

Weekly market commentary report

07 January 2019 Monday

Global Market Outlook

Global market review and outlook

Mix-blessing messages in US and China fluctuated global markets in the first week of 2019. Contractionary Asia region Dec Caixin manufacturing PMI, where China (49.7 pts) met the lowest since May. 2017, reflected signal of Asia region internal demand weaknesses known already. Worse still, slashing Apple (AAPL) revenue forecast and the largest plummet (-5.4 pts) of Dec ISM PMI since 2008, meeting 2 years low represented a wrench in sustainable manufacturing orders and US firms earning forecast.

Global market regained on Fri., after two days slump. To alleviate RMB 3,800-4,500 bil fund gap in Jan., dwindle negative impacts of worse than expected economic figures, and fill up fund outstanding for FX reserve, China government announced easing RRR rules to within 1 bil. SME loans and 1% RRR cut combo, as same as our expectation. We expect further credit easing policies continues in a quarterly basis, matching China debts' maturity. RRR probably remains 2% cushion for further easing. In US, US non-farm payroll 312K, coupled with climbing wage growth 3.15% YoY after nearly a decade of tepid improvements indicated strong job market and sustainable salary growth as claimed on FOMC Dec statement. Powell's less hawkish speech fueled US surge.

Converging good news above and Sino US trade agreements next week, global equity market rebounded last week after slumps. HSI and SHCOMP rose 0.48% and 0.84% weekly. S&P500, DJIA and the Nasdaq rose 1.86%, 2.19% and 2.34% respectively. Eurozone index DAX, CAC 40 and FTSE 100 rose 1.98%, 1.25% and 1.54% respectively. Encouragement in stock markets erased safe-haven assets almost gain on AAPL turmoil last week, yen 1.59% rise and gold 0.28% gain until Fri..

Stressed market sentiment from both optimistic and pessimistic views about the US economy intensified US and HK market volatility last week. Inter-correlation between HK and US become weaker in the short run because of monetary policy mismatch between US and China and different earning release period between HK and US. The frequent safe-haven asset in and out is meaningfulness to represent investors' risk appetite.

Flash Crash mystery in yen on Thu. maybe explained by slashing net long positions in 42,743 Turkish lira to yen contracts, USD \$80.1 bil, shorting AUD to JPY and orders from risk aversion at thin market depth. Afterward, Japanese investors increased net long positions on Thu..

US-China trade talk is under the spotlight next week. Harsh negotiation terms in important topics and trade agreements in facilitating China import are expected. Further China tax reform and import tax cut are estimated in Jan. if meeting result fell to meet up market expectations, although parts of negative impacts to HK market is cushioned by RRR cut last week.

For bond market, US bond market will intensify their expectation on slowing pace of quantitative tightening, reflecting on soaring implied Fed cut probability 9.48% on Jan 19 to 51.56% on Dec 19, because of Powell's less hawkish statement and worse than expected earnings forecast in Jan. More dovish statements on Fed presidents beyond Dalla Fed president Robert Kaplan and clues from Dec. Fed meeting minutes will be the catalyst.

We keep looking on 1)US earning releases started from next week, 2) Trump's national emergency declaration on border funding, leaving partial US government shutdown here, 3) presidents stance inside Dec. FOMC meeting minutes.

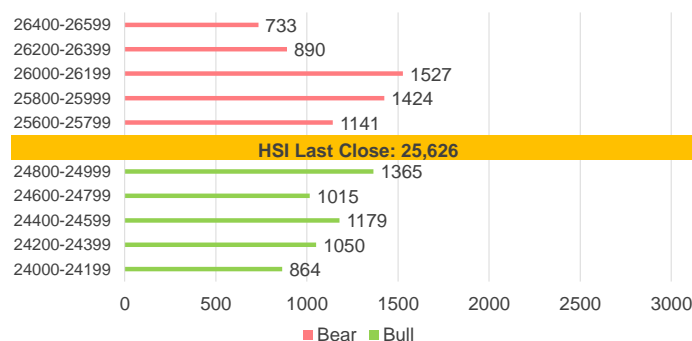
AUD/JPY: Major Australia peers US and China economic slowdown and declining Australian home price compounded investors anxiety on Australia growth momentum. Meanwhile, equity market probably emboldens next week with weaker yen. we forecast AUD/JPY may struggle 76-78 next week.

