



Nice Talent Asset Management

MONTHLY UPDATE

2019 JAN

Market in Dec

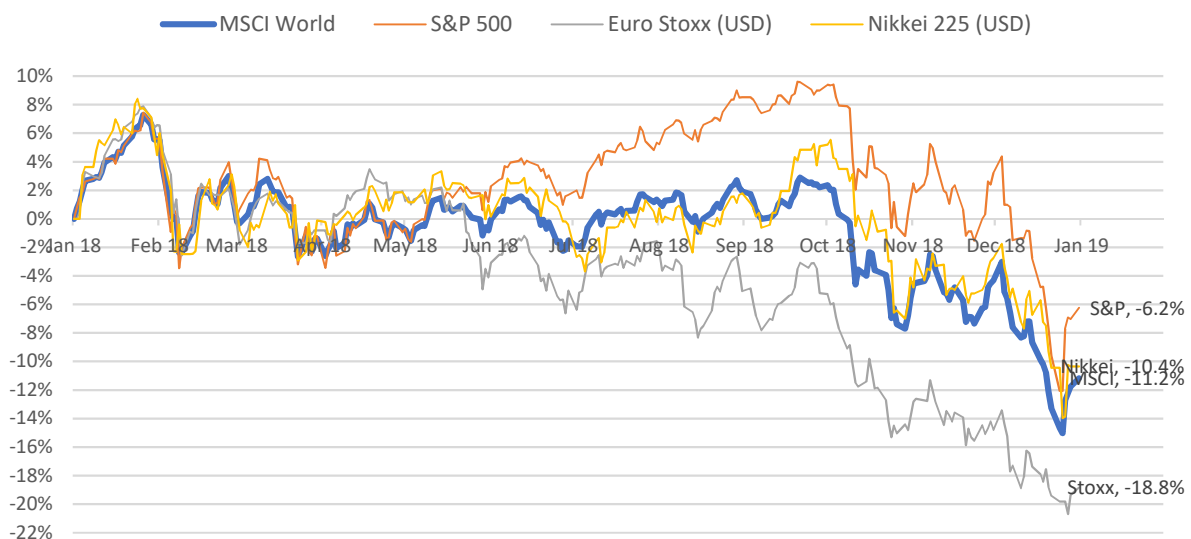
December started with positiveness with Xi and Trump agreed to put tariff on hold but subsequent news were negative with escalation in tension between China and Canada due to the arrest of Huawei's CFO, skepticism on reaching agreement during trade war truce, weak economic data, FED's hawkish comment, US federal government shutdown, and rumor of Trump's plan to fire the Chairman of FED. On top of concern over slowing economic growth, market pessimism intensified in the 2nd half of December that triggered sharp drops in riskier assets like equities and oil while boosting demand in safety assets like Treasury bonds and gold.

Equity Market

Last month was a disastrous month to global equity markets which underwent significant corrections. S&P returned **-9.18%**, its worst December month since the Great Depression. Euro Stoxx returned **-4.73%** (in USD), and hit its lowest level in more than 2 years. Nikkei returned **-7.83%** (in USD), and retreated to its 20-month low.

The trade war truce gave a very short-lived peace to equities. A series of aforementioned bad news then dragged down equity prices toward Christmas. After reports of strong holiday sales from retailers and assurances that Trump would not fire the FED's chairman, markets had the largest post-Christmas rally on record. This also marked December as a very volatile month to equities.

	MSCI World	S&P 500	Euro Stoxx	Nikkei 225
Nov 2018	490.86	2,760.17	348.98	22,351.06
Dec 2018	455.66	2,506.85	328.49	20,014.77
Return (USD)	-7.17%	-9.18%	-4.73%	-7.83%



source: Bloomberg

After plunge in global stock markets, valuations of major indices had been well below their historical averages. The Forward price earnings ratio ("Fwd. P/E") of SPX was 15.43x, below its 7yrs historical

average (“7YHA”) of 16.49x; the Fwd. P/E of SXXE was 12.80x, below its 7YHA of 14.17x; the Fwd. P/E of NKY was 14.52x, below its 7YHA of 17.34x.

