



Major Market Indicators

	20 Sep	19 Sep	16 Sep
Mkt. Turn.(mm)	73,000	91,000	123,900
Stock Advances	836	452	507
Stock Declines	655	1,146	1,086
HSI	18,781	18,566	18,762
Change	-215	-196	-169

HSI Technical Indicators

10-days MA	18,968
50-days MA	19,898
250-days MA	22,338
14-days RSI	38.24
Primary resistance	19,000
Primary support	18,600

HSCEI Technical Indicators

10-days MA	6,491
50-days MA	6,806
250-days MA	7,792
14-days RSI	38.42
Primary resistance	6,600
Primary support	6,200

Stock Pick

China Overseas Property (2669)

Target: \$10.2

Stop loss: \$8.0

Recently, the easing policy may gradually improve the expectations and confidence of home buyers and effectively increase the sell-through rate. The improvement of the property market will be beneficial to the property management sector. Among the sector, we prefer China Overseas Property, which can rely on the China Overseas, at the same time, its third-party expansion capability is satisfactory, and the management reiterates the FY2021 to 25 CAGR to be at 30%. Overall, its fundamental is better than that of its peers.

Budweiser (1876)

Target: \$28.0

Stop loss: \$21.0

China's total retail sales of consumer goods in August stood at RMB3.63tn, an increase of 5.4% yoy, 2.7 percentage points higher than that in July, indicating that mainland consumption is gradually improving. Although there are still uncertainties, the steady growth of beer as a mass consumer product is expected to be more certain in 2H22. Premiumization will remain the long-term growth driver for the Group. In addition, it is expected that the mainland market will gradually improve in the second half of the year, and the overseas market will continue to record volume growth and price hike.

Anta Sports (2020)

Target: \$120

Stop loss: \$85

ANTA Sports' performance in the 1H22 was better than expected. Its revenue hit another record high, having increased by 13.8% to RMB25.97bn. In addition, management guides "Anta" brand revenue is expecting to increase by 20% in 2H22, "FILA" to grow by double digits, and "other brands" to maintain rapid growth of more than 30%. Management's positive guidance should ease concerns about its growth prospects and inventory levels.

Market Overview

Housing starts jumped 12.2% last month to an annual rate of 1.575 million units, according to new Commerce Department data released on Tuesday. That is above the market estimate of 1.445 million units. Meanwhile, building permits, which measures future construction, slowed to an annual rate of 1.52 million units, which is the lowest since June 2020. The decline underscores how rising interest rates are continuing to cool overall demand for housing.

Hong Kong Stock Connect had a net inflow of HK\$1.75bn on Tuesday, of which Tencent (0700) had the largest net inflow of HK\$460mn, followed by BYD (1211). Koolearn (1797) recorded the largest net outflow of HK\$0.12bn. Tencent Holdings Ltd. denied a report it was considering selling down investments of Meituan and KE Holdings.

Daily Focus

China Mobile (0941): 5G subscribers grow to 539mn in August

- The total number of customers of China Mobile's mobile business amounted to 973mn in Aug22, representing a net monthly addition of 2.109mn users. Among which, the number of 5G package customers reached 539mn, with the net additional customers of 15.082mn on a monthly basis, more than the 12.77mn addition in July.
- In 1H22, operating revenue maintained a double-digit growth of 12.0% yoy to RMB496.9bn. EBITDA increased by 7.4% yoy to RMB173.9bn and accounted for 40.8% of telecommunications services revenue. EBITDA margin stood at 35.0%.
- Non-traditional business is being the new driver for the Company. Digital transformation revenue includes the revenues from new businesses from the "Customer" market (Mobile Cloud Drive and others), the revenues from smart home value-added businesses from the "Home" market, the revenues from DICT, IoT and dedicated lines businesses from the "Business" market and the revenue from the "New" market.
- Benefitting from the rapid growth of our digital content, smart home, 5G solutions for vertical industry sectors, mobile cloud and other information services businesses, the digital transformation revenue grew by 39.2% yoy to RMB110.8bn. Contributing 26.0% of telecommunications services revenue, the digital transformation services have become a key growth driver, showing a strong upward trajectory as the Company break new ground in the information services market as part of a new phase of its development.
- The profit to be distributed in cash for 2023 will gradually increase to 70% or above of the profit attributable to equity shareholders of the Company for that year. With a visible earning growth and dividend policy, China Mobile is an attractive defensive pick.

China Mobile (941): Info	
Closed price	51.3
FY22 P/E(X)	7.70
FY22 Dividend yield (%)	8.44
52 week high	58.65
52 week low	45.90
14 RSI	45.58

Analyst: Cynthia Tam

Lithium battery industry: Lithium exceeds RMB500k per ton; the downstream of industry would face the greatest pressure

