

**Fundamentals:**

Hong Kong stocks rallied by the most in three weeks as sentiment improved after China's securities regulator took additional steps to limit short-selling and rein in computer-driven quant trading in a bid to revive confidence, although some investors said markets could be rattled if authorities overplayed such interventions.

The Hang Seng Index rose 2.1 per cent to 17,832.33 at the close, the steepest gain since June 19. The Hang Seng Tech Index jumped 2.7 per cent and the Shanghai Composite Index added 1.1 per cent.

All but seven stocks on the 82-member benchmark rose, with Li Auto jumping 7 per cent to HK\$82.50 and auto dealer Zhongsheng Group Holdings advancing 6.3 per cent to HK\$12.56.

The China Securities Regulatory Commission (CSRC) said on Wednesday night it would raise the margin deposit ratio for short-selling and pledged more scrutiny for quant-based investments. State-backed margin finance company, China Securities Finance also said that it would suspend lending of stocks to brokerages for short selling starting Thursday.

"This triggers a domino effect in the short term: existing short positions get squeezed, and new short-selling activities hit a roadblock," said Stephen Innes, managing director at SPI Asset Management. "As a result, markets often rally, especially in heavily shorted stocks. It's like a temporary balm that soothes the nerves, but heavy-handed interventions can spook investors and suck the life out of trading volumes."

The margin deposit ratio will rise to 100 per cent of the values of borrowed stocks for short sellers starting Friday, compared with 80 per cent currently, according to the CSRC statement. The ratio for hedge funds will increase to 120 per cent from 100 per cent now, it said.

The CSRC will guide the stock exchanges to work out rules that will define abnormal trading for quant investment and collaborate with Hong Kong to apply the same rules to overseas quant investors that trade through the Stock Connect programme, it said in a separate statement.

The crackdown came after the rebound in stocks spurred by state intervention began to falter on the back of lacklustre economic data and following a slew of corporate profit warnings. The Hang Seng Index has dropped about 9 per cent from this year's highs in May, while the Shanghai Composite has shed more than 6 per cent. Investors have been cautious in the run-up to a Communist Party's third plenary session due to kick off on Monday. The four-day event will see Party boss Xi Jinping and his colleagues on the Central Committee review and approve the economic and social development policies for the next five to 10 years.

Buying interest was also triggered by dovish comments from the Federal Reserve Chair Jerome Powell, who said that US interest rates can be cut even before inflation drops to the target of 2 per cent, in his testimony to lawmakers. The report on June US inflation is due Thursday night, with the consensus projection for a 3.1 per cent year-on-year increase.

Other major Asian markets all traded higher. Japan's Nikkei 225 climbed 0.9 per cent to a record close, South Korea's Kospi rose 0.8 per cent, while Australia's S&P/ASX 200 added 0.9 per cent.

(Source: South China Morning Post)

**Mini Hang Seng Futures Daily Chart**



**Mini Hang Seng China Enterprise Futures Daily Chart**



Contracts	Chg	Sett	High	Low
H. SENG FUT JUL 24	352	17857	17904	17506
H. SENG FUT AUG 24	357	17885	17925	17532
H. SENG FUT SEP 24	360	17847	17881	17500
H. SENG FUT DEC 24	369	17995	18029	17643
MINI H. SENG FUT JUL 24	352	17857	17904	17504
MINI H. SENG FUT AUG 24	357	17885	17928	17534
MINI H. SENG FUT SEP 24	360	17847	17890	17488
MINI H. SENG FUT DEC 24	369	17995	18038	17623
HSCEI FUT JUL 24	121	6379	6400	6258
HSCEI FUT AUG 24	124	6398	6408	6281
HSCEI FUT SEP 24	126	6384	6403	6285
HSCEI FUT DEC 24	128	6442	6451	6308
MINI HSCEI FUT JUL 24	121	6379	6400	6259
MINI HSCEI FUT AUG 24	124	6398	6415	6283
MINI HSCEI FUT SEP 24	126	6384	6393	6274
MINI HSCEI FUT DEC 24	128	6442	6456	6330

Major HSI Constituent Stocks	Close	Change	High	Low
*AIA Group Ltd	54.25	2.25	54.35	52.65
**Tencent Holdings Ltd	384.8	7.2	386	378.2
**HSBC Holdings PLC	67.25	0.75	67.55	66.9
**China Construction Bank Corp	5.53	0.1	5.54	5.46
**Ping An Insurance Group	35.7	0.5	36	35.35
**Meituan	116.1	1.2	117.7	114.8
*Hong Kong Exchanges & Clearing Ltd	248.2	6.8	249	243.2
**Alibaba Group Holdings Ltd	75.45	2.35	76	73.8
**Xiaomi Corp	16.68	0.56	16.76	16.2
**ICBC	4.36	0.04	4.38	4.32

