

I. Major Economic Release

Upcoming Economic Release

| Economic Indicator | Period | Market Survey | Prior Period |
|--|--------|---------------|--------------|
| UK: Industrial Production YoY | May | 2.70% | 2.90% |
| Japan: Core Machine Orders YoY | Apr | 2.40% | -3.90% |
| Malaysia: Industrial Production YoY | Apr | 4.30% | 3.10% |
| Malaysia: Manufacturing Sales Volume YoY | Apr | N/A | 3.90% |

Source: Bloomberg

II. Macro News

- **China Factory Inflation Picks Up on Rising Commodity Prices.** China's factory inflation accelerated faster than expected in May as the price of commodities such as crude oil and metals increased. The producer price index rose 4.1 percent from a year earlier, compared with a projected 3.9 percent increase in a Bloomberg survey of economists and a 3.4 percent gain in April. [Bloomberg]
- **Russia Joins China's Race for Next-Generation Nuclear Reactors.** China has agreed to pursue building next-generation nuclear reactors designed by Russia's Rosatom Corp., the latest player seeking a boost for its new technology from China's embrace of atomic power. [Bloomberg]
- **Brazil Boosts Currency Defense as India, Turkey Hike.** Emerging markets had a rocky week as plunging currencies prompted India and Turkey to raise interest rates to halt a rout in the rupee and lira, with only partial success. Brazil rolled out enough financial ammunition to arrest the real's slump to a two-year low. [Bloomberg]

III. Industry News

- **China's Massive Trade Surplus Shrinks, Just Not With the U.S..** China's massive trade surplus with the world shrank in May. However, the trade gap with the U.S. swelled to \$24.6 billion, making up almost all of the total surplus of \$24.9 billion. [China Daily]
- **China's Coal Imports Drop to Seven-Month Low on Government Curbs.** Coal imports by China extended a drop as the government's efforts to cool a recent price rally have focused on boosting domestic output and easing transport bottlenecks within the world's largest user. [Bloomberg]
- **Fed Hike, ECB Rethinks Buying and BOJ Stimulus: 36 Crucial Hours.** The world's three most powerful central banks convene this week, with the U.S. Federal Reserve setting the pace in a retreat from the era of easy money. Three meetings within 36 hours of each other are set to conclude with the Fed raising interest rates, the European Central Bank potentially fleshing out its plan to cease buying bonds, and the Bank of Japan maintaining its massive stimulus program. [Bloomberg]

IV. Corporate News

- **ZTE Chief Apologises To Staff, Customers.** ZTE's chairman has apologised to the firm's 80,000 employees and vowed to strengthen compliance practices after the Chinese telecoms giant reached a deal with the United States to have an export ban lifted. [SCMP]
- **Xiaomi plans to launch offering in mainland before HK.** Xiaomi, which is seeking to raise up to US\$10 billion in its initial public offering in Hong Kong, has filed for a listing on the mainland, a source said. The smartphone maker is aiming to make its Chinese depository receipts available to domestic investors as early as July 9. [SCMP]