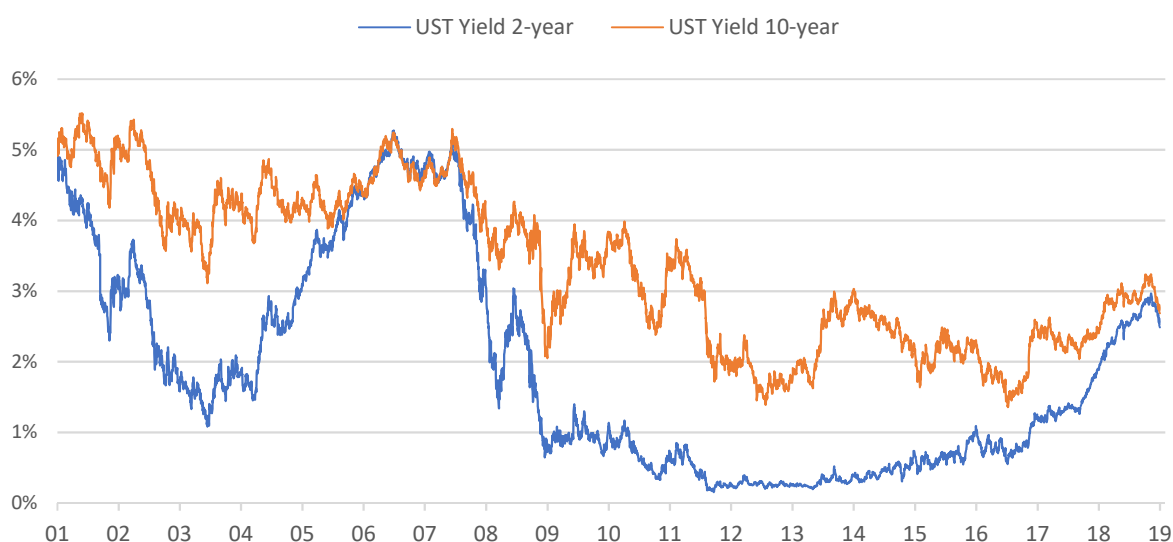
With Q4 2018 recently ended, we will skip the reporting on Quarterly financial reporting this month and resume in our next report when such information becomes available.

Bond Market

Selloff in equity markets triggered demand for safety assets. Major government bond yields were lower: US 10-year treasury yield hit its lowest level since Feb 2018 and had its largest monthly drop in 30 months; German 10-year government bond yield hit six-month low; Japanese 10-year government bond yield briefly fell to zero for the first time since Sep 2017. The spread between US 10-year and 2-year treasury yields narrowed to below 10 bps, its tightest since Jun 2007.

US Federal Reserve raised the target range for its benchmark rate for the fourth time this year to 2.25% to 2.5%, which was also the ninth since it began normalizing rates in Dec 2015. It also projected two hikes in 2019, reduced from three. On the other hand, ECB pinned down to end its EUR 2.6 trillion bond purchase scheme, while it will keep reinvesting cash from maturing bonds for a long time after its first interest rate hike.

	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
Nov 2018	2.813%	2.988%	-0.268%	0.313%	3.545%
Dec 2018	2.511%	2.684%	-0.312%	0.242%	3.280%
Δ (bps)	-30.1	-30.4	-4.4	-7.1	-26.5





source: Bloomberg

Commodity Market

Gold price rallied to its highest level in more than six-months, as US dollar slipped and investors sought for safety asset in response to lower equities. Gold speculators switched to net long position in gold for the first time since July.

Plunge in oil prices continued, sliding to its lowest level since June 2017, due to fears on economic slowdown and concerns on oversupply from 1) forecasts that US shale output will hit record high, 2) restart of British largest oilfield, and 3) rising US crude inventories. These factors eliminated the positive effect from production cut agreed by OPEC and Russia.

Macroeconomic

Major economies showed signs of slowing growth. US Nov job growth slowed and Empire State Manufacturing Index fell to the lowest level since May 2017. Japan's economy shrank 2.5% in the third quarter, the worst quarter since 2014 Q2, and its exports to China and USA weakened sharply in Nov. German business confidence fell to its lowest level in more than two years. In China, retail sales in Nov grew at their weakest pace since 2003 and industrial earnings dropped for the first time in nearly three year.

