

Global Economic Commentary

China–United States relationship and 2019-nCov will affect global economic growth



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2020 year is an era of economic turmoil

June is a good month for global equities, both MSCI World and EM index up 4.69% and 8.42% respectively, emerging market equities outperformed developed market equities in July.

MSCI World & EM Index



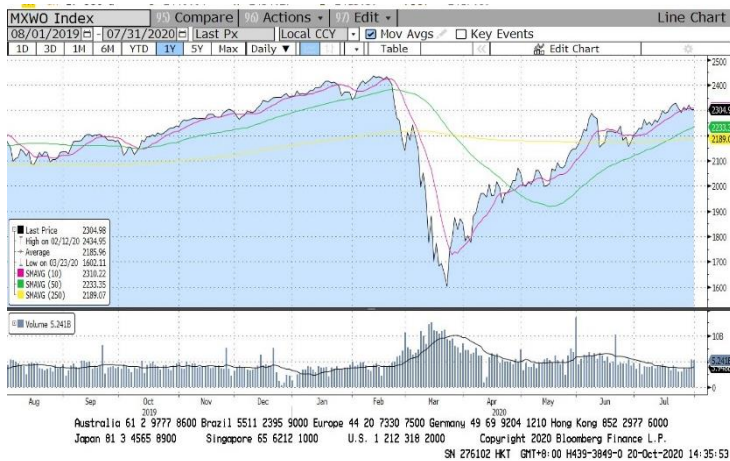
Federal Reserve kept monetary policy and forward guidance unchanged as the chairman of Fed awaits details on further fiscal stimulus and the development of the pandemic. If there are changes in September, these could include an adjustment to forward guidance on rate policy, or update on the asset purchases, such as extend the duration of their Quantitative Easing. Developed market interest rate remains low with limited expectations for central bank policy rate changes during pandemic. Nominal yields continue to decline to push real yields lower. As a result, the Dollar index down over 4% in July, gold surged 10% and the general emerging equities outperformed developed market equities significantly in a single month.

Pandemic was accelerating in July around the globe, total reported cases are 19 million while previous month-end figure was 11 million. The U.S. has the most reported cases and new cases surged exponentially in July, increased from 2.9 million to 4.8 million people. Jump in new cases of COVID-19 forced many states to shut down their business and social activities again. Besides, CDC chiefs said that the true COVID-19 cases could be 10 times higher than reported, if this is true, the estimated number of cases could be 50 million people, approximate 15% of total population in the U.S.

In July, US Dollar Index slid 4.15% from 97.39 to 93.35. Amid the weakness of the US dollar, global equity markets climbed again. As we have pointed out in the last newsletter that market indicators were gradually resuming normal in late June, global stock prices rallied in early July. During 14 to 31 July, global equity markets moved sideways for consolidation. Our portfolios were benefited from the rally as we had increased allocations in equity during late June to early July.

We maintain our positive view on the second half performance of global stock market. Although US-China tensions escalate toward new cold war increases geopolitical risk, global equity prices would be boosted by the dovishness of global central banks. The Federal Reserve (the Fed) is likely to continue easing policy to support the financial market. The Fed sees no interest-rate hikes for years, and will keep buying assets. As a result, US dollar may keep falling in the short to medium term. The European Central Bank (ECB) opted to maintain its emergency coronavirus bond-buying program at its current levels and left interest rates unchanged. It is believed that ECB's crisis stimulus plan will continue for a period of time. In view of the dovishness of global central banks, we may consider to increase holdings in risky assets whenever stock market pulls back.

Chart of the Month: MSCI World Index



10-day MA	2310.22
20-day MA	2288.43
50-day MA	2233.35
250-day MA	2189.07

Comment:
The MSCI World Index is expected to be adjected because of 2019-nCov effect.

