Nice Talent Asset Management

MONTHLY UPDATE

2019 SEP

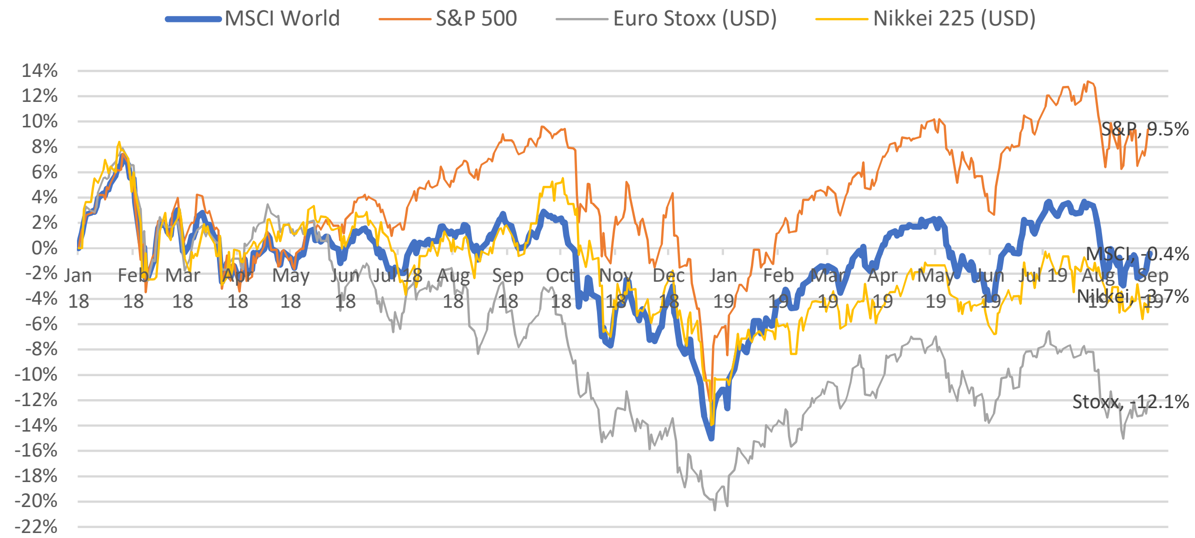
Market in August

Federal Reserve failed to signal interest rate path as aggressive as market hoped, and trade tension between China and United States intensified once again. Later, US treasury yield curve between 2-year and 10-year, a closely watched indicator for recession, inverted for the first time since 2007. These made investors shy away from risky assets and gave support to bonds, gold and yen. More central banks expressed concerns about global recession, which spurred hopes of global economic stimulus.

Equity Market

Reignited China-US trade conflict and recession signal from bond market triggered pullback in global stock markets. Later, expectation of more stimulus and some strong corporate results pared some loss. In the month, S&P 500, Euro Stoxx and Nikkei 225 returned -1.81%, -2.59% and -1.78% (in USD) respectively.

	MSCI World	S&P 500	Euro Stoxx	Nikkei 225
Jul 2019	524.35	2,980.38	375.93	21,521.53
Aug 2019	510.88	2,926.46	370.87	20,704.37
Return (USD)	-2.57%	-1.81%	-2.59%	-1.78%



source: Bloomberg

The Forward price earnings ratio ("Fwd. P/E") of SPX was 17.68x, above its 7yrs historical average ("7YHA") of 16.87x; the Fwd. P/E of SXXE and NKY were 14.34x and 15.00x, below their 7YHA of 14.49x and 17.35x respectively.

