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Equity – De-escalation of US-China trade tensions driving equities to bounce back

- As the outlook for a US-China trade deal improved and the Fed cut rates by 25bp as expected, equities in major markets recorded positive returns in September. Developed markets slightly outperformed emerging markets. S&P500 and Nasdaq increased 1.72% and 0.46% respectively. MSCI EU Index also increased 3.67%. For emerging market, MSCI EM Index was up 1.69%. China CSI300 index increased 0.39%. HSI and HSCEI increased 1.43% and 1.17% respectively.
- For China, September NBS manufacturing PMI recovered to 49.8% from 49.5% in August, higher than the market consensus of 49.6%, remained in the contractionary territory. New Export Orders Index recovered to 48.2% in September from 47.2% in August, but remained in the contractionary territory, indicating that external demand growth continued to face headwinds. Meanwhile domestic manufacturing demand rebounded. PMI for employment edged up by 0.1ppt to 47.0% in September but the labor demand remained on the weak side. Although monetary easing measures implemented so far have fallen short of expectations, as growth momentum softens further going forward, we believe that easing may be delayed, but will unlikely be absent.

Index	Settle	Net Change (+/-%)		Valuation (2019)	
		MoM	YTD	PE	PB
DJIA	26,916.83	1.95%	15.39%	17.84	3.91
S&P 500	2,976.74	1.72%	18.74%	18.14	3.25
Nasdaq	7,999.34	0.46%	20.56%	24.29	4.38
Nikkei	21,755.84	5.08%	8.70%	15.77	1.56
FTSE100	7,408.21	2.79%	10.11%	13.15	1.71
CAC40	5,677.79	3.60%	20.02%	15.09	1.60
DAX	12,428.08	4.09%	17.70%	14.57	1.54
SHCOMP	2,905.19	0.66%	16.49%	11.45	1.33
CSI300	3,814.53	0.39%	26.70%	12.46	1.64
ChiNext	1,929.96	2.27%	27.23%	27.34	3.75
HSI	26,092.27	1.43%	0.95%	10.45	1.13
HSCEI	10,200.97	1.17%	0.75%	8.17	1.04
TWSE	10,829.68	1.99%	11.33%	16.42	1.71
KOSPI	2,063.05	4.84%	1.08%	13.47	0.88
JCI	6,169.10	-2.52%	-0.41%	15.74	2.22