Global Market Performance

Index (USD)	Closed at 31/07/2020	MTD Change (%)	YTD Change (%)	Current PE ratio	Estimated PE ratio	Dividend Yield
DJIA	26,428.32	2.69	-7.39	22.62	23.45	2.18
S&P 500	3,271.12	4.98	1.25	26.40	25.34	1.75
Nasdaq	10,745.27	5.82	19.76	69.56	37.48	0.83
FTSE 100	7,725.48	0.52	-22.77	105.66	19.16	3.87
DAX	14,518.68	5.13	-2.25	39.52	19.32	2.84
CAC	5,640.45	1.64	-15.97	43.80	21.71	2.24
Nikkei 225	205.12	-0.40	-5.58	39.03	23.43	1.68
HSI	3,173.55	0.69	-12.31	13.05	12.91	3.10
SHCOMP	474.54	10.87	8.34	17.90	14.94	2.14
ASX	4,329.27	3.58	-9.39	39.64	22.33	3.31
TWI	431.13	8.86	7.49	20.51	18.67	3.24
KOSPI	1.88	7.33	-0.89	29.44	16.90	1.72
SET	27.62	-3.96	-22.57	18.66	20.89	3.25
SENSEX	501.95	7.02	-13.34	30.63	25.67	1.05
Russia RTS	1,234.44	1.80	-20.30	7.71	10.71	6.81
Mexico IPC	1,662.53	0.77	-27.91	22.66	19.41	2.09
Bovespa	19,780.92	9.52	-31.32	109.28	37.42	3.08
Median		3.58	(9.39)	29.44	20.89	2.24

Market Data

Commodities (USD)

Price as at 31/07/2020

Crude Oil	30.27
Gold 100oz	1,962.80

Source: Bloomberg

Date Time	Country	Event	Event Time	Survey	Prior
8/3/2020	China	Caixin China PMI Mfg	Jul	51.1	51.2
8/4/2020	Australia	Exports MoM	Jun	4%	-4%
8/4/2020	Australia	Imports MoM	Jun	3%	-6%
8/4/2020	US	Durable Goods Orders	Jun F	7.30%	7.30%
8/4/2020	US	Factory Orders	Jun	5.00%	8.00%
8/6/2020	US	Initial Jobless Claims	Aug-01	1400k	1434k
8/6/2020	US	Continuing Claims	Jul-25	16900k	17018k
8/7/2020	US	Unemployment Rate	Jul	10.60%	11.10%
8/10/2020	China	PPI YoY	Jul	-2.50%	-3.00%
8/10/2020	China	CPI YoY	Jul	2.60%	2.50%
8/11/2020	Japan	Bankruptcies YoY	Jul	--	6.26%
8/11/2020	UK	Claimant Count Rate	Jul	--	7.30%
8/11/2020	UK	Jobless Claims Change	Jul	--	-28.1k
8/11/2020	US	PPI Final Demand MoM	Jul	0.30%	-0.20%
8/11/2020	US	PPI Final Demand YoY	Jul	-0.70%	-0.80%
8/12/2020	UK	Industrial Production MoM	Jun	9.00%	6.00%
8/12/2020	UK	Industrial Production YoY	Jun	-13.10%	-20.00%
8/12/2020	UK	GDP QoQ	2Q P	-20.70%	-2.20%
8/12/2020	UK	GDP YoY	2Q P	-22.30%	-1.70%
08/14/2020	Japan	Japan Buying Foreign Bonds	Aug-07	--	¥1146.4b
08/14/2020	Japan	Japan Buying Foreign Stocks	Aug-07	--	-¥919.3b
08/19/2020	Japan	Exports YoY	Jul	-20.90%	-26.20%
08/19/2020	Japan	Imports YoY	Jul	-23.00%	-14.40%
08/21/2020	Australia	CBA Australia PMI Mfg	Aug P	--	54
08/21/2020	Australia	CBA Australia PMI Services	Aug P	--	58.2
08/21/2020	Australia	CBA Australia PMI Composite	Aug P	--	57.8
08/21/2020	US	Markit US Manufacturing PMI	Aug P	52	50.9
08/21/2020	US	Markit US Services PMI	Aug P	51	50
08/21/2020	US	Markit US Composite PMI	Aug P	--	50.3
08/31/2020	China	Manufacturing PMI	Aug	51.2	51.1
08/31/2020	China	Non-manufacturing PMI	Aug	54.2	54.2

News Stories Highlights

Headlines

[Tencent Stock Drops After Firm Is Targeted by Trump Executive Order](#)

Shares of Tencent Holdings Ltd. plunged as much as 10% on Friday, hours after President Trump signed an executive order that would bar U.S. entities from transacting with the Chinese internet giant and its popular social-media app, WeChat.

[WSJ Survey: Benefits of Extra Unemployment Aid Outweigh Work Disincentive](#)

An overwhelming majority of economists surveyed this month by The Wall Street Journal said the economic benefits of additional jobless benefits to help laid-off workers outweighed concern that the extra payments could deter people from going back to work.

