

I. Major Economic Release

Upcoming Economic Release

Economic Indicator	Period	Market Survey	Prior Period
China: Official Manufacturing PMI	Jul	51.3	51.5
UK: GfK Consumer Confidence	Jul	N/A	-9.00
S. Korea: Industrial Production YoY	Jun	N/A	0.90%
Japan: Industrial Production YoY	Jun	N/A	4.20%
Japan: Consumer Confidence	Jul	N/A	43.7

Source: Bloomberg

II. Macro News

- **Russia Reportedly Slashes US Debt.** The US Treasury unveiled that Russian's debt in the US slashed to US\$14.9bn in May from US\$96.1bn in Mar, down c. 84% in two months, CNBC reported. Bond market analyst said the sharp reduction was due to massive bond issue which was rare on American history, instead of Russia selling US debt. [AASocks]
- **Sound industrial profits growth thanks to supply-side reforms.** China's industrial profits grew 17.2 percent in the first half, rising 0.7 percentage points than that of the Jan-May period, according to the National Bureau of Statistics (NBS). Industrial profits rose 20 percent in June, down 1.1 percent from that of May. [China Daily]
- **Greece's Plan to Return to Markets.** Greece is planning a return to the markets in a bid to regain its status as a "normal" country. If the govt. can announce by end of the year its program for tapping the markets in 2019, and repeat this exercise each year for the following 12 months, the plan will have worked, an official familiar with the matter said. The target is for the country to issue no more debt than what matures each year, the official said. [Bloomberg]

III. Industry News

- **S.Korea to Levy Capital Gains Tax on All Stock Index Derivatives.** The government will impose capital gains tax on equity derivatives products linked to all Korean stock indexes, according to its 2018 tax revision plan announced by the finance ministry on Monday. [Bloomberg]
- **\$570B Swaps Stripped From U.K. in European Clearing Plan.** U.K. clearing houses such as LCH.Clearnet may lose derivatives-clearing business after Britain leaves the EU. The bloc's plans to regulate non-EU CCPs' euro-denominated derivatives clearing would divert trading from the U.K., fragment markets and trigger U.S. retaliation. [Bloomberg]
- **Consumption sector rides wave of growth.** Final consumption expenditure's contribution to economic growth reached 78.5% in 1H18 with strong momentum in service consumption, People's Daily reported Monday. Service consumption in sports, health and travel has shown strong momentum and the national residents' per capita expenditure on physical fitness activities, medical, hotels and transportation increased 39.3%, 24.6%, 37.8% and 22.8%, respectively.[China Daily]

IV. Corporate News

- **Samsonite shrugs off short seller attack as it plans to add more stores in Asia-Pacific.** Two months since the surprise short seller attack on Samsonite, which wiped out more than US\$1bn from its market value at end of May, the company says that the incident has had no major impact on its operations and that it was still looking to expand. [SCMP]
- **SAIC Volkswagen to become second JV to produce Audi cars.** SAIC Volkswagen Automotive Co has decided to set up an Audi division, becoming the second joint venture to localize and sell cars with the four-ring emblem in China after FAW-Volkswagen. [China Daily]

