



Month ending January 31, 2018

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**Stocks & Bonds**

US stock markets rose over the month. The Dow and S&P 500 were up 5.79% and 5.62% respectively. The technology-heavy NASDAQ was up by 7.36% during the period. US 10-year treasury yield increased by 30 basis points. In Hong Kong Market, HSI and HSCEI were +9.92% and +15.82% respectively in December.

Southbound flow from mainland China to Hong Kong has started the year exceptionally strong, reaching record highs across various measures. Daily average (1m) net buy and sell flow have reached US\$ 1.4 bn and US\$ 1bn respectively, exceeding the last peak observed in May 2015, when net buy and net sell were at US\$ 1bn and US\$ 600 mn. The gross flow impact on cash-only turnover reached 18.8%, the highest level ever observed. Given the significant turnover impact, Southbound flow has played an important role in the January rally. By breaking down the flow into different industry groups overtime, SB investors have been increasing allocations to sectors that are heavily weighted in HSCEI and HSI in excess of historical averages. In January, the top 5 industries that have attracted the most Southbound net flows are Banks (US\$ 2.5 bn), Diversified Financials (US\$ 1bn), Real Estate (US\$ 1bn), Energy (US\$ 550 mn) and Software & Services (US\$ 540 mn). Each of these industries happen to be those with heavy weights in the HSCEI (Financials and Energy) and HSI (Financials, Real Estate and IT).

**Price Performance Summary (For the month ending Jan 31)**

STOCK INDEXES	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
DJIA	26,616.7	24,719.2	26,149.4	1,430.2	6,285.3
FTSE 100	7,778.6	7,533.6	7,533.6	-154.2	434.4
Nikkei 225	24,124.2	22,764.9	23,098.3	333.4	4,057.0
Hang Seng	33,154.1	29,919.2	32,887.3	2,968.1	9,526.5
KOSPI	2,598.2	2,466.5	2,566.5	99.0	498.9
<b>US BONDS (Yield)</b>					
10-yr Treasury Note	2.721%	2.406%	2.706%	0.300%	0.252%
30-yr Treasury Bond	2.971%	2.740%	2.936%	0.196%	-0.126%



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## FOREIGN EXCHANGE

The Asian FX rally has resumed today as risk appetite recovers following an aggressive selloff in bonds and equities in recent days. Strong earnings reports in Korea and the passage of US President Trump's State of the Union address with relatively few pushbacks against trade or China also contribute to the better Asia sentiment. The robust global growth backdrop and reduced Asia central bank intervention ahead of the US Treasury's currency report in April will drive Asia currencies gains over the next few months. Market see scope for surplus currencies to outperform, in particular the THB, MYR, TWD and KRW, while investor should be cautious that rising oil prices will combined with negative current account seasonality in 2Q to hurt the outlook for the INR.

Price Performance Summary (For the month ending Jan 31)					
	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
US Dollar Index	92.528	89.067	89.133	-2.991	-10.379
EURUSD	1.2427	1.1937	1.2414	0.0409	0.1616
GBPUSD	1.4242	1.3503	1.4191	0.0678	0.1612
USDJPY	113.09	108.58	109.19	-3.50	-3.61
USDCHF	0.9830	0.9313	0.9313	-0.0430	-0.0579
USDCAD	1.2571	1.2308	1.2315	-0.0256	-0.0715
AUDUSD	0.8110	0.7805	0.8055	0.0246	0.0470
EURJPY	136.07	133.14	135.54	0.26	13.74
EURGBP	0.89058	0.87134	0.87475	-0.01334	0.01638

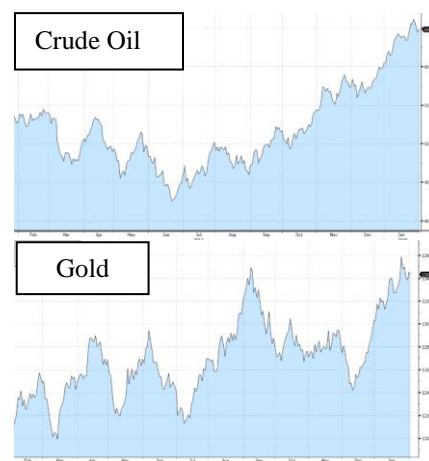


## COMMODITIES

Gold increased by 3.23% to close at US\$1,345.15 per oz. 1-month crude oil future traded in NYME up by 7.13% to close the month at US\$64.73 per barrel.

