

Weekly market commentary report

03 September 2018 Monday

Market outlook and news tracker

Hong Kong and China market outlook

U.S. stocks were mixed in thin trading volume on the last day ahead of the long labor day weekend. The benchmarks had choppy intra-session swings as investors wrestled with worries about the prospect of further clashes over tariffs with international partners against strength in the domestic economy and upbeat results from American corporations. S&P up with volume. Nasdaq advanced again on the back of a record rally for Apple. As for the month of August, both S&P and Nasdaq had their fifth positive month in a row, while the Dow has gained for two straight months. The Dollar rose to the highest in a week. The Turkish lira gained 1.1%, its first advance in a week. Copper fell 1.8% for the biggest drop in two weeks.

On Chinese front, it was MSCI re-balance day last Friday, but market still dived, indicating the wane sentiment. Only Banks and Property stocks out-performed, due to flow to safe heaven sectors. Although the interim numbers looked stable overall, the slowdown of the so-called "new economy" growth reflected in the earnings may still weigh on the local markets. Stay defensive until new catalysts come. This week highlights may come from Agriculture stocks, on talks on low grain yield for the summer.

Hong Kong market sector movers and news tracker

1) Macau gaming sector: Macau's July hotel occupancy rate was 89.9%, -0.9% YoY.

• Related stocks: Galaxy (27.HK +0.52%), Melco (200.HK -0.95%), Wynn (1128.HK +0.23%), Sands (1928.HK -1.03%), SJM (880.HK -1.88%)

2) HK property sector: The stock of new residential units in Hong Kong has reached a 16-month low as developers accelerate sales amid the government's new housing policies.

• Related stocks: Wharf (4.HK +0.00%), Hang Lung (101.HK -0.90%), Swire (19.HK -2.42%), SHKP (16.HK -1.60%)

3) Internet gaming sector: China's press and publication regulator will control the number of new online games and total amount of online games, while taking steps to limit usage time by minors, according to a Ministry of Education statement posted on its website.

• Related stocks: Tencent (700.HK -4.87%), Kingsoft (3888.HK -2.06%), Netdragon (777.HK -8.16%), IGG (799.HK -6.69%), Boyaa (434.HK -10.00%)

Performance indices

Global Index	Performance chg. (%)			
	Closing	1D	1W	1M
HANG SENG INDEX	27888.55	-1.0	-2.0	0.1
HANG SENG CHINA ENT INDX	10875.58	-0.8	-2.1	1.1
SHANGHAI SE COMPOSITE	2725.25	-0.5	-2.2	-0.7
SHENZHEN SE COMPOSITE IX	1451.385	-1.1	-3.2	-2.5
CSI 300 INDEX	3334.5	-0.50	-2.5	0.2
DOW JONES INDUS. AVG	25964.82	-0.09	0.7	2.0
S&P 500 INDEX	2901.52	0.0	0.9	2.2
NASDAQ COMPOSITE INDEX	8109.537	0.3	2.1	3.8
DAX INDEX	12364.06	-1.0	-1.6	-2.2
CAC 40 INDEX	5406.85	-1.3	-1.3	-1.3
FTSE 100 INDEX	7432.42	-1.1	-1.2	-2.3

Sources: Bloomberg as of 3 Sept 18

Commodities	Performance chg. (%)			
	Closing	1D	1W	1M
Brent Crude Oil	77.64	-0.5	2.1	6.2
Gold	1203.62	0.3	-0.7	-1.0
Steel (HRC China)	4007	-0.1	n.a	n.a
Aluminium	2125	-0.3	2.4	2.1
Copper	5975	-1.5	-0.2	-5.2

Sources: Bloomberg as of 3 Sept 18

Currencies to US\$	Performance chg. (%)			
	Closing	1D	1W	1M
CNY	6.8315	-0.19	-0.1	0.1
HKD	7.8491	0.00	0.0	0.0
JPY	111.03	0.05	0.1	0.2
EUR	1.1602	-0.59	-0.6	0.4
GBP	1.296	-0.38	0.0	-0.8
AUD	0.7189	-1.02	-1.9	-2.6
CAD	1.304	0.44	-0.7	-0.5

Sources: Bloomberg as of 3 Sept 18

Economic Calendar

Date	Event	Est.	Prior
4-Sep-18	Markit US Manufacturing PMI(Aug)	54.5	54.5
	US Construction spending MoM(Jul)	0.4%	-1.1%
	US ISM Manufacturing(Aug)	57.6	58.1
5-Sep-18	Caixin China PMI Composite(Aug)	n.a	52.3
	Caixin China PMI Services(Aug)	52.6	52.8
6-Sep-18	US nonfarm productivity(2Q18)	2.9%	2.9%
	US unit labor costs(2Q18)	-0.9%	-0.9%
	US initial jobless claims(Sep 1)	213k	213k
	US continuing claims(Aug 25)	1,718k	1,708k
	Markit US services PMI(Aug)	55.2	55.2
	Markit US composite PMI(Aug)	n.a	55
7-Sep-18	HK foreign reserves(Aug)	n.a	\$431.9bn
	China foreign reserve(Aug)	\$3,116.07bn	\$3,117.95bn
	US change in nonfarm payrolls(Aug)	193k	157k
	US change in private payrolls(Aug)	194k	170k
	US unemployment rate(Aug)	3.8%	3.9%
8-Sep-18	China exports YoY(Aug)	10.3%	12.2%
	China imports YoY(Aug)	18.5%	27.3%
10-Sep-18	China PPI YoY(Aug)	4.0%	4.6%
	China CPI YoY(Aug)	2.1%	2.1%

