

## I. Major Economic Release

### Upcoming Economic Release

Economic Indicator	Period	Market Survey	Prior Period
China: Caixin Composite PMI	Jun	N/A	52.3
US: MBA Mortgage Applications Weekly Change	29-Jun	N/A	-4.90%
Brazil: Industrial Production YoY	May	N/A	8.90%
Turkey: Effective Exchange Rate	Jun	N/A	77.85

Source: Bloomberg

## II. Macro News

- **Australia Holds Rate as Currency Drop Offers Export Support.** Australia left its key interest rate unchanged at a record low Tuesday as the currency's recent decline aids the economy by offering exporters some insulation against global trade ructions. [Bloomberg]
- **Turk Inflation Accelerates Beyond Forecasts to 15-Year High.** Turkey's consumer inflation accelerated more than expected to the highest level in nearly 15 years, heaping pressure on the central bank to raise borrowing costs and further weakening the embattled lira. [Bloomberg]
- **Beijing softens tone on debt crackdown as trade tensions threaten growth.** Beijing has signalled a softer stance in its campaign to cut debt from the economy, removing a key statement of intent from a monetary policy document. The move to downplay its deleveraging ambitions appears to be a reaction to slowing economic growth, an increase in credit defaults, and the devaluation of the yuan amid rising tensions over trade with the US in the past month. [SCMP]

## III. Industry News

- **China's U.S. Exports Cooled in First Half as Tariffs Approach.** Growth in China's exports to the U.S. slowed significantly in 1H18, according to official data released Tuesday. China's exports to the U.S. expanded 5.4% in the 1H, 13.9ppts lower than the same period last year, the General Administration of Customs said in a statement on its website. [Bloomberg]
- **South African Central Bank Calls for Capitec Fee Probe.** The South African Reserve Bank has written to the National Credit Regulator requesting a probe into loan-origination fees charged by Capitec Bank Holdings Ltd., according to a person familiar with the matter. [Bloomberg]
- **China's commodity exports to US grow at slower pace in H1.** China's commodity exports to the United States rose 5.4 percent year-on-year in the first half of the year, down from 19.3 percent rise posted during the same period of last year, customs data showed Monday. [China Daily]

## IV. Corporate News

- **US temporarily lifts ban on ZTE while lawmakers' debate on its punishment continues.** The Trump administration has temporarily lifted part of a ban it had placed on ZTE Corp, allowing the Chinese telecommunications giant resume some of its business activities while the Congress continues to weigh penalties on the company. [SCMP]
- **China Vanke leads US\$1.5bn investment in media group CMC.** CMC Inc, a media and entertainment company controlled by mainland media tycoon Li Ruigang, has raised 10bn yuan (US\$1.5bn) in A-round financing from China Vanke, who co-led this round along with two existing investors – Tencent Holdings and Alibaba Group Holding. [SCMP]

