

# CESC Index Report for November 2018



China Exchanges Services Company Limited

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## Highlights

- Meeting between Chinese and US presidents raised hope of a truce in the trade war. CES SCHK100 (CES100) surged 7.0 per cent
- Increase in visitors to Macau pushed CESHG10 up 15.5 per cent
- India's SENSEX rocketed 5.1 per cent on recovery of emerging markets
- Over 20 NEEQ companies plan to list in Hong Kong
- CESC launched CES HK Biotech Index (CESHKB)

## I. Performance of CESC indices

The US agreed not to impose new tariffs on its Chinese imports on 1 January following a meeting between Chinese President Xi Jinping and US President Donald Trump after the G20 summit. The tariff halt eased market worries about the Sino-US trade war and set off a rally in Mainland and Hong Kong stocks. **CES SCHK100 (CES100) surged 7.0 per cent.**

Boosted by the National Day holiday and the Hong Kong-Zhuhai-Macao Bridge's opening to traffic, visitors to Macau in October were up 23.2 per cent from September and 9.2 per cent year on year, according to Macau's Statistics and Census Service. **CESG10 rose 15.5 per cent.**

Risk appetite increased on market stabilisation. Capital returned to the biotech sector, pushing **CES HK Biotech Index (CESHKB) up 10.3 per cent.**

US Fed's softening towards interest rate hikes raised expectations of an early end to the rate hike cycle. High-dividend stocks became popular. **CES High Yield Index (CESFHY) gained 7.6 per cent.**

Table 1	Index Point	Monthly Return	Volatility	Risk-adjusted Return
CES G10	4,561.69	15.5%	14.1%	1.10
CESHKB	5,230.13	10.3%	10.9%	0.94
CES SCHK E&L	3,167.54	10.2%	11.9%	0.86
CES High Yield	3,423.69	7.6%	5.9%	1.30
CES SCHK 100	5,248.69	7.0%	7.1%	0.98
CES iBioTech	7,348.44	6.9%	9.8%	0.71
CES CPE	5,197.22	6.9%	9.4%	0.73
CES HKMI	7,298.23	6.1%	6.9%	0.88
CES SCHK 50	2,908.02	6.0%	6.8%	0.88
CES CSC	3,085.17	5.7%	9.0%	0.63
CES SCHK HYL	3,067.53	4.9%	4.1%	1.20
CES 300	4,046.83	3.8%	6.0%	0.63
CES 280	5,195.83	3.8%	6.6%	0.57
CES REIT	3,415.61	3.3%	2.9%	1.16
CES 120	5,966.22	3.1%	6.2%	0.49
CES OBOR	1,432.06	2.0%	5.8%	0.35
CES A80	6,490.29	-0.4%	6.1%	-0.07

Source: CESC and Wind; data as of 30 Nov 2018

## II. Other stock indices

Global stock markets moved in opposite directions in November. Stocks of emerging markets rebounded, with India's SENSEX rocketing 5.1 per cent. Developed stock markets remained under pressure. S&P/ASX 200 lost 2.8 per cent.

Several emerging market currencies appreciated against the US dollar. The Indian rupee, Indonesian rupiah, South African rand and Turkish lira rose 5.9 per cent to 6.6 per cent. Currency appreciation combined with lower production costs due to sharp falls in oil prices helped lift Indian shares.



In the US, the Democrats regained control of the House of Representatives and the Republicans retained their hold on the Senate in the midterm elections, in line with market expectations. Investors do not generally expect these results to affect US tariffs on Chinese products. After the elections, however, the US Fed revealed a change of heart about rate hikes by noting that a key interest rate was near a neutral level. Two rate hikes rather than three are now expected for 2019. S&P 500 advanced 1.8 per cent in the month.

In Australia, there are fears that the Sino-US trade war will reduce Chinese demand for goods and services, and that will have a negative effect on commodity exporters. Australia's real estate sector was reportedly declining rapidly. In November, the country's housing prices hit a new low since the 2008 financial tsunami and blue chip stocks tumbled.

## III. China-related investment activities offshore

### Over 20 NEEQ companies plan to list in Hong Kong

NEEQ-listed companies' H-share listing plans saw significant progress as two such companies, Junshi Biosciences and Chengda Biotechnology, said they had received CSRC approval to go public in Hong Kong. More than 20 NEEQ companies have announced plans to list in Hong Kong, and some have already published a listing prospectus through HKEX.

Hong Kong offers an average valuation higher than NEEQ and the A-share market for companies in e-commerce, chip manufacturing, biopharmaceuticals and other high tech sectors, according to analysts. NEEQ companies that list H shares are expected to come

mainly from these sectors.

## **CESC launched CES HK Biotech Index**

CESC launched its CES HK Biotechnology Index (CESHKB) on 14 November.

This new index is the first to track shares of biotech companies, including pre-revenue biotech companies, with a primary or secondary listing on HKEX's main board. It is designed to reflect the performance of biotech companies listed in Hong Kong.

Constituents are selected based on the following criteria: firstly, they must be biotech companies with a primary or secondary listing on HKEX's main board; secondly, they must be classified as a biotechnology company according to industry classification or under Chapter 18A of Hong Kong's Listing Rules; and lastly, they must have had an average daily market capitalisation of at least \$1.5 billion during the most recent year.

"Biotechnology is an exciting and innovative industry, where technology can play a significant and notable role and where a long-term informed view is needed from investors," said CESC Chief Executive Mao Zhirong. "Hong Kong is increasingly becoming known as a global biotechnology hub, and this new index comes as the market seeks new ways to analyse this industry, and as investors look to diversify their portfolios. The launch of the index is the next vital step as we continue to build a strong biotech investment ecosystem."

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