

## I. Major Economic Release

### Upcoming Economic Release

| Economic Indicator                   | Period | Market Survey | Prior Period |
|--------------------------------------|--------|---------------|--------------|
| US: Initial Jobless Claims           | Jan 5  | 226k          | 231k         |
| Eurozone: Industrial Production MoM  | Nov    | N/A           | -2.5%        |
| U.K.: Industrial Production MoM      | Nov    | 0.2%          | -0.6%        |
| China: Foreign Direct Investment YoY | Dec    | N/A           | -26.3%       |

Source: Bloomberg

## II. Macro News

- **China Says Trade Talks With U.S. Concluded, Both Sides Serious.** China and the U.S. concluded trade talks that were extended by one day, and China will be releasing a statement soon on the result, a government spokesman said in Beijing. The extension shows both sides are serious about negotiations, Chinese foreign ministry spokesman Lu Kang said after more than two days of trade talks. [Bloomberg]
- **China Said to Propose Wider 2019 Fiscal Deficit.** China's Finance Ministry is set to propose a small increase in the targeted budget deficit for this year as officials seek to balance support for the economy with the need to keep control of debt levels. The ministry agreed the proposed deficit target of 2.8% of GDP at its annual work conference in Dec. [Bloomberg]
- **Global Growth to Lose Momentum This Yr, World Bank Says.** The World Bank cut its forecasts for global growth in 2019 and 2020, citing a worsening set of factors from trade tensions to financial-market instability to currency challenges in a number of emerging markets. The bank lowered its semiannual estimate of the global growth rate by 0.1 percentage points in both years, with cuts coming to the outlook for both advanced economies and emerging markets. [WSJ]

## III. Industry News

- **China Rolls On With Tax, Credit Tweaks Amid Sharpening Slowdown.** Late Wednesday, state media announced a package of tax cuts for small and micro-sized businesses, the backbone of the economy, worth 200 billion yuan (\$29 billion) per year over the next three years. [Bloomberg]
- **China Aims to Stimulate Car Sales as First Drop in Decades Looms.** The government will roll out measures to boost consumption of cars and household appliances, National Development Reform Commission Vice Chairman Ning Jizhe told state broadcaster CCTV late Tuesday. [Bloomberg]
- **China's Domestic phone shipments decline.** Domestic phone shipments in China fell 15.6 percent year-on-year to 414 million units in 2018, according to the China Academy of Information and Communications Technology, a scientific research institute directly under the Ministry of Industry and Information Technology. [The Standard]

## IV. Corporate News

- **Apple Asked Suppliers to Cut iPhone Output by 10%.** Apple Inc. told suppliers to cut production of its latest iPhones by about 10% over coming quarter, again trimming its own projections for output of its flagship device, Nikkei reported Wed. The smartphone giant made the request before last week's shock reduction in its sales outlook. [Bloomberg]
- **CK Asset Seeks to Redevelop H.K. Hotel Into Residential Blocks.** Hong Kong developer CK Asset, through its subsidiary, is seeking to redevelop a hotel it owns in the New Territories into two residential towers, according to a document submitted to the city's town planning board. [Bloomberg]