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

	Reported / Total	Positive	Earnings Outcome Inline	Negative
S&P 500	490 / 500	76%	1%	23%
EURO STOXX	164 / 284	64%	1%	35%
NIKKEI 225	164 / 225	52%	0%	48%

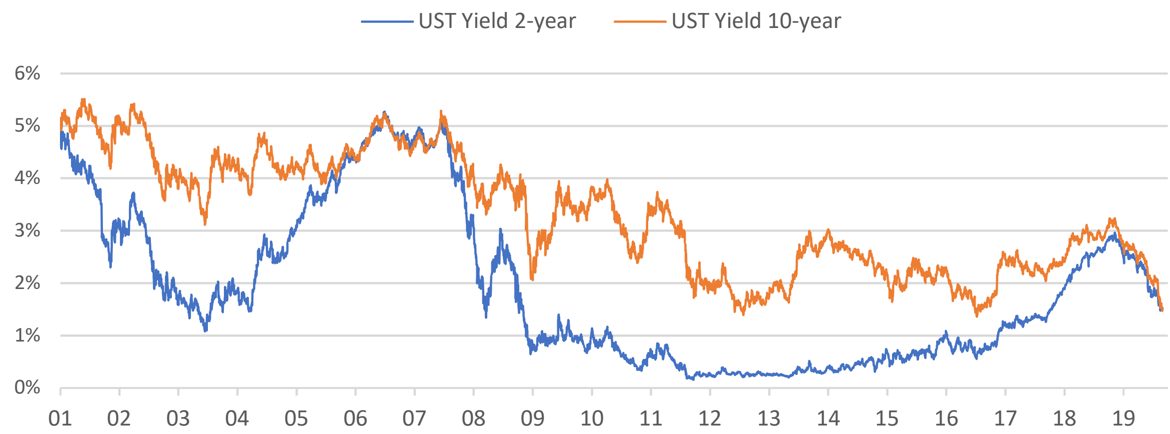
source: Bloomberg

Bond Market

Bonds rallied in fear of trade war's escalation and global recession. US 10-year treasury yield fell to its lowest level since July 2016, German 10-year bund yield fell to record low deep in negative territory, and Japanese 10-year government bond yield was just above its 2016 record low of -0.3%. The yield spreads between 2-year and 10-year of US and UK government bond turned negative for the first time since last financial crisis.

Central banks of Thailand, India and New Zealand cut rates more aggressively than expected as they are concerned about the risk of a prolonged global growth slowdown.

	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
Jul 2019	1.827%	2.014%	-0.715%	-0.440%	2.521%
Aug 2019	1.387%	1.496%	-0.923%	-0.700%	2.126%
Δ (bps)	-44.1	-51.8	-20.8	-26.0	-39.6



source: Bloomberg

Commodity Market

Oil prices first tumbled as new round of tariffs from China and United States raised fear of a global economic slowdown. Later, expectation of falling prices could lead to production cut and prolonged cut in US rigs supported a rebound in oil prices. Gold price jumped to a fresh 6-year high as investors rushed into safe heavens.

	WTI	Brent	Gold
Jul 2019	58.58	65.17	1,413.78
Aug 2019	55.10	60.43	1,520.38
Return (USD)	-5.94%	-7.27%	+7.54%

Macroeconomic

Global economic data continued pointing to negative side, while United States remained relatively strong. Factory and manufacturing activities contracted across Asia, Europe and United States, and Japanese manufacturers turned pessimistic about business prospects for the first time in more than six years. Other data also signaled slowdown continuing: a contraction in second-quarter GDP in Germany, weak retail sales growth in China, and real wages dropped for a sixth straight month in Japan. On the other hand, US jobless claims declined sharper than expected, suggesting the labor market remains strong even as the economy is slowing. In addition, upbeat earnings from US retailers pointed to strength in US consumer demand.

More central banks – Thailand, India, Singapore and Newland – expressed concerns over global recession, while Bank of England lowered its growth forecast due to increased Brexit worries and a slowing global economy.

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

- Tension between China and United States escalated once again, stoked by Trump's announcement of tariffs on the remaining Chinese goods. This was followed by tit-for-tat actions from both sides – China retaliated with tariffs and devaluated its currency against US dollar, whereas US imposed additional tariffs and ordered US manufacturers to leave China.
- Boris Johnson and EU showed no concession on renegotiating the terms of Brexit, and parliamentary time is restricted before the October 31 Brexit deadline due to suspension, which increase the chance of no-deal Brexit.
- Trade dispute between Japan and Korean continued, with the two sides dropping each other from their respective preferential list of trusted trade partners.
- Argentina debt crisis deepened, with Fitch and S&P cut their rating on the country further into junk bond territory to CCC.

