ROLLER-COASTER RIDE!

It's a polar inverse of what happened in 2017 when the Straits Times Index (STI) surged 18 per cent over 12 months in a non-stop bull run. In 2018, the STI plunged 10 per cent instead, as geopolitical uncertainty riddled the market, with investors thrown about almost daily by tweets, tariffs, and news of populism. Further chilling the market was a new round of property measures in July that sent investors selling. Listings slowed to a crawl from S$4.4 billion raised in 2017, to S$730 million raised in 2018, in a dreary year for local equities. ***BY LEE MEIXIAN***

JANUARY

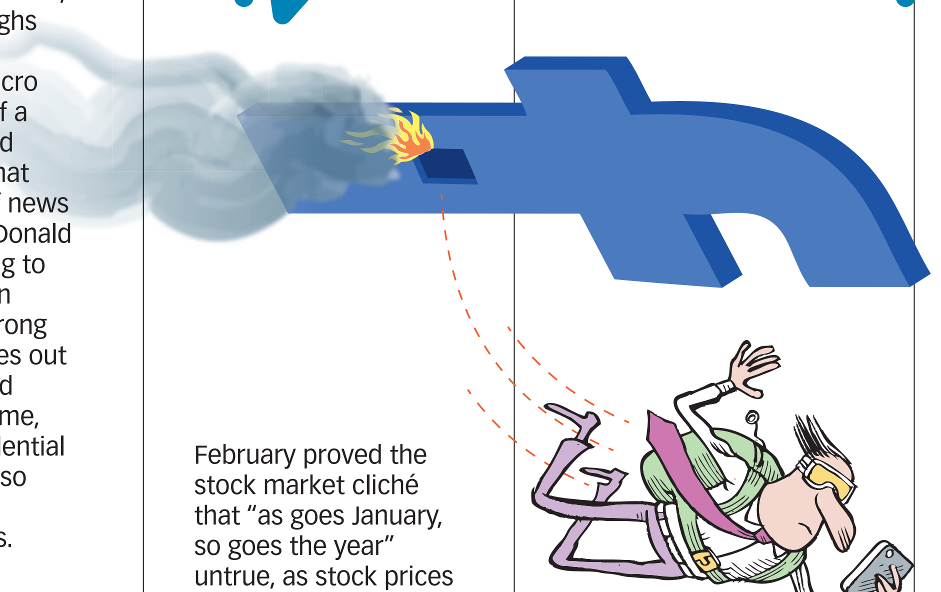
Start: 3,402.92 End: 3,533.99 ▲ (+3.85%)

Off to a flying start, the index added more than 100 points in January, extending its 2017 exuberance. It crossed the 3,500 mark on Jan 8, buoyed by fresh highs on Wall Street and mostly positive macro data on the back of a global recovery, and continued above that level, shrugging off news that US President Donald Trump was planning to slap steep tariffs on certain imports. Strong advance GDP figures out of Singapore fuelled equity prices at home, and talks of a residential market recovery also drove up property developer counters. While the threat of nuclear warfare between North and South Korea still lurked in the background, analysts forecast a buoyant year for financial markets, with some expecting the index to finish close to 3,700. On Jan 25, the STI breezed past the 3,600 mark to finish at 3,609.24, but tempered in the following days after Keppel Corp reported a 72 per cent plunge in FY17 earnings.

FEBRUARY

Start: 3,533.99 End: 3,517.94 ▼ (-0.45%)

February proved the stock market cliché that "as goes January, so goes the year" untrue, as stock prices corrected on the back of a continued sell-off in US sovereign bonds, as well as soft trading on Wall Street due to mixed earnings by US tech giants. The roller-coaster made its first steep descent on Feb 6, when the STI plunged 76.55 points, or 2.2 per cent, to 3,406.38, following the Dow Jones Industrial Average's largest single-day drop in history. Stocks that took the biggest beatings included the Singapore Exchange, on the possibility of being shut out from the trading of offshore derivatives tied to India's benchmark indices such as the Nifty 50, and StarHub after reporting a 74 per cent fall in fourth-quarter earnings. Property stocks also suffered after a higher buyer's stamp duty was announced in the Singapore Budget. In all, an early- and end-February swoon left the key index in negative territory for February, reversing January's gains.



