

Weekly market commentary report

25 June 2018 Monday

Market outlook and news tracker

Hong Kong and China market outlook

US stocks closed mixed last Friday as shares in banks, retailing, and consumer durables sectors dropped while energy, media, and materials sector gained. On the US economic data front, Markit manufacturing PMI decreased to 54.6 in June from 56.4 in May. Regarding corporate news, Red Hat (RHT.US -14.23%) report 20% YoY increase in revenue to US\$841m for 1Q18, while CarMax (KMX.US +12.86%) report 6.4% YoY increase in revenue to US\$4.79bn for the same period. Kaisa Group (1638.HK -0.26%) proposes its property unit Kaisa Property to be listed on the main board of HKEX. ZTE (763.HK +1.37%) has paid a US\$1bn fine for repeated sanctions violation to the US Commerce Department.

Hang Seng Index dropped 2.76% while Shanghai Composite Index fell 3.78% last Thursday after President Trump threatened tariffs on Chinese imports worth US\$200bn. Further, CSRC vice-Chairman Fang Xinghai express the need to further open up China's capital market to foreign capital as it only counts for 2% of total valuation in the A-share market. In other news, NPC Standing Committee is looking to raise income tax limit to RMB60,000/yr to raise personal income and boost consumption.

This week's focus may be on the oil and energy sectors as the market react to the oil production boost of 1m bpd, an agreement made by OPEC countries and oil producers including Russia and Saudi Arabia. In addition, WSJR reports that President Trump has plans to ban Chinese companies to invest in US Tech and measures are expected to be made by this week.

Hong Kong market sector movers and news tracker

1) Oil sector: Oil producers and OPEC countries agree to increase oil output of 1m bpd after meeting in Vienna.

Related stocks: CNOOC (883.HK -0.80%), Petro China (857.HK -1.04%), Sinopec (386.HK -0.70%), China Oilfield (2883.HK +3.38%)

2) China property sector: Housing inventory dropped 8.2% YoY in May, floor space of unsold new homes dropped to 427m m2.

Related stocks: Country Garden (2007.HK +0.77%), Sunac (1918.HK +0.98%), Vanke (2202.HK -0.34%), China Resources Land (1109.HK -0.18%)

3) China bank sector: PBOC governor Yi Gang says investors should take rational view and the central bank will use monetary policy to ease market sentiment after plunges in the market last week.

Related stocks: CCB (939.HK -0.54%), CM Bank (3968.HK -0.83%), ICBC (1398.HK -0.50%), Min Sheng (1988.HK +0.57%)

Performance indices

Global Index	Performance chg. (%)			
	Closing	1D	1W	1M
HANG SENG INDEX	29338.7	0.1	-4.4	-5.3
HANG SENG CHINA ENT INDX	11339.87	-0.2	-5.6	-7.0
SHANGHAI SE COMPOSITE	2889.76	0.5	-5.4	-9.0
SHENZHEN SE COMPOSITE IX	1597.391	1.2	-6.2	-12.3
CSI 300 INDEX	3608.91	0.44	-5.1	-6.7
DOW JONES INDUS. AVG	24580.89	0.49	-2.0	-0.7
S&P 500 INDEX	2754.88	0.2	-0.9	1.2
NASDAQ COMPOSITE INDEX	7692.817	-0.3	-0.7	3.5
DAX INDEX	12579.72	0.5	-3.0	-3.8
CAC 40 INDEX	5387.38	1.3	-1.9	-3.6
FTSE 100 INDEX	7682.27	1.7	-0.2	-1.5

Sources: Bloomberg as of 25 June 18

Commodities	Performance chg. (%)			
	Closing	1D	1W	1M
Brent Crude Oil	75.55	3.4	-0.5	-2.0
Gold	1270.56	0.3	-0.6	-2.5
Steel (HRC China)	3763	-1.2	-3.6	4.4
Aluminium	2175	-0.2	-1.3	-4.2
Copper	6789	0.0	-3.3	-2.7

Sources: Bloomberg as of 25 June 18

Currencies to US\$	Performance chg. (%)			
	Closing	1D	1W	1M
CNY	6.5052	0.18	-1.4	-2.2
HKD	7.8463	0.00	0.0	0.0
JPY	109.97	-0.02	1.0	-0.1
EUR	1.1651	0.41	0.4	0.1
GBP	1.3261	0.16	0.1	-0.4
AUD	0.744	0.83	0.1	-1.6
CAD	1.3269	-0.35	-0.6	-2.3

Sources: Bloomberg as of 25 June 18

Economic Calendar

Date	Event	Est.	Prior
26-Jun-18	HK exports YoY (May)	8.5%	8.1%
	HK imports YoY (May)	11.3%	11.1%
	HK trade balance HKD (May)	-49.1bn	-46.9bn
27-Jun-18	CH industrial profits YoY (May)	n.a	21.9%
29-Jun-18	HK money supply M1 HKD YoY (May)	n.a	37.1%
	HK money supply M2 HKD YoY (May)	n.a	13.6%
	HK money supply M3 HKD YoY (May)	n.a	13.6%
	HK budget balance HKD (May)	n.a	-5.1bn
	CH BoP current account balance (1Q)	n.a	-\$28.2bn
30-Jun-18	CH non-mfg PMI (Jun)	n.a	54.9
	CH mfg PMI (Jun)	51.8	51.9
	CH composite PMI (Jun)	n.a	54.6
2-Jul-18	CH Caixin PMI mfg (Jun)	51.0	51.1

