

## Weekly market commentary report

27 August 2018 Monday

### Market outlook and news tracker

#### Hong Kong and China market outlook

U.S. stocks rose to a record after the Fed Chairman affirmed gradually normalizing monetary policy, highlighting the strength in the economy and robust corporate results that have helped to support investment appetite for equities. The S&P touched an all-time high, pushing for a record close last reached in January. All sectors except the Consumer sector advanced. The Nasdaq also marked a fresh all-time high since July. The dollar fell for the sixth time in seven days as the Chinese yuan traded offshore surged against the greenback after the PBoC said it tweaked how it fixes the level of its nation's currency. Oil headed for its first weekly rise in two months amid prospects of tightening supplies. Most industrial metals rose along with gold and platinum. European indices ended the day in positive territory across the region, though remained fairly rangebound throughout the session, as Jerome Powell indicated the Fed is in no rush to raise the pace of rate hikes. Amid turnover approx. 15% below the recent twenty day average ahead of the U.K bank holiday, Basic Resources and Tech names outperformed, with Telcos and Personal & Household Goods the laggards.

On Chinese front, China's equity markets ended the day mixed last Friday after coming under pressure in the morning in sympathy with the regional weakness, where local news reported that the new round of Sino-U.S. trade talks have ended with no major agreement reached. Meanwhile, the regulator's announcement about the removal of foreign ownership limits in banks helped to support the SSE50 index and Financial names.

The PBoC announced on its official website on August 24 (Friday evening) that they have once again started using the "Counter Cyclical Coefficient" (CCC) to adjust the CNY central parity formula more actively since August. The CNH traded notably stronger shortly after the announcement. The re-incorporation of the CCC to move CNY fixing to the stronger side indicates the Central Bank's growing reluctance for the CNY to depreciate at a rapid pace. This week highlights may come from those RMB appreciation beneficiaries.

#### Hong Kong market sector movers and news tracker

**1) China property sector:** Sichuan is raising down payment for most second-home buyers to 50% from 40%. Separately, PBOC Wuhan Branch governor believes Shanty-Town property subsidies should be exited gradually to prevent overheating.

• Related stocks: CR&F (2777.HK +0.00%), CR Land (1109.HK -2.70%), Country Garden (2007.HK -1.82%), Longfor (960.HK -3.32%), Vanke (2202.HK -1.93%), Evergrande (3333.HK +0.17%), Chinese Estates (127.HK -2.89%)

**2) China banks sector: The regulator is to remove foreign ownership limits in banks.**

• Related stocks: BoCom (3328.HK +1.25%), ICBC (1398.HK +0.35%), CCB (939.HK -0.29%), BOC (3988.HK -0.28%)

**3) Oil sector:** Led by the climbing crude oil price and CNOOC results, where CNOOC has posted 1H18 net profit that rose 57% YoY to RMB25.5bn.

• Related stocks: CNOOC (883.HK +3.89%), Sinopec (386.HK +1.21%), PetroChina (857.HK +0.00%)

### Performance indices

Global Index	Performance chg. (%)			
	Closing	1D	1W	1M
HANG SENG INDEX	27671.87	-0.4	2.3	-1.9
HANG SENG CHINA ENT INDX	10779.71	-0.3	4.1	0.2
SHANGHAI SE COMPOSITE	2729.431	0.2	2.6	-3.7
SHENZHEN SE COMPOSITE IX	1460.331	-0.2	2.7	-6.8
CSI 300 INDEX	3325.34	0.16	3.7	-3.8
DOW JONES INDUS. AVG	25790.35	0.52	0.5	1.3
S&P 500 INDEX	2874.69	0.6	0.9	2.0
NASDAQ COMPOSITE INDEX	7945.975	0.9	1.7	2.7
DAX INDEX	12394.52	0.2	1.5	-3.6
CAC 40 INDEX	5432.5	0.2	1.6	-1.4
FTSE 100 INDEX	7577.49	0.2	0.3	-1.6

Sources: Bloomberg as of 27 August 18

Commodities	Performance chg. (%)			
	Closing	1D	1W	1M
Brent Crude Oil	75.82	1.5	4.9	1.4
Gold	1205.35	1.7	1.3	-1.5
Steel (HRC China)	4007	-0.1	n.a	n.a
Aluminium	2095	1.0	3.2	0.5
Copper	6105	2.0	3.0	-3.0

Sources: Bloomberg as of 27 August 18

Currencies to US\$	Performance chg. (%)			
	Closing	1D	1W	1M
CNY	6.8105	-0.98	0.7	0.0
HKD	7.8499	0.00	0.0	0.0
JPY	111.24	-0.04	-0.9	0.0
EUR	1.1622	0.71	1.2	-0.3
GBP	1.2846	0.27	0.4	-1.9
AUD	0.7329	1.12	-0.2	-1.0
CAD	1.3026	-0.43	0.2	0.3

