



Month ending February 28, 2018

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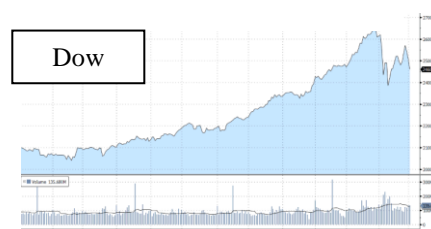
**Stocks & Bonds**

US stock markets drop over the month. The Dow and S&P 500 were down 4.28% and 3.89% respectively. The technology-heavy NASDAQ was down by 1.87% during the period. US 10-year treasury yield increased by 15.6 basis points. In Hong Kong Market, HSI and HSCEI were -6.21% and -8.70% respectively in February.

In Hong Kong market, southbound (SB) net sold Rmb4.9bn over the last two days of February, representing 0.7% of the value of accumulated SB inflows. This is the biggest accumulated consecutive day drawdown since Dec 9th, 2016. The biggest driver of SB flow's delta is expectation of EM performance held by domestic investors. As global market's focus shifts to monetary tightening and EM performance becomes less certain, SB net-sell days is expected to turn more frequent. Domestic market condition doesn't appear to be a key driver of SB selling. Since SB's launch in Nov 2014, there have been 99 days of net selling by onshore investors; out of which, 54 cases, or roughly half, occurred when CSI300 was down. Moreover, 16 of the 54 cases, some 30%, happened between late-Jun 2015 and mid-Sept 2015 when the A-share market crashed. Overall, onshore investors as a group appears to have a persistent desire to buy SB – on 87% of the trading days so far since SB's launch, they were a net buyer.

**Price Performance Summary (For the month ending Feb 28)**

STOCK INDEXES	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
DJIA	26,186.7	23,860.5	25,029.2	-1,120.2	4,217.0
FTSE 100	7,533.6	7,092.4	7,231.9	-301.6	-31.5
Nikkei 225	23,486.1	21,154.2	22,068.2	-1,030.1	2,949.3
Hang Seng	32,958.7	29,459.6	30,844.7	-2,042.6	7,104.0
KOSPI	2,568.5	2,363.8	2,427.4	-139.1	335.7
<b>US BONDS (Yield)</b>					
10-yr Treasury Note	2.951%	2.706%	2.862%	0.156%	0.471%
30-yr Treasury Bond	3.221%	2.936%	3.125%	0.189%	0.129%



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## FOREIGN EXCHANGE

Having begun the year weakening across the board, the USD bounced back in February with the DXY up 1.7%. A global equity market pullback was a key event in the month, as 5 February saw the largest one-day correction in US equities (as measured by the S&P index) since August 2011, which provided support for the USD. Data releases showed signs that inflation was picking up in the US, as average hourly earnings, CPI and core CPI all came in higher than expected. The USD rallied following the higher than expected wage data, but was initially choppy and ultimately lower following the CPI prints. Higher inflation was also associated with rising expectations about Fed tightening. A hawkish tinge to the January FOMC meeting minutes and Jerome Powell talking about stronger growth in his first testimony to Congress as Fed Chair were all supportive.

Price Performance Summary (For the month ending Feb 28)					
	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
US Dollar Index	90.613	88.593	90.613	1.480	-10.507
EURUSD	1.2510	1.2194	1.2194	-0.0220	0.1618
GBPUSD	1.4264	1.3760	1.3760	-0.0431	0.1380
USDJPY	110.17	106.13	106.68	-2.51	-6.09
USDCHF	0.9446	0.9220	0.9446	0.0133	-0.0612
USDCAD	1.2831	1.2268	1.2831	0.0516	-0.0470
AUDUSD	0.8055	0.7762	0.7762	-0.0293	0.0105
EURJPY	137.25	130.08	130.08	-5.46	10.81
EURGBP	0.88943	0.87475	0.88617	0.01142	0.03190

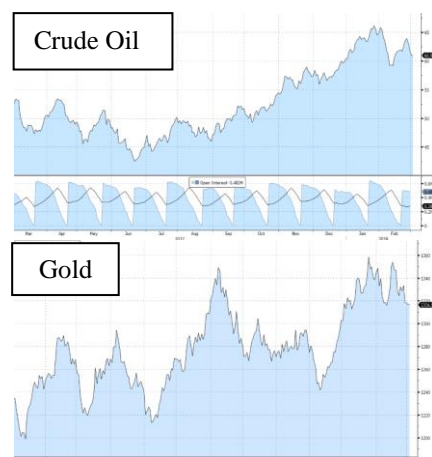


## COMMODITIES

Gold decreased by 1.99% to close at US\$1,318.38 per oz. 1-month crude oil future traded in NYME down by 4.77% to close the month at US\$61.64 per barrel.

