

UOB Investment Insights

Market Powerbar

July 2019 Highlights

Topic 1: A look back at H1 2019

JAN
2019
31



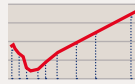
Fed pauses on hike rates.

FEB
2019
14



Trump postpones additional China tariffs by 60 days.

MAR
2019
22



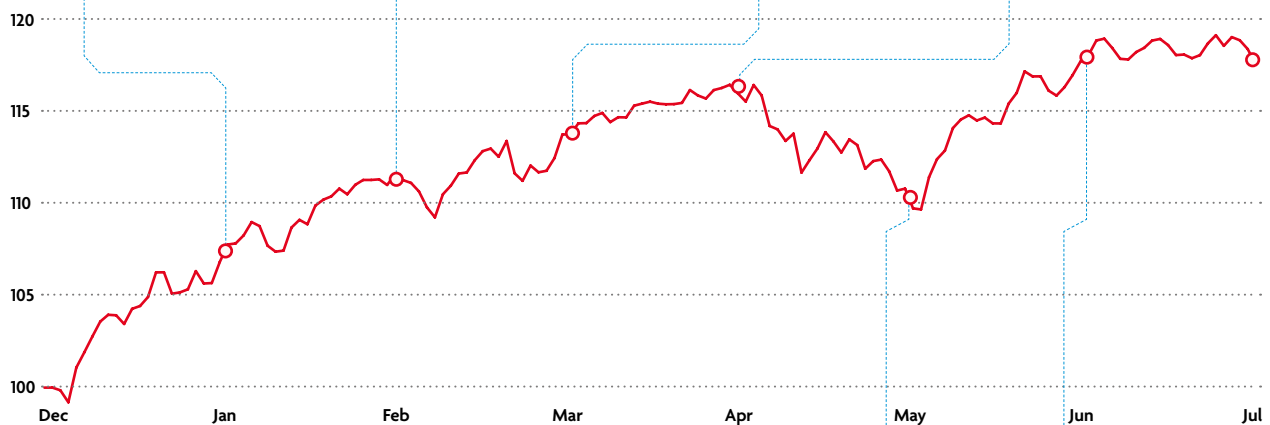
US Treasury yield curve between 3-months and 10-years inverts.

APR
2019
11



Brexit postponed till 31 October 2019.

MSCI World Index (Rebased to 100)



MAY
2019
1



FOMC keeps rates unchanged even as markets expected a rate cut.

MAY
2019
5



Trump reignites trade tensions with China.

MAY
2019
15



The US effectively bans Huawei but offers a 90-day reprieve.

JUN
2019
5



Powell says the Fed will "act as appropriate to sustain the expansion".

Review of H1 2019

- H1 2019 has been rewarding thus far for investors, despite geopolitical uncertainties. Global equities and global fixed income delivered +18.0% and +5.28% returns respectively.
- Markets will likely remain volatile as geopolitical risks heat up.
- While staying invested, investors should reduce high-risk exposures by moving into asset classes that can better withstand market uncertainties.

Source: Bloomberg, 31 July 2019. Returns are shown on a net total return basis in USD.

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Topic 2: Investing in H2 2019

Key risks



Rising US protectionism

- Trade tensions are no longer just between the US and China, but potentially with Europe and other parts of Asia as well.



Political uncertainty in Europe

- Brexit remains uncertain till October.
- Populist parties have gained traction.



Global growth slowdown

- The effects of prolonged US-China trade tensions are starting to manifest in economic data, especially in Asia.

Mitigating factors



Central banks lend support

- US, Europe and Japan are keeping interest rates low.
- Liquidity remains cheap and abundant.
- Central banks are more responsive to weak economic data.



Chinese government stimulus

- Reducing banks' reserves ratio to increase lending activities.
- Reducing income taxes.
- Expanding infrastructure:
 - Railways
 - Bridges
 - Roads & Highways



Impending global recession is unlikely

How should investors react



Building portfolio resilience

- Although a recession is unlikely in H2 2019, geopolitical risks and uncertainties remain.
- Therefore, there is still a need to build portfolio resilience.

Diversify across different asset classes and regions

Global multi-asset income strategies

Hold assets that can mitigate potential drawdowns

- Asian investment-grade bonds
- Global equities with stable earnings and low debt levels



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