

Weekly market commentary report

26 February 2018 Monday

Market outlook and news tracker

Hong Kong and China market outlook

U.S. stocks rallied on Friday, with Treasuries and the dollar slipped, as investors grew confident that the Fed won't rush to raise interest rates as the economy picks up steam. Stocks have been under pressure lately amid signs of a pickup in inflation and concerns that the Fed may be forced to raise rates more than expected.

On Chinese front, a group of companies listed in mainland China said Anbang Insurance Group has no plans to reduce holdings in the companies in the near term, according to exchange filings after the government seized temporary control of Anbang.

Over the weekend, the biggest New was China's Communist Party proposed removing from the constitution language limiting the president to two terms, the clearest sign yet that Xi Jinping intends to extend his tenure as state leader. The market is likely to maintain a sustainable rally today given this updates news. Separately, National Congress agreed to extend the implementation deadline of IPO registration system to Feb of 2020, a +VE news for Chinext and small-cap names

Further, this week focus should be new Federal Reserve Chairman Jerome Powell testifies on the economy in Feb 27; Hong Kong's annual budget presentation in Feb 28; China's annual CPPCC meetings start in Mar 3 and are set to run over two-plus weeks. Historical data shows there is 80% odds that market will rally during 2 meetings, so market tend to be resilient this week.

Hong Kong market sector movers and news tracker

1) China automobile sector: Li shufu, the founder of Geely has accumulated a stake worth about 7.3bn euros in Daimler, marking the biggest investment in a global automobile manufacturer by a Chinese company. In the same time, BMW signed an initial agreement with Great Wall Motor. The two companies will produce electric Minis in the world's biggest market for battery-powered autos.

• Related stocks: Geely (175.HK +0.84%), BAIC Motor (1958.HK -0.19%)

2) Xiong'An related sector: Related names rose after CCTV reported that China will study measures to speed the opening-up of Xiong'An and start construction of major infrastructure projects in the Xiong'An New Area.

• Related stocks: BBMG (2009 +5.9%), CNBM (3323.HK +5.2%) and Anhui Conch (914.HK +2.7%)

3) Oil majors and services sector: Names outperformed after crude oil surged to the highest in two weeks as American supplies unexpectedly shrink and exports surged, dispelling fears that a new shale boom will leave the country awash in crude.

• Related stocks: CNOOC (883.HK +1.4%), PetroChina (857.HK +1.6%), Sinopec (386.HK +3.0%), Anton (3337.HK +2.0%), COSL (2883.HK +1.3%), Hilong (1623.HK +3.0%)

4) China coal sector: Related names continued to head higher on expectations that production will pick up following the end of the Lunar New Year holiday.

• Related stocks: China Coal (1898.HK +3.3%), Shenhua (1088.HK +2.4%), Yanzhou Coal (1171.HK +3.9%)

5) PRC Properties sector: China preproperty sector rebounded on reports of robust property sales and rising prices over the Lunar New Year period. However, China new home prices, excluding subsidized housing, rose MoM in January in 52 out of 70 cities tracked by China's statistics bureau, compared with 57 cities in December.

• Related stocks: COLI (688.HK +1.8%), CR Land (1109.HK +2.2%), Vanke (2202.HK +2.2%) and Country Garden (2007.HK +6.2%)

6) China airlines sector: Related sector continued to rise on the back of the news that air passenger trips in China rose 16.1% over the Chinese New Year holiday from a year earlier to 11.4m.

• Related stocks: Air China (753.HK +0.9%), CEA (670.HK +1.2%), CSA (1055.HK +1.0%)

Performance indices

Global Index	Closing	Performance chg. (%)		
		1D	1W	1M
HANG SENG INDEX	31267.17	1.0	1.0	-5.2
HANG SENG CHINA ENT INDX	12735.06	1.6	2.1	-6.8
SHANGHAI SE COMPOSITE	3289.024	0.6	5.1	-6.8
SHENZHEN SE COMPOSITE IX	1775.169	0.2	4.8	-7.3
CSI 300 INDEX	4071.09	0.45	5.4	-6.4
DOW JONES INDUS. AVG	25309.99	1.39	0.4	-4.9
S&P 500 INDEX	2747.3	1.6	0.6	-4.4
NASDAQ COMPOSITE INDEX	7337.391	1.8	1.1	-2.2
DAX INDEX	12483.79	0.2	0.3	-6.4
CAC 40 INDEX	5317.37	0.2	0.7	-3.8
FTSE 100 INDEX	7244.41	-0.1	-0.7	-5.5

