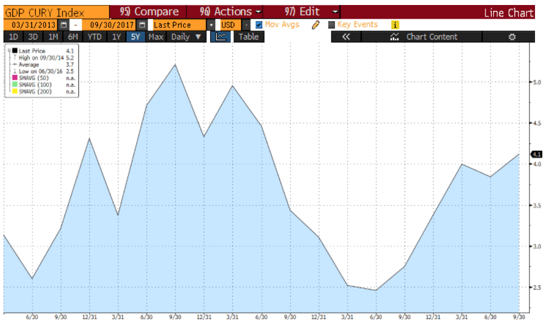
City Credit Investment Bank Limited

BiWeekly ViewPoint

CITY CREDIT INVESTMENT BANK

Dec 29 2017 – Jan 12 2018



Date	Data	Number
18 Jan	Housing Starts	1275k F
24 Jan	Existing Home Sales	5.65m F
25 Jan	Leading Index	0.4% F

*P: Previous F: Forecast. R: Revision (From Bloomberg)

ECONOMY – *Softer Data at Year Opening*

In US, the Job Openings and Labor Turnover Survey (JOLTS), import price index and producer price index all came in a bit on the soft side in the first few days of the year. Job openings edged down for a second straight month in November, a respite from the sharp run-up over the first three-quarters of 2017. Openings are up 4.4% over the past year, but that marks a slowdown from earlier and, if sustained, suggests a more moderate pace of hiring ahead. Though progress has been painfully slow, the quit rate has slowly grinded higher, suggesting improved worker confidence in the labor market.

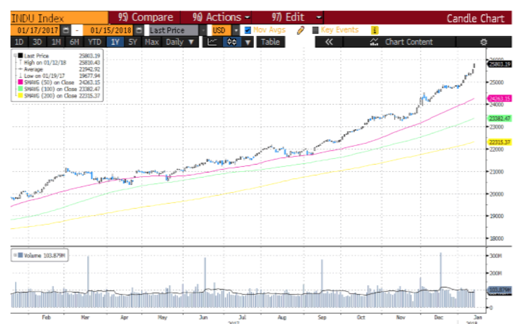
On the inflation front, import prices rose 0.1% in December, lifted by a 1.8% increase in fuel prices. Non-fuel prices were soft, however, falling 0.1% in the month, but still managed to increase 1.0% in 2017, the largest annual gain since 2011. The headline producer price index (PPI) unexpectedly fell in the month, and core measures of the index were softer-than-expected across the board.

STOCKS & COMMODITIES – *Stick to China Financial*

US stock markets rose over the past two weeks. The Dow and S&P 500 were +4.39% and +4.21% respectively. NASDAQ was up by 5.18%.

While claims that China was seeking to buy fewer treasuries has been discredited, China’s own bond market has been selling off. This is only natural given the jump in inflation pressures. Stick with the financials. China has a corporate tax rate of 25% (unchanged over the past decade) not 15%. However, this can be lowered if the company is operating in an industry encouraged by the government. Chinese companies have lowered their effective tax paid to around 20%. In turn, this has helped China’s financial ratios improve. Financials are leading index returns. Moreover, yields have risen steeping the curve as one would have expected for an economy that is enjoying inflation.

Crude oil future traded in NYME increased 6.42% to close at US$64.3 per barrel during the period. Gold price was up 2.68% to US$1,337.95 per oz.



Market Mover	Commodity	Change (+/-)
	Oil Futures	+USD 3.88
	DJIA	+1083.97 points

Market Mover	Currency Pair	Change (+/-)
	DXY	-1.15
	EURUSD	+0.0197

FOREIGN EXCHANGE – *Behind the Strong ADXY*

FX reserves data for December show Asian central banks are back to accumulating reserves after a brief disruption in November. Excluding the valuation effect, we estimate that central banks in our region net bought $11.8 bn in December, led by India, Indonesia and China. Price actions and central banks’ comments so far in January suggest a stronger pace of USD buying across the region. Both bonds and equity inflows have been particularly strong this year, leading to sharp gains in Asian currencies YTD, and with those, a rise in central banks' resistance. Thailand and Korea have been most vocal against local currency appreciation in recent weeks.

The Euro appreciated against US dollar by 1.64% over the period.