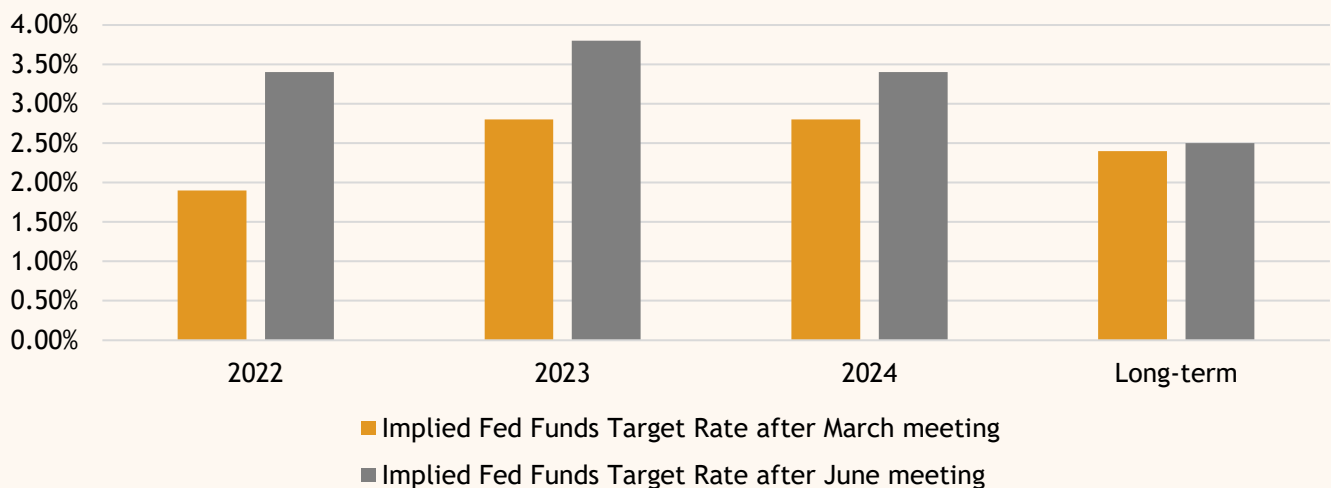


## Key Economic Figures/Events of the Week

- This week the yield curve has shifted upward, which has been mostly a reflection of the latest consumer-inflation print for May (10/06), which came higher than the expectations of markets. Inflationary pressure and other incoming data not only weighed on sentiments of markets but also on the decision of the Fed. In particular, the FOMC has announced a 75-basis point increase in interest rates at its June meeting (15/06), even though Fed officials had previously advocated for 50 basis points at summer meetings. In addition, the Fed's Powell highlighted the possibility of another 3-quarter rate hike at the July FOMC meeting, although he points out that 3-quarter will not be the FOMC's default decision at further meetings. As might be expected, given incoming data on inflation and economic activities, the Fed now sees a higher interest rate path than it counted on in March. The Fed explains that tightening financial conditions will cool off demand, rebalance towards supply levels, and eventually stabilize the economy. Given the current economic outlook, the question is circulating whether the Fed can soft-land the economy.

### FOMC dot plot depicts more hawkish stance than before



\*Source: Federal Reserve

- The producer-inflation reading in May reached 10.8% YoY which was slightly lower than 10.9% YoY of median estimate of markets, yet it is still elevated and leaves some uptick thrust in the pipeline. Although price pressure from food and cars, contributors of previous months price hikes, were mainly offset, energy costs continue to put upward pressure on producers' prices. Moreover, an analysis shows that inflation is greatly impacted by the prices of services compared to the prices of goods. High prices has also affected consumers sentiment considerably. Consumers in June have assessed current economic conditions significantly lower than they did in May.

## Weekly Investment Insights

- Baidu (A), an internet and AI services giant, may sell its entire share in iQiyi, an online entertainment business in China, for 7 billion USD. Divestment is motivated by Baidu's intention to focus on its core business scope, and iQiyi's business operations lie outside the core scope. This offloading would improve the credit buffer of the company as the deal could bring up to 3.8 billion USD of net cash. In addition, recently, the Chinese authorities have stated that strict regulations in the tech sector of China will be eased relatively to support operating companies in the sector. We hold a positive assessment of the company given the fundamental factors.

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## Strategy

Under continued high inflation prints, we are keeping our fixed income strategy unchanged and are focusing on moderate credit risk along with low to medium duration.

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We hope you will find this information useful and we will be glad to answer your questions.

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