

# Weekly market commentary report

06 August 2018 Monday

## Market outlook and news tracker

### Hong Kong and China market outlook

US stocks closed mixed last Friday as shares in the commercial services, energy, and retailing sectors dropped while automobile, F&B sectors gained. On the US economic data front, trade deficit increased to US\$46.3bn for June from US\$43.2bn in May. Nonfarm payrolls increased 157,000 in July compared to 248,000 in June, decreasing unemployment rate to 3.6% in July. Investors also grappled with news that China would retaliate with tariffs on \$60 billion in U.S. goods. Positive earnings surprises lifted U.S. shares, with 3/4 of the companies that reported Friday morning beating analysts' estimates. The dollar broke a three-day winning streak following China's move to shore up the yuan. Treasury yields declined after the latest jobs report showed a steady labor market that supported the Federal Reserve's outlook for only gradual interest-rate increases.

China's State Administration of Forex says the RMB will be convertible in 2H18 under the capital account to improve its productions & instruments, as well as expand Forex market access. The RMB dropped to 6.89/USD last week, marking an 8-consecutive week fall, longest since 1994.

Regarding corporate news, Apple (AAPL.US +0.29%) became the world's first publicly traded company to reach a US\$1trn in valuation last Thursday. Tesla (TSLA.US -0.39%) records US\$717.5m net loss as it burned US\$739.5m in cash for 2Q18. China Shenhua Energy (1088.HK -0.23%) issues profit warning, indicating a 6.8% YoY drop in NP to RMB24.5bn. Also, Shanghai Electric Group (2727.HK -0.40%) says it is considering a 51% stake in GCL-Poly Energy (3800.HK -1.49%).

This week, the market will react to the continuous US-China trade war as China says it will strike back with tariffs on US\$ 60bn worth of US imports over the weekend. Further, more blue-chips H-share will be releasing their earnings report this week including HSBC (5.HK -0.69%), CLP (2.HK +1.09%), Hang Seng (11.HK +0.60%), and PCCW (8.HK -0.61%). Also, the much-anticipated China Tower IPO will debut on Wednesday, raising HK\$53.82bn at HK\$1.26/shr, making the world's biggest listing since 2016.

### Hong Kong market sector movers and news tracker

**1) Gold sector:** Gold prices dropped to US\$1,220.1/oz last Thursday, while a US Congressman raises concerns about China's possible intervention in the US currency market due to recent drop in the RMB.

• Related stocks: China Gold (2099.HK -2.86%), Hengxing Gold (2303.HK +4.40%), Zhaojin Mining (1818.HK -1.58%), Zijin Mining (2899.HK -2.14%)

**2) Oil sector:** US crude prices gained 1.9% to US\$68.96bps while Brent crude increased by 1.5% to US\$73.45bps.

• Related stocks: CNOOC (883.HK -1.27%), Petro China (857.HK -0.18%), Sinopec (386.HK -0.54%), China Oilfield (2883.HK -0.15%)

**3) Macau gaming sector:** Revenues grew 10.3% YoY to 25.33bn patacas for July, missing estimated 11.5% YoY growth. Accumulated gross revenues grew 17.5% YoY to 175.54bn patacas.

• Related stocks: Galaxy (27.HK -2.80%), Sands (1928.HK -2.48%), Melco (200.HK -1.56%), Wynn (1128.HK -3.61%)

## Performance indices

Global Index	Closing	Performance chg. (%)		
		1D	1W	1M
HANG SENG INDEX	27676.32	-0.1	-3.4	-1.9
HANG SENG CHINA ENT INDX	10693.79	-0.4	-3.3	0.5
SHANGHAI SE COMPOSITE	2740.443	-1.0	-5.7	-1.5
SHENZHEN SE COMPOSITE IX	1486.058	-1.7	-7.7	-5.3
CSI 300 INDEX	3315.28	-1.65	-6.9	-2.7
DOW JONES INDUS. AVG	25462.58	0.54	0.0	4.1
S&P 500 INDEX	2840.35	0.5	0.8	2.9
NASDAQ COMPOSITE INDEX	7812.015	0.1	1.0	1.6
DAX INDEX	12615.76	0.6	-1.4	1.0
CAC 40 INDEX	5478.98	0.3	0.0	2.1
FTSE 100 INDEX	7659.1	1.1	-0.5	0.6

Sources: Bloomberg as of 6 August 18

## Performance chg. (%)

Commodities	Closing	Performance chg. (%)		
		1D	1W	1M
Brent Crude Oil	73.21	-0.3	-2.8	-4.5
Gold	1214.9	0.6	-0.7	-3.4
Steel (HRC China)	4168	1.1	1.2	10.7
Aluminium	2028	-0.4	-2.1	-2.5
Copper	6206	1.1	-1.4	-4.4

Sources: Bloomberg as of 6 August 18

## Performance chg. (%)

Currencies to US\$	Closing	Performance chg. (%)		
		1D	1W	1M
CNY	6.827	-0.23	-0.4	-2.9
HKD	7.849	-0.01	0.0	0.0
JPY	111.25	-0.37	-0.2	-0.7
EUR	1.1568	-0.15	-1.2	-1.6
GBP	1.3001	-0.12	-1.1	-2.2
AUD	0.7404	0.60	-0.2	-0.5
CAD	1.2991	-0.25	0.2	0.6

