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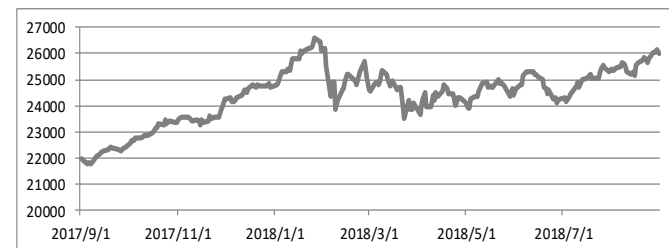
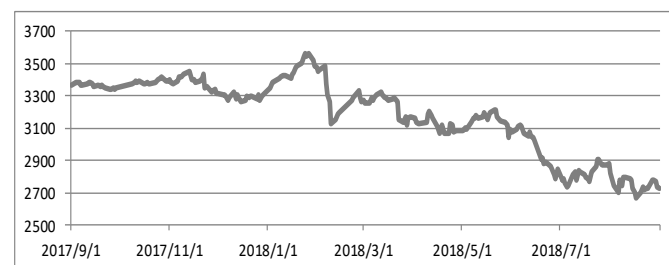
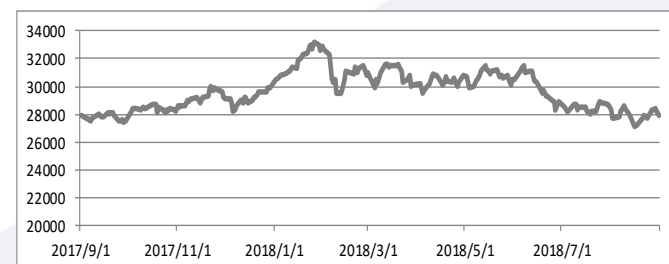
Equity

Macro policies in China continued to adjust towards a “pro-growth” stance. July 31 Politburo meeting vowed for more efforts towards growth stabilization and rebooting infrastructure investment growth. PBoC stated in 2Q MPR to keep liquidity conditions accommodative, while the MOF also pushed for faster fulfillment of the remaining local govt special (construction) bond quota for 2018. Meanwhile, PBoC announced that they have once again started using the counter-cyclical coefficient (CCC) to adjust the CNY central parity fixing more actively since August.

IP growth stayed flat at 6.0% YoY, while industrial profits continued to pool up at the upstream. Both infrastructure and consumption growth declined rapidly, indicating the impact on the real economy from rapid financial condition tightening in the preceding 2-3 quarters. On the bright side, July sequential adj. TSF growth rebounded to 13.3% MoM annualized from 7.6% in June. Looking forward, market should monitor the sustainability for the pick-up in adj. TSF growth, & signs for a rebound in infrastructure inv’t growth. Looser monetary conditions will lead to a recovery in inv’t demand with a lag, while a pick-up in infrastructure inv’t demand will expedite the transmission.

Global Index

Index	Settle	Net Change (+/-%)		Valuation (2018)	
		MoM	YTD	PE	PB
DJIA	25964.82	2.16%	5.04%	16.65	3.99
S&P 500	2901.52	3.03%	8.52%	17.97	3.35
Nasdaq	8109.54	5.71%	17.47%	24.23	4.77
Nikkei	22865.15	1.38%	0.44%	16.19	1.73
FTSE100	7432.42	-4.08%	-3.32%	13.28	1.75
CAC40	5406.85	-1.90%	1.77%	14.40	1.58
DAX	12364.06	-3.45%	-4.29%	13.10	1.57
SHCOMP	2725.25	-5.25%	-17.60%	10.94	1.23
CSI300	3334.50	-5.21%	-17.28%	11.35	1.50
ChiNext	1732.35	-8.07%	-21.34%	23.45	3.26
HSI	27888.55	-2.43%	-6.79%	11.33	1.24
HSCEI	10875.58	-1.35%	-7.12%	7.79	0.95
TWSE	11063.94	0.06%	3.96%	14.19	1.81
KOSPI	2322.88	1.20%	-5.86%	9.28	0.99
JCI	6018.46	1.38%	-5.31%	15.54	2.31

Major Index Chart

Fig. 1 One year performance of Dow Jones Index

Fig. 2 One year performance of Shanghai Composite

Fig. 3 One year performance of Hang Seng Index

Fixed Income

Market Highlight

Most sovereign bond yields were higher, as markets generally took note of higher inflation prints and the changing monetary policy stance of central banks. The U.S. 10-year Treasury yield drop by 10 bps, whilst the U.S. 10-year/2-year Treasury yield spread tightened by 0.04%, reaching 0.29%. In China, the PBOC was reported to encourage banks to support loans and corporate bonds through window guidance, to offset side effects from recent pickup of corporate bond defaults.