- **Daimler, Baidu bolster research partnership in automated driving.** Daimler AG is furthering its partnership with China's internet giant Baidu Inc in automated driving and connected vehicles, consolidating their cooperation in aspects that are believed to be the future of the automotive industry. [China Daily]
- **Didi lowers its offer to acquire Ofo, claims report.** A deal between Chinese bike-sharing startup Ofo and its potential buyer ride-hailing giant Didi Chuxing was stuck in a stalemate as the latter was only offering \$1.5bn and continued to lower the price, according to a report by online technology media platform 36Kr. [China Daily]
- **Cathay Pacific to Cut Jobs in Overseas Operations.** Cathay Pacific Airways plans to cut jobs in its overseas operations as it presses on with restructuring efforts to claw its way back into profitability, South China Morning Post reports. Changes will involve "consolidation" of overseas sales, marketing, cargo and airport-based operations. [Bloomberg]
- **PetroChina Sees Earnings More Than Doubling as Oil Prices Surge.** PetroChina Co. projected 1H profit more than doubled, hitting the highest in more than 3 years as a rally in global crude prices buoyed returns. Net income probably surged between 107% and 122% in first 6 months of 2018 from a year ago, it said in a filing Monday. [Bloomberg]
- **Sinochem Group Unit Files for Hong Kong Initial Public Offering.** Sinochem Energy Co. Ltd., a unit of state-owned Sinochem Group, filed an IPO to the HK stock exchange. For the three months ended March 31, the unit generated revenue of 120bn yuan (\$17.6bn) compared with 106.6 billion yuan in the year earlier period. [Bloomberg]
- **China Comm Cons, China Harbour Win \$1.52b Panama Project.** The consortium of China Communications Construction and China Harbour Engineering won a project to build a bridge over Panama Canal, according to a statement. The project will be completed in 60 months. [Bloomberg]
- **China Tower, Alibaba Said to Discuss Business Cooperation.** The two companies are discussing possible cooperation in sectors including cloud computing and the Internet of Things, Hong Kong Economic Journal reports. Both sides may also explore opportunities in 5G, autonomous driving and new energy. [Bloomberg]
- **BOCHK, JD May Bid for Virtual Bank License With Tencent.** BOC Hong Kong and JD Finance will bid for virtual bank license in Hong Kong; may team up with Tencent in the final bid, Ming Pao reports. Ant Financial may apply for the license alone, and seek cooperation if needed in the future. [Bloomberg]
- **Chalieco Postpones Shanghai IPO Subscription to Aug. 21.** China Aluminum International Engineering Corp Ltd (Chalieco) says the price-to-earnings for its IPO is higher than industry average and that may pose risks to IPO investors, according to a statement to Shanghai stock exchange. [Bloomberg]
- **BMW to Raise SUV Prices in China as Much as 7% Due to Tariffs.** Bayerische Motoren Werke AG will raise the price of some mid-sized sport utility vehicles in China by as much as 7 percent beginning Monday, in a further rippling of the U.S.-China trade war through the global supply of products. [Bloomberg]
- **Samsung Profit Misses Estimates as Smartphone Growth Stalls.** Samsung Electronics Co.'s net income fell short of analysts' estimates as slowing growth in the global smartphone market hits demand for its Galaxy devices, while Chinese rivals ramp up competition to supply displays. [Bloomberg]
- **Xinyi Glass Unaffected by Trade Wars Now, Tariff Costs Transferable to Consumers.** Regarding escalating trade battles, Executive Director Lee Shing Kan said that the company remained unaffected at the current stage and emphasized that it maintained its close ties with the consumers. Besides, Lee opined that the relevant costs would be transferable to the customers in case of increases in duties, while no impacts were experienced in terms of orders. [AAStocks]
- **Agile Group Buys Heyuan Commercial/Residential Site at RMB1.09Billion.** Agile Group announced that it has acquired a commercial and residential site, in gross floor area of 113,000 sq. m., in Heyuan City at total consideration of RMB1.09bn. [AAStocks]
- **Alibaba Senior Mgmt & Directors' Shareholdings Lowered to 9.5%.** As Alibaba disclosed in the 20-F report, the Chairman Jack Ma and Executive Vice Chairman Joseph Tsai holds 6.4% and 2.3% stakes in the company as of 18 July. All directors and executive officers as a group own 9.5% shareholdings. [AAStocks]

