

Weekly Market Commentary Report

19 August 2019 Monday

Global Market Review and Outlook

Last week equity markets continue dropping. US Dow Jones Index plummeted 800 pts after the 10-year treasury yield have fallen below 2-year rate for the first time since 2007 financial crisis, which has predicted most of the recessions for the past 50 years. Even US President Donald Trump has delayed the 10% tariffs on some imports from China until 15 December, DJI still closed down 1.53% to 25,886, Nasdaq down 0.79% to 7,895. More than \$15 trillion debts around the world are in the negative rate territory. With the US interest rates still much higher than other developed countries and for the fact that the recent economic data around the world are weaker than expected, we believe the US Federal Reserve will cut 25 bps in September to help ease market concerns and to keep the US economy growing.

Hang Seng Index hit the lowest point at 24,899 last week suffering from airport protests and global market sell-off, but later rebound to close at 25,734 on last Friday. In short term, HSI is oversold with RSI(14) below 30 and the index has plunged 2,783 pts or 10% in three weeks, we expect some long-term investors may buy the dip, there is less room for downside. However, even HSI and some blue-chip companies valuation are trading at a bargain, the local social unrest and protests that are scheduled to take place every weekend continue to weigh on sentiment, we expect HSI will trade in a narrow range in the coming weeks.

Silver continues its rally for this year

After gold breaking the new high, another metal - silver is taking the relay, it extended its gains and surpassed \$17, reaching a high at \$17.305 after wandering at around \$16 level for a month. It closed at \$17.087 on last Friday without giving back much of the gains since taking off on the upside in May this year. Since gold prices have reached 6-year high, we believe market will start to seek other cheaper precious metal and silver is still long way below the previous high at \$21.095 recorded on 2016. The risk-off market sentiment and dovish tone from major central banks continue to favor heavy metal price movement for the following days this year.

Oil struggles on gloomy economic outlook

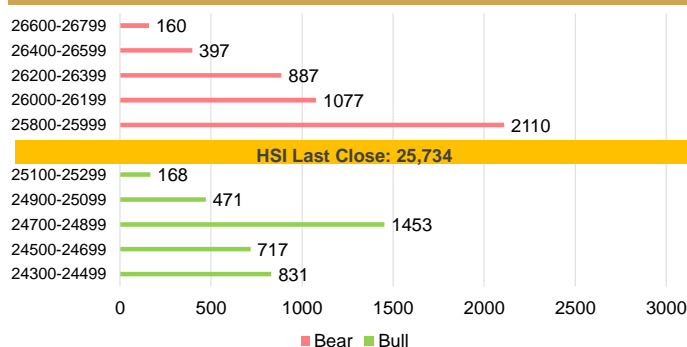
Recession fear pushes down Brent crude lower on last Wednesday after the US and UK yield curve signal the looming recession which spooked global investors and sparked widespread risk aversion. Meanwhile, US crude oil inventories up 1.6mn barrels up to 9 Aug, the increased stockpiles drag on the oil price. We expect oil prices could resume the downside move as the sentiment remains fragile. The potential sell-off may drive oil prices to test \$56.

HSI Past 30 Days Performance



Source: HKEX

HSI CBBC Distribution



Source: HKEX as of 16 Aug19

Indices

	Closing	Performance Chg. (%)			Valuation Ratio (X)	
		WTD	MTD	YTD	PE	PB
HSI	25734.2	-0.8	-7.4	-0.4	10.3	1.1
HSCEI	9964.3	-0.3	-6.7	-1.6	8.0	1.0
SHCOMP	2823.8	1.8	-3.7	13.2	11.0	1.3
SHSZ300	3710.5	2.1	-3.3	23.2	11.8	1.6
NIKKEI 225	20571.9	-1.3	-5.1	2.0	14.9	1.5
S&P 500	2888.7	-1.0	-3.1	15.2	17.5	3.2
DJIA	25886.0	-1.5	-3.6	11.0	16.9	3.8
NASDAQ COM	7896.0	-0.8	-3.4	19.0	23.5	0.1
CAC 40	5300.8	-0.5	-4.0	12.1	14.2	1.5
DAX	11562.7	-1.1	-5.1	9.5	13.6	1.4
FTSE 100	7117.2	-1.9	-6.2	5.8	12.3	1.6

Source: Bloomberg as of 16 Aug19

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News Tracker

Hong Kong Industries Movers and News Tracker

Airline Industry: Hong Kong protesters occupied Hong Kong International Airport for two days at the start of last week trying to spread their message to tourists. The number of protesters skyrocketed on last Monday, forcing the airport to cancel all flights out of Hong Kong. Airport later has obtained an interim injunction to restrain persons from unlawfully obstructing the proper use of airport. Only tourists with air ticket within 24 hours and airport staffs are allowed to stay in the airport.

