



Month ending July 31, 2018

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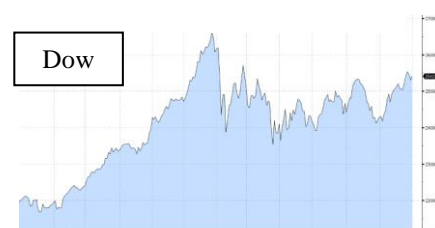
**Stocks & Bonds**

US stock markets rose over the month. The Dow and S&P 500 were +4.71% and +3.60% respectively. The technology-heavy NASDAQ was up by 2.15% during the period. US 10-year treasury yield increased by 10 basis points. In Hong Kong Market, HSI and HSCEI were -1.29% and -0.44% respectively in July.

China political bureau is the executive committee for communist parties (Politburo) held a scheduled meeting on 31 July to set the policy directions for the rest of the year. As expected, the meeting confirmed a shift in policy stance, calling for more proactive fiscal policy and maintaining economic and financial stability. The key highlights and takeaways from the meeting are including, 1) Policy fine-tuning amid external uncertainties; 2) turn fiscal policy to support domestic demand; and 3) financial deleveraging will still need to be moderated and credit policy will be eased somewhat to better support the real economy. Overall, policy stance is turning accommodative, but market doesn't expect a large-scale stimulus. Credit (TSF) and investment data will be key to watch, which will help gauge the effectiveness of the policy loosening. Recent share prices rebound in cyclical sectors (infrastructure, materials) should have reflected the policy shift. Should credit and investment data surprise on the upside in the coming months, it could present further buying opportunities for these sectors.

**Price Performance Summary (For the month ending July 31)**

STOCK INDEXES	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
DJIA	25,527.1	24,117.6	25,415.2	1,143.8	3,524.1
FTSE 100	7,748.8	7,547.9	7,748.8	111.8	376.8
Nikkei 225	22,794.2	21,547.0	22,553.7	249.2	2,628.5
Hang Seng	28,955.1	28,010.9	28,583.0	-372.1	1,259.0
KOSPI	2,326.1	2,257.6	2,295.3	-30.9	-107.5
<b>US BONDS (Yield)</b>					
10-yr Treasury Note	2.977%	2.823%	2.961%	0.100%	0.666%
30-yr Treasury Bond	3.105%	2.930%	3.083%	0.093%	0.182%



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## FOREIGN EXCHANGE

Asian currencies depreciated against the USD in Q2. Foreign investors liquidated some of their portfolio holdings across the region, except in China and Korea. Looking forward into H2 2018, as the Fed persists with its policy tightening and while the risk for an escalation in US-Sino trade tensions remains, USD-Asia should remain generally bid(not aggressive) and more Asian central banks turning defensive. Some economists are expecting rate hikes from Asia country around 25-50bps in H2. However, even so, the yield advantage for Asian FX may not actually improve, considering the Fed will also likely be hiking rates (50bp). China's FX policy is in focus. Despite the RMB's sharp depreciation since mid-June, the PBoC has remained committed to a 'clean floating' FX regime – FX assets on its balance sheet were stable in June. Therefore, official net FX purchases onshore or cross-border capital outflows will be the key to watch at second half.

Price Performance Summary (For the month ending July 31)					
	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
US Dollar Index	95.164	93.963	94.554	0.084	1.691
EURUSD	1.1751	1.1569	1.1691	0.0007	-0.0151
GBPUSD	1.3283	1.3014	1.3124	-0.0083	-0.0091
USDJPY	112.88	110.47	111.86	1.10	1.60
USDCHF	1.0024	0.9882	0.9903	-0.0003	0.0234
USDCAD	1.3273	1.3006	1.3006	-0.0127	0.0526
AUDUSD	0.7467	0.7340	0.7424	0.0019	-0.0579
EURJPY	131.64	127.83	130.79	1.43	0.22
EURGBP	0.89456	0.88111	0.89091	0.00618	-0.00517

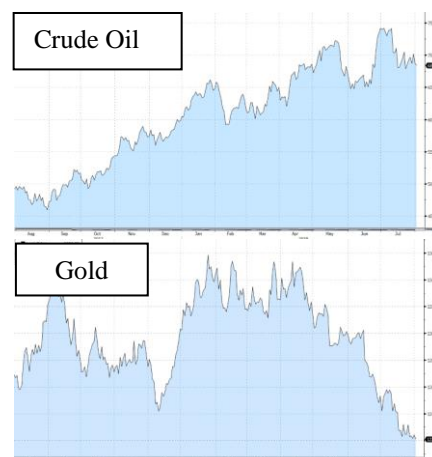


## COMMODITIES

Gold decreased by 2.32% to close at US\$1,224.09 per oz. 1-month crude oil future traded in NYME down by 7.27% to close the month at US\$68.76 per barrel.

