



Mar 30 2018 – Apr 13 2018

ECONOMY – Watching Inflation



Date	Data	Number
17 Apr	Housing Starts	1266k F
19 Apr	Leading Index	0.3% F
24 Apr	New Home Sales	630k F

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

Market participants eagerly awaited the release of three carefully watched inflation metrics: the producer price index, the consumer price index and the import price index. Observers who were hoping for signs of firming inflation were not disappointed. The inflation celebration, albeit a restrained one, was kicked off on Tuesday with the release of March’s producer price index (PPI), which rose 0.3% ahead of expectations for a 0.1% gain. Besides the energy component, all major sub-sectors saw prices rise last month. Perhaps the most highly anticipated economic indicator recently was the consumer price index (CPI) report for March. Although the headline figure fell 0.1%, the decline can be entirely traced to energy, where prices fell 2.8%. Elsewhere, however, price gains were stronger and point to firming inflation. After what had been the strongest three-month run in 10 years, the core index increased an impressive 0.2%. Core services strengthened 0.3%, led by a rebound in shelter costs. Prices for medical services also strengthened notably, up 0.5%, after being flat last month.

STOCKS & COMMODITIES – New Development in Hainan

US stock markets rose over the past two weeks. The Dow and S&P 500 were +1.07% and +0.58% respectively. NASDAQ was up by 0.61%.

Early April, China President announced plans to build the whole island of Hainan into a pilot free-trade zone/port (FTZ/FTP), after reiterating China’s further opening-up at the Boao conference on Tuesday. This is without doubt a positive for Hainan’s future, but also conducive to ongoing trade issues with greater openness to pursue. Hainan will be a pilot zone for deepening reform and opening-up in China. The plan for Hainan’s next stage development will benefit a number of related industries, such as property development, transportation and logistics, tourism, and retail.

Crude oil future traded in NYME increased 3.77% to close at US\$67.39 per barrel during the period. Gold price was up 1.54% to US\$1,345.42 per oz.



Market Mover	Commodity	Change (+/-)
	Oil Futures	+USD 2.45
	DJIA	+257.03 points



Market Mover	Currency Pair	Change (+/-)
	DXD	-0.174
	EURUSD	+0.0007

FOREIGN EXCHANGE – China Reserves Rebound

China’s FX reserves rebounded modestly by \$8.3 billion in March and registered at \$3.14 trillion, in line with market expectations. The pick-up is mainly due to positive currency valuation effect: USD DXY relaxed modestly to 90.2 which led to a valuation gain of about \$5.3 billion in our estimate. As such, net of currency valuation impact, FX reserves will have increased by \$3.0 billion in March, following the decline of \$9.5 billion in February. The March FX reserve data hints at continued modest capital outflow during the month. Assuming a current account surplus of \$12.8 billion in March (vs. \$7.0 billion surplus in February), as March merchandise trade surplus is expected to narrow to \$28.2 billion due to faded Lunar New Year distortion.

The Euro appreciated against US dollar by 0.06% over the period.