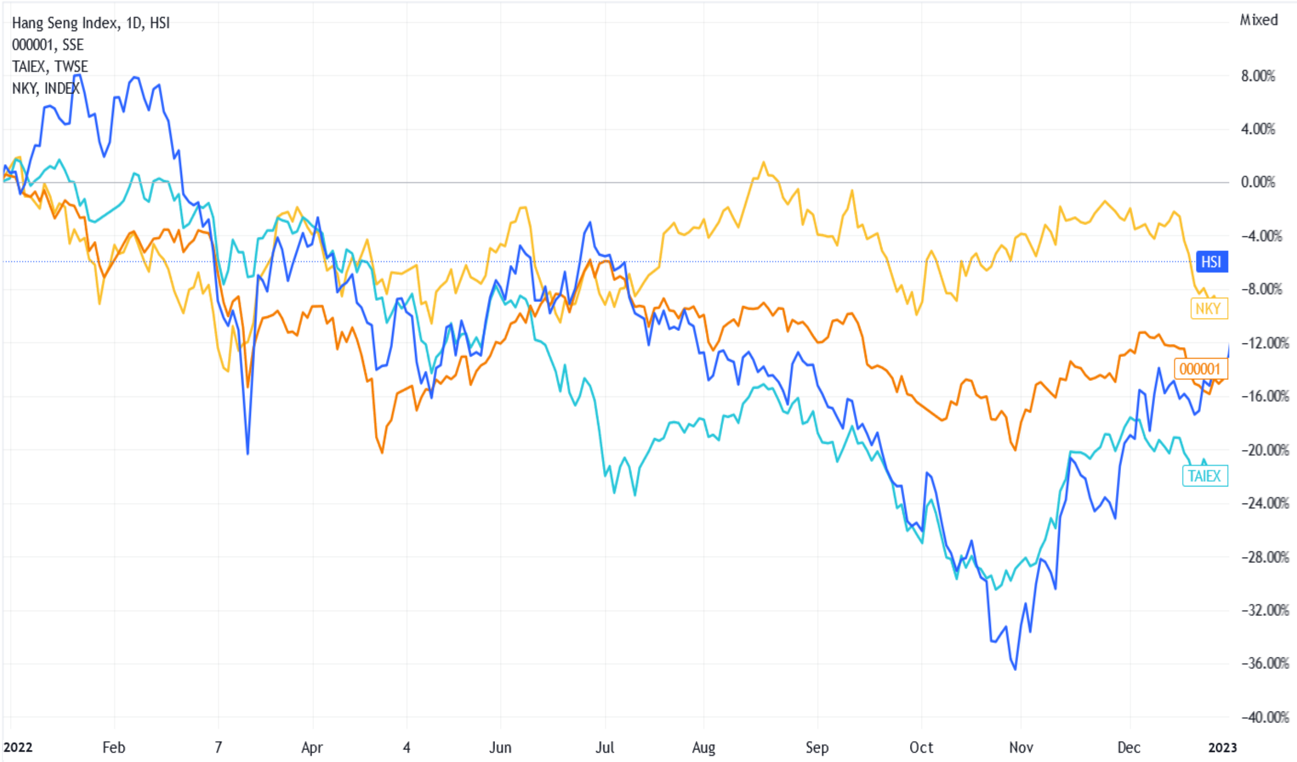
After four consecutive quarters of GDP growth last year, HK's economy stalled this year as Covid ravaged the city. GDP contracted in first three quarters at -3.9%, -1.3% and -4.5% respectively, as exports suffered severely due to border closures, especially with the mainland. However, the government's year end relaxing of entry restrictions and the annoucement that the China-HK border will reopen in January sparked renewed optimism as the city looks to rebound in the upcoming year.

The HK stock market dragged lower this year as investors' risk appetite altered due to uncertainty mounting from China and international markets. However, a strong buyback by investors from November onwards together with China's relaxing of Covid-Zero policies initiated a strong rebound into the end of the year. Nevertheless, the Hang Seng Index still posted a 14.1% decline for the year.

