

Weekly market commentary report

13 August 2018 Monday

Market outlook and news tracker

Hong Kong and China market outlook

Cash equities end lower but not the disaster it could have been. The macro drives the micro today with the S&P down about 1% as stocks snap a 5 week win streak. The driver is Turkey as those sanctions levied earlier in the week continue to weigh. TRY-15.9% at moment to 6.43. That's better than the earlier 6.87 low. We need to highlight Turkish Sovereign debt too as yields on 10s spiral up to 21.01%. As for stocks, risk off with 10 of 11 sectors lower. No surprise to see Financials-1.16%(exposure to EM debt) among the weakest. Banks in Europe-2% weak too along with Materials. On China front, The CBIRC said Saturday that it has encouraged banks and insurance companies to increase funding to meet the financing demand of the real economy. This week market focus will stay on blue chips interim result and EMs currencies.

Hong Kong market sector movers and news tracker

1) China education sector: China's Ministry of Justice released the semi-final version (for legislative approval) of the revised implementation guidance for the private education promotion law. Most of the clauses focus on diploma education but policies on AST (after-school tutoring) and online AST were clarified and reaffirmed as well.

• Related stocks: China Yuhua Education (6169.HK -0.56%), Tianli Education International (1773.HK +0.94%), China New Higher Education (2001.HK -1.56%), Hope Education Group (1765.HK +0.93%)

2) PRC propertoes sector: ICBC and AgBank have raised mortgage discount for 1st home purchase to 10% from 5% in Shanghai and rates for 2nd home purchase remain unchanged at 110% of benchmark rate.

• Related stocks: Evergrande (3333.HK +8.00%), Agile (3383.HK +4.75%), R&F (2777.HK +5.63%), COLI (688.HK +2.59%), COGO (81.HK +2.24%), CIFI (884.HK +3.10%)

3) China bank sector: Chinese banks to boost lending to govt projects to flow into infrastructure construction, advanced manufacturing projects, as well as medium, small and micro-sized cos.

• Related stocks: ICBC (1398.HK -0.86%), AgBank (1288.HK -1.05%), BOC (3988.HK -0.82%)

4) China Dairy sector: Names are lower following Fonterra lowered its 2017/18 Farmgate milk price target to NZ\$6.70/kg milk solid from previous target of NZ\$6.75.

• Related stocks: Mengniu (2319.HK -2.50%), Modern Dairy (1117.HK +1.57%)

Performance indices

Global Index	Performance chg. (%)			
	Closing	1D	1W	1M
HANG SENG INDEX	28366.62	-0.8	0.2	-2.3
HANG SENG CHINA ENT INDX	10943.08	-0.7	0.2	-0.2
SHANGHAI SE COMPOSITE	2795.31	0.0	1.7	-2.8
SHENZHEN SE COMPOSITE IX	1515.964	0.7	3.0	-6.6
CSI 300 INDEX	3405.02	0.22	2.3	-4.2
DOW JONES INDUS. AVG	25313.14	-0.77	-0.6	1.2
S&P 500 INDEX	2833.28	-0.7	-0.2	1.1
NASDAQ COMPOSITE INDEX	7839.11	-0.7	0.3	0.2
DAX INDEX	12424.35	-2.0	-1.5	-0.9
CAC 40 INDEX	5414.68	-1.6	-1.2	-0.3
FTSE 100 INDEX	7667.01	-1.0	0.1	0.1

Sources: Bloomberg as of 13 August 18

Commodities	Performance chg. (%)			
	Closing	1D	1W	1M
Brent Crude Oil	72.81	1.0	-1.5	-3.5
Gold	1210.57	-0.2	0.1	-2.9
Steel (HRC China)	4007	-0.1	n.a	n.a
Aluminium	2105	1.3	3.8	0.7
Copper	6190	-0.6	-0.3	-2.3

Sources: Bloomberg as of 13 August 18

Currencies to US\$	Performance chg. (%)			
	Closing	1D	1W	1M
CNY	6.8466	0.38	-0.4	-2.7
HKD	7.8499	0.00	0.0	0.0
JPY	110.83	-0.23	1.1	2.0
EUR	1.1413	-0.99	-1.5	-2.6
GBP	1.2758	-0.51	-1.5	-3.5
AUD	0.7302	-0.96	-1.5	-2.0
CAD	1.314	0.68	-1.2	0.0