Nice Talent's Current View

Negative interest rates are now happening in Japan, Germany, France and other European countries. Banks in Denmark and Switzerland are now charging customers to hold deposits, and a Danish bank has offered negative mortgage rates which pay homeowners for borrowing. This counterintuitive and unprecedented measure has confounded investors. After the global financial crisis, central banks used quantitative easing to provide cheap money in hope of reviving the economies. Since then, it has been more than 10 years and the global economy is still not out of the woods. Central banks contemplate next measure and negative interest rates now seems prevailing. Different from quantitative easing which incentivizes people to borrow and deploy into economy, negative interest rates make sovereign bonds unattractive and punish people hoarding cash like wealth tax. It aims to squeeze more money – not only borrowed money, but also those in your pocket – into circulation, boosting spending and economy.

The combined loose monetary policies and quantitative easing stimulated employment rate but was not able to achieve desirable real economic growth rate. We believe this was due to large proportion of money flowed into equities, bonds, precious metals and real estate, instead of capital investments for growth. This resulted in failure of inflation rate reaching target level. With growing concerns of when the next recession would occur, markets are speculating on tools which could be used in the upcoming economic downturn. While China and United States have tools available to combat the upcoming recession, these tools are likely to generate the outcome similar to the past decade. In recent times, there has been talks on Modern Monetary Theory where governments simply print money to finance expansionary fiscal policies. Ideally, Modern Monetary Theory suggests that money would be channeled to preferred areas to stimulate economic growth and inflation rate toward desirable level. We anticipate such move are more likely to be adopted by EU, Japan and USA than China. Irrespective of whether loose monetary policies, quantitative easing and/or "print money for expansionary fiscal policies" are used in the near future, they would only drive up the prices of inflation protected assets as such as real estate, gold and Treasury Inflation-Protected Securities("TIPS") in long term.

Escalating trade tensions between China and United States, worsening global economic growth, geopolitical tensions and other issues like Brexit and Turkey debt crisis drive more central banks considering policy easing. This has resulted in USD 16.7 trillion of bonds worldwide, or 30% of global tradeable bond universe, are negative-yielding. This phenomenon is likely to spread into the rest of the world, as we expect worldwide central banks are inclined to further easing. Under negative interest rates, the following consequences tend to happen: 1) cash and bonds will become commodity-like (with holding cost) rather than an income generating safety asset. This will push investors to riskier assets for higher and positive return. 2) Commercial banks and insurance companies will be under pressure, as banks' interest margin will be squeezed and insurers will be more difficult to meet claims from clients.

Considering the situation above, we remain positive on equity in short-term in prudent manner, picking companies with secular growth stories which are more insulated from economic downtown, such as companies involved in: (1) 5G infrastructures suppliers, (2) AI development for enterprise software, (3) battery's raw materials and manufacturers for electric vehicles, (4) drug development with multiple drug pipeline in late clinical stage and limited commercialized drugs, and (5) medical devices for prolonged lifespan.

For bond, we suggest long-term investment-grade bonds of more than ten years or perpetuals (with no convertible features) which benefit more from rate cuts towards negative real interest rates and China-USA trade tension. Besides issuers from United States being picked due to the relatively strong economy, quasi-government US-dollar bonds from China, India, Indonesia, Mexico and Russia are also preferred as they benefit from the China-US trade war.

The increasing likelihood of negative real interest rates will support gold price in long run. As gold price had appreciated significantly in the past 2 months, we anticipate further upside would be around USD 1,600 - 1,625 per ounce level towards early Q1 2020. From now to early Q1 2020, if gold price drops to USD 1,480 per ounce, it would be ideal to sell covered put options with an intention of collecting at USD1,450 per ounce. If gold price drops to or below USD 1,450 per ounce, investors may consider to top-up at spot price.

