



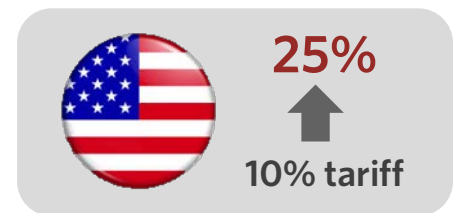
United States & CHINA in for another round of POKER as trade dispute enters new phase

- Trump ups the bet - announces additional tariffs to be slapped on China imports
- China *calls* - increases tariffs on existing US goods
- Investors *fold* - global equities tumbled as trade war fears escalate and investors turn risk-off
- But trade contributes less than 6% of China's GDP as it shifts focus to domestic consumption

Trump raises bet, China says GAME ON!

Sell in May and go away has never been more relevant as of late. Global financial markets took a hit after President Trump raised the stakes and announced more tariffs to be imposed on China imports, citing trade talks to be moving along too slowly for his liking.

China was quick to match Trump's raise, and followed by retaliating with their own set of tariffs. US' increase from 10% to 25% tariff on USD200 billion worth of goods would be countered with China's move to raise tariffs on USD60 billion worth of US goods.

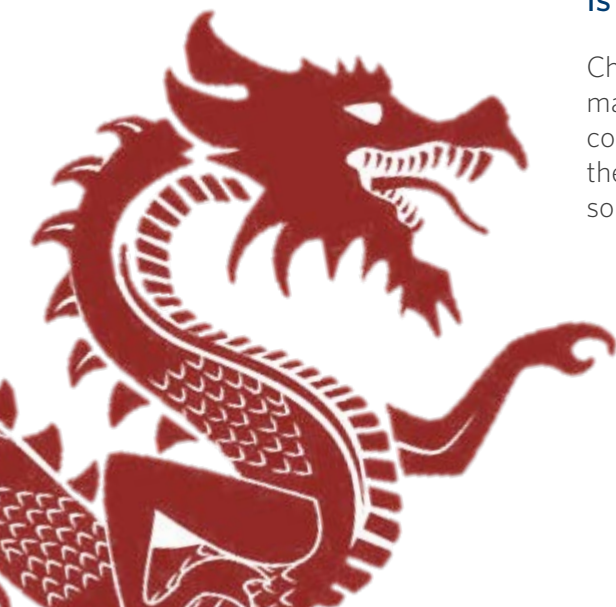


While the hike may not be taking place immediately, escalating tensions have already driven global markets into frenzy. In the 2-weeks ending 14 May, the S&P 500 lost 3.8% in local currency terms, while the Shanghai Composite tumbled 6.3% lower over the same period. The spike in uncertainty pushed investors to take a risk-off approach, leaving Gold prices the clear winner - gaining 1.3% while most equity markets were in the red.

Is China really at the losing end?

China is already on its transitioning path - shifting away from a manufacturing-centric economy to one that is driven by domestic consumption. The consumption sector has contributed more than 60% of the country's GDP growth in 11 out of the last 16 quarter. Let's look at some of the key statistics.

- China is now the largest market for online retail
- Represents 30% of the global market for luxury goods, automotive, consumer appliances, mobile phones, and spirits (the alcohol, not the other worldly beings)
- More than half of China's imports are taken from Asia - with less than 10% being from the US
- US share of China's exports was 19% in 2018
- Trades make up less than 6% of the economy's GDP contribution





China relies on China

By focusing on domestic consumption, China can rely on its army of more than 1.4 billion population. Now equipped with higher disposable income, the urban Chinese hold the potential to mould the shape of global consumption. We've seen a trend where these urbanites are focusing on transportation, communication, education, and health care. Hence the rise of the New China Economy.

The New China Economy focuses on consumption-centric sectors, putting e-commerce providers in the limelight. When it comes to the New China Economy, headlines grabbers are typically Alibaba Group Holdings, and Tencent Holdings.



The e-commerce giant is the 5th largest internet company in the world (by revenue). Its online platform allows goods from China retailers to be sold to more than 150 countries. Despite the pressures, Alibaba has remained resilient, and is expected to post a 48% jump in revenue when it reports its 4th quarter earnings later this week.

The stock slid 5.8% lower in local currency terms in the 2-weeks ending 14 May, but is still 27.6% up on a year-to-date basis.



As the 6th largest internet company in the world, Tencent Holdings is only slightly behind Alibaba Holdings. The company is heavily invested in its global expansion, having recently inked a deal with a Singapore game publisher to market its on-line games across the South East Asian region.

The stock slid 4.5% lower in local currency terms in the 2-weeks ending 14 May, but is still 18.0% up on a year-to-date basis.

How the ETFs have performed, and your options for market exposure

The commodity focused TradePlus Shariah Gold Tracker has done well in the last 2 weeks, supported by the uncertainty. The ETF has seen steady demand in the recent days given the lack of clarity from trade negotiations, and continues to play its role as a hedge against the weakening equity market.

The weaker performance of the domestic market has led to a drag in the performance of the Malaysian focused ETFs, with most ending the period in the red. Standing out with stronger performance is the broader based China focused ETF, and the US focused ETF - where both markets have enjoyed strong performance prior to the tensions. On the flip side, both markets have been equally impacted by the tensions over the past 2 weeks. While the New China Economy has been equally dragged down, we do anticipate the consumption-focused sectors to recover quicker once the dust has settled.

