

Weekly Market Commentary Report

24 Jun19 Monday

Global Market Review and Outlook

Markets celebrated dovish conversion at the Federal Reserve. Both gold, most of equity markets and WTI crude oil, bond price bounced robustly. With the help of optimistic mood on trade, S&P500 and HSI index logged a third straight week of gains after their worst monthly performance in May. S&P 500 index settled at 2,950 pts after hitting all time high 2,964 pts. HSI index edged 5% higher to 28,473 pts, nearly 50 days average. In our perspective, equity retracement arising from the dovish tilt kicks off the road as more investors opt to take risk for reasonable return instead of purchasing treasuries at negative yields. In the face of great economic uncertainty, Fed expects possible 0.5% rate cut in the year while ECB signaled additional stimulus via asset purchases and rate cut. In response, treasuries yield fell into multiyear low. German 10-year yield settled at -0.284%. US 10-year yield tested 1.97%, the lowest since November 2016 before retracement to 2.059% while Japan's benchmark yield of -0.185% slid nearly the bottom of BoJ's targeted range. Noting that, all of Germany's bond out to 20 years fell into negative territory, indicating cash flow inside \$850 billion Germany bond market may flock into risky assets.

Time to choose gold again

A combination of confirmation on loose monetary policy, weaker dollar and elevated geopolitical risks ignited "bullish gold fever" again. Gold uptrend remained intact to a five-year high \$1396.2 since May. How far gold can rise? Risk indicator gold to S&P500 ratio told us gold would outperform stock market since first rate cut in 2011 and 2007 backed by devaluating dollar and declining treasury yield. If the market follows this story again, gold probably culminates with its prolonged consolidations before possible rate cut in July. Headline of countries borrowing costs falling below zero further help boosting gold to \$1,440 this week.

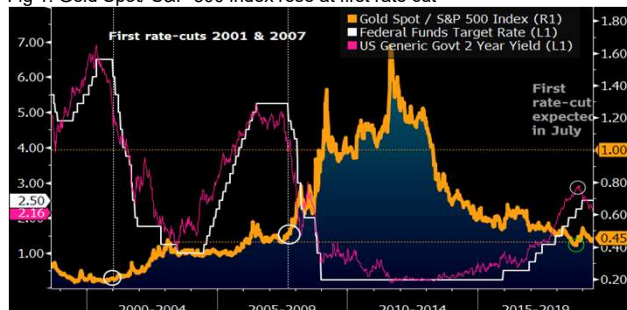
Crude jump under geopolitical fear

WTI crude poised for its biggest weekly gain 9.59% since February to \$57.85 amid Middle East oil supply disruption under escalating tensions between the US and Iran. Although US will avoid military action against Iran before G20 summit, Trump announced cyberattack towards Iran's military system. We expect Iran further retaliate before their military system disabled via missile and rocket attacks across the Middle East. Speculative buying orders amid rising tensions across Middle East regions adds to WTI crude gains above 50% Fibonacci level \$60.64.

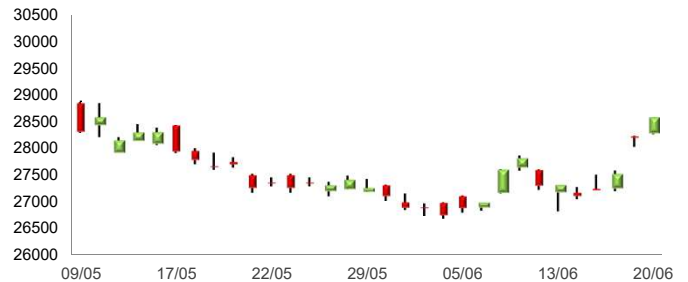
Sino-US trade deal, sooner or later issue

Optimistically, Trump and Xi surprise with a major breakthrough, with US and HK equity markets likely to extend their fourth weeks winning streak. Even if the two leaders leave the G20 event without any progress, US and China deteriorating economy condition leave them no choice but to reach trade deal within three months, triggering another round of uprising trend in the year. To capture the potential upside, investors can also aware dip-buying opportunity at S&P500 and HSI index at 20-days SMA.

