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## Equity – Global equities slowed down

- After the rally in the month of March and April, overall global equities slowed down in May. The slowdown is caused by the rising investor's concern of inflation and its effect on corporate margins. Regionally Europe (CAC40 up 2.83%, DAX up 1.88%) outperformed global equities mainly driven by Spain, Switzerland and France. The increase is largely due to strong recovery prospects. As the Eurozone data and survey results such as PMIs, the positive consensus earnings momentum, and the consumer confidence indicators, points to a continued growth momentum. For developed market, S&P500 rose 0.55% and Nasdaq dropped 1.53%. MSCI EU rose 2.12% as well. For the emerging market, MSCI EM was up 2.12%. China CSI300 and ChiNext rose 4.06% and 7.90% respectively. HSI and HSCEI rose 1.49% and 0.59% respectively.
- In China, NBS manufacturing PMI index dropped 0.1% to 51% (lowest reading in 3 months), and non-manufacturing PMI rose 0.3% to 55.2%. The May manufacturing PMI data indicated a cautious outlook for external conditions going ahead. The upstream sectors benefited from rising prices and steady growth in demand. Meanwhile, downstream sectors seemed to be struggling with lagging recovery in consumer spending and rising cost pressures. The PMI new order index declined from 52.0% in April to 51.3% in May and the new export order index dropped from 50.4% to 48.3%. Overall, despite the small-scale outbreak of Covid-19 in a number of provinces, coupled with Beijing's carbon neutrality initiative, the May PMI data shows that China's economy is still resilient. Also, the acceleration of China's vaccination plan is likely to stimulate domestic consumption and service industries, and drive economic growth.

Index	Settle	Net Change (+/-%)		Valuation (2021)	
		MoM	YTD	PE	PB
DJIA	34,529.45	1.93%	12.82%	20.44	4.94
S&P 500	4,204.11	0.55%	11.93%	22.47	4.28
Nasdaq	13,748.74	-1.53%	6.68%	31.86	6.30
Nikkei	28,860.08	0.16%	5.16%	20.01	1.95
FTSE100	7,022.61	0.76%	8.70%	13.96	1.78
CAC40	6,447.17	2.83%	16.14%	18.31	1.88
DAX	15,421.13	1.88%	12.41%	15.49	1.78
SHCOMP	3,615.48	4.89%	4.10%	13.24	1.53
CSI300	5,331.57	4.06%	2.31%	15.53	2.11
ChiNext	3,298.48	7.90%	6.02%	40.49	6.46
HSI	29,151.80	1.49%	7.05%	12.59	1.25
HSCEI	10,889.12	0.59%	1.40%	10.49	1.27
TWSE	17,068.43	-2.84%	15.86%	15.36	2.43
KOSPI	3,203.92	1.78%	11.50%	12.67	1.25
JCI	5,947.46	-0.80%	-0.53%	18.11	2.07

