

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

Chinese stocks were among the worst performers globally last year, Shanghai A share index down 28% in terms of USD but they were among the best in this year.

Chart 1. 2018 Major asset classes and country indices return

Country	Index & Asset Class	2018 %
A Shares	SHCOMP Index (USD)	-28.664
Oil	CL1 Comdty (USD)	-24.843
Germany	DAX Index (USD)	-22.210
Korea	KOSPI Index (USD)	-20.548
Stoxx 50	SX5E Index (USD)	-18.403
UK	UKX INDEX (USD)	-17.517
EM	MXEF Index (USD)	-16.632
HK	HSI Index (USD)	-13.834
HK	HSCEI Index (USD)	-13.752
Signapore	STI Index (USD)	-11.567
Taiwan	TWSE Index (USD)	-11.211
DM	MXWO Index (USD)	-10.437
Nikkei	NKY Index (USD)	-10.353
Indonesia	JCI Index (USD)	-8.798
Russia	INDEXCF Index (USD)	-7.053
S&P 500	SPX Index (USD)	-6.237
India	NIFTY Index (USD)	-5.491
Brazil	IBOV Index (USD)	-1.794
Gold	XAU Curncy (USD)	-1.559

Chart 2. 2019 Major asset classes and country indices return

Country	Index & Asset Class	2019 YTD %
Oil	CL1 Comdty (USD)	26.01
A Shares	SHCOMP Index (USD)	21.18
HK	HSCEI Index (USD)	12.02
Russia	INDEXCF Index (USD)	10.81
HK	HSI Index (USD)	10.54
S&P 500	SPX Index (USD)	11.08
DM	MXWO Index (USD)	10.72
Brazil	IBOV Index (USD)	12.43
UK	UKX INDEX (USD)	9.44
Stoxx 50	SX5E Index (USD)	9.22
EM	MXEF Index (USD)	8.82
Germany	DAX Index (USD)	8.50
Nikkei	NKY Index (USD)	5.96
Indonesia	JCI Index (USD)	6.71
Signapore	STI Index (USD)	5.57
Taiwan	TWSE Index (USD)	5.94
Korea	KOSPI Index (USD)	6.61
India	NIFTY Index (USD)	-2.25
Gold	XAU Curncy (USD)	2.40

Source: Bloomberg

Since the beginning of 2019, China-related shares had a huge turnaround in performance from last year. During the first two months, Shanghai A Shares index rose 21%. S&P 500 Index, MSCI World Index and MSCI Emerging Markets Index were all beaten. Easing US-China trade tensions and launching of Chinese stimulus package resulted in a strong rally of Chinese stocks. However, these positive factors might have already been priced in.

Almost all major country indices had positive rebound in 2019 but some of them are disappointing. For example, Stoxx 50 and KOSPI index were down 18% and 20% in 2018 but only rebound around 9% and 6.6% respectively. The divergent performance is due to a number of factors, including uneven economic growth, monetary policies, fiscal stimulus and global trade activity, etc.

Economic key points:

- Chinese stocks were among the worst performers globally last year, but they were among the best in this year.

Chart of the Month: MSCI World Index



10-day MA	2082.46
20-day MA	2060.25
100-day MA	1996.42
250-day MA	2073.55

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 28/2/2019	MTD Change (%)	YTD Change (%)	Current PE ratio	Estimated PE ratio	Dividend Yield
DJIA	25,916.00	3.40	11.10	16.36	15.58	2.26
S&P 500	2,784.49	2.88	11.08	18.51	16.86	1.95
Nasdaq	7,532.53	3.70	13.52	31.69	22.04	1.09
FTSE 100	9,385.34	2.17	9.44	16.91	12.67	4.94
DAX	13,107.10	2.21	8.50	14.48	12.72	3.14
CAC	5,964.77	3.62	10.10	17.75	13.67	3.30
Nikkei 225	192.09	1.24	5.96	15.74	15.54	2.09
HSI	3,647.63	2.48	10.54	11.03	11.12	3.49
SHCOMP	439.36	13.19	21.18	14.09	11.11	2.24
ASX	4,438.77	2.97	10.39	17.42	16.15	4.67
TWI	337.41	4.61	5.94	14.04	14.45	4.45
KOSPI	1.95	(0.89)	6.61	10.87	10.74	2.21
SET	34.81	(1.18)	8.42	16.26	15.19	2.94
SENSEX	506.37	(0.81)	(2.16)	28.51	23.49	1.37
Russia RTS	1,188.28	(1.89)	11.19	5.50	5.66	5.75
Mexico IPC	2,223.33	(2.91)	5.00	15.53	13.01	2.71
Bovespa	25,515.02	(4.65)	12.43	19.46	12.31	2.88
Median		2.21	10.10	16.26	13.67	2.88

