

MARKET OVERVIEW

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Hong Kong stocks fell to a two-week low, caused by losses in Alibaba -SW (9988 HK) after former Alibaba CEO Daniel Zhang steps down from cloud unit in surprise exit amid leadership transition and pause a potential Hong Kong initial public offering of its Freshippo grocery chain amid weak sentiment for consumer stocks. Alibaba declined 3%. Hong Kong property fell on SHK PPT (16 HK) missed FY23 results and HSBC (5 HK) raise the cap of mortgage rates in Hong Kong by a max of 50bps. The Hang Seng Index was down 105pts to 18,096pts with a daily turnover of HKD124.4b. Focus will be on Renminbi trend.

SECTOR / COMPANY NEWS

US-China - Chip Manufacturer Violated Sanctions?

What's News?

TechInsights, the authoritative information platform of the semiconductor industry, analyzed the new Huawei Mate 60 Pro smartphone. It is expected that the Mate 60 Pro includes a 5G application processor and SoC (system-on-chip) from HiSilicon, the Kirin 9000s.

Market Estimates?

Some said SMIC (981 HK) used its deep-ultraviolet lithography machine and have built an advanced 7-nanometer processor to power Huawei's latest smartphone and to make the Kirin 9,000s processor, while, some said Huawei built its own 5G chip. TechInsights team found evidence of SMIC (981 HK) 7nm (N+2) which represents a made-in-China design and manufacturing milestone for the most advanced Chinese foundry TechInsights has documented.

What's This Mean?

The Kirin chip using SMIC's 7nm (N+2) foundry process in the new Huawei Mate 60 Pro smartphone demonstrates the technical progress China's semiconductor industry has been able to make without EUV lithography tools. This also shows the resilience of China's chip technological ability.

What's Market Comment?

- China's development of a new 5G chip amid U.S. sanctions is expected to prompt another round of investigation by Washington;
- Chairman of the U.S. House Select Committee, Mike Gallagher, said that the chip used in Huawei's Mate 60 Pro could not have been produced without U.S. technology, believing that SMIC may be in violation of American sanctions against Huawei. He called on the U.S. Department of Commerce to stop export licenses to Huawei and SMIC;
- An analyst from TechInsights commented the development comes as a "slap in the face" to the U.S.;
- This may bring further geopolitical challenge between China and the U.S.. The result may likely be even greater restrictions or worsen trade war.

UPCOMING CALENDAR

15 Sept: China Aug Industrial Production YoY, Aug Retail Sales YoY, Aug Unemployment Rate; YTD Fixed Asset Investment
20 Sept: China 1-year and 5-year Loan Prime Rate

Hong Kong Macro Bring Back Nightlife Buzz

IDEAS OF THE DAY

The HKSAR government is going to launch a new campaign to boost Hong Kong's night economy on 14 Sept. The launch ceremony of the new campaign will be held at the West Kowloon Cultural District and will be officiated by the Chief Executive John Lee and Financial Secretary Paul Chan. News said the new campaign involves a series of new events and the introduction of new policies, while the campaign is different in nature from the "Happy Hong Kong" campaign. The new campaign is said to introduce "street markets" and revitalize the city's night market and consolidate various economic sectors in the process of recovery. This move is expected to improve the consumer sentiment, attract visitor arrivals and boost economic activities.

Related stocks:

- Hysan Dev (14 HK, TP: HKD25.34, Buys: 100%, Not Rated)
- Wharf REIC (1997 HK, TP: HKD43.92, Buys: 55.6%, Not Rated)



Source: FactSet

Equity Indices	Last Close	Weekly Δ (%)	YTD Δ (%)	52-wk Low	52-wk High
HSI	18,096	-3.97%	-8.52%	14,597	22,701
Dow Jones	34,664	-0.50%	4.6%	28,661	35,679
S&P500	4,487	-0.63%	16.9%	3,492	4,607
Nasdaq	13,918	-0.81%	33.0%	10,089	14,447
Nikkei 225	32,468	-1.43%	24.4%	25,622	33,773
KLCI	1,455	-0.57%	-2.70%	1,373	1,502
SH Comp	3,143	-1.08%	1.7%	2,885	3,419
Kospi	2,557	-1.07%	14.3%	2,135	2,668
TWSE	16,433	-2.12%	16.2%	12,629	17,464
STI	3,218	-0.64%	-1.02%	2,969	3,408
JKSE	6,963	-0.48%	1.6%	6,543	7,377
SET	1,541	-0.50%	-7.65%	1,462	1,696

Source: FactSet

Note: Bloomberg consensus target price as of last trading day

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