

Global Economic Commentary

China–United States trade war will affect global economic growth



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2019 year is an era of economic turmoil

Major economic indicators, such as manufacturing PMI, inflation growth and consumer confidence in China, Europe, Japan and the U.S. were weak and missed market consensus. However, the governments and central banks of the major economies reached the same conclusion by providing more easing and stimulus to boost economic activity. In March, investors were surprised as the Federal Reserve (the Fed) was likely to pause rate hike (previously investors expected there would be two more hikes) after March's Federal Open Market Committee (FOMC) meeting. China government said it will decrease the government spending, cut corporate tax and provide more easing. For Europe, European Central Bank (ECB) ruled out rate hike in 2019 and may implement new liquidity funding program. Above actions could be good news for the market in the short term but may not be a good sign for global economic fundamentals.

Chart 1. 2019 Major asset classes and country indices return

Country	Index & Asset Class	31/3/2019
Oil	CL1 Comdty (USD)	32.44
A Shares	SHCOMP Index (USD)	27.00
S&P 500	SPX Index (USD)	13.07
HK	HSI Index (USD)	12.15
HK	HSCEI Index (USD)	12.14
DM	MXWO Index (USD)	11.88
Russia	INDEXCF Index (USD)	11.57
UK	UKX INDEX (USD)	10.29
EM	MXEF Index (USD)	9.56
Stoxx 50	SX5E Index (USD)	9.42
Taiwan	TWSE Index (USD)	8.24
Brazil	IBOV Index (USD)	7.79
India	NIFTY Index (USD)	7.57
Germany	DAX Index (USD)	7.06
Indonesia	JCI Index (USD)	6.38
Nikkei	NKY Index (USD)	5.61
Signapore	STI Index (USD)	5.30
Korea	KOSPI Index (USD)	2.81
Gold	XAU Curncy (USD)	0.77

Source: Bloomberg

Since the beginning of 2019, China-related shares had a huge turnaround in performance from last year. During the first three months, Shanghai A Shares index rose 27%, beats S&P 500 Index, MSCI World Index and MSCI Emerging Markets Index.

Europe and some emerging markets in Asia are still lagging behind MSCI World Index and MSCI Emerging Markets Index respectively. For example, Germany DAX and South Korea KOSPI only rebounded around 7% and 2.81% respectively.

Economic key points:

- Shanghai A Shares index rose 27%, beats S&P 500 Index, MSCI World Index and MSCI Emerging Markets Index.

Chart of the Month: MSCI World Index



10-day MA	2105.98
20-day MA	2094.39
100-day MA	2007.42
250-day MA	2075.18

Comment:
The MSCI World Index is expected to be adjected horizontally amid the slowdown in U.S interest rate hike.

Global Market Performance

Index (USD)	Closed at 31/3/2019	MTD Change (%)	YTD Change (%)	Current PE ratio	Estimated PE ratio	Dividend Yield
DJIA	25,928.68	(0.38)	11.15	16.55	15.99	2.19
S&P 500	2,834.40	1.10	13.07	18.92	17.32	1.92
Nasdaq	7,729.32	1.76	16.49	33.70	23.09	1.06
FTSE 100	9,457.85	0.78	10.29	17.49	13.07	4.79
DAX	12,933.37	(1.91)	7.06	14.89	13.11	3.11
CAC	6,003.83	0.33	10.82	18.24	14.06	3.21
Nikkei 225	191.44	(0.77)	5.61	15.92	14.90	2.07
HSI	3,700.86	0.81	12.15	11.71	11.61	3.27
SHCOMP	460.48	3.14	27.00	15.44	12.11	2.07
ASX	4,443.95	0.09	10.51	17.42	16.33	4.64
TWI	344.74	2.17	8.24	15.27	15.37	4.25
KOSPI	1.88	(3.56)	2.81	11.50	11.97	1.97
SET	34.34	0.10	6.97	16.55	15.49	2.88
SENSEX	557.86	9.77	7.79	29.41	18.84	1.22
Russia RTS	1,198.11	0.91	12.11	4.99	5.97	5.56
Mexico IPC	2,224.82	0.76	5.07	16.73	14.22	2.53
Bovespa	24,460.88	(2.16)	7.79	15.95	11.61	2.97
Median		0.76	10.29	16.55	14.22	2.88

