

Global Economic Commentary

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

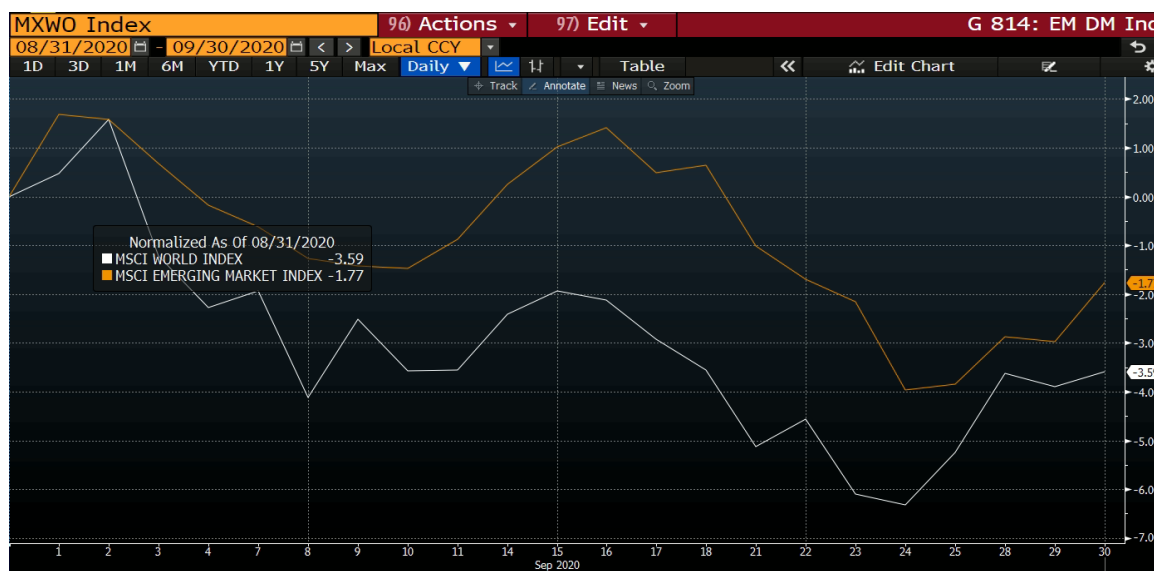


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2020 year is an era of economic turmoil

Global equities retreated in September, both MSCI World and EM index down 3.59% & 1.77% respectively, emerging market equities outperformed developed market equities in September.

MSCI World & EM Index



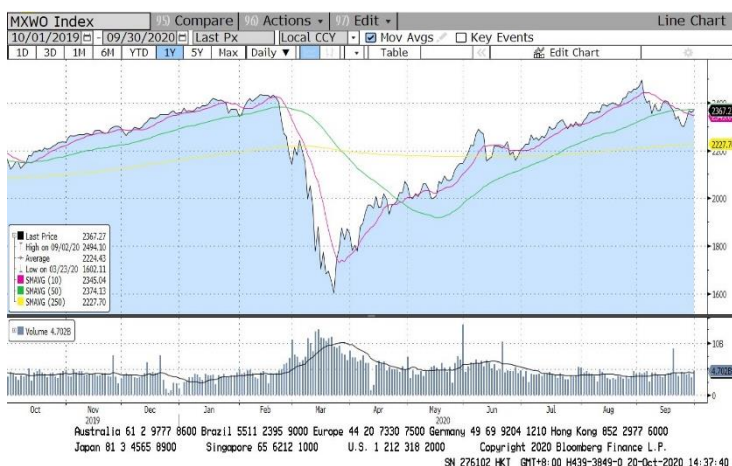
Technology stocks sparked the sell-off of U.S. equities, Nasdaq index has 12% draw down from September's high, the S&P index also down 10% from its peak and the high yield bond spread surged. Obviously the risk premium is increasing due to the delay of stimulus democrats and republicans on the next round fiscal stimulus, the disappointing guidance by the Fed and increasing political uncertainties.

