

I. Major Economic Release

Upcoming Economic Release

Economic Indicator	Period	Market Survey	Prior Period
US: Trade Balance	Nov	-54bn	-55.5bn
Eurozone: CPI EU Harmonized MoM	Dec	0.0%	-0.5%
Germany: Industrial Production SA MoM	Nov	0.5%	-0.5%
China: CPI YoY	Dec	2.1%	2.2%

Source: Bloomberg

II. Macro News

- **China, US will 'come up with something' to defuse trade war, Hong Kong scholar predicts.** Beijing and Washington are expected to reach a "concrete" trade agreement before March's deadline to de-escalate trade tensions between the world's two biggest economies, according to a Hong Kong scholar with close ties to Beijing. [SCMP]
- **U.K. Economy Under Pressure as Brexit Deadline Approaches.** Data showed the housing market had its worst 12 months since 2013 last year, consumers remained reticent about borrowing and a gauge of services, the largest part of the economy, stayed sluggish. The latter report, combined with measures of construction and manufacturing, indicates growth may have slowed to 0.1 percent in the final quarter of last year, according to IHS Markit. [Bloomberg]
- **Eurozone inflation at eight-month low.** Official figures show that falling oil prices reduced inflation in the 19-country eurozone in December to its lowest in eight months. Consumer prices were up 1.6% in the year to December, down from the previous month's 1.9% and the lowest since April. Analysts had expected a decline to 1.8%. [The Standard]

III. Industry News

- **PRC Dec 18 Forex Reserves Up Over US\$11B MoM.** The PBoC announced that the foreign currency reserves amounted to US\$3.072712 trillion, up US\$11.015 billion monthly, as of December 2018, which beat the consensus and marked the second straight month of uptrend. [AASocks]
- **SFC New Chair: to Sustain Front-loaded Regulatory Approach, Deepen CN-HK Regulatory Cooperation.** Lui Tim Leung, the new Chairman of the Securities and Futures Commission, said the front-loaded regulatory approach was proved effective in market improvement. Given close-knit China-Hong Kong relations, Lui pledged that SFC will boost its technical exchange with the China Securities Regulatory Commission. [AASocks]
- **Saudi Banks Set for 4-Year High Growth as Rates Offset Oil.** Saudi Arabian banks may report double-digit earnings growth this year as rising interest rates and increased government spending offset the risk of higher bad-debt charges. The government's 2019 budget increased spending in the face of plunging oil prices, casting doubt on whether the kingdom will hit its fiscal-deficit targets. [Bloomberg]

IV. Corporate News

- **As Brexit debate begins, Hong Kong financial firms seek to avoid being tripped up by UK divorce from EU.** HSBC and Standard Chartered, two of the three lenders that issue bank notes in HK and important drivers of the city's economy, are among those that have been planning for Brexit since the referendum in Britain two and a half years ago. [SCMP]
- **Huawei unveils cutting edge chips and servers aimed at handling big data and AI tasks.** Huawei Technologies on Monday unveiled a new self-designed CPU and server series, which it says sets new standards in terms of big data capacity and distributed storage. [SCMP]

