

Weekly Report



Market Overview



U.S. stocks ended the week and May on a higher note

Review: All three major U.S. stock indexes recorded positive gains last week, with Dow Jones and S&P 500 up 3.75% and 3.01% respectively, while Nasdaq lagged behind with a 1.77% gain, as Facebook and Twitter shares retreated after President Donald Trump signed an executive order threatening social media firms with new regulations over free speech.

Outlook: Several closely-watched data such as jobless claims, unemployment rate and PMI data will be released this week, the first indicators of recovery after the U.S. started reopening economies. A better-than-expected data would continue to support equities at current levels as well as rotation of fund flows into cyclical sectors.



Europe equities continued another week of rally despite Friday's retreat

Review: In spite of Friday's retreat as investors took profit prior to U.S. President Trump's announcement on China, Europe stocks saw strong gains on a weekly basis. The Stoxx Europe 600 Index gained 3.00% as investors focused on the economic recovery after the lockdown period.

Outlook: Investors are likely to continue focusing on the efforts by Euro members to reopen their economies. As such, we see continued support for Europe equities in the near term. Worse-than-expected PMI data as well as continued U.S.-China tensions may cap upside.



A-shares end higher for the week on optimism over stimulus hopes

Review: China concluded the Two Sessions last week with promises to focus on job creation and assured investors that China has room for economic stimulus. The Shanghai Composite Index gained 1.37% while the CSI 300 closed 1.12% higher last week.

Outlook: China released the May's official Manufacturing PMI data on the last day of month, showing a slight pullback at 50.6 compared to April's 50.8. It was also lower than consensus' estimates of 51.1. Key economic data such as the official PMI that signifies the strength of the economic recovery will be announced this week. We may see cautious trading behaviour should data fall below expectations.



Hang Seng Index finished nearly flat for the week after a 3-day drop

Review: Investors sold Hong Kong shares for three consecutive days towards the end of the week, while awaiting for more news on U.S. response to China's plan to impose the national security law. The Hang Seng Index ended week just 0.14% higher.

Outlook: We continue to expect Hong Kong stocks to be under selling pressure in the near term due to U.S.-China tensions and concerns over Hong Kong's economic outlook and stability.



Singapore equities recorded only one day of positive gains last week

Review: Singapore shares only recorded a one-day gain last week, the day which the supplementary budget was announced, before selling pressure sets in due to U.S.-China tensions. The Straits Times Index gained 0.44% last week.

Outlook: Selling pressure was seen in May due to concerns over the country's near term economic outlook as well as U.S.-China tensions, with the STI falling 4.32%. While some upside may be seen in the near term after Singapore exits from the "circuit breaker", gains are likely capped due to concerns on U.S.-China tensions which may derail economic growth.

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Indonesia shares rallied as government plans to reopen the economy

Review: Indonesia equities rallied after the Hari Raya holiday, recording positive gains for all trading sessions last week as the government planned for easing of lockdown measures. The Jakarta Composite Index jumped 4.57% last week.

Outlook: Despite rising infected case count, Indonesia is starting to relax lockdown measures in locations where the outbreak is deemed to be under control. We think investors are likely to trade on optimism on the reopening of Indonesia's economy in the near term.



South Korea shares continued to clock another week of gains

Review: South Korean equities continued to see another positive week of gains, in-line with global equities' performance. KOSPI rose 3.02% last week.

Outlook: As South Korea is the bellwether for global trade, investors would look at economic data such as export orders as well as PMI that are released this week to gauge the strength of the global economic recovery after economies start to reopen. Still, the near term upward climb is unlikely to be derailed by poor data as investors are focused on the continued recovery story, while a potential worsening of U.S.-China tensions would cap the upside.



Japan equities rallied as government ends state of emergency

Review: The Nikkei 225 Index was the best performer among Asian indexes on a weekly basis, rising 7.31% as Japan ended the state of emergency last Monday and announced a US\$1.1 trillion stimulus package that included significant direct spending.

Outlook: The Japanese equity rally may take a breather this week. Still, downside is likely limited in the near term as investors continue to focus on the reopening of the Japanese economy.



Australia shares continued recording gains for five consecutive weeks

Review: Despite profiting taking on Friday, the Australia benchmark S&P/ASX 200 rose 4.71% for the week, recording its fifth straight week of gains as investors remain hopeful on a faster-than-expected economic recovery, outweighing concerns on rising U.S.-China tensions.

Outlook: We think near term upward trajectory is likely to continue for Australian equities, as its major trading partners focus on reopening their economy and the demand for hard commodities is likely to recover.



Brazilian stocks rose in spite of worsening COVID-19 outbreak

Review: Brazilian stocks continued to clock another week of gains despite taking the second spot after U.S. in terms of number of total COVID-19 cases. Investors continued to focus on reopening of major economies, likely resulting in spike in demand for commodities as business activities resume, benefitting commodity players such as Brazil.

View: While domestic case count remains a concern, the continued weakening of the USD meant that the pressure on the Real is likely to ease further in the near term. Foreign outflows is likely to ease in emerging markets as well, benefitting Brazilian equities.

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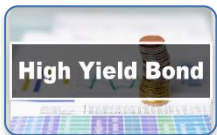
Global Bonds



Government bonds remain in demand due to U.S.-China tensions

Review: The FTSE World Government Bond Index rose 0.84% last week due to U.S.-China tensions. Still, the index underperformed the riskier high yield bonds, indicating the recovery of risk appetite in markets.

