

MARKET OVERVIEW

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Hong Kong stocks fell on the decline in China property players after Evergrande (3333 HK) can't issue new debt due to an ongoing investigation of its subsidiary Hengda Real Estate. This adversely impact investment sentiment. Macau gaming also fell ahead of upcoming Golden Week holiday, after news reported that Macau may criminalize unlicensed money exchange in casinos. The Hang Seng Index was down 328pts to 17,729pts with a daily turnover of HKD74.3b.

SECTOR / COMPANY NEWS

Macau Gaming - Selloff on Criminalization of Unlicensed Money Exchange

Yesterday, Macau gaming sector suffered after news reported that Macau may criminalize unlicensed money exchange in Macau to respect the Chinese authorities' wish to control cross-border currency flow. Industry consultant told GGRAsia that the illegal currency exchange transactions account for between 50%-60% of annual gross gaming revenue (GGR). The consultant raise concern on any major clampdown on these actions will have a significant impact on GGR as it will dry up the accessibility of funds from China. However, market believes the estimated impact is overestimated as there is alternative channels for liquidity and money exchange.

On the other hand, Market channel check suggests that as of 21 Sept, 22 hotels associated with Macau casino complexes has sold out for their standard rooms for at least three nights out of Golden Week (GW) holiday. Meanwhile, the average rate of still-available hotels' standard rooms ranged between MOP3k-4k per night on average. It is believed that high percentage of hotel bookings indicates the high presence of mass market in Macau, meanwhile, there is enough demand to absorb the recent increase in hotel supply. Market now estimates GGR per day during Oct Golden Week (GW) to be c. MOP800m, implying c.70% of 2019 GW levels and c.25% above the May GW period. Of which, mass segment is expected to already exceed pre-Covid levels, while, VIP is c.30-40%. Valuation-wise, the sector is trading at 11.5x 2024E EV/EBITDA, which is c.1 S.D. below its historical mean. We pick on Galaxy Ent. (27 HK) on its net cash position and market share gain on new hotel supply; MGM China (2282 HK) on its undemanding valuation of 8.7x 2024E EV/EBITDA.

Related stocks:

- Galaxy Ent. (27 HK, TP: HKD64.56, Buys: 90.9%, Not Rated)
- MGM China (2282 HK, TP: HKD13.89, Buys: 71.4%, Not Rated)

HK Property - Loosening of Mortgage Insurance Schemes

HK Mortgage Insurance Limited announced amendments to the Mortgage Insurance Programme by lifting the loan-to-value (LTV) ratios for eligible properties under construction to be aligned with those are completed residential properties, for provisional agreements for sale and purchase executed from 22 Sept onwards. After this, LTV will be up to 90%/80%/70% for property valued up to HKD10m/15m/30m. This is the second easing measures after the adjustment on LTV for property mortgage loan in July. Yet, market did not expect an obvious increase in property transaction and mortgage loan due to expectation of further decline in property prices and rising mortgage yields.

UPCOMING CALENDAR

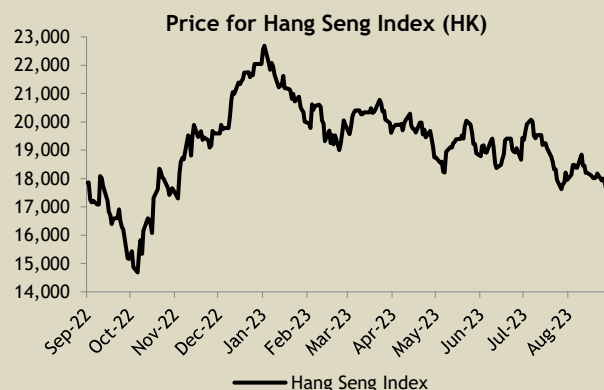
30 Sept: China Sept NBS Manufacturing PMI, China Sept NBS Non-Manufacturing PMI

1 Oct: China Sept Caixin Manufacturing PMI, China Sept Caixin Services PMI

Kuaishou-W (1024 HK)
R1: HKD74.8, R2: HKD85.0,
Technical Accumulate

IDEAS OF THE DAY

Kuaishou presented its strategic framework for user and content ecosystem, e-commerce, advertising etc. Its management stated in 3Q23, daily time spent is expected to perform well and full year daily time spent per user is expected to reach above 120min. The company's future emphasis is about engagement, user experience and commercialization as it is heading toward reaching 400m DAU. On the other hand, Kuaishou is on track to release shelf-based e-commerce before Double 11 in 4Q23, after its exploration phase in 1Q, model validation in 2Q and fine tuning in 3Q. The pan-shelf based GMV rose >60% YoY to nearly 20% of total GMV in 2Q23. In Maybank latest portfolio seasons report, we add Kuaishou-W into our international growth model with suggested weightings of 3%. Currently, we have a technical accumulate rating on the name with R1 and R2 of HKD74.80 and HKD85.00,



Source: FactSet

Equity Indices	Last Close	Weekly Δ (%)	YTD Δ (%)	52-wk Low	52-wk High
HSI	17,729	-1.12%	-10.37%	14,597	22,701
Dow Jones	34,007	-1.78%	2.6%	28,661	35,679
S&P500	4,337	-2.61%	13.0%	3,492	4,607
Nasdaq	13,271	-3.20%	26.8%	10,089	14,447
Nikkei 225	32,679	-2.55%	25.2%	25,622	33,773
KLCI	1,443	-1.00%	-3.48%	1,373	1,502
SH Comp	3,116	-0.33%	0.9%	2,885	3,419
Kospi	2,496	-3.07%	11.6%	2,135	2,668
TWSE	16,452	-1.47%	16.4%	12,629	17,464
STI	3,215	-1.47%	-1.10%	2,969	3,408
JKSE	6,998	0.9%	2.2%	6,543	7,219
SET	1,507	-1.32%	-9.67%	1,462	1,696

Source: FactSet

Note: Bloomberg consensus target price as of last trading day

1. (CHINA – HKEX) KUAISHOU TECHNOLOGY (1024 HK)

Kuaishou Technology operates as a content community and social platform. The Company helps users create, upload and watch short videos on mobile devices. Kuaishou Technology offers services worldwide.



52w H	52w L	Estimates
HKD80.85	HKD31.75	P/E 52.91

Source: FactSet

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