

MARKET OVERVIEW

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Hong Kong stocks slid to the year lowest level, caused by a rising US dollar, higher US Treasury yields and China Evergrande (3333 HK) crisis. Tech names slumped on higher US Treasury yield; JD-SW (9618 HK) reached its lowest level since Hong Kong listing. The Hang Seng Index was down 262pts to 17,466pts with a daily turnover of HKD82.4b. Overnight, US stocks tumbled after a series of economic data stoked market concern on the economic outlook and further interest rate hikes from the Fed.

SECTOR / COMPANY NEWS

Macau Gaming - Set Junket Cap Per Casino + Weekly Updates

According to DICJ, the Macau government has capped the maximum number of licensed gaming promoters, i.e. junkets, that each casino operator will be able to work with in 2024E. According to the regulator's website, the units for Sands China (1928 HK) and SJM (880 HK) will be allocated up to 12 junkets in 2024E. MGM China (2282 HK) and Melco Resorts (MLCO US) can each work with up to 8 junkets, while, Galaxy Ent. (27 HK) and Wynn Macau (1128 HK) have each a cap of 5 junket operators in 2024E. We believe the set of junket cap per casino will have a minimal impact to casino operators' operation as (1) the tally of junkets in Macau shrank 21.7% YoY to 25 in Jan 2023, the cap is higher than current number; (2) casino operators start to shift their exposure to mass/premium mass segment; (3) casino operators can still serve VIP business through direct VIP.

On the other hand, market channel check suggests that for the first 24 days of Sept, Macau recorded gross gaming revenue (GGR) of MOP12b, implying an average daily revenue (ADR) of MOP557m per day for the last week (vs. Aug of MOP555m). By segment, VIP volume was down 10-12% MoM, while, mass GGR was down 8-10% MoM. Market estimates Sept GGR will come in at MOP14.7b, assuming ADR to maintain at MOP450m as some traffic demand may be postponed to Oct Golden Week holiday.

As highlighted in Dim Sum daily dated 26 Sept, we highlighted that the recent correction of Macau gaming was due to market concern on Macau may criminalize unlicensed money exchange in Macau. Yet, market believes the estimated impact is limited as there is alternative channels for liquidity and money exchange.

We remain our positive view on Macau gaming sector on (1) upcoming Oct Golden Week holiday; (2) potential better-than-expected GGR growth; (3) consensus re-rating; (4) undemanding valuation. 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)

UPCOMING CALENDAR

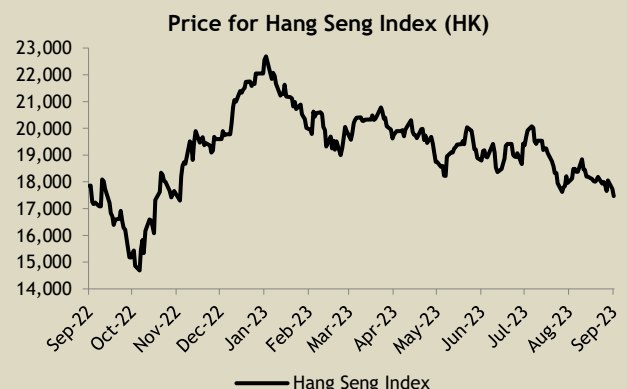
- 30 Sept:** China Sept NBS Manufacturing PMI, China Sept NBS Non-Manufacturing PMI
1 Oct: China Sept Caixin Manufacturing PMI, China Sept Caixin Services PMI

BEKE-W (2423 HK)

TP: HKD61.69, Buys:92.9%,
Not Rated

IDEAS OF THE DAY

BEKE is China's largest online+offline housing transactions and services platform. Its management provides positive updates on general industry: (1) top tier cities transaction rebound. Existing home transaction volume rebounded 46%/29% in Tier-1/2 cities over the past weekend with stabilized transaction price; (2) leading indicators on the demand side (home visit volume), the supply side (home listing volume), and the platform side (Beike Manager Index) all grew sequentially providing support for further potential transaction volume recovery and improving buying sentiment; (3) they observed that home upgrade has been the major driver for rising home purchase/selling demand. Technically, the share price experienced "rectangle trend" since mid-Nov 2022, ranged between HKD35 and HKD52. There is a high chance for the price to fall and get support at c.HKD35.0 in the near term.



