



Investment Digest

19 July 2019 – 26 July 2019



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Global Stock Market Weekly Roundup

The Dow Jones Industrial Average index was up by 0.14 percent and closed at 27,192.45 at the end of the week. It was clear that positive sentiment in U.S.-China trade talks resonated throughout the week, and the sentiment indeed helped the market. Additionally, there were some companies that released strong quarterly earnings, which includes Coca Cola, United Technologies, Texas Instruments, Alphabet, Intel, and some other consumer stocks. On top of these positive earnings reports, a better-than-expected GDP report helped the market to end with a positive result.

The Shanghai Composite Index was up by 0.7 percent and closed at 2,944.54 at the end of the week. The market declined in the beginning of the week due to blue chips trading sideways as enthusiasm for the new Nasdaq-style STAR market drew investor attention. The trade talks helped to support sentiment, and some of U.S. based companies' strong earnings reports helped the market as well.

The Euro Stoxx 50 index was up by 1.27 percent and closed at 3,524.47 at the end of the week. The market started with gains from energy stocks, which was boosted by higher oil prices. The market continued to rally due to strong U.S. corporate earnings reports and an appointment of the leader of the conservative party and the next U.K. Prime Minister, Boris Johnson. European Central Bank kept interest rates on hold while setting the stage for potential policy stimulus.

ECONOMIC RELEASES & POLITICS	ACTUAL	EXPECTED
USD Gross Domestic Product Annualized (Q2)	2.1%	1.8%
USD Nondefense Capital goods Orders ex Aircraft (Jun)	1.9%	0.2%
USD Markit PMI Composite (Jul 19)	51.6	52.1
USD Initial Jobless Claims (Jul)	206K	219K
USD Continuing Jobless Claims (Jul)	1.676M	1.688M
EUR ECB Interest Rate Decision	0%	0%
EUR Markit PMI Composite (Jul)	51.5	52.1

STOCK MARKETS		19/7/2019	26/7/2019	Weekly Change (%)	YTD Change (%)
MSCI World	▲	2,194.61	2,215.71	0.96%	17.61%
S&P 500	▲	2,976.61	3,025.86	1.65%	20.70%
Dow Jones Industrial Average	▲	27,154.20	27,192.45	0.14%	16.57%
NASDAQ	▲	8,146.49	8,330.21	2.26%	25.54%
FTSE 100	▲	7,508.70	7,549.06	0.54%	12.20%
Euro Stoxx 50	▲	3,480.18	3,524.47	1.27%	17.43%
MSCI Asia Pacific ex Japan	▼	530.01	526.05	-0.75%	10.26%
NIKKEI	▲	21,466.99	21,658.15	0.89%	8.21%
Hang Seng	▼	28,765.40	28,397.74	-1.28%	9.87%
Shanghai Composite Index	▲	2,924.20	2,944.54	0.70%	18.07%
Straits Times Index	▼	3,377.96	3,363.76	-0.42%	9.61%
MSCI Emerging Markets	▼	1,057.49	1,048.66	-0.83%	8.58%
JPM Global Aggregate Bond Index	▼	596.35	595.46	-0.15%	5.56%
WTI Oil (US\$)	▲	55.76	56.20	0.79%	18.07%
Spot Gold (US\$)	▼	1,426.01	1,418.68	-0.51%	10.70%

Corporate News

A U.S. based pharmaceutical giant, Pfizer Inc, considers merging its off-patent drugs business with generic drug maker Mylan NV. According to people who are familiar with this matter said that this deal would create a global seller of lower-priced medicines. Mylan's current market value is under USD\$10 bn, and Pfizer plans to receive about USD\$12 bn from a new sale of debt. This merge would significantly improve Pfizer's competition in its sales.

Fixed Income Markets

The 10-year U.S. Treasury yield was up by 3 basis points and closed off the week at 2.08 percent. Treasury yields rose on strong U.S. economic data and a less dovish European Central Bank (ECB), downplaying expectations of an aggressive rate cut. The rally in the U.S. equity markets also reduced demand for the safe haven asset.

Foreign Exchange Markets

The U.S. Dollar Index, which tracks the U.S. currency against six major rivals, was up by 0.88 percent and closed at 98.01. The dollar hit a 2-month high on stronger than expected U.S. GDP data, rising yields and a widening yield differential between U.S. and German debt.

Bitcoin price was down by 6.60% for the week and closed off at US\$9,834.23. Bitcoin continued to come under pressure as regulators continued to express doubts about cryptocurrencies, commenting that it is "exploited to support billions of dollars of illicit activity like cybercrime, tax evasion, extortion, ransomware, illicit drugs, and human trafficking".

Commodity Markets

Brent Crude price was up by 1.58 percent for the week and closed at US\$63.46 per barrel. Oil rose on stronger than expected U.S. economic data and optimism on the upcoming U.S.-China trade talks, supporting the demand outlook. Tensions in Iran's Straits of Hormuz also added to supply uncertainty, supporting the price of oil.

Gold price was down by 0.51 percent and closed lower this week at US\$1418.68 an ounce. Gold fell on robust U.S. economic data, a stronger dollar and a less dovish ECB, which lowered expectations of an interest rate cut.

Smarter Investing

What is Diversification?

Diversification is a strategy of dividing one's investments into several asset classes, so that should one of the asset classes be drastically affected by market conditions, the other assets will help to provide better stability to the investments.

Why Diversification?

A simple analogy of diversification is to put one's eggs into different baskets, so that in the event one basket is dropped, other eggs remain intact.

Why Diversification works?

Different classes of assets react differently in different situations. By diversifying one's investments into several asset classes, the overall volatility of an investment portfolio will improve.