

The Analysis Report of Bond Market in August, 2019

A 、 Macroeconomic Data

※ America

Event	Date	Survey	Actual	Prior	Effect
PPI Ex Food and Energy YoY in June	07/12	2.1%	2.3%	2.3%	—
CPI Ex Food and Energy YoY in June	07/12	2.0%	2.1%	2.0%	—
Industrial Production MoM in June	07/16	0.1%	0.0%	0.4%	+
Retail Sales Ex Auto MoM in June	07/16	0.1%	0.4%	0.4% (D. Adj.)	—
Housing Starts MoM in June	07/17	-0.7%	-0.9%	-0.4% (U. Adj.)	+
Building Permits MoM in June	07/17	0.1%	-6.1%	0.7% (U. Adj.)	+
Leading Index in June	07/18	0.1%	-0.3%	0.0%	+
Existing Home Sales MoM in June	07/23	-0.4%	-1.7%	2.9% (U. Adj.)	+
FHFA House Price Index MoM in May	07/23	0.4%	0.1%	0.4%	+
Durables Ex Transportation in June	07/25	0.2%	1.2%	0.5% (U. Adj.)	—
Conference Board CCI in July	07/30	125	135.7	124.3 (U. Adj.)	—
PCE Core Deflator YoY in June	07/30	1.7%	1.6%	1.5% (D. Adj.)	N
Fed FOMC Rate Decision (7/31)	08/01	2.00%-2.25%	2.00%-2.25%	2.25%-2.50%	+
ISM Manufacturing PMI in July	08/01	52	51.2	51.7	+
Markit Manufacturing PMI in July	08/01	50.1	50.4	50	—
Increase of Nonfarm Employment in July	08/02	165K	164K	193K (D. Adj.)	+
Underemployment Rate in July	08/02	3.6%	3.7%	3.7%	N
ISM Non-Manufacturing Index in July	08/05	55.5	53.7	55.1	+
Markit Services PMI in July	08/05	52.2	53	52.2	—

※ Taiwan

Event	Date	Survey	Actual	Prior	Effect
Export Orders YoY in June	07/22	-2.3%	-4.5%	-5.8%	N
Unemployment Rate in June	07/22	3.80%	3.74%	3.73%	N
Industrial Production YoY in June	07/23	-0.15%	-0.39%	-2.58% (U. Adj.)	N
Sale of Wholesale YoY in June	07/23	--	-6.0%	-5.7%	+
Sale of Retail YoY in June	07/23	--	4.5%	3.0%	-
Money Supply M1B/M2 YoY in June	07/24	--	7.35%/3.05%	7.23%/3.40%	-
TIER Manufacturing Business Composite Index in June	07/25	--	93.03	94.62 (D. Adj.)	+
TIER Service Business Composite Index in June	07/25	--	92.43	97.87 (D. Adj.)	+
Leading Indicator in June	07/26	--	102.42	102.08	-
Monitoring Indicator & Scores in June	07/26	--	Yellow-blue : 21	Yellow-blue : 18	-
NCU Consumer Confidence Index (CCI) in July	07/29	--	81.48	79.80	-
TIER Manufacturing Business Indicator & Scores	07/31	--	Blue : 9.80	Blue : 9.18	-
GDP YoY in Q2, 2019	07/31	1.80%	2.41%	1.71%	-
Nikki Markit Taiwan Manufacturing PMI in July	08/01	--	48.1	45.5	-
CIER Taiwan Manufacturing PMI in July	08/01	--	48	48.1	+
CIER Taiwan Non-Manufacturing Index in July	08/01	--	54.9	52.0	-
WPI YoY in July	08/06	-2.60%	-3.42%	-2.07% (D. Adj.)	+
CPI Core YoY in July	08/06	0.40%	0.34%	0.47% (D. Adj.)	+
Exports YoY in July	08/07	1.3%	-0.5%	0.5%	+
Imports YoY in July	08/07	0.7%	-5.4%	6.6%	+

B · The Analysis of Bond Market

In July, the US economic data was mixed. The US-China trade negotiations in Shanghai did not achieve concrete results as expected. The Committee of Fed's FOMC cut rate a yard (0.25%) to 2 to 2-1/4 percent as expected at the end of July. Chairman Powell stated that this is only a preventive measure. In addition, President Trump announced accidentally that he will impose a 10% tariff on 300 billion US dollars of Chinese imports. Meanwhile, the exchange rate of RMB against the US dollar fell below the 7-yuan benchmark on August 5th, which forced the US White House considered China as a currency manipulator, as well as triggered a panic in the financial market and pushed down the yield rate of 10-year Treasury bond officially and fell below the 2.00% benchmark; however, it is almost near 1.70% now.

The business monitoring indicators rose from 18 to 21 points in June. The General of Budget, Accounting and Statistics estimated that the GDP growth rate in Q2 rose from 1.71% in Q1 to 2.41%, which indicated that domestic economy have signs of bottoming out. However, the sudden interference incident in the GB market hit the market confidence in early July, and the GB yield was relatively low. As a result, the market's willingness to pursue the price was weak, causing a cool trading throughout the month. The 10-year yield of treasury benchmark (A08106R) is between 0.64% and 0.69% for the whole month.

Looking forward to the outlook, due to the rise of protectionism, the international trade and the exchange rate war have been warmed up, and the phenomenon of long-term and short-term GB yield upside down has not changed, which is conducive to the continuation of the bull market. Overall, the 10-year yield of treasury benchmark (A08106R) is expected to fluctuate between 0.60% and 0.75%.

C 、 The Chart of Benchmark GB Yield for 5 terms & 10 terms

