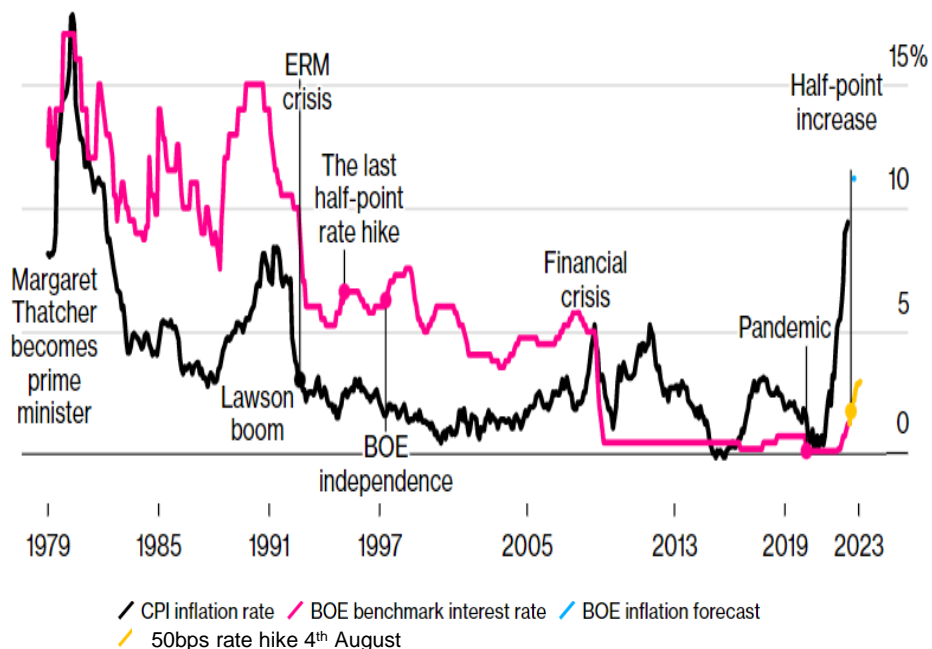




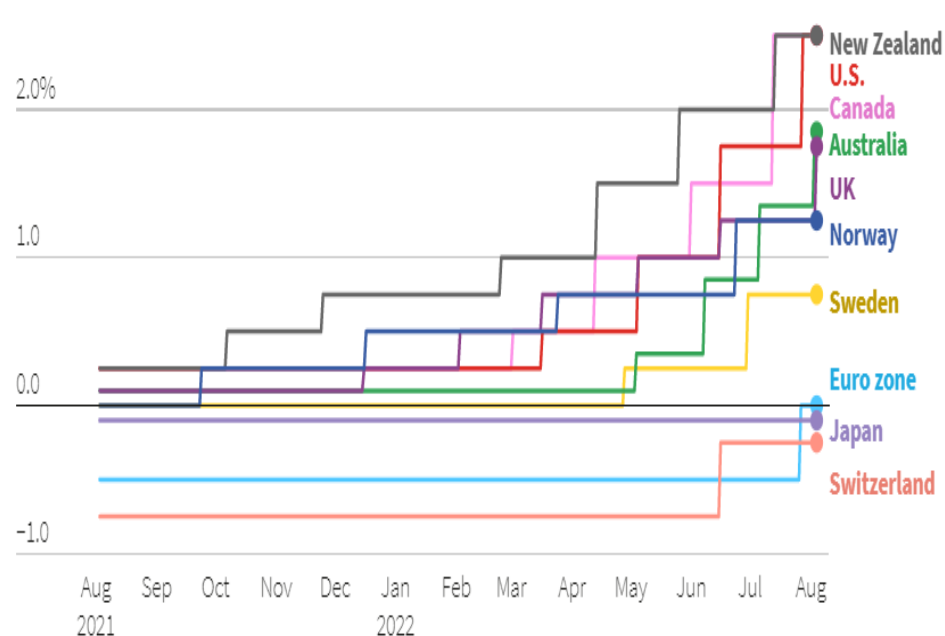
UK Interest Rate Hike & Global Markets Updates

Bank of England pushed through with the biggest interest rate rise in 27 years, raising the key rate by 50bps to 1.75%

UK's Inflation & Interest Rate, %



Selected Central Banks Key Interest Rates, %



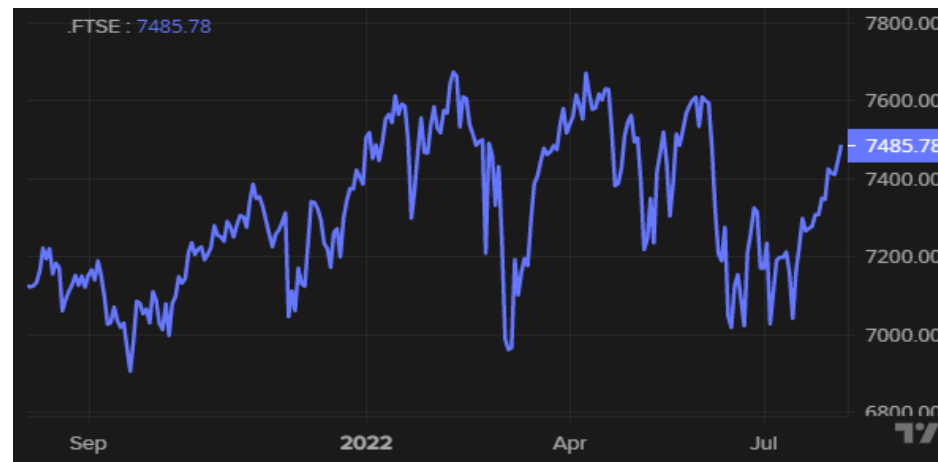
- ✓ In line with expectations, the Bank of England pushed through the biggest interest rate increase in 27 years (since Feb 1995) and warned that a long recession is on its way with inflation seen topping at 13%. **The key rate was raised by 50bps to 1.75% on 4th August.**
- ✓ The BOE was earlier concerned about falling behind peers, especially the US Fed Reserve, which raised rates a total of 1.5% at its past two meetings. For the BOE, rate increases will also support the value of the pound, which has fallen 10% against the dollar this year.
- ✓ Investors expect the UK's key interest rate to reach almost 3% by early-2023.

