



Investment Digest

17 May 2019 – 24 May 2019



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Global Stock Market Weekly Roundup

The Dow Jones Industrial Average index was down by 0.69 percent and closed at 25,585.69 at the end of the week. U.S. markets were down as the escalating trade war weighed on risk sentiment. The blacklisting of Huawei continued to weigh on trade sentiments. Also, the U.S. manufacturing PMI hitting its lowest level in almost a decade weighed on risk sentiments. The Fed also indicated in their latest meeting that they were not considering cutting rates in the foreseeable future, weighing on investors' risk appetite. Some losses were pared as Huawei was given a grace period for six months, and as President Trump expressed optimism on coming to a trade agreement.

The Shanghai Composite Index was down by 1.02 percent and closed at 2,853.00 at the end of the week. Asian markets were choppy and traded mixed for the week amidst escalating trade tensions between the U.S. and China. Political events in India and Indonesia also added volatility to their respective domestic markets.

The Euro Stoxx 50 index was down by 2.19 percent and closed at 3,350.70 at the end of the week. European markets fell amidst U.S.-China trade tensions, soft economic data and political uncertainty in relation to Brexit. Prime Minister May announced that she would resign as party leader on June 7 2019.

ECONOMIC RELEASES & POLITICS	ACTUAL	EXPECTED
U.S. Markit Manufacturing PMI (May'19)	50.6	52.5
U.S. Existing Home Sales (MoM) (Apr)	5.19M	5.35M
U.S. Nondefense Capital Goods Orders ex Aircraft (Apr'19)	-0.9%	-0.3%
EUR Markit PMI Composite (May'19)	51.6	51.7
EUR Markit Manufacturing PMI (May'19)	47.7	48.1
China Industrial Production (YoY) (Apr'19)	5.4%	6.5%

STOCK MARKETS		17/5/2019	24/5/2019	Weekly Change (%)	YTD Change (%)
MSCI World	▼	2,116.51	2,095.03	-1.01%	11.21%
S&P 500	▼	2,859.53	2,826.06	-1.17%	12.73%
Dow Jones Industrial Average	▼	25,764.00	25,585.69	-0.69%	9.68%
NASDAQ	▼	7,816.29	7,637.01	-2.29%	15.10%
FTSE 100	▼	7,348.62	7,277.73	-0.96%	8.17%
Euro Stoxx 50	▼	3,425.64	3,350.70	-2.19%	11.64%
MSCI Asia Pacific ex Japan	▼	502.66	499.38	-0.65%	4.67%
NIKKEI	▼	21,250.09	21,117.22	-0.63%	5.51%
Hang Seng	▼	27,946.46	27,353.93	-2.12%	5.84%
Shanghai Composite Index	▼	2,882.30	2,853.00	-1.02%	14.40%
Straits Times Index	▼	3,205.46	3,169.89	-1.11%	3.30%
MSCI Emerging Markets	▼	996.39	986.65	-0.98%	2.16%
JPM Global Aggregate Bond Index	▲	578.29	579.86	0.27%	2.79%
WTI Oil (US\$)	▼	62.92	58.63	-6.82%	24.93%
Spot Gold (US\$)	▲	1,275.91	1,284.58	0.68%	0.23%

Corporate News

The Monetary Authority of Singapore (MAS) and the Association of Banks in Singapore (ABS) have set up a steering group to foster more rigorous culture and conduct practices among banks in Singapore.

Fixed Income Markets

The 10-year U.S. Treasury yield was down 7 basis points and closed off the week at 2.32 percent. Yields fell to its lowest since 2017 as risk-off sentiment in the markets prevailed amidst the ongoing trade tensions between U.S. and China. Furthermore, soft economic data weighed on yields. A portion of the yield curve remains at an inverted state.

Foreign Exchange Markets

The U.S. Dollar Index, which tracks the U.S. currency against six major rivals, was down by 0.42 percent and closed at 97.61. The dollar initially hit a two-year high amidst trade tensions and economic and political uncertainty in Europe and Asia, but depreciated as weak U.S. manufacturing data fueled rate cut expectations, which would weigh on the dollar.

Bitcoin price was up 14.4% for the week and closed off at US\$8,110.09. Bitcoin continues to move up as the Bitcoin halvening event approaches in May 2020, where supply will be reduced by half. Traders are starting to hoard Bitcoin in anticipation of this fixed event. It is an unpredictable asset class which correlates with the direction of global stock markets randomly.

Commodity Markets

Brent Crude price was down by 4.87 percent for the week and closed at US\$68.69 per barrel. Brent crude fell as crude inventories rose to its highest since July 2017, suggesting ample supply in the market. Trade war tensions and soft economic data also weighed on the demand outlook for oil.

Gold price was up by 0.68 percent and closed higher this week at US\$1,284.58 an ounce. The precious yellow metal was supported by a weaker dollar and expectations for a U.S. interest rate cut amid soft U.S. economic data. Lower interest rates tend to support gold since it reduces the opportunity cost of holding the non-yielding asset.

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.