



I. Major Economic Release

Upcoming Economic Release

Economic Indicator	Period	Market Survey	Prior Period
US: JOLTS Job Openings	Jun	N/A	6638
Japan: Household Spending YoY	Jun	-1.30%	-3.90%
Japan: Labor Cash Earnings YoY	Jun	1.80%	2.10%
Germany: Industrial Production YoY	Jun	N/A	3.10%
Taiwan: Exports / Imports YoY	Jul	N/A	9.40%/15.4%

Source: Bloomberg

II. Macro News

- **China's Current Account Returns to Surplus on Trade Rebound.** China's current account returned to a surplus in the 2Q of the year, with a rebound in the goods trade making up for the continued deficit in services trade and income from overseas. The current-account balance stood at \$5.8bn in the 2Q, according to a SAFE report on Monday. [Bloomberg]
- **German Factory Orders Slump in June.** German factory orders slid in June as demand from abroad slumped, signaling that concerns over escalating trade tensions may be starting to harm Europe's largest economy. Orders dropped 4% from the previous month, when they rose 2.6%, the Economy Ministry in Berlin said Monday. [Bloomberg]
- **Indonesia Posts Best Growth Since 2013 But 7% Goal Elusive.** The Indonesian economy is offering some cheer to President Joko Widodo as he gears up to run for a second term, but he's still got a long way to meet his growth promises. GDP rose 5.3% in the second quarter from a year earlier, the statistics bureau said in Jakarta on Monday. [Bloomberg]

III. Industry News

- **China Tightens Controls to Slow Currency's Fall.** China has tightened controls on trading in its yuan to discourage speculators after a decline against the dollar amid a tariff dispute with Washington fueled fears of a damaging outflow of capital. Traders must post a 20% deposit starting Monday for contracts to buy or sell yuan on a future date. [Bloomberg]
- **SGX to Amend Listing Rules To Strengthen Corporate Governance.** Singapore Exchange will make amendments to its listing rules after Monetary Authority of Singapore's accepted Corporate Governance Council's recommendations to amend the Code of Corporate Governance and the rules, according to filing. [Bloomberg]
- **Forex Risk Provision Collection Not Capital Control.** The PBoC announced earlier to adjust the foreign exchange risk provision rate on forward foreign exchange selling from 0 to 20% with effect from 6 Aug. According to the spokesperson, such collection of risk provision is not setting scale restriction to exchange surrendering, options and swap transactions, as there is no approval requirement or bans on enterprises to have such transactions. [AASStocks]

IV. Corporate News

- **Higher fuel costs to drag Cathay Pacific's earnings as HK carrier presses on with cost-cutting to return to profitability.** Higher fuel costs are expected to slow Cathay Pacific Airways' return to profitability, with the airline sending mixed signals on its performance ahead of its half-year results, to be unveiled on Wednesday. [SCMP]
- **HSBC reports 5pc jump in 1H profits as it puts new strategy in play to boost its game.** HSBC said on Monday its earnings for the 1H of the year rose 5% as Chief Executive John Flint begins to implement his strategy to reinvigorate the lender. It reported a profit of US\$8.4bn in first six months of 2018. That compared with a profit of US\$8bn in 1H17. [SCMP]

