



Nice Talent Asset Management

MONTHLY UPDATE

2019 AUG

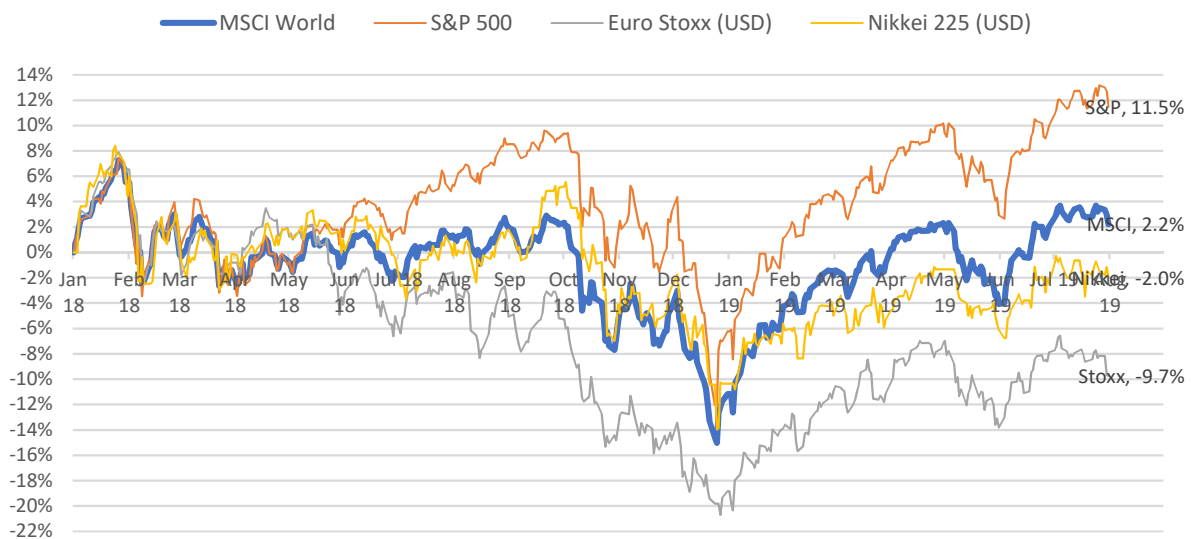
Market in July

In July, markets kept an attitude of wait-and-see toward outcome of Federal Reserve meeting and update of China-USA trade talks, and investors turned their focus to corporate results. European Central Bank, Bank of Japan and Federal Reserve maintained dovish stances on monetary policies. Economic data points to global economic slowdown with US economy relatively more solid.

Equity Market

July was another great month for US stocks, supported by some better-than-expected corporate results and expectation of rate cut from Federal Reserves. S&P, Dow Jones and Nasdaq hit record highs. By month end, Powell's comment of "midcycle adjustment" weakened investors' expectation of further rate cut, which pared gains in stock markets. In the month, S&P 500, Euro Stoxx and Nikkei 225 returned +1.31%, -2.00% and +0.49% (in USD) respectively.

	MSCI World	S&P 500	Euro Stoxx	Nikkei 225
Jun 2019	523.44	2,941.76	375.82	21,275.92
Jul 2019	524.35	2,980.38	375.93	21,521.53
Return (USD)	+0.17%	+1.31%	-2.00%	+0.49%



source: Bloomberg

The Forward price earnings ratio ("Fwd. P/E") of SPX was 17.98x, above its 7yrs historical average ("7YHA") of 16.82x; the Fwd. P/E of SXXE was 14.48x, slightly above its 7YHA of 14.45x; the Fwd. P/E of NKY was 15.43x, below its 7YHA of 17.33x.