Market Data

Commodities (USD)

Price as at 31/3/2019

Crude Oil	60.14
Gold 100oz	1,293.00

Source: Bloomberg

Date Time	Country	Event	Event Time	Survey	Prior
4/1/2019	Australia	AiG Perf of Mfg Index	Mar	--	54
4/1/2019	Japan	Nikkei Japan PMI Mfg	Mar F	--	48.9
4/1/2019	China	Caixin China PMI Mfg	Mar	50	49.9
4/2/2019	UK	Markit/CIPS UK Construction PMI	Mar	49.8	49.5
4/2/2019	US	Durable Goods Orders	Feb P	-1.80%	0.30%
4/3/2019	Japan	Nikkei Japan PMI Composite	Mar	--	50.7
4/3/2019	Japan	Nikkei Japan PMI Services	Mar	--	52.3
4/3/2019	China	Caixin China PMI Composite	Mar	--	50.7
4/3/2019	China	Caixin China PMI Services	Mar	52.3	51.1
4/5/2019	US	Unemployment Rate	Mar	3.80%	3.80%
4/10/2019	Japan	PPI YoY	Mar	1.00%	0.80%
4/10/2019	UK	Industrial Production YoY	Feb	-0.90%	-0.90%
4/10/2019	UK	Manufacturing Production YoY	Feb	-0.60%	-1.10%
4/10/2019	US	CPI YoY	Mar	1.80%	1.50%
4/11/2019	China	CPI YoY	Mar	2.30%	1.50%
4/11/2019	China	PPI YoY	Mar	0.40%	0.10%
04/17/2019	Japan	Exports YoY	Mar	--	-1.20%
04/17/2019	Japan	Imports YoY	Mar	--	-6.70%
04/17/2019	China	GDP YoY	1Q	6.30%	6.40%
04/17/2019	UK	CPI YoY	Mar	--	1.90%
04/17/2019	Europe	CPI YoY	Mar F	--	1.50%
04/18/2019	US	Markit US Manufacturing PMI	Apr P	--	52.4
04/18/2019	US	Markit US Services PMI	Apr P	--	55.3
04/18/2019	US	Markit US Composite PMI	Apr P	--	54.6
04/25/2019	US	Initial Jobless Claims	Apr-20	--	--
04/25/2019	US	Continuing Claims	Apr-13	--	--
04/26/2019	Japan	Jobless Rate	Mar	--	2.30%
04/26/2019	Australia	PPI YoY	1Q	--	2.00%
04/30/2019	China	Non-manufacturing PMI	Apr	--	54.8
04/30/2019	China	Manufacturing PMI	Apr	--	50.5
04/30/2019	Europe	GDP SA YoY	1Q A	--	1.10%

News Stories Highlights

Headlines

[Fed Minutes: Officials See Little Need to Change Rates This Year](#)

WASHINGTON—Federal Reserve officials signaled greater conviction at their meeting last month that they don't need to move interest rates up or down.

[U.S., China Reach Accord on Trade-Deal Enforcement, Mnuchin Says](#)

WASHINGTON—The U.S. and China have agreed on an enforcement mechanism for their potential trade deal, Treasury Secretary Steven Mnuchin said, suggesting one of the key stumbling blocks toward an accord had been cleared.