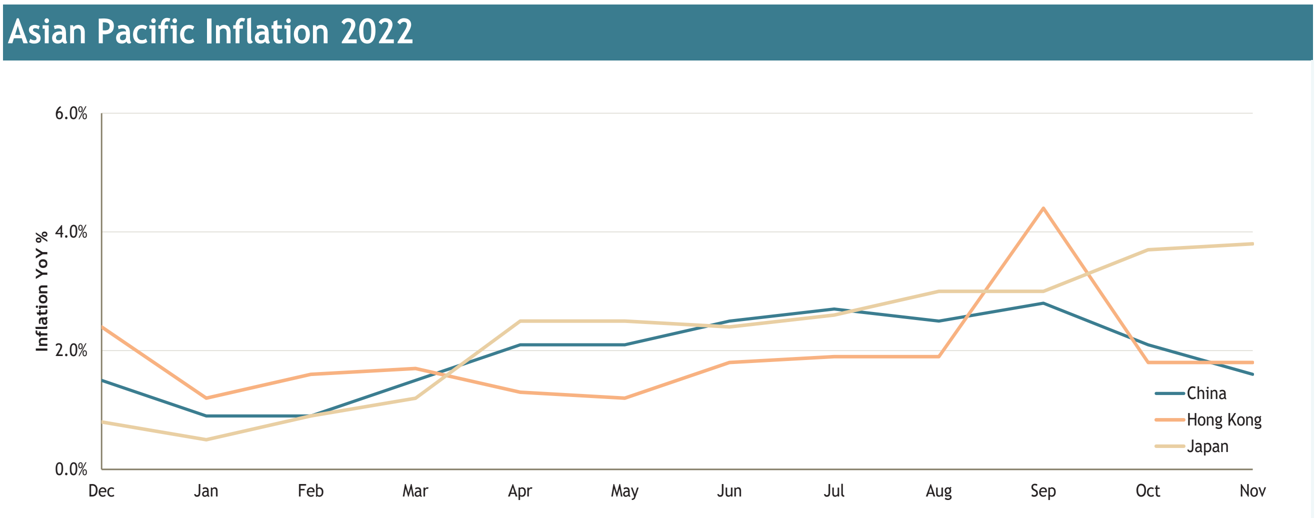
Japanese Yen sinks, Tourism rebounds

Japan's economy performed relatively flat compared to other Asian Pacific markets this year, recording GDP growth of -0.5%, 1.1% and -0.2% in the first three quarters. Similar to other major economies in the region, Japan was not troubled by high inflation this year, as the central bank left rates untouched while the US dollar climbed higher, effectively suppressing the yen, benefiting the export sector, which ended the year at a record high, and tourism, which rebounded sharply after reopening to tourists in October, supporting the recovery. The Nikkei index posted a 4.9% decline for the year.

2022 YoY Performance of major Asian Pacific market indices



2022 YoY Major Asian Pacific markets' inflation trends



Economy	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
China	1.5%	0.9%	0.9%	1.5%	2.1%	2.1%	2.5%	2.7%	2.5%	2.8%	2.1%	1.6%
Hong Kong	2.4%	1.2%	1.6%	1.7%	1.3%	1.2%	1.8%	1.9%	1.9%	4.4%	1.8%	1.8%
Japan	0.8%	0.5%	0.9%	1.2%	2.5%	2.5%	2.4%	2.6%	3.0%	3.0%	3.7%	3.8%

Commodities and Forex Review

GOLD	1,830	+ 0.1%
SILVER	24.18	+ 3.5%
WTI OIL	80.51	+ 7.0%
EUR / USD	1.071	- 5.8%
USD / JPY	131.12	+ 13.9%

YoY 2022

Crude oil rollercoaster; Energy soars

The Russia-Ukraine conflict is without doubt the single most impactful event on international politics and global livelihoods this year. With Russia under strong sanctions from the West, fears of crude oil supply problems led to higher prices, and as border restrictions were removed and international flights increased, demand for crude oil rose to a high of 120 in July, the highest since 2008. However, amidst ongoing global recession fears and forecasts of slowing demand from the EIA/IEA/OPEC, prices began to retrace mid-year and by year end had completely offset the gains of the previous six months. WTI crude oil 5.3% rise for the year.

The regional conflict also triggered a rise in other energy commodities, with natural gas also becoming a focus of international, and particularly European, markets. As Western countries reduced imports of energy commodities from Russia, the dependence of many European countries on Russian natural gas was exacerbated, as electricity demand outstripped supply, causing EU natural gas prices to hit record highs, with the UK and Germany suffering significantly. Although natural gas prices have come down considerably by year end, the impact of the EU's continuing energy crisis still persists.

