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## Equity – The rebound of the global equities continued

- After the global equities rebounded in April, the global equities still continued to go up in May. Investor sentiment was mainly driven by easing of lockdown restrictions, which seemed to have outweighed negative sentiment due to US-China tensions. The developed market was outperformed the emerging market. For developed market, S&P500 and Nasdaq surged 4.53% and 6.75%, respectively, while MSCI EU Index gained 2.57%. For the emerging market, MSCI EM Index gained 0.58%. China CSI300 Index dropped 1.16% while ChiNext gained 1.23%. HSI and HSCEI dropped 6.83% and 4.78%, respectively.
- In China, NBS manufacturing PMI edges down by 0.2ppt to 50.6%, but remains in expansion territory. The domestic demand continued to pick up sequentially and overseas economic activity troughed in late April but remained at a low level. New Export Orders Index recovered to 35.3% in May from 33.5% in April, but remained in contractionary territory. PMI for employment rose by 0.3ppt to 50.5% in May, indicating that labor demand continued to recover. Looking forward, leading indicators such as TSF growth has been accelerating this year, with a definitive upward trajectory. Consequently, manufacturing PMI will likely stay in expansionary territory.

Index	Settle	Net Change (+/-%)		Valuation (2020)	
		MoM	YTD	PE	PB
DJIA	25,383.11	4.26%	-11.06%	23.17	3.65
S&P 500	3,044.31	4.53%	-5.77%	24.30	3.33
Nasdaq	9,489.87	6.75%	5.76%	34.76	4.94
Nikkei	21,877.89	8.34%	-7.52%	19.87	1.56
FTSE100	6,076.60	2.97%	-19.43%	18.04	1.43
CAC40	4,695.44	2.70%	-21.46%	20.09	1.35
DAX	11,586.85	6.68%	-12.55%	19.00	1.35
SHCOMP	2,852.35	-0.27%	-6.48%	11.70	1.23
CSI300	3,867.02	-1.16%	-5.60%	12.25	1.55
ChiNext	2,335.73	1.23%	11.00%	29.02	4.43
HSI	22,961.47	-6.83%	-18.55%	10.81	0.93
HSCEI	9,561.03	-4.78%	-14.39%	8.45	0.94
TWSE	10,942.16	-0.45%	-8.79%	16.85	1.75
KOSPI	2,029.60	4.21%	-7.65%	14.29	0.84
JCI	4,753.61	0.79%	-24.54%	0.00	0.00

Source: Bloomberg

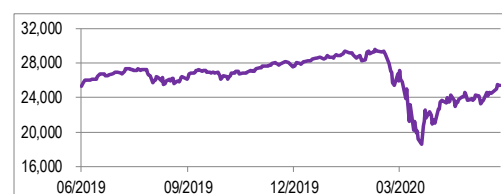


Fig. 1 One year performance of Dow Jones Index

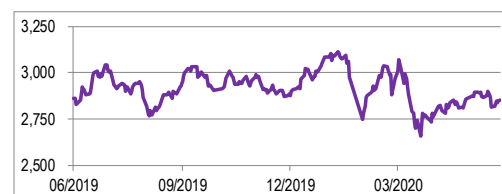


Fig. 2 One year performance of Shanghai Composite

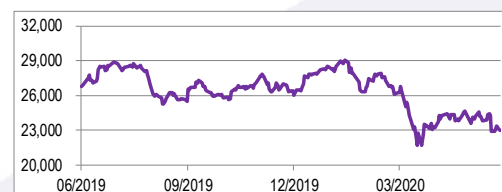


Fig. 3 One year performance of Hang Seng Index

## Fixed Income – Negative rates take a spotlight

- Although the expectation of the negative policy rates was built with the further worsening of economic data, Fed's Chairman Powell stated that negative interest rates are "not an appropriate policy". Hope of a vaccine for COVID-19 drove a slight risk-on sentiment at the end of the month, however, rising US-China tensions dampened global sentiment. The 10Y US Treasury yields finally closed at 0.65%, up 1bp in May.
- In Europe, due to the uncertainty surrounding ECB's bond buying program PEPP followed the German court's ruling, German 10Y government sold off and its yields increased 14bp in May. In UK, as the markets began to price in sub-zero policy rates and Governor of BOE announced negative rates were under active review, 10Y gilt yields closed the month at 0.18%.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	0.73%	0.61%	0.65%	1	-126
US 30-yr Treasury Yield	1.45%	1.25%	1.41%	12	-98
Euro 10-yr Govt Yield	-0.41%	-0.59%	-0.45%	14	-26
Japan 10-yr Govt Yield	0.01%	-0.03%	0.01%	4	2
China 10-yr Govt Yield	2.74%	2.52%	2.69%	18	-45