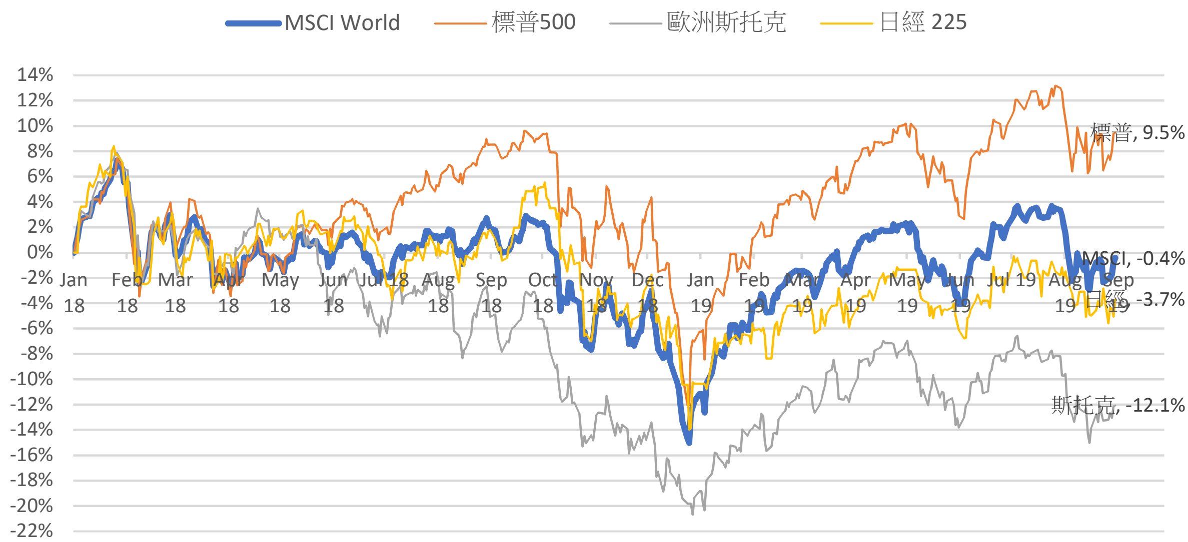
八月市況

聯儲局對利率步伐的訊息未能像市場所希望般進取，而中美貿易緊張局勢再次加劇。其後，2 年期與 10 年期之間的美國國債孳息率曲線 – 一個備受關註的衰退指標 – 自 2007 年以來首次出現倒掛。這些因素驅使投資者迴避高風險資產，並支持債券、黃金和日元。有更多央行對全球經濟衰退表示擔憂，激發對環球推出經濟刺激措施的期望。

股票市場

中美貿易衝突重燃及債券市場的衰退信號，引發全球股市回落。其後，對將會有更多刺激措施的期望和一些強勁的企業業績減少跌幅。於月內，標普 500、歐洲斯托克和 日經 225 分別錄得 -1.81%、-2.59% 和 -1.78% 的回報（以美元計）。

	MSCI World	**標普 500**	**歐洲斯托克**	**日經 225**
2019 年 7 月	524.35	2,980.38	375.93	21,521.53
2019 年 8 月	510.88	2,926.46	370.87	20,704.37
回報 (美元)	-2.57%	-1.81%	-2.59%	-1.78%



來源: Bloomberg

標普 500 指數的預測市盈率為 17.68 倍，高於其七年平均值 16.87 倍；歐洲斯托克和日經的預測市盈率分別為 14.34 倍 和 15.00 倍，低於它們的七年平均值 14.49 倍和 17.35 倍。

請參考以下列表有關上述指數中的企業最近所發出的近季財務報告。 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、中、弱：

			盈利結果	
	已公佈 / 總數	好過預期	符合預期	差過預期
標普 500	490 / 500	76%	1%	23%
歐洲斯托克	164 / 284	64%	1%	35%
日經 225	164 / 225	52%	0%	48%

