

Weekly market commentary report

03 July 2018 Tuesday

Market outlook and news tracker

Hong Kong and China market outlook

US stocks closed slightly positive on Monday as shares in the software & services, semiconductors, and bank sectors pushed higher while energy stocks closed lower. On the economic data front, Markit manufacturing PMI increased to 55.4 in June from previous 56.4. In addition, construction spending MoM increased by 0.4% in May from 0.9% in April. Regarding corporate news, Tesla (TSLA.US -1.99%) built 5,000 Model 3S in a week, and Dell Technology (DVM.T.US -0.81%) will buy out VMware tracking stock in a cash and stock deal. ABC (1288.HK +1.94%) financial asset investment unit announced RMB1.03bn debt to equity swap. China Southern (1055.HK +5.47%) invests US\$1.5bn in "Dream City". Further, Guangzhou Auto (2238.HK +0.66%) agrees to inject RMB2.45bn to JV with Toyota (7203.JP -1.42%) to boost capacity and product variety.

The RMB continued to fall representing 6.7 against the USD since last year August. It has been dropping since China's move to not follow Fed's rate hike, and the move has been reported to prepare for further US-China trade tensions. Further, Chinese markets declined over US-China trade tensions from last week. The Shanghai Composite dropped over 2% at closing. Chinese stocks took another battering Monday in the worst start to a 2H of a year since 2015, as selling resumed amid worries over a falling currency, housing curbs and the impact of US trade tariffs. Property and Appliance led the sell-off.

This week's focus may be on the trade front as the US nears July 6 deadline for 25% tariffs on Chinese goods worth US\$34bn in over 800 categories. In response, China also announced it will impose tariffs on US products.

Hong Kong market sector movers and news tracker

1) China property sector: Government entities to crackdown irregularities such as illegal agencies, fake ads, and stemming speculation in 30 major cities till December of this year.

• Related stocks: Country Garden (2007.HK +11.29%), Sunac (1918.HK +9.80%), Vanke (2202.HK +4.17%), China Resources Land (1109.HK +5.38%)

2) HK property sector: Residential sales dropped 17% MoM, and the secondary market recorded ~4,700 transactions in May.

• Related stocks: SHKP (16.HK -0.17%), NWD (17.HK +0.91%), CK Asset (1113.HK -0.48%), Link REIT (823.HK +0.92%)

3) Macau gaming sector: GGR for June rose 12.5% YoY, below estimated 18% and rose 18.9% YoY in accumulated gross revenue.

• Related stocks: Galaxy (27.HK +2.79%), Wynn (1128.HK +1.00%), Sands (1928.HK +2.69%), Melco (200.HK +2.69%)

Performance indices

Global Index	Closing	Performance chg. (%)		
		1D	1W	1M
HANG SENG INDEX	28955.11	1.6	-1.5	-6.4
HANG SENG CHINA ENT INDX	11073	1.9	-3.1	-9.6
SHANGHAI SE COMPOSITE	2775.557	-2.5	-2.0	-9.4
SHENZHEN SE COMPOSITE IX	1582.263	-1.6	-0.1	-8.7
CSI 300 INDEX	3407.96	-2.93	-3.5	-9.6
DOW JONES INDUS. AVG	24307.18	0.15	0.2	-1.3
S&P 500 INDEX	2726.71	0.3	0.4	-0.3
NASDAQ COMPOSITE INDEX	7567.687	0.8	0.5	0.2
DAX INDEX	12238.17	-0.6	0.7	-3.2
CAC 40 INDEX	5276.76	-0.9	0.3	-3.0
FTSE 100 INDEX	7547.85	-1.2	0.5	-1.7

Sources: Bloomberg as of 3 July 18

Commodities

Commodities	Closing	Performance chg. (%)		
		1D	1W	1M
Brent Crude Oil	77.3	-2.4	2.1	1.6
Gold	1242.04	-0.8	-1.2	-3.7
Steel (HRC China)	3446	-0.3	0.6	-0.5
Aluminium	2098	-1.6	-2.6	-9.0
Copper	6523	-1.6	-3.4	-5.4