- **HNA Sells Manhattan Tower in Latest Disposal for Indebted Group.** HNA Group Co. sold Manhattan's 850 Third Ave. as the Chinese conglomerate continues to offload assets worldwide to lower its debts and after the transaction faced scrutiny by the U.S. government because of the building's proximity to Trump Tower. [Bloomberg]
- **Tencent Among Cos. Shortlisted for HK Virtual Bank License.** Hong Kong Monetary Authority has notified eight companies that their virtual bank license applications have been shortlisted for the next round of reviews. They include StanChart Hong Kong, ZhongAn Online P&C Insurance, Tencent and Ant Financial. [Bloomberg]
- **Apple CEO Tim Cook Sees Downturn in China as Temporary.** Apple CEO Tim Cook said in a CNBC interview he began to see a slowdown in China in the second half of the year that coincided with rising trade tension with the U.S. and predicted the downturn would be temporary. [Bloomberg]
- **CNPC Resolves Central Asia Gas Supply Disruption; to Cap Prices.** Gas supply from Central Asia to China had recovered to normal levels at 10:05am Wed after a disruption late Monday, CNPC says on Weibo account. The co vows to cap LNG prices this winter at levels no higher than seen earlier in the season to ensure normal market operations. [Bloomberg]
- **Debt-saddled HNA Group sued for HK\$8.3 million in costs relating to surrender of Hong Kong office space.** HNA Group is being sued by its office landlord in Hong Kong's main business district over a debt of about HK\$8.3mn (US\$1.06mn), according to a writ filed with the city's High Court. [SCMP]
- **Tencent takes big step to free WeChat from smartphones.** Tencent Holdings took a big step in extending the use of its ubiquitous WeChat app beyond smartphones, with the introduction of a Siri-like voice assistant that could potentially be deployed by businesses and in smart cars as the battle for growth shifts to industrial uses of the internet. [SCMP]
- **Bitcoin mining rig maker Canaan shelves Hong Kong plan for US listing.** Canaan Creative, China's second biggest maker of bitcoin mining hardware, is considering listing in the United States after shelving plans for a Hong Kong initial public offering, people with knowledge of the matter said. [SCMP]
- **Energy firms at capacity to ensure 'warm' winter.** China Petroleum and Chemical Corp. is pumping 130mn cubic meters of natural gas a day, in an effort to meet demand during the peak winter season. The company vows to supply 18.17 billion cubic meters of natural gas during this heating season, up 17.7% from 2017, with those supplied to the seven northern provinces and municipalities up 29.1% YoY, it said. [China Daily]
- **Legend Holdings to Issue Corporate Bonds Up to RMB3B in PRC.** Legend Holdings announced that it will issue corporate bonds for the year 2019 (tranche 1) with total issue size of not more than RMB3 billion to qualified investors in the PRC during the period from January 11, 2019 to January 15, 2019. [AAStocks]
- **Apple to Slash New iPhone Production by 10% This Quarter.** Apple is trimming its planned production for the three new iPhone models, namely XS, XS Max and XR, by 10% to approximately 40-43 million units during the quarter ended March 2019 from approximately 47-48 million units, the Nikkei cited insiders as saying. [AAStocks]
- **Husky Energy Mulls Disposal of Non-core Downstream Assets.** Canadian oil company Husky Energy under CKH Holdings announced to carry out a strategic assessment and mull to sell the non-core downstream assets, including retail and commercial fuel business of Canada, as well as the refinery of Prince George, with an aim to focus on the core assets in Atlantic Canada and Asia Pacific region. [AAStocks]
- **Sinopec Tianranqi Company Undertakes: LNG Prices Unchanged This Warm Season.** Sinopec Tianranqi Company undertook that the manufacturer's prices of LNG at Tianjin LNG receiving station and that at Qingdao LNG receiving station are not going to exceed the maximum manufacturer's prices in December 2018 this warm season, to ensure the stabilization of LNG prices and realize the social responsibility of Sinopec Corp. [AAStocks]
- **HNA Mulls Disposal of 20 Assets at Least.** HNA Group intends to sell an array of assets, incl. a Harbin hotel project, Dianrong lending platform, Bohai Life Insurance and HNA Futures, Reuters cited sources. The group purportedly plans to dispose of at least 20 assets, comprising of a Shanghai hotel, a Chengdu commercial complex and stake in financial institutions. [AAStocks]

