

CFSG Daily Comment

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Today's Forecast

HSI trading range	27,000 to 27,400 points
Market focus	PETROCHINA-H(857.HK)
	STAN CHARTER(2888.HK)
	TRAD CHI MED(570.HK)

HK and Regional Markets

	Close (last trading day)	Up(down)
HSI	27,197	0.39%
HSCEI	10,713	0.72%
SSE Composite Index	2,611	0.56%
DJIA	24,706	1.38%
Nasdaq	7,157	1.03%
S&P 500 Index	2,671	1.32%
UK FTSE	6,971	0.03%
France CAC	4,868	(0.17%)
Germany DAX	11,136	(0.62%)

Shanghai-HK stock connect

	Daily Quota Bal.	%
Northbound	50.92 bn	97.92%
Southbound	41.63 bn	99.12%

Shenzhen-HK stock connect

	Daily Quota Bal.	%
Northbound	49.56 bn	95.32%
Southbound	41.85 bn	99.65%

HSI Futures

	Jan-19
Close (last trading day)	27,240
Up (down)	140
Day High	27,361
Day Low	27,013
Settled volume	191,139
Change in OI	-2,057

Foreign Exchange

	Latest Price
USD/CNY	6.8012
USD/JPY	109.6700
EUR/USD	1.1365
GBP/USD	1.2892
AUD/USD	0.7159
USD/CAD	1.3294
USD/SWF	0.9972

Market Outlook

The HSI is expected to test lower to around 27,000 points.

US-China trade talks will continue to determine the market direction:

Trade issues will continue to be the main key, followed by the US blue-chip results. Yesterday was Martin Luther King Jr. Day, the US market was closed.

Weak economic growth: NBS announced that China's GDP grew by 6.6% YoY in 2018, the lowest growth rate in 28 years.

US government lockout: The US govt partially closed its doors, there is no sign of a solution. Investors are increasingly worried that it will have a long-term impact on US econ growth in 1Q19.

Sector and Company News

CEB Bank (06818) announced 2018 preliminary annual results that the Group realized RMB110.244 bn of operating income, up 20.03% YoY. The net profit attributable to the shareholders of the Company recorded RMB33.659 bn, up 6.70% YoY.

Trad Chi MED (00570) announced that it has entered into a cooperation strategic framework agreement with Pingan Industrial Logistics.

China Telecom (00728) announced that mobile business customers in December 2018 reached 303 mn, representing net addition of 3.22 mn. Among the said figure, 4G customers accounted for 242 mn, representing net addition of 4.63 mn during the month.

Asia Cement CH (00743) issued positive profit alert, expecting that the unaudited profit for the year ended 31 December 2018 will increase substantially as compared with that of the same period in 2017.

Petrochina (00857) announced that the net profit for 2018 will increase by an amount between RMB28.0 bn and RMB30.0 bn, representing an increase between 123% and 132% YoY.

Today's A-share Snapshot

BAOSHAN IRON & A(600019.SH)		Market Cap: 157.5 billion	
Valuation		Financial Highlight (FY2017)	
P/E	P/B	Turnover("RMB bn")	Net Profit ("RMB bn")
6.7	0.9	287.6	+17.0%
		19.2	+111.2%

Company's Profile:

The Company is a super steel complex, which is the most modern in China.

Brief Comments: (Rating: Buy; Target Price: RMB7.5)

The Company announced the preliminary financial data for FY2018, expecting to realize net profit attributable to shareholders of listed company ranging from RMB20.67 billion to RMB21.47 billion, up 8% to 12% YoY. According to the Company's quarterly report for 3Q2018, the net profit for the first three quarters of 2018 rose 34.96% YoY to RMB15.747 billion, thanks to the decreasing cost, market development and the product breed structure optimization.

Dragged by the economic slowdown, the growth of global steel consumption is dropping. Coupled with the excess capacity in China's steel industry, such factors might influence the Company's major business adversely.