Sources: Bloomberg as of 13 August 18

Economic Calendar

Date	Event	Est.	Prior
13-Aug-18	China Foreign Direct Investment YoY(Jul)	n.a	0.3%
	PRC Money Supply M0 YoY(Jul)	4.30%	3.90%
	PRC Money Supply M1 YoY(Jul)	6.60%	6.60%
	PRC Money Supply M2 YoY(Jul)	8.20%	8%
	PRC aggregate financing CNY(Jul)	1,100bn	1,181.6bn
14-Aug-18	PRC new yuan loans CNY(Jul)	1,275bn	1,840bn
	PRC Surveyed Jobless Rate(Jul)	n.a	4.8%
	PRC Retail Sales YoY(Jul)	9.10%	9.0%
	PRC Retail Sales YTD YoY(Jul)	9.4%	9.4%
15-Aug-18	PRC Industrial Production YoY(Jul)	6.3%	6.0%
	PRC New Home Prices MoM(Jul)	n.a	1.11%
	US MBA Mortgage Applications(Aug 10)	n.a	-3.0%
	US Nonfarm Productivity(2Q18)	2.40%	0.40%
	US Retail Sales Advance MoM(Jul)	0.10%	0.50%
16-Aug-18	US Industrial Production MoM(Jul)	0.3%	0.6%
	US Business Inventories(Jun)	0.1%	0.4%
	US Total Net TIC Flows(Jun)	n.a	69.9bn
	US Initial Jobless Claims(Aug 11)	215K	213K
	US Housing Starts MoM(Jul)	7.4%	-12.3%
17-Aug-18	US Building Permits MoM(Jul)	1.4%	-0.7%
	HK Unemployment Rate(Jul)	2.8%	2.8%

Sources: Bloomberg as of 13 August 18

Market commentary

Hong Kong notable market movers and news tracker

- SMIC (981.HK +4.34%) has posted 2Q18 wafer revenue that rose 15.8% QoQ and a 4.1ppt increase in gross margin (excluding licensing revenue).
- Cowell (1415.HK -1.25%) has posted 1H18 net loss of US\$2.5m vs previous net profit of US\$9.2m.
- China Mobile (941.HK +0.77%) is considering spinning off 3 to 4 units for separate listing.
- Tencent (700.HK -0.70%) agreed to buy ~8.5% stake in Bluehole to become no.2 holder for 650,000 won per share.
- MTRC (66.HK -2.20%) dismissed public safety concerns after it emerged that more than 20 areas around its To Kwa Wan station building site had been sinking; while Co posted 1H18 underlying profit HK\$4.65bn and proposed interim div/shr of HK\$0.25.
- BeiGene (6160.HK) -0.10% has posted 2Q net loss widen to \$156.9mn from \$60.5mn year ago under US GAAP.
- Q Tech (1478.HK +8.33%) has posted July camera modules that rose 19.4% MoM or 32.3% YoY to 23.1mn units.
- Geely (175.HK -1.40%) said to mull \$1.9bn revival plan for Lotus Cars
- PetroChina (857.HK -1.50%), where PDVSA is said to pay off portion of PetroChina oil debt.
- Sinopec (386.HK -2.25%) says parent to transfer 2.48bn A Shares for free.
- CK Asset (1113.HK -0.09%) won Wong Chuk Hang station phase three property development tender for HK\$13bn or HK\$8,614 per sqf.
- CIMC (2039.HK -1.43%) board approves unit's Hong Kong listing plan.

5-day High/Low Records

Company	Ticker	End Price	% index move	Industry
Tencent	700	370	20.20%	Technology
Heng Seng	11	209	6.60%	Bank
HKEX	388	230.2	6.20%	Financial
Sunny Optical	2382	126.4	5.20%	Technology
CK Hutchison	1	88.85	4.85%	Logistics

Company	Ticker	Price	% index move	Industry
MTR	66	40.05	-2.55%	Transit Services
Hengan	1044	67.70	-1.60%	Household
Wharf Real Estate	1997	55.00	-0.70%	RE Developers
CRP	836	14.72	-0.22%	Utilities
Hang Lung	101	15.90	-0.18%	RE Developers

Source: HKEX, Bloomberg

IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
Eternity Technology	1725.HK	16/8/2018	1.70-2.00	Consumer electronics
Golden Ponder Holdings	1783.HK	22/8/2018	0.45-0.55	Construction

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)
6/8/2018	52.0	50.5	97%	299.8	308.4
7/8/2018	52.0	49.9	96%	373.8	282.8
8/8/2018	52.0	51.0	98%	368.8	324.7
9/8/2018	52.0	48.5	93%	444.7	267.1
10/8/2018	52.0	52.1	100%	308.5	296.2

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
6/8/2018	42.0	42.4	101%	39.6	52.2
7/8/2018	42.0	42.3	101%	53.2	54.5
8/8/2018	42.0	42.5	101%	36.8	48.2
9/8/2018	42.0	40.8	97%	47.4	47.0
10/8/2018	42.0	42.7	102%	35.8	52.3

Sources: HKEX, SSE

Shenzhen-Hong Kong Stock Connect

Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
6/8/2018	52.0	50.3	97%	282.3	295.4
7/8/2018	52.0	50.9	98%	337.5	284.2
8/8/2018	52.0	51.2	98%	304.7	308.6
9/8/2018	52.0	50.0	96%	358.4	257.2
10/8/2018	52.0	51.7	99%	264.8	245.4

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
6/8/2018	42.0	42.9	102%	27.0	43.8
7/8/2018	42.0	41.8	100%	43.9	52.5
8/8/2018	42.0	42.2	100%	26.7	49.8
9/8/2018	42.0	41.3	98%	43.0	50.4
10/8/2018	42.0	41.8	100%	45.9	43.0

Sources: HKEX, SSE

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