

Global Economic Commentary

China–United States trade war escalation



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The second half of 2018 may be an era of economic turmoil

The recent divergence in the performance of developed market equities and emerging market equities was enlarged in August, MSCI Emerging Market and MSCI World index were down 2.9% and up 1% respectively.

MSCI Emerging Markets Monthly Return (Negative Month Only)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018		-4.73	-2.03	-.55	-3.75	-4.57		-2.90	-3.12			
2017									-.55			
2016	-6.52	-.27			-3.90						-4.67	
2015			-1.59		-4.16	-3.18	-7.26	-9.20	-3.26		-3.96	-2.48
2014	-6.60								-7.59		-1.12	-4.82
2013		-1.35	-1.87		-2.94	-6.79		-1.90			-1.56	-1.53
2012			-3.52	-1.48	-11.67			-.54		-.73		
2011	-2.81	-1.01			-2.99	-1.86	-.74	-9.19	-14.78		-6.70	-1.29
2010	-5.65				-9.18	-.91		-2.15			-2.70	
2009	-6.62	-5.71				-1.53		-.54				
2008	-12.59		-5.40			-10.16	-4.16	-8.22	-17.71	-27.50	-7.63	
2007	-1.22	-.66						-2.32			-7.13	
2006		-.21			-10.76	-.46						
2005			-6.79	-3.04						-6.64		
2004				-8.46	-2.27		-2.10					

Economic key points:

- China–United States trade war (US\$ 200 billion tariff in September)
- MSCI Emerging Market and MSCI World index were down 2.9% and up 1% respectively in August

Historically, August has regularly proved a difficult month for emerging markets. There was no exception in 2018, the strong US Dollar and political tensions dominated the headlines, such as reintroduction sanctions against Iran, escalation of trade tensions between the US and China and sharp depreciation in Argentina and Turkey currency. Also, most equity indices and risk assets sold off, except the S&P 500 with strong earnings data and moderate inflation expectation to pushed the index higher. In China, Shanghai Composite index slipped 5.48%, Brazil IBOV index slumped 11.38% and Hong Kong HSI index down 2.43% in terms of US Dollars at August.

The 1st round of U.S-China tariff has been imposed as of 10 July and the U.S president Donald Trump threatens to impose additional US\$ 200 billion tariff in September. However, there are more U.S companies, including Cisco, HP and Apple urged the U.S administration to avoid tariffs that will hurt their business & push the cost of U.S consumers higher. The side effects of Chinese tariffs are evolving in the U.S, the U.S companies and consumers are taking hit and we don't think Donald Trump full scale tariff attack could last for a long period time.

Chart of the Month: MSCI World Index



10-day MA	2167.41
20-day MA	2155.88
100-day MA	2124.83
250-day MA	2101.59

Comment:
The MSCI World Index is expected to trade sideways amid the U.S interest rate hike.

Global Market Performance

Index (USD)	Closed at 31/08/2018	MTD Change (%)	YTD Change (%)	Current PE ratio	Estimated PE ratio	Dividend Yield
DJIA	25,964.82	2.49	5.04	18.36	16.55	2.13
S&P 500	2,901.52	3.13	8.52	20.83	17.80	1.82
Nasdaq	8,109.54	5.22	17.47	44.75	23.58	0.98
FTSE 100	9,631.67	(4.06)	(7.36)	16.13	12.99	4.38
DAX	14,336.13	(3.54)	(7.69)	13.81	12.74	3.23
CAC	6,269.24	(2.28)	(1.84)	16.70	14.00	3.26
Nikkei 225	205.84	1.06	1.80	16.35	15.95	1.78
HSI	3,553.13	(1.60)	(7.22)	10.04	10.76	3.79
SHCOMP	398.50	(3.63)	(21.60)	12.54	10.70	2.53
ASX	4,619.68	(1.81)	(4.11)	18.74	15.89	4.07
TWI	360.32	(0.58)	0.45	13.94	13.83	4.09
KOSPI	2.08	0.78	(9.73)	11.00	9.04	1.98
SET	34.72	0.65	(0.37)	15.57	15.37	3.00
SENSEX	545.33	(0.70)	2.24	24.82	20.25	1.21
Russia RTS	1,092.29	(5.84)	(5.38)	5.38	5.69	5.44
Mexico IPC	2,579.04	(2.97)	2.89	21.43	16.80	2.14
Bovespa	18,731.08	(11.46)	(18.94)	17.85	11.41	3.61
Median		(1.60)	(1.84)	16.35	14.00	3.00

