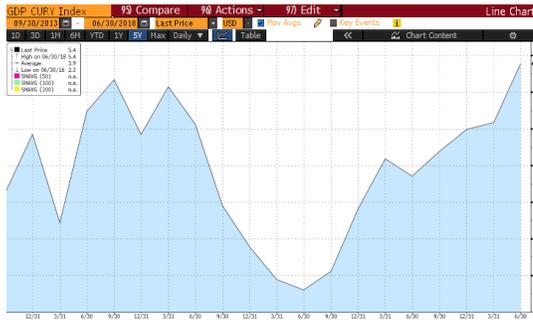




July 20 2018 – August 03 2018

ECONOMY – US Data On Track



Date	Data	Number
09 Aug	PPI Final Demand MoM	0.2% F
10 Aug	CPI MM	0.2% F
16 Aug	Housing Starts	1280k F

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

US domestic economy is grinding toward an output gap that is positive rather than negative. The Employment Cost Index rose to its highest year-over-year pace of the expansion in Q2. Employment costs at private businesses have risen 2.9 % amid a more rapid rise in wages and benefits. The ISM manufacturing index cooled a bit in July but remained firmly in expansion territory at 58.1. Most sub-indices moderated over the month and, along with comments from respondents, hint that the recent trade environment has begun to impact activity. Similarly, the consumer confidence index was only slightly down in June and July relative to May despite rampant headlines over the past two months about a possible trade war. Like the Fed, investors will be watching the data closely to see if trade concerns begin to bear down more noticeably on broad activity. The Fed elected to remain on hold at its August meeting; which upgraded its assessment of the economy compared to the statement that was released at the end of the last meeting in June

STOCKS & COMMODITIES – Focus on Earning

US stock markets rose over the past two weeks. The Dow and S&P 500 were +1.61% and +1.37% respectively. NASDAQ was slightly down by 0.1%.

Despite the lackluster market performance, China equities continued to witness positive earnings revision heading into the 1H18 result season. In RMB terms, MSCI China’s consensus 18E/19E EPS has been revised up by 0.5%/0.6% in the past month, and up by 2.1%/2.8% YTD. Corporate fundamentals are still solid, despite concerns of trade wars and domestic deleveraging. The recent RMB depreciation, however, has dragged down earnings in dollar terms only. Among index heavyweights, market expect largely in-line or slight misses from the Internet sector, and slight positives from Banks. Upstream sectors such as Materials, Energy, Property and Capital Goods could deliver strong results.

Crude oil future traded in NYME decreased 2.80% to close at US\$68.49 per barrel during the period. Gold price was down 1.49% to US\$1,213.65 per oz.



Market Mover	Commodity	Change (+/-)
	Oil Futures	-USD 1.97
	DJIA	+404.46 points



Market Mover	Currency Pair	Change (+/-)
	DXY	+0.685
	EURUSD	-0.0156

FOREIGN EXCHANGE – PBoC Take Action

The People’s Bank of China (PBoC) announced on 3 August that it will impose a 20% reserve requirement (RR) on banks that sell USD to clients using forward contracts (including FX swaps and options). The PBoC said that banks should meet this requirement by adjusting their asset-liability management and by curbing corporates’ ‘pro-cyclical’ demand through price transmission. This marks the first tightening step of the PBoC’s FX policy, which had hitherto been extraordinarily ‘hands off’, despite the sharp weakening of the RMB since mid-June. The PBoC said it has to curb corporates’ ‘pro-cyclical’ behavior (speculative USD demand) that has emerged recently amid rising US-Sino trade frictions.

The Euro depreciated against US dollar by 1.33% over the period.