

I. Major Economic Release

Upcoming Economic Release

Economic Indicator	Period	Market Survey	Prior Period
US: Wholesale Inventory MoM	Nov P	0.5%	0.8%
Eurozone: Industrial Output NSA YoY	Nov	N/A	3.6%
U.K.: Manufacturing Production MoM	Nov	0.4%	-0.9%
China: Money Supply M2 YoY	Dec	8.1%	8.0%

Source: Bloomberg

II. Macro News

- **China-US trade talks have laid foundation for deal, China ministry says.** The trade talks between China and the United States this week have laid a foundation for resolving their disputes, the Ministry of Commerce said on Thursday. Both sides have implemented the consensus reached by Chinese President Xi Jinping and his US counterpart Donald Trump, and had in-depth discussions about structural economic problems, the ministry said in a statement. [SCMP]
- **China Last Dec PPI Climbs 0.9% YoY, Lowest since Sep 2016.** In December 2018, China's producer price index (PPI) climbed 0.9% yearly, falling short of the expected 1.6% rise, marking the lowest since September 2016, according to the data released by National Bureau of Statistics (NBS). On a monthly basis, the index dropped 1%. [AASocks]
- **Fed Is Unlikely to Raise Rates in Next Months, Minutes Show.** Federal Reserve officials signaled they are unlikely to raise interest rates for at least a few months while they assess the impact of recent market volatility on the U.S. economy. The minutes of the Dec 18-19 meeting indicated officials thought they could be close to ending their recent series of rate increases. [WSJ]

III. Industry News

- **Auto giants feel the pinch as annual car sales fall 5.8%.** Retail sales of passenger cars in China fell 5.8% in 2018 to 22.35mn, the first annual fall since 1990, but there is much room for further growth in the long term, the China Passenger Car Association said. Sales in December stood at 2.22mn, down 19.3% from the same month the previous year, marking the seventh straight month of decline in 2018. [China Daily]
- **China to Start Building Subsidy-Free Solar, Wind Power Projects.** China will start building pilot wind and solar power projects that won't receive government payments as it pushes to improve the competitiveness of renewable energy and rein in state subsidy bills. [Bloomberg]
- **Temporary licenses for 5G get govt nod.** China will grant temporary 5G licenses this year to promote the application and construction of fifth-generation mobile communication technology, the Ministry of Industry and Information Technology, the nation's top industry regulator, said on Thursday. [China Daily]

IV. Corporate News

- **China's State Grid to Spend \$5.7 Billion on Pumped Hydro Plants.** State Grid Corp. of China will invest 38.7bn yuan (\$5.7bn) to build five pumped hydro storage plants as part of the nation's efforts to ease idled solar and wind power capacity. [Bloomberg]
- **H.K. Mulls Contingency Plan for Possible HK Air Shutdown.** The Hong Kong govt is considering a contingency plan for possible shutdown of Hong Kong Airlines during the Lunar New Year peak travel season in February, South China Morning Post reports. [Bloomberg]

