

Weekly market commentary report

04 June 2018 Monday

Market outlook and news tracker

Hong Kong and China market outlook

US stocks closed higher last Friday boosted by shares in the semiconductor, technology hardware, and software & services sector. On the US economic data front, nonfarm payrolls increased by 223,000 in May beating estimated 190,000, and higher than 159,000 in April. Unemployment rate dropped to 3.8% for the same period, 0.1% lower than the previous month. In addition, construction spending increased 1.8% MoM in April and manufacturing PMI increased to 58.7 for May.

Regarding corporate news, Lululemon (LULU.US +16.32%) EPS rose 72% YoY to US\$0.55 and revenue of US\$650m, while VMware (VMW.US +6.15%) EPS rose 18% YoY to US\$1.26 and revenue of US\$2.01bn, beating estimates for 1Q18. TCL (1070.HK -0.52%) will buy CI Tech for RMB793m, and ZTE (763.HK suspended) will likely be fined US\$1.7bn by the US. Further, Country Garden (2007.HK +1.95%) pending approval from Chinese government relating to its Indian real estate investments. The new MSCI A-share inclusion closed lower, and Lenovo (992.HK +0.00%) will be replaced by CSPC (1093.HK +0.81%) on the Hang Seng Index.

The market was constrained due to the lack of catalysts following last week's MSCI inclusion, with growing concerns of market liquidity. The SHES announced the completion of passive funds in the MSCI, which brought profits from component names. In other news, PBOC will increase collateral it accepts in its medium term lending operations, adding debt instruments that are tied to small-business funding and the green economy. The move comes at a time when there are growing concerns about the risk of defaults in low grade corporate debt, and ahead of June's seasonal liquidity crunch. Chinese White Wine names are seeing further cash inflows following the MSCI inclusion and ahead of the upcoming FIFA World Cup

This week's focus may be on the ongoing China-US trade war as US Commerce Secretary and China's Vice Premier held talks over the weekend, warning that deals "will not take effect" if tariff hikes proceed. Further, oil sector retreat slightly as geopolitical tensions in Europe ease.

Hong Kong market sector movers and news tracker

1) Oil sector: US crude and Brent crude prices dropped to US\$67.04pb and US\$77.57pb respectively last Thursday after the latter reached US\$80 the previous week.

• Related stocks: CNOOC (883.HK +3.79%), Petro China (857.HK -0.15%), Sinopec (386.HK +0.26%), China Oilfield (2883.HK -0.85%)

2) HK property sector: Government index of private home prices in April grew 1.84% m/m and 13.91% y/y, rising for 18 months straight.

• Related stocks: Swire (1972.HK -0.16%), SHKP (16.HK -0.63%), NWD (17.HK +0.17%), Henderson (12.HK +0.78%)

3) China consumer goods: State Council cut import tariffs in cosmetics and health products from 8.4% to 2.9%, and fish aquatic products and processed food from 15.2% to 6.9%.

• Related stocks: Hengan (1044.HK +0.20%), Vinda (3331.HK +0.85%), Man Wah (1999.HK +2.31%), SaSa (178.HK -1.60%)

Performance indices

Global Index	Performance chg. (%)			
	Closing	1D	1W	1M
HANG SENG INDEX	30492.91	0.1	0.5	3.4
HANG SENG CHINA ENT INDX	12020.09	0.3	0.8	2.7
SHANGHAI SE COMPOSITE	3075.137	-0.7	-1.4	0.0
SHENZHEN SE COMPOSITE IX	1746.331	-1.2	-3.1	-2.2
CSI 300 INDEX	3770.59	-0.84	-0.7	0.9
DOW JONES INDUS. AVG	24635.21	0.90	-0.7	1.5
S&P 500 INDEX	2734.62	1.1	0.3	2.7
NASDAQ COMPOSITE INDEX	7554.332	1.5	1.7	4.8
DAX INDEX	12724.27	0.9	-1.7	-0.7
CAC 40 INDEX	5465.53	1.2	-1.4	-0.9
FTSE 100 INDEX	7701.77	0.3	-0.2	1.8

Sources: Bloomberg as of 4 June 18

Commodities

Commodities	Performance chg. (%)			
	Closing	1D	1W	1M
Brent Crude Oil	76.79	-1.0	1.6	2.7
Gold	1293.4	-0.4	-0.6	-1.7
Steel (HRC China)	3739	1.9	3.7	1.4
Aluminium	2305	0.6	1.1	2.0
Copper	6896	0.6	0.2	2.2

Sources: Bloomberg as of 4 June 18

Currencies to US\$

Currencies to US\$	Performance chg. (%)			
	Closing	1D	1W	1M
CNY	6.4204	0.15	-0.3	-0.9
HKD	7.8456	0.03	0.0	0.0
JPY	109.54	0.66	-0.3	-0.5
EUR	1.1659	-0.29	0.6	-2.3
GBP	1.3346	0.36	0.5	-1.2
AUD	0.7569	0.01	1.1	1.2
CAD	1.2951	-0.05	0.5	-0.6

