

Weekly market commentary report

14 May 2018 Monday

Market outlook and news tracker

Hong Kong and China market outlook

US stocks closed mixed last Friday as semiconductors, technology equipment, and F&B sectors dropped while telecommunication, biotech, and healthcare sectors grew. On the economic data front, US import index increased by 0.3% in April compared to -0.2% in March. China's PBOC release better than expected figures on RMB loans (RMB1.18trn) and total fundraising for April, signaling credit and liquidity demands.

Regarding corporate news, Nvidia (NVDA.US -2.15%) reported 66% YoY increase in revenue to US\$3.21bn, while Symantec (SYMC.US -33.1%) reported 4.2% YoY increase to US\$1.23bn for 1Q18, both beating estimates. Tong Ren Tang Tech (8138.HK +0.00%) proposes transfer of listing to the main board end of May, while China Railway (390.HK -0.32%) consortium wins bid for Shenyang City Expressway project for RMB11.12bn.

This week's focus may continue to be on the oil sector as prices rise amid US-Iran tensions. Also, Chinese banks and its local currency are worth noting as producer inflation rose due to surge in commodities prices. At the same time, we think the market sentiment has improved as President Trump asks the Commerce Department to work on a deal to get ZTE (763.HK suspended) back to business, tech companies relating to AI and smart phones are also encouraged by it.

Further, many companies are scheduled to report 1Q18 earnings this week. Meanwhile, MSCI will announce its A-share inclusion list today; given this expected event, there may be pressures to sell blue chip stocks.

Hong Kong market sector movers and news tracker

1) HK property sector: Property trading volume increase 14% YoY while housing affordability ratio reached 71% in 1Q18 according to the Government.

• Related stocks: SHK (16.HK +1.11%), NWD (17.HK +1.57%), Henderson (12.HK +1.91%), Swire (1972.HK +4.88%)

2) Gold sector: Prices increased and reach US\$1,322.3/oz amid geopolitical tensions between US-China, which call for investors to turn to safer havens.

• Related stocks: China Gold International (2099.HK -0.97%), Zijin Mining (2899.HK -0.85%), Hengxing Gold (2303.HK -0.60%), Zhaojin Mining (1818.HK +0.50%)

3) China bank sector: PBOC injects RMB30bn reverse repos, resulting in RMB20bn net withdrawal.

• Related stocks: CM Bank (3968.HK +2.04%), CCB (939.HK +1.23%), ICBC (1398.HK +0.88%), MinSheng (1988.HK +0.54%)

4) Oil sector: Prices continue to soar as Brent crude topped at US\$77.5bpd last week, reaching a 3.5 year high.

• Related stocks: CNOOC (883.HK -0.29%), Petro China (857.HK -0.33%), Sinopec (386.HK +1.63%), China Oilfield (2883.HK -1.35%)

Performance indices

Global Index	Closing	Performance chg. (%)		
		1D	1W	1M
HANG SENG INDEX	31122.06	1.0	4.9	2.1
HANG SENG CHINA ENT INDX	12345.3	0.9	4.6	2.1
SHANGHAI SE COMPOSITE	3163.263	-0.4	0.9	0.2
SHENZHEN SE COMPOSITE IX	1825.135	-1.0	-0.2	-0.9
CSI 300 INDEX	3872.84	-0.52	1.6	0.7
DOW JONES INDUS. AVG	24831.17	0.37	2.3	1.9
S&P 500 INDEX	2727.72	0.2	2.4	2.7
NASDAQ COMPOSITE INDEX	7402.883	0.0	2.7	4.2
DAX INDEX	13001.24	-0.2	0.4	4.5
CAC 40 INDEX	5541.94	-0.1	0.2	4.3
FTSE 100 INDEX	7724.55	0.3	2.1	6.3

Sources: Bloomberg as of 14 May 18

Commodities	Closing	Performance chg. (%)		
		1D	1W	1M
Brent Crude Oil	77.12	-0.5	0.8	6.7
Gold	1319.3	-0.2	0.4	-2.0
Steel (HRC China)	4010	-1.4	-0.7	9.3
Aluminium	2288	-2.0	0.8	1.7
Copper	6942	0.4	1.7	-0.1

Sources: Bloomberg as of 14 May 18

Currencies to US\$	Closing	Performance chg. (%)		
		1D	1W	1M
CNY	6.334	-0.24	0.4	-1.0
HKD	7.8497	0.00	0.0	0.0
JPY	109.39	-0.01	-0.4	-2.2
EUR	1.1943	0.23	0.3	-3.4
GBP	1.3542	0.17	-0.1	-5.5
AUD	0.7543	0.15	0.4	-3.0
CAD	1.2795	0.22	0.8	-1.7

