

MARKET OVERVIEW

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Hong Kong stocks fell for a fifth day amid weak recovery signals in China economy and property industry. Sino Ocean (3377 HK) surged despite its bond holders rejected payment delay for 1 year, yet, agreed to adding a 90-day grace period of any event of default occurs. Innovent Bio (1801 HK) declined after the company announced share placement. The Hang Seng Index was down 70pts to 18,025pts with a daily turnover of HKD84.1b. Market waits for China economic data release this Friday.

SECTOR / COMPANY NEWS

China Macro - Downgrade 2023-24 GDP Forecast

Maybank is downgrading its forecasts for China's GDP growth to 4.8% in 2023 from 5% and 4.4% in 2024 from 4.6%. Growth is likely to come in at around 4% in 2H23, after expanding by 5.4% in 1H23. Trade and inflation data showed moderating deterioration in the economy in Aug, even as easing measures only gathered pace in end-Aug.

Trade Data Analysis:

Exports shrank by a milder -8.8% YoY (vs. July's -14.5%) while imports fell by -7.3% YoY (vs. July's -12.4%). China's goods trade surplus tapered to USD68.4b in Aug, down by USD12.2b from the previous month. Maybank expects exports to revert to growth in 1Q24, as wholesale prices stabilize. In 8M23, ASEAN (USD354.7b) overtook the US (USD330.8b) to become China's top export market, led by Vietnam with a 25% share. This comes after ASEAN leapfrogged the EU last year to become the mainland's second-largest export destination. The new pecking order reflects structural shifts in global supply chains, with Vietnam rising in importance.

Inflation Data Analysis:

China consumer price index (CPI) returned to positive growth +0.1% in Aug (vs. July's -0.3%), while core inflation held steady at +0.8%. Even though food and consumer goods inflation continued to be negative, headline inflation was boosted by a 14.8% surge in tourism expenses, as pent-up travel demand during the mainland school holidays pushed up the prices of tour packages, dining and airfares. As the seasonal holiday surge has ended, CPI inflation for the rest of the year is likely to stay tame. Maybank forecasts average CPI inflation of 0.8% in 2023 and 2.0% in 2024. On the Producer Price Index (PPI) front, factory gate prices fell at a slower pace in Aug of -3% (vs. July's -4.5%), as the costs of manufacturing inputs posted smaller declines across the board.

Household Spending Analysis:

In 1H23, China's GDP growth (+5.4%) had been chiefly driven by consumption (+4.3ppts). Looking ahead, with the boost from "revenge spending" on its last legs, sustained strength in household spending will depend on the health of the job and property markets. While data on employment is scant, the weekly number of online job postings in China has shown signs of continued softness, after a surge this March, driven by hospitality vacancies. Active job postings in the week of 28th Aug were down 46% MoM, and 83% lower than the same time last year. Weakness was seen across the services (-82% YoY) and manufacturing (-83%) sectors.

China Macro

Downgrade 2023-24 GDP Forecast (con't)

IDEAS OF THE DAY

Household Spending Analysis: (con't)

Besides the job market, resale home prices are also tied to Chinese consumer spending, as a large part of households' wealth is held in real estate investments. A bottoming out of resale prices would likely lift consumer confidence through "wealth effects".

Cut 2023 and 2024 GDP Forecast:

Maybank is downgrading its projections for China's growth to +4.8% in 2023, from 5.0% previously. Maybank also expects growth to slow to +4.4% in 2024, down from its prior forecast of 4.6%. While the pace of deterioration in domestic demand appears to be moderating, the authorities are signaling a continued stance of restrained measures to keep growth range-bound, without aggressively boosting demand. China's GDP growth is likely to come in at around +4% in 2H23, after expanding by +5.4% in 1H23.



Source: FactSet

| Equity Indices | Last Close | Weekly Δ (%) | YTD Δ (%) | 52-wk Low | 52-wk High |
|----------------|------------|--------------|-----------|-----------|------------|
| HSI | 18,026 | -2.34% | -8.87% | 14,597 | 22,701 |
| Dow Jones | 34,646 | 0.0% | 4.5% | 28,661 | 35,679 |
| S&P500 | 4,462 | -0.78% | 16.2% | 3,492 | 4,607 |
| Nasdaq | 13,774 | -1.76% | 31.6% | 10,089 | 14,447 |
| Nikkei 225 | 32,776 | -0.79% | 25.6% | 25,622 | 33,773 |
| KLCI | 1,453 | -0.10% | -2.81% | 1,373 | 1,502 |
| SH Comp | 3,137 | -0.55% | 1.5% | 2,885 | 3,419 |
| Kospi | 2,537 | -1.77% | 13.4% | 2,135 | 2,668 |
| TWSE | 16,573 | -1.30% | 17.2% | 12,629 | 17,464 |
| STI | 3,214 | -0.38% | -1.13% | 2,969 | 3,408 |
| JKSE | 6,934 | -0.83% | 1.2% | 6,543 | 7,377 |
| SET | 1,546 | -0.15% | -7.38% | 1,462 | 1,696 |

Source: FactSet

Note: Bloomberg consensus target price as of last trading day

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

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