

Weekly market commentary report

04 Mar19 Monday

Global Market Outlook

Global Market Review and Outlook

Global risk appetite rose amid easing US-China trade tension and MSCI weighting changes in China. Asia markets and non-USD currencies rose while Bloomberg commodity index declined 1.36% weekly. Investors await "China Policy Summit", ECB interest rate decision and progress in US China trade negotiation this week.

In regard to equity markets, over a trillion RMB turnover driven by MSCI quadrupled weighting from 5% to 20% and China investors' aggressive releverage pushed up CSI300 (+6.52% weekly) and SHCOMP (+6.77% weekly), which resulted in the best two months start to year since 2000. Benefited from China's positive market sentiment, HK stock market recovered average turnover 130 billion HKD. We expect details in formation of new single National Oil and Gas Pipeline Network Company may release during Annual Meeting of Parliament, three energy giants CNOOC (883.HK), Sinopec (0386.HK) and PetroChina (0857.HK) may have a boost.

Safe-haven assets allure eased amidst buoying stock markets. 10-year US Treasury yield surged to 2.759 percent to a four-week high. Yen (-1.11% weekly) remained in its downtrend in 2019. Yen bearish outlook maintains because of more dovish speech from BoJ Harada on Wed and worse-than-expected Japan GDP issued on Friday, followed by weaker industrial production and retail sales last week.

Next, Gold (-2.88% weekly) corrected underneath USD1,300, erasing all the gain in 2019. Positive headlines in equity markets this week consistently pressures Gold to first support level USD1,280.

A weaker US economic outlook, soaring American crude production and Trump's criticism on high crude price triggered WTI crude price crash 2.6% last week. It is looking bearish in short run as 1-year petroleum futures curve shifts from backwardation to contango and crude oil supply glut are deepened by surging North America crude output.

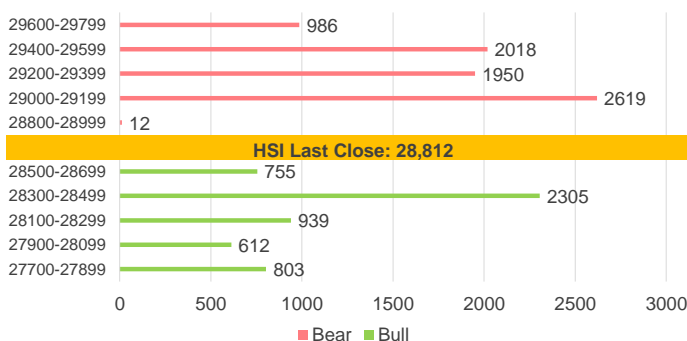
Sterling (+1.19%) led the surge among non-USD currencies last week because Theresa May offered MPs a vote on delaying Brexit. Technically, Pound gravitates to the 1.309 handle after forming a cup between 1.28 and 1.31 in Feb.

HSI Past 30 Days Performance



Source: HKEX

HSI CBBC Distribution



Source: HKEX as of 01 Mar19

Indices

	Closing	Performance Chg. (%)			Valuation Ratio (X)	
		WTD	MTD	YTD	PE	PB
HSI	28850.0	0.0	0.6	11.5	11.1	1.2
HSCEI	11550.9	0.7	1.2	13.7	8.5	1.0
SHCOMP	3020.0	6.8	1.8	20.1	11.3	1.3
SHSZ300	3786.3	6.5	2.2	24.5	12.1	1.6
NIKKEI 225	21766.5	0.8	1.0	7.9	15.8	1.6
S&P 500	2803.7	0.4	0.7	11.8	16.8	3.1
DJIA	26026.3	0.0	0.4	11.6	15.8	3.8
NASDAQ COM	7595.4	0.9	0.8	14.5	21.8	4.1
CAC 40	5265.2	0.9	0.5	11.3	13.6	1.5
DAX	11601.7	1.3	0.7	9.9	12.6	1.5
FTSE 100	7106.7	-1.0	0.5	5.6	12.5	1.7

Source: Bloomberg as of 02 Mar19

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News Tracker

Hong Kong Industries Movers and News Tracker

1) China policy: The Chinese government will adopt tax reduction at a larger scale in 2019. There is high anticipation for a further Value-added tax(VAT) cut. In our base case 2% VAT cut estimation, major beneficiaries are manufacturing or wholesale sector, contributing nearly half of VAT revenue.

Related Stocks: BYD (1211.HK), TsingTao Brew. (0168.HK), GreatWall Motor (2333.HK)

2) Educational Service industry: On February 22-23, the China Ministry of Education (MOE) and State Council published three documents, namely MOE's Key Priorities in 2019, Implementation Plan of Accelerating Education Modernization (2018-2022) and China Education Modernization 2035. The government continued emphasis on vocational education and China international schools. We convince that some investment opportunities appears on related stocks.

