

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

Chart 1. MSCI EM and MSCI World index September 2019 Return



Source: Bloomberg

Follow the gain in October, global equities markets were differentiated. MSCI Emerging Markets Index and MSCI World Index were down 0.19% and up 2.63% in November respectively.

The negotiations between the US and China on a ‘phase one’ trade deal does not concluded yet, but at least there is an absence of any further escalation in tariffs. Tariffs are currently scheduled to increase on 15 December 2019, unless a deal is reached or the deadline is pushed back. However, hopes of a deal appear to have boosted investor sentiment.

For the economy side, the overall economic growth in the U.S was boosted by the Fed’s rate cut; the figures of PMI, GDP growth and consumers spending in November were back in line with an expansion track. As a result, the major U.S equity Indices were hitting record high territory and it is believed that the Fed will halt rate cut for the next FOMC meeting until the economic fundamentals turning weak again. Global central banks easing is a key factor in market returns this year, investors didn’t get much forward guidance from the major central banks (US, UK, eurozone, Japan) in November. Only the Bank of England held a policy meeting last month, and no change of its policy rate.

Despite protests escalated in November, S&P Global Ratings maintained Hong Kong’s AA+ rating and outlook. Hong Kong has “much better access” to China’s mainland market compared to any other country and this advantage will not go away in wake of the protests, Kim Eng Tan, senior director of sovereign ratings at the ratings firm, said in an interview. On credit metrics, “we haven’t seen weakening enough to change our mind about the rating either now, or in the next one to two years.” “People may be preparing contingency plans, but I don’t think anyone has expressed intention to move big scale out of Hong Kong at this point.” Added Tan.

Economic key points:

- MSCI Emerging Markets Index and MSCI World Index were down 0.19% and up 2.63% in November respectively.
- Hong Kong has “much better access” to China’s mainland market compared to any other country and this advantage will not go away in wake of the protests

Chart of the Month: MSCI World Index



10-day MA	2287.19
20-day MA	2277.12
50-day MA	2223.23
250-day MA	2123.24

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 29/11/2019	MTD Change (%)	YTD Change (%)	Current PE ratio	Estimated PE ratio	Dividend Yield
DJIA	28,051.41	2.57	20.25	18.93	18.60	2.29
S&P 500	3,140.98	2.42	25.30	20.57	18.85	1.88
Nasdaq	8,665.47	3.33	30.60	31.55	25.98	1.04
FTSE 100	9,500.53	0.57	10.78	17.29	12.05	5.03
DAX	14,581.20	0.79	20.70	24.02	15.18	3.04
CAC	6,505.14	1.15	20.07	20.51	15.65	3.18
Nikkei 225	212.92	0.87	17.46	18.42	17.66	1.96
HSI	3,365.54	-2.68	1.99	11.09	10.38	3.80
SHCOMP	408.38	-2.85	12.63	13.85	11.55	2.40
ASX	4,699.61	0.30	16.87	20.08	16.92	4.54
TWI	376.37	0.52	18.17	18.66	17.58	4.01
KOSPI	1.77	-1.90	-3.38	16.08	14.53	2.27
SET	35.42	0.00	10.32	18.15	17.01	2.98
SENSEX	568.40	-0.16	9.82	28.97	22.37	1.21
Russia RTS	1,438.45	-1.17	34.60	6.20	6.44	6.54
Mexico IPC	2,189.31	-4.46	3.39	16.45	14.96	3.17
Bovespa	25,576.19	-5.88	12.70	17.08	15.06	2.96
Median		0.30	16.87	18.42	15.65	2.98

Market Data

Commodities (USD)

