

Global Economic Commentary

Global equity market experienced a high volatility in March as trade tension between China and the U.S was increasing



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The equity class will still be most favorite asset class in 2018

Global equity market experienced a high volatility in March as trade tension between China and the U.S was increasing, MSCI World and MSCI Emerging Market index was down 2.41% and 2.03% respectively. Safe assets, such as gold and government bonds rallied to reflect risk aversion sentiment.

Fears of a trade tensions between China and the US continue to rise as President Trump announced to impose an additional \$100 billion in tariffs on China's imports, just after China responded to an earlier round of \$50 billion retaliatory tariffs. However, the base case is not likely to become a trade war at the current moment because it has lots of broad economic implication between China and the U.S. Especially, global trade is the key economic driver to the U.S economic growth, how tariff affect the global trade and overall economy? Probably Smoot-Hawley Tariff Act, passed in 1930 is the best example, below is the brief introduction and its impacts:

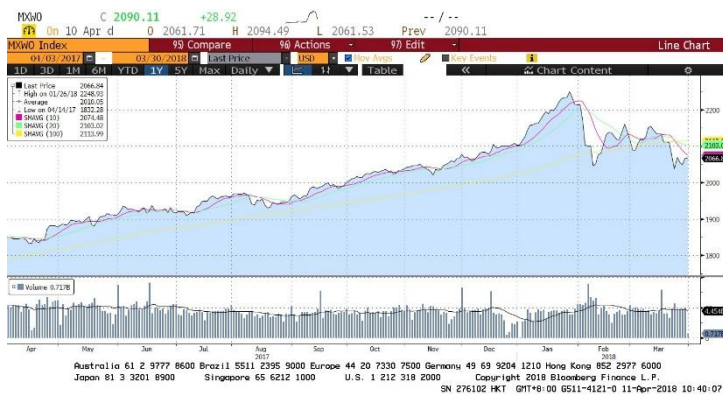
“The Smoot-Hawley Tariff Act of 1930 raised taxes on imports substantially on top of an earlier rise in 1922. The goal was to protect American manufacturers from competition from foreign imports. International trade was a small enough percentage of the American economy at the time that most economists ascribe the tariff a secondary role as a contributor to the Depression in the 38 U.S. However, it had far worse implications at the international level. The Smoot-Hawley tariff was matched by a series of protectionist measures by countries throughout the world. As each nation tried to protect its home production interests through higher tariffs and restrictions on imports, world trade spiraled downward. By 1933 the total imports for 75 countries had fallen to roughly one-third of the level seen in 1929 (Kindleberger 1986).”

The Smoot-Hawley Tariff Act exacerbated the great depression, during 1929-1933, the U.S GNP fell 36% and unemployment rate jumped to 25% from 3%. At this moment, it is not clear the tariff would be applied after public hearing at 15 May. From political perspective, probably the President Trump is using tariff issue to gain citizens' support for the Congress election in this November.

Economic key points:

- Global equity market experienced a high volatility in March as trade tension between China and the U.S was increasing
- gold and government bonds rallied to reflect risk aversion sentiment
- the President Trump is using tariff issue to gain citizens' support for the Congress election in this November.

Chart of the Month: MSCI World Index



10-day MA	2074.48
20-day MA	2103.02
100-day MA	2113.99
250-day MA	2016.70

Comment:
The MSCI World Index showed a long term upside trend although it broke through two moving average lines.

Global Market Performance

Index (USD)	Closed at 31/03/2018	MTD Change (%)	YTD Change (%)	Current PE ratio	Estimated PE ratio	Dividend Yield
DJIA	24,103.11	5.79	5.79	19.37	16.24	2.22
S&P 500	2,640.87	5.62	5.62	21.07	16.74	1.98
Nasdaq	7,063.45	7.36	7.36	26.37	21.22	1.11
FTSE 100	9,891.25	2.78	2.78	13.37	13.65	4.45
DAX	14,868.09	5.44	5.44	14.07	12.87	2.65
CAC	6,351.13	6.56	6.56	16.45	14.59	3.11
Nikkei 225	198.83	4.45	4.45	16.00	15.78	1.70
HSI	3,834.28	9.79	9.79	12.90	11.85	3.38
SHCOMP	501.39	8.92	8.92	16.07	12.42	1.91
ASX	4,504.39	2.74	2.74	19.22	16.13	4.19
TWI	372.33	6.08	6.08	15.47	14.02	3.69
KOSPI	2.29	4.19	4.19	17.62	9.53	1.62
SET	37.26	8.57	8.57	16.85	15.70	2.81
SENSEX	506.10	6.65	5.87	23.12	17.95	1.16
Russia RTS	1,246.98	11.08	11.08	6.97	5.56	5.32
Mexico IPC	2,527.87	8.12	8.12	20.70	16.76	2.24
Bovespa	25,841.73	15.35	15.35	20.97	12.99	2.93
Median		6.56	6.08	16.85	14.59	2.65

Market Data

Commodities (USD)

