

Weekly market commentary report

26 March 2018 Monday

Market outlook and news tracker

Hong Kong and China market outlook

US stocks closed lower last Friday as DJIA fell 425pts led by falls in the semiconductor & equipment and banks & diversified financials sectors. On the economic front, US durable goods orders improved 3.1%, better than estimated, and new home sales decreased to 618k units for February compared to 622k in January. Regarding corporate news, Cintas (CTAS.US +2.91%) posted revenue of US\$1.59bn, representing a 26.2% YoY increase, Micron Tech (MU.US

-7.99%) reported net sales of US\$7.35bn, a 58% YoY increase for FY17. Sinopec (386.HK -2.23%) net profit increase 9.8% YoY to RMB51.24bn with final dividend of RMB0.4/shr. CM Bank (3968.HK -3.57%) announce NP of RMB70.15bn, 13% YoY with final dividend of RMB0.84/shr.

Over the weekend, leaders at the China Development Forum warn of the detrimental effects of a trade-war between China-US if tension rise, whether it be inflation, higher cost of living, rate hikes etc. Further, China's PBOC appointed new governor YiGang and new secretary Guo Shuqing, and vows to improve RMB convertibility and states that its monetary policy will remain unchanged for the time being.

This week, the market will continue to absorb US-China moves on imports & exports after Trump signs trade tariffs on China amounting to US\$60bn, while China hit back with proposed tax list on 128 US products. Further, HK equities continue to report interim & annual earnings for FY2017.

Hong Kong market sector movers and news tracker

1) HK property sector: Secondary housing market reported 15 transactions, down from 18 transactions the previous week during US Fed interest rate hike & US-China trade war.

• Related stocks: SHK (16.HK -0.78%), Kerry (683.HK -1.24%), Henderson (12.HK -1.71%), NWD (17.HK -2.27%)

2) China bank & insurance sector: Guo Shuqing has been named secretary of the PBOC, supervising the newly established China Banking and Insurance Regulatory Commission – ranking above Yi Gang who is PBOC's governor.

• Related stocks: CCB (939.HK -2.18%), BOC (3988.HK -1.63%), ICBC (1398.HK -2.35%), CMB (3968.HK -3.57%), PingAn (2318.HK -3.71%), China Life (2628.HK -1.56%), China Taiping (966.HK -3.24%), CPIC (2601.HK -1.98%)

3) Gold sector: Gold prices rose to US\$1,327.4 last Thursday amid US Fed rate hike and trade protectionism tariffs.

• Related stocks: China Gold International (2099.HK -1.65%), Zijin Mining (2899.HK -4.85%), Hengxing Gold (2303.HK -1.11%), Zhaojin Mining (1818.HK +3.54%)

4) Oil sector: US crude dropped to US\$64.3/barrel while Brent crude fell to US\$68.91/barrel and wholesale gas stayed at US\$2.01/gallon, China's state-owned oil giants reported substantial increases in revenue & profit for FY17.

• Related stocks: CNOOC (883.HK -1.71%), Petro China (857.HK -2.89%), Sinopec (386.HK -2.23%), China Oilfield (2883.HK -2.43%)

Performance indices

Global Index	Performance chg. (%)			
	Closing	1D	1W	1M
HANG SENG INDEX	30309.29	-2.5	-3.2	-3.1
HANG SENG CHINA ENT INDX	12128.27	-2.4	-3.8	-5.1
SHANGHAI SE COMPOSITE	3152.761	-3.4	-4.4	-5.9
SHENZHEN SE COMPOSITE IX	1766.611	-4.5	-4.2	-1.4
CSI 300 INDEX	3904.94	-2.87	-4.8	-5.8
DOW JONES INDUS. AVG	23533.2	-1.77	-5.7	-8.5
S&P 500 INDEX	2588.26	-2.1	-6.0	-6.9
NASDAQ COMPOSITE INDEX	6992.666	-2.4	-6.5	-5.8
DAX INDEX	11886.31	-1.8	-2.3	-4.8
CAC 40 INDEX	5095.22	-1.4	-2.2	-4.5
FTSE 100 INDEX	6921.94	-0.4	-1.4	-4.8