## V. Overnight Market Recap

|                   | Close               | Net Chg  | Chg (%) | Performance (%) |        |        |        |        |        |        |
|-------------------|---------------------|----------|---------|-----------------|--------|--------|--------|--------|--------|--------|
|                   |                     |          |         | 1W              | 1M     | 3M     | 6M     | 1Y     | YTD    |        |
| US Equity         | S&P 500             | 2,585    | 10.6    | 0.4             | 3.0    | (2.0)  | (7.2)  | (7.5)  | (5.9)  | 3.1    |
|                   | Dow Jones           | 23,879   | 91.7    | 0.4             | 2.3    | (2.2)  | (6.7)  | (4.2)  | (5.9)  | 2.4    |
|                   | Nasdaq Composite    | 6,957    | 60.1    | 0.9             | 4.4    | (0.9)  | (6.3)  | (10.3) | (2.7)  | 4.8    |
|                   | Russell 2000        | 1,439    | 12.3    | 0.9             | 6.1    | (0.3)  | (8.7)  | (15.1) | (7.8)  | 6.7    |
|                   | VIX Index           | 19.98    | (0.5)   | (2.4)           | (14.0) | (11.7) | (13.0) | 58.1   | 103.5  | (21.4) |
| Europe Equity     | Euro Stoxx 50       | 3,070    | 15.3    | 0.5             | 2.6    | 1.8    | (6.0)  | (11.6) | (14.9) | 2.3    |
|                   | DAX                 | 10,893   | 89.3    | 0.8             | 3.0    | 2.6    | (7.0)  | (13.6) | (18.0) | 3.2    |
|                   | CAC                 | 4,814    | 40.3    | 0.8             | 2.6    | 1.5    | (7.5)  | (11.4) | (12.6) | 1.8    |
|                   | FTSE 100            | 6,907    | 45.0    | 0.7             | 2.6    | 2.8    | (3.3)  | (10.2) | (10.9) | 2.7    |
| APAC Equity       | HSI                 | 26,462   | 586.9   | 2.3             | 5.6    | 2.8    | 1.0    | (7.7)  | (14.8) | 2.4    |
|                   | HSCEI               | 10,358   | 224.5   | 2.2             | 5.3    | 0.8    | (0.8)  | (4.3)  | (15.7) | 2.3    |
|                   | HSI VIX             | 20.43    | (0.7)   | (3.2)           | (24.1) | (15.4) | (2.2)  | 7.0    | 52.0   | (18.4) |
|                   | CSI 300             | 3,078    | 30.8    | 1.0             | 3.8    | (2.1)  | (6.2)  | (11.2) | (26.8) | 2.3    |
|                   | SH Composite        | 2,544    | 17.9    | 0.7             | 3.2    | (1.6)  | (6.7)  | (10.0) | (25.6) | 2.0    |
|                   | SZ Composite        | 1,307    | 7.1     | 0.5             | 4.9    | (1.9)  | (5.5)  | (17.6) | (32.8) | 3.1    |
|                   | Nikkei 225          | 20,427   | 223.0   | 1.1             | 1.7    | (4.9)  | (14.1) | (9.1)  | (15.2) | 0.8    |
| Commodities (USD) | KOSPI               | 2,065    | 39.4    | 2.0             | 2.7    | 0.3    | (7.5)  | (10.2) | (17.6) | 1.0    |
|                   | Brent (Future)      | 61.44    | 2.7     | 4.6             | 11.9   | 1.4    | (26.9) | (22.9) | (12.2) | 13.0   |
|                   | WTI (Future)        | 52.36    | 2.6     | 5.2             | 12.5   | 1.5    | (29.3) | (30.2) | (18.6) | 13.9   |
|                   | Gold                | 1,294    | 8.2     | 0.6             | 0.7    | 3.9    | 8.2    | 3.0    | (1.8)  | 0.8    |
|                   | Copper (Future)     | 5,958    | 52.0    | 0.9             | 2.0    | (3.0)  | (5.3)  | (6.8)  | (16.1) | (0.1)  |
| FX                | Baltic Dry Index    | 1,262.00 | 15.0    | 1.2             | (1.6)  | (8.9)  | (15.5) | (18.8) | (7.6)  | (0.7)  |
|                   | Dollar Index        | 95.22    | (0.7)   | (0.7)           | (1.7)  | (2.1)  | (0.4)  | 1.0    | 3.0    | (1.1)  |
|                   | EUR                 | 1.15     | 0.0     | 0.9             | 1.8    | 1.7    | 0.2    | (1.7)  | (3.4)  | 0.7    |
|                   | JPY                 | 108.17   | (0.6)   | (0.5)           | (0.7)  | 5.0    | 4.0    | 2.9    | 3.3    | 1.6    |
|                   | CNY                 | 6.82     | (0.0)   | 0.5             | 0.7    | 1.4    | 1.6    | (2.9)  | (4.2)  | 0.9    |
| CDS               | CNH                 | 6.81     | (0.0)   | (0.6)           | (1.0)  | 1.4    | 1.6    | (2.4)  | (4.3)  | 0.8    |
|                   | ChinaGov CDS        | 63.45    | (2.4)   | (3.7)           | (9.4)  | (10.7) | (0.8)  | (9.2)  | 45.4   | (5.1)  |
|                   | CDX Emerging Market | 96.00    | 0.1     | 0.1             | 0.8    | 0.8    | 0.8    | (0.9)  | (3.5)  | 0.8    |

