

# Weekly market commentary report

30 July 2018 Monday

## Market outlook and news tracker

### Hong Kong and China market outlook

US stocks closed lower last Friday pressured by the semiconductors, software & services, and technology hardware sectors. On the US economic data front, 2Q18 GDP increased to 4.1% from 2.2% in the last quarter. Advance personal consumption increased to 4.0% for the same period. Consumer sentiment index decreased to 97.9 for July compared to 98.2 in June. Regarding corporate news, Amazon (AMZN.US +0.51%) reported 39% YoY increase in revenue to US\$52.9bn for 2Q18, and Intel (INTC -8.59%) reported 14.8% YoY increase in revenue to US\$17bn for the same period. Further, Starbucks (SBUX.US +1.36%) revenue grew 10.7% YoY to US\$6.31bn. ZTE (763.HK +0.88%) says it will report a RMB5.41bn net loss compared to positive income of RMB1.69bn last year largely due to US government penalty. Further, Yunfeng Financial (376.HK -1.25%) posts a profit warning of HK\$185m in net loss for 1H18.

China's SOE combined profits reached RMB1.72trn, up 21.2% YoY for 1H18 due to higher profits from iron steel, oil, petrochemicals, and non-ferrous metals sectors. China's FX regulator forex-related violation cases rose 19.7% YoY in 1H18 to 1,354 cases, fining a total of RMB345m amongst 559 individuals and 455 financial institutions.

In other news, HKMA's investment income in its exchange fund dropped 80% YoY to HK\$27.3bn in 1H18 mainly due to losses in HK equities of HK\$3.4bn and others at HK\$2.7bn.

This week's focus may be on HKEX to delay changes for companies to hold more shares with voting rights as dual-class shares are currently limited to company founders. The operator says it will launch a consultation by tomorrow regarding extending weighted rights, or dual-class shares to corporations. Further, more corporate earnings are set to be released this week including CKH (1.HK +0.36%), Standard Chartered (2888.HK +0.49%), AIA (1299.HK +0.51%), and Hang Lung (10.HK +0.00%) etc.

### Hong Kong market sector movers and news tracker

**1) China bank sector:** PBOC set midpunt at 6.7662/USD, or 0.56%, representing the biggest one-day gain since beginning of July.

-Related stocks: CCB (939.HK -0.56%), ICBC (1398.HK +0.00%), CM Bank (3968.HK +1.15%), BOC (3988.HK +0.00%)

**2) Oil sector:** US crude prices settled at US\$69.61bps while Brent crude increase to US\$74.54 amid better figures from the US economy for 2Q18.

-Related stocks: CNOOC (883.HK -0.16%), Petro China (857.HK +1.20%), Sinopec (386.HK +1.21%), China Oilfield (2883.HK +0.85%)

**3) China industrial sector:** NBS report 20% YoY increase in NP of combined industrial companies profits to RMB20m for the month of June, while profits grew 17.2% from January to June.

-Related stocks: Kingboard (148.HK +0.00%), Fullshare (607.HK -2.52%), Xinyi Glass (868.HK +1.01%), SinoTruk (3808.HK -0.66%)

**4) China healthcare sector:** China's latest health scare involves vaccine producer Changchun Biotechnology (002680.CH -5.02%) using expired materials and forging reports.

-Related stocks: China Medical (867.HK +0.72%), Sino Biopharm (1777.HK -0.81%), Shijiazhuang Pharma (1093.HK -0.93%), Lijun International (2005.HK -1.02%)

## Performance indices

Global Index	Performance chg. (%)			
	Closing	1D	1W	1M
HANG SENG INDEX	28804.28	0.1	1.1	-1.3
HANG SENG CHINA ENT INDX	11047.42	0.2	2.2	-0.9
SHANGHAI SE COMPOSITE	2873.594	-0.3	0.0	0.5
SHENZHEN SE COMPOSITE IX	1599.083	-0.7	-1.6	-2.0
CSI 300 INDEX	3521.23	-0.42	-0.7	-0.3
DOW JONES INDUS. AVG	25451.06	-0.30	1.6	4.9
S&P 500 INDEX	2818.82	-0.7	0.6	3.7
NASDAQ COMPOSITE INDEX	7737.419	-1.5	-1.1	3.0
DAX INDEX	12860.4	0.4	2.4	4.5
CAC 40 INDEX	5511.76	0.6	2.1	3.5
FTSE 100 INDEX	7701.31	0.5	0.3	0.8

Sources: Bloomberg as of 30 July 18

## Commodities

Commodities	Performance chg. (%)			
	Closing	1D	1W	1M
Brent Crude Oil	74.29	-0.3	1.9	-6.1
Gold	1224.22	0.1	-0.4	-1.8
Steel (HRC China)	4068	1.6	3.3	9.2
Aluminium	2071	0.2	2.1	-4.8
Copper	6297	0.1	2.4	-5.9

Sources: Bloomberg as of 30 July 18

## Currencies to US\$

Currencies to US\$	Performance chg. (%)			
	Closing	1D	1W	1M
CNY	6.8133	0.30	-0.5	-2.4
HKD	7.8475	-0.01	0.0	-0.1
JPY	111.05	-0.16	0.3	-0.1
EUR	1.1657	0.12	-0.3	0.1
GBP	1.3105	-0.03	0.0	-0.3
AUD	0.74	0.31	0.1	0.7
CAD	1.3055	-0.15	0.8	0.9