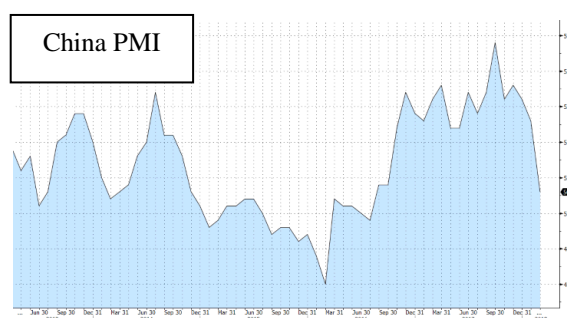
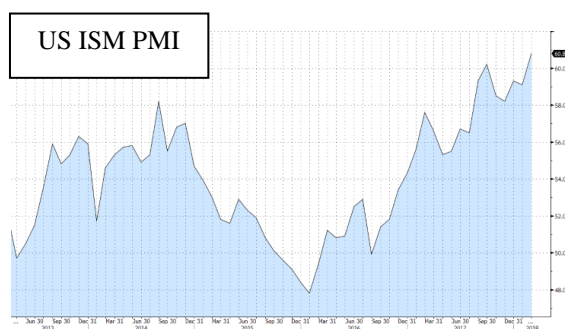
Soybean was up 4.95%. Copper was down 2.75%. Corn increased by 3.60% to US\$374.5. Wheat was up by 7.25% to US\$484.5.

Price Performance Summary (For the month ending Feb 28)					
Futures	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
Crude Oil (NYME)	65.80	59.19	61.64	-3.09	7.63
Gold	1,353.70	1,316.15	1,318.38	-26.77	70.05
Silver	17.4068	16.3650	16.4150	-0.9305	-1.8975
Copper	324.85	303.35	310.75	-8.80	40.35
Sugar #11	14.00	13.01	13.48	0.25	-5.83
Wheat	484.50	440.25	484.50	32.75	59.75
Soybeans	1,045.00	969.75	1,045.00	49.25	20.00
Corn	374.50	355.25	374.50	13.00	7.75



## ECONOMY

It was a very light month for US economic data, but the continued upward movement in Treasury yields has continued to dominate markets' attention. On the economic front, existing home sales tumbled again in January as a tight supply of existing homes held back sales. The Leading Economic Index posted another solid gain in January supporting our forecast for ongoing robust economic growth in the quarters ahead. Existing home sales disappointed again in January, falling 3.2% to a 5.38-million unit pace with sales declining in all four regions of the country. The sluggish pace of existing home sales is tied to the fact that supply remains historically low. The inventory of existing homes on the market rose in January but remains 9.5 % below last year's level. Existing home prices have continued to rise in light of the tight supply story and are now up 5.8 % on a year-over-year basis. Even with the current tight supply situation and rising prices, existing home sales is expected to accelerate this year to a 5.65-million unit pace in 2018.



### US DATA IN FOCUS (Mar 2018)

Monday	Tuesday	Wednesday	Thursday	Friday
			1 Personal Income Personal Spending Initial Jobless Claims Markit Manufacturing PMI Construction Spending MoM ISM Manufacturing ISM Prices Paid	2 U. of Mich. Sentiment
5 Markit US Services PMI Markit US Composite PMI ISM Non-Manf. Composite	6 Factory Orders Durable Goods Orders Durables Ex Transportation	7 MBA Mortgage Applications ADP Employment Change Trade Balance	8 Initial Jobless Claims	9 Change in Nonfarm Payrolls Unemployment Rate Wholesale Inventories MoM
12	13 Monthly Budget Statement CPI MoM CPI Ex Food and Energy	14 MBA Mortgage Applications Retail Sales Advance MoM PPI Final Demand MoM	15 Empire Manufacturing Import Price Index MoM Initial Jobless Claims Philadelphia Fed Business Outlook	16 Net Long-term TIC Flows Housing Starts Industrial Production MoM U. of Mich. Sentiment
19	20	21 MBA Mortgage Applications Current Account Balance Existing Home Sales	22 FOMC Rate Decision Initial Jobless Claims FHFA House Price Index Markit Manufacturing PMI Leading Index Markit US Services PMI Markit US Composite PMI	23 Durable Goods Orders Durables Ex Transportation New Home Sales
26	27 Richmond Fed Manuf. Index Conf. Board Consumer Confidence	28 MBA Mortgage Applications GDP Annualized QoQ Wholesale Inventories MoM GDP Price Index Pending Home Sales MoM	29 Personal Income Personal Spending Initial Jobless Claims U. of Mich. Sentiment	30 Chicago Purchasing Manager