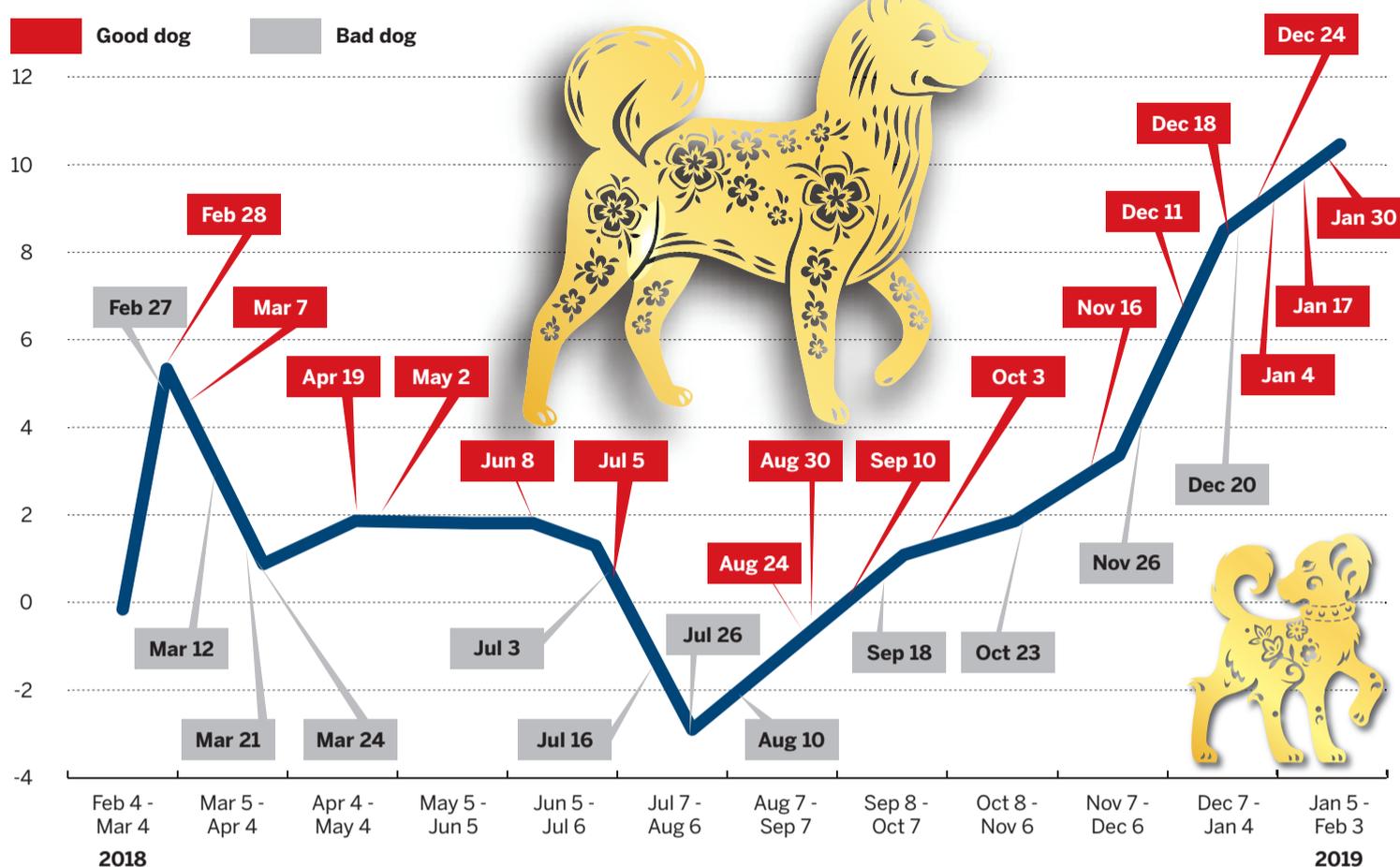


CLSA 2018 FENG SHUI INDEX



Source: CLSA

CHINA DAILY ASIA WEEKLY

Earth Dog promises thrills and spills

Annual tongue-in-cheek index sees HK stocks ending higher but warns investors to be prudent in the summer months

By DAVID HO and ELISE MAK
in Hong Kong
For China Daily Asia Weekly

As the Fire Rooster makes his last crow, the enthusiastic Earth Dog is ready to jump out of its kennel, driving the bird back into the barn.

The immediate result is likely to be a skyrocketing of the Hang Seng Index (HSI), but after that, the loyal canine might stumble in March, which could lead the index down.

