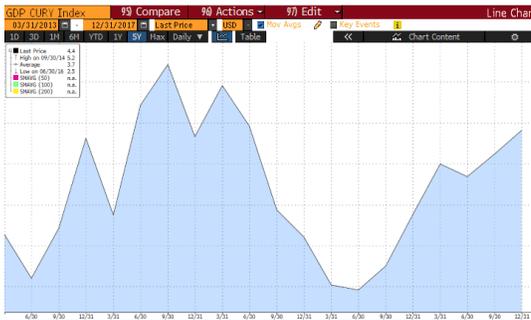




Jan 26 2018 – Feb 9 2018

ECONOMY – Fundamentals Still Intact



Date	Data	Number
14 Feb	CPI MoM	0.3% F
15 Feb	PPI Final Demand MoM	0.4% F
16 Feb	Housing Starts	1261k F

*P: Previous F: Forecast R: Revision (From Bloomberg)

The readings on the economy recently continued the string of positive news about underlying economic fundamentals. The ISM non-manufacturing index posted a solid rebound in January after service sector activity took a breather in November and December. The headline rose to hit a new cycle high of 59.9. The improvement in new orders was the main driver of the recovery, but the breadth of positive responses across industries was also notable. The new orders index rose 8.2 points to a reading of 62.7 in January, which is the strongest since 2011. Business activity was up, measured by the business activity index and the tone of the comments in the press release. Many noted optimism stemming from the tax changes, and also that prices were picking up. Indeed, the nonmanufacturing prices paid index rose on the month, following the manufacturing survey in pointing to a stronger price pressure environment. The ISM non-manufacturing employment component hit a fresh series high of 61.6 in January, which is a very promising sign for hiring

STOCKS & COMMODITIES – US Led Correction

US stock markets drop over the past two weeks. The Dow and S&P 500 were -9.11% and -8.82% respectively. NASDAQ was down by 8.41%.

After a stellar run in Jan, signs of market euphoria emerged & US equity valuation was a bit stretched. As investors started to re-price higher inflation and interest rate outlook in the US, equities suffered and the sell-offs turned into a stampede thanks to algorithmic and passive selling. And the reverberation spread quickly to global equities. For China, concerns on tighter credit condition this year also added to the sell-off pressure. MXCN/HSCEI/HIS plunged 10%/12%/9% in one week, wiping out most of the gains YTD. For HK/CN, liquidity could also be light in the next two weeks given the CNY holiday.

Crude oil future traded in NYME decreased 10.49% to close at US\$59.2 per barrel during the period. Gold price was down 2.49% to US\$1,316.15 per oz.



Market Mover	Commodity	Change (+/-)
	Oil Futures	-USD 6.94
	DJIA	-2425.81 points



Market Mover	Currency Pair	Change (+/-)
	DXD	+1.375
	EURUSD	-0.0175

FOREIGN EXCHANGE – RMB Rebound

The RMB is finally displaying some long-awaited two-way volatility. The RMB is now giving up some of its earlier outperformance against many of the G10 and EM currencies in the CFETS basket through January and during the global equities turmoil. USD-RMB has risen since 7 February. The catalysts for this turnaround could be the strongly worded statement and comments from PBoC and SAFE officials committing to two-way capital account liberalisation, such as allowing outflows as well, not just encouraging inflows, after their 2018 Annual Work Conference on 5-6 February. China’s unexpectedly weak trade balance in January, due to a surge in imports, probably also contributed to this.

The Euro depreciated against US dollar by 1.41% over the period.