Fig 1. Gold Spot/ S&P 500 index rose at first rate cut

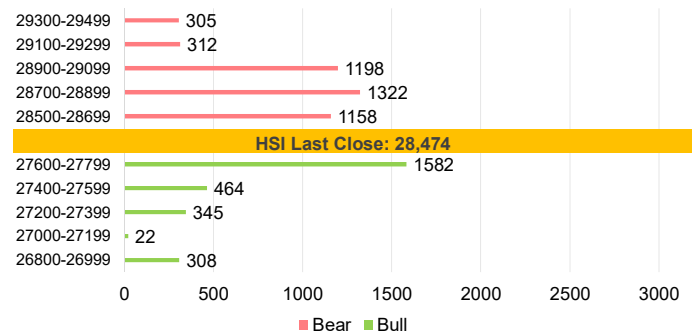


HSI Past 30 Days Performance



Source: HKEX

HSI CBBC Distribution



Source: HKEX as of 21 Jun19

Indices

	Closing	Performance Chg. (%)			Valuation Ratio (X)	
		WTD	MTD	YTD	PE	PB
HSI	28473.7	5.0	5.8	10.2	11.2	1.2
HSCEI	10921.5	4.8	5.1	7.9	8.6	1.1
SHCOMP	3002.0	4.2	3.6	20.4	11.6	1.3
SHSZ300	3833.9	4.9	5.6	27.3	12.5	1.6
NIKKEI 225	21229.6	0.7	3.2	6.2	15.2	1.5
S&P 500	2950.5	2.2	7.2	17.7	17.7	3.2
DJIA	26719.1	2.4	7.7	14.5	16.6	3.8
NASDAQ COM	8031.7	3.0	7.8	21.0	23.9	4.5
CAC 40	5528.3	3.0	6.2	16.9	14.5	1.6
DAX	12339.9	2.0	5.2	16.9	13.5	1.5
FTSE 100	7407.5	0.8	3.4	10.1	12.9	1.7

Source: Bloomberg as of 22 Jun19

Weekly Market Commentary Report

24 Jun19

Monday

News Tracker

Hong Kong Industries Movers and News Tracker

Medical Equipment Industry: We uncover that medical equipment sales price probably maintain stable despite medical reform from the government. Medical equipment industry's long industry cycle and its high R&D intensity are not fully recognised by market. Thus, the industry deserves overweight rating.

Value-added component in medical service: Medical insurance pays the whole cost of medical service instead of direct reimbursement of raw material like drugs. Therapeutic devices usually bound with medical services. Reasonable charges in medical services encouraged by the government helps maintaining medical equipment's operating margins.

High independence among medical equipments: Medical devices can be roughly classified as test devices and therapeutic devices. Majority of devices are designed to avoid patents. Hence, no direct competition in each technical regions. Medical devices supplier can expand their market share along with hospital terminal without competition.

Related Stocks: Microport (0853.HK), Modern Dental (3600.HK)

Market Movers

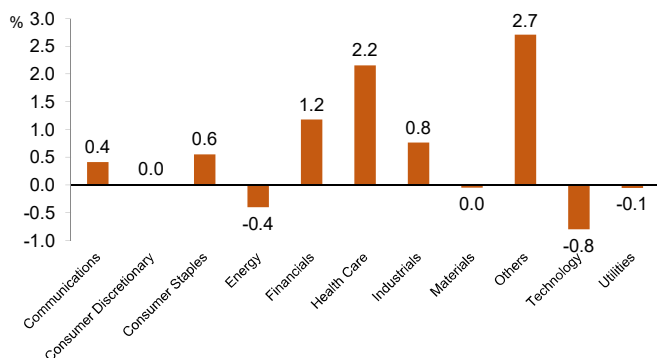
Hong Kong Notable Market Movers

1) Huaxi Holdings (1689.HK) announced its positive profit alert on its operating result ended 31 March 2019. The company expected recording more than 60% increase of profit attributable to shareholders yoy, mainly due to increase of revenue and gross profit from cigarette packaging business.

