

Weekly market commentary report

14 May19 Tuesday

Global Market Outlook

Global Market Review and Outlook

Resumption of the Sino-US trade war surprised investors as well as global stocks. Though most of the stock markets were able to end higher on Friday with expectation on trade war can be averted, nevertheless, they were down for the week. S&P 500 ended with -2.18% last week, while HSI index -5.09%. In China, even though State-backed Funds tried to buy domestic equities on Friday, SSE was unable to reverse the losses of 4.52% for the third straight weeks.

We think the game is far from over. Trump's administration told China it has a month to seal a deal or face more tariffs, they may release plans for tariffs on roughly \$300 billion China goods on Monday, while China is yet to specify how it will retaliate. If the market is betting a prolonged trade dispute would weaken the two big countries as well as the whole world's economy to cause a recession, more monetary policies easing can be expected. Malaysia and Philippine cut interest rate for first time since 2016. Is US and China alarmingly comfortable with the deteriorating status quo pointed to a bigger wave ahead? The S&P 500 VIX tried to back to a lower level on Friday, however, since the US is fighting on multiple fronts, the index is hard to be subdued.

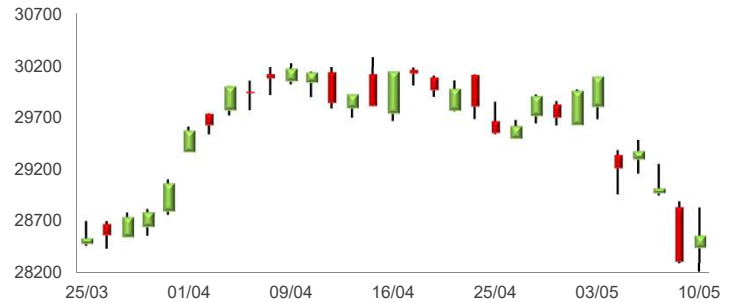
Uncertainty of trade war drove Japanese Yen's appeal as a safe-haven asset. USD/JPY closed at around 109.94 after slipping to a three-month low. The developments on trade war will continue to dominate the pair in the coming week. The initial bottom support would be around 109.4. Notable that the other safe-haven asset, Gold, was up and down around the range without much momentum. We see 1,290 as a solid hurdle technically.

Crude was traded in a tight range and settled 0.45% decline at \$61.73, trapped between Trump's action and supply woes. Strengthening demand and tight supply in actual cargoes of oil will underpin future contracts expired in 2H19. Northern hemisphere and Asian refineries start purchasing more crude at higher premium for secure supplies of crude for summer processing in May. Russia oil's contamination issue persists and US has given no signal to ease sanctions restricting Iran's exports, while Venezuelan output continues to stay low. Also, escalating geopolitical risk between US and Iran, civil unrest in Algeria and a spiraling conflict in Libya are still catalyst. WTI firstly test Fibonacci level at 62.84 this week after consolidations.

Important data of the week:

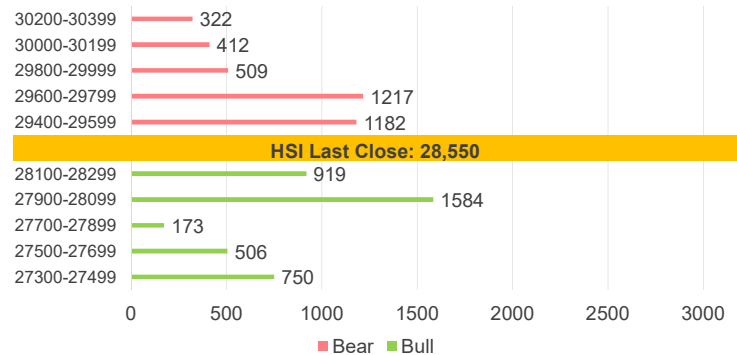
US retail sales for April will release on Wednesday, and US consumer sentiment by the end of the week.

HSI Past 30 Days Performance



Source: HKEX

HSI CBBC Distribution



Source: HKEX as of 11 May19

Indices

	Closing	Performance Chg. (%)			Valuation Ratio (X)	
		WTD	MTD	YTD	PE	PB
HSI	28550.2	-5.1	-3.9	10.5	11.1	1.2
HSCEI	10931.1	-5.6	-5.3	8.0	8.4	1.0
SHCOMP	2903.7	-4.5	-4.5	17.9	11.1	1.3
SHSZ300	3668.7	-4.7	-4.7	23.9	11.7	1.5
NIKKEI 225	20791.7	-4.1	-4.1	6.6	14.6	1.5
S&P 500	2811.9	-2.2	-2.2	14.9	16.9	3.1
DJIA	25325.0	-2.1	-2.4	11.2	15.7	3.7
NASDAQ COM	7647.0	-3.0	-2.2	19.3	22.5	4.2
CAC 40	5262.6	-4.0	-4.6	12.6	13.7	1.5
DAX	11876.7	-2.8	-2.3	14.2	13.0	1.5
FTSE 100	7163.7	-2.4	-2.9	7.1	12.5	1.5

Source: Bloomberg as of 12 May19

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News Tracker

Hong Kong Industries Movers and News Tracker

1) Animal feed industry: US 25% tariff on Chinese goods including animal feeds intensifies its supply glut condition. Low raw material price helps surging gross margin of agricultural products processors given strong pig demand in the year.

Related stocks: China Argi (0606.HK), Dachan food (3999.HK)

2) Metal industry: Japan has developed a new air electrode material for solid oxide fuel cell (SOFC), making cheap ferrite base stainless steel available in SOFC production. More application on nonferrous metals derive the demand on rare earth while the buffer period for the suspension of rare earth imports at the china-myanmar pass in mid-may disrupts rare earth supply. We expect rare metal price surge in 2Q19. Related rare earth suppliers will have recovery in valuation.

