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## Equity – Continued recovery of global equities

- Global equities posted positive returns for the fifth consecutive month in August. Equity markets seemed to have shrugged off geopolitical tensions and the main reason instead was probably on the progress of the trade deal and economic recovery. For developed market, S&P500 and Nasdaq surged 7.01% and 9.59%, respectively. MSCI EU index rose 2.73%. For the emerging market, MSCI EM index gained 2.09%. China CSI300 Index and ChiNext Index gained 2.58% and 1.17%, respectively. HSI was up 2.37% while HSCEI dropped 0.48%.
- In China, NBS manufacturing PMI edged down by 0.1ppt to 51%, corporate production and procurement slowed down. New export orders index rose further to 49.1% in August from 48.4% in July. PMI employment index rose to 49.4% in August, a slight improvement from 49.3% in July, while employment index of non mfg rose to 48.3%, up from 48.1% in July. Looking forward, we caution that China's export outlook may continue to face headwinds from recurrent waves of COVID-19 in overseas markets.

Index	Settle	Net Change (+/-%)		Valuation (2020)	
		MoM	YTD	PE	PB
DJIA	28,430.05	7.57%	-0.38%	24.83	4.31
S&P 500	3,500.31	7.01%	8.34%	26.80	3.74
Nasdaq	11,775.46	9.59%	31.24%	40.08	5.92
Nikkei	23,139.76	6.59%	-2.18%	23.14	1.72
FTSE100	5,963.57	1.12%	-20.93%	19.50	1.49
CAC40	4,947.22	3.42%	-17.24%	25.77	1.48
DAX	12,945.38	5.13%	-2.29%	21.20	1.56
SHCOMP	3,395.68	2.59%	11.33%	14.78	1.50
CSI300	4,816.22	2.58%	17.57%	16.24	2.01
ChiNext	3,101.14	1.17%	47.37%	40.62	5.88
HSI	25,177.05	2.37%	-10.69%	11.98	0.98
HSCEI	9,991.48	-0.48%	-10.54%	8.69	0.96
TWSE	12,591.45	-0.58%	4.95%	18.66	2.02
KOSPI	2,326.17	3.41%	5.85%	16.92	0.96
JCI	5,238.49	1.73%	-16.84%	0.00	0.00

