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Equity – Equity market rebound with EM outperforming

- After a significant drop in October, global equities rebounded in November on removing uncertainties on midterm elections and cooling down on rate hike expectation in US. S&P 500 and Nasdaq were up 1.79% and 0.34%, respectively. Speculating on positive side on China-US trade talk during the G20 Summit, HK & China market gained supports. HSI and HSCEI increased 6.11% and 4.77%, respectively, driving EM equities (MXEF) to jump 4.06%. However, European equities (MXEU) underperformed and down 1.04% dragged by the concerns on Brexit.
- November NBS manufacturing PMI declined further to 50.0% from 50.2% in October, the lowest level since mid-2016, and lower than the market consensus of 50.2%. Headline PMI fell visibly as the downward pressure for domestic demand growth became more pronounced. Although the market has been more focused on the China-US trade talk during the G20 Summit in end-November, it is worth highlighting that domestic demand leading indicators are collapsing in China mounting pressure for corporate profit growth and further downside for manufacturing demand and investment. Given the uncertainties of trade war, we noticed that the proper policy adjustments had been delayed, including market liquidities. We expect domestic demand stabilization will be the top priority in the policy meetings in December.

Index	Settle	Net Change (+/-%)		Valuation (2018)	
		MoM	YTD	PE	PB
DJIA	25,538.46	1.68%	3.31%	15.98	3.92
S&P 500	2,760.17	1.79%	3.24%	16.87	3.18
Nasdaq	7,330.54	0.34%	6.19%	21.47	4.30
Nikkei	22,351.06	1.96%	-1.82%	16.17	1.68
FTSE100	6,980.24	-2.07%	-9.20%	12.33	1.63
CAC40	5,003.92	-1.76%	-5.81%	13.32	1.46
DAX	11,257.24	-1.66%	-12.85%	12.48	1.47
SHCOMP	2,588.19	-0.56%	-21.74%	10.59	1.19
CSI300	3,172.69	0.60%	-21.29%	11.08	1.43
ChiNext	1,599.16	4.82%	-27.38%	23.40	3.31
HSI	26,506.75	6.11%	-11.41%	11.15	1.22
HSCEI	10,621.74	4.77%	-9.29%	8.24	1.00
TWSE	9,888.03	0.88%	-7.09%	12.90	1.67
KOSPI	2,096.86	3.31%	-15.02%	8.74	0.91
JCI	6,056.12	3.85%	-4.71%	16.09	2.35

Source: Bloomberg

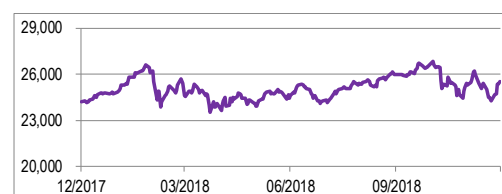


Fig. 1 One year performance of Dow Jones Index

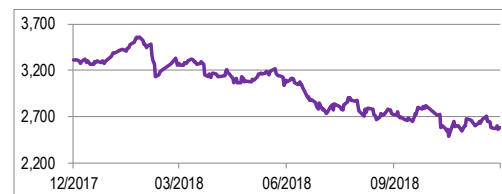


Fig. 2 One year performance of Shanghai Composite

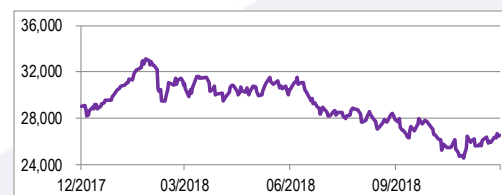


Fig. 3 One year performance of Hang Seng Index

Fixed Income – Fed Chairman Powell providing a positive tone to sentiment

- US 10Y yields reached a seven-year high of 3.24% in early-November. Treasury yields started to fall after Clarida's cautious comments on the Fed not increasing the speed of rate hikes any time soon. This trend continued for the rest of the month and the 10Y yield even dropped below 3% briefly in late-November following Fed Chair Powell's dovish comments about rates approaching the neutral level.
- In the UK, news flow on Brexit and surprises in economic data were the main narrative behind bond market movements. The big movements came after numerous resignations from MPs in reaction to May's proposed Brexit deal and markets feared a vote of no-confidence. The gilt curve bull flattened in response. Besides, the Italian government bond market remained volatile after the Italian government defied calls from Europe to reconsider its budget plan and fears of financial sanctions grew.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	3.24%	2.99%	2.99%	-16	58
US 30-yr Treasury Yield	3.45%	3.29%	3.29%	-10	55
Euro 10-yr Govt Yield	0.46%	0.31%	0.31%	-7	-11
Japan 10-yr Govt Yield	0.13%	0.08%	0.09%	-4	4
China 10-yr Govt Yield	3.55%	3.36%	3.38%	-16	-52

Source: Bloomberg

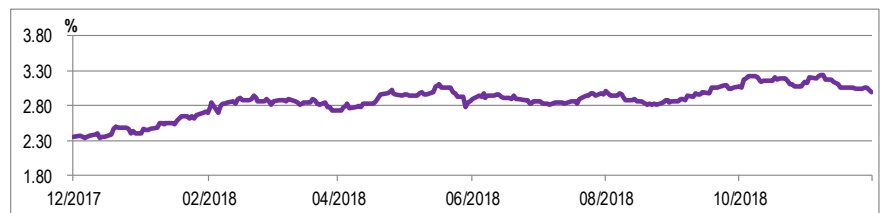


Fig. 4 One year performance of US 10-yr Treasury Yield

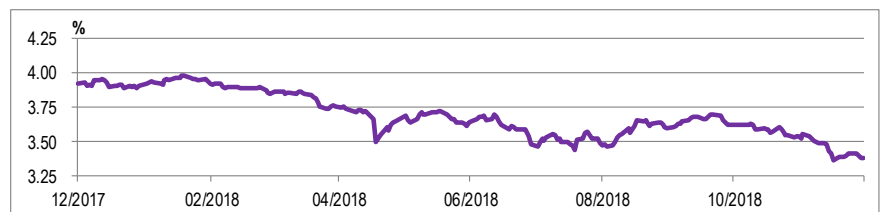


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Oil has experienced one of its worst monthly returns in the last 35 years

