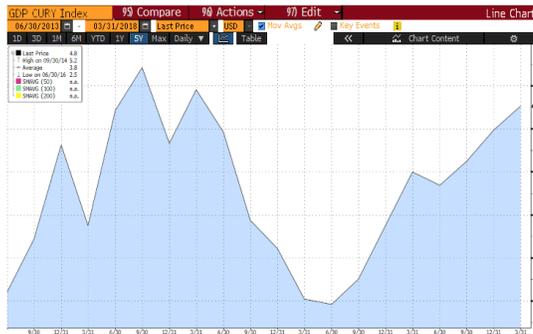




Apr 27 2018 – May 11 2018

**ECONOMY – Inflation Ahead**



Date	Data	Number
16 May	Housing Starts	1310k F
17 May	Leading Index	0.4% F
23 May	New Home Sales	680k F

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

The economic calendar largely focused on inflation this week, with the release of the PPI, the CPI and import prices. Reports from the NFIB reiterated that small business is booming and main street is seeing more pricing power while raising compensation in an ever tightening labor market. Indeed, the Bureau of Labor Statistics (BLS) reported showed there was just one unemployed person for each open position in March.

Small business optimism rose slightly in April after losing some ground in March. That followed a cycle high hit in February after the tax cuts boosted the mood on main street. The mood is still very upbeat. Strong demand is translating into rising earnings on net for firms. Small businesses are also seeing greater ability to increase prices, with the measure of price increases rising to a cycle high in March and easing to its second-highest point of the cycle in April. It's good that small businesses are finding it easier to increase prices, because tough competition for workers is pushing up wages.

**STOCKS & COMMODITIES – MSCI A-share Inclusion**

US stock markets rose over the past two weeks. The Dow and S&P 500 were +2.14% and +2.17% respectively. NASDAQ was up by 3.98%.

MSCI just concluded its May semi-annual index review and announced the final list of A-shares to be included in MSCI global benchmark indexes on 1 June 2018. A total of 234 large-cap A-shares will be initially included, which cover 45% of the total A-share market cap or 57% of the Connect-accessible market cap. MSCI sticks with the 5% partial inclusion plan with a two-step inclusion process: 2.5% inclusion factor on 1 Jun and another 2.5% on 3 Sep. Meanwhile, since the A-share inclusion lowers the market cap threshold for the standard indexes, more offshore China stocks (ie. HK-listed and ADRs) will be added to the MSCI China index as well.

Crude oil future traded in NYME increased 3.82% to close at US\$70.7 per barrel during the period. Gold price was down 0.38% to US\$1,318.3 per oz.



Market Mover	Commodity	Change (+/-)
	Oil Futures	+USD 2.60
	DJIA	+519.98 points

**FOREIGN EXCHANGE – MSCI Lead to FX Inflow to China**



Market Mover	Currency Pair	Change (+/-)
	DXD	+0.995
	EURUSD	-0.0187

MSCI's A-shares inclusion could result in USD18bn of equity inflows, although some of those may have already occurred. It is possible that some active funds have already pre-positioned themselves for the inclusion though – northbound Stock Connect flows YTD have risen 35% yoy to USD17bn. However, even if there was going to be an additional USD18bn of equity inflows over the coming months, the near-term directional impact on the RMB should be supportive but, ultimately, limited. We could see a temporary tightening of offshore CNH liquidity conditions amid larger-than-normal northbound Stock Connect flows during the effective inclusion dates.

The Euro depreciated against US dollar by 1.54% over the period.