

Weekly Market Commentary Report

27 May19 Monday

Global Market Outlook

It was another busy week as US expanded tougher export control over hi-tech goods to China, bringing US-China enters technology cold war. China considered to retaliate with restrictions on rare earth exports which could be bad news for US automakers and manufacturers including Apple, who use the metals in their products. Although some stock markets recovered part of the loss last Friday with muted trade hope, most major markets were down for the week. SSEC and Dow were down 1.02% and 0.7% respectively, extending their fifth weekly losing streak. Export controls in US technologies dragged global technological sector 3.2% slump, the worst performer among MSCI sectors. There's no trend to follow but Trump's tweet. We think the situation may not be that bad in near term as US President Trump suggested Huawei could be included in trade deal indicating it's just a stake to him. Trump is also visiting Japan for high-stakes talks about trade during weekend. There may be good news for the market. At the same time, China will expand tax cuts to stimulate the economy.

Risk aversion weighed on safety assets made the Swiss franc the best performer among major FX. Treasuries also recorded cash inflow, as US 10-year treasury yield settled at 2.324% after reaching 2.29% on last Wednesday, the lowest level since late 2017.

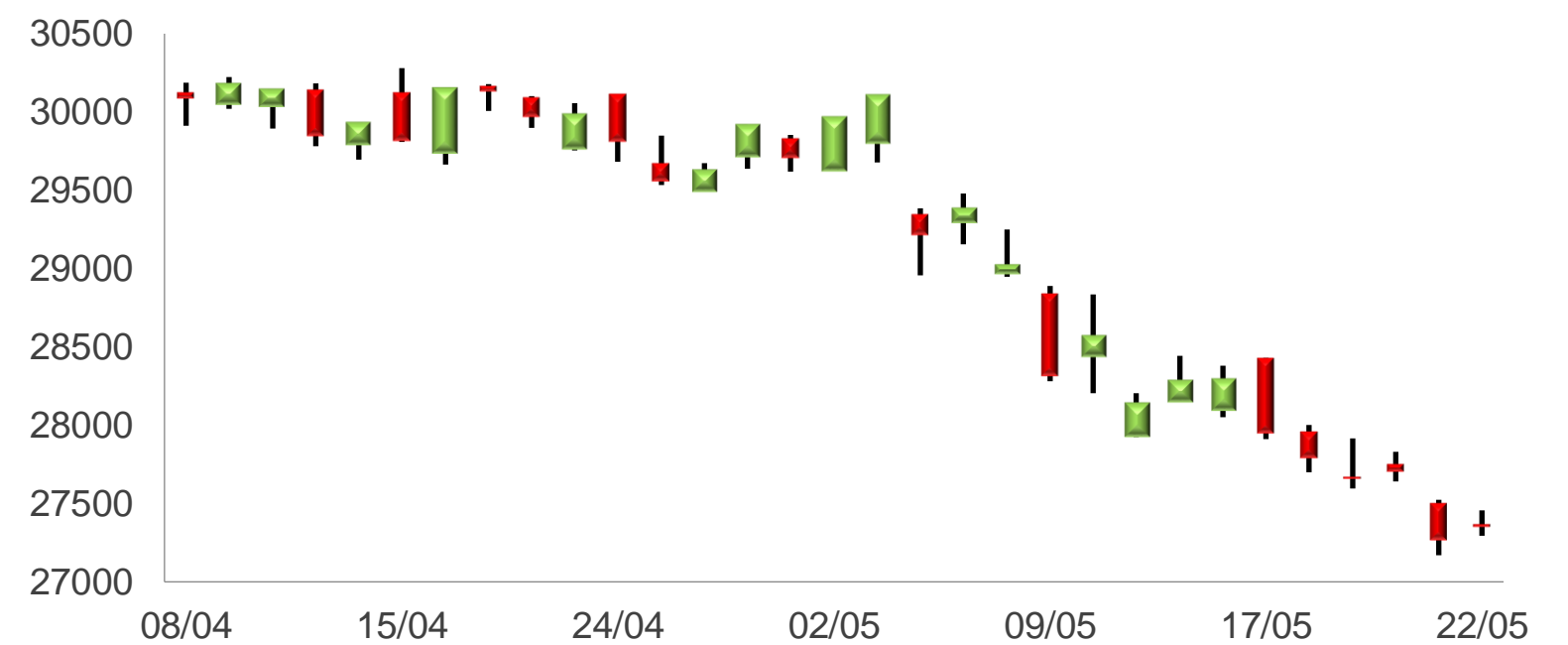
WTI may find its support.

