

Today's Forecast

HSI trading range	20,100-20,600 points
Market focus	International financial sector
	Bank of China (03988)
	SJM Holdings (00880)

HK and Regional Markets

	Close (last trading day)	Up(down)
Hang Seng Index	20,467.52	0.39%
HSCEI	8,609.59	0.31%
CCI	3,526.28	0.20%
DJIA	17,640.17	(0.20%)
Nasdaq	4,834.93	(0.18%)
UK FTSE	5,966.80	0.73%
France CAC	4,171.58	1.00%
Germany DAX	9,606.71	0.92%
Shanghai A	3,022.01	1.59%
Shanghai B	344.88	1.28%

Shanghai-HK stock connect

	Daily Quota Bal.	Total Quota Bal.
Northbound	13.473 billion	164.213 billion
Southbound	8.112 billion	85.400 billion

Hang Seng Composite Industry Indices

	Close (last trading day)	Up(down)
Energy	7,376.65	0.23%
Materials	4,598.39	0.45%
Consumer Goods	3,688.81	0.80%
Services	2,788.23	0.56%
Telecommunications	1,759.30	(0.64%)
Financials	2,851.39	0.21%
Properties & Construction	2,683.82	0.32%
Conglomerates	2,402.72	(0.22%)

HSI Futures (Day Trading Session)

	Jun-16	Jul-16
Open (last trading day)	19,950	20,000
Close (last trading day)	20,269	20,273
Up (down)	89	94
Day High	20,373	20,372
Day Low	19,900	19,931
Settled volume	137,119	1,866
Change in OI	(1,841)	363

Foreign Exchange

	Latest Price
USD/JPY	105.6600
EUR/USD	1.1272
GBP/USD	1.4195
AUD/USD	0.7422
USD/CAD	1.2898
USD/SWF	0.9609

Market Outlook

HSI might bound trade at 20,350 points today.

The Hang Seng Index opened at its intra-day low of 20,161 points by 226 points lower yesterday, approaching its 100-day MA of approximately 20,141 points. Afterwards, the market turned to a positive territory amid the bounce of A-shares. During the afternoon session, the index mainly hovered around 20,400 points. The HK stocks further extended its gains to 166 points, reaching its intra-day high of 20,553 points in the last trading hour, breaking through its 20-day MA at approximately 20,524 points amid the strong opening of European stock markets. The HSI finally closed at 20,467.52 points, up 79.99 points or 0.39%. Market turnover amounted to HKD58.548 billion. The ADR proportional HSI index closed overnight at 20,286 points with 181 points or 0.88% lower than Wednesday's closing price. Coupled with the decline of the U.S. stock markets for the fifth consecutive trading day, Hong Kong stocks are expected to consolidate with HSI bound trading at 20,350 points today.

Sector and Company News

- COSCO Pacific (01199) announced that its container throughput rose 3.8% YoY to 7.94 million TEUs for May 2016 and throughput for the first five months of 2016 increased 3.3% YoY to 38.06 million TEUs.
- China Taiping (00966) announced that the cumulative premium income for the first five months of 2016 rose 18.38% YoY to RMB62.34 billion, higher than RMB52.663 billion in the same period of 2015.
- China South Air (01055) announced its operational statistics in May 2016. During the quoted period, the passenger capacity increased by 9.72% YoY. Of which, passenger capacity for domestic routes and international routes increased by 3.74% YoY and 30.09% YoY respectively while passenger capacity on regional routes decreased by 16.05% YoY.
- China EB Ltd (00165) announced that the Company sold the remaining 49% share capital of Everbright Securities (International) to Everbright Securities (601788.SH) for HKD930 million, and expected the disposal gain to be approximately HKD343 million.
- CHINARES Cement (01313) announced that the Company proposed to issue medium-term notes in an aggregate amount of not more than RMB9 billion and commercial paper in an aggregate amount of not more than RMB9 billion in China, for terms of no longer than 10 years and 1 year respectively.

Today's A-share Snapshot

Sugon (603019.SH)

Valuation	
P/E	P/B
87.24	7.60

Market Cap: 20.934 billion

Financial Highlight (FY2015)			
Turnover ("RMB billion")	Net Profit ("RMB billion")		
3.66	+30.94%	0.18	+52.70%

Company's Profile:

- Dawning Information Industry Co., Ltd. specializes in the research, development and manufacture of high-performance computers, general servers and storage products as well as providing the service of software designing, system integration and other technical support based on high-end computers.

