



Month ending March 30, 2018

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Stocks & Bonds

US stock markets drop over the month. The Dow and S&P 500 were down 3.70% and 2.69% respectively. The technology-heavy NASDAQ was down by 2.88% during the period. US 10-year treasury yield decreased by 12.2 basis points. In Hong Kong Market, HSI and HSCEI were -2.44% and -3.10% respectively in January.

On March 30, 2018, CSRC announced on its website that the China State Council has approved its "Some Opinions regarding Pilot Program of Onshore IPO or CDR Issuance by Innovative Companies". Key information includes: 1) detailed scope of sectors and industries; 2) size and profitability requirement; 3) acknowledgement of VIE and weighted voting rights structure, 4) approval process, and 5) investor protection. For the A-share market, the liquidity impact should be manageable, given the smaller size of new A-share offerings YTD and the continuing institutional allocation to equities. Impact on H-share market and Stock Connect flows should be neutral/marginally positive, given southbound flows' broader focus outside the IT industry, and CDR/H premium could make Hong Kong stocks more attractive. CSRC acknowledgement of VIE structure could help allay investors' concern and lead to a minor re-rating.

Price Performance Summary (For the month ending Mar 30)

STOCK INDEXES	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
DJIA	25,335.7	23,533.2	24,103.1	-926.1	3,439.9
FTSE 100	7,231.9	6,888.7	7,056.6	-175.3	-266.3
Nikkei 225	22,068.2	20,617.9	21,454.3	-613.9	2,545.0
Hang Seng	31,601.5	29,886.4	30,093.4	-751.3	5,981.8
KOSPI	2,496.0	2,375.1	2,445.9	-139.1	335.7
US BONDS (Yield)					
10-yr Treasury Note	2.897%	2.740%	2.740%	-0.122%	0.352%
30-yr Treasury Bond	3.158%	2.974%	2.974%	-0.151%	-0.036%



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FOREIGN EXCHANGE

USD-HKD is now very close to 7.85, which is the upper limit of the 7.75-7.85 Convertibility Zone for the Linked Exchange Rate System (LERS), established on 18 May 2005. If spot touches 7.85, the Hong Kong Monetary Authority (HKMA) would intervene in the FX market, to buy HKD from banks at a rate of 7.85/USD. Such interventions would drain the Aggregate Balance and put upward pressure on Hibor to close the gap with Libor. Over time, the interest rate arbitrage driving banks to sell HKD to HKMA would cease. USD-HKD should then naturally retreat from the weak-side and fall back into the band. This is a mechanistic process. The Hong Kong economy has a strong external balance sheet, high household savings and a healthy banking sector. A gradual reduction of excess HKD liquidity in the system will promote "sustainable development" for the local economy.

Price Performance Summary (For the month ending Mar 30)					
	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
US Dollar Index	90.613	89.027	89.974	-0.639	-10.376
EURUSD	1.2444	1.2194	1.2324	0.0130	0.1672
GBPUSD	1.4229	1.3760	1.4015	0.0255	0.1465
USDJPY	106.85	104.74	106.28	-0.40	-5.11
USDCHF	0.9567	0.9374	0.9540	0.0094	-0.0486
USDCAD	1.3096	1.2812	1.2900	0.0069	-0.0418
AUDUSD	0.7877	0.7662	0.7679	-0.0083	0.0050
EURJPY	132.05	129.40	130.97	0.89	12.30
EURGBP	0.89321	0.87253	0.87909	-0.00708	0.03057

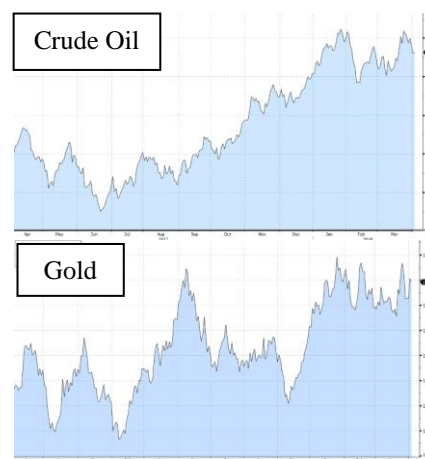


COMMODITIES

Gold increased by 0.50% to close at US\$1,325.00 per oz. 1-month crude oil future traded in NYME up by 5.35% to close the month at US\$64.94 per barrel.