Outlook: Although government bonds may still remain in favour in the near term, the risk-reward for riskier assets such as high-yield bonds has become more appealing in a low interest rate environment and a hopeful mood on economic recoveries post pandemic. Gains on government bond prices are likely to be muted in the short term.



High yield bond prices rose as risk appetite recovers

Review: The Bloomberg Barclays Global High Yield Total Return Index rose 1.89% last week and clocked 5.11% gains in May, as risk appetite returns to markets.

Outlook: We expect higher yield bond spreads to continue narrowing in the near term as risk aversion recedes. Still, a slower-than-expected economic recovery may raise fears on cash flow and debt repayment certainty.



EM bond prices clock another week of gains

Review: The Bloomberg Barclays EM USD Aggregate Total Return Index continued to rise, gaining 0.58% as a combination of low interest rate environment, supportive monetary policies and weakening USD makes EM debts more attractive to investors now.

Outlook: A weakening USD and benign interest rate environment benefits EM bonds. Still, given the still-weak fundamentals of the global economy, a diversified portfolio or bottom-up picking strategy on EM bonds would still be advisable.



Commodities



Gold prices continued to weaken as positive sentiment rewards risk

Review: Gold spot prices fell 0.25% to US\$1730.27/oz last week as risk appetite returns to equity markets.

Outlook: Gold prices may rebound in the near term should U.S.-China tensions worsen. Still, a persistent optimism on global economic recovery as countries restart their economies meant that upside to current price levels are likely capped.



Crude oil continued to rise strongly as investors bet on demand recovery

Review: Oil prices continued to record gains last week as investors bet on a recovery in demand for crude oil as economies restart. In May, the WTI clocked an impressive 88.38% gain while the international Brent rose 39.81%.

Outlook: Crude oil prices are likely to be well supported at current levels due to the combination of supply cut compliance by major oil producers and demand recovery for crude oil due to reopening of economies.

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Major market indexes

Index Name	Price	Return (Weekly)	Return (Monthly)	Return (Annual)	Return (YTD)	Return (3Y)	Return (5Y)	Return (10Y)
Hang Seng Composite	22961.47	0.14	-6.83	-14.64	-18.55	-10.66	-16.27	17.77
Hang Seng China Enterpr	9561.03	1.42	-4.78	-7.95	-14.39	-9.97	-32.21	-14.89
Shanghai Composite	2852.35	1.37	-0.27	-1.60	-6.48	-8.29	-38.15	11.06
Shenzen Composite	1786.51	1.95	1.31	16.62	3.69	-1.30	-36.04	75.74
Dow Jones Industrial	25400.64	3.75	4.26	2.29	-11.06	20.70	40.93	153.22
S&P 500	3029.73	3.01	4.53	10.62	-5.77	26.17	44.46	184.33
NASDAQ COMPOSITE	9368.99	1.77	6.75	27.33	5.76	52.98	87.18	327.02
FTSE 100	6218.79	1.39	2.97	-15.15	-19.43	-19.26	-13.00	17.69
DAX	11781.13	4.63	6.68	-1.19	-12.55	-8.03	1.52	93.72
NIKKEI 225	21877.89	7.31	8.34	6.20	-7.52	11.18	6.39	125.27

Source: Bloomberg. As of 2020/5/29

Economic data

Country	Event	Previous	Forecast	Actual	Expectation
US	Initial Jobless Claims end May 23	2,438,000	2,100,000	2,123,000	Below
US	Personal Spending	-7.5%	-12.8%	-13.6%	Below
US	Conference Board Consumer Confidence	85.7	87.0	86.6	Below
EU	Economic Confidence	64.9	70.6	67.5	Below
EU	Services Confidence	-38.6	-27.9	-43.6	Below
HK	Exports YoY	-5.8%	-4.5%	-3.7%	Above

Source : Bloomberg 2020/05/29

Bond/Forex

Bond Instrument	Price	Change(%)	Yield (%)
US Treasury 30Y	96.16	-0.88	1.41
US Treasury 10Y	99.73	0.06	0.65
US Treasury 5Y	99.73	-0.46	0.30
US Treasury 2Y	99.93	-0.98	0.16
US Tbill 3M	0.14	15.96	0.14
China Govt Bond 10Y	99.54	-4.83	2.73
Japan Govt Bond 10Y	101.01	-0.06	-0.00
German Bund 10Y	104.18	-0.76	-0.42
UK Gilt 10Y	147.25	-0.40	0.21

Source: Bloomberg. As of 2020/5/29

Currency	Price	Return (Weekly)	Return (Monthly)	Return (YTD)
USD/HKD	7.75	-0.06	-0.01	-1.11
HKD/CNH	0.92	-0.13	0.74	4.00
USD/CNH	7.13	-0.21	0.73	2.83
USD/JPY	107.83	0.18	0.61	-0.42
USD/CAD	1.38	-1.54	-1.18	1.95
GBP/USD	1.23	1.40	-1.99	-2.26
AUD/USD	0.67	1.99	2.38	-3.91
EUR/USD	1.11	1.83	1.33	-0.61

Source: Bloomberg. As of 2020/5/29

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