

Weekly market commentary report

11 June 2018 Monday

Market outlook and news tracker

Hong Kong and China market outlook

US stocks closed higher last Friday boosted by F&B, household & personal products, and consumer durables & apparel sectors. On the US economic data front, wholesale inventories rose 0.1% in April from 0.3% in March. In China, CSRC announces trial CDR rules to allow companies to list on domestic exchanges and may start trading as early as next month. Also, NDRC releases new policy to cut feed-in-tariff subsidy in new distribution solar power projects to RMB0.32/kWh from RMB0.37kWh.

Regarding corporate news, Broadcom (AVGO.US -2.54%) report a 20% y/y increase in revenue to US\$5.02bn and EPS of US\$4.88 in 2Q18, while DocuSign (DOCU.US +3.45%) report 37.3% y/y increase in revenue to US\$155.8m in 1Q18. Further, Ralph Lauren (RL.US +3.17%) announces US\$1bn repos after previous US\$100m repos in 4Q17. Sino-Ocean (3377.HK -1.46%) contracted sales increased 63.5% y/y to RMB7.21bn while Yuzhou Properties (1628.HK -0.91%) increased to 2.9% y/y to RMB4.11bn in May.

The market will continue to absorb remarks made by President Trump over the weekend during the G-7 summit regarding issues such as NAFTA and new tariffs on automobile imports. There was also a sharp sell-off last Friday amid concerns about CDR issuance to dilute pools. In addition, these CDR funds promoted by China's top six mutual funds cut the fundraising size from RMB50bn to RMB20bn each. Further, China's factory inflation accelerated faster than expected in May as the price of commodities such as crude oil and metals increased. CPI climbed 1.8% in May, and China trade surplus recorded \$24.92bn in May, compared with \$28.78bn in April. The strong import growth attributed to the MoM decline. Meanwhile, PBoC have also started to take more bonds and loans as MLF collaterals. However, some argue it signals the bank's struggled to expand its balance sheet, and some of those bonds even faced default risks.

This week's focus will be on US Federal Reserve interest rate hike meeting and Euro Bank QE tapering issue. Meanwhile, the US-North Korea's historical summit held in Singapore on Tuesday morning to mainly discuss denuclearization of North Korea.

Hong Kong market sector movers and news tracker

1) HK property sector: RTHK reports government will impose vacancy tax for completed units that are held by property developers and will not affect existing home owners.

• Related stocks: Swire (1972.HK +0.65%), SHKP (16.HK -1.01%), NWD (17.HK -2.58%), Henderson (12.HK -0.33%)

2) Oil sector: US crude rose to US\$66.02bps while Brent crude fell to US\$77.25bps amid mixed trade tensions amongst power players.

• Related stocks: CNOOC (883.HK -1.93%), Petro China (857.HK -0.61%), Sinopec (386.HK -1.97%), China Oilfield (2883.HK -0.75%)

3) China insurance sector: CBRC approves trial of first batch of elderly insurance products.

• Related stocks: Ping An Insurance (2318.HK -1.32%), New China Life (1336.HK -2.49%), China Taiping (966.HK -2.38%), China Pacific (2601.HK -2.49%)

Performance indices

Global Index	Performance chg. (%)			
	Closing	1D	1W	1M
HANG SENG INDEX	30958.21	-1.8	0.2	-0.2
HANG SENG CHINA ENT INDX	12165.79	-2.0	-0.6	-1.3
SHANGHAI SE COMPOSITE	3067.148	-1.4	-1.0	-3.3
SHENZHEN SE COMPOSITE IX	1751.4	-0.9	0.0	-4.2
CSI 300 INDEX	3779.62	-1.34	-0.6	-2.3
DOW JONES INDUS. AVG	25316.53	0.30	2.8	2.0
S&P 500 INDEX	2779.03	0.3	1.6	1.9
NASDAQ COMPOSITE INDEX	7645.511	0.1	1.2	3.3
DAX INDEX	12766.55	-0.3	0.3	-1.8
CAC 40 INDEX	5450.22	0.0	-0.3	-1.7
FTSE 100 INDEX	7681.07	-0.3	-0.3	-0.6

Sources: Bloomberg as of 11 June 18

Commodities	Performance chg. (%)			
	Closing	1D	1W	1M
Brent Crude Oil	76.46	-1.1	1.3	-0.9
Gold	1298.17	0.1	0.6	-1.5
Steel (HRC China)	3801	-0.5	1.4	3.7
Aluminium	2299	-0.6	-0.3	-2.5
Copper	7312	-0.3	6.0	8.4

Sources: Bloomberg as of 11 June 18

Currencies to US\$	Performance chg. (%)			
	Closing	1D	1W	1M
CNY	6.4067	0.23	0.0	-1.1
HKD	7.8458	-0.01	0.0	0.0
JPY	109.55	-0.14	0.0	-0.4
EUR	1.1769	-0.26	0.8	-1.2
GBP	1.3405	-0.13	0.7	-1.0
AUD	0.7601	-0.30	-0.5	0.9
CAD	1.2928	-0.34	-0.3	-1.3