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 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	325 / 500	78%	1%	22%
EURO STOXX	95 / 284	66%	2%	32%
NIKKEI 225	78 / 225	54%	0%	46%

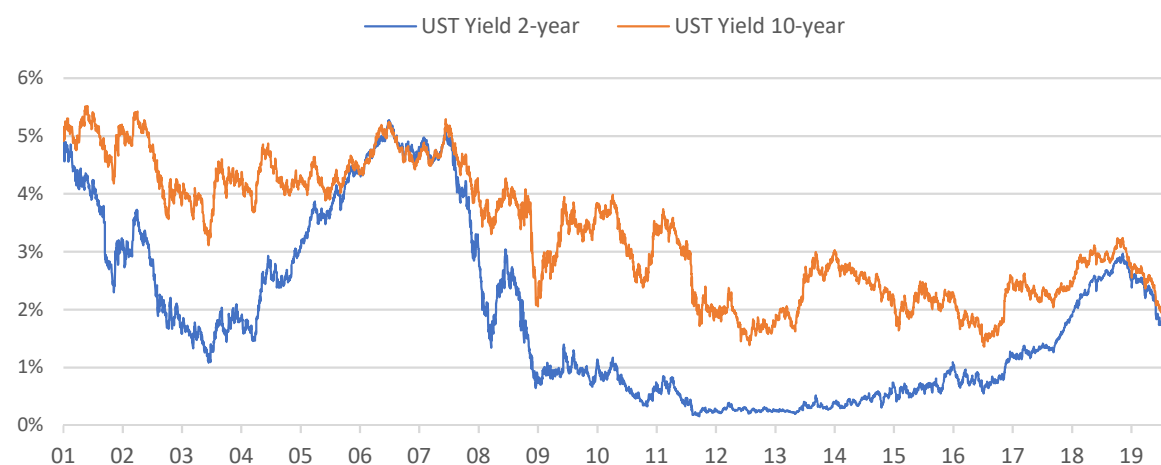
source: Bloomberg

Bond Market

European Central Bank, Bank of Japan and Federal Reserve maintain their dovish stances on monetary policies. ECB signaled rate cut and restart of bond-buying program while Fed cut rate for the first time since 2008, which aim to support economies against global headwinds ranging from trade tensions to Brexit.

European government bond yield dropped in response to ECB's comments, while US government bond yield had little change as investors awaited outcome from Federal Reserve meeting.

	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
Jun 2019	1.766%	2.005%	-0.663%	-0.327%	2.493%
Jul 2019	1.827%	2.014%	-0.715%	-0.440%	2.521%
Δ (bps)	+6.1	+0.9	-5.2	-11.3	+2.8



source: Bloomberg

Commodity Market

Gold price was flat as investors awaited direction on interest rate from Federal Reserve. Oil prices moved little as effect from OPEC's extended production cut and reduced operating rigs in USA was offset by worries about global demand outlook.

	WTI	Brent	Gold
Jun 2019	58.47	66.55	1,409.55
Jul 2019	58.58	65.17	1,413.78
Return (USD)	+0.19%	-2.07%	+0.30%

Macroeconomic

Economic data were mostly negative in major countries but mixed for USA. Factory activities shrank across USA, China, Europe and Asia. Measures on manufacturing activity also dropped to multiple-year lows in USA, Germany and Japan. China posted its lowest quarterly economic growth in 27 years. On the other hand, USA had GDP growth of 2.1% in second quarter, the weakest since 2017 Q1 but above estimates. Its labor market remained strong with falling jobless claims and increase in payrolls, while retail sales increased more than expected.