Major HSCEI Constituent Stocks	Close	Change	High	Low
*Wuxi Biologics Cayman Inc	11.12	0.46	11.16	10.7
**China Mobile Ltd	76.6	0.75	76.95	75.8
**Bank of China Ltd	3.5	0.03	3.53	3.47
*Techtronic Industries Co Ltd	89.05	0.75	90.05	88.6
*CK Hutchison Holdings Ltd	38.7	1.75	38.8	37.05
*Link REIT	31.1	1.05	31.15	30
*CLP Holding Ltd	64.5	1.3	64.7	63.6
**Geely Automobile Holdings Ltd	8.3	0.13	8.35	8.24
**CNOOC Ltd	22.6	0.45	22.7	22.15
**ANTA Sports Products Ltd	71.8	2.8	72.3	68.25

Global Equity Indices	Close	Change	High	Low
Hang Seng	17832.33	360.66	17864.1	17621.05
HSCEI	6371.78	120.6	6387.02	6303.16
Shanghai Comp Index	2970.39	31.023	2971.36	2947.403
Nikkei 225	42224	392.03	42426.8	42102.46
KOSPI	2891.35	23.36	2896.43	2879.28
S&P/ASX200	7889.64	72.835	7902.6	7816.8
DJIA	39755.7	34.37	39875.6	39623.12
S&P 500	5586.51	-47.4	5642.45	5578.53
NASDAQ	18335.5	-311.93	18671.1	18238.78
DAX	18534.6	127.34	18578.5	18409.65
CAC	7627.13	0.71	7645.98	7577
FTSE100	8223.34	29.83	8231.78	8190.81

**Technical Analysis**

**Mini Hang Seng**

1st Resistance: 18125                      2nd Resistance: 18393  
 1st Support: 17589                      2nd Support: 17321  
 MACD: -149.915  
 MACD DIFF: -8.94011  
 RSI: 48.3525

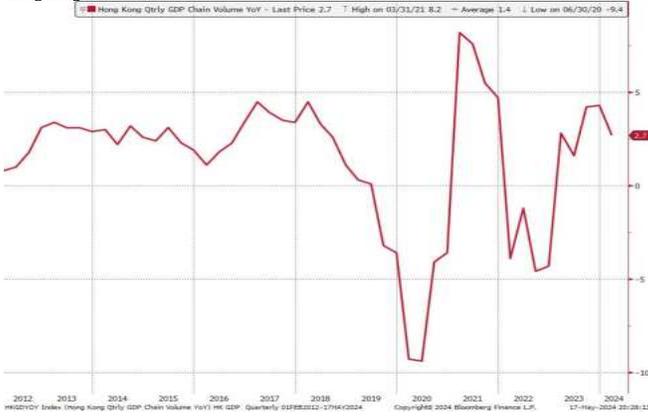
**Mini Hang Seng China Enterprise**

1st Resistance: 6475                      2nd Resistance: 6570  
 1st Support: 6283                      2nd Support: 6188  
 MACD: -40.800  
 MACD DIFF: -3.441  
 RSI: 49.3033

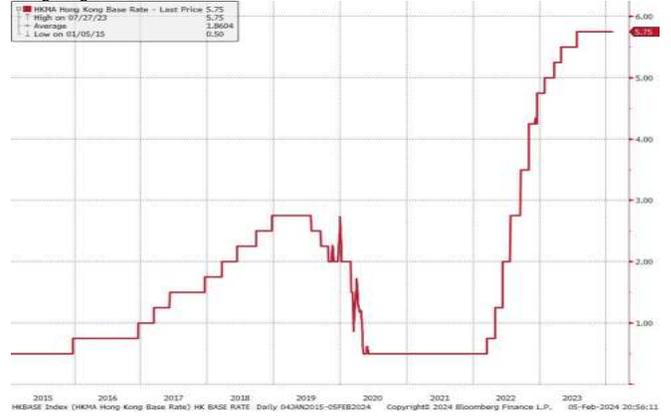
Hong Kong Economic Releases	Period	Survey	Actual	Prior	Revised	
07/04/2024 08:30	S&P Global Hong Kong PMI	Jun	--	48.2	49.2	--
07/18/2024 16:30	Unemployment Rate SA	Jun	--	--	3.00%	--
07/22/2024 16:30	CPI Composite YoY	Jun	--	--	1.20%	--
07/31/2024 16:30	GDP SA QoQ	2Q A	--	--	2.30%	--
07/31/2024 16:30	GDP YoY	2Q A	--	--	2.70%	--
07/31/2024 16:30	Money Supply M1 HKD YoY	Jun	--	--	-8.40%	--
07/31/2024 16:30	Money Supply M2 HKD YoY	Jun	--	--	1.50%	--
07/31/2024 16:30	Money Supply M3 HKD YoY	Jun	--	--	1.50%	--

