

Highlights

In a holiday short week, risk-on sentiment dominated China's market supported by both strong official and Caixin PMIs. The overall business sentiment has recovered following the announcement of China's biggest tax cut in history and China's reassurance of reform to solve the funding difficulties faced by private owned enterprises.

China's flushed liquidity in the beginning of the month failed to support bond market with bond yield rose significantly across the curve as a result of risk-on environment. The news that PBoC has requested for police investigation on fake RRR cut news shows China's low tolerance on fake news as well as low probability of RRR cut in the near term. Nevertheless, as CNY366.5 billion MLFs will expire on 17 April, which may weigh down on liquidity, market will look at how PBoC wants to make up the liquidity loss from the maturing MLFs.

For this week, market will wait for March economic indicators as well as 1Q GDP data. PBoC's next monetary policy move is likely to be data-dependant. RMB continued to consolidate in the familiar range as market is still waiting patiently for the news from the US-China trade talk. In the near term, RMB will remain a dollar play.

In **Hong Kong**, HK's retail sales dropped by 10.1% yoy in February. Taking the first two months of 2019 as a whole, which could help to ease the seasonality of Chinese New Year, retail sales decreased by 1.6% yoy. The data prints suggested that the outlook of retail sector remained uncertain. Moving forward, there are three major headwinds weighing on the outlook of retail sales, amid uncertain economic outlook of HK, stronger HKD and lingering US-China trade war risks. We may still need more data to gauge the outlook of the sector. In **Macau**, the drop in the gross gaming revenue has been less than market expected, partly supported by infrastructure improvement. Despite that, we still expect gaming revenue growth to decelerate in the coming months, amid several uncertainties. Firstly, muted economic outlook of Asia might dent the travelling and gambling sentiments. Secondly, despite infrastructure improvement, it might only help to lure low-end and same-day visitors. The supports to gaming revenue expect to be relatively moderate. Thirdly, lack of the opening-up of new projects recently. Fourthly, policy risks might loom the outlook over the gaming sector. All in all, we expect gross gaming revenue to expand by 2%-5% in 2019.

Key Events and Market Talk

Facts	OCBC Opinions
<ul style="list-style-type: none"> ▪ China's tourism market remains strong. Total 110 million populations travelled domestically or went overseas during the Qingming long weekend according to CCTV news. Meanwhile, the number of railway passengers in the first day of the long weekend was reported to increase by 9.4% yoy to 15.23 million, highest in record for Qingming festival. 	<ul style="list-style-type: none"> ▪ The strong people movement during the long weekend shows that tourism demand may remain supportive of China's consumption.
<ul style="list-style-type: none"> ▪ According to the media, China's central has filed the request for police's investigation on fake news spread in the social media that China has cut its reserve requirement ratio. 	<ul style="list-style-type: none"> ▪ The possible involvement of police investigation shows China's low tolerance on fake news. Meanwhile, it also ruled out the near-term probability of a potential RRR cut ahead of release of March economic data. Given the expected recovery of key March economic indicators, it seems that PBoC is in no urgency to cut the RRR. ▪ Nevertheless, as CNY366.5 billion MLFs will expire on 17 April, which may weigh down on liquidity, market will look at how PBoC wants to make up the liquidity loss from the maturing MLFs.
<ul style="list-style-type: none"> ▪ The US-China concluded their ninth round of trade negotiations. President Trump considered the latest talk as a big success. However, significant work remains according the press release from both Xinhua and White House. 	<ul style="list-style-type: none"> ▪ Although President Trump said both sides are close to an agreement with the deal may be announced within next four to six weeks, market is unlikely to bet big on trade talk unless there is more clear signal from the trade talk.

Key Economic News

Facts	OCBC Opinions

<ul style="list-style-type: none"> China's FX reserve rose for the five-consecutive month in March to US\$3.098 trillion, up from US\$3.090 trillion in February. 	<ul style="list-style-type: none"> The negative impact of stronger dollar on reserve is likely to be offset by the stronger mark to market rally in equity and bond markets in March. Overall, we think China's capital flow remained balance in March.
<ul style="list-style-type: none"> China's Caixin PMI also rebounded to 50.8 in March, above 50 for the first time in four months. 	<ul style="list-style-type: none"> The Caixin PMI confirms the upbeat picture from the official PMI that sentiment has recovered following the announcement of biggest tax cut in history and China's reassurance of reform to solve the funding difficulties faced by private owned enterprises.
<ul style="list-style-type: none"> HK's retail sales dropped by 10.1% yoy in February. Taking the first two months of 2019 as a whole, retail sales decreased by 1.6% yoy 	<ul style="list-style-type: none"> In order to ease the seasonality of Chinese New Year, taking the data for the first two months of 2019 as a whole might be an appropriate way to understand the real performance of retail sector. Internally, the sales of food, alcoholic drink and tobacco dropped by 1% yoy while the sales of those goods in supermarket and department stores grew by 1.5% yoy and 4.2% yoy respectively for the first two months of 2019. Despite infrastructure improvement luring more visitors to Hong Kong, the supports to tourism-related items of retail sales were mixed. The sales of jewelry, watches and clocks edged lower by 2.8% yoy while the sales of footwear, allied products and other clothing accessories picked up by 1.3% yoy for the first two months of 2019. The data prints suggested that the outlook of retail sector remained uncertain. We may still need more data to gauge the outlook of the sector. Moving forward, there are three major headwinds weighing on the outlook of retail sales. Firstly, global economic slowdown may cloud the economic outlook of HK, which might dent domestic consumption sentiments. Secondly, stronger HKD might weaken visitors' purchasing power. Thirdly, US-China trade war risks remain unsolved.
<ul style="list-style-type: none"> Macau's gross gaming revenue reduced slightly by 0.4% yoy to MOP 25.84 billion in March. Despite that gaming revenue decreased, the drop in the data print has been less than market expected, partly supported by infrastructure improvement. 	<ul style="list-style-type: none"> Despite that, we still expect gaming revenue growth to decelerate in the coming months, amid several uncertainties. Firstly, given the lingering US-China trade war risks and concerns over global economic slowdown, muted economic outlook of Asia might dent the travelling and gambling sentiments. Secondly, despite infrastructure improvement, it might only help to lure low-end and same-day visitors. The supports to gaming revenue expect to be relatively moderate. Meanwhile, the worries about China's economic slowdown might hinder the growth of VIP gaming revenue. Thirdly, as the mega entertainment projects were completed successively, it might become more difficult for gambling hubs to attract tourists, given the lack of the opening-up of new projects recently. Fourthly, policy risks might loom the outlook over the gaming sector. All in all, we expect gross gaming revenue to expand by 2%-5% in 2019.
RMB	
Facts	OCBC Opinions
<ul style="list-style-type: none"> RMB remained strong last week on the back of hopes that China may reach the trade deal with the US soon though RMB failed to break 6.7. RMB gained against its major trading partners with the RMB index ended the week at 95.34. 	<ul style="list-style-type: none"> RMB continued to consolidate in the familiar range as market is still waiting patiently for the news from the US-China trade war. In the near term, RMB will remain a dollar play.

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