

Global Economic Commentary

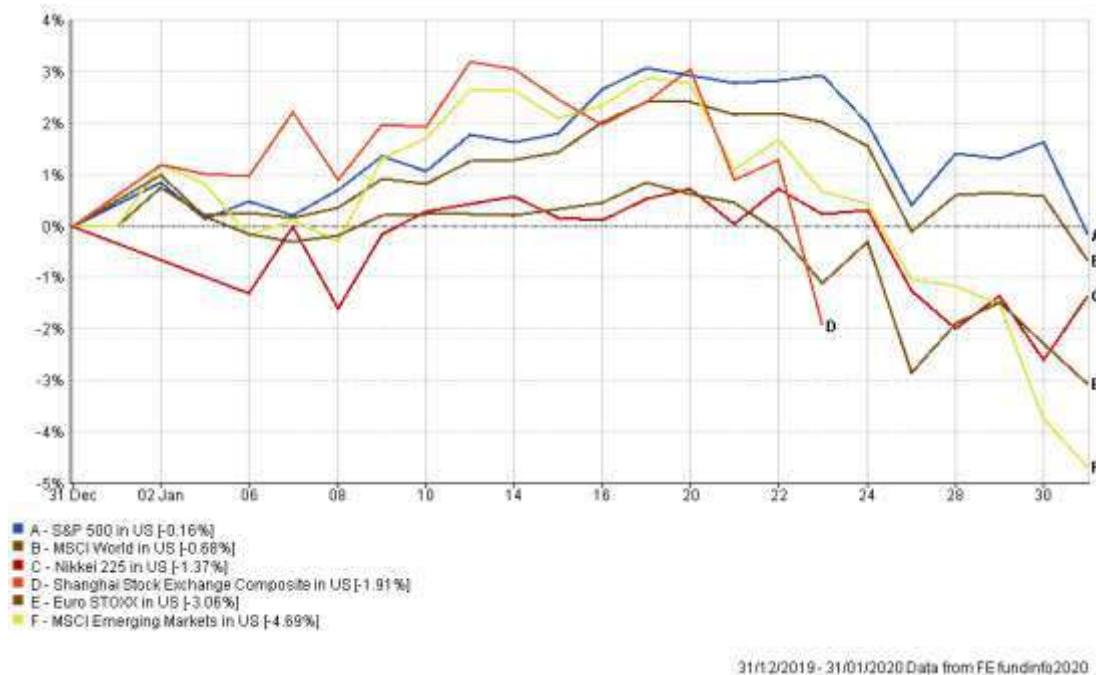
China–United States trade war and 2019-nCov will affect global economic growth



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2020 year is an era of economic turmoil

Global equities markets rallied until the last week of January, and then slid to close with negative returns. For the performances in January, MSCI World Index and MSCI Emerging Markets Index dropped 0.68% and 4.69% respectively.



The market plunge during the last week of January was attributable to the worries over a new virus, the Wuhan Coronavirus. Not only death toll kept rising in China, but also the continued spread across the world. The World Health Organization declared a global emergency on Jan 30. More and more countries banned travel from China. Investors expect the outbreak of the Wuhan pneumonia will disrupt global business and pose a major potential economic risk to the world, especially the Asia-Pacific region. That is why MSCI Emerging Markets Index declined sharply in late January.

Hong Kong stock market was also hit by worries over the outbreak of Wuhan Coronavirus. Experts expect the number of confirmed cases will keep increasing in the near term. Economic activities will be suppressed in the short-term and China's GDP growth will drop.

On 20th January, Moody's downgraded Hong Kong's long-term issuer and senior unsecured ratings because the government's inability to resolve the political issues highlighted by the protestors. "Changes in the autonomy of Hong Kong's institutions raise the risk that actions by foreign governments negatively impact its competitiveness and economic strength and hinder the effectiveness of policymaking still further," Moody's said. In short, the immediate impact of the downgrade is the rising cost of borrowing for corporations in Hong Kong. And the long-term impact is the undermining of Hong Kong's status as an international financial center.

