

Weekly market commentary report

16 July 2018 Monday

Market outlook and news tracker

Hong Kong and China market outlook

US indices closed higher to end the week on Friday with the S&P500 closing up 1.5% on the week lifted by shares in the Food & Staples Retailing, Household & Personal Products, Capital Goods sectors. On the economic front, the University of Michigan consumer sentiment index fell to 97.1 in a preliminary estimate in July (estimated 98) from 98.2 in the prior month.

Regarding corporate news, Johnson & Johnson (JNJ.US -1.43%) was ordered by a U.S. court to pay US\$4.69bn in damages to 22 women and their families who blamed ovarian-cancer cases on asbestos in the Co's iconic baby powder; JPMorgan Chase (JPM.US -0.46%) reported 2Q EPS of US\$2.29 (estimated \$2.22) from US\$1.83 a year ago; and Wells Fargo (WFC.US -1.2%) posted 2Q EPS of US\$0.98 (anticipated \$1.12) compared to US\$1.03 a year ago; and Citigroup (C.US -2.20%) announced 2Q EPS of US\$1.63 (estimated \$1.56) vs. US\$1.27 a year ago. ZTE (763.HK -1.43%) announced that the U.S. Bureau of Industry and Security has terminated the 15 April 2018 Denial Order and removed the Co from the Denied Persons List. Meanwhile, the Co issued a profit warning, stating that the Co is expected to make a net loss of between RMB7bn and RMB9bn in 1H 2018, compared with a net profit of RMB2.29bn in 1H 2017.

Over the weekend, China M2 social financing and corporate loan number largely disappointed the market, these results seemed to be driven by continuous deleveraging. Meanwhile, China GDP growth was 6.7% in 2Q18, in line with expectation. Further, the connecting scheme will linking HK-China will not weigh to the voting rights structure, including recent Xiaomi. We think the market focus will stay on those potential surprises from FY1H18 earnings.

Hong Kong market sector movers and news tracker

1) Gold sector: Prices reached US\$1246.6 as investors flock to safer investments amid trade wars and additional tariffs made on Chinese imports by the US last week.

• Related stocks: China Gold (2099.HK -1.38%), Hengxing Gold (2303.HK FLAT), Zhaojin Mining (1818.HK FLAT), Zijin Mining (2899.HK -1.41%)

2) HK property sector: Grade A office rents to increase 6-8%, adding to 2Q of HK\$137/ft2.

• Related stocks: Henderson (12.HK -0.72%), SHKP (16.HK FLAT), NWD (17.HK +0.55%), Sino Land (83.HK -0.16%)

3) China bank sector: PBOC strengthened the RMB by 25 bps to 6.6234 against the USD amid US-China trade war.

• Related stocks: CCB (939.HK FLAT), BOC (3988.HK -0.82%), ICBC (1398.HK -0.53%), CM Bank (3968.HK +0.71%)

Performance indices

Global Index	Performance chg. (%)			
	Closing	1D	1W	1M
HANG SENG INDEX	28525.44	0.2	-1.0	-6.3
HANG SENG CHINA ENT INDX	10746.45	-0.1	-1.2	-10.4
SHANGHAI SE COMPOSITE	2831.184	-0.2	-0.2	-7.1
SHENZHEN SE COMPOSITE IX	1604.452	0.5	1.6	-5.5
CSI 300 INDEX	3492.69	0.33	0.1	-7.7
DOW JONES INDUS. AVG	25019.41	0.38	2.3	-0.3
S&P 500 INDEX	2801.31	0.1	1.5	0.8
NASDAQ COMPOSITE INDEX	7825.976	0.0	1.8	1.0
DAX INDEX	12540.73	0.4	0.4	-3.6
CAC 40 INDEX	5429.2	0.4	1.0	-1.3
FTSE 100 INDEX	7661.87	0.1	0.6	0.4

Sources: Bloomberg as of 16 July 18

Commodities

Commodities	Performance chg. (%)			
	Closing	1D	1W	1M
Brent Crude Oil	75.33	1.2	-4.1	2.4
Gold	1244.32	-0.2	-1.0	-2.6
Steel (HRC China)	4007	-0.1	n.a	n.a
Aluminium	2031	-0.5	-2.4	-10.7
Copper	6237	0.1	-0.7	-14.1

