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## Equity – Global equities rebounded

- Global equities made a steep recovery in July and the rally was led by the US. The US equity index possibly gained from expectations that the Fed could end its tightening cycle sooner than initially anticipated. European equities were also up despite the ECB's decision of raising policy rate and weak economic data. S&P500 and Nasdaq increased 9.11% and 12.35%, respectively. MSCI EU increased 7.52% while MSCI EM decreased 0.69%. On the other hand, some emerging markets remained under pressure., with mainland china equity index falling the most across all major markets globally and continued its downward trend. CSI300 and ChiNext Index fell 7.02% and 1.67% respectively. HSI and HSCEI fell 7.79% and 10.19% respectively.
- China's July NBS manufacturing PMI index fell to 49.0 from 50.2 and back to contractionary territory, partly due to a slowdown in domestic and global demand as well as easing of payback effects in June. Both domestic and global demand showed signs of softening as the new orders PMI fell 1.9 to 48.5 and new export order fell 5.0 to 45.1. Meanwhile, the non-manufacturing PMI also decreased 0.9 to 53.8 due to a slower recovery in services. However, construction activity continued to accelerate on the back of the stronger infrastructure push. Infrastructure investment is a key driver for growth this year, and will likely continue to gain fiscal support in the coming months, such as through front-loading of special local government bond quota from 2023 as well as additional funding such as from policy banks.

Index	Settle	Net Change (+/-%)		Valuation (2022)	
		MoM	YTD	PE	PB
DJIA	32,845.13	6.73%	-9.61%	17.55	4.24
S&P 500	4,130.29	9.11%	-13.34%	18.21	3.84
Nasdaq	12,390.69	12.35%	-20.80%	26.53	4.89
Nikkei	27,801.64	5.34%	-3.44%	15.51	1.61
FTSE100	7,423.43	3.54%	0.53%	10.02	1.62
CAC40	6,448.50	8.87%	-9.85%	10.81	1.57
DAX	13,484.05	5.48%	-15.11%	11.17	1.46
SHCOMP	3,253.24	-4.28%	-10.62%	11.13	1.31
CSI300	4,170.10	-7.02%	-15.59%	13.40	1.76
ChiNext	3,033.82	-1.67%	-17.31%	31.70	4.91
HSI	20,156.51	-7.79%	-13.85%	10.51	1.08
HSCEI	6,885.48	-10.19%	-16.40%	8.79	1.02
TWSE	15,000.07	1.18%	-17.67%	10.32	1.90
KOSPI	2,451.50	5.10%	-17.67%	9.84	0.95
JCI	6,951.12	0.57%	5.62%	16.23	2.02