Sources: Bloomberg as of 6 August 18

## Economic Calendar

Date	Event	Est.	Prior
7-Aug-18	CH foreign reserves (Jul)	\$3,105.0bn	\$3,112.1bn
	HK foreign reserves (Jul)	n.a	\$431.9bn
8-Aug-18	CH trade balance (Jul)	\$39.1bn	\$41.6bn
	CH exports YoY (Jul)	10.0%	11.3%
	CH imports YoY (Jul)	17.0%	14.1%
	CH trade balance CNY (Jul)	n.a	261.9bn
	CH exports YoY CNY (Jul)	n.a	3.1%
	CH imports YoY CNY (Jul)	n.a	6.0%
9-Aug-18	CH PPI YoY (Jul)	4.4%	4.7%
	CH CPI YoY (Jul)	2.0%	1.9%
10-Aug-18	HK GDP YoY (2Q)	3.9%	4.7%
	HK GDP SA QoQ (2Q)	0.6%	2.2%
15-Aug-18	CH aggregate financing CNY (Jul)	1100.0bn	1180.0bn
	CH new Yuan loans CNY (Jul)	1200.0bn	1840.0bn
	CH money supply M1 YoY (Jul)	6.6%	6.6%
	CH money supply M2 YoY (Jul)	8.2%	8.0%
	CH money supply M3 YoY (Jul)	n.a	3.9%
18-Aug-18	CH FDI YoY CNY (Jul)	n.a	0.3%

Sources: Bloomberg as of 6 August 18

## Market commentary

### Hong Kong notable market movers and news tracker

- 1) China Vanke (2202.HK +1.63%) reports 12% YoY increase in sales to RMB349.8bn for the first seven months.
- 2) SHKP (16.HK +1.11%) releases 77 more units in Park Yoho Milano project, average selling price amount to HK\$15,304/ft<sup>2</sup>.
- 3) Google (GOOGL.US -0.24%) in talks with Chinese tech companies including Tencent (700.HK +0.64%) and Inspur Group for cloud services in China.
- 4) Country Garden Services (6098.HK +5.13%) forecasts 110% YoY increase in NP for 1H18.
- 5) Harbor Centre Development (51.HK -0.67%) reports 77% YoY decrease in core profit to HK\$122m in 1H18.
- 6) HK & Shanghai Hotels (45.HK -1.63%) reports 24% YoY increase in attributable profit to HK\$644m for 1H18.
- 7) Wynn (1128.HK -3.61%) reports 56.2% YoY increase in NP to US\$160.3m for 2Q18.
- 8) CKH (1.HK -1.39%) reports 13% YoY increase in NP to HK\$18bn for 1H18.
- 9) Times China (1233.HK -4.08%) reports 137.9% YoY in NP to RMB1.18bn for 1H18.
- 10) Cabbene Fashion (2030.HK -2.91%) reports 24.1% YoY increase in NP to RMB109.1m for 1H18.
- 11) Xinyi Glass (868.HK -4.47%) reports 22.7% YoY growth in NP to HK\$2.01bn for 1H18.

## 5-day High/Low Records

Week highs		% index		
Company	Ticker	End Price	move	Industry
Swire Pacific	19	85.25	0.06%	Conglomerate
Hengan Int'l	1044	69.3	0.00%	Personal/Household
MTRC	66	42.6	-0.06%	Transport
CLP	2	87.8	-0.11%	Utilities
China Merchants	144	15.74	-0.11%	Logistics

Week lows		% index		
Company	Ticker	Price	move	Industry
Tencent	700	349.80	-15.43%	Technology
HSBC	5	72.30	-8.76%	Banks
AIA	1299	66.20	-8.30%	Insurance
Ping An	2318	70.10	-5.27%	Insurance
Country Garden	2007	10.88	-4.78%	Property

Sources: HKEX, Bloomberg

## IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
China Tower	788.HK	8/8/2018	1.26-1.58	Telecommunication
BeiGene	6160.HK	8/8/2018	94.4-111.6	Biotechnology
K Group	8475.HK	13/8/2018	0.50-0.80	Restaurants
Eternity Technology	1725.HK	16/8/2018	1.70-2.00	Consumer electronics

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)
30/7/2018	52.0	49.5	95%	331.0	278.8
31/7/2018	52.0	50.1	96%	357.6	244.9
1/8/2018	52.0	51.5	99%	324.5	302.4
2/8/2018	52.0	51.1	98%	326.9	364.4
3/8/2018	52.0	52.4	101%	281.4	336.5

Sources: HKEX

### Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
30/7/2018	42.0	42.6	101%	43.1	48.3
31/7/2018	42.0	42.3	101%	37.7	38.8
1/8/2018	42.0	43.4	103%	41.7	57.9
2/8/2018	42.0	43.7	104%	43.6	64.7
3/8/2018	42.0	41.3	98%	44.9	57.6

Sources: HKEX, SSE

## Shenzhen-Hong Kong Stock Connect

### Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
30/7/2018	52.0	51.9	100%	255.4	317.4
31/7/2018	52.0	50.7	97%	294.1	252.9
1/8/2018	52.0	51.5	99%	272.0	301.5
2/8/2018	52.0	52.2	100%	306.7	415.7
3/8/2018	52.0	50.9	98%	296.0	325.6

Sources: HKEX

### Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
30/7/2018	42.0	41.4	99%	37.4	29.1
31/7/2018	42.0	42.0	100%	39.0	41.9
1/8/2018	42.0	42.4	101%	35.8	47.7
2/8/2018	42.0	42.4	101%	40.6	51.5
3/8/2018	42.0	42.0	100%	34.8	42.7

Sources: HKEX, SSE

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