Pound weakens against key currencies despite the interest rate hike on pessimistic UK's economic outlook

GBPUSD Exchange Rate, 1-Year Trend, as at 4th August



UK's FTSE 100 Index, 1-Year Trend, as at 4th August



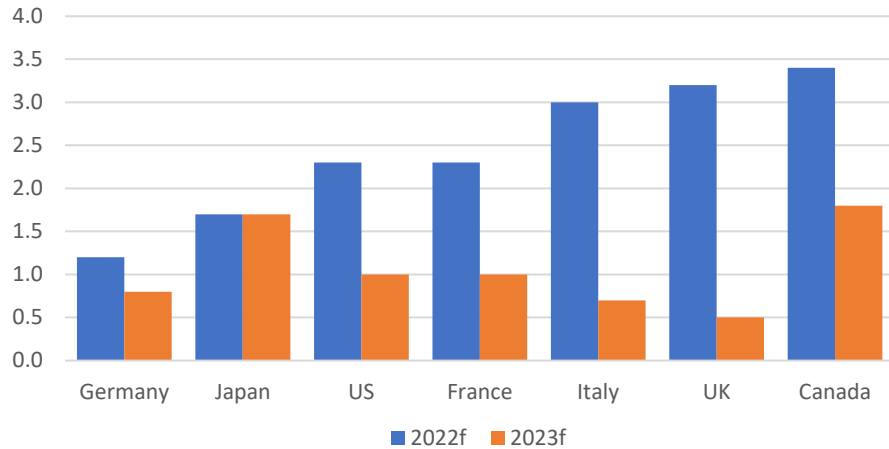
UK's 10-Year Gilt Yield, 1-Year Trend, as at 4th August



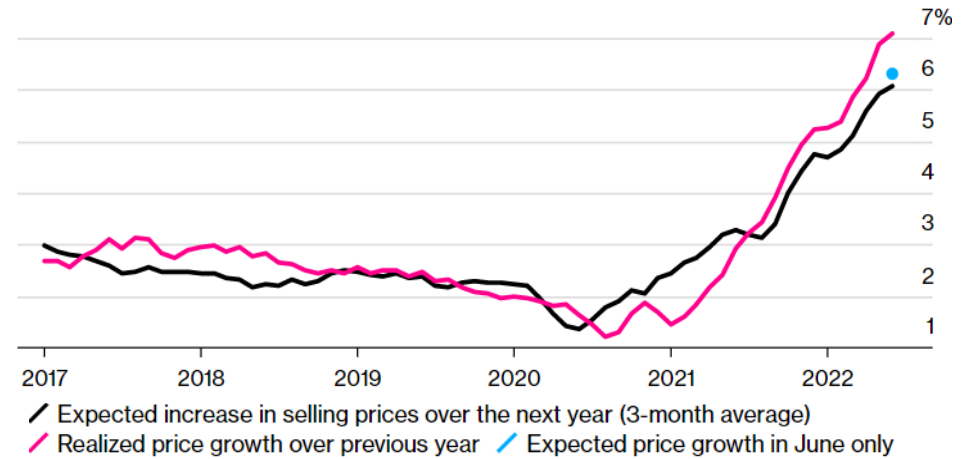
- ✓ The pound fell 0.5% to \$1.2090, having traded at 0.3% higher at \$1.2184 just before the BOE rate decision was announced. It fell 0.6% against the euro to 84.20 pence.
- ✓ The pound weakens against key currencies, mostly due to the BOE's pessimistic outlook for the UK economy.
- ✓ FTSE 100 index initially fell following the BOE's decision but swiftly regained ground. It was up 0.4% after touching its highest in around 2 months.
- ✓ Meanwhile, the 10-year gilt yield tightened by 5bps to 1.876%, it stood at 1.91% before the rate decision.

