

MARKET OVERVIEW

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

Hong Kong stocks ended the sixth day of decline, supported by the rally in oil and China telecom companies. China Mobile (941 HK) reached 52-week highest level. Meanwhile, China property players suffered from selling pressure. The Hang Seng Index was up 38pts to 18,047pts with a daily turnover of HKD81.6b. Today, eyes on China economic data, including Aug industrial production (consensus of +3.9% YoY), retail sales (consensus of +3% YoY), YTD fixed asset investment (consensus of +3.3% YoY). The unexpected RRR cut may lift sentiment in the near term.

SECTOR / COMPANY NEWS

China Auto - Impact of the EU Investigates China's EV Subsidies

What's New?

The European Commission launched an investigation into China's state support for makers of electric vehicles (EV) and whether to impose punitive tariffs to protect European Union producers against cheaper Chinese EV imports.

What's the Background?

Europe levies a duty of 10% on cars imported from China. That compares with duty of 27.5% in the U.S. According to the China Passenger Car Association, China's auto exports surged 31% in Aug following a 63% jump in July. In 1H23, Chinese companies exported c.350k EVs to nine European countries, surpassing 2022 numbers.

What's the Potential Impact?

- One possible outcome is Europe will impose punitive tariffs with duty of 27.5% on cars imported from China;
- Near-term sentiment towards Chinese vehicle OEMs, esp. on BYD Co. (1211 HK) will be adversely impact;
- Actual volume impact is expected to be limited as the number of OEMs' export is small (YTD SAIC export account for 11%, while, BYD's total exports was 6%);
- Chinese OEMs may change their strategy to prioritize Southeast Asia and EM markets or plan and build facilities in Europe to penetrate the market.

Meanwhile, the Commission will have up to 13 months during its anti-subsidy investigation to assess whether to impose higher tariffs.

CR Beer (291 HK, TP: HKD64.76, Buys: 98%, Not Rated)

CR Beer expressed that Sept MTD volume growth turned positive after high base in July-Aug. In 8M23, volume growth remained positive YoY, and premium beer volume recorded c.20% YoY growth. For 2023, its management targets to achieve mid-single-digit % growth in ASP and its Heineken brand to post >40% YoY growth. Market remained positive on CR Beer for its multi-brand strategy, margin expansion and premiumization trend. Valuation-wise, CR Beer is trading at 24.8x forward PER (vs. its historical average of 39x).

UPCOMING CALENDAR

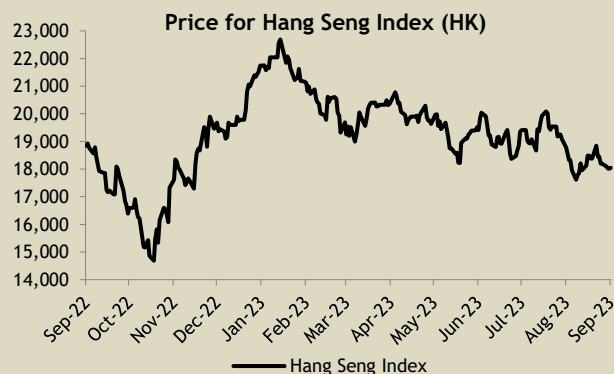
15 Sept: China Aug Industrial Production YoY, Aug Retail Sales YoY, Aug Unemployment Rated; YTD Fixed Asset Investment
20 Sept: China 1-year and 5-year Loan Prime Rate

China Macro

Cut RRR by 25bps to Aid Recovery

IDEAS OF THE DAY

The People's Bank of China (PBOC) said it would cut the reserve requirement ratio (RRR) for all banks, except those that have implemented a 5% reserve ratio, by 25bps from 15 Sept. The PBOC said the decision of cut was a bid to consolidate the foundation for economic recovery and maintain reasonable and sufficient liquidity. This was the second time for the RRR cut this year, market believes the cut comes at a critical moment for economic recovery. After recent interest rates cuts and downpayment policies adjustments in property sector, the second RRR cut shows China's determination to stimulate the economy. Market expects price levels in China to recover moderately. Near-term sentiment is likely to improve.



Source: FactSet

Equity Indices	Last Close	Weekly Δ (%)	YTD Δ (%)	52-wk Low	52-wk High
HSI	18,048	-0.85%	-8.76%	14,597	22,701
Dow Jones	34,907	1.2%	5.3%	28,661	35,679
S&P500	4,505	1.2%	17.3%	3,492	4,607
Nasdaq	13,926	1.3%	33.1%	10,089	14,447
Nikkei 225	33,168	0.5%	27.1%	25,622	33,773
KLCI	1,450	-0.72%	-3.07%	1,373	1,502
SH Comp	3,127	0.1%	1.2%	2,885	3,419
Kospi	2,573	1.0%	15.0%	2,135	2,668
TWSE	16,808	1.1%	18.9%	12,629	17,464
STI	3,250	0.7%	-0.06%	2,969	3,408
JKSE	6,959	0.1%	1.6%	6,543	7,377
SET	1,545	-0.34%	-7.40%	1,462	1,696

Source: FactSet

Note: Bloomberg consensus target price as of last trading day

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