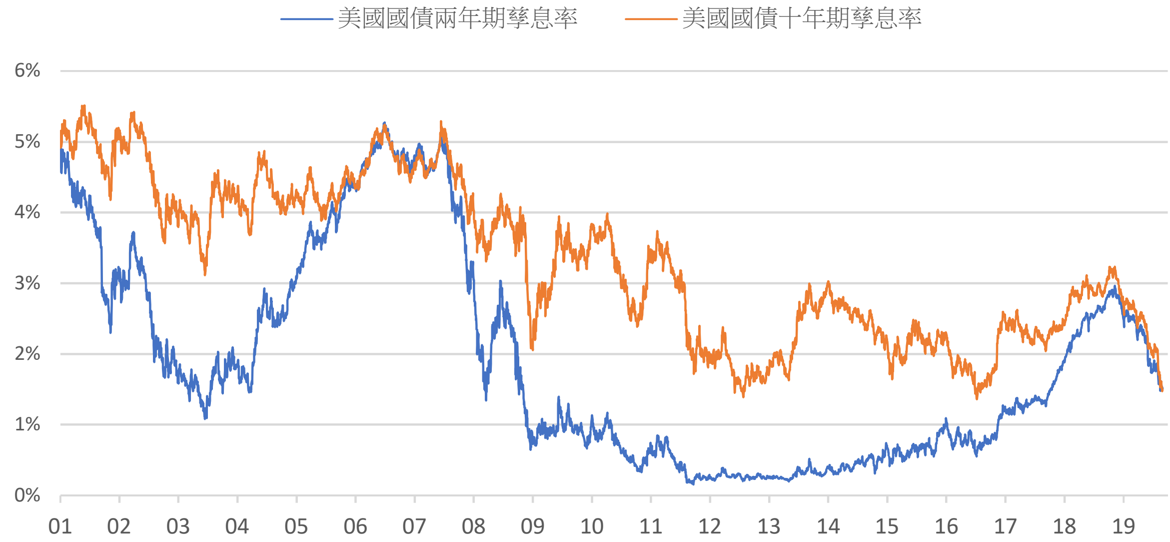
來源: Bloomberg

債券市場

由於擔心貿易戰升級和全球衰退，債券上漲。美國 10 年期國債孳息率降至自 2016 年 7 月以來的最低水平、德國 10 年期國債孳息率在負利率區間跌至紀錄低位，而日本 10 年期國債孳息率只略高於 2016 年紀錄低位-0.3%。美國和英國政府債券的 2 年期至 10 年期之間的息差自上次金融危機以來首度跌至負數。

泰國、印度和新西蘭的央行比預期更進取地減息，因他們擔心全球經濟增長長期放緩的風險。

	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
19 年 7 月	1.827%	2.014%	-0.715%	-0.440%	2.521%
19 年 8 月	1.387%	1.496%	-0.923%	-0.700%	2.126%
Δ (bps)	-44.1	-51.8	-20.8	-26.0	-39.6



來源: Bloomberg

商品市場

中國和美國的新一輪關稅引起對全球經濟放緩的憂慮，油價首先下挫；其後，因預期價格下跌可能導致減產，和美國鑽油井平台持續減少，支持油價反彈。金價升至六年新高，因投資者湧入避險資產。

	紐約期油	布蘭特期油	黃金
2019 年 7 月	58.58	65.17	1,413.78
2019 年 8 月	55.10	60.43	1,520.38
回報 (美元)	-5.94%	-7.27%	+7.54%

宏觀經濟

環球經濟數據繼續指向負面，而美國仍然相對強健。亞洲、歐洲和美國的工廠及製造活動收縮，而日本製造商在六年多來首次對業務前景感到悲觀。其他數據亦顯示放緩持續：德國第二季國內生產總值收縮、中國零售銷售增長疲弱，及日本實際工資連續 6 個月下跌。另一方面，美國申領失業救濟金人數比預期下降更多，意味即使經濟放緩，勞工市場仍保持強勁。另外，美國零售商的盈利樂觀，顯示美國消費者需求強勁。

更多央行 – 泰國、印度、新加坡及新西蘭 – 表示對全球衰退的擔憂，而由於對脫歐的擔憂加劇和全球經濟放緩，英倫銀行下調經濟增長預測。

下列包括上月一些主要事件：

- 特朗普宣布對餘下的中國商品徵收關稅，令中美之間的緊張關係再次升級。隨後是雙方針鋒相對的行動 – 中國以關稅進行報復及將人民幣兌美元貶值，而美國則徵收額外關稅並命令美國製造商離開中國。
- 約翰遜和歐盟在重新談判脫歐協議方面均沒有讓步，而因受議會暫停影響，國會的時間在 10 月 31 日脫歐限期前受到限制，增加了硬退歐的機會。
- 日本與韓國之間的貿易爭端持續，雙方從各自的信任貿易夥伴優先名單中剔出對方。
- 阿根廷債務危機加劇，惠譽和標普進一步將他們對該國的評級下調至垃圾債券級別中的 CCC。

