

## 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**

After the Christmas slump in December, developed market equities rebounded strongly in January 2019, S&P 500 Index jumped 7.87%, the best single month performance since August 2015. On the other hand, MSCI Emerging Markets Index was up 8.71%. The global risky assets were supported by the dovish speech from the Chair of Federal Reserve (Fed), the expectation to reach a deal from trade-war between the U.S. and China, China's micro stimulus policies and a weak U.S. Dollar.

**S&P 500 Index**



Source: Bloomberg

**MSCI Emerging Market Index**



Source: Bloomberg

The US-China trade war will keep affecting global stock markets. Global equities' volatilities may increase before March 1 deadline for trade negotiations. Looking forward, China is facing an ongoing structural change in its current account balance. China's current account surplus will shrink. It is believed that this shift will put increasing downward pressure on yuan exchange rate over the longer term.

**Economic key points:**

- The global risky assets were supported by the dovish speech from the Chair of Federal Reserve (Fed)
- The US-China trade war will keep affecting global stock markets.

## Chart of the Month: MSCI World Index



<b>10-day MA</b>	1996.38
<b>20-day MA</b>	1972.16
<b>100-day MA</b>	2017.48
<b>250-day MA</b>	2078.95

**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 31/1/2019	MTD Change (%)	YTD Change (%)	Current PE ratio	Estimated PE ratio	Dividend Yield
<b>DJIA</b>	24,999.67	7.17	7.17	16.51	15.67	2.22
<b>S&amp;P 500</b>	2,704.10	7.87	7.87	18.41	16.58	1.97
<b>Nasdaq</b>	7,281.74	9.74	9.74	33.66	21.28	1.10
<b>FTSE 100</b>	9,144.52	6.63	6.63	16.16	12.58	4.72
<b>DAX</b>	12,793.20	5.90	5.90	12.51	12.23	3.17
<b>CAC</b>	5,716.66	5.52	5.52	15.98	13.18	3.38
<b>Nikkei 225</b>	190.90	5.31	5.31	15.73	15.49	2.08
<b>HSI</b>	3,560.96	7.91	7.91	10.74	10.84	3.55
<b>SHCOMP</b>	385.73	6.39	6.39	12.91	10.32	2.45
<b>ASX</b>	4,317.59	7.37	7.37	18.50	15.99	4.46
<b>TWI</b>	322.55	1.27	1.27	13.22	13.98	4.54
<b>KOSPI</b>	1.98	8.18	8.18	10.75	10.70	1.79
<b>SET</b>	35.10	9.33	9.33	15.23	14.98	3.03
<b>SENSEX</b>	510.92	(1.56)	(1.28)	26.87	21.95	1.42
<b>Russia RTS</b>	1,214.45	13.64	13.64	5.42	5.63	5.74
<b>Mexico IPC</b>	2,306.15	8.91	8.91	16.79	13.26	2.58
<b>Bovespa</b>	26,720.55	17.74	17.74	21.37	11.98	2.74
<b>Median</b>		7.37	7.37	15.98	13.26	2.74

## Market Data

Commodities (USD)

Price as at 31/1/2019

<b>Crude Oil</b>	53.79
<b>Gold 100oz</b>	1,319.70

Source: Bloomberg

Date Time	Country	Event	Event Time	Survey	Prior
2/1/2019	Japan	Jobless Rate	Dec	2.50%	2.50%
2/1/2019	Japan	Nikkei Japan PMI Mfg	Jan F	--	50
2/1/2019	China	Caixin China PMI Mfg	Jan	49.6	49.7
2/1/2019	US	Unemployment Rate	Jan	3.90%	3.90%
2/7/2019	UK	Bank of England Bank Rate	Feb-07	0.75%	0.75%
2/8/2019	Japan	Household Spending YoY	Dec	0.80%	-0.60%
2/8/2019	Canada	Housing Starts	Jan	205.0k	213.4k
2/11/2019	UK	GDP QoQ	4Q P	0.30%	0.60%
2/11/2019	UK	GDP YoY	4Q P	1.40%	1.50%
02/13/2019	Japan	PPI YoY	Jan	1.00%	1.50%
02/13/2019	UK	House Price Index YoY	Dec	2.50%	2.80%
02/13/2019	US	CPI YoY	Jan	1.50%	1.90%
02/14/2019	Japan	GDP SA QoQ	4Q P	0.40%	-0.60%
02/14/2019	China	Exports YoY CNY	Jan	3.80%	0.20%
02/14/2019	China	Imports YoY CNY	Jan	-1.90%	-3.10%
02/14/2019	China	Exports YoY	Jan	-3.30%	-4.40%
02/14/2019	China	Imports YoY	Jan	-10.20%	-7.60%
02/14/2019	Europe	GDP SA QoQ	4Q P	0.20%	0.20%
02/14/2019	Europe	GDP SA YoY	4Q P	1.20%	1.20%
02/15/2019	China	CPI YoY	Jan	1.90%	1.90%
02/15/2019	China	PPI YoY	Jan	0.30%	0.90%
02/21/2019	Australia	CBA Australia PMI Composite	Feb P	--	51.3
02/22/2019	Europe	CPI MoM	Jan	-1.10%	0.00%
02/22/2019	Europe	CPI YoY	Jan F	1.40%	1.60%
02/27/2019	Europe	Economic Confidence	Feb	--	106.2
02/27/2019	US	Factory Orders	Dec	1.50%	-0.60%
02/28/2019	China	Non-manufacturing PMI	Feb	--	54.7
02/28/2019	China	Manufacturing PMI	Feb	--	49.5
02/28/2019	US	Initial Jobless Claims	Feb-23	--	--
02/28/2019	US	Continuing Claims	Feb-16	--	--
02/28/2019	US	Core PCE QoQ	4Q A	1.60%	1.60%

