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Equity – Global stocks were off to a mixed start in January

- Global stock markets were off to a mixed start in January. Global equities (FTSE All World Index) fell, recording the highest monthly decline since March 2020. The market continues to closely monitor the potential tightening measures by major central banks as bond yields rose. Meanwhile, the spike in volatility also comes from the growing geopolitical risks in eastern Europe, which weighed on investor sentiment. S&P500 and Nasdaq down 5.26% and 8.98% respectively. MSCI EU decreased 3.24%. Emerging market equities, which significantly underperformed last year, outperformed in January. For example, aided by rising commodity prices, both Brazil (up 7.1%) and South Africa (up 3.2%) FTSE equity indices outperformed. MSCI EM decreased 1.93%. China CSI300 and Chiext down 7.62% and 12.34%. HSI and HSCEI up 1.73% and 1.38% respectively.
- China's January NBS manufacturing PMI index continued to be in the expansionary zone (still above 50), and dropped 0.2 to 50.1. The manufacturing production growth pace was slowed down due to rising covid-19 cases both domestically and abroad as well as softer demand in preparation of the CNY. The non-manufacturing PMI index dropped 1.6 to 51.1, due to a softening in demand in both services and construction industry. However, the index remained in the expansionary zone due to the easing monetary conditions. As for the new order index, it dropped 0.4 to 49.3, and the new export orders saw an increase of 0.3 to 48.4. To put a floor on the economic slowdown, policymakers have stepped up monetary easing including rate cuts and fiscal easing. The market expects more monetary easing in the form of RRR cuts and other measures.

Index	Settle	Net Change (+/-%)		Valuation (2022)	
		MoM	YTD	PE	PB
DJIA	35,131.86	-3.32%	-3.32%	18.58	4.38
S&P 500	4,515.55	-5.26%	-5.26%	20.43	4.15
Nasdaq	14,239.88	-8.98%	-8.98%	28.88	5.63
Nikkei	27,001.98	-6.22%	-6.22%	16.09	1.73
FTSE100	7,464.37	1.08%	1.08%	12.33	1.75
CAC40	6,999.20	-2.15%	-2.15%	14.27	1.81
DAX	15,471.20	-2.60%	-2.60%	13.76	1.76
SHCOMP	3,361.44	-7.65%	-7.65%	10.86	1.34
CSI300	4,563.77	-7.62%	-7.62%	13.50	1.87
ChiNext	3,216.45	-12.34%	-12.34%	31.55	5.29
HSI	23,802.26	1.73%	1.73%	11.22	1.17
HSCEI	8,349.95	1.38%	1.38%	9.11	1.10
TWSE	17,674.40	-2.99%	-2.99%	13.30	2.28
KOSPI	2,663.34	-10.56%	-10.56%	10.25	1.03
JCI	6,631.15	0.75%	0.75%	15.99	2.10