Source: Bloomberg

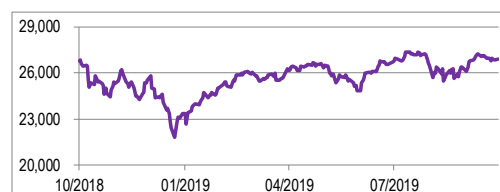


Fig. 1 One year performance of Dow Jones Index

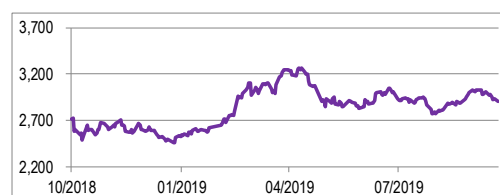


Fig. 2 One year performance of Shanghai Composite

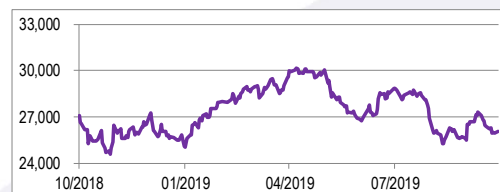


Fig. 3 One year performance of Hang Seng Index

Fixed Income – Fed and ECB announced to cut interest rate

- Although the Fed cut rates by 25bp as expected in the mid of September, US 10Y yields still rose gradually in this month as the trade negotiations between US and China would resume, risk-on sentiment took hold resulting in a sell-off on bonds. US 10Y yields was finally up 17bp and settled at 1.66% in September.
- In Europe, the yields were up driven by the risk on sentiment. However, the upside was limited by a rate cut from ECB and the fears of a recession as the German manufacturing PMI fell to 41.4%. 10Y bund yields closing at -0.57%, up 13bp MoM. Besides, the weaker-than-expected UK services PMI and CPI also offset the upside of 10Y gilt yields and it finally closed at 0.49%, up 1bp MoM.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	1.90%	1.46%	1.66%	17	-102
US 30-yr Treasury Yield	2.37%	1.95%	2.11%	15	-90
Euro 10-yr Govt Yield	-0.45%	-0.71%	-0.57%	13	-81
Japan 10-yr Govt Yield	-0.15%	-0.28%	-0.21%	6	-22
China 10-yr Govt Yield	3.15%	3.01%	3.14%	8	-17

Source: Bloomberg

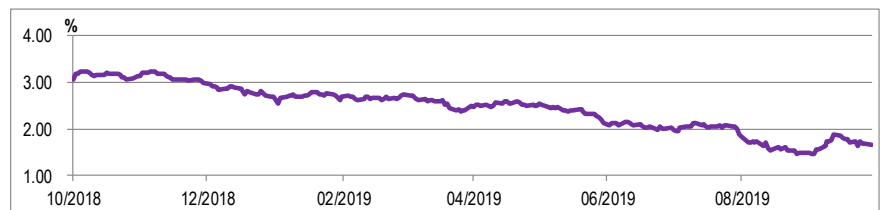


Fig. 4 One year performance of US 10-yr Treasury Yield

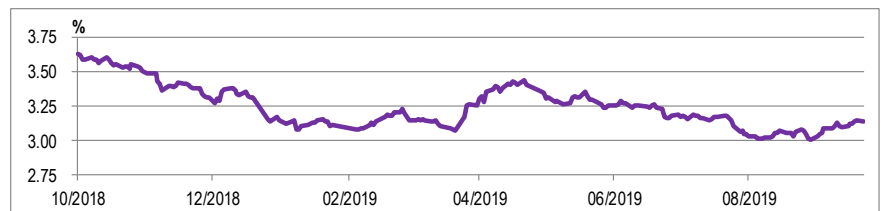


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Oil price were mixed and gold price retreated

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	62.90	53.94	54.07	-1.87%	19.07%
Brent Oil (bbl)	69.02	58.26	60.78	0.58%	12.97%
Gold Spot (oz)	1,552.42	1,472.38	1,472.38	-3.15%	14.81%
CMX Silver (oz)	19.55	17.00	17.00	-7.33%	6.75%
CMX Copper (lb)	269.95	252.80	257.85	1.06%	-2.55%
LME Zinc (mt)	2,428.50	2,215.00	2,428.50	9.79%	-3.57%
LME Aluminum (mt)	1,796.75	1,701.50	1,701.50	-1.32%	-8.66%

Source: Bloomberg

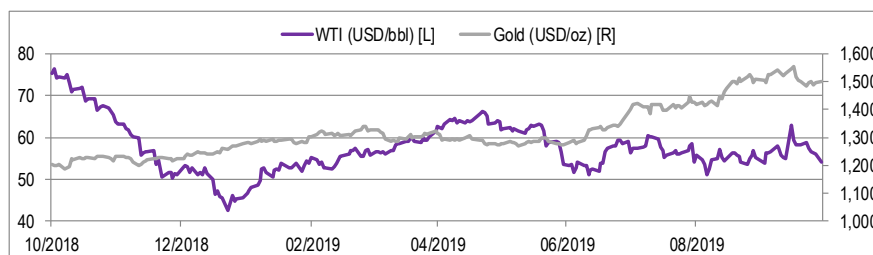


Fig. 6 One year performance of Oil and Gold Price

- Oil prices were mixed in September. Due to an improved outlook for the US-China trade war and the attack on a Saudi oil production facility, oil price surged, with Brent spiking 19% to a four-month high before stabilizing. However, Brent prices fell back down to pre-attack levels as the damaged facility should be back to pre-attack production levels by the end of the month. Brent was up 0.58% while WTI was down 1.87%.