- **Ant Financial breaks world funding record.** Ant Financial Services Group, the operator of the mainland's biggest online payment platform, said it had raised about US\$14 billion in what market watchers called the biggest-ever single fundraising globally by a private company. [SCMP]
- **Foxconn cap hits 390b yuan on debut.** Shares in Foxconn Industrial Internet soared by the daily maximum 44% limit on their debut last Friday, making the company worth 390bn yuan. The subsidiary of the world's biggest contract electronics maker, Foxconn Technology Group, raised 27.1bn yuan in the mainland's biggest floatation in almost three years. [SCMP]
- **Botswana Abandons Deal to Sell Power Plant to Chinese Firm.** Chinese state-owned company for the sale of a 600-megawatt coal-fired power plant. The southern African nation had been in talks with China Machinery Engineering Corp. for it to buy Morupule B from 2016. [Bloomberg]
- **EDP Says Three Gorges Bid Is Low, Will Seek More Information.** EDP-Energias de Portugal SA's executive board reaffirmed that the 9.1 billion-euro (\$10.7 billion) takeover offer from China Three Gorges Corp. is low and said it will seek more information from the bidder about its plans for the Portuguese utility. [Bloomberg]
- **Xiaomi Is Said to Win Hong Kong Stock Exchange Approval for IPO.** Xiaomi Corp. has won Hong Kong stock exchange approval for its planned initial public offering, which would be the first listing in the city with weighted voting rights. Xiaomi plans to start gauging investor demand in the next few days. [Bloomberg]
- **ZTE to Pay a Record Fine to Get Back in Business, U.S. Says.** The U.S. reached a deal to allow ZTE Corp. to get back in business after the Chinese telecommunications company pays a record fine and agrees to management changes, eliminating a key sticking point as the two countries try to avert a trade war. [Bloomberg]
- **Samsonite Shareholders Reject Stock Awards for Top Leaders.** Samsonite International SA shareholders voted down proposals to grant stock awards to top executives, after criticism of the company's management by a short seller led to the chief executive officer's resignation and wiped about \$580 million off market value. [Bloomberg]
- **ZTE Vows to Shake Things Up After Securing a U.S. Reprieve.** ZTE Corp. pledged to overhaul its flawed management and internal culture after striking a deal with the U.S. to get back in business after a damaging two-month hiatus. In a memo to employees seen by Bloomberg News. [Bloomberg]
- **China Southern Power Grid Is Said to Send RFP for Dollar Bond.** China Southern Power Grid has sent request for proposals to banks for a potential dollar bond issue. The company priced \$900m 3.5% 10Y bond and \$600m 2.75% 5Y bond in April 2017. [Bloomberg]
- **China CITIC Bank, Ant Financial ink strategic deal.** China CITIC Bank Co Ltd and Ant Financial signed a strategic partnership agreement on Thursday to share resources and promote innovation in financial products and services. China CITIC Bank and Ant Financial will strengthen interconnectivity and establish a long-term, stable and mutually beneficial strategic partnership. [China Daily]
- **Rio Tinto, Minmetals sign JV to explore mineral deposits in China.** Rio Tinto and Minmetals have signed a contract for a 50-50 joint venture to explore mineral deposits in China, which analyst called a win-win situation as it would enable both sides to maximize their individual advantages in exploring, developing and sales and marketing. [China Daily]
- **Geely, Tencent buy stake in train Wi-Fi firm.** Automaker Zhejiang Geely Holding Group and tech giant Tencent Holdings Ltd are joining hands to provide wireless internet services on China's high-speed trains by acquiring a stake in the country's bullet train Wi-Fi operator. [China Daily]
- **Sunny Optical May Handset Lens Sets Lift 70.2%.** Sunny Optical announced that in May, handset lens sets hiked 70.2% yearly to 76.924 million, up 8.6% monthly, mainly due to the increase in market share of the handset lens sets of the Company. [China Daily]