- **Anhui Conch Expects 2018 Net Income to Rise 80%-100% YoY.** Full-year net income is expected to increase 12.7b-15.9b yuan on year, according to filing to Shanghai stock exchange. The company cites significant rise in product prices amid structural reform in cement sector. [Bloomberg]
- **LG Chem to Invest 1.2t Won in Expanding China Battery Plants.** LG Chem will invest 600b won each in small-sized battery plant and No. 1 electric car battery plant in Nanjing by 2020, according to emailed statement. LG Chem is building No. 2 electric car battery plant in Nanjing. [Bloomberg]
- **China's Biggest Bank Said to Cut Space at NYC's Trump Tower.** China's biggest bank, Industrial & Commercial Bank of China Ltd., one of Trump Tower's largest office tenants, plans to reduce its space in Trump Tower when its lease runs out in October. [Bloomberg]
- **CNPC's Xinjiang Unit Beats 2018 Oil, Gas Production Expectations.** Xinjiang Field, a unit of China National Petroleum Corp., produced 11.47m tons of oil and 2.91b cubic meters of natural gas in 2018, surpassing output targets set at start of year, CNPC says in statement on its website Thursday. [Bloomberg]
- **Chinese smartphone giant targets Europe amid US-China trade war.** Smartphone giant Xiaomi Corp is looking to sharpen its operations in Europe this year, as the US-China trade war casts a shadow on its expansion plans in the world's biggest economy. [SCMP]
- **CK Asset's planned hotel-to-housing project in Hong Kong aims to house 7,500 people.** The hotel that CK Asset Holdings will convert into a dense housing estate would provide homes to 7,500 people in the New Territories by as early as 2022, according to consultants hired by the company. [SCMP]
- **Didi starts free car-sharing trial amid industry challenges.** China's leading online ride-hailing platform Didi Chuxing announced plans to start a deposit-free policy on its car-sharing platforms in the East China cities of Hangzhou and Ningbo, and will expand this model to more cities nationwide, according to a report by Beijing Daily. [China Daily]
- **Ant Financial backs Pakistani payment tool.** Ant Financial Services Group is powering Pakistan's first cross-border remittance service using blockchain technologies, marking a major milestone in the country's journey to promote financial inclusion. [China Daily]
- **Xiaomi looks to overseas markets.** Xiaomi said on Thursday that it is aiming to be Europe's number one or two player, as it looks to expand its presence in overseas markets amid mounting competition with rivals such as Huawei. The company has selected Spain and France as our primary targets," said Lei Jun, Xiaomi founder and CEO. [China Daily]
- **Chinese automaker set to start production of buses, trucks.** Leading Chinese automobile manufacturer, Changan, in collaboration with the Master Group, is set to kick-start commercial production of passenger buses and cargo trucks in Pakistan next month. [The Tribune]
- **Sa Sa revenues dip 2.2pc to \$2.2b.** Sa Sa International's retail and wholesale turnover fell 2.2% YoY to HK\$2.18bn for the last quarter in 2018, amid sluggish consumer sentiment, hit by the weakening yuan, market fluctuation under the shadow of the Sino-US trade war, as well as China's new regulation on e-commerce. [The Standard]
- **China State Con FY18 New Contract Value \$120.15B, Meets Target.** China State Construction announced that the group recorded an accumulated new contract value c.\$120.15bn in twelve months ended 31 Dec 2018, and hence achieved a 100.1% completion of full year target of 2018 (which has been revised up to no less than \$120.0bn). [AASocks]
- **HK Airlines Said In Talks with Cathay Pacific, Other Parties for Capital Introduction.** Hong Kong Airlines is in talks with multiple parties, including Cathay Pacific Airways for capital introduction, China Business Network citing sources. The talks purportedly concerned network coordination and equity cooperation. [AASocks]
- **PRC Approves 84 More Online Games; Tencent Still Not on List.** State Administration of Press, Publication, Radio, Film and Television of the PRC unveiled the information about the domestic online game approval in Dec 2018, with 84 new games on the approval list. However, games produced by Tencent were not included in the list. [AASocks]

V. Overnight Market Recap

	Close	Net Chg	Chg (%)	Performance (%)						
				1W	1M	3M	6M	1Y	YTD	
US Equity	S&P 500	2,597	11.7	0.5	6.1	(1.5)	(4.8)	(6.4)	(6.2)	3.6
	Dow Jones	24,002	122.8	0.5	5.8	(1.5)	(4.2)	(2.8)	(6.1)	2.9
	Nasdaq Composite	6,986	29.0	0.4	8.1	(0.7)	(4.7)	(9.5)	(3.1)	5.3
	Russell 2000	1,445	6.6	0.5	8.6	0.4	(6.5)	(14.1)	(8.9)	7.2
	VIX Index	19.50	(0.5)	(2.4)	(23.4)	(10.4)	(21.9)	43.1	97.4	(23.3)
Europe Equity	Euro Stoxx 50	3,076	5.5	0.2	4.1	0.7	(4.2)	(10.1)	(14.4)	2.5
	DAX	10,922	28.3	0.3	4.8	1.3	(5.4)	(12.0)	(17.3)	3.4
	CAC	4,806	(7.9)	(0.2)	4.2	(0.0)	(5.9)	(10.2)	(12.4)	1.6
	FTSE 100	6,943	36.2	0.5	3.7	2.0	(0.9)	(8.5)	(10.6)	3.2
APAC Equity	HSI	26,521	59.1	0.2	3.5	2.9	5.0	(6.3)	(14.8)	2.6
	HSCEI	10,395	36.4	0.4	3.6	1.5	3.0	(2.5)	(15.5)	2.7
	HSI VIX	20.44	0.0	0.0	(18.8)	(9.7)	(20.6)	(1.4)	49.1	(18.3)
	CSI 300	3,073	(5.8)	(0.2)	1.2	(2.8)	(1.6)	(9.8)	(26.9)	2.1
	SH Composite	2,535	(9.2)	(0.4)	0.8	(2.3)	(1.9)	(8.7)	(26.0)	1.7
	SZ Composite	1,303	(3.5)	(0.3)	1.9	(3.0)	0.7	(16.2)	(33.3)	2.8
	Nikkei 225	20,164	(263.3)	(1.3)	0.7	(3.7)	(9.8)	(7.1)	(14.1)	1.8
KOSPI	2,063	(1.4)	(0.1)	3.5	0.6	(3.0)	(9.4)	(16.9)	1.2	
Commodities (USD)	Brent (Future)	61.68	0.2	0.4	10.2	1.7	(23.7)	(16.6)	(11.6)	13.8
	WTI (Future)	52.59	0.2	0.4	11.7	1.2	(26.3)	(25.7)	(18.0)	15.2
	Gold	1,287	(6.9)	(0.5)	(0.6)	3.6	5.3	3.8	(2.6)	0.5
	Copper (Future)	5,930	(28.0)	(0.5)	3.4	(2.6)	(5.0)	(6.4)	(17.1)	(0.6)
Baltic Dry Index	1,238.00	(24.0)	(1.9)	(2.3)	(9.2)	(18.3)	(21.9)	(5.0)	(2.6)	
FX	Dollar Index	95.54	0.3	0.3	(0.8)	(2.0)	0.5	0.8	3.9	(0.7)
	EUR	1.15	(0.0)	(0.4)	0.9	1.7	(0.7)	(1.4)	(4.3)	0.4
	JPY	108.43	0.3	0.2	0.7	4.6	3.5	3.4	2.7	1.2
	CNY	6.79	(0.0)	0.4	1.2	1.8	2.0	(2.3)	(4.1)	1.3
CDS	CNH	6.79	(0.0)	(0.3)	(1.3)	1.7	1.3	(1.0)	(4.4)	1.2
	ChinaGov CDS	63.18	1.3	2.0	(8.9)	(11.4)	(0.0)	(8.0)	41.9	(5.8)
CDX Emerging Market	95.96	(0.0)	(0.0)	0.7	0.8	1.2	(0.9)	(3.5)	0.8	