Republicans and Democrats have huge divergence on the amount of further fiscal stimulus. Democrats lowered their demand from U.S \$3.4 trillion to U.S \$2.2 trillion while republican proposal is US\$1 trillion. Additional funds are needed to offset the structural damage hospitality, travel and entertainment industry, but it is not likely to get another cheque in October as the presidential election is getting closer and everything will be politicalized. From the past experience, October recorded negative return for the last 5 U.S. presidential election year (2000, 2004, 2008, 2012, 2016), probably political uncertainties are playing in part. It seems the Federal Reserve have done their job on monetary stimulus. Thus, the chairman of Fed has voiced out that he expects additional fiscal stimulus from the U.S. Congress to help American business and people.

Total cumulated cases jumped from 26 million to 35 million, the U.S. has the most reported cases with 7.4 million people. New cases of Covid-19 are picking up in the U.S., Europe and India, the World Health Organization estimated that 10% of population have infected, which is 780 million people, which is 22 times compared to John Hopkins data.

Breaking news is that the U.S. president has been infected and discharged after 3 days from hospital, he said he is much better than before. However, Dr. Fauci said when you're five to eight days in, you can have a reversal (reversal means going in the wrong direction and getting into trouble). Mask may be a key factor on the outbreak in the White House, according to the new report, many staff whom serve the president do not wear mask, including the president himself. If the spread continue in the white house, it is very likely to add political uncertainty to an uncharted territory and the continuity of government.

Chart of the Month: MSCI World Index



10-day MA	2345.04
20-day MA	2368.79
50-day MA	2374.13
250-day MA	2227.70

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

Global Market Performance

Index (USD)	Closed at 29/09/2020	MTD Change (%)	YTD Change (%)	Current PE ratio	Estimated PE ratio	Dividend Yield
DJIA	27,452.66	-4.16	-3.80	22.62	23.45	2.18
S&P 500	3,335.47	-5.42	3.24	26.40	25.34	1.75
Nasdaq	11,085.25	-7.16	23.55	69.56	37.48	0.83
FTSE 100	7,580.65	-3.44	-24.22	105.66	19.16	3.87
DAX	15,054.95	-2.77	1.36	39.52	19.32	2.84
CAC	5,671.88	-3.75	-15.51	43.80	21.71	2.24
Nikkei 225	222.78	2.08	2.55	39.03	23.43	1.68
HSI	3,003.26	-7.58	-17.02	13.05	12.90	3.10
SHCOMP	473.06	-5.29	8.00	17.92	14.95	2.13
ASX	4,372.77	-3.52	-8.48	39.64	22.33	3.31
TWI	429.05	-0.70	6.97	20.51	18.67	3.24
KOSPI	1.99	0.49	4.85	29.42	16.89	1.72
SET	25.18	-6.71	-29.39	18.66	20.89	3.25
SENSEX	514.82	-3.30	-11.12	30.62	25.65	1.05
Russia RTS	1,155.67	-9.32	-25.39	7.71	10.71	6.81
Mexico IPC	1,658.32	-3.90	-28.10	22.66	19.41	2.09
Bovespa	16,582.26	-13.34	-42.43	109.28	37.42	3.08
Median		(3.90)	(8.48)	29.42	20.89	2.24

Market Data

Commodities (USD)