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

- Trade talks between China and USA resumed with no breakthrough, with putting off their next meeting until September
- US threatened tariffs on USD 4 billion of additional EU goods, regarding the long-running dispute over aircraft subsidies
- Mounting tensions between Iran and the West, as it stepped up its enrichment of uranium and seized a British-flagged oil tanker
- Improved relationship between USA and North Korea – both countries agreed to restart nuclear talks and Trump became the first sitting US president to step across the boundary dividing North and South Korea
- Escalated tension between Japan and South Korea, with Japan placing controls on exports of chemical materials used in chips manufacturing to South Korea; the situation was stemmed from dispute over Japanese companies using forced Korean labour during World War II
- Boris Johnson becomes Britain's new prime minister

Nice Talent's Current View

The long-awaited first rate cut by Federal Reserve since 2008 has finally come; however, the central bank's comment of "midcycle adjustment" confused investors and drove them to rethink their interest rate expectations. Despite market's reaction, we see more monetary easing from Federal Reserve will sustain, along with other major central banks. The central banks delivered dovish comments citing an intention to insulate economy from a global slowdown and escalating trade tensions, and these factors shown no sign of improvement.

At the time of this writing, Trump announced a new round of tariffs on remaining Chinese imports, despite restart of the trade talks. Besides, Boris Johnson becoming the new UK prime minister increases the likelihood of no-deal Brexit, and there is escalated tension between Japan and Korea. These happen on top of recent economic data showing that economic growth major countries – including USA, Eurozone, UK and China – are heading lower. Therefore, the central banks will likely keep pushing their monetary easing.

At the same time, it is important to note that further easing may mitigate short-term economic risk but the medium-to-long-term risk to global financial stability remain, due to high levels of global borrowing and deteriorating debt quality.

As a result, we are positive on risky assets in short-term due to excess liquidity but remain prudent for medium-to-long-term. Geographically, we prefer USA for investments given its economy is relatively stronger. USA is a big domestic internal economy with 70% of GDP from personal consumption. Export plays a minor role and over half of that is to EU, Canada and Mexico, where only 7% to China. Recent data showed that US consumer sentiment is near 15-year highs and unemployment rate is at 49-year lows, which suggest Americans are upbeat confident in the health of US economy with capacity on spending. With the aid of accommodative monetary policy, US economy shall remain robust in near-term.

For equity, we suggest taking advantage of recent pullback to increase holdings in companies with secular growth stories which are more insulated from economic downturn, such as companies involved in: (1) AI development for enterprise software, (2) battery's raw materials and manufacturers for electric vehicles, (3) drug development with multiple drug pipeline in late clinical stage and limited commercialized drugs, and (4) 5G infrastructures suppliers.

For bond, we expect monetary easing from central banks to continue. In light of this, we suggest to switch some short-term bonds into long-term investment-grade bonds (more than seven years) which

will benefit more from rate cuts. Besides USA having a relatively strong economy, some countries benefit from China-USA trade war as imports and productions are shifted to these countries. After review, we prefer quasi-government US-dollar bonds from China, India, Indonesia, Mexico and Russia. For investors with higher risk appetite, they may consider to leverage a portion into high yield bonds of shorter tenor (less than 3 years) to achieve higher yield.

For gold, the price seems to have the bullish case in short-term. Investors with significant holding in gold may consider to take partial profit at current level (~USD 1,440 per ounce) or above.

七月市況

7 月份，市場對聯儲局會議結果和中美貿易談判進展保持觀望態度，投資者繼而將注意力轉移至公司業績。歐洲央行、日本央行和聯儲局在貨幣政策上保持鴿派立場。經濟數據顯示全球經濟放緩，而美國經濟相對穩定。

股票市場

美國股市於 7 月繼續向好，受好過預期的公司業績和對聯儲局下調利率的預期所支持，標普、道指及納指均創新高。於月底，鮑威爾的「周期中期調整」評論減弱投資者對進一步減息的預期，削減股市的升幅。標普 500、歐洲斯托克和 日經 225 分別錄得 +1.31%、-2.00% 和 +0.49% 的回報（以美元計）。

	MSCI World	標普 500	歐洲斯托克	日經 225
2019 年 6 月	523.44	2,941.76	375.82	21,275.92
2019 年 7 月	524.35	2,980.38	375.93	21,521.53
回報 (美元)	+0.17%	+1.31%	-2.00%	+0.49%