俊賢目前看法

目前，日本、德國、法國和其他歐洲國家都出現了負利率。丹麥和瑞士的銀行現在向客戶存款收取費用，而丹麥一間銀行提供負抵押貸款利率，向房主的貸款支付費用。這種違背直覺和前所未有的措施令投資者感到困惑。全球金融危機後，各國央行利用量化寬鬆政策提供廉價資金，希望重振經濟。自此，十多年過去，全球經濟仍未走出困境。各國央行正在考慮下一步的措施，而負利率現在似乎流行起來。有別於量化寬鬆鼓勵人們借貸並投入經濟，負利率使主權債券失去吸引力，並懲罰囤積現金的人尤如財富稅。它的目的是把更多的錢 – 不僅是借來的錢，更是你口袋裏的錢 – 擠出至流通資金，從而促進消費和經濟。

寬鬆的貨幣政策和量化寬鬆刺激了就業率，但未能達到理想的實際經濟增長率。我們認為，這是由於大量資金流入股票、債券、貴金屬和房地產，而不是流入資本投資來幫助經濟增長，導致通貨膨脹率未能達到目標水平。隨著對下一次經濟衰退將在何時出現越趨擔憂，市場正在思索即將到來的經濟衰退中可能使用的工具。儘管中美兩國擁有對策應付即將到來的衰退，但這很可能會產生與過去十年類似的結果。最近出現圍繞「現代貨幣理論」（Modern Monetary Theory） 的討論，有關各國政府只是以印鈔為擴張性財政政策融資。理想情況下，現代貨幣理論認為，貨幣將被引導到首選範圍，以刺激經濟增長和通貨膨脹至滿意水平。我們預計，歐盟、日本和美國比中國更有可能採取這舉動。不管寬鬆貨幣政策、量化寬鬆 和/或 「印鈔以支持擴張性財政政策」於不久將來用上，長期來看，它們只會推高通貨膨脹保護資產的價格，譬如房地產、黃金和國庫通脹保值債券（TIPS）。

中美貿易緊張升級、全球經濟增長惡化、地緣政治緊張以及英國退歐和土耳其債務危機等問題，促使更多央行們考慮放鬆政策。這導致全世界有 16.7 萬億美元的債券，或全球可交易債券的30%，是負收益。這一現象很可能蔓延到世界其他地區，因為我們預計世界各國央行都傾向於進一步放鬆貨幣政策。在負利率下，以下後果傾向發生：1) 現金和債券將成為商品類（具持有成本），而不是產生收入的安全資產。這將推動投資者至高風險資產以尋求更高和正回報。2) 商業銀行和保險公司將面臨壓力，因為銀行的息差將受到擠壓，而保險公司將更加難以滿足客戶的索償。

考慮到上述情況，我們對股票的短期表現維持審慎樂觀，選擇具長期增長及受經濟下滑影響較輕的公司，譬如公司業務涉及：(1) 5G 基建供應、(2) 為企業軟件開發人工智能系統、(3) 電池原料及電動車生產、(4) 擁有多隻處於臨床實驗尾段及有限度商品化的藥物、(5) 延長壽命的醫學儀器。

債券方面，我們建議年期多於十年或永久的長期債券（無可轉換性質），因更受惠於減息和中美貿易緊張。除了美國債券發行人因當地經濟較強而被挑選之外，我們亦傾向來自中國、印度、印尼、墨西哥和俄羅斯的準政府美元債券，因它們受惠於中美貿易戰。

長遠來看，負利率可能性的增加對金價有支持。因金價於過去兩個月有顯著上升，我們預測在 2020 年第一季會達至每盎士 1,600 - 1,625 美元水平。由現在至 2020 年第一季，如果金價跌至每盎士 1,480 美元，出售行使價在每盎士 1,450 美元的掩護性認沽期權的做法較為理想。如果金價跌至每盎士 1,450 美元，投資者可考慮以現貨價增持。