



Nice Talent Asset Management

# MONTHLY UPDATE

2018 DEC

## Market in Nov

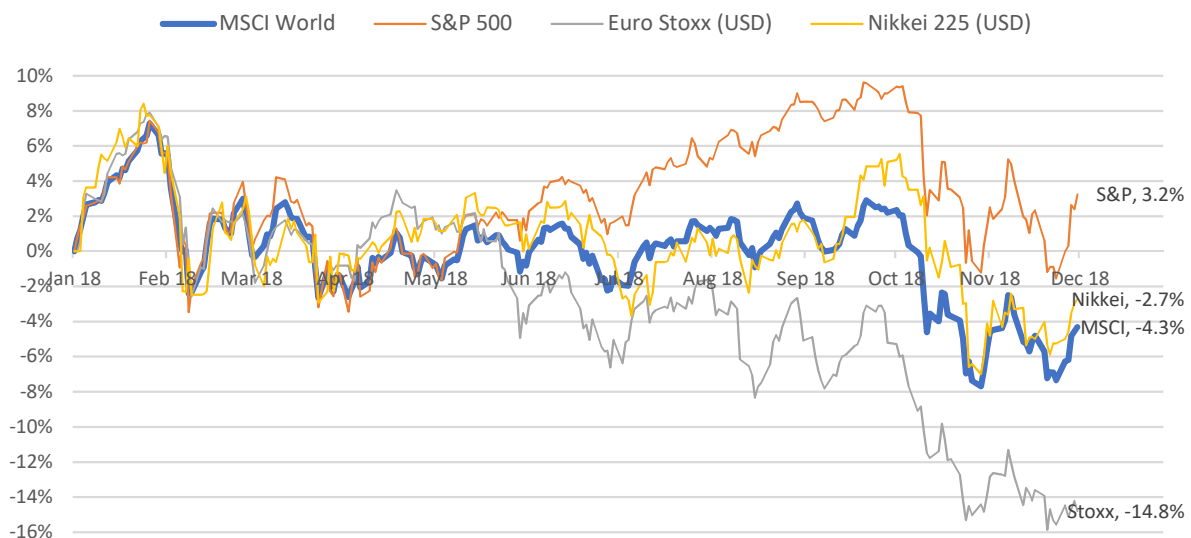
Market's jitter was first soothed as China and USA re-engaged in discussions to resolve trade disputes and clearance to the uncertainty over US mid-term affirmed Trump's leadership for his remaining term in office. However, this bullish moment was short-lived. Conflicting signals from the negotiation on trade dispute between USA and China kept investors puzzled which reignited worries over economic growth prospects and drove investors to safe-haven assets for protection. At month-end, Fed Chairman's dovish comment spurred market sentiment buoyant while investors kept eyes on the trade talks between China and USA at the G20 Summit.

## Equity Market

Optimism on resolving China-USA trade disputes and removal of USA's political ambiguity gave a reason for equity's markets to rebound from its correction in Oct. However, technology stocks wiped out the early gains and selling spread across the wider market, as suppliers to Apple cut their forecast, as well as concerns at other large companies including General Electric and Goldman Sachs. Reignited concerns over trade dispute and weaker economic outlook triggered risk aversion. Towards end of the month, dovish comment from US Federal Reserve Chairman Powell eased investors worry about an aggressive increase in interest rates and spurred rebound in stock markets.

In the month, S&P 500, Euro Stoxx and Nikkei 255 returned +1.79%, -1.08% and +1.43% (in USD) respectively. European companies delivered their most disappointing earnings in nearly three years as a sluggish economy and rising costs dragged on bottom lines.

	MSCI World	S&P 500	Euro Stoxx	Nikkei 225
Oct 2018	484.57	2,711.74	353.06	21,920.46
Nov 2018	490.86	2,760.17	348.98	22,351.06
Return (USD)	+1.30%	+1.79%	-1.08%	+1.43%



source: Bloomberg

The Forward price earnings ratio (“Fwd. P/E”) of SPX was 16.87x, slightly above its 7yrs historical average (“7YHA”) of 16.45x; the Fwd. P/E of SXXE and NKY were 13.54x and 16.13x, below their 7YHA of 14.13x and 17.34x respectively.

