

Global Economic Commentary

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

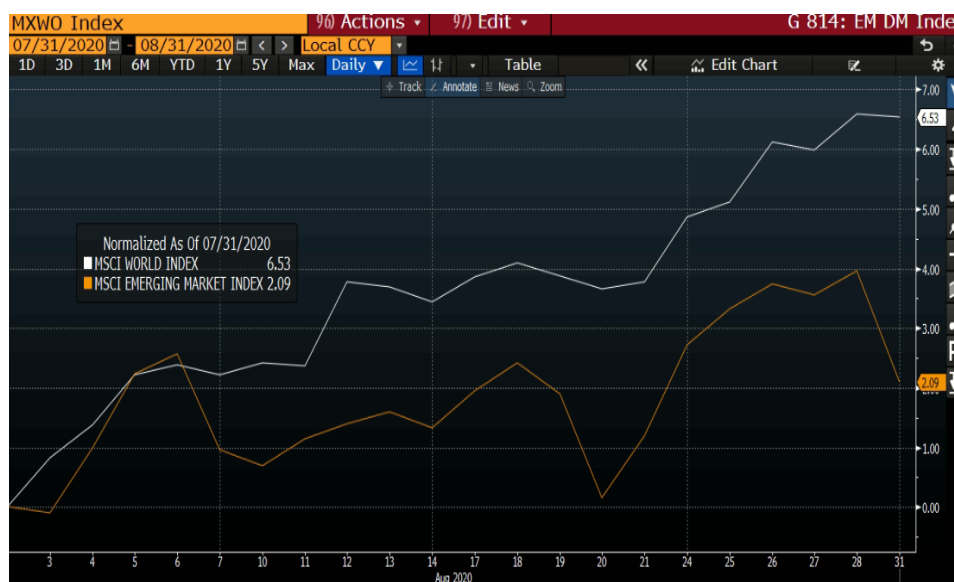


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2020 year is an era of economic turmoil

August is a good month for global equities, both MSCI World and EM Index up 6.53% and 2.09% respectively, developed market equities outperformed emerging market equities in August.

MSCI World & EM Index



Federal Reserve (the Fed) said that they will adopt an average inflation regime with 2% instead of an absolute 2% figure, which imply the Fed would allow a higher inflation to tradeoff employment stabilization and leaving rates close to zero level for a long period of time. As a result, the US dollar remains weak and is hitting 2 years low with 92 level which is supportive to the risky assets, such as equities. The inflation gauge, gold was consolidating in a range during August.

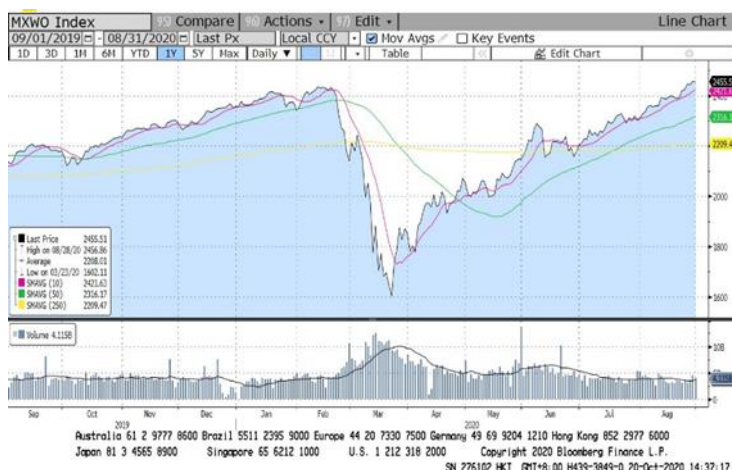
For the job market, Nonfarm payrolls increased by 1.76 million in July, pushing the unemployment rate down to 10%. The job market has recovered 42% of the 22.1 million jobs lost between February and April. Wages grew 0.2% month to month for all workers. Employment is gradually improving, but further monetary and fiscal support is necessary.

Total cumulative COVID-19 confirmed cases are 26 million and the U.S. has the most reported cases with 6.1 million people. New cases of COVID-19 are slowing down comparing to July as the second round lockdown policy is in place.

