

## MARKET OVERVIEW

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Hong Kong stocks corrected for four consecutive trading days on disappointed China official PMI number. China's May NBS Manufacturing PMI came in at 49.5, which was lower than consensus forecast of 50.5 and April of 50.4. The Hang Seng Index was down 150pts to 18,079pts with a daily turnover of HKD191.7b. This week, focus will be on China economic data release, including Caixin Manufacturing PMI (3 Jun), Caixin Services PMI (5 Jun) and trading data (7 Jun).

## SECTOR / COMPANY NEWS

### China Electric Vehicle - Lift Restrictions on Purchase of NEVs

According to a decarbonization action plan released on 29 May, China will gradually lift restrictions on the purchase of new-energy vehicles in various regions. This plan comes after the US and the EU have taken protectionist moves against Chinese electric vehicles (EVs) based on claims of "overcapacity" in China. China's State Council unveiled a detailed action plan to cut carbon emissions in 2024 and 2025, with major goals in cutting fossil fuel consumption, increasing the use of clean energy and upgrading steel and other industries. The plan includes major steps to reduce carbon emissions in the transport industry, with concrete plans for infrastructure upgrades and the promotion of new-energy vehicles. The plan also said that China will accelerate the elimination of old motor vehicles and tighten the energy consumption limits for standard fuel vehicles, while also gradually lifting restrictions on purchases of new-energy vehicles in various region. Yet, the action plan did not specify which regions will lift the restrictions. Currently, some major cities like Beijing have a long waiting list to buy a new-energy vehicle, as they previously sought to limit the number in order to address traffic congestion. Market believes China's newly released plan to lift restrictions on purchases of NEVs could potentially unleash domestic demand and positive for the whole supply chain.

#### Related stocks:

- BYD Co. (1211 HK, TP: HKD287.59, Buys: 95.1%, Not Rated)
- Geely Auto (175 HK, TP: HKD13.43, Buys: 97.1%, Not Rated)
- Li Auto-SW (2015 HK, TP: HKD141.7, Buys: 97.4%, Not Rated)
- Nio-SW (9866 HK, TP: HKD56.14, Buys: 69.6%, Not Rated)

### China Econ - Official PMI Missed

According to the National Bureau of Statistics, China's May manufacturing activity shrank unexpectedly with the official PMI falling to 49.5, missing consensus forecast of 50.5 and April of 50.4. The PMI has been signaling slowing manufacturing activity since the local peak in March. Output and new orders were the main causes for the slowdown. New orders have been detracting from the overall headline for the second consecutive month. The new orders sub-index fell below 50 for the first time since Feb, to 49.6 in May, signaling shrinking demand at home and abroad. In addition, external demand has weakened sharply, with the new export orders index sliding to 48.3, while, the import index is also falling to 46.8, suggesting weakening demand. Note that the fall in the PMI was caused by small to medium enterprises, with their respective indices falling to 46.7 and 49.4 in May. This was contrast to large enterprises which signaled an acceleration in activity in May, to 50.7.

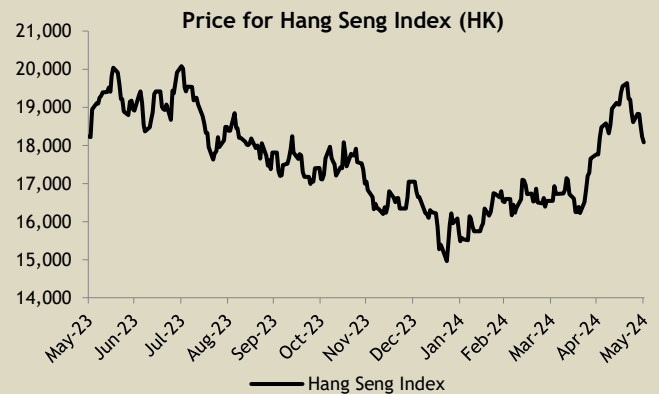
## UPCOMING CALENDAR

- 3 Jun: China May Caixin Manufacturing PMI  
5 Jun: China May Caixin Services PMI, China May Caixin Composite PMI

## China Econ (con't) Official PMI Missed

## IDEAS OF THE DAY

On the other hand, China's May non-manufacturing PMI also missed consensus forecast of 51.5 and came in at 51.1 (vs. April of 51.2). Overall demand improved with the new orders index rising 0.3 points to 46.9 in May, but still well below the key level of 50. By sector, services activity expanded at a faster pace in May, with the index edging up to 50.5 in May from 50.3 in April. Construction activity slowed sharply to 54.4 in May from 56.3 in April. Overall, the faltering property market is weighing down on construction activity, and the current property support measures need to take times to see the effectiveness. Maybank IB Research remain its China 2024 GDP forecast unchanged at 4.8%.



Source: FactSet

Equity Indices	Last Close	Weekly Δ (%)	YTD Δ (%)	52-wk Low	52-wk High
HSI	18,080	-2.84%	6.1%	14,794	20,361
Dow Jones	38,686	-0.98%	2.6%	32,327	40,077
S&P500	5,278	-0.51%	10.6%	4,104	5,342
Nasdaq	16,735	-1.10%	11.5%	12,544	17,033
Nikkei 225	38,488	-0.41%	15.0%	30,488	41,088
KLCI	1,597	-1.40%	9.8%	1,375	1,629
SH Comp	3,087	-0.07%	3.8%	2,635	3,322
Kospi	2,637	-1.90%	-0.71%	2,274	2,779
TWSE	21,174	-1.81%	18.1%	15,976	21,937
STI	3,337	0.6%	3.0%	3,042	3,393
JKSE	6,971	-3.48%	-4.15%	6,563	7,454
SET	1,346	-1.38%	-4.96%	1,330	1,579

Source: FactSet

Note: Bloomberg consensus target price as of last trading day

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