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Equity – Global equities underperformed in September

- Concerns regarding delays to additional fiscal-stimulus packages in US, a rise in political uncertainty related to the upcoming US presidential election and rising COVID-19 cases continued to drag investor sentiment putting pressure on the global equities in September. For developed market, S&P500 and Nasdaq dropped 3.92% and 5.16%, respectively. MSCI EU index dropped 1.47%. For the emerging market, MSCI EM index dropped 1.77%. China CSI300 Index and ChiNext Index dropped 4.75% and 4.80%, respectively. HSI and HSCEI were also down 6.82% and 5.95%, respectively.
- In China, NBS manufacturing PMI went up by 0.5 to 51.5, indicating accelerated expansion of the manufacturing sector. The new orders index rose to 52.8, staying in expansion territory for a seventh consecutive month. The production and raw materials inventory indexes improved at an accelerated pace, and the employment index also picked up. September non-manufacturing business activity index rose 0.7 MoM to 55.9. Looking forward, we expect the National Day holiday to add momentum to the recovery in the service sector and solid consumption during the holiday.

Index	Settle	Net Change (+/-%)		Valuation (2020)	
		MoM	YTD	PE	PB
DJIA	27,781.70	-2.28%	-2.65%	24.13	4.19
S&P 500	3,363.00	-3.92%	4.09%	25.56	3.58
Nasdaq	11,167.51	-5.16%	24.46%	37.63	0.99
Nikkei	23,185.12	0.20%	-1.99%	23.18	1.72
FTSE100	5,866.10	-1.63%	-22.23%	19.35	1.44
CAC40	4,803.44	-2.91%	-19.65%	24.53	1.44
DAX	12,760.73	-1.43%	-3.69%	20.52	1.51
SHCOMP	3,218.05	-5.23%	5.51%	14.46	1.43
CSI300	4,587.40	-4.75%	11.98%	15.69	1.90
ChiNext	2,952.24	-4.80%	40.30%	37.43	5.49
HSI	23,459.05	-6.82%	-16.78%	12.41	1.00
HSCEI	9,397.37	-5.95%	-15.85%	9.15	0.99
TWSE	12,515.61	-0.60%	4.32%	18.45	1.99
KOSPI	2,327.89	0.07%	5.93%	16.93	0.96
JCI	4,870.04	-7.03%	-22.69%	0.00	0.00

Source: Bloomberg

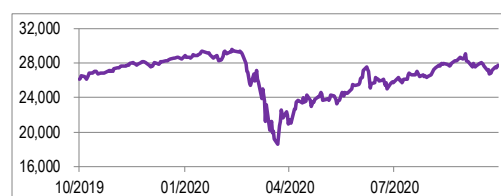


Fig. 1 One year performance of Dow Jones Index

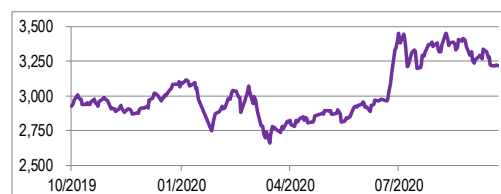


Fig. 2 One year performance of Shanghai Composite

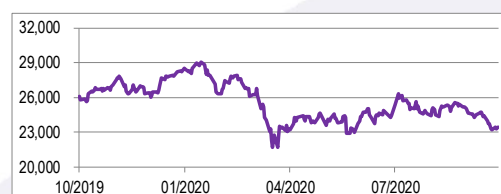


Fig. 3 One year performance of Hang Seng Index

Fixed Income – Bond yields dropped in September

- September's Treasury action was particular lacking in conviction. US 10Y yields closed the month around 2bp lower, recording an intra-month high-low spread of just 8bp. Investors appeared to have lost confidence in the Fed's ability to reach a 2% inflation average, who in turn pointed for more fiscal support. US 10Y Treasury yields finally closed at 0.68% in September.
- In Europe, dual support from the ECB and EU recovery fund, combined with PM Conte's local election victory and reduced political uncertainty fueled demand for Italian duration. Italian 30Y yields plumbed all time lows and closed the month at 1.75%. In UK, the BoE continued its recent negative rate dialogue, as a potentially turbulent Brexit transition was added to the plethora of risks associated with spiraling COVID-19 cases. 10Y gilt yields eventually closed the month at 0.23%.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	0.72%	0.63%	0.68%	-2	-123
US 30-yr Treasury Yield	1.47%	1.36%	1.46%	-2	-93
Euro 10-yr Govt Yield	-0.40%	-0.55%	-0.52%	-13	-34
Japan 10-yr Govt Yield	0.05%	0.01%	0.02%	-4	3
China 10-yr Govt Yield	3.15%	3.02%	3.15%	12	0

Source: Bloomberg

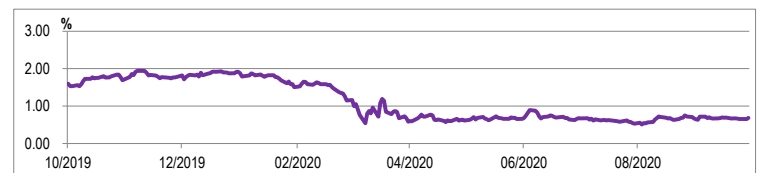


Fig. 4 One year performance of US 10-yr Treasury Yield

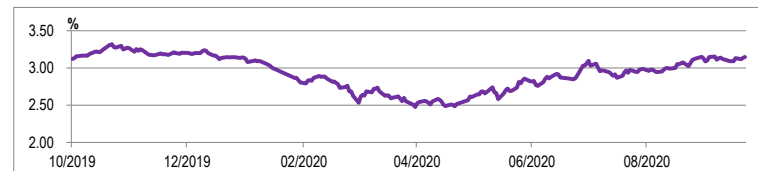


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Oil price was volatile and gold price went down