Please refer to below table for consolidated information on current reported quarter’s financial reporting from the constituents found in the above-mentioned indices. For companies within the indexes which had announced earnings, the percentages of “Positive Earnings Outcome” for USA, Europe and Japan markets were strong, weak and weak, respectively.

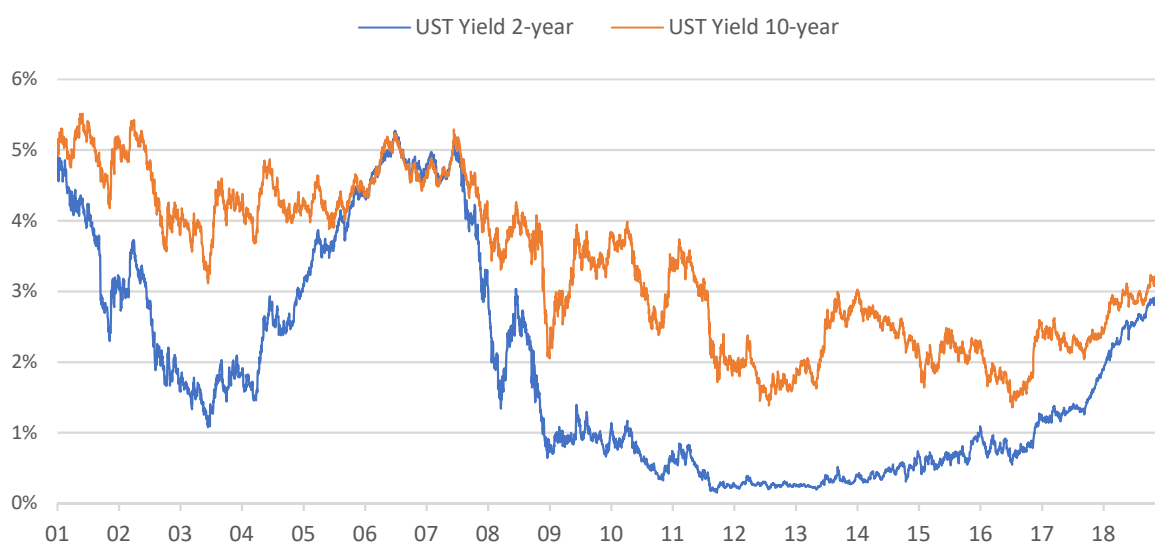
	Reported / Total	Positive	Earnings Outcome	
			Inline	Negative
<b>S&amp;P 500</b>	493 / 500	82%	1%	17%
<b>EURO STOXX</b>	168 / 284	51%	2%	47%
<b>NIKKEI 225</b>	161 / 225	51%	0%	49%

source: Bloomberg

## Bond Market

Market jitters fueled demand for assets considered safe haven which pushed down bond yields. In the most recent speech from the Chairman of US FED, Jerome Powell, he stated that interest rates are “just below” estimates of neutral, much different from his comment in early October that interest rate was “long way” from neutral. On the other hand, ECB President Draghi said that softer growth momentum in Eurozone was normal and not enough to derail plans by ECB to end bond buying in December. The spread between 2-year and 10-year notes was close to its lowest level since 2007.

	US Treasury Yield - 5 Yrs	US Treasury Yield - 10 Yrs	EU Treasury Yield - 5 Yrs	EU Treasury Yield - 10 Yrs	Bloomberg Barclays US Aggregate Bond Index
Oct 2018	2.975%	3.144%	-0.192%	0.385%	3.593%
Nov 2018	2.813%	2.988%	-0.268%	0.313%	3.545%
Δ (bps)	-16.2	-15.6	-7.6	-7.2	-4.8





source: Bloomberg

## Commodity Market

Gold price had supports from the market jitters while Oil prices continued to plunge. In Nov, oil price touched its lowest level in 1 year due to: 1) concerns of oversupply arising from productions & USA's sanction waivers to Iran's oil export, 2) darkening demand outlook, and 3) selloff in stock markets. Although Saudi said OPEC was considering cutting supply in 2019, this didn't help much to ease the slump in oil price losing streak.