Sources: Bloomberg as of 4 June 18

Economic Calendar

Date	Event	Est.	Prior
5-Jun-18	CH Caixin PMI composite (May)	n.a	52.3
	CH Caixin PMI services (May)	52.9	52.9
7-Jun-18	HK foreign reserves (May)	n.a	\$434.4bn
	CH foreign reserves (May)	\$3106.0bn	\$3124.9bn
8-Jun-18	CH trade balance (May)	\$33.2bn	\$28.8bn
	CH exports YoY (May)	11.1%	12.9%
	CH imports YoY (May)	18.0%	21.5%
	CH trade balance CNY (May)	250.0bn	182.8bn
	CH exports CNY (May)	3.1%	3.7%
9-Jun-18	CH imports CNY (May)	8.2%	11.6%
	CH PPI YoY (May)	3.9%	3.4%
15-Jun-18	CH CPI YoY (May)	1.8%	1.8%
	CH money supply M0 YoY (May)	n.a	4.5%
	CH money supply M1 YoY (May)	n.a	7.2%
	CH money supply M2 YoY (May)	n.a	8.3%
	CH aggregate financing CNY (May)	n.a	1560.0bn
	CH new Yuan loans CNY (May)	n.a	1180.0bn
18-Jun-18	CH FDI YoY CNY (May)	n.a	-1.1%

Sources: Bloomberg as of 4 June 18

Market commentary

Hong Kong notable market movers and news tracker

- 1) CK Asset (1113.HK +0.31%) independent non-exec director Anthony Yeh YuanChang resigns due to age.
- 2) Samsonite (1910.HK +9.85%) chief executive Ramesh Taiwala quit after being exposed by short-seller Blue Orca.
- 3) BOC Aviation (2588.HK -3.90%) agrees to buy three Boeing 787 for US\$845m.
- 4) Anta Sports (2020.HK +3.54%) Lai Shixian will be appointed CFO after holding ED and COO position previously.
- 5) AS Watson subsidiary of CKH (1.HK +0.23%) will introduce unmanned checkout counters but has no plans to cut staff despite decreased cashiers demand according to MD Dominic Lai Kai-ming.
- 6) Swire (1972.HK -0.16%) appoints Nicholas Fenwich as non-ED last Thursday.
- 7) Everbright SHK unit of Everbright Securities (6178.HK -0.53%) to add 100 relationship managers with >HK\$8m investable assets in next couple years.
- 8) Tencent (700.HK +1.20%) Dalian Wanda and Gaopeng will launch internet JV for online & offline consumption.
- 9) HKBN Group subsidiary of HKBN (1310.HK +0.55%) acquires ICG for HK\$200m.
- 10) Emperor Capital (717.HK +1.64%) report 12.5% y/y increase in NP to HK\$371.4m for 1H18.
- 11) Henderson (12.HK +0.78%) will sell 103 units of Cetus Square Mile in Tai Kok Tsui this month.
- 12) CASH FS (510.HK -0.58%) and HKT (6823.HK -0.51%) will launch Alpha I aimed for millennial investors.
- 13) AAC Tech (2018.HK -1.61%) ED Richard Mok says company will maintain GPM of ~40% for FY18E.

5-day High/Low Records

Week highs	% index			
Company	Ticker	End Price	move	Industry
CNOOC	883.HK	13.70	34.95%	Oil
Sinopec	386.HK	7.69	31.85%	Oil
Petro China	857.HK	6.48	30.61%	Oil
AIA	1299.HK	70.95	18.33%	Insurance
Mengniu Dairy	2319.HK	27.90	15.31%	F&B

Week lows	% index			
Company	Ticker	Price	move	Industry
HSBC	5.HK	75.95	-45.34%	Banks
CCB	939.HK	7.96	-38.94%	Banks
China Mobile	941.HK	70.55	-31.09%	Telecom
ICBC	1398.HK	6.51	-27.38%	Banks
HKEX	388.HK	253.80	-24.64%	Other financials

Source: HKEX, Bloomberg

IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
Affluent Foundation	1757.HK	7/6/2018	0.30-0.34	Construction & décor
Dowway Holdings	8403.HK	12/6/2018	0.12-0.16	Other services
Huifu Payment	1806.HK	15/6/2018	6.50-8.50	Other financials
Republic Healthcare	8357.HK	15/6/2018	0.50-0.60	Medical equipment

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)
28/5/2018	52.0	49.7	96%	252.5	168.5
29/5/2018	52.0	51.7	99%	270.8	229.3
30/5/2018	52.0	52.3	101%	288.8	299.4
31/5/2018	52.0	48.4	93%	572.6	286.4
1/6/2018	52.0	50.5	97%	301.5	240.6

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
28/5/2018	42.0	42.0	100%	49.8	46.2
29/5/2018	42.0	42.5	101%	55.6	59.6
30/5/2018	42.0	42.1	100%	51.5	58.2
31/5/2018	42.0	42.6	101%	50.4	66.2
1/6/2018	42.0	42.3	101%	48.5	61.8

Sources: HKEX, SSE

Shenzhen-Hong Kong Stock Connect

Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
28/5/2018	52.0	50.3	97%	266.9	197.5
29/5/2018	52.0	50.7	98%	275.2	224.8
30/5/2018	52.0	50.3	97%	314.5	260.4
31/5/2018	52.0	49.0	94%	419.3	252.8
1/6/2018	52.0	51.3	99%	294.4	274.5

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
28/5/2018	42.0	41.4	99%	50.1	44.8
29/5/2018	42.0	42.3	101%	48.3	55.9
30/5/2018	42.0	41.6	99%	42.2	39.8
31/5/2018	42.0	41.4	99%	54.4	53.1
1/6/2018	42.0	41.9	100%	38.5	35.2

Sources: HKEX, SSE

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