



# Investment Digest



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18 Jan 2019 – 25 Jan 2019

# Investment Digest

## Global Stock Market Weekly Roundup

The Dow Jones Industrial Average index went up by 0.12 percent to close at 24,737.20 at the end of the week. U.S. stocks continue to rally and are on track for their fifth consecutive weeks of gains. In a shortened trading week, the Dow was weighed down by global growth concerns when the International Monetary Fund (IMF) lowered growth forecasts and ongoing trade tensions as well as the ongoing U.S. government shutdown. The Dow rallied on the last trading day of the week on news that the Fed was closer than expected to ending its unwinding of the balance sheet and a temporary deal in Congress to fund the government for three weeks.

The Shanghai Composite Index closed at 2,601.72, marking a 0.22 percent rise this week. Asian markets had a choppy week of trading, where sentiment was dampened by concerns about global growth and U.S.-China trade tensions, but Asian markets continued to rally on for the week on the back of positive investors' sentiments.

The Euro Stoxx 50 index was up by 0.90 percent for the week and closed off at 3,163.24. European markets were weighed down at the start of the week by global growth concerns, U.S.-China trade tensions, Brexit uncertainties and a volatile earnings season. Europeans markets rallied the later part of the week as investors shrugged off weak economic data and outlook as tech shares led the rally despite Intel posting earnings and guidance that missed analysts' estimates.

ECONOMIC RELEASES & POLITICS	ACTUAL	EXPECTED
U.S. Preliminary Markit Manufacturing PMI (Jan 2019)	54.9	53.5
U.S. Existing Home Sales (MoM) (Dec 2018)	4.99M	5.25M
U.S. Initial Jobless Claims (Jan 18 2019)	199K	220K
Euro ECB Interest Rate Decision	0%	0%
China Gross Domestic Product (YoY) (Q4 2019)	6.4%	6.4%
China Retail Sales (YoY) (Dec 2018)	8.2%	8.2%

STOCK MARKETS		11/1/2019	18/1/2019	Weekly Change (%)	YTD Change (%)
MSCI World	▲	2,000.76	2,001.86	0.05%	6.26%
S&P 500	▼	2,670.71	2,664.76	-0.22%	6.30%
Dow Jones Industrial Average	▲	24,706.35	24,737.20	0.12%	6.04%
NASDAQ	▲	7,157.23	7,164.86	0.11%	7.98%
FTSE 100	▼	6,968.33	6,809.22	-2.28%	1.21%
Euro Stoxx 50	▲	3,134.92	3,163.24	0.90%	5.39%
MSCI Asia Pacific ex Japan	▲	498.78	504.83	1.21%	5.81%
NIKKEI	▲	20,666.07	20,773.56	0.52%	3.79%
Hang Seng	▲	27,090.81	27,569.19	1.77%	6.67%
Shanghai Composite Index	▲	2,596.01	2,601.72	0.22%	4.32%
Straits Times Index	▼	3,224.34	3,202.25	-0.69%	4.35%
MSCI Emerging Markets	▲	1,018.00	1,032.34	1.41%	6.90%
JPM Global Aggregate Bond Index	▲	564.26	567.31	0.54%	0.57%
WTI Oil (US\$)	▼	53.80	53.69	-0.20%	18.23%
Spot Gold (US\$)	▲	1,282.11	1,305.25	1.80%	1.77%

## Corporate News

Hyflux investors were informed at a second town hall meeting that note holders would get a 3.8% to 8.7% recovery rate in a liquidation scenario, while perpetual and preference shareholders would receive nothing.

## Fixed Income Markets

The 10-year U.S. Treasury yield fell by 5 basis points and closed off this week at 2.7315 percent. In a shortened week of trading, treasury yields fell as concerns about the global growth outlook fueled demand to safe haven. The fall in yields was capped on Friday as news of the temporary deal to fund the government for three weeks improved sentiments and reduced demand for safe haven.

## Foreign Exchange Markets

The U.S. Dollar Index which tracks the U.S. currency against six major rivals was down 0.6 percent for the week and closed at 95.81. In a week where the dollar hit a three-week high amidst global growth concerns fueling demand for the currency, it fell on Friday as traders shifted their focus to the upcoming Fed meeting, where expectations are channeled more towards a dovish stance.

Bitcoin price was down 1.71% for the week and closed off at US\$3,564.73, in yet another challenging week for the currency which continues to undergo consolidation but is trending downwards. It is on track for the longest correction ever for the cryptocurrency. Declining volume of digital assets and the potential scenario of cryptocurrencies free falling without significant sell pressure from bears does not bode well for the cryptocurrency. It continues to remain an unpredictable asset class which correlates with the direction of global stock markets randomly.

## Commodity Markets

Brent Crude price were down by 1.69 percent for the week and closed at US\$61.64 per barrel. Brent crude fell as concerns about global growth and oversupply weighed on sentiment. The fall in price was capped by a possible sanction on Venezuela amidst their political crisis, which would reduce supply.

Gold price went up by 1.80 percent to close higher this week at US\$1,305.25 an ounce. The price of the precious yellow metal rallied to a seven-month high as a weaker U.S. dollar and an expected dovish stance from the Fed in their meeting the following week gave strength to the gold bull. Gold typically appreciates on expectations of lower interest rates as it reduces the opportunity cost of holding the non-yielding precious yellow metal.

### Smarter Investing

Compound interest is a simple strategy whereby interest earned by an investment is reinvested, thereby producing even more interest.

To illustrate the power of it, let's look at the example below. We will assume that the investor invested \$100,000 in the S&P 500 10 years ago. The table then shows the value of the portfolio and the additional return if the investor reinvests those dividends.

Dividends Not Reinvested:  
0 Years | 10 Years  
\$100,000 | \$177,733

Dividends Reinvested:  
0 Years | 10 Years  
\$100,000 | \$219,277

Difference:  
0.0% | +23.4%



As such, an investor who does not need the dividend/interest should consider reinvesting them to earn a higher return. An investor who is invested in unit trust can consider opting for the accumulated shared class whereby the dividends get reinvested automatically.