

Weekly market commentary report

19 June 2018 Monday

Market outlook and news tracker

Hong Kong and China market outlook

US stocks closed mixed on Monday as share in the telecommunication services, household & personal products, and media sectors closed lower while energy, software, and utilities stocks ended higher. On the US economic data front, NAHB housing market index dropped to 68 in June from estimated 70. In China, PBOC and State Administration of Forex implement new rules for QDII and RQFII programs including the elimination of the three-month capital lock period and ridding the limit for funds amount taken out in China. New rules allow investors to hedge forex to offset movements.

Regarding corporate news, Coca Cola (KO.US -1.29%) considers a EUR3bn bid for Horlicks, up against competitors Kraft (KHC.US -1.20%) and Nestle (NESN.SW -1.53%). Disney's (DIS.US -1.64%) new movie "Incredibles 2" earned US\$180m in 4,410 location opening weekend. FleetCor Technologies (FLT.US +6.45%) will replace Time Warner in the S&P500 this week. Tesla's (TSLA.US +3.53%) Elon Musk tweeted its first dual-motor Model 3 stating it was built with "minimal resources". Genscript Biotech (1548.HK -5.04%) unit Nanjing Jinsirui Biotech entered a MOU with Tsinghua University for clinical research. Further, Tsingtao (168.HK -1.16%) will discuss strategic cooperation with Fosun International (656.HK -0.36%).

This week's focus will be on Trump's newly announced 25% tariff on Chinese imports worth US\$50bn, which will start on July 6th. The administration also threatened to impose tariffs on an additional US\$200bn worth of Chinese goods amid trade tensions with China. Further, the oil sector will also be worth noting as Saudi Arabia, Russia, and OPEC exporters will meet in Vienna this week to discuss potential increase in oil production.

Hong Kong market sector movers and news tracker

1) Oil sector: Oil prices fell to US\$64/bps amid discussions on production increase amongst oil giants, and China says it will impose tariffs on US goods including oil after Trump's US\$50bn levy last week.
-Related stocks: CNOOC (883.HK -1.07%), Petro China (857.HK -1.31%), Sinopec (386.HK -1.10%), China Oilfield (2883.HK -3.44%)

2) HK bank sector: Interest rates were raised 25 basis points to 2.25 following the US Fed's decision.
-Related stocks: HSBC (5.HK -0.07%), Hang Seng (11.HK +0.20%), BOCHK (2388.HK -0.88%), StanChar (2888.HK -1.37%)

3) China auto sector: Sales grew 7.9% YoY in May, whereas electric and gasoline EV grew to 102,000 pcs – YTD sales grew to RMB9.9m for the same period.
-Related stocks: Geely (175.HK -1.07%), BYD (1211.HK -1.91%), GAC (2238.HK -1.70%), Great Wall Motor (2333.HK -3.31%)

4) China insurance sector: CIRC average solvency ratio amount to 248% amongst 173 insurance companies in 1Q18. Premium income dropped 7.8% YoY to RMB1.7trn.
-Related stocks: Ping An Insurance (2318.HK +0.25%), New China Life (1336.HK -1.45%), China Taiping (966.HK -0.86%), China Pacific (2601.HK -1.28%)

Performance indices

Global Index	Closing	Performance chg. (%)		
		1D	1W	1M
HANG SENG INDEX	30309.49	-0.4	-5.4	-5.4
HANG SENG CHINA ENT INDX	11870.18	-0.7	-6.1	-7.5
SHANGHAI SE COMPOSITE	3021.901	-0.7	-4.7	-8.9
SHENZHEN SE COMPOSITE IX	1691.648	-1.8	-8.5	-12.8
CSI 300 INDEX	3753.43	-0.53	-4.2	-7.2
DOW JONES INDUS. AVG	25090.48	-0.34	-1.3	1.1
S&P 500 INDEX	2779.66	-0.1	-0.3	2.2
NASDAQ COMPOSITE INDEX	7746.378	-0.2	1.1	5.3
DAX INDEX	13010.55	-0.7	-1.7	-3.5
CAC 40 INDEX	5501.88	-0.5	-1.4	-4.3
FTSE 100 INDEX	7633.91	-1.7	-1.9	-2.9

Sources: Bloomberg as of 19 June 18

Commodities

Commodities	Closing	Performance chg. (%)		
		1D	1W	1M
Brent Crude Oil	73.44	-3.3	-1.7	-5.0
Gold	1278.94	-1.8	-1.2	-0.9
Steel (HRC China)	3882	0.0	0.3	3.9
Aluminium	2204	-2.3	-3.5	-2.2
Copper	7020	-2.2	-4.0	1.6

Sources: Bloomberg as of 19 June 18

Currencies to US\$

Currencies to US\$	Closing	Performance chg. (%)		
		1D	1W	1M
CNY	6.4387	0.58	-1.1	-1.4
HKD	7.8493	0.00	0.0	0.0
JPY	110.66	0.03	0.6	1.2
EUR	1.161	0.36	-1.5	-1.8
GBP	1.3278	0.12	-1.3	-1.7
AUD	0.7442	-0.48	-2.8	-2.9
CAD	1.3184	0.60	-1.7	-3.4