HSI Past 30 Days Performance



Source: HKEX

HSI CBBC Distribution



Source: HKEX as of 04 Jan 19

Indices

	Closing	Performance Chg. (%)			Valuation Ratio (X)	
		1W	MTD	YTD	PE	PB
HSI	25626.0	0.5	-0.8	-0.8	9.8	1.1
HSCEI	10029.7	0.4	-0.9	-0.9	7.4	0.9
SHCOMP	2514.9	0.8	0.8	0.8	9.3	1.1
SHSZ300	3035.9	0.8	0.8	0.8	9.5	1.3
NIKKEI 225	20203.7	-2.3	-2.3	-2.3	14.5	1.5
S&P 500	2531.9	1.9	1.0	1.0	14.8	2.7
DJIA	23433.2	1.6	0.5	0.5	14.0	3.4
NASDAQ COM	6738.9	2.3	1.6	1.6	18.8	3.7
CAC 40	4737.1	1.2	0.1	0.1	11.7	1.3
DAX	10767.7	2.0	2.0	2.0	11.4	1.4
FTSE 100	6837.4	1.5	1.6	1.6	11.6	1.6

Source: Bloomberg as of 05 Jan 19

Weekly market commentary report

07 January 2019 Monday

News Tracker

Hong Kong Industries Movers and News Tracker

1) Gaming industry: Dec. Macau gaming gross revenue increased 16.6% YoY, 29 consecutive months rise, better than market consensus. Following the gaming sector growth still depends on Hong Kong, Zhuhai, and Macao tourism figures. Related Stocks: MGM China (2282.HK), Sands China (1928.HK), Wynn Macau (1128.HK), Galaxy Ent (0027.HK)

2) HK property industry: HK property industry was underpinned by the curb in US quantitative tightening expectation in 2019, coupled with a market optimistic view on property downside.

Related Stocks: Sino Land (0083.HK), Henderson Land (0012.HK), New World Dev (0017.HK), CK Asset (1113.HK), SKT PPT (0016.HK)

3) Railway industry: China railway meeting announced railway length target 2019 will increase 70% increase YoY to 6,800km, where high-speed rail occupies 3,200km. Railway fixed asset investment in 2018 was RMB 80.3 bil, higher than RMB 7,320 bil. target. Enlarging project amount in China railway development is beneficial to reputable China railway companies' stable revenue growth.

Market Commentary

Hong Kong Notable Market Movers

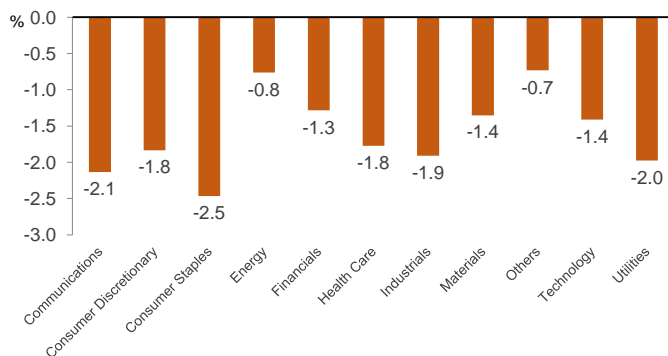
1) Vitasoy (0345.HK) sold its subsidiary Dongguan Vitasoy 15% interest with consideration RMB 50.25 mil. towards Guangming.

