



# Investment Digest

5 July 2019 – 12 July 2019





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## Global Stock Market Weekly Roundup

The Dow Jones Industrial Average index was up by 1.52 percent and closed at 27,332.03, breaking the 27,000 barrier, at the end of the week. The markets started low due to the release of an unexpectedly strong U.S. payrolls number, which led investors to reconsider the action the Fed would take. The investors were worried that the data would reduce chances of an aggressive rate cut. However, it bounced back after Fed Chairman Powell's congressional testimony. According to his testimony, he reassured about the potential for an interest rate cut. Investor expectations for an interest rate cut continued to support the market throughout the week, despite data showing U.S. core CPI inflation rose more than expected.

The Shanghai Composite Index was down by 2.67 percent and closed at 2,930.55 at the end of the week. The Asian markets generally showed a similar trend as the U.S. markets. The markets kept declining mainly because of the release of unexpected strong U.S. employment data, making investors to reassess the Fed's plan on interest rate cut. However, as the Powell's testimony confirmed the rate cut later in the month reinforced the markets to bounce back. Moreover, the optimism over U.S.-China trade talks lifted investors' sentiment.

The Euro Stoxx 50 index declined by 0.86 percent and closed at 3,497.63 at the end of the week. Overall, the European markets were weaker than other markets throughout the week. Europe was affected by the U.S. economic data as well. Additionally, Deutsche Bank's restructuring plans and the BASF, the world largest chemical company, cut its earning forecasts for 2019 negatively affected the overall European markets.

| ECONOMIC RELEASES & POLITICS                             | ACTUAL | EXPECTED |
|--|--------|----------|
| USD Initial Jobless Claims (Jul 5)                       | 209K   | 223K     |
| USD Continuing Jobless Claims (Jun 28)                   | 1.723M | 1.685M   |
| USD Consumer Price Index ex Food & Energy (YoY) (Jun'19) | 2.1%   | 2.0%     |
| USD Consumer Price Index ex Food & Energy (MoM) (Jun'19) | 0.3%   | 0.2%     |
| CNY Consumer Price Index (YoY) (Jun'19)                  | 2.7%   | 2.7%     |

| STOCK MARKETS                   |   | 5/7/2019  | 12/7/2019 | Weekly Change (%) | YTD Change (%) |
|---------------------------------|---|-----------|-----------|-------------------|----------------|
| MSCI World                      | ▲ | 2,205.57  | 2,212.64  | 0.32%             | 17.45%         |
| S&P 500                         | ▲ | 2,990.41  | 3,013.77  | 0.78%             | 20.22%         |
| Dow Jones Industrial Average    | ▲ | 26,922.12 | 27,332.03 | 1.52%             | 17.17%         |
| NASDAQ                          | ▲ | 8,161.79  | 8,244.15  | 1.01%             | 24.25%         |
| FTSE 100                        | ▼ | 7,553.14  | 7,505.97  | -0.62%            | 11.56%         |
| Euro Stoxx 50                   | ▼ | 3,527.98  | 3,497.63  | -0.86%            | 16.53%         |
| MSCI Asia Pacific ex Japan      | ▼ | 531.12    | 525.48    | -1.06%            | 10.14%         |
| NIKKEI                          | ▼ | 21,746.38 | 21,685.90 | -0.28%            | 8.35%          |
| Hang Seng                       | ▼ | 28,774.83 | 28,471.62 | -1.05%            | 10.16%         |
| Shanghai Composite Index        | ▼ | 3,011.06  | 2,930.55  | -2.67%            | 17.51%         |
| Straits Times Index             | ▼ | 3,366.81  | 3,357.34  | -0.28%            | 9.40%          |
| MSCI Emerging Markets           | ▼ | 1,059.93  | 1,050.90  | -0.85%            | 8.81%          |
| JPM Global Aggregate Bond Index | ▼ | 595.39    | 593.51    | -0.32%            | 5.21%          |
| WTI Oil (US\$)                  | ▲ | 57.51     | 60.21     | 4.69%             | 26.49%         |
| Spot Gold (US\$)                | ▲ | 1,399.34  | 1,411.39  | 0.86%             | 10.13%         |

## Corporate News

The world largest maker of telecommunication equipment and the No. 2 vendor of smartphones, Huawei Technologies Co. plans extensive layoffs at its U.S. operation as it struggles with the U.S. blacklisting. The exact number of layoffs has not yet announced, but it is expected to be in the hundreds. Its U.S. blacklisting has limited Huawei to buy important U.S. software products.

## Fixed Income Markets

The 10-year U.S. Treasury yield was up 9 basis points and closed off the week at 2.12 percent. Throughout the week, there were a few times when the curve was flattened. However, the yield generally increased. Yields initially fell due to dovish comment by Fed Chairman Powell, resulting in the yield curve steepening. However, treasuries sold off on Thursday, following a stronger-than-expected U.S. inflation report; offsetting the initial drop.

## Foreign Exchange Markets

The U.S. Dollar Index, which tracks the U.S. currency against six major rivals, was down by 0.37 percent and closed at 96.81. The dollar weakened for a third straight sessions this week, and it is still pressured by expectations that the Fed will cut interest rates.

Bitcoin price was down by 3.61% for the week and closed off at US\$10,647. Bitcoin and other cryptocurrencies are currently having a difficult time to settle their prices. There are some strong oppositions and think Cryptocurrencies have no values whatsoever. President Trump tweeted, "I am not a fan of bitcoin and other Cryptocurrencies, which are not money, and whose value is highly volatile and based on thin air."

## Commodity Markets

Brent Crude price was up by 3.88 percent for the week and closed at US\$66.72 per barrel. The price rose in the beginning of week as tensions with Iran escalated. It was temporarily offset by the ongoing concerns over slowing global economic growth. Nonetheless, the price rose significantly as U.S. crude inventories shrank and as major producers cut nearly a third of offshore Gulf of Mexico production due to an expected storm. The price fell as OPEC forecast slower demand in 2020 toward at the end of the week.

Gold price was up by 0.86 percent and closed higher this week at US\$1,411.39 an ounce. The recent dovish comments by Fed Chairman Powell at the testimony, U.S. Dollar moves, equity market records, and global economic slowdown are helpful to gold.

## Smarter Investing

### Diversification

#### What is Diversification?

The old adage against putting all your eggs in one basket... Let's say you have set aside some money for investments into equities; rather than "betting" all this money on a single stock, it would be wiser to invest in several stocks. In the latter, should one of the stocks perform poorly due to market conditions, the other stocks may help cushion the blow by providing much-needed diversification to your investments.

### Funds Investing

Typically, a substantial investment in around 15 to 20 stocks is required.

An easier and more effective way to do this is by investing in an investment fund (i.e. unit trusts). Such funds pool money from multiple small investors, allowing each of them to achieve necessary diversification without the need to invest an otherwise large sum of money.