Source: Bloomberg

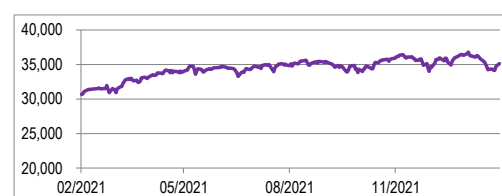


Fig. 1 One year performance of Dow Jones Index

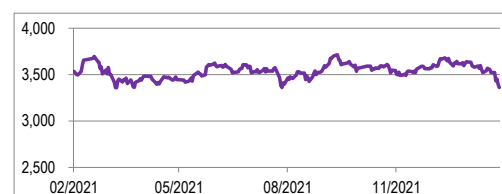


Fig. 2 One year performance of Shanghai Composite



Fig. 3 One year performance of Hang Seng Index

Fixed Income – Developed Markets yields continued its rally

- US 10y Treasury yields rose in January due to a more hawkish Fed. On 5 January, the December FOMC minutes flagged a chance of earlier rate hikes at a “faster pace” than previously anticipated. Some members also considered reducing the Fed’s balance sheet “relatively soon” after the first Fed rate hike. US 10y yields rose to their highest since April 2021. Hawkish remarks from Chair Powell after the 26 January Fed meeting further pushed US yields to rally. The US 10-year Treasury bond yield finally increased 27 basis point and closed at 1.78% in January.
- In other developed markets, the 10Y Gilt rose 33 basis points as the UK CPI rose to 5.4%. The 10Y Bund yield finished the month at 0.01%. However, EM yields were less uniform. In China, the 10Y yield falling during the month as PBoC cut the one-year Loan Prime Rate and five-year Loan Prime Rate by 10 and 5 basis points respectively. The China 10-year government bond yield finally decreased 7 basis point to 2.71%. The Mexican 10Y yield, typically highly sensitive to moves in US, fell by a basis point. On the contrary, the yields in South Africa stated flat and ended the month with a rise of 3 basis points to 9.81%.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	1.87%	1.51%	1.78%	27	27
US 30-yr Treasury Yield	2.19%	1.90%	2.11%	20	20
Euro 10-yr Govt Yield	0.01%	-0.18%	0.01%	19	19
Japan 10-yr Govt Yield	0.18%	0.07%	0.18%	11	11
China 10-yr Govt Yield	2.82%	2.68%	2.71%	-7	-7

Source: Bloomberg

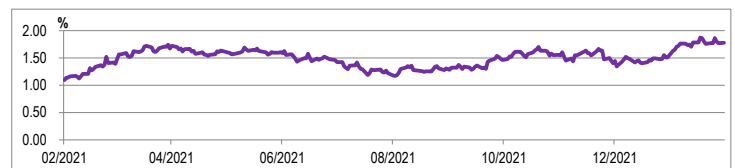


Fig. 4 One year performance of US 10-yr Treasury Yield

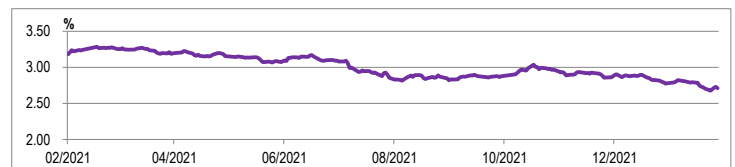


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Oil prices rocketed to 2014 highs

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	88.15	75.21	88.15	17.21%	17.21%
Brent Oil (bbl)	91.21	77.78	91.21	17.27%	17.27%
Gold Spot (oz)	1,848.02	1,791.16	1,797.17	-1.75%	-1.75%
CMX Silver (oz)	24.72	22.19	22.39	-4.11%	-4.11%
CMX Copper (lb)	458.25	431.00	432.45	-3.11%	-3.11%
LME Zinc (mt)	3,676.00	3,500.50	3,606.00	0.45%	0.45%
LME Aluminum (mt)	3,132.00	2,806.00	3,049.50	8.68%	8.68%

Source: Bloomberg

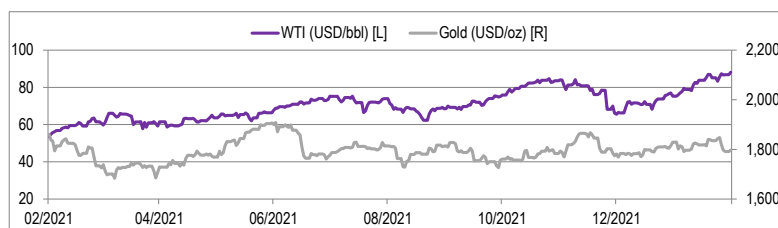


Fig. 6 One year performance of Oil and Gold Price

Oil prices soared in January as fears around the impact of the Omicron variant eased and expectations of potentially tighter supply due to geopolitical risks. On 11 January, oil prices jumped after Fed Chair Powell noted he expected the economic impact of Omicron to be “short-lived”. Brent stumbled briefly in 14 January as China revealed its plan to release strategic reserves to tame oil prices and rising concerns around tighter US monetary policy ahead of the Fed meeting. However, oil prices quickly rose again as the escalating Russia-Ukraine tensions lead to more concerns over a tighter supply. Finally Brent Oil finally rose by 17.27% to US\$91.21/bbl at the end of the month, which was the first time since 2014 prices to have been above US\$90/bbl.