For COVID-19 vaccine progress, President of Russia Vladimir Putin announced the first vaccine for COVID-19 named Sputnik-V and has billion dose of pre-order. In the U.S., CDC said that vaccine could be ready to be distributed as soon as November. However, vaccine may not provide permanent immunity. A 33-year-old man from Hong Kong was infected with COVID-19 and recovered in April. He was re-infected during travel in Europe, returned to Hong Kong and tested positive on 15 August. In addition, there are two patients in Europe who have also been confirmed to be re-infected with COVID-19. Supposedly, once antibodies are built and will exist for a long period of time to prevent the second infection. Medical experts are studying the true reason behind of the second infection and general public should stay alert.

US dollar continued its downtrend in August and slid 1.3% from 93.35 to 92.14. A weak US dollar gave support to global equity markets. Stock markets may tumble as investors may have profit-taking activities when prices are at high levels. However, given the dovish stance reiterated by global central banks, we believe global indices will keep climbing up amid occasional market shocks. In addition, with no doubt, global economy will continue to rebound although the path to recovery could be long and bumpy.

Chart of the Month: MSCI World Index



10-day MA	2421.63
20-day MA	2395.27
50-day MA	2316.17
250-day MA	2209.47

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

Global Market Performance

Index (USD)	Closed at 28/08/2020	MTD Change (%)	YTD Change (%)	Current PE ratio	Estimated PE ratio	Dividend Yield
DJIA	28,653.87	8.42	0.40	22.62	23.45	2.18
S&P 500	3,508.01	7.24	8.58	26.40	25.34	1.75
Nasdaq	11,695.63	8.84	30.35	69.56	37.48	0.83
FTSE 100	7,947.65	2.88	-20.55	105.66	19.16	3.87
DAX	15,495.17	6.73	4.32	39.52	19.32	2.84
CAC	5,948.00	5.45	-11.39	43.80	21.71	2.24
Nikkei 225	217.10	5.84	-0.07	39.03	23.43	1.68
HSI	3,280.14	3.36	-9.37	13.05	12.90	3.10
SHCOMP	495.78	4.48	13.19	17.91	14.95	2.13
ASX	4,598.55	6.22	-3.76	39.64	22.33	3.31
TWI	432.78	0.38	7.90	20.51	18.67	3.24
KOSPI	1.99	5.80	4.85	29.44	16.90	1.72
SET	27.50	-0.40	-22.88	18.66	20.89	3.25
SENSEX	539.20	7.42	-6.91	30.63	25.67	1.05
Russia RTS	1,265.62	2.53	-18.29	7.71	10.71	6.81
Mexico IPC	1,729.91	4.05	-24.99	22.66	19.41	2.09
Bovespa	18,791.81	-5.00	-34.75	109.28	37.42	3.08
Median		5.45	(3.76)	29.44	20.89	2.24

Market Data

Commodities (USD)

Price as at 31/08/2020

Crude Oil	42.61
Gold 100oz	1,970.50

Source: Bloomberg

Date Time	Country	Event	Event Time	Survey	Prior
9/1/2020	Japan	Jobless Rate	Jul	3.00%	2.80%
9/1/2020	China	Caixin China PMI Mfg	Aug	52.5	52.8
9/1/2020	Europe	Unemployment Rate	Jul	8.00%	7.80%
9/1/2020	Europe	CPI MoM	Aug P	-0.10%	-0.40%
9/1/2020	Europe	CPI Estimate YoY	Aug	0.20%	0.40%
9/2/2020	UK	Nationwide House PX MoM	Aug	0.50%	1.70%
9/2/2020	UK	Nationwide House Px NSA YoY	Aug	2.00%	1.50%
9/3/2020	Australia	Exports MoM	Jul	-3%	3%
9/3/2020	Australia	Imports MoM	Jul	8%	1%
9/3/2020	China	Caixin China PMI Composite	Aug	--	54.5
9/3/2020	China	Caixin China PMI Services	Aug	53.9	54.1
9/3/2020	US	Initial Jobless Claims	Aug-29	950k	1006k
9/3/2020	US	Continuing Claims	Aug-22	14000k	14535k
9/3/2020	US	Markit US Composite PMI	Aug F	--	50.3
9/3/2020	US	Markit US Services PMI	Aug F	54.7	50
9/4/2020	Canada	Unemployment Rate	Aug	10.20%	10.90%
9/4/2020	US	Unemployment Rate	Aug	9.80%	10.20%
9/7/2020	China	Exports YoY	Aug	7.50%	7.20%
9/7/2020	China	Imports YoY	Aug	0.20%	-1.40%
9/7/2020	China	Trade Balance	Aug	\$49.70b	\$62.33b
9/8/2020	Japan	GDP Annualized SA QoQ	2Q F	-28.50%	-27.80%
9/10/2020	Japan	Core Machine Orders MoM	Jul	2.00%	-7.60%
9/10/2020	Japan	Core Machine Orders YoY	Jul	-18.10%	-22.50%
9/11/2020	Japan	PPI YoY	Aug	-0.50%	-0.90%
9/11/2020	Japan	PPI MoM	Aug	0.20%	0.60%
9/16/2020	UK	CPI MoM	Aug	-0.60%	0.40%
9/16/2020	UK	CPI YoY	Aug	0.00%	1.00%
9/25/2020	US	Durable Goods Orders	Aug P	1.50%	11.40%
9/25/2020	US	Durables Ex Transportation	Aug P	1.00%	2.60%
9/30/2020	China	Manufacturing PMI	Sep	51.3	51
9/30/2020	China	Non-manufacturing PMI	Sep	54.7	55.2

