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Equity – Escalation of global trade tensions dragged down global equities

- Escalation of global trade tensions and rising global recession concerns, global equities were under pressure in August. S&P500 and Nasdaq decreased 1.81% and 2.60% respectively. MSCI EU Index also decreased 1.74%. For emerging market, MSCI EM Index was down 5.08%. China CSI300 index decreased 0.93%. HSI and HSCEI decreased 0.41% and 0.47% respectively.
- For China, August NBS manufacturing PMI retreated to 49.5% from 49.7% in July, slightly lower than the market consensus of 49.6%. New Export Orders Index recovered to 47.2%, but remained in the contractionary territory, indicating that headwinds of external demand continued. Meanwhile, domestic manufacturing demand also weakened. PMI for employment fell by 0.2ppt to 46.8% showing labor demand remaining weak. At this juncture, more decisive counter-cyclical measures are called for, especially those in the form of monetary loosening, as trade-tension related uncertainties rise and domestic financial conditions tighten.

Index	Settle	Net Change (+/-%)		Valuation (2019)	
		MoM	YTD	PE	PB
DJIA	26,403.28	-1.72%	13.19%	17.38	3.82
S&P 500	2,926.46	-1.81%	16.74%	17.68	3.18
Nasdaq	7,962.88	-2.60%	20.01%	23.85	3.64
Nikkei	20,704.37	-3.80%	3.45%	15.00	1.49
FTSE100	7,207.18	-5.00%	7.12%	12.58	1.64
CAC40	5,480.48	-0.70%	15.85%	14.63	1.56
DAX	11,939.28	-2.05%	13.07%	13.97	1.47
SHCOMP	2,886.24	-1.58%	15.73%	11.28	1.32
CSI300	3,799.59	-0.93%	26.20%	12.41	1.64
ChiNext	1,887.05	1.67%	24.40%	26.19	3.59
HSI	25,724.73	-7.39%	-0.47%	10.35	1.13
HSCEI	10,083.20	-5.55%	-0.41%	8.11	1.01
TWSE	10,618.05	-1.90%	9.16%	16.07	1.67
KOSPI	1,967.79	-2.80%	-3.59%	12.65	0.84
JCI	6,328.47	-0.97%	2.16%	15.43	2.29