Sources: Bloomberg as of 26 March 18

Commodities	Performance chg. (%)			
	Closing	1D	1W	1M
Brent Crude Oil	70.45	2.2	5.9	4.0
Gold	1347.33	1.4	2.2	0.9
Steel (HRC China)	3898	0.4	-8.5	-15.9
Aluminium	2140	-2.1	-1.7	-4.2
Copper	7095	-0.9	-3.3	-6.1

Sources: Bloomberg as of 26 March 18

Currencies to US\$	Performance chg. (%)			
	Closing	1D	1W	1M
CNY	6.3372	-0.24	0.6	0.3
HKD	7.8233	-0.01	-0.1	-0.3
JPY	106.89	0.13	0.9	1.7
EUR	1.2295	-0.28	0.4	0.5
GBP	1.3971	0.11	1.1	1.5
AUD	0.7843	-0.04	0.2	-1.5
CAD	1.2633	-0.57	1.8	-1.3

Sources: Bloomberg as of 26 March 18

Economic Calendar

Date	Event	Est.	Prior
27-Mar-18	HK exports YoY (Feb)	7.0%	18.1%
	HK imports YoY (Feb)	2.3%	23.8%
	HK trade balance HKD (Feb)	-40.0bn	-31.9bn
28-Mar-18	CH FDI YoY CNY (Feb)	n.a	0.3%
29-Mar-18	HK money supply M3 HKD YoY (Feb)	n.a	12.8%
	HK money supply M2 HKD YoY (Feb)	n.a	12.8%
	HK money supply M1 HKD YoY (Feb)	n.a	18.7%
	HK budget balance HKD (Feb)	n.a	54.7bn
	CH BoP current account balance (4Q)	n.a	\$62.2bn
31-Mar-18	CH non-mfg PMI (Mar)	n.a	54.4
	CH mfg PMI (Mar)	n.a	50.3
	CH composite PMI (Mar)	n.a	52.9
2-Apr-18	CH Caixin PMI mfg (Mar)	n.a	51.6

Sources: Bloomberg as of 26 March 18

Market commentary

Hong Kong notable market movers and news tracker

- 1) Sinopec (386.HK -2.23%) reported RMB51.1bn in NP, and dividend increased 10% YoY at a record high for FY17.
- 2) Aeon (984.HK -2.31%) reports loss of HK\$54.7m in FY17 compared to HK\$23.2m in FY16, recommending a final dividend of HK\$0.22cents.
- 3) Tencent (700.HK -4.42%) saw a large drop following Nasdaq's (JSE.NPN -4.55%) offload of 190m shares worth US\$10.6m, but reported NP 74% YoY increase to RMB71.51bn in FY17.
- 4) Galaxy (27.HK -1.55%) agreed to acquire 5.3m newly shares of Wynn (1128.HK -2.64%) at US\$175/shr for US\$927.5m.
- 5) China Mobile (941.HK -1.32%) NP increased 5% YoY to RMB114.4bn due to 4G growth in FY17.
- 6) Lai Sun (488.HK -4.11%) NP increased 34% YoY to HK\$1.25bn for FY1H18, and property development & investment arm Lai Fung (1125.HK) reported a NP 7% YoY increase for the same period.
- 7) China Life (2628.HK -1.56%) reports 68.6% YoY increase in NP to RMB32.35bn.
- 8) Razer (1337.HK -3.85%) reports NP loss of US\$165.8m while revenue grew 32.1% YoY to US\$517.9m in FY17.
- 9) PetroChina (857.HK -2.89%) reports NP increase 190.2% YoY to RMB22.79bn, revenue grew to RMB2.01trn, representing a 24.7% YoY increase for FY17.
- 10) Henderson (12.HK -1.71%) report NP 39% YoY increase to HK\$30.4bn, EPS up from HK\$3.54 to HK\$4.89 in FY17.
- 11) China Resources Power (836.HK -0.55%) reports NP 40% YoY drop to HK\$4.62bn and basic EPS dropped to HK\$0.97 in FY17.
- 12) TVB (511.HK +0.00%) NP fell 51% YoY to HK\$264m and proposed final dividend of HK\$0.30cents in FY17.
- 13) Geely (175.HK -4.55%) NP rose 108% YoY to RMB10.63bn due to increase in sales volume in FY17.
- 14) Ping An Insurance (2318.HK -3.71%) NP increased 42.8% YoY to RMB89.09bn, and EPS was RMB4.99 with final dividend of RMB1 for FY17.