With reference to the SARS (severe acute respiratory syndrome) outbreak in 2003, the impact of the Wuhan Coronavirus outbreak shall be short-lived for the market. With no doubt, China and Hong Kong stock markets will be under pressure in the first quarter. But they might rebound in the second quarter. We are closely looking for buying opportunities. Also, global economic pressure seems to come with the epidemic. However, this will increase the chance of further stimulus policies from global central banks. Therefore, the overall impact for global investment markets might be limited. Short-term shocks might provide buying opportunities.

Chart of the Month: MSCI World Index



10-day MA	2385.25
20-day MA	2384.72
50-day MA	2347.18
250-day MA	2194.80

Comment:
The MSCI World Index is expected to be adjected horizontally amid the slowdown in U.S economic growth.

Global Market Performance

Index (USD)	Closed at 31/01/2020	MTD Change (%)	YTD Change (%)	Current PE ratio	Estimated PE ratio	Dividend Yield
DJIA	28,256.03	-0.99	-0.99	20.89	18.56	2.17
S&P 500	3,225.52	-0.16	-0.16	22.23	19.21	1.79
Nasdaq	9,150.94	1.99	1.99	35.31	25.87	0.99
FTSE 100	9,614.62	-3.89	-3.89	18.99	13.46	4.69
DAX	14,387.92	-3.13	-3.13	25.68	14.63	2.94
CAC	6,435.17	-4.14	-4.14	21.68	14.96	3.03
Nikkei 225	214.03	-1.48	-1.48	19.30	18.36	1.89
HSI	3,388.40	-6.37	-6.37	10.70	10.47	3.62
SHCOMP	430.96	-1.61	-1.61	13.69	10.45	2.35
ASX	4,769.07	-0.19	-0.19	21.73	18.42	4.08
TWI	380.12	-5.23	-5.23	18.38	15.58	3.91
KOSPI	1.77	-6.82	-6.82	18.85	12.09	1.40
SET	32.62	-8.55	-8.55	17.90	16.18	3.06
SENSEX	569.04	-1.69	-1.76	24.66	22.83	1.15
Russia RTS	1,517.07	-2.06	-2.06	6.75	6.85	6.55
Mexico IPC	2,337.10	1.34	1.34	17.35	14.51	3.08
Bovespa	26,581.44	-7.71	-7.71	18.32	13.67	2.96
Median		(2.06)	(2.06)	18.99	14.96	2.96

Market Data

Commodities (USD)

Price as at 31/01/2020

Crude Oil	51.56
Gold 100oz	1,582.90

Source: Bloomberg

Date Time	Country	Event	Event Time	Survey	Prior
2/3/2020	China	Caixin China PMI Mfg	Jan	51	51.5
2/5/2020	China	Caixin China PMI Composite	Jan	--	52.6
2/5/2020	China	Caixin China PMI Services	Jan	52	52.5
2/7/2020	Canada	Unemployment Rate	Jan	5.70%	5.60%
2/7/2020	US	Unemployment Rate	Jan	3.50%	3.50%
2/10/2020	China	PPI YoY	Jan	0.00%	-0.50%
2/10/2020	China	CPI YoY	Jan	4.90%	4.50%
2/10/2020	China	Aggregate Financing CNY	Jan	4250.0b	2100.0b
2/11/2020	UK	GDP QoQ	4Q P	0.00%	0.40%
2/11/2020	UK	GDP YoY	4Q P	0.90%	1.10%
2/19/2020	Japan	Exports YoY	Jan	--	-6.30%
2/19/2020	Japan	Imports YoY	Jan	--	-4.90%
2/20/2020	US	Initial Jobless Claims	Feb-15	--	--
2/20/2020	US	Continuing Claims	Feb-08	--	--
2/21/2020	Australia	CBA Australia PMI Composite	Feb P	--	50.2
2/21/2020	Australia	CBA Australia PMI Mfg	Feb P	--	49.6
2/21/2020	Australia	CBA Australia PMI Services	Feb P	--	50.6
2/21/2020	Japan	Natl CPI Ex Fresh Food YoY	Jan	--	0.70%
2/21/2020	Japan	Natl CPI Ex Fresh Food, Energy YoY	Jan	--	0.90%
2/21/2020	Europe	CPI YoY	Jan	--	1.30%
2/21/2020	Europe	CPI MoM	Jan F	--	-1.00%
2/27/2020	Europe	Economic Confidence	Feb	--	102.8
2/27/2020	Europe	Industrial Confidence	Feb	--	-7.3
2/27/2020	US	GDP Annualized QoQ	4Q S	--	2.10%
2/27/2020	US	Personal Consumption	4Q S	--	1.80%
2/27/2020	US	GDP Price Index	4Q S	--	1.40%
2/28/2020	UK	Nationwide House PX MoM	Feb	--	0.50%
2/28/2020	UK	Nationwide House Px NSA YoY	Feb	--	1.90%
2/29/2020	China	Composite PMI	Feb	--	53
2/29/2020	China	Manufacturing PMI	Feb	--	50
2/29/2020	China	Non-manufacturing PMI	Feb	--	54.1