Sources: Bloomberg as of 16 July 18

Currencies to US\$

Currencies to US\$	Performance chg. (%)			
	Closing	1D	1W	1M
CNY	6.6916	0.36	-1.1	-3.7
HKD	7.8486	0.00	0.0	0.0
JPY	112.38	-0.15	-1.4	-1.7
EUR	1.1685	0.11	-0.4	0.7
GBP	1.3222	0.12	-0.1	0.0
AUD	0.7424	0.22	-0.4	0.2
CAD	1.316	0.05	-0.3	0.5

Sources: Bloomberg as of 16 July 18

Economic Calendar

Date	Event	Est.	Prior
July 17 2018	CH new home prices MoM (%)	n.a	0.8%
July 19 2018	HK unemployment rate (Jun)	2.8%	2.8%
	HK composite interest rate (%)	n.a	0.5%
	CH FX net settlement (Jun)	n.a	143.3bn
July 23 2018	HK CPI composite YoY (Jun)	n.a	2.1%

Sources: Bloomberg as of 16 July 18

Market commentary

Hong Kong notable market movers and news tracker

- 1) Air China (753.HK -1.76%) released that June passenger capacity rose 14.0% YoY to US\$22.5bn and passenger traffic grew 13.3% YoY to US\$18.03bn.
- 2) China Southern Airlines (1055.HK -2.07%) reported that June passenger capacity gained 12.9% to US\$24.87bn and passenger traffic increased 12.5% to US\$20.50bn.
- 3) China Resources Power (836.HK -0.14%) reported that its total net generation of power plants decreased 1.8% YoY to 13,365,507MWh in June.
- 4) New China Life Insurance (1336.HK FLAT) reported its 1H accumulated gross premium income increased 10.8% YoY to 67.87B yuan.
- 5) China Coal Energy (1898.HK FLAT) posted that its commercial coal production rose 2.9% YoY to 6.43M tons in June, while commercial coal sales jumped 24.8% YoY to 14.43M tons.
- 6) Country Garden (2007.HK -1.66%) suspends land bidding until 4Q18 due to slowdown in expansion plans.
- 7) Fast Retailing (6288.HK +8.51%) revenue rose 15.3% to 1.7trn Yen for nine months ended May.
- 8) Ping An Health and Technology (1833.HK +9.91%) announces 200+ joining of its corporate medical insurance plan.
- 9) Great Eagle (41.HK -0.13%) increases stake in Champion REIT (2778.HK +0.38%) for HK\$3.83m, or 746,009 shares at HK\$5.13/shr.
- 10) Evergrande (3333.HK -1.38%) repurchased 10m shares for HK\$20.65/shr for

5-day High/Low Records

Week highs	% index			
Company	Ticker	End Price	move	Industry
CCB	939	6.95	20.87%	Banks
Galaxy	27	63.05	19.89%	Gambling
HSBC	5	73.3	12.93%	Banks
Sunny Optical	2382	152	10.76%	Technology
Geely	175	20.55	10.16%	Automobile

Week lows	% index			
Company	Ticker	Price	move	Industry
Tencent	700	381.00	-20.02%	Technology
China Mobile	941	69.00	-5.56%	Telecommunications
BOC	3988	3.63	-4.79%	Bank
Shenhua Energy	1088	16.98	-4.00%	Energy
SHKP	16	118.00	-2.95%	Property

Sources: HKEX, Bloomberg

IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
Kinergy Corporation	3302.HK	18/7/2018	1.02-1.26	Semiconductors
7Road Holdings	797.HK	18/7/2018	1.50-2.22	E-commerce
eBroker Group	8036.HK	18/7/2018	4.09-4.55	System applications
Pacific Legend Group	8547.HK	18/7/2018	0.30-0.40	Construction & décor
Byleasing Holdings	8525.HK	18/7/2018	1.20-1.42	Other financials
Qilu Expressway	1576.HK	19/7/2018	2.50-3.10	Road & railway
Hyfusin Group	8512.HK	19/7/2018	0.28-0.36	Furniture & household
E-House	2048.HK	20/7/2018	14.38-17.68	Property management

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)
9/7/2018	52.0	49.5	95%	291.9	208.6
10/7/2018	52.0	51.5	99%	259.3	248.3
11/7/2018	52.0	51.7	99%	247.6	250.3
12/7/2018	52.0	50.3	97%	303.7	223.0
13/7/2018	52.0	51.4	99%	275.8	219.7

