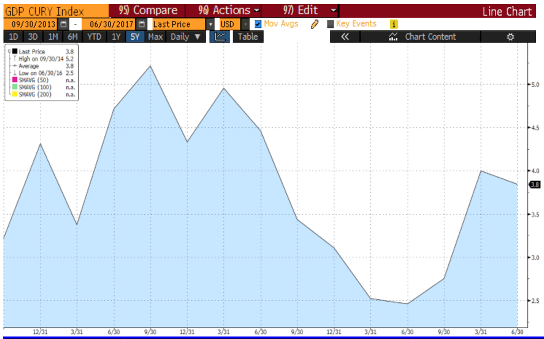
CITY CREDIT INVESTMENT BANK

May 25 2018 – June 8 2018

ECONOMY *– Economic Data on Track*



Date	Data	Number
12 Jun	CPI MoM	0.2% F
14 Jun	FOMC Rate Decision	2.00% F
19 Jun	Housing Starts	1312k F

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

At the beginning of June, economic data mostly reflected the effects of less slack in the economy. Factory orders showed another backlog of unfilled orders, while the ISM non-manufacturing report highlighted increasing input cost pressures in the service sector. Productivity growth improved 0.4 % in the first quarter but unit labor costs grew 2.9 % on an annualized basis. In short, with the robust pace of GDP growth people are forecasting in the second quarter (4.2%) combined with a continued reduction in slack in both the supply chain and the labor force, people see the scene set for a higher inflation environment as the year progresses.

April factory orders declined 0.8%, reversing part of March's 1.7% increase. The closely watched core capital goods shipments component climbed 0.9% in the first month of the quarter, supporting the view of a modest pace of equipment investment. There were, however, signs of strain in the supply chain as the number of unfilled orders has climbed in five of the last six months.

STOCKS & COMMODITIES *– CDR is Coming*

US stock markets rose over the past two weeks. The Dow and S&P 500 were +2.28% and +2.12% respectively. NASDAQ was up by 2.85%.

The CSRC of China released the official "Rules for CDR Issuance and Transactions" as the legal and administrative basis for CDR regulation. The CSRC also approved six strategic placement funds targeting CDRs with aggregate expected subscription of up to RMB300bn offered by the six top-ranked Chines asset management firms. The six dedicated funds could provide the majority of liquidity demand for CDRs and therefore help reduce regulators' concern over near-term liquidity drying up. In the long run, CDRs and potential IPOs of technology companies in China's A-share market contribute to a more balanced representation of the technology sector in A-shares.

Crude oil future traded in NYME decreased 2.14% to close at US$65.74 per barrel during the period. Gold price was down 0.18% to US$1,299.35 per oz.

Market Mover	Commodity	Change (+/-)
Oil Futures		-USD 2.14
DJIA		+563.44 points

FOREIGN EXCHANGE *– China Reserves Inline*

Market Mover	Currency Pair	Change (+/-)
DXY		-0.718
EURUSD		0.0118

China's FX reserves fell modestly by $14.2 billion in May, registering at $3.11 trillion, roughly in line with expectations (Consensus: $3.1065 trillion). The modest decline in May FX reserves was mainly due to currency valuation effect. USD DXY strengthened to 93.98 from 91.84 during May, which led to a valuation loss of about $24.2 billion in our estimate. As such, net of currency valuation impact, FX reserves will have increased by $10 billion in May, following the implied increase of $1.7 billion in April (also net of currency valuation change). China's current account surplus has narrowed gradually in recent years, from an average 2.4% of GDP during 2011-15 to 1.8% of GDP in 2016 and 1.4% of GDP in 2017.

The Euro appreciated against US dollar by 1.01% over the period.