## Macroeconomic

There were weak signs among major economies: US jobless claims unexpectedly rose; Eurozone PMI slumped to a two-year low in Oct; China's industrial profit growth slowed to just 3.6% YoY in Oct.

Below list includes the major events/news of the month:

- Trade war highlights:
  - US Commerce Department said it would impose final anti-dumping and anti-subsidy duties on Chinese common alloy aluminium sheet products of 96.3% to 176.2%
  - prior to G20 summit, Trump said he expected to boost tariff levels on USD 200 billion of Chinese goods to 25%, and would "highly unlikely" accept Beijing's request to hold off on the increase
  - Trump suggested that US could slap 10% tariffs on iPhones and laptops imported from China
- US mid-term election had a result that Democrats took control of the House of Representatives while Republican Senate control remains
- US officially reimposed all sanctions on Iran lifted under 2015 nuclear deal

- Italy's populist government insisted sticking to its 2019 budget, which was rejected by European Commission over excessive spending, and the commission threatened to sanction against Italy; later the government left open the possibility of eventually cutting its budget deficit
- UK and EU have agreed a draft text of a Brexit withdrawal agreement, which was then endorsed by May's Cabinet with some ministers quitted in protest
- Slide in cryptocurrencies accelerated, with bitcoin touching USD 3,522.58, the lowest level since Sep 2017, amid speculation that increased regulatory scrutiny will prompt issuers of initial coin offerings to liquidate holdings
- Russia fired on and seized three Ukrainian naval vessels off the Crimean Peninsula, resulting in escalation of tensions between the two countries

## Nice Talent's Current View

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The global equity entered into bear market and experienced a notable correction in Oct-2018. Using Fibonacci retracement on MSCI ACWI Index, if 528 on 26-Sept-2018 was the pinnacle level and 469 on 29-Oct-2018 was the base level, the short-term resistant level was 506. On 8-Nov-2018 MSCI ACWI Index was unable to reach the resistant level and touched 502 before further retreats. Since then, the US-China trade war seemed to be making progress and the Chairman of US FED gave a dovish speech towards 2019's rate hike. These had brought positive sentiment to support a bit more appreciation in the equity and bond markets. There may be rally up to 1st half of Jan 2019, but we believe that it could be technical rebound during a bear equity market before more downward trends to test lower levels.

At this point in time, investors focus on the sentiment towards US-China trade war. Although Trump and Xi declared a trade war truce, the fundamental issues are unlikely to be resolved in the short-term. Hence, any improvement in equity market arising from the outcome should be short lived as investors shift attentions back to how and when US-China trade war gets a meaningful progress. Based on our analysis, which was discussed in the previous' Monthly Update, the current bear equity trend may end between Apr to Aug 2019. Investors are advised to hedge their existing equity positions to minimize the impact during the equity bear trend and to hold more cash until equities signal meaningful undervalue for re-entry.

Per movements in equity indices and 10yrs US treasury yield during November, it seemed to suggest the market is already pricing in the US FED to raise interest rate once rather than the penciled down 3 times for 2019. If US FED decides to reduce the number of interest rate hike, we believe two times would be more realistic. Apart from interest hike, US FED could also increase the rate to contract its balance sheet to maneuver interest movement and the yield curve. From 1st Jan 2018 to the week of

19th Nov, the US FED's balance sheet reduced from USD4.44 trillion to USD4.11 trillion. Assuming the US FED does 2 interest hikes in H1 2019 and the Federal Fund Target Rate is brought to 3%, we anticipate US FED may accelerate to reduce its balance sheet to USD3.15-3.25 trillion by end of 2019. While such action may reduce the yield curve from further flattening, the yield curve will continue to shift upwards which does not improve the outlook for certain segments in the bond market nor the equity market.

