

## MARKET OVERVIEW

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

Hong Kong stocks surged after China has rolled out a new batch of stimulus measure to boost the property market. Related stocks advanced 10% on average. The Hang Seng Index gained 462pts to 18,844pts with an increase in turnover of HKD152.6b. Technically, the index traded above its daily mid-level of Bollinger Band (BB) since 8 Aug. With positive readings from RSI and MACD, together with an increase in turnover, we believe the Hang Seng Index has more room for further upside, with the first resistance level at the upper band of BB (i.e. 19,400pts).

## SECTOR / COMPANY NEWS

### China Property - New Batch of Stimulus, More Positive

China has rolled out a new batch of stimulus measures to boost the nation's ailing property market.

#### What's News?

On 31 Aug, the People's Bank of China (PBOC) and the National Administration of Financial Regulation (NAFR) released a joint announcement that the nationwide minimum down payment will be uniformly set at 20% for first-time buyers and 30% for second-time purchasers. Previously, homebuyers in some Tier-1 cities, like Beijing, Shanghai, Shenzhen, Guangzhou, had to pay the down payments of at least 30% to 40%.

In addition, the new guidance sets the floor for mortgage rates on a household's first property at the loan prime rate minus 20 bps. According to the newspaper affiliated to the PBoC, the mortgage rate will fall by 80 bps on average. Meanwhile, the mortgage-rate cuts will be negotiated between banks and customers. Both policies go into effect 25 Sept.

#### Tier-1 Cities Other Actions:

According to Bloomberg, authorities in Beijing and Shanghai said they would let first-home buyers enjoy preferential mortgage rates regardless of their previous credit records. That are homebuyers will be considered as first-time buyers if they, or their dependents, do not own property in the city starting from 2 Sept. This move would make such buyers eligible for smaller down payment requirements and lower borrowing rates.

#### What's the Impact?

- (1) The home sentiment immediately was improved with existing home sales for Beijing and Shanghai doubled over the weekend from the previous one;
- (2) Both Hong Kong and China stocks surged on stronger-than-expected stimulus measures;

#### What's Market View?

- (1) Some analysts were surprised by the announcement and the strong transaction volume pick up in some Tier-1 cities;
- (2) Some estimate more than 40m home buyers may benefit from the cut, with loans involved reaching RMB25tri;
- (3) Some forecast the move can lower home owners' interest payment by RMB80b-200b a year as the interest rate gap between existing and new mortgages is estimated to be 35-85bps;
- (4) China's consumer sentiment is likely to improve after mortgage rate cuts on both existing and new mortgages take effect, as the decrease in monthly interest savings directly will increase the disposable income.

## 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

### China Property New Batch of Stimulus, More Positive (con't)

### IDEAS OF THE DAY

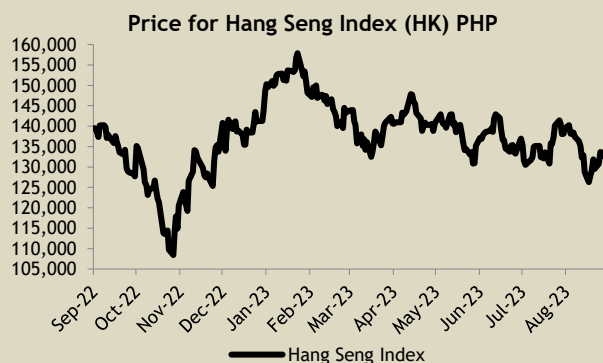
(5) Bloomberg Economics estimates that the measures can release household purchasing power of around 0.24% of GDP and increase China's 2023 GDP by around 1ppt and 2024's GDP by 1.1ppts;

#### What's Our View?

- (1) Investment and home buyers' sentiment are likely to lift in the near term;
- (2) This move may boost the property transaction, esp. for the ones want to switch to a new property;
- (3) The actual impact is too early to said as we need to watch for buyers' confidence, economic recovery path, employment status

#### Short-Term Picks:

- COLI (688 HK, TP: HKD23.42, Buys: 97.3, Not Rated)
- Longfor (960 HK, TP: HKD26.14, Buys: 93.3, Not Rated)



