

I. Major Economic Release

Upcoming Economic Release

Economic Indicator	Period	Market Survey	Prior Period
US: Housing Starts MoM	Dec	-0.5%	3.2%
Eurozone: Retail Sales MoM	Dec	-0.6%	1.4%
U.K.: Markit UK PMI Manufacturing	Jan	53.5	54.2
Germany: Markit Germany Services PMI	Jan F	49.9	49.9

Source: Bloomberg

II. Macro News

- **US Fed keeps key rate unchanged and pledges to be 'patient'.** The US Federal Reserve is keeping its key interest rate unchanged and signaling it could leave rates alone in coming months given economic pressures and mild inflation. The central bank says it plans to be "patient" about future rate hikes in light of "global economic and financial developments and muted inflation pressures." Its benchmark short-term rate will remain in a range of 2.25% to 2.5%. [China Daily]
- **U.S., China Hold First Day of Trade Talks.** U.S. and China launched high-level trade talks in Washington with little indication that Beijing will bend to U.S. demands to deepen economic reforms. Talks between senior officials from the two sides at the White House complex in Washington that began on Wed morning were expected to be followed by a working dinner. Negotiations will resume Thursday, when Donald Trump is expected to meet Liu. [Bloomberg]
- **Australia's Core Inflation Holds Below Bottom of RBA's Target.** Australia's annual core inflation held below the lower end of the central bank's target, suggesting interest rates will remain on hold. Quarterly trimmed-mean inflation, the key core measure, rose 0.4% vs an estimated 0.4%; annual trimmed-mean advanced 1.8% vs a forecast 1.8%. [Bloomberg]

III. Industry News

- **China unveils trading rules for new hi-tech board, paving way for bold new mkt to compete with New York, HK.** Investors had their first glimpse into how China's new hi-tech board on the Shanghai Stock Exchange will function on Wednesday after regulators unveiled detailed listing requirements and trading rules that show it will incorporate innovative approaches already adapted by bourses in Hong Kong and New York. [SCMP]
- **Shanxi cuts coal use in push for blue skies.** With increasing efforts to curb air pollution, Shanxi province has significantly reduced its coal consumption, and is well on track to shift to new energy-generated electricity for its winter heating. According to a plan regarding the reduction and reconstruction of the coal mining industry in the province, coal mines with an annual output of below 600,000 tons will be closed by 2020. [China Daily]
- **Foreign Investors Buy Record Amount of Chinese Stocks in Jan.** Foreign investors are piling into Chinese stocks after a dismal 2018 for the country's equity market. They've bought 51bn yuan (\$7.6bn) of A shares via trading connects in Shanghai and Shenzhen this month, putting Jan on course to be the biggest month for inflows since the second exchange link with HK opened in late 2016, Bloomberg calculations based on trading turnover show. [Bloomberg]

IV. Corporate News5

- **Alibaba posts 37 per cent gain in quarterly profit, bucking slowdown in China.** Alibaba Group Holding posted a 37 per cent increase in net income in the quarter ended December, driven by gains in its main online commerce and bucking analyst expectations for a decline amid a slowdown in China's economy. [SCMP]