Market Data

Commodities (USD)

Price as at 31/8/2018

Crude Oil	69.80
Gold 100oz	1,201.60

Source: Bloomberg

Date Time	Country	Event	Event Time	Survey	Prior
9/3/2018	Japan	Nikkei Japan PMI Mfg	Aug F	--	52.5
9/3/2018	Europe	Markit Eurozone Manufacturing PMI	Aug F	54.6	54.6
9/3/2018	UK	Markit UK PMI Manufacturing SA	Aug	53.9	54
9/4/2018	US	Markit US Manufacturing PMI	Aug F	54.5	54.5
9/5/2018	Australia	GDP SA QoQ	2Q	0.70%	1.00%
9/5/2018	Australia	GDP YoY	2Q	2.90%	3.10%
9/5/2018	China	Caixin China PMI Composite	Aug	--	52.3
9/5/2018	China	Caixin China PMI Services	Aug	52.6	52.8
9/6/2018	US	Initial Jobless Claims	Sep-01	213k	213k
9/6/2018	US	Continuing Claims	Aug-25	1720k	1708k
9/7/2018	Canada	Unemployment Rate	Aug	5.90%	5.80%
9/7/2018	US	Unemployment Rate	Aug	3.80%	3.90%
9/8/2018	China	Trade Balance	Aug	\$31.00b	\$28.05b
9/8/2018	China	Exports YoY	Aug	10.00%	12.20%
9/8/2018	China	Imports YoY	Aug	17.70%	27.30%
9/10/2018	Japan	GDP SA QoQ	2Q F	0.70%	0.50%
9/10/2018	Japan	GDP Annualized SA QoQ	2Q F	2.60%	1.90%
9/10/2018	China	PPI YoY	Aug	4.00%	4.60%
9/10/2018	China	CPI YoY	Aug	2.10%	2.10%
9/10/2018	UK	Industrial Production MoM	Jul	0.20%	0.40%
9/13/2018	Australia	Unemployment Rate	Aug	5.30%	5.30%
9/13/2018	US	CPI YoY	Aug	2.80%	2.90%
9/14/2018	US	Import Price Index MoM	Aug	-0.20%	0.00%
9/14/2018	US	Import Price Index YoY	Aug	4.10%	4.80%
9/14/2018	US	Export Price Index MoM	Aug	0.00%	-0.50%
9/14/2018	US	Export Price Index YoY	Aug	--	4.30%
9/19/2018	Japan	Exports YoY	Aug	--	3.90%
9/19/2018	Japan	Imports YoY	Aug	--	14.60%
9/26/2018	US	New Home Sales	Aug	--	627k
9/27/2018	US	GDP Annualized QoQ	2Q T	--	4.20%
9/28/2018	US	Chicago Purchasing Manager	Sep	--	63.6

News Stories Highlights

Headlines

[Boston Fed President Backs Quarterly Rate Increases](#)

Rosengren says continuing the current pace would push rates closer to a neutral level that would neither spur nor slow growth

[White House Corrects Trump's Tweet on GDP, Unemployment](#)

President Trump was incorrect when he tweeted that more than a century had passed since quarterly economic growth last outpaced the jobless rate, the White House's top economist said Monday.

[Private Sector Adds 163,000 New Jobs in August, Led by Midsize Firms](#)

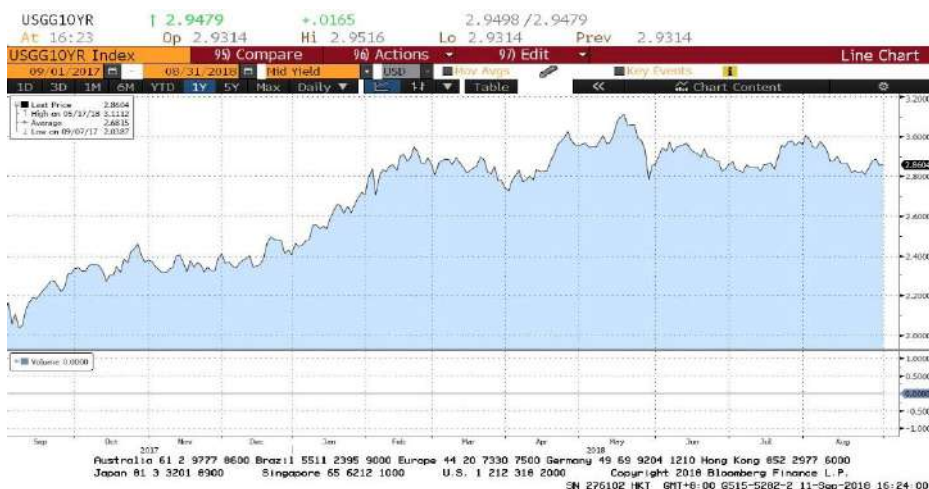
The U.S. private sector added 163,000 jobs in August, according to a report released Thursday, led by hirings at medium-size businesses and in the service sector.

