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Equity – Equity market continuing the rally

- Expecting US-China trade negotiations to settle, global equity market continued to perform well in February, especially the A-share market in China. For developed market, the Eurozone caught up and led the way, MSCI EU Index rising 3.91%. In US, S&P 500 and Nasdaq also gained 2.97% and 3.44%, respectively. For emerging market, although China A-share CSI300 Index surged 14.61%, driving HSI and HSCEI increased 2.47% and 3.01%, MSCI EM Index still underperformed with only 0.10% increase last month.
- China NBS manufacturing PMI declined from 49.5% in January to 49.2% in February, missed the market consensus of 49.5%, mainly due to weak overall production growth and worsening industrial product inventory. Because of the US-China trade negotiations, the external demand remained under pressure but we see early recovery signal on domestic demand. However, the further drop of the PMI for employment by 0.3ppt to 47.5% remained a concern on consumer spending and confidence.

Index	Settle	Net Change (+/-%)		Valuation (2019)	
		MoM	YTD	PE	PB
DJIA	25,916.00	3.67%	11.10%	15.70	3.76
S&P 500	2,784.49	2.97%	11.08%	16.68	3.06
Nasdaq	7,532.53	3.44%	13.52%	21.63	4.10
Nikkei	21,385.16	2.94%	6.85%	15.56	1.60
FTSE100	7,074.73	1.52%	5.15%	12.50	1.66
CAC40	5,240.53	4.96%	10.78%	13.49	1.48
DAX	11,515.64	3.07%	9.06%	12.54	1.45
SHCOMP	2,940.95	13.79%	17.93%	11.02	1.31
CSI300	3,669.37	14.61%	21.88%	11.68	1.53
ChiNext	1,838.03	24.63%	21.17%	22.55	3.64
HSI	28,633.18	2.47%	10.79%	10.98	1.21
HSCEI	11,367.45	3.01%	12.27%	8.37	1.00
TWSE	10,389.17	4.60%	6.80%	14.43	1.63
KOSPI	2,195.44	-0.43%	7.56%	10.80	0.90
JCI	6,443.35	-1.37%	4.02%	15.49	2.29

Source: Bloomberg

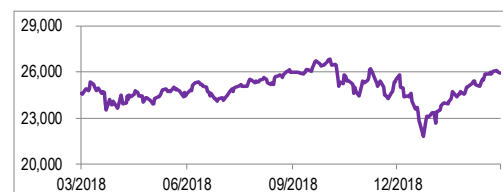


Fig. 1 One year performance of Dow Jones Index

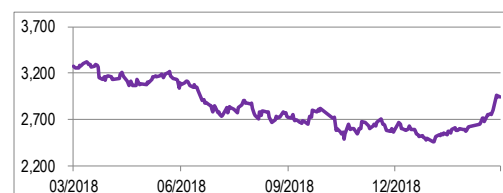


Fig. 2 One year performance of Shanghai Composite

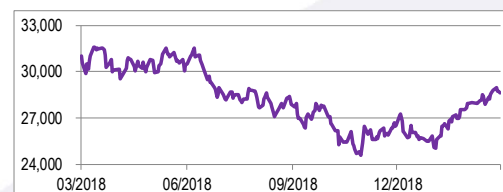


Fig. 3 One year performance of Hang Seng Index

Fixed Income – Bond prices under pressure due to better market risk appetite

- For the US Treasury market, driven by the positive surprise in nonfarm payrolls and strong US manufacturing data, 10Y Treasury yield gained support in early-February. Later in the month, the weak US retail sales and the Fed minutes hinting at an end to balance sheet shrinkage this year pulled the yield down. Nevertheless, expecting China and US to close the deal, market turned to risk-on mode putting pressure on bond prices and driving the yield up. 10Y Treasury yield finally was up 9bp in February.
- In Europe, given that the Eurozone composite PMI rose for the first time since August, Euro 10-yr Govt Yield moved up 3bp. For the UK, despite several sharp downward movements in gilt yields, such as weaker than expected UK services PMI data and Brexit concerns, the risk-on global market sentiment in late-February drove the 10Y yield finally up 8bp MoM.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	2.72%	2.63%	2.72%	9	3
US 30-yr Treasury Yield	3.08%	2.98%	3.08%	8	7
Euro 10-yr Govt Yield	0.18%	0.09%	0.18%	3	-6
Japan 10-yr Govt Yield	-0.01%	-0.04%	-0.02%	-3	-3
China 10-yr Govt Yield	3.19%	3.08%	3.18%	7	-13

Source: Bloomberg

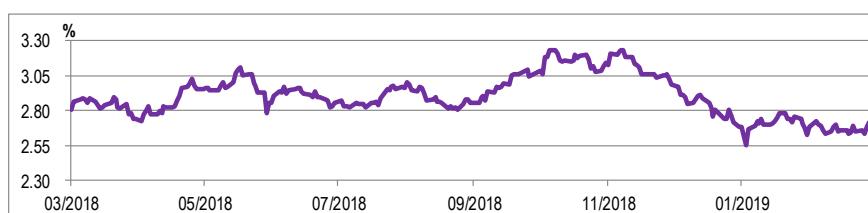


Fig. 4 One year performance of US 10-yr Treasury Yield

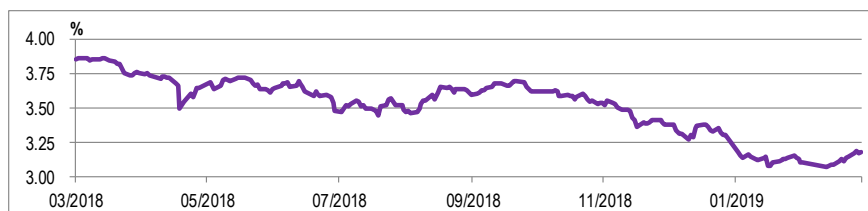


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Oil remaining strong while gold weakening