UK's Economic Snapshot

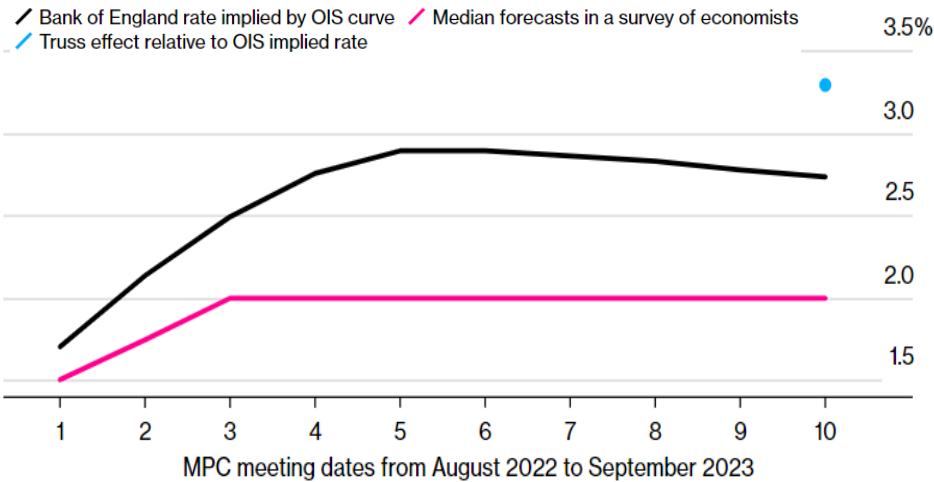
GDP Growth: UK vs. Key Peers, %



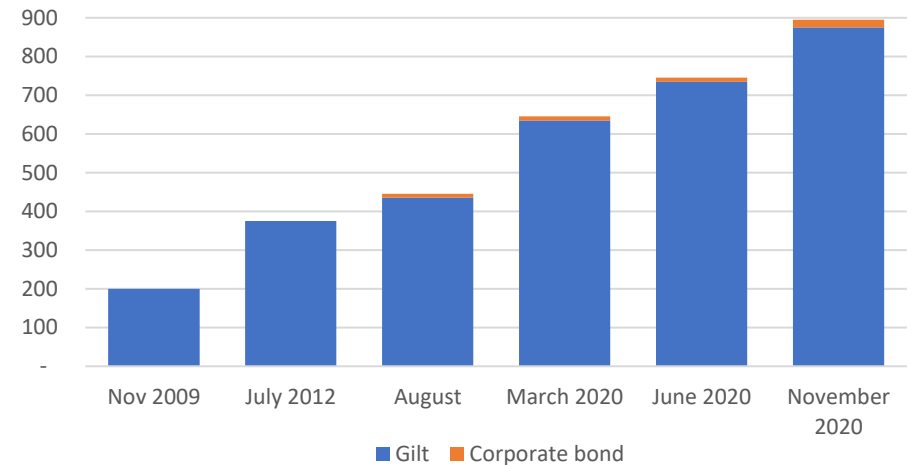
UK's Inflation, %



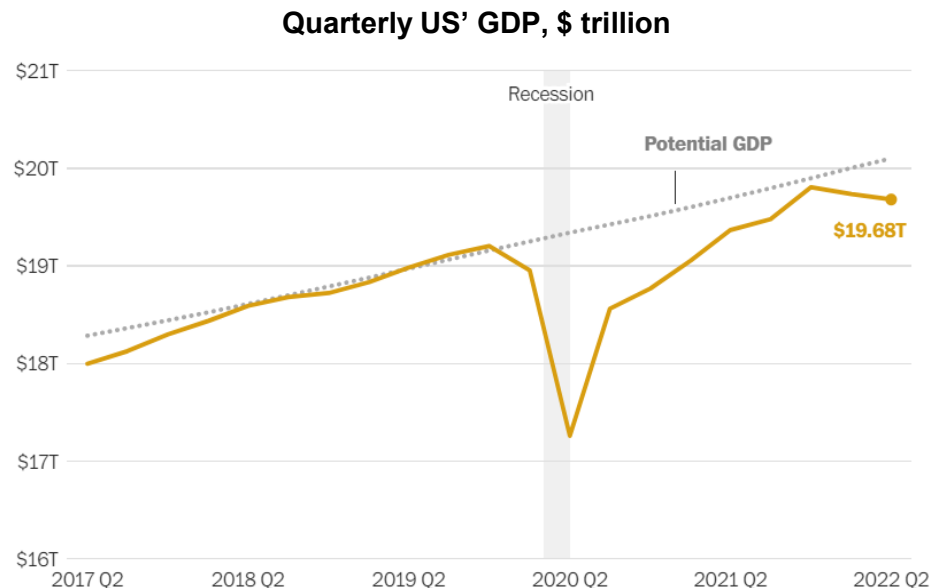
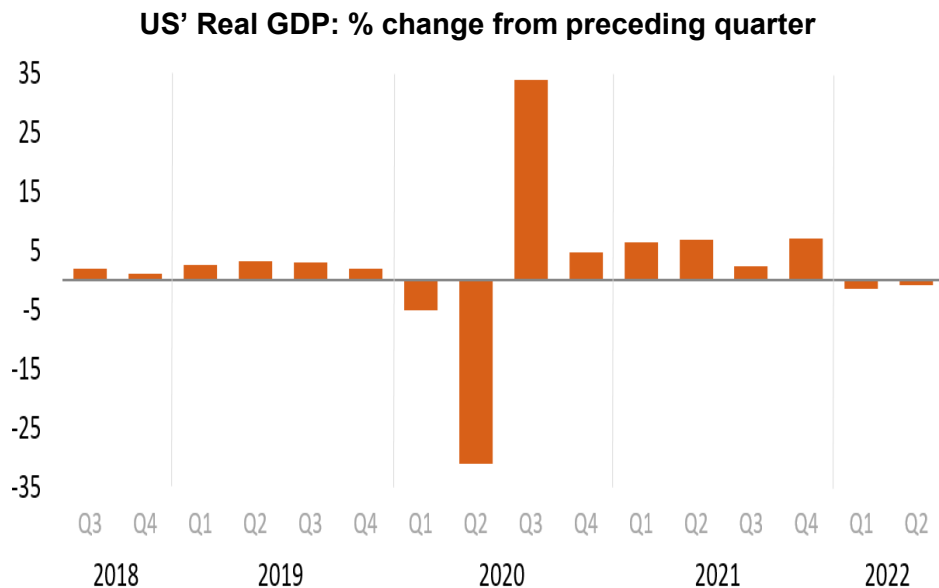
UK's Key Interest Rate, %