Sources: Bloomberg as of 3 July 18

Currencies to US\$

Currencies to US\$	Closing	Performance chg. (%)		
		1D	1W	1M
CNY	6.668	0.71	-1.6	-4.1
HKD	7.8442	-0.03	0.0	0.0
JPY	110.9	0.13	-0.8	-1.0
EUR	1.1639	-0.39	0.1	-0.4
GBP	1.3143	-0.48	-0.5	-1.1
AUD	0.734	-0.88	-0.2	-3.5
CAD	1.3186	0.40	1.0	-1.8

Sources: Bloomberg as of 3 July 18

Economic Calendar

Date	Event	Est.	Prior
4-Jul-18	CH Caixin PMI composite (Jun)	n.a	52.30
	CH Caixin PMI services (Jun)	52.70	52.90
6-Jul-18	HK foreign reserves (Jun)	n.a	\$432.1bn
9-Jul-18	CH foreign reserves (Jun)	n.a	\$3110.6bn
10-Jul-18	CH PPI YoY (Jun)	n.a	4.1%
	CH CPI YoY (Jun)	n.a	1.8%
15-Jul-18	HK money supply M1 HKD YoY (Jun)	n.a	6.0%
	HK money supply M2 HKD YoY (Jun)	n.a	8.3%
	HK money supply M0 HKD YoY (Jun)	n.a	3.6%
	CH aggregate financing CNY (Jun)	n.a	760.8bn
	CH new Yuan loans CNY (Jun)	n.a	1150.0bn
18-Jul-18	CH FDI YoY CNY (Jun)	n.a	7.6%

Sources: Bloomberg as of 3 July 18

Market commentary

Hong Kong notable market movers and news tracker

- 1) Far East Consortium (35.HK +0.65%) says its gaming business will contribute 20-30% of company revenue in 2022.
- 2) ICBC (1398.HK +2.26%) ED and senior executive VP Zhang Hongli announces resignation due to family reason.
- 3) Value Partners' (806.HK +2.65%) subsidiary VP PE Investment and China Education's (839.HK +8.20%) unit Huajiao Education Technology establish PE fund for Chinese education sector.
- 4) Food Wise (1632.HK -3.40%) report NP of HK\$1.5m for the year ended March compared to HK\$7.9m last year.
- 5) Ulferts (1711.HK +7.14%) report 71.9% YoY decline in NP to HK\$8.48m for year ended March.
- 6) BYD (1211.HK +3.48%) opens lithium battery plant in Qinghai and to be fully completed next year.
- 7) Hang Seng (11.HK -0.15%) will accept loan applications through digital platform starting 4Q18.
- 8) Tsui Wah (1314.HK -1.00%) report 11.4% YoY decline in NP to HK\$80.0m for the year ended March.
- 9) Luk Fook (590.HK +1.41%) report 34.7% YoY increase in NP to HK\$1.4bn for the year ended March.
- 10) Fairwood (52.HK -0.50%) report 5.3% YoY increase in NP to HK\$205.3m for the year ended March.

5-day High/Low Records

Week highs			% index	
Company	Ticker	End Price	move	Industry
CNOOC	883	13.54	17.69%	Oil
CLP	2	84.5	6.72%	Utilities
China Mobile	941	69.7	5.07%	Telecommunication
Petro China	857	5.97	4.53%	Oil
Link REIT	823	71.65	2.93%	Property

Week lows			% index	
Company	Ticker	Price	move	Industry
Ping An	2318	72.20	-14.84%	Insurance
Country Garden	2007	13.80	-11.55%	Property
CCB	939	7.25	-10.32%	Banks
ICBC	1398	5.87	-9.74%	Banks
HSBC	5	73.60	-8.08%	Banks

