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Equity – EM underperformed

- Global stock markets fell overall in July. The decline was mainly due to the sharp decline in the Chinese stock market and emerging market stock indexes. The tightening of China's education and technology industries regulation triggered a large number of sell-offs. Meanwhile, new cases of Covid-19 continued to increase in Asia, leading to a rise of negative investor sentiment which adversely impacted the performance of the stock market. In terms of developed markets, July's performance continued to outperform emerging markets. This was due to lower-than-expected mortality and hospitalization rates, as well as wide coverage of vaccination, alleviating investors' concerns about the rise in Covid-19 cases. S&P500 and Nasdaq rose 2.27% and 1.16% respectively. MSCI EU rose 1.78% as well. For the emerging market, MSCI EM was down 7.04%. China CSI300 was down 7.90% and ChiNext rose 1.74%. HSI and HSCEI was down 9.94% and 13.41% respectively.
- China's July NBS manufacturing PMI index fell by 0.5 to 50.4, and the non-manufacturing PMI index fell by 0.2 to 53.3. Both the manufacturing and non-manufacturing PMI indexes showed a slowdown in July, partly due to a resurgence of domestic COVID-19 cases. PMI data also indicated that SMEs continued to underperform and facing price pressures. This was due to tightening of real estate policies, extreme weather conditions and weakening of construction momentum. The new orders index fell from 51.5 to 50.9 in July, and the new export orders fell from 48.1 to 47.7. Overall, the pace of global recovery slightly dampened due to the recent increase cases of the new variants, which led to the re-implementation of restrictions. The market will continue to pay close attention to the vaccination rates globally, as well as the challenges and effectiveness in keeping the spread under control for emerging market countries.

Index	Settle	Net Change (+/-%)		Valuation (2021)	
		MoM	YTD	PE	PB
DJIA	34,935.47	1.25%	14.14%	19.24	4.85
S&P 500	4,395.26	2.27%	17.02%	22.17	4.39
Nasdaq	14,672.68	1.16%	13.85%	32.52	6.53
Nikkei	27,283.59	-5.24%	-0.59%	17.92	1.78
FTSE100	7,032.30	-0.07%	8.85%	12.92	1.78
CAC40	6,612.76	1.61%	19.12%	17.32	1.91
DAX	15,544.39	0.09%	13.31%	14.68	1.78
SHCOMP	3,397.36	-5.40%	-2.18%	12.41	1.45
CSI300	4,811.17	-7.90%	-7.68%	14.65	2.00
ChiNext	3,612.30	1.74%	16.11%	43.53	6.98
HSI	25,961.03	-9.94%	-4.66%	12.40	1.22
HSCEI	9,233.22	-13.41%	-14.02%	10.09	1.21
TWSE	17,247.41	-2.86%	17.07%	14.30	2.45
KOSPI	3,202.32	-2.86%	11.44%	11.35	1.23
JCI	6,070.04	1.41%	1.52%	17.06	1.92

