



Month ending June 30, 2018

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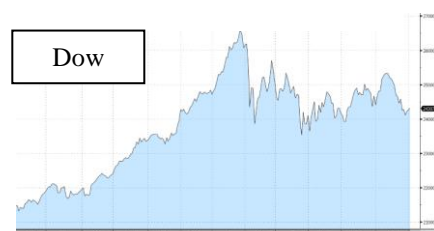
Stocks & Bonds

US stock markets were mixed over the month. The Dow and S&P 500 were -0.59% and +0.48% respectively. The technology-heavy NASDAQ was up by 0.92% during the period. US 10-year treasury yield increased by 2 basis points. In Hong Kong Market, HSI and HSCEI were -4.97% and -7.56% respectively in June.

With the tariff war set to begin on 6 July, US China tensions turn to non-tariff actions. Key US concerns with Made in China 2025 include: i) Chinese government subsidies, ii) forced technology transfer of foreign companies, iii) government-directed outbound investment to acquire systematically foreign technologies. Ten strategic sectors, including IT, telecoms, transportation (NEVs and railway), tech hardware that were highlighted in the plan may face heightened US investment and export restrictions, particularly SOEs. US investment restrictions for critical emerging technologies will likely be implemented via reform to the CFIUS (The Committee on Foreign Investment in the United States) framework. On the positive side, the US has declined to target China specifically for now. China’s revised foreign investment negative list was released last week shows willingness to push market openness, with a shortened list of restricted sectors from 63 to 48. However, the US, including MNCs, may be losing patience with the gradualist approach and there remains a large gap between the two sides.

Price Performance Summary (For the month ending June 30)

STOCK INDEXES	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
DJIA	25,322.3	24,117.6	24,271.4	-144.4	2,921.8
FTSE 100	7,765.8	7,509.8	7,636.9	-41.3	324.2
Nikkei 225	22,966.4	22,171.4	22,304.5	102.7	2,271.1
Hang Seng	31,512.6	28,356.3	28,955.1	-1,513.5	3,190.5
KOSPI	2,470.6	2,314.2	2,326.1	-92.4	75.6
US BONDS (Yield)					
10-yr Treasury Note	2.973%	2.826%	2.861%	0.002%	0.556%
30-yr Treasury Bond	3.123%	2.966%	2.990%	-0.036%	0.155%



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FOREIGN EXCHANGE

Given the rapid 4% RMB depreciation since mid-June, market observed return of 'counter-cyclical-factor' in CNY fixings and signs of onshore intervention. Meanwhile, the PBoC remains generous in allowing the USDCNY midpoint fixing to move up, highest by 300-400pips/day. This indicates the PBoC is likely more concerned about the pace of depreciation, and any resulting rapid buildup of RMB bearishness, than the outright USDCNY level. USDCNH FX swap curves bull-flattened in spite of the quick rise of spot, indicating outflow pressure may not be overwhelming yet. This in turn gives the PBoC more comfort to allow gradual RMB depreciation. The CFETS basket has dropped quickly, but remains above the 2017 average of 93.7. As growth headwinds are further revealed, the PBoC could continue to allow gradual RMB depreciation to loosen monetary conditions.

Price Performance Summary (For the month ending June 30)					
	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
US Dollar Index	95.312	93.435	94.470	0.491	-1.158
EURUSD	1.1800	1.1554	1.1684	-0.0009	0.0258
GBPUSD	1.3423	1.3078	1.3207	-0.0091	0.0182
USDJPY	110.76	108.82	110.76	1.94	-1.63
USDCHF	0.9976	0.9805	0.9906	0.0048	0.0327
USDCAD	1.3342	1.2928	1.3133	0.0175	0.0169
AUDUSD	0.7667	0.7340	0.7405	-0.0163	-0.0284
EURJPY	130.11	127.23	129.36	2.13	0.96
EURGBP	0.88473	0.87234	0.88473	0.00534	0.00763

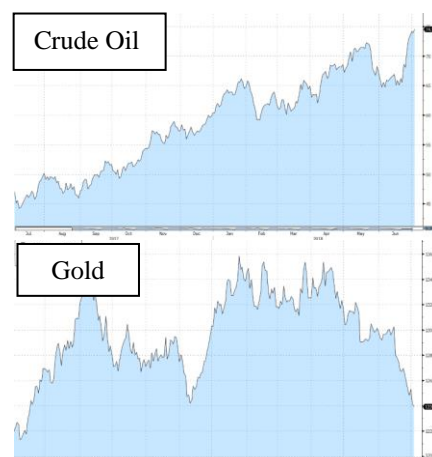


COMMODITIES

Gold decreased by 3.49% to close at US\$1,253.16 per oz. 1-month crude oil future traded in NYME up by 10.61% to close the month at US\$74.15 per barrel.