Unless front-end bonds of maturities under two years with YTM of more than 3% can be found, investors may be better off to place existing cash in term deposits. To capture higher interest rate, investors could consider placing their deposit on quarterly basis. We maintain the recommendation to consider accumulating corporate bond when US 10-year treasury yield moves above 3.45% with preference on high yield bonds, emerging market bonds and senior loan. Investors are advised to focus on strength of corporate's balance sheet as one of the criteria towards bond investments. Also, if global recession begins in H1 2020, it is possible to observe the start of bull bond trend in Q4 2019.

In short-term, the movement of gold price is hard to predict but we believe in medium-to-long term that gold price would be notably higher than current level. The difficulties to predict the short-term direction of gold price is due to contradictory factors counteracting each other. Factors that attributes to lowering gold price include: (1) the strength of the USA's economy, (2) the strength of China's economy, (3) interest rate hike & balance sheet contraction by the US FED, and (4) inflation rate is anticipated to rise; while factors that attributes to rising gold price includes: (1) geopolitical uncertainties of USA with China, Saudis & Turkey, (2) questionability of the newly proposed Brexit plan gets approved by the UK parliament, and (3) continual uncertainty of Italy's budget. If investors do not hold any gold for now, it would be advisable to commence accumulation and to consider increasing exposure when gold trades below USD1,140/oz.

**Kieran CHIU**  
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## 十一月市況

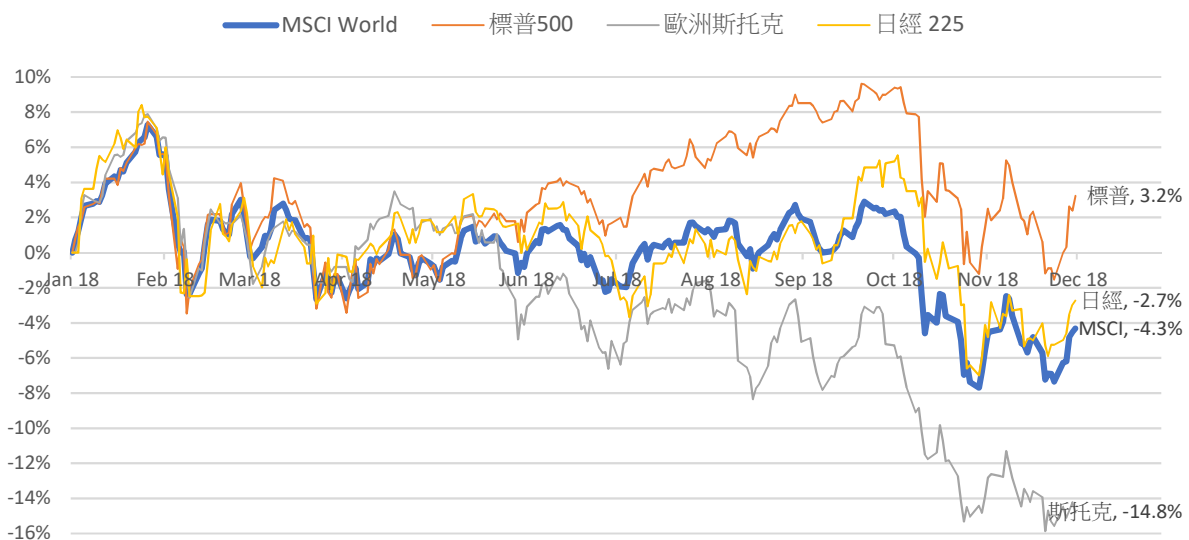
中國和美國就解決貿易糾紛重新談判，及美國中期選的不確定性消除並確保了特朗普在餘下任期的執政，讓市場的緊張氣氛得以舒緩。然而，這樂觀情況只是短暫。美國和中國在貿易問題上矛盾的言辭令投資者困擾，而重燃對經濟增長前景的擔憂，並驅使投資者轉移至避險資產以作保障。於月尾，聯儲局主席的鴿派言論刺激市場情緒上漲，而投資者注視中國和美國之間於 G20 峰會的貿易對話。