Source: Bloomberg

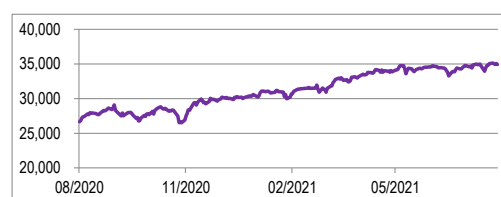


Fig. 1 One year performance of Dow Jones Index

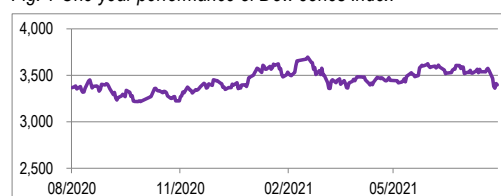


Fig. 2 One year performance of Shanghai Composite

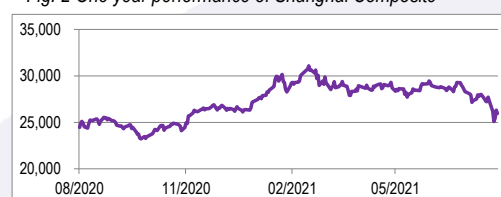


Fig. 3 One year performance of Hang Seng Index

Fixed Income – Bond yields dropped globally

- US Treasury bond yields fell in July. The 10Y Treasury bond fell by 23 basis points to 123 basis points. This was the lowest since February of this year. Fed Chair Powell once again played down transitory inflation talk while giving his semi-annual monetary policy during his visit to the Congress in mid-July. Although the US CPI was 5.4% which far exceeded expectations, it still failed to stop the declining momentum of the bond yields. 10Y US Treasury yields finally closed at 1.22% in July.
- The drop in yields was also widespread globally. The China 10Y government bond yield had fallen below 3% for the first time since August 2020. In other Asian regions, such as South Korea, Malaysia, Thailand, Singapore and Hong Kong, yields also fell. In the Eurozone, the ECB announced a new symmetric inflation target of 2% and at the same time issued new forward guidance after its July 22 meeting. Although this generally gave out a more dovish signal, most of the drop in yields occurred before the meeting. Eventually, 10Y Bunds fell by 26 basis points to -0.46%. The 10Y Gilt fell by 17 basis points and closed at 0.56%.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	1.47%	1.19%	1.22%	-25	31
US 30-yr Treasury Yield	2.09%	1.82%	1.89%	-19	25
Euro 10-yr Govt Yield	-0.20%	-0.46%	-0.46%	-25	11
Japan 10-yr Govt Yield	0.06%	0.01%	0.02%	-4	0
China 10-yr Govt Yield	3.09%	2.86%	2.86%	-24	-29

Source: Bloomberg

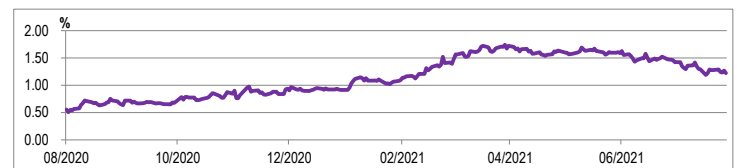


Fig. 4 One year performance of US 10-yr Treasury Yield

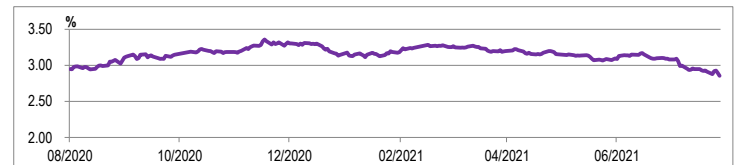


Fig. 5 One year performance of China 10-yr Government Yield

Commodities – Oil price fluctuates

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	75.25	66.42	73.95	0.65%	52.41%
Brent Oil (bbl)	77.16	68.62	76.33	1.60%	47.36%
Gold Spot (oz)	1,829.47	1,770.11	1,814.19	2.49%	-4.43%
CMX Silver (oz)	26.50	24.65	25.55	-2.47%	-3.92%
CMX Copper (lb)	458.50	420.15	448.25	4.51%	27.09%
LME Zinc (mt)	3,028.50	2,909.05	3,028.50	2.08%	10.96%
LME Aluminum (mt)	2,609.15	2,405.00	2,598.00	3.53%	31.64%

Source: Bloomberg

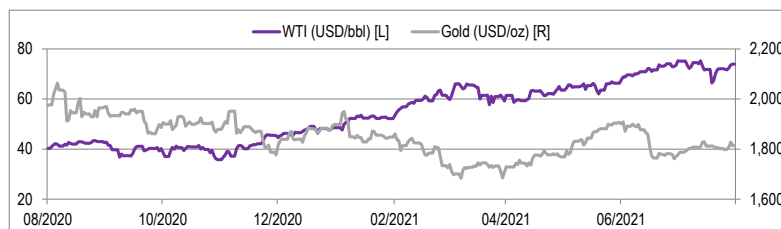


Fig. 6 One year performance of Oil and Gold Price

Oil prices fluctuated in July with prices rising and falling due to OPEC+ news. The month began with the market turning its attention to the OPEC+ meeting on July 1, but disagreements among OPEC+ members caused the talks dragging on for the later days. Brent plummeted amidst uncertainty of oil supply due to the delay in talks. By mid-July, Brent crude oil successfully climbed to the level of US\$76/b. However, as OPEC+ reached an agreement, Brent crude oil fell again. With OPEC+ talks a done deal, the market refocused on the possibility of a strong recovery in oil demand due to an economic reopening. Therefore, Brent crude oil finally rose 1.6% to US\$76 /b at the end of the month.

