SIGNIA INVEST INSIGHTS

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Jugs and wells

“Only when the tide goes out do you discover who's been swimming naked.”
Warren Buffett

SUMMARY

- Quickly climbing rates are beginning to expose weak actors in the system.
- As liquidity is receding and real rates are rising, investors should keep their focus on strong short-duration assets.
- The market’s response to the current crisis suggests we are nearer to the end of the rate hike cycle.
- Higher rates and inflation are putting pressure on valuations and the absence of earnings growth does not help.
- Investor sentiment has been poor for some time which implies that potential downside volatility is likely to be limited.

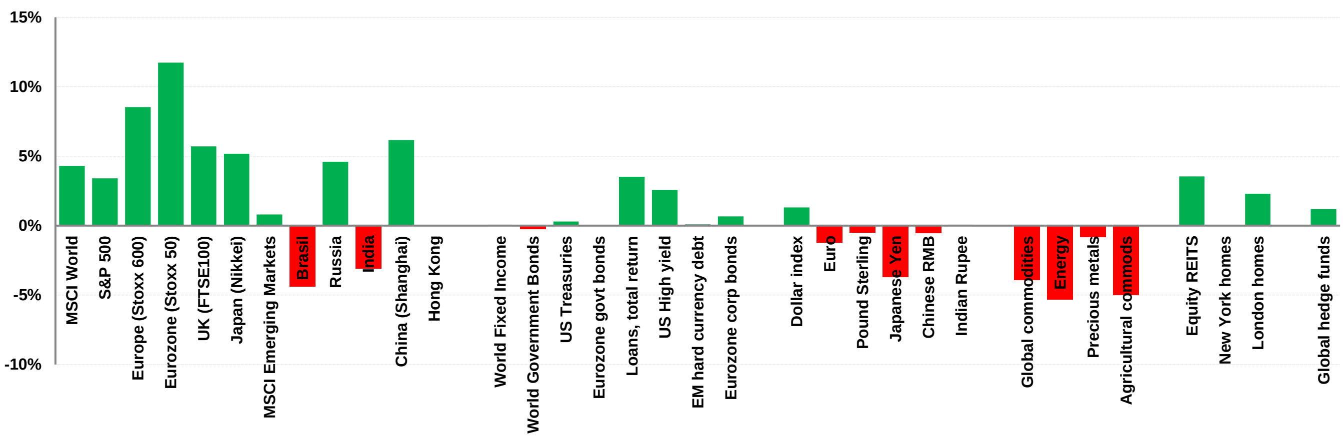
The proverbial jug goes to the well until it breaks whilst the literal central bank can only raise rates until the damage from associated blow ups reaches a critical level.

Have we reached this point with Silicon Valley Bank failing? Probably not but it is clear that the increase in risk-free rates is exposing more and more of the weak players in the economy. The famous Warren Buffett quote perfectly nails the current environment and, unfortunately, I believe we will see more accidents like these happening in the future as management ineptitude, greed, operational weaknesses, outright fraud and poor risk management practices are being revealed.

In an environment where the price of money was zero and liquidity abundant, there was no catalyst to bring about the unravelling of an otherwise untenable situation. Zombie companies with no earnings and no prospect of generating sufficient returns have been kept alive by ignorant investors for too many years.

DALL-E: “Sailing a ship through rough sea painting”

Exhibit 1: Performance of different asset classes in 2023



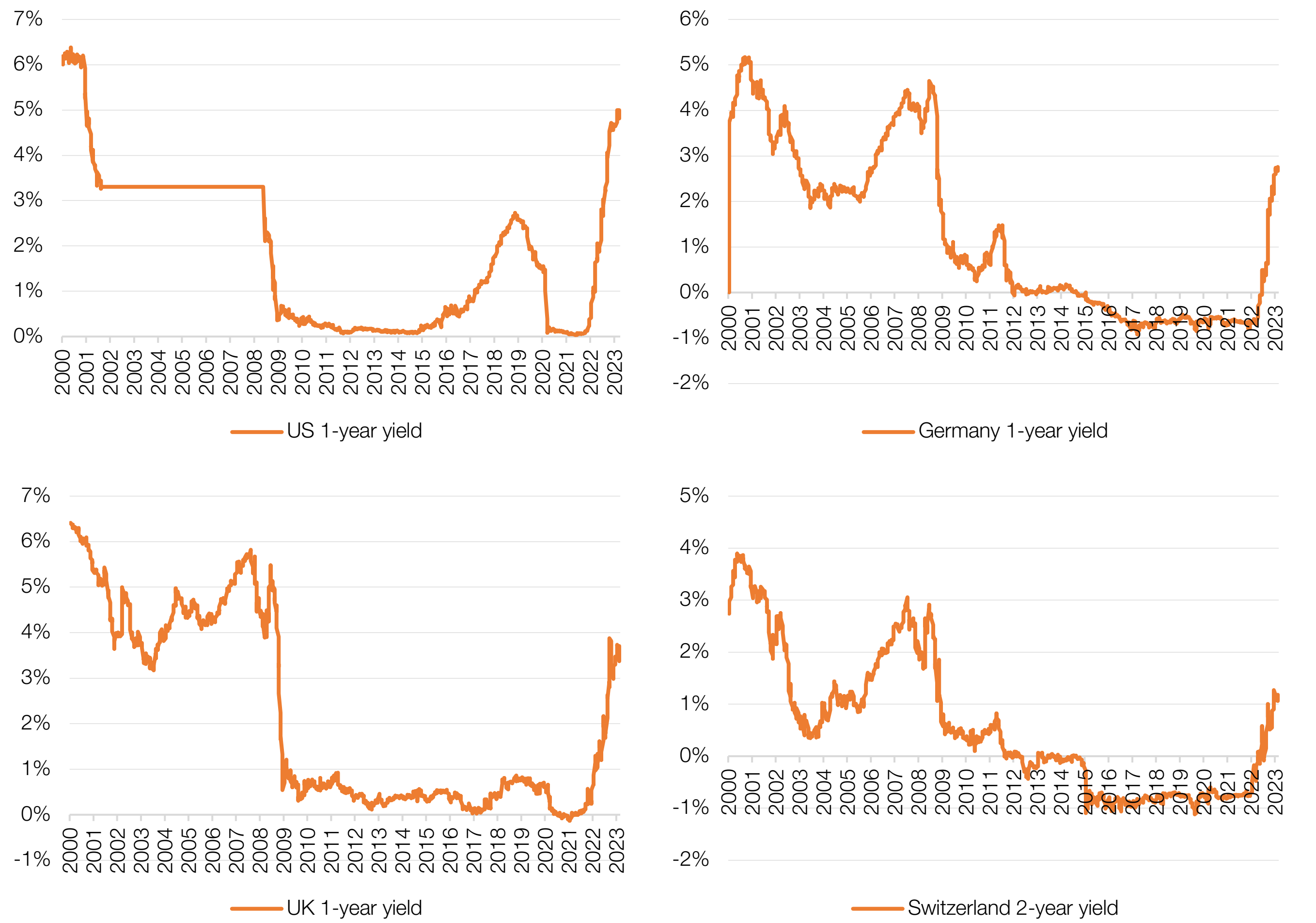
Source: Bloomberg Finance L.P., Arbion Ltd.

It has always been clear that rising interest rates would inevitably raise the bar for many players to get access to funding and would also invite more scrutiny towards their respective business models. Why would one own an illiquid asset today that promises a high single-digit return when there are liquid and near risk-free alternatives generating not much less.

Blaming the Fed for the blow ups we are now witnessing is ignorant and deleterious. J Powell should be applauded for holding course and getting rates to where they are now. I am surprised we got that far, especially in Europe where the notion of zero and negative interest rates started to get deeply engrained into peoples' mindsets. The risk now is clearly that the recent incidents will lead central banks to abandon their focus on inflation, stop hiking and re-start easing monetary conditions again. At the current solid pace of underlying economies this would risk a real inflationary outburst in the not-too-distant future.

For the first time in over a decade, savers and investors have a real choice again to invest in risk-free securities and diversify their portfolios. They did not have this choice over the last ten years. Monetary policy across developed countries denied them this choice. In that context, the last six months have been a real gamechanger, and in a positive way. As an investor, had I wanted to take risk off, my only option post the financial crisis was cash – in other words: take equity risk or take no risk at all. This is obviously somewhat simplified but a good summary of what we had to deal with in the past.

Exhibit 2: One-year government bond market yields in the US, Germany, the UK and Switzerland since 2000



Source(s): Bloomberg Finance L.P., Arbion Ltd.

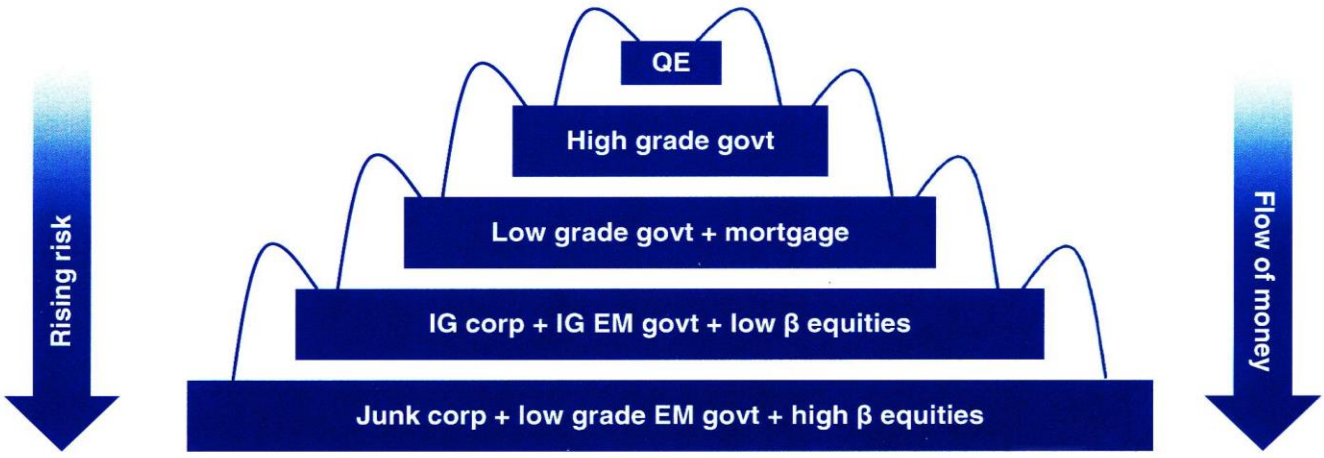
Low interest rates in combination with quantitative easing have led to a general sense of largesse and easy money that has distorted capital allocation, return requirements and risk management over the past few years.

In search for a good mental image, I have always found the liquidity fountain to be a good analogy to what is going on and how to think about risk allocations and areas of potential volatility.

The logic behind this is quite simple: If additional liquidity is injected into the system via central banks by purchasing low-risk government securities, the seller of these securities is forced to buy something else, which is likely to be less secure. The seller of this less secure security, in turn, is forced to go further down the risk ladder, which is how liquidity provision at the top reaches all market segments.

This incremental liquidity trickles down the risk curve and supports prices and valuations accordingly. This is great for the holders of (mispriced) risk assets for as long as it works.