	Close	Net Chg	Chg (%)	Value						
				1W	1M	3M	6M	1Y	YTD	
US rates	3-Month Treasury Yield	2.42	(0.0)	(0.5)	2.4	2.4	2.3	2.0	1.4	2.4
	2-Year Treasury Yield	2.58	0.0	0.9	2.5	2.8	2.9	2.6	2.0	2.5
	5-Year Treasury Yield	2.57	0.0	0.8	2.5	2.8	3.0	2.7	2.3	2.5
	10-Year Treasury Yield	2.74	0.0	1.2	2.7	2.9	3.2	2.8	2.5	2.7
	2-10 Spread	16.46	0.9	6.1	17.2	13.5	30.4	24.5	55.6	19.2
China rates	O/N China Repo Rate	1.82	0.1	4.6	1.7	2.4	2.4	2.3	2.8	1.0
	1-Week China Repo Rate	2.65	0.2	6.9	2.0	2.4	2.5	2.7	3.2	3.5
	O/N SHIBOR	1.74	0.2	11.2	1.6	2.4	2.4	2.5	2.8	2.6
	1-Week SHIBOR	2.59	0.1	4.5	2.6	2.6	2.6	2.7	2.8	2.9

Source: Bloomberg

VI. Key Indicators

Hang Seng Index PE Ratio



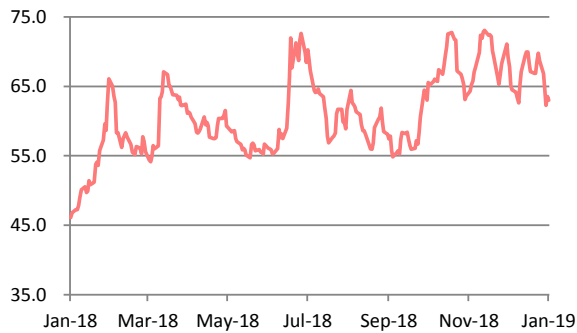
Source: Bloomberg

Shanghai Composite Index PE Ratio



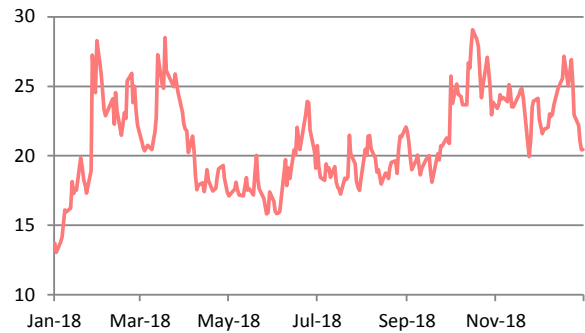
Source: Bloomberg

China 5Y CDS Index_USD



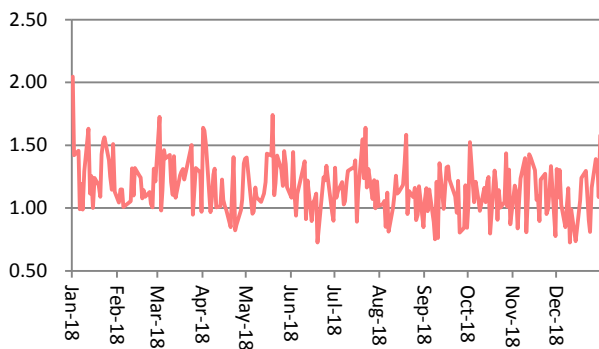
Source: Bloomberg

Hang Seng Index VIX



Source: Bloomberg

Hang Seng Index Put Call Volume Ratio



Source: Bloomberg

USDCNH 1Y Forward



Source: Bloomberg

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