V. Overnight Market Recap

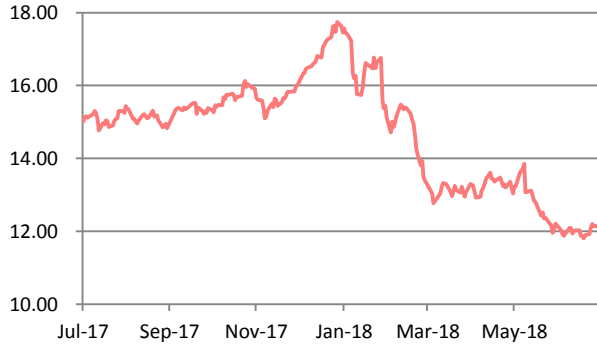
	Close	Net Chg	Chg (%)	Performance (%)						
				1W	1M	3M	6M	1Y	YTD	
US Equity	S&P 500	2,803	(16.2)	(0.6)	(0.2)	3.1	5.8	(0.8)	13.5	4.8
	Dow Jones	25,307	(144.2)	(0.6)	1.0	4.3	4.7	(3.2)	15.6	2.4
	Nasdaq Composite	7,630	(107.4)	(1.4)	(2.7)	1.6	8.0	2.9	20.2	10.5
	Russell 2000	1,653	(10.2)	(0.6)	(2.7)	0.6	7.2	5.0	16.0	7.7
	VIX Index	14.26	1.2	9.4	13.0	(11.4)	(10.5)	5.3	39.0	29.2
Europe Equity	Euro Stoxx 50	3,512	(14.9)	(0.4)	1.7	3.4	(0.7)	(2.7)	1.8	0.2
	DAX	12,798	(62.2)	(0.5)	2.0	4.0	1.5	(3.0)	5.6	(0.9)
	CAC	5,491	(20.5)	(0.4)	2.1	3.1	(0.5)	0.2	7.8	3.4
	FTSE 100	7,701	(0.5)	(0.0)	0.6	0.8	2.6	2.2	4.5	0.2
APAC Equity	HSI	28,733	(71.2)	(0.2)	1.7	(0.8)	(6.7)	(12.6)	5.2	(4.0)
	HSCEI	11,046	(1.1)	(0.0)	2.9	(0.2)	(10.4)	(18.5)	2.0	(5.7)
	HSI VIX	18.39	1.2	6.7	(4.3)	(10.1)	5.3	0.7	36.9	26.0
	CSI 300	3,515	(6.1)	(0.2)	(0.3)	0.1	(6.4)	(17.8)	(6.0)	(12.8)
	SH Composite	2,869	(4.5)	(0.4)	0.3	0.5	(6.9)	(17.6)	(12.3)	(13.4)
	SZ Composite	1,577	(22.3)	(1.5)	(1.6)	(2.1)	(11.2)	(16.0)	(16.1)	(17.1)
	Nikkei 225	22,545	(167.9)	(0.7)	0.7	1.1	0.3	(2.4)	13.1	(1.0)
Commodities (USD)	KOSPI	2,294	(1.5)	(0.1)	1.1	(1.4)	(8.8)	(10.6)	(4.5)	(7.1)
	Brent (Future)	74.97	0.7	0.9	2.6	(5.6)	(0.3)	8.6	42.7	12.1
	WTI (Future)	70.13	1.4	2.1	3.3	(5.5)	2.2	8.2	39.6	16.0
	Gold	1,221	(2.8)	(0.2)	(0.3)	(1.6)	(7.1)	(9.1)	(3.7)	(6.2)
	Copper (Future)	6,250	(47.0)	(0.7)	2.0	(5.7)	(8.2)	(11.3)	(1.2)	(13.8)
FX	Baltic Dry Index	1,676.00	(32.0)	(1.9)	(2.4)	21.0	25.0	45.5	77.2	22.7
	Dollar Index	94.35	(0.3)	(0.3)	(0.3)	(0.1)	2.7	5.8	1.2	2.4
	EUR	1.17	0.0	0.4	0.1	0.6	(3.1)	(5.7)	(1.1)	(2.5)
	JPY	111.04	(0.0)	(0.0)	(0.3)	(0.1)	(1.5)	(1.7)	(0.7)	1.5
	CNY	6.82	0.0	(0.0)	(0.2)	(2.2)	(7.1)	(7.2)	(1.3)	(4.5)
CDS	CNH	6.83	0.0	0.1	0.3	(2.0)	(7.5)	(7.7)	(1.5)	(4.6)
	ChinaGov CDS	57.65	0.8	1.4	(9.2)	(19.1)	0.3	6.6	(10.4)	15.1
	CDX Emerging Market	97.13	(0.1)	(0.1)	0.3	1.2	(0.9)	(2.2)	1.1	(2.0)

	Close	Net Chg	Chg (%)	Value						
				1W	1M	3M	6M	1Y	YTD	
US rates	3-Month Treasury Yield	1.98	(0.0)	(0.0)	2.0	1.9	1.8	1.4	1.1	1.4
	2-Year Treasury Yield	2.66	(0.0)	(0.3)	2.6	2.5	2.5	2.1	1.3	1.9
	5-Year Treasury Yield	2.85	0.0	0.4	2.8	2.7	2.8	2.5	1.8	2.2
	10-Year Treasury Yield	2.97	0.0	0.6	2.9	2.9	3.0	2.7	2.3	2.4
	2-10 Spread	30.74	2.7	9.5	31.1	32.8	45.8	59.2	93.9	51.8
China rates	O/N China Repo Rate	2.17	0.2	8.5	2.3	2.2	2.3	2.5	3.2	3.0
	1-Week China Repo Rate	2.30	(0.3)	(9.8)	2.5	2.9	3.0	3.1	3.4	3.1
	O/N SHIBOR	2.20	(0.1)	(3.8)	2.4	2.6	2.8	2.6	2.8	2.8
	1-Week SHIBOR	2.65	(0.0)	(0.1)	2.7	2.9	3.0	2.8	2.9	3.0

