

Index	February (%)	YTD (%)
MSCI World	USD 3.1	11.1
S&P 500	USD 3.2	11.5
MSCI Europe	EUR 4.2	10.6
MSCI Asia Pac ex Japan	USD 2.3	9.8
Hong Kong Hang Seng	HKD 2.7	11.1
Hang Seng China Enterprises (H-shares)	HKD 3.0	12.3
Topix	JPY 2.6	7.7

Source: Thomson Reuters Datastream, total returns in local currency unless otherwise stated. Data as of February 28, 2019. YTD refers to year-to-date.

Global Outlook

Trade continued to dominate global markets in February as the economic superpowers raced to reach a deal that would avert a tariff increase on Chinese goods. Fading fears of a global recession in 2019 improved sentiment further. US equities rose amid optimistic signs on the economy and trade discussions. UK and European equity markets continued their rally posting strong performance for another consecutive month. Asia was the only region gained in emerging markets with sentiment boosted by progress in Sino-US trade talks. Chinese equities were further bolstered by news that MSCI is set to increase the weighting of China-listed shares in the MSCI Emerging Markets Index.

United States

- The US equity market ended February in positive territory amid optimistic signs on the economy and trade discussions. Information technology was the top-performing sector, however big tech stocks still underperformed the broader market.
- Both trade and the Fed's stance suggest a more positive environment for US equities, which we believe is likely to spill over into a positive environment for global equities in general.

Europe (including UK)

- European and UK equity markets continued their rally posting strong performance for another consecutive month. The top performing areas of the market this month were Financials, Industrials, and Materials.
- We concern that QE may come to an end as the European Central Bank (ECB) sees early signs of recovery. We are also cautious political uncertainties that pose any risks to the equities market.

Asia Pacific (ex Hong Kong ex China ex Japan)

- MSCI Asia ex-Japan index continued with the positive momentum in February. Substantial progress made on the US-China trade front and a dovish Fed stance made investors turn more upbeat towards select markets in the region.
- The strong start of Asian market has confirmed our positive views that it will continue to extend strength and benefit from structural growth stories in China and India.

Hong Kong and Mainland China (H-shares)

- Offshore Chinese equities continued to outperform the broad Asian market and recorded a positive return. Market sentiment supported by the positive headlines regarding US-China trade tension, improving credit data and tailwinds towards emerging market equities from a dovish Fed.
- We believe GDP growth in China will bottom-out towards the latter part of 1H19 due to the government's accommodative policies, stable consumption and progress in the trade-dispute with the US. We are optimistic about the consumption story in China warranted by structural growth drivers such as rising income and urbanization.

Japan

- Japanese equities were also buoyed by improvements in US-China talks, with export-dependent sectors benefitting as investors shrugged away concerns over weaker economic data.
- We believe that the Japanese equity market is on the right track, supported by the ongoing progress on corporate governance reform combined with companies' efforts to increase profitability.

Fixed Income

- The rally in corporate bond markets that began in January continued with both high yield and investment grade delivering another month of positive returns. New issuance in European investment grade corporate bond markets was strong.
- At the end of 2018, increased levels of volatility exacerbated worries about growth. However, first quarter economic data have not shown signs of recession. In addition, the Fed has begun to wind down its tightening cycle, helping calm down the markets.

Emerging Markets

- Asia was the only region in emerging markets to register gains last month with sentiment boosted by progress in Sino-US trade talks. Latin American equities lost some ground in February but remain the best performing region year to-date.
- For the emerging markets we are cautiously optimistic. Economic and corporate fundamentals remain solid, and these economies remain the biggest driver of global growth.

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