

Multi-Asset Performance Summary – June 2023

This monthly note summarises performance trends across key asset classes and detailed segments of equities and fixed income.

Economic growth was surprisingly resilient during the first half of the year. We did not really see the global recession that was widely anticipated by market participants. By region, US growth was resilient helping the global economic mood. Japanese growth remained strong too. However, the final Q1 GDP print for the Eurozone was revised down to -0.1% q-o-q, officially marking a technical recession. Job markets remained strong across the developed world. Turning to emerging markets, Chinese recovery continued but turned out to be slower than expected during the second quarter following a sharp rebound in the first quarter. Other emerging markets continued to prove resilient in their growth prospects. Looking at the activity sector wise, manufacturing activity remained weak. Yet the strength in the services sector compensated. On inflation, price pressures continued to normalize broadly. While the headline inflation continued to moderate, core inflation proved to be a bit sticky, particularly in DM. In the Eurozone and the UK, core inflation remained stubbornly high. In the US, core inflation was primarily driven by services which include shelter.

On the back of this growth-inflation dynamic, central banks continued to increase interest rates. The US Fed, the European Central Bank, and the Bank of England have all raised their policy rates over the past six months and continue to strike a hawkish tone. Emerging market central banks being ahead of the game in terms of raising rates continued with a less hawkish bias. While the central bank tightening has been a global phenomenon, there were two notable exceptions – the bank of Japan and the People's Bank of China. While the Japanese central bank maintained its easy monetary policy, Chinese central bank in the recent weeks has turned more supportive of growth. Against this macro backdrop, financial markets performed rather well.

In addition to the macro developments, markets experienced brief periods of volatility first in the month of March- spurred by the worst banking sector crisis since the Global financial crisis with the collapse of few US regional banks and UBS takeover of Credit Suisse in Europe. The second time-market volatility jumped in the month of May- triggered by the US debt ceiling uncertainty. However, both banking sector crisis and debt ceiling concerns proved to be short-lived with government authorities and central banks intervening in a timely manner to avert the crisis. Separately, 1Q corporate earnings surpassed expectations supported risk sentiment while AI-led tech stocks surge drove equity market rally in June.

Equities: Global equities, as measured by the MSCI All Country World index delivered gains of c14% in the first half of the year. This was the second best first-half performance for equities in almost 25 years. By region, US outperformed by 3ppt while Canada and UK underperformed. While Asian equities delivered gains, they underperformed global benchmarks. By global sectors, gains were concentrated in Information technology, communication services, and consumer discretionary. Energy and utilities sectors not only underperformed but also posted losses in absolute terms.

Fixed income: Global aggregate bond indices posted small gains but significantly underperformed equities. Global HY bonds were the best performers in 1H23 led by US HY. Global corporate IG also recorded positive returns. On the other hand, Global Treasuries underperformed peers with the underperforming more pronounced over last three months. Long-dated USTs were the best performers as yields on 10Y US treasuries declined. Yield on 10Y German bunds also fell while yields on 10Y UK Gilts rose sharply over the past six months (when yields rise, prices fall and vice versa).

Commodities: Commodities came under pressure in 1H23, as optimism on China growth recovery faded. In fact, compared to other major asset classes, commodities were the worst performers, declining by 10%. Industrial metals led the underperformance, declining by 14%. Amongst industrial metals, aluminium prices fell more than 10% while copper prices were largely unchanged YTD. Energy prices dropped by 12% in 1H23. Precious metals relatively outperformed with gold prices posting gains of 5% in 1H23.

FX: The trade-weighted US dollar fell, albeit only marginally over the past six months. The USD fell against the EUR and GBP but rose strongly against the JPY.

Others: Cryptocurrencies index rose 56% in 1H 23. Global REITs recorded flat returns in 1H 23.

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Exhibit 1: Performance of major asset classes

Asset classes*	1Y	YTD	6M	3M	1M
Global Equities	16.5%	13.9%	13.9%	6.2%	4.8%
Commodity Aggregate	-13.3%	-10.0%	-10.0%	-3.8%	3.6%
Global REIT	-6.1%	0.4%	0.4%	-0.2%	2.6%
Global HY Credit	10.5%	5.2%	5.2%	2.0%	2.6%
Cryptocurrencies index	45.8%	56.4%	56.4%	-2.1%	2.5%
HF Fund weighted Composite	2.8%	1.2%	1.2%	0.0%	0.0%
Global Aggregate Bonds	-1.3%	1.4%	1.4%	-1.5%	0.0%
Dollar Index spot	-1.7%	-0.6%	-0.6%	0.4%	-1.4%

Source: Bloomberg, and ADCB Asset Management | Notes: *based on Bloomberg total return indices in USD terms as at close of June 30, 2023.

