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## Equity – Major equity markets recorded positive return in December

- On the back of improving prospects of a trade-deal between the US and China, the major equity markets recorded positive return in December. The emerging market outperformed the developed market. S&P500 and Nasdaq increased 2.86% and 3.54%, respectively. MSCI EU Index also increased 2.00%. For the emerging market, MSCI EM Index increased 7.17%. China CSI300 index increased 7.00% while HSI and HSCEI were up 7.00% and 8.41%, respectively.
- For China, December NBS manufacturing PMI holds flat at 50.2%, higher than the market consensus of 49.9%. New Export Orders Index rebounded from 49.8% to 50.3%. The softening trade tensions boosted external demand growth. Meanwhile, the domestic manufacturing demand remains largely stable. PMI for employment stays flat at 47.3% in December, suggesting that the labor demand remained on the weak side. Due to the pick-up in external demand and robust industrial production growth, cyclical momentum holds up in December and is likely to extend to January 2020.

Index	Settle	Net Change (+/-%)		Valuation (2019)	
		MoM	YTD	PE	PB
DJIA	28,538.44	1.74%	22.34%	19.33	4.10
S&P 500	3,230.78	2.86%	28.88%	19.76	3.51
Nasdaq	8,972.60	3.54%	35.23%	27.49	4.90
Nikkei	23,656.62	1.56%	18.20%	18.30	1.73
FTSE100	7,542.44	2.67%	12.10%	13.92	1.73
CAC40	5,978.06	1.23%	26.37%	16.42	1.71
DAX	13,249.01	0.10%	25.48%	15.60	1.61
SHCOMP	3,050.12	6.20%	22.30%	12.20	1.40
CSI300	4,096.58	7.00%	36.07%	13.64	1.80
ChiNext	2,104.27	8.85%	38.72%	31.14	4.31
HSI	28,189.75	7.00%	9.07%	11.17	1.22
HSCEI	11,168.06	8.41%	10.30%	8.97	1.16
TWSE	11,997.14	4.42%	23.33%	18.37	1.93
KOSPI	2,197.67	5.25%	7.67%	15.55	0.94
JCI	6,299.54	4.79%	1.70%	16.44	2.19

Source: Bloomberg

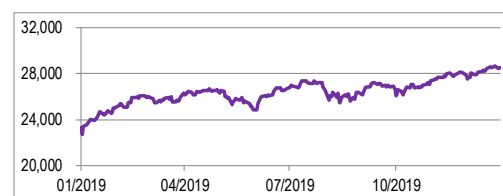


Fig. 1 One year performance of Dow Jones Index

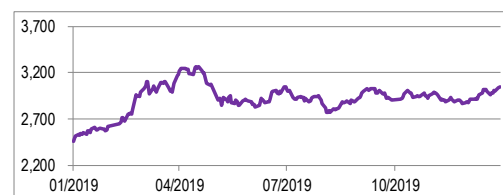


Fig. 2 One year performance of Shanghai Composite

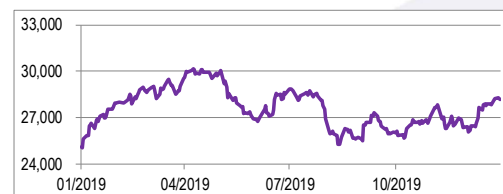


Fig. 3 One year performance of Hang Seng Index

## Fixed Income – The risk-on sentiment drove the global bond yields up

- The risk-on sentiment in December continued to drive the global bond yields up. Positive progress on a trade-deal between the US and China and strong US job data led to a sell-off on US bonds. 10Y Treasury yields rose 14bp to 1.92% over the month.
- In Europe, softening trade tensions, stronger manufacturing data and the reduced risk of a disorderly Brexit resulted in all 10Y Government Bonds selling off. German 10Y government bond yields went up by 18bp. In the UK, a Tory majority in the general election drove the yield up. Although yields fell as markets priced in potential for further rate cuts due to the weaker than expected data, 10Y Gilt yields ended the year at 0.82%, up 12bp.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	1.93%	1.72%	1.92%	14	-77
US 30-yr Treasury Yield	2.39%	2.16%	2.39%	18	-62
Euro 10-yr Govt Yield	-0.19%	-0.35%	-0.19%	18	-43
Japan 10-yr Govt Yield	0.02%	-0.05%	-0.01%	6	-1
China 10-yr Govt Yield	3.24%	3.12%	3.14%	-3	-17