Source: Bloomberg

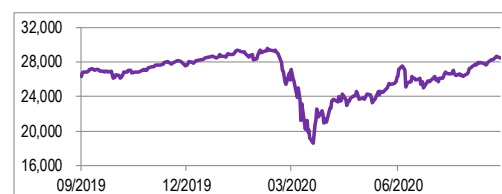


Fig. 1 One year performance of Dow Jones Index

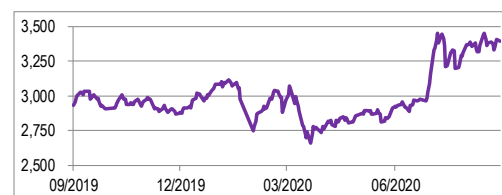


Fig. 2 One year performance of Shanghai Composite

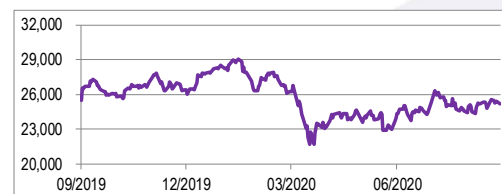


Fig. 3 One year performance of Hang Seng Index

## Fixed Income – Bond yields rebounded

- Global forces dominated sovereign bond markets in early August as the gridlock in Washington over further fiscal aid weighed on bond yields globally. 10Y US treasury closed at its lowest yield level for the year at just above 50bp in early August. In late August, the Fed announced a focus to target average inflation. This was interpreted by the market as being more tolerant of higher inflation, causing a sell-off in longer dated securities. 10Y US Treasury yields finally closed at 0.70% in August.
- As the gridlock in Washington over further fiscal aid weighed on bond yields globally, 10Y Bund yields fell to a low at around -55bp in early August, but this was still far higher than the lows for the year recorded in March. G4 yields drifted higher as the market remained firmly in focus for potential mandate tweaks at the Fed's Jackson Hole symposium. Eventually, Euro 10Y government bonds yields surged 13 bp in August. In Japan, news of Shinzo Abe's resignation in late August caused a brief sell off in JCBs as worries over an end to the aggressive economic stimulus, or "Abenomics", were digested by the market. Japan 10Y government bonds yields eventually closed at the month at 0.05%.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	0.75%	0.51%	0.70%	18	-121
US 30-yr Treasury Yield	1.51%	1.19%	1.47%	28	-91
Euro 10-yr Govt Yield	-0.40%	-0.55%	-0.40%	13	-21
Japan 10-yr Govt Yield	0.06%	0.01%	0.05%	3	6
China 10-yr Govt Yield	3.08%	2.94%	3.02%	5	-12

Source: Bloomberg

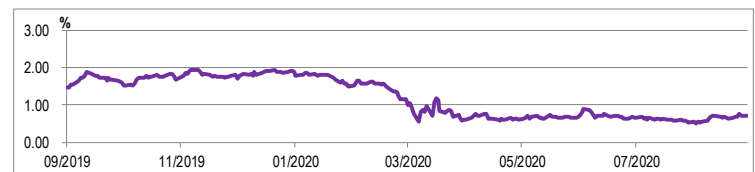


Fig. 4 One year performance of US 10-yr Treasury Yield

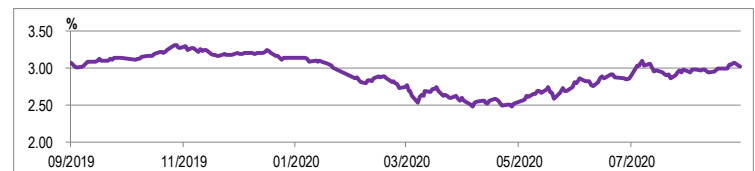


Fig. 5 One year performance of China 10-yr Treasury Yield

## Commodities – Oil price went up and gold was volatile

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	43.39	40.27	42.61	5.81%	-30.22%
Brent Oil (bbl)	45.86	43.30	45.28	4.57%	-31.39%
Gold Spot (oz)	2,063.54	1,911.89	1,967.80	-0.41%	29.69%
CMX Silver (oz)	29.48	24.47	28.59	16.86%	56.57%
CMX Copper (lb)	306.15	281.55	306.15	5.92%	8.35%
LME Zinc (mt)	2,491.25	2,308.00	2,491.25	7.94%	9.29%
LME Aluminum (mt)	1,764.50	1,675.20	1,764.50	5.33%	-0.94%

Source: Bloomberg

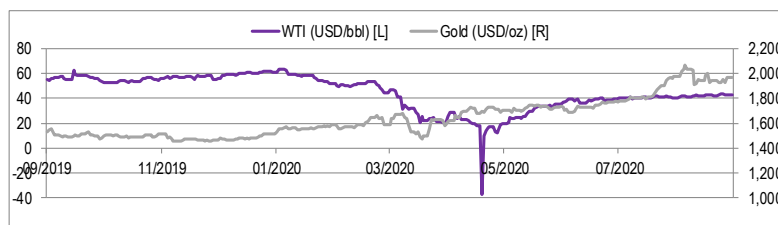


Fig. 6 One year performance of Oil and Gold Price

In August, oil prices continued to climb higher as the global economy reopened. The rise in oil prices was aided by improving expectations for the pace of recovery and continuously diminishing supply concerns. Despite oil product stocks remaining elevated, global oil inventories trended down over August which is a sign of the tightening fundamentals. Also, as Hurricane Laura shut down the majority of production in the Gulf of Mexico in the second half of the month, oil prices continued to advance. WTI and Brent finally went up by 5.81% and 4.57% respectively in August.