Exhibit 3: The liquidity fountain effect of quantitative easing

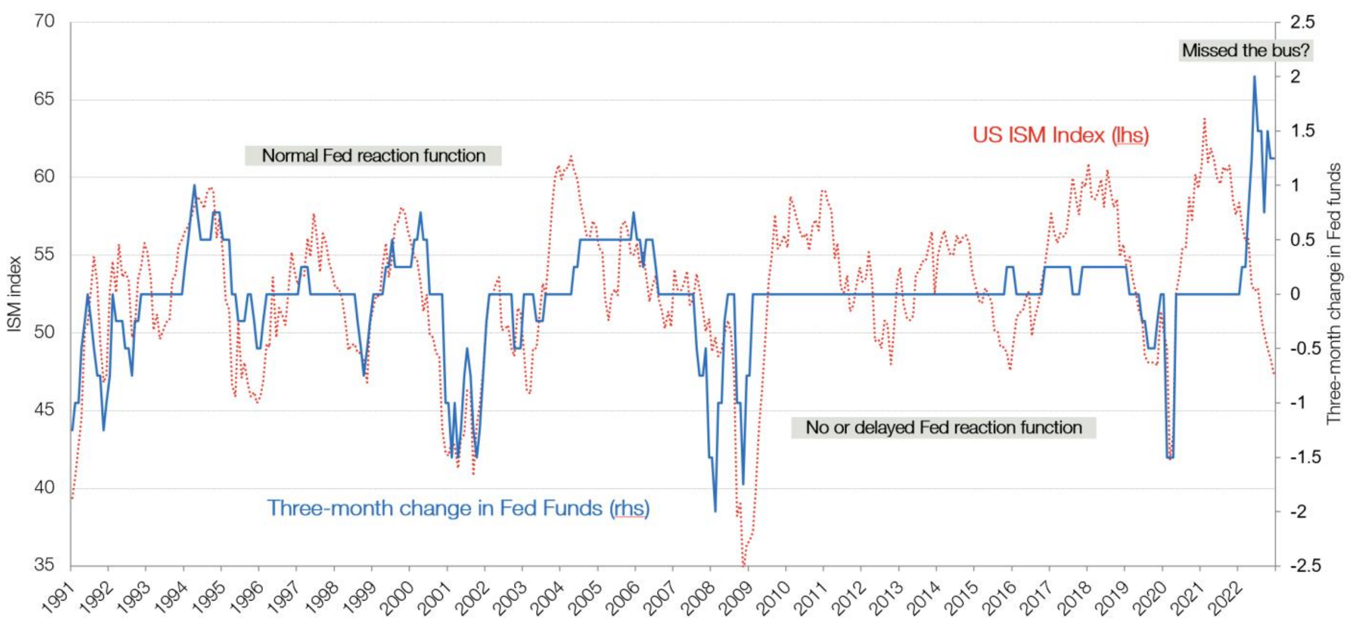


Sources: Majedie

Obviously, the same effect works in reverse which is what we are currently observing. Most recent scandals from FTX, Adani, Silicon Valley Bank, certain European real estate companies and others can, one way or another, be at least partially explained by a rising cost of capital that led to their unwind whilst the suppressed cost of money before led them to grow much larger than they should have under normal circumstances.

Whilst central banks have been late to the game due to the particular circumstances of the pandemic crisis, they now seem to be catching up quickly.

Exhibit 4: US ISM index and three-month change in the Fed Funds rate since 1991



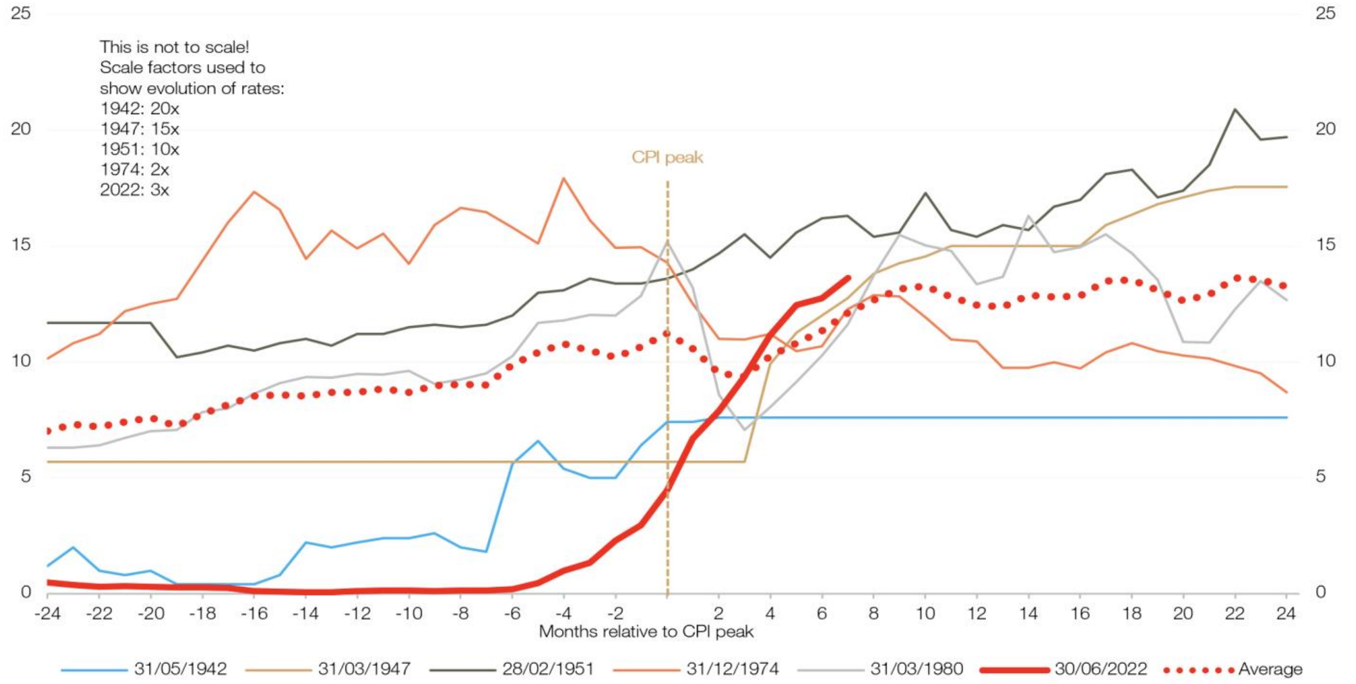
Source(s): Bloomberg Finance L.P., Arbion Ltd.

Before the financial crisis, the typical reaction of the Fed was to tighten or loosen monetary conditions following the ebbs and flows of the economy. This mechanism had almost been totally suspended after the GFC in 2009. It appears to be springing back to life now as a result of high inflation. However, due to the particular nature of this recovery and the inflation problem, the central bank's response is now out of sync with the economy. In other words, while rates have risen quickly, we will only really see the effect several months down the line. Pushing the Fed and others to hike even more aggressively now because spot inflation is not coming down quickly enough risks overtightening into a slowing economy. All of this is likely to lead to more policy volatility in the future.

One could make a plausible case that, for where we are today, conditions are already somewhat tight even in real terms. Given the moderating pace of inflation, we would therefore still assume that we are getting closer to the peak of policy rates over the next few months, consistent with our general positioning and outlook.

This outlook is consistent with empiric evidence whereby short-term interest rates started plateauing approximately eight months after the peak in CPI inflation. This puts us relatively close to the end point of rate hikes, considering that US CPI peaked in June 2022.

Exhibit 5: US three-month Treasury bill yields (proxy for policy rates) 24 months before and after a CPI peak since 1942

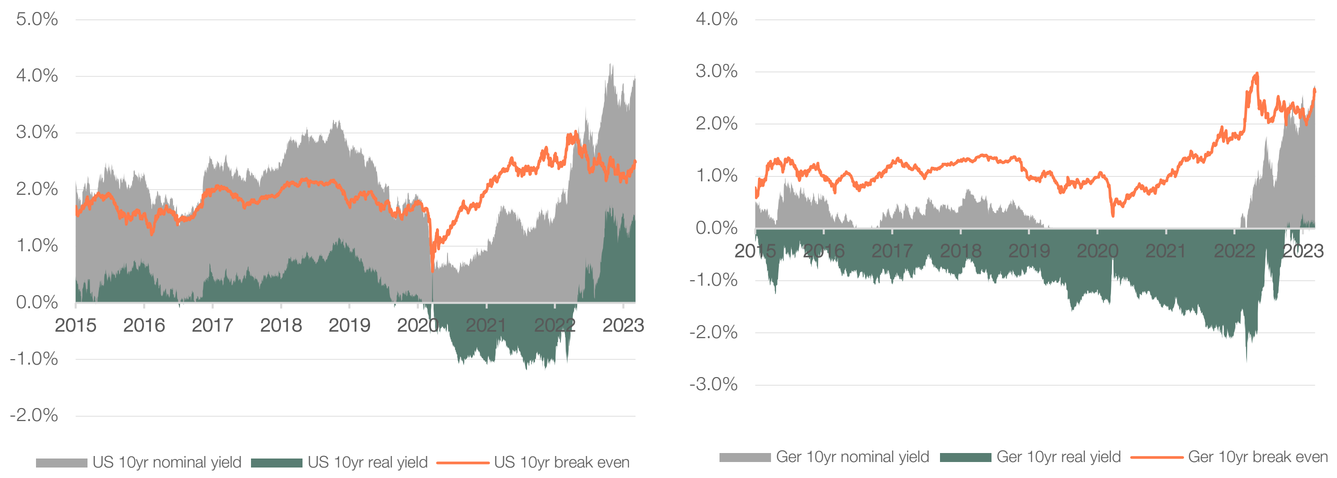


Source(s): Bloomberg Finance L.P., Arbion Ltd.

We note that there is a significant dispersion around that mean and the number of previous episodes is naturally also quite limited but nevertheless, we believe we are in the last innings of that game.

Coming back to my initial thoughts on easing monetary policies: Where did the current hike cycle get us in terms of tighter conditions? Well, not very far but certainly off a very low base. Looking at real rates, the US has made the most progress and real rates (measured by the difference of 10-year nominal government bond yields and equivalent inflation break-evens) are now at decade highs at over 1%. In Europe, we managed to move out of the highly stimulative negative real yield environment and just managed to cross over into positive real rate territory. There is no major difference between the eurozone and the UK on that front.

Exhibit 6: Nominal and real 10-year government bond yields in the US and Germany

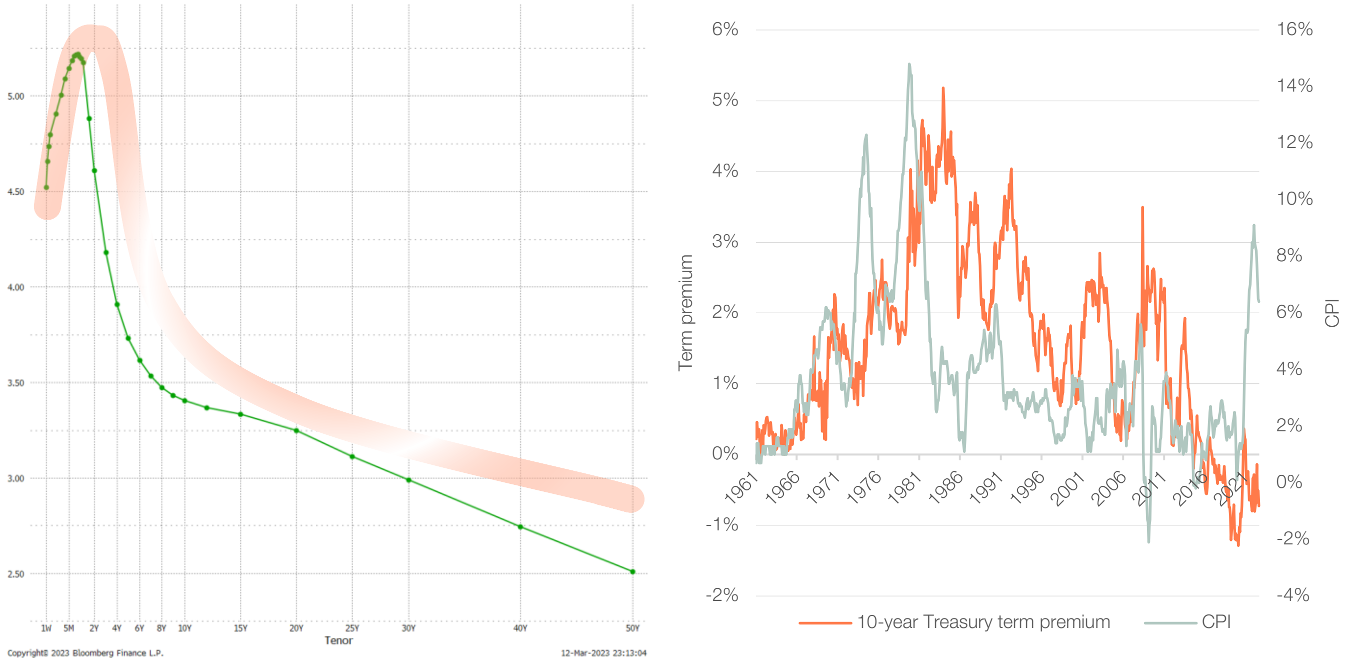


Source(s): Bloomberg Finance L.P., Arbion Ltd.

Will the debacle around Silicon Valley Bank influence the Fed's rate outlook? This is hard to say and depends on the contagion that the event will entail. The market's initial reaction was to take risk off as short-term yields fell sharply, reversing some of the yield curve inversion. The risk is that the quickly shifting focus of policy makers to maintain the integrity of the financial system can lead them astray from their focus on inflation. If anything, the message from this week's trading is that markets almost assume that the rate hike cycle is already over, which could pose some challenges down the line.