Oil slumped 6.58% to its worst weekly loss of the year. Geopolitical risk from trade dispute, tense Middle East and deteriorating situation in Venezuela temporarily overshadowed concern in demand supply dynamic. Extension of OPEC production curb probably help WTI crude find its support in USD 56 trigger point before surge in March.

Pound is still far from bottom.

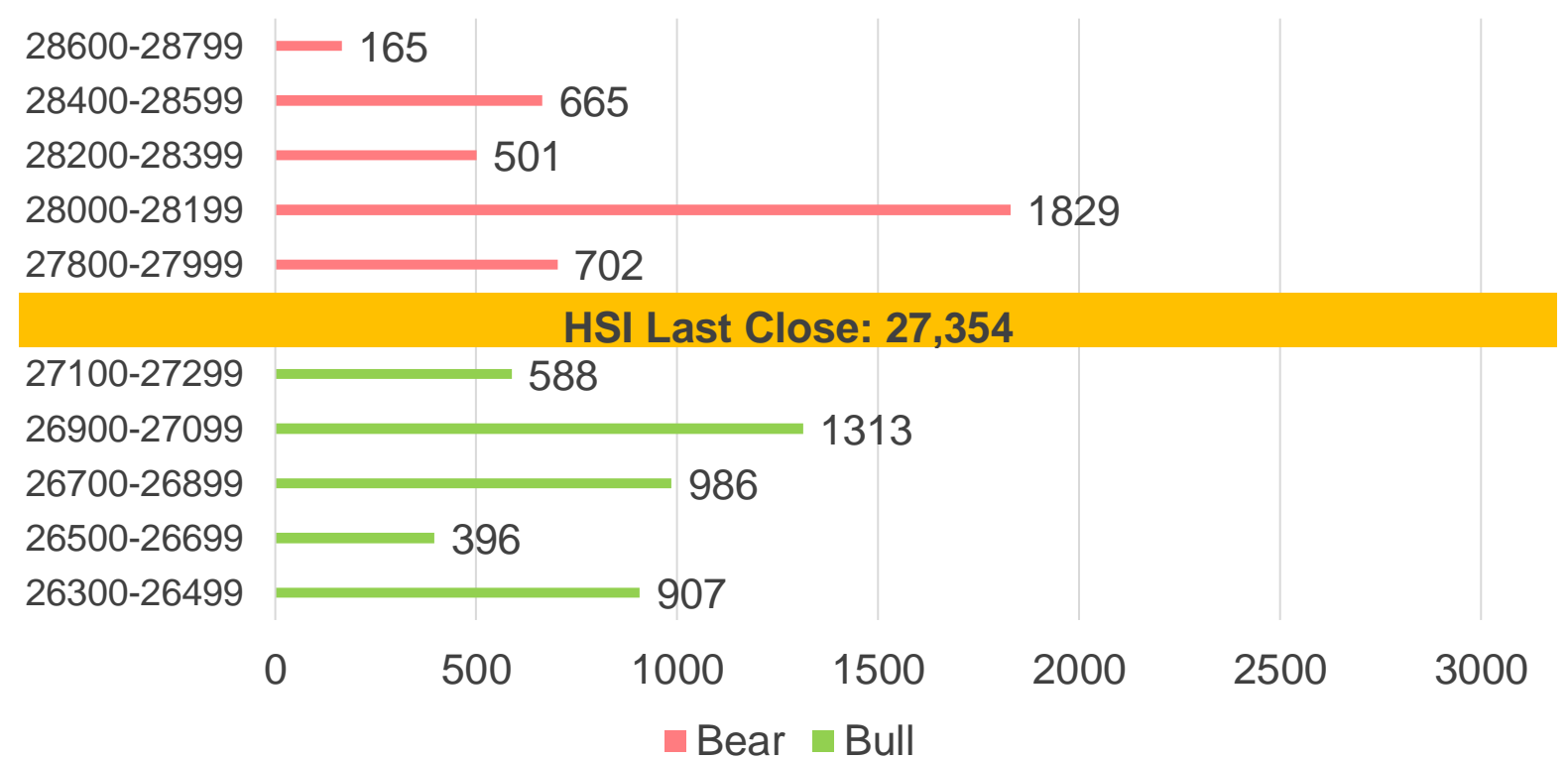
Sterling advanced after UK Prime Minister Theresa May announced she will step down but enable to revert the third consecutive weeks of losses. Pound really disappointed the market, data showed investors pile into bets against sterling. We foresee either Conservative Party Boris Johnson or Brexit Party Nigel Farage wins the election as next British Prime Minister will give a decisive push of GBP to rebound \$1.29 for proposal of another referendum but still far from bottom.