Exhibit 2: Performance of major global bond indices

Global bond indices*	1Y	YTD	6M	3M	1M
EM USD sovereign	7.4%	3.9%	3.9%	1.8%	2.4%
Global High Yield	10.5%	5.2%	5.2%	2.0%	2.4%
Global Infl-Linked	-3.8%	2.6%	2.6%	-1.8%	1.9%
US HY	9.1%	5.4%	5.4%	1.7%	1.6%
Global Corporate	2.1%	3.5%	3.5%	0.1%	0.9%
Global Aggregate Credit	1.7%	3.4%	3.4%	0.1%	0.9%
EM USD Corp + Quasi-Sov	4.2%	2.8%	2.8%	0.6%	0.9%
US IG	1.5%	3.2%	3.2%	-0.3%	0.7%
EU HY	9.1%	4.4%	4.4%	1.7%	0.5%
EU Treasury	-4.7%	2.5%	2.5%	0.1%	0.2%
Global Aggregate	-1.3%	1.4%	1.4%	-1.5%	0.1%
EM LCY sovereign	2.3%	1.7%	1.7%	-1.4%	0.0%
EU IG	0.1%	2.2%	2.2%	0.4%	-0.1%
Global Treasuries	-2.6%	0.6%	0.6%	-2.4%	-0.2%
US Treasury	-2.1%	1.6%	1.6%	-1.4%	-0.4%

Source: Bloomberg, and ADCB Asset Management | Notes: *based on Bloomberg total return indices in USD terms as at close of June 30, 2023.

Exhibit 3: Performance of US Treasury index – by maturity

US Treasury Index by maturity*	1Y	YTD	6M	3M	1M
20+ Year	-7.7%	4.1%	4.1%	-2.3%	1.1%
10-20 Year	-5.0%	3.1%	3.1%	-2.2%	0.4%
1-3 Year	0.1%	1.0%	1.0%	-0.6%	-0.4%
7-10 Year	-3.1%	1.6%	1.6%	-1.8%	-0.9%
3-5 Year	-1.2%	0.9%	0.9%	-1.3%	-1.0%
5-7 Year	-1.9%	1.3%	1.3%	-1.6%	-1.0%

Source: Bloomberg, and ADCB Asset Management | Notes: *based on Bloomberg total return indices in USD terms as at close of June 30, 2023.

Exhibit 4: Performance of EU Treasury index – by maturity

EU Treasury Index by maturity*	1Y	YTD	6M	3M	1M
20+ Year	-10.4%	4.9%	4.9%	0.6%	2.7%
10+ Year	-7.8%	5.0%	5.0%	0.7%	1.8%
7-10 Year	-4.7%	3.5%	3.5%	0.1%	0.1%
5-7 Year	-4.2%	2.1%	2.1%	-0.2%	-0.4%
1-3 Year	-2.1%	0.5%	0.5%	-0.2%	-0.5%
3-5 Year	-3.6%	1.0%	1.0%	-0.4%	-0.6%

Source: Bloomberg, and ADCB Asset Management | Notes: *based on Bloomberg total return indices in USD terms as at close of June 30, 2023.

Exhibit 5: Performance of EM USD sovereign bonds – by grade and by region

EM USD sovereign	1Y	YTD	6 month	3 month	1 month
EM sovereign HY	12.7%	4.4%	4.4%	3.2%	4.1%
EM USD sovereign	7.4%	3.9%	3.9%	1.8%	2.4%
EM sovereign IG	2.8%	3.0%	3.0%	0.3%	0.6%
Region					
Asia	4.0%	4.3%	4.3%	1.7%	1.2%
Indonesia	5.2%	3.1%	3.1%	0.5%	0.3%
Philippines	3.7%	2.5%	2.5%	0.6%	0.1%
Malaysia	-0.5%	3.0%	3.0%	-0.6%	0.1%
South Korea	-1.7%	2.5%	2.5%	-0.9%	-0.2%
China	-1.0%	1.7%	1.7%	-1.3%	-0.5%
EMEA	6.7%	2.2%	2.2%	1.0%	2.0%
Turkey	17.9%	3.2%	3.2%	0.2%	4.3%
Egypt	2.3%	-12.5%	-12.5%	-2.8%	4.2%
South Africa	8.9%	0.5%	0.5%	-1.2%	2.8%
Hungary	3.5%	4.9%	4.9%	1.4%	2.2%
Bahrain	9.1%	3.3%	3.3%	1.1%	1.8%
Oman	10.3%	3.9%	3.9%	1.4%	0.8%
Qatar	0.8%	1.8%	1.8%	-0.5%	0.6%
UAE	1.0%	1.8%	1.8%	-0.2%	0.3%
Saudi Arabia	0.1%	1.1%	1.1%	-0.3%	0.0%
Poland	2.4%	1.6%	1.6%	-0.2%	-0.3%
Kuwait	0.5%	1.3%	1.3%	-0.7%	-1.0%
LATAM	10.3%	6.1%	6.1%	3.0%	3.7%
Argentina	37.1%	21.2%	21.2%	15.9%	27.0%
Colombia	8.9%	4.5%	4.5%	0.6%	3.0%
Peru	4.7%	5.5%	5.5%	1.9%	2.2%
Mexico	7.9%	6.6%	6.6%	1.3%	1.3%
Chile	3.1%	5.4%	5.4%	0.5%	0.7%
Brazil	9.9%	5.0%	5.0%	0.7%	0.6%

