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Stock Spotlight

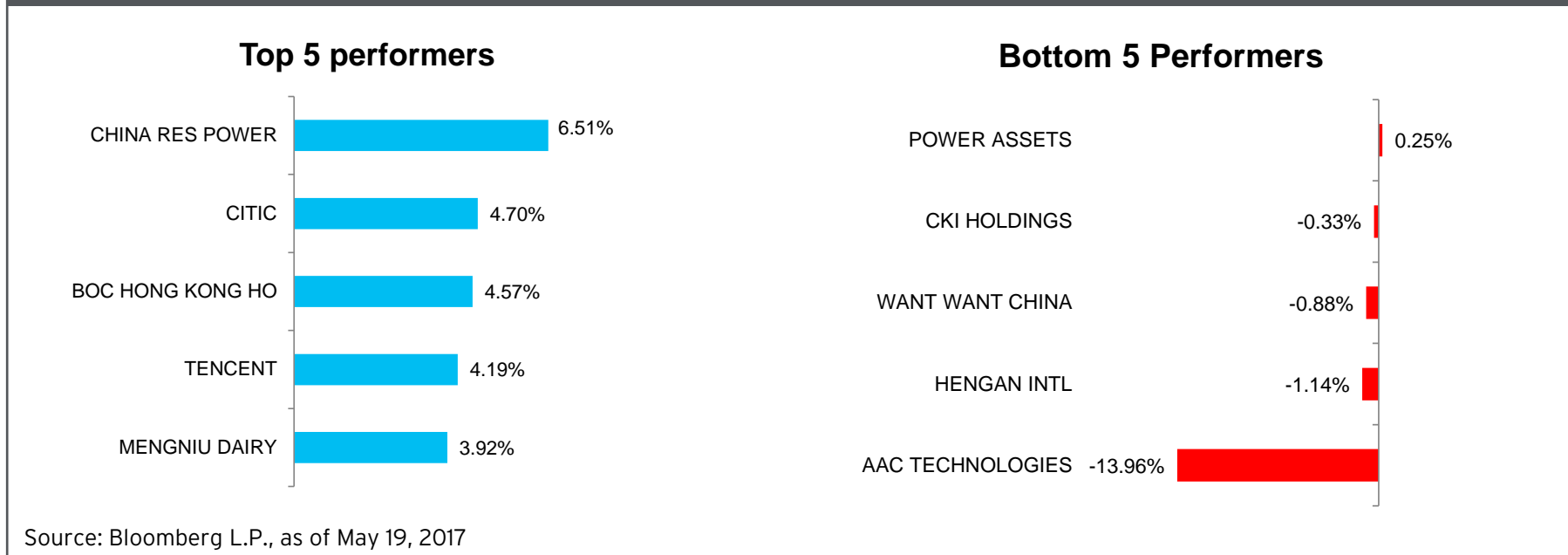
May 22, 2017



Weekly HK stocks Recap & Leaders/Laggards

HSI stayed flat last week

Chart: Weekly HSI Top 5 & Bottom 5 Performers



❖ **The Hang Seng edged up 0.07% to close at 25,174.**

- ▶ Tencent (700.HK) surged 4.2% last week as several investment banks raised its target price after its Q1 results beat estimates.
- ▶ Bank of China (Hong Kong) (2388.HK) rose 4.6% amid expectation that it may benefit from the Bond Connect announced last week.
- ▶ AAC Technologies Holdings (2018.HK) plunged 14.0% before trading halt on Thursday after being attacked by the short seller Gotham City again.

Please note and carefully read the Important Disclosure on the last part



Bond Connect Announced; Adding Another Structurally Positive Driver

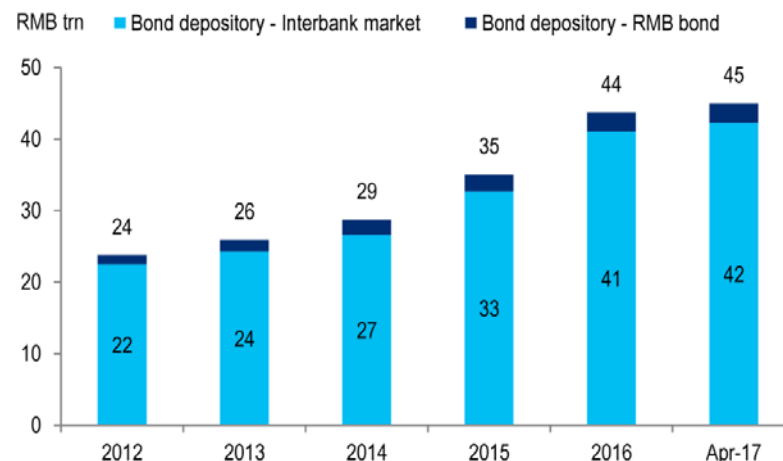
❖ Bond Connect officially announced

- ▶ On 16 May, PBoC and HKMA jointly announced the Bond Connect between Mainland China and Hong Kong.
- ▶ Northbound Trading will commence first in the initial phase and thus overseas investors (incl. Hong Kong) can invest in the China Interbank Bond Market. There will be no investment quota for Northbound Trading.
- ▶ Southbound Trading that enables Mainland investors to invest in the Hong Kong bond market will be explored in due course.

❖ Implications

- ▶ The Bond Connect is another step of the opening-up of Mainland financial markets, after Stock Connect and Mutual Fund Recognition initiatives, in which Hong Kong banks play a role as financial intermediaries.
- ▶ We see the Bond Connect announcement as a favorable confirmation for HK banking sector on top of other structural drivers like US rate hike and stronger-than-expected loan growth momentum.

Chart: Interbank market accounts for >90% of total bond depository in China



Source: Citi, CCDC, CEIC, as of May 17, 2017

Important Disclosure

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