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

- China-US Trade War:
 - On 2 Dec, Xi and Trump agreed to halt additional tariff for 90 days; however, if no agreement is reached in this period, new tariffs will be imposed by US on 1 Mar
 - China resumed buying US soybeans for the first time since the trade war started in July, and announced to temporarily reduce tariffs on US-made vehicles and auto parts from 40% to 15% for three months, starting 1 Jan 2019

- China and USA planned for face-to-face meeting in the second week of January
- Theresa May survived the confidence vote, and delayed the parliamentary vote on Brexit deal to the third week of January
- Meng Wanzhou, Chief Financial Officer of Huawei, was arrested in Canada, facing extradition to USA on suspicion in violating US sanctions against Iran
- Tension between China and Canada escalated after the arrest of Meng Wanzhou, with some Canadians getting arrested within Chinese border
- New Zealand, Japan, Czech and Britain's telecom giant BT Group banned or warned using telecom equipment from Huawei and ZTE, while Trump was reported considering to bar US companies from using equipment from these two suppliers
- An impasse over Trump's proposed wall on Mexican border caused partial government shutdown which continues into 2019
- Social unrest "yellow vest movement", which began in France, spread to other European countries like Netherlands, Belgium and even Germany

Nice Talent's Current View

Global equity markets had experienced significant corrections, followed by somewhat big rebound. Investors may wonder whether it is time to buy back into equities, however, we are cautious about it. While forward P/E of major markets are well below their 7yrs historical averages, we anticipate these figures would test lower level due to market uncertainty as well as market consensus may further reduce earnings expectations.

There is still substantial event risk and some events can have considerable impact on the markets. Although China and USA will start their first face-to-face meeting since the truce agreed last month, reaching an agreement satisfactory to both sides before 1 March would likely be difficult. Firstly, some Chinese structural reforms required by USA, especially in stated-owned enterprises, could be unpalatable for the Chinese government. Secondly, trade negotiations are typically complex and protracted, which may take years or even more than a decade, such as China-Australia Free Trade Agreement and Canada-EU deal. On the other hand, Brexit is facing dilemma. UK Prime Minister Theresa May is yet to win parliament's backing for her Brexit deal, with 59% of questioned Conservative Party members opposed May's deal in a recent survey. While May has been seeking concessions from European Union to make her Brexit deal more attractive to the parliament, the commission is reluctant to renegotiate. Thus, a no-deal Brexit in March is still a possible outcome which could lead to economic and political chaos.

While we are writing this report, several US departments remain close due to partial shutdown and the People's Bank of China has announced to reduce the reserve ratio of banks by 1%. For US, this is not the first time partial shutdown had occurred, we anticipate this would eventually be resolved after some agreements could be made within the US government. For China, months before the announcement of reducing bank's reserve ratio by 1%, President Xi and Premier Li had been enforcing policies on banks to support loan accessibility for SME of non-SOE over concern of economic slowdown. If such reserve ratio reduction could help non-SOE to access bank loan, we anticipate China's economic slowdown would be manageable. Despite of the good intention of President Xi and Premier Li to support China's economic growth, we believe more refinement to policies may occur in the coming months to ensure borrowings are channeled to support SME for economic growth rather than being siphoned to the China's equity market.

Large companies like Apple, Alphabet, FedEx and Micron have reduced earnings forecast, with White House economic advisor predicting more downgrades to come. This is supported by more signs of slowing economic growth around the world. If no material progress from those critical events aforementioned to enhance earnings outlook, the current valuations may not be able to sustain and could put downward pressure to equity prices.

The spread between US 10-year and 2-year treasury yields has narrowed to below 10 bps, its tightest level since Jun 2007, which may signal recession. Recently, there is another ominous sign – yen surged in short period. From 26 Dec to 3 Jan, yen gained 6.1% in five trading sessions. Surge in yen is usually resulted from demand for safety assets and repatriation of money by Japanese investors during extreme market stress. Historically, this movement is a sign of stress for global markets, such as Russian default in 1998 and the global market meltdown in 2008.

We expect the volatility continues into 2019 first half and equity markets would lack of impetus to have a robust rally. Therefore, we recommend to maintain hedge for existing equity positions and above-average cash level till Q2/Q3 of 2019.

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.

There has been significant rally in gold price due to market fear last month, we expect uncertainties will continue to haunt the market sentiment which will support the gold price. Thus, we advise to maintain holding in gold.

