

MARKET OVERVIEW

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Hong Kong stocks experienced directionless as market waits for FOMC meeting results. China's 1-year and 5-year Loan Prime Rate (LPRs) remain unchanged at 3.45% and 4.2%, which was in-line with market's expectation. The Hang Seng Index was down 111pts to 17,885pts with a thin daily turnover of HKD71.3b. Overnight, FOMC left rates unchanged at 5.25-5.5%, yet, saw tighter policy through 2024.

SECTOR / COMPANY NEWS

China Coal - Spot Price Rebounded WoW

The CCTD QHD5,500 blended coal price rebounded by 0.4% WoW to RMB737/t, while, the QHD5,500 coal FOB spot price rebounded 7.5% WoW to RMB935/t. The average coal inventory at QHD rose by 5.1% WoW to 5.36mt as of 18 Sept. Yet, the coal inventory of major thermal IPPs in coastal provinces decreased by 0.4% WoW to 37.12mt, with daily consumption increasing by 12.8% WoW to 2.12mt. The QHD5,500 coal FOB spot price has rebounded consecutively for four weeks due to safety inspections of coal mines, winter coal restocking, and increased industrial activities. However, market believes the coal price rallied is short-lived as the inventory level of IPPs remains high.

Related stock:

- China Coal (1898 HK, TP: HKD6.82, Buys: 63.6%, Not Rated)

China Hotel - Benefited from Golden Week

Not only Macau gaming can benefit from the travel demand recovery during the Golden Week holiday, we believe China hotel can also benefit from the trend. Industry expert believes that the hotel demand during the GW holiday will break recorded as preliminary booking data. The travel demand is likely to continue in 2024 for both leisure and business travel, which will further support China hotel RevPAR growth.

Related stock:

- HWorld-S (1179 HK, TP: HKD44.59, Buys: 100.0%, Not Rated)

MTR Co. (66 HK, TP: HKD42.05, Buys: 72.7%, Not Rated)

On 5 Sept, MTR announced it has entered into project agreements with the government for Kwun Tung Station and Tuen Mun South Extension projects. Both projects are expected to commence construction around Sept 2023 and expected the completion of the Kwun Tung station and Tuen Mun South extension in end-2027 and end-2030, respectively. Meanwhile, its management reiterated their commitment to maintain a progressive dividend policy (i.e. maintaining or increasing absolute dividend per share declared) on the back of stable rental income growth, potential fare increment and steady traffic foot. Valuation-wise, MTR is trading at 24x forward PER with 4.3% dividend yield.

UPCOMING CALENDAR

20 Sept: China 1-year and 5-year Loan Prime Rate

29 Sept: China Sept Caixin Manufacturing PMI, China Sept Caixin Services PMI, China Sept Caixin Composite PMI

Yum China-S (9987 HK)

TP: HKD574.82, Buys:
86.5%, Not Rated

IDEAS OF THE DAY

Yum China's price surged 10% recently after its management provides encouraging guidance towards 2026E in its 2023 Investor Day. Its management targets: (1) 20k POS in 2026E (vs. 1H23 of c.13.6k), implying c.18% CAGR over 2023-26E; (2) to open 1.2k POS KFC per year and to open 400-500 POS Pizza Hut per year over 2024-26E; (3) double-digit earnings per share CAGR over 2023-26E driven by system sales and operating profit growth; (4) USD3b cash return to shareholders with increased share buybacks and dividend payout. Technically, we expect the share price continue to have uptrust momentum given positive readings from its 14-day RSI and MACD.



Source: FactSet

Equity Indices	Last Close	Weekly Δ (%)	YTD Δ (%)	52-wk Low	52-wk High
HSI	17,886	-0.69%	-9.58%	14,597	22,701
Dow Jones	34,441	-0.39%	3.9%	28,661	35,679
S&P500	4,402	-1.46%	14.7%	3,492	4,607
Nasdaq	13,469	-2.49%	28.7%	10,089	14,447
Nikkei 225	33,024	1.0%	26.6%	25,622	33,773
KLCI	1,452	-0.14%	-2.94%	1,373	1,502
SH Comp	3,109	-0.46%	0.6%	2,885	3,419
Kospi	2,560	1.0%	14.5%	2,135	2,668
TWSE	16,535	-0.28%	17.0%	12,629	17,464
STI	3,242	0.7%	-0.29%	2,969	3,408
JKSE	7,012	1.1%	2.4%	6,543	7,306
SET	1,508	-1.79%	-9.63%	1,462	1,696

Source: FactSet

Note: Bloomberg consensus target price as of last trading day

(CHINA - HKEX) YUM CHINA HOLDINGS, INC. (9987 HK)

Yum China Holdings, Inc. operates chain restaurants. The Company offers pizza, entrees, pasta, rice dishes, appetizers, soups, vegetables, beverages, and desserts. Yum China Holding conducts its business worldwide.



52w H	52w L	Estimates
HKD514.50	HKD300.00	P/E 27.01

Source: FactSet

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