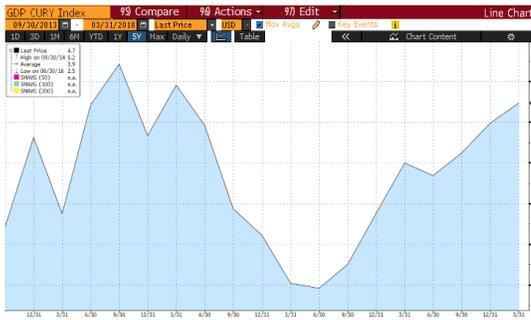




July 06 2018 – July 20 2018

ECONOMY – Detailed AMP Guidelines Released

After market closing on July 20, the CBIRC, PBC and CSRC all issued new draft guidelines or clarification notifications for the implementation of April's unified Asset Management Product (AMP) rules. CBIRC's release focused on the operations of banks' wealth management products (WMPs), CSRC's covered AMPs of securities institutions, and the PBC gave more encompassing set of clarifications. While sticking to the general principles of the April AMP rules, the just released implementation guidelines are more pragmatic and moderate in a few key areas that have dominated market concerns in recent months: 1) A more gradual and discretionary transition; 2) Publicly offered AMPs are allowed to invest in NSDs; 3) Less strict valuation method; and 4) The minimum investment in publicly offered WMPs has been lowered, from RMB 50,000 to 10,000. These newly published guidelines also removed a key uncertainty in the market. Before the release of the detailed rules, banks and asset managers were unsure about the treatment of non-compliant assets during and after the transition period.



Date	Data	Number
25 Jul	New Home Sales	668k F
1 Aug	ISM Manufacturing	59.1 F
3 Aug	Trade Balance	-\$43.2b F

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

STOCKS & COMMODITIES – Raising Fear on US Equity

US stock markets rose over the past two weeks. The Dow and S&P 500 were +2.46% and +1.52% respectively. NASDAQ was up by 1.71%.

The perception that the interplay between plateauing 2018 earnings growth estimates, a hardening in the trade dispute and a grim flattening of the yield curve ought to have hurt share prices has not played out. Indeed, on the ground evidence is at odds with investor fears. Perhaps one of the best 'qualitative' surveys for the S&P transport and industrials is the Beige Book. The recently released July 18th edition whilst reporting worries about the Administration's trade policies acknowledged that the economy is reaching into the upper limits of capacity utilization and in some limited areas, trucking specifically, this is leading to increased price pressures.

Crude oil future traded in NYME decreased 4.53% to close at US\$70.46 per barrel during the period. Gold price was down 1.85% to US\$1,232.0 per oz.



Market Mover	Commodity	Change (+/-)
	Oil Futures	-USD 3.34
	DJIA	+601.64 points



Market Mover	Currency Pair	Change (+/-)
	DXU	+0.513
	EURUSD	-0.0022

FOREIGN EXCHANGE – Further Depreciation of RMB

USDCNH zooming past 6.80 recently, together with the absence of any serious intervention so far, this may be interpreted as authorities sanctioning further RMB weakness. Chinese authorities likely believe that the strict surveillance of capital flows and the emergence of bond portfolio inflows make the RMB much less fragile than in 2015-16. They may also believe that USD strength may be limited at this stage of the business cycle. Also, policy makers likely prefer looser monetary conditions amidst the loss of growth momentum, especially as fiscal policy has been tight-fisted this year. Further support from RMB depreciation would likely also be welcome, and authorities may not mind some USDCNY depreciation to offset the impact of the US tariffs.

The Euro depreciated against US dollar by 0.19% over the period.