HSI Past 30 Days Performance



Source: HKEX

HSI CBBC Distribution



Source: HKEX as of 24 May19

Indices

	Closing	Performance Chg. (%)			Valuation Ratio (X)	
		WTD	MTD	YTD	PE	PB
HSI	27353.9	-2.1	-7.9	5.8	10.8	1.2
HSCEI	10445.5	-2.3	-9.5	3.2	8.2	1.0
SHCOMP	2853.0	-1.0	-7.3	14.4	11.1	1.3
SHSZ300	3593.9	-1.5	-8.2	19.4	11.3	1.5
NIKKEI 225	21195.9	-0.6	-5.1	5.5	14.9	1.5
S&P 500	2826.1	-1.2	-4.1	12.7	17.0	3.1
DJIA	25585.7	-0.7	-3.8	9.7	15.9	3.7
NASDAQ COM	7637.0	-2.3	-5.7	15.1	22.6	4.3
CAC 40	5316.5	-2.2	-4.8	12.4	13.8	1.5
DAX	12011.0	-1.9	-2.7	13.8	13.0	1.5
FTSE 100	7277.7	-1.0	-1.9	8.2	12.7	1.5

Source: Bloomberg as of 25 May19

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News Tracker

Hong Kong Industries Movers and News Tracker

Rare earth industry: Limited Myanmar rare earth import underpin its price.

China sourced 860 tons Dy oxide and 130 tons Tb oxide from Myanmar, equivalent to 40% of China's annual production in 2018. The ban on rare earth into China required China enterprises to hand back control of rare earth mining operation in Myanmar. According to market consensus, Myanmar port is unlikely to reopen in 2019. Meanwhile, rare earth processors in Southern China require investment to upgrade their facilities to current environment standards. As a result, tightening supply of raw materials is expected to cause some rare earth producers to fall short of annual production quotas, or for significant de-stocking to occur. Rare earths price, particularly dysprosium, are expected to rise, given greater supply side pressure, increasing demand from magnet alloy producers.

Peak season of new energy vehicle drives up rare earth demand

CSAE clearly set the goals of vehicle weight reduction by 10% in 2020 and thus consumption of magnesium per vehicle will reach 15kg, 25kg and 45kg respectively. Automotive enterprise starts to accumulate inventory of raw materials, particular magnesium alloy. We expect magnesium alloy price increases steadily in 2Q19 and 3Q19.

Related Stocks: China Rarea (0769.HK), REMT (0601.HK)

Market Movers

Hong Kong Notable Market Movers

1) Lenovo Group (0992.HK) announced annual results ended March 2019. The turnover