2) China Railway (0390.HK) won 10 bids amounted to approximately RMB 16,854 million, representing 2.28% of its operating revenue in 2018.

3) FE Consort Int'l (0035.HK) announced its financial result ended 31 March 2019. The company recorded 17.3% yoy growth to \$6,842 million while its recurring income business grew 26.3% yoy, mainly attributable to RevPAR growth in HK, full year contribution from Dorsett City in London and contribution from hotels under TWC.

Hong Kong Weekly BICS Industrial Performance



Source: Bloomberg as of 22 Jun19

Hong Kong IPO Calendar

Company	Ticker	Listing Date	PX (HK\$)	Industry
Jinxin Fertility Group Ltd	1951	25/6/2019	7.76-8.54	Pharmaceutical
AM Group Holdings Ltd	1849	26/6/2019	0.65-0.7	IT Services
Grown Up Group Investment Ho., Ltd	1842	28/6/2019	0.5	Customer Staples
Shinelong Automotive Lightweight	1930	28/6/2019	0.8-0.88	Automotive
Silver Tide Holdings Limited	1943	28/6/2019	0.5-0.54	Building Products
Feiyang Int'l Holdings Gp., Ltd	1901	28/6/2019	1-1.1	Resorts & Cruise Line
Tu Yi Holding Company Ltd	1701	28/6/2019	0.52-0.68	Resorts & Cruise Line
Impro Precision Industries Ltd	1286	28/6/2019	2.8-3	Automotive
Homeland Interactive Technology Ltd	3798	4/7/2019	1.35-1.85	Leisure Products
Khoon Group Ltd	924	5/7/2019	0.5-0.6	Construction Service

Source: HKEX, Bloomberg

Commodities

Futures	Closing(\$)	Performance Chg. (%)		
		WTD	MTD	YTD
Brent Crude Oil (Aug 19)	65.6	5.1	5.2	19.5
WTI Crude Oil (Aug 19)	57.9	8.8	7.1	21.6
Gold (Aug 19)	1409.3	4.1	6.8	8.4
Natural Gas (Jul 19)	2.2	-8.4	-10.9	-20.0
Copper (Sep 19)	270.3	2.8	2.4	2.2
Silver (Sep 19)	15.5	3.3	4.9	-2.2

Currencies in US\$	Closing	Performance Chg. (%)		
		WTD	MTD	YTD
HKD	7.8	-0.2	-0.3	-0.2
CNY	6.9	-0.8	-0.5	-0.1
JPY	107.4	-1.1	-0.9	-2.2
EUR	1.1	1.4	1.8	-0.8
GBP	1.3	1.2	0.9	-0.1
AUD	0.7	0.8	-0.2	-1.4
CAD	1.3	-1.4	-2.2	-3.2

Source: Bloomberg as of 22 Jun19

Economic Calendar

Date	Country	Event	Est.	Prior
24-Jun-19	AU	RBA Gov Lowe Speech		
	DE	Lfo Business Climate Jun	97.9	97.3
25-Jun-19	JP	BoJ Meeting Minutes		
	US	New Home Sales MoM May	-2.8%	-6.9%
	US	S&P/Case-Shiller Home Price MoM	0.6%	0.7%
26-Jun-19	US	Durable Goods Orders MoM May	0.2%	-2.1%
	US	Wholesales inventories MoM Adv May	0.5%	0.8%
	NZ	RBNZ MPC Meeting		
27-Jun-19	JP	Retail Sales YoY May	0.6%	0.5%
	US	GDP Growth Rate QoQ Final Q1	0.8%	1.9%
	US	Core PCE Prices QoQ Final Q1	1.0%	1.8%
	CN	Industrial Profit YTD YoY May		-3.4%
28-Jun-19	UK	GDP Growth Rate QoQ Final Q1	0.5%	0.2%
	US	Personal Income MoM May	0.3%	0.5%
	US	Chicago PMI Jun	54.2	53.8
	JP	G20 Summit Meeting		