- **U.S. Seeks to Block Entry for China Mobile, Escalating Tensions.** The U.S. moved to block China Mobile Ltd. from entering its telecommunications market on national security grounds, launching another salvo in the fight between the world's two biggest economies days before they're expected to impose tariffs on each other over trade. [Bloomberg]
- **ZTE Loses Italy Contract Even as U.S. Restrictions Start to Ease.** The easing of restrictions didn't come soon enough for ZTE's bid to win a contract in Italy to supply wireless equipment to Wind Tre SpA. ZTE lost the deal because it's barred from buying U.S. technology, and Ericsson AB won the 600mn-euro (\$700mn) contract instead. [Bloomberg]
- **U.S. Biotech Firm Stealth Files Hong Kong IPO Application.** Stealth BioTherapeutics filed pre-listing documents with the Hong Kong stock exchange, according to the filing dated July 3. May 10, U.S. Biotech Firm Stealth Is Said to Eye Hong Kong IPO This Year. [Bloomberg]
- **Fitch Plans to Withdraw Ratings of Want Want.** Fitch Ratings plans to withdraw the ratings of Want Want China Holdings Limited on or about 3 August 2018, which is approximately 30 days from the date of this commentary, for commercial reasons. [Bloomberg]
- **Qeeka Home Delays HK IPO, Sets Offer Price Below Range.** Qeeka Home postpones its Hong Kong listing to July 12 from initially planned July 5, according to South China Morning Post. The company also sets offer price at HK\$4.85 per share, below its indicative range of HK\$6.80-HK\$9.0, after taking into account of current market conditions. [Bloomberg]
- **Chinese Bank's Capital Almost Wiped Out as Loan Rules Tightened.** Guiyang Rural Commercial Bank Co. was downgraded by China Chengxin Int'l Credit Rating Co. after its non-performing loans rose to 7.8bn yuan in 2017 from 841mn yuan two years ago. That caused the lender's capital adequacy ratio to fall below 1%, vs. 11.8% at end 2016. [Bloomberg]
- **HNA's Gategroup Gets Temasek, RRI Investment After Failed IPO.** Temasek Holdings Pte. and RRI Capital agreed to invest an unspecified amount in an airline caterer owned by HNA Group Co., the Chinese conglomerate that's selling assets after a debt-fueled acquisition spree. [Bloomberg]
- **CK Hutchison to Pay EU2.45B in Italian Mobile Operator Buyout.** The company agreed to buy 50% stake it doesn't already own in Italian mobile operator Wind Tre from joint venture partner VEON for EU2.45B, it says in filing to Hong Kong stock exchange. [Bloomberg]
- **SocGen to Buy Commerzbank's Equity Markets and Commodities Unit.** Societe Generale SA is acquiring the Commerzbank AG business that includes the German lender's exchange-traded products and market-making operations as it seeks expansion in Europe's largest economy. [Bloomberg]
- **AIB approves \$250m loan to Indonesia.** Asian Infrastructure Investment Bank approved a \$250mn loan to improve irrigation services and management accountability in Indonesia, the bank said on Tuesday. The project, cofinanced with the World Bank, aims to rehabilitate, revitalize and modernize water resources and irrigation systems in Indonesia. [China Daily]
- **Carrier to help Xiongan get wings.** China Southern Airlines plans to establish a wholly owned subsidiary in Xiongan New Area in Hebei province, to help the carrier to better operate its hub at the new Beijing airport. It would spend 2.5bn yuan in cash and 7.5bn yuan in tangible assets to establish a unit called China Southern Airline Xiongan Co. [China Daily]
- **Tencent Music Said To Submit US Listing Application This Week; Mkt Cap Over US\$30B.** Tencent Music is set to submit an IPO application document to U.S. Securities and Exchange Commission this Friday (6 July), officially initiating the listing procedure in the U.S., Mainland media reported. [China Daily]
- **China Communications Construction told to cut Malaysia rail deal cost.** Malaysia's government said yesterday (3 July) a major China-backed rail link project can only be viable with a "drastic" price reduction by the Chinese contractor as the actual cost of the venture is 81 billion ringgit (US\$20 billion). [The Standard]
- **Legend Holding Finishes Buying BIL.** Legend Holding announced that it completed the acquisition of 89.936% issued share capital in Banque Internationale Luxembourg S.A. At closing, Legend Holding paid the seller a cash consideration in the sum of EUR1.534 billion, equivalent to approximately RMB11.74 billion. [AASocks]

