



Global Markets Minesweeper

November 8, 2019

Global Markets Analysis
INVESTMENT PORTFOLIOS
MANAGEMENT DIVISION

In this week, the **S&P 500** stock index posted new historic high at 3,097.8 (7/11/19). **Stoxx 600 Europe** index reached high (7/11: 406.9) since July 2015 and the **MSCI All countries world** index increased at the highest intraday level (7/11: 544.7) since January 2018, close to its historic high (29/1/18: 551 area). The year to date total return of the **MSCI developed** world index is at 23.1%. The **MSCI emerging** index has lagged in terms of total return in 2019 (14%). The emerging index (7/11: 1,075.6) has recently (22/10) passed above the 200-day average (1,033). Next resistance level is at 1,100 (17/4/19 high) and at 1,150 area. The **MSCI BRIC** index (Brazil, Russia, India, China) has total return of 17.7% (in USD) in 2019 versus 14.5% of the **MSCI Asia ex Japan** index and 12.2% of the **MSCI Latin America** index.

Emerging markets index (MSCI) daily price chart: 2018-2019

Source: Bloomberg

Eurozone Sentix investor confidence index increased in November at a high (-4.5) since June. In the **US**, the ISM non-manufacturing index increased in October at a level (54.7, September: 52.6) above the expected (53.5).

These figures and the expectation for US-China “phase one” trade deal, have contributed to the rise of bond yields and the modest drop of EUR/USD. US 10-year government bond yield has risen at a high (7/11: 1.971%) since early August. Resistance for US 10-year yield is at 2.15% (200-day average, 11/7/19 high), support is at 1.80%. German 10-year government bond yield has been at a high (7/11: -0.233%) since July, around its 200-day average (-0.24%). EUR/USD, initially tested (4/11: \$1.1175) the 200-day average (\$1.1190), but then dropped (7/11: \$1.1036) at a low since mid-October. Support is at \$1.0950, resistance at \$1.1200 area and at \$1.1280. The **Bank of England** maintained its base rate unchanged, but two of its members voted for rate cut by 0.25%.

The week ahead:

Eurozone, GDP (14/11) may have risen by 0.2% in the 3rd quarter, while **German** GDP (14/11) has probably declined by 0.1% for second consecutive quarter. In the **UK**, GDP (11/11) has likely increased by 0.4% on quarterly basis in the 3rd quarter. **US** inflation (13/11) may have remained in October at 1.7%. Companies reporting quarterly results: Deutsche Post (12/11), Cisco Systems (13/11) and Walmart (14/11).

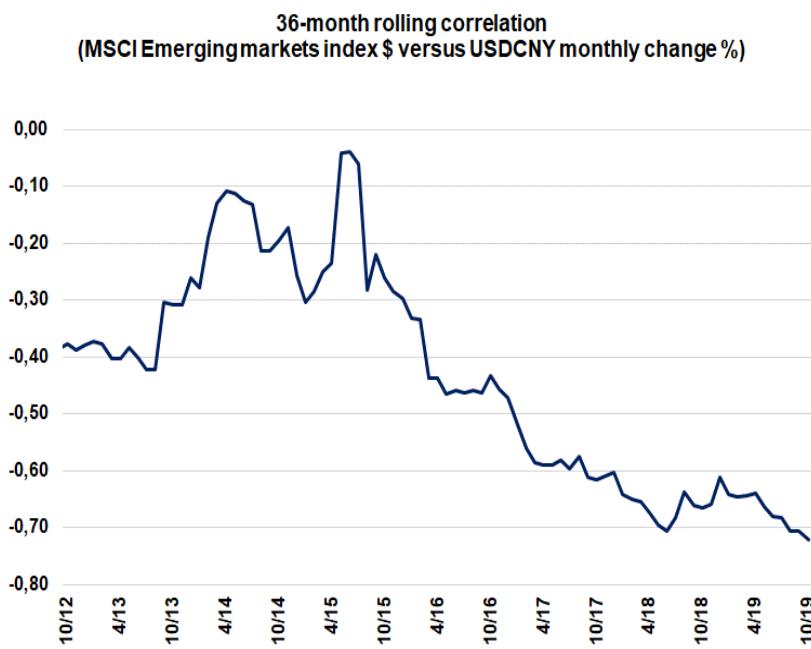
Risks to global economy and geopolitical uncertainty remain, but not much has been realized. In contrast, expectations for US-China “phase one” trade deal have supported risk-taking. Current conditions seem to favor continuation of main equity markets appreciation in the mid-term. Exposure to government bonds in a mixed portfolio can still be regarded as a “hedge”, in case short term profit-taking in equities happens.

