

## Multi-Asset Performance Summary – February 2023

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

Global financial markets came under selling pressure in February digesting a range of economic data which intensified expectations that interest rates could move higher and stay higher for longer than previously expected. The month started with the strong jobs report which was later coupled with more positive reports on the US economy (ISM Services, PMI composite, headline and core CPI, US retail sales, Core PCE). Inflation concerns resurfaced with the US headline CPI, core CPI, PPI as well as the Fed's preferred gauge of inflation- core PCE rose more than market expectations although they remained in the trajectory of disinflation. Economic data out of Eurozone and the UK was comparatively mixed but still signaled better economic resilience than initially feared. Recession concerns in the UK and the Eurozone eased with the positive PMI surprises- particularly in the services sector.

In terms of central bank action- the Fed raised rates by 25bp as expected on February 1 and remained in favor of staying the course on high interest rates. The Fed commentary as well as the Fed meeting minutes confirmed that the interest rate hikes are likely to continue. Upbeat economic data particularly positive inflation surprises led to markets pricing in a higher terminal rate. In the Eurozone, the ECB signaled another rate hike in March, after raising interest rates by 50bp in February, stressing on the continuation of the hiking cycle. The Bank of England signaled that policy rates may be approaching the peak after the 10<sup>th</sup> rate hike in February. However, better economic data since the last BoE meeting has raised the prospects of more future hikes.

**Fixed income:** Fixed income markets received a reality check in February after the strong January rally. Bloomberg Global Aggregate Bond Index posted negative returns of 3.3%, almost reversing all the gains recorded in January with the YTD performance now flat. Sharp rise in UST yields led the sell-off in global fixed income markets which was broad-based. EM local currency sovereign and Global Treasuries were the worst performers, declining by 3.7% and 3.6%. Short-duration assets outperformed long duration assets. European HY was the best performer, ending February almost unchanged. US HY recorded marginal losses of 1.3%. European IG also posted marginal losses of 1.4%, outperforming US IG which recorded sizable losses of 3.2%. In EM, EM USD corporate bonds outperformed EM USD sovereign bonds. Preference for quality was evident in case of both EM USD sovereign and corporate bonds.

**Equities:** Global equities suffered losses in February as strong economic data firmed up expectations of a higher Fed terminal rate. The broad MSCI All Country World index of developed and emerging market equities recorded losses of 2.9%, partially reversing the strong gains in January. EM equities underperformed the most, recording losses of 6.5%, almost wiping out the January gains. DM equities posted losses of 2.4%. Within DM equities, Spain and UK recorded positive returns in USD terms, outperforming DM peers during February. In EM, EMEA outperformed other regions. UAE was the best performer, posting positive returns of 1.6%. APac ex-Japan, on the other hand, was the worst performer, recording losses of 6.8%. Amongst sectors, IT was the best performer, recording marginal loss of 0.4%. Industrials and Financials also were amongst the top performers, registering marginal negative returns of 1.1% and 2.3%. Materials and Real Estate were the worst performers, recording losses of 5.8% and 5.7%.

**Commodities:** Commodities also came under pressure in February with Commodities Aggregate Index recording marginal losses of 5% as the USD strengthened and China re-opening optimism faded. Gold prices fell 5.26%, recording the worst monthly performance since mid-2012 and returning back to the levels at the start of the year. Silver prices dropped c12% while platinum prices fell 5.6%. Energy prices recorded declines with the WTI prices dropping more than Brent Crude mainly on the back of the build-up in US crude inventories. Industrial metals prices declined, led by Aluminium prices.

**FX:** The USD rebounded in February as markets made upward revisions to their expectations of the Fed terminal rate. Majority of the currencies weakened against the USD. EUR depreciated 2.6% versus the USD, GBP weakened 2.4% against the USD and USDJPY jumped back to 135 level.

**Others:** Cryptocurrencies index ended the month flat in February. On the other hand, Global REITs recorded strong losses of 4.6%.

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# Investment Strategy

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## Exhibit 1: Performance of major asset classes

Asset classes*	1Y	YTD	6M	3M	1M
Dollar Index spot	8.4%	1.3%	-3.5%	-1.0%	2.7%
Cryptocurrencies index	-47.3%	42.6%	6.2%	29.1%	0.3%
HF Fund weighted Composite	0.6%	2.7%	2.5%	2.4%	0.0%
Global HY Credit	-6.2%	2.2%	4.7%	2.9%	-1.9%
Global Equities	-8.3%	4.1%	3.3%	0.0%	-2.9%
Global Aggregate Bonds	-13.6%	-0.2%	-1.0%	0.4%	-3.3%
Global REIT	-15.8%	4.2%	-4.0%	0.0%	-4.6%
Commodity Aggregate	-7.3%	-5.9%	-12.7%	-8.5%	-5.0%

Source: Bloomberg, and ADCB Asset Management | Notes: \*based on Bloomberg total return indices in USD terms as at close of February 28, 2023.

