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Equity – Global stocks rebounded as Omicron variant concerns subsided

- Global stock markets rose in December, led by developed market stocks. The stock market fluctuated at the end of November due to the new variant Omicron. However, the market recovered quickly as the data released by South Africa and the UK later showed that the virus was milder than expected. Global manufacturing sentiment remained resilient despite supply chain issues, with December PMI readings of 57.8 in the U.S., 58.0 in the euro zone and 57.6 in the UK, all pointing to a healthy expansion in manufacturing. S&P500 and Nasdaq rose 4.36% and 0.69% respectively. MSCI EU increased 5.47%. For the emerging market, MSCI EM increased 1.62%. China CSI300 was up 2.24% and ChiNext down 3.61%. HSI and HSCEI dropped 0.33% and 1.58% respectively.
- China's December NBS manufacturing PMI index continued to be in the expansionary zone and rose 0.2 to 50.3. The manufacturing production continued to resume due to easing of cost pressures mainly from oil and coal, which also led manufacturing businesses to increase raw materials purchase. The non-manufacturing PMI index rose 0.4 to 52.7 from November, as service businesses saw a further expansion in air transportation, catering, sports and entertainment services. However, the level was still lower than in first half of 2021. As for the new orders index, it slightly rose 0.3 to 49.7, and the new export orders saw a 0.4 decrease to 48.1. The new orders index rose due to some improvement in several sectors seeing continuous expansion of new orders.

Index	Settle	Net Change (+/-)		Valuation (2021)	
		MoM	YTD	PE	PB
DJIA	36,338.30	5.38%	18.73%	18.68	4.91
S&P 500	4,766.18	4.36%	26.89%	22.81	4.74
Nasdaq	15,644.97	0.69%	21.39%	34.67	6.69
Nikkei	28,791.71	3.49%	4.91%	17.39	1.88
FTSE100	7,384.54	4.61%	14.30%	12.69	1.86
CAC40	7,153.03	6.43%	28.85%	16.35	2.02
DAX	15,884.86	5.20%	15.79%	14.73	1.93
SHCOMP	3,639.78	2.13%	4.80%	13.43	1.59
CSI300	4,940.37	2.24%	-5.20%	17.19	2.26
ChiNext	3,669.03	-3.61%	17.93%	51.42	7.33
HSI	23,397.67	-0.33%	-14.08%	11.94	1.22
HSCEI	8,236.35	-1.58%	-23.30%	9.91	1.17
TWSE	18,218.84	4.54%	23.66%	13.82	2.61
KOSPI	2,977.65	4.88%	3.63%	10.68	1.18
JCI	6,581.48	0.73%	10.08%	18.30	2.28

