

CESC Index Report for January



China Exchanges Services Co Ltd (CESC)



Highlights

- The CES Stock Connect Hong Kong Select 100 Index (CES SCHK100) had the smallest month-on-month decline in January 2016 among key Mainland and Hong Kong indices.
- Many of the world's major stock market indices were down in January 2016 from the previous month.
- Some A-share ETFs in Hong Kong were traded at a premium in January 2016.

1. Performance of CESC indices

The Hong Kong and Mainland stock markets experienced turmoil in January 2016 amid falling oil prices, signs of slowdowns in some of the world's key economies and a strong US dollar. Markit's manufacturing Purchasing Managers Index for two main drivers of the global economy, the US and the euro zone, had January 2016 readings of 52.4 and 52.3 respectively. They indicate the European and American

manufacturing sectors continued to expand, but at a slow rate. A shares fell more sharply than Hong Kong stocks. On the Mainland, the circuit breaker system introduced at the beginning of the year was discontinued after a few days. The CES A80 and CSI

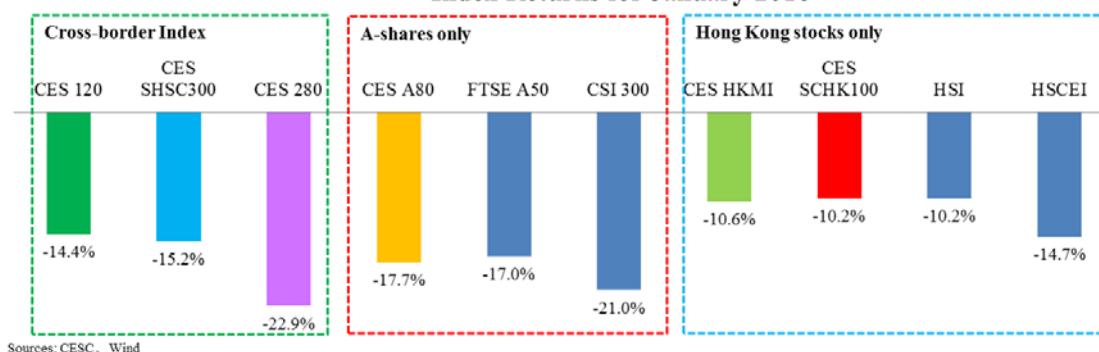
	Index Point	Monthly Return	Volatility	Risk-adjusted Return
CES SCHK 100	3,860.71	-10.17%	8.65%	-1.18
HSI	19,683.11	-10.18%	8.85%	-1.15
CES HKMI	4,845.72	-10.57%	9.95%	-1.06
CES 120	4,317.80	-14.40%	10.70%	-1.35
HSCEI	8,241.36	-14.69%	10.86%	-1.35
CES SHSC 300	3,131.51	-15.22%	10.29%	-1.48
FTSE A50	8,887.48	-17.03%	11.58%	-1.47
CES A80	5,181.58	-17.71%	12.46%	-1.42
CSI 300	2,946.09	-21.04%	10.29%	-2.04
SSE Composite	2,737.60	-22.65%	14.87%	-1.52
CES 280	5,147.95	-22.88%	14.94%	-1.53
SZSE Component	9,418.20	-25.64%	17.32%	-1.48

Source: CESC and Wind; data as of 29 Jan 2016

300 plunged 17.7 per cent and 21 per cent respectively from the December 2015 levels (Table 1). Big cap blue chips were stronger than other Mainland shares, generally, with the CES A80 retreating less than the Shanghai Composite Index. Among Hong Kong stock market indicators, the CES SCHK100 fell 10.2 per cent, less than its peer indices.

At the end of January 2016, the Hong Kong and Mainland markets had a brief rally. The CES Shanghai-Hong Kong Stock Connect 300 (CES SHSC 300) and CES 120 regained 2.7 per cent and 2.8 per cent respectively (Chart 1) on 29 January. For the month, the two indices declined about 15 per cent. The three CES 120 sectors that fared best in the down market of January were telecommunications, information technology and energy which lost 5.1 per cent, 6.7 per cent and 7.1 per cent respectively.

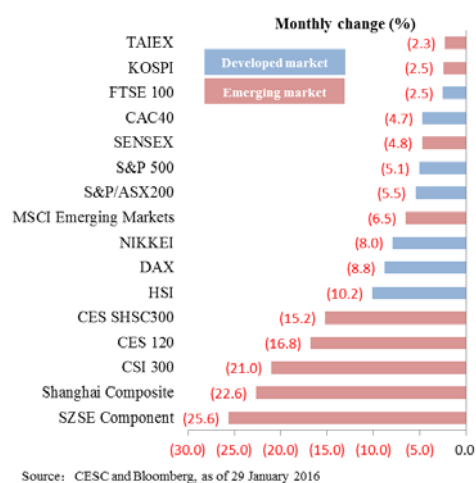
Chart 1 Index Returns for January 2016



2. Key stock indices' movements

The world's key stock markets generally declined in January 2016. The CSI 300, Shanghai Composite Index and SZSE Component Index tumbled more than 20 per cent from the previous month and were the biggest percentage losers among major stock indices (Chart 2). Other widely followed Asian indices also suffered losses. Taiwan and Korean stocks fell least in the region. The Hang Seng Index and Japan's Nikkei shed 10 per cent and 8 per cent respectively.

Chart 2 Movement in Global Stock Indices in January



3. A-share indicators offshore

Some A-share Exchange Traded Funds (ETFs) in Hong Kong were traded at a premium in January 2016, including the CSOP CES China A80 ETF and ChinaAMC CES China A80 ETF. The sector had some net outflows as well. For the iShares A50 ETF, the net outflow was RMB2.2 billion.

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