



### Major Market Indicators

	2 Nov	1 Nov	31 Oct
Mkt. Turn.(mn)	106,000	153,800	131,000
Stock Advances	1,042	1,183	524
Stock Declines	375	420	1,071
HSI	15,827	15,455	14,687
Change	+372	+768	-176

### HSI Technical Indicators

10-days MA	15,442
50-days MA	17,755
250-days MA	21,339
14-days RSI	42.13
Primary resistance	16,000
Primary support	15,600

### HSCEI Technical Indicators

10-days MA	5,232
50-days MA	6,065
250-days MA	7,408
14-days RSI	42.06
Primary resistance	5,600
Primary support	5,200

## Stock Pick

### Swire A(0019)

**Target: \$75.0**

**Stop loss: \$50.0**

Swire's business is mainly divided into rental business, beverage and aviation, and we believe that these three core businesses are gradually improving. With the loosing quarantine requirement, the retail market is expected to recover, which support to the revaluation of shopping malls. The sales of Coca-Cola is expected to bottom out considering lower covid-19 cases in China. Easing travel quarantine restrictions will help boost demand for business and tourism travel. Cathay Pacific can return to balance of payments as soon as the 2H22.

### Power Assets (0006)

**Target: \$48**

**Stop loss: \$36**

Shares of Power Assets fell sharply in September, dragged down by the plunges of British pound and the impact of higher U.S. interest rates. But the downtrend of sterling has been under controlled since UK abolished its tax cuts plan. Moreover, the Power Assets's utility business has an inflation-linked adjustment mechanism, and therefore makes it defensive in a high- inflation environment. The Group recorded 1H22 profit attributable to shareholders of HKD2,871mn, representing a yoy increase of 14%. Funds from operations amounted to HKD2.9bn, increased by 16%yoy. Having a diversified business, Power Asset is defensive in the current volatile market.

### China Telecom (0728)

**Target: \$3.4**

**Stop loss: \$2.4**

China Telecom's 3Q operating income was RMB 360.9bn, an increase of 9.6% yoy, outperforming the industry growth rate. Net Profit (excluding one-off factor) was RMB24.543bn, an increase of 12.0% yoy. The number of 5G package subscribers reached approximately 251mn with a net addition of 63.2mn, while the penetration rate reached 64.4%. The mobile ARPU amounted to RMB45.5. In terms of dividend distribution, the company promised to increase the dividend payout ratio to 70% in 23FY. The Company distributes an interim dividend of RMB0.12 per share for the first time. Together with the final dividend of last year, the TTM dividend yield reaches 12%.

## Market Overview

The Federal Reserve raised interest rates by 75 basis points for the fourth time in a row, continuing to take aggressive steps to rein in stubbornly high inflation. In determining the pace of future rate hikes, the Fed said "committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments," representing a sign of growing concern for the central bank of the impact of tighter financial conditions on the economy. Stocks initially rallied following the rate hike when the Fed's accompanying statement hinted at a possible less-hawkish stance in the future. But Powell said it was "very premature to be thinking about pausing", adding that "eventually the level of interest rates will be higher than previously (in September) expected." Stocks fell sharply as investors reassessed their bets on a less hawkish Fed stance.

The Dow Jones Industrial Average fell 505.44 points, or 1.55%, to close at 32,147.76. The S&P 500 lost 2.5% to end at 3,759.69 and the Nasdaq Composite lost 3.36% to end at 10,524.80. Hong Kong Stock Connect had a net inflow of HK\$7.67bn on Wednesday, of which Tencent (700) had the largest net inflow, reaching HK\$1.38bn; followed by Meituan (3690). Junshi (1877) recorded the largest net outflow at HK\$181mn, followed by Kintor Pharm (9939).

## Daily Focus

### Yum China (9987): Net profit in the third quarter rose 98% year-on-year to US\$206 million

- Yum China (9987) announced its third-quarter results. Although the same-store sales were flat year-on-year in this quarter, benefiting from the net addition of 239 stores, the total revenue in the third quarter reached US\$2.68 bn, an increase of 5% year-on-year. Meanwhile, restaurant profit margins significantly improved, up 6.6 percentage points to 18.8% over the same period. Operating profit rose 77% year-on-year to US\$316 mn, while net profit rose 98% year-on-year to US\$206 mn, much higher than market expectations of US\$126 mn.
- KFC is still the main contributor to the group's revenue, accounting for 75.1% of total revenue, up 4.6 percentage points from the same period last year. There were 165 net store openings in this part of the quarter, and restaurant revenue increased by 14% to US\$1.99 bn. However, the cost of restaurants did not increase in proportion to revenue. The profit margin of restaurants increased by 7 percentage points from the same period to 20.6%. Benefiting from the improvement of operational efficiency, Operating profit rose by 67% year-on-year, showing a strong performance.
- In addition, the Group targets to open about 1,000 to 1,200 new stores for the year, with a net opening of 621 stores in the first nine months, that is, Yum China needs to open about 379 stores in the fourth quarter to reach the minimum target, and the pace of quarterly store openings needs to be accelerated.
- However, the Group's outlook for the fourth quarter is not optimistic, pointing out that the repeated Covid-19 cases coupled with the downward pressure on the economy, and prudent consumption behavior are likely to have an adverse impact on sales. It also points out that the fourth quarter is a traditional non-peak season, and profitability may be under pressure.