Brief Comments:

- Business catalysts
 - For 1Q2016, the Company's revenue lifted 86.69% YoY to RMB660.6 million while its net profit recorded to RMB30.3 million as compared with the losses of RMB32.8 million in the same period of 2015. This is expected to bring positive impacts to the Company's results in this fiscal year.
 - According to the report of IDC, the Company's NAS storage products ranked the first in the Chinese market in 2015 in terms of the revenue. The report also stated that the growth of China's storage market might remain 20%+. Thus, the Company's storage business is expected to speed up in the future.
- Risk factors
 - The fierce competition in China's server and storage markets might bring negative impacts to the revenue of the Company's universal server and storage products.

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Xinyi Glass(00868)'s Profile

Stock Category	HK Share #		
Sector	Industrial	Components	& Equipment
Business	Production and sales of float glass products, automobile glass products, construction glass products and a variety of related products in the PRC.		
Substantial shareholders	Realbest Investment Limited (18.49%)	High Park Technology Limited(6.80%)	Copark Investment Limited (6.30%)
	Telerich Investment Limited (6.42%)		

Financial Highlight

(in billion HKD)	As at Dec 15		As at Dec 14	
	FY2015	%	FY2014	%
Revenue	11.460	+5.5	10.861	+9.3
Net Profit	2.113	+55.0	1.364	-61.3

Valuation

P/E	10.39x
P/B	1.73x
Yield	4.68%

Technical Analysis

Direction	Upward
14-day RSI	57.05
Support	HKD5.35
Resistance	HKD5.87

Eligible Stock for Shanghai-HK stock connect scheme

Stock Pick
Xinyi Glass(00868) expected its net profit to record a year-on-year increase for 1H2016.

■ Xinyi Glass recently issued a positive profit alert, expecting to record a year-on-year increase of 30%-45% in net profit for the six months ended 30 June 2016 as compared with the figures in 1H2015 mainly due to the reduction of costs of sales of the float glass business, the high growth of sales volume of the float glass business and the increase in the profit contribution from Xinyi Solar (00968). Besides, Xinyi Solar also issued a positive profit alert recently, expecting to record a year-on-year increase of 70%-90% in net profit for 1H2016.

■ Overall, the positive profit alert of Xinyi Glass was not surprising. The gross profit margin of float glass business and automobile glass business grew from 5.41% YoY and 41.80% YoY in FY2014 to 8.77% YoY and 44.35% YoY in FY2015 respectively. Moreover, the management noted that the improving performance of the property sales in Mainland China starting from this year led an increase of the Company's glass sales. Coupled with decrease of the Company's cost of production amid the lower natural gas price, these were beneficial to the performance of its profit margin for the related construction glass business. Nevertheless, we observed that the year-on-year growth of property contracted sales in May from several property developers has narrowed remarkably. Added with the slowdown of Chinese economic growth this year, these might increase uncertainty to the Company's glass sales in 2H2016. On the other hand, the Company announced last evening that the spin-off and listing of Xinyi Automobile Glass on GEM were subject to, among other things, (a) the Stock Exchange approving the Spin-Off; (b) the Hong Kong Public Offering becomes unconditional and is duly completed in accordance with the terms and conditions in the prospectus of Xinyi Automobile Glass Enterprises and the application forms of the Hong Kong public offering; and (c) the Listing Department granting the listing of, and permission to deal in, the Xinyi Enterprises Shares in issue and the Hong Kong Offer Shares to be issued pursuant to the Hong Kong public offering on GEM and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Xinyi Enterprises shares on GEM. Thus, we hold a cautiously optimistic view towards the Company's business prospect in FY2016 amid the low production cost maintained in 2H2016 and the approval for the spin-off of Xinyi Automobile Glass Enterprises.

■ Xinyi Glass's share price dropped 2.41% and closed at HKD5.66 yesterday. Technically, the Company's share price was still in the upward trend. Coupled with its 14-day RSI of 57.05, it showed the weakening momentum. Thus, the share price is expected to test its 50-day MA of approximately HKD 5.43 in the short run.