Ignoring that specific issue and looking at the inflationary picture, it appears that markets are expecting a too quick a pivot immediately after the peak in rate hikes. On the longer end, we also have doubts about the sustainability of the negative term premium that has been a feature for several years now. Term premium is a compensation for bond investors to reflect the risk of inflation. Due to the disinflationary/deflationary trends post 2009, this premium has effectively disappeared and actually gone negative. We believe there is a meaningful risk that the next few years could see a repricing on the longer end of the yield curve to reflect the structural return of inflation. Below is a very approximate sketch of what the impact of these issues on the yield curve would be.

Exhibit 7: US SOFR rate curve (green) and Arbion's broader tentative rate scenario (lhs) and 10-year Treasury term premium (ACM model) and CPI (rhs)



Source(s): Bloomberg Finance L.P., Arbion Ltd., Federal Reserve Bank of New York

Broadly speaking, it implies that rates are likely to stay higher for somewhat longer than currently anticipated and that long yields are likely too low compared to where they would have been under more normal circumstances. As a result, the focus of our fixed income allocation is on short to medium duration rather than long-duration exposure, a perspective that also informs our view on equities.

Yield curve inversion reached a new record in February driven by rising short-term yields. The 10yr-2yr swap rate spread dropped to almost -1.40% before bouncing back slightly. Usually, this has been a good indicator for a weaker economy in the future, eventually leading to a recession. Whether or not this economy enters a recession or not is almost irrelevant; what is more important is that the market is signalling weaker growth prospects ahead, which is quite a relevant data point for investors to consider.

Exhibit 8: Inversion of the 10-year minus 3-month Treasury curve and months to recession

Inversion date	Recession start	Months to recession	Trough inversion	Inversion length
01/11/1978	01/01/1980	14	-2.97%	18
27/10/1980	01/07/1981	8	-3.73%	11
22/05/1989	01/07/1990	14	-0.31%	7
11/09/1998	01/03/2001	30	-0.90%	0
07/07/2000	01/03/2001	8	-0.99%	7
22/02/2006	01/12/2007	22	-0.06%	0
17/07/2006	01/12/2007	17	-0.59%	10
25/03/2019	01/02/2020	10	-0.05%	0
15/05/2019	01/02/2020	9	-0.50%	5
26/10/2022			-1.27%	
Average excl outliers		11.7	-1.5%	9.7

Source(s): Bloomberg Finance L.P., Arbion Ltd.

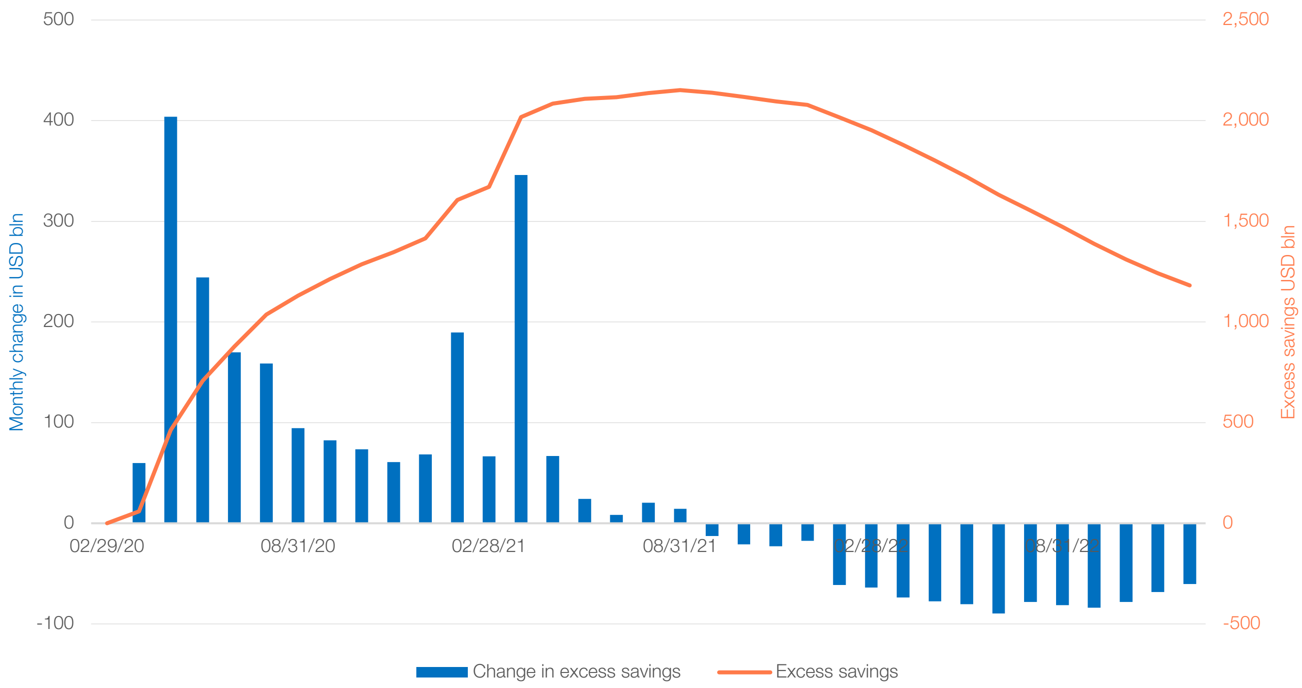
Equity and bond markets in February reflected the concerns over inflation being stickier than anticipated. While the positive momentum from January continued in the first half of the month, it faltered during the second. For the first time in a long time we also witnessed a stark spread in regional performance as Europe gained 1.8% and the US lost 2.6%. Emerging markets lost 6.5%, driven by Asia and LatAm. Hong Kong claimed the top spot in the loser table, down 9.4% in February and now flat for the year. This comes on the heels of three negative years in a row since 2020, which would normally qualify this market for a prominent position on a watch list.

The negative 2.6% performance for the MSCI World equity market index was mirrored in the poor performance for bonds, which fared even worse, losing 3.2% for the FTSE WorldBig investment-grade index. The dollar gained 2.7% last month as per the dollar index and the yen lost 4.5% after strong prior performance.

Unsurprisingly, the reason for the setback can be found in inflation numbers across the US and Europe that continued to prove highly elevated. Month-on-month figures in particular, are not coming down fast enough for markets. This is despite many key commodity prices having declined meaningfully from their respective peaks. For instance, US natural gas lost 80% from its high last August to its low in February. Oil prices have also come down significantly, providing support for European economies.

While the market is currently obsessed with inflation statistics, what investors really need to focus on is the momentum in the underlying economies. And here, it is hard to find any indications for an impending recession. The Atlanta Fed GDPNow forecast is currently tracking at 2.6% for Q1 US GDP. Weekly US jobless claims over the last few weeks have been coming in consistently below forecasts, indicating that the job market is still very robust, with the number of job offerings picking up meaningfully and at nearly 10% above expectations over recent months. Whilst we believe that these trends are likely to deteriorate over the next few quarters, it will also take time to get there and it won't happen in a straight line.

Exhibit 9: Stock and flow of US excess personal savings



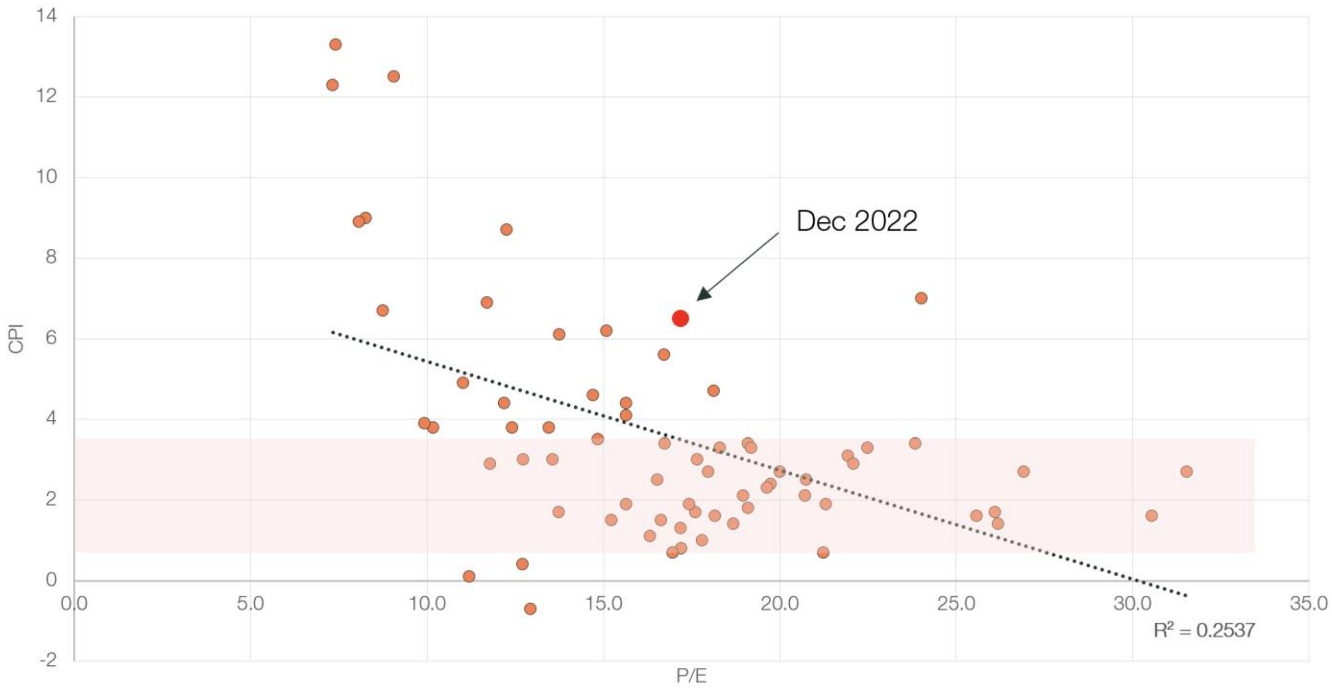
Source(s): Bloomberg Finance L.P., Arbion Ltd.

Together with a still relatively solid cushion of over USD1trn of pandemic excess savings, the US consumer appears to be in good shape and continues what he does best: consuming. On the positive side, hourly wage growth figures are receding, indicating that low unemployment is not leading to accelerating wage increases.

This underlying strength in the US and most other developed countries coupled with the re-opening in China as well as growing optimism on global trade (as reflected in rebounding shipping rates) feeds concerns about continuing inflationary pressures. What is somewhat problematic is that this potential risk is not matched by a strong response from central banks as various Fed speakers have been indicating that we are getting closer to terminal rates in this cycle. Re-animating the animal spirits of investors at this stage appears somewhat premature to us as equity valuations in the US are not quite consistent with the level of bond market yields.

Higher rates and inflation have an impact on valuations as discount rates rise accordingly, lowering the net present value of free cash flows to shareholders. The impact is larger the farther away these cash flows are; which is very far in the case of young companies or biotech businesses. This explains their poor performance during rate-hike cycles. On the other end of the quality spectrum are companies with relatively high and steady earnings, typically trading at low valuations due to their lack of growth to justify a premium multiple. These tend to outperform during such periods as their multiples are more defensible.

Exhibit 10: Trailing price/earnings ratios and CPI inflation in the US since 1953

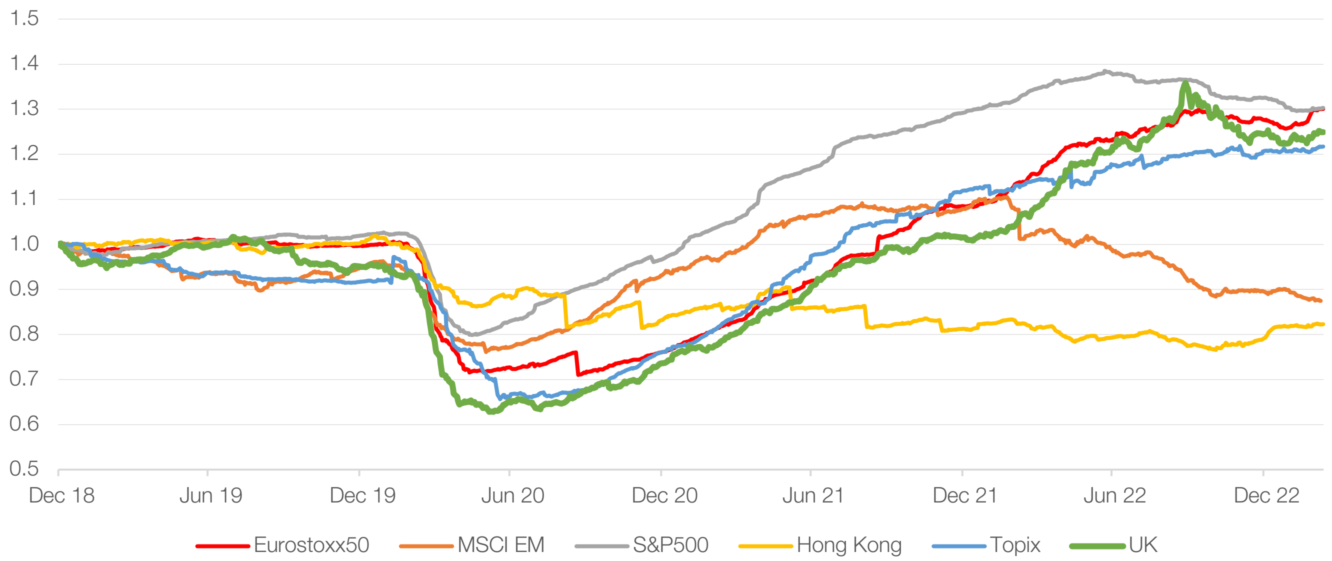


Source(s): Bloomberg Finance L.P., Arbion Ltd.

