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Equity – Global equities rise modestly

- Global equities rebounded modestly on the back of improving investor sentiment due to the rollout of COVID-19 vaccines, a fall in the new cases of virus infections in a few regions and consequent easing of lockdown restrictions in some markets. However, during the last week of the month, a sell-off in global equities curtailed gains. For developed market, S&P500 and Nasdaq rose 2.61% and 0.93% respectively. MSCI EU rose 2.40% as well. For the emerging market, MSCI EM was up 0.73%. China CSI300 and ChiNext dropped 0.28% and 3.84% respectively. HSI and HSCEI were up 2.46% and 0.34%, respectively.
- In China, NBS manufacturing PMI index fell 0.7ppt MoM to 50.6% in February, and non-manufacturing PMI declined 1ppt MoM to 51.4%. The Chinese New Year (CNY) effect might be the main reason for the decline. New order sub-index fell to 51.5% in February from 52.3% January which indicated that the growth rate of manufacturing market demand slowed down. Also, the sharp decline in new export orders is worth to pay attention, which fell to 48.8% from 50.2%. Overall, February PMI still sounds alright excluding the CNY effect. We expect PMI to rebound in March as companies resume operation and production. However, the drop of new export orders will be a concern.

Index	Settle	Net Change (+/-%)		Valuation (2021)	
		MoM	YTD	PE	PB
DJIA	30,932.37	3.17%	1.06%	20.36	4.42
S&P 500	3,811.15	2.61%	1.47%	22.22	3.89
Nasdaq	13,192.35	0.93%	2.36%	32.50	0.05
Nikkei	28,966.01	4.71%	5.55%	23.11	2.15
FTSE100	6,483.43	1.19%	0.35%	14.48	1.55
CAC40	5,703.22	5.63%	2.73%	18.01	1.49
DAX	13,786.29	2.63%	0.49%	15.37	1.59
SHCOMP	3,509.08	0.75%	1.04%	12.89	1.51
CSI300	5,336.76	-0.28%	2.41%	14.74	2.12
ChiNext	2,978.32	-3.84%	-4.27%	32.63	5.56
HSI	28,980.21	2.46%	6.42%	12.89	1.22
HSCEI	11,247.21	0.34%	4.74%	10.69	1.25
TWSE	15,953.80	5.39%	8.29%	17.62	1.96
KOSPI	3,012.95	1.23%	4.85%	14.25	1.19
JCI	6,241.80	6.47%	4.39%	0.00	0.00

Source: Bloomberg

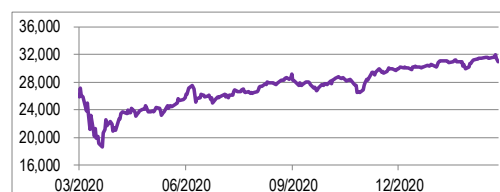


Fig. 1 One year performance of Dow Jones Index



Fig. 2 One year performance of Shanghai Composite

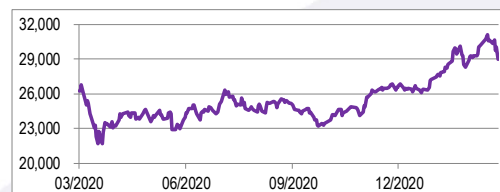


Fig. 3 One year performance of Hang Seng Index

Fixed Income – US Bond yields rose in February

- In the US Treasury market, nominal and real yields ratcheted dramatically higher and curve steepening was the theme of the month. The 5s30s spread ascended to levels unseen since 2014 around 163bp, and the short end took notice too with 2s5s notching a five-year high around 64bps. Furthermore, the rise in real yields tested policy makers; borrowing costs rose while inflation expectations have plateaued. Fed Chair Powell acknowledged the move as a sign of confidence in the US economic recovery and continued dovish rhetoric. US 10Y Treasury yields finally closed at 1.40% in February.
- In Europe, the European Commission cut its forecast for Eurozone growth this year from 4.2% to 3.7%. Dragged along with Treasuries, the Bund market fared no better over the month. ECB rhetoric was more direct than the Feds; Chief Economist remarked that ECB will purchase bonds flexibly according to market conditions and with a view to preventing a tightening of financing conditions. Eventually, Euro 10Y government bond yields closed at -0.26% in February. In UK, UK 10Y breakevens soared near month-end, topping out near post-financial crisis highs around 341bp. BoE Chief Economist provided typical hawkish commentary. Eventually, 10Y gilt yields closed at 0.82%.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	1.52%	1.08%	1.40%	34	49
US 30-yr Treasury Yield	2.27%	1.85%	2.15%	32	51
Euro 10-yr Govt Yield	-0.23%	-0.52%	-0.26%	26	31
Japan 10-yr Govt Yield	0.16%	0.05%	0.16%	11	14
China 10-yr Govt Yield	3.28%	3.18%	3.28%	9	13