- **Huawei crackdown condemned as charges pressed.** Beijing has called on Washington to halt a crackdown on Huawei after the United States raised pressure on the tech giant by indicting it on charges of stealing technology and violating Iran sanctions. China will "firmly defend" its companies, a statement from the Foreign Ministry declared. [The Standard]
- **Canada Has Until March to Assess U.S. Request for Huawei CFO.** Canada has until March 1 to assess a U.S. request to extradite the chief financial officer of Huawei Technologies Co. in a case that's sparked an unprecedented diplomatic dispute as Washington broadens its attack on the Chinese technology giant. [Bloomberg]
- **China Shenhua Releases 2019 Plan for Financial Derivatives.** Shenhua is to conduct trading of foreign exchange derivatives, USD interest rate derivatives and financial derivatives as it seeks to prevent FX risks arising from fluctuations of yuan exchange rate and USD interest rate, according to filing to stock exchange. [Bloomberg]
- **Foxconn May Scale Back \$10 Billion U.S. Plant, Reuters Says.** Foxconn Technology Group is considering scaling back or even abandoning plans to make cutting-edge displays from a \$10bn plant it's building in the U.S., Reuters reported. Apple Inc.'s main manufacturing partner is re-thinking its approach because of the high cost of making advanced TV screens from the U.S., Reuters cited spokesman Louis Woo as saying. [Bloomberg]
- **Tencent Signs MOU With H.K.'s Science Park in Fintech Push.** Tencent signed memorandum of understanding with Hong Kong Science and Technology Park to promote growth of financial technology in the city, South China Morning Post reports. [Bloomberg]
- **Apple Revenue in China Fell, While Americas Sales Rose.** During the holiday quarter, Apple Inc.'s revenue from Greater China reached \$13.2bn, compared with \$17.9bn a year earlier. Sales from the Americas was \$36.9bn, a modest rise from \$35.2bn a year earlier. Sales from Europe was \$20.4bn, a slight fall from \$21bn a year earlier. [Bloomberg]
- **Apple's Sales Drop in China Means \$5B in Lost Revenue.** Apple Inc.'s holiday sales decline reflected the iPhone maker's lost ground in China amid an economic slowdown in the world's second-largest economy. CEO Tim Cook has seen China as a key part of Apple's sales and manufacturing strategy, with the company generating almost \$52bn in revenue from China and Hong Kong last fiscal year. [Bloomberg]
- **Central China to Buy 45.45% Stake in CCRE Hengxin for HK\$823.2M.** Central China Real Estate agreed to buy a 45.45% equity stake in CCRE Hengxin from Bridge Trust for 709.7 million yuan, or about HK\$823.2 million. CCRE Hengxin will be 100% owned by CCRE China after the deal closes. [Bloomberg]
- **S&P Global Plans to 'Participate in All Markets' in China.** S&P Global Ratings, which recently obtained approval to rate bonds traded in China's interbank market, is in talks with regulators to participate in other parts of the nation's note market. [Bloomberg]
- **Chinese-Backed NEVS Invests \$172 Million in Koenigsegg for E-Car.** NEVS AB, the electric-vehicle maker backed by Chinese billionaire Hui Ka Yan, will set up a joint venture with Swedish supercar brand Koenigsegg Automotive AB to produce cars at the facilities it took over from defunct Saab Automobile. [Bloomberg]
- **Samsung Net Income Misses Estimates as Chip Demand Slides.** Samsung Electronics Co. posted fourth-quarter profit below analysts' estimates in a sign of worsening demand for memory chips and smartphones as customers cut back on spending. Net income fell to 8.3tn won (\$7.5bn). Falling demand for memory chips, sliding sales of smartphones and worsening profitability in the display division contributed to the results, according to Samsung. [Bloomberg]
- **HK contractor launches \$150m IPO.** Contractor Wecon launched an IPO yesterday to raise up to HK\$150mn with a minimum investment of HK\$3,030.21 per lot. It is offering 200mn shares at a targeted price range between HK\$0.625 to HK\$0.75, and plans to start trading on the main board on February 27. [The Standard]
- **Exchange Fund books HK\$20.7b HK equity loss.** The Hong Kong Exchange Fund investment income for 2018 came in at HK\$13.9bn, compared with HK\$8.6bn in 2017, Hong Kong Monetary Authority data show. The HKMA announced that Hong Kong equity losses amounted to HK\$20.7bn, while losses on other equities came in at HK\$38.3bn. [The Standard]