- **Debt-laden conglomerate HNA sells space in Shanghai tower to Singapore's CapitaLand for US\$400mn.** The Chinese debt-laden aviation-to-finance conglomerate HNA Group has sold 70 per cent of space in a Shanghai office building to Singapore property giant CapitaLand for 2.75bn yuan (US\$400.5mn), CapitaLand said on Monday. [SCMP]
- **Lenovo's chairman says worst is over and 'intelligent transformation' set to reap rewards.** Chairman Yang Yuanqing believes the worst is over for Lenovo, which has spent the past few years refocusing on mobile and smart devices, as well as its data centre services, in what the co has called an "intelligent transformation" to capitalise on rapid growth of the internet of things market globally, as well as the wider adoption of AI and automation. [SCMP]
- **Record high sales at Chinese developer Vanke, which unveiled 'to survive' slogan, in 2018.** China Vanke said it generated 606.95bn yuan in sales last year, a record high for the company. Vanke said contracted sales in Dec were up by 8% versus the previous month, generating 63.01bn yuan, according to a filing with the HK stock exchange. [SCMP]
- **Tesla breaks ground on gigafactory in Shanghai.** Tesla's Chinese factory has broken ground in Shanghai, Securities Times reported Monday. According to the news outlets, the gigafactory is the largest foreign investment on record in Shanghai, and the first phase of factory will produce around 250,000 vehicles a year, including Tesla's Model 3. [China Daily]
- **Qatar Airways buys stake in China Southern.** China Southern Airlines Co, the largest airline by fleet size in Asia, said that Qatar Airways Group now holds a 5 percent stake in the company by acquiring 14,600 of its total issued shares. The shares purchased include 8,600 Shanghai-listed A shares acquired through the Shanghai-Hong Kong Stock Connect facility and 6,000 Hong Kong-listed H shares. [China Daily]
- **Report says China Development Bank to bail out Hong Kong Airlines.** China Development Bank is willing to bail out troubled local carrier Hong Kong Airlines by providing US\$550 million (HK\$4.3 billion) in funds to cover its debts, according to REDD Intelligence, citing sources. [The Standard]
- **WeLab Listing Application Lapses.** According to HKEX, the listing application submitted by WeLab earlier has lapsed. The company will need to submit new application for its IPO plan. WeLab has postponed its IPO plan due to market volatility, foreign media reported. [AASocks]
- **Sun Kong Hldgs Public Offering 42.4x Over-subscribed; Priced at \$0.6.** Sun Kong Holdings announced that the public offering reported 42.4 times of over-subscription. One-lot success rate was 18%. The offer price is fixed at \$0.6, the median of the offer price range (\$0.5-0.7). Net proceeds will be about \$34.8 mn. [AASocks]
- **HNA Has 3 Plans to Settle Debt; HNA: In Normal Operation.** Hong Kong Airlines issued a statement saying the company is in normal operation, and will reserve its right to take legal action against rumormongers. The airline is now having three debt repayment plans: issuing panda bonds for refinancing; seeking disposal of one-third of its equity interest for US\$250-300mn; and not ruling out debt collection from HNA for US\$730mn notes. [AASocks]
- **Xiaomi-W Buys 0.48% Stake in TCL Corp., Hails Strategic Tie-up Deal.** Xiaomi-W announced that it had acquired 65.169 million shares of TCL Corp. on secondary market through Shenzhen Stock Exchange as of 4 January 2019, accounting for 0.48% of the total share capital of TCL Corp. [AASocks]
- **Geely Auto 2018 Total Sales Grow 20% to 1.501M Units; 2019 Target at 1.51M Units.** Geely Auto announced that the total sales volume for the year of 2018 was 1.5008mn units, an increase of approximately 20% from the same period last year, and achieving 95% of the Group's full year sales volume target of 1.58mn units in 2018. [AASocks]
- **Dongfeng Group Dec 2018 Auto Production/ Sales Volume Down 27.3%/ 10.4%.** Dongfeng Group announced that for December 2018, the total auto production and sales volume aggregated 253,900 units and 308,200 units, down 27.27% and 10.37% yearly. [AASocks]
- **Sinopec: 2018 Refined Oil Sales Volume 8.1% Above Annual Target.** Sinopec announced on its official website that refined oil sales company has in 2018 achieved a total volume of 40.15 million tonnes, 8.1% ahead of the annual target and surmounting 40 million tonnes for the first time on record. [AASocks]