With a shorter duration stance in Europe where yields are still zero. While yields in the U.S are more attractive, the yield curve is expected to remain flat until the Federal Reserve further raises rates. There should also exploit opportunities in inflation-linked bonds, as inflation dynamics remain in focus and the market is discounting inflation levels below expectations. Regarding Emerging markets bonds, market continues to be cautious in the short term, but there is a good value for long-term investors to build in recent corrections.

Commodities

Commodity Futures

Futures/USD	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil(bbl)	70.25	65.01	69.8	1.51%	15.52%
Brent Oil(bbl)	77.77	1174.1	77.42	4.27%	15.78%
Gold Spot(oz)	1215.95	1174.1	1201.4	-1.85%	-7.80%
CMX Silver(oz)	15.562	14.549	14.557	-7.04%	-16.18%
CMX Copper(lb)	278.65	258.2	267.1	-6.38%	-20.01%
LME Zinc (ton)	2675	2283.5	2461.75	-8.01%	-26.24%
LME Aluminum(ton)	2146.75	1997.5	2101.5	1.98%	-6.85%

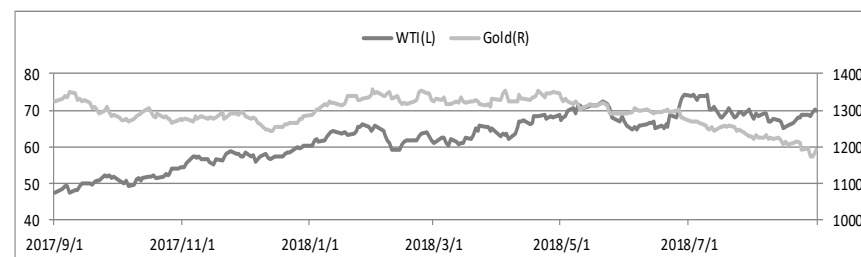


Fig. 6 One year performance of Oil and Gold Price

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Treasury Yield Change (%)

Bonds	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
US 10-yr Treasury Yield	3.0064	2.8098	2.8604	-3.36%	18.92%
US 30-yr Treasury Yield	3.1321	2.9589	3.0191	-2.05%	10.19%
Euro 10-yr Govt Yield	0.478	0.302	0.326	-26.41%	-23.65%
Japan 10-yr Govt Yield	0.131	0.086	0.107	72.58%	122.92%
China 10-yr Govt Yield	3.655	3.464	3.595	3.10%	-7.87%

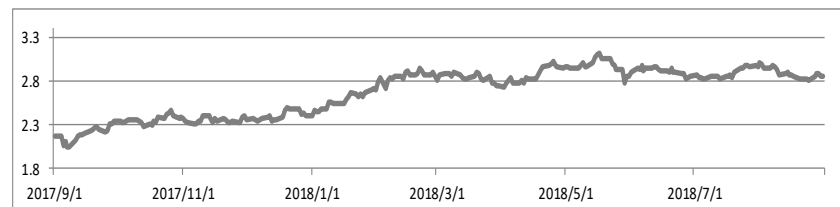


Fig. 4 One year performance of US 10-yr Treasury Yield

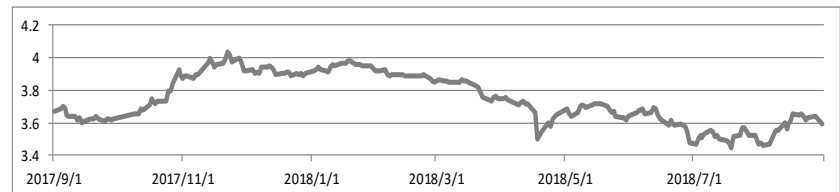


Fig. 5 One year performance of China 10-yr Treasury Yield

Market Highlight

Iranian oil exports fell sharply on a daily basis. Reuters August 24 data show that in August Iranian crude and refined oil exports fell 530,000bbl per day MoM to 2.26mn bbl per day. OPEC crude and refined oil exports edged up 1% MoM to 26.95mn bbl per day, as crude oil and refined oil exports from Dubai and Iraq rose 490,000bbl and 420,000bbl per day (or up 17% and 12% MoM), and offset declines in Iranian oil exports.

