

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

June is a good month for global equities, both MSCI World and EM index up 1.75% & 4.58% respectively, emerging market equities outperformed developed market equities in June.

MSCI World & EM Index



Thanks for reopening of the economy in some countries in May, their economic indicators were better than expected in June, such as manufacturing activities, employment figures and consumer sentiment, etc. However, as mentioned before, the reopening economy and Covid-19 infection is a difficult dilemma to every country's leader. We have seen the United States new infection cases reached all-time high since the outbreak in March with over 50,000 daily increments and the president Trump just changed his tone to encourage U.S citizens to use face covering. Probably to due cultural difference, there are lots of debates on the usage of face mask and it becomes a political issue. New cases of Covid-19 are exploding in the U.S which affects the progress of reopening and another round of shut down is expected.

U.S. announced the revocation of Hong Kong's special status as Beijing launched new Hong Kong national security legislation. U.S. will halt defence exports to Hong Kong and restrict the city's access to high technology products. However, the details about eliminating special economic treatment to Hong Kong remain unknown.

In late June, S&P Global Ratings affirmed AA+ long-term issuer credit ratings on Hong Kong with stable outlook. It said political developments between the Chinese mainland and Hong Kong Special Administrative Region, as well as between the United States and Hong Kong SAR, will not fundamentally jeopardize Hong Kong's economic development. "The stable outlook reflects our expectation that Hong Kong's strong economic and financial metrics will still allow the government's creditworthiness to withstand the fallout from prolonged social tensions and the COVID-19 pandemic over the next one to two years," it said.

Apart from the above, Hong Kong's linked exchange rate system is also in the spotlight. Analysts believe that the Hong Kong dollar peg to the U.S. dollar will continue. As a currency board, the Hong Kong dollar peg is much more robust in withstanding market pressures than a normal fixed-exchange rate system. Hong Kong does not need the United States' approval to implement the system. The foreign exchange reserve of US\$440 billion, which roughly double the monetary base, is believed to be sufficient to defend Hong Kong dollar from any malicious attack. Recently, the Hong Kong dollar is trading towards the strong side due to inflows caused by the thriving of Initial Public Offerings (IPOs) in the local stock market. Unless the U.S. imposes extreme measures such as stopping Hong Kong and Chinese financial institutions from using U.S. dollar payment and clearing systems, Hong Kong dollar is not under any immediate pressure.

Chart of the Month: MSCI World Index



10-day MA	2200.53
20-day MA	2212.66
50-day MA	2118.39
250-day MA	2178.12

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

Global Market Performance

Index (USD)	Closed at 30/06/2020	MTD Change (%)	YTD Change (%)	Current PE ratio	Estimated PE ratio	Dividend Yield
DJIA	25,812.88	1.33	-9.55	19.69	24.26	2.43
S&P 500	3,100.29	1.46	-4.04	23.08	25.65	1.88
Nasdaq	10,058.77	5.30	12.11	47.71	38.64	0.90
FTSE 100	7,637.52	-0.64	-23.65	22.49	19.24	4.32
DAX	13,841.18	7.64	-6.82	24.39	20.34	2.54
CAC	5,549.53	4.69	-17.33	20.38	22.09	2.17
Nikkei 225	206.70	0.79	-4.86	27.77	22.35	1.89
HSI	3,151.69	2.94	-12.91	10.97	11.60	3.70
SHCOMP	422.44	3.28	-3.56	16.44	13.35	2.23
ASX	4,134.93	2.65	-13.46	19.73	22.03	3.92
TWI	393.09	6.21	-2.00	20.46	18.95	3.51
KOSPI	1.76	4.08	-7.56	25.98	15.94	1.87
SET	28.67	0.68	-19.62	18.43	21.11	3.29
SENSEX	462.14	4.86	-20.21	24.20	22.51	1.40
Russia RTS	1,212.63	-2.80	-21.71	6.25	11.01	7.17
Mexico IPC	1,636.34	-2.33	-29.05	17.21	17.96	2.93
Bovespa	17,413.96	6.01	-39.54	37.79	31.88	3.08
Median		2.94	(12.91)	20.46	21.11	2.54

Market Data

Commodities (USD)