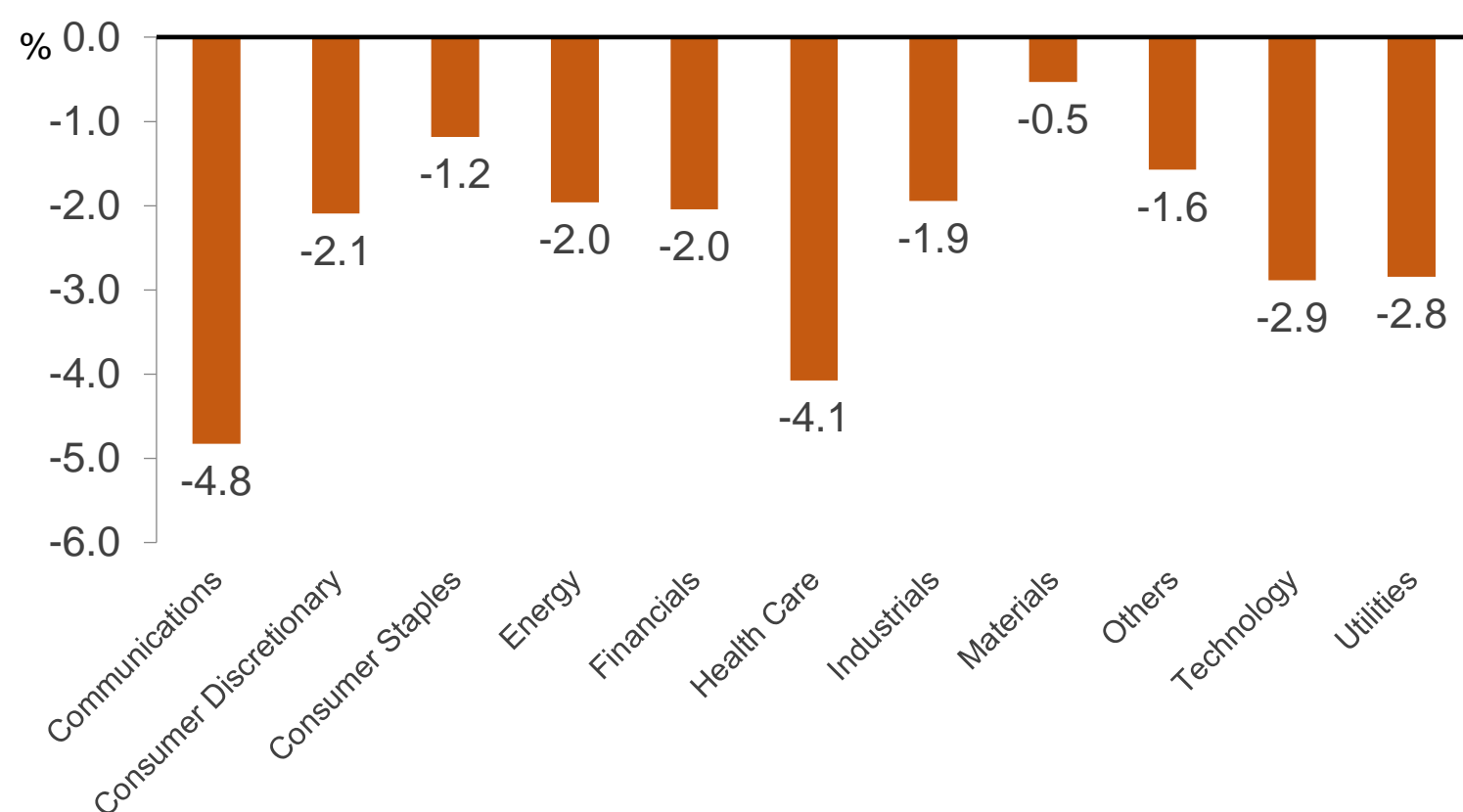
rose 12.5% YoY to USD51.038 bn. Its net profit amounted to USD597 mn, against USD189 mn in loss for the previous year. Final Dividend was HK21.8 cents

2) Baytree Group (01761) released a profit warning. It is expected that the Group will

record a loss for the six months ending June 30, 2019 as compared to an adjusted profit of RMB122.3 million for the corresponding period in 2018.

3) Meituan-W (03690) announced first quarter results ended March 2019. Its revenue grew 70.1% YoY to RMB1.433 bn. Loss narrowed to RMB1.433 bn from RMB21.065 bn in a year ago's period.

