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Equity – Fading momentum in global equities

- Global equities started 2021 with a marginal decline in January. European equities underperformed as extended lockdowns and restrictions, along with more contagious mutations of the virus, slowed down the economic recovery. Moreover, investor sentiment appeared passive in the US likely due to adverse impact of COVID-19 on the economy. For developed market, S&P500 dropped 1.11% while Nasdaq rose 1.42%. MSCI EU dropped 0.79% as well. For the emerging market, MSCI EM was up 2.97%. China CSI300 gained 2.70% while ChiNext Index was down 0.44%. HSI and HSCEI were up 3.87% and 4.38%, respectively.
- In China, NBS manufacturing PMI index fell 0.6 to 51.3 amid resurgence of COVID-19 in several provinces. Among sub-indices, production and new order index edged down to 53.5 and 52.3 respectively. Industrial prices stayed resilient. Purchase price index dropped slightly by 0.9ppt to 67.1% in January. Looking forward, recent resurgence of COVID-19 will continue to drag down service activity for a while. However, since a large number of workers will not return home for Chinese New Year this year, industrial production in February will likely perform better than in previous years.

Index	Settle	Net Change (+/-%)		Valuation (2021)	
		MoM	YTD	PE	PB
DJIA	29,982.62	-2.04%	-2.04%	19.89	4.29
S&P 500	3,714.24	-1.11%	-1.11%	22.08	3.79
Nasdaq	13,070.69	1.42%	1.42%	32.89	4.97
Nikkei	27,663.39	0.80%	0.80%	24.20	2.07
FTSE100	6,407.46	-0.82%	-0.82%	14.67	1.62
CAC40	5,399.21	-2.74%	-2.74%	17.19	1.55
DAX	13,432.87	-2.08%	-2.08%	15.24	1.56
SHCOMP	3,483.07	0.29%	0.29%	13.52	1.49
CSI300	5,351.96	2.70%	2.70%	15.89	2.13
ChiNext	3,097.41	-0.44%	-0.44%	34.42	5.88
HSI	28,283.71	3.87%	3.87%	12.66	1.19
HSCEI	11,208.78	4.38%	4.38%	10.07	1.17
TWSE	15,138.31	2.75%	2.75%	17.26	1.89
KOSPI	2,976.21	3.58%	3.58%	14.30	1.18
JCI	5,862.35	-1.95%	-1.95%	0.00	0.00

Source: Bloomberg

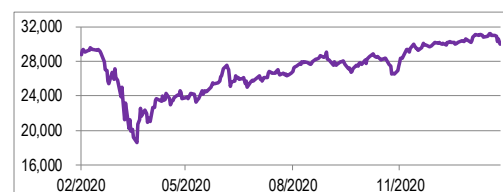


Fig. 1 One year performance of Dow Jones Index

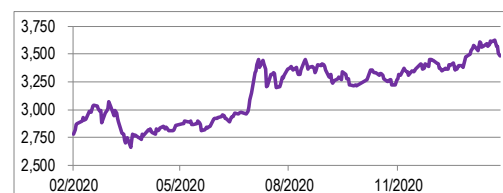


Fig. 2 One year performance of Shanghai Composite

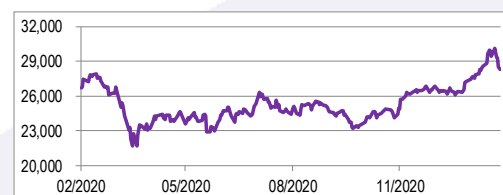


Fig. 3 One year performance of Hang Seng Index

Fixed Income – US Bond yields rose in January

- The US rates market started 2021 on the back foot as investors digested the possibility of more US fiscal stimulus, stoked by 'Blue Wave' senate election victories in Georgia. The subsequent unrest in Washington DC did little to deter the risk-on tone across markets as 10Y US Treasury yields sustained a climb over 1% for the first time since March 2020. January ended with a FOMC meeting, in which policy rates and the Fed's asset purchase program were left unchanged. US 10Y Treasury yields finally closed at 1.07% in January.
- In Europe, with political turmoil in Italy, 10Y BTP-Bund spreads widened heading in to the ECB meeting. As one of the biggest beneficiaries of ECB purchases, after discussions over potentially not using the full PEPP envelopes, BTPs modestly sold-off and 10Y spreads to Bunds widened to a 10-week peak at 126bp. Eventually, Euro 10Y government bond yields closed at -0.52% in January. In UK, 10Y gilts continued to oscillate in 15-35bp range. The comment from BoE Governor dampened expectations for a negative policy rate in 2021. Eventually 10Y gilt yields closed at 0.33%.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	1.15%	0.91%	1.07%	15	15
US 30-yr Treasury Yield	1.88%	1.64%	1.83%	18	18
Euro 10-yr Govt Yield	-0.47%	-0.60%	-0.52%	5	5
Japan 10-yr Govt Yield	0.06%	0.01%	0.05%	3	3
China 10-yr Govt Yield	3.20%	3.11%	3.19%	4	4

Source: Bloomberg

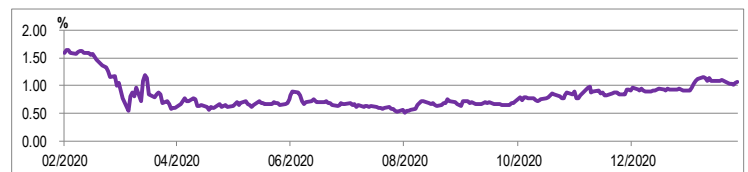


Fig. 4 One year performance of US 10-yr Treasury Yield

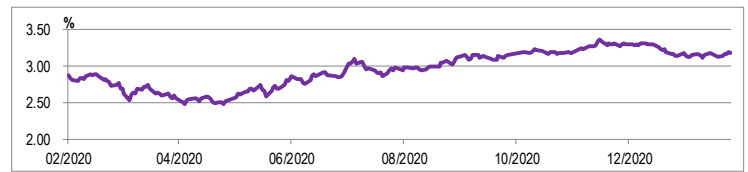


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Oil price continued to rise and gold fell

