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Stock Spotlight

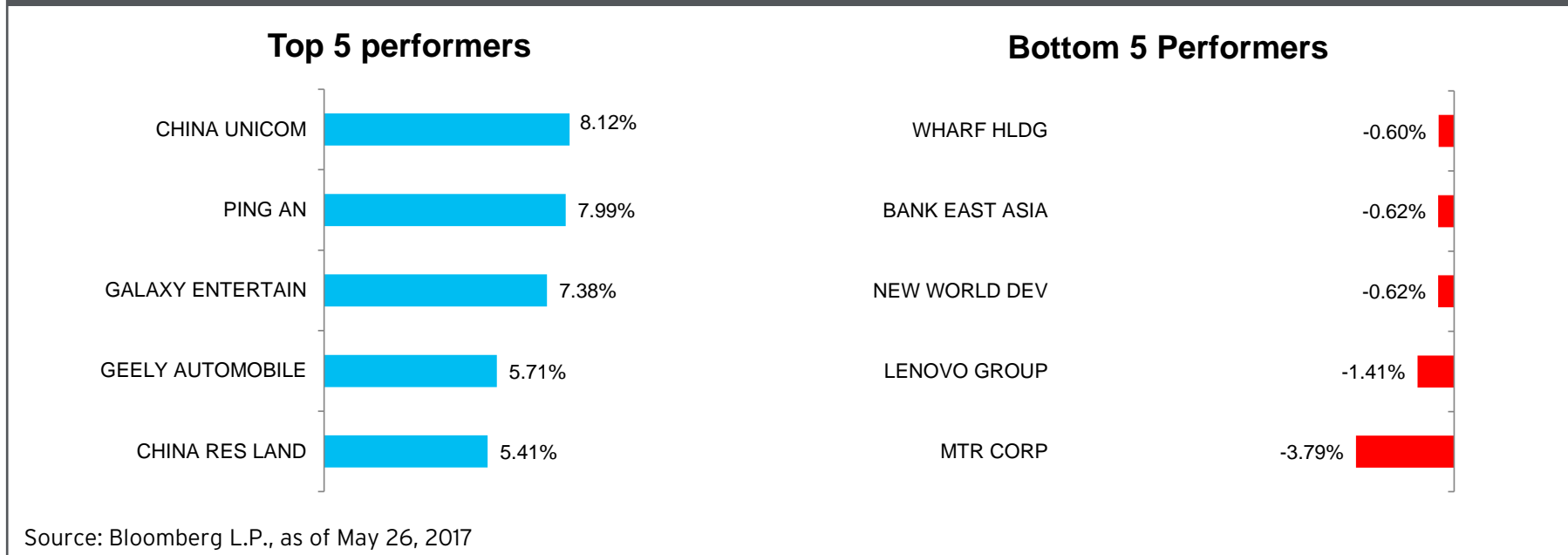
May 29, 2017



Weekly HK stocks Recap & Leaders/Laggards

HSI rose last week

Chart: Weekly HSI Top 5 & Bottom 5 Performers



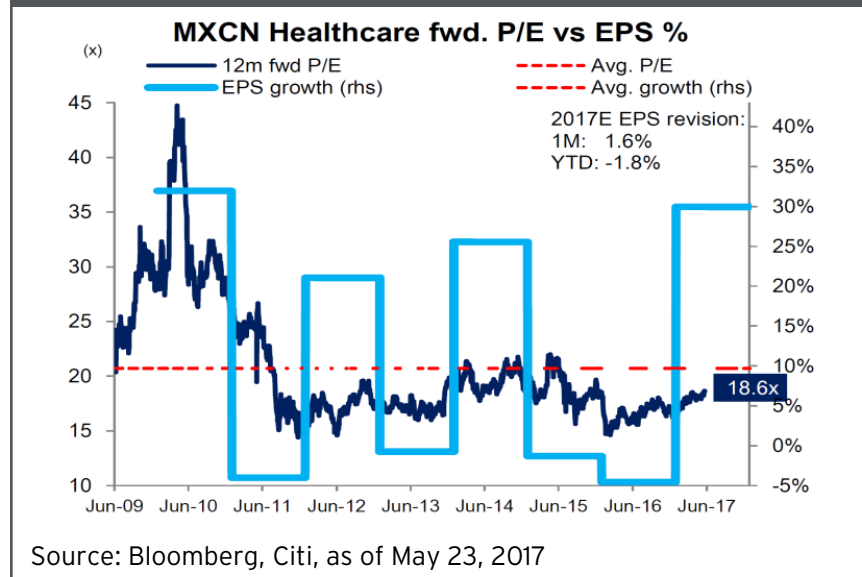
- ❖ **The Hang Seng Index rose 1.8% to close at 25,639, the highest since July 2015.**
 - ▶ Ping An (2318.HK) surged 8% amid China's cracking down on leverage in the financial industry.
 - ▶ Galaxy Entertainment (27.HK) surged 8% as gambling revenue in Macau is expected to rise in May.

Healthcare is less sensitive to funding cost changes

❖ Upgraded Health Care to Overweight

- ▶ Citi analysts have recently upgraded Health Care to Overweight from Neutral - Less sensitive to funding cost changes; steady ~20% earnings growth with reasonable 19X 2017E P/E to deliver EPS-driven index return ahead.
- ▶ **Product Launches to Resume** – Despite the self-inspection of clinical data being still in progress, pharma companies were optimistic on product launches in 2017/18.
- ▶ **New Reimbursement Drug List a Positive** – Drugs potentially newly listed will expand volume significantly onward.
- ▶ **Longer term structural implications** - Aging population and economic transition provide strong demand support; R&D innovators long term winners.

Chart: MSCI China Healthcare forward PE vs EPS %



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