Weekly Report

Market Overview

U.S. stocks rise as economy restarts gradually

Review: All three major U.S. stock indexes rose more than 3% this year, as: gradual restart of the U.S. economy; positive news on COVID-19 vaccine development; and the Fed Chairman Powell's commitment to support the economy outweighed the concerns over U.S.-China tensions.

Outlook: Several factors such as: key economic data to be released this week; another important speech by the Fed chair, as well as with the increasing tension between U.S. and China would likely dampen market sentiment. We expect U.S. equities continue to rangebound consolidation trading in the short term.

European stocks rose 3.49% as the economies restart gradually

Review: Analysts doubted the progress of European Recovery Fund and remain concerned over the tension between China and the United States. However, the MSCI Europe Index rose 3.49% last week as the market remains optimistic on the reopening of economies and cheered on signs of stabilization as shown in economic data.

Outlook: Although Europe is gradually restarting its economy, investors are awaiting for GDP data to be announced in this week. Also, the increasing tension between U.S. and China as well as the debate amongst EU countries over the use of the recovery funds may result in short term selling pressure on Europe equities.

A-shares fell as U.S.-China tensions worsened

Review: China's annual Two Sessions was held last week. For the first time in history, the Chinese government choose not to set an annual GDP target. In addition, the U.S.-China relationship deteriorated sharply over the week. As a result, the Shanghai Composite Index fell 1.91% last week to close at 2,813.77 points.

Outlook: The Chinese government will increase the budget fiscal deficit as a percentage of GDP and introduce policies to stimulate the economy. However, we expect A-Shares will be affected by the tension between China and the U.S. as well as weaker Chinese yuan in the near term.

HSI fell 3.64% as U.S.-China tensions worsened

Review: The introduction of Hong Kong's National Security Law as well as worsening relationship between U.S.-China resulted in the Hang Seng Index falling 867.33 points last week or 3.64%, to close at 22,930.14 points.

Outlook: We expect Hong Kong stocks to be under selling pressure in the near term due to the further deterioration of U.S.-China relationship, the weakening of the Chinese yuan as well as the reemergence of protests in Hong Kong.

Dragged by regional equities' performance, the STI fell 0.94% last week

Review: U.S.-China tensions worsened last week. In addition, the economy stagnated as a result of the circuit breaker as well as the COVID-19 pandemic worsened in some neighbouring countries. As a result, the STI fell 0.94% to close at 2,499.83 points last week.

Outlook: The local outbreak has gradually brought under control. However, uncertainties such as U.S.-China relations and the reopening of the economies will still affect market sentiment. We expect Singapore equities will continue to fluctuate in short term.

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JCI driven by external markets to finished higher last week

Review: The epidemic continued to spread in Indonesia and the central bank maintained current interest rates in order to defend the Rupiah, defying consensus expectations. The Jakarta Composite Index rose 0.85% last week, driven by global markets' performance.

Outlook: Although risk appetite in global markets have increased, but the local outbreak has yet to be contained. Therefore, we expect near-term selling pressure as a result of domestic COVID-19 pandemic developments.

South Korea equities rose on the back of economic stimulus

Review: Although South Korea's exports fell 20.3% year-on-year on the first 20 days in May, South Korea will set up a 10 trillion won special purpose entity (SPE) to directly purchase commercial paper to stabilize the bond market. The Korean stock market rose 2.22% last week.

Outlook: Although the South Korea's outbreak is under control, in the short term market is likely to be buoyed by optimism over the reopening of the economy, we still expect South Korea equities to fluctuate due to the deterioration of U.S.-China relationship and the possibility of a new wave of infections as a result of the reopening process.

India stocks fell 1.37% as the government extended lockdown period

Review: Although India central bank lowered the interest rate from 4.40% to 4.00%, but the stock market fell 1.37% as the government announced that the national lock-up period was extended to the end of May.

Outlook: Investors await for India GDP data to be released this week. We remain cautious on the near term outlook as the outbreak continues to worsen in India.

Brazil stocks rose nearly 6% on the back of stimulus policies

Review: Despite Brazil surpassing Russia to record the second-highest number of infections globally, the announcement on the release of credit concessions and the use of US$ 2.78 billion to subsidize some possible loan defaults boosted markets. Brazil stocks rose 5.95% last week.

Outlook: The current epidemic in Brazil is still in the stage of spreading. In addition, the effectiveness of future government stimulus policies will be greatly limited by economic fundamentals and political crisis. Brazil equities likely to feel selling pressure in the short term.

Russia stocks rose as oil prices rebounded

Review: Russian industrial production fell by 6.6% in April, better than the expected decline of 10.5%. Also, the reopening of global economies boosted oil prices. As a result, the Russian RTS index rose 7.31% last week.

View: Oil prices are expected to enter a consolidation phase after a rapid rebound. We expect that the stock market will catch up after the epidemic is under control.

Weekly Report

Global Bonds

Government bond prices rose as U.S.-China tensions worsened

Review: Positive developments in COVID-19 vaccine and Fed Reserve Chairman's pledge to support the U.S. economy dampened demand for government debt. However, the relationship between China and the United States deteriorated and risk aversion rose. the FTSE World Government Bond Index rose 0.14% last week.

Outlook: As the pandemic has yet to be fully brought under control, in addition economic outlook remains uncertain and U.S.-China's tensions continued to worsen, we expect that developed markets' government debt will still be favoured by investors in the near term.