Kieran CHIU
Chief Executive Officer

Colin CHAU, CAIA
Chief Investment Officer

Clive LIU, CFA
Investment Director

十二月市況

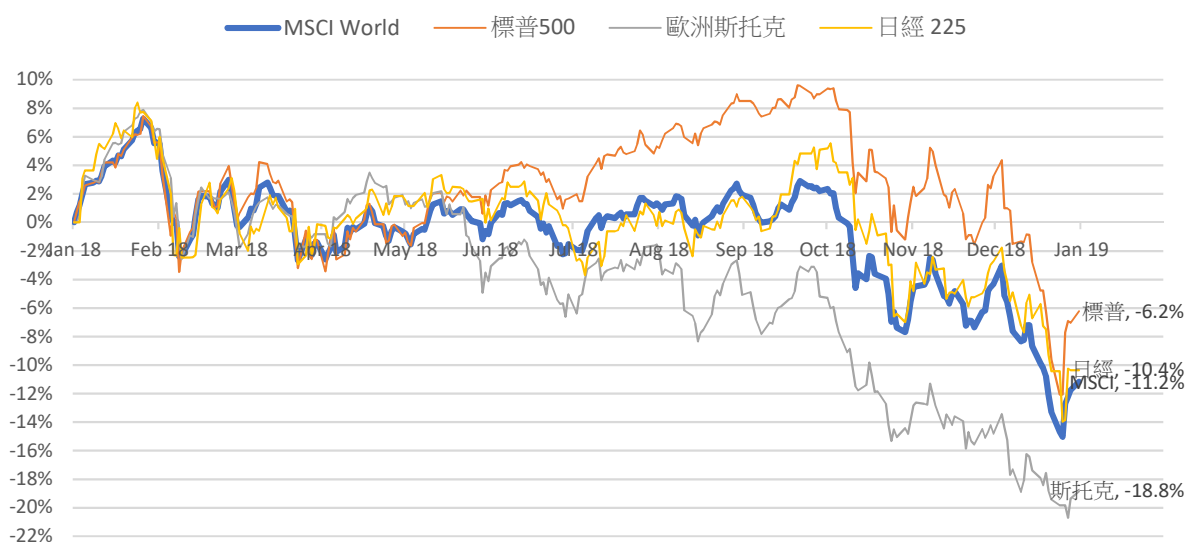
十二月以正面開局，因習近平和特朗普同意暫時擱置關稅，但隨後的新聞均為負面，如中國和加拿大的緊張關係因華為首席財務官被捕事件而升級、對貿易戰休戰期間能達成協議存疑、經濟數據疲弱、美國聯邦政府停擺、及流傳特朗普計劃辭退聯儲局主席。加上對經濟增長減慢的憂慮，市場悲觀情緒在十二月下半部份加劇，引發風險資產如股票和石油的價格顯著回落，而對避險資產如國債和黃金的需求增加。

股票市場

上月對環球股市來說是災難性的一個月，它們均經歷明顯回調。標普 500 回報為-9.18%，是自大蕭條以來最差的十二月；歐洲斯托克回報為 -4.73%（以美元計），一度觸及兩年多以來的低位；日經回報為-7.83%（以美元計），曾回落至 20 個月來的低位。

貿易戰休戰只為股市帶來一個短暫的平和。隨後一連串上述的壞消息拖低股市至聖誕節。其後，強勁的節日零售銷售報告和特朗普保證不會辭退聯儲局主席，令股市錄得史上最大的聖誕節後升幅，亦標誌十二月為股市極波動的一個月。

	MSCI World	標普 500	歐洲斯托克	日經 225
2018 年 11 月	490.86	2,760.17	348.98	22,351.06
2018 年 12 月	455.66	2,506.85	328.49	20,014.77
回報 (美元)	-7.17%	-9.18%	-4.73%	-7.83%



來源: Bloomberg

在環球股市急挫後，主要指數的估值均低於其歷史平均值。標普 500 指數的預測市盈率為 15.43 倍，低於其七年平均值 16.49 倍；歐洲斯托克的預測市盈率為 12.80 倍，低於其七年平均值 14.17 倍；日經的預測市盈率為 14.52 倍，低於其七年平均值 17.34 倍。