Over the month, Nanhua Commodity Index rose 0.6%, with industrial products +0.8%, agricultural products -0.2%, metals +0.6%, energy +1.5%, and precious metals +0.5%. Zinc rose 7.06%, and nature rubber rose 6.44%. Positions in lead had the largest increase while positions in copper had the largest decline. There were significant capital inflows into rebar, natural rubber, and hot rolled plate, while significant outflows from manganese iron, silicoferrite and coke.

FX

Liquidity conditions in China loosened further in August. Short-term interest rates continued to retreat, meanwhile, credit spreads declined across the board, esp. that of treasury vs. bonds of inferior liquidity features; issuance of both local gov't & credit bonds picked up, pointing to further recovery of sequential adjusted TSF growth. CNY was under pressure earlier in August due to "squeeze up" of the US dollar, but after the PBoC announced further measures to stabilize the Yuan, CNY exchange rate shot up in the overnight session on August 24.

Currency Change

Currency	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	96.731	94.554	95.14	0.62%	3.27%
EURUSD	1.1707	1.1344	1.1602	-0.76%	-3.36%
USDCNH	6.9471	6.9471	6.8459	0.60%	5.09%
USDJPY	6.9471	110.07	111.03	-0.74%	-1.47%
GBPUSD	1.3127	1.2697	1.296	-1.25%	-4.09%
USDCAD	1.3156	1.2907	1.304	0.26%	3.73%
AUDUSD	0.7431	0.7189	0.7189	-3.17%	-7.94%
USDCHF	0.9972	0.9689	0.9689	-2.16%	-0.55%

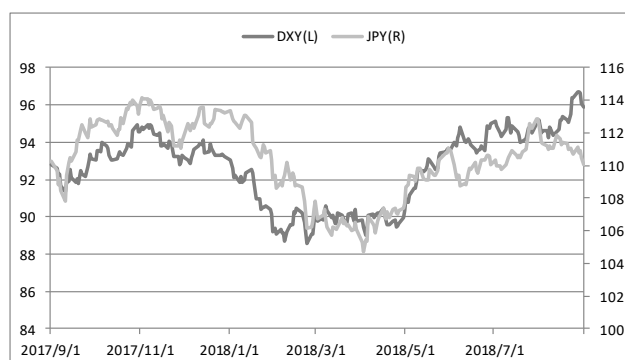
Major Currency Chart


Fig. 7 One year performance of DXY and USDJPY

Economic Calendar (September 2018)

Monday	Tuesday	Wednesday	Thursday	Friday
3	4 Markit US Manufacturing PMI Construction Spending MoM ISM Manufacturing ISM Prices Paid	5 MBA Mortgage Applications Trade Balance	6 ADP Employment Change Initial Jobless Claims Factory Orders Durable Goods Orders	7 Change in Nonfarm Payrolls Unemployment Rate
10	11 Wholesale Inventories MoM	12 MBA Mortgage Applications PPI Final Demand MoM	13 CPI MoM Initial Jobless Claims	14 Monthly Budget Statement Retail Sales Advance MoM Import Price Index MoM Industrial Production MoM U. of Mich. Sentiment
17 Empire Manufacturing	18	19 Net Long-term TIC Flows MBA Mortgage Applications Current Account Balance Housing Starts	20 Initial Jobless Claims Leading Index Existing Home Sales	21 Markit US Manufacturing PMI
24	25 FHFA House Price Index MoM Richmond Fed Manufact. Index	26 MBA Mortgage Applicatio New Home Sales	27 FOMC Rate Decision Wholesale Inventories MoM GDP Annualized QoQ Durable Goods Orders	28 Personal Income Personal Spending Chicago Purchasing Manager U. of Mich. Sentiment