## V. Overnight Market Recap

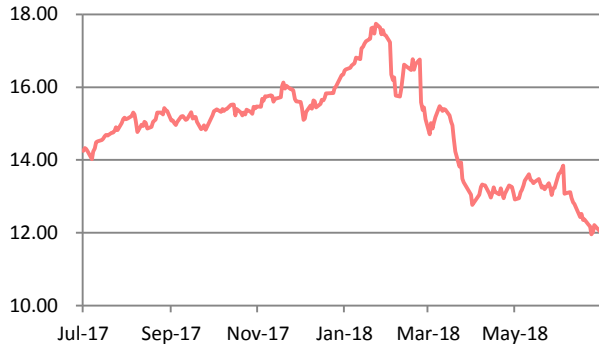
	Close	Net Chg	Chg (%)	Performance (%)						
				1W	1M	3M	6M	1Y	YTD	
US Equity	S&P 500	2,713	(13.5)	(0.5)	(0.4)	(1.2)	2.6	(0.4)	11.7	1.5
	Dow Jones	24,175	(132.4)	(0.5)	(0.4)	(2.6)	(0.4)	(3.6)	12.5	(2.2)
	Nasdaq Composite	7,503	(65.0)	(0.9)	(0.8)	(1.4)	6.5	6.0	22.8	8.7
	Russell 2000	1,660	5.3	0.3	(0.5)	0.4	8.4	6.7	16.4	8.1
	VIX Index	16.14	0.5	3.5	1.4	26.7	(19.5)	75.1	43.9	46.2
Europe Equity	Euro Stoxx 50	3,406	34.1	1.0	1.1	(1.8)	2.0	(4.6)	(2.1)	(2.8)
	DAX	12,349	111.0	0.9	0.9	(3.3)	3.3	(6.2)	(0.7)	(4.4)
	CAC	5,317	40.0	0.8	0.7	(2.9)	3.4	(1.8)	2.7	0.1
	FTSE 100	7,593	45.4	0.6	0.7	(1.9)	8.0	(1.3)	3.2	(1.2)
APAC Equity	HSI	28,546	(409.5)	(1.4)	(1.4)	(7.9)	(3.3)	(7.1)	12.4	(4.6)
	HSCEI	10,872	(200.8)	(1.8)	(3.0)	(11.2)	(8.3)	(10.9)	5.5	(7.1)
	HSI VIX	22.97	2.5	12.3	12.4	35.6	(11.3)	67.8	64.1	57.3
	CSI 300	3,409	1.3	0.0	(3.5)	(10.5)	(11.6)	(17.4)	(5.8)	(15.4)
	SH Composite	2,787	11.3	0.4	(2.0)	(9.8)	(11.0)	(17.7)	(12.4)	(15.7)
	SZ Composite	1,594	12.0	0.8	(0.1)	(8.8)	(13.0)	(17.9)	(15.9)	(16.1)
	Nikkei 225	21,786	(26.4)	(0.1)	(2.5)	(3.6)	1.6	(7.9)	8.1	(4.9)
KOSPI	2,273	1.2	0.1	(3.3)	(7.1)	(5.6)	(7.8)	(4.5)	(7.8)	
Commodities (USD)	Brent (Future)	77.76	0.5	0.6	1.9	3.3	14.3	14.3	56.8	16.3
	WTI (Future)	74.14	0.2	0.3	5.1	15.2	17.7	20.3	58.4	23.4
	Gold	1,253	10.7	0.9	(0.5)	(2.8)	(5.8)	(5.1)	2.7	(3.6)
	Copper (Future)	6,491	(32.0)	(0.5)	(3.3)	(5.9)	(4.5)	(9.2)	9.5	(10.4)
	Baltic Dry Index	1,422.00	37.0	2.7	7.5	19.2	45.5	6.0	63.3	4.1
FX	Dollar Index	94.59	(0.3)	(0.3)	(0.1)	0.5	4.9	2.6	(1.7)	2.7
	EUR	1.17	0.0	0.2	0.1	(0.3)	(5.0)	(3.3)	2.8	(2.8)
	JPY	110.59	(0.3)	(0.3)	0.5	(0.5)	(3.3)	2.1	2.6	2.1
	CNY	6.64	(0.0)	0.4	(1.0)	(3.5)	(5.3)	(2.1)	2.4	(2.0)
	CNH	6.67	(0.0)	(0.3)	1.3	(3.9)	(5.7)	(2.6)	2.1	(2.3)
CDS	ChinaGov CDS	69.15	(1.5)	(2.1)	11.5	23.7	9.6	39.3	(0.6)	38.0
	CDX Emerging Market	96.15	0.2	0.2	(0.1)	(0.8)	(2.2)	(3.2)	0.7	(3.0)

	Close	Net Chg	Chg (%)	Value						
				1W	1M	3M	6M	1Y	YTD	
US rates	3-Month Treasury Yield	1.96	0.0	1.9	1.9	1.9	#N/A	1.4	1.0	1.4
	2-Year Treasury Yield	2.52	(0.0)	(1.0)	2.5	2.5	#N/A	1.9	1.4	1.9
	5-Year Treasury Yield	2.72	(0.0)	(1.2)	2.7	2.8	#N/A	2.2	1.9	2.2
	10-Year Treasury Yield	2.83	(0.0)	(1.4)	2.8	2.9	#N/A	2.4	2.3	2.4
	2-10 Spread	30.08	(1.8)	(5.6)	32.0	42.2	#N/A	51.2	93.6	51.8
China rates	O/N China Repo Rate	2.32	(0.1)	(3.3)	2.3	2.6	#N/A	2.1	2.7	3.0
	1-Week China Repo Rate	2.50	0.1	4.2	4.0	2.8	#N/A	2.9	2.8	3.1
	O/N SHIBOR	2.42	(0.1)	(3.9)	2.4	2.6	#N/A	2.6	2.7	2.8
	1-Week SHIBOR	2.72	(0.1)	(2.2)	2.8	2.8	#N/A	2.8	2.8	3.0