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	53.57	47.62	52.20	7.58%	7.58%
Brent Oil (bbl)	56.58	51.09	55.88	7.88%	7.88%
Gold Spot (oz)	1,950.01	1,828.45	1,847.65	-2.67%	-2.67%
CMX Silver (oz)	27.64	24.64	26.91	1.90%	1.90%
CMX Copper (lb)	369.60	351.90	355.60	1.05%	1.05%
LME Zinc (mt)	2,863.60	2,556.50	2,556.50	-6.33%	-6.33%
LME Aluminum (mt)	2,036.50	1,960.80	1,981.88	0.42%	0.42%

Source: Bloomberg

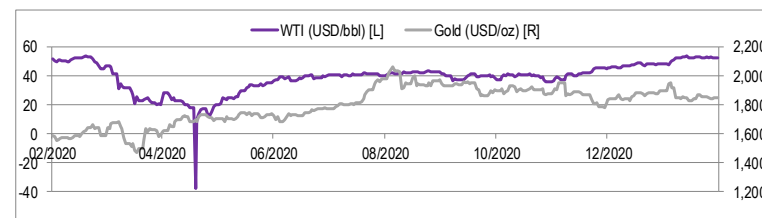


Fig. 6 One year performance of Oil and Gold Price

Oil prices continued its climb higher in January. As Saudi Arabia production cuts, vaccine optimism and talks of further stimulus, oil prices steadily increased into the middle of the month. Thereafter, oil prices dropped primarily rotating with changes in risk sentiment and news of additional Chinese cities moving into lockdowns. Nonetheless, oil prices ultimately recovered and were buoyed by risk sentiment and vaccine optimism throughout the month. WTI and Brent went up 7.58% and 7.88% respectively in January.

- Gold fell in January as rising US Treasury yields reduced the incentive to hold gold. Talk of possible Fed tapering and US Treasury yields which continued to rise prompted gold to fall. Through all of January, gold continued to have a high negative correlation with movements in the USD. Into the end of the month, gold came under some selling pressure as USD strengthened. Gold price finally closed at USD1,847.65/oz, down 2.67% MoM.

FX – USD bounced back

- The DXY rose in January for its first monthly gain since October. The USD strength came from a raft of news including additional fiscal stimulus talk from Joe Biden and Democratic taking control of the Senate, driving the expectation of faster recovery of US economy than rest of the world. Finally, DXY went up 0.72% in January.
- The EUR started the month well and climbed to a multi-year high as risk sentiment remained largely positive. However, the gains were relinquished as the ECB meeting maintained its policy rate and affirmed the EUR 1.85 trillion of PEPP currently announced. Eventually, the EUR went down 0.65% against the USD in January. In UK, GBP was carried higher on the back of positive global risk sentiment and more vaccine optimism. UK developed a significant lead over many other developed nations in the proportion of vaccinated population, potentially explaining the outperformance of GBP in January. Eventually GBP-USD went up 0.28% in January.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	90.77	89.44	90.58	0.72%	0.72%
EUR / USD	1.233	1.208	1.214	-0.65%	-0.65%
USD / CNH	6.503	6.437	6.452	-0.78%	-0.78%
USD / JPY	104.7	102.7	104.7	1.38%	1.38%
GBP / USD	1.374	1.352	1.371	0.28%	0.28%
USD / CAD	1.283	1.264	1.278	0.41%	0.41%
AUD / USD	0.780	0.764	0.764	-0.65%	-0.65%
USD / CHF	0.891	0.878	0.890	0.58%	0.58%

Source: Bloomberg

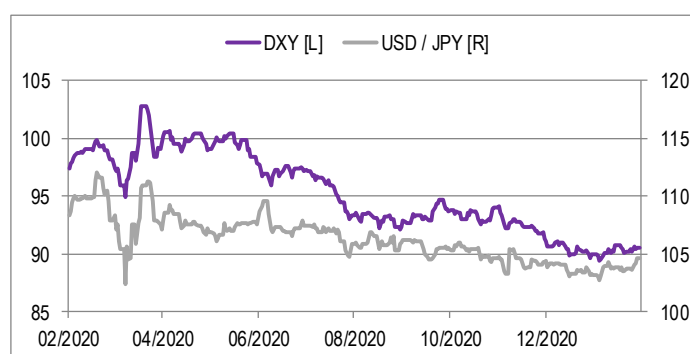


Fig. 7 One year performance of DXY and JPY

Economic Calendar (February 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 Factory Orders Durable Goods Orders	5 Change in Nonfarm Payrolls Unemployment Rate Trade Balance
8	9	10 MBA Mortgage Applications CPI MoM Wholesale Inventories MoM	11 Initial Jobless Claims	12 U. of Mich. Sentiment
15	16 Empire Manufacturing	17 MBA Mortgage Applications PPI Final Demand MoM Retail Sales Advance MoM Industrial Production MoM	18 Housing Starts Initial Jobless Claims	19 Markit US Manufacturing PMI Existing Home Sales
22 Leading Index	23 Conf. Board Consumer Confidence	24	25 Durable Goods Orders Initial Jobless Claims GDP Annualized QoQ	26 Personal Income Personal Spending Wholesale Inventories MoM Chicago Purchasing Manager U. of Mich. Sentiment

Source: Bloomberg