Source: Bloomberg

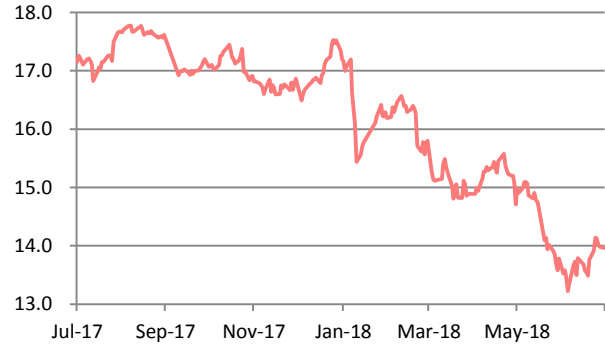
VI. Key Indicators

Hang Seng Index PE Ratio



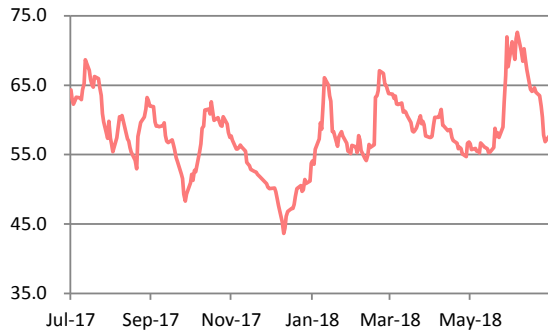
Source: Bloomberg

Shanghai Composite Index PE Ratio



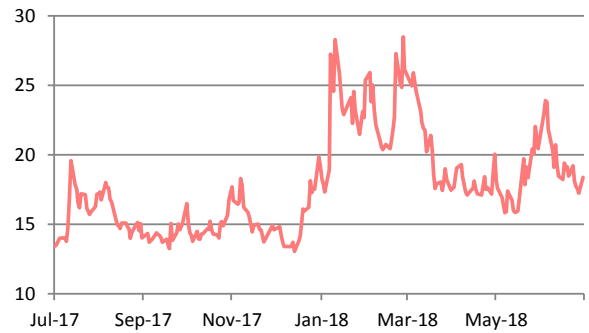
Source: Bloomberg

China 5Y CDS Index_USD



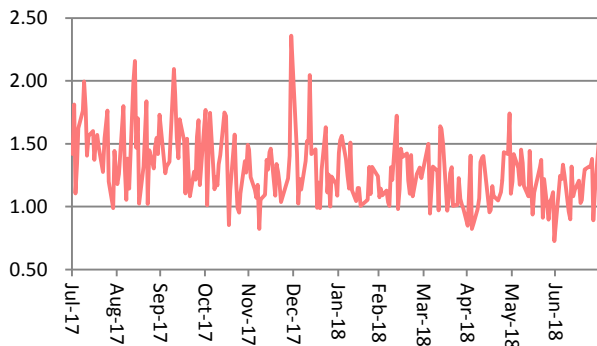
Source: Bloomberg

Hang Seng Index VIX



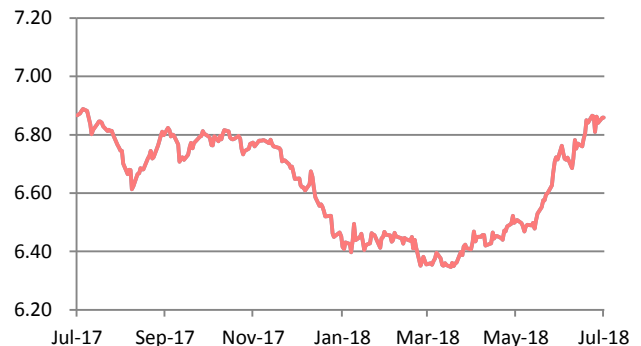
Source: Bloomberg

Hang Seng Index Put Call Volume Ratio



Source: Bloomberg

USDCNH 1Y Forward



Source: Bloomberg

Research

LIU Taisheng, Steven
Head of Research & TMT
(852) 3465 5652
stevenliu@csci.hk

CHAN Ka Yeung, Duncan
Commodity
(852) 3465 5654
duncanchan@csci.hk

TIAN Yang
Automotive
(852) 3465 5775
tianyong@csci.hk

YAO Xue, Snowy
Power & Coal
(852) 3465 5675
snowyyao@csci.hk

SHEN Xiangfei, Thomas
Technology Hardware
(852) 3465 8689
thomasshen@csci.hk

XU Qiwen
Consumer Discretionary
(852) 3465 8690
xuqiwen@csci.hk

Institutional Sales & Trading

XIANG Xinrong, Ron
Head of IST
(852) 3465 5633
ronxiang@csci.hk

HO Wen Hao, Jack
(852) 3465 5685
jackho@csci.hk

WANG Zhuo, Gary
(852) 3465 8655
wangzhuo@csci.hk

LEE Ying Ju, Rose
(852) 3465 5707
roselee@csci.hk

XIA Tian
(852) 3465 5670
xiatian@csci.hk

XU Xiaowei, Vincent
(852) 3465 5795
vincentxu@csci.hk

CHAU Manying, Angel
(852) 3465 5781
angelchau@csci.hk

LIU Honglin, Charlene
(852) 3465 8686
charleneliu@csci.hk

Disclosure of Interests

As of the date of this report,

1. The research analysts primarily responsible for the preparation of all or part of this report hereby certify that:
 - (i) the views expressed in this research report accurately reflect the personal views of each such analyst about the subject securities and issuers; and
 - (ii) no part of the analyst's compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.
2. The research analysts primarily responsible for the preparation of all or part of this report, or his/her associate(s), do not have any interest (including any direct or indirect ownership of securities, arrangement for financial accommodation or serving as an officer) in any company mentioned in this report,
3. This report has been produced in its entirety by China Securities (International) Brokerage Company Limited ("China Securities (International)") (CE Number: BAU373, regulated by the Securities and Futures Commission in Hong Kong)
4. China Securities (International) and each of its group companies that carry on a business in Hong Kong in investment banking, proprietary trading or agency broking in relation to securities have no financial interest, in aggregate, equal to or more than 1% of the market capitalization in the stocks reviewed in this report.
5. China Securities (International) and each of its group companies that carry on a business in Hong Kong in investment banking, proprietary trading or agency broking in relation to securities may receive compensation from or mandates for investment banking services in the past 12 months from listed corporations whose stocks are being reviewed by China Securities (International) in this report.
6. China Securities (International) and each of its group companies that carry on a business in Hong Kong in investment banking, proprietary trading or agency broking in relation to securities do not have any individual employed by or associated with them serving as an officer of a listed corporation whose stocks are being reviewed by China Securities (International) in this report.