[U.S. Preparing for Second Trump Meeting With North Korea's Leader](#)

WASHINGTON—The White House said it is working to arrange a second meeting between President Trump and North Korean leader Kim Jong Un, signaling an attempt to revive the stalled diplomatic efforts between Washington and Pyongyang.

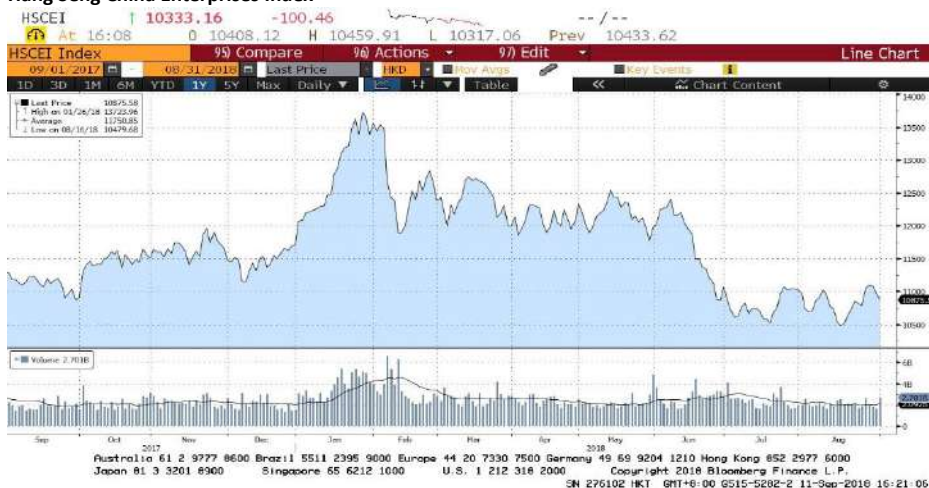
US inflation is still in the doldrums, but 10-year bond yields rebounded.

FIGURE 1
US 10 years treasury yield



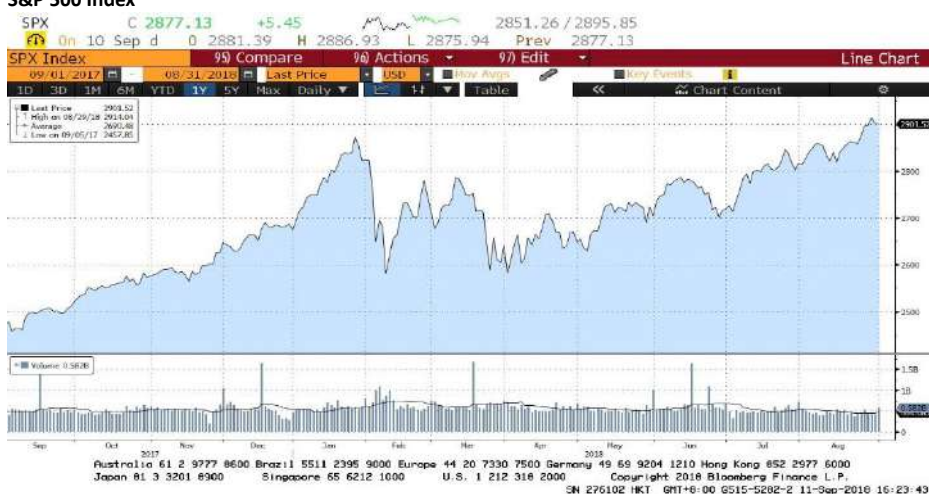
HSCEI was seeking a bottom

FIGURE 2
Hang Seng China Enterprises Index



SPX declined slightly on the top.

FIGURE 3
S&P 500 Index



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