MARCH

Start: 3,517.94 End: 3,427.97 ▼ (-2.56%)

The wait to see what the Federal Reserve's direction would be under new chairman Jerome Powell yielded little surprise as the Fed kept pace by lifting interest rates by a quarter point to the 1.5-to-1.75 per cent range on March 21. But the days leading up to it, coupled with President Trump's vow to slap tariffs on steel and aluminium imports, and Italian voters' delivery of a hung parliament in its country's elections, led to market sell-offs in early March. There was volatility as Singapore stocks rose and fell each day in tandem with rate hike speculation and the unfolding trade rhetoric. On March 20, Facebook's share price dived on reports that a data analysis firm hired by President Trump's 2016 presidential campaign had stolen information from Facebook user profiles. This also walloped tech counters on the local bourse. The market capitalisation of Singapore counters slipped 3 per cent by the end of March to S$984.5 billion from February.

APRIL

Start: 3,427.97 End: 3,613.93 ▲ (+5.42%)

April marked the start of a long-drawn decline as escalating fears of a trade war between the world's two largest economies continued to pummel stocks. Investors reshuffled their portfolios to sectors that were less sensitive or even immune from the dispute. Two events occurred to offset each other: the United States, France, and the United Kingdom carried out a series of military strikes against multiple government sites in Syria, while monetary policy highlights from the Federal Open Market Committee (FOMC) minutes revealed that Federal Reserve officials felt more confident that inflation would rise to their 2 per cent target over the coming year. On the local bourse, contract manufacturer Venture Corporation crashed by S$3.53 or 12.2 per cent to S$25.29 on April 20 as it was thought to be the manufacturer for Philip Morris' IQOS electronic cigarette; its price took a tumble after barriers to IQOS sales were erected in the key Japanese market.

MAY

Start: 3,613.93 End: 3,428.18 ▼ (-5.14%)

Political events plagued May's calendar, but in this part of the world, none was more unexpected than the Malaysian election results which saw the victory of Pakatan Harapan, led by former premier Mahathir Mohamad. The opposition coalition swept the polls to regain power from the long-ruling Barisan Nasional alliance. Quick reassurances from Prime Minister Mahathir and the central bank regarding the new government's business-friendly stance and the country's firm long-term fundamentals helped to contain sentiments; the STI fell for the rest of May, but the descent was gradual. Other political events in May included US's withdrawal from the Iran nuclear deal, also known as the Joint Comprehensive Plan of Action, UK Prime Minister Theresa May's attempts to strike a compromise with her Cabinet over Britain's future customs relationship with the European Union (EU), North Korea's threat to pull out of a historic summit, and continued Sino-US trade negotiations. China and the US agreed not to impose new tariffs on one another while talks continued, and China also voiced plans to reduce import duties on American passenger vehicles from 25 per cent to 15 per cent. The STI finished the month with a 2-per-cent decline on May 30 on the prospect of fresh elections in Italy; one chief concern was that it could turn into a referendum on whether Italy should leave or stay in the EU.

JUNE

Start: 3,428.18 End: 3,268.70 ▼ (-4.65%)

The June school holidays and World Cup season are factors that would usually lead to a lull in trading, but the historic Trump-Kim Jong Un Summit, held in Singapore no less, brought new vigour to markets here. The outcome was fairly positive, with Mr Kim's government committing to work towards a complete denuclearisation of the Korean peninsula, but markets were little affected due to the lack of details. The STI slipped into a cautious mode instead, as fears escalated after the G-7 summit where the US' major trading partners – China, EU and Nafta partners – said they may impose retaliatory tariff measures. Other market drivers in the month were the revival of talk that the European Central Bank will end its bond-buying programme soon, the Fed's raising its benchmark interest rate by another 25 basis points (its second hike this year), and another threat from President Trump to levy US$34 billion in tariffs on Chinese imports on July 6, swiftly countered by an equal response from China. Having started June above 3,400, the STI slipped into sub-3,300 level to finish the month at 3,268.70.

JULY

Start: 3,268.70 End: 3,319.85 ▲ (+1.56%)

Homegrown companies Koufu Group and PropNex listed, injecting some life into the moribund market. But in a bid to cool the residential property market, the Singapore government surprised the market when it decided to raise the additional buyer's stamp duty (ABSD) and tighten borrowing limits on home buys, as well as impose a new non-remittable ABSD of 5 per cent on developers' en-bloc purchases. Developer stocks took a hammering in the days that followed. On July 6, the STI broke through the 3,200 support level to close at 3,191.82, leading analysts to predict the next support level at 3,100. Meanwhile, the trade war also intensified, with the Trump administration again announcing plans to impose 10 per cent tariffs on a new list of Chinese imports worth US$200 billion.

