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Equity – Omicron variant sparked risk-off sentiment

- Global equities fell in November as the new variant of Covid-19 Omicron stoked risk-off sentiment within the global investor community, with the market grappling to find relevant data about the severity and transmissibility. North American and Asia Pacific ex-Japan outperformed other major regions. Meanwhile Europe underperformed due to weakening of sentiment indicators, rising inflation and Omicron concerns. S&P500 dropped 0.83% and Nasdaq rose 0.25%. MSCI EU dropped 2.62%. Whilst Taiwan led Asia's outperformance, other emerging markets like China, Thailand, Malaysia continued to lag. For the emerging market, MSCI EM was dropped 4.14%. China CSI300 was down 1.56% and ChiNext rose 8.02%. HSI and HSCEI dropped 7.49% and 6.62% respectively.
- China's November NBS manufacturing PMI index bounced back to the expansionary zone and rose 0.9 to 50.1, and the non-manufacturing PMI index decreased 0.1 to 52.3. The encouraging increase in the NBS manufacturing PMI was mostly due to the recent policy measures on increasing coal supply capacity that helped stabilize upstream prices and ensure electricity supply, and production was able to resume to some extent. The 19.2 fall to 52.9 in the purchasing price PMI showed some easing of price pressures. The service sector's recovery softened due to regional outbreaks of Covid-19 cases. As for the new orders index it edged only slightly up by 0.6 to 49.4, and the new export orders saw a 1.9 increase to 48.5 due to the rise of purchasing needs in preparation for the Christmas holiday. Both indexes are still in the contractionary zone, with the new orders index staying below the threshold for four consecutive months, suggesting a still shrinking demand.

Index	Settle	Net Change (+/-%)		Valuation (2021)	
		MoM	YTD	PE	PB
DJIA	34,483.72	-3.73%	12.67%	17.73	4.67
S&P 500	4,567.00	-0.83%	21.59%	21.83	4.53
Nasdaq	15,537.69	0.25%	20.56%	34.01	6.54
Nikkei	27,821.76	-3.71%	1.38%	16.88	1.82
FTSE100	7,059.45	-2.46%	9.27%	11.89	1.74
CAC40	6,721.16	-1.60%	21.07%	15.43	1.90
DAX	15,100.13	-3.75%	10.07%	14.23	1.86
SHCOMP	3,563.89	0.47%	2.61%	13.10	1.54
CSI300	4,832.03	-1.56%	-7.28%	15.56	2.04
ChiNext	3,806.39	8.02%	22.35%	55.11	7.87
HSI	23,475.26	-7.49%	-13.79%	11.68	1.17
HSCEI	8,368.49	-6.62%	-22.07%	9.61	1.14
TWSE	17,427.76	2.59%	18.29%	13.28	2.42
KOSPI	2,839.01	-4.43%	-1.20%	10.27	1.14
JCI	6,533.93	-0.87%	9.28%	18.18	2.25

