



Dim Sum Daily
每日港股简评



Market Overview

Yesterday, Hong Kong stocks markets advanced on the rally of China auto and Macau gaming sector. China auto gained after BYD Co. (1211 HK) released 2022 positive profit alert and starts its EV sales in Japan, while, Macau gaming jumped on stronger-than-expected gross gaming revenue in Jan. The Hang Seng Index was up 229pts to 22,072pts with a daily turnover of HKD155.5b. Overnight, the FOMC meeting hiked rates by 25bps to a target rate of 4.5-4.75%. Market currently prices in Fed Funds rate peak in May 2023E but expects rate cuts to start in 2H23E vs Fed's current guidance of 2024E easing. Next update on Fed's guidance is at Mar FOMC meet. According to ig.com, the Hang Seng Index is expected to open c.150pts higher this morning to c.22,200 level.

Sector News

Macau Gaming - Jan Gross Gaming Revenue Strong Beat

Macau's Jan casino gross gaming revenue (GGR) grew 232% MoM, coinciding with the ending of mainland China and Macau's respective 'zero-Covid' policies at the start of the month that saw a boom in tourism numbers, and the mainland's seven-day holiday for Chinese New Year (CNY), from 21 to 27 Jan. According to DICJ, Macau Jan GGR MOP11.58b, which was the best monthly performance since Jan 2020 - prior to the onset of the pandemic alert - and up 82.5% judged YoY, relative to January 2022's MOP6.34b. Macau had recorded over 451k visitor arrivals in the Chinese New Year holiday, which was c.37% of the tally in the comparable pre-pandemic trading period of Chinese New Year 2019. The stronger-than-expected recovery pace is likely to bring potential earnings upside and re-rating.

Related stocks:

Sands China (1928 HK, Consensus TP: HKD32.42, Buys:81%, Not rated)

MGM China (2282 HK, Consensus TP: HKD9.75, Buys:60%, Not rated)

Hong Kong Bank - Benefited from Reopening and Macroeconomic Recovery

Market believes Hong Kong banking environment is likely to be boosted by improving domestic economic confidence and the re-opening of the Hong Kong-mainland China border in 2023E. Although the Hong Kong banking sector experience MoM loan balance decline in Dec 2022 (-0.8% MoM), yet, the normalization in economic activities would help to lift the usage of loan in trade finance, manufacturing, wholesale and retail trade sectors. Also, Hong Kong banks' net interest margin (NIM) likely to expand sharply in 2H22 and has sustained the high level in 2023E. With the support of reopening and macroeconomic recovery, we see there are upside risks in fee income, driven by an increase in capital market activities including brokerage fee, fund sales and bancassurance.

Related stocks:**BOC (HK) (2388 HK, Consensus TP: HKD34.10, Buys:92.9%, Not rated)****Hang Seng Bank (11 HK, Consensus TP: HKD141.32, Buys:41.7%, Not rated)**

Company News

HWorld-S (1179 HK, Consensus TP: HKD39.37, Buys:100%, Not rated)

HWorld released its 4Q22/2022 operation updates: for Legacy-Huazhu business, its 4Q22 RevPAR recovered to 83% of the 2019 level. The recovery was accelerated after the reopening policy. Breaking down into each month, RevPAR in Oct/Nov/Dec recovered to 74%/87%/91% of the 2019 levels, further recovering to 95% during the Chinese New Year holiday. For Legacy-DH, its RevPAR recovered to 110% of 2019 in 4Q22, driven by the hotels in Qatar (FIFA World Cup) and Egypt (COP27 UN Climate Conference). As of 31 Dec, the company ran 8,411 hotels and there are 2,544 unopened hotels in pipeline. With faster-than-expected recovery in China business, market believes HWorld would like to reaccelerate the hotel opening by FY23/24E. We see there is potential earnings upside risks and upsides in multiple expansion.

Great Wall Motor (2333 HK, Consensus TP: HKD13.61, Buys:79.5%, Not rated)

Its management is confident that it will fulfil its wholesale volume target of 1.6m units in 2023E (+50% YoY), comprising c.800k from Haval (+30% YoY), c.300k from WEY and Tank combined (+87% YoY), c.200k from ORA and Saloon combined (+92% YoY) and c.200k pick-ups (+7% YoY). It also targets to sell 300k cars to overseas markets (+76% YoY), among which Brazil and ASEAN countries are the key drivers. For NEV segment, GWM plans to adjust the prices of some new models, meaning that it is set to sacrifice some profit to win more market share in 2023E, a strategy shift from 2022's focus on profitability improvement. Some cut its 2023/24E earnings forecast on potential price war ahead. Valuation-wise, the name is trading at 13.3x forward PER, largely in-line with its 3-year average value of 14x.

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