

# CESC Index Report for June 2019



China Exchanges Services Company Limited

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## Highlights

- Northbound trading under Stock Connect recorded a net buy of RMB42.6 billion, CES Foreign A-Shares Choice Index (CESFAC) surged 7.9 per cent
- Sino-US trade truce and US interest rate cut benefited Mainland private enterprises; CES China Private Elite Index (CES CPE) rebounded by 9.7 per cent
- Following the uptrend in Macau's gaming revenue in the past two months, CES Gaming Top 10 Index (CES G10) rose 7.2 per cent
- CES China 120 Index (CES 120) gained 6.3 per cent after the truce announced at the G20 Summit in Osaka, Japan
- Bond Connect saw an 84 per cent jump in ADT from its first year
- China's Ministry of Finance issued RMB government bonds in Macau for the first time

## I. Performance of CESC Indices

The Sino-US trade truce and US interest rate cut were expected to draw capital back to the stock market, and both the Hong Kong and Mainland markets rebounded in June.

Northbound trading under Stock Connect recorded a net buy of RMB42.6 billion in June. A shares regained ground thanks to the active participation of overseas capital, pushing the share prices of some foreign-held companies to record highs. The **CES Foreign A-Shares Choice Index (CESFAC) surged 7.9 per cent.**

Table 1	Index Point	Monthly Return	Volatility	Risk-adjusted Return
CES P Elite	5,525.47	9.7%	8.2%	1.19
CES Foreign A-Shares Choice	2,658.49	7.9%	6.1%	1.29
CES G10	4,954.86	7.2%	8.7%	0.83
CES Greater Bay Area Select	2,251.44	6.8%	4.7%	1.47
CES SCHK Value	4,599.22	6.8%	6.9%	0.99
CES A80	7,883.58	6.5%	4.9%	1.32
CES SCHK Growth	5,249.65	6.4%	8.4%	0.76
CES SCHK E&L	3,610.00	6.4%	6.5%	0.99
CES SCHK Moat	3,438.64	6.3%	7.5%	0.84
CES 120	6,777.01	6.3%	5.3%	1.20
CES SCA Industry Top	4,141.77	6.3%	5.1%	1.23
CES High Yield	3,951.26	6.1%	6.5%	0.93
CES SCHK 50	3,118.73	6.1%	5.6%	1.08
CES SCHK 100	5,660.47	5.9%	5.7%	1.04
CES 300	4,569.91	5.8%	4.9%	1.17
CES HKMI	7,628.88	5.5%	6.2%	0.88
CES HK Biotech	5,770.62	3.5%	9.8%	0.36
CES REIT	3,954.96	3.0%	1.7%	1.79
CES 280	5,803.58	3.0%	4.6%	0.66
CES SCHK HYL V	3,124.93	2.6%	3.5%	0.76
CES Innovative Pharma	8,015.60	2.0%	10.2%	0.20
CES OBOR	1,624.27	1.9%	4.2%	0.46
CES China Semiconductor	3,990.60	-2.4%	9.1%	-0.27

Source: CESC and Wind; data as of 28 Jun 2019

Thanks to the trade war truce and interest rate cut, capital was flowing back into the Mainland

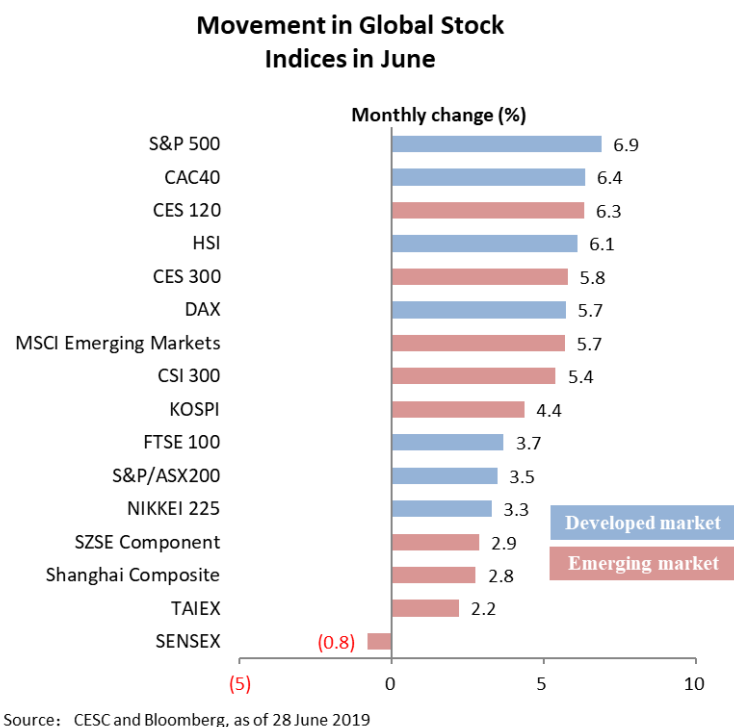
private enterprise sector, with export and real estate companies enjoying the biggest benefit. The **CES China Private Elite Index (CES CPE) rebounded by 9.7 per cent.**

Macau’s gaming revenue rose 5.9 per cent year-on-year in June, exceeding the 1.8 per cent expected by the market. Analysts believe the valuation of gaming stocks is reasonable considering the steady VIP gaming business and likelihood that existing gaming licenses will be renewed. The **CES Gaming Top 10 Index (CES G10) rose 7.2 per cent.**

## II. Other Stock Indices

Global stock markets recorded a significant rebound in June as well, with the S&P 500 surging 6.9 per cent and CES China 120 Index (CES 120) up 6.3 per cent.

US President Donald Trump and Chinese President Xi Jinping met at the G20 in Osaka, Japan, in June, announcing a truce in the trade war that resulted in a return of capital to the stock market. The activity drove up the **CES China 120 Index (CES 120) by 6.3 per cent.** The two leaders agreed to resume trade talks during their meeting, and the US promised not to impose additional tariffs on products imported from China.



Shortly after the US Federal Reserve announced it would hold interest rates steady, Chairman Jerome Powell said the Fed should not focus on short-term sentiments when formulating monetary policy. The market expects an interest rate cut as early as in July, with two further cuts to follow in the second half of the year.

According to IHS Markit’s data, the final value of PMI in France reached a nine-month high of 51.9 in June, with the service sector recording a seven-month high of 52.9. The France CAC 40 index rose 6.4 per cent on the news.

### III. China-related Investment Activities Offshore

#### **Bond Connect saw an 84 per cent jump in ADT**

A total of 1,038 investment institutions covering 29 countries and regions have invested in the China Interbank Bond Market via Bond Connect according to CFETS data as of the end of June. That's 3.2 times higher than the number in 2017, when just 247 companies were active under the scheme. Of the total, 58 of the top 100 global asset management companies have invested via Bond Connect.

#### **China's Ministry of Finance issues RMB government bonds in Macau for the first time**

China's Ministry of Finance announced it would issue RMB2 billion in government bonds in Macau for the first time on 4 July, with the aim to support Macau's financial development and encourage more RMB bond issuance by local issuers. The Ministry will offer RMB1.7 billion in three-year bonds at a 3.05 per cent coupon rate to institutional investors and RMB300 million in two-year retail bonds to Macau residents at a 3.3 per cent coupon rate.

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