AUGUST

Start: 3,319.85 End: 3,213.48 ▼ (-3.20%)

The US and China continued to trade blows, with China announcing 25 per cent tariffs on US$16 billion worth of goods imported from the US, effective from Aug 23, the same day that the Trump administration planned to likewise apply 25 per cent duties on an additional US$16 billion of Chinese imports. Meanwhile, the plunging Turkish lira and Russian rouble also affected global equities, including in Asia. The lira slumped on the back of threats by President Trump to double US import tariffs on Turkish steel and aluminium, coupled with a stand-off over Turkey's detention of a Christian American evangelical pastor, Andrew Brunson; the Russian rouble was affected by threats of sanctions by the US State Department over Russia's alleged use of a chemical agent to poison former Russian spy Sergei Skripal and his daughter in England in March. With the currency crisis triggering slides in numerous emerging market currencies, Indonesia also made the surprising decision to raise its benchmark interest rate for the fourth time since May.

SEPTEMBER

Start: 3,213.48 End: 3,257.05 ▲ (+1.36%)

The tit-for-tat exchange between Beijing and Washington continued, with fears that the US would impose tariffs on another US$200 billion of Chinese goods, and China tariffs on US$60 billion of American goods. On Sept 11, the index slid to 3,109.91, its lowest level in one-and-a-half years. The stock market eased slightly following reports that US Treasury Secretary Steven Mnuchin had invited top Chinese officials to restart trade talks – talks which China cancelled after the feared tariff threats from both countries materialised. Investors worried about a third phase of the trade war where President Trump might impose tariffs on the remaining US$267 billion of Chinese imports. In other news, US policy-makers increased the Fed funds rate by 25 basis points as expected, taking the rate to a range of 2 to 2.25 per cent.

OCTOBER

Start: 3,257.05 End: 3,018.80 ▼ (-7.31%)

As the last quarter of the year kicked in, a spat grew between Italy and the EU, fanning fears of another crisis in the eurozone, after Italy passed a budget that did not abide by the bloc's rules on public spending. The International Monetary Fund also cut its global economic growth forecast to 3.7 per cent for 2018 and 2019, lower than earlier forecasts, citing rising trade protection and the instability in emerging markets. Locally, telco StarHub axed more than one-tenth of its staff as part of a strategic transformation amid "current industry pressures". ComfortDelGro lost 7 per cent over October, on news that Indonesian ride-hailing firm Go-Jek was preparing to launch in Singapore. News that the authorities were planning to crack down on the number of "shoe-box sized" apartments in Singapore also pummelled some developer stocks. October ended with disappointing earnings from US tech heavyweights Amazon and Google parent Alphabet, which led to the STI sliding below 3,000 for three straight days, before finally finishing 7.3 per cent lower for the month.

NOVEMBER

Start: 3,018.80 End: 3,117.61 ▲ (+3.27%)

As widely expected, for the 2018 US mid-term elections, the Republican Party retained a slim majority of the Senate, and the Democrats regained control of the House after eight years. Economists noted that while the split results would complicate the political environment, President Trump's trade policy towards China might remain unchanged. Meanwhile, there was a series of weak corporate earnings from Singapore, with Singtel posting its worst quarterly results since 2003, as net profit fell 77 per cent on declines in its regional businesses, and Singapore Airlines announcing an 81 per cent fall in its second-quarter earnings, due to higher fuel costs and recognition of its share of losses in its unit, Virgin Australia. A series of shock resignations in the UK Cabinet over Brexit also caused the pound and UK equities to plunge, but Singapore shares were sheltered from the impact and managed to hold fairly steady even with Apec leaders failing to produce a joint communique at the Apec summit amid continued Sino-US trade tensions.

DECEMBER

Start: 3,117.61 End: 3,068.76 ▼ (-1.57%)

The STI continued to slide despite news of a 90-day truce struck between the US and China at the G-20 Summit where both sides agreed not to introduce any new tariffs. Analysts cautioned that it was too early to cheer as the trade war may still continue broadening to non-tariff measures. The arrest of Huawei Technologies' chief financial officer Meng Wanzhou in Canada on Dec 5 over potential violations of US sanctions on Iran seemed to prove these fears right. The STI only picked up again on Dec 12 following Ms Meng's release and news of President Trump's lifting of his tariff increase on American-made cars in July – the first concrete, positive outcome from the G-20 Summit. A week later, the Fed raised its benchmark interest rate by a quarter-point to a range of to 2.25 to 2.5 per cent, but lowered projections for future hikes from three to two, still higher than the zero to one hike that markets were expecting. Concerns of a US government shutdown and President Trump's repeated reproach of the Federal Reserve finally caused the STI to fall through its 3,100 support level to finish the year at 3,068.76.

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