Source: Bloomberg as of 22 Jun19

Government Bond Yield (%)

	Closing	WTD	MTD	YTD
US				
2Y Interest	1.7699	-0.0727	-0.3943	-0.7180
10Y Interest	2.0540	-0.0264	-0.2663	-0.6302
30Y Interest	2.5841	-0.0016	-0.1671	-0.4305
10-2Y Spread	0.2841	0.0463	0.1280	0.0878
30-10Y Spread	0.8142	0.0711	0.2272	0.2875
UK				
UK Gilt (Sep 19)	0.8461	-0.0700	-0.3469	
Eurozone				
German Bund (Sep 19)	-0.8667	0.2900	-0.3237	
France OTA (Sep 19)	-0.4935	0.2400	0.0665	
Asia				
Japan 10Y (Sep 19)	0.4010	0.3700	-0.0700	
China 10Y (Sep 19)	3.2955	-0.0650	-0.1645	

Source: Bloomberg as of 22 Jun19



Important legal disclosures

General Disclosure

This research report is prepared and distributed by Anli Securities Limited ("ASL") in the conduct of business of regulated activity in Hong Kong. This report or any part thereof may not be distributed, reproduced or disclosed to any other person without the prior written approval of ASL. In particular, this research report is not intended for distribution to, or use by, any person or entity in the United States of America, Canada, Australia or any jurisdiction or country where its distribution would be in breach of applicable laws, rules and regulation. The information, data, materials, forecasts, estimates or opinions contained herein are for information only and subject to change without prior notice. ASL makes no representation or warranty (whether express, implied or otherwise), with respect to the fairness, correctness, accuracy reasonableness or completeness of the information, data, materials, forecasts, estimates, opinions as above but has used its best endeavor to obtain information, data, materials from sources which are believed to be reliable. ASL makes no representation, undertaking, warranty or guarantee as to the update, completeness, correctness, reliability or accuracy of information, data, materials, forecasts, estimates or opinions. The opinions herein are made without taking into consideration of specific financial position, investment objective, investment experience or other need and it is therefore expected that investor shall not make investment decision in reliance on information, data, materials, forecasts, estimates or opinions herein without seeking professional and independent advice. ASL accepts no liability and responsibility whatsoever for any direct or indirect loss or damage which may be suffered by any person arising out of or in connection with the information, data, materials, forecasts, estimates or opinions provided herein. In any event, this research report does not constitute or form part of and shall not be construed as any offer for sale or subscription or solicitation or invitation of any offer to purchase or subscribe for any securities and investment products in any jurisdiction.

In distributing this research report, ASL is not providing and does not purport to provide professional investment advice. Except as otherwise disclosed herein, ASL or its affiliates ("ASL Group") has no interest in the securities of the companies referred to in this research report as at the date of the issuance of this research report. ASL Group's officers, directors and employees may have position in any and may trade for their own account in all or any of the securities or investment mentioned in this research report. In addition, ASL Group may have provided investment services and may have underwritten, or may act as market maker in relation to those securities. Commission, fees or other benefit (whether monetary or non-monetary) may be earned or received by ASL Group in respect of services provided in relation to those securities or investments.

Risk

The securities or investments referred to in this research report may not be suitable for all investors. In particular, no consideration has been given to any particular investment objectives or experience, financial situation or other needs of any investor. In the said premises, ASL accepts no liability with regard to the suitability or appropriateness of any of the securities and/or investments referred to herein for any particular investor's circumstances. Investor is reminded to make investment decisions in light of their own investment experience, investment objectives, financial position and particular needs and, where necessary, consult their own professional advisers prior to making investment decision. This research report is not intended to provide any professional advice and should not be relied upon in that regard. The value of the investment may go up as well as down. Past performance is not indicative of futures performance. The risk disclosed herein is not intended to be an exhaustive list of risks associated with the securities or investments. Investor is advised to read and fully understand all the offering or other