

MARKET OVERVIEW

Sonija Li, Head Retail Research
Sonija.Li@mib.com.hk

Hong Kong stocks extended gains after it posted last week its biggest rally in three months with the expectations Beijing will roll out measures to support an economic recovery, esp. on property and automobile sector and hopes of US interest rates hike pause. Meanwhile, Caixin/S&P Global services PMI rose to 57.1 in May from 56.4 in April as a rise in new orders shored up a consumption-led economic recovery. The Hang Seng Index gained 158pts to 19,108pts with a daily turnover of HKD99.9b. We maintain our technical view that the index is said to inverse the weak trend once it can trade and stay above its daily Bollinger Band mid-level (c.19,400pts).

SECTOR / COMPANY NEWS

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

NetEase is going to release four games in June, including Badlanders on June 8, Racing Master on June 20, Harry Potter International on June 27, and Justice Mobile on June 30. Meanwhile, Eggy Party International preparation is under way with soft launches and testing in some markets. With the fruitful upcoming games launch, market expects this will drive a strong gaming revenue in 2H23. On the other hand, NetEase has been increasing its overall R&D capabilities by recruiting industry experts and fading out relatively underperforming domestic studios. NetEase aims to have at least 30% game revenue from international markets in 3-5 years. Recently, NetEase has established a new game studio in Japan.

Yum China (9987 HK, TP: HKD573.88, Buys: 86.5%, Not Rated)

Yum China (YUMC) is the largest restaurant chain in mainland China operating a multi-brand portfolio with KFC as number one brand ranked by sales. Its management is positive in its position to grab the long-term growth, backed by its value position, diversified business model, attractive product and marketing plans. Its management reiterated their views that they are experiencing the initial stage of recovery, which will lead to an uneven consumption improvement path. They stated that the dine-in business was back in 1Q23, which benefited Pizza Hut more and its Chinese cuisine brands also turned profitable.

China Property - Rumor on a Package of Supportive Measures

Rumor said the Chinese regulatory authorities are discussing a package of measures to further support the physical market, including the reduction in down payment ratio for home purchases, the reduction in intermediary fees for second-hand property transactions, and further relaxation of the purchase restriction policy. Last Friday, Qingdao launched a series of new supportive policies. They are relaxing restrictions on the purchase of new commercial housing and second-hand housing, reducing the down payment ratio in non-restricted areas etc. According to the China Index Research Institute, the overall property market rose by 28.2% WoW, of which, Tier-1 and -2 cities outperformed with 4.5% WoW and 36.9% WoW increase, yet, the Tier-3 cities fell by c.76.5% WoW.

Related stocks:

- COLI (688 HK, TP: HKD25.00, Buys: 97.1%, Not Rated)
- CR Land (1109 HK, TP: HKD46.13, Buys: 100.0%, Not Rated)

UPCOMING CALENDAR

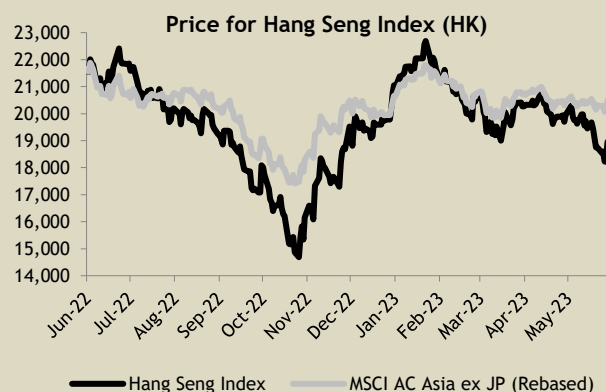
- 7 June: China May balance of trade, export YoY, import YoY
- 8 June: Chow Tai Fook (1929 HK), Trip.com-S (9961 HK) results
- 9 June: China May CPI YoY, PPI YoY

GAC Group (2238 HK)

TP: HKD7.65, Buys: 90.0%,
Not Rated

IDEAS OF THE DAY

GAC Aion, the new energy vehicle (NEV) subsidiary of GAC Group, sold a record c.45k vehicles in May (+113% YoY or 9.7% MoM), the third consecutive month of >40k units. GAC Aion is currently selling the Aion series, targeting the mass market, such as the Aion S sedan with a price range of RMB139.8k to RMB172.8k. On Sept 2022, GAC announced its new premium brand Hyper, and its first model, the Hyper SSR supercar, to enter the higher end of the market with the price over RMB1.2m. The delivery of Hyper is expected to kick off in July 2023.