Price as at 30/06/2020

Crude Oil	39.27
Gold 100oz	1,800.50

Source: Bloomberg

Date Time	Country	Event	Event Time	Survey	Prior
7/1/2020	China	Caixin China PMI Mfg	Jun	50.5	50.7
7/2/2020	Australia	Exports MoM	May	-7%	-11%
7/2/2020	Australia	Imports MoM	May	-9%	-10%
7/2/2020	Europe	Unemployment Rate	May	7.70%	7.30%
7/2/2020	US	Unemployment Rate	Jun	12.50%	13.30%
7/2/2020	US	Initial Jobless Claims	Jun-27	1350k	1480k
7/2/2020	US	Continuing Claims	Jun-20	19000k	19522k
7/6/2020	Canada	BoC Overall Business Outlook Survey	2Q	--	-0.7
7/6/2020	Canada	BoC Business Outlook Future Sales	2Q	--	22
7/9/2020	China	PPI YoY	Jun	-3.20%	-3.70%
7/9/2020	China	CPI YoY	Jun	2.50%	2.40%
7/10/2020	Canada	Unemployment Rate	Jun	12.10%	13.70%
7/14/2020	Australia	NAB Business Conditions	Jun	--	-24
7/14/2020	Australia	NAB Business Confidence	Jun	--	-20
7/14/2020	China	Exports YoY	Jun	-2.00%	-3.30%
7/14/2020	China	Imports YoY	Jun	-9.00%	-16.70%
7/14/2020	UK	Industrial Production MoM	May	6.50%	-20.30%
7/14/2020	UK	Industrial Production YoY	May	-20.40%	-24.40%
7/16/2020	Japan	Japan Buying Foreign Stocks	Jul-10	--	¥210.4b
7/16/2020	Japan	Foreign Buying Japan Stocks	Jul-10	--	-¥77.0b
7/16/2020	China	GDP YoY	2Q	2.40%	-6.80%
7/20/2020	Japan	Exports YoY	Jun	-24.60%	-28.30%
7/20/2020	Japan	Imports YoY	Jun	-17.60%	-26.20%
7/24/2020	UK	Markit UK PMI Manufacturing SA	Jul P	52	50.1
7/27/2020	US	Durable Goods Orders	Jun P	11.00%	15.70%
7/30/2020	US	GDP Annualized QoQ	2Q A	-35.00%	-5.00%
7/30/2020	US	Initial Jobless Claims	Jul-25	--	--
7/30/2020	US	Continuing Claims	Jul-18	--	--
7/31/2020	China	Composite PMI	Jul	--	54.2
7/31/2020	China	Manufacturing PMI	Jul	--	50.9
7/31/2020	China	Non-manufacturing PMI	Jul	--	54.4

News Stories Highlights

Headlines

[OPEC and Russia-Led Oil Alliance Agree to Increase Production](#)

An alliance of crude producers led by Saudi Arabia agreed on Wednesday to increase oil production starting in August, officials in the group said, amid signs that demand is recovering following coronavirus-related lockdowns.

[U.S. Industrial Production Picked Up Again in June](#)

U.S. manufacturing increased in June for the second straight month, a sign of economic recovery in the weeks before the recent surge in coronavirus cases.

[Consumer Appetite for Cars, Homes Bolsters U.S. Economy](#)

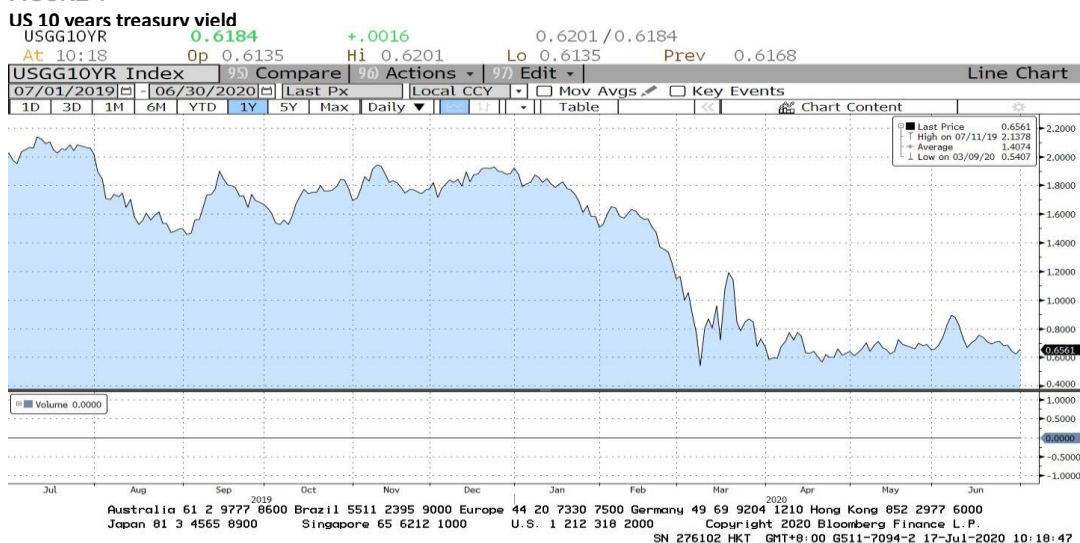
Consumers have continued spending on big-ticket items such as vehicles and homes during the coronavirus pandemic, helping support the U.S. economy as it battles a surge in cases and renewed business shutdowns.

[China's Imports and Exports Rebound as Coronavirus Fades in World's Second-Largest Economy](#)

BEIJING—Chinese imports from the U.S. rose for the first time since the new coronavirus emerged earlier this year, showcasing Beijing's post-pandemic purchasing power even as political tension between the world's two largest economies continues to rise.

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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