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TENCENT(700.HK)'s Profile

Stock Category	HK stock#*
Sector	Internet Applic Sftwr
Business	Tencent Holdings Limited, an investment holding company, provides Internet and mobile value-added services (VAS), online advertising services, and e-commerce transactions services to users in the People's Republic of China, the United States, Europe, and internationally.
Substantial shareholders	Naspers Ltd(31.1%)

Financial Highlight

	As at June 18		As at Dec 17	
Million CNY	1H2018	YoY	FY2017	YoY
Turnover	147,203	+38.7%	237,760	+56.5%
Net Profit	41,157	+25.8%	71,510	+74%

Valuation

P/E	32.6x
P/B	8.9x
Yield	0.3%

Technical Analysis

Direction	upward
14-day RSI	66.6
Support	HKD330.0
Resistance	HKD370.0

Eligible Stock for Shanghai-HK stock connect scheme

* Eligible Stock for Shenzhen-HK stock connect scheme

Stock Pick

Tencent (00700)'s ecosystem allows it to possess strong monetization potential

Rating: Buy; Target Price: HKD350

Tencent is recently considering a bid for the holding company that controls South Korea's Nexon. Nexon's portfolio includes hugely popular games like MapleStory and KartRider, and it also works with EA to publish its sports titles in Korea. Once the acquisition is completed, it will help Tencent expands its market share in the Southeast Asian game industry.

Meanwhile, China released the first batch of game approvals on 29 December 2018, involving 80 games. Despite Tencent did not make it to the first batch of approvals, it is probably due to the reason that Tencent games are more sophisticated in design and therefore have to go through a longer review period. With the resumption of monetization approval, the visibility of the online gaming sector improves.

Apart from the gaming business, Tencent will continue to record growth in its advertising business. To recap, the online advertising business of Tencent achieved 47% YoY growth in 3Q18, in which the social and others advertising revenues grew by 61% YoY. Considering the fact that the advertising content is getting richer and the mini- program still needs more time to mature (in order to function similar to the app stores instead of search engine in order to monetize), Tencent possesses growth potential in its advertising revenue.

Our target price for 700.HK is HKD350.

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ADR HK Stock Prices			
Stock (HKEx Ticker)	ADR Closing Price (USD)	Adjusted Price (HKD)	Change from HK Closing Price (%)
HSBC Holdings (00005.HK)	41.9	65.775	0.65
China Life (02628.HK)	12.19	19.127	0.25
Petrochina (00857.HK)	64.93	5.094	(0.70)
CNOOC (00883.HK)	166.77	13.084	(0.28)
Sinopec Corp (00386.HK)	79.75	6.257	0.11
China Mobile (00941.HK)	51.42	80.68	(0.33)
China Unicom (00762.HK)	11.1	8.740	0.57
China Telecom (00728.HK)	52.48	4.117	1.41
Tencent (00700.HK)	43.48	341.1	0.33

A – H Comparison				
Stock (HKEx Ticker)	A-Share Closing Price (RMB)	HKD Adjusted Price (HK\$)	H-Share Closing Price (HK\$)	H/A (%)*
ICBC (01398.HK)	5.45	6.29	5.84	93%
CM Bank (03968.HK)	27.33	31.53	31.15	99%
Bank of China (03988.HK)	3.57	4.12	3.51	85%
Sino Corp (00386.HK)	5.48	6.32	6.25	99%
Maanshan Iron (00323.HK)	3.7	4.21	3.67	87%
Angang New Steel (00347.HK)	5.32	6.14	5.71	93%
Jiangxi Copper (00358.HK)	13.55	15.63	9.45	60%
ZTE (00763.HK)	21.0	24.27	16.0	66%
Huaneng Power (00902.HK)	7.06	8.14	4.93	61%
Huadian Power (01071.HK)	4.6	5.35	3.68	69%
Datang Power (00991.HK)	3.2	3.66	1.98	54%
China Life (02628.HK)	22.26	25.68	19.08	74%
China CITIC Bank (00998.HK)	5.52	6.37	4.91	77%
BOCOMM (03328.HK)	6.03	6.96	6.44	93%

* > 100% : H-Share is at a premium on its A-Share ; < 100% : H-Share is at a discount on its A-Share

Commodities Price			
	Price	Change	Change(%)
WTI Crude Oil Futures (USD/bbl.)	53.8	1.73	3.32
Brent Crude Oil Futures (USD/bbl.)	62.74	0.04	0.06
Gold 100 OZ Futures (USD/t oz.)	1280.47	(1.64)	(0.13)
COMEX Silver Futures (USD/t oz.)	15.27	(0.07)	(0.45)
COMEX Copper Futures (USD/lb.)	271.9	0.04	0.01
Platinum Spot (USD/t oz.)	796.84	(0.82)	(0.10)

