City Credit Investment Bank Limited **Monthly Review -** Month ending 28 Feb 2023

TABLE OF CONTENTS — PAGE

TABLE OF CONTENTS	PAGE
Equity – Global Equities underperformed	1
Fixed Income – Developed market yields rose	2
Commodities – Oil price and gold price fell	2
FX – USD strengthened	3
Economic Calendar (March 2023)	3

Equity – Global Equities underperformed

- After rally in January, the best monthly performance in the preceding six months, global equities (FTSE All-World index*) were down in February. Equities seemed to suffer from rising rate expectations in developed economies, following stronger than expected data and "higher for longer" comments from central banks. S&P500 and Nasdaq decreased 2.61% and 1.11%, respectively. MSCI EM decreased 6.54% while MSCI EU increased 1.64%. CSI300 Index and ChiNext decreased 2.10% and 1.42%, respectively.
- China's February NBS PMI surprised on the upside, with the recovery continuing to build off of momentum in January. Overall production and business activities improved as migrant workers returned from the CNY (Chinese New Year) holidays. China's February PMI index gained from 50.1 to 52.6. The new orders PMI rose from 50.9 to 54.1. For the manufacturing sector, the rise was primarily led by a pronounced recovery in production activity. The production sub-index surged to 56.7 from 49.8 previously as labor shortages due to the CNY holiday dissipated with the return of factory workers. On the non-manufacturing front, the services sector sub-index expanded faster, largely on the back of the release of pent-up demand for services. In short, the strong producer optimism signaled by both sets of PMIs today and the growing evidence of recovery seen in high frequency data lend hopes to a broader economic recovery down the road.

Index	Settle	Net Change (+/-%)		Valuation (2023)	
		MoM	YTD	PE	PB
DJIA	32,656.70	-4.19%	-1.48%	16.81	4.04
S&P 500	3,970.15	-2.61%	3.40%	18.06	3.57
Nasdaq	11,455.54	-1.11%	9.45%	26.13	4.36
Nikkei	27,445.56	0.43%	5.18%	16.42	1.57
FTSE100	7,876.28	1.35%	5.70%	9.85	1.76
CAC40	7,267.93	2.62%	12.27%	12.77	1.72
DAX	15,365.14	1.57%	10.35%	12.38	1.65
SHCOMP	3,279.61	0.74%	6.16%	12.44	1.37
CSI300	4,069.46	-2.10%	5.11%	14.25	1.76
ChiNext	2,900.88	-1.42%	7.97%	33.76	4.58
HSI	19,785.94	-9.41%	0.02%	10.75	1.14
HSCEI	6,581.47	-11.36%	-1.84%	8.92	1.04
TWSE	15,503.79	1.56%	9.66%	11.90	2.03
KOSPI	2,412.85	-0.50%	7.89%	12.88	0.85
JCI	6,843.24	0.06%	-0.11%	14.14	1.27

