

# Weekly market commentary report

23 July 2018 Monday

## Market outlook and news tracker

### Hong Kong and China market outlook

US stocks closed lower on Friday, pressured by shares in the automobile, media, and real estate sectors. President Trump criticizes the Fed and its monetary policy of raising interest rates, and accuses China and Europe for manipulating their own currencies, and putting the US at a disadvantage. Over the weekend, Kim Jong Un and Trump met to discuss further details about North Korea's denuclearization but so far have yet to release details relating to their moves. Regarding corporate news, Skyworks Solutions (SWKS.US - 5.36%) report revenue of US\$894m for 3Q compared to US\$901m in the last period. General Electric (GE.US -4.44%) posted EPS of US\$0.19 with revenue of US\$30.1bn, representing a 2.7% YoY increase for 2Q. Swire Pacific (19.HK +1.67%) issue profit warning due to impairment charges on Swire Pacific Offshore in 1H18. Further, China Merchants Port (144.HK +0.39%) posts profit alert, expecting NP to rise over 50% YoY for 1H18.

Also over the weekend, G20 countries' finance ministers and central bankers ended their two-day summit in Buenos Aires, highlighting global economic risks including "rising financial vulnerabilities, heightened trade and global imbalances". Meanwhile, China's equity markets saw a strong rebound last Friday, led by banks amid reports that regulators have guided commercial banks to significantly boost loan underwriting. However, people from the banks denied these reports over the weekend. Also, a softened new version of asset management rules has been announced, which is inline with recent talks.

President Donald Trump says he's "ready to go" with tariffs on \$500 billion of Chinese imports, saying the U.S. has been taken advantage of for too long, Bloomberg reports. At the same time, Chinese Premier Li Keqiang has ordered the State Council to investigate the nation's vaccine industry after Changsheng Bio-Technology was found to be involved in a rabies vaccine scandal.

### Hong Kong market sector movers and news tracker

**1) Oil sector:** Crude prices added to US\$69.79bps despite agreements to raise output by oil giants.

• Related stocks: CNOOC (883.HK +0.33%), Petro China (857.HK +2.17%), Sinopec (386.HK +1.71%), China Oilfield (2883.HK +1.16%)

**2) Chinese bank sector:** PBOC set lower USD reference rate at RMB6.76, hitting a two year low after Trump comments regarding the dropping RMB.

• Related stocks: CCB (939.HK +2.39%), ICBC (1398.HK +2.77%), CM Bank (3968.HK +4.16%), BOC (3988.HK +1.40%)

**3) China property sector:** According to NBS, property investments posts weakest growth for the month of June, representing a 8.4% YoY decrease compared to 9.8% YoY increase in May.

• Related stocks: Sunac (1918.HK +0.00%), China Overseas (688.HK -1.06%), Country Garden (2007.HK +2.76%), Vanke (2202.HK +1.83%)

## Performance indices

Global Index	Performance chg. (%)			
	Closing	1D	1W	1M
HANG SENG INDEX	28224.48	0.8	-1.1	-3.8
HANG SENG CHINA ENT INDX	10682.64	1.5	0.1	-5.5
SHANGHAI SE COMPOSITE	2829.271	2.0	0.9	-1.7
SHENZHEN SE COMPOSITE IX	1593.302	1.1	-0.8	-0.4
CSI 300 INDEX	3492.89	1.88	0.8	-3.1
DOW JONES INDUS. AVG	25058.12	-0.03	0.2	1.9
S&P 500 INDEX	2801.83	-0.1	0.0	1.7
NASDAQ COMPOSITE INDEX	7820.198	-0.1	-0.1	1.7
DAX INDEX	12561.42	-1.0	0.2	-0.1
CAC 40 INDEX	5398.32	-0.3	-0.6	0.2
FTSE 100 INDEX	7678.79	-0.1	0.2	0.0

Sources: Bloomberg as of 23 July 18

## Commodities

Commodities	Performance chg. (%)			
	Closing	1D	1W	1M
Brent Crude Oil	73.07	0.7	1.6	-3.1
Gold	1229.53	0.5	-0.7	-2.6
Steel (HRC China)	3979	-0.1	1.2	6.5
Aluminium	2029	1.4	-0.1	-6.3
Copper	6147.5	1.4	-1.4	-9.2

Sources: Bloomberg as of 23 July 18

## Currencies to US\$

Currencies to US\$	Performance chg. (%)			
	Closing	1D	1W	1M
CNY	6.7697	-0.08	-1.0	-3.2
HKD	7.8499	0.00	0.0	0.0
JPY	111.41	-0.94	1.3	-1.0
EUR	1.1724	0.70	0.3	0.3
GBP	1.3136	0.94	-0.7	-1.0
AUD	0.7415	0.73	0.1	0.2
CAD	1.3145	-0.96	0.0	1.3