Gold climbed 2.5% in July against the backdrop of a weaker USD. It continued its ascent despite a beat in US Nonfarm Payrolls in the beginning of the month. Gold fell initially due to higher-than-expected US inflation data during mid-month. However, gold price steadied and edged higher following after Fed Chair Powell's more dovish testimony to Congress. Gold price fell slightly month-end as FOMC stated the "economy has made progress". But without a concrete schedule on tapering, gold eventually rose alongside a weaker USD and lower US Treasury yields. Gold price finally closed at 1,814/oz, rose 2.5% MoM.

FX – USD weakened

- The DXY dipped in July. DXY rose in early-month on the news that US core CPI data rose by 0.9% MoM against an expected 0.4%. However, most gains were erased the next day as Fed Chair Powell maintained the view that inflation was transitory. During mid-month, worsening risk sentiment led to the strengthening of USD, but dropped after Powell confirmed at the FOMC meeting during month-end that the economy was still “some way away” from “substantial further progress”. Finally, DXY fell 0.28% in July.
- The EUR rose modestly in July. In the beginning of the month, the ECB announced a new monetary policy strategy, setting a symmetric inflation target of 2% over the medium term compared to its previous target of “below, but close to, 2%”. Further clarification around the ECB’s new forward guidance came on 22 July, where ECB stated that its key interest rates was expected to remain “at present or lower levels” until certain conditions were met. The EUR finally rose 0.1% in July.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	92.97	91.86	92.17	-0.28%	2.49%
EUR / USD	1.189	1.177	1.187	0.10%	-2.83%
USD / CNH	6.527	6.457	6.463	-0.08%	-0.61%
USD / JPY	111.5	109.5	109.7	-1.25%	6.27%
GBP / USD	1.396	1.363	1.390	0.53%	1.71%
USD / CAD	1.275	1.232	1.248	0.62%	-1.96%
AUD / USD	0.753	0.733	0.734	-2.05%	-4.55%
USD / CHF	0.926	0.906	0.906	-2.06%	2.34%

Source: Bloomberg

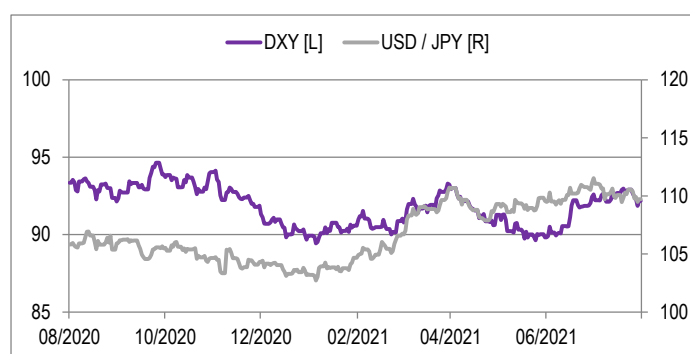


Fig. 7 One year performance of DXY and JPY

Economic Calendar (August 2021)

Monday	Tuesday	Wednesday	Thursday	Friday
2	3 Markit US Manufacturing PMI Construction Spending MoM ISM Manufacturing	4 MBA Mortgage Applications	5 ADP Employment Change Initial Jobless Claims	6 Change in Nonfarm Payrolls Unemployment Rate Durable Goods Orders Factory Orders
9	10 Trade Balance	11 MBA Mortgage Applications Wholesale Inventories MoM	12 CPI MoM Initial Jobless Claims	13 U. of Mich. Sentiment
16	17 Retail Sales Advance MoM PPI Final Demand MoM Empire Manufacturing Industrial Production MoM	18 MBA Mortgage Applications Housing Starts	19 FOMC Rate Decision Initial Jobless Claims Leading Index	20
23	24 Existing Home Sales	25 MBA Mortgage Applications Markit US Manufacturing PMI New Home Sales	26 Durable Goods Orders Wholesale Inventories MoM Initial Jobless Claims GDP Annualized QoQ	27 Personal Income Personal Spending U. of Mich. Sentiment
30	31 Conf. Board Consumer Confidence			

Source: Bloomberg