Bank of England's Asset Purchases, £ bn



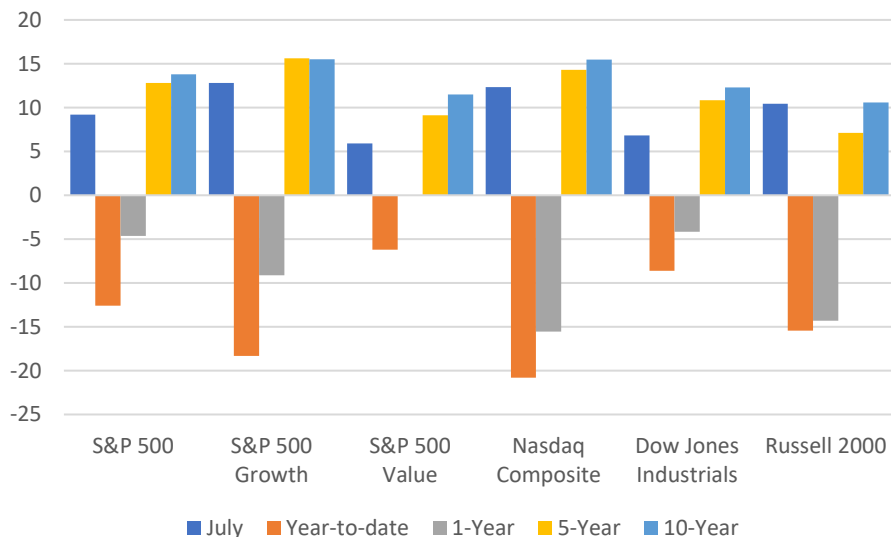
US economy teetering on the brink of recession as GDP contracts for two consecutive quarters in 2Q22



- ✓ US' GDP unexpectedly contracted in 2Q22, its second straight quarterly decline, reflected a more moderate pace of businesses inventory accumulation and slower consumer spending growth.
- ✓ **US' GDP fell by 0.9% in 2Q22, after a 1.6% decline in 1Q22, with the economy contracting by 1.3% in 1H 2022 (qualified for a “technical recession”).**
- ✓ *US policymakers stated that the US economy is not in a recession based on broader measures of activity. The US Fed and the White House define a recession as “a significant decline in activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income and other indicators”.*
- ✓ Uncertainties surround 2H 2022 outlook: business & consumer sentiment have declined, inflation impacted sales at retailers. The labour remains tight however there are signs of it losing steam. Initial claims for unemployment benefits fell 5,000 to 256,000 for the week ended 23rd July, but this followed 3 straight weekly increases that had pushed claims to an 8-month high of 261,000.

US equity markets bounced back in July on stronger-than-expected corporate earnings results

US' Equity Indices Performance, %, as at 29th July



US' Equity Indices P/E Ratio, as at 29th July

Benchmark indices	Trailing 12-month	1-Year	Forward 12-month estimate
S&P 500	22.20	33.75	18.01
Nasdaq 100	26.92	37.15	22.76
Dow Jones Industrials	19.28	23.70	17.43
Russell 2000	75.63	N.A.	21.45

Forward P/E ratio = divides the current share price of a company by the estimated future earnings per share of that company. For valuation purposes, a forward P/E ratio is considered more relevant than a historical P/E ratio.

- ✓ Concerns over a possible recession had driven a sharp selloff in stocks in 1H 2022. But the **US equity indices ended July with their biggest monthly percentage gains since 2020, partly because of stronger-than-expected corporate earnings.**
- ✓ Approximately 78% of corporate earnings reports are beating Wall Street expectations, above the long-term average. *Company earnings are estimated to have increased 8.1% YoY in 2Q22, compared with a 5.6% YoY estimate in early-July.*
- ✓ *Profit growth estimates for 3Q22 and 4Q22 have come down, but remain positive. S&P 500 corporate earnings for full year 2022 are now forecast to grow 8.1% vs. a 9.5% estimated in early-July.*
- ✓ Corporate earnings forecasts hold up is key to valuations. The S&P 500's forward 12-month price-to-earnings ratio, at 18.01 as at 29th July, is down from 22.1 as at end-December 2021 but still above the long-term average of 16.

