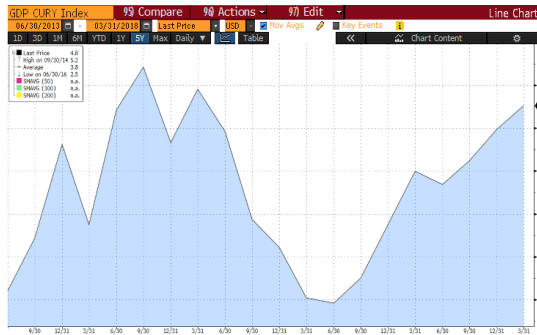




May 11 2018 – May 25 2018

ECONOMY – New Home Surprise



Date	Data	Number
30 May	GDP Annualized QoQ	0.5% F
01 Jun	Change in Non-farm Payrolls	190k F
01 Jun	ISM Manufacturing	58.1 F

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

New home sales declined 1.5 % in April, dropping to an annual pace of 662,000 units. This was better than the consensus estimate of a 2.1 % decline; however, March new home sales were revised downward to a 2.0 % monthly gain from a first reported 4.0 % rise. New home sales are now 8.4 % higher ytd than this time last year. Sales of new homes that have not yet been started jumped 40,000 units in April, the largest jump in five months, to 221,000 units. This increase in sales of homes not yet started points to strength in housing starts in the months ahead. New home sales are off to a solid start in 2018 behind consistently strong demand due to solid job and income growth. While consumers are eager to buy new homes, rising mortgage rates and home prices will likely serve as a headwind to sales of new homes this year. Existing home sales also dropped in April, slipping 2.5 % to a 5.46-million unit annual pace. The pace of existing home sales came in lower than the 5.55-million unit annual pace expected by the consensus. The entirety of the drop came from a slowdown in single-family homes, which were down 3.0 % on the month.

STOCKS & COMMODITIES – HK Liquidity Pressure

US stock markets drop over the past two weeks. The Dow and S&P 500 were -0.31% and -0.23% respectively. NASDAQ was up by 0.42%.

Hong Kong to date, the doubling in 3-month HIBOR since September 2017 has not affected the equity market. The HKMA has been intervening under the Convertibility Undertaking (CU) to prevent the HKD weakening but liquidity conditions have not tightened materially – although the HIBOR-LIBOR is beginning to narrow. Stock market leverage has grown considerably over the past five years – fortunately the latest FOMC minutes were dovish. Hong Kong’s total monetary base has risen fivefold since QE began. Presently, the HKMA’s intervention has had little meaningful impact on the overall monetary base.

Crude oil future traded in NYME decreased 3.99% to close at US\$67.88 per barrel during the period. Gold price was down 1.26% to US\$1,301.7 per oz.



Market Mover	Commodity	Change (+/-)
	Oil Futures	-USD 2.82
	DJIA	-78.08 points



Market Mover	Currency Pair	Change (+/-)
	DXD	+1.716
	EURUSD	-0.0292

FOREIGN EXCHANGE – UST Yield Already Priced-in

EM assets have been under significant pressure over the past month driven by the rise in UST yields, firmer US dollar and worries over global growth. The de-coupling of global growth in Q1 and resultant US growth outperformance was one of the factors underpinning the recent USD strength. However, going forward, growth is set to rebound across key advanced economies in Q2 and the advantageous cyclical position in ‘early cycle’ EMs. As such, this re-coupling of global growth is expected to prompt a weaker dollar and more positive outlook for EM currencies ahead. Meanwhile, UST yields is expected to stabilize as front-end rates have now priced in more than two rate hikes through year end.

The Euro depreciated against US dollar by 2.44% over the period.