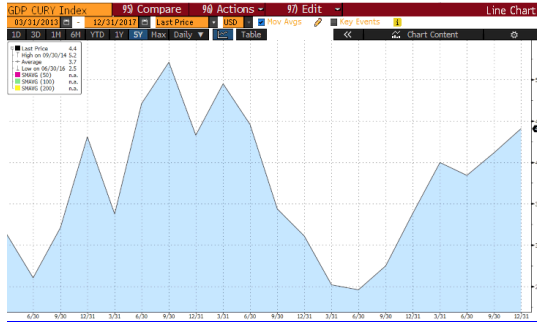




Jan 12 2018 – Jan 26 2018

ECONOMY – Robust Economic Growth



Date	Data	Number
01 Feb	FOMC Rate Decision	1.5% F
01 Feb	ISM Manufacturing	58.6 F
02 Feb	Factory Order	1.2% F

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

This recent economic data continued to support the case for ongoing robust economic growth. GDP growth for Q4 downshifted slightly from the third quarter, but remains a robust 2.6%. On an annualized basis, GDP growth has averaged 3.0% over the past three quarters. Separately, the durable goods report showed that orders remained strong for core capital goods orders, suggesting momentum behind business investment. The more forward-looking Leading Economic Index posted another solid gain in December suggesting that the solid pace of GDP growth in the coming quarters is likely to continue. New and existing home sales data pulled back slightly in December following strong readings in November. Fourth quarter GDP rose 2.6% on an annualized basis following the third quarter's 3.2% rate of growth. Real final sales to private domestic purchasers, climbed to 4.6% on an annualized basis. One of the most impressive aspects of the GDP report was consumer spending, which rose 3.8% for the quarter, led higher by stronger spending on durable goods

STOCKS & COMMODITIES – Beware of China Economy

US stock markets rose over the past two weeks. The Dow and S&P 500 were +3.15% and +3.11% respectively. NASDAQ was up by 3.37%.

China's economy grew 6.9% in 2017 and 6.8% in 4Q17 well above the full year's target. There is generally a seasonal improvement in loan and financial data. Similarly the disbursement of funds for FAI and new projects should be scrutinized. Inflation data may start to get trickier given the impact of higher food and energy prices. Any hints of weakness in consumption or employment data would be disappointing and raise fears of a hard landing while any falls in stock market prices might have some ripple effects on capital raising. Economy wide profits have been hurt simply by the base effect after 24 months of solid data. Meanwhile, the strengthening of the RMB might cause the REER to rise.

Crude oil future traded in NYME increased 2.86% to close at US\$66.14 per barrel during the period. Gold price was up 0.88% to US\$1,349.70 per oz.



Market Mover	Commodity	Change (+/-)
	Oil Futures	+USD 1.84
	DJIA	+813.52 points



Market Mover	Currency Pair	Change (+/-)
	DXD	-1.907
	EURUSD	+0.0225

FOREIGN EXCHANGE – Weakening USD

Taking the US Treasury Secretary Steven Mnuchin's comments on the USD at Davos as a signal that Trump Administration policy favours a weaker USD. President Trump has tried to qualify Mnuchin's comments by saying that he wants a strong dollar "ultimately", but he has not explicitly rebuked Mnuchin or refuted the idea that a weak USD has benefits for the US. USD weakness against the G10 currencies creates a powerful bias for USD-Asia to fall. Asian central banks are likely to resist this through intervention to some extent, but rising US protectionism and the approaching US Treasury report on currencies seem likely to make many reluctant to engage in aggressive, persistent FX intervention

The Euro appreciated against US dollar by 1.84% over the period.