Source: Bloomberg

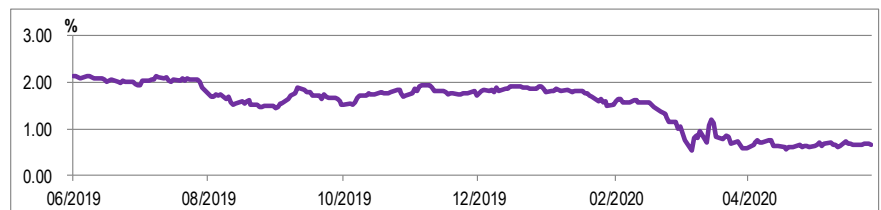


Fig. 4 One year performance of US 10-yr Treasury Yield

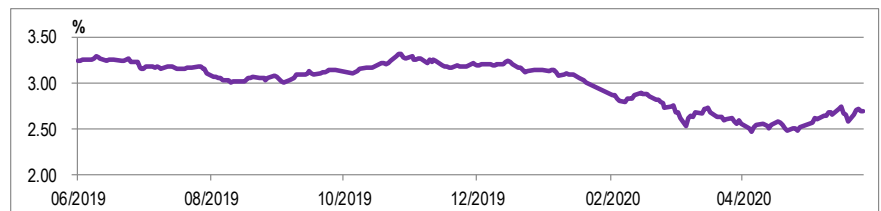


Fig. 5 One year performance of China 10-yr Treasury Yield

## Commodities – Oil price rebound and gold acted as safe haven

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	35.49	18.84	35.49	88.38%	-41.88%
Brent Oil (bbl)	36.17	25.27	35.33	39.81%	-46.47%
Gold Spot (oz)	1,748.18	1,685.71	1,730.27	2.60%	14.04%
CMX Silver (oz)	18.50	14.80	18.50	23.55%	2.27%
CMX Copper (lb)	246.00	231.20	242.55	3.48%	-13.82%
LME Zinc (mt)	2,043.50	1,890.00	1,992.75	3.01%	-12.58%
LME Aluminum (mt)	1,526.25	1,428.90	1,526.25	4.61%	-14.32%

Source: Bloomberg

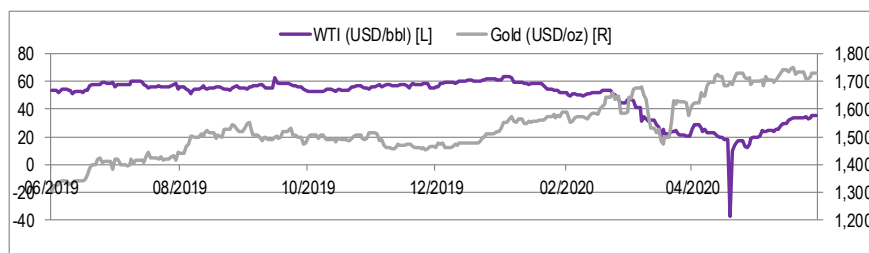


Fig. 6 One year performance of Oil and Gold Price

- After prices collapsed in April, oil staged a comeback in May. Oil prices were lifted as some economics began to ease lockdown restrictions throughout the month, and an OPEC+ agreement in the previous month to cut supply significantly to put an end to the price war. Numerous oil companies in North America also made large supply curtailments. WTI and Brent finally went up by 88.38% and 39.81% respectively in May.
- With the combination of the rift between US and China, further weakness in economic data and globally depressed interest rates, gold prices went up throughout the first half of the month. However, the rally was reversed as positive news around a potential COVID-19 vaccine broke, the Fed's comment about negative rates were not an appropriate option and more economics began to reopen slowly. Gold price finally closed at USD 1730.27/oz, up 2.6% MoM.

## FX – USD was soft and EUR outperformed

- The Dollar oscillated between the risk-off sentiment driven by renewed US-China tensions and the hopes that economic reopening would boost global growth. The USD also faced some downward pressure as markets anticipated that the Fed might take rates below zero, with the economic data collapsing in an unprecedented way. Although the markets started to price in a small possibility that the Fed Funds rate could go negative after Fed's Chairman Powell's comments, the DXY still went down by 0.68% in May.
- In Europe, although the German Constitution Court ruled that ECB's PSPP scheme violates its constitution which saw EUR-USD move lower in early-May, the EUR staged a rally in the second half of the month, which are aided by the "Next Generation EU" fund proposed by the European Commission. The EUR eventually was up 1.33% against the USD in May. In UK, GBP was the weakest G10 currency of the month. As there was increasing speculation that the BOE may take its policy rate negative and Governor Bailey confirmed to MP that negative rates were under "active review", GBP-USD eventually fell 2.0% in May.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	100.47	98.34	98.34	-0.68%	2.03%
EUR / USD	1.110	1.080	1.110	1.33%	-1.00%
USD / CNH	7.176	7.082	7.133	0.73%	2.46%
USD / JPY	107.8	106.1	107.8	0.61%	-0.72%
GBP / USD	1.259	1.212	1.234	-1.99%	-6.89%
USD / CAD	1.415	1.375	1.378	-1.18%	6.08%
AUD / USD	0.667	0.640	0.667	2.38%	-5.04%
USD / CHF	0.975	0.961	0.962	-0.38%	-0.52%

Source: Bloomberg

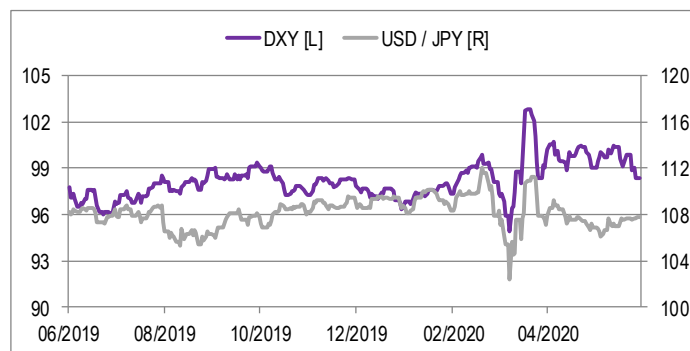


Fig. 7 One year performance of DXY and JPY

## Economic Calendar (June 2020)

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

Source: Bloomberg