

Market outlook and news tracker

Hong Kong and China market outlook

A small move lower for stocks as the S&P lost 26bps, seeing a 2nd positive weekly close in a row as it gained 73bps for the past 5 sessions. A lighter than normal volume type of day especially considering options expiration that saw 7 S&P sectors lower and 4 higher. Financials-91bps among the weakest along with Tech as the SOX-1.4% as AMAT-8% reported weak earnings. Bonds rallied across the curve and that had yields lower with 10s at 3.06%. But, the DOLLAR continued to climb vs most everything as the DXY+23bps rallied for a 5th day. Emerging Market currencies very weak once again. BRL and ZAR down more than 1%.

Meanwhile, China and the US have reached consensus to substantially reduce the US trade deficit in goods with China, and China will significantly increase purchases of US goods and services. But a joint statement released by the White House did not contain a specific target for reducing the \$375bn trade deficit between the two countries. Beside this, The Hong Kong Monetary Authority purchases of Hong Kong dollar increased to HK\$5.99bn, according to the de facto central bank. The aggregate balance will decrease to HK\$109.5 billion on May 23.

China came up with the proactive offer to increase U.S. imports instead of passive demand to cut exports to U.S. China will purchase a total of \$2.4tn goods including Agriculture, Energy, High-tech products from US in next 15 years. But this was a framework deal and Sino-US will start next round of negotiation soon. We will still need more details to understand this deal. But this may become a long-term burden for China, and we may have limited room to depreciate Rmb and funds outstanding for forex may face downward pressure. Today's highlights may come from Ports and Shipping as expectation of more imports from U.S.

Hong Kong market sector movers and news tracker

1) Oil & Gas and Oilfield Services sector: names saw sharp rallies on last Friday after Brent futures briefly crept above \$80 overnight, while the domestic price for LNG used by long-haul trucks and factories not connected to the pipeline grid has surged about 30% in the past three weeks, with prices hitting RMB4,272 a metric ton, the highest since Feb. 28. On the other hand, Airlines came under pressure on concerns about margin pressure from rising fuel costs.

• Related stocks: Sinopec (386.HK +2.37%), CNOOC (883.HK +3.43%), PereoChina (857.HK +6.37%), COSL (2883.HK +4.98%), Anton (3337.HK +13.93%), Kunlun Energy (135.HK +4.51%), SPT Energy (127.HK +1.03%), CEA (670.HK -3.34%), CSA (1055.HK -5.23%), Air China (753.HK -6.11%)

2) Machinery sector: Strong April excavator sales. In terms of individual company news, Zoomlion (1157.HK) plans to sell a 20% stake in Changsha Zoomlion.

• Related stocks: Lonking Holdings (3339.HK +12.63%), CIMC Enric (3899.HK +10.08%), Zoomlion (1157.HK +6.71%)

3) China Coal sector: Increased power generation demand given a heatwave sweeping through China, where Shanghai has issued a yellow high temperature alert.

• Related stocks: YZC (1171.HK +6.89%), China Coal (1898.HK +5.11%), Shenhua (1088.HK +6.28%), Shougang (639.HK +1.82%)

4) HK Properties sector: CK Asset (1113.HK)'s Chiu says he sees H.K. property prices rising 10% this year.

• Related stocks: Swire Pacific (19.HK +2.13%), Sino Land (83.HK +1.64%), Hysan (14.HK +2.36%)

Performance indices

Global Index	Closing	Performance chg. (%)		
		1D	1W	1M
HANG SENG INDEX	31047.91	0.3	-0.3	3.4
HANG SENG CHINA ENT INDX	12355.13	0.6	-0.5	3.5
SHANGHAI SE COMPOSITE	3193.303	1.2	1.2	4.5
SHENZHEN SE COMPOSITE IX	1828.786	0.3	1.1	3.6
CSI 300 INDEX	3903.06	1.01	0.4	4.3
DOW JONES INDUS. AVG	24715.09	0.00	-0.5	1.0
S&P 500 INDEX	2712.97	-0.3	-0.5	1.6
NASDAQ COMPOSITE INDEX	7354.339	-0.4	-0.7	2.9
DAX INDEX	13077.72	-0.3	0.6	4.3
CAC 40 INDEX	5614.51	-0.1	1.3	3.7
FTSE 100 INDEX	7778.79	-0.1	0.7	5.6

Sources: Bloomberg as of 21 May 18

Commodities	Closing	Performance chg. (%)		
		1D	1W	1M
Brent Crude Oil	78.51	-1.0	1.0	7.8
Gold	1293.04	0.2	-1.8	-2.6
Steel (HRC China)	4007	-0.1	-2.4	8.7
Aluminium	2270	-1.0	-0.8	-10.5
Copper	6855	-0.3	-1.3	-2.4

Sources: Bloomberg as of 21 May 18

Currencies to US\$	Closing	Performance chg. (%)		
		1D	1W	1M
CNY	6.38	0.20	-0.7	-1.0
HKD	7.8499	0.00	0.0	-0.1
JPY	110.78	0.01	-1.2	-2.1
EUR	1.1772	-0.19	-1.5	-3.7
GBP	1.3469	-0.35	-0.8	-3.5
AUD	0.7511	0.00	0.0	-1.0
CAD	1.2885	0.60	-0.5	-0.2