Source: FactSet

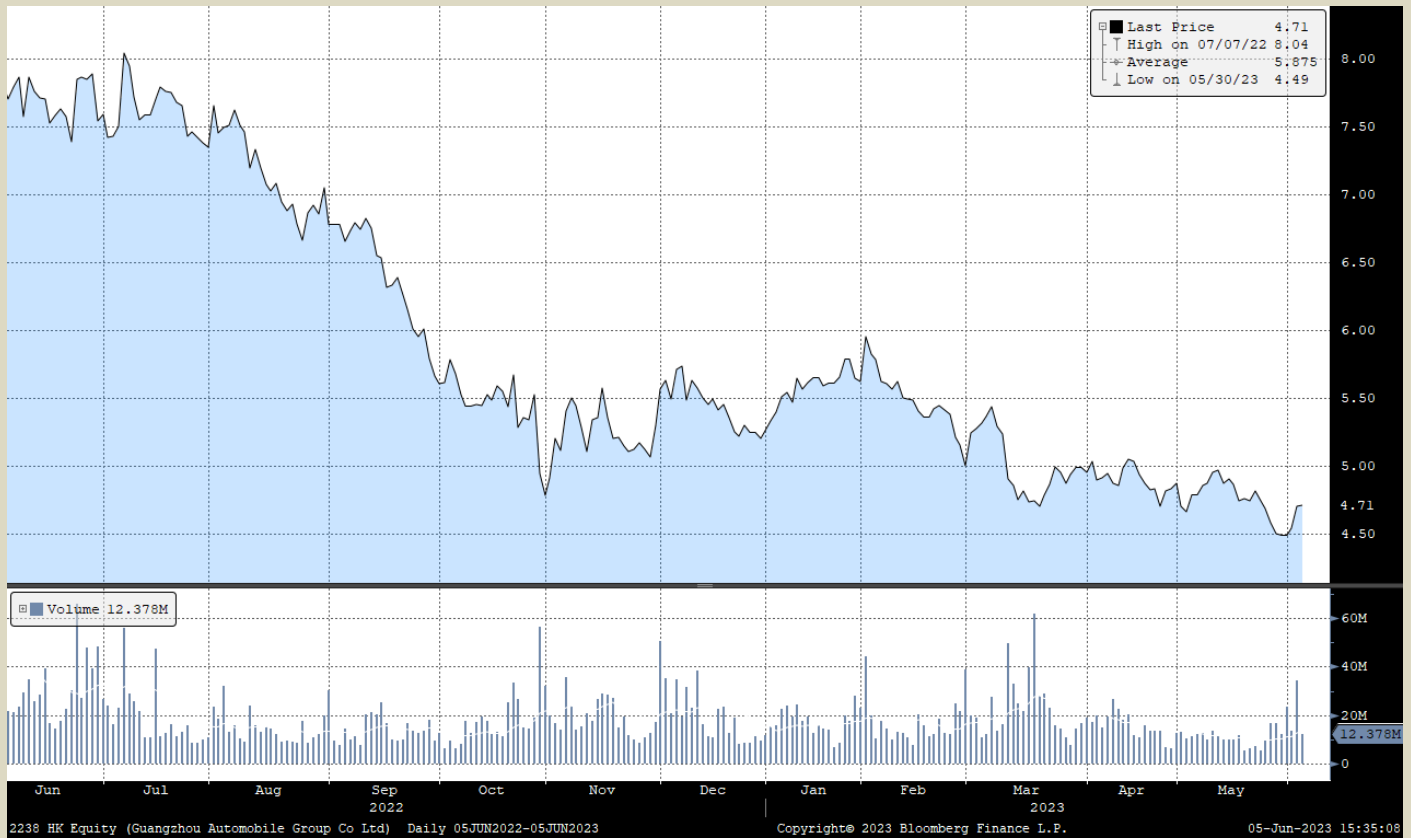
Equity Indices	Last Close	Weekly Δ (%)	YTD Δ (%)	52-wk Low	52-wk High
HSI	19,109	3.0%	-3.40%	14,597	22,701
Dow Jones	33,563	1.4%	1.3%	28,661	34,712
S&P500	4,274	1.6%	11.3%	3,492	4,325
Nasdaq	13,229	2.0%	26.4%	10,089	13,331
Nikkei 225	32,217	3.2%	23.5%	25,520	32,217
KLCI	1,381	-1.55%	-7.64%	1,373	1,538
SH Comp	3,232	0.3%	4.6%	2,885	3,425
Kospi	2,615	2.2%	16.9%	2,135	2,682
TWSE	16,714	0.5%	18.2%	12,629	16,781
STI	3,189	-0.19%	-1.92%	2,969	3,408
JKSE	6,633	-0.71%	-3.17%	6,543	7,377
SET	1,531	0.0%	-8.24%	1,491	1,696

Source: FactSet

Note: Bloomberg consensus target price as of last trading day

1. (CHINA – HKEX) GUANGZHOU AUTOMOBILE GROUP-H (2238 HK)

Guangzhou Automobile Group Company Limited manufactures and sells automobiles. The Company vehicles, motorcycles, and other products. Guangzhou Automobile Group also provides automobile parts manufacturing, automotive business services, automotive finance, and other services.



52w H	52w L	Estimates
HKD8.18	HKD4.40	P/E 5.12

Source: Bloomberg

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