Thinking about equity valuations in terms of their free-cash-flow yield and comparing that figure to relevant segments of the credit market is a good way to approach the valuation challenge during equity bear markets. On that measure, companies trading at low FCF yields due to their high-quality business characteristics are (initially) more vulnerable for de-ratings should the anticipated growth not materialise in the medium term. Especially some highly rated large cap technology businesses could face a period of multiple compression over the next few years.

The past ten years have been characterised by falling interest rates and rising valuations on the back of solid earnings growth. The latter is coming under pressure this year as operating margins are declining slightly. Interestingly, the eurozone is doing very well, almost outpacing the US in terms of earnings growth.

Exhibit 11: 12-month forward blended index earnings (normalized as of Jan 2019)



Source(s): Bloomberg Finance L.P., Arbion Ltd.

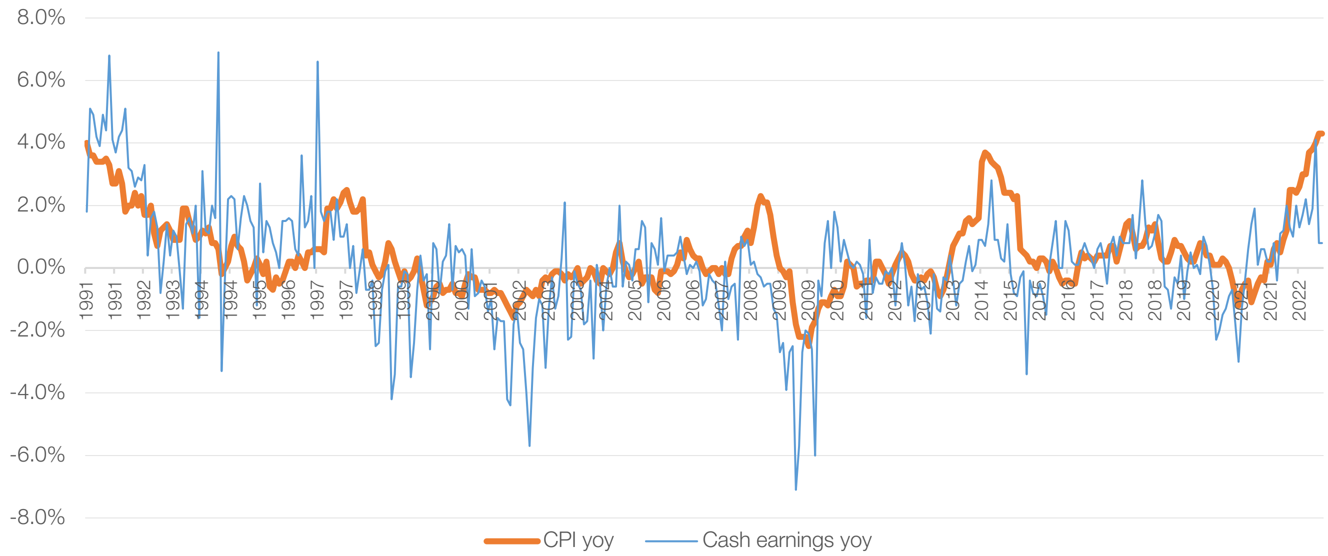
One of my concerns for the year is that the market still expects earnings to bounce back strongly next year. This, in itself, is not too unusual as analysts hardly ever foresee declining forward earnings. At present, whilst the bottom-up forecast for 2023 S&P500 earnings is almost flat compared to last year at around USD222 per share, the expectation for 2024 is close to USD250, which appears quite over-optimistic.

Japan has also been enjoying continued earnings upgrades over the last quarters on the back of resurgent inflation and low interest rates. Quickly rising inflation and robust wage growth, however, are likely to put more pressure on the Bank of Japan to modify its current monetary regime of yield curve controls (YCC).

The outgoing Governor Kuroda, who will depart in April, is leaving a large legacy behind. He co-created the QQE (the Japanese version of quantitative easing) under PM Abe and implemented the YCC programme in recent years. Inflation under his watch averaged under 1% and only picked up now on the back of a cheap JPY and rising energy prices and wages. This led to a widening of the band under YCC from 25bps to 50bps and is likely to lead to a further widening in the future as already expected and implied by markets. With the BoJ owning more than 70% of the country's 10-year bonds, there is not much more room for them to support the market and maintain the yield cap.

It is everyone's guess what incoming Governor Kazuo Ueda is going to do but the current approach is probably untenable and requires a course correction. Financial markets are pricing higher yields and a stronger JPY already. The reason for that is that the little the market knows about Ueda is that he is an economist and not a lawyer (Kuroda, Lagarde and Powell are lawyers) and not a strong supporter of large QE programmes. Therefore, there is a reasonable expectation that he will roll back some of the past policy measures, all of which should lead to higher government bond yields and a stronger yen.

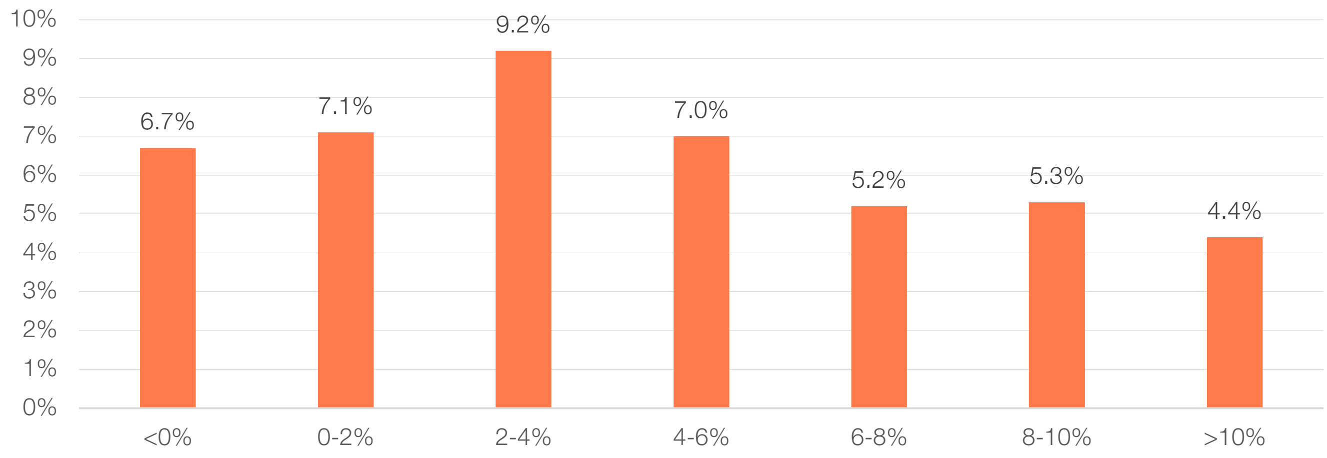
Exhibit 12: Japan: CPI inflation and average monthly cash earnings, year-on-year since 1991



Source(s): Bloomberg Finance L.P., Arbion Ltd.

Inflationary environments tend to be overall somewhat supportive for earnings growth as companies can increase prices faster than they raise wages and are generally quite good at controlling costs. Typically, periods of higher inflation and interest rates also lead to a change in the composition of balance sheets. For instance, during the 1970s and 1980s, companies reduced their debt levels due to high borrowing costs, leading to higher equity ratios and, consequently, lower earnings volatility.

Exhibit 13: S&P500 average quarterly year-on-year earnings growth by inflation tranche since 1950



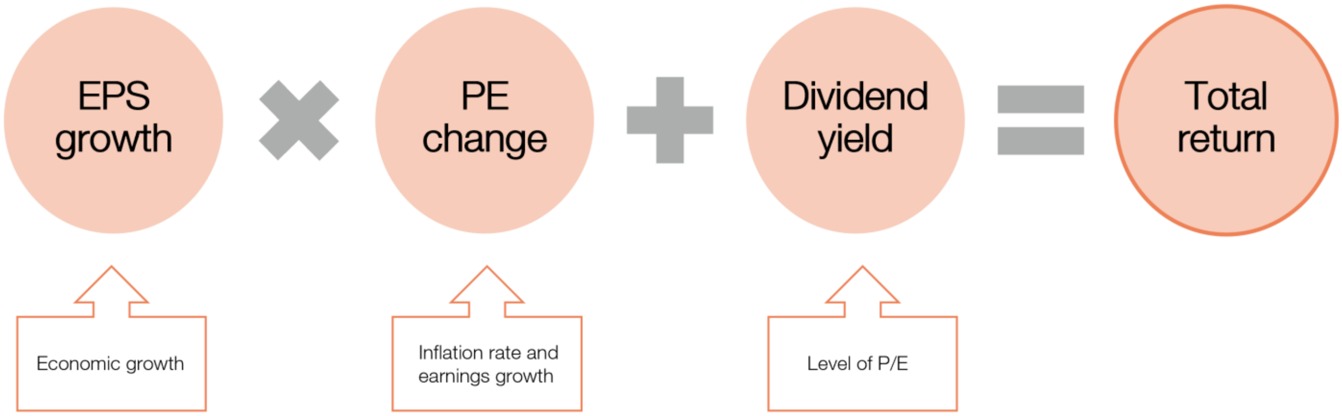
Source(s): Strategas

Currently, with nominal GDP growth of 7.3% in the US, 2% higher than over the past decades, earnings growth could enjoy some cushion and is unlikely to drop as much as during previous recessions.

One of the main reasons why central banks have been clamouring to get inflation going post 2009 was that it would help to reduce real debt burdens when restructuring or defaulting on debt are not an option. Therefore, structurally somewhat higher inflation for several years might turn out to be one of the most effective tools to tackle the debt problem we have been worrying about for so many years. Generally speaking, and this was also the main lesson from periods of hyperinflation, inflationary periods are a net positive for borrowers.

As it appears that we are going through a paradigm change, at least temporarily until the next round of QE is unleashed, it is good to remind ourselves what equity returns typically are composed of.

Exhibit 14: The drivers of total returns

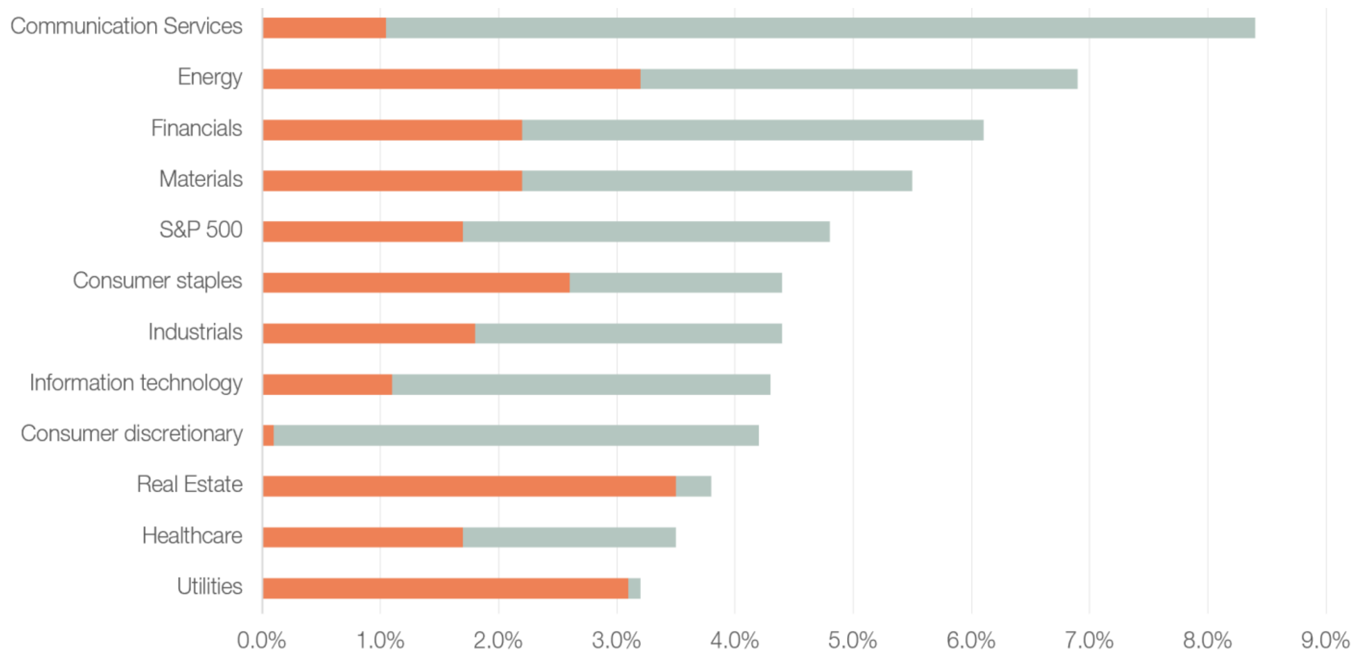


Source(s): Arbion Ltd.