Sources: Bloomberg as of 23 July 18

## Economic Calendar

Date	Event	Est.	Prior
26-Jul-18	HK exports Yoy (Jun)	7.9%	15.9%
	HK imports Yoy (Jun)	8.2%	16.5%
	HK trade balance HKD (Jun)	-52.0bn	-43.2bn
27-Jul-18	CH industrial profits YoY (Jun)	n.a	21.1%

Sources: Bloomberg as of 23 July 18

## Market commentary

### Hong Kong notable market movers and news tracker

- 1) Hutchison Tel (215.HK +1.05%) announce 4.5G network coverage for projects completed mid-July in HK-Macau-Zhuhai Bridge.
- 2) Vinda (3331.HK +3.92%) NP rose 30.1% YoY to HK\$417m in 1H18.
- 3) Bossini (592.HK -4.41%) release profit warning of net loss up to HK\$32m for 1H18.
- 4) Ascent International (264.HK +16.67%) executives are under investigation for fundraising fraud.
- 5) GMT Research make allegations against Sunny Optical (2382.HK -2.93%), accusing it lacks understanding of the Co.'s operations.
- 6) Wheelock (20.HK +0.19%) offer shares of Wheelock Properties Singapore at HK\$12.08/shr each.
- 7) JV between NWS (659.HK +0.29%) and Chow Tai Fook Enterprises JV Goshawk Aviation enters in purchase agreement for aircraft list price of US\$4.5bn.
- 8) Cathay (293.HK +0.33%) carried 2.93m passengers in June, representing a 4.1% YoY increase.
- 9) SHKP (16.HK +0.69%) release 66 flats in St Martin in Tai Po ranging from HK\$5.2m to HK\$16.5m.
- 10) China Merchants Land (978.HK +0.77%) to record substantial increase in profits and 30% increase in NP for 1H18.
- 11) Sinopec (386.HK +1.71%) names new Chairman of the group – Dai Houliang.

## 5-day High/Low Records

Week highs		% index		
Company	Ticker	End Price	move	Industry
HK & China Gas	3	16.22	9.32%	Utilities
CLP	2	89.4	3.89%	Utilities
Ping An	2318	71.55	3.56%	Insurance
Sinopec	386	7.15	2.68%	Oil
China Res Power	836	15.24	1.98%	Utilities

Week lows		% index		
Company	Ticker	Price	move	Industry
Sunny Optical	2382	136.00	-12.00%	Technology
Tencent	700	376.60	-10.97%	Technology
CNOOC	883	12.34	-10.14%	Gas
CCB	939	6.86	-9.10%	Banks
China Overseas	688	23.40	-8.07%	Property

Sources: HKEX, Bloomberg

## IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
Bojun Education	6190.HK	31/7/2018	1.99-2.36	Other support services
Asclepis Pharma	8502.HK	1/8/2018	12.0-16.0	Biotechnology

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)
16/7/2018	52.0	52.5	101%	203.6	240.6
17/7/2018	52.0	52.1	100%	243.8	243.8
18/7/2018	52.0	51.9	100%	211.3	232.7
19/7/2018	52.0	50.2	96%	248.3	219.4
20/7/2018	52.0	51.4	99%	308.0	248.6

Sources: HKEX

### Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
16/7/2018	42.0	42.5	101%	32.3	35.2
17/7/2018	42.0	42.4	101%	30.6	44.0
18/7/2018	42.0	42.2	100%	27.9	34.7
19/7/2018	42.0	41.5	99%	33.9	39.6
20/7/2018	42.0	39.8	95%	55.9	49.0

Sources: HKEX, SSE

## Shenzhen-Hong Kong Stock Connect

### Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
16/7/2018	52.0	51.5	99%	254.2	237.9
17/7/2018	52.0	52.4	101%	236.6	258.5
18/7/2018	52.0	52.1	100%	216.0	226.2
19/7/2018	52.0	51.1	98%	251.9	242.7
20/7/2018	52.0	50.3	97%	292.1	241.5

Sources: HKEX

### Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
16/7/2018	42.0	42.0	100%	30.7	31.7
17/7/2018	42.0	41.8	100%	33.3	31.1
18/7/2018	42.0	41.7	99%	45.1	33.8
19/7/2018	42.0	41.8	100%	40.4	38.8
20/7/2018	42.0	40.2	96%	52.0	29.4

Sources: HKEX, SSE

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