[Unemployment Rate Fell to 10.2% in July, U.S. Employers Added 1.8 Million Jobs](#)

Hiring increased in July for the third straight month, though overall gains have yet to restore half of the U.S. jobs lost due to the coronavirus pandemic.

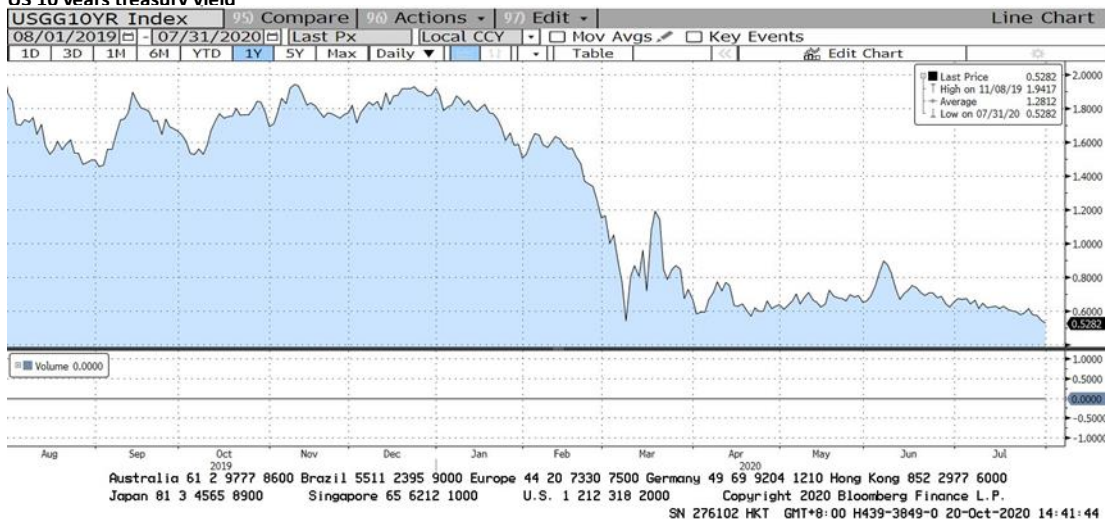
[Chicago Fed President Says Trouble Is Brewing for Economy Without Fiscal Policy Boost](#)

Chicago Fed President Charles Evans said the U.S. economy would face a much steeper climb should Congress fail to at least partially extend more generous unemployment benefits and take broader fiscal policy action to combat the effects of the coronavirus pandemic.

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

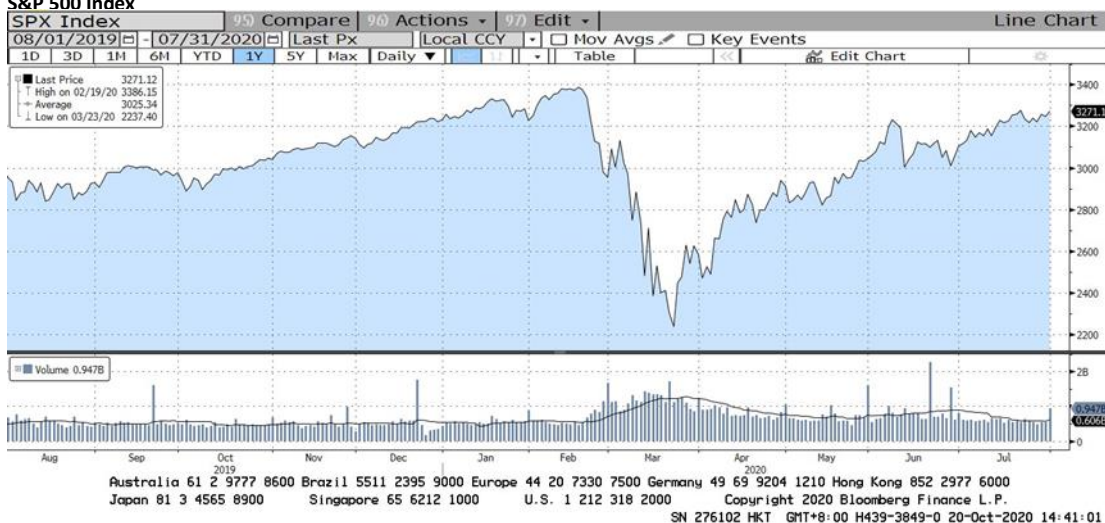
Hang Seng China Enterprises Index



SPX rebounded from the bottom

FIGURE 3

S&P 500 Index



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