- On September 20, it was reported that battery-grade lithium reached RMB530k per ton, a new high, and the price has more than tripled in the past year. In addition to the strong demand for EV in China, it will drive a long term demand for lithium batteries. However, the short-term cost has recently been affected by the recent power outage in Sichuan, the main production center of lithium.
- In view of the industry analysis of lithium batteries, lithium prices rising is of obvious benefit to upstream companies in the supply chain. In addition to controlling the amount of lithium ore mining, they have to face relatively few competitors and have the right to control prices. Therefore, the rise in lithium prices can benefit the GPM% of lithium producers. Tianqi Lithium (9696), which was recently listed in Hong Kong, is an example. Its business includes lithium mining and lithium compounds production. The company's GPM% will continue to hit a record high in the quarter from the end of 2021, up from 70.8% in 4Q21 to 83.7% in 2Q22.
- For companies in the midstream of the industry chain, such as the leading stock CATL (300750.SZ), its overall GPM% dropped from 24.7% in 4Q21 to 14.5% in 1Q22, reflecting the negative effect on lithium costs rising. However, their impact is believed to be reduced. With the explosive growth of electric vehicle and government policy support, the demand for lithium batteries is far greater than the supply. Thus, battery producers are able to shift costs downwards still exists. CATL's GPM% has recovered to 21.8% in 2Q22.
- However, downstream companies in the industry, i.e. EV makers, are facing the greatest pressure. On the one hand, the procurement cost of lithium batteries has soared. Under the fierce competition in the industry, it is difficult for them to increase the price of EV significantly. The main cost pressure must be borne by them, so those EV makers who rely on 3rd party battery supply (such as NIO (9866), Xpeng (9868) and Xpeng (2015)) have GPM% decline in the past three quarters. It is difficult for lithium prices to fall in the short term. We expected that it is difficult for them to record positive net profit in coming quarter.

TIANQI LITHI (9696): Info	
Closed price	82.05
FY22 P/E(X)	5.5
FY22 Dividend yield (%)	0.0
52 week high	88.75
52 week low	72.65
14 RSI	49.79

Analyst: Tommy Kung

Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
Balance (RMB bn)	51.70	50.56	81.26
Balance as % of Quota Amount	99.4	97.2	96.7

Top 10 Most Actively Traded Stocks(SH-HK Connect Southbound)

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
TENCENT	700	592,296,760	327,477,120	919,773,880
MEITUAN-W	3690	179,093,000	245,899,230	424,992,230
CNOOC	883	90,914,500	127,637,560	218,552,060
WUXI BIO	2269	135,010,425	60,551,697	195,562,122
ICBC	1398	26,856,590	141,035,060	167,891,650
SMIC	981	73,187,730	88,660,560	161,848,290
BYD COMPANY	1211	50,852,000	78,995,940	129,847,940
XPENG-W	9868	42,223,210	61,034,800	103,258,010
GOME RETAIL	493	52,292,072	42,856,754	95,148,826
CHINA SHENHUA	1088	45,930,525	48,395,611	94,326,136

Sources: HKEx

Top 10 Most Actively Traded Stocks(SZ-HK Connect Southbound)

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
KOOLEARN	1797	268,366,525	395,565,325	663,931,850
MEITUAN-W	3690	352,328,580	298,317,992	650,646,572
TENCENT	700	405,788,020	207,955,700	613,743,720
CHINA MOBILE	941	171,188,175	227,949,475	399,137,650
CNOOC	883	231,144,340	62,417,680	293,562,020
BYD COMPANY	1211	201,443,200	35,643,400	237,086,600
COSCO SHIP ENGY	1138	113,088,100	57,647,760	170,735,860
SUNNY OPTICAL	2382	18,684,235	138,894,475	157,578,710
LI NING	2331	117,465,650	18,787,000	136,252,650
KUAISHOU-W	1024	109,146,745	27,057,635	136,204,380

Sources: HKEx

Other Statistics

Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover (Million)
TENCENT	700	1.52%	293.40	44.54
BABA-SW	9988	2.99%	86.20	31.12
MEITUAN-W	3690	1.89%	172.60	24.08
GANFENGLITHIUM	1772	2.50%	65.50	15.14
BYD COMPANY	1211	2.87%	222.00	14.89
AIA	1299	0.63%	71.65	13.62
WUXI BIO	2269	0.41%	49.45	12.65
JD-SW	9618	3.50%	225.00	11.71
PING AN	2318	0.26%	44.05	11.39
HSCEI ETF	2828	1.28%	64.92	9973.33

Ten Short Sell Stocks

Stock Name	Code	Short Selling Turnover	Turnover	Short Selling Ratio
MEITUAN-W	03690.HK	855.56M	2.41B	35.54%
TENCENT	00700.HK	843.83M	4.45B	18.95%
HSCEI ETF	02828.HK	708.81M	997.33M	71.07%
BABA-SW	09988.HK	634.35M	3.11B	20.38%
JD-SW	09618.HK	397.93M	1.17B	33.99%
KUAISHOU-W	01024.HK	331.52M	818.46M	40.51%
PING AN	02318.HK	266.55M	1.14B	23.41%
CSOP HS TECH	03033.HK	251.84M	519.46M	48.48%
NTES-S	09999.HK	223.23M	646.19M	34.55%
HAIDILAO	06862.HK	205.24M	437.43M	46.92%

Source: AA Stocks

Economic Calendars

Date	Country	Event	Survey	Prior
Tue	US	Aug. Building Permits	1,621k	1,685k
		Aug. Housing Starts	1,460k	1,446k
Wed	US	Aug. Existing Home Sales	4.70m	4.81m
		FOMC Monetary Meeting (Announce in early morning on 22 Sep in HKT)		
Thu	US	Initial Jobless Claims (Till Sep 17)		213k
		Continuing Jobless Claims (Till Sep 10)		1,403k
		Costco (COST) Result		
	Japan	BOJ Monetary Policy Meeting		
	Hong Kong	Trip.com(9961) Result		
Fri	US	Sep. S&P Global Manufacturing PMI	51.3	51.5
		Sep. S&P Global Services PMI	45.0	43.7
	Euro Zone	Sep. S&P Global Manufacturing PMI	49.1	49.6
		Sep. S&P Global Services PMI	49.2	49.8

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