

Weekly market commentary report

11 Feb19 Monday

Global Market Outlook

Global Market Review and Outlook

Safe haven assets took the lead amidst China New Year holiday. Major equity markets closed mix under global gloomy economic outlooks. Iron ore and palladium recorded remarkable surge last week.

Dour signs on US-China trade dispute as President Trump did not plan to meet Chinese President Xi Jinping before March 1 truce deadline denting global economic woes. Major equity markets rally was limited. Crude slumped 4.6% last week amid climbing US crude output. Risk appetite reversed. Investors piled into the greenback, sending DXY closed for its first weekly gain in three. Strong dollar pressured Gold correcting from the recent high. Since US government may shut down again on Feb 15 and more central banks increase their gold reserve holdings, we expect bullion to regain its strength after consolidation.

Gloomier EU growth forecast mainly German and Italy drifted Euro down 1.1% last week, 10-year German bund yield meeting 0.08%, the lowest since Oct. 2016. Worries on Brexit economic impact in March, downbeat Germany Q4 GDP expectation from its construction sector slowdown and escalating France budget deficit by Macron's tax cut to quell the Yellow Vest protest whipsaw Euro this week. Beyond Eurozone, BOE delivered a pessimistic view on GDP forecast but leaving a hawkish message. Carney "leaving interest rate hike on the table" speech was not strong enough to stop GBP 1.05% slide WTD. Rushing the Brexit deadline without a solution in sight arises anxiety of no deal exit. We revise GBP/USD range lower to 1.27-1.31 this week.

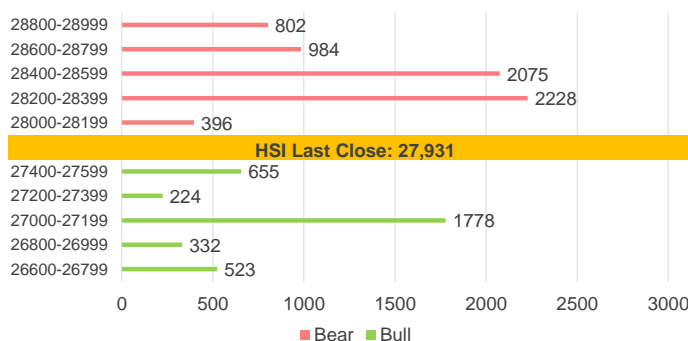
Iron ore, another focal point to see. Brazil court's order, crimping Vale's another 30 million tons iron ore production, further disrupted Brazilian supply, marking iron ore price consecutive third weeks surge. We convince that global iron ore price keeps elevated and volatile as its supply can't adjust quickly enough to fill up the shortfall. Another metal, Palladium, bounced back to \$1,386 USD because of further estimation palladium supply deficit to a longer period. Next technical resistance becomes 52 weeks high \$1,439 USD.

HSI Past 30 Days Performance



Source: HKEX

HSI CBBC Distribution



Source: HKEX as of 08 Feb19

Indices

	Closing	Performance Chg. (%)			Valuation Ratio (X)	
		1W	MTD	YTD	PE	PB
HSI	28026.8	0.1	0.0	8.1	10.7	1.2
HSCEI	10972.0	-1.0	-0.7	8.2	8.1	1.0
SHCOMP	2637.4	0.0	1.3	5.0	9.9	1.2
SHSZ300	3280.9	0.0	1.4	7.9	10.4	1.4
NIKKEI 225	20333.2	-2.2	-2.1	1.6	14.7	1.5
S&P 500	2707.9	0.0	0.1	8.0	16.1	3.0
DJIA	25106.3	0.2	0.4	7.6	15.2	3.6
NASDAQ COM	7298.2	0.5	0.2	10.0	20.7	4.0
CAC 40	4961.6	-1.1	-0.6	4.9	12.6	1.4
DAX	10906.8	-2.4	-2.4	3.3	11.8	1.4
FTSE 100	7071.2	0.7	1.5	5.1	12.4	1.6

Source: Bloomberg as of 09 Feb19

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News Tracker

Hong Kong Industries Movers and News Tracker

1) Metal mining industry: US removal sanction of Rusal, the largest aluminium producer, started to increase its output for heavy deficit in aluminium demand and filling supply disruption in other aluminum producers. However, aluminium export to China is expected to decline "due to lower arbitrage, a fall in production and new stimulation programmes" due to be introduced by the government to improve domestic "aluminium balance" from Rusal management guidance.
Related Stock: RUSAL (0486.HK)

2) Iron ore industry: Court order forced Vale to halt operations at its Brucutu mine, crimping production by another 30 million tons and prompting the company to declare force majeure on some of its contracts. Market fueled anxiety on supply disruption. TSI iron ore rocketed 5.2% WTD, 8 days winning streaks.
Related Stock: IRC (1029.HK)

Market Movers

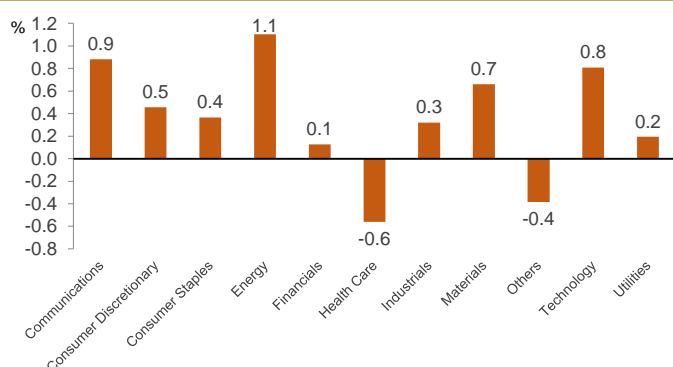
Hong Kong Notable Market Movers

1) RUSAL (0486.HK) announced its operating results for the 12 months ending Dec 31 2018. The company aluminium sales and VAP sales decreased 7.2% YoY to 3.761M tons and 11% YoY to 1.664M tons respectively.