The concept of expected total returns is straightforward. However, investors tend to make the mistake not to consider properly all critical components, ignoring important factors. Usually, the main focus is on earnings growth alone, which ignores many important aspects and reduces equity investing to an oversimplistic framework. The impact of a change in valuation multiples and the role of dividends is also vastly underappreciated. The compound effect on total returns of reinvested dividends over a reasonable stretch of time is profound compared to non-paying companies.

As a result, our portfolio positioning remains defensive with a strong focus on low-duration assets, i.e., bonds with short to medium-term maturities and call dates and equities with high shareholder yields (a combination of dividend yields and share buybacks) that are also trading at attractive valuations. Logically, this has led to a shift in our regional and sectorial preferences over the last months with a strong overweight in European equities and a focus on energy and communication stocks with substantial buyback programmes.

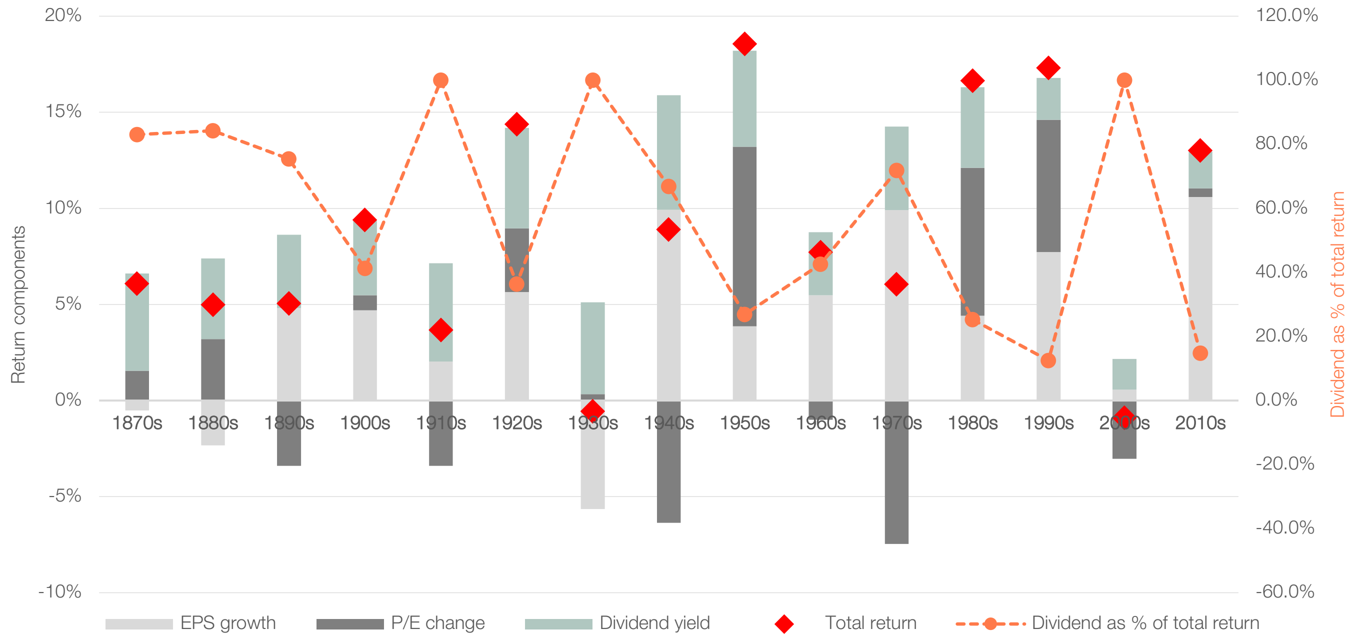
Exhibit 15: Dividend and buyback yields for major US sectors



Source(s): Arbion Ltd.

Historically, dividends have played a significant role as a percentage of total returns. They constituted 60% of the total return for equity investors. Due to the recent style shift driven by low interest rates over the last decade, most of the returns for equity investors have been generated by price gains, fuelled by P/E expansion (and negatively correlated to interest rates).

Exhibit 16: Annualised total return drivers since 1870

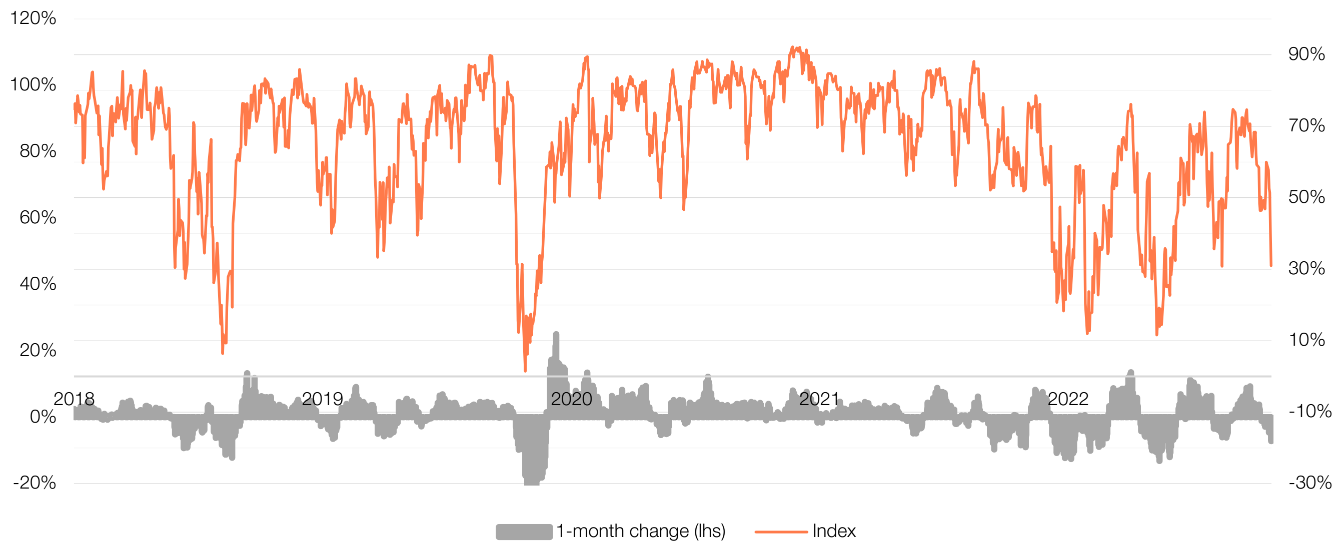


Source(s): Bloomberg Finance L.P., Arbion Ltd.

The reversal in interest rates as well as the presence of higher inflation favour a focus on shorter-duration equities for at least until quality equity names are priced more appropriately. As a result, we would expect that dividend income and the effect from share buybacks will play a more prominent role as a percentage of total returns in the intermediate future.

Changes in investment regimes typically entail rising volatility and subdued investor sentiment as a result of that. The latter has not been bullish for a while which, from a contrarian perspective, somewhat limits potential downside risks but, equally, upside is likely to be capped by central bank rhetoric and, at least in the short term, some more upside pressure from inflation and interest rates. Against this backdrop, a short-duration portfolio with a strong income element can deliver good returns whilst we are waiting for the skies to clear.

Exhibit 17: Arbion investor sentiment indicator



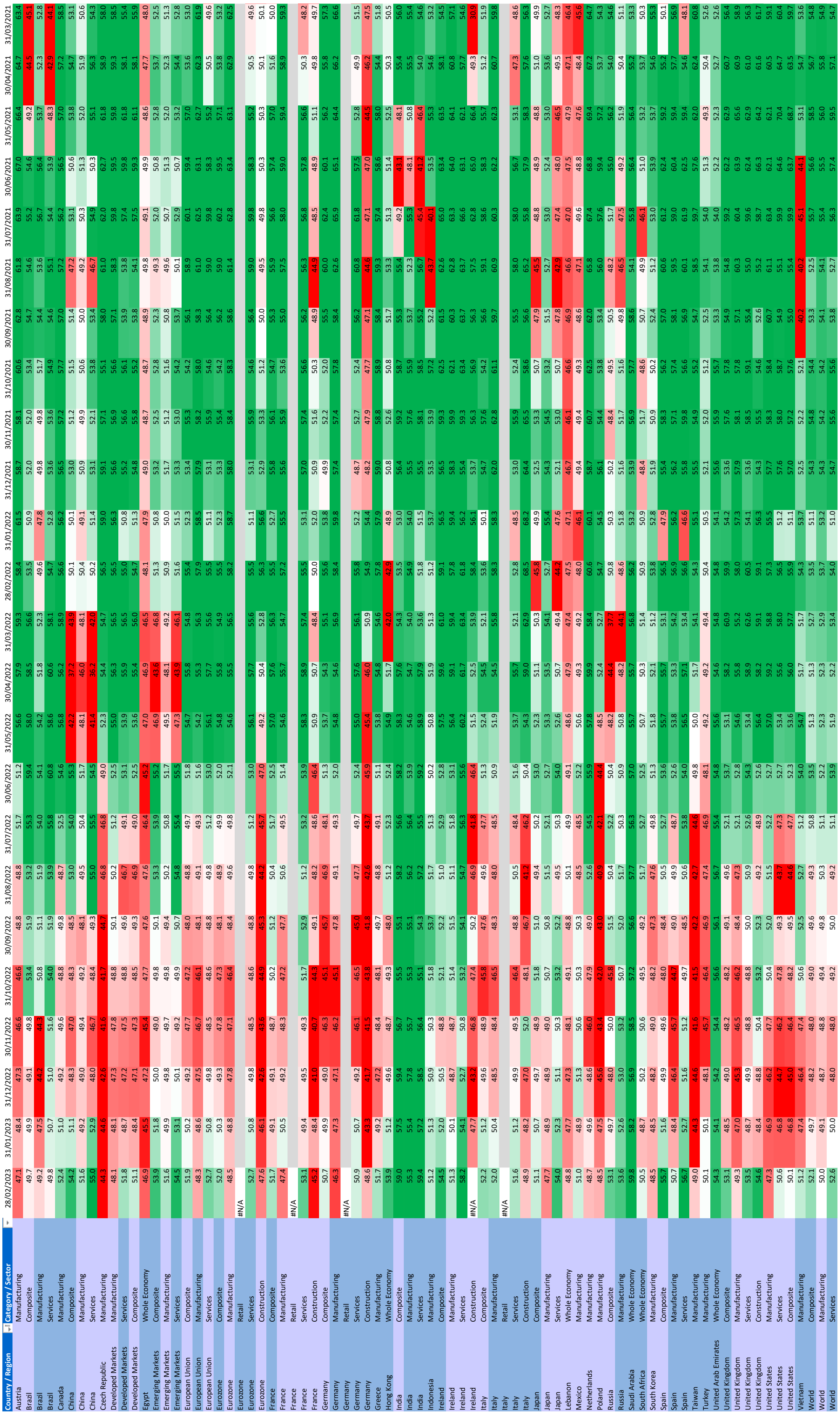
Source(s): Bloomberg Finance L.P., Arbion Ltd.