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Date & Time	Event	Period	Market Forecast	Actual	Prior	Revised
01/16/19 20:00	MBA Mortgage Applications	Jan	--	13.5%	23.5%	--
01/16/19 21:30	Import Price Index MoM	Dec	-1.30%	-1.00%	-1.60%	-1.90%
01/17/19 21:30	Philadelphia Fed Business Outlook	Jan	9.0	17.0	9.4	--
01/17/19 21:30	Initial Jobless Claims	Jan	220k	213k	216k	--
01/17/19 21:30	Continuing Claims	Jan	1734k	1737k	1722k	1719k
01/18/19 22:15	Industrial Production MoM	Dec	0.2%	0.3%	0.6%	0.4%
01/18/19 22:15	Capacity Utilization	Dec	78.5%	78.7%	78.5%	78.6%
01/18/19 23:00	U. of Mich. Sentiment	Jan P	96.8	90.7	98.3	--
01/22/19 23:00	Existing Home Sales	Dec	5.24m	--	5.32m	--
01/23/19 20:00	MBA Mortgage Applications	Jan	--	--	13.5%	--
01/23/19 22:00	FHFA House Price Index MoM	Nov	0.3%	--	0.3%	--
01/23/19 23:00	Richmond Fed Manufact. Index	Jan	-200.0%	--	-800.0%	--
01/23/19-02/02/19	Wholesale Inventories MoM	Nov P	0.5%	--	0.8%	--
01/23/19-02/02/19	New Home Sales	Nov	567k	--	544k	--
01/23/19-02/02/19	Construction Spending MoM	Nov	0.2%	--	-0.1%	--
01/23/19-02/02/19	Factory Orders	Nov	0.3%	--	-2.1%	--
01/23/19-02/02/19	Durable Goods Orders	Nov F	0.80%	--	0.80%	--
01/23/19-02/02/19	Durables Ex Transportation	Nov F	--	--	-0.003	--
01/23/19-02/02/19	Cap Goods Orders Nondef Ex Air	Nov F	--	--	-0.6%	--
01/23/19-02/02/19	Trade Balance	Nov	-\$54.0b	--	-\$55.5b	--
01/23/19-02/02/19	Monthly Budget Statement	Dec	-\$10.0b	--	-\$204.9b	--

Economic Calendar -- China

Date & Time	Event	Period	Market forecast	Actual	Prior	Revised
01/10/19 09:30	CPI YoY	Dec	2.1%	1.9%	2.2%	--
01/10/19 09:30	PPI YoY	Dec	1.6%	0.9%	2.7%	--
01/14/19 10:57	Exports YoY CNY	Dec	6.6%	0.2%	10.2%	8.7%
01/14/19 10:57	Imports YoY CNY	Dec	12.0%	-3.1%	7.8%	7.7%
01/14/19 10:57	Exports YoY	Dec	2.0%	-4.4%	5.4%	3.9%
01/14/19 10:57	Imports YoY	Dec	4.5%	-7.6%	3.0%	2.9%
01/14/19 10:58	Trade Balance CNY	Dec	345.00b	394.99b	306.04b	286.08b
01/14/19 11:05	Trade Balance	Dec	\$51.60b	\$57.06b	\$44.74b	\$41.86b
01/14/19 15:59	Foreign Direct Investment YoY CNY	Dec	--	24.9%	-26.3%	--
01/15/19 16:00	Money Supply M1 YoY	Dec	1.6%	1.5%	1.5%	--
01/15/19 16:00	Money Supply M2 YoY	Dec	8.1%	8.1%	8.0%	--
01/15/19 16:00	New Yuan Loans CNY	Dec	825.0b	1080.0b	1250.0b	--
01/15/19 16:00	Money Supply M0 YoY	Dec	3.0%	3.6%	2.8%	--
01/15/19 16:10	Aggregate Financing CNY	Dec	1300.0b	1589.8b	1519.1b	1523.9b
01/16/19 09:30	New Home Prices MoM	Dec	--	0.8%	1.0%	--
01/17/19-01/25/19	FX Net Settlement - Clients CNY	Dec	--	-56.0b	-139.4b	--
01/21/19 10:00	Retail Sales YoY	Dec	8.2%	8.2%	8.1%	--
01/21/19 10:00	Retail Sales YTD YoY	Dec	9.0%	9.0%	9.1%	--
01/21/19 10:00	Industrial Production YoY	Dec	5.3%	5.7%	5.4%	--
01/21/19 10:00	Industrial Production YTD YoY	Dec	6.2%	6.2%	6.3%	--

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