

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

In April, global economic data has signs of stabilization, particularly in China. Probably to the significant injection of liquidity through new loans or lending by the China government together with other fiscal policies such as lower government spending and slash corporate tax rate. On the other hand, China and the U.S has substantial progress on trade talks, the market is expected to end the trade war in the near future.

Chart 1. 2019 Major asset classes and country indices return

Country	Index & Asset Class	30/4/2019
Oil	CL1 Comdty (USD)	40.74
A Shares	SHCOMP Index (USD)	26.06
S&P 500	SPX Index (USD)	17.51
Russia	INDEXCF Index (USD)	16.15
DM	MXWO Index (USD)	15.65
HK	HSI Index (USD)	14.72
Stoxx 50	SX5E Index (USD)	14.70
Germany	DAX Index (USD)	14.62
HK	HSCEI Index (USD)	13.81
UK	UKX INDEX (USD)	12.82
EM	MXEF Index (USD)	11.75
Taiwan	TWSE Index (USD)	11.42
Signapore	STI Index (USD)	11.03
Nikkei	NKY Index (USD)	10.05
India	NIFTY Index (USD)	8.30
Brazil	IBOV Index (USD)	7.83
Indonesia	JCI Index (USD)	6.63
Korea	KOSPI Index (USD)	3.37
Gold	XAU Curncy (USD)	0.08

Source: Bloomberg

Since the beginning of 2019, China-related shares had a huge turnaround in performance from last year. During the first four months, Shanghai A Shares index rose 26%, beats S&P 500 Index, MSCI World Index and MSCI Emerging Markets Index. In April, the momentum of emerging markets is slowing down, while developed market equities are picking up, such as Europe equities indices.

Economic key points:

- In April, global economic data has signs of stabilization
- China and the U.S has substantial progress on trade talks

Chart of the Month: MSCI World Index



10-day MA	2167.97
20-day MA	2159.53
100-day MA	2120.96
250-day MA	2080.12

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 26/4/2019	MTD Change (%)	YTD Change (%)	Current PE ratio	Estimated PE ratio	Dividend Yield
DJIA	26,543.33	1.27	14.00	16.51	16.13	2.21
S&P 500	2,939.88	2.74	17.51	18.86	17.32	1.92
Nasdaq	8,146.40	3.40	22.01	33.81	23.32	1.05
FTSE 100	9,606.88	0.78	12.82	16.45	12.75	5.04
DAX	13,747.44	5.77	14.62	16.15	13.31	3.07
CAC	6,217.08	3.45	15.67	17.96	14.00	3.32
Nikkei 225	199.49	3.34	10.05	15.85	14.87	2.11
HSI	3,774.37	0.52	14.72	11.15	11.31	3.37
SHCOMP	458.62	(3.24)	26.06	14.14	11.27	2.29
ASX	4,560.34	1.04	12.55	17.75	16.20	4.61
TWI	354.32	2.72	11.42	15.86	15.88	4.22
KOSPI	1.88	(0.98)	3.37	12.19	12.16	2.17
SET	34.71	1.00	8.62	16.61	15.48	2.94
SENSEX	559.69	(0.14)	8.37	29.83	18.50	1.25
Russia RTS	1,247.01	2.81	16.81	5.19	5.82	5.63
Mexico IPC	2,375.33	3.30	10.94	15.71	13.92	2.67
Bovespa	24,516.86	(1.31)	7.83	15.77	11.47	3.13
Median		1.27	12.82	16.15	14.00	2.94

Market Data

Commodities (USD)

Price as at 26/4/2019

Crude Oil	63.3
Gold 100oz	1,284.90

Source: Bloomberg

Date Time	Country	Event	Event Time	Survey	Prior
5/2/2019	US	Initial Jobless Claims	Apr-27	215k	230k
5/2/2019	US	Continuing Claims	Apr-20	1660k	1655k
5/3/2019	Europe	CPI Core YoY	Apr A	1.00%	0.80%
5/3/2019	US	Unemployment Rate	Apr	3.80%	3.80%
5/3/2019	US	Markit US Services PMI	Apr F	52.9	52.9
5/3/2019	US	Markit US Composite PMI	Apr F	--	52.8
5/6/2019	China	Caixin China PMI Composite	Apr	--	52.9
5/6/2019	China	Caixin China PMI Services	Apr	54.2	54.4
5/8/2019	Japan	Nikkei Japan PMI Composite	Apr	--	50.4
5/8/2019	Japan	Nikkei Japan PMI Services	Apr	--	52
5/8/2019	China	Exports YoY	Apr	3.00%	14.20%
5/8/2019	China	Imports YoY	Apr	-2.10%	-7.60%
5/9/2019	China	CPI YoY	Apr	2.50%	2.30%
5/9/2019	China	PPI YoY	Apr	0.60%	0.40%
5/10/2019	UK	GDP YoY	1Q P	1.80%	1.40%
5/10/2019	UK	Exports QoQ	1Q P	1.70%	1.60%
5/10/2019	UK	Imports QoQ	1Q P	4.50%	2.10%
5/16/2019	Japan	PPI YoY	Apr	--	1.30%
5/16/2019	Australia	Unemployment Rate	Apr	--	5.00%
5/16/2019	US	Housing Starts MoM	Apr	7.60%	-0.30%
5/22/2019	Japan	Imports YoY	Apr	--	1.10%
5/22/2019	Japan	Exports YoY	Apr	--	-2.40%
5/23/2019	US	New Home Sales	Apr	--	692k
5/24/2019	Japan	Natl CPI YoY	Apr	--	0.50%
5/24/2019	US	Durable Goods Orders	Apr P	--	2.60%
5/28/2019	Europe	Economic Confidence	May	--	104
5/30/2019	US	GDP Annualized QoQ	1Q S	--	3.20%
5/30/2019	US	Initial Jobless Claims	May-25	--	--
5/30/2019	US	Continuing Claims	May-18	--	--
5/31/2019	China	Manufacturing PMI	May	--	50.1
5/31/2019	China	Non-manufacturing PMI	May	--	54.3

News Stories Highlights

Headlines

[China Agrees to Resume U.S. Trade Negotiations](#)

BEIJING—China is sending its top trade envoy to Washington to resume negotiations and confront U.S. demands that Beijing detail the laws it would change as a part of a trade deal, ahead of a deadline set by President Trump to raise tariffs on Chinese goods.

[Fed Ready to Respond to Climate-Change Shocks](#)

The Federal Reserve stands ready to respond to climate-change related weather disruptions to the economy and is working to ensure banks' resilience from unexpected shocks tied to a warming global environment, Fed Chairman Jerome Powell told Congress in an April letter.

[White House Ratchets Up Trade Fight](#)

WASHINGTON—Prospects for a speedy conclusion to the U.S.-China trade fight dimmed Monday after U.S. officials accused Beijing of renegeing on its promises and vowed to implement President Trump's threat to raise tariffs quickly on Chinese imports.

[Trade Shifts From Growth Engine to Potential Drag for China](#)

BEIJING—China's exports dropped unexpectedly in April, likely adding a further complication to Beijing's efforts to stabilize growth amid renewed trade tensions with the U.S.

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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