Source: FactSet

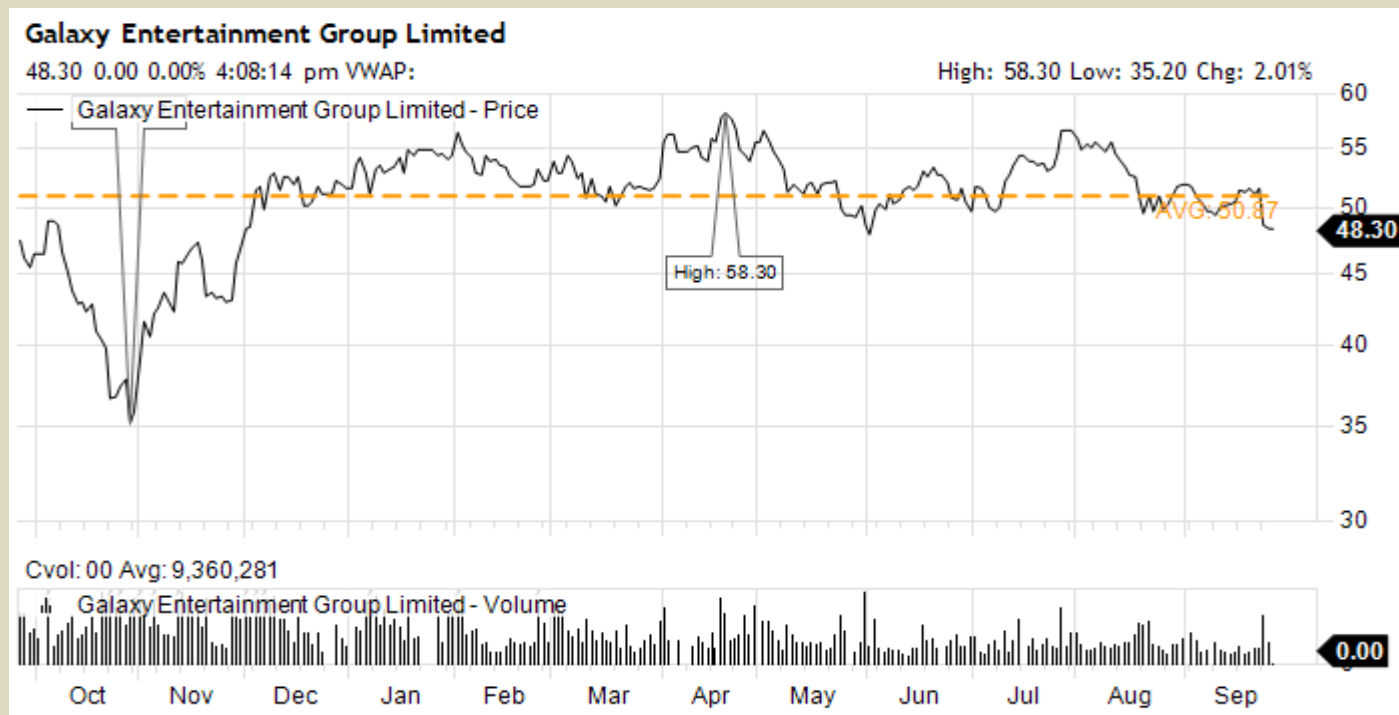
Equity Indices	Last Close	Weekly Δ (%)	YTD Δ (%)	52-wk Low	52-wk High
HSI	17,467	-2.95%	-11.70%	14,597	22,701
Dow Jones	33,619	-2.60%	1.4%	28,661	35,679
S&P500	4,274	-3.83%	11.3%	3,492	4,607
Nasdaq	13,064	-4.49%	24.8%	10,089	14,447
Nikkei 225	32,315	-2.79%	23.8%	25,622	33,773
KLCI	1,446	-0.83%	-3.34%	1,373	1,502
SH Comp	3,102	-0.73%	0.4%	2,885	3,419
Kospi	2,463	-3.76%	10.1%	2,135	2,668
TWSE	16,276	-2.17%	15.1%	12,629	17,464
STI	3,215	-0.79%	-1.11%	2,969	3,408
JKSE	6,924	-0.81%	1.1%	6,543	7,219
SET	1,494	-1.90%	-10.47%	1,462	1,696

Source: FactSet

Note: Bloomberg consensus target price as of last trading day

1. (CHINA - HKEX) Galaxy Entertainment Group (27 HK)

Galaxy Entertainment Group Limited, through its subsidiary, operates casino, hotels, and other entertainment facilities in Macau. The Company also manufactures, sells, and distributes construction materials.