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ADR HK Stock Prices			
Stock (HKEx Ticker)	ADR Closing Price (US\$)	Adjusted Price (HK\$)	Change from HK Closing Price (%)
HSBC Holdings (00005.HK)	30.23	47.051	0.265
China Life (02628.HK)	10.53	16.389	0.095
Petrochina (00857.HK)	68.01	5.293	(0.322)
CNOOC (00883.HK)	120.75	9.397	(0.157)
Sinopec Corp (00386.HK)	68.3	5.315	1.230
China Mobile (00941.HK)	55.29	86.054	(0.754)
China Unicom (00762.HK)	10.34	8.047	(1.053)
China Telecom (00728.HK)	43.44	3.381	(0.731)
Huaneng Power (00902.HK)	27.11	5.274	1.956

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)	4.39	5.16	4.11	80%
China Merchants Bank (03968.HK)	17.39	20.45	15.76	77%
Bank of China (03988.HK)	3.32	3.90	3.21	82%
Sino Corp (00386.HK)	4.74	5.57	5.31	95%
Maanshan Iron (00323.HK)	2.38	2.80	1.58	56%
Angang New Steel (00347.HK)	3.73	4.39	3.31	75%
Jiangxi Copper (00358.HK)	13.11	15.42	8.41	55%
ZTE (00763.HK)	13.47	15.84	9.65	61%
Huaneng Power (00902.HK)	7.32	8.61	5.24	61%
Huadian Power (01071.HK)	5.23	6.15	3.69	60%
Datang Power (00991.HK)	3.9	4.59	2.05	45%
China Life (02628.HK)	20.94	24.62	16.46	67%
China CITIC Bank (00998.HK)	5.61	6.60	4.48	68%
BOCOMM (03328.HK)	5.52	6.49	4.9	75%

* > 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.)	47.45	(0.56)	(1.17%)
Brent Crude Oil Futures (USD/bbl.)	48.54	(0.43)	(0.88%)
Gold 100 OZ Futures (USD/t oz.)	1,296.65	4.90	0.38%
COMEX Silver Futures (USD/t oz.)	17.61	0.10	0.58%
COMEX Copper Futures (USD/lb.)	209.00	(0.10)	(0.05%)
Platinum Spot (USD/t oz.)	981.30	5.31	0.54%

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HK Treasury Yield Curve Rates

Date	3-year Yield (%)	5-year Yield (%)	10-year Yield (%)	15-year Yield (%)
05/19/16	0.734	1.044	1.382	1.698
05/20/16	0.703	1.012	1.327	1.634
05/23/16	0.680	0.982	1.284	1.590
05/24/16	0.698	0.996	1.285	1.596
05/25/16	0.697	1.005	1.313	1.626
05/26/16	0.660	1.001	1.328	1.641
05/27/16	0.635	0.971	1.297	1.611
05/30/16	0.693	1.019	1.335	1.649
05/31/16	0.692	1.020	1.334	1.649
06/01/16	0.655	0.975	1.307	1.622
06/02/16	0.665	0.978	1.300	1.617
06/03/16	0.633	0.931	1.275	1.591
06/06/16	0.547	0.838	1.186	1.508
06/07/16	0.568	0.854	1.230	1.551
06/08/16	0.526	0.801	1.180	1.503
06/10/16	0.490	0.754	1.129	1.445
06/13/16	0.437	0.699	1.096	1.412
06/14/16	0.440	0.678	1.070	1.390
06/15/16	0.505	0.743	1.134	1.451

US Treasury Yield Curve Rates

Date	1-month Yield (%)	3-month Yield (%)	1-year Yield (%)	3-year Yield (%)	10-year Yield (%)	30-year Yield (%)
05/20/16	0.260	0.460	0.670	1.380	1.850	2.630
05/23/16	0.260	0.480	0.690	1.380	1.840	2.630
05/24/16	0.280	0.480	0.690	1.410	1.860	2.650
05/25/16	0.240	0.470	0.670	1.400	1.870	2.670
05/26/16	0.170	0.460	0.650	1.350	1.830	2.640
05/26/16	0.170	0.460	0.650	1.350	1.830	2.640
05/27/16	0.230	0.470	0.680	1.390	1.850	2.650
05/31/16	0.270	0.490	0.680	1.370	1.840	2.640
06/01/16	0.270	0.490	0.700	1.390	1.850	2.630
06/02/16	0.190	0.480	0.680	1.360	1.810	2.580
06/03/16	0.190	0.430	0.600	1.230	1.710	2.520
06/06/16	0.190	0.430	0.600	1.250	1.730	2.550
06/07/16	0.200	0.430	0.590	1.230	1.720	2.540
06/08/16	0.200	0.430	0.600	1.230	1.710	2.510
06/09/16	0.210	0.430	0.590	1.220	1.680	2.480
06/10/16	0.180	0.420	0.570	1.170	1.640	2.440
06/13/16	0.230	0.400	0.550	1.140	1.620	2.430
06/14/16	0.240	0.410	0.550	1.150	1.620	2.430
06/15/16	0.230	0.370	0.520	1.100	1.600	2.430

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