Source: Bloomberg

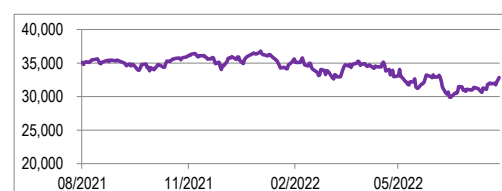


Fig. 1 One year performance of Dow Jones Index

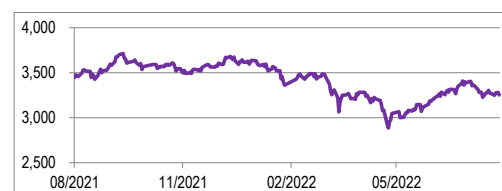


Fig. 2 One year performance of Shanghai Composite

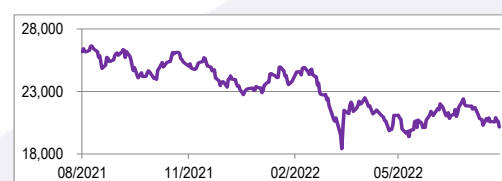


Fig. 3 One year performance of Hang Seng Index

## Fixed Income – Fed hiked the fund rate 75bp

- Short term yields across developed markets moved largely in line with central bank policy, but longer dated yields dropped on recession fears. After the shock US CPI data at the start of the month, US market expectations were for a 75bp hike and this is what the Fed delivered. However, US Treasury yields fell at medium and longer maturities on the back of increased recessionary fears. Finally, the US 10-yr Treasury Yield ended the month by decreasing 36bp to 2.65%.
- The ECB hiked rates by 50bp which was the first rate hike in 11 years and ECB confirmed that concerns about runaway inflation now trump growth considerations. ECB also unveiled a new tool, the Transmission Protection Instrument (TPI) which can be activated to counter unwarranted, disorderly market dynamics. Euro 10-yr Government yield dropped 52bp to 0.82%. In UK, 30Y gilts underperformed the US and Germany. Inflation expectations have also fallen but are still above the BoE target range. Finally, 10Y Gilt Yield dropped 36bp to 1.86%.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	3.08%	2.65%	2.65%	-36	114
US 30-yr Treasury Yield	3.24%	2.97%	3.01%	-17	111
Euro 10-yr Govt Yield	1.35%	0.82%	0.82%	-52	99
Japan 10-yr Govt Yield	0.25%	0.19%	0.19%	-5	11
China 10-yr Govt Yield	2.85%	2.76%	2.77%	-5	-1

Source: Bloomberg

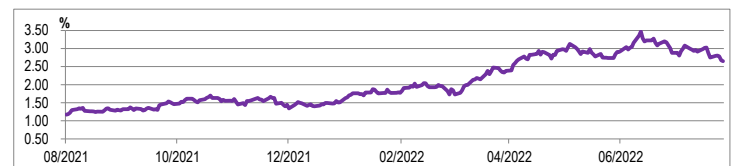


Fig. 4 One year performance of US 10-yr Treasury Yield

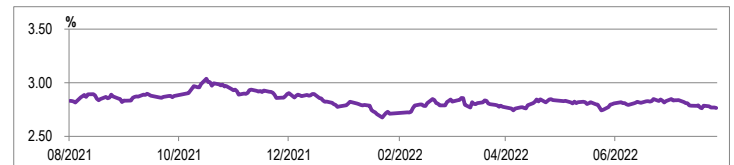


Fig. 5 One year performance of China 10-yr Treasury Yield

## Commodities – Oil prices and gold prices fell

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	108.43	94.70	98.62	-6.75%	31.13%
Brent Oil (bbl)	114.81	99.10	110.01	-4.18%	41.44%
Gold Spot (oz)	1,811.43	1,696.58	1,765.94	-2.29%	-3.46%
CMX Silver (oz)	20.35	18.23	20.20	-0.76%	-13.89%
CMX Copper (lb)	371.00	321.15	357.35	-3.68%	-19.34%
LME Zinc (mt)	3,412.26	2,951.50	3,412.26	7.21%	-4.95%
LME Aluminum (mt)	2,504.24	2,324.00	2,504.24	3.23%	-10.75%

Source: Bloomberg

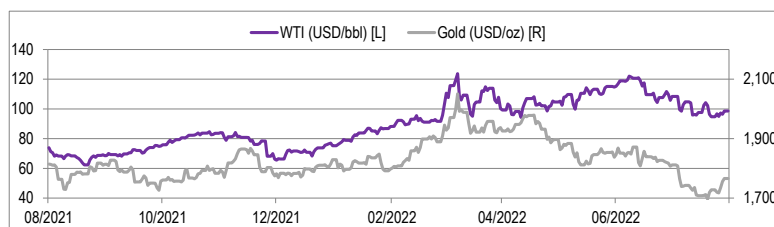


Fig. 6 One year performance of Oil and Gold Price

The bulk of the gains triggered by Russia's invasion of Ukraine were reversed, with central banks hiking rates to tame inflation and therefore increasing fears of a slowdown that will negatively impact demand for commodities including energy. However, oil price recovered part of the losses in the second half of the month following a "risk-on" market sentiment and USD weakness. Oil prices reacted positively after the Fed meeting on 27 July. Finally, oil price fell by 4.18% to US\$110.01/bbl at the end of the month.