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	57.26	52.41	57.22	6.38%	26.01%
Brent Oil (bbl)	67.12	61.51	66.03	6.69%	22.73%
Gold Spot (oz)	1,340.96	1,306.25	1,313.31	-0.60%	2.41%
CMX Silver (oz)	16.28	15.62	15.63	-3.29%	0.05%
CMX Copper (lb)	296.25	277.75	294.80	5.53%	11.79%
LME Zinc (mt)	2,813.50	2,588.50	2,813.50	3.06%	11.71%
LME Aluminum (mt)	1,898.75	1,820.75	1,889.50	-0.13%	1.44%

Source: Bloomberg

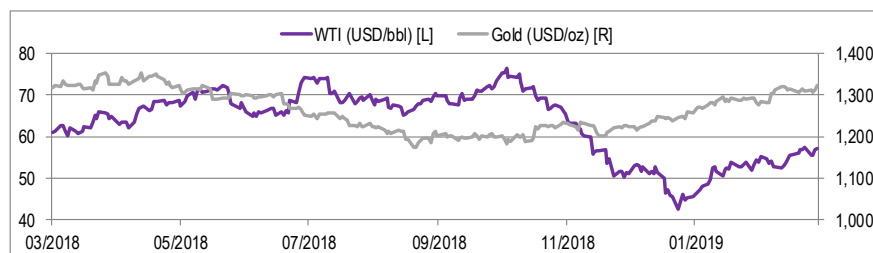


Fig. 6 One year performance of Oil and Gold Price

- After a big jump of oil prices in January, the oil prices continued their strong momentum in February. Slowdown in US drilling, uncertainty loomed around Venezuelan supply, further supply cut from OPEC, especially Saudi Arabia, and optimism on US-China trade negotiations were the key factors driving WTI and Brent to up 6.38% and 6.69% MoM, respectively.
- In early-February, weaker than expected data in the US and Eurozone and fears of US tariffs on European vehicles buoyed gold leading it to hit a 10-month high of USD1,346.80/oz. However, optimism on US-China trade negotiations resulted in risk-on global market sentiment driving a sell-off on gold in late-February. Gold ended the month 0.6% weaker.

FX – Stronger Dollar, weaker Yen

- Although the Fed continued to push the narrative of a patient approach to further rate hikes, the DXY strengthened by 0.61% in February mainly driving by stronger than expected job number and weakness of EUR due to confirmation of an industrial recession in the Eurozone and political uncertainty in the UK.
- BoJ Governor Kuroda suggested the central bank could boost asset purchases and target lower yields to support the economy. Together with the outflows from safety assets because of the optimism on US-China trade negotiations, the JPY weakened 2.30% against the USD in February.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	97.13	95.58	96.16	0.61%	-0.02%
EUR / USD	1.146	1.126	1.137	-0.67%	-0.84%
USD / CNH	6.800	6.682	6.703	-0.09%	-2.43%
USD / JPY	111.4	109.5	111.4	2.30%	1.55%
GBP / USD	1.331	1.280	1.326	1.17%	3.99%
USD / CAD	1.331	1.310	1.317	0.36%	-3.41%
AUD / USD	0.725	0.706	0.709	-2.46%	0.64%
USD / CHF	1.009	0.996	0.998	0.40%	1.64%

Source: Bloomberg

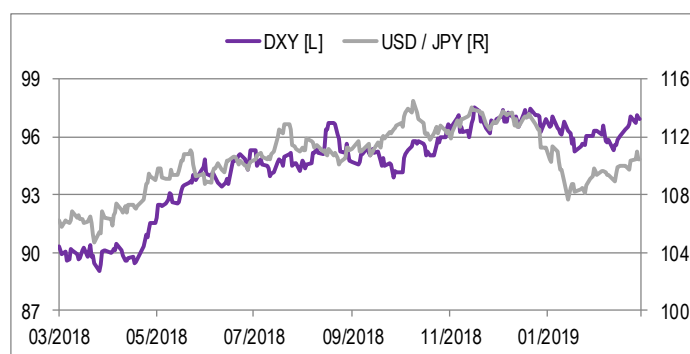


Fig. 7 One year performance of DXY and JPY

Economic Calendar (March 2019)

Monday	Tuesday	Wednesday	Thursday	Friday
				1 Personal Income Personal Income Personal Spending Markit US Manufacturing PMI ISM Manufacturing
4 Construction Spending MoM	5 New Home Sales	6 MBA Mortgage Applications ADP Employment Change Trade Balance	7 Initial Jobless Claims	8 Housing Starts Change in Nonfarm Payrolls Unemployment Rate
11 Retail Sales Advance MoM	12 CPI MoM	13 MBA Mortgage Applications PPI Final Demand MoM Durable Goods Orders Construction Spending MoM	14 Initial Jobless Claims New Home Sales	15 Empire Manufacturing Industrial Production MoM U. of Mich. Sentiment
18	19 Factory Orders Durable Goods Orders	20 MBA Mortgage Applications	21 FOMC Rate Decision Initial Jobless Claims Leading Index	22 Markit US Manufacturing PMI Wholesale Inventories MoM Existing Home Sales
25	26 Housing Starts Conf. Board Consumer Confidence	27 MBA Mortgage Applications Trade Balance	28 GDP Annualized QoQ Initial Jobless Claims	29 Personal Income Personal Spending Chicago Purchasing Manager U. of Mich. Sentiment New Home Sales

Source: Bloomberg