2) Ronshine China (3301.HK) announced aggregate contracted sales in 2018 rocketed 1.43 time to RMB 121.88 bil., aggregate gross floor area 5.624 mil sq.m and average contracted sales price approximately RMB 21,672/ sq.m.

3) R&F Properties (2777.HK) announced Dec attributable contracted sales RMB 17.21 bil with 1.251 mil. sq.m. of GFA, 107% YoY and 106% YoY increase respectively. Company's attributable contracted sales in 2018 were RMB 131.06 bil with 10.18 sq.m. sold, 60% YoY and 61% YoY increase respectively.

4) China Rail Cons (1186.HK) won bidding for PPP project of phases I construction intercity railway from Chuzhou to Nanjing with amount RMB 9,196 mil. The project has a cooperation period 30 years, including 3.5 years construction period and 26.5 years operating period.

Hong Kong Weekly BICS Industrial Performance



Source: Bloomberg as of 05 Jan 19

Hong Kong IPO Calendar

Company	Ticker	Listing Date	PX (HK\$)	Industry
Sun Kong Holdings Limited	8631	8/1/2019	0.5-0.7	Petroleum and Gas
Best Mart 360 Holdings Limited	2360	11/1/2019	1-1.2	Food & Beverage
Peiport Holdings Ltd.	2885	11/1/2019	1.25-1.55	Electronic & Semiconductor
TS Wonders Holding Limited	1767	14/1/2019	0.5-0.55	Food & Beverage
Chengdu Expressway Co., Ltd.	1785	15/1/2019	2.2	Construction
WEIMOB INC.	2013	15/1/2019	2.8-3.5	Software
China Tianrui Automotive Interiors C	6162	15/1/2019	0.25-0.31	Automotive
China Gingko Education Group Co.	1851	18/1/2019	1.24-1.98	Education

Source: HKEX, Bloomberg

Commodities

Futures	Closing(\$)	Performance Chg. (%)		
		WTD	MTD	YTD
Brent Crude Oil (Mar 19)	57.8	7.2	6.1	7.5
WTI Crude Oil (Feb 19)	48.6	5.8	5.6	7.1
Gold (Feb 19)	1286.5	0.2	0.4	0.4
Natural Gas (Jan 19)	2.9	-7.8	3.5	-0.1
Copper (Mar 19)	264.6	-1.3	0.6	0.6
Silver (Mar 19)	15.8	2.3	1.6	1.5

Source: Bloomberg as of 05 Jan 19

Currencies in US\$	Closing	Performance Chg. (%)		
		WTD	MTD	YTD
HKD	7.8	0.1	0.0	0.0
CNY	6.9	-0.1	-0.1	-0.1
JPY	108.5	-1.6	-1.1	-1.1
EUR	1.1	-0.4	-0.6	-0.5
GBP	1.3	0.2	-0.2	-0.1
AUD	0.7	0.9	0.9	1.0
CAD	1.3	-1.9	-1.9	-1.9

Source: Bloomberg as of 05 Jan 19

Economic Calendar

Date	Country	Event	Est.	Prior
7-Jan-18	GE	Retail Sales YoY NOV	-0.6%	5%
	US	ISM Non-Manufacturing PMI DEC	54.6	60.7
8-Jan-18	CN	Balance of Trade DEC	\$40B	\$44.74B
	JP	Consumer Confidence DEC	42.0	42.9
	EA	Business Confidence DEC	1.1	1.09
	US	Balance of Trade DEC	-\$55.4B	-\$55.5B
9-Jan-18	US	EIA Gasoline Stocks Change 4/Jan		6.89M
	US	EIA Crude Oil Stocks Change 4/Jan		0.007M
	US	FOMC meeting minutes		
10-Jan-18	CN	Inflation rate YoY Dec	2.2%	2.2%
	US	New Home Sales MoM Nov	3.0%	-8.9%
	EA	ECB Non Monetary Policy Meetings Accounts		
11-Jan-18	GB	Balance of Trade Nov	£-2.2B	£-3.3B
	US	Initial Jobless Claim 3/Jan		231K
	US	Inflation rate YoY Dec	2.2%	2.2%
12-Jan-18	US	30 Year Bond Auction		3.17%