Sources: Bloomberg as of 27 August 18

### Economic Calendar

Date	Event	Est.	Prior
28-Aug-18	US wholesale inventories MoM(Jul)	0.2%	0.1%
29-Aug-18	US GDP Annualized QoQ(2Q)	4%	4.1%
	US personal consumption(2Q)	3.90%	4.00%
	US pending home sales MoM(Jul)	0.40%	0.9%
30-Aug-18	HK retail sales value YoY(Jul)	9.7%	12.00%
	HK retail sales volume YoY(Jul)	7.50%	9.80%
	US personal income(Jul)	0.40%	0.40%
	US initial jobless claims(Aug 25)	213k	210k
31-Aug-18	US continuing claims(Aug 18)	1730K	1727K
	HK budget balance HKD(Jul)	n.a	8.3bn
	HK money supply M1 HKD YoY(Jul)	n.a	10.50%
	HK money supply M2 HKD YoY (Jul)	n.a	6.2%
	HK money supply M3 HKD YoY(Jul)	n.a	6.30%
	China non-manufacturing PMI(Aug)	53.80%	54.00%
	China manufacturing PMI(Aug)	51.1%	51.2%
China composite PMI(Aug)	n.a	53.6%	
3-Sep-18	Caixin China PMI Mfg(Aug)	50.6	50.8%

Sources: Bloomberg as of 27 August 18

## Market commentary

### Hong Kong notable market movers and news tracker

- 1) Boya (434.HK +23.81%) has posted 1H18 net profit that rose 9% YoY to RMB154m on revenue that fell 31% to RMB284m.
- 2) BJ Airport (694.HK -4.89%) is lower after Street Broker downgrade.
- 3) Jutal Oil (3303.HK -5.26%) has posted 1H18 net profit that rose 35.4 times YoY to RMB18.7m on revenue that rose 276% to RMB711m.
- 4) Citic Sec (6030.HK -1.53%) has posted 1H18 net profit that rose 13% YoY to RMB5.57bn on revenue that rose 9% to RMB27bn.
- 5) Parkson (3368.HK -2.25%) has posted 1H18 net profit of RMB17.7mn from net loss last year.
- 6) BOC Aviation (2588.HK +2.12%) to buy Eight Airbus Aircraft for \$2.4bn list price
- 7) MMG (1208.HK -1.32%) where Peru Farmers block road to MMG's Las Bambas Mine.

## 5-day High/Low Records

Company	Ticker	End Price	% index move	Industry
AIA	1299	66.15	4.01%	Insurance
Sinopec	386	7.52	3.90%	Oil
CNOOC	883	13.34	3.74%	Oil
CLP Holdings	2	90.25	2.80%	Utilities
Link REIT	823	76.7	2.64%	Property

Company	Ticker	Price	% index move	Industry
Tencent	700	354.00	-19.47%	Tech
HSBC	5	69.40	-12.10%	Bank
CCB	939	6.91	-11.19%	Bank
ICBC	1398	5.73	-6.50%	Bank
HKEX	388	221.40	-5.60%	Finance

Sources: HKEX, Bloomberg

## IPO Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
Wan Leader International	8482.HK	5/9/2018	0.25-0.35	Logistic Services
Eggiculture Foods	8609.HK	7/9/2018	0.40-0.50	Agricultural
AB Builders Group	1615.HK	10/9/2018	0.52-0.78	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)
20/8/2018	52.0	48.0	92%	419.6	258.5
21/8/2018	52.0	50.2	96%	323.3	240.4
22/8/2018	52.0	50.1	96%	273.2	215.7
23/8/2018	52.0	51.1	98%	296.8	277.5
24/8/2018	52.0	52.2	100%	244.0	224.0

Sources: HKEX

### Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
20/8/2018	42.0	42.9	102%	29.7	49.5
21/8/2018	42.0	42.6	102%	43.3	58.1
22/8/2018	42.0	42.3	101%	36.4	56.6
23/8/2018	42.0	42.4	101%	28.9	44.8
24/8/2018	42.0	41.3	98%	35.0	49.0

Sources: HKEX, SSE

## Shenzhen-Hong Kong Stock Connect

### Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
20/8/2018	52.0	50.2	96%	336.3	281.0
21/8/2018	52.0	50.8	98%	284.9	235.7
22/8/2018	52.0	51.7	100%	233.7	221.6
23/8/2018	52.0	51.4	99%	281.3	249.4
24/8/2018	52.0	51.8	100%	235.2	256.1

Sources: HKEX

### Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
20/8/2018	42.0	41.7	99%	41.9	45.5
21/8/2018	42.0	41.4	99%	45.8	45.2
22/8/2018	42.0	41.8	100%	33.4	44.2
23/8/2018	42.0	41.8	100%	28.1	36.9
24/8/2018	42.0	41.7	99%	31.9	32.9

Sources: HKEX, SSE

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