

MARKET OVERVIEW

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Hong Kong stocks experienced directionless as investors wait for the Chinese government to implement stronger stimulus measures to revive economic growth after a mixed manufacturing and non-manufacturing activity persisted in August. The Hang Seng Index was down 100pts to 18,382pts with a daily turnover of HKD92.3b. This week, market focus will be on a series of China economic data release (Tue: Caixin Services PMI, Composite PMI); (Thur: Trade, Import, Export); (Sat: CPI, PPI). Due to Typhoon signal no. 8 is hoisted, the Hang Seng Index review will be released today.

SECTOR / COMPANY NEWS

China Online - Grants Publishing Licenses to Imported Online Games

On 29 Aug, China's gaming regulator granted publishing license to 58 imported online games, including titles belonging to Tencent (700 HK), NetEase-S (9999 HK) and other developers. Recap that in Mar, China's online gaming regulator had granted licenses to 27 foreign games. The recent batch of licenses granted to 58 games demonstrates China's commitment to diversifying its gaming market and ensuring a fair playing field for both domestic and international developers, showing a positive sign for the gaming industry which has faced strict regulatory oversight in recent years.

China Macro - Mixed Official PMIs Data

According to the National Bureau of Statistics, the official manufacturing purchasing managers' index (PMI) read 49.7 in Aug (vs. consensus forecast of 49.4 and July's 49.3). However, the reading which below 50 indicates contraction, with manufacturing activity having now contracted for a fifth consecutive month. On the other hand, non-manufacturing activity miss consensus with 51.0 (vs. consensus forecast of 51.1 and July's 51.5). Still, improvement in the manufacturing sector saw China's general PMI reached 51.3 in Aug (vs. July's 51.1). Market saw a slightly improvement in manufacturing activity, backed by recent stimulus measures from the government. Market focus will be on whether the Beijing is going to implement more stimulus monetary and fiscal measures. Maybank does not expect further rate decreases. Given the widespread slackening of economic momentum beyond the real estate sector, modest rate cuts are insufficient to address the ongoing worsening in demand. More forceful and direct fiscal measures are likely needed to arrest China's slowdown and preserve jobs. Meanwhile, we expect China GDP growth to slow sharply to about or below +4% YoY in 3Q23, markedly weaker than the +6.3% in 2Q. We maintain our GDP growth forecast at +5% in 2023, but risks are biased to the downside.

On the other hand, the PBOC, 10 banks and other private companies including property developers, manufacturers reportedly met as the PBOC now drafts a set of policies to give private business more effective access to funding. The Securities Times has quoted Ma Jianyang, a deputy head of the financial market dept that they would make it a "clear goal" to achieve this. Despite these supportive statements and easing liquidity/credit conditions, markets may be looking for stronger measures than just this to boost the economy. Consequently, this move may not suffice to lift sentiments near term.

UPCOMING CALENDAR

5 Sept: China Aug Caixin Services PMI, China Aug Caixin Composite PMI

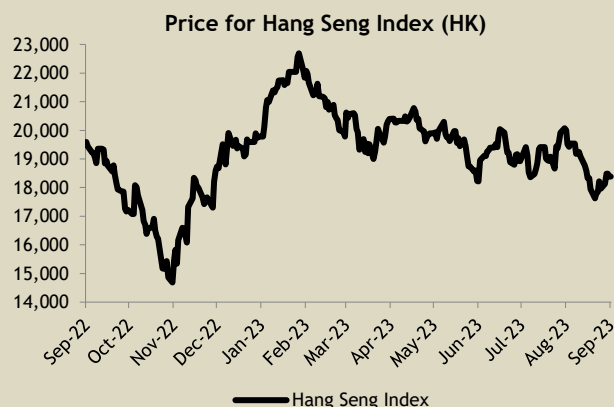
7 Sept: China Aug Balance of Trade, Aug Exports YoY, Aug Imports YoY

Mengniu Dairy (2319 HK)

TP: HKD40.12, Buys: 97.5%,
Not Rated

IDEAS OF THE DAY

Mengniu's 1H23 results were largely in-line with revenue and net profit of RMB51.11b (+7.1% YoY) and RMB3.02b (-19.4% YoY), respectively. Yet, its gross profit amounted to RMB19.63b (+12.4% YoY) with gross profit margin of 38.4% (vs. 1H22 of 36.5%). The improvement was driven by YoY decrease in raw milk prices and favorable product mix. In 1H23, with the gradual recovery of the consumer market, the overall domestic demand for dairy products and end-market sales steadily rebounded. Its management maintains its revenue guidance of achieving mid-to-high single digit YoY growth and is confidence to the continuous high-quality development across all business segments. Technically, with the positive readings from both RSI and MACD, its upward momentum is likely to form with the first resistance level at its 100-day SMA line (i.e. HKD29.00).



Equity Indices	Last Close	Weekly Δ (%)	YTD Δ (%)	52-wk Low	52-wk High
HSI	18,382	0.9%	-7.07%	14,597	22,701
Dow Jones	34,838	1.4%	5.1%	28,661	35,679
S&P500	4,516	2.5%	17.6%	3,492	4,607
Nasdaq	14,032	3.2%	34.1%	10,089	14,447
Nikkei 225	32,711	3.4%	25.4%	25,622	33,773
KLCI	1,463	1.3%	-2.14%	1,373	1,502
SH Comp	3,133	2.3%	1.4%	2,885	3,419
Kospi	2,564	1.8%	14.6%	2,135	2,668
TWSE	16,645	1.0%	17.7%	12,629	17,464
STI	3,233	1.7%	-0.55%	2,969	3,408
JKSE	6,978	1.2%	1.9%	6,543	7,377
SET	1,562	0.1%	-6.42%	1,462	1,696

Source: FactSet

Note: Bloomberg consensus target price as of last trading day

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