GLOBAL ECONOMIC MONITOR

	Sep	Oct	Nov	Dec	Jan	Feb		Trend
Citi Economic Surprise US	17.9	8.1	8.9	-2.7	-6.1	38.6		
Citi Economic Surprise G10	9.8	11.2	17.5	20.2	32.1	45.4		
Citi Economic Surprise Europe	0.2	18.2	32.5	67.9	97.2	61.8		
Citi Economic Surprise EM	-4.4	7.2	-3.1	-20.6	8.3	2.4		
Citi Economic Surprise UK	36.6	14.4	77.6	39.7	19.2	-1.1		
ISM manufacturing	51.0	50.0	49.0	48.4	47.4	47.7		
ISM new orders	53.25	52.5	51.3	45.15	51.45	54.8		
Global manufacturing PMI	49.6	49.0	48.0	48.2	49.7	52.1		
China manufacturing PMI	50.1	49.2	48.0	47.0	50.1	52.6		
Japan manufacturing PMI	50.8	50.7	49.0	48.9	48.9	47.7		
US durable goods orders	0.2	0.7	-1.8	5.1	-4.5			
US initial jobless claims	219	218	226	206	183	190		
US Industrial production	0.2	0.0	-0.6	-1.0	0.0			
Euro Industrial production	0.8	-2.0	1.4	-1.1				
Japan Industrial production	-1.7	-3.2	0.2	0.3	-4.6			
US retail sales	-0.2	1.1	-1.1	-1.1	3.0			
Euro retail sales	0.9	-1.4	0.6	-1.6	0.3			
Japan retail sales	4.8	4.4	2.5	3.8	6.3			
China retail sales	2.5	-0.5	-5.9	-1.8				
US consumer confidence	107.8	102.2	101.4	109.0	106.0	102.9		
Euro consumer confidence	-28.7	-27.4	-23.7	-22.0	-20.7	-19.0		
ifo German business expectations	75.3	75.6	80.0	83.1	86.4	88.5		
China export trade	5.6	-0.3	-9.0	-9.9				
South Korea export trade	2.3	-5.8	-14.2	-9.7	-16.6	-7.5		
German export trade	20.3	16.1	14.5	6.4	8.6			
China monthly money supply	12.1	11.8	12.4	11.8	12.6	12.9		
US personal income	0.5	0.9	0.4	0.3	0.6			

Sources: Bloomberg Finance L.P., Arbion Ltd.

THE GLOBAL PMI HEATMAP



The table shows monthly PMI statistics across countries and different sectors per country for the past two years.

The latest data are next to the country/sector name at the bottom of the page.

Broad global slowdown

Sources: Bloomberg Finance L.P., Arbion Ltd.

THE WORLD IN NUMBERS

US												
Date	PMI	CPI (%)	Disc rate %	Ind Prodyoy%	Exports ($M)	Imports ($M)	Trade bal ($M)	M2 ($bn)	M2 mom%	Unempl %	Date	GDP yoy%
31/08/2022	51.9	8.3	2.50	3.5	183,772	286,134	-102,362	21,637		3.7	31/03/2022	3.7
30/09/2022	46.4	8.20	3.25	4.73	177,272	278,237	-100,965	21,517	-0.6%	3.5	30/06/2022	1.8
31/10/2022	45.9	7.7	3.25	3.19	182,488	285,399	-102,911	21,432	-0.4%	3.7	30/09/2022	1.9
30/11/2022	37.9	7.1	4.00	1.98	172,968	259,172	-86,204	21,401	-0.1%	3.6	31/12/2022	0.9
31/12/2022	45.1	6.5	4.50	1.15	169,847	255,169	-85,322	21,236	-0.8%	3.5		
31/01/2023	44.3	6.4	4.50	0.79	168,712	256,655	-87,943	21,267	0.1%	3.4		
28/02/2023	43.6		4.75							3.6		

CHINA												
Date	PMI	CPI (%)	Disc rate %	Ind Prodyoy%	Exports ($bn)	Imports ($bn)	Trade bal ($bn)	M2 (RMBbn)	M2 mom%		Date	GDP yoy%
31/08/2022	49.4	2.5	1.50	4.2	314.963	234.695	80.3	259,507			31/03/2022	4.8
30/09/2022	50.1	2.8	1.50	6.3	321.669	237.62	84.0	262,660	1.2%		30/06/2022	0.4
31/10/2022	49.2	2.1	1.50	5.0	298.14	213.2	84.9	261,291	-0.5%		30/09/2022	3.9
30/11/2022	48	1.6	1.50	2.2	295.201	226.146	69.1	264,701	1.3%		31/12/2022	2.9
31/12/2022	47	1.8	1.50	1.3	306.079	228.066	78.0	266,432	0.7%			
31/01/2023	50.1	2.1	1.50					273,810	2.8%			
28/02/2023	52.6	1.0	1.50					275,520				

GERMANY												
Date	PMI	CPI (%)	Disc rate %	Ind Prodyoy%	Exports (€bn)	Imports (€bn)	Trade bal (€bn)	M2 EZ (€bn)	M2 EZ mom%	Unempl %	Date	GDP yoy%
31/08/2022	49.1	7	0.50	1.3	135.3	134.4	0.9	15,316,141		5.5	31/03/2022	3.6
30/09/2022	47.8	8.6	1.25	2.8	134.5	131.8	2.7	15,416,404	0.7%	5.5	30/06/2022	1.6
31/10/2022	45.1	8.8	2.00	-0.6	135.8	129.2	6.6	15,332,845	-0.5%	5.5	30/09/2022	1.4
30/11/2022	46.2	8.8	2.00	-0.5	136.5	125	11.5	15,334,908	0.0%	5.5	31/12/2022	0.9
31/12/2022	47.1	8.1	2.50	-3.3	127.9	117.9	10.0	15,335,989	0.0%	5.5		
31/01/2023	47.3	8.7	2.50	-1.6	130.6	113.9	16.7	15,241,830	-0.6%	5.5		
28/02/2023	46.3	8.7	3.00							5.5		

UK												
Date	PMI	CPI (%)	Disc rate %	Ind Prodyoy%	Exports,GBPM	Imports,GBPM	Trade bal (GBPM)	M2 (GBPM)	M2 mom%	Unempl %	Date	GDP yoy%
31/08/2022	47.3	9.9	1.75	-6.2	74,615	79,578	-4,963	2,249,415		3.5	31/03/2022	10.5
30/09/2022	48.4	10.1	2.25	-5.3	75,543	76,222	-679	2,279,308	1.3%	3.6	30/06/2022	3.9
31/10/2022	46.2	11.1	2.25	-4.2	75,063	73,899	1,164	2,275,654	-0.2%	3.7	30/09/2022	1.9
30/11/2022	46.5	10.7	3.00	-4.3	73,849	76,155	-2,306	2,279,783	0.2%	3.7	31/12/2022	0.4
31/12/2022	45.3	10.5	3.50	-4.0	70,644	77,794	-7,150	2,288,796		3.7		
31/01/2023	47	10.1	3.50	-4.3	67,015	72,876	-5,861	2,254,380				
28/02/2023	49.3		4.00									

JAPAN												
Date		CPI (%)	Disc rate %	Ind Prodyoy%	Exports,JPYbn	Imports,JPYbn	Trade bal (JPYbn)	M2 (JPY TRN)	M2 mom%	Unempl %	Date	GDP yoy%
31/08/2022		3.0		5.8	8,061	10,851	-2,790	1,209		2.5	31/03/2022	0.5
30/09/2022		3.0		9.6	8,818	10,917	-2,099	1,208	-0.1%	2.6	30/06/2022	1.7
31/10/2022		3.7		3.0	9,001	11,173	-2,171	1,206	-0.1%	2.6	30/09/2022	1.5
30/11/2022		3.8		-0.9	8,837	10,869	-2,032	1,213	0.5%	2.5	31/12/2022	0.4
31/12/2022		4.0		-2.4	8,787	10,246	-1,459	1,213	0.0%	2.5		
31/01/2023		4.3		-2.3	6,551	10,049	-3,499	1,213	0.0%	2.4		
								1,209				

INDIA												
Date		CPI (%)	Disc rate %	Ind Prodyoy%	Exports ($M)	Imports ($M)	Trade bal ($M)	M3 (INR 10M)	M2 mom%		Date	GDP yoy%
31/08/2022		7.0	5.40	-0.7	33,923	61,901	-27,978	21,051,592			31/03/2022	3.91
30/09/2022		7.4	5.90	3.3	35,445	61,158	-25,713	21,072,894	0.1%		30/06/2022	12.06
31/10/2022		6.8	5.90	-4.1	29,782	56,693	-26,912	21,301,561	1.1%		30/09/2022	5.48
30/11/2022		5.9	5.90	7.3	31,992	55,885	-23,893	21,397,426	0.5%		31/12/2022	4.6
30/12/2022		5.7	6.25	4.7	34,477	58,244	-23,767	21,859,358	2.2%			
31/01/2023		6.5	6.25	5.2	32,914	50,657	-17,743	21,894,248	0.2%			
28/02/2023			6.50					22,101,519				

Source: Bloomberg Finance L.P., Arbion Ltd.