News Stories Highlights

Headlines

[Japan's Economy in Deep Hole After Second-Quarter Plunge](#)

TOKYO—Japan's economy shrank slightly less in the April-June quarter than that of the U.S., but economists said it still had a long way to go before recovering from the coronavirus pandemic and a tax increase.

[How's the Coronavirus Economy? Great or Awful, Depending on Whom You Ask](#)

Some people are paying off credit cards and padding savings. Others are going hungry or worried about eviction. Here's how that divergence happened.

[China's Economy Is Bouncing Back—And Gaining Ground on the U.S.](#)

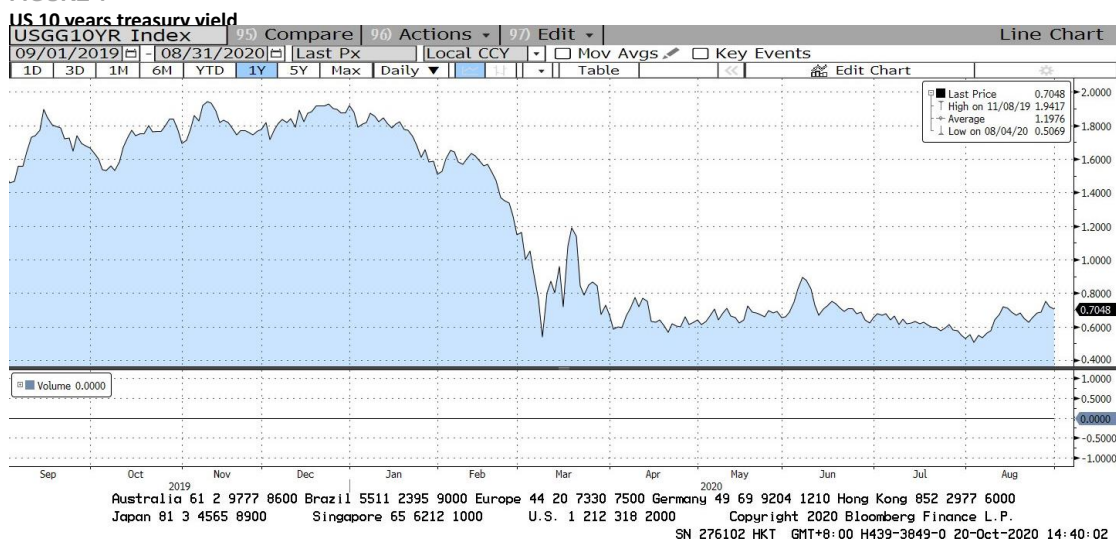
BEIJING—As much of the world struggles to contain the coronavirus, China's recovery is gaining momentum, positioning it to further close its gap with the U.S. economy.

[The Economy Is Limping, but Wall Street Is Booming](#)

Investment-banking and trading revenues hit an eight-year high in the first half of 2020, a counterintuitive boom that shows the heavy hand of the Federal Reserve and a growing gulf between financial markets and the real economy.