Sources: Bloomberg as of 14 May 18

Economic Calendar

Date	Event	Est.	Prior
15-May-18	CH retail sales YoY (Apr)	10.0%	10.1%
	CH retail sales YTD YoY (Apr)	9.9%	9.8%
	CH industrial production YoY (Apr)	6.4%	6.0%
	CH industrial production YTD YoY(Apr)	6.7%	6.8%
	CH fixed assets ex rural YTD YoY(Apr)	7.4%	7.5%
17-May-18	HK unemployment rate (Apr)	2.9%	2.9%
	HK composite interest rate (Apr)	n.a	0.4%
18-May-18	CH FDI YoY (Apr)	n.a	0.4%
	CH FX net settlement (Apr)	n.a	-16.5bn
21-May-18	HK CPI composite YoY (Apr)	n.a	2.6%

Sources: Bloomberg as of 14 May 18

Market commentary

Hong Kong notable market movers and news tracker

- 1) Paliburg (617.HK +0.86%) and Regal Hotels (78.HK +0.19%) opens mall in Ma On Shan with 70% occupancy rate, and rental income expected to reach HK\$7m with full occupancy.
- 2) PCCW (8.HK -0.61%) reports that Viu TV and OTT business will bring positive cash flow in three to five years.
- 3) HKT (6823.HK +0.38%) says it invested 20% of its revenue overseas and looks forward to mobile phone business.
- 4) Swire (1972.HK +4.88%) in discussion to sell Taikoo Shing properties namely Cityplaza Three and Four.
- 5) Wynn (27.HK +1.53%) report loss of US\$204.3m for 1Q18 due to legal settlement cost of US\$463.6m.
- 6) HK and Shanghai Hotels (45.HK -1.64%) says revenue per room at The Peninsula increased 28% YoY to HK\$4,717 in 1Q18 with occupancy rate of 80%.
- 7) HKEX (388.HK +1.47%) report 49% YoY in NP to HK\$2.56bn for 1Q18.
- 8) Tencent's (700.HK +0.64%) WeDoctor reports a valuation of US\$5.5bn ahead of IPO, and raised US\$500m.
- 9) Cathay (293.HK +1.39%) chairman John Slosar says during its AGM that dividend payout may increase for the year.
- 10) China Resources Land (1109.HK +0.35%) report gross contracted sales of RMB14.18bn and GFA of 791,792m2 for April.
- 11) Hang Seng (11.HK +0.60%) Hu Zuliu resigned as a member on the risk committee board to pursue own commitments.

5-day High/Low Records

Week highs			% index	
Company	Ticker	End Price	move	Industry
BOCHK	1299	72.80	15.56%	Insurance
Sunny Optical	700	408.80	15.26%	Technology
HK & China Gas	5	77.55	8.53%	Banks
Galaxy	939	8.20	5.42%	Banks
Sands China	2318	77.90	4.27%	Insurance

Week lows			% index	
Company	Ticker	Price	move	Industry
WH Group	288	7.97	-0.14%	Agricultural products
BOCHK	2388	40.65	-0.05%	Banks
China Res Power	836	15.08	0.09%	Utilities
Lenovo	992	3.81	0.17%	Technology
Sino Land	83	13.24	0.19%	Property

Source: HKEX, Bloomberg

IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
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
TL Natural Gas	8536.HK	18/5/2018	0.40-0.48	Petro & gas

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)
7/5/2018	52.0	50.3	97%	272.0	174.3
8/5/2018	52.0	50.5	97%	208.6	163.7
9/5/2018	52.0	51.2	98%	184.5	174.3
10/5/2018	52.0	50.2	96%	204.7	148.2
11/5/2018	52.0	49.8	96%	204.9	165.7

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
7/5/2018	42.0	41.5	99%	57.7	51.5
8/5/2018	42.0	39.9	95%	60.6	47.9
9/5/2018	42.0	41.8	100%	50.6	55.0
10/5/2018	42.0	40.9	97%	55.4	56.2
11/5/2018	42.0	42.5	101%	41.1	62.5

Sources: HKEX, SSE

Shenzhen-Hong Kong Stock Connect

Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
7/5/2018	52.0	50.9	98%	261.8	189.9
8/5/2018	52.0	51.4	99%	223.6	192.4
9/5/2018	52.0	50.6	97%	210.1	163.9
10/5/2018	52.0	50.7	97%	222.6	176.9
11/5/2018	52.0	51.5	99%	194.8	211.8

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
7/5/2018	42.0	41.4	99%	44.7	30.3
8/5/2018	42.0	40.6	97%	43.7	34.6
9/5/2018	42.0	41.2	98%	35.1	27.3
10/5/2018	42.0	41.4	99%	37.1	36.0
11/5/2018	42.0	41.6	99%	36.9	40.2

Sources: HKEX, SSE

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