V. Overnight Market Recap

	Close	Net Chg	Chg (%)	Performance (%)						
				1W	1M	3M	6M	1Y	YTD	
US Equity	S&P 500	2,550	17.8	0.7	2.6	(3.2)	(11.6)	(7.6)	(7.2)	1.7
	Dow Jones	23,531	98.2	0.4	2.0	(3.5)	(11.2)	(3.8)	(6.9)	0.9
	Nasdaq Composite	6,823	84.6	1.3	3.6	(2.1)	(11.8)	(11.2)	(4.7)	2.8
	Russell 2000	1,405	24.6	1.8	5.0	(3.0)	(13.8)	(17.0)	(10.0)	4.2
	VIX Index	21.40	0.0	0.1	(24.5)	(7.9)	44.4	60.1	124.8	(15.8)
Europe Equity	Euro Stoxx 50	3,034	(8.2)	(0.3)	1.6	(0.8)	(8.3)	(12.0)	(16.1)	1.1
	DAX	10,748	(19.9)	(0.2)	3.5	(0.4)	(10.0)	(14.0)	(19.6)	1.8
	CAC	4,719	(18.0)	(0.4)	0.9	(2.0)	(11.0)	(12.2)	(14.0)	(0.2)
	FTSE 100	6,811	(26.5)	(0.4)	1.1	0.5	(5.8)	(10.6)	(11.5)	1.2
APAC Equity	HSI	25,836	209.7	0.8	(0.0)	(0.9)	(1.4)	(8.8)	(16.4)	(0.0)
	HSCEI	10,124	94.2	0.9	(0.0)	(2.4)	(2.6)	(4.7)	(17.3)	(0.0)
	HSI VIX	22.18	(0.8)	(3.4)	(18.4)	(7.3)	4.2	1.4	65.4	(11.4)
	CSI 300	3,054	18.4	0.6	1.4	(4.0)	(7.2)	(9.2)	(26.6)	1.4
	SH Composite	2,533	18.2	0.7	1.6	(2.8)	(6.8)	(7.8)	(25.7)	1.6
	SZ Composite	1,301	21.9	1.7	2.6	(3.6)	(6.1)	(15.3)	(33.1)	2.6
	Nikkei 225	20,039	477.0	2.4	4.6	(6.7)	(15.0)	(7.2)	(14.7)	1.0
KOSPI	2,037	26.9	1.3	0.4	(1.8)	(9.6)	(10.3)	(18.9)	(0.1)	
Commodities (USD)	Brent (Future)	57.33	0.3	0.5	9.8	(6.5)	(31.3)	(25.2)	(14.9)	7.2
	WTI (Future)	48.52	0.6	1.2	7.0	(7.3)	(34.3)	(33.9)	(21.0)	7.4
	Gold	1,289	3.2	0.2	0.5	3.6	8.6	2.5	(2.3)	0.6
	Copper (Future)	5,923	5.0	0.1	(1.2)	(3.6)	(4.0)	(5.7)	(16.8)	(0.7)
	Baltic Dry Index	1,260.00	(7.0)	(0.6)	(1.5)	(8.2)	(17.6)	(22.3)	(9.0)	(0.9)
FX	Dollar Index	95.67	(0.5)	(0.5)	(0.5)	(0.8)	(0.0)	1.9	3.7	(0.5)
	EUR	1.15	0.0	0.7	0.1	0.9	(0.3)	(2.5)	(4.2)	(0.0)
	JPY	108.72	0.2	0.2	(0.9)	4.4	4.3	2.1	4.1	1.0
	CNY	6.85	(0.0)	0.3	0.4	0.3	1.2	(3.4)	(5.1)	0.4
	CNH	6.85	(0.0)	(0.3)	(0.4)	1.0	1.1	(3.2)	(5.1)	0.4
CDS	ChinaGov CDS	64.91	(1.9)	(2.7)	(0.0)	(5.8)	0.7	(7.1)	43.3	(2.9)
	CDX Emerging Market	95.98	0.3	0.3	0.8	0.7	1.0	(0.9)	(3.5)	0.8

