Global stocks saw their largest quarterly gains since 2010

April 2019 (covering March 2019)

Index	March (%)	YTD (%)
MSCI World	USD 1.4	12.6
S&P 500	USD 1.9	13.7
MSCI Europe	EUR 2.1	13.0
MSCI Asia Pac ex Japan	USD1.6	11.5
Hong Kong Hang Seng	HKD 1.6	12.8
Hang Seng China Enterprises (H-shares)	HKD 0.1	12.4
Topix	JPY 0.1	7.7

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

Global Outlook

Global equities climbed in March, making it the largest quarterly gains since 2010. Backdrop by hopes for progress in US-China trade talks and optimism that the US Federal Reserve's decision not to raise interest rates this year. By the end of March the US equity market capped the best quarter since 2009. The UK and European equity markets continued their rally, posting strong performance for another consecutive month. Asian equities ended the month higher into their biggest quarterly gain in seven years.

United States

- The US equity market climbed in March to end the first quarter in positive territory amid hopes for a trade deal between the world's two largest economies and optimism that the US Federal Reserve (Fed) will remain less aggressive in raising interest rates.
- While solid earnings and ongoing economic growth support US equities, we think US corporates have very few levers left to pull. Levels of corporate debt are rising and stock market valuations look expensive relative to other major regions.

Europe (including UK)

- Though generally weak economic data in eurozone and Brexit continued to dominate UK equity market. European and UK equity markets continued their rally, posting positive returns for another consecutive month.
- We are cautiously optimistic on European and UK equities. The economic backdrop has been soft but there is support from falling unemployment, rising wages and low interest rates.

Asia Pacific (ex Hong Kong ex China ex Japan)

- March continued to be a positive month for MSCI Asia ex-Japan equities, though the pace has moderated due to concerns on global growth. A confirmed change in Fed stance to be less hawkish and continued trade talks between China and the US remained supportive to investor sentiments.
- We believe the positive outcome of US-China trade talks and the dovish shift of Fed policy stance have created an entirely favorable external environment for the markets compared with 2018.

Hong Kong and Mainland China (H-shares)

- Offshore Chinese equities registered decent returns in March. Economic growth has started to show signs of stabilization and government policies remained accommodative. On the external front, the Fed's dovish shift and ongoing US-China trade talks proved positive to sustain sentiment.
- With macroeconomic environment to improve on the back of the government's earnings policies in China, we believe earnings trend should improve going forward. Turning to Hong Kong, we believe economy will experience stable growth as a result of healthy labor markets and improving Chinese demand.

Japan

- Japanese equities were generally lower over March as corporate earnings growth forecasts remained negative. The uncertainties in the global economy and financial markets due to global trade disputes have greatly affected Japan's export sector.
- We see solid corporate fundamentals, attractive valuations and improving corporate governance. Other positives include low interest rates, stable politics and a government stimulus package which should help mitigate an increase in the consumption tax.

Fixed Income

- Corporate bonds delivered another month of strong performance as macroeconomic factors dominated market sentiment. Despite the strong performance from corporate bond markets, credit spreads remained wider than they were in 2018 and 2017.
- At the asset class level, we see bond markets as broadly unattractive from a risk/return perspective.

Emerging Markets

- Global emerging equity markets edged slightly higher during March although Asia, drawing benefit from the strong performance of India, was the only region to register gains.
- Attractive valuations relative to developed markets, coupled with a more positive outlook for economic growth, support the case for EM stocks. Furthermore, concerns around trade and a strengthening US dollar have begun to ease. We prefer EM Asia to other EM regions.

From the perspective of Hong Kong pension investing. All data are sourced from Invesco dated April 17, 2019, unless otherwise stated.

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