After a positive July month, US equities saw choppy trades in early August, weighed down by rate hikes and growth concerns

S&P 500 Index, 1-Year Trend, 3rd August



Dow Jones Industrial Average Index, 1-Year Trend, 3rd August



Nasdaq Composite Index, 1-Year Trend, 3rd August



- ✓ The S&P 500 index was 0.6% higher this week to close at 4,155.17 points on 3rd August.
- ✓ In contrast, the Dow Jones Industrials and Nasdaq Composite Indices were 0.1% and 0.34% lower this week, last traded at 32,812.5 points and 12,348.76 points respectively on 3rd August.
- ✓ Investors await data on (i) the weekly jobless claims later today, which is expected to indicate some softening in the labour market; and (ii) July non-farm payroll report on Friday.



US Treasury yields eased back in July despite interest rates hikes from the US Fed and ECB, offering some relief gains for investors

2 and 10-Year Treasury Yield Spread, 1-Year Trend, % as at 3rd August



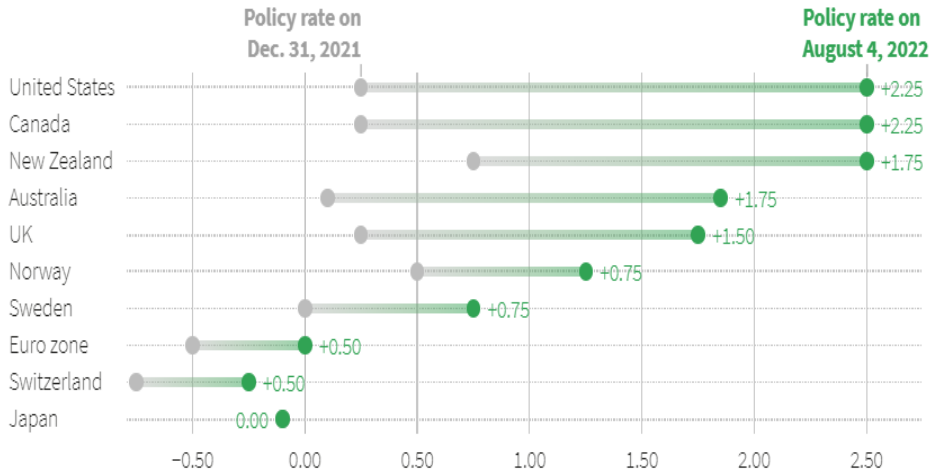
5 and 10-Year Treasury Inflation Protected Securities Breakeven Rate, %, as at 3rd August



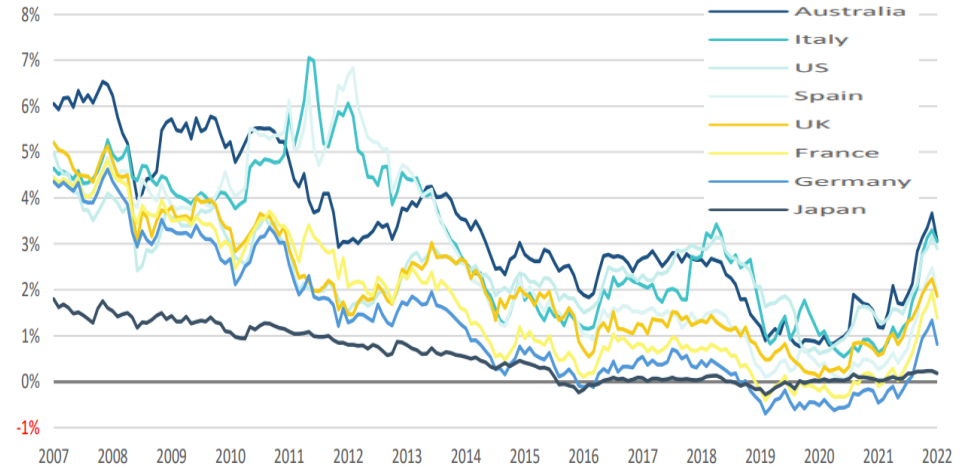
- ✓ Inflation concerns continue but now against a backdrop of declining US growth, stoking global recession concerns. July's drop in yields translated into monthly gains for bonds, offering some relief from a challenging year.
- ✓ In early-August, Treasury yields however rose slightly across the board in volatile trades, lifted by hawkish comments from the Fed officials that suggested rate hikes will continue in the near-term as inflation has yet to peak.
- ✓ Two-year yields rose 16.6bps to one-week highs of 3.0753%, while 10-year yields climbed up from a four-month low of 2.516% to 13bps higher at 2.7355%.
- ✓ **The yield spread between 2- and 10-year Treasury notes has been inverted for more than three weeks and widened further to -35.5bps on 2nd August, the most since 2000 (vs. -33.9bps last done).**

