



Dim Sum Daily
每日港股简评



Market Overview

Yesterday, the Hong Kong stocks market plunged, weight down by Tencent (700 HK) 1Q22 earnings miss and overnight (18 May) U.S. markets hammered by hard landing concern and Target missed 1Q22 forecasts. Tencent (700 HK) corrected 6.5%, other tech names also suffered. The Hang Seng Index slumped 523pts to 20,120pts with a daily turnover of HKD121.1b. Companies-news: (1) Xiaomi-W (1810 HK) reported weak 1Q22 results with revenue of RMB73.4b (-5% YoY) and adjusted net profit of RMB2.9b (-53% YoY). Market believes near-term demand to be still muted given the persisting macro challenges; (2) Canada say it will ban Huawei and ZTE (763 HK) from the country's 5G network, which is expected to risk China tension and cause pressure to the share price.

Sector News

China Macro - Front-loading of Pro-growth Policy Measures

On 18 May, Premier Li held a meeting with local governors from 12 provinces discussing the topic of "stabilizing growth and employment". Premier Li reiterated that policy support should be front-loaded and required local governments and ministries to be more proactive in rolling out new policy measures with high convictions. In the near term, market believes overall growth still faces downward pressure reflecting increased uncertainties around COVID-19 resurgence. Yet, favourable policies on different sectors will be unrolled out in the upcoming months, which will support those sectors' outlook. They include the nationwide cut to first-home mortgage rate floor, local governments announced further property policy easing, and media reports suggest potential consumption stimulus measures such as subsidies to automobile purchases to be announced soon.

China Property - 70 Cities Average Price Fell

According to the National Bureau of Statistics, 70 cities housing price was -2.9% MoM in April, with weakness broadly recorded in Tier-3 (-5.1% MoM) and -4 cities (-10.8% MoM). Market believes the downward pressure in property markets' price in lower Tier cities to continue, which is likely due to net population outflows and potential oversupply issues.

Company News

Geely Auto (175 HK)

Its management reaffirmed its 2022E full-year sales target of 1.65m units, and aims to achieve average monthly delivery of 150k units in 2H22E. By brand, Geely believes Zeekr and Leishen will be the major focus in 2022E. Its management also is confident of demand after the company

received solid order inflow and there should be high chance of stimulus policy on auto sector in 2H22E. Currently, Geely order backlog is 150k units with 1-month inventory, and Geely received 10k orders for Zeekr in April even with RMB10k-15k price hike. Besides, Geely is confident its hybrid cars to gain more market share with two new models launched in the past two months.

Tencent (700 HK)

It is found that most analyst have revised down Tencent's target price after its 1Q22 results announcement, reflecting lower FY22E earnings estimates. Its 1Q22 revenue miss was mainly caused by a lower-than-expected international games and FinTech & business services. In 2Q22E, market expects Tencent to be adversely impacted by pandemic impact, macro uncertainties and strategic shift from loss-making cloud business. Yet, in the long run, with more new games launched recently and resumption of games approval process, market believes there will be an improving trend for domestic games revenue.

JD Logistics (2618 HK)

Its management highlighted the followings during its post-results conference call: (1) shares a relatively cautious view for 2Q22E and 2H22E due to the unpredictable development of the pandemic, and suggests a wait-and-see approach for demand recovery; (2) will further deepen its six key industries, including FMCG, home appliance, apparel, 3C, auto and fresh produce; (3) tried out new operating models to minimize the impact of pandemic by using a three-dimensional transportation (aviation, sea and railway); (4) will continue to expand its low- and mid-tier customer base; (5) has reallocated the resources and mobilized >4k extra couriers from other cities and >100 smart courier vehicles to guarantee the supplies in Shanghai.

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