China Economic Releases	Period	Survey	Actual	Prior	Revised	
07/03/2024 09:45	Caixin China PMI Composite	Jun	--	52.8	54.1	--
07/03/2024 09:45	Caixin China PMI Services	Jun	53.4	51.2	54	--
07/09/2024 07:15	Money Supply M2 YoY	Jun	6.80%	--	7.00%	--
07/09/2024 07:15	Money Supply M1 YoY	Jun	-5.40%	--	-4.20%	--
07/09/2024 07:15	Money Supply M0 YoY	Jun	--	--	11.70%	--
07/10/2024 09:30	PPI YoY	Jun	-0.80%	-0.80%	-1.40%	--
07/10/2024 09:30	CPI YoY	Jun	0.40%	0.20%	0.30%	--
07/11/2024 07:18	FDI YTD YoY CNY	Jun	--	--	-28.20%	--

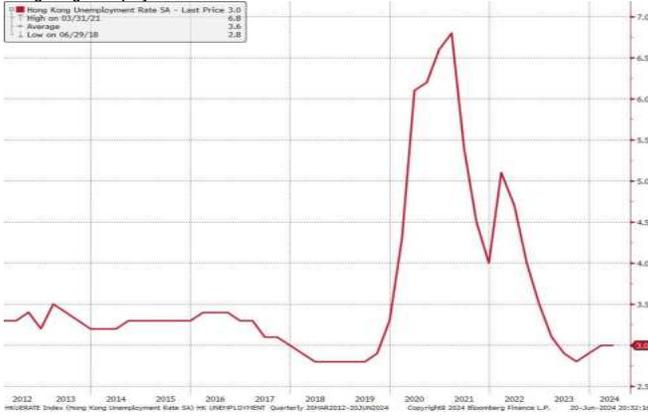
### Hong Kong GDP Y on Y



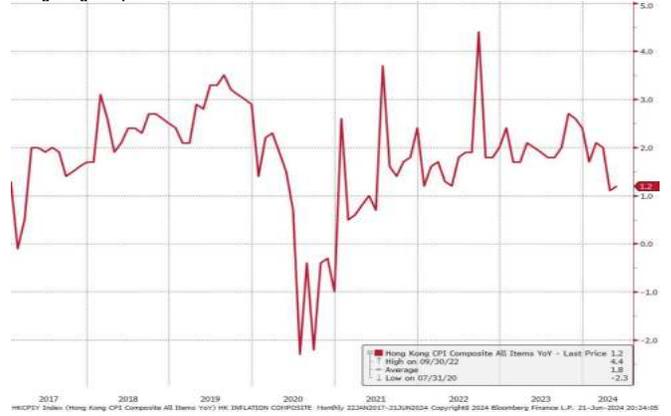
### Hong Kong Base Interest Rate



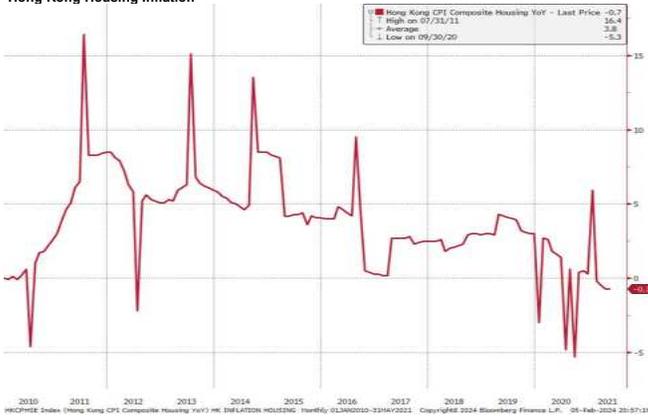
### Hong Kong Unemployment Rate



### Hong Kong Composite Inflation



### Hong Kong Housing Inflation



### Hong Kong Retail Sale Value Y on Y %



(Source: Bloomberg)

Kenanga Futures Sdn Bhd (353603-X)

Dealing Desk: (603) 2172 3820 Fax: (603) 2172 2729 Email: futures@kenanga.com.my

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