The domestic bond market, whereas, has been relatively quiet. Demand, which has been slow this year given the higher risk appetite of investors, only picked-up recently on the back of market uncertainties.



Index	Bursa Code	YTD Return	The dreaded 1st 2 weeks of May	Shariah Compliant	Investment Focus
Commodities					
TradePlus Shariah Gold Tracker	0828EA	-0.57%	1.46%	Yes	Gold
Equities					
FTSE Bursa Malaysia KLCI ETF	0820EA	-2.79%	-1.69%		Malaysia
MyETF Dow Jones Islamic Market Malaysia Titans 25	0821EA	-9.73%	-3.77%	Yes	Malaysia
MyETF MSCI Malaysia Islamic Dividend	0824EA	-2.16%	1.34%	Yes	Malaysia - Dividends
TradePlus S&P New China Tracker	0829EA	4.07%	-6.17%		China - New China Economy
CIMB FTSE China 50	0823EA	7.48%	-5.39%		China - offshore listed China Companies
MYETF Dow Jones US Titans 50 (USD)	0827EA	9.95%	-5.83%	Yes	US - 50 Largest Companies
MyETF Thomson Reuters Asia Pacific ex Japan Islamic Agribusiness	0826EA	-5.88%	-7.25%	Yes	Asia Pac (ex Japan) - Agri Sector
MyETF MSCI SEA Islamic Dividend	0825EA	0.74	-0.24%	Yes	South East Asia - Dividends
CIMB FTSE ASEAN 40	0822EA	-1.55%	4.40%		ASEAN
Fixed Income					
ABF Malaysia Bond Index Fund	0800EA	-0.42%	0.08%		Malaysia

Source: Bloomberg as at 14 May 2019. All returns in local currency terms.



Disclaimer: This article has been prepared by Affin Hwang Asset Management Berhad (hereinafter referred to as "Affin Hwang AM") specific for its use, a specific target audience, and for discussion purposes only. All information contained within this presentation belongs to Affin Hwang AM and may not be copied, distributed or otherwise disseminated in whole or in part without written consent of Affin Hwang AM. The information contained in this presentation may include, but is not limited to opinions, analysis, forecasts, projections and expectations (collectively referred to as "Opinions"). Such information has been obtained from various sources including those in the public domain, are merely expressions of belief. Although this presentation has been prepared on the basis of information and/or Opinions that are believed to be correct at the time the presentation was prepared, Affin Hwang AM makes no expressed or implied warranty as to the accuracy and completeness of any such information and/or Opinions. As with any forms of financial products, the financial product mentioned herein (if any) carries with it various risks. Although attempts have been made to disclose all possible risks involved, the financial product may still be subject to inherent risk that may arise beyond our reasonable contemplation. The financial product may be wholly unsuited for you, if you are adverse to the risk arising out of and/or in connection with the financial product. Affin Hwang AM is not acting as an advisor or agent to any person to whom this presentation is directed. Such persons must make their own independent assessments of the contents of this presentation, should not treat such content as advice relating to legal, accounting, taxation or investment matters and should consult their own advisers. Affin Hwang AM and its affiliates may act as a principal and agent in any transaction contemplated by this presentation, or any other transaction connected with any such transaction, and may as a result earn brokerage, commission or other income. Nothing in this presentation is intended to be, or should be construed as an offer to buy or sell, or invitation to subscribe for, any securities. Neither Affin Hwang AM nor any of its directors, employees or representatives are to have any liability (including liability to any person by reason of negligence or negligent misstatement) from any statement, opinion, information or matter (expressed or implied) arising out of, contained in or derived from or any omission from this presentation, except liability under statute that cannot be excluded.

Warning Statement: A Prospectus is available for the TradePlus Shariah Gold Tracker and TradePlus S&P New China Tracker, and investors have the right to request a copy of it. Investors are advised to read and understand the contents of the Prospectus dated 28 November 2017 (for TradePlus Shariah Gold Tracker) and 15 January 2019 (for TradePlus S&P New China Tracker) before investing. The Prospectus has been registered with the Securities Commission Malaysia, who takes no responsibility for its contents. A copy of the Prospectus can be obtained at Affin Hwang Asset Management Berhad's sales offices. As with any forms of financial products, the financial product mentioned herein carries with it various risks. Investors are advised to consider the general and specific risks involved as stipulated in its Prospectus before investing. There are also fees and charges involved when investing in the fund, and investors are advised to consider the fees and charges carefully before investing. The price of units and distribution payable, if any, may go down as well as up and past performance of the fund should not be taken as indicative of its future performance.

Licensing Disclosure Statement & Conditions: The "S&P New China Ex A-Shares Index" is a product of S&P Dow Jones Indices LLC, a division of S&P Global, or its affiliates ("SPDJI") and has been licensed for use by Affin Hwang Asset Management Bhd. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones") and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by Affin Hwang Asset Management Bhd. TradePlus S&P New China Tracker is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the S&P New China Ex A-Shares Index.