Sources: Bloomberg as of 11 June 18

Economic Calendar

Date	Event	Est.	Prior
14-Jun-18	CH retail sales YoY (May)	9.6%	9.4%
	CH retail sales YTD YoY (May)	9.7%	9.7%
	CH industrial production YoY (May)	7.0%	7.0%
	CH industrial production YTD YoY (May)	6.8%	6.9%
	CH fixed assets YYD YoY (May)	7.0%	7.0%
	CH industrial production YoY (1Q)	n.a	0.6%
15-Jun-18	HK PPI YoY (1Q)	n.a	3.5%
	CH money supply M0 YoY (May)	4.4%	4.5%
	CH money supply M1 YoY (May)	7.3%	7.2%
	CH money supply M2 YoY (May)	8.5%	8.3%
	CH aggregate financing CNY (May)	1300.0bn	1560.0bn
	CH new Yuan loans CNY (May)	1200.0bn	1180.0bn
18-Jun-18	CH new home prices MoM (May)	n.a	0.6%
	CH FDI YoY CNY (May)	n.a	-1.1%

Sources: Bloomberg as of 11 June 18

Market commentary

Hong Kong notable market movers and news tracker

- 1) Swire Pacific (19.HK +0.06%, 87.HK +0.00%) will delist subsidiary HK Aircraft Engineering (44.HK +0.00%) and will acquire remaining stakes in company for ~HK\$3bn.
- 2) MTR (66.HK -0.78%) establishes new green finance framework for projects and facilities including green loans and credit.
- 3) Miramar Hotel (71.HK +0.63%) chairman Lee Ka Shing is hopeful on hotel and retail industry in 2H18 due to increased tourists.
- 4) Chow Tai Fook (1929.HK -7.58%) report 35% y/y increase in NP to HK\$4.1bn and final and special dividend of HK\$0.15 and HK\$0.30 respectively for year ended March 2018.
- 5) Zhejiang Geely, parent of Geely (175.HK -1.87%) and Tencent (700.HK -3.31%) will acquire 49% stake in China Railway subsidiary.
- 6) Melco (200.HK -4.57%) chairman Ho Yau Lung says the company will focus on business development in Japan, and expects casino license to launch bids not earlier than 2020.
- 7) Next Digital (282.HK -0.80%) issue profit warning and expect losses to increase 21% for year ended March 2018.
- 8) NWD (17.HK -2.58%) sold 237 of 247 units at Fleur Pavilia in North Point.
- 9) SHKP (16.HK -1.01%) reduces board lot size of ordinary shares from 1,000 shares to 500 shares.
- 10) Want Want China (151.HK -3.95%) report 6.6% y/y decrease in NP to RMB3.11bn for year ended March 2018.

5-day High/Low Records

Week highs		% index		
Company	Ticker	End Price	move	Industry
Tencent	700.HK	415.00	17.71%	Technology
Ping An	2318.HK	78.50	9.14%	Insurance
AIA	1299.HK	71.95	8.21%	Insurance
Country Garden	2007.HK	17.24	8.07%	Property
CCB	939.HK	8.08	7.84%	Bank

Week lows		% index		
Company	Ticker	Price	move	Industry
Galaxy	27.HK	64.40	-3.95%	Gaming
Sinopec	386.HK	7.47	-3.81%	Oil
CNOOC	883.HK	13.20	-2.42%	Oil
China Unicom	762.HK	10.32	-1.66%	Telecom
CSPC Pharm	1093.HK	24.40	-1.11%	Medicines

Sources: HKEX, Bloomberg

IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
Sing On Holdings	1751.HK	12/6/2018	n.a	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
Country Garden Service	6098.HK	19/6/2018	n.a	Property management
Vcredit Holdings	2003.HK	21/6/2018	20.0-23.0	Other financials

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)
4/6/2018	52.0	48.4	93%	338.3	245.5
5/6/2018	52.0	50.7	97%	259.3	212.4
6/6/2018	52.0	50.3	97%	255.5	239.4
7/6/2018	52.0	49.5	95%	275.7	232.9
8/6/2018	52.0	52.8	101%	392.8	448.8

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
4/6/2018	42.0	42.1	100%	43.7	58.6
5/6/2018	42.0	41.7	99%	58.0	67.5
6/6/2018	42.0	42.5	101%	46.4	56.1
7/6/2018	42.0	43.3	103%	35.8	60.5
8/6/2018	42.0	44.2	105%	40.2	80.9

Sources: HKEX, SSE

Shenzhen-Hong Kong Stock Connect

Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
4/6/2018	52.0	49.4	95%	331.9	250.7
5/6/2018	52.0	49.3	95%	288.2	185.9
6/6/2018	52.0	50.9	98%	257.9	243.4
7/6/2018	52.0	50.2	96%	256.3	249.0
8/6/2018	52.0	50.4	97%	351.6	327.9

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
4/6/2018	42.0	41.8	99%	37.7	44.0
5/6/2018	42.0	41.0	98%	41.9	34.2
6/6/2018	42.0	41.0	98%	49.7	40.8
7/6/2018	42.0	41.8	100%	42.0	38.3
8/6/2018	42.0	42.3	101%	31.7	42.7

Sources: HKEX, SSE

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