



KGI

CHINA
DEVELOPMENT
FINANCIAL

Investment Daily

26 May 2022

Major Market Indicators

	25 May	24 May	23 May
Mkt. Turn.(mn)	103,400	113,600	105,100
Stock Advances	842	500	677
Stock Declines	732	1,089	868
HSI	20,171	20,112	20,470
Change	+59	-358	-247

HSI Technical Indicators

10-days MA	20,207
50-days MA	20,865
250-days MA	24,554
14-days RSI	45.80
Primary resistance	20,400
Primary support	20,000

HSCEI Technical Indicators

10-days MA	6,922
50-days MA	7,133
250-days MA	8,721
14-days RSI	46.36
Primary resistance	7,000
Primary support	6,600

Stock Pick

CNOOC (0883)

Target: \$11.8

Stop loss: \$9.3

Although US economic slowdown is expected to drag oil demand, China's reopening supports oil demand, supporting oil price at US\$110. We expect CNOOC to benefit from strong oil price. CNOOC declared special dividend at HK\$1.18 per share, equivalent to 11% yield, which is defensive.

COSCO Shipping (1919)

Target: \$15.0

Stop loss: \$12.2

Shanghai has reached zero-Covid on community level in mid-May, and has announced production resumption in two phases, targeting to fully reopen in June. Container traffic in Shanghai has resumed to 90% of normal level last week. COSCO will repurchase shares of Rmb1.5-3.0bn in one year, bolstering share price.

China Resources Power (0836)

Target: \$17.0

Stop loss: \$13.5

In order to stabilize economic growth, China government recently re-iterated not rushing to reach carbon peak target, especially not to restrict power production. China government also plans to increase coal production and set coal price at reasonable level, which will help to improve CR Power's coal power profitability. Besides, the Group aggressively expands renewable energy, which increased 15% in the first 4 months of 2022. Tradubg at prospective P/E 9x & dividend yield of 4%, we suggest to buy.

Market Overview

Although US interest rate futures showed that market expect rate hike pace will slow down starting from September meeting, Hong Kong stocks does not have much reaction in the US ADR market last night. Besides, China State Council hold a teleconference with local government officials to stresses the need to implement policies to stabilize economy, there is no new major policy announced in the meeting. Hong Kong stock market is likely to remain range trade today, Hang Seng Index support is estimated at 20,000. Investors focus will eye on Alibaba (9988) quarter results.

Hong Kong Stock Connect net inflow increased to HK\$2,689mn on Wednesday. Of which, China Mobile (0941) and CNOOC(0883) recorded most net inflow. On the other hand, Li Ning (2331) recorded net outflow while share price fell close to its year to date low level. China will accelerate its fixed asset investment pace this year to stabilize economy growth, both traditional and new infrastructure stocks will benefit. Investors could eye on China Railway(0390), China Communication Construction (1800) and GCL Poly (3800) and accumulate during weakness.

Daily Focus

CNOOC(0883): Benefit from Firm Oil Price

- U.S. natural gas prices have surged by more than 130% since the beginning of the year, due to strong demand for LNG, especially in Europe, which act as replacement of Russian gas. Besides, US WTI crude price also stayed at high level. U.S. Energy Secretary said President Joe Biden had not ruled out using export restrictions to ease soaring domestic fuel prices.
- China's crude oil imports grew nearly 7% in April yoy, its first rise in three months, to 10.5 million barrels per day, although weakening fuel demand due to COVID-19 lockdowns has dampened throughput at Chinese refineries. Of which, import from Saudi rose 38% yoy in April or accounted for 21% of China crude import.
- On the other hand, investors growing concern that global economy growth will slow down, given the high inflation as well as aggressive rate hike pace in US and other countries. Metal commodity price such as Aluminum and Copper retreated obviously. However, oil price and food price is relatively firm, which might due to supply disruption as well as countries increase their reserve.
- Of which, owing to limited growth of production capacity, as well as ban of Russia oil import, oil price is likely to stay at high level in the near term, crude oil price support is at 100 Day SMA. It will benefit oil companies such as CNOOC(0883). With special dividend of HK\$1.18 to be ex-dividend on 9-June-2022, as well as attractive valuation of 4x P/E, we expect share price to range trade in the near term, while resistance level will shift upward from HK\$11.50 to HK\$12.00.

