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Equity – DM outperformed EM

- Overall global equities rose in June. The rally last month was mainly driven by North America. The U.S. stock market outperformed the broader market in June, due to the Fed's dovish stance that inflation is transitional. However, stock indexes in Europe and emerging markets had underperformed. New cases of Covid-19 had surged and dragged investor sentiment. At present, the market remains cautious and pays attention to tapering discussions about asset purchases, inflation, margin pressures and taxation. For developed market, S&P500 and Nasdaq rose 2.22% and 5.49% respectively. MSCI EU rose 1.56% as well. For the emerging market, MSCI EM was down 0.11%. China CSI300 was down 2.02% and ChiNext rose 7.64%. HSI and HSCEI was down 1.11% and 2.07% respectively.
- China's June NBS manufacturing index PMI fell by 0.1 to 50.9, and the non-manufacturing PMI index fell by 1.7 to 53.5. The June manufacturing PMI data reflected the concerns about supply shortages in chips, coal, and electricity and congestion and delays at major container ports due to regional pandemic waves. The PMI new order index rose from 51.3 to 51.5 in June and the new export order dropped from 48.3 to 48.1. Overall, although China's consumption recovery was slower than expected and household income still lagged behind GDP growth, optimism in June was still high due to rapid progress in vaccination. The market will pay close attention to future policy tightening, such as the recent credit slowdown, and the vaccine efficacy with new variants.

Index	Settle	Net Change (+/-%)		Valuation (2021)	
		MoM	YTD	PE	PB
DJIA	34,502.51	-0.08%	12.73%	20.10	4.87
S&P 500	4,297.50	2.22%	14.41%	22.69	4.35
Nasdaq	14,503.95	5.49%	12.54%	33.70	6.65
Nikkei	28,791.53	-0.24%	4.91%	19.26	1.89
FTSE100	7,037.47	0.21%	8.93%	13.41	1.78
CAC40	6,507.83	0.94%	17.23%	17.87	1.88
DAX	15,531.04	0.71%	13.21%	15.24	1.78
SHCOMP	3,591.20	-0.67%	3.40%	13.24	1.52
CSI300	5,224.04	-2.02%	0.24%	16.15	2.18
ChiNext	3,550.51	7.64%	14.13%	44.27	6.96
HSI	28,827.95	-1.11%	5.86%	13.45	1.33
HSCEI	10,663.39	-2.07%	-0.70%	11.30	1.36
TWSE	17,755.46	4.03%	20.52%	15.22	2.53
KOSPI	3,296.68	2.90%	14.73%	12.40	1.28
JCI	5,985.49	0.64%	0.11%	17.91	2.07

