

Looking Back

- In October, equity and bond markets experienced large losses. For period ending 12 October, NASDAQ, S&P500, Hang Seng and STI fell by 6.2%, 5.1%, 5.8% and 7.2% respectively¹, while US 10-year bond yields reached a seven-year high of 3.23%.
- The sell-off in both markets was precipitated by a tightening of liquidity conditions and simmering trade tensions
- Firstly, interest rates were pushed higher by the US Federal Reserve tightening. Secondly, US dollar strengthened as investors fled emerging market risk. Lastly, Brent oil reached US\$85 per barrel.
- The twin developments of higher oil prices and failed US-China trade talks were interpreted negatively by investors
- This also pushed up the value of the US dollar, as it was seen as safe haven asset, which in turn put pressure on Asian currencies and financial markets
- The International Monetary Fund has downgraded global growth to 3.7% in 2019 (from 3.9%).

Looking Ahead

- The current market disruption reflects de-leveraging as the US central bank takes the lead in reversing quantitative easing or QE, shifting away from years of zero interest rates.
- While global growth expectations may be a touch lower, investors should focus on the longer term. Economic fundamentals remain sound and the global economy outlook is still positive with limited risk of a recession in 2019.
- The sell-off in some markets has instead created opportunities for long-term investors.
- There is a need to be cautious and selective, focusing on good quality assets that offer attractive value.

Please do not hesitate to contact us if you require further clarification.

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¹ Source : Bloomberg, Month to period ending 12 October