

Weekly Market Commentary Report

15 Jul19 Monday

Global Market Review and Outlook

Most major equity markets turned red last week except the US stock market. Federal Reserve Chairman Jerome Powell's dovish comments convinced the market that they are likely to act at the end of the month drives the Dow, S&P 500, and Nasdaq all closed at record highs last Friday. Bond market also showed investors are betting on rate cut. Short-term US treasuries yield drop while the long-term rise, the 10-year treasuries yield marked its biggest weekly rise since April 5. Yet, we question if Fed really cut rate as expected this month or it will cut as much as market anticipated. Recent data including constructive consumer price index, as well as high oil price may hinder the policy makers decision. No matter the Fed to hold rate cut or cut lesser than market expectation, we are caution with the recent US stock market rally. Investors should take profits before the party ends especially when Sino-US trade tensions resurfaced after US President Donald Trump complained China is breaking its promise of not increasing buying agricultural products from American farmers.

Notable that China also released important data last week. Its exports fell 1.3% in June YOY while imports fell 7.3%. We believe if the economic data deteriorates, the Chinese Government will act. If the Fed does cut rates, PBOC probably follows. Hence, we expect the Chinese equities tend to rally with policy supports if the 2Q GDP release on Monday is bad.

Oil has no trend in the near term

Oil was boosted by weather and geopolitics in the short term, capped its best week since mid-June until 60.37. Tropical storm Barry curbed about half of U.S. Gulf of Mexico production. According to weather department prediction, storm Barry is expected to strength in hurricane this week into Gulf Coast. And Iran military retaliation on UK sending the second warship to Gulf of Oman restrict daily oil flow through strait of Hormuz. Nevertheless, those are temporary factors. Despite over supply of oil may not an issue for the time being, its worth to keep in mind. In the latest report of IEA, the organization raised its assessment for new supplies outside OPEC and predicted the OPEC may need to reduce output to the lowest in 17 years to keep the oil market in balance. Besides, we believe US President Donald Trump may comment on the high oil price suddenly again as we enter the summer season. The lower the oil price, the happier the voters.

We think the oil price may go further but not long, the resistance level will be around \$61.3, if it retreats, it may back to \$58 level.

Still bias to sell USD rallies

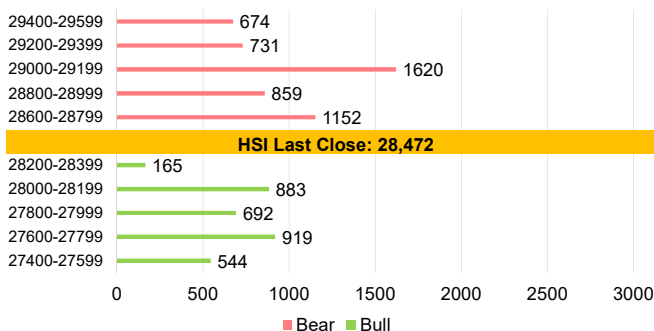
The USD suffered in response to increasing dovish fed. Weakening US retail sales and industrial production data release on Tuesday may show the damaging effect from trade war, extending USD downtrend to the next support level 95.8.

HSI Past 30 Days Performance



Source: HKEX

HSI CBBC Distribution



Source: HKEX 13 Jul19

Indices

	Closing	Performance Chg. (%)			Valuation Ratio (X)	
		WTD	MTD	YTD	PE	PB
HSI	28471.6	-1.1	-0.2	10.2	11.2	1.2
HSCEI	10788.3	-1.0	-0.9	6.6	8.6	1.0
SHCOMP	2930.5	-2.7	-1.6	17.5	11.4	1.3
SHSZ300	3808.7	-2.2	-0.4	26.5	12.4	1.6
NIKKEI 225	21685.9	-0.3	1.9	8.3	15.4	1.5
S&P 500	3013.8	0.8	2.4	20.2	18.2	3.3
DJIA	27332.0	1.5	2.8	17.2	17.1	3.9
NASDAQ COM	8244.1	1.0	3.0	24.2	24.4	4.6
CAC 40	5572.9	-0.4	0.6	17.8	14.7	1.6
DAX	12323.3	-2.0	-0.6	16.7	13.8	1.5
FTSE 100	7506.0	-0.6	1.1	11.6	13.0	1.7

Source: Bloomberg as of 13 Jul19

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Hong Kong Industries Movers and News Tracker

Property Industry

Stable sales price and volume, focus on first tier cities: 100 Cities housing price index increased at better monthly momentum 0.37% mom in June, which first tier cities up 0.07% and second tier cities up 0.8%. 30 Cities gross contracted sales area recorded 16.6 million sq.m., in June, up 9.48% yoy. First tier cities sales area grew 18.61% yoy, mainly attributable to its demographic dividend and industrial centralization.

Cautious land bidding, major landlords outperform: Major landlord stepped up their progress in bidding lands in first and second tier cities. First and second tiers cities such as Kuming, Chengdu sales volume bounced. Some landlords operating figures still have sustainable growth like Shimaoy property, Future land development, China Vanke, R&F properties and Gemdale property.

Attractive valuation: Although stricter regulation in China properties continues, some of property stocks can still outperform based on their adequate cash position and strong sales. Undemanding valuation or adjusted revenue outlook bring investment opportunity.