[U.S. Budget Deficit Grew 15% in First Half of Fiscal 2019](#)

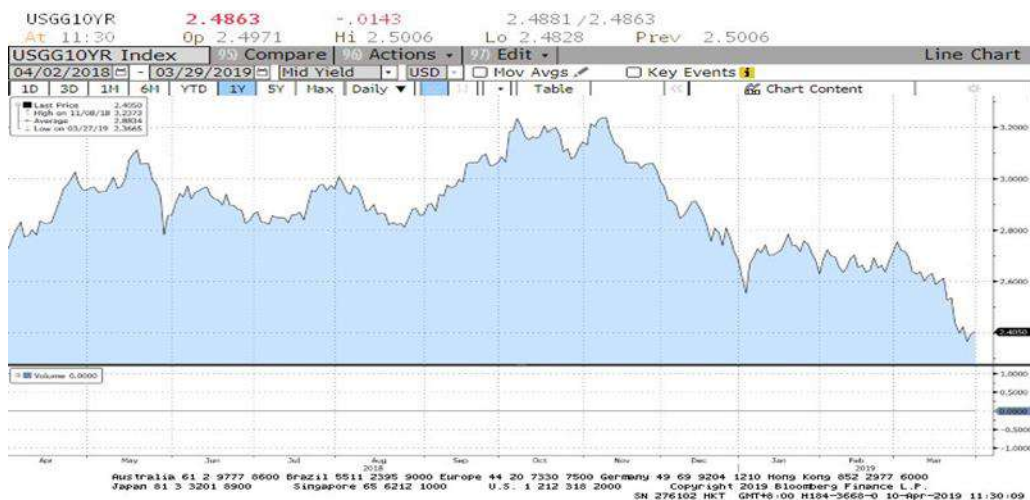
The U.S. budget gap widened in the first half of the fiscal year as spending rose faster than revenue, according to the Treasury Department.

[EU Leaders Agree to Delay Brexit Until Oct. 31](#)

European Union leaders agreed to postpone Brexit until Oct. 31 to allow British Prime Minister Theresa May more time to try to get the U.K.'s Parliament to approve the country's divorce deal with the bloc.

US inflation is still in the doldrums, but 10-year bond yields declined on the top.

FIGURE 1
US 10 years treasury yield



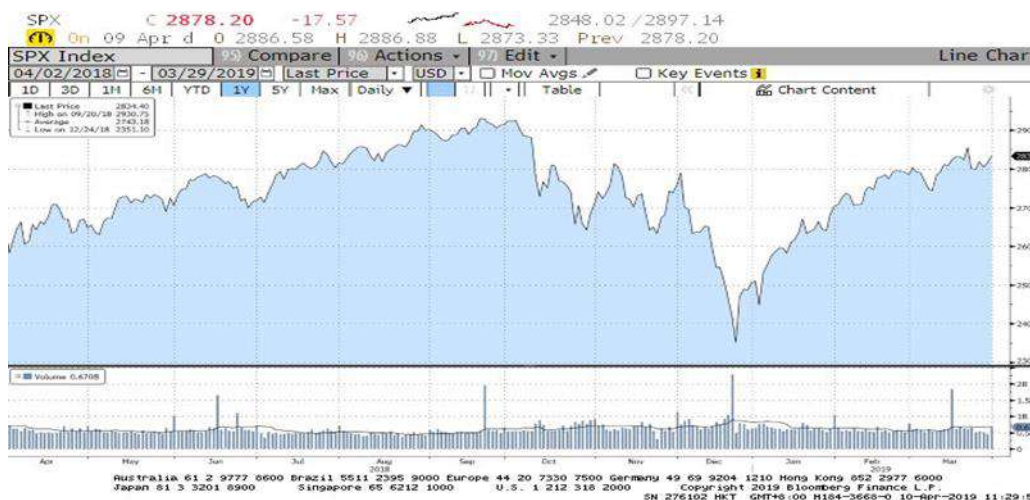
HSCEI rebounded from the bottom

FIGURE 2
Hang Seng China Enterprises Index



SPX rebounded from the bottom

FIGURE 3
S&P 500 Index



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