Precious metals flat; Crypto collapse

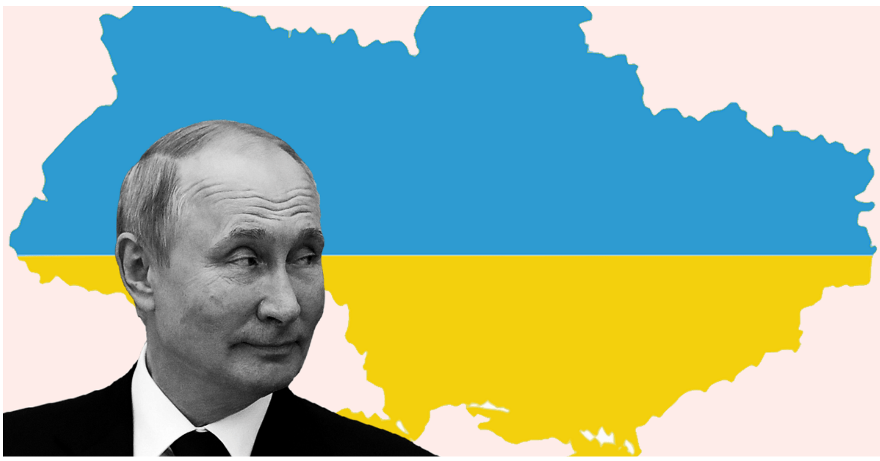
Gold was unable to attract defensive allocation this year despite global inflation, political instability and bearish stock market conditions. The metal has remained on a downward trajectory after briefly breaking the 2,000 barrier earlier in the year, failing to capitalise on its defensive role against inflation, and despite signs of rebound towards year end, has largely continued its muted trend of 2021, gaining a mere 4% this year.

Cryptocurrencies also suffered a relentless downward spiral this year. With the sudden collapse of LUNA and the bankruptcy of the world's second largest cryptocurrency trading platform FTX, markets have become increasingly sceptical over the transparency and credibility of the crypto sector as Bitcoin declined a staggering 65.3% for the year.