Hong Kong Weekly BICS Industrial Performance



Source: Bloomberg as of 25 May19

Hong Kong IPO Calendar

Company	Ticker	Listing Date	PX (HK\$)	Industry
Mulsanne Group Holding Ltd	1817	27/5/2019	4.68-5.88	Textiles
Pujiang International Group Ltd	2060	28/5/2019	2.56-3.55	Construction
Xinyi Energy Holdings Ltd	3868	28/5/2019	1.89-2.35	Utilities
Frontage Holdings Corporation	1521	30/5/2019	2.55-3.20	Pharmaceutical
Mabpharm Ltd	2181	31/5/2019	1.5-1.95	Pharmaceutical
UniTrust International Leasing Ltd	1905	3/6/2019	1.88-2.08	Financial Service

Source: HKEX, Bloomberg

Commodities

Futures	Closing(\$)	Performance Chg. (%)		
		WTD	MTD	YTD
Brent Crude Oil (Jul 19)	68.9	-4.9	-4.7	25.8
WTI Crude Oil (Jun 19)	58.6	-6.8	-8.4	23.8
Gold (Jun 19)	1290.5	0.6	-0.2	-0.7
Natural Gas (Jun 19)	2.6	-1.3	0.9	-4.3
Copper (Jul 19)	270.2	-1.4	-7.0	2.3
Silver (Jul 19)	14.6	1.2	-2.9	-7.3

Source: Bloomberg as of 25 May19

Currencies in US\$	Closing	Performance Chg. (%)		
		WTD	MTD	YTD
HKD	7.8	0.0	0.1	0.2
CNY	6.9	-0.3	2.5	0.3
JPY	109.4	-0.7	-1.9	-0.3
EUR	1.1	0.4	-0.1	-2.2
GBP	1.3	-0.1	-2.4	-0.2
AUD	0.7	0.9	-1.7	-1.7
CAD	1.3	-0.2	0.4	-1.5

Source: Bloomberg as of 25 May19

Economic Calendar

Date	Country	Event	Est.	Prior
27-May-19	CN	Industrial Profit (YTD) YoY Apr		-3.30%
	JP	BoJ Kuroda Speech		
28-May-19	EA	Economic Sentiment May	103.8	104.0
	US	Case-Shiller Home Price YoY Mar	3.2%	3.0%
	DE	Gfk German Consumer Climate Jun	10.4	10.4
29-May-19	CA	BoC Interest Rate Decision	1.75%	1.75%
	NZ	RBNZ Gov Orr Speech		
	EA	French GDP YoY		1.1%
30-May-19	US	EIA Crude Oil Stock Change May 24		4.74M
	US	EIA Gasoline Stock Change May 24	-0.816M	3.716M
	AU	Building Permit MoM Apr	-14.0%	-15.5%
	US	GDP Growth Rate QoQ 2nd Est Q1	3.1%	2.2%
1-Jun-19	CN	NBS Manufacturing PMI May	49.9	50.1
	DE	Inflation Rate YoY Prel May	1.6%	2.0%
	CA	GDP Growth Rate YoY	0.6%	0.4%
	US	Personal Income MoM Apr	0.3%	0.1%

Source: Bloomberg as of 25 May19

Government Bond Yield (%)

	Closing	WTD	MTD	YTD
US				
2Y Interest	2.1641	-0.0340	-0.1179	-0.3237
10Y Interest	2.3202	-0.0707	-0.1780	-0.3640
30Y Interest	2.7512	-0.0742	-0.1722	-0.2634
10-2Y Spread	0.1561	-0.0367	-0.0601	-0.0403
30-10Y Spread	0.5871	-0.0402	-0.0543	0.0603
UK				
UK Gilt (Jun 19)	0.8704	0.9900	-0.0486	
Eurozone				
German Bund (Jun 19)	-0.5332	0.1800	-0.0682	
France OTA (Jun 19)	-0.6519	0.0900	-0.0649	
Asia				
Japan 10Y (Jun 19)	0.4670	0.1000	0.0290	
China 10Y (Jun 19)	3.3792	-0.0500	0.0972	

Source: Bloomberg as of 25 May19



Important legal disclosures

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