- Gold price fell in the start of July due to recession fears and USD strength. General economic pessimism also pressured gold as PMIs weakened in Europe. Yields fell, but it was more the US yield curve inversion and growing concerns of a "hard landing" that took gold below USD1,800/oz. The market continued to ruminate over comments by the Fed that a 100bp rate hike at the next FOMC was a possibility. Following less hawkish than expected comments by the Fed Chair Jerome Powell, gold price closed at 1765.94/oz, decreased 2.29% MoM.

## FX – USD continued to strengthen

- The DXY ended July marginally higher although these gains were concentrated against the EUR. Early in the month, an acceleration in US June CPI to 9.1% y/y allowed the greenback to outperform as speculation about a possible 100bp hike intensified. Risk aversion and fears about a global recession also increased demand for the safe-haven USD. However, the second half of the month saw US yields fall, removing some support for the USD. Chair Powell's comments during the FOMC press conference on 27 July were interpreted as dovish, leading to further USD weakness. The DXY finally increased 1.16% in July.
- The EUR was the worst performing G10 currency in July, with EUR-USD falling as political uncertainty, the gas crisis, and disappointing economic data pressured the pair lower. The EUR reversed some losses into month-end after ECB's unexpected 50bp hike on 21 July. Finally, the EUR-USD fell 2.52% in July. In UK, GBP was negatively impacted by "risk-off" sentiment at the beginning of July, while worse than expected economic data also weighed on the currency. However, GBP started to recover on the mid-July following better than employment data and Fed's Powell refused to push back against expectations for easier policy next year. Finally, GBP fell 0.06% against the USD in July.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	108.54	104.69	105.90	1.16%	10.70%
EUR / USD	1.048	1.002	1.022	-2.52%	-10.11%
USD / CNH	6.774	6.686	6.750	0.83%	6.18%
USD / JPY	139.0	133.3	133.3	-1.81%	15.81%
GBP / USD	1.218	1.182	1.217	-0.06%	-10.06%
USD / CAD	1.312	1.280	1.280	-0.61%	1.25%
AUD / USD	0.699	0.673	0.699	1.19%	-3.83%
USD / CHF	0.984	0.952	0.952	-0.28%	4.33%

Source: Bloomberg

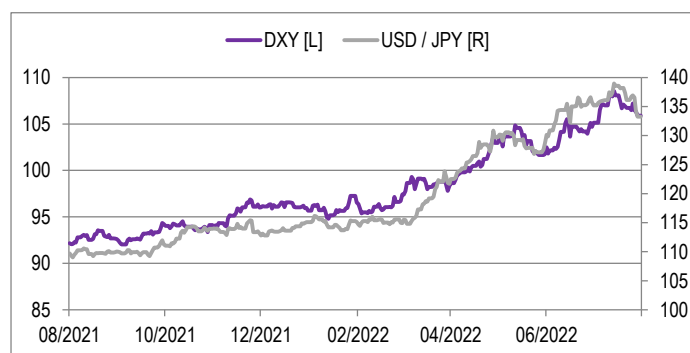


Fig. 7 One year performance of DXY and JPY

## Economic Calendar (August 2022)

Monday	Tuesday	Wednesday	Thursday	Friday
1	2	3	4	5 Markit US Manufacturing PMI ISM Manufacturing
8	9 Factory Orders Durable Goods Orders	10 MBA Mortgage Applications	11 Trade Balance Initial Jobless Claims	12 Change in Nonfarm Payrolls Unemployment Rate
15	16	17 MBA Mortgage Applications CPI MoM N/A	18 PPI Final Demand MoM Initial Jobless Claims	19 Empire Manufacturing Retail Sales Advance MoM Industrial Production MoM U. of Mich. Sentiment
22	23 Housing Starts	24 MBA Mortgage Applications Existing Home Sales	25 Initial Jobless Claims Leading Index	26 Markit US Manufacturing PMI
29	30 Conf. Board Consumer Confidence New Home Sales	31 MBA Mortgage Applications Durable Goods Orders		

Source: Bloomberg