Price as at 31/03/2018

Crude Oil	64.94
Gold 100oz	1,322.80

Source: Bloomberg

Date Time	Country	Event	Event Time	Survey	Prior
4/2/2018	Japan	Nikkei Japan PMI Mfg	Mar F	--	53.2
4/2/2018	China	Caixin China PMI Mfg	Mar	51.7	51.6
4/3/2018	Europe	Markit Eurozone Manufacturing PMI	Mar F	56.6	56.6
4/4/2018	Europe	Unemployment Rate	Feb	8.50%	8.60%
4/4/2018	Europe	CPI Core YoY	Mar A	1.10%	1.00%
4/4/2018	US	Factory Orders	Feb	1.70%	-1.40%
4/5/2018	Europe	PPI MoM	Feb	0.00%	0.40%
4/5/2018	Europe	PPI YoY	Feb	1.50%	1.50%
4/5/2018	US	Initial Jobless Claims	Mar-31	225k	215k
4/5/2018	US	Continuing Claims	Mar-24	1843k	1871k
4/10/2018	US	PPI Final Demand MoM	Mar	0.10%	0.20%
4/11/2018	China	PPI YoY	Mar	3.30%	3.70%
4/11/2018	China	CPI YoY	Mar	2.60%	2.90%
4/11/2018	China	Money Supply M1 YoY	Mar	9.50%	8.50%
4/11/2018	China	Money Supply M2 YoY	Mar	8.90%	8.80%
4/12/2018	Canada	New Housing Price Index MoM	Feb	0.10%	0.00%
4/13/2018	China	Exports YoY	Mar	11.80%	44.50%
4/13/2018	China	Imports YoY	Mar	12.00%	6.30%
4/17/2018	China	GDP YoY	1Q	6.80%	6.80%
4/17/2018	UK	Claimant Count Rate	Mar	--	2.40%
4/17/2018	UK	Jobless Claims Change	Mar	--	9.2k
4/17/2018	US	Housing Starts	Mar	1260k	1236k
4/17/2018	US	Housing Starts MoM	Mar	1.90%	-7.00%
4/19/2018	Australia	Unemployment Rate	Mar	--	5.60%
4/23/2018	Europe	Govt Debt/GDP Ratio	2017	--	88.90%
4/24/2018	Australia	CPI QoQ	1Q	--	0.60%
4/24/2018	Australia	CPI YoY	1Q	--	1.90%
4/27/2018	Japan	Jobless Rate	Mar	--	2.50%
4/27/2018	US	Personal Consumption	1Q A	--	4.00%
4/30/2018	China	Non-manufacturing PMI	Apr	--	54.6
4/30/2018	China	Manufacturing PMI	Apr	--	51.5

News Stories Highlights

Headlines

[U.S., Russia Trade Threats Over Syria Strikes](#)

A series of exchanges between President Donald Trump and Moscow raised the prospect of a clash between U.S. and Russian military forces in Syria, a confrontation that would pit advanced American missile technology against Russia's integrated air defense.

[South Korean Funding Cut to Shut Down Group That Watches North](#)

Over the past decade, the U.S.-Korea Institute has built a reputation as an influential center for North Korea studies in Washington, known for publishing satellite imagery that captured the regime's preparations for nuclear and missile tests.

[Japan Hopes Rare-Earth Find Will Give It an Edge Against China](#)

Japan has hundreds of years' worth of rare-earth metal deposits in its waters, according to new research that reflects Tokyo's concern about China's hegemony over minerals used in batteries and electric vehicles.

[Facebook's Days as an Unregulated Monopoly May Be Numbered](#)

Facebook Inc.'s climb to the pinnacle of business success was nurtured by a grand policy experiment: that a light regulatory touch would turbocharge innovation and make consumers wealthier and happier. Companies who mistreated their customers would succumb to competitors, or be punished with rules already on the books.

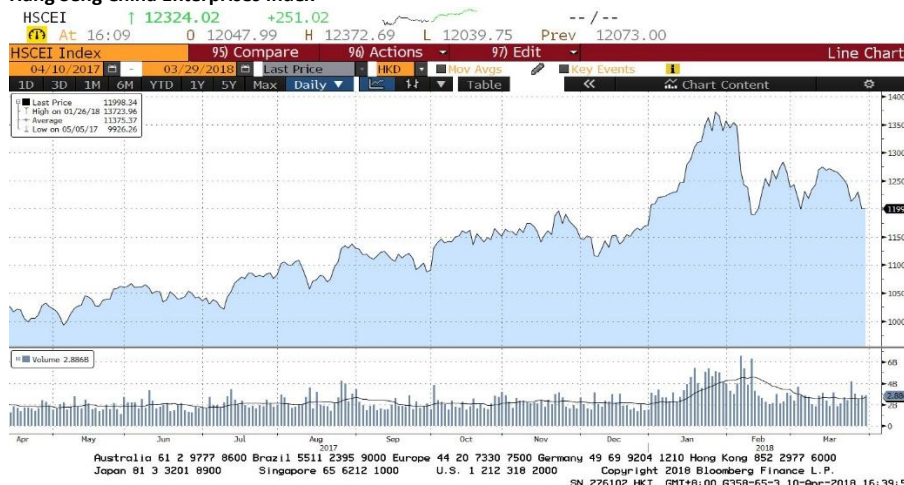
US inflation is still in the doldrums, but 10-year bond yields rebounded.

FIGURE 1
US 10 years treasury yield



Despite the consolidation of HSCEI, we remain positive on its undemanding valuation.

FIGURE 2
Hang Seng China Enterprises Index



SPX declined slightly on the top.

FIGURE 3



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