Source: Bloomberg

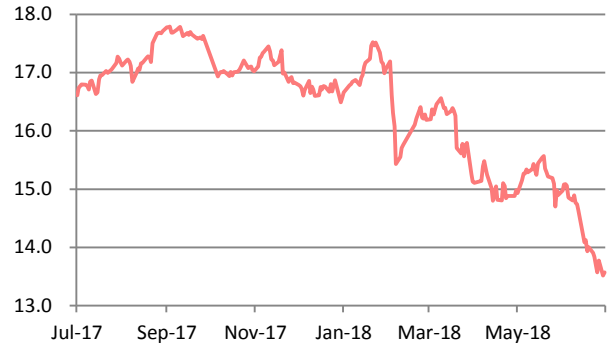
## VI. Key Indicators

**Hang Seng Index PE Ratio**



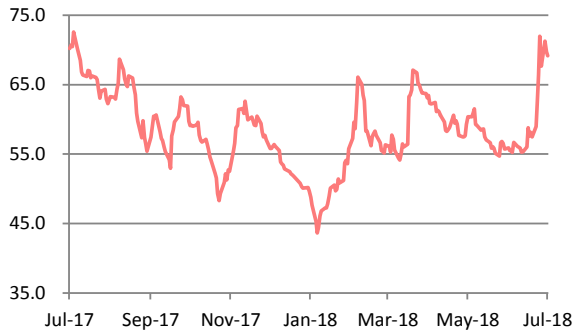
Source: Bloomberg

**Shanghai Composite Index PE Ratio**



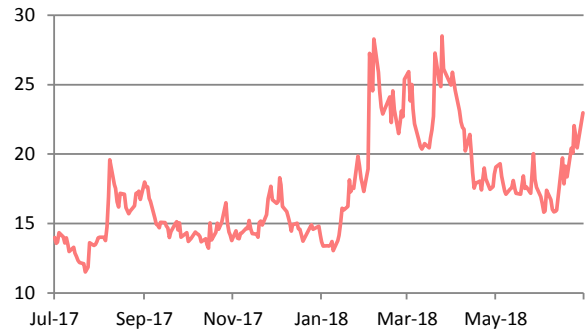
Source: Bloomberg

**China 5Y CDS Index\_USD**



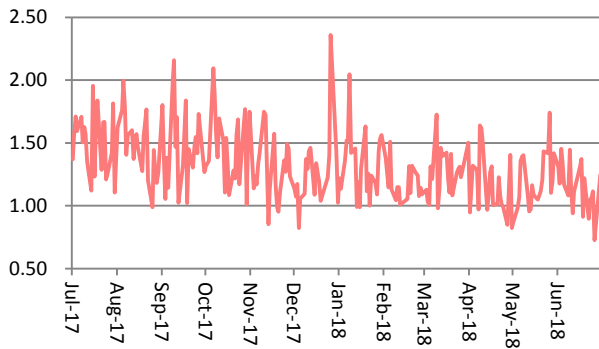
Source: Bloomberg

**Hang Seng Index VIX**



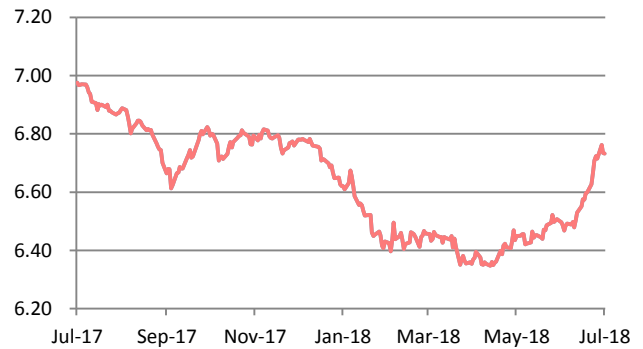
Source: Bloomberg

**Hang Seng Index Put Call Volume Ratio**



Source: Bloomberg

**USDCNH 1Y Forward**



Source: Bloomberg

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