Global debt markets snapshot

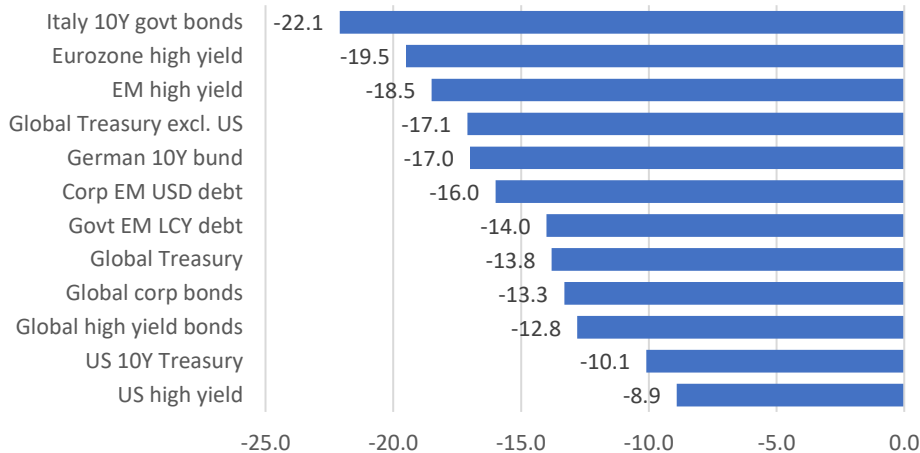
Selected Countries Policy Rates



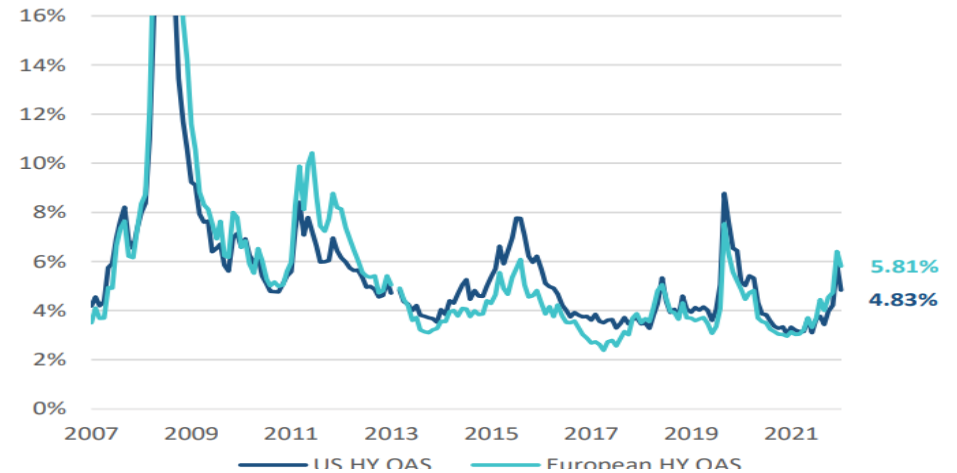
10-Year Government Bond Yields



Selected Debts Performance, YTD % Change



US and Europe High Yield Option-Adjusted Spread

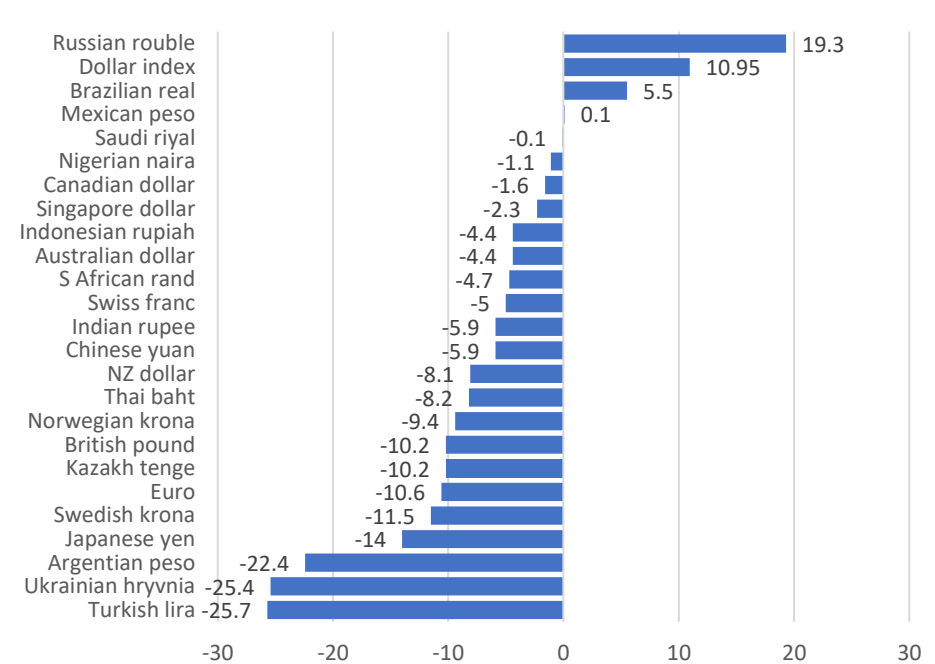


US dollar held firm to its recent gains, rising by 0.5% on the week against major currencies, China's yuan edged higher as Pelosi's visit to Taiwan did not trigger any wider conflict

