



Geopolitical tensions dominated headlines in August

Index	August	YTD
MSCI World	USD 0.2%	13.9%
S&P 500	USD 0.3%	11.9%
MSCI Europe	EUR -0.8%	6.0%
MSCI Asia Pac ex Japan	USD 1.1%	27.5%
Hong Kong Hang Seng	HKD 3.1%	31.3%
Hang Seng China Enterprises (H-shares)	HKD 4.3%	24.7%
Topix	JPY 0.0%	7.8%

Source: Thomson Reuters Datastream, total returns in local currency unless otherwise stated. Data as of August 31, 2017. YTD refers to year-to-date.

Global Outlook

Global equity markets remained under pressure. Although geopolitical tensions, the struggles of the Trump administration and tropical storm Harvey dominated headlines global equity markets managed to end August in the positive territory. Hong Kong and China equities were the out-performers, supported by robust liquidity.

September 2017 (covering August 2017)

United States

- Concerns around growing political risk dominated. The US equity market was under pressure in August. In terms of sector, IT remained as the best performer while energy was the worst performing sector.
- Strong data on jobs showed that US private non-farm payrolls added more jobs than expected in August, which also helped to signal that the US economy was on a firm footing.

Europe (including UK)

- European equity markets ticked down in August. The UK equity market closed marginally higher, despite significant volatility in response to global geopolitical developments.
- GDP figures showed the European economy gathering more pace in the second quarter. European equities are facing headwinds to sustain the strong performance, on concerns that quantitative easing may be close to ending.

Asia Pacific (ex Hong Kong ex China ex Japan)

- With GDP growth and corporate earnings rising, investor confidence in Asia continues to improve. The equity markets ended the month higher for an eighth consecutive month.
- While fundamentals appear to be improving across the region, markets remain vulnerable to global developments. Monetary policies appear to be on hold while greater fiscal measures are limited in the region.

Hong Kong and Mainland China (H-shares)

- Hong Kong and China equities rose in August. Liquidity continued to be robust as mainland Chinese investors inflows from the Stock Connect channel supported the Hong Kong stock market.
- Chinese companies achieved broad-based positive earnings results. Macroeconomic data in China continues to reflect an economy where growth is resilient in the midst of government reforms.

Japan

- Japan's equity market ended August flat amid tensions between the US and North Korea and ongoing political uncertainty in the US.
- Companies are still focusing on cleaning up their balance sheets, where progress continues to be gradual. Monetary policy will likely remain loose, but the yen currency is driven more by developments overseas which are likely to limit the yen's depreciation and the opportunity to import inflation.

Fixed Income

- In August, geopolitical concerns surrounding the Korean peninsula raised uncertainty and the level of market volatility. This led the market to prefer 'safe haven' assets.
- Global government bonds are likely to face some headwinds from the potential for an increase in fiscal spending, tighter US policy, a continuation of the cyclical recovery and the possibility that inflation re-surfaces as a result of more aggressive stimulus policies.

Emerging Markets

- Emerging equity markets continued rising in August. On the back of robust corporate earnings growth, a weaker US dollar and higher commodity prices provided tailwinds.
- We note improved political stability in some major Latin American markets, signs of improvement in domestic economies, a resumption of earnings growth and signs of returning consumer confidence.

From the perspective of Hong Kong pension investing. All data are sourced from Invesco dated September 15, 2017 unless otherwise stated

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