➤ Gold prices fell in January. On 6 January, gold prices slipped 1.1%, after the December Fed minutes indicated the potential of earlier and faster rate hikes. However, gold prices rose briefly when approaching 11 January before the release of the US CPI data, where the market expected another spike. But gold’s gains were completely wiped out after the Fed meeting on 26 January as Chair Powell’s hawkish remarks firmed expectations for a rate hike in March and triggered a surge in US yields. Gold prices finally closed at 1797.170/oz, decreased by 1.75% MoM.

**FX – The DXY index rose in January**

- The DXY outperformed all of its G10 peers in January, after Fed Chair Powell's hawkish tone raised expectations for more frequent and potentially larger rate hikes this year. US headline inflation also soared to the highest level since 1982, reaching 7.0% YoY in December. On 26 January, the Fed kept interest rates unchanged in its meeting which mostly met market's expectations. However, by the end of the month, Chair Powell's hawkish tone during his press conference, where he endorsed a March rates lift-off and triggered a jump in yields and helped the DXY climb above 97.0, the highest since mid-2020. The DXY finally decreased 0.91% in January.
- The EUR rose in the first half of the month after data showed Eurozone CPI inflation rose to the highest on record, hitting 5% YoY in December versus expectations for 4.8%. However, EUR faltered in the latter half of the month due to a stronger USD, increasing geopolitical tensions in Ukraine and the Eurozone's reliance on Russian commodity imports. The EUR against the dollar eventually dropped 1.19% in January. Similarly, the GBP rose in the beginning of the month, climbing to almost a three-month high and briefly visited above 1.37. However, GBP eventually dragged down by a stronger USD, increasing domestic political turmoil and alongside the fact rate hikes were heavily priced in already. The GBP against the dollar finally dropped 0.63% in January.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	97.27	94.79	96.54	0.91%	0.91%
EUR / USD	1.146	1.115	1.124	-1.19%	-1.19%
USD / CNH	6.394	6.331	6.371	0.22%	0.22%
USD / JPY	116.2	113.7	115.1	0.03%	0.03%
GBP / USD	1.371	1.338	1.345	-0.63%	-0.63%
USD / CAD	1.277	1.250	1.271	0.56%	0.56%
AUD / USD	0.728	0.699	0.707	-2.70%	-2.70%
USD / CHF	0.931	0.911	0.927	1.57%	1.57%

Source: Bloomberg

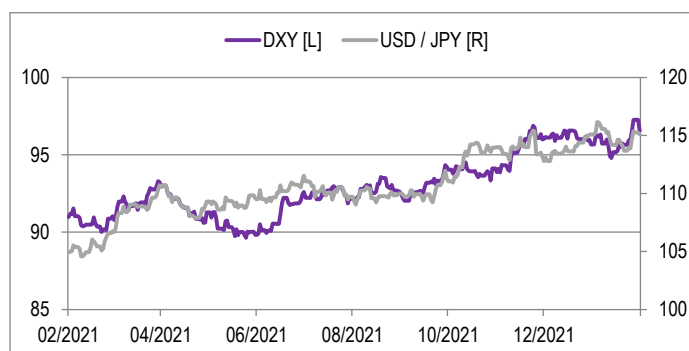


Fig. 7 One year performance of DXY and JPY

Economic Calendar (February 2022)

Monday	Tuesday	Wednesday	Thursday	Friday
	1 Markit US Manufacturing PMI Construction Spending MoM ISM Manufacturing	2 MBA Mortgage Applications	3 ADP Employment Change Initial Jobless Claims	4 Change in Nonfarm Payrolls Unemployment Rate Durable Goods Orders Factory Orders
7	8 Trade Balance	9 MBA Mortgage Applications Wholesale Inventories MoM	10 CPI MoM Initial Jobless Claims	11 U. of Mich. Sentiment
14	15 Retail Sales Advance MoM PPI Final Demand MoM Empire Manufacturing Industrial Production MoM	16 MBA Mortgage Applications Housing Starts	17 FOMC Rate Decision Initial Jobless Claims Leading Index	18
21	22 Existing Home Sales	23 MBA Mortgage Applications Markit US Manufacturing PMI New Home Sales	24 Durable Goods Orders Wholesale Inventories MoM Initial Jobless Claims GDP Annualized QoQ	25 Personal Income Personal Spending U. of Mich. Sentiment
28				

Source: Bloomberg