來源: Bloomberg

標普 500 指數的預測市盈率為 17.98 倍，高於其七年平均值 16.82 倍；歐洲斯托克的預測市盈率为 14.48 倍，稍高於其七年平均值 14.45 倍；日經的預測市盈率为 15.43 倍，低於它的七年平均值 17.33 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：

	已公佈 / 總數	好過預期	盈利結果 符合預期	差過預期
標普 500	325 / 500	78%	1%	22%
歐洲斯托克	95 / 284	66%	2%	32%
日經 225	78 / 225	54%	0%	46%

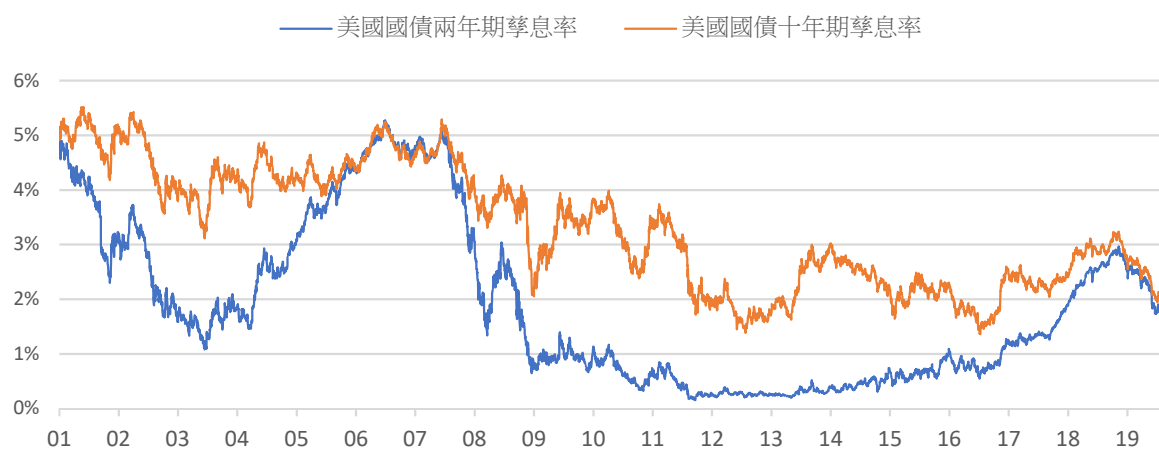
來源: Bloomberg

債券市場

歐洲央行、日本央行和聯儲局在貨幣政策上保持鴿派取態。歐洲央行示意會下調利率和重啟債券購買計劃，而聯儲局自 2008 年首次減息，以支持經濟抵禦從貿易緊張到英國脫歐等環球逆境。

基於歐洲央行的言論，歐洲政府債券孳息率下降，而美國國債孳息率變化輕微，因投資者等待聯儲局的會議結果。

	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 6 月	1.766%	2.005%	-0.663%	-0.327%	2.493%
19 年 7 月	1.827%	2.014%	-0.715%	-0.440%	2.521%
Δ (bps)	+6.1	+0.9	-5.2	-11.3	+2.8



來源: Bloomberg

商品市場

黃金價格持平，因投資者等待美聯儲的利率方向。油價變動輕微，因對全球需求前景的擔憂，抵銷油國組織延長減產和美國營運中鑽油井平台減少的影響。

	紐約期油	布蘭特期油	黃金
2019 年 6 月	58.47	66.55	1,409.55
2019 年 7 月	58.58	65.17	1,413.78
回報 (美元)	+0.19%	-2.07%	+0.30%

宏觀經濟

主要國家的經濟數據大多為負面，而美國的數據則好壞參半。美國、中國、歐洲和亞洲的工廠活動減少。美國、德國和日本的製造業指數也跌至多年低位。中國公佈了 27 年來最低的季度經濟增長。另一方面，美國第二季度 GDP 增長為 2.1%，是 2017 年第一季度以來最低，但高於預期。美國勞動力市場依然強勁，申請失業救濟人數減少及就業人數增加，零售銷售增長亦超過預期。