Source: Bloomberg

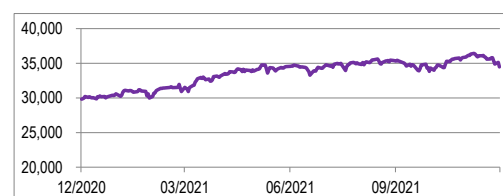


Fig. 1 One year performance of Dow Jones Index

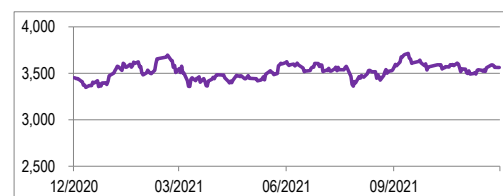


Fig. 2 One year performance of Shanghai Composite



Fig. 3 One year performance of Hang Seng Index

Fixed Income – U.S. Treasuries continued its rally

- U.S. Treasury yields fell in November mainly due to the discovery of the new Covid-19 variant, Omicron, towards the end of the month. In the beginning of the month, the CPI increase 6.2% YoY on 10 November and Biden's re-nomination of Powell for a second term as Fed Chair drove the US treasury yields higher. However, the discovery of the Omicron at month-end drove the 10Y yield down. The 30Y long bond yield even dropped to 1.79% on the 30th November which was the lowest level since January this year. The US 10-year Treasury bond yield finally dropped 11 basis point and closed at 1.44% in November.
- In other developed markets, the 10Y Bund yields fell in November. News of rising virus cases and potential lockdowns in Europe alongside Chancellor Merkel warning Germany's current Covid situation was "worse than anything we have seen so far", sent the 5Y5Y Euro inflation swap rate tumbling 15 bps between 16 and 23 November. The 10Y Bund yield finally fell 25bps over the month. Meanwhile, 10Y Gilt yields fell as the BoE's surprise decision to hold rates on 4 November. Additionally, the 5Y5Y GBP inflation swap rate rose by 15 bps, buoyed by positive employment and retail sales data released during the month. Finally, the 10Y Gilt yield finally dropped 23 basis point in November.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	1.67%	1.44%	1.44%	-11	53
US 30-yr Treasury Yield	2.03%	1.79%	1.79%	-14	15
Euro 10-yr Govt Yield	-0.10%	-0.35%	-0.35%	-24	22
Japan 10-yr Govt Yield	0.10%	0.06%	0.06%	-4	4
China 10-yr Govt Yield	2.94%	2.86%	2.86%	-11	-28

Source: Bloomberg

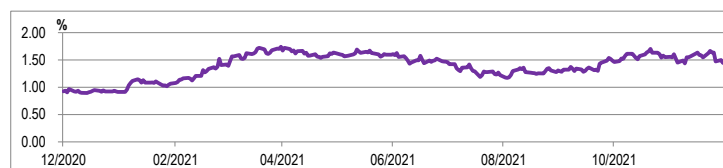


Fig. 4 One year performance of US 10-yr Treasury Yield

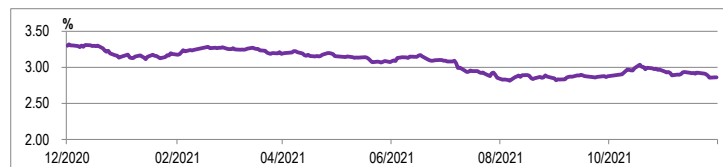


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Omicron variant sparked sell-off in risk assets

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	84.15	66.18	66.18	-20.81%	36.40%
Brent Oil (bbl)	84.78	70.57	70.57	-16.37%	36.24%
Gold Spot (oz)	1,867.48	1,769.84	1,774.52	-0.50%	-6.52%
CMX Silver (oz)	25.40	22.82	22.82	-4.91%	-14.69%
CMX Copper (lb)	447.05	427.20	428.00	-1.38%	21.57%
LME Zinc (mt)	3,409.50	3,196.50	3,288.75	-4.60%	20.50%
LME Aluminum (mt)	2,726.00	2,532.36	2,634.75	-2.59%	33.50%

Source: Bloomberg

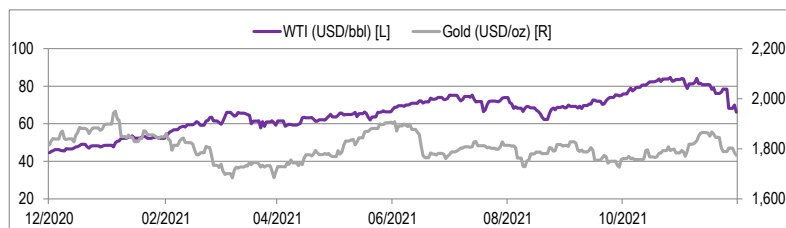


Fig. 6 One year performance of Oil and Gold Price

Oil prices declined sharply in November. Oil prices spiked as OPEC+ declined Biden's calls to boost supply and instead maintained their schedule initially in the month. However, the trajectory was stopped and dragged down by a stronger USD and a surprise increase in US crude inventory. Oil prices rose briefly when the announcement of a release of 50m barrels from US strategic reserve fell short of expectations on 23 November. However, later fell after the discovery of the Covid-19 variant sparked concerns of oil demand outlook. Finally, Brent Oil finally dropped by 16.37% to US\$70.57/bbl at the end of the month.