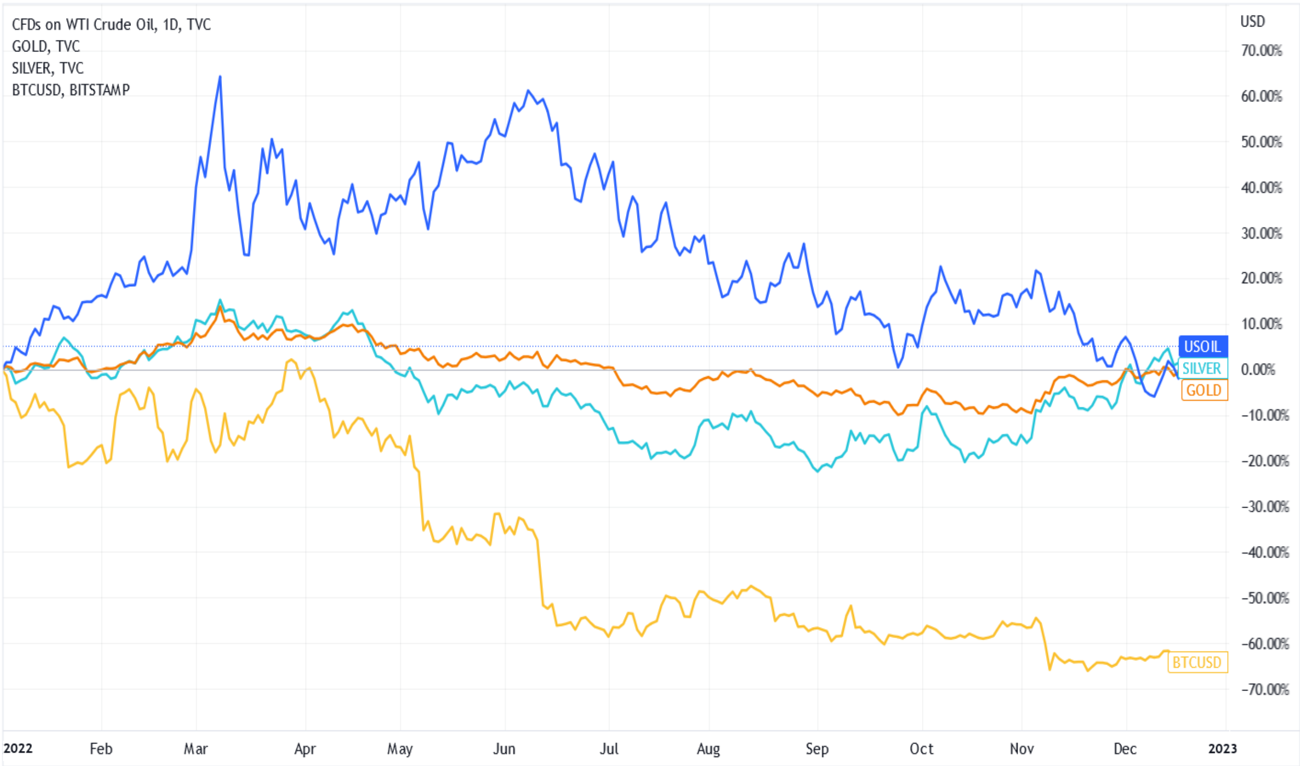
Dollar bullish; Non-US currencies drag

The highlight of the forex market this year is undoubtedly the strength of the US dollar. The Fed's rate hikes have increased the return of US bonds, with the 10-year bond yield once exceeding 4.2%, its highest since 2008, attracting capital flight to the US as the dollar became a safe haven, with the DXY index still up 5% for the year despite a year-end correction.

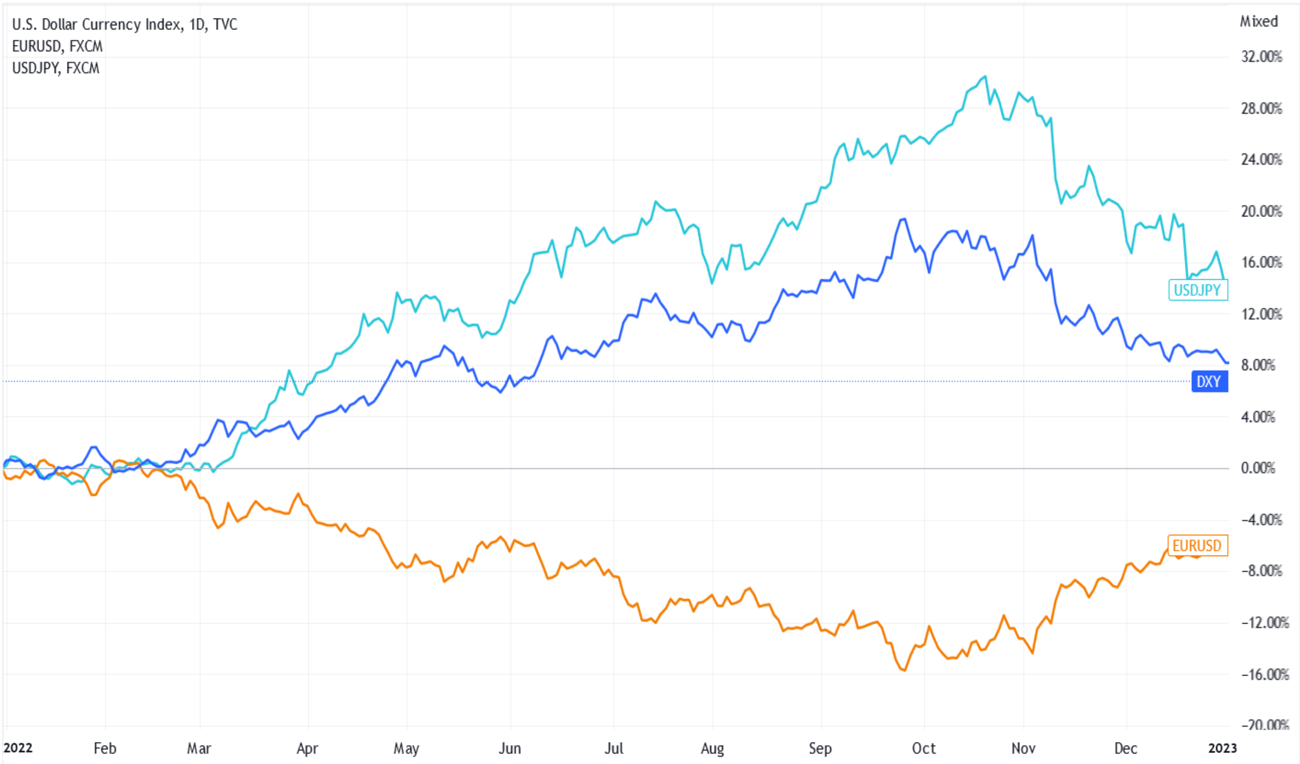
The dollar's rise also directly reduced the value of non-US currencies. The Euro was dragged by the slow hikes of the ECB, with the EUR/USD falling to 0.96 at one point and recording a -4% decline for the year. The Yen was dampened by the BOJ's untouched rates, exacerbating the spread between US and Japanese bonds as the USD/YEN touched 150, before recovering as the BOJ altered its rate target margin, with USD/JPY declining -4% for the year.



