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For reference only
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Weekly Report

Global Equities

U.S. stocks fell last week as holiday-thinned liquidity and year-end profit-taking amplified price moves, while mega-cap tech and AI leaders pulled back

Review: U.S. stocks ended lower last week, mainly as holiday-thinned liquidity and year-end profit-taking amplified price moves, while mega-cap tech and AI leaders pulled back.

Outlook: U.S. equities are expected to remain resilient, underpinned by a favorable mix of fiscal stimulus, robust consumer demand, strong corporate earnings, and a shift toward Fed easing, despite persistent concerns over trade conflicts and inflation.

European stocks ended higher on Friday, led by defense and banks, with energy and basic resources supported by firmer crude oil and precious metals

Review: The MSCI Europe Index rose by 1.23% last week, led by defense and banks, with energy and basic resources supported by firmer crude oil and precious metals.

Outlook: With global rotation out of U.S. assets slowing and the ECB's decision to keep rates unchanged, Europe is unlikely to enjoy the same reallocation tailwind as in the first quarter of 2025, reinforcing our neutral stance on the region's equities.

China equities ended mixed last week

Review: The Shanghai Composite rose 0.13% last week, while the Shenzhen Composite fell 0.43%. Chinese equities were mixed as investors weighed improving macro signals against ongoing headwinds—particularly weak domestic demand and consumption—which kept conviction low and capped upside.

Outlook: Chinese equities show cautious optimism, supported by favorable PBOC policies and AI/tech momentum. However, weak earnings and property sector challenges may constrain gains, with markets likely to remain range-bound and tech/consumer sectors outperforming traditional industries.

Hang Seng Index rose last week

Review: Hang Seng Index rose 2.01% last week, driven by a tech-led rally—particularly in AI and semiconductors—as investors leaned into the "domestic China AI" theme alongside catalysts such as Baidu's move toward listing its AI-chip unit.

Outlook: Hong Kong equities appear cautiously constructive but remain choppy, with lower U.S. rate expectations and ongoing, albeit modest, China policy support providing a slight upward bias. However, weak Chinese growth and unresolved property-sector stress remain key risks and potential sources of negative headlines.

Global Bonds

FTSE World Government Bond declined last week

Review: FTSE World Government Bond Index fell 0.23% last week.

Outlook: Major central banks are now at distinctly different stages of their monetary policy cycles. For passive investors, a barbell strategy may be worth considering, which combines short- to intermediate-duration U.S. Treasuries and high-grade USD corporates to capture prospective Fed easing, and includes selective EM local-currency bonds poised to benefit from a softer dollar and the current risk-on tone.

Both global high yield bond and EM bond rose last week

Review: The Bloomberg Barclays High Yield Bond Index gained 0.12%, while Bloomberg Barclays EM USD Aggregate Total Return Index gained 0.03%.

Outlook: Major central banks are now at distinctly different stages of their monetary policy cycles. For passive investors, a barbell strategy may be worth considering, which combines short- to intermediate-duration U.S. Treasuries and high-grade USD corporates to capture prospective Fed easing, and includes selective EM local-currency bonds poised to benefit from a softer dollar and the current risk-on tone.

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Commodities

U.S. WTI crude rose 1.02% last week

Review: U.S. WTI rose 1.02% last week to US$57.56/bbl, supported by a higher supply-risk premium amid rising uncertainty around Venezuela (sanctions/embargoes and potential export disruptions) and broader tensions involving Iran and the Russia–Ukraine war.

Outlook: Crude oil is likely to trade range-bound to mildly softer because the market is still pricing a supply surplus/inventory builds, with OPEC+ holding output steady helping to limit (but not eliminate) downside. The main upside risk is headline-driven spikes from geopolitics—especially Venezuela/sanctions and other disruption risks—but these rallies are likely to fade unless they translate into sustained loss of barrels.

Gold prices fell 4.43% last week

Review: Spot gold fell 4.43% last week to US$4,398.65/oz t, as a post-record pullback took hold: profit-taking after fresh highs and the CME's increase in precious-metals futures margin requirements likely prompted leveraged players to reduce exposure, accelerating the sell-off.

Outlook: Demand from central banks to allocate a larger share of reserves to gold has effectively established a price floor, encouraging dip-buying even during periods of dollar strength or rising real yields. Moreover, with Trump in office as U.S. President, persistent policy uncertainty continues to support gold prices.

Wheat price fell 2.41% last week

Review: Wheat price fell 2.41% last week to US$5.065/bushel, pressured by ample global supply. Expectations for a bumper crop in key exporters (e.g., Argentina's 2025/26 outlook near a record ~27M+ tonnes) and continued Black Sea export competition, alongside soft demand and export-sales sentiment, kept rallies capped.