Related Stocks: China Vanke (2202.HK), Gemdale property (0535.HK)

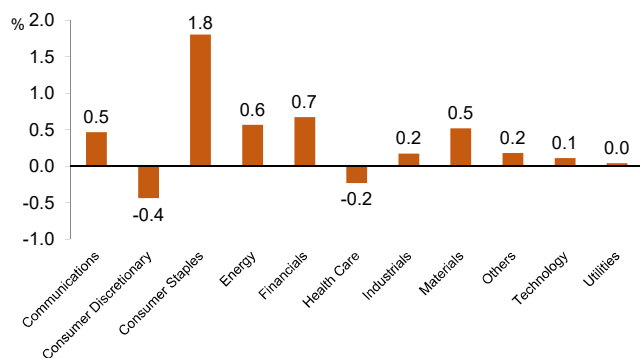
Hong Kong Notable Market Movers

1) AVIC Joy Holdings (0260.HK) sold Crystal Concept to Favour King at the consideration of RMB 35.84 million for estimated gain of approximately HKD 4.91 million. Crystal Concept holds 70% equity interest of Chuang Jie Ran Qi and 70% equity interest of Chengdu Sinogas. It mainly operates natural gas refueling stations.

2) China Dongxiang (3818.HK) announced its operating figures in 2Q19. The retail performance of Kappa stores recorded low single digit growth and the e-commerce business recorded a growth of 30-35%.

3) Kaisa Group (1638.HK) announced its operating figures in June. The recorded contracted sales recorded RMB 6,880 million, down 26.8% yoy while contracted gross floor area increased 23.5% to 521,477 sq.m.

Hong Kong Weekly BICS Industrial Performance



Source: Bloomberg as of 13 Jul19

Hong Kong IPO Calendar

Company	Ticker	Listing Date	PX (HK\$)	Industry
WMCH Global Investment Ltd	8208	16/7/2019	0.4-0.5	Construction Service
Kelfred Holdings Ltd	1134	16/7/2019	1-1.2	Leisure Products
Kimou Environmental Holding Ltd	6805	16/7/2019	1.08-1.44	Environmental Service
Zhongliang Holdings Group Co.,	2772	16/7/2019	5.2-6.68	Property
Platt Nera International Ltd	1949	16/7/2019	1.25-1.55	Financial Service
Contel Technology Company Ltd	1912	16/7/2019	0.63-0.68	Semiconductor
Edvantage Group Holdings Ltd	382	16/7/2019	2.48-3.22	Educational Service

Source: HKEX, Bloomberg

Commodities

Futures	Closing(\$)	Performance Chg. (%)		
		WTD	MTD	YTD
Brent Crude Oil (Sep 19)	66.7	3.9	3.1	21.4
WTI Crude Oil (Aug 19)	60.2	4.7	3.0	26.4
Gold (Aug 19)	1418.2	0.9	-0.1	9.1
Natural Gas (Aug 19)	2.4	1.4	6.3	-11.6
Copper (Sep 19)	269.7	1.2	-0.7	2.0
Silver (Sep 19)	15.3	1.6	-0.7	-3.4

Currencies in US\$	Closing	Performance Chg. (%)		
		WTD	MTD	YTD
HKD	7.8	0.4	0.2	-0.1
CNY	6.9	-0.2	0.2	0.0
JPY	107.9	-0.5	0.1	-1.6
EUR	1.1	0.4	-0.9	-1.7
GBP	1.3	0.4	-1.0	-1.5
AUD	0.7	0.6	0.0	-0.4
CAD	1.3	-0.4	-0.5	-4.4

Source: Bloomberg as of 13 Jul19

Economic Calendar

Date	Country	Event	Est.	Prior
15-Jul-19	CN	GDP Growth Rate YoY Q2	6.2%	6.4%
	CN	Industrial Production YoY Jun	5.2%	5.0%
	CN	Retail Sales YoY Jun	8.3%	8.6%
	US	Fed William Speech		
16-Jul-19	AU	RBA Meeting Minutes		
	GB	Claimant Count Change Jun	22.9K	23.2K
	US	Retail Sales MoM Jun	0.3%	0.5%
	US	Export Price YoY Jun	-1.4%	-0.7%
	US	Industrial Production YoY Jun	0.2%	0.4%
17-Jul-19	GB	Inflation Rate YoY Jun	2.0%	2.0%
	EA	Construction Output YoY May	2.4%	3.9%
	CA	Inflation Rate YoY Jun	2.1%	2.4%
18-Jul-19	JP	Export Price YoY Jun	-5.6%	-7.8%
	AU	Unemployment Rate Jun	5.2%	5.2%
19-Jul-19	JP	Inflation Rate YoY Jun	0.7%	0.8%
	US	Michigan Consumer Sentiment Prel Jul	98.5	98.2

Source: Bloomberg as of 13 Jul19

Government Bond Yield (%)

	Closing	WTD	MTD	YTD
US				
2Y Interest	1.8471	-0.0121	0.0066	-0.6407
10Y Interest	2.1219	0.0881	0.0415	-0.5623
30Y Interest	2.6467	0.1048	0.0610	-0.3679
10-2Y Spread	0.2748	0.1002	0.0349	0.0784
30-10Y Spread	0.7996	0.1169	0.0544	0.2728
UK				
UK Gilt (Sep 19)	0.8254	-0.9700	-0.0686	
Eurozone				
German Bund (Sep 19)	-0.8421	-1.5000	-0.0641	
France OTA (Sep 19)	-0.4978	-0.5000	-0.1038	
Asia				
Japan 10Y (Sep 19)	0.4240	-0.5800	-0.0230	
China 10Y (Sep 19)	3.2125	0.1200	-0.1575	

Source: Bloomberg as of 13 Jul19

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