Source: Bloomberg, and ADCB Asset Management | Notes: *based on Bloomberg total return indices in USD terms as at close of June 30, 2023.

Exhibit 6: Performance of EM USD corporate bonds – by grade and by region

EM corporate bonds	1Y	YTD	6 month	3 month	1 month
EM USD Corp + Quasi-Sov HY	7.9%	2.1%	2.1%	0.5%	2.3%
EM USD Corp + Quasi-Sov	4.2%	2.8%	2.8%	0.6%	0.9%
EM USD Corp + Quasi-Sov IG	2.8%	3.1%	3.1%	0.6%	0.4%
Region					
Asia	2.4%	2.8%	2.8%	0.1%	0.5%
Philippines	-2.4%	7.4%	7.4%	0.8%	2.9%
Indonesia	8.1%	5.4%	5.4%	2.0%	1.3%
India	5.4%	4.2%	4.2%	2.8%	0.7%
Thailand	2.5%	5.0%	5.0%	1.4%	0.7%
China	1.6%	1.9%	1.9%	-0.7%	0.4%
Malaysia	2.5%	4.5%	4.5%	0.1%	0.0%
South Korea	0.1%	2.3%	2.3%	-0.1%	-0.3%
EMEA	4.9%	3.0%	3.0%	0.8%	0.8%
Turkey	14.7%	3.3%	3.3%	0.7%	3.9%
South Africa	6.4%	2.7%	2.7%	-0.6%	1.4%
Poland	6.7%	3.9%	3.9%	-0.6%	0.5%
Bahrain	4.7%	2.5%	2.5%	1.3%	0.5%
Qatar	1.8%	2.3%	2.3%	0.4%	0.5%
Kuwait	2.3%	2.6%	2.6%	1.0%	0.1%
Saudi Arabia	2.0%	2.2%	2.2%	0.0%	0.1%
UAE	2.8%	2.5%	2.5%	0.8%	0.1%
LATAM	7.2%	2.5%	2.5%	1.3%	1.8%
Argentina	34.3%	12.5%	12.5%	7.1%	8.1%
Colombia	9.7%	3.3%	3.3%	2.2%	2.3%
Mexico	7.2%	2.6%	2.6%	0.5%	2.2%
Peru	5.6%	3.0%	3.0%	2.5%	1.8%
Chile	5.4%	2.2%	2.2%	1.2%	0.9%
Brazil	4.6%	0.7%	0.7%	1.1%	0.8%

Source: Bloomberg, and ADCB Asset Management | Notes: *based on Bloomberg total return indices in USD terms as at close of June 30, 2023.

Exhibit 7: Performance of equities – by region

Equities: Regions*	1Y	YTD	6M	3M	1M
EM LatAm	29.8%	18.5%	18.5%	14.0%	9.8%
US	19.0%	16.8%	16.8%	8.6%	6.0%
Canada	7.0%	8.2%	8.2%	3.7%	5.7%
DM	18.5%	15.1%	15.1%	6.8%	5.1%
ACWI	16.5%	13.9%	13.9%	6.2%	4.8%
EM EMEA	1.8%	1.6%	1.6%	2.7%	3.7%
Europe ex UK	24.6%	15.2%	15.2%	2.9%	3.1%
Japan	18.1%	13.0%	13.0%	6.4%	2.8%
UK	13.2%	8.4%	8.4%	2.2%	2.7%
EM	1.7%	4.9%	4.9%	0.9%	2.5%
APac ex Japan	0.8%	3.0%	3.0%	-1.0%	1.7%
GCC	-4.4%	2.6%	2.6%	4.1%	1.5%

Source: MSCI, Refinitiv, and ADCB Asset Management | Notes: *based on MSCI total return indices in USD terms as at close of June 30, 2023.

