

# The SiSAM Connect

*Discover the opportunities*

## MARKET COMMENTARY

**Geopolitical:** Since our last newsletter in April, we have witnessed several major geopolitical developments – the first being the epochal summit meeting between U.S. President Donald Trump and North Korean leader Kim Jong Un in June. Although lacking in details, the joint agreement made by both leaders after the summit nonetheless heralds both nations into a new diplomatic era, creating a real possibility of a safer and stable Korean peninsula - allaying previous global market concerns of nuclear escalation. In Europe, the recent political fiasco in Italy and the new Italian coalition government formed in June have roused fears of another Euro crisis. Meanwhile, Donald Trump has not backed off from his trade rhetoric and continues to widen U.S. global trade war against its EU partners and China.

**Global Economy:** According to the World Bank, global economic growth is expected to remain robust this year before slowing gradually over the next two years. Despite so, there have been signs of moderation in manufacturing activity and trade in recent months. Overall, the ongoing withdrawal of monetary policy support and U.S. fiscal stimulus has led to some tightening of global financing conditions. Meanwhile, global inflation is trending up, but only gradually and from low levels. Recent trade policy changes are not expected to have a substantial effect on U.S. growth, which is projected to reach 2.7% in 2018. As for China, its growth is projected to dip to 6.5% in 2018, as its export growth moderates and deleveraging ensues.

**Singapore:** Singapore's economy has been performing well. Economic data released in May saw annual 1Q 2018 GDP growth revised upwards due to a larger than expected growth in the service sector. Singapore's exports recorded strong growth in May as non-oil domestic exports beat forecasts to jump 15.5% year on year thanks largely to non-electronic shipments. Private home prices in Singapore were reported to have risen by almost 4.0% in 1Q 2018. Collective sales remain robust as more private property owners seek to en-bloc their properties to capitalize on current sentiments. With signs of recovery in the real estate market, the construction sector expanded after enduring four consecutive quarters of contraction. Amid the current sanguine climate, a key downside risk to Singapore's open economy is the escalating trade restrictions which has substantially intensified amid ongoing trade disputes between the U.S. and its trading partners.

**Our Outlook:** We maintain our outlook - the global economy will continue to expand, albeit tepidly for the rest of 2018. Equity markets should witness the occasional volatility due to geopolitical factors and trade war fears, as well as further rate hikes. As such, investors may consider allocating a portion of their capital into high yield private equity investments, such as our **SiS Credit Fund** which invests in asset-backed debt, as a form of prudent portfolio diversification.

## WHAT'S HAPPENING ON THE GROUND?

- **MyRepublic moves into telco space, launching 3 mobile plans for all users:** The Internet service provider has moved into the telco space, offering three mobile plans for all users. MyRepublic's mobile network will ride on telco StarHub's existing infrastructure as a mobile virtual network operator, following a partnership signed last month. (Business Times, 21 June 2018)  
*SiS Intrepid Venture invested in MyRepublic in 2016.*
- **Trump widens global trade war with tariff threat on EU cars:** U.S. President Donald Trump threatened a 20% tariff on cars imported from the European Union unless the bloc removes import duties and other barriers to US goods, escalating a global trade war the EU warned could endanger US\$300 billion in commerce. The EU planned to retaliate, according to a European Commission memo obtained by Bloomberg. (Business Times, 23 June 2018)

- **Wall Street falls, Dow gives up 2018 gains on US-China trade war fears:** U.S. stocks fell on Tuesday (June 19) as a sharp escalation in the trade dispute between the U.S. and China rattled the markets, though the three major indexes pared losses from earlier in the session. President Donald Trump threatened to impose a 10% tariff on another US\$200 billion of Chinese goods, and Beijing warned it would retaliate. Trump said his move followed China's decision to raise tariffs on US\$50 billion in U.S. goods, which came after the White House announced similar tariffs on Chinese goods. (Straits Times, 20 June 2018)
- **Singapore non-oil exports stage surprise 15.5% jump in May:** Singapore's exports logged another month of strong growth in May as non-oil domestic exports beat forecasts to jump 15.5% over the same month a year ago thanks largely to non-electronic shipments. May's surge followed from April's 11.8% rise. The increase came as non-electronic exports outweighed sliding electronics shipments according to Enterprise Singapore data. The export jump last month blew past the 3% rise tipped by analysts in a Bloomberg poll. (Straits Times, 18 June 2018)
- **Euro craters, U.S. dollar soars, as ECB holds off on rate hikes:** The U.S. dollar rose against a basket of major currencies as the euro cratered, and U.S. stocks ticked up, as the European Central Bank (ECB) signalled interest rate hikes were a long way off. The bank's unexpectedly dovish decision overshadowed its statement that it aimed to wrap up its crisis-era stimulus program at the end of this year. The ECB now plans to reduce monthly asset purchases between October and December to 15 billion euros until the end of 2018 and then conclude the program. (Business Times, 15 June 2018)
- **Singapore's SMEs remain upbeat about their prospects for the second half of 2018, but caution has crept in as a result of the ongoing US-China trade disputes:** The latest Singapore Business Federation-DP Info (SBF-DP) SME Index dipped marginally from 51.8 to 51.5, even as it remained in positive territory. A score above 50 indicates an expectation of growth, while a score below 50 signals a possible contraction. (Business Times, 19 June 2018)
- **U.S. Federal Reserve raises key interest rate to 1.75% - 2%, signals 2 more rate hikes this year:** The U.S. Federal Reserve has raised the benchmark lending rate, the second increase of the year, and signalled it will be more aggressive about rate increases this year and next amid "strong" economic growth. The unanimous vote brings the federal funds rate to a range of 1.75% to 2%, but the quarterly economic forecasts show central bankers now expect the rate to end the year at 2.4% rather than the 2.1% projected in March. The Federal Reserve last raised the benchmark in March, the sixth increase since December 2015. (Business Times, 14 June 2018)
- **Trump - Kim Singapore summit:** At the first ever meeting of the North Korean and U.S. heads of state, Donald Trump and Kim Jong Un signed a document asserting that the U.S. president would provide unspecified "security guarantees" to Mr Kim in exchange for the North Korean leader's "unwavering commitment to complete denuclearization of the Korean peninsula." The two leaders signed copies of the document at a signing ceremony to conclude their summit in Singapore. (Business Times, 12 June 2018)

### Current Funds by SiSAM

SiS Credit Fund | SiS Intrepid Venture | SiS Real Estate Opportunity Fund

To find out more, email [enquiry@sisasset.com](mailto:enquiry@sisasset.com)