



Market Overview

Yesterday, the People's Bank of China lowered the one-year rate on medium-term lending facility (MLF) first time in 21 months by 10 basis point to 2.85%. The interest rate cut was in line with market expectation after the PBC cut the RRR for financial institutions by 0.5 percentage point in Dec 2021. The Hong Kong stocks afternoon session corrected on U.S. treasury yields traded to two-year highs. The Hang Seng Index corrected 105pts to 24,112pts with a daily turnover of HKD112.3b. According to Reuters, the Biden administration is examining whether Alibaba Cloud presents a national security risk to the U.S. This may lead a share price weakness to Alibaba-SW (9988 HK) in the near term.

Sector News

China Coal

The latest CCTD QHD5,500 blended coal price and spot coal price respectively saw a 5.1% WoW increase to RMB779/t and a 10.4% WoW increase to RMB905/t, as of 14 Jan. The BSPI rose slightly by 0.7% WoW to RMB738/t as of 12 Jan. The NDRC announced on 31 Dec a notice on ensuring coal supply for Jan 2022, requiring the coal IPPs located in North China to improve the average coal inventory available days to no less than 30 days before the opening of the Winter Olympic Games. Market expects coal prices to be relatively stable over 1Q22E on the relatively balanced supply & demand dynamics despite short-term spot price hikes approaching Lunar New Year on coal inventory replenishment by IPPs.

China Property

Weekly updates: (1) Primary GFA sold in 36 cities remained largely flattish WoW in the second week of Jan 2022 and was down 44% YoY; (2) Secondary GFA sold in 10 cities jumped by 82% WoW and was down 15% YoY; (3) Inventory was marginally up 0.2% WoW with 12-month inventory months at 13.5 (vs. 12.8 in Dec 2021). On Jan 13, Xiamen announced that households which reside in affordable rental housing could exchange their housing voluntarily via a city-wide platform; on Jan 14, Luzhou announced new talent housing policy, incl. a settlement subsidy up to RMB2m per person.

Company News

CR Power (836 HK)

CRP announced its Dec power generation data with consolidated power generation slightly down by 0.1% YoY to 17,517GWh. Of which, Dec thermal power generation declined by an 8.9% YoY to 13,959GWh and wind power generation recorded 66.9% YoY growth to 3,226GWh. For wind power generation growth, it was driven by relatively good wind resources and its robust wind capacity installation. For 2021, the company's cumulated wind power generation was up by 57.8% YoY to 31,936GWh. For coal-fired business, Dec data declined, which was due to the relatively low utilisation hours in Dec. In 2021, the net power generation of the coal-fired segment saw a 7.5% YoY growth to 142,451GWh.

SITC Int'l (1308 HK)

SITC renewed the first round of contracts on 31 Nov 2021. It hiked the average freight rate by USD200-300 to USD700-800 (c.40%) in Southeast Asia routes from 1 Jan 2022. Overall contract ratio is stable at 60%, but the long-term (1-year) contract ratio has risen to 50% vs. 30% normally. Its management said the second round of contract renewals will be in March 2022E and expects freight rates to be stronger than the previous round. Despite the hike,

contract rates are still way below spot rates. Its management expects labour, chartering, fuel and port costs to increase in 2022E, likely further supporting freight rates to stay high or increase YoY. Market expects the company is likely to deliver special dividend from disposal gains.

Hengan Int'l (1044 HK)

Its management provide 2022E outlook as follow: (1) targets mid-single digit sales growth driven by tissue, where its management expects single digit volume growth and ASP rise from product mix improvement. For other business segment, its management expects sanitary napkins to match with industry growth of low single digit, as its management thinks price competition unsustainable, while enhanced branding efforts should drive better performance in premium series. Diapers could turn around in 2H22E if Qmo maintains 30-40% YoY growth. For margins forecast, its management expects pulp cost to rise YoY in 1H22E but decline YoY in 2H22E.

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