

CESC Index Report for April 2019



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Highlights

- Expectations for a boost in consumption caused by Mainland tax cuts lifted consumption and entertainment industries. CES SCHK Pan-Entertainment and Leisure Index (CES SCHK E&L) surged 5.5 per cent
- CES Gaming Top 10 Index (CES G10) rose 6.5 per cent on the back of positive institutional investor outlook of gaming industry
- German stock market outperformed global indices as Eurozone economic data beat market expectations
- SSE and JPX signed ETF connectivity agreement
- CES Greater Bay Area Industries Select Index officially launched

I. Performance of CESC indices

According to the State Administration of Taxation, the latest round of new nationwide tax cuts amounted to RMB341.1 billion in the first quarter of 2019 and a total of 91.63 million individuals are exempt from income tax. The market expects that the further tax reductions will stimulate consumption, and therefore benefit consumption and entertainment industries. **CES SCHK Pan-Entertainment and Leisure Index (CES SCHK E&L) surged 5.5 per cent.**

Beating market expectation, Macau's gaming revenue in the first quarter fell only 0.5 per cent from the same period last year. In a research report issued by Goldman Sachs in April, the brokerage expressed a positive outlook towards the gaming industry. **CES Gaming Top 10 Index (CES G10) gained 6.5 per cent.**

Table 1	Index Point	Monthly Return	Volatility	Risk-adjusted Return
CES G10	5,634.07	6.5%	8.4%	0.78
CES SCHK E&L	3,947.50	5.5%	5.0%	1.09
CES CPE	6,061.68	3.9%	3.9%	1.00
CES MOT	3,706.89	3.8%	4.4%	0.88
CES 120	6,934.38	3.1%	4.8%	0.65
CES A80	7,986.35	3.1%	6.2%	0.49
CES 300	4,670.38	2.4%	4.1%	0.58
CES SCHK 50	3,251.90	2.3%	3.3%	0.69
CES AIT	4,246.61	2.3%	5.8%	0.39
CES HKMI	8,070.28	1.8%	3.8%	0.48
CESHKB	5,997.25	1.3%	7.5%	0.17
CES SCHK 100	5,900.28	1.2%	2.8%	0.44
CES GBA	2,292.33	1.1%	4.2%	0.26
CES OBOR	1,702.96	0.4%	6.6%	0.06
CES SCHK HYLIV	3,270.49	-1.1%	2.5%	-0.43
CES iBioTech	8,321.59	-1.5%	5.4%	-0.29
CES VAL	4,867.91	-1.7%	5.5%	-0.31
CES 280	6,064.83	-1.8%	5.5%	-0.33
CES REIT	3,890.85	-1.9%	2.0%	-0.94
CES High Yield	4,179.43	-3.6%	5.2%	-0.69
CES CSC	3,804.33	-10.4%	10.8%	-0.96

Source: CESC and Wind; data as of 30 Apr 2019

Despite outstanding performance of blue chip A shares during the month, which led to a **surge of 3.1 per cent in CES China A80 Index (CES A80)**, Northbound Trading under Stock Connect recorded a net outflow for the first time since October 2018, reaching almost RMB18 billion. The amount of Northbound net outflows under Shanghai and Shenzhen Connect were RMB6.05 billion and RMB11.94 billion respectively. However, Southbound Trading saw a net inflow of RMB13.5 billion in April.

II. Other stock indices

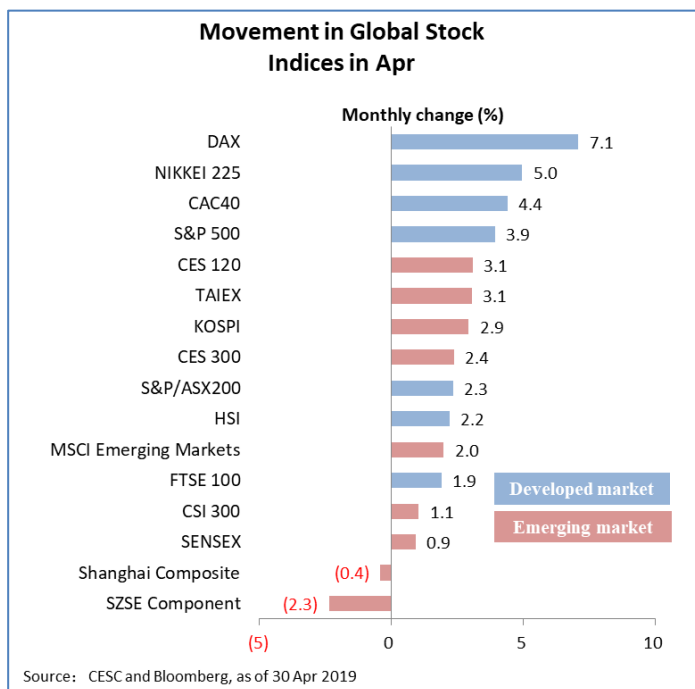
The US and European stock markets strengthened in April as global economic data demonstrated signs of recovery. Germany’s DAX Index rose 7.1 per cent, outperforming global indices.

The US Federal Reserve held the target range for the federal funds rate unchanged at 2.25 to 2.5 per cent after its meeting. US S&P 500 Index closed at 2,945.83 at the end of April, up nearly 4 per cent for the month.

Japan celebrated the ascension of Emperor Naruhito to the throne by having 10 consecutive days of holidays from 27

April to 6 May, while the central bank of Japan kept its monetary policy unchanged on the eve of the long holiday, and vowed to maintain interest rates at very low levels at least before the start of 2020. The Nikkei Index gained 5 per cent during the month.

In India, there were high expectations that incumbent Prime Minister Narendra Modi will be re-elected in the month-long election that started in April. According to poll statistics, the India-Pakistan conflict would give Modi an advantage. India’s SENSEX gained 0.9 per cent in the month.



III. China-related investment activities offshore

SSE and JPX signed ETF connectivity agreement

On 22 April, the Shanghai Stock Exchange (SSE) and Japan Exchange Group (JPX) signed an ETF connectivity agreement at a capital market forum held in Shanghai, agreeing that they will establish the ETF connectivity mechanism for the markets in China and Japan,

and that each exchange will list ETFs tracking the ETFs listed on the other market. Specifically, the Chinese and Japanese ETF providers will respectively establish cross-border ETFs through the existing QDII and QFII mechanisms, and invest all or most of the fund assets in the representative ETFs listed in the other market.

CES Greater Bay Area Industries Select Index officially launched

China Exchanges Services Company Ltd (CESC) launched CES Greater Bay Area Industries Select Index to track the performance of Hong Kong or Mainland China listed companies benefiting from the Greater Bay Area's development.

China Exchanges Services Company limited
Suites 906-908, 9/F, Two Exchange Square, 8 Connaught Place, Hong Kong
<http://www.cesc.com>
cescinfo@cesc.com

Author: Index Development
Tel: +852 2803 8200
Email: cescinfo@cesc.com

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