Source: Bloomberg

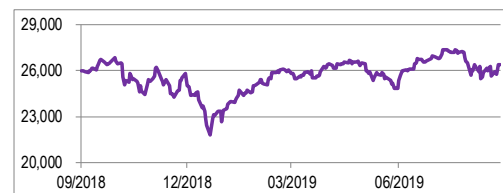


Fig. 1 One year performance of Dow Jones Index

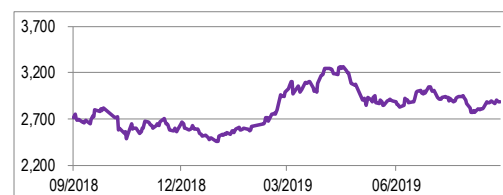


Fig. 2 One year performance of Shanghai Composite

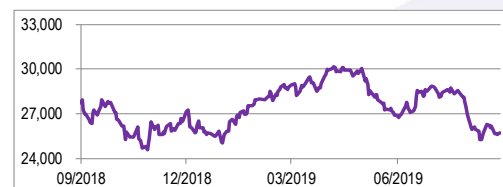


Fig. 3 One year performance of Hang Seng Index

Fixed Income – US 2y-10y Treasury slope yields inverted since 2007

- Falling yields was the theme for fixed income market in August. Driven by risk-off moves due to the escalation of US-China trade tensions, Treasury yields sank with yield curve inversion. The 2y-10y Treasury slope yields inverted for the first time since 2007, concerning the economic outlook. US 10Y Treasury yields was finally down 52bp and settled at 1.50% in August.
- In Europe, German industrial data missed expectations. 10Y Bund yields dropped 26bp to all-time-low closing at -0.70%. Besides, Brexit uncertainty persisted. Driven by UK PM Boris Johnson's move to suspend parliament from mid-September until 14 October, 10Y Gilt yields was dragged by 13bp to 0.48% in August.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	2.01%	1.47%	1.50%	-52	-119
US 30-yr Treasury Yield	2.52%	1.95%	1.96%	-56	-105
Euro 10-yr Govt Yield	-0.44%	-0.71%	-0.70%	-26	-94
Japan 10-yr Govt Yield	-0.13%	-0.29%	-0.27%	-12	-27
China 10-yr Govt Yield	3.16%	3.01%	3.06%	-10	-25

Source: Bloomberg

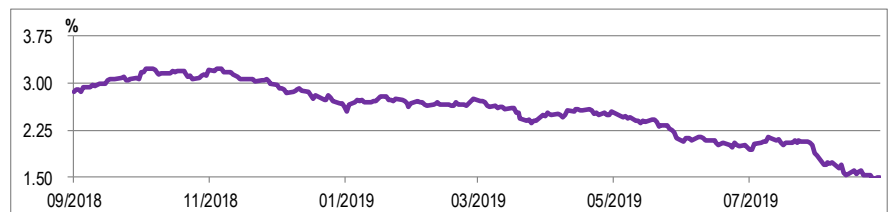


Fig. 4 One year performance of US 10-yr Treasury Yield

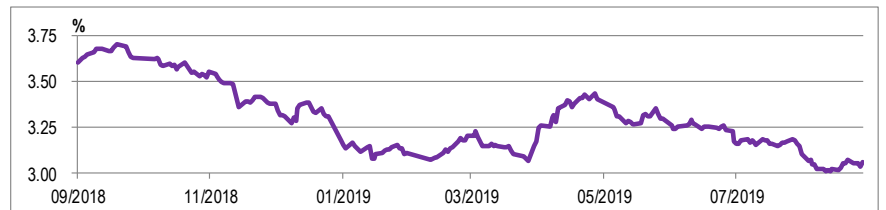


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Trade tensions and demand fear pulled oil price down while gold acted as safe haven

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	58.58	51.09	55.10	-5.94%	21.34%
Brent Oil (bbl)	65.17	56.23	60.43	-7.27%	12.32%
Gold Spot (oz)	1,542.75	1,413.90	1,520.30	7.53%	18.55%
CMX Silver (oz)	18.46	16.31	18.34	10.94%	15.19%
CMX Copper (lb)	267.60	253.75	255.15	-4.65%	-3.57%
LME Zinc (mt)	2,441.50	2,212.00	2,212.00	-9.40%	-12.17%
LME Aluminum (mt)	1,771.25	1,715.00	1,724.25	-2.65%	-7.44%

Source: Bloomberg

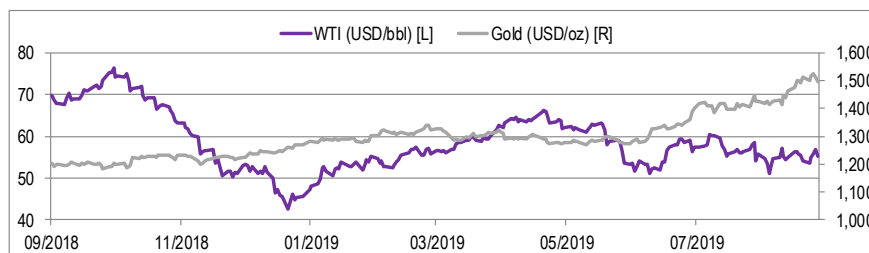


Fig. 6 One year performance of Oil and Gold Price

- Oil price fell in August, weighted down by demand fears due to escalating trade tensions. Oil price had a notable drop after the US imposed new tariffs on China in early-August. Although oil price rebound as the US delayed part of the new tariffs on China until December in mid-August, it was offset by a surprising crude oil stockpile increase driving the concerns on the demand side. Oil price WTI and Brent were down 5.94% and 7.27% in August, respectively.
- Gold reached a new six year high in August. Acting as a safe haven amidst escalating trade tensions and continued concerns over the global economic outlook, gold price stayed strong in August and closed at USD1,520.3/oz, up 7.53% MoM.