- Gold had its first monthly decline in five months. Although gold price gained support after an attack on a Saudi oil facility during the month, these gains were reversed as the war concerns were calm down. Together with de-escalation of US-China trade tensions, the risk-on sentiment put pressure on gold leading its price slipped 3.15% MoM to close at USD1,472.38/oz in September.

FX – USD remaining strong

- Although Fed cut rates by 25bp as expected, the Fed announcement disappointed the market by without turning more dovish stands. With the attack on a Saudi oil production facility and soft EUR, USD gained support in September. DXY was up 0.47% MoM to 99.38.
- In Europe, EUR was down 0.76% against the USD over the month as ECB cut its deposit rate by 10bp to -0.50% and announced the restart of QE at a monthly rate of EUR20bn on an open-end basis. GBP was the best G10 performer against the USD in September, ending the month up 1.09% because UK MPs passed the Benn bill, which was designed to prevent a no-deal Brexit on 31 October.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	99.38	98.26	99.38	0.47%	3.33%
EUR / USD	1.107	1.090	1.090	-0.76%	-4.95%
USD / CNH	7.194	7.047	7.141	-0.29%	3.94%
USD / JPY	108.5	105.9	108.1	1.69%	-1.47%
GBP / USD	1.253	1.207	1.229	1.09%	-3.65%
USD / CAD	1.334	1.315	1.324	-0.53%	-2.90%
AUD / USD	0.688	0.672	0.675	0.25%	-4.24%
USD / CHF	0.998	0.981	0.998	0.74%	1.59%

Source: Bloomberg

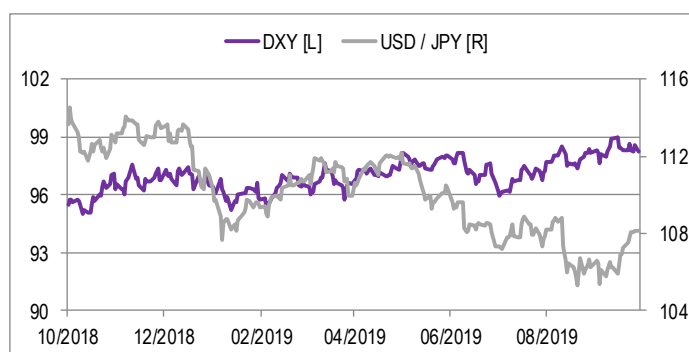


Fig. 7 One year performance of DXY and JPY

Economic Calendar (October 2019)

Monday	Tuesday	Wednesday	Thursday	Friday
	1	2 MBA Mortgage Applications ADP Employment Change	3 Initial Jobless Claims Factory Orders Durable Goods Orders	4 Change in Nonfarm Payrolls Unemployment Rate Trade Balance
7	8 PPI Final Demand MoM	9 MBA Mortgage Applications Wholesale Inventories MoM	10 CPI MoM Initial Jobless Claims	11 U. of Mich. Sentiment
14	15 Empire Manufacturing	16 MBA Mortgage Applications Retail Sales Advance MoM	17 Housing Starts Initial Jobless Claims Industrial Production MoM	18 Leading Index
21	22 Existing Home Sales	23 MBA Mortgage Applications	24 Durable Goods Orders Initial Jobless Claims Markit US Manufacturing PMI New Home Sales	25 U. of Mich. Sentiment
28 Wholesale Inventories MoM	29 Conf. Board Consumer Confidence	30 MBA Mortgage Applications ADP Employment Change GDP Annualized QoQ	31 FOMC Rate Decision Personal Income Personal Spending Initial Jobless Claims Chicago Purchasing Manager	

Source: Bloomberg