V. Overnight Market Recap

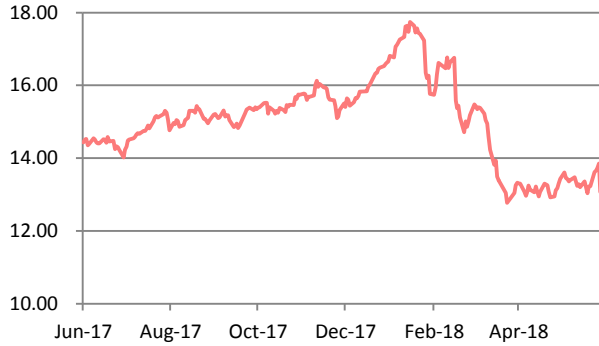
| | Close | Net Chg | Chg (%) | Performance (%) | | | | | | |
|-------------------|---------------------|----------|---------|-----------------|-------|-------|--------|--------|--------|-------|
| | | | | 1W | 1M | 3M | 6M | 1Y | YTD | |
| US Equity | S&P 500 | 2,779 | 8.7 | 0.3 | 1.6 | 1.9 | (0.3) | 4.5 | 14.3 | 3.9 |
| | Dow Jones | 25,317 | 75.1 | 0.3 | 2.8 | 2.0 | (0.1) | 3.8 | 19.0 | 2.4 |
| | Nasdaq Composite | 7,646 | 10.4 | 0.1 | 1.2 | 3.3 | 1.1 | 11.2 | 23.2 | 10.8 |
| | Russell 2000 | 1,672 | 4.7 | 0.3 | 1.5 | 4.1 | 4.7 | 10.0 | 17.6 | 8.9 |
| | VIX Index | 12.18 | 0.1 | 0.4 | (9.5) | (3.7) | (16.8) | 30.4 | 13.8 | 10.3 |
| Europe Equity | Euro Stoxx 50 | 3,447 | (12.5) | (0.4) | (0.2) | (3.3) | 0.8 | (3.8) | (3.9) | (1.6) |
| | DAX | 12,767 | (44.5) | (0.3) | 0.3 | (1.8) | 3.4 | (2.7) | (0.4) | (1.2) |
| | CAC | 5,450 | 1.9 | 0.0 | (0.3) | (1.7) | 3.3 | 1.2 | 2.8 | 2.6 |
| | FTSE 100 | 7,681 | (23.3) | (0.3) | (0.3) | (0.6) | 6.3 | 3.1 | 2.0 | (0.1) |
| APAC Equity | HSI | 30,958 | (554.4) | (1.8) | 1.5 | (0.5) | (0.1) | 6.9 | 18.9 | 3.5 |
| | HSCEI | 12,166 | (242.0) | (2.0) | 1.2 | (1.5) | (2.1) | 6.4 | 14.9 | 3.9 |
| | HSI VIX | 17.39 | 1.5 | 9.4 | (1.3) | 1.6 | (21.6) | 9.6 | 53.1 | 19.1 |
| | CSI 300 | 3,780 | (51.4) | (1.3) | 0.2 | (2.4) | (8.0) | (7.1) | 5.7 | (6.2) |
| | SH Composite | 3,067 | (42.4) | (0.2) | (0.3) | (1.6) | (7.3) | (7.7) | (2.9) | (6.0) |
| | SZ Composite | 1,751 | (16.6) | (0.6) | 0.3 | (3.7) | (7.1) | (8.8) | (5.7) | (6.9) |
| | Nikkei 225 | 22,695 | (128.8) | (0.6) | 2.4 | (0.3) | 5.7 | (1.1) | 13.4 | (0.3) |
| Commodities (USD) | KOSPI | 2,452 | (19.0) | (0.8) | 1.2 | (1.1) | (0.3) | (0.8) | 2.9 | (0.6) |
| | Brent (Future) | 76.46 | (0.9) | (1.1) | (0.4) | 2.2 | 20.2 | 20.6 | 59.8 | 14.3 |
| | WTI (Future) | 65.74 | (0.2) | (0.3) | (0.1) | (4.8) | 9.3 | 14.6 | 44.0 | 8.8 |
| | Gold | 1,298 | 1.0 | 0.1 | 0.4 | (1.3) | (1.8) | 4.0 | 1.6 | (0.4) |
| | Copper (Future) | 7,312 | (20.0) | (0.3) | 6.0 | 8.4 | 7.0 | 11.3 | 27.6 | 0.9 |
| FX | Baltic Dry Index | 1,391.00 | (4.0) | (0.3) | 20.3 | (5.5) | 15.8 | (19.5) | 63.8 | 1.8 |
| | Dollar Index | 93.54 | 0.1 | 0.1 | (0.7) | 0.4 | 3.7 | (0.4) | (3.5) | 1.5 |
| | EUR | 1.18 | (0.0) | (0.3) | 0.9 | (0.8) | (4.4) | (0.0) | 4.9 | (2.0) |
| | JPY | 109.55 | (0.2) | (0.1) | 0.0 | (0.4) | (3.0) | 3.6 | 0.4 | 2.9 |
| | CNY | 6.41 | 0.0 | (0.2) | 0.2 | (0.6) | (1.0) | 3.3 | 6.1 | 1.6 |
| CDS | CNH | 6.40 | 0.0 | 0.2 | (0.2) | (0.5) | (0.9) | 3.5 | 6.0 | 1.8 |
| | ChinaGov CDS | 56.71 | 1.5 | 2.7 | 1.8 | (4.3) | 4.2 | 2.1 | (18.3) | 13.2 |
| | CDX Emerging Market | 96.68 | (0.0) | (0.0) | (0.1) | (1.0) | (2.7) | 0.2 | 1.0 | (2.4) |

| | Close | Net Chg | Chg (%) | Value | | | | | | |
|-------------|------------------------|---------|---------|-------|------|------|------|------|------|------|
| | | | | 1W | 1M | 3M | 6M | 1Y | YTD | |
| US rates | 3-Month Treasury Yield | 1.91 | (0.0) | (0.7) | 1.9 | 1.9 | 1.7 | 1.3 | 1.0 | 1.4 |
| | 2-Year Treasury Yield | 2.50 | 0.0 | 0.4 | 2.5 | 2.5 | 2.3 | 1.8 | 1.3 | 1.9 |
| | 5-Year Treasury Yield | 2.78 | 0.0 | 0.7 | 2.7 | 2.8 | 2.7 | 2.1 | 1.8 | 2.2 |
| | 10-Year Treasury Yield | 2.95 | 0.0 | 0.9 | 2.9 | 3.0 | 2.9 | 2.4 | 2.2 | 2.4 |
| | 2-10 Spread | 44.43 | 1.6 | 3.6 | 42.9 | 42.8 | 63.2 | 57.7 | 86.2 | 51.8 |
| China rates | O/N China Repo Rate | 2.55 | 0.0 | 2.0 | 2.8 | 2.5 | 2.6 | 2.6 | 2.5 | 3.0 |
| | 1-Week China Repo Rate | 2.65 | (0.1) | (2.2) | 2.8 | 2.7 | 2.6 | 3.1 | 2.9 | 3.1 |
| | O/N SHIBOR | 2.56 | 0.0 | 0.3 | 2.8 | 2.5 | 2.6 | 2.6 | 2.8 | 2.8 |
| | 1-Week SHIBOR | 2.77 | (0.0) | (0.4) | 2.9 | 2.7 | 2.9 | 2.8 | 2.9 | 3.0 |

