

Weekly market commentary report

07 May 2018 Monday

Market outlook and news tracker

Hong Kong and China market outlook

US stocks closed higher last Friday boosted by shares in the Technology hardware & equipment, media, and semiconductor sectors. On the economic data front, US nonfarm payrolls increase to 164,000 in April from 135,000 in March. US Unemployment rate increase to 3.9% for April, 0.2% lower than the previous month. US-China trade talks concluded with several demands including a reduction in trade gap by US\$200bn in the next two years, strengthened IP protections, open up of services & agricultural sectors, halt subsidies to advance manufacturing industries etc. In China, CRSC quadrupled its daily quotas for Shanghai-HK and Shenzhen-HK connects.

Regarding corporate news, Stericycle (SRCL.US +8.06%) posted 0.3% YoY increase in revenue to US\$895m, while DaVita (DVA.US +4.87%) net revenue rose 8% YoY to US\$2.85bn. Tencent (700.HK -0.57%) brought out its latest versions of FIFA for smartphones and PC with EA (EA.US +2.89%). Geely (175.HK -2.79%) chairman Li Shufu bought back 20.2m of company shares, while SHK (86.HK -1.03%) proposes off-market share buyback of 145m shares, or 6.73% of its total shares.

This week's focus may be on the oil sector as Iran come out against higher oil prices, signaling a divided between the Saudis. Further, the market will absorb the outcome of US-China potential trade war talks, one major point worth noting is the subsidies halt in China's 2025 Manufacturing Plan, which is projected to be largely disagreed by the Chinese majority.

Further, CSRC issued draft rules on CDR that require applicants to have operated for no less than three years. The first CDR may be announced next month after public feedback is accounted for.

Hong Kong market sector movers and news tracker

1) Macau gaming sector: Gambling revenue rose 28% YoY for the month of April to MOP25.73bn due to more visitors.

• Related stocks: Galaxy (27.HK -1.22%), China Sands (1928.HK -2.16%), Wynn (1128.HK -2.12%), Melco (200.HK -0.17%)

2) HK property sector: Tender for residential project site in Yau Tong's estimated land premium amount to HK\$1.51bn, and several developers show interest.

• Related stocks: Wheelock (20.HK -0.70%), Henderson Land (12.HK -0.61%), Emperor International (163.HK +1.26%), Far East Consortium (35.HK -1.55%)

3) Oil sector: Benchmark US crude top US\$70/barrel while Brent also reached \$75.53/barrel amid rejection of higher oil prices in Iran, signaling a divide amongst the Saudis.

• Related stocks: CNOOC (883.HK +0.46%), Petro China (857.HK -0.71%), Sinopec (386.HK -1.43%), China Oilfield (2883.HK -0.97%)

4) China bank sector: PBOC strengthened the RMB to 6.3521, representing a 211 bps against the USD last Friday.

• Related stocks: CM Bank (3968.HK -1.51%), CCB (939.HK -1.11%), ICBC (1398.HK -1.47%), MinSheng (1988.HK -0.41%)

5) Gold sector: Global investment demand fell 7% YoY to 973MT in 1Q due to lower investments in gold bars & gold-backed ETFs according to the World Gold Council.

• Related stocks: China Gold International (2099.HK -2.51%), Zijin Mining

Performance indices

Global Index	Performance chg. (%)			
	Closing	1D	1W	1M
HANG SENG INDEX	29926.5	-1.3	-1.0	0.4
HANG SENG CHINA ENT INDX	11890.62	-1.1	-0.9	0.0
SHANGHAI SE COMPOSITE	3091.033	-0.3	2.0	0.2
SHENZHEN SE COMPOSITE IX	1789.068	-0.2	2.9	-0.5
CSI 300 INDEX	3774.6	-0.49	2.1	-0.5
DOW JONES INDUS. AVG	24262.51	1.39	-0.2	1.4
S&P 500 INDEX	2663.42	1.3	-0.2	2.3
NASDAQ COMPOSITE INDEX	7209.618	1.7	1.3	4.3
DAX INDEX	12819.6	1.0	2.2	5.0
CAC 40 INDEX	5516.05	0.3	0.6	4.9
FTSE 100 INDEX	7567.14	0.9	0.9	5.3

Sources: Bloomberg as of 7 May 18

Commodities	Performance chg. (%)			
	Closing	1D	1W	1M
Brent Crude Oil	74.87	1.7	0.9	13.0
Gold	1314.5	0.2	-0.2	-1.8
Steel (HRC China)	4040	-0.4	4.6	13.5
Aluminium	2350	3.6	5.7	18.0
Copper	6826	0.0	0.4	1.5

Sources: Bloomberg as of 7 May 18

Currencies to US\$	Performance chg. (%)			
	Closing	1D	1W	1M
CNY	6.3627	0.14	-0.4	-0.8
HKD	7.8494	0.00	0.0	0.0
JPY	109.12	-0.06	0.1	-2.3
EUR	1.196	-0.23	-1.2	-3.1
GBP	1.3531	-0.32	-1.6	-4.2
AUD	0.7539	0.09	-0.2	-2.3
CAD	1.2846	-0.01	-0.1	-1.3