Sources: Bloomberg as of 25 June 18

Market commentary

Hong Kong notable market movers and news tracker

- 1) Everbright Grand China Assets (3699.HK +0.86%) will complete an acquisition in London this year.
- 2) China Gas (384.HK +2.52%) report 47% YoY growth in NP to HK\$6.09bn for year ended March.
- 3) Lippo China (156.HK -0.44%) to record HK\$100m+ loss attributable to shareholders due to loss in JV and financial instruments for year ended March.
- 4) Café de Coral (341.HK +2.63%) report 9.1% YoY decrease in NP to HK\$458m due to increased staff investment for year ended March.
- 5) Esprit (330.HK +0.41%) to record HK\$2.17bn to HK\$2.27bn operating loss for year ended June.
- 6) Sa Sa International (178.HK +3.97%) report 34.7% YoY increase in NP to HK\$440.1m for year ended March.
- 7) TSL (417.HK +0.00%) report 113.2% YoY increase in NP to HK\$49.41m for 13 months ended March.
- 8) Fujikon Industrial (927.HK -1.60%) report 10x YoY increase in NP to HK\$30.52m for year ended March.
- 9) Manulife (945.HK +0.41%) launch new annuity plan with government tax deduction entitlement.
- 10) MTRC (66.HK +3.21%) seek bid for project near Wong Chuk Hang station with GFA of 1.5m ft².
- 11) Convoy (1019.HK suspended) major shareholder files lawsuit against company and board members.
- 12) CWT (521.HK +0.00%) agrees to sell 60% stake in ARA-CWT Trust and 40% of Cache Property for HK\$169m and HK\$132m, respectively.

5-day High/Low Records

Company	Ticker	End Price	% index move	Industry
Mengniu Dairy	2319	28.00	0.45%	Dairy
Swire Pacific	19	85.40	0.35%	Conglomerate
Hengan Int'l	1044	78.55	0.24%	Personal products
HK & China Gas	3	14.94	0.13%	Utilities
MTRC	66	43.45	0.08%	Transportation

Company	Ticker	Price	% index move	Industry
CCB	939	7.38	-12.80%	Banks
Tencent	700	397.40	-9.65%	Technology
HSBC	5	74.40	-7.73%	Banks
ICBC	1398	6.03	-7.18%	Banks
Ping An	2318	75.54	-6.09%	Insurance

Source: HKEX, Bloomberg

IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
Jiangxi Bank	1916.HK	26/6/2018	5.9-6.7	Banks
Shineroad International	1587.HK	27/6/2018	0.8	Food additives
Shanshan Brand	1749.HK	27/6/2018	3.3-4.9	Apparel
Grace Wine	8146.HK	27/6/2018	0.3-0.4	Alcoholic drinks
CTEH	1620.HK	28/6/2018	0.3-0.4	Travel & tourism
Wise Talent IT	6100.HK	29/6/2018	28.5-35.5	Support services
Anchorstone Holdings	1592.HK	4/7/2018	0.4-0.5	Construction & décor
Tong Kee	8305.HK	4/7/2018	0.3	Construction & décor
Qeeka Home	1739.HK	5/7/2018	6.8-9.0	Construction & décor
Steve Leung Design	2262.HK	5/7/2018	0.7-1.1	Construction & décor
China Isotop & Radiatic	1763.HK	6/7/2018	17.8-24.2	Medical equipment
Xiaomi Corporation	1810.HK	9/7/2018	17.0-22.0	IT hardware

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)
18/6/2018	52.0	n.a	n.a	n.a	n.a
19/6/2018	52.0	54.0	104%	374.8	442.6
20/6/2018	52.0	52.2	100%	314.9	379.5
21/6/2018	52.0	51.6	99%	320.9	362.9
22/6/2018	52.0	52.1	100%	271.5	307.3

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
18/6/2018	42.0	n.a	n.a	n.a	n.a
19/6/2018	42.0	42.6	101%	61.9	73.5
20/6/2018	42.0	41.1	98%	54.6	45.0
21/6/2018	42.0	42.1	100%	52.9	50.1
22/6/2018	42.0	41.7	99%	51.3	39.8

Sources: HKEX, SSE

Shenzhen-Hong Kong Stock Connect

Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
18/6/2018	52.0	n.a	n.a	n.a	n.a
19/6/2018	52.0	52.0	100%	310.5	335.2
20/6/2018	52.0	50.9	98%	302.7	277.8
21/6/2018	52.0	53.3	102%	267.3	371.3
22/6/2018	52.0	51.7	99%	283.8	290.4

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
18/6/2018	42.0	n.a	n.a	n.a	n.a
19/6/2018	42.0	42.6	101%	63.8	63.5
20/6/2018	42.0	41.4	99%	42.1	33.2
21/6/2018	42.0	41.5	99%	41.6	32.6
22/6/2018	42.0	41.4	99%	42.0	27.3

Sources: HKEX, SSE

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