PERFORMANCE OF DIFFERENT ASSET CLASSES

EQUITIES	Currency		FEBRUARY	2023	2022	2021	2020	2019	2018	2017	2016
MSCI World	**USD**	**2,714.6**	**-2.5%**	**4.3%**	**-19.5%**	**20.1%**	**14.1%**	**25.2%**	**-10.4%**	**20.1%**	**5.3%**
MSCI World (EUR hedged)	**EUR**	**194.0**	**-1.8%**	**4.3%**	**-19.2%**	**21.5%**	**10.1%**	**22.2%**	**-11.1%**	**14.6%**	**5.6%**
MSCI World (GBP hedged)	**GBP**	**1,037.8**	**-1.7%**	**4.5%**	**-18.5%**	**22.2%**	**9.9%**	**23.0%**	**-9.3%**	**15.5%**	**6.0%**
MSCI World (USD hedged)	**USD**	**765.4**	**-1.6%**	**4.8%**	**-16.7%**	**22.7%**	**12.4%**	**25.9%**	**-7.4%**	**16.9%**	**7.2%**
MSCI World local	Local	758.0	-2.0%	4.3%	-17.5%	19.1%	12.3%	23.7%	-9.5%	17.5%	6.8%
US (S&P500)	**USD**	**3,970.2**	**-2.6%**	**3.4%**	**-19.4%**	**26.9%**	**16.3%**	**28.9%**	**-6.2%**	**19.4%**	**9.5%**
Europe (Stoxx 600)	**EUR**	**461.1**	**1.7%**	**8.5%**	**-12.9%**	**22.2%**	**-4.0%**	**23.2%**	**-13.2%**	**7.7%**	**-1.2%**
Eurozone (Euro Stoxx 50)	**EUR**	**4,238.4**	**1.8%**	**11.7%**	**-11.7%**	**21.0%**	**-5.1%**	**24.8%**	**-14.3%**	**6.5%**	**0.7%**
Germany (DAX30)	EUR	15,365.1	1.6%	10.4%	-12.3%	15.8%	3.5%	25.5%	-18.3%	12.5%	6.9%
UK (FTSE 100)	GBP	7,876.3	1.3%	5.7%	0.9%	14.3%	-14.3%	12.1%	-12.5%	7.6%	14.4%
France (CAC40)	EUR	7,267.9	2.6%	12.3%	-9.5%	28.9%	-7.1%	26.4%	-11.0%	9.3%	4.9%
Greece (ASE)	EUR	1,129.3	10.4%	21.5%	4.1%	10.4%	-11.7%	49.5%	-23.6%	24.7%	1.9%
Spain (IBEX)	EUR	9,394.6	4.0%	14.2%	-5.6%	7.9%	-15.5%	11.8%	-15.0%	7.4%	-2.0%
Italy (MIB)	EUR	27,478.4	3.3%	15.9%	-13.3%	23.0%	-5.4%	28.3%	-16.1%	13.6%	-10.2%
Japan (Nikkei 225)	**JPY**	**27,445.6**	**0.4%**	**5.2%**	**-9.4%**	**4.9%**	**16.0%**	**18.2%**	**-12.1%**	**19.1%**	**0.4%**
MSCI Emerging Markets	**USD**	**964.0**	**-6.5%**	**0.8%**	**-22.4%**	**-4.6%**	**15.8%**	**15.4%**	**-16.6%**	**34.3%**	**8.6%**
MSCI Emerging Markets local	**Local**	**58,330.6**	**-4.7%**	**1.5%**	**-17.9%**	**-2.3%**	**16.6%**	**15.1%**	**-12.2%**	**27.8%**	**7.1%**
MSCI Asia ex Japan	USD	624.0	-6.9%	0.8%	-21.5%	-6.4%	22.5%	15.4%	-16.4%	38.7%	2.9%
MSCI Eastern Europe	USD	33.6	-1.6%	6.5%	-82.9%	12.9%	-15.6%	26.9%	-8.1%	12.9%	33.0%
MSCI Latin America	USD	2,186.1	-6.4%	2.7%	-0.1%	-13.1%	-16.0%	13.7%	-9.3%	20.8%	27.9%
Russia (MICEX)	RUB	2,253.2	1.2%	4.6%	-43.1%	15.1%	8.0%	28.6%	12.3%	-5.5%	26.8%
India (Sensex)	INR	58,962.1	-1.0%	-3.1%	4.4%	22.0%	15.8%	14.4%	5.9%	27.9%	1.9%
Brasil (Bovespa)	BRL	104,931.9	-7.5%	-4.4%	4.7%	-11.9%	2.9%	31.6%	15.0%	26.9%	38.9%
Hong Kong (Hang Seng)	**HKD**	**19,785.9**	**-9.4%**	**0.0%**	**-15.5%**	**-14.1%**	**-3.4%**	**9.1%**	**-13.6%**	**36.0%**	**0.4%**
China (Shanghai Comp)	CNY	3,279.6	0.7%	6.2%	-15.1%	4.8%	13.9%	22.3%	-24.6%	6.6%	-12.3%
South Korea (Kospi)	KRW	2,412.9	-0.5%	7.9%	-24.9%	3.6%	30.8%	7.7%	-17.3%	21.8%	3.3%
Israel (TA 25)	ILS	1,734.3	-3.5%	-3.5%	-9.2%	32.0%	-10.9%	15.0%	-3.0%	2.7%	-3.8%
South Africa (Top 40)	ZAR	71,693.9	-2.4%	7.1%	-0.1%	23.3%	7.0%	8.8%	-11.1%	19.7%	-4.1%
FIXED INCOME			FEBRUARY	2023	2022	2021	2020	2019	2018	2017	2016
FTSE WorldBig	**USD**	**202.3**	**-3.2%**	**0.1%**	**-17.1%**	**-5.4%**	**9.5%**	**6.9%**	**-1.3%**	**7.4%**	**1.9%**
FTSE WorldBig local	**Local**	**215.5**	**-2.0%**	**0.5%**	**-13.9%**	**-2.1%**	**5.7%**	**7.1%**	**0.5%**	**2.1%**	**3.3%**
FTSE WorldBig (EUR hedged)	**EUR**	**200.9**	**-2.1%**	**0.2%**	**-15.1%**	**-2.6%**	**4.9%**	**5.3%**	**-1.1%**	**1.0%**	**2.4%**
FTSE WorldBig (GBP hedged)	**GBP**	**261.4**	**-2.0%**	**0.4%**	**-14.1%**	**-1.9%**	**5.6%**	**6.7%**	**0.0%**	**1.9%**	**3.6%**
FTSE WorldBig (USD hedged)	**USD**	**244.2**	**-1.9%**	**0.7%**	**-13.1%**	**-1.8%**	**6.2%**	**8.4%**	**1.7%**	**2.9%**	**3.9%**
World government bonds (FTSE)	**USD**	**833.2**	**-3.3%**	**-0.3%**	**-18.3%**	**-7.0%**	**10.1%**	**5.9%**	**-0.8%**	**7.5%**	**1.6%**
US Treasuries, total return	USD	223.4	-2.4%	0.3%	-12.9%	-2.5%	8.3%	6.9%	0.8%	2.5%	1.1%
US 10-year yield	**USD**	**3.92%**	**0.41**	**0.05**	**2.36**	**0.60**	**-1.00**	**-0.77**	**0.28**	**-0.04**	**0.17**
US 10-year bond	USD	111.7	-2.5%	-0.6%	-13.9%	-5.5%	7.5%	5.3%	-1.6%	-0.2%	-1.3%
US 5y/5y forward inflation expectation	USD	2.20%	0.00	0.00	-0.07	0.30	0.13	-0.00	-0.15	-0.05	0.24
Eurozone government debt	EUR	207.5	-2.3%	0.0%	-18.4%	-3.4%	5.0%	6.7%	1.0%	0.1%	3.3%
Eurozone corporate bonds	EUR	208.7	-1.5%	0.7%	-14.2%	-1.1%	2.7%	6.3%	-1.3%	2.4%	4.7%
EU high yield (BofAML)	USD	316.3	-0.2%	3.0%	-11.5%	3.3%	2.8%	11.3%	-3.6%	6.7%	9.1%
Germany 10-year yield	**EUR**	**2.65%**	**0.37**	**0.08**	**2.75**	**0.39**	**-0.38**	**-0.43**	**-0.19**	**0.22**	**-0.42**
Germany 10-year bond	EUR	132.9	-2.9%	-0.0%	-22.4%	-3.5%	4.2%	4.2%	1.2%	-1.5%	3.9%
UK 10-year yield	GBP	3.83%	0.49	0.15	2.70	0.77	-0.63	-0.46	0.09	-0.05	-0.72
Japan 10-year yield	JPY	0.51%	0.01	0.08	0.35	0.05	0.03	-0.01	-0.05	0.00	-0.22
China 10-year yield	CNY	2.92%	0.01	0.08	0.06	-0.37	0.00	-0.17	-0.59	0.84	0.20
India 10-year yield	INR	7.43%	0.09	0.11	0.87	0.59	-0.69	-0.81	0.04	0.81	-1.25
Loans, total return (S&P LSTA)	**USD**	**3,405.5**	**0.8%**	**3.5%**	**-0.6%**	**5.2%**	**3.1%**	**8.6%**	**0.4%**	**4.1%**	**10.2%**
US High yield (BofAML)	**USD**	**1,437.6**	**-1.3%**	**2.6%**	**-11.2%**	**5.4%**	**6.2%**	**14.4%**	**-2.3%**	**7.5%**	**17.5%**
US investment grade (BofAML)	USD	3,013.8	-2.9%	0.9%	-15.4%	-1.0%	9.8%	14.2%	-2.2%	6.5%	6.0%
US mortgages (BofAML)	USD	2,030.5	-2.6%	0.5%	-11.9%	-1.2%	4.1%	6.5%	1.0%	2.4%	1.7%
US municipals (BofAML)	USD	592.6	-2.4%	0.6%	-9.0%	1.8%	5.3%	7.7%	1.0%	5.4%	0.4%
EM hard-currency debt (JPM EMBI+)	**USD**	**686.9**	**-3.4%**	**0.1%**	**-24.7%**	**-4.5%**	**7.1%**	**12.6%**	**-5.3%**	**8.3%**	**9.6%**
EM external government debt (BofAML)	USD	1,050.7	-2.7%	0.4%	-18.8%	-2.2%	6.9%	12.7%	-4.5%	11.5%	7.6%
EM investment grade (BofAML)	USD	374.2	-1.7%	0.8%	-14.6%	-0.7%	6.5%	11.6%	-1.4%	7.3%	5.5%
Emerging market spreads	USD	278.7	-5.81	-26.76	-6.09	46.19	32.37	-73.10	100.50	-81.21	-218.44
US Investment-grade spreads	USD	146.2	3.50	-12.52	46.81	16.87	-2.30	-49.72	55.55	-32.15	-44.55
US high-yield spreads	USD	438.6	-7.26	-41.67	142.63	-42.10	-13.45	-127.81	145.89	-54.61	-289.20
FOREIGN EXCHANGE			FEBRUARY	2023	2022	2021	2020	2019	2018	2017	2016
Dollar index		**104.9**	**2.7%**	**1.3%**	**8.2%**	**6.4%**	**-6.7%**	**0.2%**	**4.4%**	**-9.9%**	**3.6%**
Euro		**1.1**	**-2.6%**	**-1.2%**	**-5.8%**	**-6.9%**	**8.9%**	**-2.2%**	**-4.5%**	**14.1%**	**-3.2%**
Pound Sterling		1.2	-2.4%	-0.5%	-10.7%	-1.0%	3.1%	3.9%	-5.6%	9.5%	-16.3%
Swiss Franc		0.9	-2.8%	-1.9%	-1.3%	-3.0%	9.4%	1.4%	-0.7%	4.5%	-1.6%
Japanese Yen		**136.2**	**-4.5%**	**-3.7%**	**-12.2%**	**-10.2%**	**5.1%**	**0.9%**	**2.8%**	**3.8%**	**2.8%**
Renminbi		6.9	-2.6%	-0.6%	-7.8%	2.7%	6.7%	-1.2%	-5.3%	6.7%	-6.6%
Won		1,323.1	-6.9%	-4.8%	-5.7%	-8.4%	6.1%	-3.6%	-4.2%	13.2%	-2.6%
Brasilian Real		5.2	-3.0%	1.0%	5.4%	-6.8%	-22.6%	-3.4%	-14.7%	-1.8%	21.7%
Indian Rupee		82.7	-0.9%	0.1%	-9.9%	-2.0%	-2.5%	-2.3%	-8.4%	6.3%	-2.6%
USD real effective exchange rate (JPM)		**125.6**	**2.1%**	**0.1%**	**6.5%**	**6.4%**	**-2.6%**	**-1.1%**	**4.2%**	**-6.3%**	**4.2%**
EUR real effective exchange rate (JPM)		**92.4**	**-0.6%**	**-1.3%**	**1.5%**	**-3.9%**	**5.3%**	**-3.1%**	**0.1%**	**5.4%**	**-1.2%**
JPY real effective exchange rate (JPM)		**59.4**	**-2.5%**	**-2.5%**	**-8.7%**	**-11.4%**	**-0.5%**	**-0.7%**	**5.3%**	**-3.1%**	**3.6%**
COMMODITIES			FEBRUARY	2023	2022	2021	2020	2019	2018	2017	2016
Global commodities, total return (S&P GSCI)	**USD**	**3,359.1**	**-3.8%**	**-3.9%**	**26.0%**	**40.4%**	**-23.7%**	**17.6%**	**-13.8%**	**5.8%**	**11.4%**
Agriculture, spot return	USD	447.0	-5.7%	-5.0%	5.7%	21.1%	21.8%	6.3%	0.6%	-3.0%	2.6%
Energy, total return	USD	578.2	-3.2%	-5.3%	42.3%	60.7%	-46.3%	29.7%	-17.1%	6.4%	18.1%
Crude oil	USD	407.7	-2.2%	-3.9%	27.6%	62.2%	-60.3%	34.1%	-20.5%	4.1%	8.0%
Industrial metals, total return	USD	1,683.2	-7.8%	0.5%	-7.6%	29.6%	14.8%	2.6%	-18.0%	29.1%	17.6%
Copper	USD	5,761.9	-2.5%	7.7%	-11.2%	26.0%	25.3%	4.7%	-16.8%	29.4%	17.3%
Livestock, total return	USD	1,575.5	1.3%	-1.0%	4.8%	7.9%	-22.1%	-5.6%	-1.5%	8.4%	-7.3%
Precious metals	USD	2,060.4	-5.9%	-0.8%	-0.4%	-5.1%	23.0%	17.6%	-3.6%	12.0%	8.4%
Gold, total return	USD	921.0	-5.2%	0.5%	-0.7%	-4.3%	20.9%	18.0%	-2.8%	12.8%	7.7%
REAL ESTATE			FEBRUARY	2023	2022	2021	2020	2019	2018	2017	2016
All Equity REITS total returns (FTSE NAREIT)	**USD**	**22,245.9**	**-5.9%**	**3.5%**	**-24.9%**	**41.3%**	**-5.1%**	**28.7%**	**-4.0%**	**8.7%**	**8.6%**
FTSE EPRA NAREIT developed markets, total return	USD	5,379.3	-4.4%	4.3%	-24.4%	27.2%	-8.2%	23.1%	-4.7%	11.4%	5.0%
FTSE EPRA NAREIT emerging markets	USD	1,593.8	-3.6%	-1.3%	-10.8%	-11.4%	-27.2%	24.3%	-11.0%	28.8%	0.2%
New York home prices	USD	271.3	0.0%	0.0%	6.9%	12.1%	8.0%	0.8%	3.5%	5.7%	2.8%
Greater London house price (£)	GBP	681,823.0	2.1%	2.3%	4.6%	2.6%	3.5%	-0.5%	-1.1%	-1.7%	1.4%
Moscow prop prices (US$/sqm)	USD	3,496.0	-4.5%	-10.2%	16.9%	19.3%	-1.0%	8.8%	-8.3%	4.8%	3.6%
HEDGE FUNDS			FEBRUARY	2023	2022	2021	2020	2019	2018	2017	2016
Global hedge funds	**USD**	**1,384.2**	**-0.5%**	**1.2%**	**-4.4%**	**3.7%**	**6.8%**	**8.6%**	**-6.7%**	**6.0%**	**2.5%**
Equity hedge funds	USD	1,460.8	-0.6%	0.9%	-3.2%	12.1%	4.6%	10.7%	-9.4%	10.0%	0.1%
Event-driven hedge funds	USD	1,663.7	-0.9%	1.3%	-7.3%	0.5%	8.9%	10.0%	-11.7%	6.5%	11.1%
CTA funds	USD	1,273.6	0.5%	0.5%	3.7%	-0.8%	4.3%	4.8%	-3.2%	2.5%	-2.9%
Credit hedge funds	USD	2,159.5	-0.9%	2.0%	-11.6%	1.4%	11.3%	6.2%	-2.5%	3.9%	5.0%
Activist hedge funds	USD	3,818.1	0.0%	5.4%	-2.2%	19.8%	18.1%	15.5%	-7.4%	6.1%	9.1%

Source: Bloomberg Finance L.P., Arbion Ltd.