## 股票市場

市場憧憬中美貿易糾紛得到化解，和美國政局不明朗因素消除，令股市由十月的調整反彈。然而，科技股消除早段升幅並且沽售蔓延更廣，因蘋果供應商削減預測，以及對一些大型公司（當中包括通用電器和高盛）的憂慮。對貿易糾紛和經濟前景轉弱的顧慮再度激發投資者的避險情緒。接近月尾，美國聯儲局主席鮑威爾的鴿派言論舒緩投資者對進取加息步伐的擔心及刺激股市反彈。

於月內，標普 500、歐洲斯托克和日經 255 的回報分別為+1.79%, -1.08% 和 +1.43%（以美元計）。歐洲企業交出接近三年以來最令人失望的盈利，因滯緩的經濟及成本上升拖低盈利。

	MSCI World	標普 500	歐洲斯托克	日經 225
2018 年 10 月	484.57	2,711.74	353.06	21,920.46
2018 年 11 月	490.86	2,760.17	348.98	22,351.06
回報 (美元)	+1.30%	+1.79%	-1.08%	+1.43%



來源: Bloomberg

標普 500 指數的預測市盈率為 16.87 倍，僅高於其七年平均值 16.45 倍；歐洲斯托克和日經的預測市盈率分別為 13.54 倍 和 16.13 倍，低於它們的七年平均值 14.13 倍和 17.34 倍。



請參考以下列表有關上述指數中的企業最近所發出的季度財務報告。根據美國、歐洲及日本已發佈的業績，優於預期的所佔比例分別為強、弱、弱：

	已公佈 / 總數	好過預期	盈利結果 符合預期	差過預期
標普 500	493 / 500	82%	1%	17%
歐洲斯托克	168 / 284	51%	2%	47%
日經 225	161 / 225	51%	0%	49%

來源: Bloomberg

## 債券市場

市場緊張情緒刺激對避險資產的需求，將債券息率推低。最近聯儲局主席鮑威爾的演說中，他表示利率已略低於中性水平，與他在十月表示利率距離中性水平可能還有很長一段距離的言論大相逕庭。另一方面，歐洲央行行長德拉吉表示歐元區經濟增長放緩是正常，並不足以打亂央行於十二月停止債券購買的計劃。二年期至十年期美國國債孳息率差距接近 2007 以來的低位。

	美國國債 5 年期孳息率	美國國債 10 年期孳息率	歐洲國債 5 年期孳息率	歐洲國債 10 年期孳息率	Bloomberg Barclays US Aggregate Bond Index
18 年 10 月	2.975%	3.144%	-0.192%	0.385%	3.593%
18 年 11 月	2.813%	2.988%	-0.268%	0.313%	3.545%
Δ (bps)	-16.2	-15.6	-7.6	-7.2	-4.8







## 商品市場

金價在市場緊張情緒中有支持，然而油價持續下滑。於十一月，油價曾一度跌至一年低位，因

- 1) 產量上升和美國對伊朗石油出口的豁免，引起對供應過剩的憂慮、
- 2) 需求前景變得暗淡 及
- 3) 股市拋售。雖然沙特表示油組正在考慮於 2019 年減少供應，但對舒緩油價跌勢幫助不大。

## 宏觀經濟

主要經濟體均見到一些疲弱訊號：美國失業救濟金申請人數出乎預期上升；歐元區十月製造業指數跌至兩年來低位；中國工業盈利增長於 10 月放緩至 3.6%。

下列包括上月一些主要事件：

- 貿易戰重點：
  - 美國商務部決定，向中國入口的鋁合金板加徵 96.3%至 176.2%不等的反傾銷和反補貼關稅
  - 於 G20 峰會前夕，特朗普表示他預期調高對價值 2 億美元中國產品的關稅至 25%，並料「不太可能」接受中國推遲提高關稅的要求
  - 特朗普提議對從中國進口的 iPhone 和手提電腦徵收 10%關稅
- 美國中期選塵埃落定，民主黨獲得眾議院控制權，而共和黨保住了參議院控制權
- 美國對伊朗恢復實施在 2015 年因核協議而解除的所有經濟制裁
- 意大利民粹政府堅持採用被歐盟因過度花費為由而拒絕的 2019 年預算案，而歐盟威脅對意大利作出制裁；其後該政府對最終削減預算赤字的可能性持開放態度
- 英國與歐盟就脫歐協議草案達成共識，並得到文翠珊內閣支持，而部份部長請辭抗議
- 加密幣跌勢加快，比特幣曾一度跌至 3,522.58 美元，為 2017 年 9 月以來最低位，因猜測監管當局收緊審查將促使首次代幣發行（ICO）的發行人清空持倉