2022 YoY Performance of WTI Oil / Gold / Silver / Bitcoin USD



2022 YoY Performance of USD - DXY / Euro - EURUSD / Yen - USDJPY



2023 Market Outlook

Continuing the distinct and complex challenges posed to the global economy in 2022, 2023 is predicted to remain a difficult year. Global inflation, the end of loose monetary policy, supply chain disruptions and gratuitous wars all serve as impetus to unpredictable investment risks. Patience and dedication have guided the core principles of our management team in the past few years, that which will prove especially important in the next one to two years. The central theme in the outlook for 2023 is the relationship between a recession and a soft landing, and whether the Fed will slow rate hikes, maintain them at a high level for the foreseeable horizon, or implement rate cuts to prevent a recession from deepening, all factors that could lead the global economy in very different directions in the upcoming year.

We expect the first half of 2023 to be overshadowed by wide encompassing recession fears, with Europe, the UK and the US suffering the most. Asian markets will be relatively less affected, and coupled with the relaxation of China's Covid policies, regional economic development is expected to improve significantly in the second half. Fortunately, the expected cold winter in Europe never materialized, alleviating energy markets, as renewable and sustainable energy options have been further emphasized, paving the way for a balance with the fossil fuel market in the future and providing a major contribution to carbon emission reduction. Climate change will remain an international issue, and the US-China rivalry has yet to affect cooperation on this issue, as climate investment remains a major driving force in global economic development.

Under the haze that high inflation will remain and generally affect investor sentiment, adequate portfolio adjustment remains the most important issue in 2023. In essence, the balance between stocks and bonds as stock valuations fall and yields rise will persist until the next stage of the Fed's monetary policy adjustment. Attractive equity sectors are concentrated in healthcare, technology, renewable / sustainable energy, and green industries such as electric vehicles. Infrastructure, the public sector and banks that benefit from high yields are also worthwhile options. Short-term government bonds and mortgage-backed securities could prove worthwhile, providing higher yields with reduced time to exposure.

After a full year of intensive rate hikes, coupled with the impetus of the Russian-Ukrainian war, the Fed has successfully led global funds into the US market. The liquidity crunch had materialized by year end, resulting in substantial corrections in the three major US stock indices. With the aim of retaining said funds, the Fed's monetary policy is unlikely to loosen anytime soon, leading to further declines in asset prices and reduced pace of economic growth. This policy orientation remains ideal for the US however, notwithstanding other political factors. Both Europe and the UK are expected to underperform the US due to the combination of persistent inflation, and high energy prices facing the former. The UK in particular is facing a perfect storm, amongst the backdrop of currency instability, recession, high inflation, strikes and political fragility.

Last year's successive ASEAN summits and APEC meetings have reflected that most Asian countries proritized economic development over geopolitical issues, outlining the distinction between Eastern and Western ideologies. Asian countries are generally committed to infrastructural development and have further plans for regional free trade, and have shown to be more proactive in preparing for the impact of global inflation and a potential recession. China's lifting of Covid controls is likely to lead to a rebound in the pandemic in the short term, but under the assumption that severe disease, excessive deaths, and the emergence of new lethal variants can be avoided, this could usher in a new stage off economic growth in the second half of 2023. Similar to the year before, we believe Asia will remain the biggest driver of global economic development in 2023.

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