Sources: Bloomberg as of 26 February 18

Commodities	Closing	Performance chg. (%)		
		1D	1W	1M
Brent Crude Oil	67.31	1.4	2.7	-3.8
Gold	1328.71	-0.3	-0.6	-0.8
Steel (HRC China)	3898	0.4	2.7	1.6
Aluminium	2140	-2.1	-3.1	-4.0
Copper	7095	-0.9	-1.9	2.5

Sources: Bloomberg as of 26 February 18

Currencies to US\$	Closing	Performance chg. (%)		
		1D	1W	1M
CNY	6.3372	-0.24	0.4	0.2
HKD	7.8233	-0.01	0.0	-0.1
JPY	106.89	0.13	-0.1	1.8
EUR	1.2295	-0.28	-0.7	-0.8
GBP	1.3971	0.11	0.1	-1.0
AUD	0.7843	-0.04	-0.5	-2.9
CAD	1.2633	-0.57	-0.5	-2.5

Sources: Bloomberg as of 26 February 18

Economic Calendar

Date	Event	Est.	Prior
27-Feb-18	HK exports YoY(Jan)	16.1%	6.0%
	HK imports YoY(Jan)	18.90%	9%
	HK trade balance HKD(Jan)	-20.3bn	-59.9bn
	US wholesale inventories MoM(Jan)	0.40%	0.40%
	US retail inventories MoM(Jan)	n.a	0.20%
	US durable goods orders(Jan)	-2.00%	2.00%
	28-Feb-18	HK GDP annual YoY(2017)	3.70%
HK budget balance HKD(Jan)		n.a	53.4bn
HK GDP YoY(4Q17)		3%	3.60%
HK money supply M2 HKD YoY(Jan)		n.a	11.60%
HK money supply M1 HKD YoY(Jan)		n.a	11.80%
HK money supply M3 HKD YoY(Jan)		n.a	11.60%
China non-manufacturing PMI(Feb)		55	55.3
China manufacturing PMI(Feb)		51.2	51.3
China composite PMI(Feb)		n.a	54.6
US MBA mortgage applications(Feb 23)		n.a	-6.60%
US personal consumption(4Q17)		3.60%	3.80%
US GDP annualized QoQ(4Q17)	2.50%	2.60%	
US pending home sales MoM (Jan)	0.50%	0.50%	
US pending home sales NSA YoY (Jan)	n.a	-1.80%	
1-Mar-18	Caixin China PMI Mfg(Feb)	51.3	51.5
	US personal income(Jan)	0.30%	0.40%
	US personal spending(Jan)	0.20%	0.40%
	US initial jobless claims(Feb 24)	226k	222k
	US continuing claims(Feb 17)	1915k	1875k
2-Mar-18	Markit US manufacturing PMI(Feb)	55.8	55.9
	US construction spending MoM(Jan)	0.30%	0.70%
	US ISM manufacturing(Feb)	58.7	59.1
	HK retail sales value YoY(Jan)	5.20%	5.80%
5-Mar-18	HK retail sales volume YoY(Jan)	4.10%	4.30%
	Nikkei Hong Kong PMI(Feb)	n.a	51.1
	Caixin China PMI composite(Feb)	n.a	53.7
	Caixin China PMI services(Feb)	54	54.7
	Markit US services PMI(Feb)	n.a	55.9
	Markit US composite PMI(Feb)	n.a	55.9

Sources: Bloomberg as of 26 February 18

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Hong Kong notable market movers and news tracker