And it is reasonable to expect the market to chase its tail through the summer, much like an overexcited dog, and eventually drop. However, the dog and the HSI — an Earth Rooster, since it was launched on Nov 24, 1969 — are then likely to start playing nice and get back on track.

Or at least that is what the latest *CLSA Feng Shui Index* predicts. The 24th edition of this tongue-in-cheek annual publication from investment group CLSA looks at what is in store for investors and the HSI in the Year of the Dog, as the 2018 Chinese New Year begins on Feb 16.

Of course, around the time the report was released, market watchers saw Hong Kong stocks slide early this month — ahead of the lunar new year — following steep losses on Wall Street.

“The dog represents duty and loyalty, defense and protection. 2018 is not a year to be aggressive, and we suggest investors to be more prudent and think twice before making investment decisions,” said Alec So, the divining team’s ‘wand bearer’ and an associate in the Chinese mainland and Hong Kong equity strategy research team at CLSA.

The team compared the *bazi* (eight characters) chart for the Earth Dog to the HSI’s chart. CLSA then assessed the *wu xing* (five energies) and its interaction with the *xuan kong* (flying stars). It blended them all together and added a gratuitous garnish of its own divining before serving up predictions.

Based on the magical formula, So believes the HSI will show a high-low-high performance trend overall.

“For our Hang Seng Index forecast, it will be a great start in Q1. In the summer, the Hang Seng Index will likely dip and investors have to be prudent, and the index will likely rally in Q3 and Q4. Over the whole year we expect the Hang Seng Index to record a positive performance,” So said.

“The four-six star enters the Year of the Earth Dog and the star is of the wood element. In Q1 there’s a lot of wood element, so the Hang Seng Index will be positive. Feb 28

will be an especially auspicious day. But as we enter Q2, the fire element is strong and fire melts gold, so we expect the index to dip until July,” he added.

So said the fire element will mitigate in Q3, creating great opportunities for investors in July and August.

“And in Q4 we see the water element that generates wood. As wood is important this year, we believe the HSI will have a good showing.”

Based on CLSA’s divination, the HSI is sure to finish higher than it begins. But not before a summer of discontent in some quarters.

When it comes to property, Hong Kong, the world’s most expensive property market, was also given the once-over by CLSA from a geomancy perspective.

“We divided the map of Hong Kong into nine grids to see what stars are going to sit in each of these grids,” said Sally Chan, ‘sorcerer’s apprentice’ and an equity research associate at CLSA.

“We really like the central part of Hong Kong as we see the nine star sitting right there, and it’s a very good star to have. We are talking about areas like Tsim Sha Tsui, Hung Hom and Mong Kok. To get the most benefits in these areas, make sure your home has very good airflow.

So invest in a good fan and air-con,” she added.

But as with any predictions, it is not all good news.

“Regions we don’t like much are the west and the north. For those who live in the north, you need to start stocking up on gold and copper to help you mitigate some negative elements,” Chan advised.

“For those in the west, you may want to stock up on some sharp crystals.”

CLSA is also eager to see what is in the stars for those seeking love. It sees romance in the air for those born in the years of the Rat, Pig and Snake in particular.

Somewhat ominously, it advises Ox and Dragon folk to take care and guard against negative energy. But fear not, for Chan knows the right spot to see those sparks fly.

“The Single White Star sits in the northwest. That star is also called the love star, bringing positive energy to your relationships,” Chan said.

The guide also includes top sector picks, Hong Kong property tips and zodiac predictions for health, wealth, love and careers in the Year of the Earth Dog. From a feng shui perspective, CLSA’s top picks are the pharmaceuticals and consumer markets.

“They are both the wood element and wood sector. The wood sector

should have a good performance this year,” said So.

“There’s a lot of wood element in the *bazi* chart of the Year of the Earth Dog, actually not a lot of metal or water,” said Chan. “We take into consideration the interaction of the five elements,” she added.

So expects that several fire/electricity-related industries could burn brightly in 2018.

“We believe the fire sector will also have a great year, which includes telecom, Internet, technology and utilities. However, we see a lack of metal element this year, so we believe those metal element stocks, including banks, financials, auto and machinery, will likely underperform from the strong performance of the last two years,” So said.

CLSA predicts casinos and transport will not get a boost until October. It also believes investors expecting decent returns from banking and financials are barking up the wrong tree this year, as these are likely to underperform compared to the previous two years.

CLSA also forecasts a visit by the God of Fortune to the already very wealthy Jeff Bezos of retail giant Amazon. No word yet, though, on whether it will be the same for his Chinese counterpart, Jack Ma of Alibaba.