## Exhibit 2: Performance of major global bond indices

Global bond indices*	1Y	YTD	6M	3M	1M
EU HY	-3.8%	3.0%	3.7%	2.3%	-0.1%
US HY	-5.5%	2.5%	2.5%	1.8%	-1.3%
EU IG	-9.6%	0.7%	-1.5%	-1.0%	-1.4%
Global HY	-6.2%	2.2%	4.7%	2.9%	-1.9%
EM USD Corp + Quasi-Sov	-7.1%	1.0%	1.2%	2.4%	-2.0%
EU Treasury	-15.9%	0.0%	-5.8%	-4.5%	-2.3%
US Treasury	-10.1%	0.1%	-2.7%	-0.4%	-2.3%
EM USD sovereign	-9.2%	0.8%	2.1%	1.0%	-2.5%
Global Aggregate Credit	-12.1%	0.5%	0.1%	0.7%	-3.1%
US IG	-10.4%	0.7%	-1.1%	0.3%	-3.2%
Global Infl-Linked	-21.1%	0.0%	-4.5%	-1.7%	-3.2%
Global Corporate	-11.7%	0.7%	0.3%	0.9%	-3.2%
Global Aggregate	-13.6%	-0.2%	-1.0%	0.4%	-3.3%
Global Treasuries	-15.6%	-0.6%	-1.3%	0.1%	-3.6%
EM LCY sovereign	-7.6%	0.3%	1.4%	3.3%	-3.7%

Source: Bloomberg, and ADCB Asset Management | Notes: \*based on Bloomberg total return indices in USD terms as at close of February 28, 2023.

## Exhibit 3: Performance of US Treasury index – by maturity

US Treasury Index by maturity*	1Y	YTD	6M	3M	1M
1-3 Year	-2.8%	0.0%	-0.5%	0.1%	-0.8%
3-5 Year	-6.5%	-0.3%	-1.6%	-0.6%	-2.0%
5-7 Year	-9.5%	-0.2%	-2.5%	-0.9%	-2.6%
7-10 Year	-12.7%	-0.1%	-3.9%	-1.3%	-3.2%
10-20 Year	-20.9%	0.7%	-5.8%	-0.6%	-4.5%
20+ Year	-25.5%	1.7%	-7.9%	-0.2%	-4.9%

Source: Bloomberg, and ADCB Asset Management | Notes: \*based on Bloomberg total return indices in USD terms as at close of February 28, 2023.

## Exhibit 4: Performance of EU Treasury index – by maturity

EU Treasury Index by maturity*	1Y	YTD	6M	3M	1M
1-3 Year	-4.7%	-0.2%	-2.0%	-1.1%	-0.6%
3-5 Year	-9.0%	-0.3%	-3.7%	-2.3%	-1.4%
5-7 Year	-12.3%	0.0%	-4.9%	-3.2%	-1.9%
7-10 Year	-16.2%	0.5%	-6.1%	-4.4%	-2.4%
10+ Year	-28.1%	0.3%	-10.5%	-9.5%	-4.5%
20+ Year	-34.7%	-0.4%	-13.6%	-13.2%	-6.2%

Source: Bloomberg, and ADCB Asset Management | Notes: \*based on Bloomberg total return indices in USD terms as at close of February 28, 2023.

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

EM USD sovereign bonds*	1Y	YTD	6M	3M	1M
EM USD sovereign IG	-12.3%	0.1%	-1.7%	-0.1%	-2.4%
EM USD sovereign	-9.2%	0.8%	2.1%	1.0%	-2.5%
EM USD sovereign HY	-5.5%	1.1%	6.2%	1.6%	-2.5%
<b>Region</b>					
Asia	-9.6%	1.0%	-1.2%	1.5%	-1.7%
Malaysia	-10.2%	0.7%	-2.8%	-0.3%	-1.8%
Indonesia	-7.7%	0.4%	-0.4%	1.0%	-1.9%
China	-7.8%	0.1%	-1.9%	-0.5%	-2.0%
South Korea	-11.4%	0.3%	-2.9%	-0.5%	-2.5%
Philippines	-9.0%	-0.8%	-2.8%	-0.1%	-2.7%
EMEA	-9.7%	-0.1%	1.8%	0.0%	-2.1%
Bahrain	2.8%	2.1%	5.2%	3.0%	-0.4%
Turkey	2.8%	-1.1%	8.8%	-0.8%	-0.7%
Oman	3.2%	1.9%	4.1%	3.3%	-1.3%
Hungary	-10.2%	2.5%	3.4%	2.2%	-1.3%
Kuwait	-5.5%	0.1%	-1.9%	0.9%	-1.7%
Poland	-3.0%	-0.6%	-1.0%	-0.3%	-1.8%
UAE	-10.4%	-0.4%	-2.6%	0.4%	-2.3%
Saudi Arabia	-11.1%	-0.9%	-4.0%	-0.3%	-2.5%
South Africa	-5.1%	0.0%	4.0%	-1.6%	-2.8%
Qatar	-11.6%	-0.5%	-3.8%	-0.2%	-3.0%
Egypt	-4.7%	-2.2%	5.6%	-2.7%	-5.5%
LATAM	-8.2%	2.0%	4.4%	2.1%	-3.5%
Brazil	-3.7%	1.4%	1.8%	0.2%	-1.5%
Peru	-11.8%	0.5%	-1.4%	-0.8%	-2.0%
Mexico	-8.8%	2.3%	1.0%	-0.4%	-2.4%
Chile	-12.4%	0.6%	0.9%	-0.9%	-3.4%
Colombia	-10.2%	-0.8%	1.2%	1.2%	-3.7%
Argentina	1.3%	16.1%	31.3%	21.4%	-7.2%

