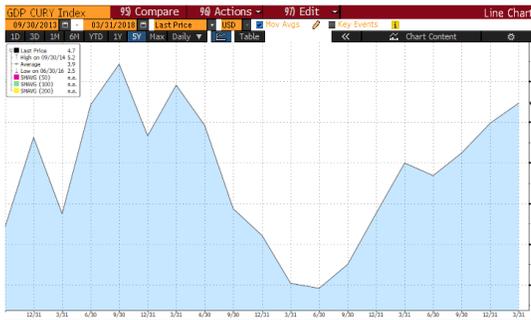




June 22 2018 – July 6 2018

ECONOMY – Little Surprise on China 2Q



Date	Data	Number
11 Jul	PPI Final Demand	0.2% F
18 Jul	Housing Starts	1320k F
19 Jul	Leading Index	0.5% F

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

China 2Q18 GDP expanded 6.7% YoY, slightly down from 6.8% YoY in 1Q18 and in line with the Bloomberg consensus forecast. On a seasonally-adjusted quarter-on-quarter basis, growth rate accelerated to 1.8% from 1.4% in 1Q18, higher than the 1.6% consensus forecast. Monthly activity data still pointed to continued moderation in industrial production and fixed asset investment. Retail sales only recovered slightly. Value-added industrial output was up just 6.0% YoY in June, a marked slowdown from 6.8% YoY in May. Ex-rural fixed asset investment registered a 6.0% YoY gain for 1H18, edging down from 6.1% YoY for 5M18. Currently, with no policy recalibration, both domestic and external factors point to limited growth prospects in 2H18. The biggest macro challenge continues to be the China-US trade war. To hedge against a deteriorating external environment, Chinese policies will be focused more on domestic factors, with monetary policy sticking to an easing bias and fiscal supports coming to materialize. Fiscal policy should also prop up domestic consumption and investment.

STOCKS & COMMODITIES – Focus Again on Brexit

US stock markets were mixed over the past two weeks. The Dow and S&P 500 were -0.51% and +0.18% respectively. NASDAQ was down by 0.06%.

As the England team exits another World Cup at the semi-final stages, underneath the surface of the UK equity market the trading action has been decidedly mixed in local currency and US\$ terms. The incongruity is even more difficult to comprehend after observing the relative UK earnings revisions and PMI data. The discord within the PM Theresa May’s Cabinet over the UK Brexit negotiations is only a reflection of the ongoing tensions about the UK’s relationship with Europe. Just as investors believe that the UK and Europe are moving closer to a deal, the government is finding it difficult itself to establish a consensus.

Crude oil future traded in NYME increased 7.61% to close at US\$73.8 per barrel during the period. Gold price was down 1.12% to US\$1,255.2 per oz.



Market Mover	Commodity	Change (+/-)
	Oil Futures	+USD 5.22
	DJIA	-124.41 points



Market Mover	Currency Pair	Change (+/-)
	DXD	-0.557
	EURUSD	0.0095

FOREIGN EXCHANGE – Vulnerable Asia Currency

With the escalation of trade tensions and the implementation of tariffs on China, market have seen a pullback in a number of trade- and China-exposed currencies in AEJ, including CNY, KRW, TWD, THB and other NJA FX more broadly over the past month. While it is hard to reconcile the US administration’s ambition to correct trade imbalances with such broad-based dollar strength, to investor it now also now seems likely that these tensions will deteriorate further in the near term before they get better. The most trade-sensitive and global/China value-chain integrated currencies will likely be most vulnerable in the coming months as they face additional headwinds from the moderating pace of sequential global growth.

The Euro appreciated against US dollar by 0.82% over the period.