Source: Bloomberg as of 05 Jan 19

Government Bond Yield (%)

	Closing	WTD	MTD	YTD
US				
2Y Interest	2.5039	-0.0224	-0.2069	0.0161
10Y Interest	2.6695	-0.0505	-0.1755	-0.0147
30Y Interest	2.9773	-0.0412	-0.1630	-0.0373
10-2Y Spread	0.1656	-0.0281	0.0314	-0.0308
30-10Y Spread	0.4734	-0.0188	0.0439	-0.0534
UK				
UK Gilt (Mar 19)	1.4975	-0.1400	-0.0495	
Eurozone				
German Bund (Mar 19)	-0.2906	0.4300	-0.1106	
France OTA (Mar 19)	0.1020	0.0000	0.0000	
Asia				
Japan 10Y (Mar 19)	0.4840	0.3600	-0.0890	
China 10Y (Mar 19)	3.2476	0.1900	-0.1444	

Source: Bloomberg as of 05 Jan 19



Important legal disclosures

General Disclosure

This research report is prepared and distributed by Anli Securities Limited ("ASL") in the conduct of business of regulated activity in Hong Kong. This report or any part thereof may not be distributed, reproduced or disclosed to any other person without the prior written approval of ASL. In particular, this research report is not intended for distribution to, or use by, any person or entity in the United States of America, Canada, Australia or any jurisdiction or country where its distribution would be in breach of applicable laws, rules and regulation. The information, data, materials, forecasts, estimates or opinions contained herein are for information only and subject to change without prior notice. ASL makes no representation or warranty (whether express, implied or otherwise), with respect to the fairness, correctness, accuracy reasonableness or completeness of the information, data, materials, forecasts, estimates, opinions as above but has used its best endeavor to obtain information, data, materials from sources which are believed to be reliable. ASL makes no representation, undertaking, warranty or guarantee as to the update, completeness, correctness, reliability or accuracy of information, data, materials, forecasts, estimates or opinions. The opinions herein are made without taking into consideration of specific financial position, investment objective, investment experience or other need and it is therefore expected that investor shall not make investment decision in reliance on information, data, materials, forecasts, estimates or opinions herein without seeking professional and independent advice. ASL accepts no liability and responsibility whatsoever for any direct or indirect loss or damage which may be suffered by any person arising out of or in connection with the information, data, materials, forecasts, estimates or opinions provided herein. In any event, this research report does not constitute or form part of and shall not be construed as any offer for sale or subscription or solicitation or invitation of any offer to purchase or subscribe for any securities and investment products in any jurisdiction.

In distributing this research report, ASL is not providing and does not purport to provide professional investment advice. Except as otherwise disclosed herein, ASL or its affiliates ("ASL Group") has no interest in the securities of the companies referred to in this research report as at the date of the issuance of this research report. ASL Group's officers, directors and employees may have position in any and may trade for their own account in all or any of the securities or investment mentioned in this research report. In addition, ASL Group may have provided investment services and may have underwritten, or may act as market maker in relation to those securities. Commission, fees or other benefit (whether monetary or non-monetary) may be earned or received by ASL Group in respect of services provided in relation to those securities or investments.

Risk

The securities or investments referred to in this research report may not be suitable for all investors. In particular, no consideration has been given to any particular investment objectives or experience, financial situation or other needs of any investor. In the said premises, ASL accepts no liability with regard to the suitability or appropriateness of any of the securities and/or investments referred to herein for any particular investor's circumstances. Investor is reminded to make investment decisions in light of their own investment experience, investment objectives, financial position and particular needs and, where necessary, consult their own