Source: Bloomberg, and ADCB Asset Management | Notes: \*based on Bloomberg total return indices in USD terms as at close of February 28, 2023.

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

EM USD corporate bonds*	1Y	YTD	6M	3M	1M
EM USD Corp + Quasi-Sov IG	-8.1%	0.8%	-0.1%	1.6%	-1.8%
EM USD Corp + Quasi-Sov	-7.1%	1.0%	1.2%	2.4%	-2.0%
EM USD Corp + Quasi-Sov HY	-4.7%	1.5%	4.5%	4.3%	-2.5%
<b>Region</b>					
Asia	-6.0%	1.5%	1.2%	2.9%	-1.6%
Philippines	-3.9%	7.2%	-1.7%	9.8%	-0.1%
South Korea	-5.6%	0.6%	-1.0%	0.8%	-1.0%
China	-5.5%	1.6%	2.3%	3.7%	-1.6%
India	-6.4%	0.2%	0.0%	0.5%	-1.7%
Indonesia	-5.0%	2.0%	1.4%	2.5%	-1.9%
Malaysia	-9.5%	1.7%	-1.9%	1.0%	-1.9%
Thailand	-10.9%	2.0%	-0.6%	2.5%	-2.6%
EMEA	-9.6%	0.9%	0.5%	1.8%	-1.5%
Bahrain	2.1%	1.4%	3.0%	2.8%	-0.2%
Kuwait	-2.3%	2.1%	1.1%	3.1%	-0.4%
Turkey	2.7%	-0.2%	8.4%	1.9%	-0.9%
UAE	-5.2%	0.6%	-1.1%	2.0%	-1.3%
Qatar	-6.9%	0.6%	-1.7%	1.4%	-1.4%
Saudi Arabia	-7.4%	0.2%	-1.8%	0.7%	-2.1%
South Africa	-3.2%	2.1%	2.1%	2.0%	-2.2%
Poland	-9.2%	2.1%	0.3%	3.0%	-3.0%
LATAM	-6.7%	0.1%	1.9%	2.1%	-3.3%
Argentina	18.1%	9.4%	20.5%	15.0%	-0.6%
Brazil	-6.5%	-2.2%	-1.7%	-0.7%	-3.8%
Chile	-8.3%	-0.5%	1.3%	1.7%	-3.1%
Colombia	-5.6%	-0.9%	1.3%	1.5%	-4.0%
Mexico	-9.0%	1.4%	3.2%	3.1%	-3.4%
Peru	-7.6%	0.3%	0.8%	1.5%	-1.6%

Source: Bloomberg, and ADCB Asset Management | Notes: \*based on Bloomberg total return indices in USD terms as at close of February 28, 2023.

## Exhibit 7: Performance of equities – by region

Equities: Regions*	1Y	YTD	6M	3M	1M
UK	-0.1%	6.8%	13.9%	6.4%	0.2%
Europe ex UK	-1.4%	8.4%	18.9%	8.5%	-0.9%
DM	-7.3%	4.5%	4.0%	0.1%	-2.4%
US	-8.9%	4.0%	0.9%	-2.2%	-2.4%
ACWI	-8.3%	4.1%	3.3%	0.0%	-2.9%
Japan	-9.3%	2.1%	3.7%	2.4%	-3.8%
EM EMEA	-23.7%	-2.1%	-4.5%	-5.1%	-4.3%
Canada	-8.5%	4.2%	2.5%	-0.9%	-4.4%
GCC	-17.3%	-4.5%	-16.8%	-8.6%	-5.2%
EM LatAm	-0.3%	3.1%	5.4%	-1.1%	-6.2%
EM	-15.3%	0.9%	-2.3%	-0.5%	-6.5%
APac ex Japan	-12.0%	1.3%	-0.7%	0.8%	-6.8%

Source: MSCI, Refinitiv, and ADCB Asset Management | Notes: \*based on MSCI total return indices in USD terms as at close of February 28, 2023.