5-day High/Low Records

Week highs		% index		
Company	Ticker	End Price	move	Industry
Sunny Optical	2382	151.70	1.44%	IT hardware
CNOOC	883	11.50	1.35%	Oil & gas
Sinopec	386	6.59	0.89%	Oil & gas
PetroChina	857	5.37	0.28%	Oil & gas
China Res Power	836	14.40	0.25%	Utilities

Week lows		% index		
Company	Ticker	Price	move	Industry
Tencent	700	420.00	-26.60%	IT hardware
CCB	939	8.09	-10.61%	Banks
HKEX	388	256.80	-7.99%	Other financials
HSBC	5	74.65	-7.56%	Banks
PingAn	2318	84.45	-7.30%	Insurance

Source: HKEX, Bloomberg

O Calendar

Company	Ticker	Listing	IPO px	Industry
Telecom Service One	3997 HK	27/3/2018	N.A	Telecomm
Jiangsu Innovative	2116.HK	28/3/2018	1.00-1.25	Environmental goods
Most Kwai Chung	1716 HK	28/3/2018	1.00-1.20	Multi-media
Universe Printshop	8448 HK	28/3/2018	0.20-0.24	Publishing
Stream Ideas Group	8401 HK	28/3/2018	1.00-1.30	Advertising
Wang Yang Holdings	1735 HK	29/3/2018	1.50	Construction
Grand Brilliance Group	8372 HK	29/3/2018	0.30-0.35	Medical Equipment
Ying Kee Tea House	8241 HK	16/4/2018	0.48-0.54	Retailers & trade

Sources: HKEX, Bloomberg

Hang Seng Index weekly performance



Shanghai-Hong Kong Stock Connect

Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
19/3/2018	13.0	12.5	96%	140.1	162.2
20/3/2018	13.0	13.5	104%	146.1	176.7
21/3/2018	13.0	13.2	101%	158.1	177.3
22/3/2018	13.0	12.8	99%	152.0	187.6
23/3/2018	13.0	14.3	110%	179.9	265.0

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
19/3/2018	10.5	10.2	97%	45.9	46.2
20/3/2018	10.5	10.2	97%	62.1	64.4
21/3/2018	10.5	10.8	103%	70.5	72.0
22/3/2018	10.5	10.7	102%	51.1	68.5
23/3/2018	10.5	12.2	116%	74.7	123.8

Sources: HKEX, SSE

Shenzhen-Hong Kong Stock Connect

Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
19/3/2018	13.0	12.5	96%	136.1	128.6
20/3/2018	13.0	13.2	102%	150.6	168.7
21/3/2018	13.0	12.2	94%	165.7	149.5
22/3/2018	13.0	12.7	98%	150.8	160.0
23/3/2018	13.0	13.3	102%	183.4	240.4

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
19/3/2018	10.5	9.8	93%	49.1	38.6
20/3/2018	10.5	9.9	94%	51.5	45.0
21/3/2018	10.5	10.2	97%	62.1	52.5
22/3/2018	10.5	9.0	85%	52.5	39.8
23/3/2018	10.5	9.7	92%	59.8	64.9

Sources: HKEX, SSE

Important legal disclosures

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