2) Sinco Pharma (6833.HK) announced placing of 338.378M shares maximum at HK\$ 0.443 and convertible bond with aggregate principal amount of HK\$170M at HK\$ 0.488 conversion price, net proceedings approximately HK\$320M. Meanwhile, the company entered into MOU with Vendor with consideration US\$16M.

3) Landing Intl (0582.HK) announced profit warning. The company estimated net loss for the year ended Dec 31 2018, mainly attributable to the absence of approximately HK\$657 million profit from discontinued operations, absence of approximately HK\$ 209M impairment of trade and other receivables and increases in operating expenditures.

Hong Kong Weekly BICS Industrial Performance



Source: Bloomberg as of 09 Feb19

Hong Kong IPO Calendar

Company	Ticker	Listing Date	PX (HK\$)	Industry
Palace Banquet Holdings Limited	1703	15/2/2019	0.5-0.75	Restaurant
eBROKER GROUP LIMITED	8036	19/2/2019	0.28-0.44	Financial Service
Wecon Holdings Limited	1793	27/2/2019	0.625-0.75	Construction

Source: HKEX, Bloomberg

Commodities

Futures	Closing(\$)	Performance Chg. (%)		
		WTD	MTD	YTD
Brent Crude Oil (Apr 19)	61.6	-1.0	2.1	14.1
WTI Crude Oil (Mar 19)	52.1	-4.6	-2.0	14.0
Gold (Apr 19)	1315.7	-0.3	-0.5	2.2
Natural Gas (Mar 19)	2.7	-5.5	-8.2	-6.5
Copper (Mar 19)	278.6	1.4	0.9	5.9
Silver (Mar 19)	15.8	-0.8	-1.6	1.4

Source: Bloomberg as of 09 Feb19

Currencies in US\$	Closing	Performance Chg. (%)		
		WTD	MTD	YTD
HKD	7.8	0.0	0.0	0.2
CNY	6.8	0.0	0.7	-1.5
JPY	109.9	0.2	0.8	0.0
EUR	1.1	-1.2	-1.1	-1.3
GBP	1.3	-1.0	-1.3	1.4
AUD	0.7	-2.2	-2.5	0.7
CAD	1.3	1.3	1.2	-2.6

Source: Bloomberg as of 09 Feb19

Economic Calendar

Date	Country	Event	Est.	Prior
11-Feb-18	UK	GDP YoY Dec	1.5%	1.4%
	EA	Eurogroup Meeting		
	AU	GDP YoY Dec	0.6%	0.7%
12-Feb-18	AU	NAB Business Confidence	3	2
	SA	OPEC Monthly report		
13-Feb-18	US	API Crude Oil Stock Change 8/Feb		2.514M
	US	Fed Powell, George, Master Speech		
	UK	Inflation rate YoY Jan	2.0%	2.1%
	US	Core inflation Rate YoY Jan	2.1%	2.2%
	US	EIA Crude Oil Stocks Change		1.263M
14-Feb-18	CN	Balance of Trade Jan	\$33.5B	\$57.06B
	JP	GDP Price Index YoY Prel	-0.4%	-0.3%
	GE	GDP Growth Rate QoQ Flash Q4	-0.1%	-0.2%
	GB	BOE Vileghe Speech		
	US	Retail Sales MoM Dec	0.2%	0.2%
15-Feb-18	CN	Inflation rate YoY Jan	2.0%	1.9%
	US	Michigan Consumer Sentiment Prel Feb	94.5	91.2

Source: Bloomberg as of 09 Feb19

Government Bond Yield (%)

	Closing	WTD	MTD	YTD
US				
2Y Interest	2.4650	-0.0369	-0.0758	-0.0228
10Y Interest	2.6339	-0.0503	-0.0668	-0.0503
30Y Interest	2.9802	-0.0451	-0.0532	-0.0343
10-2Y Spread	0.1689	-0.0134	0.0090	-0.0275
30-10Y Spread	0.5152	-0.0082	0.0226	-0.0115
UK				
UK Gilt (Mar 19)	1.3841	1.0200	-0.1129	
Eurozone				
German Bund (Mar 19)	-0.4897	1.2500	-0.2267	
France OTA (Mar 19)	0.0560	0.0600	-0.0460	
Asia				
Japan 10Y (Mar 19)	0.4680	-0.0600	-0.0180	
China 10Y (Mar 19)	3.2184	0.0000	-0.0176	

Source: Bloomberg as of 09 Feb19



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