Macau Gambling Industry: Macau's financial services bureau published the budetary execution data of its central account for the month of July. Fiscal income rose 2.8% YoY to MOP77.04bn for the first seven months of 2019. Gambling tax climbed 2.3% to MOP67.21bn.

Related Stocks: Cathay Pacific (293.HK), Galaxy Entertainment (27.HK), Sands China (1928.HK)

Market Movers

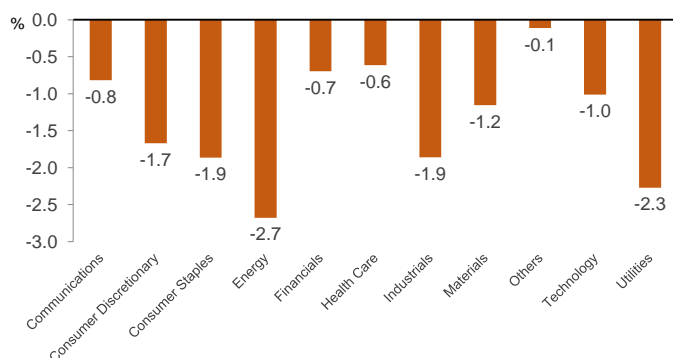
Hong Kong Notable Market Movers

1) Tencent (700.HK) announced its interim results for the six months ended 30 June 2019, net profit rose 24.8% YoY to RMB51.3bn, which is near the upper end of market estimate. 2Q19 revenue rose 21% to RMB88.8bn, short of RMB93bn estimate.

2) Ping An (2318.HK) announced the interim results ended 30 June 2019, net profit surged 68% YoY to RMB97.7bn, near the upper end of market estimate. Interim dividend of RMB0.75 was declared, rose 21% YoY.

3) Cifi Holdings (884.HK) announced the interim results ended 30 June 2019, net profit dropped 6.6% YoY to RMB3.19bn. Interim dividend RMB0.0893 was declared. Also, the chairman Lin Zhong says they will focus on tier-1 and 2 cities for 2H19 and hike rental income for the coming decades.

Hong Kong Weekly BICS Industrial Performance



Source: Bloomberg as of 16 Aug19

Commodities

Futures	Closing(\$)	Performance Chg. (%)		
		WTD	MTD	YTD
Brent Crude Oil (Oct 19)	59.1	0.2	-9.9	7.5
WTI Crude Oil (Sep 19)	55.3	0.7	-6.3	15.5
Gold (Dec 19)	1519.8	1.0	6.0	15.8
Natural Gas (Sep 19)	2.2	3.8	-1.5	-20.0
Copper (Sep 19)	259.4	0.2	-2.7	-1.9
Silver (Sep 19)	17.1	1.1	4.4	8.2

Currencies in US\$	Closing	Performance Chg. (%)		
		WTD	MTD	YTD
HKD	7.8	0.0	0.2	0.1
CNY	7.0	-0.3	2.3	2.4
JPY	106.3	0.7	-2.2	-3.0
EUR	1.1	-1.0	0.1	-3.3
GBP	1.2	1.0	-0.1	-4.8
AUD	0.7	-0.1	-1.0	-3.8
CAD	1.3	0.4	0.6	-2.7

Source: Bloomberg as of 16 Aug19

Economic Calendar

Date	Country	Event	Est.	Prior
19-Aug-19	TH	GDP YoY 2Q	2.3%	2.8%
	HK	Unemployment rate Jul	2.8%	2.8%
20-Aug-19	GE	PPI YoY Jul	1.00%	1.20%
	HK	CPI composite YOY Jul	3.00%	3.30%
	CA	Manufacturing sales MoM Jun	-1.50%	1.60%
21-Aug-19	SA	CPI YoY Jul	4.3%	4.5%
	CA	Consumer price index Jul	2.10%	2.20%
22-Aug-19	US	FOMC Meeting Minutes		
	US	Markit US Manufacturing PMI Aug	50.50%	50.40%
23-Aug-19	TA	Industrial production YoY Jul	-1.00%	-0.39%

Source: Bloomberg as of 16 Aug19

Government Bond Yield (%)

	Closing	WTD	MTD	YTD
US				
2Y Interest	1.4845	-0.1702	-0.3338	-1.0034
10Y Interest	1.5758	-0.1909	-0.4794	-1.1084
30Y Interest	2.0730	-0.2238	-0.5062	-0.9415
10-2Y Spread	0.0913	-0.0207	-0.1456	-0.1050
30-10Y Spread	0.5885	-0.0536	-0.1724	0.0619
UK				
UK Gilt (Sep 19)	0.4616	0.2600	-0.3734	
Eurozone				
German Bund (Sep 19)	-1.3077	1.4400	-0.3917	
France OTA (Sep 19)	-0.7820	0.4200	-0.2430	
Asia				
Japan 10Y (Sep 19)	0.3390	0.1200	-0.0600	
China 10Y (Sep 19)	3.1366	-0.0750	-0.2104	

Source: Bloomberg as of 16 Aug19



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