Source: Bloomberg

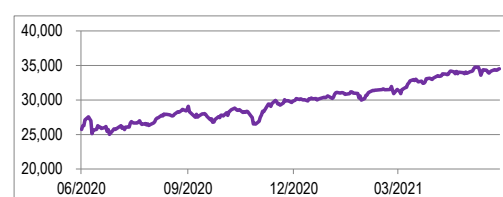


Fig. 1 One year performance of Dow Jones Index

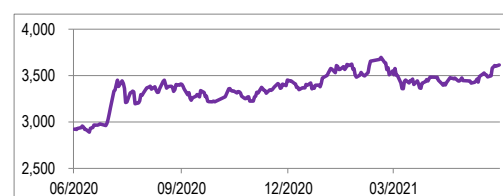


Fig. 2 One year performance of Shanghai Composite

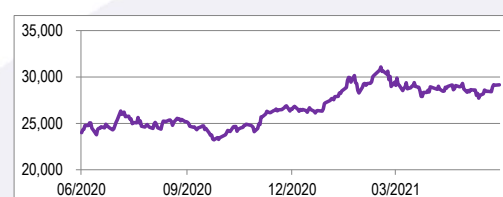


Fig. 3 One year performance of Hang Seng Index



Fixed Income – US Treasury yields remained stable

- US Treasury bond yields remained stable for the second consecutive month in May, which indicates that the market lacks direction and momentum. In early May, the 10Y notes saw some volatility mainly due to the fact that the US non-agricultural wage data was severely lower than market expectations and the US CPI data rose 0.80% from the previous month (much higher than the market consensus). Meanwhile, Fed member Quarles stated that if the US economy remains strong, the Fed may start discussions on a slowdown in quantitative easing, thereby gradually reducing the scale of asset purchases. 10Y US Treasury yields finally closed at 1.59% in May.
- In Europe, bund struggled amid the political developments in Germany that sparked fiscal worries. Non-core debt also struggled as ECB continues to step up and curtail speculative activities, pushing the yield of Italian 10Y government bonds to a ten-month high. Eventually, Euro 10Y government bond yields closed at -0.19% in May. In UK, the 6 May MPC meeting saw the BoE reduced the scale of quantitative easing purchases and raised its GDP growth forecasts. Governor Bailey's insisted that the decision to slow down bond purchases should not be interpreted as a change in monetary policy stance. Eventually, 10Y gilt closed at 0.80%.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	1.69%	1.56%	1.59%	-3	68
US 30-yr Treasury Yield	2.41%	2.24%	2.28%	-1	64
Euro 10-yr Govt Yield	-0.10%	-0.24%	-0.19%	2	38
Japan 10-yr Govt Yield	0.10%	0.07%	0.09%	-1	7
China 10-yr Govt Yield	3.16%	3.07%	3.07%	-8	-7

Source: Bloomberg

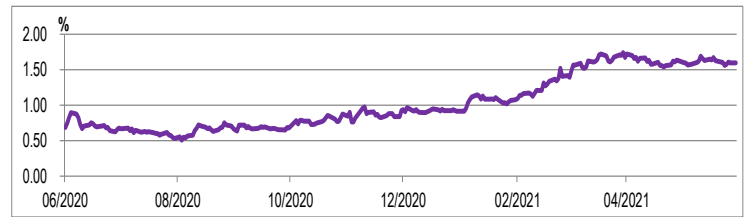


Fig. 4 One year performance of US 10-yr Treasury Yield

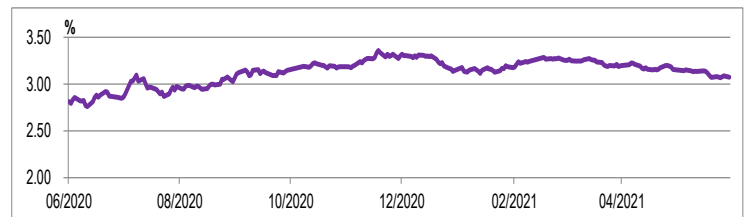


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Oil price rally stagnated while gold price remained strong

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	66.85	62.05	66.32	4.31%	36.69%
Brent Oil (bbl)	69.63	65.11	69.32	3.08%	33.82%
Gold Spot (oz)	1,906.87	1,769.13	1,906.87	7.79%	0.45%
CMX Silver (oz)	28.33	25.87	28.01	8.28%	5.58%
CMX Copper (lb)	476.20	446.80	467.75	4.69%	32.64%
LME Zinc (mt)	3,044.00	2,904.25	3,043.55	4.47%	11.51%
LME Aluminum (mt)	2,529.70	2,338.05	2,458.51	2.12%	24.57%

Source: Bloomberg

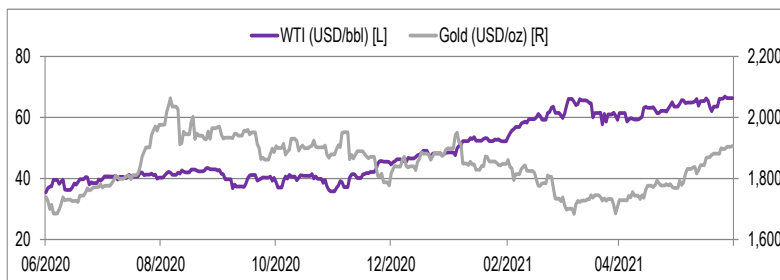


Fig. 6 One year performance of Oil and Gold Price

The rally in oil prices stagnated in May. Oil prices rose in early May, and Brent briefly broke through key levels on May 18 and traded towards US\$70/barrel. However, the increasing number of COVID-19 cases and the tightening of restrictions across Asia, have put oil prices under pressure in the middle of the month. Brent price continued to fall into back of the month as supply concerns returns on news that pointed out Iran was close to reaching an agreement to have international sanctions lifted. However, these losses are short-lived as Brent price rose as Iran stated that gaps remain in a possible return to the 2015 nuclear deal. WTI and Brent both went up 4.31% and 3.08% respectively in May.