Price as at 30/09/2020

Crude Oil	40.22
Gold 100oz	1,887.50

Source: Bloomberg

Date Time	Country	Event	Event Time	Survey	Prior
10/1/2020	Japan	Vehicle Sales YoY	Sep	--	-18.50%
10/1/2020	Europe	PPI MoM	Aug	0.10%	0.60%
10/1/2020	Europe	PPI YoY	Aug	-2.70%	-3.30%
10/1/2020	Europe	Unemployment Rate	Aug	8.10%	7.90%
10/1/2020	US	Initial Jobless Claims	Sep-26	850k	870k
10/1/2020	US	Continuing Claims	Sep-19	12200k	12580k
10/1/2020	US	Personal Income	Aug	-2.50%	0.40%
10/1/2020	US	Personal Spending	Aug	0.80%	1.90%
10/2/2020	Japan	Consumer Confidence Index	Sep	30.5	29.3
10/2/2020	US	Unemployment Rate	Sep	8.20%	8.40%
10/5/2020	US	Markit US Services PMI	Sep F	54.6	54.6
10/5/2020	US	Markit US Composite PMI	Sep F	--	54.4
10/6/2020	Australia	Exports MoM	Aug	-2%	-4%
10/6/2020	Australia	Imports MoM	Aug	-5%	7%
10/9/2020	China	Caixin China PMI Composite	Sep	--	55.1
10/9/2020	China	Caixin China PMI Services	Sep	54.3	54
10/9/2020	UK	Manufacturing Production MoM	Aug	3.00%	6.30%
10/9/2020	UK	Manufacturing Production YoY	Aug	-5.90%	-9.40%
10/12/2020	Japan	PPI YoY	Sep	-0.50%	-0.50%
10/13/2020	China	Exports YoY	Sep	10.00%	9.50%
10/13/2020	China	Imports YoY	Sep	0.40%	-2.10%
10/13/2020	US	CPI YoY	Sep	1.40%	1.30%
10/15/2020	China	PPI YoY	Sep	-1.80%	-2.00%
10/15/2020	China	CPI YoY	Sep	1.90%	2.40%
10/15/2020	US	Initial Jobless Claims	Oct-10	825k	840k
10/15/2020	US	Continuing Claims	Oct-03	10550k	10976k
10/19/2020	China	GDP YoY	3Q	5.50%	3.20%
10/19/2020	China	GDP YTD YoY	3Q	0.70%	-1.60%
10/19/2020	China	Surveyed Jobless Rate	Sep	5.50%	5.60%
10/31/2020	China	Manufacturing PMI	Oct	--	51.5
10/31/2020	China	Non-manufacturing PMI	Oct	--	55.9

News Stories Highlights

Headlines

[China Exports Supercharged by Medical Equipment and Work-From-Home Gear](#)

BEIJING—China's exports and imports both posted strong gains in September, as a recovery in global and domestic demand provided another boost to the world's second-largest economy.

[U.S. Budget Gap Tripled in Fiscal 2020 as Government Battled Pandemic](#)

WASHINGTON—The U.S. budget deficit tripled in the fiscal year ended Sept. 30, the Congressional Budget Office estimated Thursday, as the government battled a global pandemic that plunged the country into a recession.

[Coronavirus Has Thrown Around 100 Million People Into Extreme Poverty, World Bank Estimates](#)

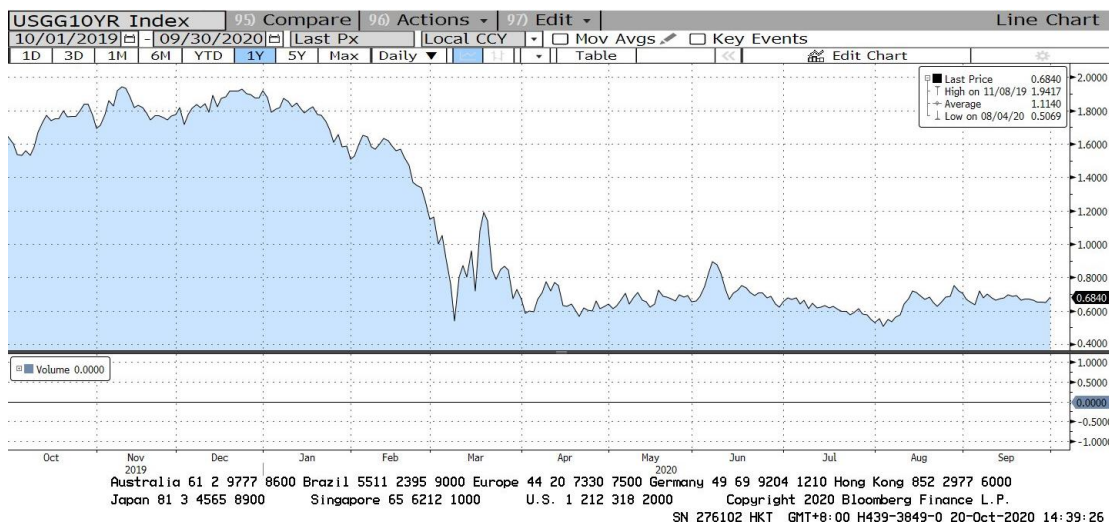
The coronavirus pandemic has thrown between 88 million and 114 million people into extreme poverty, according to the World Bank's biennial estimates of global poverty.

[U.S. Services Activity Rose as New Curbs Weighed on Europe, Asia](#)

The recovery for U.S. services businesses gained momentum in September, surveys of purchasing managers show, while fresh coronavirus restrictions hurt activity in Europe and Asia.

