

## MARKET OVERVIEW

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Hong Kong stocks fell after Fed's hawkish rate pause and the fall of tech names. Maybank expects another +25bps increase in Fed Fund Rate at the next meeting and -100bps cuts in 2024. The Hang Seng Index was down 230pts to 17,655pts with a thin turnover of HKD77.4b. Overnight, US stocks finished lower in Thursday trading, ending near worst level since June, as treasury yields spike. According to ig.com, the HSI is expected to open c.100pts lower this morning to c.17,500pts.

## SECTOR / COMPANY NEWS

**Cathay Pacific (293 HK, TP: HKD10.82, Buys: 84.6%, Not Rated)**

Cathay Pacific released its Aug traffic figures: (1) carried a total of 1.784m passengers (+603% YoY); (2) Aug's revenue passenger kilometres (RPKs) increased by 342% YoY; (3) passenger load factor increased by 19.4ppts to 88%; (4) passenger capacity (measured by available seat kilometres (ASKs)) increased by 244% YoY. In 8M23, the number of passengers carried increased by >13x with a 633% increase in capacity and an 876% increase in RPKs. Looking ahead, Cathay Pacific stated that the continued demand for student travel to the UK will provide a good boost in Sept, while overall the outlook for the rest of 2023 looks promising. The company will continue to add more flights, to and from China where currently operate c.170 return flights per week to 16 airports in 15 cities. Also, the flights to Colombo and Chennai services will be resuming in Feb 2024.

On the other hand, for cargo segment, the airline carried c.116k tonnes of cargo in Aug (+11.5% YoY). Its cargo revenue tonne kilometres (RFTKs) increased 13% YoY in Aug. The cargo load factor decreased by 8.2ppts to 58.5%, while, cargo capacity (measured by available cargo tonne kilometres (AFTKs)) increased by 29% YoY. In 8M23, the tonnage increased by 20.8% against an 87% increase in capacity and a 60% increase in RFTKs. Looking ahead, Cathay Pacific stated Sept is the start of the traditional peak period and they expect to see an uptick in demand as well as businesses plan for consumer sales events such as 'Singles' Day' and 'Black Friday'.

**JD-SW (9618 HK, TP: HKD221.78, Buys: 92.7%, Not Rated)**

According to SCMP, JD said it has completed a maiden international cargo flight between China and Vietnam as JD plans to expand its overseas logistics operations. Its air cargo logistics arm, JD Airlines, completed its first round-trip flight between Shenzhen and Ho Chi Minh City to open the international cargo flight route for the JD logistics unit. Technically, its share price reached to record low. Without significant improvement in RSI and MACD, we expect its share price to trade lower in the near term.

## UPCOMING CALENDAR

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

**30 Sept:** China Sept NBS Manufacturing PMI, China Sept NBS Non-Manufacturing PMI

## FOMC Meeting

**Pause Again, Not Signal End to Hike Cycle**

## IDEAS OF THE DAY

FOMC meeting on 19-20 Sept ended with Fed hitting the pause button again. Despite the Fed Fund Rate (FFR) pause, the FOMC statement highlighted the combo of "strong" economic growth (vs. "moderate" in previous FOMC). The updated "dot plot" signals another +25bps hike at one of the remaining two FOMC meetings of this year i.e. 31 Oct - 1 Nov; and 12-13 Dec. Fed's "dot plot" also signals a slower pace of FFR cuts in 2024 i.e. -50bps now vs -100bps back in June 2023. Maybank latest forecast: expect another +25bps increase in FFR to 5.50%-5.75% at the next FOMC meeting on 31 Oct - 1 Nov 2023 (vs previous view of FFR staying at the current 5.25%-5.50% level for the rest of this year), to be followed by -100bps cuts in 2024 (vs -200bps cuts next year previously).



Source: FactSet

Equity Indices	Last Close	Weekly Δ (%)	YTD Δ (%)	52-wk Low	52-wk High
HSI	17,655	-2.17%	-10.75%	14,597	22,701
Dow Jones	34,070	-2.40%	2.8%	28,661	35,679
S&P500	4,330	-3.89%	12.8%	3,492	4,607
Nasdaq	13,224	-5.04%	26.3%	10,089	14,447
Nikkei 225	32,571	-1.80%	24.8%	25,622	33,773
KLCI	1,448	-0.09%	-3.16%	1,373	1,502
SH Comp	3,085	-1.34%	-0.15%	2,885	3,419
Kospi	2,515	-2.25%	12.5%	2,135	2,668
TWSE	16,317	-2.92%	15.4%	12,629	17,464
STI	3,203	-1.44%	-1.49%	2,969	3,408
JKSE	6,991	0.5%	2.1%	6,543	7,306
SET	1,514	-2.00%	-9.25%	1,462	1,696

Source: FactSet

Note: Bloomberg consensus target price as of last trading day

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