Due to a weaker U.S. dollar and falling U.S. Treasury yields, gold remained strong in May. Weak U.S. retail sales data and diminishing inflation concerns have prompted gold prices to rise. The increase in ETF holdings is also likely the reason for the rise in gold prices. The holdings increased to more than 100 million ounces for the first time since January. In addition, physical demand has also increased in Asia. Gold price finally closed at USD 1906.87/oz, up 7.79% MoM.

## FX – USD still under pressure

- The DXY continued to fall in May and hit its worst performance in a single day on 7 May, falling 0.80%. The reason for the sharp fall was due to the increase in the unemployment rate and the worse-than-expected US Nonfarm Payroll data. The DXY trended lower through the rest of the month, as likely to be aided by the Fed's "temporary" stance on high levels of inflation. Finally, the DXY went down 1.59% in May.
- The EUR climbed throughout May amid broader USD weakness. Earlier this month, the EUR rose after the release US Nonfarm Payrolls data severely disappointed market expectations. However, the EUR fell after the US CPI data came out, reflecting a high inflation rate. Later in the month, as US Treasury yields fell, the euro resumed its upward trend, and the Eurozone data portrayed an optimistic outlook. Although the ECB speakers did attempt to talk down both yields and the EUR in late May, the EUR still ended 1.72% higher than USD.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	91.31	89.64	89.83	-1.59%	-0.12%
EUR / USD	1.225	1.201	1.223	1.72%	0.09%
USD / CNH	6.488	6.360	6.373	-1.56%	-2.00%
USD / JPY	109.9	108.6	109.6	0.25%	6.13%
GBP / USD	1.421	1.382	1.421	2.82%	3.96%
USD / CAD	1.231	1.204	1.206	-1.81%	-5.19%
AUD / USD	0.784	0.771	0.773	0.23%	0.52%
USD / CHF	0.914	0.896	0.899	-1.56%	1.55%

Source: Bloomberg

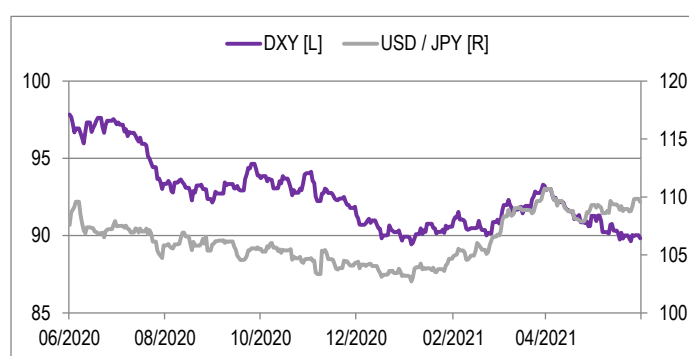


Fig. 7 One year performance of DXY and JPY

## Economic Calendar (June 2021)

Monday	Tuesday	Wednesday	Thursday	Friday
	1 Markit US Manufacturing PMI Construction Spending MoM ISM Manufacturing	2 MBA Mortgage Applications	3 ADP Employment Change Initial Jobless Claims	4 Change in Nonfarm Payrolls Unemployment Rate Durable Goods Orders Factory Orders
7	8 Trade Balance	9 MBA Mortgage Applications Wholesale Inventories MoM	10 CPI MoM Initial Jobless Claims	11 U. of Mich. Sentiment
14	15 Retail Sales Advance MoM PPI Final Demand MoM Empire Manufacturing Industrial Production MoM	16 MBA Mortgage Applications Housing Starts	17 FOMC Rate Decision Initial Jobless Claims Leading Index	18
21	22 Existing Home Sales	23 MBA Mortgage Applications Markit US Manufacturing PMI New Home Sales	24 Durable Goods Orders Wholesale Inventories MoM Initial Jobless Claims GDP Annualized QoQ	25 Personal Income Personal Spending U. of Mich. Sentiment
28	29 Conf. Board Consumer Confidence	30 MBA Mortgage Applications ADP Employment Change Chicago Purchasing Manager		

Source: Bloomberg