Source: Bloomberg

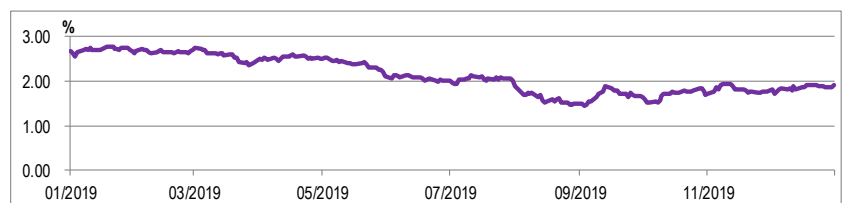


Fig. 4 One year performance of US 10-yr Treasury Yield

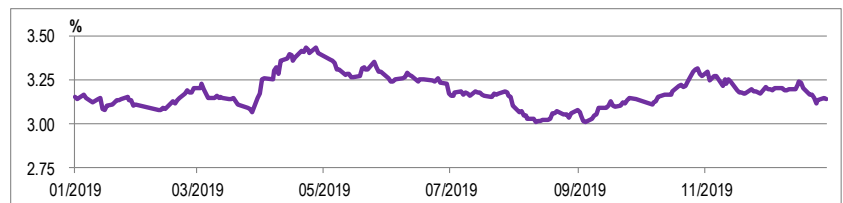


Fig. 5 One year performance of China 10-yr Treasury Yield

## Commodities – Improved supply and demand pushed oil prices up, while falling dollar supported gold price

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	61.72	55.96	61.06	10.68%	34.46%
Brent Oil (bbl)	68.44	60.82	66.00	5.72%	22.68%
Gold Spot (oz)	1,517.27	1,460.17	1,517.27	3.64%	18.31%
CMX Silver (oz)	18.00	16.60	17.92	4.76%	11.64%
CMX Copper (lb)	284.90	262.30	279.70	5.09%	5.49%
LME Zinc (mt)	2,344.00	2,213.00	2,279.50	-0.87%	-9.49%
LME Aluminum (mt)	1,812.75	1,748.25	1,781.25	-0.60%	-4.38%

Source: Bloomberg

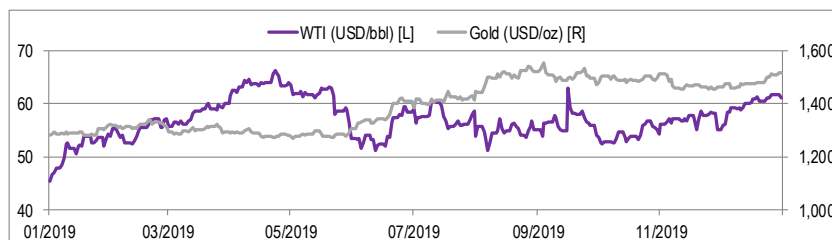


Fig. 6 One year performance of Oil and Gold Price

- Oil prices performed strongly in December. On the supply side, Russia and Saudi Arabia agreed to cut the production and the scale was more than market expectation. On the demand side, as the US and China agreed on the "phase one" trade deal, the softening trade tensions led to a more positive view on both economic outlook and oil demand. WTI and Brent finally went up by 10.68% and 5.72%, respectively, in December.
- Being the risk-off asset, gold price was under pressure under the risk-on market sentiment due to the softening trade tensions. However, gold price climbed as the USD sagged, suggesting gold still retained some demand from underlying uncertainty in December. Gold price finally gained 3.64% MoM to USD1,517.27/oz in December.

## FX – Soft Dollar with strong GBP

- The DXY weakened 1.92% in December, ending the month as the worst G10 performer. The USD was weighed down by a more dovish Fed, a breakthrough between the US and China on the “phase one” trade deal, and downbeat domestic activity data.
- The ECB kept its deposit facility rate on hold at 0.50% GBP. The EUR appreciated 1.77% against the USD in December. Besides, GBP ended December up 2.57% against the USD because of the General Election results, a Tory majority. But these gains were offset by the concerns on the possibility of a no deal Brexit at the end of 2020.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	97.86	96.39	96.39	-1.92%	0.22%
EUR / USD	1.121	1.106	1.121	1.77%	-2.22%
USD / CNH	7.070	6.946	6.962	-0.98%	1.33%
USD / JPY	109.6	108.6	108.6	-0.80%	-0.98%
GBP / USD	1.333	1.294	1.326	2.57%	3.94%
USD / CAD	1.331	1.299	1.299	-2.20%	-4.74%
AUD / USD	0.702	0.681	0.702	3.81%	-0.40%
USD / CHF	0.991	0.967	0.967	-3.36%	-1.58%

Source: Bloomberg

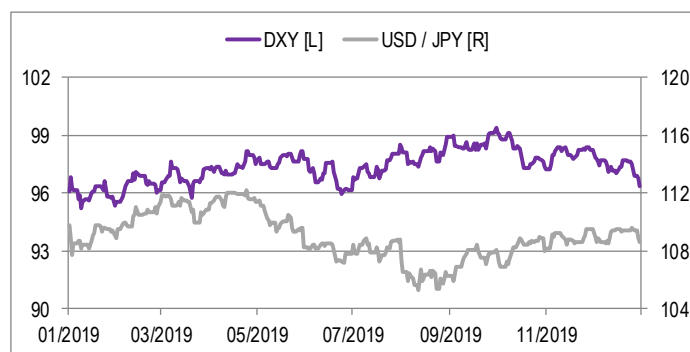


Fig. 7 One year performance of DXY and JPY

## Economic Calendar (January 2020)

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

Source: Bloomberg