DXY (Dollar) Index, 1-Year Trend, as at 3rd August



Global FX Performance YTD, as at 3rd August



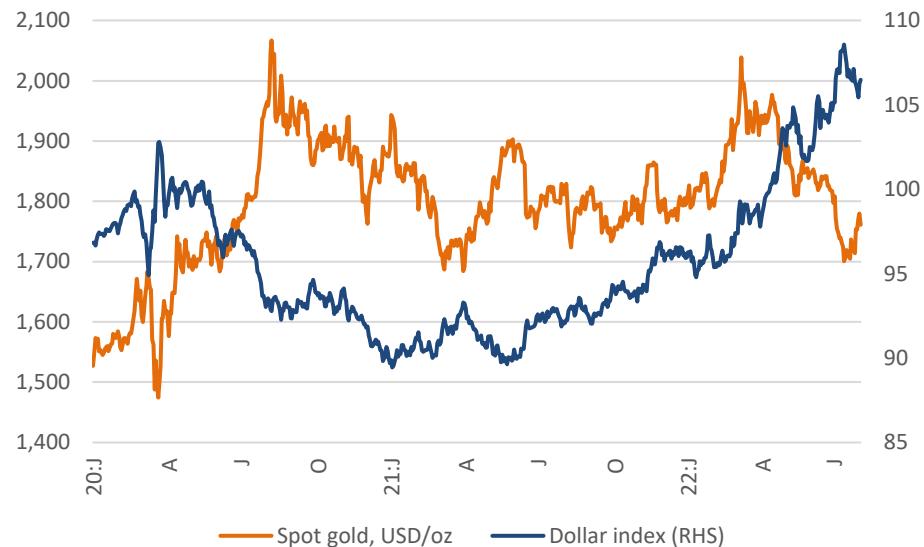
- ✓ The US dollar held firm against key major currencies on Thursday, with the dollar index at 106.37, up 0.5% on the week.
- ✓ The euro was flat at \$1.01635, while the Japanese yen lost a little ground to 134.06/USD. The pound was little changed in Asian trades at \$1.2148 ahead of the BOE rate decision. The Australian dollar was at \$0.695, up 0.15% on Thursday after gaining 0.46% the previous day.
- ✓ *On Thursday, China's yuan edged higher. In the spot market, onshore yuan opened at 6.75/USD, and was traded at 6.7570/USD at midday, 27 pips firmer than the previous day close. Currency traders are relieved that a visit by Ms. Pelosi to Taiwan did not trigger any wider conflict for US-China.*

Global oil prices fell 4% on higher US oil inventories, spot gold contains by strong USD and higher rates/yields

Brent Oil Price, 1-Year Trend, as at 4th August



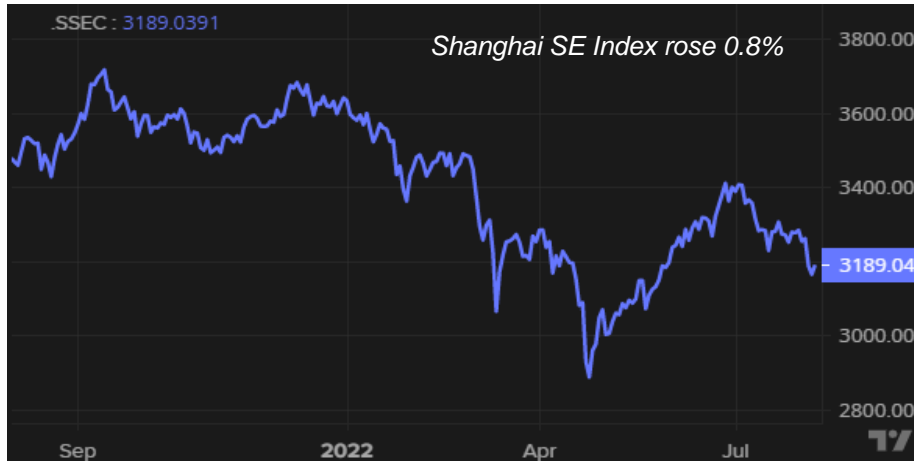
Spot Gold, as at 3rd August



- ✓ Global oil prices fell 4% on Wednesday to almost 6-month lows after US data showed oil stockpiles unexpectedly increased last week and as OPEC+ agreed to raise oil output target by 100,000 bpd, equivalent to 0.1% of global oil demand, starting September.
- ✓ Brent crude futures were down 3.7% or \$3.76 to \$96.78pb, the lowest since 21st February. The US WTI futures fell 4% or \$3.76 to \$90.66pb, the lowest since 10th February.
- ✓ Spot gold was up 0.3% at \$1,770.33 per ounce on Thursday, after touching one-month high of \$1,787.79 on 2nd August intraday trades. Meanwhile, US gold futures rose 0.6% to \$1,787.10 per ounce.
- ✓ Spot gold is expected to test the \$1,785-\$1,790-level in the near-term. The latest Reuters poll indicates that investors expect spot gold to average at \$1,770 in 3Q22, \$1,750 in 4Q22 and \$1,745 in 2023.

Asian stocks rose in volatile trades on Thursday as geopolitics ease and investors took cues from US data and earnings

