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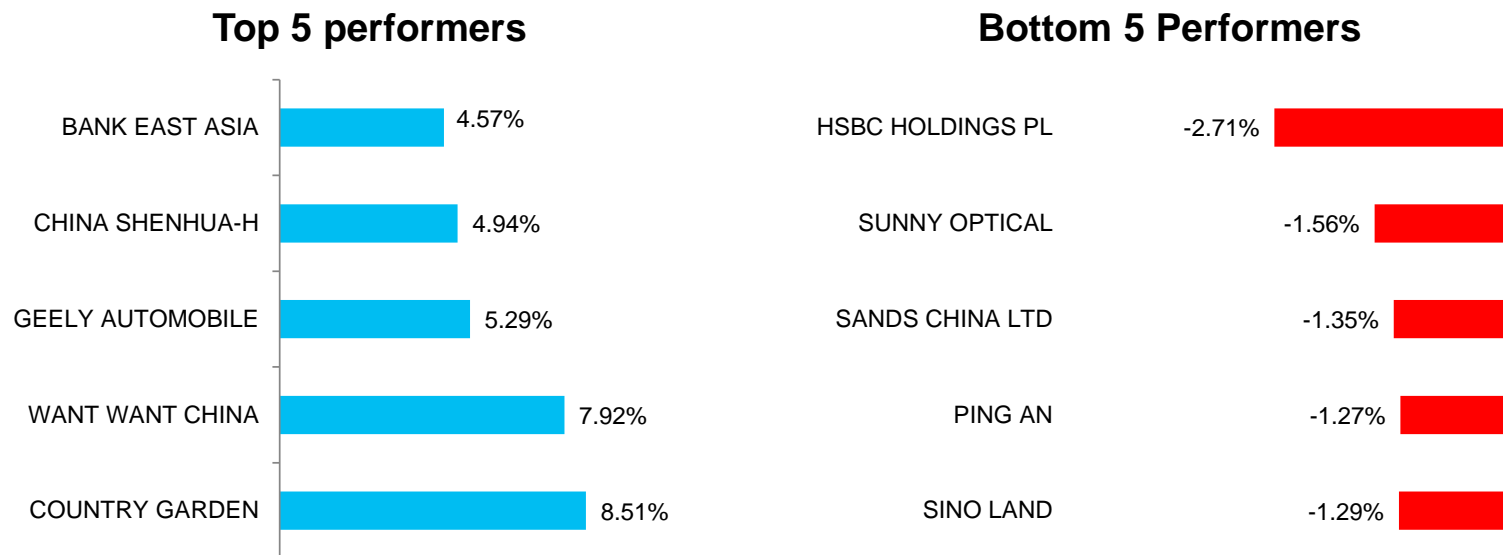
# Stock Spotlight

Feb 26, 2018



HSI rose last week

Chart: Weekly HSI Top 5 & Bottom 5 Performers



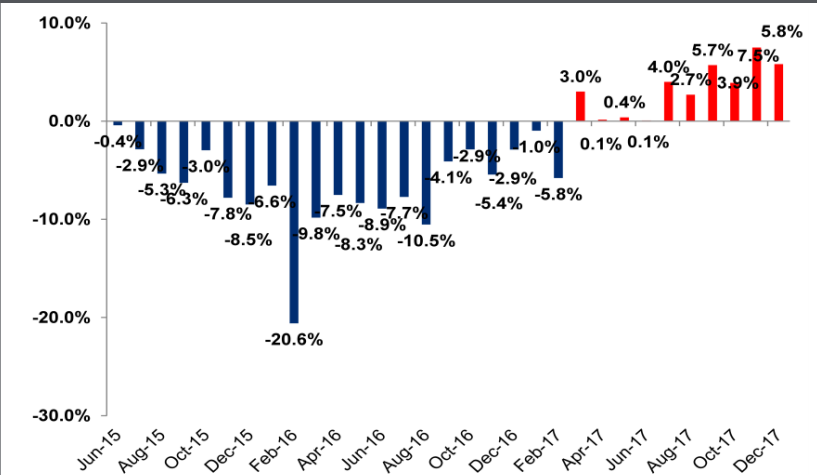
Source: Bloomberg L.P., as of Feb 23, 2018

## ❖ The Hang Seng Index rose last week

- ▶ The Hang Seng Index rose, driven by Chinese financials and property developers, with mainland markets rising further.
- ▶ HSBC Holdings reported profit before tax was \$17.2 billion for 2017, which came in below the \$19.7 billion analysts has estimated. It unveiled plans to raise up to \$7 billion to bolster its capital, as CEO Stuart Gulliver hands over to a new leadership team.

- ❖ HK total retail sales value in Dec was reported at HK\$44.84bn, up 5.8% YoY.
- ❖ HK retail sales pace could accelerate further in 2018, especially in high-end segments.
- ❖ We believe we are just in the beginning of a relatively long cycle given 1) a steady job market with modest pay hikes, driving local spending; 2) deferred impact of positive wealth effects from higher home prices and stock price; 3) appreciation of RMB causing HK to appear cheaper to Mainland tourists; 4) low base effect after a three-year decline on luxury items.
- ❖ Prefer play on the HK high-end retail property segment, rental income to be contributed by high-end malls.

HK Retail Sales Performance from 2015



Source: Companies, Citi Research Estimates, as of Feb 5, 2018

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