Sources: Bloomberg as of 19 June 18

Economic Calendar

Date	Event	Est.	Prior
20-Jun-18	HK composite interest rate (May)	n.a	0.4%
21-Jun-18	HK CPI composite YoY (May)	2.2%	1.9%
22-Jun-18	HK BoP current account balance (1Q)	n.a	\$15.18bn
	HK BoP overall (1Q)	n.a	\$73.49bn
26-Jun-18	HK exports YoY (May)	n.a	8.1%
	HK imports YoY (May)	n.a	11.1%
	HK trade balance HKD (May)	n.a	-46.9bn

Sources: Bloomberg as of 19 June 18

Market commentary

Hong Kong notable market movers and news tracker

- 1) Chief executive of Samsonite (1910.HK -0.52%) Kyle Gendreau report a fixed base salary of US\$1.2m per annum despite short seller allegations last month.
- 2) Swire Properties (1972.HK +5.35%) sells Cityplaza Three and Four to Hengillong Investments for HK\$15bn.
- 3) Joyce (647.HK +0.00%) reports 9.8% YoY drop in revenue to HK\$860.7m for year ended March.
- 4) Vitasoy (345.HK -4.19%) reports 5% YoY drop in NP to HK\$586m for year ended March.
- 5) WE Solutions (860.HK -5.37%) invests in electric vehicle-related businesses.
- 6) HKEX (388.HK -0.08%) chief executive Li Xiaojia reappointed and term extends to October 2021.
- 7) Convoy (1019.HK suspended) sells 29.5% stake in First Credit Finance (8215.HK suspended) for HK\$61.01m.
- 8) Victor Li of CK (1.HK +0.23%) bids Australia's APA Group (APA.AU) with cash offer of AUD\$13m, split from CK Asset (1113.HK +0.00%), CK Infrastructure (1038.HK -1.02%), and Power Assets (6.HK +0.18%).
- 9) HKT (6823.HK +0.40%) announce recommendation for telecom infrastructures to the government to push 5G technology.
- 10) NDRC will invest in strategic and emerging industries with CCB (939.HK -1.02%) worth RMB300bn.
- 11) China Resources Cement (1313.HK -0.11%) plans to sell 450m new shares worth HK\$4.19bn to CRH for business development, repay debt, and working capital.

5-day High/Low Records

Week highs		% index		
Company	Ticker	End Price	move	Industry
Ping An	2318	79.25	1.91%	Insurance
China Shenhua	1088	21.20	0.58%	Coal
China Overseas	688	28.65	0.55%	Property
Hengan Int'l	1044	77.55	0.28%	Personal products
Wharf REIC	1997	60.80	0.24%	Property

Week lows		% index		
Company	Ticker	Price	move	Industry
AIA	1299	69.60	-13.83%	Insurance
CCB	939	7.79	-13.59%	Banks
ICBC	1398	6.33	-9.35%	Banks
Tencent	700	410.00	-5.78%	Technology
Petro China	857	6.04	-4.56%	Oil

Source: HKEX, Bloomberg

IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
Vcredit Holdings	2003.HK	21/6/2018	20.0-23.0	Other financials
Jiangxi Bank	1916.HK	26/6/2018	5.94-6.66	Banks
Shineroad International	1587.HK	27/6/2018	0.75	Food additives
Shanshan Brand	1749.HK	27/6/2018	3.28-4.91	Apparel
Grace Wine	8146.HK	27/6/2018	0.30-0.40	Alcoholic drinks
CTEH	1620.HK	28/6/2018	0.34-0.43	Travel & tourism
Wise Talent IT	6100.HK	29/6/2018	28.5-35.5	Support services

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)
11/6/2018	52.0	49.0	94%	313.0	237.4
12/6/2018	52.0	50.9	98%	261.7	268.7
13/6/2018	52.0	51.2	98%	254.8	222.4
14/6/2018	52.0	50.1	96%	328.5	243.5
15/6/2018	52.0	49.7	96%	354.5	299.7

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
11/6/2018	42.0	42.1	100%	40.4	43.3
12/6/2018	42.0	41.2	98%	58.9	59.6
13/6/2018	42.0	42.3	101%	61.0	59.2
14/6/2018	42.0	42.8	102%	52.1	55.6
15/6/2018	42.0	42.2	101%	47.1	55.0

Sources: HKEX, SSE

Shenzhen-Hong Kong Stock Connect

Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
11/6/2018	52.0	50.5	97%	254.3	250.2
12/6/2018	52.0	50.4	97%	259.3	226.5
13/6/2018	52.0	51.3	99%	216.8	219.0
14/6/2018	52.0	51.0	98%	261.8	222.7
15/6/2018	52.0	51.4	99%	252.9	265.9

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
11/6/2018	42.0	41.8	100%	46.8	41.9
12/6/2018	42.0	40.5	96%	56.9	38.5
13/6/2018	42.0	41.4	99%	50.0	42.8
14/6/2018	42.0	41.7	99%	44.5	34.0
15/6/2018	42.0	41.4	99%	50.2	32.2

Sources: HKEX, SSE

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