

**TABLE OF CONTENTS****PAGE**

Equity – Equity market turning to risk-off mode	1
Fixed Income – Risk-off dominates putting yield down	2
Commodities – Oil prices down versus gold prices up	2
FX – Risk-off currencies outperforming	3
Economic Calendar (February 2020)	3

Equity – Equity market turning to risk-off mode

- Driven by a series of events, including US and China signing 'phase one' trade deal, Iranian general being killed by US, UK leaving the EU and outbreak of coronavirus, equity market was volatile in January 2020. The developed market was outperformed the emerging market. S&P500 dropped slightly by 0.16% while Nasdaq was up by 1.99%. MSCI EU Index was down 1.30%. For the emerging market, MSCI EM Index declined 4.69%. China CSI300 index dropped 2.26% while HSI and HSCEI were down 6.66% and 8.31%, respectively.
- In China, NBS manufacturing PMI edged down to 50.0% in January from 50.2% in December. However, the impact of the novel coronavirus is not fully reflected in the January PMI reading and the number is also affected by the Chinese New Year seasonality. Although the figure is not that comparable but it shows that domestic manufacturing demand remained largely stable while external demand was under pressure again. PMI for employment edged up by 0.2ppt to 47.5% in January, suggesting that the labor demand remained on the weak side. Looking forward, considering the outbreak of the novel coronavirus in the latter half of January and China's quarantine efforts to backstop the spread of the epidemic, cyclical momentum may face downward pressure in the near term.

Index	Settle	Net Change (+/-%)		Valuation (2020)	
		MoM	YTD	PE	PB
DJIA	28,256.03	-0.99%	-0.99%	17.70	4.01
S&P 500	3,225.52	-0.16%	-0.16%	18.47	3.33
Nasdaq	9,150.94	1.99%	1.99%	24.67	3.68
Nikkei	23,205.18	-1.91%	-1.91%	17.75	1.69
FTSE100	7,286.01	-3.40%	-3.40%	13.14	1.68
CAC40	5,806.34	-2.87%	-2.87%	14.43	1.57
DAX	12,981.97	-2.02%	-2.02%	14.08	1.52
SHCOMP	2,976.53	-2.41%	-2.41%	10.77	1.25
CSI300	4,003.90	-2.26%	-2.26%	11.63	1.58
ChiNext	2,233.85	6.16%	6.16%	24.84	4.00
HSI	26,312.63	-6.66%	-6.66%	9.96	1.06
HSCEI	10,240.51	-8.31%	-8.31%	7.69	0.96
TWSE	11,495.10	-4.18%	-4.18%	15.43	1.78
KOSPI	2,119.01	-3.58%	-3.58%	11.43	0.86
JCI	5,940.05	-5.71%	-5.71%	13.92	1.97

Source: Bloomberg

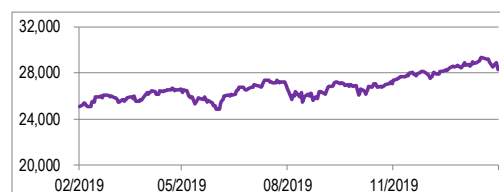


Fig. 1 One year performance of Dow Jones Index

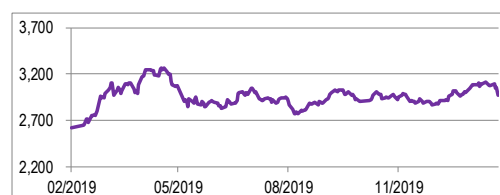


Fig. 2 One year performance of Shanghai Composite

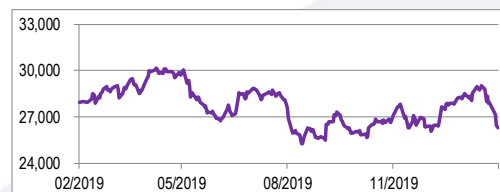


Fig. 3 One year performance of Hang Seng Index

Fixed Income – Risk-off dominates putting yield down

- The market sentiment turned to risk-off dominating in January driving the yield down. Due to the growing tension in the Middle East and the outbreak of coronavirus, investors sought the safety of fixed-income assets. 10Y US Treasury yields reached 1.5068% on 31 January, a three-month low.
- In Europe, sovereign bonds saw record demand as the ECB kept the monetary policy unchanged, suggesting interest rates are staying low and QE will continue for the foreseeable future. Besides, weak Eurozone business activity data kept yields suppressed as the month drew to a close. German 10Y government bond yields declined by 25bp in January. In UK, although the BoE held interest rates at 0.75% as a reduction in global tensions, 10Y gilt yields still dropped by 30bp in January due to the weaker economic data.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	1.92%	1.51%	1.51%	-41	-41
US 30-yr Treasury Yield	2.39%	2.00%	2.00%	-39	-39
Euro 10-yr Govt Yield	-0.16%	-0.43%	-0.43%	-25	-25
Japan 10-yr Govt Yield	0.02%	-0.07%	-0.07%	-6	-6
China 10-yr Govt Yield	3.15%	3.00%	3.00%	-14	-14

