

Index	December (%)	YTD (%)
MSCI World	USD 3.0	28.4
S&P 500	USD 3.0	31.5
MSCI Europe	EUR 2.1	26.9
MSCI Asia Pac ex Japan	USD 5.8	19.5
Hong Kong Hang Seng	HKD 7.0	13.0
Hang Seng China Enterprises (H-shares)	HKD 8.4	14.5
Topix	JPY 1.5	18.1

Source: Thomson Reuters Datastream, total returns in local currency unless otherwise stated. Data as of December 31, 2019. YTD refers to year-to-date.

Global Outlook

Global equity markets rallied in December as optimism returned to the global trade outlook, policies from central banks remained supportive and investors took the view that ultra-low interest rates would remain in place for longer. The US markets performed strongly, wrapping up one of their best years on record. European equities also enjoyed a year-end rally. The emerging markets also registered broad gains in response to the phase one trade agreement between the US and China.

United States

- The US equity market reached fresh highs in December to cap one of the best years of the past decade. Stocks were buoyed by hopes that an interim trade deal between the US and China was still on course to be signed in January.
- We expect an environment of modest growth in 2020, which exceeds consensus expectations. Our view is that growth bottoms early in the year, and then accelerates as the year progresses. We expect inflation to remain relatively benign.

Europe (including UK)

- European and UK equities were rallied in December buoyed by the combination of a convincing UK general election result and news of a Phase One trade deal between US and China.
- We see the European equities have been negatively impacted by a lack of fiscal stimulus as well as the US-China trade war, and those factors are likely to be present in the coming year. In UK the economy policy uncertainty created by Brexit has depressed business investment and business confidence.

Asia Pacific (ex Hong Kong ex China ex Japan)

- Asian equities delivered strong performance in December and outperformed global equities. Easing trade tension between China and the US and positive outcome in the UK election propelled a risk-on mood and lifted market sentiments.
- We are positive towards Asian equity markets in 2020. We believe both external and domestic market environments have turned more favourable. The US Fed changed its policy stance in 2019. We believe an accommodative external financing environment is positive for Asian markets.

Hong Kong and Mainland China (H-shares)

- Chinese equities posted gains in December. US and China confirmed a phase-one trade agreement and economic data showed encouraging signs of recovering. Although Hong Kong equities ended higher, the local economy remained under pressure due to impact from social situation.
- We continued to be excited about investment opportunities in China as we see a clear shift to the quality of growth from quantity of growth. We expect Chinese economy to expand, recent economic data have shown some early signs of growth bottoming-out and we believe the government will continue to carry out supportive policies to ensure a stable economic outlook.

Japan

- In Japan, the equity market also responded positively to the US-China trade deal announcement, ending the month higher. The Bank of Japan continued to leave monetary policy unchanged and refrained from taking interest rates deeper into negative territory.
- We believe that the Japanese equity market is on the right track, supported by the ongoing progress being made on corporate governance reform coupled with companies' deliberate efforts to increase profitability.

Fixed Income

- In December, optimism over better economic data, a potential US and China trade deal and a decisive general election win for the UK's Conservative Party helped to spur overall sentiment but led to higher government bond yields. Rising government bond yields were in turn a headwind for corporate bond markets.
- We believe that higher-yielding investments will outperform given the low rate environment. Therefore, we are bearish to developed government bonds expect for UK gilts, whose returns should be driven by declining yields.

Emerging Markets

- Emerging equity markets also registered broad gains during December to cap off a successful year for the asset class as investors again responded positively to news that the US and China had reached agreement on Phase One trade negotiations.
- We believe that valuations in emerging equity markets are relatively attractive, trading at a discount to their peers in the developed world, with selective long-term stock picking opportunities remaining.

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