

## Weekly market commentary report

04 Feb19 Monday

### Global Market Outlook

#### Global Market Review and Outlook

The January effect was taken effect in global equity markets. Dismal USD by Fed rate rises on hold sparked a sustained rally in EMS' currencies' and commodities.

While global main markets went well last month, emerging markets outperform the developed peers. Though US-China trade talk with no significant conclusions, China PBOC loosening monetary policy, and Tencent's new game title approval sent HSI 4 weeks winning streak in Jan.. Considering a majority of China's available stimulus policies have played out already, coupled with no new China economic data since Tue., we expect HSI lack of direction this week.

Fed's dovish stance towards interest rate and more positive outlooks than expected from US firms contributed S&P500 7.9% monthly gain, best Jan. since 1987. However, robust job market gave only tiny support to the equity markets on Friday.

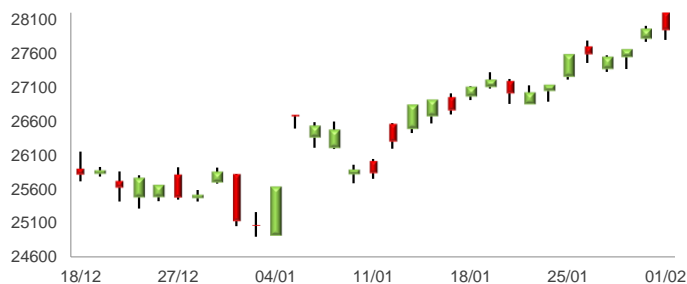
Dollar index was pushed below 95 after dovish Fed's comments, and global central bank risk aversion allocation on gold triggered gold 3.02% surge MTD. The next technical resistance of gold will be at 1335. Noteworthy, Oil and China's iron ore are on the list as the most rewarding products in the commodity market. Oil surges more than 18 percent in Jan, the best January on record. China's Dalian iron ore rocketed 21.8% in Jan after Brazil's Vale SA, the world's largest producer, the mine collapsed disrupt the supply. We expect the surge will be temporary as China is on leave for New Year and demand is weak which reflected in worst Manufacturing PMI since Jan 2016.

Weak dollar with China loosening monetary environment, intensified USD/CNY 2.6% slump in Jan. Thin trading maintains during China new year holiday is expected.

Taking a glance on Eurozone, we find EUR hard to hike amid weak dollar. EUR dropped 0.28% in Jan after weakest inflation since April and contractionary PMI announcement. Revised lower PMI expected keeps pushing down this week.

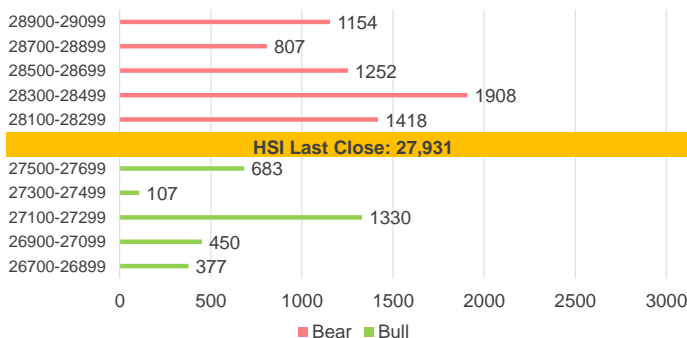
GBP recorded 2.75% gain in Jan with the help of upbeat wage growth, optimism on UK parliament acceptance on May's new plans and more pro-Brexiteers' supportive speeches toward May. Meanwhile, deadlock on Irish backstop issue, delaying Brexit dates and conservative parties' dispute without EU's compromise, contributes to struggling GBP between 1.285 and 1.32. Rate on hold is expected on BOE's interest rate decision this week as recession risk arises under lower-than-expected inflation rate and 52.8 Markit PMI, second-weakest reading since July 2016.

### HSI Past 30 Days Performance



Source: HKEX

### HSI CBBC Distribution



Source: HKEX as of 01 Feb19

### Indices

	Closing	Performance Chg. (%)			Valuation Ratio (X)	
		1W	MTD	YTD	PE	PB
HSI	27930.7	1.3	0.0	8.1	10.7	1.2
HSCEI	11063.9	1.7	0.3	9.3	8.2	1.0
SHCOMP	2618.2	0.6	1.3	5.0	9.9	1.2
SHSZ300	3247.4	2.0	1.4	7.9	10.3	1.4
NIKKEI 225	20886.8	0.1	0.1	3.9	15.2	1.6
S&P 500	2706.5	1.6	0.1	8.0	16.1	3.0
DJIA	25063.9	1.3	0.3	7.4	15.2	3.6
NASDAQ COM	7263.9	1.4	-0.2	9.5	20.5	4.0
CAC 40	5019.3	1.9	0.5	6.1	12.7	1.4
DAX	11180.7	-0.9	0.1	5.9	12.0	1.4
FTSE 100	7020.2	3.1	0.7	4.3	12.4	1.6

Source: Bloomberg as of 02 Feb19

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### News Tracker

#### Hong Kong Industries Movers and News Tracker

1) Raw material industry: Global iron ore price rocketed as Vale's supply disruption convulsed Brazil's market, reversing iron ore supply glut situation.

Related stocks: Chong Qing Iron (1053.HK), Maanshan Iron (0323.HK), Angang Steel (0347.HK)

2) Consumption Staple industry: China government released more policies details in automotive and electrical appliance renewal and subsidy scheme in poverty regions.