Source: Bloomberg

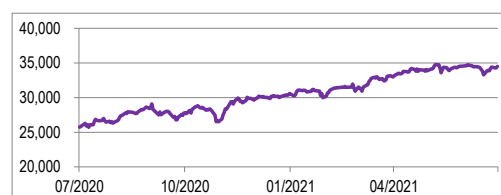


Fig. 1 One year performance of Dow Jones Index

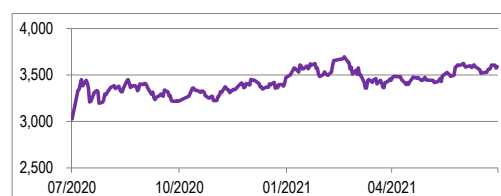


Fig. 2 One year performance of Shanghai Composite

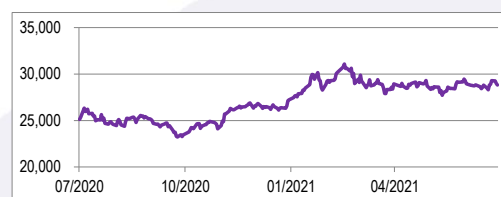


Fig. 3 One year performance of Hang Seng Index



Fixed Income – US Treasury yields fluctuated

- U.S. Treasury bond yields fluctuated significantly in June. The release of the “dot map” sent out a hawkish message to market, policymakers expect to raise interest rates twice before the end of 2023. In response, U.S. Treasury yields flattened sharply mid-month, and the spread between the 30Y and 5Y treasury yields narrowed by 27 basis points to curb “reflation trade”. Fed Chairman Powell remained dovish in his testimony to Congress on June 22. Although he admitted that prices were higher than expected, he remained steadfast in his assessment that inflation would be temporary. 10Y US Treasury yields finally closed at 1.59% in June.
- In Europe, Bunds were still struggling. Although the 10Y Bunds yield fell in mid-month, the Fed's more hawkish statement led to a correction as US Treasury moves filtered into the euro zone market. The EU began to issue bonds for its flagship recovery fund, the 800 billion euro next-generation EU plan. The order demand for the first 10Y bond issuance of 20 billion euros exceeded 140 billion euros. Eventually, Euro 10Y government bond yields closed at -0.21% in June. In UK, after the MPC meeting on June 24, the size of the GBP150 billion quantitative easing program that will expire at the end of the year remains unchanged. Eventually, 10Y gilt closed at 0.80%.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	1.63%	1.43%	1.47%	-13	55
US 30-yr Treasury Yield	2.30%	2.01%	2.09%	-20	44
Euro 10-yr Govt Yield	-0.16%	-0.27%	-0.21%	-2	36
Japan 10-yr Govt Yield	0.09%	0.04%	0.06%	-3	4
China 10-yr Govt Yield	3.17%	3.07%	3.09%	2	-5

Source: Bloomberg

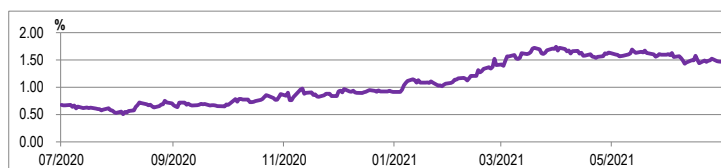


Fig. 4 One year performance of US 10-yr Treasury Yield

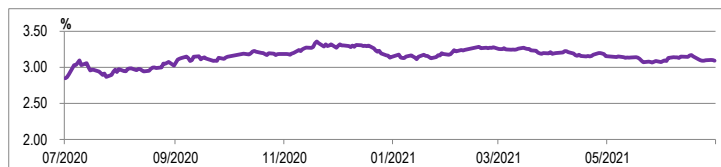


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Oil price soared while gold price weakened

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	74.05	67.72	73.47	10.78%	51.42%
Brent Oil (bbl)	76.18	69.32	75.13	8.38%	45.04%
Gold Spot (oz)	1,908.38	1,761.24	1,770.11	-7.17%	-6.76%
CMX Silver (oz)	28.24	25.89	26.19	-6.60%	-1.49%
CMX Copper (lb)	465.85	416.35	428.90	-8.41%	21.60%
LME Zinc (mt)	3,061.00	2,808.60	2,966.75	-2.52%	8.70%
LME Aluminum (mt)	2,538.00	2,375.00	2,509.50	2.07%	27.15%

Source: Bloomberg

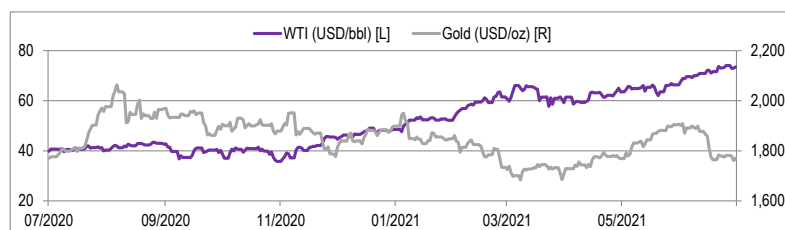


Fig. 6 One year performance of Oil and Gold Price

Oil prices rebounded strongly and soared in June. Brent successfully recovered the USD\$70/b level. This was due to OPEC+'s decision to increase supply in accordance with the previous agreement, however they expected there would be an improving demand. Brent declined in mid-June, but quickly rebounded on the suspension of US sanctions on Iranian crude oil had paused. By the end of the month, due to market concerns about the re-implementation of epidemic restrictions in Asia, prices fell. Despite this, Brent prices had risen sharply overall throughout the month. Finally, WTI and Brent both went up 10.78% and 8.38% respectively.