Sources: Bloomberg as of 3 Sept 18

Market commentary

Hong Kong notable market movers and news tracker

- 1) Fosun Pharma (2196.HK -4.80%) has announced that the Chongqing food and drug regulator has conducted an unannounced check at the Chongqing Pharmaceutical Research Institute on Aug. 23 after receiving a letter alleging the unit of violating drug regulations.
- 2) Huatai Secs (6886.HK -1.67%), where its Board has proposed the spin-off and listing of AssetMark Financial Holdings in the U.S.
- 3) Fosun Intl (656.HK -2.20%) is in talks to buy a 426 million-euro (\$500 million) holding in beleaguered German wholesaler Metro AG from Ceconomy AG.
- 4) PetroChina (857.HK -3.79%) has reported 1H18 net income of RMB27.1bn, and declared an interim dividend of RMB0.06660/shr.
- 5) BJ Ent (392.HK +3.86%) has reported 1H18 net income of HK\$4.27bn on revenue of HK\$34.35bn, and has declared an interim dividend of HKD0.32/shr.
- 6) COSCO Shipping (2866.HK -2.56%) has reported 1H18 net income of RMB327mln on revenue of RMB8.24bn.
- 7) Great Wall Motor (2333.HK -2.23%) has reported 1H18 net income of RMB3.7bn on revenue of RMB48bn.
- 8) Galaxy Secs (6881.HK -3.52%) has reported 1H18 net income of RMB1.31bn on revenue of RMB4.31bn.
- 9) Air China (753.HK +3.66%) has reported 1H18 revenue of RMB64.2bn vs. RMB57.4bn a year ago.
- 10) Razer (1337.HK -2.82%) has reported a 1H18 net loss of \$56.3mln on revenue of \$274.2m.
- 11) Huarong (2799.HK -12.6%) has reported 1H pretax profit of RMB2.8bn vs. RMB21.9bn a year earlier. 1H impairment losses on financial assets was RMB12.1bn vs. RMB4.72bn a year earlier.
- 12) Microport (853.HK +10.93%) surged after reporting 1H revenue of \$309m.

5-day High/Low Records

Week highs		% index		
Company	Ticker	End Price	move	Industry
Sunny Optical	2382	99.75	7.70%	Tech
Hang Seng Bank	11	212.8	7.20%	Bank
AAC	2018	87	4.65%	Tech
China Mobile	941	73.8	2.67%	Telecom
CK Hutchison	1	90.45	2.50%	Property

Week lows		% index		
Company	Ticker	Price	move	Industry
Tencent	700	340.00	-14.00%	Tech
China Life	2628	17.74	-0.66%	Insurance
HSBC	5	68.85	-0.55%	Bank
Sun Hung Kai	16	116.50	-0.40%	Property
China Mengniu Dairy	2319	22.65	-0.30%	Consumer Staple

Sources: HKEX, Bloomberg

O Calendar

Company	Ticker	Listing date	IPO px (HK\$)	Industry
Li Bao Ge Group	1869.HK	4/3/18	n.a	Restaurant
Wan Leader International	8482.HK	5/9/2018	0.25-0.35	Logistic Services
Eggriculture Foods	8609.HK	7/9/2018	0.40-0.50	Agricultural
AB Builders Group	1615.HK	10/9/2018	0.52-0.78	Construction
China Chunlai Education	1969.HK	13/9/2018	2.08-2.98	Other support service
Boltek Holdings	8601.HK	13/9/2018	0.30-0.40	Infrastructure
Hua Medicine	2552.HK	14/9/2018	8.28-9.28	Medicine
Innovax Holdings	2680.HK	14/9/2018	1.30-1.80	Securities
WAC Holdings	8619.HK	17/9/2018	0.20-0.28	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)
27/8/2018	52.0	51.1	98%	374.3	260.9
28/8/2018	52.0	51.4	99%	308.3	254.8
29/8/2018	52.0	50.2	97%	295.6	228.6
30/8/2018	52.0	51.5	99%	326.0	312.8
31/8/2018	52.0	49.1	94%	541.8	419.2

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
27/8/2018	42.0	41.8	100%	48.8	57.3
28/8/2018	42.0	42.9	102%	35.3	54.0
29/8/2018	42.0	42.9	102%	33.5	53.9
30/8/2018	42.0	42.7	102%	31.1	41.5
31/8/2018	42.0	41.7	99%	42.9	54.4

Sources: HKEX, SSE

Shenzhen-Hong Kong Stock Connect

Northbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
27/8/2018	52.0	50.4	97%	332.3	222.6
28/8/2018	52.0	51.0	98%	288.0	237.8
29/8/2018	52.0	51.6	99%	256.7	258.9
30/8/2018	52.0	51.7	99%	291.5	305.1
31/8/2018	52.0	50.7	97%	337.5	306.8

Sources: HKEX

Southbound Daily (RMB bn)

Date	Quota	Balance	Percent	Buy trades (k)	Sell trades (k)
27/8/2018	42.0	41.2	98%	51.2	47.1
28/8/2018	42.0	42.0	100%	42.4	45.8
29/8/2018	42.0	41.8	99%	42.8	47.5
30/8/2018	42.0	41.6	99%	45.1	34.6
31/8/2018	42.0	41.7	99%	47.2	38.5

Sources: HKEX, SSE

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