## News Stories Highlights

### Headlines

#### [U.S. Campaign Against Huawei Runs Aground in an Exploding Tech Market](#)

Washington has hit an unlikely roadblock in its extraordinary global push to sideline China's Huawei Technologies Co.: the world's biggest democracy, India.

#### [U.S. Bets on China's Special Envoy in Trade Talks](#)

As U.S.-China trade talks reach a pivotal point, the Trump administration is counting on the Chinese leader's special envoy, Liu He, to get Beijing to accept tough new strictures that are increasingly controversial in Beijing.

#### [China Tightens Grip on East African Port](#)

Beijing state giants take control of Djibouti's trading gateway at an ocean-going crossroads between Asia and Europe

#### [Australian Dollar Drops on Report of a Chinese Port's Coal Ban](#)

The Australian dollar dropped as much as 1.1% on Thursday after a news report said China's Dalian port had banned imports of Australian coal.

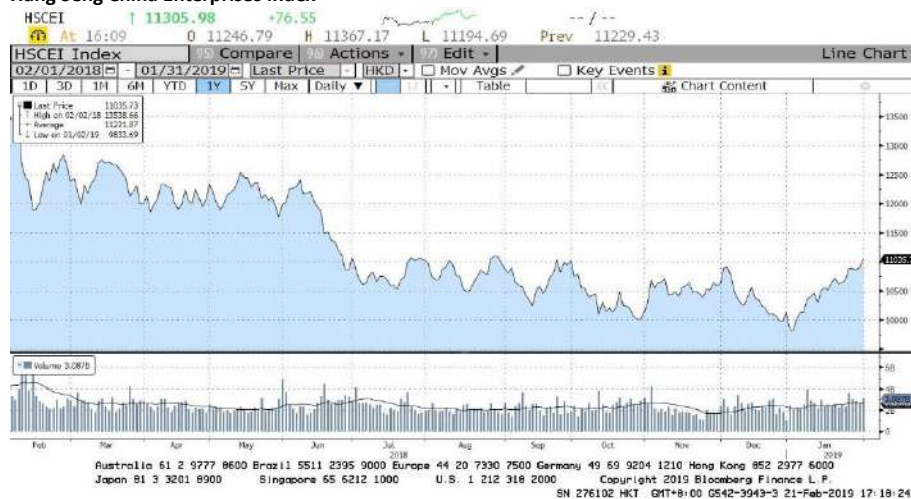
US inflation is still in the doldrums, but 10-year bond yields declined on the top.

FIGURE 1  
US 10 years treasury yield



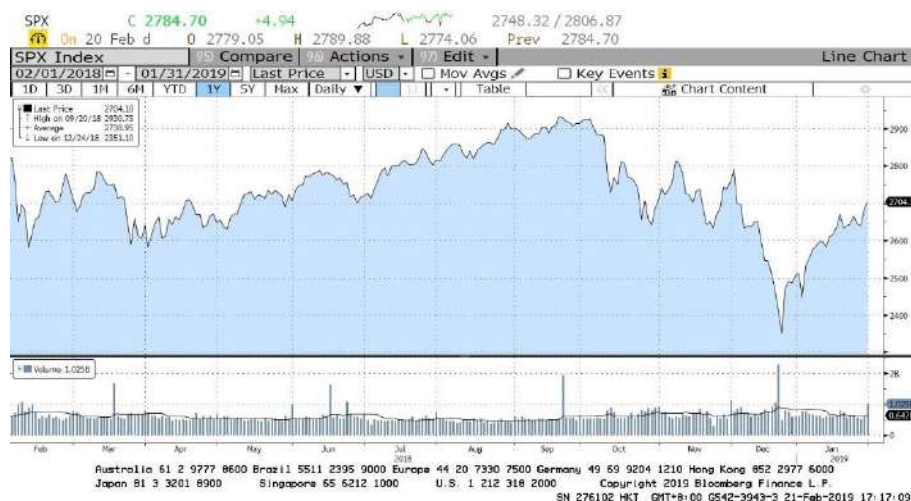
HSCEI rebounded from the bottom

FIGURE 2  
Hang Seng China Enterprises Index



SPX rebounded from the bottom

FIGURE 3  
S&P 500 Index



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