

Noises or Ultimatum?

- On 6th August 1945, the United States (U.S) detonated “Little Boy” on [Hiroshima](#) and subsequent days, “Fat Man” was dropped at Nagasaki which ultimately ended the Pacific War.
- Since 1st August 2019, financial markets are also exposed to explosions that are as destructive as in August 1945.
- Are these explosions mere noises towards election or an ultimatum to Federal Reserve Chairman Jerome Powell and China?

1st August 2019: President Trump announced that an additional \$300bn in imports from China would be subject to a 10% tariff effective 1 September 2019.

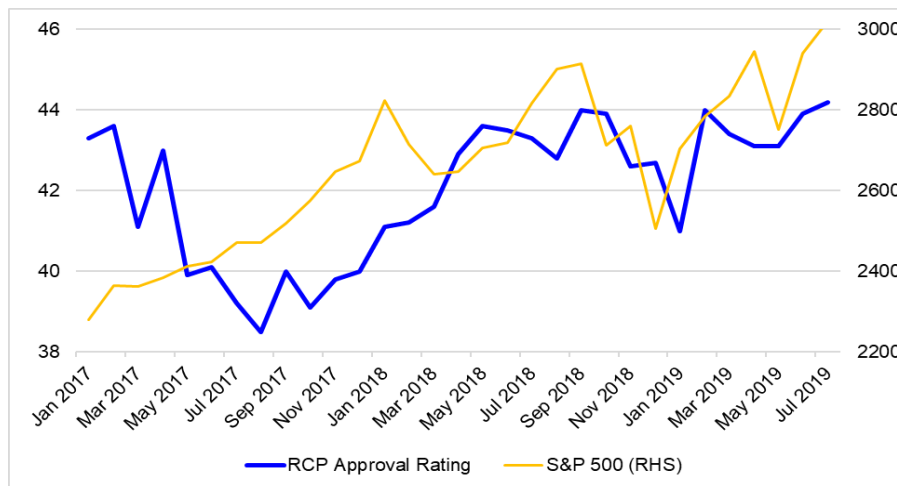
5th August 2019: China Yuan fell below RMB 7.00 to a dollar while Beijing asked state-owned companies to suspend imports of U.S agricultural products

6th August 2019: U. S Treasury labels China as currency manipulator

(5th U.S EST)

- These series of events are not in our base case scenario.
- However, we still believe that the series of announcement from U.S are noises (or rather strategy of President Trump) because the proposed 10% tariff seems to be more of a negotiation tactic to demand more from China and also to indirectly pressure Federal Reserve Chairman Jerome Powell to further lower interest rates.
- Moreover, as President Trump is seeking for 2nd term in 2020 election and has to maintain his approval rating that has high correlation with S&P 500 (Chart 1), we believe he will not want the trade issue exerting negative impact on markets and economy.

Chart 1: Trump’s approval rating vs S&P 500



Source: RealClear Politics, Bloomberg
RHS: Right hand side.

DISCLAIMER: This compilation is prepared by Phillip Mutual Berhad (“PMB”) in its capacity as an IUTA approved by the Federation of Investment Managers Malaysia (“FIMM”) for specific Funds distributed by PMB. The information contained herein is general information only and not intended for public distribution. It is furnished to the recipient on a confidential basis. It does not take into account your individual objectives, financial situations or needs. You should seek your own professional advisers before investing. No part of this document may be circulated or reproduced without prior permission of PMB and does not constitute an offer, invitation or solicitation to invest in the specific Funds. Any investment product or service offered by PMB is not obligations of, deposits in or guaranteed by PMB. You are advised to read and understand the relevant prospectuses for the Funds, which have been registered with the Securities Commission Malaysia who takes no responsibility for the contents. The respective prospectuses to the Funds are obtainable at any of our offices, website and authorised agents. Any issue of units to which the prospectuses relate will only be made on receipt of the duly completed application form referred to in and accompanying the prospectuses. Investment in unit trust funds is not the same as placing money in a deposit with a financial institution. There are risks involved, and investors should rely on their own evaluation to assess the merits and risks when investing in these funds. There are also fees and charges involved and investors are advised to consider them before investing in the Funds. Investment in shares and bonds may go up as well as down. The prices of units and distribution payable, if any, may also go up as well as down. Past performance of the unit trust funds is not an indication of its future performance. If investors are in any doubt about any feature or nature of the investment, they should consult PMB to obtain further information before investing or seek other professional advice for the suitability of the Funds and to their specific investment needs or financial situations. Information contained herein are based on the law and practise currently in force in Malaysia and are subject to changes in such law without any notice.

ARTICLES

- However, the risk is China may go tit-for-tat instead of coming to negotiation table.
- While we believe trade war can still be avoided, financial markets volatility is on the rise and we thus advise investors to **reduce their positions in China and Japan markets.**

Below is the list of equity funds that have exposure to Japan and China:

Japan	
<ul style="list-style-type: none"> • Affin Hwang World Series - Japan Growth • Eastspring Investments Japan Dynamic MY 	<ul style="list-style-type: none"> • RHB Entrepreneur • United Japan Discovery
China	
<ul style="list-style-type: none"> • Affin Hwang World Series - China Growth Fund • Affin Hwang World Series - China Allocation Opportunity Fund • Affin Hwang World Series - China A Opportunity Fund • AmChina A-Shares • CIMB-Principal China Direct Opportunities 	<ul style="list-style-type: none"> • CIMB-Principal Greater China Equity • Eastspring Investments Dinasti Equity • Manulife China Equity • Manulife Investment Greater China • Manulife Dragon Growth Fund • Pacific Focus China • RHB Big Cap China Enterprise

DISCLAIMER: This compilation is prepared by Phillip Mutual Berhad ("PMB") in its capacity as an IUTA approved by the Federation of Investment Managers Malaysia ("FIMM") for specific Funds distributed by PMB. The information contained herein is general information only and not intended for public distribution. It is furnished to the recipient on a confidential basis. It does not take into account your individual objectives, financial situations or needs. You should seek your own professional advisers before investing. No part of this document may be circulated or reproduced without prior permission of PMB and does not constitute an offer, invitation or solicitation to invest in the specific Funds. Any investment product or service offered by PMB is not obligations of, deposits in or guaranteed by PMB. You are advised to read and understand the relevant prospectuses for the Funds, which have been registered with the Securities Commission Malaysia who takes no responsibility for the contents. The respective prospectuses to the Funds are obtainable at any of our offices, website and authorised agents. Any issue of units to which the prospectuses relate will only be made on receipt of the duly completed application form referred to in and accompanying the prospectuses. Investment in unit trust funds is not the same as placing money in a deposit with a financial institution. There are risks involved, and investors should rely on their own evaluation to assess the merits and risks when investing in these funds. There are also fees and charges involved and investors are advised to consider them before investing in the Funds. Investment in shares and bonds may go up as well as down. The prices of units and distribution payable, if any, may also go up as well as down. Past performance of the unit trust funds is not an indication of its future performance. If investors are in any doubt about any feature or nature of the investment, they should consult PMB to obtain further information before investing or seek other professional advice for the suitability of the Funds and to their specific investment needs or financial situations. Information contained herein are based on the law and practise currently in force in Malaysia and are subject to changes in such law without any notice.