Related Stocks: China Rareea (0769.HK), MMG (1208.HK),

Market Movers

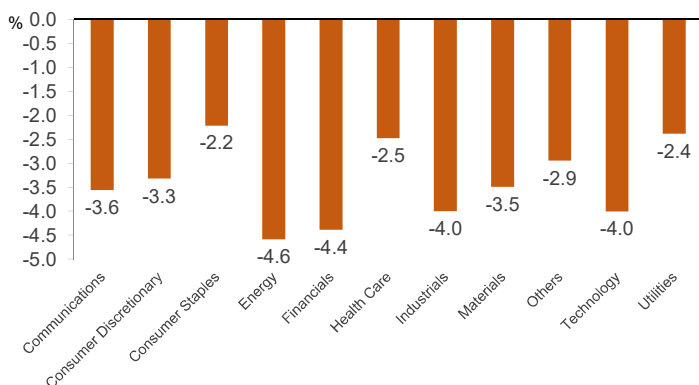
Hong Kong Notable Market Movers

1) Geely Auto (0175.HK) announced that the total sales volume of the Group (including the sales volume of LYNK & CO-branded vehicles sold by the Group's 50%-owned joint venture) for the month of April 2019 was 103,908 units, a decrease of approximately 19% YoY and 17% MoM. In particular, 8,120 units were new energy and electrified vehicles. Note.

2) SMIC (0981.HK) announced first quarter results ended March 2019. Its revenue dropped 19.5% YoY to USD669 mn. The net profit amounted to USD12.272 mn, down 58.2% YoY.

3) Dongfeng Group (0489.HK) announced that for April 2019, the production volume of the company reached 247,100 vehicles and sales volume 225,500 vehicles, down 5.6% and 12.4% YoY.

Hong Kong Weekly BICS Industrial Performance



Source: Bloomberg as of 12 May19

Hong Kong IPO Calendar

Company	Ticker	Listing Date	PX (HK\$)	Industry
Universal Star (Holdings) Limited	2346	16/5/2019	1-1.22	Metal and Steel
SAI Leisure Group Company Ltd	1832	16/5/2019	3.54-4.48	Tourism
Medialink Group Limited	2230	21/5/2019	0.45-0.53	Advertising

Source: HKEX, Bloomberg

Commodities

Futures	Closing(\$)	Performance Chg. (%)		
		WTD	MTD	YTD
Brent Crude Oil (Jul 19)	70.2	-0.3	-2.0	28.2
WTI Crude Oil (Jun 19)	61.1	-0.5	-3.5	30.2
Gold (Jun 19)	1302.3	0.5	0.1	0.6
Natural Gas (Jun 19)	2.6	2.0	1.7	-3.2
Copper (Jul 19)	273.0	-1.6	-4.5	3.4
Silver (Jul 19)	14.8	-1.3	-1.3	-5.8

Source: Bloomberg as of 12 May19

Currencies in US\$	Closing	Performance Chg. (%)		
		WTD	MTD	YTD
HKD	7.8	0.0	0.1	0.2
CNY	6.9	1.3	1.3	0.0
JPY	109.4	-1.0	-1.3	0.2
EUR	1.1	0.3	0.2	-2.0
GBP	1.3	-1.3	-0.3	1.7
AUD	0.7	-0.2	-0.7	-1.3
CAD	1.3	0.0	0.2	-1.3

Source: Bloomberg as of 12 May19

Economic Calendar

Date	Country	Event	Est.	Prior
14-May-19	AU	NAB Business Confidence Apr	1.0	0.0
	DE	Inflation rate YoY Final Apr	2.0%	1.3%
	GB	Claimant Count Change Apr	24.2K	28.3K
	SA	OPEC Monthly Report		
15-May-19	CN	Industrial Production YoY Apr	6.9%	8.5%
	CN	Retail Sales YoY Apr	8.6%	8.7%
	EA	GDP growth rate QoQ 2nd Est	0.4%	0.2%
	CA	Inflation rate YoY Apr	0.3%	1.6%
	US	EIA Gasoline Stock Change May 10		-0.596M
	US	EIA Crude Oil Stock Change May 10	2.984M	-3.963M
16-May-19	AU	RBA Bullock Speech		
	US	Housing Start MoM Apr	5.1%	-0.3%
	EA	Balance of Trade Mar	€20.5B	€17.9B
17-May-19	US	Michigan Consumer Sentiment May	97.0	97.2

Source: Bloomberg as of 12 May19

Government Bond Yield (%)

	Closing	WTD	MTD	YTD
US				
2Y Interest	2.1884	-0.0668	-0.2030	-0.2994
10Y Interest	2.4050	-0.0579	-0.1601	-0.2792
30Y Interest	2.8392	-0.0319	-0.1368	-0.1745
10-2Y Spread	0.2166	0.0089	0.0429	0.0202
30-10Y Spread	0.6508	0.0349	0.0662	0.1249
UK				
UK Gilt (Jun 19)	1.0210	1.0200	0.1020	
Eurozone				
German Bund (Jun 19)	-0.4810	0.9900	-0.0150	
France OTA (Jun 19)	-0.6029	0.1400	-0.0159	
Asia				
Japan 10Y (Jun 19)	0.4700	0.0400	0.0320	
China 10Y (Jun 19)	3.3099	0.4800	0.0619	

Source: Bloomberg as of 12 May19

Important legal disclosures

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