|             | Close                  | Net Chg | Chg (%) | Value |      |      |      |      |      |      |
|-------------|------------------------|---------|---------|-------|------|------|------|------|------|------|
|             |                        |         |         | 1W    | 1M   | 3M   | 6M   | 1Y   | YTD  |      |
| US rates    | 3-Month Treasury Yield | 2.44    | (0.0)   | (0.1) | 2.4  | 2.4  | 2.3  | 2.0  | 1.4  | 2.4  |
|             | 2-Year Treasury Yield  | 2.55    | (0.0)   | (1.3) | 2.4  | 2.8  | 2.8  | 2.6  | 2.0  | 2.5  |
|             | 5-Year Treasury Yield  | 2.55    | (0.0)   | (1.2) | 2.4  | 2.7  | 3.0  | 2.7  | 2.3  | 2.5  |
|             | 10-Year Treasury Yield | 2.71    | (0.0)   | (0.7) | 2.6  | 2.9  | 3.1  | 2.8  | 2.6  | 2.7  |
|             | 2-10 Spread            | 15.51   | 1.7     | 12.1  | 17.3 | 11.3 | 29.7 | 25.5 | 58.0 | 19.2 |
| China rates | O/N China Repo Rate    | 1.74    | 0.1     | 8.7   | 1.9  | 2.5  | 2.4  | 2.5  | 2.7  | 1.0  |
|             | 1-Week China Repo Rate | 2.65    | 0.7     | 32.5  | 2.0  | 2.6  | 2.4  | 2.5  | 3.1  | 3.5  |
|             | O/N SHIBOR             | 1.57    | 0.2     | 10.8  | 2.0  | 2.5  | 2.4  | 2.5  | 2.6  | 2.6  |
|             | 1-Week SHIBOR          | 2.48    | 0.1     | 4.3   | 2.5  | 2.6  | 2.6  | 2.7  | 2.8  | 2.9  |

Source: Bloomberg

## VI. Key Indicators

**Hang Seng Index PE Ratio**



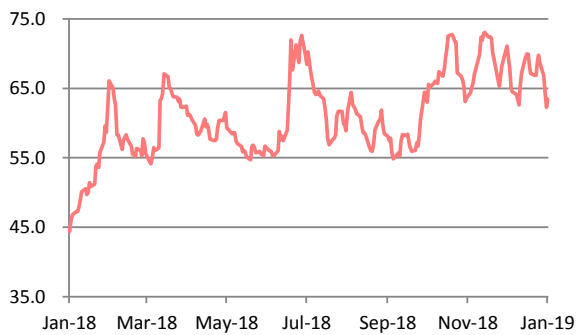
Source: Bloomberg

**Shanghai Composite Index PE Ratio**



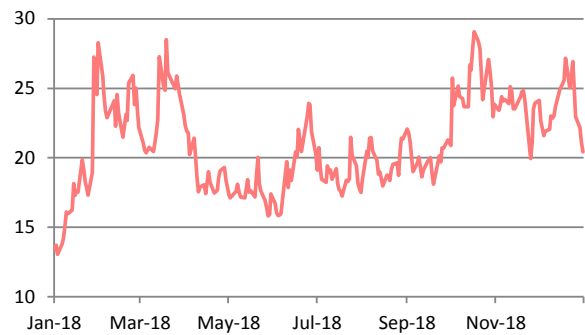
Source: Bloomberg

**China 5Y CDS Index\_USD**



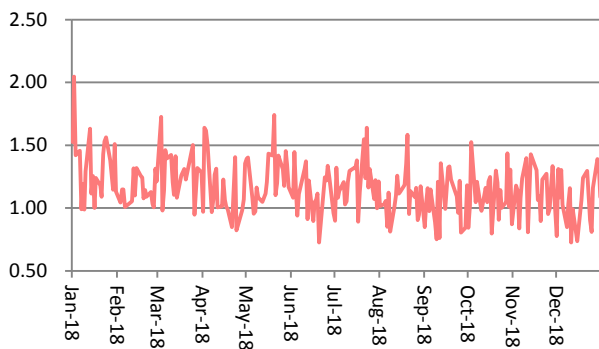
Source: Bloomberg

**Hang Seng Index VIX**



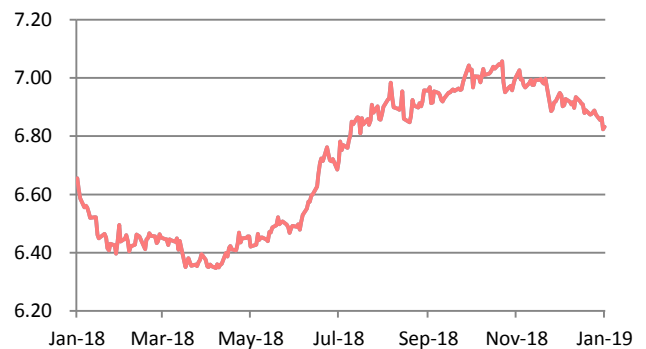
Source: Bloomberg

**Hang Seng Index Put Call Volume Ratio**



Source: Bloomberg

**USDCNH 1Y Forward**



Source: Bloomberg

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