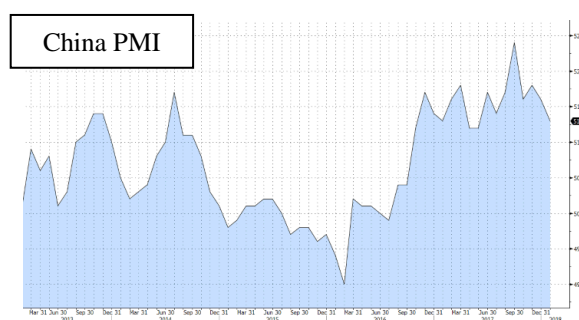
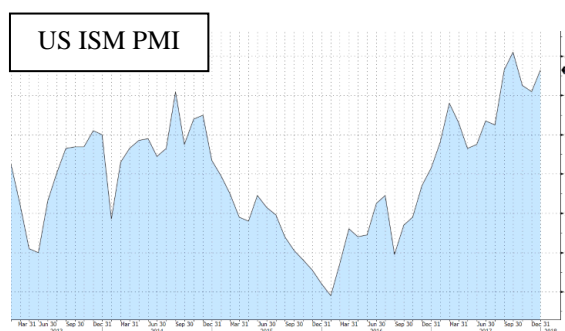
Soybean was up 4.62%. Copper was down 3.18%. Corn increased by 3.06% to US\$361.50. Wheat was up by 5.80% to US\$451.75.

Price Performance Summary (For the month ending Jan 31)					
Futures	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
Crude Oil (NYME)	66.14	60.37	64.73	4.31	11.92
Gold	1,358.47	1,302.55	1,345.15	42.10	134.50
Silver	17.5539	16.8630	17.3455	0.4080	-0.2102
Copper	330.05	311.10	319.55	-10.50	46.80
Sugar #11	15.33	13.08	13.23	-1.93	-7.22
Wheat	457.25	416.50	451.75	24.75	31.00
Soybeans	1,000.25	940.50	995.75	44.00	-28.75
Corn	361.50	346.25	361.50	10.75	1.75



## ECONOMY

China's Caixin manufacturing PMI was unchanged at 51.5 in January, in line with market expectations. Among the five major sub-indices, the production sub-index rose to 52.8 from 52.1, while the new orders sub-index fell to 52.3 from 53.0. Inventory indicators went up- raw material inventories were higher at 50.0, vs 49.5, and finished goods inventory rose to 49.5 from 49.2. Employment sub-index was also higher at 49.4 from 49.1. Suppliers' delivery times inched up to 48.3 from 48.1, implying weaker demand conditions. Inflation indicators declined -the output price index fell 2.6 pp to 51.1 and the input price index fell 4pp to 56.9. In sum, the Caixin manufacturing PMI survey suggests steady growth momentum in January compared with December, combined with easing inflationary pressures in January. In years when the Chinese New Year dates were similar to this year's, Caixin manufacturing PMI tends to increase in January and fall in February. This may have added some upward bias to this Caixin manufacturing PMI reading. Broadly supportive policy stance is expected to combine with targeted policy tightening to address risks this year.



## US DATA IN FOCUS (Feb 2018)

Monday	Tuesday	Wednesday	Thursday	Friday
			1 FOMC Rate Decision Initial Jobless Claims Markit US Manufacturing PMI Construction Spending MoM ISM Manufacturing ISM Prices Paid	2 Change in Nonfarm Payrolls Unemployment Rate U. of Mich. Sentiment Factory Orders Durable Goods Orders Durables Ex Transportation
5 Markit US Services PMI Markit US Composite PMI ISM Non-Manf. Composite	6 Trade Balance	7 MBA Mortgage Applications	8 Initial Jobless Claims	9 Wholesale Inventories MoM
12	13 Monthly Budget Statement	14 MBA Mortgage Applications CPI MoM CPI Ex Food and Energy MoM Retail Sales Advance MoM	15 Empire Manufacturing Initial Jobless Claims PPI Final Demand MoM Philadelphia Fed Business Outlook Industrial Production MoM	16 Net Long-term TIC Flows Import Price Index MoM Housing Starts U. of Mich. Sentiment
19	20	21 MBA Mortgage Applications Markit US Manufacturing PMI Markit US Services PMI Markit US Composite PMI Existing Home Sales	22 Initial Jobless Claims Leading Index	23
26 New Home Sales	27 Wholesale Inventories MoM Durable Goods Orders Durables Ex Transportation FHFA House Price Index MoM Richmond Fed Manufact. Index Conf. Board Consumer Confidence	28 MBA Mortgage Applications GDP Annualized QoQ GDP Price Index Chicago Purchasing Manager Pending Home Sales MoM		