

Global Capital Markets Overview

December-18

Major Fixed Income Indices

(USD)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
JPM EMBI Global Diversified	1.35	-0.42	-3.54	2.30	-1.26		-4.26	-2.56
JPM GBI-EM Broad Diversified	1.43	3.26	-9.44	-1.91	3.00		-4.67	-8.50
Bloomberg Barclays Global Aggregate	2.02	0.31	-2.78	-0.92	1.20		-1.20	-2.53
Bloomberg Barclays US Aggregate	1.84	0.60	-0.16	0.02	1.64		0.01	1.49

Major Equity Indices

(USD, Net)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
MSCI AC World	-7.04	1.46	0.53	4.28	-12.75		-9.42	-8.54
MSCI World	-7.60	1.14	1.73	4.98	-13.42		-8.71	-7.53
MSCI North America	-9.02	1.79	3.47	7.01	-13.88		-5.73	-4.65
MSCI Pacific	-5.14	1.21	-1.35	2.28	-12.20		-12.02	-11.42
MSCI Europe	-4.62	-0.93	-1.27	0.80	-12.72		-14.86	-13.14
MSCI Kokusai	-7.69	1.20	2.19	5.10	-13.34		-8.31	-6.92
MSCI Emerging	-2.66	4.12	-7.96	-1.09	-7.47		-14.58	-15.77
MSCI EM Latin America	-0.82	-2.19	-17.75	4.77	0.36		-6.57	-13.51
MSCI EM Asia	-3.16	5.16	-5.85	-1.83	-9.29		-15.45	-16.15
MSCI EM EMEA	-1.60	4.51	-10.19	-1.63	-4.14		-16.11	-15.31
MSCI EM Europe	-2.84	2.32	-10.22	2.24	-6.12		-12.06	-13.83

REIT&Commodities

(USD)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
TSE REIT INDEX	-1.85	4.36	5.37	1.81	0.87		11.11	8.21
FTSE EPRA/NAREIT US	-8.22	4.81	10.24	0.58	-6.00		-3.87	4.24
CRB	-6.37	-4.65	3.06	-2.11	-12.46		-10.66	-11.69
S&P GSCI	-7.75	-11.28	8.00	1.34	-22.94		-13.82	-15.66
WTI Crude Oil	-11.09	-22.25	14.27	-1.31	-38.29		-25.32	-30.40
NY Golds	5.10	0.30	-5.46	-4.77	7.54		-1.70	-3.18

Currency Returns (against the USD) Thomson Reuters Spot Rate (London 4pm)

	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
JPY	3.56	-0.47	-3.98	-2.65	3.76		2.84	-3.01
EUR	1.36	0.04	-5.17	-0.65	-1.19		-4.40	-6.91
CHF	1.76	0.97	-3.69	0.88	0.05		-0.74	-2.80
GBP	0.05	-0.11	-5.77	-1.35	-2.08		-5.59	-8.97
AUD	-3.64	3.45	-3.57	-2.35	-2.48		-9.62	-8.17
BRL	-0.37	-3.75	-14.75	-4.25	4.32		-14.66	-14.84

*Fiscal year to date
Source: Datastream, Bloomberg

<Global Capital Markets for December 2018>

■ Interest Rates

During December, all four major central banks namely FRB, ECB, BOE and BOJ held monetary policy meetings as scheduled. Despite the President Trump's open reluctance to Fed rate hike(s), FOMC voted unanimously to raise the Federal Funds target range by 25 bps to 2.25 - 2.50%. ECB confirmed that "net purchases under APP will end in December 2018". BOE maintained the Bank Rate at 0.75% as well as the stock of purchased UK gilts at GBP435 bn by unanimous votes. BOJ also maintained policy rates and policy measures unchanged. They voted 7 to 2 for their policy rate and yield curve control and voted unanimously for asset purchases. All four central banks indicated their concerns on near-term outlook for global economic growth. During the month, central banks of Mexico, Russia and Sweden raised their policy rates, from 8.00% to 8.25%, from 7.50% to 7.75% and from -0.50% to -0.25% respectively. Money rates in major currencies were mixed for the month; USD higher in cash but substantially lower in the longer-dated futures, EUR unchanged in cash and lower in the long-dated futures, GBP marginally higher in cash but lower in the longer ends of futures and JPY marginally higher in cash but somewhat lower in the longer-dated futures.

■ Currencies

For the first half of December, with the weaker than expected US NFP and deteriorating US equity markets against the pending political agenda in Europe and the prospect for improving US-China trade frictions, USD fluctuated in a fairly narrow range. From there, substantially weak NY Fed manufacturing survey number as well as EU agreement on 2019 Italian Budget drove USD lower most notably against EUR. The lower treasury bond yields and the partial government shutdown caused by the pending US budget including the wall construction on the Mexican border drove USD further lower. JPY benefitted from the sharp sell-off of US equity markets and strengthened against most major currencies. GBP remained under pressure throughout the month based on the concern for "no-deal" Brexit. EM and commodity currencies were hit hard due mainly to the falling crude oil prices as well as the US rate hike. JPY closed the month substantially higher against USD at 109.69 (113.57) and against EUR at 125.83 (128.44).

■ Bond Markets

In US, the yield was down due to the acute drop of the equity market, some concern over the US economy, the stance of continuous rate hike by FRB and political risk in US. In Europe, the yield was also down due to falling US yield, uncertainty on Brexit and concern on Euro zone economy. US Treasury 10Yr was down by 30bps to 2.68% and German Bund 10Yr was also down by 7bps to 0.24%. European peripherals were mixed e.g. Italy down to 2.74%, Spain down to 1.42% but Greece up to 4.40%. On the U.S. spread sectors, Securitized was relatively flat while Corporates was weak compared with Treasuries.

■ Equity Markets

Global stock markets fell sharply due to concern that US economy might have been damaged significantly by trade frictions between US and China. Furthermore the hawkish statement by FRB Presidents after FOMC was disappointing for the stock markets. In terms of monthly return in USD, developed markets fell significantly by 7.6% and emerging markets lost by 2.6%. Japanese stock market dropped sharply by 10.2% in TOPIX. As for sector return in develop markets, all sectors declined. The worst performer was Energy sector which dropped by 9.6%. Utility sector lost by 2.2% which was smallest in all sectors.