- 俄羅斯於克里米亞半島向烏克蘭海軍開火並奪取烏方三艘船艇，引致兩國緊張關係升級

## 俊賢目前看法

環球股市已進入熊市並於 2018 年 10 月經歷一浪顯著回調。應用斐波那契回調線於 MSCI ACWI 指數，如 2018 年 9 月 26 日的 528 為頂部，而 2018 年 10 月 29 日的 469 為底部，短期的阻力位會是 506。然而，於 2018 年 11 月 8 日，MSCI ACWI 指數未能達至阻力位，在觸及 502 後進一步下跌。自此，美中貿易戰似乎有進展，而聯儲局主席就 2019 年加息發表鴿派言論，這為股市和債市帶來正面情緒及支持上揚。雖然直至 2019 年 1 月上半月股市可能有所上升，但我們相信這會是在熊市中，在進一步下試更低水平前的技術性反彈。

現時，投資者注視有關美中貿易戰的情緒。雖然特朗普和習近平宣佈暫停貿易戰，但基本問題不大可能在短期內解決。因此，任何因此事所導致的股市上揚應屬於短暫，因為投資者注意力轉移致美中貿易戰將如何及何時有實質的進程。根據我們在之前「每月更新」中的分析，現在的熊市可能在 2019 年 4 月至 8 月結束，建議投資者對沖現有持股去減低熊市期間所帶來的影響，及增加現金直至股價估值顯示嚴重低估以重新買入。

根據股票指數和美國 10 年期國債孳息率於 11 月的變動，似乎暗示市場已反映美國聯儲局將於 2019 年加息一次，而非敲定的三次。如果聯儲局決定減少加息次數，我們相信兩次將會較為合理。除了加息，聯儲局或加快縮表來謹慎操控息率走向和息率曲線。由 2018 年 1 月 1 日至 11 月 19 日那星期，聯儲局的資產負債表由 4.44 萬億美元減少至 4.11 萬億美元。假設聯儲局於 2019 年上半年加息兩次和目標利率達至 3%，我們預期聯儲局或加快縮表，在 2019 年年尾縮至 3.15-3.25 萬億美元。雖則此舉可能減低利率曲線進一步趨平，但利率曲線繼續上移，並不能改善債市或股市中某些板塊的前景。

除非有短期債年期少於兩年而到期收益率多過 3%，否則投資者將現有現金投放在定期儲蓄更佳。為獲取更高息率，投資者可考慮按季投放定期儲蓄。我們維持建議於 10 年期孳息率 3.45% 水平以上增持公司債，及看好高息債券、新興市場債券和高級別債券，並建議投資者集中具強健財務狀況的企業為債券投資為其中一個關鍵要素。另外，如環球衰退在 2020 年上半年開始，債券牛市有機會在 2019 年第四季開始。

短期內金價的走勢難以預測，但我們相信中長期來說金價會明顯高於現有水平。預測金價短期方向的難度在於具矛盾的因素互相抵銷。令金價向下的因素包括：(1) 美國的經濟強度、(2) 中

國的經濟強度、(3) 美國聯儲局加息和縮表 及 (4) 通脹預期上升；而令金價向上的因素包括：  
(1) 美國與中國、沙特和土耳其的地緣政治不穩定、(2) 最新脫歐提案能獲英國議會批准成疑、  
(3) 意大利預算持續不明朗。如果投資者現在並未持有黃金，我們建議開始累積及在每安士  
1,140 美元水平以下增持。

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