➤ Gold weakened in June, falling by 7.20% amidst a more hawkish-than-expected attitude of the Fed and a stronger USD. Gold had a poor start this month due to better-than-expected initial jobless claims in the US and hints of taper talk. The FOMC meeting during mid-month, hinted two interest rate hikes and re-discussed the possibility of tapering, which pushed the price of gold to rise intraday, but then later revised downwards. The hawkish and dovish stances of FOMC speakers sent mixed signals, causing gold prices to fluctuate at the end of the month without a clear direction. Gold price finally closed at 1,770.11/oz, down 7.17% MoM.

**FX – USD strengthened after Fed meeting**

- The DXY rose in June. In the first half of the month, the DXY trading was in a subdued manner for most of the time as the market waited for the FOMC meeting. During mid-month, the central bank was more hawkish than expected and brought forward its median forecast for the first interest rate hike to 2023. Since then, the DXY had been driven by comments from various Fed speakers, and later rose due to better-than-expected data in the labour market. Finally, DXY rose by 2.90% in June.
- The EUR fell in June. The EUR rose at the beginning of the month due to lower-than-expected growth in US Nonfarm Payrolls. The meeting of the ECB on June 10 was largely uneventful, as the ECB maintained a significantly higher pace of purchases, and ECB's dovish stance had already been discounted by market. After the FOMC meeting, the EUR fell further. Although the EUR rebounded slightly at the end of the month, the currency remained underperforming in June, as it finally it went down 3.02%.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	92.44	89.83	92.44	2.90%	2.78%
EUR / USD	1.223	1.186	1.186	-3.02%	-2.93%
USD / CNH	6.481	6.373	6.468	1.50%	-0.53%
USD / JPY	111.1	109.3	111.1	1.40%	7.61%
GBP / USD	1.421	1.381	1.383	-2.68%	1.18%
USD / CAD	1.247	1.204	1.240	2.77%	-2.57%
AUD / USD	0.775	0.748	0.750	-3.05%	-2.55%
USD / CHF	0.925	0.895	0.925	2.90%	4.50%

Source: Bloomberg

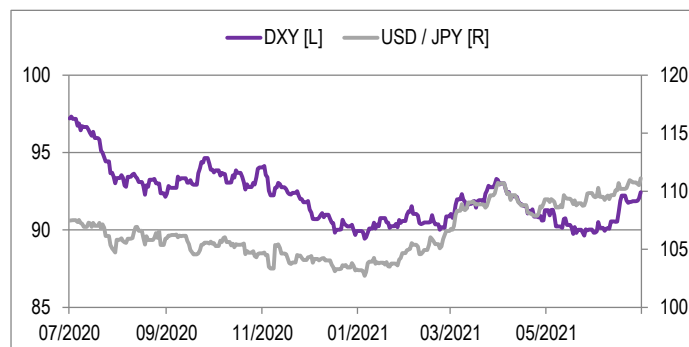


Fig. 7 One year performance of DXY and JPY

Economic Calendar (July 2021)

Monday	Tuesday	Wednesday	Thursday	Friday
			1 ADP Employment Change Initial Jobless Claims	2 Change in Nonfarm Payrolls Unemployment Rate Durable Goods Orders Factory Orders
5	6 Trade Balance	7 MBA Mortgage Applications Wholesale Inventories MoM	8 CPI MoM Initial Jobless Claims	9 U. of Mich. Sentiment
12	13 Retail Sales Advance MoM PPI Final Demand MoM Empire Manufacturing Industrial Production MoM	14 MBA Mortgage Applications Housing Starts	15 FOMC Rate Decision Initial Jobless Claims Leading Index	16
19	20 Existing Home Sales	21 MBA Mortgage Applications Markit US Manufacturing PMI New Home Sales	22 Durable Goods Orders Wholesale Inventories MoM Initial Jobless Claims GDP Annualized QoQ	23 Personal Income Personal Spending U. of Mich. Sentiment
26	27 Conf. Board Consumer Confidence	28 MBA Mortgage Applications ADP Employment Change Chicago Purchasing Manager	29	30

Source: Bloomberg