下列包括上月一些主要事件：

- 中美貿易談判繼續進行，沒有突破，下次會議推遲到 9 月
- 就有關飛機補貼的長期爭端，美國威脅要對 40 億美元額外歐盟貨物徵收關稅
- 伊朗和西方之間的緊張關係不斷加劇，因為伊朗增加鈾濃縮度，並扣押一艘懸掛英國國旗的油輪
- 美朝關係改善 – 兩國同意重啟核談判，而特朗普成為第一位跨越南北韓邊界的在任美國總統
- 日本與韓國之間的緊張關係升級，日本對出口至韓國用於製造芯片的化學材料實行管制；這情況源於兩國就二戰期間日本公司使用朝鮮強迫勞工的爭端
- 約翰遜成為英國新一任首相

俊賢目前看法

期待已久的聯儲局自 2008 年以來首次減息終於來臨，但該央行的「周期中期調整」評論混淆投資者並驅使他們重新思考他們的息率預期。儘管市場如此反應，我們預料聯儲局將與其他主要央行一同推出更多的寬鬆貨幣政策。央行們曾發表鴿派言論，稱其目的是讓經濟免受全球經濟放緩和貿易緊張升級的影響，而這些因素並沒有顯示出任何改善跡象。

在撰寫本文時，特朗普宣布對剩餘的中國進口產品徵收新一輪關稅，儘管重啟了貿易談判。此外，約翰遜成為英國新任首相，加大了英國硬脫歐的可能性，而日韓之間的緊張局勢也在升級。在此之前，最近的經濟數據顯示，包括美國、歐元區、英國和中國在內，主要國家的經濟增長都在走下坡。因此，央行們很可能會繼續推行寬鬆貨幣政策。

與此同時，必須指出的是，雖然進一步的寬鬆政策或會緩解短期經濟風險，但由於全球借貸水平高、債務質量不斷惡化，因此全球金融穩定性的中長期風險依然存在。

因此，由於流動性過剩，我們短期內對高風險資產持樂觀態度，但中長期仍保持謹慎。地區上，由於美國經濟相對強勁，我們偏好投資於美國。美國是一個內需經濟大國，GDP 的 70%來自個人消費。出口的重要性不大，其中一半以上的出口是對歐盟、加拿大和墨西哥，而對中國的出口僅佔 7%。最近的數據顯示，美國消費者的情緒接近 15 年的高位，失業率則在 49 年低位，這顯示美國人對美國經濟充滿信心及具消費能力。在寬鬆貨幣政策的幫助下，美國經濟將在短期內保持強勁。

股票方面，我們建議利用最近的回調來增加在那些具長期增長的公司的持股，因為這些公司受經濟下滑的影響較輕，譬如公司業務涉及：(1) 為企業軟件開發人工智能系統、(2) 電池原料及電動車生產商、(3) 擁有多隻處於臨床實驗尾段及有限度商品化的藥物、(4) 5G 基建供應商。

債券方面，我們預計各國央行的寬鬆貨幣政策將繼續。有鑒於此，我們建議將短期債券轉換成長期債券（多於 7 年），這長債將更受惠於減息。此外，除了美國經濟較強外，一些國家也從中美貿易戰中受益，因為進口和生產轉移到這些國家。經過評估，我們傾向於來自中國、印尼、墨西哥和俄羅斯的準政府美元債券。對於風險偏好較高的投資者，他們可考慮槓桿一部分較短期（少於 3 年）的高收益債券，以獲得更高的收益率。

黃金方面，現有價格似乎已反映短期內的樂觀情況。有顯著黃金持貨的投資者可考慮在目前水平（約每盎司 1,440 美元）或以上獲取部份利潤。