

# Market Outlook – Asset Class 4Q 2022



## Equities

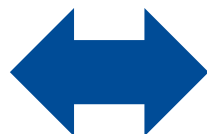


Slightly Underweight

- Economic activity continued to normalize lower. Global recession risks may accelerate as we come close to the peak of the rate hike cycle.
- Slower than expected decline in inflation may drive global central banks to continue with the path of policy tightening. Financial conditions are likely to remain in the tight zone.
- Global equity valuations are moving towards fair value and relatively reasonable. Earnings may be downgraded under the backdrop of looming recession risks and rising borrowing costs.
- Concerns over recession risks may grow amid rising rate environment. Brief rebounds are possible, while bear market may stay for a longer time.



## Fixed Income



Neutral

- Government yields could fall as markets price in recession risks and investors become more risk averse.
- Fed is expected to continue hiking rate in the quarter. This may push the front-end yields higher. Yield curve inversion is likely to aggravate further.
- There could be more deteriorations in fundamentals as economic conditions worsen. Spreads could widen as a result.



Overweight



Slightly Overweight



Neutral

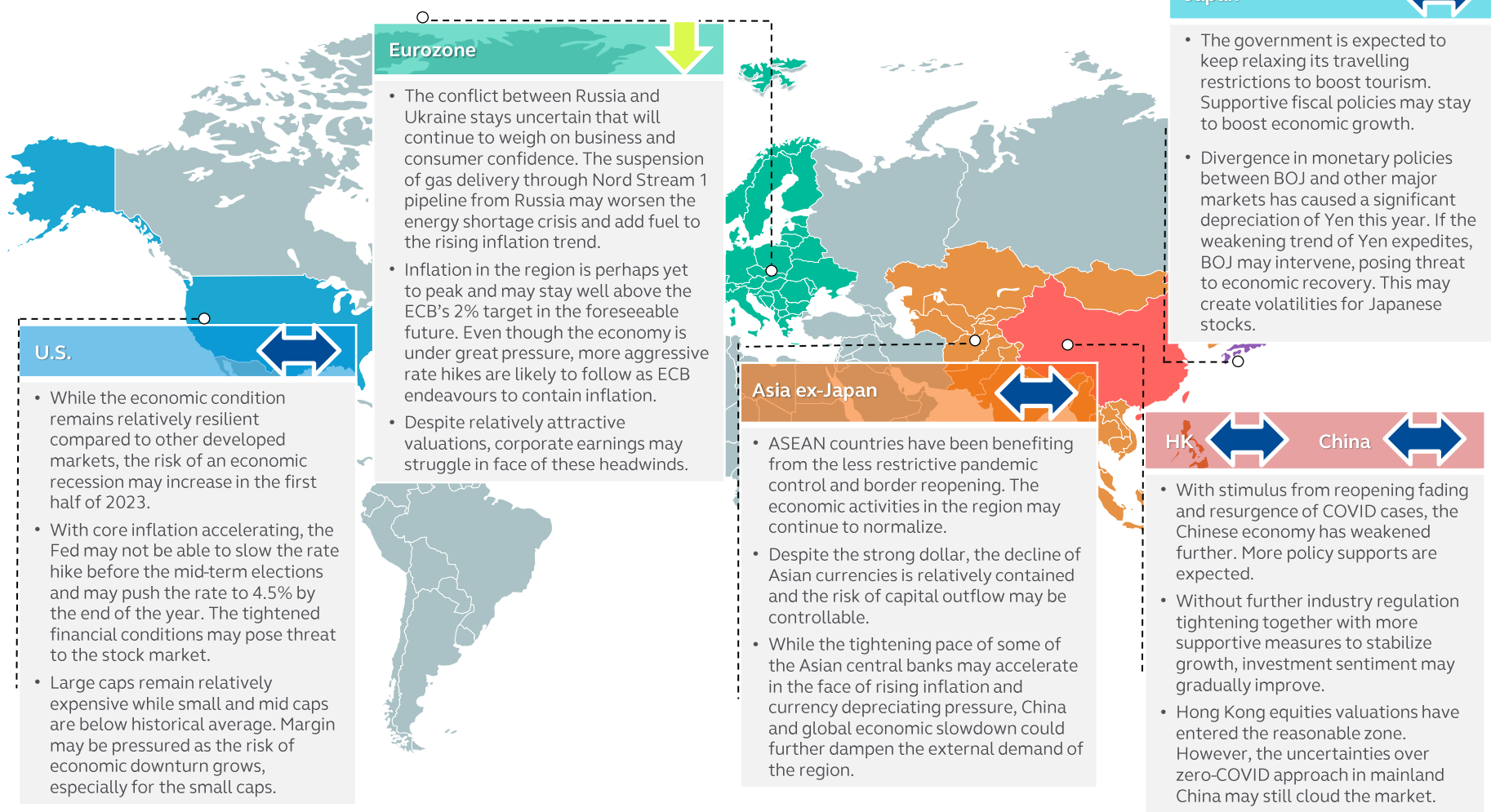


Slightly Underweight



Underweight

# Market Outlook – Equities 4Q 2022



**Overweight**



**Slightly Overweight**



**Neutral**



**Slightly Underweight**

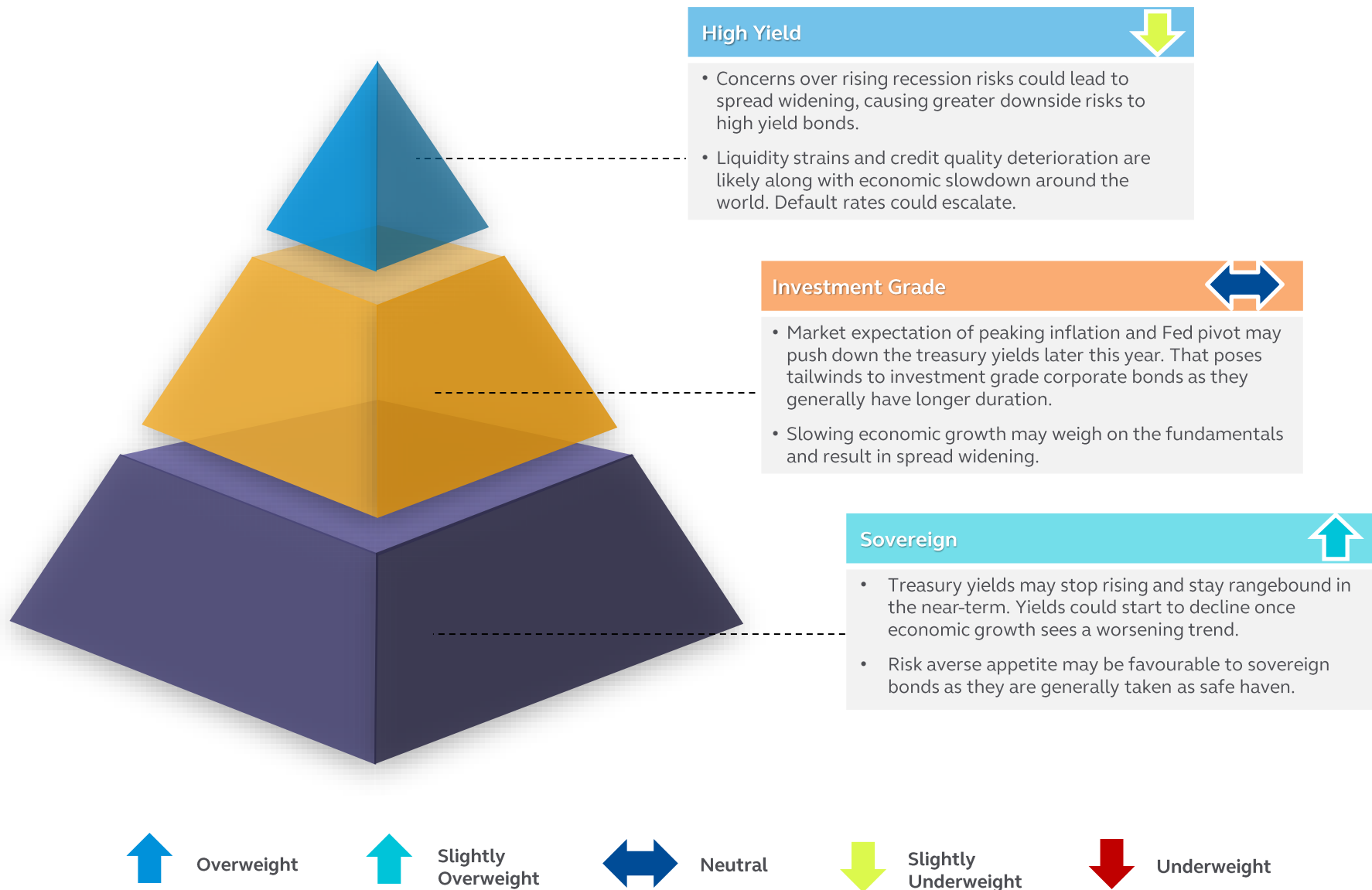


**Underweight**

Source: Principal Asset Management Company (Asia) Ltd.

The geographical classification of above listed equity markets is based on MSCI 2021 annual market classification review. For more information, please refer to <https://www.msci.com/market-classification>

# Market Outlook – Fixed Income 4Q 2022



Source: Principal Asset Management Company (Asia) Ltd.

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