Gold price was volatile in August. In the beginning of the month, gold surged higher and broke above USD 2,000/oz for the first time in history. However, the rapid climb could not be sustained as news over a potential Russian vaccine and better than expected economic data led market participants to re-evaluate the likely pace of economic recovery. Similarly, rising US Treasury Yields reduced the incentive to hold gold over cash, and likely further exacerbated the decline. Following the Fed Chair Powell's speech at Jackson Hole on inflation, gold rallied on the day, but quickly reversed its gains. Gold price finally closed at USD 1,967.8/oz, down 0.41% MoM.

## FX – Dollar continued to be under pressure

- Despite rising geopolitical tensions between the US and China catalysed by the TikTok controversy, the first half of the month was rough for the USD, which continued its July slump against other G10 currencies. Furthermore, at the Jackson Hole Economic Policy Symposium the Fed announced a change to its monetary policy framework that will allow the Fed to run inflation above its 2% target. The DXY initially fell on the news, but quickly reversed losses. Finally, the DXY went down by 1.29% in August.
- In Europe, the EUR climbed higher and touched a two-year high against the USD in early-August. However, with mounting geopolitical risks and rising virus cases, EUR relinquished some of its gains. The EUR eventually was up 1.34% against the USD in August. In UK, the GBP had a strong start to the month and rose to its highest level against the USD since January. However, GBP was unable to hold onto gains as a rising geopolitical tensions and Brexit risks began to come to the fore. Meanwhile, the BOE left both its policy rate and QE program unchanged, but continued to stress the risks facing the economy. GBP-USD eventually rose 2.18% in August.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	93.63	92.14	92.14	-1.29%	-4.40%
EUR / USD	1.194	1.174	1.194	1.34%	6.45%
USD / CNH	6.989	6.848	6.848	-2.02%	-1.64%
USD / JPY	106.9	105.4	105.9	0.08%	-2.49%
GBP / USD	1.337	1.303	1.337	2.18%	0.85%
USD / CAD	1.341	1.305	1.305	-2.72%	0.44%
AUD / USD	0.738	0.712	0.738	3.26%	5.06%
USD / CHF	0.918	0.904	0.904	-1.01%	-6.51%

Source: Bloomberg

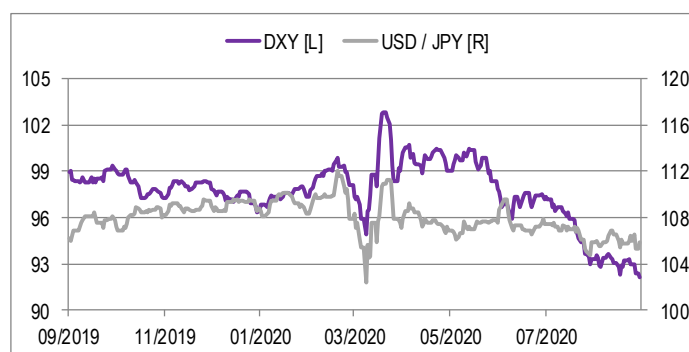


Fig. 7 One year performance of DXY and JPY

## Economic Calendar (September 2020)

Monday	Tuesday	Wednesday	Thursday	Friday
	1 Markit US Manufacturing PMI ISM Manufacturing Construction Spending MoM	2 MBA Mortgage Applications ADP Employment Change Factory Orders Durable Goods Orders	3 Initial Jobless Claims Trade Balance	4 Change in Nonfarm Payrolls Unemployment Rate
7	8	9 MBA Mortgage Applications	10 PPI Final Demand MoM Initial Jobless Claims Wholesale Inventories MoM	11 CPI MoM
14	15 Empire Manufacturing Industrial Production MoM	16 MBA Mortgage Applications Retail Sales Advance MoM	17 FOMC Rate Decision Housing Starts Initial Jobless Claims	18 Leading Index U. of Mich. Sentiment
21	22 Existing Home Sales	23 MBA Mortgage Applications Markit US Manufacturing PMI	24 Initial Jobless Claims New Home Sales	25 Durable Goods Orders
28	29 Wholesale Inventories MoM Conf. Board Consumer Confidence	30 MBA Mortgage Applications ADP Employment Change GDP Annualized QoQ Chicago Purchasing Manager		

Source: Bloomberg