	Close	Net Chg	Chg (%)	Value						
				1W	1M	3M	6M	1Y	YTD	
US rates	3-Month Treasury Yield	2.40	(0.0)	(0.1)	2.4	2.4	2.2	2.0	1.4	2.4
	2-Year Treasury Yield	2.54	0.0	1.9	2.5	2.7	2.9	2.6	2.0	2.5
	5-Year Treasury Yield	2.54	0.0	1.5	2.5	2.7	3.1	2.7	2.3	2.5
	10-Year Treasury Yield	2.70	0.0	1.1	2.7	2.8	3.2	2.8	2.5	2.7
	2-10 Spread	15.14	(2.1)	(12.0)	19.2	13.2	31.7	27.8	52.0	19.2
China rates	O/N China Repo Rate	1.39	0.0	0.7	2.0	2.4	2.5	2.2	2.5	1.0
	1-Week China Repo Rate	2.65	0.7	32.5	2.2	2.6	2.6	2.6	2.7	3.5
	O/N SHIBOR	1.45	(0.2)	(12.2)	2.6	2.4	2.5	2.3	2.5	2.6
	1-Week SHIBOR	2.48	(0.1)	(3.4)	2.9	2.6	2.6	2.7	2.7	2.9

Source: Bloomberg

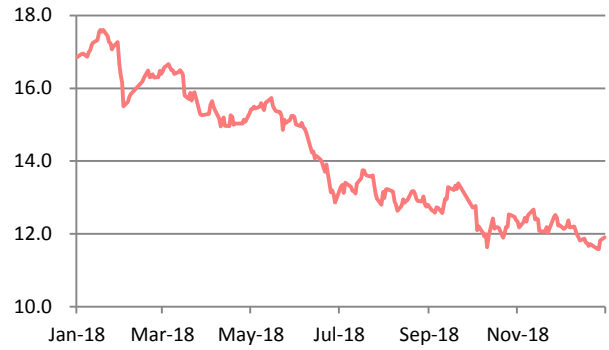
VI. Key Indicators

Hang Seng Index PE Ratio



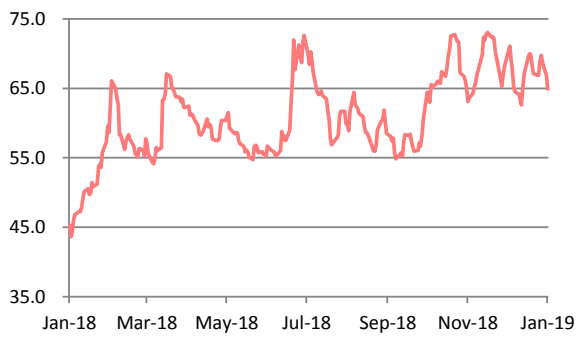
Source: Bloomberg

Shanghai Composite Index PE Ratio



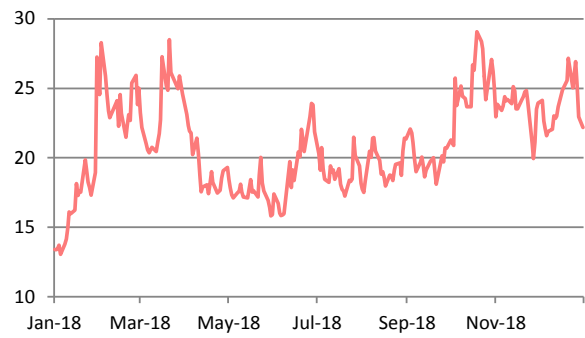
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China 5Y CDS Index_USD



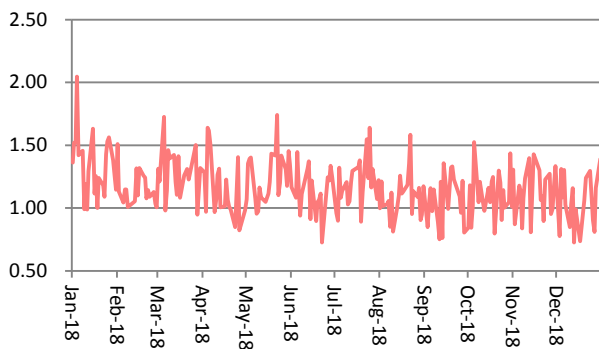
Source: Bloomberg

Hang Seng Index VIX



Source: Bloomberg

Hang Seng Index Put Call Volume Ratio



Source: Bloomberg

USDCNH 1Y Forward



Source: Bloomberg

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China Securities (International) Research

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

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