Sources: Bloomberg as of 30 July 18

## Economic Calendar

Date	Event	Est.	Prior
31-Jul-18	HK budget balance HKD (Jun)	n.a	-11.1bn
	HK money supply M1 HKD YoY (Jun)	n.a	11.9%
	HK money supply M2 HKD YoY (Jun)	n.a	7.7%
	HK money supply M3 HKD YoY (Jun)	n.a	7.8%
	CH non-mfg PMI (Jul)	54.9	55.0
	CH mfg PMI (Jul)	51.3	51.5
	CH composite PMI (Jul)	n.a	54.4
1-Aug-18	HK retail sales value YoY (Jun)	13.4%	12.9%
	HK retail sales volume YoY (Jun)	12.3%	11.6%
	Caixin CH PMI mfg (Jul)	50.9	51.0
3-Aug-18	Caixin CH PMI composite (Jul)	n.a	53.0
	Caixin CH PMI services (Jul)	53.5	53.9
6-Aug-18	CH BoP current acct balance (2Q)	n.a	\$34.1bn

Sources: Bloomberg as of 30 July 18

## Market commentary

### Hong Kong notable market movers and news tracker

- 1) CITIC Resources (1205.HK +0.00%) reports a 1.86x YoY growth in NP to HK\$529.m for 1H18.
- 2) Pacific Basin Shipping (2343.HK -2.65%) reports NP of US\$30.8m in 1H18 compared to US\$12m net loss for the same period last year.
- 3) China Life (2628.HK +0.00%) says NP will increase 25% to 35% YoY between RMB3.06bn to RMB4.28bn in 1H18.
- 4) Fortune REIT (778.HK +0.31%) reports 3.7% YoY increase in NP to HK\$505.2m for 1H18.
- 5) Movable board house at Country Garden (2007.HK -1.20%) building kills six people, third accident with the Co. this month.
- 6) Vanke Overseas (1036.HK +7.53%) report NP to increase "no less than 260%" YoY for 1H18.
- 7) ASM Pacific (522.HK -1.73%) report 6.1% YoY decrease in NP to HK\$1.4bn for 1H18.
- 8) Sands China (1928.HK -1.45%) report 30% YoY increase in NP to US\$427m for 2Q18.
- 9) Road King (1098.HK +0.00%) announce positive profit alert for 1H18 due to better than expected property sales.
- 10) CK Infrastructure (1038.HK -1.09%) eyes potential acquisitions in Australia according to Victor Li.
- 11) TMT General controlled by Hang Lung (10.HK +0.00%) decreases holding of Xiaomi (1810.HK) shares.

## 5-day High/Low Records

Week highs		% index		
Company	Ticker	End Price	move	Industry
HK & China Gas	939	7.11	13.13%	Banks
CLP	5	74.85	11.03%	Banks
Ping An	1398	5.82	10.47%	Banks
Sinopec	2318	73.7	6.12%	Insurance
China Res Power	1299	68.65	5.93%	Insurance

Week lows		% index		
Company	Ticker	Price	move	Industry
Tencent	700	373.00	-4.66%	Technology
CSPC Pharma	1093	21.35	-2.43%	Pharmaceutical
Geely	175	18.42	-2.23%	Automobile
CLP	2	88.00	-1.45%	Utilities
Mengniu	2319	56.20	-0.95%	Dairy

Source: 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
Hope Education	1765.HK	3/8/2018	1.52-1.92	Other support services
China Tower	788.HK	8/8/2018	1.26-1.58	Telecommunication
BeiGene	6160.HK	8/8/2018	94.4-111.6	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)
23/7/2018	52.0	52.3	101%	295.8	258.4
24/7/2018	52.0	50.3	97%	362.5	282.7
25/7/2018	52.0	50.5	97%	272.8	259.1
26/7/2018	52.0	50.9	98%	270.3	256.4
27/7/2018	52.0	49.8	96%	259.4	227.8

Sources: HKEX

### Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
23/7/2018	42.0	40.4	96%	56.1	38.9
24/7/2018	42.0	41.1	98%	71.4	63.7
25/7/2018	42.0	41.7	99%	50.8	45.6
26/7/2018	42.0	42.6	101%	39.5	44.2
27/7/2018	42.0	42.0	100%	34.1	32.6

Sources: HKEX, SSE

## Shenzhen-Hong Kong Stock Connect

### Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
23/7/2018	52.0	51.7	99%	270.0	250.0
24/7/2018	52.0	50.9	98%	325.5	266.9
25/7/2018	52.0	51.7	99%	252.7	256.3
26/7/2018	52.0	52.6	101%	259.5	309.1
27/7/2018	52.0	51.5	99%	231.5	260.7

Sources: HKEX

### Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
23/7/2018	42.0	40.8	97%	50.5	38.9
24/7/2018	42.0	39.7	95%	81.5	47.2
25/7/2018	42.0	41.6	99%	36.0	35.4
26/7/2018	42.0	42.3	101%	37.8	40.3
27/7/2018	42.0	41.6	99%	29.8	30.3

Sources: HKEX, SSE

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