

Market outlook and news tracker

Hong Kong and China market outlook

US stocks closed flat on Friday as household & personal products, semiconductors, and transportation sectors grew while energy, telecom, and biotech closed lower. On the US economic data front, durable goods orders decreased 1.7% in April compared to +2.6% in March. UMICH sentiment index decreased to 98 in May, lower than estimated 98.8. In corporate news, Gap (GAP.US -14.57%) report 16.7% YoY increase in EPS to US\$0.42 and US\$3.78bn in revenue, while Ross Stores (ROST.US -6.77%) report 35.4% YoY increase in EPS to US\$1.11 and US\$3.69bn in revenue. In Hong Kong, Nine Dragons Paper's (2689.HK +1.61%) Delaware-based units will two US paper mills for US\$175m from Catalyst Paper Corp. Further, President Trump says ZTE (763.HK suspended) can remain in business after it pays a US\$1.3bn fine and changes its management to provide "high-level security guarantees".

The Hong Kong market saw a choppy trading, despite the mixed performance from Wall Street on Friday night given the positive moves by both the U.S. and North and South Korea to keep the Singapore Summit alive, but immediately dipping below water before once again regaining all the lost ground. Southbound investors were selling but turned better buyers in the afternoon, with net outflows overall of just HKD26m so far. In trade talk news, the U.S. is reportedly pressing China to enter into multi-year contracts to buy agricultural and energy imports as part of a broader trade deal aimed at reducing trade deficit with China, while the U.S. and allies are apparently pressing China to approve the NXP Semiconductors/Qualcomm deal. Meanwhile regarding the proposed talks with North Korea, we've heard that President Trump has pivoted from his abrupt cancellation of a planned summit with North Korean leader Kim Jong Un, saying it may still happen on the originally scheduled June 12 date, while the leaders of North and South Korea met for two hours on Saturday in a surprise meeting to discuss ways to salvage the canceled summit between Kim Jong Un and Donald Trump.

In terms of macro news, a front page commentary in the Economic Information Daily opines that rising risks in bonds issued by local government financing vehicles and external debt will lead to higher volatility in the bond market, where China should establish a contingency plan to handle bond defaults as soon as possible

Hong Kong market sector movers and news tracker

1) FIFA World Cup related sector: With the opening day approaching, world cup related names from beer, entertainment and sports sectors outperformed.

• Related stocks: Mengniu Dairy (2319.HK -0.57%), 361 Degree (1361.HK -1.56%), Lining (2331.HK +0.99%), Anta Sport (2020.HK +1.00%)

2) China education sector: China plans to ends 40-yr birth limit policy nationwide which may be announced as early as 2019.

• Related stocks: Yuhua Edu (6169.HK -2.45%), New Higher Edu (2001.HK -0.55%), Top Edu (1752.HK +2.30%), Dadi Edu (8417.HK +5.05%)

3) Oil sector: Brent price reached US\$80bps last week after Trump cancels talks with North Korea, but prices dropped after the countries' delegators met over the weekend.

• Related stocks: CNOOC (883.HK -3.53%), Petro China (857.HK -3.04%), Sinopec (386.HK -7.22%), China Oilfield (2883.HK -3.27%)

Performance indices

Global Index	Performance chg. (%)			
	Closing	1D	1W	1M
HANG SENG INDEX	30588.04	-0.6	-0.8	1.8
HANG SENG CHINA ENT INDX	12047.75	-0.9	-1.9	0.5
SHANGHAI SE COMPOSITE	3141.303	-0.4	-2.5	1.7
SHENZHEN SE COMPOSITE IX	1810.032	-0.9	-2.3	1.7
CSI 300 INDEX	3816.5	-0.28	-2.2	2.0
DOW JONES INDUS. AVG	24753.09	-0.24	0.2	1.8
S&P 500 INDEX	2721.33	-0.2	0.3	1.9
NASDAQ COMPOSITE INDEX	7433.854	0.1	1.1	4.4
DAX INDEX	12938.01	0.6	-0.6	3.4
CAC 40 INDEX	5542.55	-0.1	-1.3	1.5
FTSE 100 INDEX	7730.28	0.2	-0.6	3.0

Sources: Bloomberg as of 28 May 18

Commodities	Performance chg. (%)			
	Closing	1D	1W	1M
Brent Crude Oil	76.44	-3.0	-4.9	2.1
Gold	1302.25	-0.2	0.4	-1.3
Steel (HRC China)	3584	1.0	-0.8	0.3
Aluminium	2263	-0.8	-0.3	0.8
Copper	6885	0.1	0.4	-1.8

Sources: Bloomberg as of 28 May 18

Currencies to US\$	Performance chg. (%)			
	Closing	1D	1W	1M
CNY	6.3917	0.21	-0.2	-1.0
HKD	7.8461	-0.02	0.0	0.0
JPY	109.41	0.14	1.5	-0.1
EUR	1.1651	-0.59	-0.8	-3.2
GBP	1.3309	-0.53	-0.8	-3.2
AUD	0.7548	-0.37	-0.2	0.5
CAD	1.2973	0.71	-1.5	-1.1