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	63.69	50.29	50.93	-22.02%	-15.71%
Brent Oil (bbl)	73.17	58.71	58.71	-22.21%	-12.20%
Gold Spot (oz)	1,233.47	1,200.36	1,222.50	0.64%	-6.18%
CMX Silver (oz)	14.90	14.10	14.22	-1.26%	-19.10%
CMX Copper (lb)	282.30	269.45	278.75	4.09%	-17.03%
LME Zinc (mt)	2,697.00	2,502.50	2,655.00	4.05%	-20.45%
LME Aluminum (mt)	1,979.50	1,907.50	1,957.25	1.16%	-13.24%

Source: Bloomberg

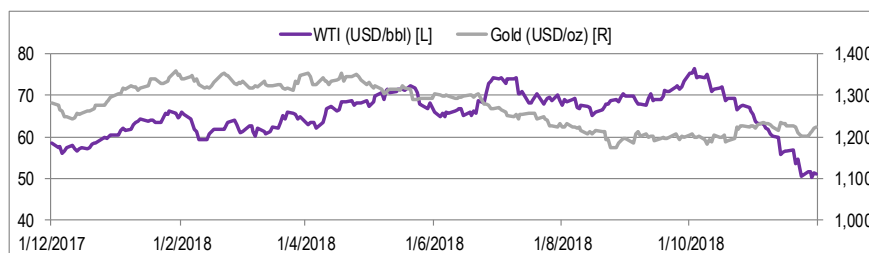


Fig. 6 One year performance of Oil and Gold Price

- Both Brent and WTI dropped 22% in November. With no new fundamental data, the sell off reflects (1) far lower-than-expected sanctions on Iran, (2) concerns over excess supply in 2019, (3) part of a cross asset response to slower global growth, and (4) technical positioning factors and relatively low trading liquidity exacerbating volatility. However, the fundamentals are still supportive: oil demand remains firm and market expect the global economy to grow at a solid 3.5% pace next year.

FX – Cooling down on rate hike expectation in US

- The USD did not have a meaningful direction in November. It was buoyed by the FOMC policy statement signaling further gradual rate hikes in early-November. However, Fed members Clarida and Powell's comments towards the end of the month on the neutral rate were considered dovish, which saw the USD weaken. The USD also softened as the market anticipated progress in US-China trade talks.
- GBP seesawed on Brexit developments, ending the month largely unchanged against the USD. Despite being weighed down by Italian budget disputes and weaker than expected data, the EUR ended November largely unchanged against the USD on dovish Fed comments.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	97.54	96.00	97.27	0.15%	5.59%
EUR / USD	1.145	1.122	1.132	0.04%	-5.73%
USD / CNH	6.964	6.898	6.950	-0.35%	6.69%
USD / JPY	114.1	112.6	113.6	0.56%	0.78%
GBP / USD	1.313	1.275	1.275	-0.13%	-5.65%
USD / CAD	1.331	1.309	1.329	1.03%	5.74%
AUD / USD	0.733	0.717	0.731	3.29%	-6.44%
USD / CHF	1.011	0.994	0.998	-1.05%	2.42%

Source: Bloomberg

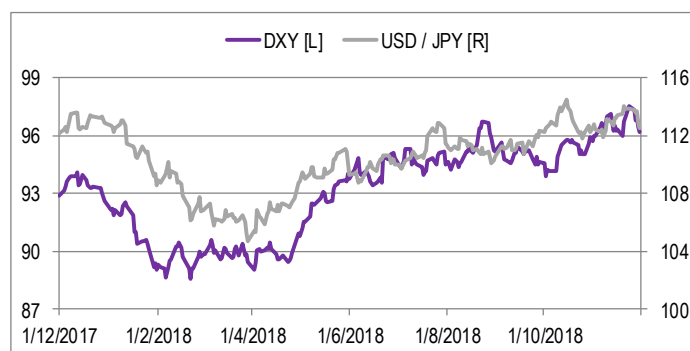


Fig. 7 One year performance of DXY and JPY

Economic Calendar (December 2018)

Monday	Tuesday	Wednesday	Thursday	Friday
3 Markit US Manufacturing PMI Construction Spending MoM ISM Manufacturing	4	5 MBA Mortgage Applications ADP Employment Change	6 Trade Balance Initial Jobless Claims Factory Orders Durable Goods Orders	7 Change in Nonfarm Payrolls Unemployment Rate Wholesale Inventories MoM U. of Mich. Sentiment
10	11 PPI Final Demand MoM	12 MBA Mortgage Applications CPI MoM	13 Initial Jobless Claims	14 Retail Sales Advance MoM Industrial Production MoM Markit US Manufacturing PMI
17 Empire Manufacturing	18 Housing Starts	19 MBA Mortgage Applications Existing Home Sales	20 FOMC Rate Decision Initial Jobless Claims Leading Index	21 GDP Annualized QoQ Durable Goods Orders Personal Income Personal Spending U. of Mich. Sentiment
24	25	26 MBA Mortgage Applications	27 Initial Jobless Claims New Home Sales Conf. Board Consumer Confidence	28 Wholesale Inventories MoM Chicago Purchasing Manager
31				

Source: Bloomberg