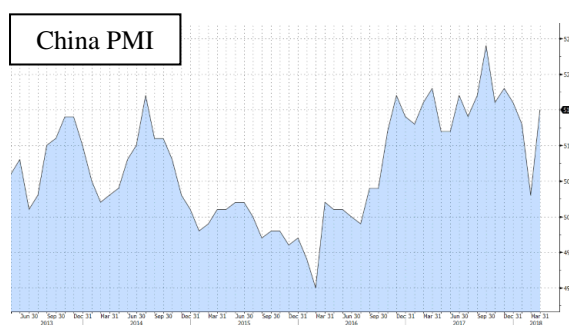
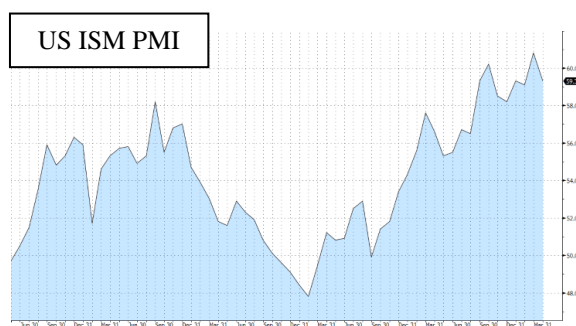
Soybean was down 0.06%. Copper was down 2.64%. Corn increased by 3.54% to US\$387.75. Wheat was down by 6.91% to US\$451.00.

Price Performance Summary (For the month ending Mar 30)					
Futures	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
Crude Oil (NYME)	65.88	60.12	64.94	3.30	14.34
Gold	1,353.44	1,311.30	1,325.00	6.62	75.65
Silver	16.7615	16.2040	16.3678	-0.0472	-1.8986
Copper	314.00	296.05	302.55	-8.20	37.30
Sugar #11	13.71	12.21	12.35	-1.13	-4.41
Wheat	505.50	445.50	451.00	-33.50	24.50
Soybeans	1,066.75	1,018.00	1,044.75	-0.25	98.75
Corn	387.75	373.50	387.75	13.25	23.50



ECONOMY

The final look at GDP for Q4 2017 showed U.S. economic growth was 2.9%, stronger than the 2.5% last reported. Upward revisions to personal consumption showed it rose 4% during the quarter, from 3.8% previously. The consumer contributed 2.8 points to economic growth at the end of last year on strong gains in goods consumption. However, incoming data from the first few months of 2018 suggest personal consumption expenditure (PCE) growth slowed in Q1. This is not entirely surprising as personal income growth has been slower than what would support such strong spending gains, which the consumer largely accomplished by lowering the saving rate. That consumers chose to borrow against future income growth, or reduce savings, reflects their confidence in the underlying economy. Another reason to believe PCE to be less of a boost in Q1 is because that has largely been the case each year of the current cycle, which likely reflects residual seasonality in the estimates. The recent weather may also depress spending growth, particularly in the northeast.



US DATA IN FOCUS (Apr 2018)

Monday	Tuesday	Wednesday	Thursday	Friday
2 Markit US Manufacturing PMI Construction Spending MoM ISM Manufacturing ISM Prices Paid	3	4 MBA Mortgage Applications ADP Employment Change Markit US Services PMI Markit US Composite PMI ISM Non-Manf. Composite Factory Orders Durable Goods Orders Durables Ex Transportation	5 Initial Jobless Claims Trade Balance	6 Change in Nonfarm Payrolls Unemployment Rate
9	10 PPI Final Demand MoM Wholesale Inventories MoM	11 MBA Mortgage Applications CPI MoM CPI Ex Food and Energy MoM	12 Monthly Budget Statement Import Price Index MoM Initial Jobless Claims	13 U. of Mich. Sentiment
16 Retail Sales Advance MoM Empire Manufacturing	17 Net Long-term TIC Flows Housing Starts Industrial Production MoM	18 MBA Mortgage Applications	19 Initial Jobless Claims Philadelphia Fed Business Outlook Leading Index	20
23 Markit US Manufacturing PMI Markit US Services PMI Markit US Composite PMI Existing Home Sales	24 FHFA House Price Index MoM New Home Sales Richmond Fed Manufact. Index Conf. Board Consumer Confidence	25 MBA Mortgage Applications	26 Initial Jobless Claims Wholesale Inventories MoM Durable Goods Orders Durables Ex Transportation	27 Employment Cost Index GDP Annualized QoQ GDP Price Index U. of Mich. Sentiment
30 Personal Income Personal Spending Chicago Purchasing Manager Pending Home Sales MoM				