Shanghai SE Composite Index, 1-Year Trend, as at 4th August



Hang Seng Index, 1-Year Trend, as at 4th August



MSCI Asia Pacific excl. Japan, 1-Year Trend, as at 4th August

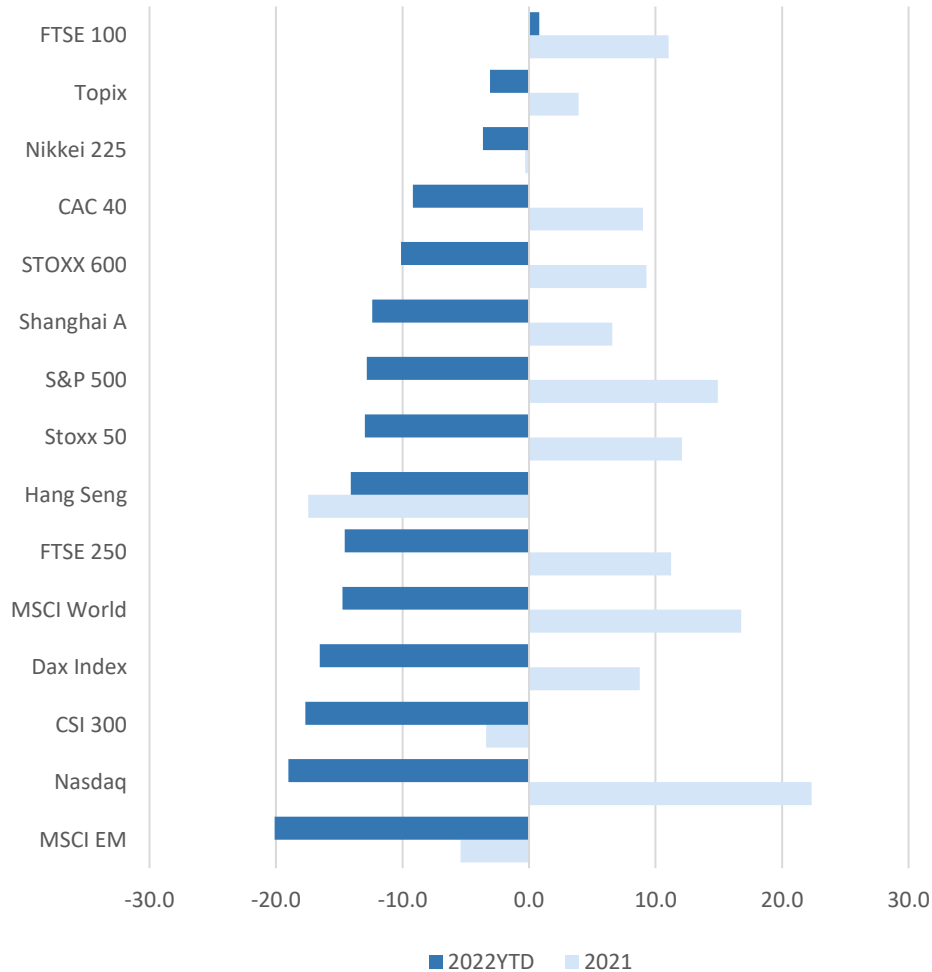


Nikkei 225 Index, 1-Year Trend, as at 4th August

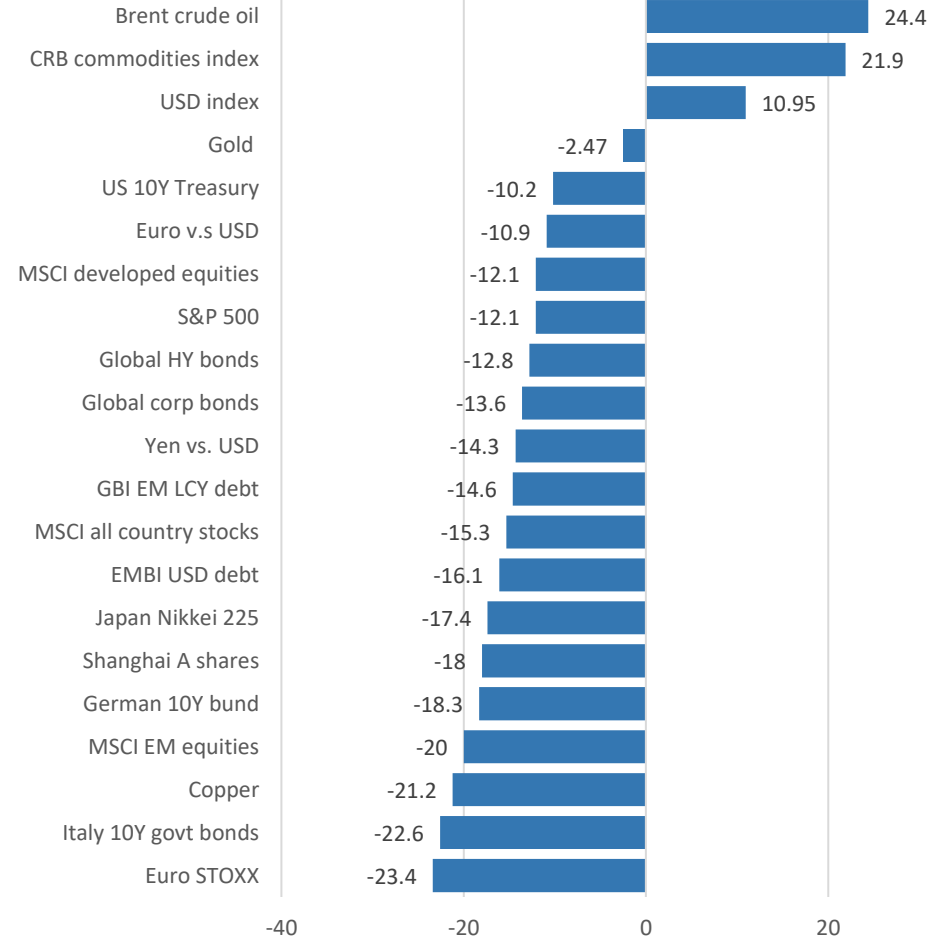


Global Assets Performance: charting trends

Global Equities Performance, YTD % change, as at 3rd August



Global Assets Performance, YTD % Change, as at 3rd August



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