FX – Safe haven currencies to outperform risk-on currencies

- Another round of tariff escalation drove safe haven currencies to outperform risk-on currencies. Both JPY and CHF gained support with 2.30% and 0.36% stronger against the USD in August, respectively. Besides, concerns grew of increased trade tensions between the Eurozone and the US due to President Trump tweeted on weak EUR harming US exporters. Together with weak industrial data, EUR fell 0.85% versus the USD and drove DXY to go up by 0.41% in August.
- Regarding to the action of central banks, the RBNZ delivered a bigger than expected rate cut, which helped leave the NZD down 3.52% against the USD in August. Meanwhile, both the BoE and RBA kept rates on hold this month, and the Jackson Hole Symposium in late-August did little to alter rate expectations for the attending central banks.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	98.92	97.38	98.92	0.41%	2.85%
EUR / USD	1.121	1.098	1.098	-0.85%	-4.23%
USD / CNH	7.169	6.910	7.162	3.65%	4.25%
USD / JPY	108.8	105.3	106.3	-2.30%	-3.11%
GBP / USD	1.229	1.203	1.216	-0.02%	-4.69%
USD / CAD	1.332	1.319	1.331	0.91%	-2.39%
AUD / USD	0.685	0.673	0.673	-1.64%	-4.48%
USD / CHF	0.994	0.969	0.990	-0.36%	0.85%

Source: Bloomberg

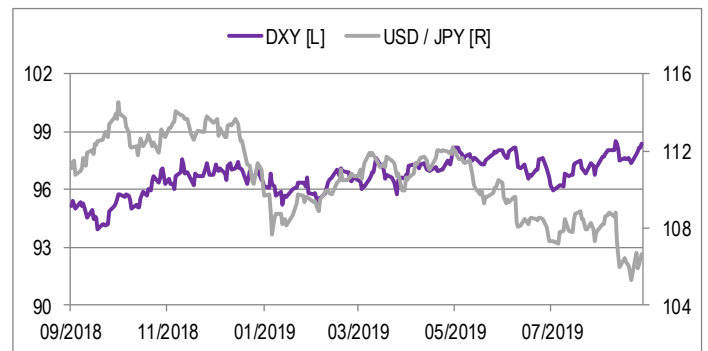


Fig. 7 One year performance of DXY and JPY

Economic Calendar (September 2019)

Monday	Tuesday	Wednesday	Thursday	Friday
2	3 Markit US Manufacturing PMI ISM Manufacturing Construction Spending MoM	4 MBA Mortgage Applications Trade Balance	5 ADP Employment Change Initial Jobless Claims Factory Orders Durable Goods Orders	6 Change in Nonfarm Payrolls Unemployment Rate
9	10	11 MBA Mortgage Applications PPI Final Demand MoM Wholesale Inventories MoM	12 CPI MoM Initial Jobless Claims	13 Retail Sales Advance MoM U. of Mich. Sentiment
16 Empire Manufacturing	17 Industrial Production MoM	18 MBA Mortgage Applications Housing Starts	19 FOMC Rate Decision Initial Jobless Claims Leading Index Existing Home Sales	20
23 Markit US Manufacturing PMI	24 Conf. Board Consumer Confidence	25 MBA Mortgage Applications New Home Sales	26 GDP Annualized QoQ Wholesale Inventories MoM Initial Jobless Claims	27 Personal Income Durable Goods Orders Personal Spending U. of Mich. Sentiment
30 Chicago Purchasing Manager				

Source: Bloomberg