Exhibit 8: Performance of equities – by sector

Equities: Sectors*	1Y	YTD	6M	3M	1M
Cons. Discr.	19.2%	23.6%	23.6%	8.2%	8.5%
Industrials	25.2%	13.5%	13.5%	6.3%	6.9%
Materials	12.1%	4.4%	4.4%	-0.8%	5.3%
IT	34.3%	36.9%	36.9%	13.7%	4.8%
Financials	11.5%	3.6%	3.6%	5.2%	4.6%
Energy	13.2%	-2.3%	-2.3%	0.8%	4.5%
Real Estate	-6.9%	0.4%	0.4%	-0.1%	4.1%
Health Care	5.7%	0.5%	0.5%	2.2%	3.3%
Utilities	0.7%	-0.8%	-0.8%	-0.1%	2.9%
Cons. Staples	7.7%	3.7%	3.7%	0.3%	2.8%
Comm. Services	10.5%	25.4%	25.4%	7.1%	2.6%

Source: MSCI, Refinitiv, and ADCB Asset Management | Notes: *based on MSCI total return indices in USD terms as at close of June 30, 2023.

Exhibit 9: Performance of equities – by factors and themes

Equities: Factors and themes*	1Y	YTD	6M	3M	1M
NYSE FANG+**	56.9%	74.1%	74.1%	25.1%	7.0%
US Large Cap Growth	29.7%	35.7%	35.7%	14.6%	6.3%
Nasdaq-100**	32.0%	38.8%	38.8%	15.2%	5.7%
HK Tech**	-19.7%	-5.3%	-5.3%	-9.1%	5.7%
Momentum	9.5%	2.9%	2.9%	4.0%	5.3%
Small cap	13.0%	8.0%	8.0%	3.6%	5.0%
Growth	23.1%	24.2%	24.2%	9.2%	5.0%
Large cap	17.3%	15.1%	15.1%	6.7%	4.9%
Mid cap	12.0%	7.5%	7.5%	3.1%	4.7%
Value	10.0%	4.3%	4.3%	3.0%	4.7%
Quality	22.0%	21.0%	21.0%	9.3%	4.4%
Dividend yield	8.2%	4.3%	4.3%	2.2%	3.8%

Source: MSCI, NYSE, Hang Seng, Nasdaq, Refinitiv, and ADCB Asset Management | Notes: *based on MSCI total return indices in USD terms as at close of June 20, 2023; **price return indices in USD terms as at close of June 30, 2023.

Exhibit 10: Performance of select country equity indices

Equities: Select countries*	1Y	YTD	6M	3M	1M
Brazil	29.8%	16.8%	16.8%	20.7%	13.6%
South Africa	-1.9%	-5.5%	-5.5%	-4.9%	9.7%
Spain	29.0%	22.1%	22.1%	5.6%	6.8%
US	19.0%	16.8%	16.8%	8.6%	6.0%
Canada	7.0%	8.2%	8.2%	3.7%	5.7%
India	14.2%	5.1%	5.1%	12.2%	4.4%
France	31.7%	18.3%	18.3%	3.2%	4.4%
Mexico	35.1%	27.1%	27.1%	5.6%	3.9%
Germany	28.4%	17.9%	17.9%	2.8%	3.1%
Japan	18.1%	13.0%	13.0%	6.4%	2.8%
UK	13.2%	8.4%	8.4%	2.2%	2.7%
Netherlands	31.2%	21.5%	21.5%	4.1%	2.5%
Australia	11.2%	3.1%	3.1%	0.3%	2.5%
Kuwait	-4.7%	-4.6%	-4.6%	-0.9%	2.2%
China	-16.8%	-5.5%	-5.5%	-9.7%	2.1%
Saudi Arabia	-1.6%	6.4%	6.4%	6.3%	2.1%
Hong Kong	-9.0%	-7.3%	-7.3%	-5.0%	1.7%
Switzerland	13.3%	11.0%	11.0%	4.0%	0.9%
Taiwan	12.5%	19.9%	19.9%	4.5%	0.8%
UAE	-6.1%	-2.2%	-2.2%	5.8%	0.7%
South Korea	13.0%	14.4%	14.4%	4.4%	-0.4%
China A	-20.3%	-6.5%	-6.5%	-10.7%	-2.3%
Qatar	-15.4%	-3.1%	-3.1%	-2.4%	-2.6%

Source: MSCI, Refinitiv, and ADCB Asset Management | Notes: *based on MSCI total return indices in USD terms as at close of June 30, 2023.

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