Source: Bloomberg

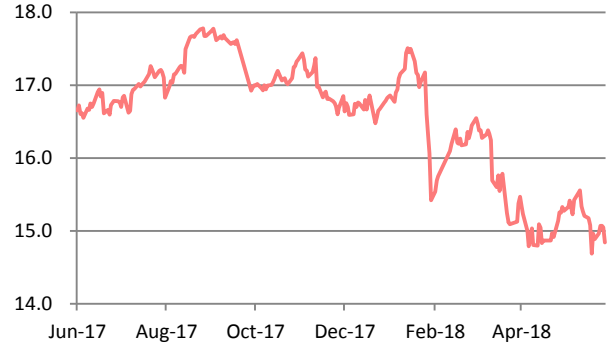
VI. Key Indicators

Hang Seng Index PE Ratio



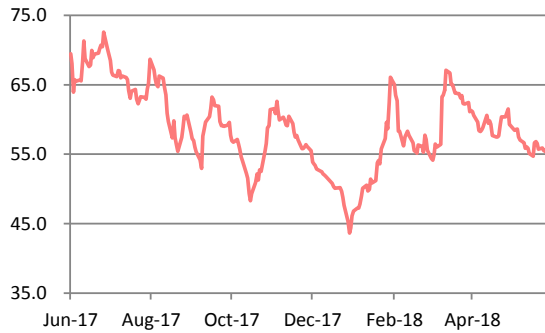
Source: Bloomberg

Shanghai Composite Index PE Ratio



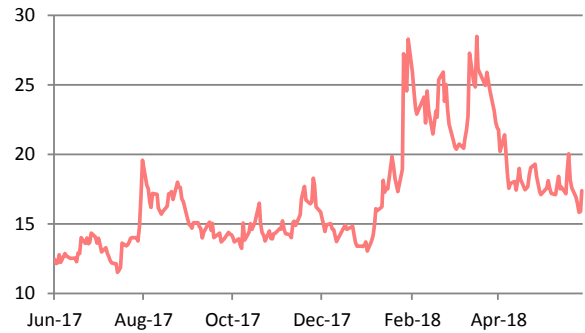
Source: Bloomberg

China 5Y CDS Index_USD



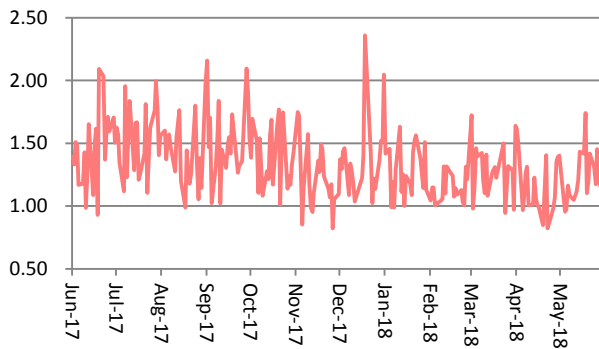
Source: Bloomberg

Hang Seng Index VIX



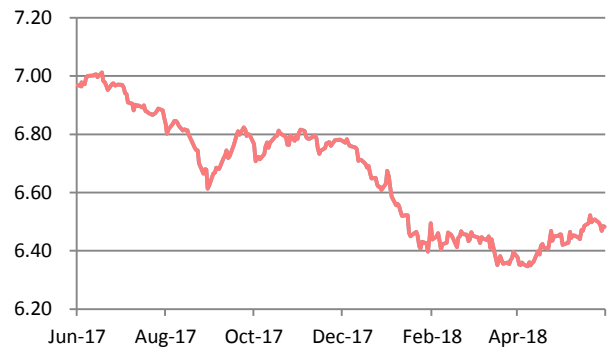
Source: Bloomberg

Hang Seng Index Put Call Volume Ratio



Source: Bloomberg

USDCNH 1Y Forward



Source: Bloomberg

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