Source: Bloomberg

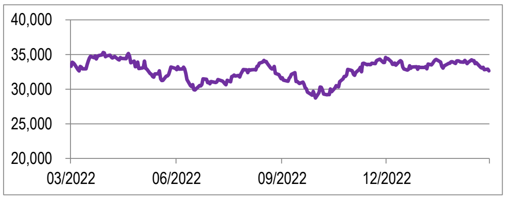

Fig. 1 One year performance of Dow Jones Index

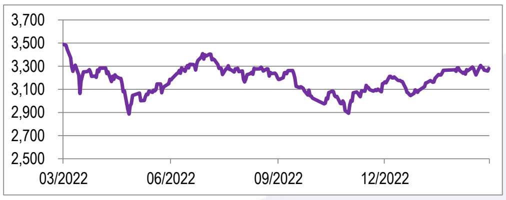

Fig. 2 One year performance of Shanghai Composite

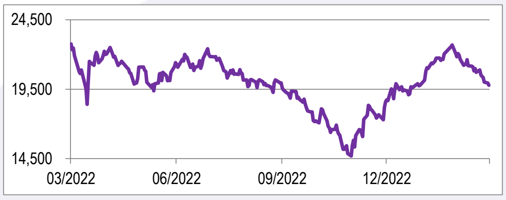

Fig. 3 One year performance of Hang Seng Index

Fixed Income – Developed market yields rose

- Global bond markets were driven by strong US economic data, leading to an increase in yields after hitting monthly lows on February 2nd. Calls for a 50bp hike in March were renewed due to robust US retail sales and high inflation prints, causing two-year yields to rise 62bp and rate hike expectations to exceed the Fed's projection. Fed members, including chair Jerome Powell, pushed for a potential "higher for longer" narrative, resulting in a 41bp increase in 10-year US Treasury yields to 3.92%.
- In the Eurozone, the post-ECB rally was reversed and was primarily driven by US rates in the first part of the month rather than Eurozone data. However, a record CPI print from France and hot CPI print in Spain caused a Eurozone bond sell-off, resulting in money markets pricing in a 4% ECB peak rate for the first time. Finally, Euro 10-yr Government yield increased by 37bp to 2.65%. In the UK, changes in benchmark gave the impression that the short-end rallied in the last few days of the month, but overall yields still rose in February. Finally, 10Y gilt yield increased 49bp to 3.83%.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	3.95%	3.39%	3.92%	41	5
US 30-yr Treasury Yield	3.97%	3.54%	3.92%	28	-5
Euro 10-yr Govt Yield	2.65%	2.08%	2.65%	37	8
Japan 10-yr Govt Yield	0.51%	0.49%	0.51%	1	8
China 10-yr Govt Yield	2.93%	2.89%	2.92%	1	8

Source: Bloomberg

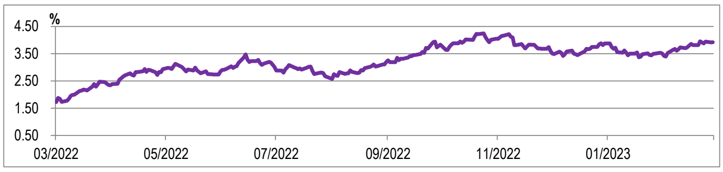

Fig. 4 One year performance of US 10-yr Treasury Yield

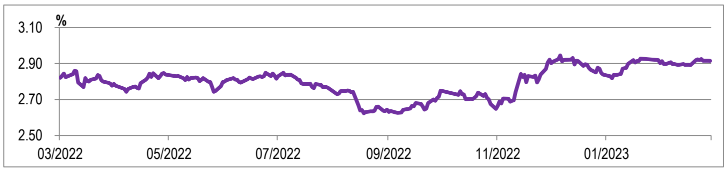

Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Oil price and gold price fell

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	80.14	73.39	77.05	-2.31%	-4.00%
Brent Oil (bbl)	86.61	79.94	83.89	-0.71%	-2.35%
Gold Spot (oz)	1,950.52	1,811.04	1,826.92	-5.26%	0.16%
CMX Silver (oz)	24.04	20.79	21.07	-12.35%	-12.95%
CMX Copper (lb)	423.45	395.30	408.95	-3.42%	7.21%
LME Zinc (mt)	3,418.76	2,988.25	3,030.50	-11.36%	0.91%
LME Aluminum (mt)	2,613.00	2,285.01	2,327.63	-10.92%	-0.93%

Source: Bloomberg

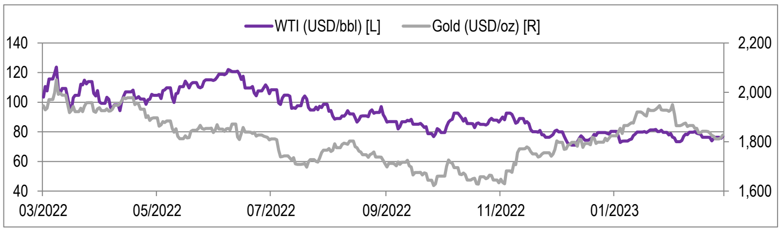

Fig. 6 One year performance of Oil and Gold Price

- Oil price was volatile in February due to concerns about Fed rate hikes. Despite the Fed slowing the pace of rate hikes, weak demand and rising US crude inventories kept prices down. However, prices surged over 7.9% later due to supply disruptions and strong Chinese demand. In the second half of the month, expectations for further rate hikes and the US government's plan to sell 26m more barrels from the Strategic Petroleum Reserve caused Brent to erase some gains. Finally, oil price fell 2.31% to US$77.05/bbl at the end of the month.
- Gold prices fell in February due to stronger than expected US economic data reducing safe-haven demand, along with higher US rates. After the US nonfarm payrolls data on 3 February showed a big upside surprise, gold prices were pressured by a rise in the implied terminal rate. Despite attempts to recover, hawkish comments from Fed officials and expectations for tighter monetary policy continued to pressure gold prices. Finally, gold price closed at 1826.92/oz, decreased 5.26%.