High yield bond prices rose on the back of supportive Fed policy

Review: The Bloomberg Barclays US High Yield Bond Index rose 2.59%, the European High Yield Bond Index gained 1.56%, while the FTSE US Investment Grade Corporate Bond Index rose 1.53%.

Outlook: We expect corporate bond spreads to narrow further as economies restart and central banks continued to implement policies that are supportive for corporate debt.

EM bond prices rose as market sentiment turned positive

Review: The Bloomberg Barclays Emerging Countries Dollar Sovereign Bond Index rose by 3.02% over the week, and the local government bond index (in USD) rose 1.06%.

Outlook: Many emerging markets' central banks have cut interest rates or introduced economic stimulus policies in the past week, which stabilized credit markets. Investors can look at emerging market USD bonds with strong fundamentals.

Commodities

Gold fell as markets remain optimism on reopening of economies

Review: Gold futures fell 1.18% last week to US$1,735.5 per ounce as investors remain optimistic about the reopening of economies.

Outlook: We expect gold to remain in favour as a safe-haven asset, on the back of slashing of interest rates by global central banks, the uncertainty over the pandemic situation, worries over global economic growth and worsening of U.S.-China tensions.

Mid-to-long term investment opportunity in crude oil appears

Review: U.S. crude oil inventories fell for the second consecutive week and the rate of reduction was higher than expected. In addition, the reopening of economies resulted in higher demand for crude oil. WTI futures rose 12.98% last week, and has risen for three consecutive weeks.

Outlook: U.S. and OPEC+ crude oil production volume has been slashed as a result of the pandemic. Oil prices are likely to consolidate as demand-supply rebalances in the near-term. We see mid-to-long term investment opportunity appearing as the current crude oil prices are far below the breakeven prices for oil-producing nations, implying current prices are unsustainable.

Weekly Report

Major market indexes

Index Name	Price	Return (Weekly)	Return (Monthly)	Return (Annual)	Return (YTD)	Return (3Y)	Return (5Y)	Return (10Y)
Hang Seng Composite	22930.14	-3.64	-4.74	-17.01	-19.47	-11.43	-18.90	20.78
Hang Seng China Enterprise	9426.78	-2.56	-2.82	-10.16	-15.98	-11.24	-34.99	-12.14
Shanghai Composite	2813.77	-1.91	0.16	-1.40	-7.78	-9.49	-41.56	7.29
Shenzen Composite	1752.42	-3.10	0.57	16.76	1.38	-3.59	-37.28	68.49
Dow Jones Industrial	24474.12	3.29	2.90	-4.38	-14.27	16.04	34.19	143.59
S&P 500	2948.51	3.20	4.18	4.58	-8.52	22.38	39.01	175.17
NASDAQ COMPOSITE	9284.88	3.44	7.99	22.10	3.92	50.27	83.22	321.75
FTSE 100	6015.25	3.34	4.19	-17.65	-20.54	-20.28	-14.77	21.30
DAX	11065.93	5.82	7.14	-7.80	-16.42	-12.26	-6.27	95.30
NIKKEI 225	20388.16	1.75	7.35	-2.08	-12.59	4.37	1.30	115.52

Data Sources : Bloomberg Data as of 2020/05/22

Economic data

Country	Event	Previous	Forecast	Actual	Expectation
US	Initial claims for Jobless benefits 5/16	2.68M	2.29M	2.43M	Below
US	Markit Manufacturing PMI May	36.10	39.00	39.80	Above
EU	Markit Manufacturing PMI May	33.40	40.00	39.50	Below
EU	Consumer Sentiment May	(22.00)	(26.00)	(18.80)	Above
JP	GDP Growth Rate YOY 1Q	-7.30%	-5.00%	-3.40%	Above
CN	1 Year Loan Prime Rate	3.85%	3.85%	3.85%	On Par

Data Sources : Bloomberg Data as of 2020/05/22

Bond/Forex

Bond Instrument	Price	Change(%)	Yield(%)
US Treasury 30Y	97 0.5/32	-1.07	1.37
US Treasury 10Y	99 21.25/32	-0.15	0.66
US Treasury 5Y	100 6.25/32	-0.13	0.34
US Treasury 2Y	99 29.25/32	-0.04	0.17
US Tbill 3M	0.12	-0.04	0.12
China Govt Bond 10Y	104.60	3.61	2.58
Japan Govt Bond 10Y	101.07	-0.74	-0.01
German Bund 10Y	104.97	-0.36	-0.50
UK Gilt 10Y	147.85	0.50	0.17

Data Sources : Bloomberg Data as of 2020/05/22

Currency	Price	Return (Weekly)	Return (Monthly)	Return (YTD)
USD/HKD	7.76	0.06	-0.07	0.46
HKD/CNH	0.92	0.40	-0.75	-3.17
USD/CNH	7.15	0.47	-0.83	-2.66
USD/JPY	107.64	0.35	-0.44	0.83
USD/CAD	1.40	0.37	0.33	-7.13
GBP/USD	1.22	-0.11	-2.01	-8.12
AUD/USD	0.65	0.18	1.10	-6.91
EUR/USD	1.09	-0.21	0.56	-2.88

Data Sources : Bloomberg Data as of 2020/05/22