

MARKET OVERVIEW

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Hong Kong stocks declined despite stronger-than-expected China Nov Caixin Manufacturing PMI data. China Nov Caixin PMI rose to 50.7 (vs. consensus of 49.7), yet, was contrast to the official Manufacturing PMI of 49.4. China EV players slumped after BYD Co. (1211 HK) slashed price in year-end promotion. The Hang Seng Index was down 212pts to 16,830pts with a daily turnover of HKD114.2b. This week, focus will be on China economic data release, including Caixin Services PMI, trade and inflation.

SECTOR / COMPANY NEWS

China Railway - MU Tender May Accelerate in 2024

On 27 Nov, China Railway announced the second MU tender results with 55 standard sets of multiple units (MUs) with a total value of c.RMB9.5b, bringing the total MU tender to 158 sets in 2023 (vs. 2022 of 92 sets). Yet, this was lower than a normal year of around 200 sets. Market is slightly disappointed to the MU tender size as it is expected there was a strong domestic travel demand recovery. YTD passenger traffic volumes beat China Railway's target by 31% and exceeded pre-Covid 2019 levels by 5%. During the National Golden Week holidays, China Railway raised its daily travel capacity to 11.9k sets/day and total passenger traffic volumes came in 171% YoY higher. Market believes the strong traffic and cash flow in China Railway will provide demand and financing support for investment in rail equipment in 2024 and expects MU tenders to be released in 1Q24, reflecting annual MU demand to recover with maintenance demand increasing based on the 14th five-year plan for new track completion in high-speed rail.

Related stocks:

- CRRC (1766 HK, TP: HKD5.28, Buys: 83.3%, Not Rated)
- Times Electric (3898 HK, HKD38.07, Buys: 90.0%, Not Rated)

China Macro - Caixin PMI Beat

The Caixin/S&P Global manufacturing purchasing managers' index (PMI) unexpectedly rose to 50.7 in Nov (vs. consensus forecast of 49.7 and Oct's 49.5). That was the fastest expansion in three months, yet, stands in contrast to the official Manufacturing PMI which fell to 49.4, which released last Thurs. Analysts state demand continued to grow, as the gauge for new orders remained in expansionary territory for the fourth consecutive month, hitting the highest since June. Compared with consumer goods and intermediate goods, the supply and demand of investment goods were weaker. Meanwhile, overseas demand remained sluggish, with the measure for new export orders staying in contraction for the fifth straight month. Market believes mixed factory activity data suggests more stimulus will be needed to shore up economic growth. Recap that the official and Caixin surveys have different samples, with the Caixin PMI focusing on export-oriented enterprises and small- and medium-sized enterprises in the country's coastal region.

UPCOMING CALENDAR

- 5 Dec: China Nov Caixin Services PMI, China Nov Caixin Composite PMI
7 Dec: China Nov Balance of Trade, Exports YoY, Imports YoY

Macau Gaming Nov Gross Gaming Revenue Grew 435% YoY

IDEAS OF THE DAY

According to DICJ, Macau recorded Nov gross gaming revenue (GGR) of MOP16.04b (435% YoY or -17.7% MoM). In 11M23, Macau's GGR came in at MOP164.49b (+324.9% YoY). Market expects 2024 Macau's GGR will grow 22% YoY to reach MOP220b, reaching pre-Covid 2019 levels of 75%. Companies-wise, market expects SJM (880 HK) will record the highest EBITDA growth of 90-95%, followed by Galaxy Ent. (27 HK) of 40-45% and Sands China (1928 HK) of 20-25% YoY. We remain positive on the sector outlook on (1) undemanding valuation of 10x forward EV/EBITDA; (2) potential stronger-than-expected GGR growth; (3) potential earnings re-rating.

Related stocks:

MGM China (2282 HK), Sands China (1928 HK)



Source: FactSet

Equity Indices	Last Close	Weekly Δ (%)	YTD Δ (%)	52-wk Low	52-wk High
HSI	16,830	-4.15%	-14.92%	16,830	22,701
Dow Jones	36,246	2.4%	9.3%	31,430	36,265
S&P500	4,595	0.8%	19.7%	3,764	4,607
Nasdaq	14,305	0.4%	36.7%	10,207	14,447
Nikkei 225	33,432	-0.58%	28.1%	25,662	33,853
KLCI	1,456	0.2%	-2.61%	1,375	1,500
SH Comp	3,032	-0.31%	-1.87%	2,924	3,419
Kospi	2,505	0.3%	12.0%	2,181	2,668
TWSE	17,438	0.9%	23.3%	13,982	17,464
STI	3,090	-0.15%	-4.95%	3,042	3,408
JKSE	7,060	0.7%	3.1%	6,543	7,110
SET	1,380	-1.23%	-17.28%	1,366	1,696

Source: FactSet

Note: Bloomberg consensus target price as of last trading day

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