- **Hang Seng Bank beats expectations to report 29 per cent increase in interim profit.** Hang Seng Bank, a subsidiary of HSBC, Hong Kong's largest bank, on Monday reported a better than expected increase in net profit for the first half of 2018, which rose by 29 per cent thanks to higher interest and fee income. [SCMP]
- **Standard Chartered Bank sees virtual bank licence as ticket to new business worldwide.** Standard Chartered Bank sees its decision to apply for a virtual banking licence in Hong Kong, the first traditional bank in the city to do so, as opening up new areas of growth both in the city and overseas. [SCMP]
- **Brilliance China 1H May Beat Estimate, JV Details Key.** Brilliance China's 1H earnings may beat consensus based on BMW's 2Q results, though recent share trading suggests shareholders require further clarity on ownership of its JV with BMW, Bernstein says. [Bloomberg]
- **Google Is Said in Talks With Tencent, Inspur for China Cloud.** Google's plans for China are even more ambitious than previously understood. The internet giant is in talks with Tencent Hldgs, Inspur Group and other Chinese cos to offer its cloud services in the world's second-largest economy, according to people familiar with the discussions. [Bloomberg]
- **GCL-Poly's \$1.9 Billion Unit Sale to Shanghai Electric Nixed.** China's GCL-Poly Energy Holdings Ltd. and Shanghai Electric Group Co. terminated plans for the renewable energy company to sell the utility a controlling stake in a polysilicon unit worth about \$1.9 billion. [Bloomberg]
- **iPhone Chipmaker Races to Recover From Computer Virus.** Taiwan Semiconductor Manufacturing Co., which makes chips for the iPhone and other devices, detailed its progress in recovering from a debilitating computer virus and warned of delayed shipments and reduced revenue because of the impact on its factories. [Bloomberg]
- **HK jeweller TSL targets China's middle class in expansion drive, unswayed by weaker yuan and trade tensions.** Tse Sui Luen Jewellery Int'l is betting on China's rising middle class to expand in the face of a weakening yuan and trade war fears. The firm plans to add 100 stores in China over next two years to its existing network of 387 shops. [Bloomberg]
- **Daimler Is Said in Talks to Make Electric Smart Cars in China.** Daimler AG is planning to manufacture battery-powered Smart cars in China with a local partner. The German luxury-car maker is in talks to set up a new JV with Beijing Electric Vehicle Co., a unit of its long-time Chinese partner Beijing Automotive Group Co., to make Smart Evs. [Bloomberg]
- **HSBC to Pay \$765M to U.S. DOJ as Civil Money Penalty on RMBS.** HSBC reached a settlement-in-principle in July to resolve the DOJ's civil claims of its investigation of HSBC's legacy RMBS origination and securitization activities from 2005 to 2007, the bank says in its 1H earnings statement to Hong Kong stock exchange. [Bloomberg]
- **U.S. LNG Seen Uncompetitive to China After 25% Import Tariff.** China's proposed 25% import tax on U.S. liquefied natural gas will lift prices by about \$2/mmbtu, making it uncompetitive relative to pipeline gas and oil-linked LNG, Bernstein analysts including Neil Beveridge say in a note. [Bloomberg]
- **China Vanke posts 12pc sales growth.** China Vanke said sales for the first seven months rose 12% from a year earlier to 349.8bn yuan (HK\$401.82bn). The Chinese real estate developer had an accumulated contract sales area of 23,422,000 square meters for the seven-month period. It has acquired 33 new projects during the period. [The Standard]
- **China Exim Bank's B&R loans up 37% in H1.** The Export-Import Bank of China said its outstanding loans for the Belt and Road Initiative rose 37% YoY from a year ago by end of June. Special loans, totaling 130bn yuan, for projects discussed in the Belt and Road Forum for Int'l Cooperation last year, have all been clinched in agreements. [China Daily]
- **China Unicom, AliCloud team up.** China United Network Communications Group Co Ltd, the country's second-largest telecom carrier by mobile subscribers, unveiled a joint venture with Ali-Cloud, the cloud computing arm of Alibaba Group Holding Ltd, on Friday, aiming to better tap into cloud business opportunities. [China Daily]
- **Rusal 1H18 Profit Up 1x to US\$950M, Nil Div.** Rusal announced in interim results ended June 2018 that net profit was US\$952mn, up 1.03 times yearly. EPS equaled US6.27 cents. No dividend was declared. During the period, revenue grew 4.89% yearly to US\$4.997bn, while gross profit margin improved from 27% to 27.9%. [AASocks]