Market Data

Commodities (USD)

Price as at 28/2/2019

Crude Oil	57.22
Gold 100oz	1,316.10

Source: Bloomberg

Date Time	Country	Event	Event Time	Survey	Prior
3/1/2019	Japan	Jobless Rate	Jan	2.40%	2.40%
3/1/2019	Japan	Nikkei Japan PMI Mfg	Feb F	--	48.5
3/1/2019	China	Caixin China PMI Mfg	Feb	48.5	48.3
3/1/2019	Europe	Markit Eurozone Manufacturing PMI	Feb F	49.2	49.2
3/1/2019	Europe	CPI Estimate YoY	Feb	1.50%	1.40%
3/1/2019	US	Markit US Manufacturing PMI	Feb F	53.7	53.7
3/4/2019	Europe	PPI MoM	Jan	0.30%	-0.80%
3/4/2019	Europe	PPI YoY	Jan	2.90%	3.00%
3/5/2019	China	Caixin China PMI Composite	Feb	--	50.9
3/5/2019	China	Caixin China PMI Services	Feb	53.5	53.6
3/5/2019	US	New Home Sales	Dec	600k	657k
3/5/2019	US	New Home Sales MoM	Dec	-8.70%	16.90%
3/7/2019	US	Initial Jobless Claims	Mar-02	225k	225k
3/7/2019	US	Continuing Claims	Feb-23	1772k	1805k
3/8/2019	Japan	GDP SA QoQ	4Q F	0.40%	0.30%
3/8/2019	China	Exports YoY CNY	Feb	6.60%	13.90%
3/8/2019	China	Imports YoY CNY	Feb	6.20%	2.90%
3/8/2019	US	Unemployment Rate	Feb	3.90%	4.00%
3/9/2019	China	CPI YoY	Feb	1.50%	1.70%
3/9/2019	China	PPI YoY	Feb	0.20%	0.10%
3/12/2019	US	CPI YoY	Feb	1.60%	1.60%
03/13/2019	Japan	Core Machine Orders MoM	Jan	-1.50%	-0.10%
03/13/2019	Japan	Core Machine Orders YoY	Jan	-2.10%	0.90%
03/18/2019	Japan	Exports YoY	Feb	-0.60%	-8.40%
03/18/2019	Japan	Imports YoY	Feb	-8.10%	-0.60%
03/19/2019	US	Factory Orders	Jan	0.00%	0.10%
03/19/2019	US	Durable Goods Orders	Jan F	--	0.40%
03/28/2019	US	GDP Annualized QoQ	4Q T	--	2.60%
03/29/2019	Canada	GDP YoY	Jan	--	1.10%
03/31/2019	China	Non-manufacturing PMI	Mar	--	54.3
03/31/2019	China	Manufacturing PMI	Mar	--	49.2

News Stories Highlights

Headlines

[U.K. Parliament Votes to Delay Brexit as Turmoil Drags On](#)

British lawmakers voted to delay the U.K.'s departure from the European Union, setting up Prime Minister Theresa May for a pivotal week ahead in which she will likely aim to coerce recalcitrant elements of her Conservative Party into backing a deal they have soundly rejected twice.

[China Aims to Placate U.S. With Law Banning Theft of Foreign Trade Secrets](#)

BEIJING—China made last-minute changes to a proposed foreign-investment law, trying to address U.S. complaints about forced technology transfer and bolster a compromise seen as crucial to striking a trade deal with Washington.

[WSJ Survey: Economists Cut Forecasts for Jobs and Economic Growth in Early 2019](#)

Economists sharply lowered their forecasts for employment and economic growth in the first quarter in a new Wall Street Journal survey, after recent government data suggested the U.S. economy is cooling.

[Trump's Pick for World Bank Presidency Faces Clear Path](#)

President Trump's pick to lead the World Bank, Treasury official David Malpass, will almost certainly assume the bank's presidency this year, after the deadline for countries to nominate candidates passed with no other challengers.

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



SPX rebounded from the bottom

FIGURE 3
S&P 500 Index



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