Price as at 29/11/2019

Crude Oil	55.17
Gold 100oz	1,465.60

Source: Bloomberg

Date Time	Country	Event	Event Time	Survey	Prior
12/2/2019	US	ISM Manufacturing	Nov	49.2	48.3
12/2/2019	US	ISM Employment	Nov	48.2	47.7
12/4/2019	China	Caixin China PMI Composite	Nov	--	52
12/4/2019	China	Caixin China PMI Services	Nov	51.2	51.1
12/5/2019	US	Initial Jobless Claims	Nov-30	215k	213k
12/5/2019	US	Continuing Claims	Nov-23	1660k	1640k
12/5/2019	US	Factory Orders	Oct	0.30%	-0.60%
12/5/2019	US	Factory Orders Ex Trans	Oct	--	-0.10%
12/6/2019	US	Unemployment Rate	Nov	3.60%	3.60%
12/08/2019	China	Imports YoY	Nov	-1.50%	-6.40%
12/08/2019	China	Exports YoY	Nov	0.70%	-0.90%
12/9/2019	Japan	GDP SA QoQ	3Q F	0.20%	0.10%
12/9/2019	Japan	GDP Annualized SA QoQ	3Q F	0.70%	0.20%
12/10/2019	China	CPI YoY	Nov	4.20%	3.80%
12/10/2019	China	PPI YoY	Nov	-1.40%	-1.60%
12/11/2019	US	CPI MoM	Nov	0.20%	0.40%
12/11/2019	US	CPI YoY	Nov	2.00%	1.80%
12/12/2019	Japan	Core Machine Orders MoM	Oct	--	-2.90%
12/12/2019	Japan	Core Machine Orders YoY	Oct	--	5.10%
12/13/2019	US	Import Price Index MoM	Nov	0.10%	-0.50%
12/13/2019	US	Import Price Index ex Petroleum MoM	Nov	--	-0.10%
12/16/2019	US	Markit US Composite PMI	Dec P	--	--
12/16/2019	US	Markit US Manufacturing PMI	Dec P	--	52.6
12/18/2019	Japan	Exports YoY	Nov	--	-9.20%
12/18/2019	Japan	Imports YoY	Nov	--	-14.80%
12/18/2019	UK	CPI MoM	Nov	--	-0.20%
12/18/2019	UK	CPI YoY	Nov	--	1.50%
12/18/2019	Europe	CPI YoY	Nov F	--	0.70%
12/18/2019	Europe	CPI MoM	Nov F	--	-0.30%
12/20/2019	UK	Exports QoQ	3Q F	--	5.20%
12/20/2019	UK	Imports QoQ	3Q F	--	0.80%

News Stories Highlights

Headlines

['The WTO Is in Crisis': Dispute Puts Global Trade Regulator at Risk](#)

BRUSSELS—A stalemate between the U.S. and other members of the World Trade Organization, including the European Union and China, stands to cripple the organization's top court, threatening the global body's survival.

[In the Next Downturn, Fiscal Policy May Have to Step Up](#)

The Fed's postcrisis tools will have less punch if long-term bond yields are already low

[U.S. Hiring Strengthened in November, Fueling Expansion](#)

WASHINGTON—The U.S. job market strengthened in November, as hiring jumped and unemployment returned to a half-century low, adding fuel to the economic expansion.

[Five Cities Account for Vast Majority of Growth in Tech Jobs, Study Finds](#)

The forces that are driving the nation's top technology talent to just a handful of cities have intensified in recent years, leaving much of the nation behind as the U.S. becomes a more digital economy, according to a new study.

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

FIGURE 1



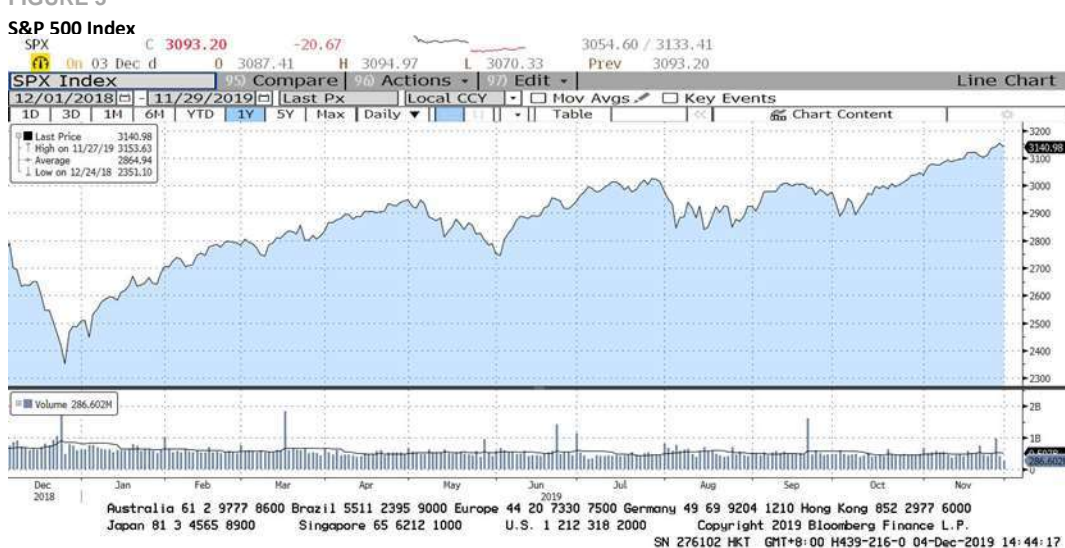
HSCEI rebounded from the bottom

FIGURE 2



SPX climbed up gradually.

FIGURE 3



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