



Investment Digest

21 – 27 October 2019



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Global News

Hong Kong protests continue for the 21st weekend and seem to have no end despite news of China drawing up plans to replace Hong Kong leader Carrie Lam.

Brexit will likely be delayed once again while the possibility of a no-deal Brexit seems unlikely. French President Emmanuel macron blocked the European Union's attempt to delay Brexit for three months, raising the prospect that the U.K. will not know whether it will get an extension until hours before it is scheduled to be ejected on the 31 October 2019, even possibly without a deal.

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Still no end to the chaos in Hong Kong...

ECONOMIC RELEASES & POLITICS	ACTUAL	EXPECTED
USD Initial Jobless Claims (18 Oct)	212K	215K
USD Continuing Jobless Claims (11 Oct)	1.682M	1.675M
USD Markit PMI Composite (Oct) (Preliminary)	51.2	51.6
EUR Interest Rate Decision	0%	0%
EUR Markit PMI Composite (Oct) (Preliminary)	50.2	50.3
CNY PBoC Interest Rate Decision	4.2%	4.2%

STOCK MARKETS		18-Oct-2019	25-Oct-2019	Weekly Change (%)	YTD Change (%)
MSCI World	▲	2,195.28	2,222.75	1.25%	17.99%
S&P 500	▲	2,986.20	3,022.55	1.22%	20.57%
Dow Jones Industrial Average	▲	26,770.20	26,958.06	0.70%	15.56%
NASDAQ	▲	8,089.54	8,243.12	1.90%	24.23%
FTSE 100	▲	7,150.57	7,324.47	2.43%	8.86%
Euro Stoxx 50	▲	3,579.41	3,624.68	1.26%	20.77%
MSCI Asia Pacific ex Japan	▲	512.78	517.19	0.86%	8.41%
NIKKEI	▲	22,492.68	22,799.81	1.37%	13.91%
Hang Seng	▼	26,719.58	26,667.39	-0.20%	3.18%
Shanghai Composite Index	▲	2,938.14	2,954.93	0.57%	18.49%
Straits Times Index	▲	3,114.16	3,185.53	2.29%	3.81%
MSCI Emerging Markets	▲	1,024.02	1,035.84	1.15%	7.25%
JPM Global Aggregate Bond Index	▲	604.89	604.99	0.02%	7.25%
WTI Oil (US\$)	▲	53.87	56.66	5.18%	17.94%
Spot Gold (US\$)	▲	1,492.01	1,502.75	0.72%	17.26%

Global Stock Market Weekly Roundup

The Dow Jones Industrial Average index went up by 0.7 percent to close at 26,958.06 at the end of the week. The major US stock averages neared record highs and closed up for the week as earnings and positive news on the U.S.-China "Phase 1" trade agreement encouraged buying. Earnings have been mixed with the tech sector showing the effects of the trade disruption, but the overall numbers remain healthy.

The Shanghai Composite Index closed at 2,954.93, marking a 0.57 percent rise this week. Asian stocks were higher this week as optimism around ongoing China-U.S. trade talks boosted risk appetite.

The Euro Stoxx 50 index was up by 1.26 percent for the week and closed off at 3,624.68. European markets ended the week higher primarily supported by healthy corporate earnings as well as investors bet that U.K. would be able to avoid a disorderly exit from the European Union; as Brexit is once again expected to be delayed as the U.K. parliament rejects Brexit timetable.

Fixed Income Markets

The 10-year U.S. Treasury yield went up by 4 basis points and closed off this week at 1.79 percent. Treasury yields posted their September highs and closed up on the hope of a US-China trade deal. U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin signaled that they may be close to finalizing the "Phase 1" trade agreement with the Chinese; prompting a rise in markets' risk appetite.

Foreign Exchange Markets

The U.S. Dollar Index (DXY) which tracks the U.S. currency against six major rivals was slightly up 0.56 percent for the week and closed at 97.83. The US dollar climb was backed by the dicey conditions in the U.K. and Brexit process, prompting weakness around the shared currency. Dip in U.S. new home sales also prompted investors to hold USD as the safe haven asset.

Bitcoin price was up 7.89 percent for the week and closed off at USD\$8,574.40 per coin. Bitcoin price has been volatile in recent trading as news on Mark Zuckerberg's "grilling" in Congress brought the spotlight back onto digital assets such as Libra and Bitcoin

Commodity Markets

Brent Crude price went up by 4.38 percent for the week to close at USD\$62.02 per barrel. The positive news on the trade talks provided a lift to risky assets, including oil.

Gold price went up by 0.72 percent to close higher this week at USD\$1502.75 an ounce. The precious yellow metal's price went up slightly this week as investors start to price in an end October interest rate cut which will slightly bolstered gold price as USD weaken.

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.