News Stories Highlights

Headlines

[Trump to Propose \\$4.8 Trillion Budget With Big Safety-Net Cuts](#)

WASHINGTON—President Trump is expected to release a \$4.8 trillion budget Monday that charts a path for a potential second term, proposing steep reductions in social-safety-net programs and foreign aid and higher outlays for defense and veterans.

[Smallest U.S. Firms Struggle to Find Workers](#)

The number of people working at small companies essentially didn't budge last year, even as larger businesses continued to expand their payrolls for a record 10th straight year.

[Economy Week Ahead: Fed Chair Testifies, U.S. CPI and EU Trade Data](#)

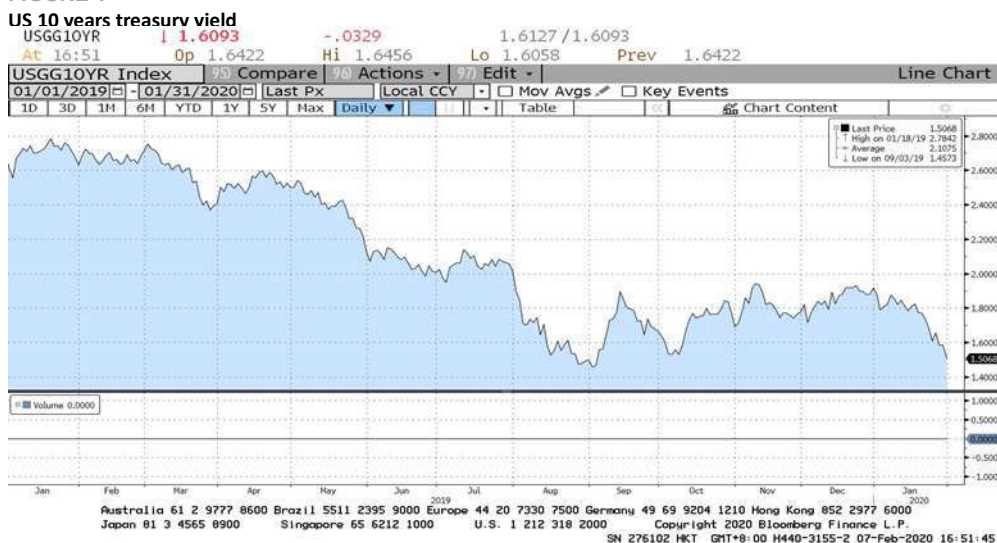
In the week ahead, Federal Reserve Chairman Jerome Powell will testify on Capitol Hill, while U.S. inflation and retail-sales data will offer insight into consumer prices and spending so far this year.