V. Overnight Market Recap

	Close	Net Chg	Chg (%)	Performance (%)						
				1W	1M	3M	6M	1Y	YTD	
US Equity	S&P 500	2,681	41.1	1.6	1.6	6.9	(1.1)	(4.8)	(5.1)	6.9
	Dow Jones	25,015	434.9	1.8	1.8	7.2	(0.4)	(1.6)	(4.3)	7.2
	Nasdaq Composite	7,183	154.8	2.2	2.2	8.3	(1.7)	(6.4)	(3.1)	8.3
	Russell 2000	1,487	15.5	1.1	2.2	10.3	(1.6)	(11.0)	(5.6)	10.3
	VIX Index	17.66	(1.5)	(7.7)	(9.5)	(30.5)	(16.8)	37.6	30.4	(30.5)
Europe Equity	Euro Stoxx 50	3,162	8.3	0.3	1.6	5.3	(1.1)	(10.3)	(12.4)	5.3
	DAX	11,182	(37.2)	(0.3)	1.0	5.9	(2.3)	(12.7)	(15.2)	5.9
	CAC	4,975	46.6	0.9	2.8	5.2	(2.3)	(9.7)	(9.3)	5.2
	FTSE 100	6,942	107.7	1.6	1.4	3.2	(2.6)	(10.4)	(7.9)	3.2
APAC Equity	HSI	27,643	111.2	0.4	1.9	7.0	10.7	(3.3)	(15.9)	7.0
	HSCEI	10,897	29.7	0.3	1.9	7.6	7.5	(1.2)	(19.6)	7.6
	HSI VIX	18.45	(0.1)	(0.3)	(1.9)	(26.3)	(28.7)	0.9	1.0	(26.3)
	CSI 300	3,168	(25.5)	(0.8)	0.3	5.2	0.5	(9.9)	(25.9)	5.2
	SH Composite	2,576	(18.7)	(0.7)	(0.6)	3.3	(1.0)	(10.5)	(26.0)	3.3
	SZ Composite	1,284	(16.6)	(1.3)	(2.9)	1.2	(0.8)	(18.6)	(31.6)	1.2
	Nikkei 225	20,557	(108.1)	(0.5)	(0.2)	3.6	(5.4)	(8.1)	(10.2)	3.6
KOSPI	2,206	22.8	1.1	3.7	8.2	8.8	(3.8)	(14.0)	8.2	
Commodities (USD)	Brent (Future)	61.65	0.3	0.5	0.8	15.6	(17.6)	(16.3)	(9.9)	15.6
	WTI (Future)	54.23	0.9	1.7	3.1	20.3	(16.4)	(20.5)	(15.6)	20.3
	Gold	1,320	8.1	0.6	2.9	2.8	8.6	7.7	(1.9)	2.8
	Copper (Future)	6,136	86.0	1.4	3.1	2.3	1.7	(1.8)	(13.0)	2.9
	Baltic Dry Index	797.00	(55.0)	(6.5)	(18.8)	(37.3)	(46.5)	(54.4)	(30.8)	(37.3)
FX	Dollar Index	95.34	(0.5)	(0.5)	(0.8)	(0.9)	(1.8)	0.8	7.0	(0.9)
	EUR	1.15	0.0	0.4	0.9	0.2	1.6	(1.7)	(7.4)	0.2
	JPY	109.04	(0.4)	(0.3)	(0.5)	0.7	3.7	2.7	0.2	0.7
	CNY	6.72	(0.0)	0.3	1.1	2.4	3.7	1.5	(5.8)	2.4
	CNH	6.71	(0.0)	(0.5)	(1.2)	2.4	3.9	1.4	(6.1)	2.4
CDS	ChinaGov CDS	55.75	(0.9)	(1.6)	(4.8)	(16.6)	(22.9)	(3.3)	3.7	(16.6)
	CDX Emerging Market	96.64	0.2	0.2	0.2	1.5	1.4	(0.5)	(2.6)	1.5

