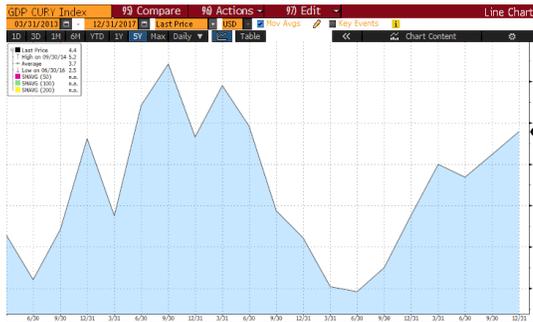




Mar 2 2018 – Mar 16 2018

ECONOMY – What CPI Affecting



Date	Data	Number
22 Mar	FOMC Rate Decision	+0.25 F
28 Mar	GDP Annualized QoQ	2.3% F
29 Mar	Personal Income	0.5% F

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

Economic data signaled that inflation has begun to rise and may be adversely affecting consumer spending. Consumer Price Index (CPI) data showed an increase in the headline inflation rate, a trend that was reinforced by the Producer Price Index and import price data. Retail sales data posted their third month in a row of sales declines, raising questions about the strength of the consumer sector in the first quarter. Housing starts slowed in February following a strong reading in January. Industrial production picked up for the month, reflecting improving fundamentals in the sector.

Retail sales edged down 0.1% in February, with broad-based declines in a number of categories. Excluding auto sales, total sales rose 0.2%. The closely-watched control group, which feeds into the calculation for GDP, rose a modest 0.1% for the month following a flat reading in January. Much like the business investment sector, a stark divergence has emerged between the “soft” consumer confidence data and the “hard” consumer spending data.

STOCKS & COMMODITIES – CDR Launch

US stock markets rose over the past two weeks. The Dow and S&P 500 were +1.66% and +2.26% respectively. NASDAQ was up by 3.09%.

The China Securities Regulatory Commission is planning to allow overseas-listed tech companies and unicorns to list on the A share market via the newly introduced Chinese Depositary Receipt (CDR). Some Hong Kong- or US-listed tech giants have reportedly been selected for a pilot programme later this year. The CDR launch could: 1) drive a potential re-rating for these tech giants; 2) pressure A-share market liquidity in the short term; and 3) reduce the positive impact of HKEX's recent weighted voting right reform. While the CDR offers a new channel for Chinese companies in new-economy sectors to list, it is unlikely to completely change the current IPO system.

Crude oil future traded in NYME increased 1.78% to close at US\$62.34 per barrel during the period. Gold price was down 0.64% to US\$1,314.35 per oz.



Market Mover	Commodity	Change (+/-)
	Oil Futures	+USD 1.09
	DJIA	+408.45 points

FOREIGN EXCHANGE – USD Rebound



Market Mover	Currency Pair	Change (+/-)
	DXD	+0.298
	EURUSD	-0.0027

The USD has increased its procyclical behavior recently, weakening in line with the slowdown in US data. Hard and soft data have decelerated, with the Atlanta Fed's GDP tracker down from 5.4% to 1.9% for 1Q. The DXY may still see new index lows over time, but the odds of USD entering into a corrective, tradable rebound have increased. In the unlikely scenario of growth slowing down for good, equity markets may weaken. Related portfolio rebalancing needs could then spill over into cyclical and EM currencies, pushing USD higher. The global economy stays strong and the US economy may pick up again in 2Q, the USD would likely rebound.

The Euro depreciated against US dollar by 0.22% over the period.

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