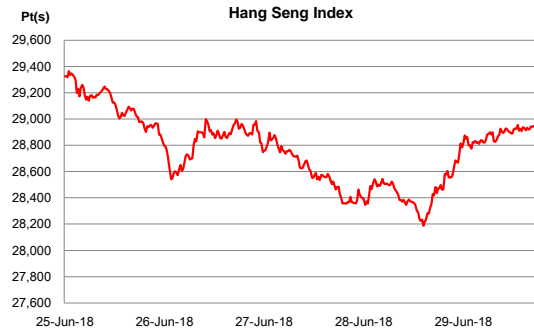
Sources: HKEX, Bloomberg

IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
Anchorstone Holdings	1592.HK	4/7/2018	0.40-0.50	Construction & décor
Tong Kee	8305.HK	4/7/2018	0.25-0.30	Construction & décor
Qeeka Home	1739.HK	5/7/2018	6.80-9.00	Construction & décor
Steve Leung Design	2262.HK	5/7/2018	0.71-1.05	Construction & décor
China Isotop & Radiation	1763.HK	6/7/2018	17.80-24.20	Medical equipment
Xiaomi Corporation	1810.HK	9/7/2018	0.60-1.00	IT hardware
Ziyuanyuan Holdings	8223.HK	9/7/2018	10.48-10.96	Other financials
Bank of Jiujiang	6190.HK	10/7/2018	0.38-0.42	Banks
Ocean Line Port	8502.HK	10/7/2018	2.00-3.00	Marine services
Fusen Pharmaceutical	1652.HK	11/7/2018	0.50-0.60	Medicine
Man Shun Group	1746.HK	11/7/2018	2.18-3.18	Construction & décor
Redsun Properties	1996.HK	12/7/2018	2.26-2.66	Property
Tianli Education	1773.HK	12/7/2018	2.90-3.33	Other support services
Infron Technology	1760.HK	12/7/2018	3.85-5.00	Automobiles
Inke Limited	3700.HK	12/7/2018	0.23-0.27	Leisure & recreation
Hanvey Group	8219.HK	12/7/2018	0.30-0.40	Watch & jewelry
BOSA Technology	8140.HK	12/7/2018	2.07-3.27	Construction & décor
FingerTango	6860.HK	12/7/2018	37.10-51.90	E-commerce
Zhejiang Cangnan	1743.HK	13/7/2018	0.89-1.25	Industrial goods
Prosperous Industrial	1731.HK	13/7/2018	8.50-11.5	Accessories
51 Credit Card	2051.HK	13/7/2018	0.90-1.10	Other financials
Bexcellent Group	1775.HK	13/7/2018	0.52-0.60	Other support services
FSM Holdings	1721.HK	16/7/2018	0.30-0.36	Industrial goods
Miji International	1715.HK	16/7/2018	1.10-1.40	Furniture & household
Hingtex Holdings	1968.HK	16/7/2018	0.23-0.30	Textile & apparels
Kinetix Systems	8606.HK	16/7/2018	1.06-1.44	System applications
Victory Securities	8540.HK	16/7/2018	1.02-1.26	Securities

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)
25/6/2018	52.0	54.4	105%	244.1	359.4
26/6/2018	52.0	50.4	97%	351.5	334.6
27/6/2018	52.0	52.0	100%	311.6	388.4
28/6/2018	52.0	49.7	96%	364.6	390.0
29/6/2018	52.0	n.a	n.a	n.a	n.a

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
25/6/2018	42.0	41.7	99%	61.4	59.8
26/6/2018	42.0	42.5	101%	48.1	61.5
27/6/2018	42.0	42.6	102%	50.8	67.7
28/6/2018	42.0	42.2	100%	53.4	80.2
29/6/2018	42.0	41.3	98%	61.2	59.5

Sources: HKEX, SSE

Shenzhen-Hong Kong Stock Connect

Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
25/6/2018	52.0	53.3	102%	226.8	299.1
26/6/2018	52.0	51.0	98%	333.2	290.8
27/6/2018	52.0	53.2	102%	248.8	376.7
28/6/2018	52.0	53.3	103%	274.1	386.9
29/6/2018	52.0	n.a	n.a	n.a	n.a

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
25/6/2018	42.0	41.7	99%	59.7	33.6
26/6/2018	42.0	42.5	101%	49.5	52.1
27/6/2018	42.0	42.6	102%	42.9	47.8
28/6/2018	42.0	42.2	100%	44.3	48.3
29/6/2018	42.0	41.3	98%	57.5	31.6

Sources: HKEX, SSE

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