BEA MPF e - Newsletter

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Message from the Investment Manager

Policy Stimulus Anchors Markets Amid Geopolitical Uncertainty

In the U.S., the ISM Manufacturing PMI rose to 52.6 in January, the highest since August 2022, reflecting expansion driven by new orders and production growth. The ISM Services PMI held steady at 53.8, marking the 19th consecutive month of expansion. Core inflation climbed to 3%, above the Federal Reserve's target, and with the labor market remaining resilient, the Fed maintained a “wait-and-see” stance.

In Europe, corporate buybacks and earnings growth supported market sentiment, which remained relatively stable. The Eurozone Composite PMI rose to 51.9, exceeding expectations, with both manufacturing and services sectors in expansion territory. Core Consumer Price Index (CPI) increased 2.2% year-over-year in January, while the unemployment rate held at a record low of 6.2%. The European Central Bank left interest rates unchanged but signaled caution regarding future policy moves, remaining attentive to the potential economic impact of AI.

In Japan, he Composite PMI rose to 53.8, the highest level in 33 months. Headline CPI slowed to 1.5% year-over-year in January, below the Bank of Japan's 2% target. Prime Minister Sanae Takaichi's Liberal Democratic Party secured a two-thirds majority in the lower house, fueling expectations of increased government spending in key industries. On the policy front, further fiscal stimulus is anticipated to support economic growth.

China's February inflation data showed signs of recovery, with CPI rising 1.3% year-over-year and core CPI climbing to 1.8%. Producer Price Index fell by 0.9% year-on-year, reflecting reduced industrial price pressures. Manufacturing and services PMIs remained in expansion territory, indicating resilient industrial activity, though consumer demand stayed weak and the property sector continued to weigh on growth. The People's Bank of China reiterated its commitment to maintaining a “moderately accommodative” monetary stance, working in tandem with proactive fiscal measures to support employment and the real economy. Looking ahead, markets will focus on growth targets and policy implementation announced during the “Two Sessions” to assess the sustainability of China's recovery.