

CESC Index Report for May 2019



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Highlights

- CES Stock Connect 300 Index (CES 300) fell 7.5 per cent along with Hong Kong and Mainland stocks as Sino-US trade tensions intensified
- Expected growth in sales of Mainland semiconductor companies drove CES China Semiconductor Index (CES CSC) up 7.5 per cent despite the bearish market sentiment
- CES China 120 Index (CES 120) fell 8.1 per cent as Mainland China's purchasing manager index (PMI) for the manufacturing sector fell to 49.4 in May
- CES Gaming Top 10 Index (CES G10) dropped 18 per cent following a year-on-year decrease in Macau's cumulative gross income from gaming activities
- MSCI increases the weighting of A shares in its emerging market index through a three-stage plan, with the inclusion factor of A shares increased to 10 per cent in the first stage
- HKEX hopes to include international companies in Stock Connect
- Research paper "*Investment benchmark for Asia's biotechnology sector: CES HK Biotechnology Index*" published

I. Performance of CESC Indices

Weighed down by the intensified Sino-US trade tensions, Hong Kong and Mainland stocks dropped markedly during the month.

Market expected the restrictions against Huawei's use of US technology would generate sales for Mainland semiconductor companies. This might encourage Mainland China to set targets to achieve full independence in the production of its semiconductor industry, thus generating substantial capital investment in the industry. **CES China Semiconductor Index (CES CSC) surged 7.5 per cent despite the general downward market trend.**

CES China 120 Index (CES 120) fell 8.1 per cent as Mainland China's purchasing manager index (PMI) for the manufacturing sector fell to a level of contraction at 49.4 in May, down 0.7 per cent from April.

Northbound trading under Stock Connect in May recorded a net outflow of RMB53.7 billion, the largest single-month net outflow since 2014, while the Southbound trading recorded a net inflow of RMB22 billion in the same month. **CES Stock Connect 300 Index (CES 300) fell 7.5 per cent.**

As the economic downturn is impacting consumer spending, it is forecasted that business recovery will likely be slow among VIP rooms of casinos. Macau's cumulative gross income from gaming activities declined 1.6 per cent year on year in the first five months of the year. **cent.**

	Index Point	Monthly Return	Volatility	Risk-adjusted Return
CES CSC	4,090.81	7.5%	15.6%	0.48
CES REIT	3,837.92	-1.4%	3.2%	-0.43
CES iBioTech	7,856.26	-5.6%	10.6%	-0.53
CES Foreign A-Shares	2,463.89	-5.9%	9.3%	-0.63
CES OBOR	1,593.64	-6.4%	8.8%	-0.73
CES SCHK HYLIV	3,045.19	-6.9%	3.4%	-2.01
CES HK Biotech	5,575.53	-7.0%	10.2%	-0.69
CES 280	5,631.84	-7.1%	8.3%	-0.86
CES A80	7,402.16	-7.3%	8.3%	-0.88
CES 300	4,320.10	-7.5%	6.1%	-1.24
CES Greater Bay Area Select	2,107.28	-8.1%	7.0%	-1.15
CES 120	6,374.08	-8.1%	6.3%	-1.27
CES SCA Industry Top	3,896.97	-8.2%	9.2%	-0.90
CES SCHK 100	5,345.48	-9.4%	5.1%	-1.83
CES SCHK 50	2,940.16	-9.6%	4.9%	-1.96
CES SCHK Growth	4,934.57	-9.9%	9.5%	-1.05
CES HKMI	7,232.64	-10.4%	5.1%	-2.05
CES High Yield	3,724.06	-10.9%	7.8%	-1.40
CES SCHK Value	4,305.57	-11.6%	8.3%	-1.39
CES SCHK Moat	3,233.37	-12.8%	8.8%	-1.45
CES SCHK E&L	3,393.83	-14.0%	9.2%	-1.52
CES CPE	5,035.06	-16.9%	7.6%	-2.24
CES G10	4,621.39	-18.0%	9.4%	-1.92

Source: CESC and Wind; data as of 31 May 2019

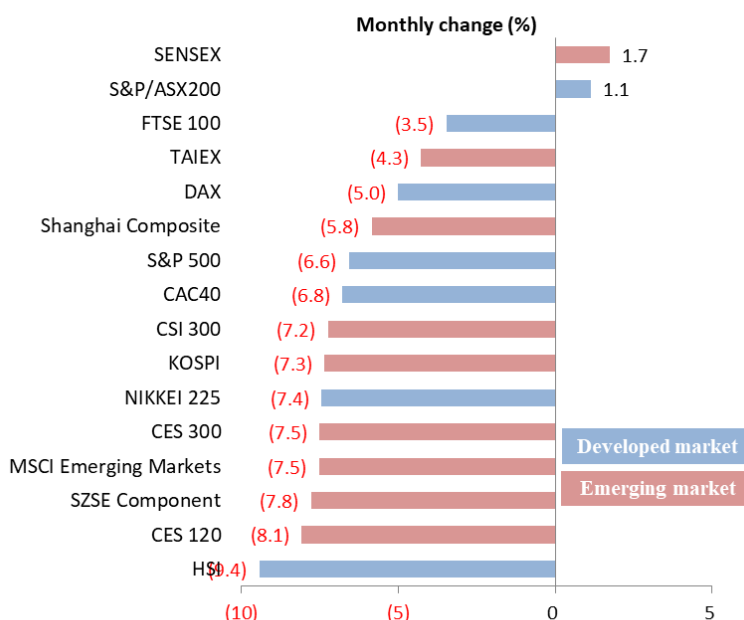
CES Gaming Top 10 Index (CES G10) fell 18 per cent.

II. Other stock indices

Fears of economic recession caused by Sino-US trade tensions have triggered global stock market turbulence. Hong Kong's Hang Seng Index fell 9.4 per cent in May, while Standard & Poor's 500 Index and CSI 300 Index slid 6.6 per cent and 7.2 per cent respectively.

Indian Prime Minister Narendra Modi won another term in office and led his party to a majority in the Indian parliament. Analysts believe he will deepen economic reforms and drive economic growth in India. The SENSEX Index bucked the broad market declines and rose 1.7 per cent.

Movement in Global Stock Indices in May



Source: CESC and Bloomberg, as of 31 May 2019

III. China-related investment activities offshore

MSCI increases the weighting of A shares in its emerging market index through a three-step plan, with the inclusion factor of A shares increased to 10 per cent in the first stage

MSCI raised the index inclusion factor of A shares to 10 per cent from 5 per cent in May, with a three-stage plan to raise it further to 15 per cent in August and 20 per cent in November during index adjustment.

HKEX hopes to include international companies in Stock Connect

HKEX is in discussion with the Mainland regulators hoping to gradually include international companies in Stock Connect. To attract the listing of more international companies, particularly those in Southeast Asia, in Hong Kong, HKEX is considering to expand the number of accepted overseas jurisdictions in order to capture opportunities in those regions.

Research paper “Investment benchmark for Asia’s biotechnology sector: CES HK Biotechnology Index” published

According to a recent research paper published jointly by China Exchanges Services Co (CESC) and HKEX’s Chief China Economist’s Office, continuous policy support has resulted in increasing capital input in the Mainland’s biomedical industry, and facilitated industry consolidation.

The research paper is now available at HKEX website:

Chinese version: [投資亞洲生物科技市場的指標：中華交易服務香港生物科技指數](#)

English version: [Investment benchmark for Asia’s biotechnology sector: CES HK Biotechnology Index](#)

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

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

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