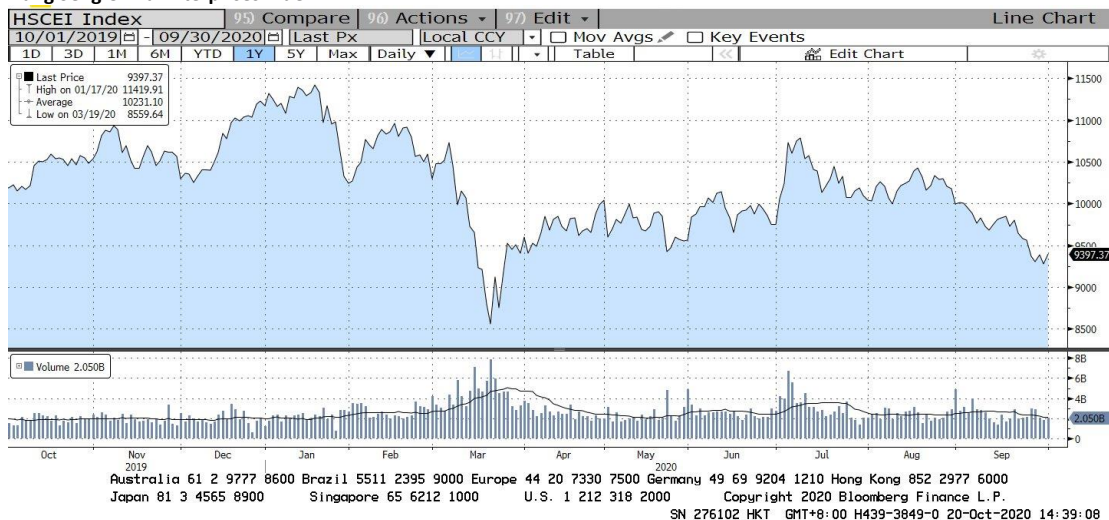
US inflation is still in the doldrums, but 10-year bond yields declined on the top.

FIGURE 1
US 10 years treasury yield



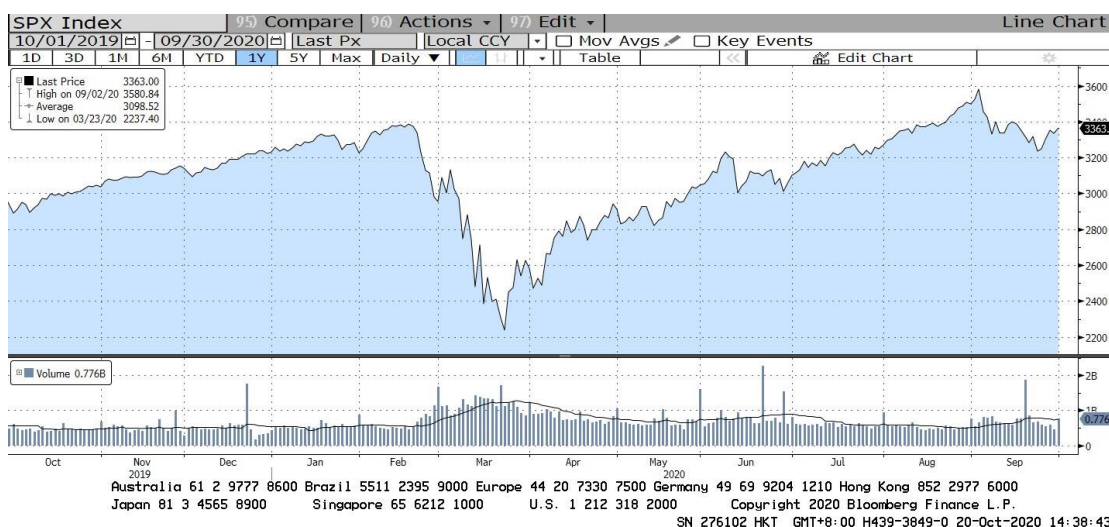
HSCEI rebounded from the bottom

FIGURE 2
Hang Seng China Enterprises Index



SPX rebounded from the bottom

FIGURE 3
S&P 500 Index



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