V. Overnight Market Recap

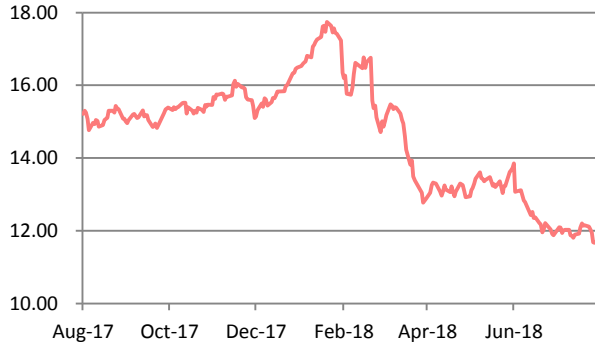
	Close	Net Chg	Chg (%)	Performance (%)						
				1W	1M	3M	6M	1Y	YTD	
US Equity	S&P 500	2,850	10.1	0.4	1.7	3.3	6.7	6.3	14.9	6.6
	Dow Jones	25,502	39.6	0.2	0.8	4.3	4.7	2.4	15.3	3.2
	Nasdaq Composite	7,860	47.7	0.6	3.0	2.2	8.2	11.5	23.1	13.9
	Russell 2000	1,684	10.9	0.7	1.9	(0.6)	6.7	11.7	19.1	9.7
	VIX Index	11.27	(0.4)	(3.2)	(21.0)	(15.7)	(23.6)	(59.4)	13.5	2.1
Europe Equity	Euro Stoxx 50	3,483	0.9	0.0	(0.8)	1.0	(2.3)	0.8	(0.6)	(0.6)
	DAX	12,598	(17.6)	(0.1)	(1.6)	0.8	(2.7)	0.1	2.8	(2.5)
	CAC	5,477	(1.8)	(0.0)	(0.3)	1.9	(1.0)	4.2	5.2	3.1
	FTSE 100	7,664	4.7	0.1	(0.5)	0.6	1.3	5.3	1.8	(0.3)
APAC Equity	HSI	27,820	143.2	0.5	(3.2)	(1.8)	(7.3)	(8.3)	0.5	(7.0)
	HSCEI	10,702	8.2	0.1	(3.1)	0.7	(10.6)	(13.9)	(3.2)	(8.6)
	HSI VIX	19.41	(0.8)	(3.8)	5.5	(11.3)	0.5	(24.5)	38.4	32.9
	CSI 300	3,273	(42.0)	(1.3)	(6.9)	(2.7)	(14.6)	(19.2)	(12.2)	(18.8)
	SH Composite	2,705	(35.3)	(1.3)	(5.7)	(1.5)	(13.8)	(18.3)	(17.5)	(18.2)
	SZ Composite	1,455	(31.0)	(2.1)	(7.7)	(5.3)	(20.1)	(15.1)	(22.3)	(23.4)
	Nikkei 225	22,507	(17.9)	(0.1)	(0.2)	3.3	0.2	4.0	12.2	(1.1)
KOSPI	2,287	(1.2)	(0.1)	(0.3)	0.6	(7.1)	(4.6)	(4.7)	(7.3)	
Commodities (USD)	Brent (Future)	73.75	0.5	0.7	(1.6)	(4.4)	(1.5)	10.3	40.7	10.3
	WTI (Future)	69.01	0.5	0.8	(1.6)	(6.6)	(2.6)	11.5	39.5	14.0
	Gold	1,208	(7.3)	(0.6)	(1.1)	(3.9)	(8.0)	(8.3)	(3.9)	(7.2)
	Copper (Future)	6,133	(73.0)	(1.2)	(1.9)	(2.4)	(10.2)	(13.3)	(3.8)	(15.4)
	Baltic Dry Index	1,773.00	17.0	1.0	4.1	9.3	28.1	61.6	71.1	29.8
FX	Dollar Index	95.36	0.2	0.2	1.1	1.5	3.0	6.4	1.9	3.5
	EUR	1.16	(0.0)	(0.1)	(1.3)	(1.6)	(3.1)	(5.8)	(2.0)	(3.7)
	JPY	111.40	0.2	0.1	0.3	(0.4)	(2.0)	(1.8)	(0.5)	1.2
	CNY	6.85	0.0	(0.4)	(0.6)	(3.1)	(7.1)	(8.2)	(1.9)	(5.1)
	CNH	6.87	0.0	0.3	0.6	(3.5)	(7.4)	(8.0)	(2.0)	(5.1)
CDS	ChinaGov CDS	61.69	(0.0)	(0.0)	7.0	(11.7)	2.2	5.2	(2.3)	23.2
	CDX Emerging Market	96.90	(0.1)	(0.1)	(0.2)	0.0	(0.6)	(2.2)	0.6	(2.2)