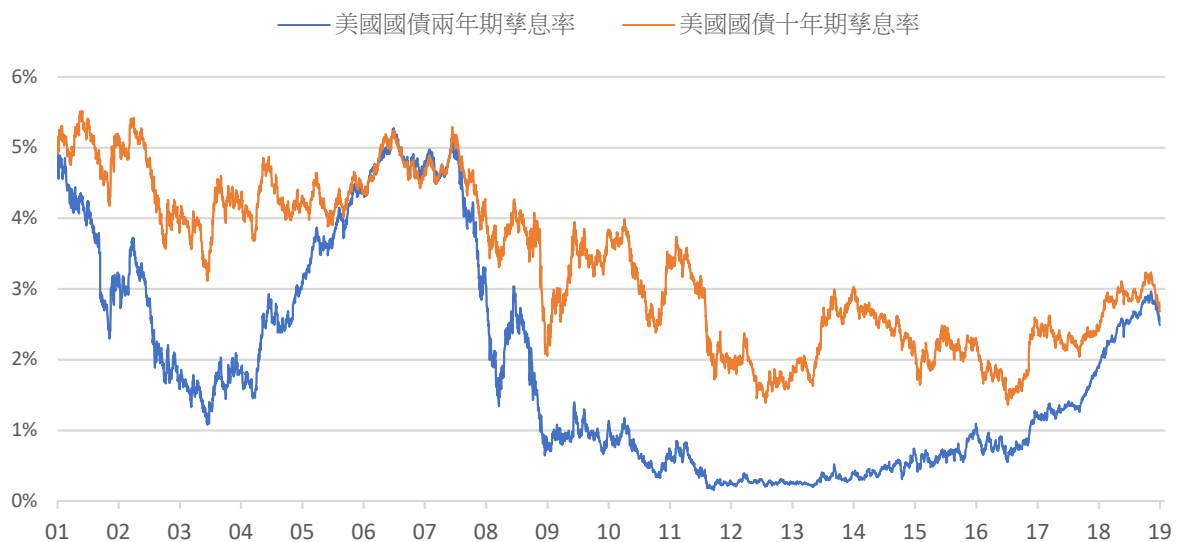
由於 2018 年第四季剛完結，我們於本月剔除季度財務報告，當相關資料出爐時將於下月回復報導。

債券市場

股票市場沽售觸發對避險資產的需求。主要國債孳息率均有所回落：美國十年期國債孳息率曾跌至 2018 年 2 月以來最低位，並且是 30 個月以來最大按月跌幅；德國十年期國債孳息率曾跌至 6 個月低位；日本十年期國債孳息率曾短暫跌至零，為 2017 年 9 月以來首次。美國十年期和兩年期的孳息率差距曾收窄至 10 點子以下，為 2007 年 6 月以來最低。

美國聯儲局於今年內第四次提升目標利率範圍至 2.25%至 2.5%，亦為 2015 年 12 月利率正常化以來第九次。此外，該局預測 2019 年加息次數由三次降至兩次。另一方面，歐洲央行確定終止其 2.6 萬億歐元的買債計劃，而該行將會在第一次加息後維持一段長時間將債券到期收回來的現金繼續投資。

	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 11 月	2.813%	2.988%	-0.268%	0.313%	3.545%
18 年 12 月	2.511%	2.684%	-0.312%	0.242%	3.280%
Δ (bps)	-30.1	-30.4	-4.4	-7.1	-26.5





商品市場

金價上升至六個月多以來的高位，因美元下跌及投資者就股市下跌而尋求避險資產。黃金投機者自七月以來首次持有淨長倉。

油價跌勢持續，回落至 2017 年 6 月以來的低位，由於對經濟放慢的恐懼，及對供應過剩的憂慮：1) 預測美國頁岩油生產將會達紀錄新高、2) 英國最大油田重啟、和 3) 美國原油庫存上升。這些因素消除油組和俄羅斯同意減產所帶來的正面影響。

宏觀經濟

環球主要經濟體示顯增長減慢的跡象。美國十一月職位增長放慢，和紐約聯儲製造業指數跌至 2017 年 5 月以來的低位。日本經濟於第三季收縮 2.5%，為 2014 年第二季以來最差的一季，而對中國和美國的出口於 11 月顯著下跌。德國企業信心跌至兩年多以來最低。在中國，11 月的零售銷售增長為 2003 年以來最弱，而工業盈利則接近三年來首次下跌。