Source: FactSet

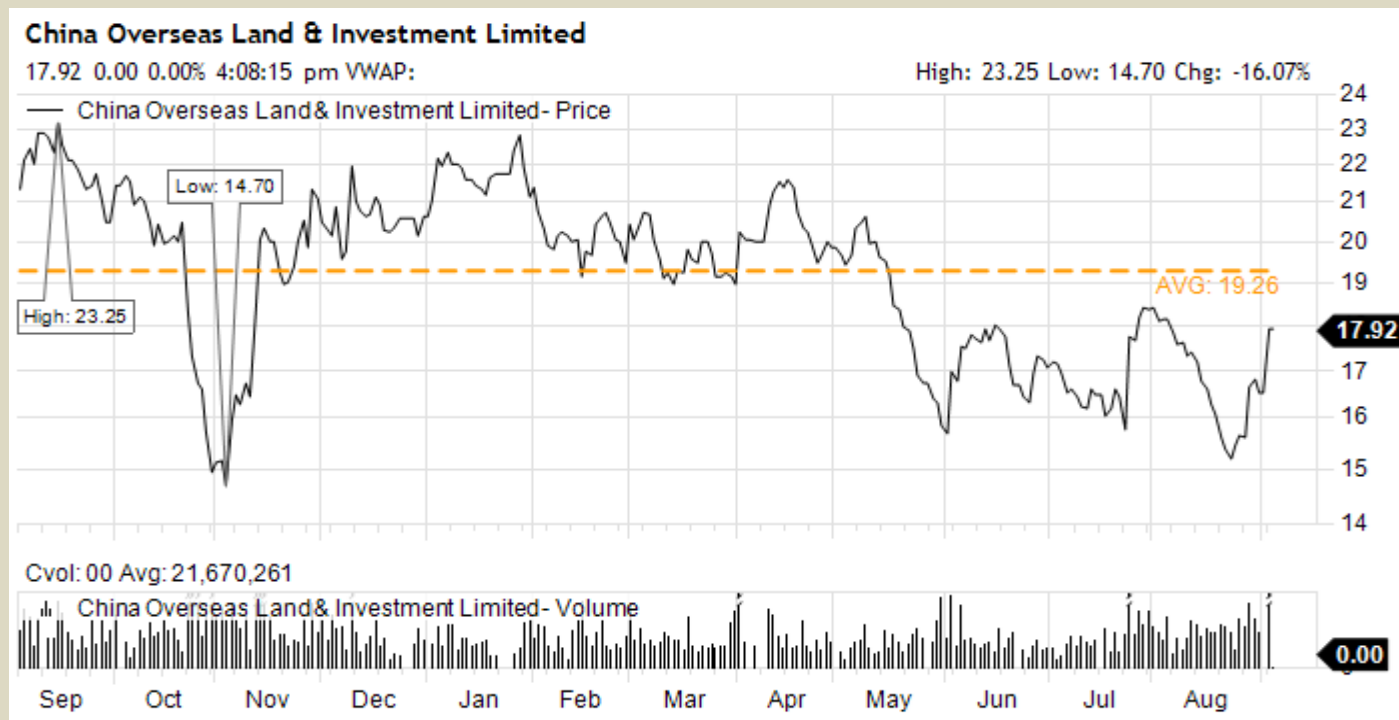
Equity Indices	Last Close	Weekly Δ (%)	YTD Δ (%)	52-wk Low	52-wk High
HSI	18,844	3.9%	-4.74%	14,597	22,701
Dow Jones	34,838	1.4%	5.1%	28,661	35,679
S&P500	4,516	2.5%	17.6%	3,492	4,607
Nasdaq	14,032	3.2%	34.1%	10,089	14,447
Nikkei 225	32,939	2.4%	26.2%	25,622	33,773
KLCI	1,463	1.3%	-2.14%	1,373	1,502
SH Comp	3,177	2.5%	2.8%	2,885	3,419
Kospi	2,585	1.6%	15.6%	2,135	2,668
TWSE	16,790	1.7%	18.8%	12,629	17,464
STI	3,239	0.8%	-0.38%	2,969	3,408
JKSE	6,997	1.1%	2.1%	6,543	7,377
SET	1,549	-0.91%	-7.19%	1,462	1,696

Source: FactSet

Note: Bloomberg consensus target price as of last trading day

## 1. (CHINA - HKEX) CHINA OVERSEAS LAND & INVEST (688 HK)

China Overseas Land & Investment Limited provides real estate services. The Company develops, manages, and invests in commercial properties. China Overseas Land & Investment serves customers globally.



52w H	52w L	Estimates
HKD23.75	HKD14.40	P/E 7.20

Source: FactSet

## 2. (CHINA - HKEX) LONGFOR GROUP HOLDINGS LTD (960 HK)

Longfor Group Holdings Limited operates as a real estate development company. The Company develops and markets residential areas, office buildings, hotels, restaurants, and other related areas. Longfor Group Holdings also provides community management, landscape greening materials maintenance, real estate agencies, and other services.



52w H	52w L	Estimates
HKD30.35	HKD7.76	P/E 4.72

Source: FactSet

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