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Equity – Escalation in US-China trade tensions dragged the global equities down

- The escalation in US-China trade tensions dragged the global equities down in May. All major equity markets recorded negative return last month while developed market continued to outperform emerging market. For developed market, S&P 500 and Nasdaq dropped by 6.58% and 7.93%, respectively. MSCI EU Index also decreased 5.73%. For emerging market, MSCI EM Index was down 7.53%. China A-share CSI300 index slid 7.24% in local currency leading HSI and HSCEI to plunge 9.42% and 10.01%, respectively.
- For China, driven by falling external demand, May NBS manufacturing PMI retreated to 49.4% from 50.1% in April, missed the market consensus of 49.9%. New Export Orders Index fell sharply to 46.5% in May from 49.2% last month due to the unexpected tariff hike to 25% on US 200bn worth of exports to the US. Besides, domestic manufacturing demand also weakened. PMI for employment declined by 0.2ppt to 47.0% in May showing a negative signal on labor market. Given external uncertainties rose notably, this may continue to weigh on external demand in June.

Index	Settle	Net Change (+/-%)		Valuation (2019)	
		MoM	YTD	PE	PB
DJIA	24,815.04	-6.69%	6.38%	15.40	3.58
S&P 500	2,752.06	-6.58%	9.78%	16.52	3.02
Nasdaq	7,453.15	-7.93%	12.33%	22.01	4.14
Nikkei	20,601.19	-7.45%	2.93%	14.66	1.46
FTSE100	7,161.71	-3.46%	6.44%	12.44	1.63
CAC40	5,207.63	-6.78%	10.08%	13.54	1.46
DAX	11,726.84	-5.00%	11.06%	12.68	1.45
SHCOMP	2,898.70	-5.84%	16.23%	11.12	1.29
CSI300	3,629.79	-7.24%	20.56%	11.44	1.51
ChiNext	1,810.17	-6.10%	19.33%	21.96	3.35
HSI	26,901.09	-9.42%	4.08%	10.61	1.16
HSCEI	10,387.17	-10.01%	2.59%	8.15	0.97
TWSE	10,498.49	-4.28%	7.93%	15.28	1.66
KOSPI	2,041.74	-7.34%	0.03%	11.88	0.85
JCI	6,209.12	-3.81%	0.24%	15.23	2.26

Source: Bloomberg

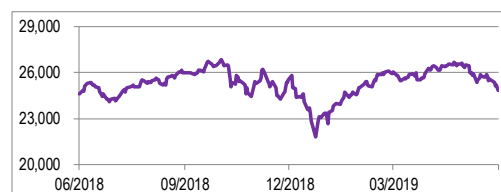


Fig. 1 One year performance of Dow Jones Index

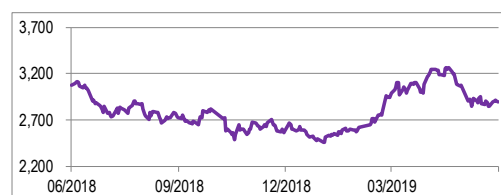


Fig. 2 One year performance of Shanghai Composite

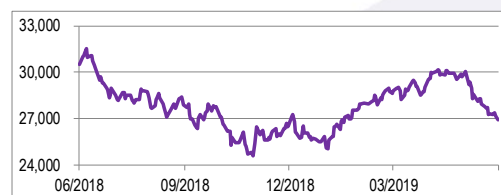


Fig. 3 One year performance of Hang Seng Index

Fixed Income – Rate cut expectation building up

- An escalation in US-China trade tensions buoyed on the Treasury market throughout May, with the 10Y yield falling 38bp to close the month at 2.12%, its lowest level since September 2017. Market worried about economic growth and started to build up rate cut expectation.
- In Europe, new German industrial orders unexpectedly saw its biggest quarterly decline since the Financial Crisis and global trade tensions increased, such as US tariffs on Mexican goods, pushing the 10Y Bund yield to its lowest ever level of minus 0.21%.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	2.54%	2.12%	2.12%	-38	-56
US 30-yr Treasury Yield	2.93%	2.57%	2.57%	-36	-45
Euro 10-yr Govt Yield	0.03%	-0.20%	-0.20%	-22	-44
Japan 10-yr Govt Yield	-0.04%	-0.09%	-0.09%	-5	-10
China 10-yr Govt Yield	3.40%	3.27%	3.30%	-11	-2

Source: Bloomberg

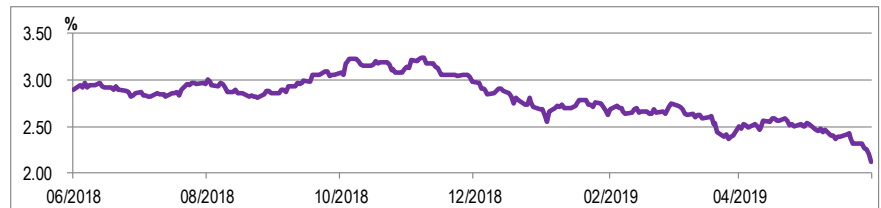


Fig. 4 One year performance of US 10-yr Treasury Yield

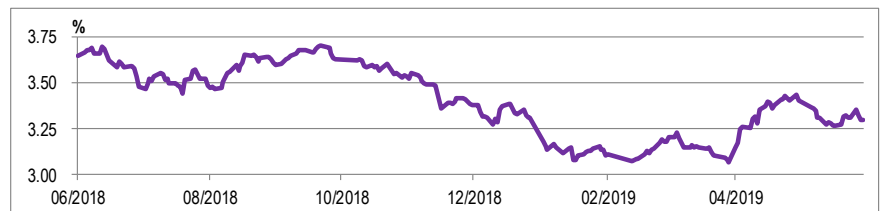


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Worries on demand pulled oil price down while gold acted as safe haven