Related Stocks: Hope Education (1765.HK), China Edu Group (0839.HK), MinSheng Edu (1569.HK), New Higher Edu. (2001.HK)

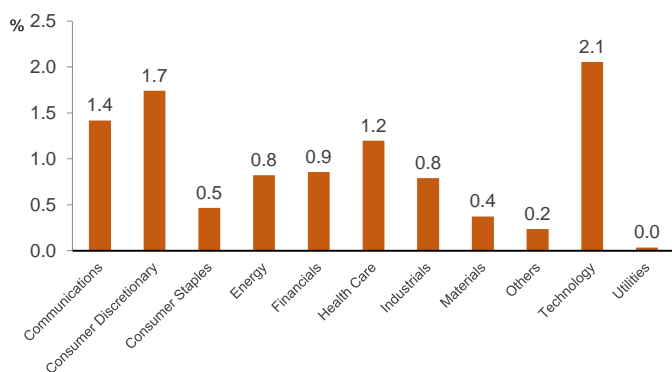
Market Movers

Hong Kong Notable Market Movers

1) HKEX (0388.HK) announced annual result ended Dec 31 2018. Its' revenue and other income recorded HKD15.8 bn, up 20% YoY, mainly driven by record highs in Cash Market turnover, Derivatives Market trading volume and listing fees. Its' profit attributable to shareholders soared 26% YoY to HKD9.31 bn, in line with market consensus. The company also declared final dividend of \$3.07 which, together with the 1st interim dividend \$3.64 in Sep 2018, set a record-high full year dividend \$6.71.

2) CLP Holdings (0002.HK) announced its annual result ended Dec 31 2018. Its' group operating earnings increased 5.1% YoY to HK13.98 bn, mainly reflecting robust performance from businesses outside Hong Kong and impact from a lower permitted rate of return in Hong Kong from Oct 1 2018. However, total earning dropped 4.9% YoY to HKD 13.55 bn, worse than market consensus. It declared fourth interim dividend HK\$1.19 and total 2018 dividend HK \$3.02.

Hong Kong Weekly BICS Industrial Performance



Source: Bloomberg as of 02 Mar19

Hong Kong IPO Calendar

Company	Ticker	Listing Date	PX (HK\$)	Industry
K2 F&B HOLDINGS LIMITED	2108	6/3/2019	0.75	Food and Beverage
Yincheng International Holding	1902	6/3/2019	2-2.48	Properties
Zhejiang New Century Hotel Mgmt.	1158	11/3/2019	13.37-20.05	Lodging
Tasty Concept Holdings Limited	8096	15/3/2019	0.4-0.7	Food and Beverage
Heng Hup Holdings Limited	1891	15/3/2019	0.5-0.62	Metal and Steel

Source: HKEX. Bloomberg

Commodities

Futures	Closing(\$)	Performance Chg. (%)		
		WTD	MTD	YTD
Brent Crude Oil (Apr 19)	65.4	-3.2	-1.9	20.4
WTI Crude Oil (Mar 19)	56.1	-2.5	-2.5	21.7
Gold (Apr 19)	1297.3	-2.5	-1.3	0.7
Natural Gas (Mar 19)	2.9	4.4	1.7	6.3
Copper (Mar 19)	293.9	-0.5	-0.5	11.4
Silver (Mar 19)	15.3	-4.7	-2.4	-2.3

Source: Bloomberg as of 02 Mar19

Currencies in US\$	Closing	Performance Chg. (%)		
		WTD	MTD	YTD
HKD	7.8	0.0	0.0	0.2
CNY	6.7	-0.1	0.2	-2.6
JPY	112.0	1.1	0.4	2.0
EUR	1.1	0.3	-0.1	-0.9
GBP	1.3	1.1	-0.5	3.8
AUD	0.7	-0.7	-0.2	0.5
CAD	1.3	1.2	0.9	-2.6

Source: Bloomberg as of 02 Mar19

Economic Calendar

Date	Country	Event	Est.	Prior
4-Mar-19	UK	Construction PMI Feb	50.1	50.6
	US	Construction Spending MoM Dec	0.50%	0.80%
5-Mar-18	CN	Caixin Service PMI Feb	53.4	53.6
	AU	RBA interest rate decision	1.5%	1.5%
	DE	Markit Manufacturing PMI Final Feb	55.1	53.0
	EA	Markit Manufacturing PMI Final Feb	52.3	51.2
	UK	BoE FPC Statement		
	US	ISM Non-Manufacturing PMI Feb	56.0	56.7
6-Mar-18	US	Monthly Budget Statement Jan	\$48B	\$-14B
	CA	Balance of Trade Dec	C-1.95B	C-2.06B
	US	Balance of Trade Dec	\$-54B	\$-49.3B
7-Mar-18	EA	GDP growth rate YoY Q4	1.2%	1.6%
	EA	ECB Press Conference		
8-Mar-18	CN	Balance of Trade Feb	\$39.16B	\$21B
	CN	Export YoY Feb		9.1%
	JP	GDP growth QoQ Final Q4	-0.50%	-0.70%
	US	Non Farm Payrolls Feb	170K	304K

Source: Bloomberg as of 02 Mar19

Government Bond Yield (%)

	Closing	WTD	MTD	YTD
US				
2Y Interest	2.5567	0.0593	0.0202	0.0688
10Y Interest	2.7586	0.1013	0.0350	0.0743
30Y Interest	3.1267	0.1067	0.0722	0.1122
10-2Y Spread	0.2019	0.0420	0.0148	0.0055
30-10Y Spread	0.5700	0.0474	0.0520	0.0434
UK				
UK Gilt (Mar 19)	1.2467	-1.6600	0.0717	
Eurozone				
German Bund (Mar 19)	-0.3801	-1.4000	0.0379	
France OTA (Mar 19)	0.0986	-0.2700	0.0286	
Asia				
Japan 10Y (Mar 19)	0.4870	-0.2500	0.0090	
China 10Y (Mar 19)	3.3907	-0.7150	0.1417	

Source: Bloomberg as of 02 Mar19



Important legal disclosures

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