

MARKET OVERVIEW

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Hong Kong stocks slumped to 6-month low after China released missed manufacturing PMI. China May NBS Manufacturing PMI declined to 48.8 (vs. April of 49.2 and consensus forecast of 49.4). This raise market concern on the nation's wobbly economic recovery. Weak growth momentum has continued to weigh on inflation, credit demand and market sentiment. The Hang Seng Index fell 361pts to 18,234pts. Today, eyes on China May Caixin Manufacturing PMI (consensus forecast of 49.5).

SECTOR / COMPANY NEWS

NetEase-S (9999 HK, TP: HKD179.68, Buys: 100.0%, Not Rated)

On 28 March, NetEase announced the establishment of a new game studio named PinCool as part of its NetEase Games division. Based in Tokyo, PinCool is a studio comprised of industry experts with extensive experience in different facets of the interactive entertainment field, including video games, movie creatives, live events and IP licensing. According to the news, PinCool plans to leverage its diverse knowledge as an entertainment production company to provide high-quality entertainment experiences to users worldwide. While it will mainly focus on developing titles for game consoles, NetEase will also be involved in planning and producing a range of additional forms of entertainment.

Baidu-SW (9888 HK, R1: HKD138.50, R2: HKD154.50, TECHNICAL ACCUMULATE)

Baidu's CEO stated that the company will "very soon" officially launch Ernie 3.5, a generative AI large-language model that will power Baidu's ChatGPT-like app Ernie Bot and upgrade its search engine. Since then, Ernie Bot and other products powered by the company's generative AI large-language model have remained in trial mode, with a select number of companies and users invited to test the products and provide feedback. We highlighted that the stock is about to complete the "right shoulder" of its massive bullish reversal pattern of "inverted head & shoulder" pattern. We set R1 and R2 at HKD138.50 and HKD154.50, respectively.

Weimob (2013 HK, TP: HKD5.89, Buys: 81.8%, Not Rated)

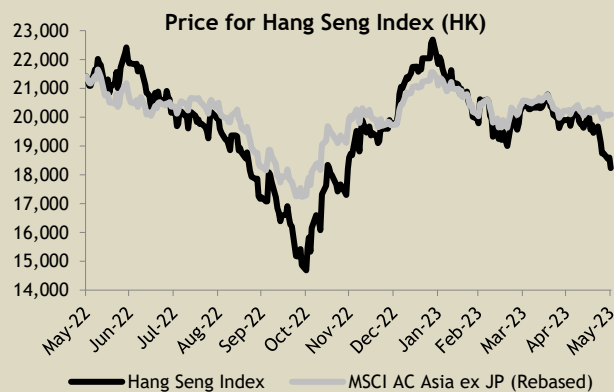
Weimob's 1Q23 SaaS (including Heading) orders increased by c. 20% YoY, while, gross billing from advertisement rose by 58% YoY to RMB3.13b. As the economy continues to recover, its management expects its overall businesses and operating quality will be further improved in 2Q23 and expects SaaS orders is able to increase c.20%/30% in 1H23/2H23. On the other hand, Weimob is going to promote new products launches, including WeCom Assistant, OneCRM, and CDP, which is expected to contribute its revenue growth.

China Economics

Factory Activities Fell Faster-than-expected, Hurt Sentiment

IDEAS OF THE DAY

According to the National Bureau of Statistics, the official manufacturing PMI fell to 48.8 in May, missed consensus forecast of 49.4 and lower than April's 49.2. While, the official non-manufacturing PMU continued to grow, but expanded at the slowest pace in four months to 54.5 from 56.4 in April, also missed expectation of 55.2. The official PMIs disappointed the market and sharper contraction in manufacturing activities was partly due to cooling property market, weaken external demand, relatively high youth unemployment rate. Market expects the manufacturing PMI to remain in the contraction zone in June, reflecting a deepening global manufacturing downturn and worsening geopolitical tension.



Source: FactSet

Equity Indices	Last Close	Weekly Δ (%)	YTD Δ (%)	52-wk low	52-wk high
Dow Jones	INDU INDEX	33,043	32,908	-135	-0.4%
S&P500	SPX INDEX	4,206	4,180	-26	-0.6%
NASDAQ	CCMP INDEX	13,017	12,935	-82	-0.6%
Nikkei 225	NKY INDEX	31,328	30,888	-440	-1.4%
HSI	HSI INDEX	18,596	18,234	-362	-1.9%
Shanghai Comp	SHCOMP INDEX	3,224	3,205	-20	-0.6%
Kospi	KOSPI INDEX	2,586	2,577	-8	-0.3%
TWSE	TWSE INDEX	16,623	16,579	-44	-0.3%
STI	STI INDEX	3,188	3,159	-29	-0.9%
KLCI	FBMKLCI INDEX	1,397	1,387	-10	-0.7%
JKSE	JCI INDEX	6,636	6,633	-3	0.0%
SET	SET INDEX	1,535	1,534	-1	-0.1%

Source: Bloomberg

Note: Bloomberg consensus target price as of last trading day

UPCOMING CALENDAR

- 1 June: Chinas May Caixin Manufacturing PMI
- 1 June: Bilibili-W (9626 HK) 1Q23 results announcement
- 5 June: China May Caixin Service PMI, Caixin Composite PMI

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