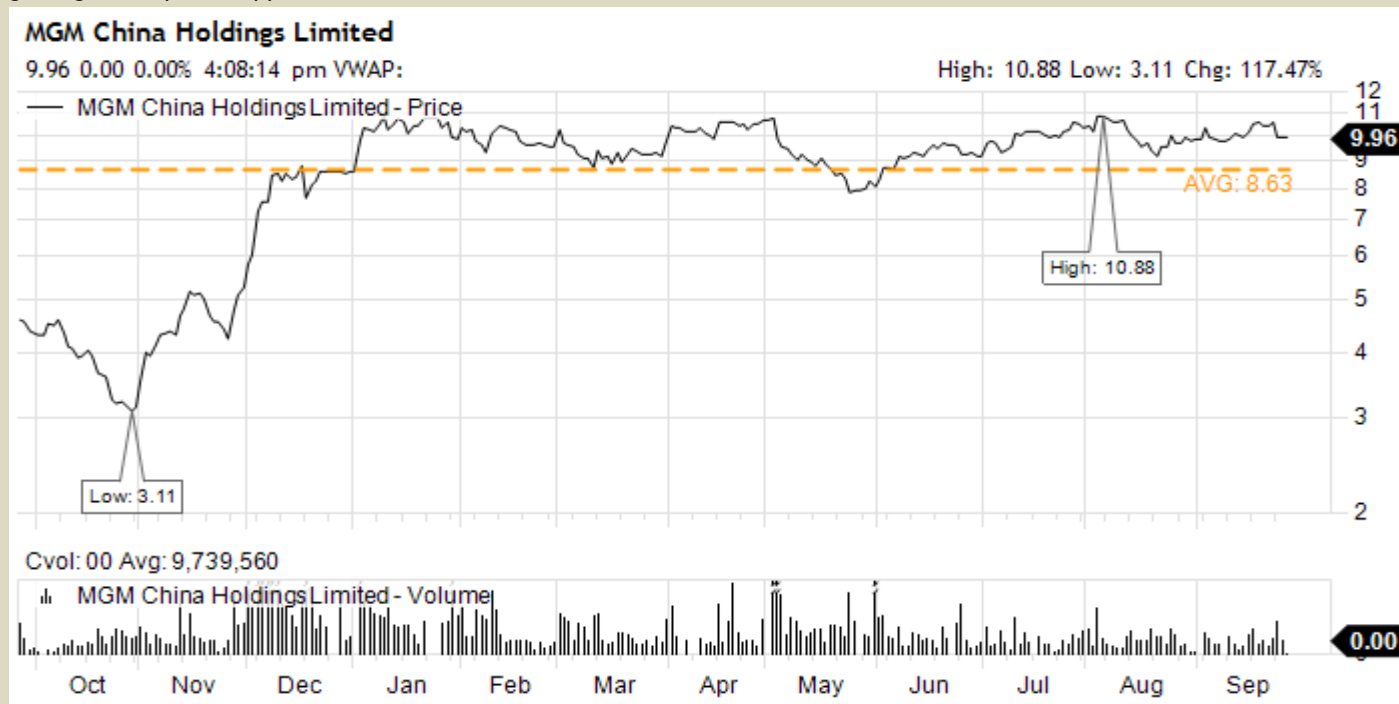


52w H	52w L	Estimates
HKD59.57	HKD33.42	P/E 23.58

Source: FactSet

2. (CHINA - HKEX) MGM CHINA HOLDINGS LTD (2282 HK)

MGM China Holdings Ltd. owns a luxury resort, hotel, and casino located in Macau. The Company is also exploring other casino gaming development opportunities in Macau.



52w H	52w L	Estimates
HKD11.22	HKD3.01	P/E 17.28

Source: FactSet

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