- 1) HKEX (388.HK +2.1%), where the HKEJ reports that the application for dual-class share listing in Hong Kong would be accepted immediately after consultation results are announced between late April and early May.
- 2) China Unicom (762.HK +1.6%) has posted end-January subscribers of 423.6m users.
- 3) 3SBio (1530.HK -2.4%) has received Chinese FDA approval for a clinical trial in China for a new indication of an immune Thrombocytopenia drug.
- 4) Luye Pharma (2186.HK -1.3%), where Luye Medical is said to have selected arrangers for a \$500m IPO.
- 5) DFM (489.HK +1.8%) will recall 689,031 vehicles due to a brake issue.
- 6) BEA (23.HK +2.1%) has posted FY17 revenue that rose 7% YoY to HK\$16bn and net profit that rose 151% YoY to HK\$9.3bn
- 7) CT Ent (3839.HK -4.4%) has posted FY net profit that rose +100% YoY to US\$16.35m
- 8) Topform (333.HK +4.2%) has posted 6-mth net profit that rose 1100% YoY to US\$19.83m.
- 9) HNA Infra (357.HK +2.7%) has delayed the dispatch of a circular relating to a loan agreement.
- 10) Geely (175.HK +0.84%) acquired a 9.69% stake in Daimler AG.
- 11) BAIC Motor (1958.HK -0.19%) to sell to Beijing benz assets for CNY 5.84b.
- 12) Shui On Land (272.HK +2.75%) sees 2017 profit increase of not less than 50%.
- 13) GWM (2333.HK +1.25%), BMW and Great Wall Motor to form JV to build new battery Mini model in China.
- 14) TSMC has filed application to regulator asking for land needed for the proposed R&D center in Hsinchu Science Park.
- 15) Online gaming developer 7road.com plans to raise ~\$200m-\$300m from a Hong Kong IPO this year.

5-day High/Low Records

Week highs	% index			
Company	Ticker	End Price	move	Industry
Tencent	700 HK	453.4	29.87%	IT hardware
Country Garden	2007 HK	15.04	18.36%	Property
HKEX	388 HK	285.80	14.27%	Securities
Geely	175 HK	23.9	13.48%	Automobile
Sinopec	386 HK	6.47	10.66%	Oil

Week lows	% index			
Company	Ticker	Price	move	Industry
HSBC	5 HK	79.65	-55.26%	Bank
Ping An Insurance	2318 HK	85.75	-11.97%	Insurance
CCB	939 HK	8.44	-9.04%	Bank
Sands China	1928 HK	44.00	-3.03%	Gambling
Sunny Optical	2382 HK	126.00	-2.98%	IT hardware

Source: HKEX, Bloomberg

IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
Wing Fung Group Asia	8526.HK	27/2/2018	0.38-0.42	Construction/décor
Max Sight Group	8483.HK	28/2/2018	0.30-0.35	IT Hardware
OneForce	1933.HK	2/3/2018	0.72-0.96	IT Consulting
Vico International	1621.HK	5/3/2018	0.30-0.50	Petroleum & Gases
Tian Chang Group	2182.HK	8/3/2018	0.65-0.75	Industrial goods

Sources: HKEX, Bloomberg

Hang Seng Index weekly performance



Shanghai-Hong Kong Stock Connect

Northbound Daily

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
19/2/2018	n.a	n.a	n.a	n.a	n.a
20/2/2018	n.a	n.a	n.a	n.a	n.a
21/2/2018	n.a	n.a	n.a	n.a	n.a
22/2/2018	13.0	10.2	79%	220.1	156.8
23/2/2018	13.0	8.6	66%	173.2	151.9

Sources: HKEX

Southbound Daily

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
19/2/2018	n.a	n.a	n.a	n.a	n.a
20/2/2018	n.a	n.a	n.a	n.a	n.a
21/2/2018	n.a	n.a	n.a	n.a	n.a
22/2/2018	10.5	13.8	131%	118.0	66.0
23/2/2018	10.5	9.5	91%	84.2	54.6

Sources: HKEX, SSE

Shenzhen-Hong Kong Stock Connect

Northbound Daily

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
19/2/2018	n.a	n.a	n.a	n.a	n.a
20/2/2018	n.a	n.a	n.a	n.a	n.a
21/2/2018	n.a	n.a	n.a	n.a	n.a
22/2/2018	13.0	7.8	60%	190.9	128.5
23/2/2018	13.0	5.8	45%	132.6	131.1

Sources: HKEX

Southbound Daily

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
19/2/2018	n.a	n.a	n.a	n.a	n.a
20/2/2018	n.a	n.a	n.a	n.a	n.a
21/2/2018	n.a	n.a	n.a	n.a	n.a
22/2/2018	10.5	6.5	62%	71.2	36.0
23/2/2018	10.5	4.6	44%	45.1	26.2

Sources: HKEX, SSE

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