下列包括上月一些主要事件：

- 中美貿易戰：
 - 於 12 月 2 日，習近平和特朗普同意暫停進一步關稅 90 日；然而，如果期間未能達成協議，將於 3 月 1 日加徵新一輪關稅
 - 中國恢復購買美國大豆，為 7 月貿易戰開始以來首次，並宣佈由 2019 年 1 月 1 起暫時降低對美國製造的汽車及汽車零件的關稅，由 40% 減至 15%，為期三個月
 - 中國和美國計劃於一月第二個星期面談
- 文翠珊倖免於信任投票，及推遲脫歐議會投票至一月第三個星期

- 華為首席財務官孟晚舟在加拿大被捕，面對就涉嫌違反美國對伊朗的制裁令而被引渡至美國；加拿大法庭其後准許孟晚舟之保釋
- 在孟晚舟拘捕事件發生後，中國和加拿大之間角力升級，而一些加拿大人在中國境內被捕
- 新西蘭、日本、捷克和英國電訊巨頭英國電訊相繼禁止或警告使用華為和中興的通訊設備，而有報導指特朗普正考慮禁止美國企業採用這兩間供應商的設備
- 有關特朗普建議墨西哥邊境圍牆的僵局導致政府局部停擺並延致 2019 年
- 源自法國的社會騷動「黃背心運動」蔓延至其他歐洲國家，如荷蘭、比利時、甚至德國

俊賢目前看法

環球股市經歷顯著回調，其後是一個頗大的反彈。投資者可能想知道這是否重新買入股票的機會，然而，我們對此表示謹慎。雖然主要股市的預測市盈率均低於它們的七年平均值，但我們預期這些數字會再下試更低水平，因市場的不確定性以及市場意見或進一步降低盈利預測。

市場風險仍然潛伏，部分事件更可對市場有相當大的影響。雖然中國和美國將會開始他們在上月休戰後首個面談，但要於三月一日前達成一個雙方都滿意的協議應為困難。首先，美國要求的一些中國結構性改革，尤其關於國企，對中國政府而言應為難以接受。其次，貿易協商普遍是繁複及漫長，可長達幾年至十年以上，譬如中澳自由貿易協定和加拿大與歐盟的貿易協定。另一方面，脫歐亦面對窘境。英國首相文翠珊仍未贏取議會支持她的脫歐方案，於最近一項調查中，有 59%受訪保守黨成員反對文翠珊的方案。雖然文翠珊尋求歐盟讓步令脫歐方案對議會更吸引，但該委員會不願意再度談判。因此，硬脫歐仍是一個可能的結果，而這或會導致經濟上和政治上的混亂。

當我們撰寫這份報告時，一些美國政府部門仍然因局部停擺而關閉，和中國人民銀行剛宣佈降準 1%。美國方面，局部停擺並非首次發生，我們預期當美國政府內部達成一些協議後這問題會得到解決。而中國方面，在公佈降準 1% 的多個月前，習近平和李克強就經濟放慢的憂慮對銀行實施政策以支持中小民企的融資。如果是次降準能夠幫助到中小民企得到銀行融資，我們預期中國的經濟減慢可受控。儘管習近平和李克強意圖支持經濟增長，我們相信有更多政策上的改進會於未來幾個月出台，以確保借貸被引導去支持中小企及經濟增長，而非流進中國股票市場。

一些大企業，如蘋果、Alphabet、FedEx 和美光均下調盈利預測，白宮經濟顧問預期將會有更多下調，而全球經濟減慢的跡象亦支持這觀點。如果上述關鍵事件無實質上的進展以提升盈利前景，現時的估值將難以維持及會為股價帶來下行壓力。

美國十年期和兩年期之間的息差收窄至 2007 年 6 月以來最低，或標誌衰退將臨。最近，有另一個不祥的訊號出現 – 日元短時間內抽升。由 12 月 26 日至 1 月 3 日，日元在五個交易日內上升 6.1%。日元抽升通常歸究於對避險資產的需求和日本投資者在極端市場緊張時調撥資金回國。歷史上，這動向標示環球市場緊張，如 1998 年俄羅斯違約和 2008 年全球市場崩潰。

我們預期波動將會持續至 2019 年上半年，而股市缺乏動力作一個強勁的升勢。因此，我們建議維持對沖現有持投和高於平均水平的現金至 2019 年第二、三季。

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。

因市場恐慌以致金價有顯著的升幅。我們預期不穩定性將繼續纏繞市場情緒，而這會為金價帶來支持。因此，我們建議維持黃金持貨。

趙文傑
行政總裁

周承嶸 CAIA
首席投資總監

廖子聰 CFA
投資總經理