Quote of the Week:

The economic advisor (L. Kudlow) of US President said (7/11): “If there is a phase one trade deal, there are going to be tariff agreements and concessions”.

Global Markets in Charts

Expectations for US-China “phase one” trade deal, have recently triggered a softening of USD versus the Chinese currency at a three-month low (5/11: 6,966).

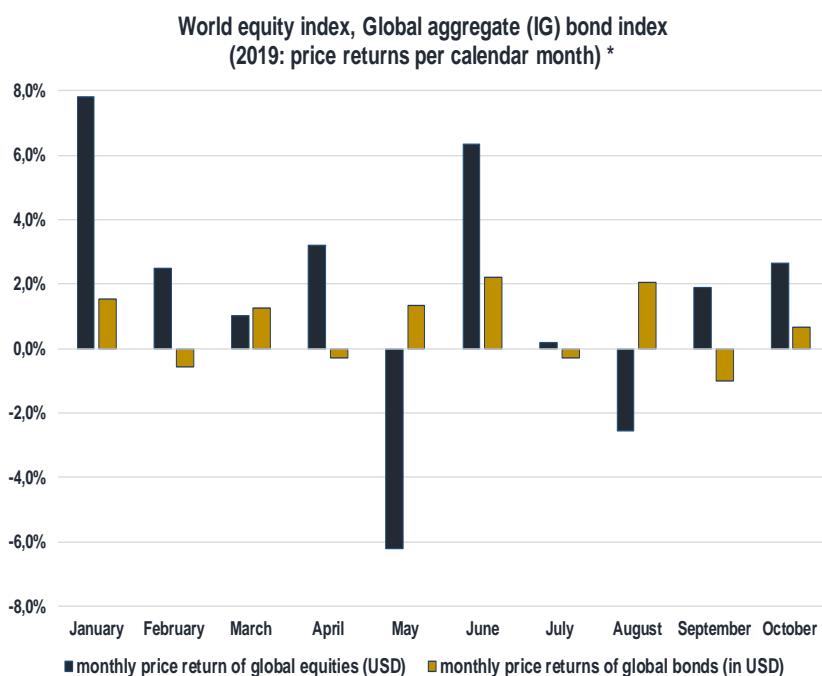


The 3-year correlation between the monthly change of USD/CNY versus the monthly price return of the MSCI Emerging markets index has been negative (-0.72%).

The recent drop of USD versus the Chinese currency is consistent with the rise of the MSCI emerging markets index at a 6-month high (7/11: 1,075.6).

In case the “phase-one” of the trade deal between US-China is finalised in November, the MSCI emerging markets may continue upwards.

In calendar months during 2019, the MSCI All countries world equity index and the Global aggregate bond index (IG) have either both risen together or at least one of the two has risen. There was no month of negative returns by both. The assets appreciation trend remains.



During 2019, the worries about the trade war, Brexit and slowing economic growth have pushed main central banks to ease monetary policy.

Global easing has triggered downwards path for government bond yields and subsequently rising global aggregate (IG) bond index at 5.7% year to date (7/11).

Relatively low government bond yields, supportive central banks and various risks not materialising have contributed to the rise of the MSCI all countries world equity by 19.2%. Profit taking may be evident in the period ahead, but the general trend still favours gradually “putting cash to work”, targeting further asset appreciation in the mid-term.

*indices in USD used: MSCI All countries world index, (Bloomberg Barclays) Global aggregate (IG) bond index.