	Close	Net Chg	Chg (%)	Value						
				1W	1M	3M	6M	1Y	YTD	
US rates	3-Month Treasury Yield	2.01	0.0	0.3	2.0	1.9	1.9	1.5	1.1	1.4
	2-Year Treasury Yield	2.65	0.0	0.1	2.7	2.5	2.5	2.1	1.4	1.9
	5-Year Treasury Yield	2.80	(0.0)	(0.3)	2.8	2.7	2.8	2.5	1.8	2.2
	10-Year Treasury Yield	2.94	(0.0)	(0.3)	3.0	2.8	3.0	2.8	2.3	2.4
	2-10 Spread	29.02	(1.1)	(3.8)	28.6	28.1	46.2	69.1	89.8	51.8
China rates	O/N China Repo Rate	1.70	(0.2)	(9.1)	2.0	1.9	2.5	2.6	2.8	3.0
	1-Week China Repo Rate	2.30	0.1	4.5	2.6	3.5	2.5	2.7	2.9	3.1
	O/N SHIBOR	1.82	(0.0)	(1.6)	2.1	2.0	2.6	2.5	2.7	2.8
	1-Week SHIBOR	2.47	(0.1)	(2.2)	2.6	2.6	2.8	2.8	2.9	3.0

Source: Bloomberg

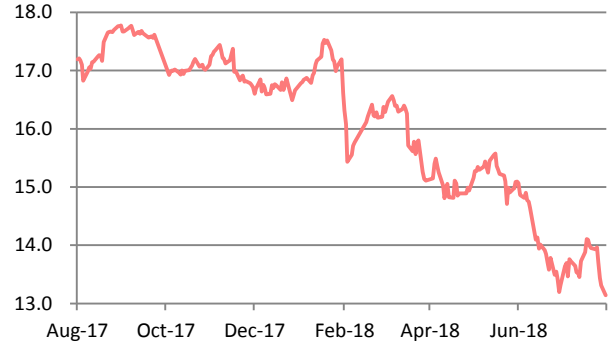
VI. Key Indicators

Hang Seng Index PE Ratio



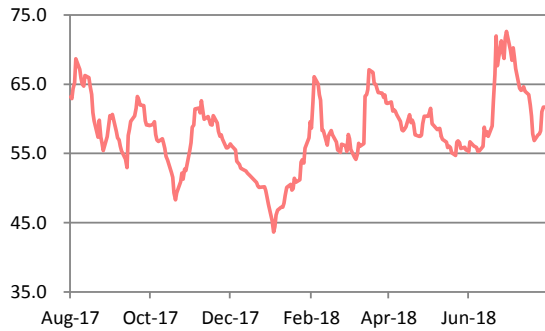
Source: Bloomberg

Shanghai Composite Index PE Ratio



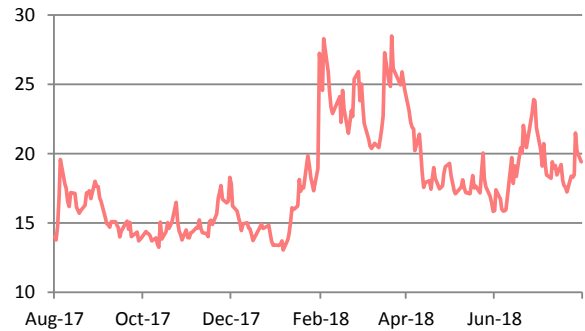
Source: Bloomberg

China 5Y CDS Index_USD



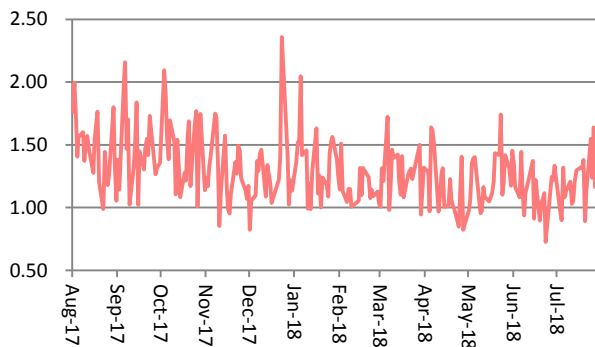
Source: Bloomberg

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