## Exhibit 8: Performance of equities – by sector

Equities: Sectors*	1Y	YTD	6M	3M	1M
IT	-13.6%	10.0%	1.9%	1.4%	-0.4%
Industrials	-1.3%	4.6%	10.0%	2.4%	-1.1%
Financials	-3.7%	5.4%	10.7%	2.9%	-2.3%
Consumer Staples	-4.0%	-1.2%	1.6%	-2.6%	-2.5%
Consumer Discretionary	-14.4%	9.9%	-1.6%	2.1%	-3.7%
Health Care	-2.8%	-4.7%	3.3%	-5.7%	-4.3%
Energy	13.4%	-1.8%	4.6%	-5.4%	-4.7%
Communication Services	-22.4%	7.7%	-3.2%	2.9%	-4.8%
Utilities	-6.5%	-5.4%	-7.6%	-5.4%	-5.3%
Real Estate	-14.7%	2.7%	-4.9%	-0.7%	-5.7%
Materials	-7.2%	3.6%	10.4%	0.8%	-5.8%

Source: MSCI, Refinitiv, and ADCB Asset Management | Notes: \*based on MSCI total return indices in USD terms as at close of February 28, 2023.

## Exhibit 9: Performance of equities – by factors and themes

Equities: Factors and themes*	1Y	YTD	6M	3M	1M
NYSE FANG+**	-13.3%	23.2%	4.2%	12.0%	3.7%
Nasdaq-100**	-14.9%	10.2%	-1.6%	0.3%	-0.4%
US Large Cap Growth	-17.1%	9.7%	-2.9%	0.1%	-1.0%
Small cap	-6.6%	6.5%	5.6%	3.2%	-2.1%
Growth	-13.5%	6.8%	0.6%	0.8%	-2.5%
Quality	-10.9%	4.0%	3.0%	-0.8%	-2.5%
Mid cap	-7.6%	5.1%	5.2%	2.1%	-2.8%
Large cap	-8.4%	3.9%	3.0%	-0.4%	-2.9%
Value	-3.4%	1.6%	6.0%	-0.8%	-3.2%
Dividend yield	-3.4%	-0.6%	5.1%	-2.0%	-3.3%
Momentum	-11.9%	-2.1%	2.0%	-4.6%	-3.3%
HK Tech**	-23.7%	-5.5%	-8.2%	2.8%	-13.7%

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 February 28, 2023; \*\*price return indices in USD terms as at close of February 28, 2023.

**Exhibit 10: Performance of select country equity indices**

Equities: Select countries*	1Y	YTD	6M	3M	1M
Spain	9.3%	14.2%	27.9%	16.9%	2.7%
UAE	-15.8%	-2.1%	-9.2%	-7.6%	1.6%
UK	-0.1%	6.8%	13.9%	6.4%	0.2%
France	4.8%	11.1%	24.1%	10.9%	-0.1%
Mexico	15.1%	16.8%	30.8%	8.9%	-0.2%
Kuwait	-1.4%	-0.8%	-5.3%	-4.9%	-1.0%
Taiwan	-18.1%	11.4%	2.8%	5.3%	-1.1%
Germany	-4.5%	10.3%	25.3%	10.2%	-1.9%
Qatar	-16.9%	-0.3%	-19.0%	-10.3%	-2.2%
US	-8.9%	4.0%	0.9%	-2.2%	-2.4%
Netherlands	-4.5%	11.1%	20.9%	8.2%	-3.2%
Switzerland	-8.7%	2.5%	5.7%	1.8%	-3.4%
Japan	-9.3%	2.1%	3.7%	2.4%	-3.8%
Canada	-8.5%	4.2%	2.5%	-0.9%	-4.4%
China A	-17.1%	4.7%	-1.2%	6.8%	-4.4%
India	-10.0%	-7.4%	-11.7%	-12.5%	-4.6%
Saudi Arabia	-18.7%	-4.1%	-17.4%	-7.2%	-6.4%
Russia		-2.7%	-19.2%	-18.8%	-6.5%
Australia	1.5%	3.4%	5.8%	1.3%	-6.6%
South Korea	-18.4%	4.5%	0.9%	-0.9%	-7.0%
Hong Kong	-6.4%	-3.6%	1.8%	4.3%	-7.1%
South Africa	-17.2%	-3.7%	3.8%	-7.5%	-8.1%
Brazil	-6.3%	-2.9%	-3.9%	-5.8%	-9.2%
China	-16.1%	0.2%	-2.8%	5.4%	-10.4%

Source: MSCI, Refinitiv, and ADCB Asset Management | Notes: \*based on MSCI total return indices in USD terms as at close of February 28, 2023.

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