Source: Bloomberg

Global Markets Minesweeper
Event Risk Calendar, 11 - 15 November, 2019

Date Time	Country	Event	Period	Survey	Prior	💣*
Monday 11/11						
11/11 01:50	JN	BoP Current Account Balance	Sep	¥1710.0b	¥2157.7b	
11/11 07:00	JN	Eco Watchers Survey Current SA	Oct	40.6	46.7	
11/11 07:00	JN	Eco Watchers Survey Outlook SA	Oct	41.9	36.9	
11/11 11:30	UK	GDP (QoQ)	3Q P	0.4%	-0.2%	💣*
11/11 11:30	UK	GDP (YoY)	3Q P	1.1%	1.3%	
11/11 11:30	UK	Industrial Production (MoM)	Sep	-0.1%	-0.6%	
11/11 11:30	UK	Trade Balance GBP/Mn	Sep	-£2000m	-£1546m	
Tuesday 12/11						
Date Time	Country	Event	Period	Survey	Prior	💣*
12/11 08:00	JN	Machine Tool Orders (YoY)	Oct P		-35.50%	
12/11 11:30	UK	ILO Unemployment Rate 3Mths	Sep	3.9%	3.9%	
12/11 12:00	GE	ZEW Survey Current Situation	Nov	-24.0	-25.3	
12/11 12:00	GE	ZEW Survey Expectations	Nov	-14.4	-22.8	💣*
12/11 13:00	US	NFIB Small Business Optimism	Oct	102.0	101.8	
Eco Event	EC	ECB Executive Board member B. Coeure speaks in Frankfurt (10:00)				
	US	Philadelphia Fed President P. Harker speaks in New York (19:55)				
Corp. Results		US: Linde, Europe: Deutsche Post				
Wednesday 13/11						
Date Time	Country	Event	Period	Survey	Prior	💣*
13/11 09:00	GE	CPI (YoY)	Oct F	1.1%	1.1%	
13/11 11:30	UK	CPI (YoY)	Oct	1.6%	1.7%	💣*
13/11 11:30	UK	CPI Core (YoY)	Oct	1.7%	1.7%	
13/11 12:00	EC	Industrial Production SA (MoM)	Sep	-0.3%	0.4%	
13/11 12:00	EC	Industrial Production WDA (YoY)	Sep	-2.3%	-2.8%	💣*
13/11 15:30	US	CPI (YoY)	Oct	1.7%	1.7%	💣*
13/11 15:30	US	CPI Ex Food and Energy (YoY)	Oct	2.4%	2.4%	💣*
13/11 21:00	US	Monthly Budget Statement	Oct		\$82.8b	
Eco Event	US	Fed Chairman J. Powell addresses the Joint Economic Committee of Congress (18:00)				
Corp. Results	US	Cisco Systems				

Thursday 14/11						
Date Time	Country	Event	Period	Survey	Prior	•*
14/11 01:50	JN	GDP SA (QoQ)	3Q P	0.2%	0.3%	
14/11 04:00	CH	Industrial Production (YoY)	Oct	5.4%	5.8%	•*
14/11 04:00	CH	Retail Sales (YoY)	Oct	7.8%	7.8%	•*
14/11 09:00	GE	GDP SA (QoQ)	3Q P	-0.1%	-0.1%	•*
14/11 09:00	GE	GDP WDA (YoY)	3Q P	0.5%	0.4%	
14/11 11:30	UK	Retail Sales Inc Auto Fuel (MoM)	Oct	0.2%	0.0%	•*
14/11 12:00	EC	GDP SA (QoQ)	3Q P	0.2%	0.2%	•*
14/11 12:00	EC	GDP SA (YoY)	3Q P	1.1%	1.1%	
14/11 15:30	US	Initial Jobless Claims	9-Nov		211k	
Eco Event	EC	ECB Governing Council member Klaas Knot speaks in Frankfurt (16:00)				
	US	Fed Vice Chair R. Clarida speaks in Washington (16:00)				
	US	Fed Chairman J. Powell testifies at House Budget Committee (17:00)				
Corp. Results		US: Walmart, Nvidia, SK: Samsung				
Friday 15/11						
Date Time	Country	Event	Period	Survey	Prior	•*
15/11 06:30	JN	Industrial Production (MoM)	Sep F		1.4%	
15/11 12:00	EC	CPI (YoY)	Oct F	0.7%	0.7%	•*
15/11 12:00	EC	CPI (MoM)	Oct F	0.2%	0.2%	
15/11 12:00	EC	CPI Core (YoY)	Oct F	1.1%	1.1%	
15/11 15:30	US	Empire Manufacturing	Nov	6.0	4.0	
15/11 15:30	US	Import Price Index (MoM)	Oct	-0.2%	0.2%	
15/11 15:30	US	Retail Sales Advance (MoM)	Oct	0.2%	-0.3%	•*
15/11 16:15	US	Industrial Production (MoM)	Oct	-0.3%	-0.4%	
Eco Event	EC	ECB Executive Board member Yves Mersch speaks in Paris (10:00)				

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