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	42.76	36.76	40.22	-5.61%	-34.13%
Brent Oil (bbl)	45.58	39.61	40.95	-9.56%	-37.95%
Gold Spot (oz)	1,970.18	1,861.58	1,885.82	-4.17%	24.29%
CMX Silver (oz)	28.65	23.09	23.49	-17.84%	28.64%
CMX Copper (lb)	311.60	296.80	303.25	-0.95%	7.33%
LME Zinc (mt)	2,529.25	2,353.75	2,388.00	-4.14%	4.76%
LME Aluminum (mt)	1,781.40	1,702.50	1,729.00	-2.01%	-2.93%

Source: Bloomberg

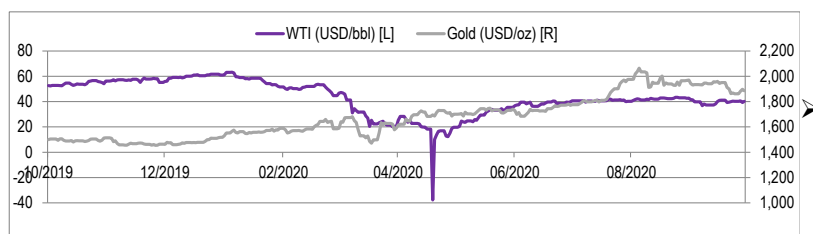


Fig. 6 One year performance of Oil and Gold Price

In September, oil prices dropped for the first time since April as concerns again started to build around a 'second wave' of the COVID-19 pandemic which could potentially undermine the demand recovery for oil products. Although oil price went up in mid-September as EIA report showed crude oil inventories fell by 4.4m barrels. However, the gains were short-lived as the resumption of Libyan oil exports and heightened concerns that a 'second wave' of the virus could prompt a return of the demand and supply imbalance that rocked markets in the year. WTI and Brent went down 5.61% and 9.56% respectively in September.

Gold price was under pressure in September as a resurgent US dollar created some difficult headwinds for gold. Due to the lack of reference to additional easing at the FOMC meeting and the USD appreciated markedly on the back of 'risk-off' sentiment which swept through equity markets, there was little reason for further purchases of gold and the price fell more aggressively. Gold price finally closed at USD 1,885.82/oz, down 4.17% MoM.

FX – Dollar rebounds

- September was the month where the USD regained some of its losses following several consecutive months of weakening. The ECB meeting captured the attention of FX markets as participants awaited the reaction of the central bank to recent EUR strength. Following the decision not to “overreact” to currency movements, focus shifted to the FOMC meeting, where policymakers indicated they would keep rates on hold for at least three years. Also, a resurgence of virus fears and a continued lack of fiscal stimulus in the US helped the DXY to rally. Finally, the DXY went up 1.89% in September.
- In Europe, due to the key policymakers suggested the central bank was growing more concerned about EUR appreciation and the lack of additional stimulus from both the Fed and Congress in US led to additional “risk off” sentiment, the EUR drop moderately. The EUR eventually was down 1.80% against the USD in September. In UK, GBP was one of the G10 underperformers for September. Although GBP climbed higher despite the ever-closer Brexit deadline, this mirage was shattered when the Internal Markets Bill catalyzed a rise in tensions with the EU which threatened to derail negotiations. GBP-USD eventually dropped 3.37% in September.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	94.64	92.14	93.89	1.89%	-2.60%
EUR / USD	1.194	1.163	1.172	-1.80%	4.53%
USD / CNH	6.854	6.745	6.784	-0.93%	-2.56%
USD / JPY	106.3	104.6	105.5	-0.41%	-2.88%
GBP / USD	1.338	1.272	1.292	-3.37%	-2.54%
USD / CAD	1.339	1.305	1.332	2.08%	2.53%
AUD / USD	0.738	0.703	0.716	-2.90%	2.01%
USD / CHF	0.928	0.904	0.921	1.90%	-4.73%

Source: Bloomberg

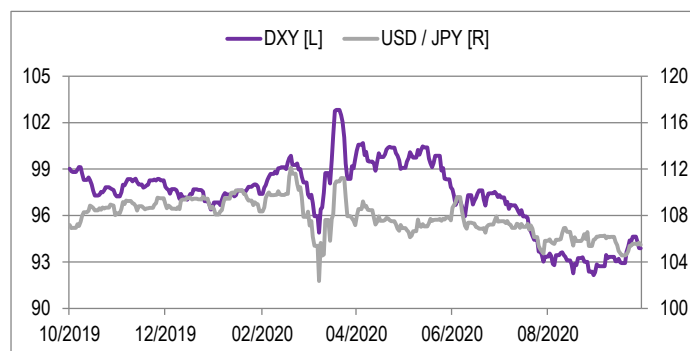


Fig. 7 One year performance of DXY and JPY

Economic Calendar (October 2020)

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

Source: Bloomberg