7. China Securities (International) and each of its group companies that carry on a business in Hong Kong in investment banking, proprietary trading or agency broking in relation to securities may act as the market makers in the stocks reviewed by China Securities (International) in this report.

Disclaimer

This report is for information purposes only and should not be construed as an offer to sell or to solicitation of an offer to buy or sell any securities in any jurisdiction. The securities referred to in this research report to in this research report may not be eligible for sale in some jurisdictions. This information contained in this report has been compiled by China Securities (International) from sources that it believes to be reliable and the opinions, analysis, forecasts, projections and expectations contained in this report are based on such information and are expressions of belief only and no representation, warranty or guarantee is made or given by China Securities (International) or any its accuracy or completeness. All opinions and estimates expressed in this report are (unless otherwise indicated) entirely those of China Securities (International) as of the date of this report only and are subject to change without notice. Such opinions and estimates may be different from or contrary to the opinions presented by the other business departments, units or affiliates of China Securities (International), as different assumptions and standards, different views and analytical methods may be adopted in the preparation of such other materials, and China Securities (International) is under no obligation to bring such other materials to the attention of any recipient of this report. Neither China Securities (International) nor its holding companies and affiliates accept any liability whatsoever for any direct or consequential loss arising from any use of material contained in this report or otherwise arising in connection therewith.

Any investment referred to herein may involve significant risk, may be illiquid and may not be suitable for all investors. The value of or income from any investment referred to herein may fluctuate and be affected by changes in exchange rates. Past performance is not indicative of future results. This report does not take into account the investment objectives, financial situation or particular needs of any particular person. Investors are expected to make their own investment decision without relying on this publication. Before entering into any transactions in any securities referred to in this research report investor should consider their own individual investment objectives and financial situation and seek professional financial, tax and legal advice, as necessary.

This report is strictly confidential to the recipient. It is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose. The distribution of this report in other jurisdictions may be restricted by law, and persons into whose possession this report comes should inform themselves about, and observe, any such restrictions. By accepting this report you agree to be bound by the foregoing instructions.

China Securities (International) Research

18/F, Two Exchange Square, Central, Hong Kong

Tel: (852) 34655600 Fax: (852)21809495