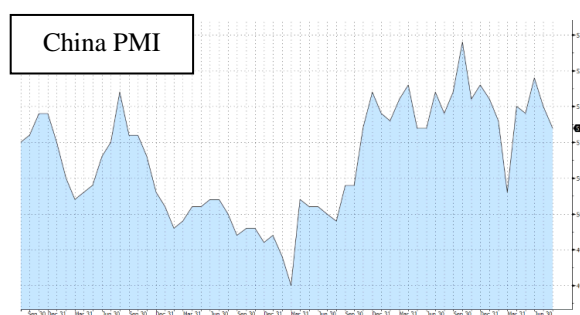
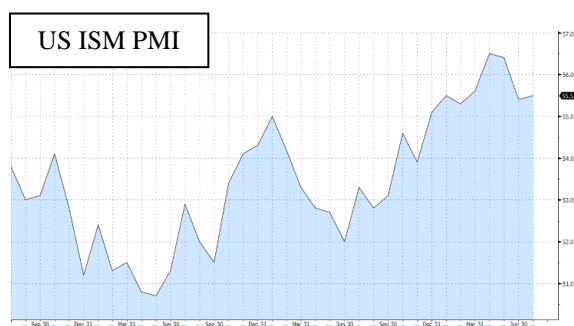
Soybean was up 5.27%. Copper was down 4.04%. Corn increased by 6.28% to US\$372.25. Wheat was up by 11.31% to US\$533.75.

Price Performance Summary (For the month ending July 31)					
Futures	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
Crude Oil (NYME)	74.15	67.89	68.76	-5.39	18.59
Gold	1,257.88	1,221.42	1,224.09	-29.07	-45.34
Silver	16.1185	15.3160	15.5230	-0.5955	-1.3041
Copper	298.45	268.60	283.15	-11.95	-6.00
Sugar #11	11.86	10.55	10.55	-1.31	-4.36
Wheat	553.75	469.75	553.75	56.25	79.25
Soybeans	903.75	814.00	903.75	45.25	-90.75
Corn	372.25	330.25	372.25	22.00	1.50



## ECONOMY

Real GDP grew at a 4.1 % pace during the second quarter and first quarter growth was also slightly stronger than first reported. The stronger GDP figures do not come as much of a surprise. The consensus forecast had been around 4 % for the past few weeks. This past quarter's GDP data were even more difficult to predict than usual. The second quarter data include benchmark revisions, which incorporate new methodologies and data sources. The base year was also moved from 2009 to 2012. The net result was fairly tame, however. Real GDP growth has averaged a 2.3 % pace from the end of 2012 to the first quarter of 2018, the same as had been reported previously. The mix of growth was a little better, with business fixed investment rising at a slightly faster pace and consumer spending growing slightly less. The trade deficit, however, looks a little worse. The critical question following the stronger second quarter figures is how sustainable is the improvement. While people doubt they will see another 4 % quarterly gain in real GDP growth anytime soon, the economy is no longer shackled by a late-1980s' tax system and burdensome regulations.



## US DATA IN FOCUS (Aug 2018)

Monday	Tuesday	Wednesday	Thursday	Friday
		1 MBA Mortgage Applications ADP Employment Change Markit Manufacturing PMI Construction Spending MoM ISM Manufacturing ISM Prices Paid	2 FOMC Rate Decision Initial Jobless Claims Factory Orders Durable Goods Orders Durables Ex Transportation	3 Trade Balance Change in Nonfarm Payrolls Unemployment Rate Markit US Services PMI Markit US Composite PMI ISM Non-Manf. Composite
6	7	8 MBA Mortgage Applications	9 Initial Jobless Claims PPI Final Demand MoM Wholesale Inventories MoM	10 CPI MoM CPI Ex Food and Energy
13	14 Import Price Index MoM	15 MBA Mortgage Applications Empire Manufacturing Retail Sales Advance MoM Industrial Production MoM	16 Net Long-term TIC Flows Philadelphia Fed Business Outlook Initial Jobless Claims Housing Starts	17 Leading Index U. of Mich. Sentiment
20	21	22 MBA Mortgage Applications Existing Home Sales	23 Initial Jobless Claims FHFA House Price Index Markit Manufacturing PMI Markit US Services PMI Markit US Composite PMI New Home Sales	24 Durable Goods Orders Durables Ex Transportation
27	28 Wholesale Inventories MoM Richmond Fed Manufact. Index Conf. Board Consumer Confidence	29 MBA Mortgage Applications GDP Annualized QoQ GDP Price Index Pending Home Sales MoM	30 Personal Income Personal Spending Initial Jobless Claims	31 Chicago Purchasing Manager U. of Mich. Sentiment