Source: Bloomberg

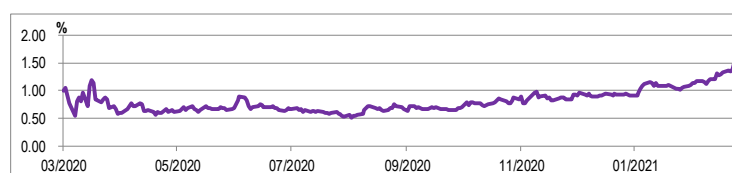


Fig. 4 One year performance of US 10-yr Treasury Yield

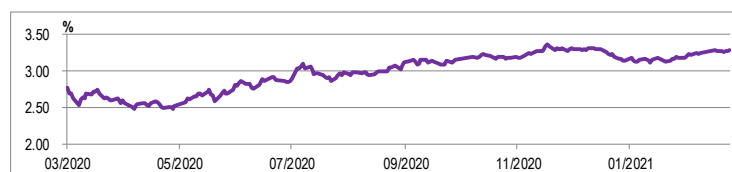


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Oil price continued to rise and gold continued to fell

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	63.53	53.55	61.50	17.82%	26.75%
Brent Oil (bbl)	67.04	56.35	66.13	18.34%	27.66%
Gold Spot (oz)	1,860.78	1,734.04	1,734.04	-6.15%	-8.66%
CMX Silver (oz)	29.36	26.27	26.44	-1.90%	-0.12%
CMX Copper (lb)	430.40	352.45	409.25	15.07%	16.13%
LME Zinc (mt)	2,883.50	2,545.50	2,775.50	8.57%	1.69%
LME Aluminum (mt)	2,237.35	1,970.50	2,149.25	8.45%	8.90%

Source: Bloomberg

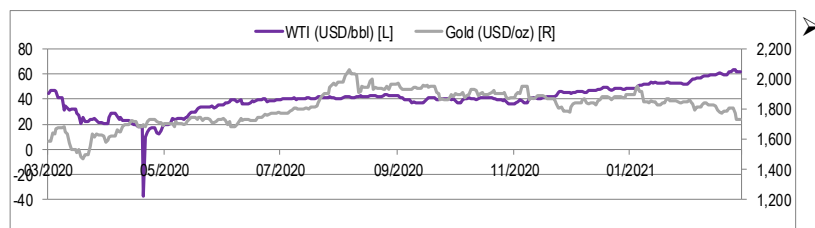


Fig. 6 One year performance of Oil and Gold Price

Oil price surged in February. The month began with a strong performance with the expectation of prolonged cuts in supply. Later in the month, the continued uptrend was partly driven on the back of optimism over vaccine rollouts but also shocked to supply as extreme cold weather in Texas and much of the US shut down a significant portion of production. Even with production resuming later, the crude prices continued to rise. WTI and Brent went up 17.82% and 18.34% respectively in February.

Gold suffered its worst monthly performance since November as rising US Treasury yields increased the opportunity cost of holding gold. With 10y yields rising throughout the month, to a closing level of 1.4% (and briefly climbing above 1.6%), gold came under persistent pressure. Furthermore, over the course of the month, ETF holdings of gold declined and likely added a further headwind to prices. Gold price finally closed at USD1,734.04/oz, down 6.15% MoM.

FX – USD remaining strong

- The DXY rose a modest in February. The DXY climbed alongside US Treasury yields. However, following a disappointing non-farm payrolls report and equity markets relinquishing some gains in the middle of the month, the DXY pared gains. Nevertheless, rising US Treasury yields at the end of the month helped the USD to climb again. Finally, DXY went up 0.33% in February.
- The month started with the EUR falling 0.6% and briefly fell below 1.20 as rising US Treasury yields and a comparatively slow vaccine rollout in Europe which may have raised concerns about the pace of any European economic rebound. Later on, the EUR quickly pared losses and rose against the USD as “risk-on” currencies outperformed. However, rising US Treasury yields and falling equity markets prompted renewed selling the EUR at the end of the month. Eventually, the EUR went down 0.5% against the USD in February.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	91.53	90.01	90.88	0.33%	1.05%
EUR / USD	1.218	1.196	1.208	-0.50%	-1.15%
USD / CNH	6.489	6.406	6.481	0.44%	-0.34%
USD / JPY	106.6	104.6	106.6	1.81%	3.22%
GBP / USD	1.414	1.365	1.393	1.64%	1.92%
USD / CAD	1.285	1.251	1.274	-0.31%	0.10%
AUD / USD	0.797	0.760	0.771	0.81%	0.16%
USD / CHF	0.909	0.890	0.909	2.04%	2.63%

Source: Bloomberg

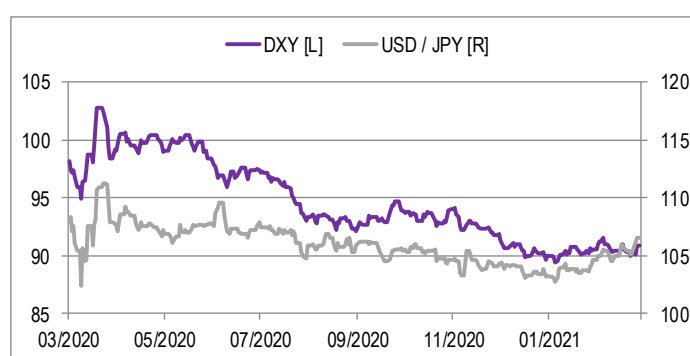


Fig. 7 One year performance of DXY and JPY

Economic Calendar (March 2021)

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

Source: Bloomberg