Yum China (9987): Info	
Closed price	389.8
FY23 P/E (X)	44.9
FY23 Dividend yield (%)	0.97%
52 week high	446.0
52 week low	279.1
14 RSI	46.3

Analyst: Derek Yip

## Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
<b>Balance (RMB bn)</b>	55.53	56.00	74.51
<b>Balance as % of Quota Amount</b>	106.8	107.7	88.7

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
TENCENT	700	1,641,612,080	692,903,920	2,334,516,000
MEITUAN-W	3690	887,046,860	451,793,220	1,338,840,080
CANSINOBO	6185	501,718,530	539,702,280	1,041,420,810
WUXI BIO	2269	394,354,250	108,693,700	503,047,950
JUNSHI BIO	1877	159,996,780	341,820,930	501,817,710
LI NING	2331	386,140,475	50,898,775	437,039,250
CNOOC	883	277,181,520	144,597,700	421,779,220
CSPC PHARMA	1093	325,445,600	69,861,183	395,306,783
KUAISHOU-W	1024	219,777,830	137,943,215	357,721,045
SMOORE INTL	6969	179,506,890	176,241,460	355,748,350

Sources: HKEx

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
TENCENT	700	1,049,749,340	621,395,240	1,671,144,580
MEITUAN-W	3690	1,160,291,680	447,193,910	1,607,485,590
KOOLEARN	1797	333,841,225	342,616,600	676,457,825
CANSINOBO	6185	313,719,670	294,712,460	608,432,130
WUXI BIO	2269	338,044,925	132,659,950	470,704,875
KINTOR PHARMA-B	9939	148,007,690	225,497,580	373,505,270
BYD COMPANY	1211	238,575,100	115,340,350	353,915,450
LI AUTO-W	2015	225,829,670	112,467,690	338,297,360
HKEX	388	279,964,180	39,663,340	319,627,520
CHINA RES BEER	291	310,889,000	6,130,400	317,019,400

Sources: HKEx

## Other Statistics

### Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Million)
HSCEI ETF	02828.HK	4.88B	8.42B	57.91%
CSOP HS TECH	03033.HK	1.76B	2.89B	60.78%
TENCENT	00700.HK	1.20B	17.28B	6.94%
MEITUAN-W	03690.HK	1.19B	8.71B	13.61%
XI2CSOPHSTECH	07552.HK	979.89M	1.73B	56.77%
FI2 CSOP HSI	07500.HK	686.68M	1.02B	67.61%
AIA	01299.HK	596.22M	2.47B	24.12%
BYD COMPANY	01211.HK	521.93M	3.14B	16.61%
TRACKER FUND	02800.HK	438.30M	3.33B	13.18%
XIAOMI-W	01810.HK	425.73M	1.50B	28.29%

## Ten Short Sell Stocks

Stock Name	Code	Short Selling Turnover	Turnover	Short Selling Ratio
MEITUAN-W	03690.HK	1.00B	5.74B	17.47%
JD-SW	09618.HK	463.44M	2.03B	22.78%
AIA	01299.HK	412.31M	3.43B	12.03%
LI AUTO-W	02015.HK	380.46M	1.19B	31.85%
XI2CSOPHSTECH	07552.HK	328.04M	791.37M	41.45%
FI2 CSOP HSI	07500.HK	266.06M	443.05M	60.05%
CSPC PHARMA	01093.HK	262.04M	1.56B	16.80%
LI NING	02331.HK	250.74M	1.91B	13.14%
SANDS CHINA LTD	01928.HK	247.43M	885.18M	27.95%
TENCENT	00700.HK	239.07M	7.97B	3.00%

Source: AA Stocks

## Economic Calendars

Date	Country	Event	Survey	Prior
Mon	Euro Zone	Oct. CPI (YoY)	9.4%	10.0%
	China	Oct. Manufacturing PMI	49.7	50.1
Tue	US	Oct. S&P Global Manufacturing PMI	49.9	49.9
		Sep. JOLTS Job Openings	9,750k	10,053k
		Oct. ISM Manufacturing	50.0	50.9
		Pfizer (PFE), Uber (UBER) Results		
Wed	China	Oct. Caixin Manufacturing PMI	48.5	48.1
	US	Oct. ADP Employment Change	200k	208k
		FOMC Monetary Meeting (Announce in early morning on 3 Nov in HKT)		
Thu	Euro Zone	Oct. S&P Global Manufacturing PMI	46.6	46.6
	US	Sep. Trade Balance	-\$70.2b	-\$67.4b
		3Q. Nonfarm Productivity	-0.1%	-4.1%
		Initial Jobless Claims (Till Oct 29)		217k
		Continuing Jobless Claims (Till Oct 22)		1,438k
		Oct. S&P Global Services PMI	46.6	46.6
		Sep. Factory Orders	0.4%	0.0%
		Sep. Durable Goods Orders		0.4%
		Oct. ISM Services Index	55.5	56.7
		PayPal (PYPL), Starbucks (SBUX) Result		
	UK	BOE Monetary Policy Meeting		
Fri	China	Oct. Caixin Services PMI	48.2	49.3
	Hong Kong	Lenovo (992) Result		
Fri	US	Oct. Change in Nonfarm Payrolls	200k	263k
		Oct. Unemployment Rate	3.6%	3.5%
		Oct. Average Hourly Earning (MoM)	0.3%	0.3%
	Euro Zone	Oct. S&P Global Services PMI	48.9	48.2

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