Source: Bloomberg

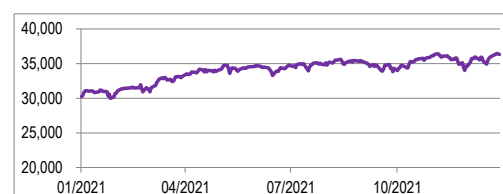


Fig. 1 One year performance of Dow Jones Index

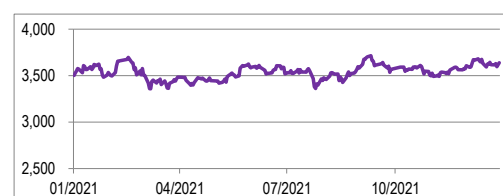


Fig. 2 One year performance of Shanghai Composite



Fig. 3 One year performance of Hang Seng Index

Fixed Income – DM yields rose on central bank policy

- US Treasury yields rose in December mainly due to the Fed's hawkish tone in the latter half of the month. 10Y U.S. Treasury yields climbed higher as fears around the Omicron outbreak somewhat subsided, reaching 1.53% at the beginning of the month. During mid-month, yields gradually fell going into the Fed meeting on 15 December. However, yields rose as after the Fed's hawkish tone later in the month, particularly at the front end. The US 10-year Treasury bond yield finally dropped 6.58 basis point and closed at 1.51% in December.
- In other developed markets, the European rates markets were also dominated by central bank policy during December. The BoE surprised markets with a 15 basis point hike on 16 December. Yields ended higher across the curve at the end of the month, especially at the long end, with the 30Y gilt yield rising by 23 basis points. The 10Y Gilt yield finally increased 16 basis points in December. Meanwhile, the 30Y Bund yield rose by 24bp. The 10Y BTP-Bund spreads moved sideways through December, trading in a narrow 15bp range – with moves mostly reflecting the prevailing direction of broader risk appetite. The 10Y Bund finally rose 17 bps over the month.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	1.55%	1.34%	1.51%	6.58	60
US 30-yr Treasury Yield	1.96%	1.67%	1.90%	11.21	26
Euro 10-yr Govt Yield	-0.18%	-0.39%	-0.18%	17.20	39
Japan 10-yr Govt Yield	0.07%	0.04%	0.07%	1.40	5
China 10-yr Govt Yield	2.90%	2.78%	2.78%	-8.30	-37

Source: Bloomberg

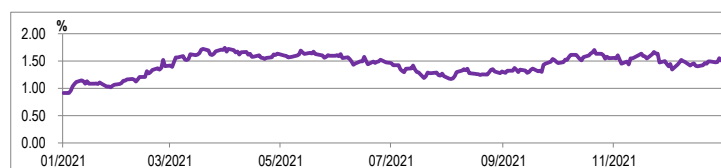


Fig. 4 One year performance of US 10-yr Treasury Yield

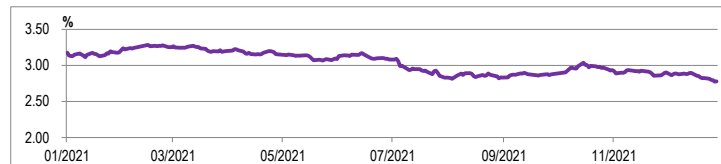


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Oil rebounded and gold rose as Omicron variant fears subsided

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	76.99	65.57	75.21	13.64%	55.01%
Brent Oil (bbl)	79.32	68.87	77.78	10.22%	50.15%
Gold Spot (oz)	1,829.20	1,768.74	1,829.20	3.08%	-3.64%
CMX Silver (oz)	23.35	21.55	23.35	2.35%	-12.68%
CMX Copper (lb)	447.20	418.25	446.35	4.29%	26.79%
LME Zinc (mt)	3,590.00	3,231.00	3,590.00	9.16%	31.53%
LME Aluminum (mt)	2,840.50	2,583.75	2,806.00	6.50%	42.18%

Source: Bloomberg

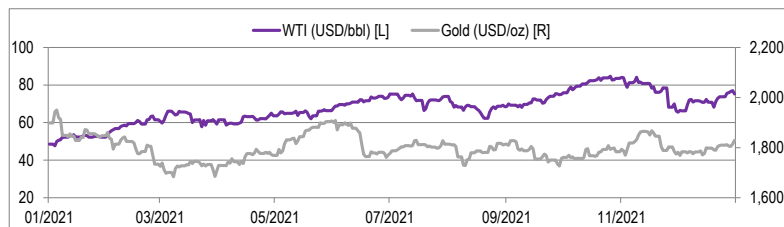


Fig. 6 One year performance of Oil and Gold Price

Oil prices rebounded in December. In the beginning of the month, oil prices jumped as Omicron-related demand fears subsided after reports showed symptoms were milder than anticipated. Crude prices rose further as an increase of Iranian oil exports diminished after US-Iran talks faltered. However, gains stalled amid growing concerns about the impact of the virus Omicron on the outlook for oil demand, such as record daily infections in the UK, and unexpected monetary tightening by a more hawkish Fed and BoE. However, towards the end of December, oil recovered above USD78/bbl, boosted by a decline in US crude inventories, while stronger than expected New Home Sales and Consumer Confidence data in the US blunted Omicron concerns. Finally Brent Oil finally rose by 10.22% to US\$77.78/bbl at the end of the month.