	Close	Net Chg	Chg (%)	Value						
				1W	1M	3M	6M	1Y	YTD	
US rates	3-Month Treasury Yield	2.41	0.0	0.2	2.4	2.4	2.3	2.0	1.5	2.4
	2-Year Treasury Yield	2.51	(0.1)	(2.5)	2.6	2.5	2.8	2.7	2.1	2.5
	5-Year Treasury Yield	2.48	(0.1)	(2.4)	2.6	2.5	3.0	2.9	2.5	2.5
	10-Year Treasury Yield	2.68	(0.0)	(1.2)	2.7	2.7	3.1	3.0	2.7	2.7
	2-10 Spread	16.74	3.2	23.8	14.9	19.2	28.4	32.0	56.0	19.2
China rates	O/N China Repo Rate	2.20	0.4	22.2	2.3	2.0	2.3	2.0	2.6	1.0
	1-Week China Repo Rate	2.65	(0.1)	(3.3)	2.6	2.2	2.5	2.3	3.2	3.5
	O/N SHIBOR	2.00	(0.1)	(3.7)	2.3	2.6	2.5	2.0	2.6	2.6
	1-Week SHIBOR	2.77	(0.0)	(0.0)	2.6	2.9	2.7	2.6	2.8	2.9

Source: Bloomberg

VI. Key Indicators

Hang Seng Index PE Ratio



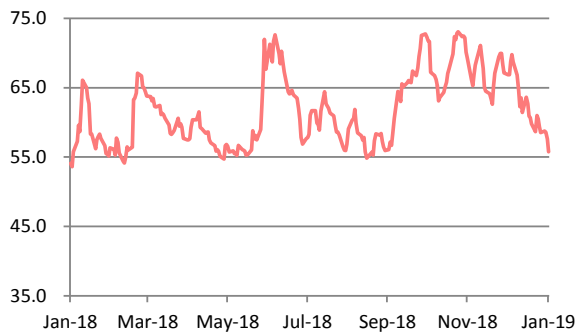
Source: Bloomberg

Shanghai Composite Index PE Ratio



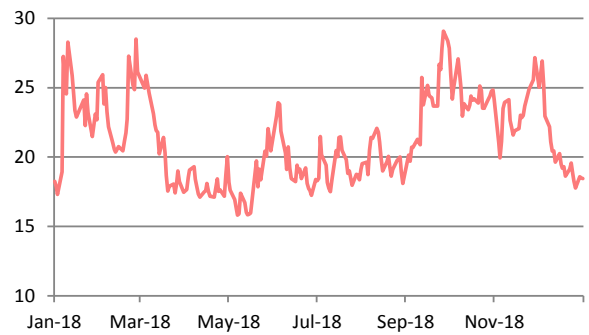
Source: Bloomberg

China 5Y CDS Index_USD



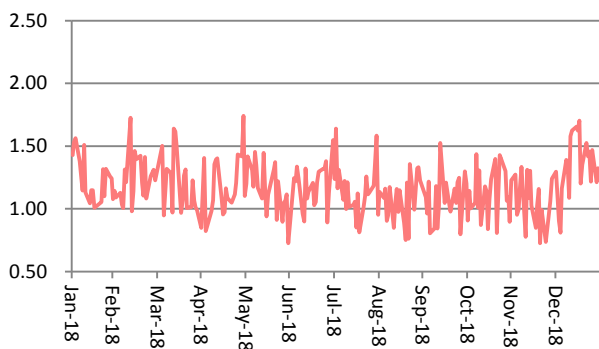
Source: Bloomberg

Hang Seng Index VIX



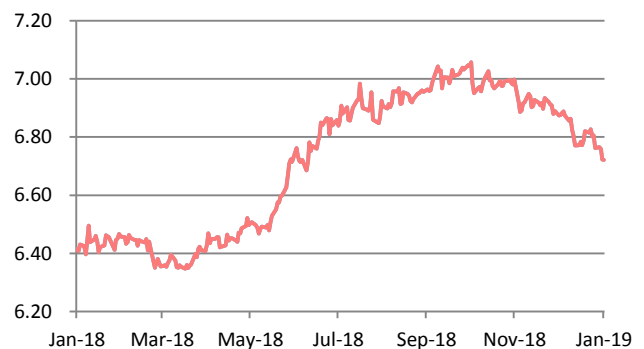
Source: Bloomberg

Hang Seng Index Put Call Volume Ratio



Source: Bloomberg

USDCNH 1Y Forward



Source: Bloomberg

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