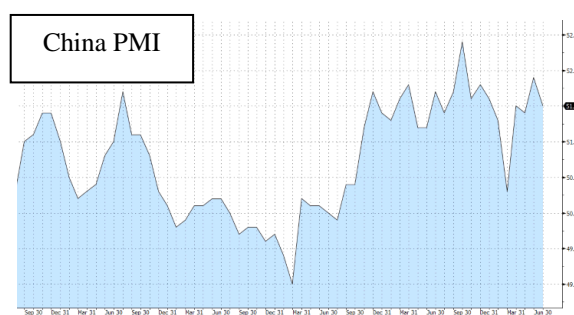
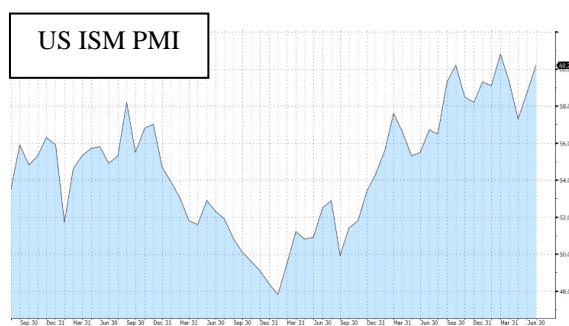
Soybean was down 15.71%. Copper was down 3.72%. Corn decreased by 11.10% to US\$350.25. Wheat was down by 5.46% to US\$497.50.

Price Performance Summary (For the month ending June 30)					
Futures	High	Low	Settle	Net Change (+/-)	
				MoM	YoY
Crude Oil (NYME)	74.15	64.73	74.15	7.11	28.11
Gold	1,302.30	1,248.25	1,253.16	-45.36	11.61
Silver	17.1745	16.0033	16.1185	-0.3090	-0.5140
Copper	330.00	295.10	295.10	-11.40	25.20
Sugar #11	12.79	11.72	11.86	-0.93	-1.82
Wheat	534.50	469.50	497.50	-28.75	-13.50
Soybeans	1,021.25	858.50	858.50	-160.00	-83.75
Corn	394.00	345.00	350.25	-43.75	-20.25



ECONOMY

US first-quarter GDP growth was revised down to 2.0 % in the third estimate, from 2.2 % prior. The revision is due to slower consumer spending growth and smaller inventory accumulation than the government had previously estimated. This means first-quarter GDP growth was much softer than the previous three quarters, which averaged 3.1 %. However, Q1 GDP has come in weaker in the last several years, suggesting that seasonal factors are partly to blame. Market expects a strong rebound in the second quarter, to 4.5 % annualized growth. The magnitude of this quarterly gain is influenced by low base effects from Q1, but robust growth is expected to continue through 2018. A strong labor market and tax cuts should remain supportive of GDP. Personal income grew 0.4 % in May, up from 0.2 % the month prior. Personal spending slowed to 0.2 % growth, and April's gain was revised down 0.1 %age point to 0.5 %. Given solid income and employment growth and continued strength in consumer confidence, consumption will be picked back up. Even with some slowing, consumption should be much more supportive of GDP growth in Q2 versus Q1



US DATA IN FOCUS (July 2018)

Monday	Tuesday	Wednesday	Thursday	Friday
2 Markit US Manufacturing PMI Construction Spending MoM ISM Manufacturing ISM Prices Paid	3 Factory Orders Durable Goods Orders Durables Ex Transportation	4 MBA Mortgage Applications	5 ADP Employment Change Initial Jobless Claims Markit US Services PMI Markit US Composite PMI ISM Non-Manf. Composite	6 Trade Balance Change in Nonfarm Payrolls Unemployment Rate
9	10	11 MBA Mortgage Applications PPI Final Demand MoM Wholesale Inventories MoM	12 Initial Jobless Claims CPI MoM CPI Ex Food and Energy MoM	13 Monthly Budget Statement Import Price Index MoM U. of Mich. Sentiment
16 Retail Sales Advance MoM Empire Manufacturing	17 Industrial Production MoM	18 Net Long-term TIC Flows MBA Mortgage Applications Housing Starts	19 Initial Jobless Claims Philadelphia Fed Business Outlook Leading Index	20
23 Existing Home Sales	24 FHFA House Price Index Markit US Manufacturing PMI Markit US Services PMI Markit US Composite PMI Richmond Fed Manufact. Index	25 MBA Mortgage Applications New Home Sales	26 Initial Jobless Claims Wholesale Inventories MoM Durable Goods Orders Durables Ex Transportation	27 GDP Annualized QoQ GDP Price Index U. of Mich. Sentiment
30 Pending Home Sales MoM	31 Employment Cost Index Personal Income Personal Spending Chicago Purchasing Manager Conf. Board Consumer Confidence			