Sources: Bloomberg as of 7 May 18

Economic Calendar

Date	Event	Est.	Prior
8-May-18	CH trade balance CNY (Apr)	186.6bn	-29.78bn
	CH exports YoY CNY (Apr)	4.0%	-9.8%
	CH imports YoY CNY (Apr)	10.4%	5.9%
	CH trade balance (Apr)	\$27.5bn	-\$4.98bn
	CH exports YoY (Apr)	7.0%	-2.7%
	CH imports YoY (Apr)	16.0%	0.1
10-May-18	CH PPI YoY (Apr)	3.4%	3.1%
	CH CPI YoY (Apr)	1.9%	2.1%
11-May-18	HK GDP YoY (1Q)	3.3%	3.4%
	HK SA QoQ (1Q)	n.a	0.8%
15-May-18	CH money supply M2 YoY (Apr)	8.5%	8.2%
	CH money supply M1 YoY (Apr)	7.2%	7.1%
	CH money supply M0 YoY (Apr)	n.a	6.0%
	CH aggregate financing CNY (Apr)	1,325.0bn	1,330.0bn
18-May-18	CH new Yuan loans CNY (Apr)	1,100.0bn	1,120.0bn
18-May-18	CH FDI YoY (Apr)	n.a	0.4%

Sources: Bloomberg as of 7 May 18

Market commentary

Hong Kong notable market movers and news tracker

- 1) Esprit (330.HK -3.36%) to shut down operations in Australia & New Zealand.
- 2) Lenovo (992.HK +0.54%) will be replaced by CSPC Pharmaceutical (1093.HK +1.91%) in the HSI Index on June
- 3) Swire Properties (1972.HK -0.54%) retail sales at Pacific Place grew 25.9% YoY in 1Q18.
- 4) CLP (2.HK -0.06%) received ~200 inquiries regarding buying clean energy from private firms & individuals through solar panels.
- 5) HSBC (5.HK -3.54%) report 4% YoY drop in pre-tax profit to US\$4.8bn in 1Q.
- 6) Hang Seng (11.HK -2.14%) declares dividend of HK\$1.3/shr.
- 7) AIA (1299.HK -1.95%) new business value grew 20% YoY to US\$1.02bn in 1Q.
- 8) Galaxy (27.HK -1.22%) appointed new non-exec director Michael Mecca.
- 9) Ping An Good Doctor (1833.HK +0.00%) debuted last week, IPO amounted to US\$1.12bn and oversubscribed 653x.
- 10) Wharf's (4.HK -1.76%) retail sales in Times Square and Harbor City grew 20%/30% YoY in 1Q, respectively.
- 11) NWD (17.HK -0.89%) wins tender for commercial development in SkyCity project - projecting to cost HK\$20bn.
- 12) StanChart (2888.HK -2.35%) reports 19.9% YoY increase in pre-tax profit to US\$1.18bn for 1Q.

5-day High/Low Records

Week highs	% index			
Company	Ticker	End Price	move	Industry
BOCHK	2388	40.70	5.53%	Banks
Sunny Optical	2382	131.50	3.88%	Technology
HK & China Gas	3	16.54	2.59%	Oil & gas
Galaxy	27	68.70	2.58%	Gaming
Sands China	1928	45.40	2.52%	Gaming

Week lows	% index			
Company	Ticker	Price	move	Industry
HSBC	5	74.95	-27.13%	Banks
Tencent	700	383.20	-11.10%	Technology
AIA	1299	68.00	-10.94%	Insurance
Ping An	2318	74.85	-9.21%	Insurance
China Mobile	941	73.00	-9.19%	Telecommunications

Sources: HKEX, Bloomberg

IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
Jlogo Holdings	8527.HK	9/5/2018	0.50-0.60	Restaurant/fast food
REM Group	1750.HK	11/5/2018	0.30-0.38	Electric equipment
HPC Holdings	1742.HK	11/5/2018	0.40-0.48	Construction/décor
Top Education	1752.HK	11/5/2018	0.27-0.37	Other services
Elegance Commercial	8391.HK	11/5/2018	0.60	Printing & publishing
Tsit Wing International	2119.HK	11/5/2018	1.50-2.19	Soft drinks
Kingsley Edugroup	8105.HK	16/5/2018	0.40-0.50	Other services
ST International	8521.HK	16/5/2018	0.50-0.60	Textile & apparels

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)
30/4/2018	52.0	n.a	n.a	n.a	n.a
1/5/2018	52.0	n.a	n.a	n.a	n.a
2/5/2018	52.0	49.6	95%	295.9	214.0
3/5/2018	52.0	51.5	99%	282.2	214.4
4/5/2018	52.0	52.4	101%	204.7	218.6

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
30/4/2018	42.0	n.a	n.a	n.a	n.a
1/5/2018	42.0	n.a	n.a	n.a	n.a
2/5/2018	42.0	42.4	101%	55.3	75.8
3/5/2018	42.0	41.5	99%	50.0	48.2
4/5/2018	42.0	42.0	100%	37.4	43.1

Sources: HKEX, SSE

Shenzhen-Hong Kong Stock Connect

Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
30/4/2018	52.0	n.a	n.a	n.a	n.a
1/5/2018	52.0	n.a	n.a	n.a	n.a
2/5/2018	52.0	49.7	96%	298.2	233.4
3/5/2018	52.0	51.9	100%	263.8	225.2
4/5/2018	52.0	52.8	102%	199.6	210.2

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
30/4/2018	42.0	n.a	n.a	n.a	n.a
1/5/2018	42.0	n.a	n.a	n.a	n.a
2/5/2018	42.0	41.5	99%	46.0	49.2
3/5/2018	42.0	41.0	98%	45.9	29.4
4/5/2018	42.0	41.7	99%	39.7	31.8

Sources: HKEX, SSE

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