FX – USD strengthened

- The FX market in February resembled that of 2022, with the USD gaining strength amid "risk off" sentiment and higher US yields. Although the DXY initially dropped after a dovish FOMC meeting on the first day of the month, with the Fed only slowing to a 25bp rate hike and Chair Powell downplaying the easing financial conditions, the rest of the month painted a different picture. The dominating factors were the signs of stronger than expected US data and upside surprises to inflation, resulting in a 2.72% higher DXY by the end of the month.
- In February, the Euro fell 2.62% against the USD despite a hawkish ECB and stronger than expected activity data in the Eurozone. The ECB hiked its policy rates by 50bp, with President Lagarde announcing an additional 50bp hike in March. However, the EUR dropped as higher than expected US nonfarm payrolls and core PCE suggested a bumpier path towards the Fed's peak rate in 2023. Similarly, the GBP fell 2.42% against the USD due to risk aversion in the market, despite the expected BoE rate hike and better than expected economic data. A downside surprise in UK inflation added further pressure on cable, but the month ended positively with the EU-UK agreement over the Northern Ireland Protocol of the Brexit Treaty.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	105.21	101.22	104.87	2.72%	1.30%
EUR / USD	1.099	1.055	1.058	-2.64%	-1.21%
USD / CNH	6.981	6.720	6.955	2.93%	0.47%
USD / JPY	136.5	128.7	136.2	4.67%	3.85%
GBP / USD	1.238	1.194	1.202	-2.42%	-0.50%
USD / CAD	1.365	1.329	1.365	2.56%	0.69%
AUD / USD	0.714	0.673	0.673	-4.62%	-1.23%
USD / CHF	0.942	0.908	0.942	2.84%	1.91%

Source: Bloomberg

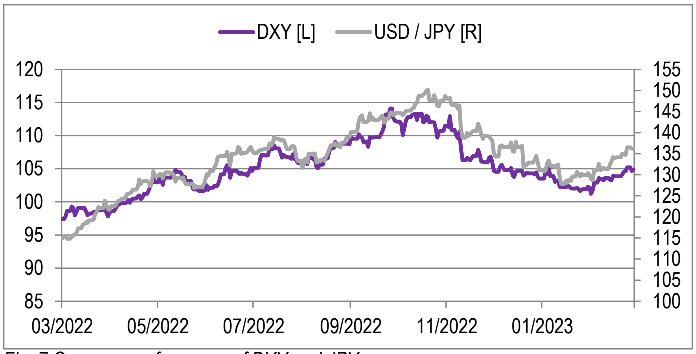

Fig. 7 One year performance of DXY and JPY

Economic Calendar (March 2023)

Monday	Tuesday	Wednesday	Thursday	Friday
		1 MBA Mortgage Applications ISM Manufacturing	2 ADP Employment Change Trade Balance Initial Jobless Claims	3 Change in Nonfarm Payrolls Unemployment Rate Factory Orders Durable Goods Orders
6	7	8 MBA Mortgage Applications	9 CPI MoM N/A Initial Jobless Claims	10 U. of Mich. Sentiment
13	14 Empire Manufacturing	15 MBA Mortgage Applications PPI Final Demand MoM Retail Sales Advance MoM Industrial Production MoM	16 Housing Starts Initial Jobless Claims	17 Existing Home Sales
20 Leading Index	21 Markit US Manufacturing PMI	22 MBA Mortgage Applications	23 GDP Annualized QoQ Initial Jobless Claims Durable Goods Orders New Home Sales	24 Personal Income Personal Spending U. of Mich. Sentiment
27	28 Chicago Purchasing Manager Conf. Board Consumer Confidence	29	30	31

Source: Bloomberg