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
9/7/2018	42.0	49.2	117%	60.0	43.5
10/7/2018	42.0	49.5	118%	42.1	37.6
11/7/2018	42.0	51.5	123%	36.8	37.4
12/7/2018	42.0	50.3	120%	64.3	45.5
13/7/2018	42.0	51.4	122%	44.6	56.3

Sources: HKEX, SSE

Shenzhen-Hong Kong Stock Connect

Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
9/7/2018	52.0	50.8	98%	297.3	237.1
10/7/2018	52.0	51.7	99%	272.7	256.3
11/7/2018	52.0	52.3	101%	258.2	296.7
12/7/2018	52.0	51.7	99%	292.2	238.5
13/7/2018	52.0	51.3	99%	309.5	288.8

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
9/7/2018	42.0	40.7	97%	43.8	30.1
10/7/2018	42.0	41.3	98%	44.8	26.7
11/7/2018	42.0	42.0	100%	30.8	22.3
12/7/2018	42.0	39.4	94%	59.8	30.9
13/7/2018	42.0	42.3	101%	39.2	28.5

Sources: HKEX, SSE

Important legal disclosures

General Disclosure

This research report is prepared and distributed by Anli Securities Limited ("ASL") in the conduct of business of regulated activity in Hong Kong. This report or any part thereof may not be distributed, reproduced or disclosed to any other person without the prior written approval of ASL. In particular, this research report is not intended for distribution to, or use by, any person or entity in the United States of America, Canada, Australia or any jurisdiction or country where its distribution would be in breach of applicable laws, rules and regulation. The information, data, materials, forecasts, estimates or opinions contained herein are for information only and subject to change without prior notice. ASL makes no representation or warranty (whether express, implied or otherwise), with respect to the fairness, correctness, accuracy, reasonableness or completeness of the information, data, materials, forecasts, estimates, opinions as above but has used its best endeavor to obtain information, data, materials from sources which are believed to be reliable. ASL makes no representation, undertaking, warranty or guarantee as to the update, completeness, correctness, reliability or accuracy of information, data, materials, forecasts, estimates or opinions. The opinions herein are made without taking into consideration of specific financial position, investment objective, investment experience or other need and it is therefore expected that investor shall not make investment decision in reliance on information, data, materials, forecasts, estimates or opinions herein without seeking professional and independent advice. ASL accepts no liability and responsibility whatsoever for any direct or indirect loss or damage which may be suffered by any person arising out of or in connection with the information, data, materials, forecasts, estimates or opinions provided herein. In any event, this research report does not constitute or form part of and shall not be construed as any offer for sale or subscription or solicitation or invitation of any offer to purchase or subscribe for any securities and investment products in any jurisdiction.

In distributing this research report, ASL is not providing and does not purport to provide professional investment advice. Except as otherwise disclosed herein, ASL or its affiliates ("ASL Group") has no interest in the securities of the companies referred to in this research report as at the date of the issuance of this research report. ASL Group's officers, directors and employees may have position in any and may trade for their own account in all or any of the securities or investment mentioned in this research report. In addition, ASL Group may have provided investment services and may have underwritten, or may act as market maker in relation to those securities. Commission, fees or other benefit (whether monetary or non-monetary) may be earned or received by ASL Group in respect of services provided in relation to those securities or investments.

Risk

The securities or investments referred to in this research report may not be suitable for all investors. In particular, no consideration has been given to any particular investment objectives or experience, financial situation or other needs of any investor. In the said premises, ASL accepts no liability with regard to the suitability or appropriateness of any of the securities and/or investments referred to herein for any particular investor's circumstances. Investor is reminded to make investment decisions in light of their own investment experience, investment objectives, financial position and particular needs and, where necessary, consult their own professional advisers prior to making investment decision. This research report is not intended to provide any professional advice and should not be relied upon in that regard. The value of the investment may go up as well as down. Past performance is not indicative of futures performance. The risk disclosed herein is not intended to be an exhaustive list of risks associated with the securities or investments. Investor is advised to read and fully understand all the offering or other relevant documents relating to securities or investments referred to in this research report as well as all the risk disclosure statements and risk warnings therein before making any investment decision.

Information of ASL

ASL is licensed by the Securities and Futures Commission of Hong Kong to carry on business of Types 1 and 4 regulated activities under the Securities and Futures Ordinance (Chapter 571), Laws of Hong Kong and shall, amongst the others, provide services in relation to a series of research products, including, without limitation, fundamental analysis, macro-economic analysis, quantitative analysis and trade ideas, in accordance with all applicable laws, rules and regulations.