[U.S.-China Trade War Reshaped Global Commerce](#)

The two-year trade war between the U.S. and China upended commerce world-wide, slamming the brakes on global trade growth—but also delivering modest benefits to a handful of industries and countries that saw gains as the giants tussled.

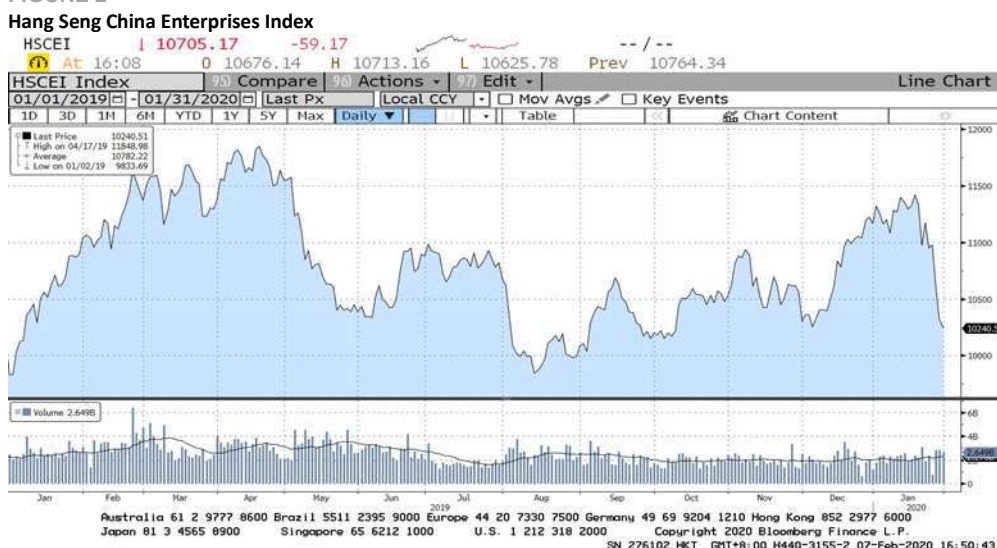
US inflation is still in the doldrums, but 10-year bond yields declined on the top.

FIGURE 1



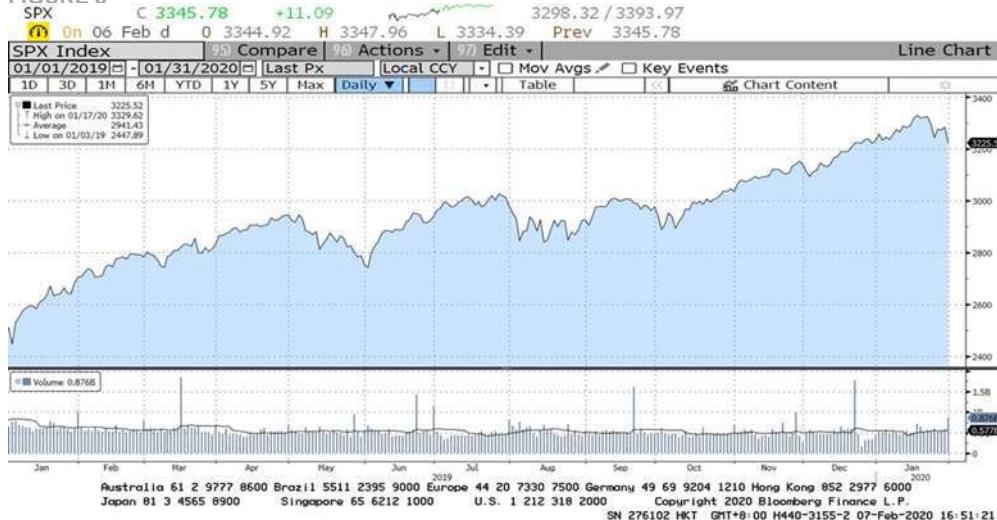
HSCEI was seeking a bottom

FIGURE 2



SPX climbed up gradually.

FIGURE 3



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