Gold prices fluctuated in November. Gold prices had a strong start climbing above 1,860.00/oz, but was dragged down after BoE's decision to hold rates which initiated a rush for US Treasuries driving yield down. The increase of October headline inflation on 10 November spurred Gold prices to jump to a five-months high. However, the re-nomination of Powell for Fed Chair evaporated earlier gains. Powell's hawkish remarks on 30 November confirming the discussion of a faster taper dragged Gold prices down again. Gold price finally closed at 1,774.52/oz, decreased by 0.50% MoM.

FX – The DXY rose with a faster taper in sight

- The DXY reached a 14-month high as strong economic data propelled Fed rate hike expectations and US Treasury yields higher. On 5 November, the October Nonfarm Payrolls gain 531k was higher than consensus of 450k, while unemployment rate dropped down to 4.6%. Moreover, the US CPI report on 10 November which showed a 6.2% increase YoY sparked expectations for a faster taper further pushed DXY upwards. At month-end, with Powell's re-nomination and confirmation of discussing a faster taper in December, the DXY finally increased 1.99% in November.
- The EUR slipped amid broad USD strength as markets priced in widening policy divergence between the Fed and the ECB with the former set to begin tapering. Meanwhile, Austria's decision to impose a national lockdown on 19 November heightened the already mounting virus concerns and dragged EUR down on the day. The EUR against the dollar eventually fell 1.90% in November. The GBP plummeted after the BoE shocked markets with 7-2 vote to hold bank rate. But rose after UK October CPI soared to 4.2% YoY during mid-month. However, the new Covid-19 strain sparked fear and the GBP against the dollar finally dropped 2.80% in November.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	96.88	93.86	95.99	1.99%	6.73%
EUR / USD	1.161	1.120	1.134	-1.90%	-7.19%
USD / CNH	6.403	6.367	6.367	-0.59%	-2.09%
USD / JPY	115.4	112.9	113.2	-0.68%	9.61%
GBP / USD	1.369	1.330	1.330	-2.80%	-2.71%
USD / CAD	1.279	1.237	1.278	3.16%	0.42%
AUD / USD	0.753	0.712	0.713	-5.20%	-7.37%
USD / CHF	0.936	0.909	0.919	0.31%	3.81%

Source: Bloomberg

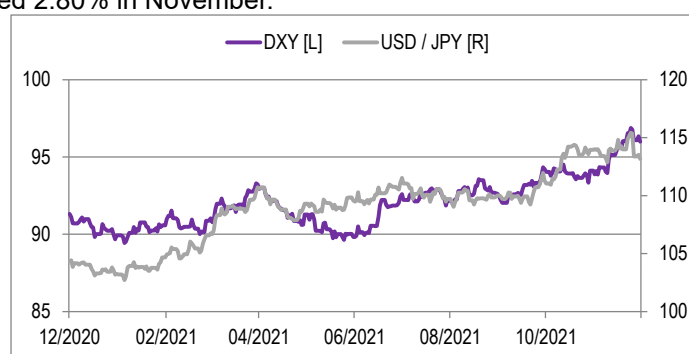


Fig. 7 One year performance of DXY and JPY

Economic Calendar (December 2021)

Monday	Tuesday	Wednesday	Thursday	Friday
		1 MBA Mortgage Applications	2 ADP Employment Change Initial Jobless Claims	3 Change in Nonfarm Payrolls Unemployment Rate Durable Goods Orders Factory Orders
6	7 Trade Balance	8 MBA Mortgage Applications Wholesale Inventories MoM	9 CPI MoM Initial Jobless Claims	10 U. of Mich. Sentiment
13	14 Retail Sales Advance MoM PPI Final Demand MoM Empire Manufacturing Industrial Production MoM	15 MBA Mortgage Applications Housing Starts	16 FOMC Rate Decision Initial Jobless Claims Leading Index	17
20	21 Existing Home Sales	22 MBA Mortgage Applications Markit US Manufacturing PMI New Home Sales	23 Durable Goods Orders Wholesale Inventories MoM Initial Jobless Claims GDP Annualized QoQ	24 Personal Income Personal Spending U. of Mich. Sentiment
27	28 Conf. Board Consumer Confidence	29 MBA Mortgage Applications ADP Employment Change Chicago Purchasing Manager	30	31

Source: Bloomberg