PERFORMANCE AND VALUATIONS OF INTERNATIONAL EQUITY MARKETS

Country		Year to date	Market Cap (USDbn)*	Rolling 1-yr change	Rolling 2-yr change	Rolling 3-yr change	PER 2023E	PER 2024E	EPS growth 2024E	Dividend yield 2023E	Dividend yield 2024E
WORLD											
All Country MSCI	MXWD Index	1.9%	77,127	-7.1%	-8.6%	36.7%	15.3	13.9	9.9%	2.4%	3.4%
Developed World	MXWO Index	2.1%	57,861	-6.4%	-5.3%	41.2%	16.0	14.5	9.9%	2.3%	2.5%
Emerging World	MXEF Index	-0.1%	19,265	-12.0%	-29.1%	7.2%	10.7	10.4	3.1%	3.8%	3.4%
AMERICAS											
US (S&P500)	SPX Index	0.6%	34,553	-8.2%	-2.1%	42.4%	17.6	15.7	11.8%	1.8%	1.9%
US (Dow Jones Industrial)	INDU Index	-3.7%	9,840	-3.1%	-2.7%	37.6%	16.4	14.8	10.6%	2.3%	2.4%
US mid/small cap	RTY Index	0.7%	2,853	-10.5%	-24.7%	46.6%	22.9	17.3	32.2%	1.7%	
Canada	SPTSX Index	2.0%	2,373	-7.9%	4.9%	44.2%	12.8	12.1	5.8%	3.5%	3.7%
Mexico	MEXBOL Index	8.9%	358	-0.9%	10.5%	38.6%	13.0	11.5	13.2%	3.8%	4.7%
Argentina	MERVAL Index	17.0%	39	165.6%	381.8%	731.1%	8.4	3.9	116.7%		
Brazil	IBOV Index	-5.6%	606	-7.2%	-9.2%	25.3%	7.0	6.4	9.3%	6.8%	6.8%
EUROPE											
Europe	SXXP Index	6.8%	13,362	5.2%	7.3%	51.7%	13.0	11.8	9.6%	3.5%	3.8%
Germany	DAX Index	10.8%	1,573	13.2%	6.4%	67.1%	11.9	10.6	12.0%	3.5%	3.8%
France	CAC Index	11.5%	2,510	15.3%	19.4%	75.3%	12.7	11.6	9.1%	3.3%	3.5%
UK	UKX Index	4.0%	2,598	8.3%	14.6%	44.4%	10.4	10.0	4.6%	4.2%	4.4%
Spain	IBEX Index	12.8%	646	14.0%	7.4%	40.1%	11.1	10.5	5.3%	4.6%	4.9%
Italy	FTSEMIB Index	15.1%	644	18.4%	13.1%	71.0%	7.7	8.1	-5.2%	4.4%	5.1%
Switzerland	SMI Index	0.3%	1,365	-6.4%	-0.7%	28.7%	16.6	14.1	18.0%	3.4%	3.5%
Norway	OBX Index	2.1%	264	3.7%	17.8%	82.7%	9.3	9.2	0.3%	6.6%	6.2%
Sweden	OMX Index	7.3%	774	5.9%	1.1%	59.3%	15.3	14.2	7.9%	3.6%	3.9%
Austria	ATX Index	10.2%	105	8.4%	9.1%	72.2%	7.8	7.8	-0.1%	5.2%	5.5%
Greece	ASE Index	13.6%	74	27.6%	24.3%	91.4%	6.7	11.9	-43.9%	3.5%	4.0%
EMERGING EUROPE											
Hungary	BUX Index	-1.6%	22	0.4%	-1.5%	26.0%	5.6	4.7	17.7%	5.7%	6.4%
Kazakhstan	KZKAK Index	1.4%	11	-2.3%	11.3%	56.9%					
Ukraine	PFTS Index	-2.3%	1	-2.3%	-1.9%	-4.6%					
Russia	RTSI$ Index	-2.9%	439	0.6%	-38.0%	-4.9%	1.8			25.1%	23.3%
Poland	WIG Index	3.7%	289	-2.9%	0.2%	54.2%	7.6	7.6	-0.8%	3.6%	4.3%
Czech Rep	PX Index	14.5%	57	5.7%	27.7%	66.8%	8.1	9.0	-9.8%	7.8%	7.0%
Turkey	XU100 Index	-2.3%	224	162.2%	245.7%	463.2%	4.4	4.2	3.5%	3.6%	4.1%
MIDDLE EAST & AFRICA											
South Africa	TOP40 Index	5.6%	1,001	5.0%	12.9%	79.1%	11.4	9.9	15.4%	3.8%	4.4%
Egypt	Hermes Index	10.9%		59.7%	53.5%	76.7%	6.4	5.8	11.3%	4.9%	5.8%
Namibia	FTN098 Index	0.9%	124	-7.8%	15.1%	67.8%	8.9	8.7	2.4%	6.3%	6.6%
Nigeria	NGSEINDX Index	8.9%	66	17.6%	44.4%	145.4%					
Israel	TA-25 Index	0.1%		-5.4%	12.7%	43.8%	8.3	7.6	10.2%	2.3%	
Saudi Arabia	SASEIDX Index	-0.1%		-17.5%	9.0%	54.7%	15.4	13.1	17.6%	3.2%	3.9%
Qatar	DSM Index	0.5%		-21.2%	4.5%	27.3%	11.2	10.3	8.6%	4.7%	
Dubai	DFMGI Index	1.5%		-0.5%	31.6%	66.6%	9.3	9.2	0.9%	5.0%	5.1%
ASIA											
Asia	MXAPEXA Index	0.9%	3,929	-11.0%	-38.1%	-0.8%	13.0	11.3	15.0%	2.3%	2.4%
Japan	TPX Index	7.4%	5,333	12.9%	4.1%	61.0%	13.3	12.6	5.4%	2.6%	2.7%
Japan	NKY Index	7.9%	3,603	11.8%	-5.3%	61.5%	16.8	15.8	6.2%	2.1%	2.3%
Hong Kong	HSI Index	-2.3%	2,819	-6.0%	-32.8%	-19.6%	11.1	8.4	31.9%	3.5%	3.9%
China domestic	shashr Index	4.6%	6,824	-2.4%	-6.5%	11.9%	12.3	9.4	31.6%	3.0%	3.2%
China offshore	HSCEI Index	-3.9%	2,045	-8.7%	-42.3%	-33.2%	8.9	7.1	24.5%	3.8%	3.9%
South Korea	KOSPI Index	7.1%	1,398	-10.0%	-21.6%	35.2%				2.5%	2.6%
New Zealand	NZSE Index	1.6%	99	-4.3%	-10.7%	11.4%	27.0	22.6	19.6%	3.1%	3.4%
Australia	AS30 Index	1.8%	1,781	0.1%	4.8%	31.4%	13.9	13.6	1.6%	4.4%	4.5%
Pakistan	KSE100 Index	3.4%	20	-4.3%	-4.6%	15.9%	4.0	3.1	27.5%	8.7%	
Thailand	SET50 Index	-5.1%	366	-5.1%	-1.9%	27.4%	16.2	15.0	8.4%	2.8%	3.1%
Indonesia	JCI Index	-1.2%	624	-2.3%	6.4%	37.9%	13.9	12.5	11.5%	3.3%	4.1%
India	NIFTY Index	-3.8%	1,643	4.7%	15.8%	74.9%	20.4	17.5	16.4%	1.6%	1.8%
Singapore	FSSTI Index	-2.3%	372	-2.2%	2.7%	20.6%	10.4	10.0	4.3%	5.2%	5.4%
Malaysia	FBMKLCI Index	-4.2%	224	-8.6%	-11.3%	6.6%	12.7	12.3	4.0%	4.6%	4.8%
Philippines	PCOMP Index	0.4%	170	-7.3%	-2.1%	13.7%	13.8	11.6	18.7%	1.9%	2.3%
Vietnam	VNINDEX Index	4.6%	172	-28.2%	-10.9%	38.2%	9.8	8.5	16.0%		

* Market cap for the main index
Data as of 28 February 2023

Source: Bloomberg Finance L.P., Arbion Ltd.

THREE-MONTH OUTLOOK

→	The coronavirus outbreak hit the world economy at a late stage in the cycle, causing a deep recession and leading to unprecedented stimulus. The current period of normalisation is characterised by elevated inflation and a hawkish central bank response but also a re-introduction of appropriate cost of capital and risk-free rates.		Weight
	Cash	Cash reserves are elevated after substantial de-risking across equity and fixed income.	↗
Equities	US	Rising yields, high inflation and slowing growth are putting pressure on markets. However, as inflationary forces recede, the outlook could improve over the course of the year.	→
Equities	Europe	European markets are cheaper compared to the US and more tilted towards defensive industries. A cheap currency helps the economy, and the ECB is approaching interest rates cautiously.	→
Equities	Japan	Inflation is beginning to pick up in the country with yield-curve control being relaxed. This provides support to the financial sector. The cheap yen is supportive for the country's export industries.	↗
Equities	China	Following the re-opening of its economy, China appears to be focusing more on the consumer rather than large-scale stimulus. The market is cheap but cheap for many reasons.	→
Equities	EM	Many emerging markets ex-China are suffering from idiosyncratic issues and were hit hard by the global pandemic. Valuations are generally very low offering scope for upside.	→
Equities	Central Banks	Central banks in most major economies are hawkish, trying to arrest high inflation levels. Bond markets are pricing a steep and swift initial rate hike path followed by rate cuts.	
Fixed Income	DM govt	Inflation volatility is high and central banks are determined to tackle the challenge. Some more rate tightening appears necessary before considering this asset class.	→
Fixed Income	EM govt	Emerging market central banks are dealing with a variety of different issues and inflation is not yet under control.	→
Fixed Income	DM credit	Spreads across investment-grade and high-yield fixed income are contained compared to history and the short to medium-duration IG space is now attractive again for investors.	↗
Fixed Income	EM credit	We avoid issuers with substantial hard-currency debt relative to the underlying revenue mix. Spreads for fundamentally strong issuers in hard currency are attractive.	→
Fixed Income	Alt FI	Rising bond market yields are putting pressure on this area as a genuine risk-free option is available again for investors.	→
Currencies	USD	The dollar has enjoyed a strong recovery, fuelled by a more hawkish Federal Reserve that could see real interest rates rising further in the future. However, most of the strengthening is now behind us.	↗
Currencies	EUR	The change in the monetary policy outlook for the eurozone is bullish for the common currency. Once dollar strength subsides, this would be positive for the common currency.	→
Currencies	JPY	The yen has been fundamentally undervalued and recent adjustments to the BoJ's monetary policy could lead to further upside for the currency.	↗
Currencies	EM	Emerging markets are suffering from receding global trade, devaluations as well as other idiosyncratic issues. Commodity currencies appear attractive.	→
Currencies	GBP	The stronger dollar puts pressure on GBP and the currency is currently trading within our fair-value range.	→
Commodities	Oil	Oil prices are expected to remain volatile, driven by geopolitical forces but also imbalanced global economies. The longer-term outlook is moderately bullish.	→
Commodities	Metals	Although industrial metal prices are benefiting from bottlenecks and supply issues, markets are beginning to price in the prospect of a global recession.	↘
Commodities	Gold	Gold is traditionally a good diversifier in multi-asset portfolios. Rising interest rates are posing a threat to near-term performance but Gold's relative strength is encouraging.	→

IMPORTANT INFORMATION

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