Outlook: Wheat is expected to remain range-bound with a mild downside bias, as the market is still weighed by ample global supply/ending stocks and fresh export competition (e.g., strong Southern Hemisphere output). The main upside risk is headline-driven spikes from Black Sea disruptions or U.S. winter wheat weather scares, which can lift nearby prices even if the broader balance remains comfortable.

Currencies

USD fell 0.41% last week

Review: The US Dollar Spot Index declined 0.41% last week, pressured by expectations for Fed rate cuts narrowing rate differentials, policy uncertainty around Trump's tariffs, rising fiscal-deficit concerns, and year-end positioning amid thin holiday trading.

Outlook: The USD is likely to remain choppy with a mild rebound/sideways-up bias, as it is coming off a weak 2025 and markets expect the Fed to hold at the Jan 27–28 meeting, with cuts more likely later in 2026 rather than imminently.

EUR fell against the USD last week

Review: The EUR fell 0.60% against the dollar last week, pressured by softer Eurozone growth signals—most notably December manufacturing PMI slipping to 48.8, deeper in contraction—and amplified by thin holiday liquidity.

Outlook: The euro is expected to appreciate against the USD in the near term, as the Fed initiate interest rate cuts and proceed at a faster pace than the ECB. Indications of moderating U.S. inflation, combined with weaker labor market data, reinforce expectations for a more rapid Fed easing cycle.

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	25630.54	2.01	0.97	33.29	2.76	25.11	-4.74	24.30
Hang Seng China Enterprise	8913.68	2.85	-0.32	28.07	2.86	27.84	-14.90	-0.59
Shanghai Composite	3965.12	0.13	1.69	23.58	0.00	25.79	12.47	20.72
Shenzen Composite	2538.69	-0.43	2.51	36.33	0.00	24.24	4.48	21.69
Dow Jones Industrial	48382.39	-0.67	0.89	13.22	0.66	46.92	59.20	181.97
S&P 500	6858.47	-1.03	-0.17	15.41	0.19	80.10	84.03	240.08
NASDAQ COMPOSITE	23235.63	-1.52	-1.45	18.42	-0.03	125.47	81.26	375.03
FTSE 100	9951.14	0.82	2.94	21.00	0.20	30.36	50.50	62.14
DAX	24539.34	0.82	2.13	23.28	0.20	69.98	79.76	138.01
NIKKEI 225	50339.48	-0.81	2.26	29.42	2.57	99.96	90.11	173.97

Source: Bloomberg 2026/1/2

Economic data

Country	Event	Previous	Forecast	Actual	Expectation
South Korea	CPI YoY (December)	2.4%	2.3%	2.3%	On Par
South Korea	Industrial Production YoY (November)	-8.1%	2.2%	-1.4%	Below
India	Industrial Production YoY (November)	0.4%	2.9%	6.7%	Above
Pakistan	CPI YoY (December)	6.1%	5.8%	5.6%	Below
Brazil	Unemployment Rate (November)	5.4%	5.4%	5.2%	Below
Spain	CPI YoY (December)	3.0%	2.8%	2.9%	Above

Source: Bloomberg 2026/1/2

Bond/Forex

Bond Instrument	Price	Change(%)	Yield (%)
US Treasury Bond 30Y	96.15	-0.79	4.87
US Treasury Note 10Y	98.46	-0.43	4.19
US Treasury Note 5Y	99.46	-0.19	3.74
US Treasury Note 2Y	99.81	0.03	3.47
US Treasury Bill 3M	3.54	0.21	3.62
China Govt Bond 10Y	100.01	0.03	1.84
Japan Govt Bond 10Y	2.06	-0.16	2.06
German Bund 10Y	97.51	-0.26	2.85
UK Gilt 10Y	99.73	-0.13	4.48

Source: Bloomberg 2026/1/2

ps: The tick size for the US 30-year Treasury Bond is 1/32 of a point, while the US 10-year Treasury Note's tick size is 1/64 of a point. These are represented in decimals.

Currency	Price	Return (Weekly)	Return (Monthly)	Return (YTD)
USD/HKD	7.7916	0.24	0.10	0.13
HKD/CNH	0.8945	-0.58	-1.44	-0.15
USD/CNH	6.9703	-0.30	-1.32	0.00
USD/JPY	156.8400	0.70	1.18	0.29
USD/CAD	1.3733	0.41	-0.51	0.17
GBP/USD	1.3456	-0.53	0.85	-0.25
AUD/USD	0.6693	-0.18	0.63	0.13
EUR/USD	1.1719	-0.60	0.52	-0.37

Source: Bloomberg 2026/1/2