Related stocks: Haier Elec (1169.HK), Hisense Ha (0921.HK)

3) Game industry: China game title approval normalization helps this industry to recover its previous valuation.

Related Stocks: Tencent (0700.HK), Fingertango (6860.HK), Idreamsky (1119.HK)

### Market Movers

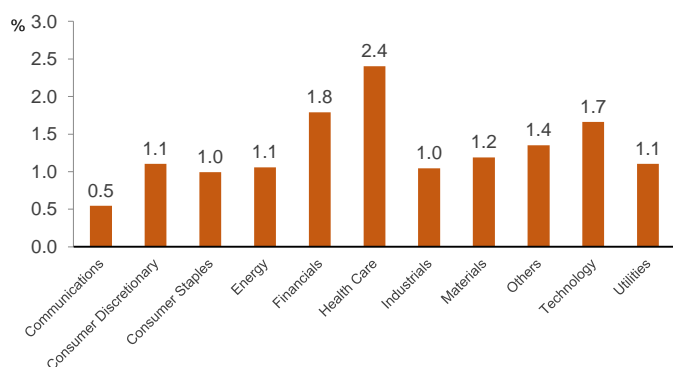
#### Hong Kong Notable Market Movers

1) CG Services (6098.HK) announced positive profit alert that its' net profit available to shareholders for the twelve months ended Dec 31 2018 increased more than 100% YoY, mainly attributable to the increase in area of properties, and comprehensive growth in revenue from community value-added services and value-added services to non-property owners.

2) Kai Yuan Hldgs (1215.HK) announced positive profit alert that it's net profit available to shareholders for the year ended Dec 31 2018 due to gain on disposal \$336 mil. of a hotel property and revenue growth from money lending segment.

3) Wuxi Aptec (2359.HK) announced positive profit alert. The company estimated realized net profit to shareholders 70%-86% surge YoY between RMB 858.9 mil and RMB 1,055.3 mil due to continuous increase in revenue and profit from the principal business.

### Hong Kong Weekly BICS Industrial Performance



Source: Bloomberg as of 02 Feb19

### Hong Kong IPO Calendar

Company	Ticker	Listing Date	PX (HK\$)	Industry
Maoyan Entertainment	1896	4/2/2019	14.8-20.4	Advertisement
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)	62.7	1.9	3.1	16.0
WTI Crude Oil (Mar 19)	55.2	2.9	2.7	20.7
Gold (Apr 19)	1320.1	1.4	-0.2	2.5
Natural Gas (Mar 19)	2.7	-11.0	-2.8	-4.6
Copper (Mar 19)	276.8	1.6	-0.4	5.2
Silver (Mar 19)	15.9	1.5	-0.9	2.3

Source: Bloomberg as of 02 Feb19

Currencies in US\$	Closing	Performance Chg. (%)		
		WTD	MTD	YTD
HKD	7.8	0.0	0.0	0.2
CNY	6.7	0.0	0.7	-1.9
JPY	109.5	0.0	0.6	-0.2
EUR	1.1	0.4	0.1	-0.1
GBP	1.3	-0.9	-0.2	2.6
AUD	0.7	1.0	-0.3	2.7
CAD	1.3	-0.9	-0.2	-4.0

Source: Bloomberg as of 02 Feb19

### Economic Calendar

Date	Country	Event	Est.	Prior
4-Feb-18	GB	Construction PMI Jan	52.6	52.8
	EA	ECB Mersch Speech		
	AU	Building Permits MoM	1.8%	-9.1%
	US	Chinese New Year Eve		
	US	3-Month Bill Auction		2.38%
5-Feb-18	US	FOMC Member Mester speech		
	DE	Markit Services PMI Final Jan	51.6	52.1
	UK	Markit Services PMI Final Jan	51.0	51.1
	EA	Markit Composite PMI Final Jan	50.7	51.1
	US	ISM Non-Manufacturing PMI Jan	57	58
6-Feb-18	US	EIA Crude Oil Stocks Change 1/Feb		0.919M
7-Feb-18	UK	BoE Interest Rate Decision		
	UK	MPC Meeting Minutes		
	US	10 Year Note Auction		2.73%
8-Feb-18	JP	Inflation rate YoY Dec	1.3%	0.8%
	US	Michigan Consumer Sentiment Prel JAN	96.7	98.3
	AU	RBA Statement on Monetary Policy		

Source: Bloomberg as of 02 Feb19

### Government Bond Yield (%)

	Closing	WTD	MTD	YTD
<b>US</b>				
2Y Interest	2.5080	-0.1044	0.0143	0.0202
10Y Interest	2.6842	-0.0742	0.0165	0.0000
30Y Interest	3.0261	-0.0409	0.0451	0.0115
10-2Y Spread	0.1762	0.0302	0.0022	-0.0202
30-10Y Spread	0.5181	0.0635	0.0308	-0.0087
<b>UK</b>				
UK Gilt (Mar 19)	1.4812	0.5400	-0.0158	
<b>Eurozone</b>				
German Bund (Mar 19)	-0.4119	0.4300	-0.1489	
France OTA (Mar 19)	0.0662	0.1100	-0.0358	
<b>Asia</b>				
Japan 10Y (Mar 19)	0.4720	0.2300	0.0040	
China 10Y (Mar 19)	3.2381	0.3000	-0.0099	

Source: Bloomberg as of 02 Feb19



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