Sources: Bloomberg as of 21 May 18

Economic Calendar

Date	Event	Est.	Prior
23-May-18	US MBA Mortgage Applications (May 18)	n.a	-2.70%
	Markit US Manufacturing PMI (May)	56.5	56.5
	Markit US Service PMI (May)	54.8	54.6
	US new home sales MoM (Apr)	-2.20%	4%
24-May-18	US initial jobless claims (May 19)	220k	222k
	US continuing claims (May 12)	1750k	1707k
	US existing home sales MoM (Apr)	-0.90%	1.10%
25-May-18	US durable goods orders (Apr)	-1.40%	2.60%
27-May-18	China industrial profits YoY (Apr)	n.a	3.10%
28-May-18	HK exports YoY (Apr)	2.20%	2.60%
	HK imports YoY (Apr)	n.a	8%
	HK trade balance (Apr)	n.a	-55.5bn

Sources: Bloomberg as of 21 May 18

Market commentary

Hong Kong notable market movers and news tracker

- 1) Yihai (1579.HK +12.43%) after Hai Di Lao filed an IPO application to the HKEx and plans to open 180-220 new restaurants in 2018.
- 2) Hua Hong Semi (1347.HK -3.21%) after controlling shareholder Shanghai Alliance Investment (SAIL) sold 28mln shares at HK\$17.4 apiece, a 7.1% discount to yesterday's close.
- 3) Chalco (2600.HK +1.62%), where the Co's Hong Kong unit expects to invest up to \$163.8mln in cash in the Boffa bauxite project in Guinea; meanwhile the Co is pushing for the removal of China's 15% aluminum export tax.
- 4) Pantronics (1611.HK +3.31%) has posted 1H net profit that fell 54% YoY to HK\$986,000 on revenue that rose 17% YoY to HK\$161m.
- 5) Winfair (287.HK +1.51%) has issued a positive profit alert, saying it expects its FY net profit to rise 6-fold.
- 6) ZTE (763.HK suspended) will have to change its management, including by possibly appointing new board members, to win a reprieve from U.S. sanctions that shut it off from key suppliers, the director of the White House National Economic Council said.
- 7) Wheelock (20.HK +0.77%): The new offering of 50 units in Wheelock's Oasis Kai Tak were sold out in one and a half hours on May 18 for HK\$5.7bn.
- 8) CSA(1055.HK -5.23%) will add more routes to Europe, North America from the new terminal at Guangzhou airport, Huang Ya, a co. spokeswoman, tells

5-day High/Low Records

Week highs		% index		
Company	Ticker	End Price	move	Industry
CNOOC	883.HK	14.46	0.60%	Oil
Petro China	857.HK	6.51	0.48%	Oil
Tencent	700.HK	411.00	3.08%	Technology
HSBC	5.HK	77.25	0.48%	Banks
Shenhua	1088.HK	22.00	1.55%	Coal

Week lows		% index		
Company	Ticker	Price	move	Industry
AIA	1299.HK	72.00	-0.80%	insurance
ICBC	1398.HK	6.75	-0.10%	Banks
AAC Tech	2018.HK	113.40	-8.30%	Technology
Galaxy	27.HK	67.05	-2.45%	Gambling
CKH	1.HK	88.75	-1.54%	Conglomerates

Sources: HKEX, Bloomberg

IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
China 21st Century Education Group	1598.HK	29/5/2018	0.79-1.13	Education
LH Group	1978.HK	30/5/2018	1.00-1.30	Restaurant
Niche-Tech Group	8490.HK	30/5/2018	0.42-0.58	Semiconductors
Amuse Group	8545.HK	31/5/2018	0.25-0.35	Toys
MS Group Holdings	1451.HK	1/6/2018	1.20-1.36	Industrial goods
Tian Yuan Group	6119.HK	1/6/2018	0.84-1.00	Marine

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)
14/5/2018	52.0	48.5	93%	276.5	138.8
15/5/2018	52.0	50.4	97%	231.1	163.9
16/5/2018	52.0	51.8	100%	223.7	194.5
17/5/2018	52.0	50.7	97%	203.9	149.8
18/5/2018	52.0	49.5	95%	239.9	142.3

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
14/5/2018	42.0	43.0	102%	58.3	62.3
15/5/2018	42.0	42.6	101%	45.8	59.5
16/5/2018	42.0	41.3	98%	54.1	48.0
17/5/2018	42.0	42.3	101%	208.0	163.1
18/5/2018	42.0	41.6	99%	47.4	53.3

Sources: HKEX, SSE

Shenzhen-Hong Kong Stock Connect

Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
14/5/2018	52.0	49.6	95%	264.4	172.0
15/5/2018	52.0	49.8	96%	263.5	174.8
16/5/2018	52.0	51.0	98%	232.0	197.9
17/5/2018	52.0	51.0	98%	208.0	163.1
18/5/2018	52.0	50.9	98%	203.1	161.8

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
14/5/2018	42.0	41.3	98%	41.0	39.1
15/5/2018	42.0	41.8	99%	46.6	46.2
16/5/2018	42.0	40.7	97%	63.8	41.6
17/5/2018	42.0	41.7	99%	45.8	35.2
18/5/2018	42.0	41.3	98%	52.3	36.5

Sources: HKEX, SSE

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