Source: Bloomberg

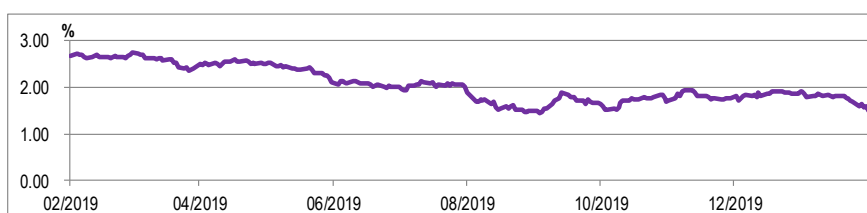


Fig. 4 One year performance of US 10-yr Treasury Yield

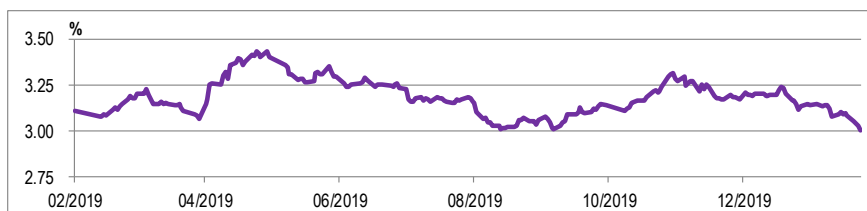


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Oil prices down versus gold prices up

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	63.27	51.56	51.56	-15.56%	-15.56%
Brent Oil (bbl)	68.91	58.16	58.16	-11.88%	-11.88%
Gold Spot (oz)	1,589.16	1,517.27	1,589.16	4.74%	4.74%
CMX Silver (oz)	18.39	17.46	18.01	0.51%	0.51%
CMX Copper (lb)	287.35	251.70	251.70	-10.01%	-10.01%
LME Zinc (mt)	2,478.25	2,204.75	2,212.00	-2.96%	-2.96%
LME Aluminum (mt)	1,814.50	1,705.50	1,705.50	-4.25%	-4.25%

Source: Bloomberg

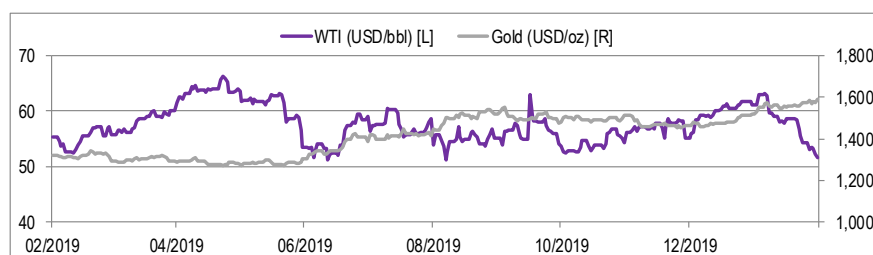


Fig. 6 One year performance of Oil and Gold Price

- Although the tensions in the Middle East drove the oil price up in early-January, oil price still dropped to a three-month low level in January. This significant decline came as the coronavirus outbreak in China, the world's largest importer of crude oil, worsened sentiment on the outlook for demand. WTI and Brent finally went down by 15.56% and 11.88%, respectively, in January.
- Gold retained its safe-haven status during a month of geopolitical tensions and coronavirus concerns. After the killing of an Iranian general by a US, gold prices reached a seven-year high of 1,611.42USD/oz on 8 January. Although gold prices retreated a bit after President Trump easing markets concerns about further escalations, the coronavirus outbreak in China began to dominate headlines, which led to a rally in gold prices through to month-end. Gold prices finally gained 4.74% MoM to USD1,589.16/oz in January.

FX – Risk-off currencies outperforming

- Driven by geopolitical tensions and the coronavirus outbreak, risk-off currencies, the USD, CHF, and JPY, outperformed in January. Iranian general was killed by US in early-January. Geopolitical tensions in the Middle East prompted a risk-off mood supporting the USD. The coronavirus outbreak in China led to another wave of risk-off sentiment and USD strength. The DXY climbed 1.04% in January.
- In UK, a string of underwhelming data and dovish BoE commentary led to a rate cut expectation from the BoE but the BoE finally held interest rates at 0.75% as a reduction in global tensions. GBP gained support. Although GBP/USD dropped 0.38% MoM, GBP outperformed EUR.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	98.02	96.39	97.39	1.04%	1.04%
EUR / USD	1.121	1.101	1.109	-1.07%	-1.07%
USD / CNH	6.998	6.867	6.998	0.53%	0.53%
USD / JPY	110.2	108.1	108.4	-0.24%	-0.24%
GBP / USD	1.326	1.299	1.321	-0.38%	-0.38%
USD / CAD	1.324	1.297	1.324	1.90%	1.90%
AUD / USD	0.702	0.669	0.669	-4.69%	-4.69%
USD / CHF	0.974	0.963	0.963	-0.33%	-0.33%

Source: Bloomberg

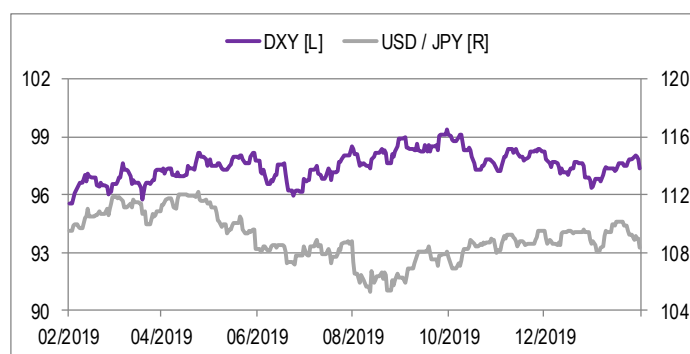


Fig. 7 One year performance of DXY and JPY

Economic Calendar (February 2020)

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

Source: Bloomberg