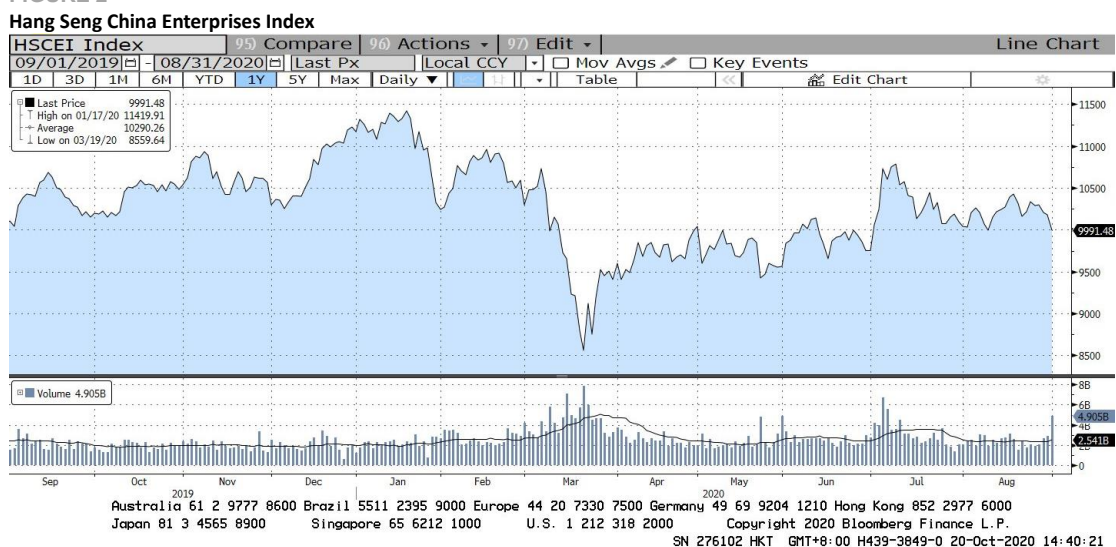
US inflation is still in the doldrums, but 10-year bond yields declined on the top.

FIGURE 1



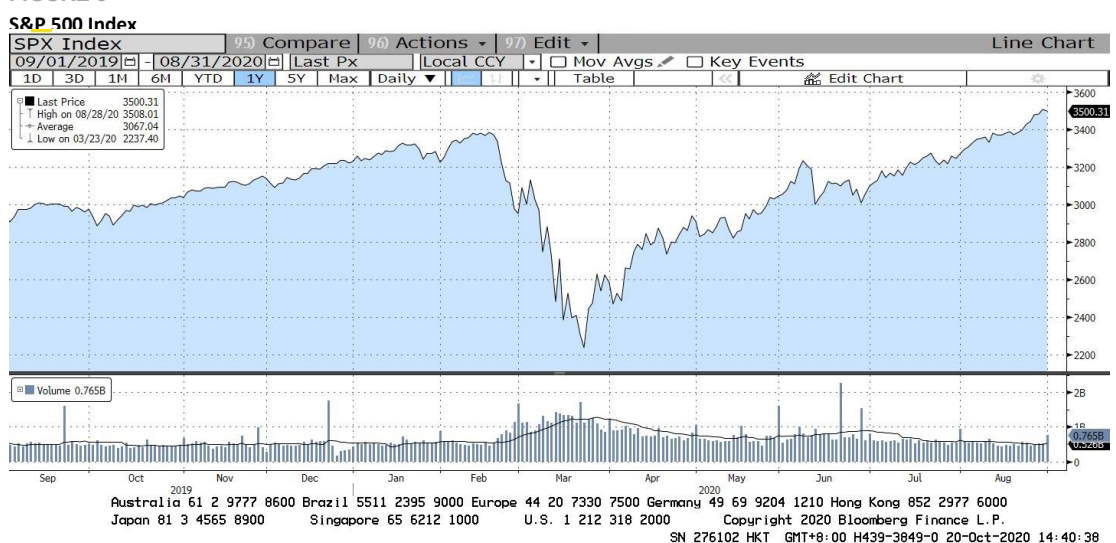
HSCEI rebounded from the bottom

FIGURE 2



SPX rebounded from the bottom

FIGURE 3



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