Gold prices rebounded in December. In the beginning of the month, gold prices gained on inflation concerns as US November CPI data showed prices had risen at the fastest annual pace since 1982. Gold prices also gained due to a hawkish FOMC including the doubling of the taper pace. Gold prices received additional aid from Omicron fears, which boosted haven demand. Geopolitical risks, including friction over Ukraine and US-Sino relations, lent indirect support to gold prices as well. Gold prices finally closed at 1829.20/oz, increased by 3.08% MoM.

FX – The DXY index stayed flat in December

- In the beginning of the month, the DXY stayed flat despite a raft of news including the Senate passing the stopgap spending bill, a lower than expected increase in December Nonfarm Payrolls and lower unemployment rate compared to the prior month. On 10 December, inflation data showed US CPI rose 6.8% YoY in November, the fastest annual pace in nearly 40 years. The DXY dropped 0.2% and US stocks rallied. On 15 December, the Fed announced it would double the pace of tapering to USD 30 billion a month from mid-January. The DXY rose briefly and later fell as US Treasury yields slipped. The DXY finally decreased 0.34% in December.
- The EUR traded within a tight range in December. On 16 December, the ECB delivered a slightly hawkish surprise, announcing that when it eventually ends its emergency asset purchases program (PEPP), it would only increase regular asset purchases (APP) to around EUR 40 billion per month. The EUR against the dollar eventually rose 0.28% in December. The GBP rose in December due to a more hawkish BoE, which unexpectedly hiked bank rate by 15bp on 16 December after data showed UK headline CPI rose to 5.1% in November. The GBP rose further due to the improving sentiment towards the end of the month as concerns over the virus waned and the UK government ruled out further restrictions during the holiday period. The GBP against the dollar finally rose 1.75% in December.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	96.57	95.67	95.67	-0.34%	6.37%
EUR / USD	1.137	1.124	1.137	0.28%	-6.93%
USD / CNH	6.387	6.346	6.357	-0.16%	-2.24%
USD / JPY	115.1	112.8	115.1	1.69%	11.46%
GBP / USD	1.353	1.320	1.353	1.75%	-1.01%
USD / CAD	1.294	1.264	1.264	-1.11%	-0.69%
AUD / USD	0.726	0.700	0.726	1.91%	-5.60%
USD / CHF	0.925	0.913	0.913	-0.65%	3.13%

Source: Bloomberg

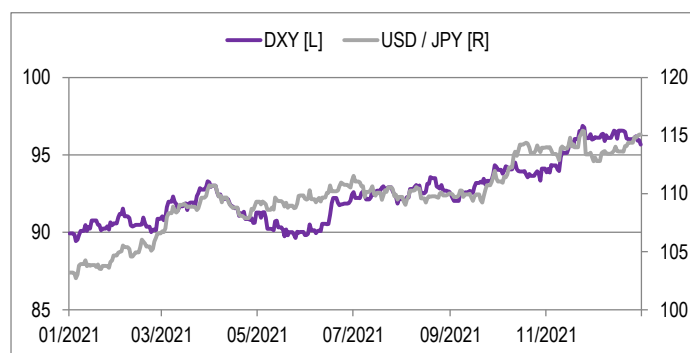


Fig. 7 One year performance of DXY and JPY

Economic Calendar (January 2022)

Monday	Tuesday	Wednesday	Thursday	Friday
3	4 Markit US Manufacturing PMI Construction Spending MoM ISM Manufacturing	5 MBA Mortgage Applications	6 ADP Employment Change Initial Jobless Claims	7 Change in Nonfarm Payrolls Unemployment Rate Durable Goods Orders Factory Orders
10	11 Trade Balance	12 MBA Mortgage Applications Wholesale Inventories MoM	13 CPI MoM Initial Jobless Claims	14 U. of Mich. Sentiment
17	18 Retail Sales Advance MoM PPI Final Demand MoM Empire Manufacturing Industrial Production MoM	19 MBA Mortgage Applications Housing Starts	20 FOMC Rate Decision Initial Jobless Claims Leading Index	21
24	25 Existing Home Sales	26 MBA Mortgage Applications Markit US Manufacturing PMI New Home Sales	27 Durable Goods Orders Wholesale Inventories MoM Initial Jobless Claims GDP Annualized QoQ	28 Personal Income Personal Spending U. of Mich. Sentiment
31				

Source: Bloomberg