Sources: Bloomberg as of 28 May 18

Economic Calendar

Date	Event	Est.	Prior
31-May-18	HK budget balance HKD (Apr)	n.a	-23.4bn
	HK money supply M1 HKD YoY (Apr)	n.a	12.4%
	HK money supply M2 HKD YoY (Apr)	n.a	9.6%
	HK money supply M3 HKD YoY (Apr)	n.a	9.6%
	HK retail sales value YoY (Apr)	12.3%	11.4%
	HK retail sales volume YoY (Apr)	11.3%	10.0%
	CH non-mfg PMI (May)	54.8	54.8
1-Jun-18	CH mfg PMI (May)	51.4	51.4
	CH composite PMI (May)	n.a	54.1
	Caixin China PMI mfg (May)	51.2	51.1

Sources: Bloomberg as of 28 May 18

Market commentary

Hong Kong notable market movers and news tracker

- 1) CSPC Pharmaceutical (1093.HK +6.81%) reports 42.6% YoY increase in NP to HK\$909m for 1Q18.
- 2) HSBC (5.HK -0.64%) restructures APAC equities business by hiring from firms including Deutsche Bank and Citigroup according to sources.
- 3) Lenovo (992.HK +6.91%) reports 11% YoY increase in revenue to US\$10.6bn, but 69% YoY decrease in NP due to higher expenses for 1Q18.
- 4) Henderson Investment (97.HK +1.47%) will buy all of Uny (8028.JP) shares.
- 5) SHKP (16.HK -0.40%) sold 20 homes for HK\$2bn at project Victoria Harbor.
- 6) Baidu (BIDU.US +1.46%) chose Huatai Securities (6886.HK -0.65%) as its sponsor for listing in China through CDRs.
- 7) Wheelock (20.HK +0.59%) reveal price list for 55 units at One Homantin, and updated project Island Resident prices to an average of HK\$28,466/ft².
- 8) Kingsoft (3888.HK -2.53%) reports 50.35% YoY decrease in NP to RMB118.4m for 1Q18.
- 9) Tencent (700.HK -0.74%) says it will inject RMB1.27bn in Donghua Chengxin Computer, major shareholder of DHC Software (002065.CH +0.00%)
- 10) GOME (493.HK -1.14%) reports 17.5% YoY decrease to RMB113m for 1Q18.
- 11) China Everbright (257.HK +0.35%) to complete US\$47m waste-to-energy plant in Vietnam by end of 2018.

5-day High/Low Records

Week highs		% index		
Company	Ticker	End Price	move	Industry
Link REIT	823.HK	69.75	3.63%	Property
CLP	2.HK	83.10	3.11%	Utilities
Sunny Optical	2382.HK	152.80	2.49%	Technology
Galaxy	27.HK	68.40	2.24%	Gaming
Lenovo	992.HK	4.18	2.06%	Technology

Week lows		% index		
Company	Ticker	Price	move	Industry
CNOOC	883.HK	13.12	-16.70%	Oil
Tencent	700.HK	404.00	-10.68%	Technology
Petro China	857.HK	6.05	-6.77%	Technology
Sinopec	386.HK	7.32	-6.75%	Oil
ICBC	1398.HK	6.62	-6.69%	Banks

Sources: HKEX, Bloomberg

IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
China 21st Century Ed	1598.HK	29/5/2018	0.79-1.13	Education
Beijing Tong Ren Tang	3613.HK	29/5/2018	N/A	Medicine
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
Affluent Foundation	1757.HK	7/6/2018	0.30-0.34	Construction & décor

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)
21/5/2018	52.0	n.a	n.a	n.a	n.a
22/5/2018	52.0	n.a	n.a	n.a	n.a
23/5/2018	52.0	51.1	98%	305.7	271.1
24/5/2018	52.0	51.2	98%	207.1	186.5
25/5/2018	52.0	50.5	97%	242.0	194.1

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
21/5/2018	42.0	41.6	99%	68.8	53.9
22/5/2018	42.0	n.a	n.a	n.a	n.a
23/5/2018	42.0	42.5	101%	55.6	70.5
24/5/2018	42.0	42.8	102%	50.2	57.2
25/5/2018	42.0	43.8	104%	46.0	63.3

Sources: HKEX, SSE

Shenzhen-Hong Kong Stock Connect

Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
21/5/2018	52.0	n.a	n.a	n.a	n.a
22/5/2018	52.0	n.a	n.a	n.a	n.a
23/5/2018	52.0	50.5	97%	299.5	242.2
24/5/2018	52.0	50.6	97%	244.2	196.3
25/5/2018	52.0	51.3	99%	239.7	238.7

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
21/5/2018	42.0	41.2	98%	62.4	45.5
22/5/2018	42.0	n.a	n.a	n.a	n.a
23/5/2018	42.0	42.0	100%	55.3	60.5
24/5/2018	42.0	41.6	99%	46.2	40.3
25/5/2018	42.0	42.0	100%	45.0	43.2

Sources: HKEX, SSE

Important legal disclosures

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