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	63.91	53.50	53.50	-16.29%	17.82%
Brent Oil (bbl)	72.80	64.49	64.49	-11.41%	19.87%
Gold Spot (oz)	1,305.45	1,270.63	1,305.45	1.71%	1.79%
CMX Silver (oz)	14.98	14.32	14.57	-2.78%	-7.28%
CMX Copper (lb)	290.40	264.00	264.00	-9.09%	-0.04%
LME Zinc (mt)	2,960.00	2,668.00	2,668.00	-9.86%	5.94%
LME Aluminum (mt)	1,830.75	1,745.00	1,773.00	-0.56%	-4.82%

Source: Bloomberg

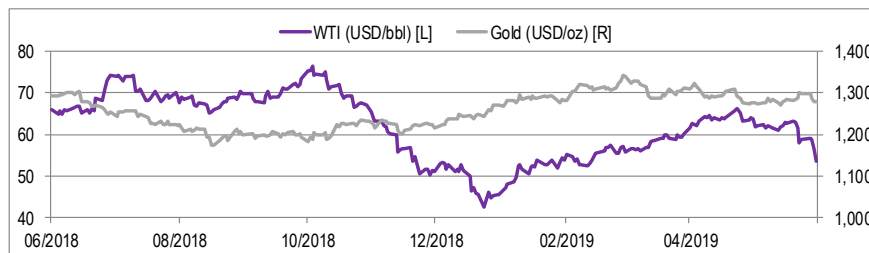


Fig. 6 One year performance of Oil and Gold Price

- With easing concerns on supply, market's focus turned to the worries on oil demand as the escalation in trade tensions between the US and China would drag the global economic growth. Besides, the stockpiles of US crude unexpectedly rose to their highest level in nearly two years also dragged prices lower in May. WTI and Brent were down 16.29% and 11.41% in May, respectively.

- Gold acted as the safe haven in May. Driven by escalation in global trade tensions and stronger rate cut expectation, gold price was up 1.71% in May.

FX – Risk-off sentiment driving USD up

- The Dollar was supported by the Fed indicating that near-term changes were unlikely and Chair Powell's comment that the drop in inflation maybe "transient". Market read it as a less dovish signal. Although the rate cut expectation was building up later in May, the global trade concerns, continued weakness in Eurozone data and political turmoil in the UK were positive for the USD. DXY ended 0.28% stronger.
- GBP was the worst performer against the USD in G10 as uncertainty on both the Brexit process and domestic politics dragged the currency lower. GBP ended the month 3.09% weaker against the USD.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	98.14	97.32	97.75	0.28%	1.64%
EUR / USD	1.123	1.113	1.117	-0.41%	-2.60%
USD / CNH	6.949	6.733	6.937	2.97%	0.96%
USD / JPY	111.5	108.3	108.3	-2.81%	-1.28%
GBP / USD	1.317	1.261	1.263	-3.09%	-0.98%
USD / CAD	1.352	1.339	1.352	0.96%	-0.89%
AUD / USD	0.705	0.687	0.694	-1.56%	-1.57%
USD / CHF	1.020	1.001	1.001	-1.83%	1.88%

Source: Bloomberg

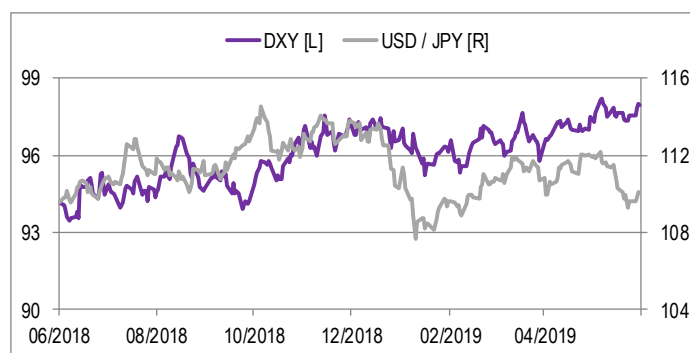


Fig. 7 One year performance of DXY and JPY

Economic Calendar (June 2019)

Monday	Tuesday	Wednesday	Thursday	Friday
3 Markit US Manufacturing PMI ISM Manufacturing Construction Spending MoM	4 Factory Orders Durable Goods Orders	5 MBA Mortgage Applications ADP Employment Change	6 Trade Balance Initial Jobless Claims	7 Change in Nonfarm Payrolls Unemployment Rate Wholesale Inventories MoM
10	11 PPI Final Demand MoM	12 MBA Mortgage Applications CPI MoM	13 Initial Jobless Claims	14 Retail Sales Advance MoM Industrial Production MoM U. of Mich. Sentiment
17 Empire Manufacturing	18 Housing Starts	19 MBA Mortgage Applications	20 FOMC Rate Decision Initial Jobless Claims Leading Index	21 Markit US Manufacturing PMI Existing Home Sales
24	25 New Home Sales Conf. Board Consumer Confidence	26 MBA Mortgage Applications Wholesale Inventories MoM Durable Goods Orders	27 GDP Annualized QoQ Initial Jobless Claims	28 Personal Income Personal Spending Chicago Purchasing Manager U. of Mich. Sentiment

Source: Bloomberg