CNOOC(0883): Info	
Closed price	11.42
FY22 P/E (X)	4.0
FY22 Dividend yield (%)	10.0%
52 week high	11.84
52 week low	7.29
14 RSI	59.2

Analyst: Samuel Chua, CFA

Yoho Group (2347): IPO Brief

- Yoho Group is one of the leading market players in the business-to-consumer (B2C) e-commerce industry in Hong Kong as confirmed by F&S, carrying over 23,000 SKUs (with a focus on Consumer Electronics and Home Appliances) and having established a customer base comprising over 807,000 registered members.

Yoho Group(2347): IPO Brief	
Industry sector	E-commerce
Issue price (HK\$)	2.1-2.6
Total share offer size (HK\$ mn)	115-143
FY21 P/E (x)	36.5-48.6
Sponsor	CMBC Capital
Dealing of shares	10-Jun-2022

- Yoho's retail business adopts the online-merge-offline (OMO) model and comprises the following retail sales channels under the B2C model: (i) online B2C sales through the Yoho E-commerce Platform; (ii) online B2B2C sales to our end customers via Reward Scheme Platforms and third-party online marketplaces; and (iii) offline B2C sales made at our two retail stores, i.e. the Kwun Tong Store and the Cheung Sha Wan Flagship Store.
- According to the F&S Report, Yoho ranked first as an e-commerce platform with a primary focus on Consumer Electronics and Home Appliances in Hong Kong in terms of website traffic, and recorded the highest online retail sales of Consumer Electronics and Home Appliances among all Hong Kong e-commerce platforms with a market share of approximately 5.6% for FY20/21. Yoho also ranked second and third (with a market share of approximately 1.8%) among all Hong Kong e-commerce platforms in terms of website traffic and overall online retail sales for FY20/21.
- Yoho has seen strong growth in revenue during the track record period, revenue CAGR marked at 96.5% for the past three years ended March 2021, among which OMO revenue CAGR posted 107.1%. Total GMV also grew at same CAGR to HK\$506mn in FY21, with an average spending by customer of HK\$1,463. Adjusted net profit grew at a CAGR of 48.4% in FY19-21, which posted at HK\$28.7mn in FY21.
- We expect OMO business model to help Yoho gain market share, which drive its future earnings growth. Yoho's lists at 36.5-48.6x FY21 PE, which is above peer average. Amid rising interest rate environment, we see limited upside potential on valuation. We thus assign a Neutral rating to Yoho.

Analyst: Christopher Ho

Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
Balance (RMB bn)	48.31	48.67	80.25
Balance as % of Quota Amount	92.9	93.6	95.5

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
TENCENT	700	778,424,500	562,452,060	1,340,876,560
CHINA MOBILE	941	1,124,614,750	40,198,197	1,164,812,947
CNOOC	883	491,831,720	303,232,180	795,063,900
MEITUAN-W	3690	335,216,720	251,557,730	586,774,450
CCB	939	282,376,940	230,075,240	512,452,180
CHINA TELECOM	728	364,291,900	124,070,940	488,362,840
GREATWALL MOTOR	2333	225,288,460	121,873,250	347,161,710
KUAISHOU-W	1024	115,355,580	191,114,585	306,470,165
BYD COMPANY	1211	240,256,900	64,586,700	304,843,600
CHINA SHENHUA	1088	120,544,275	173,539,461	294,083,736

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	547,229,720	581,291,220	1,128,520,940
MEITUAN-W	3690	488,580,120	214,337,718	702,917,838
LI NING	2331	368,134,375	176,451,176	544,585,551
CHINA MOBILE	941	238,976,800	190,965,600	429,942,400
CNOOC	883	285,332,320	49,097,160	334,429,480
GEELY AUTO	175	214,132,420	64,175,920	278,308,340
SMIC	981	98,245,230	140,536,070	238,781,300
KUAISHOU-W	1024	153,448,210	83,436,250	236,884,460
GREATWALL MOTOR	2333	134,852,230	77,784,710	212,636,940
BYD COMPANY	1211	67,257,900	129,954,800	197,212,700

Sources: HKEx

Other Statistics

Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Million)
TENCENT	700	-1.18%	334.00	72.46
MEITUAN-W	3690	0.06%	159.70	37.51
BABA-SW	9988	-1.50%	82.35	32.46
KUAISHOU-W	1024	5.37%	66.75	30.77
CHINA MOBILE	941	1.05%	51.00	26.61
JD-SW	9618	-1.49%	198.60	19.42
BYD COMPANY	1211	2.51%	261.20	18.71
HSBC HOLDINGS	5	3.14%	50.95	18.39
LI NING	2331	-3.06%	50.65	17.87
CCB	939	0.89%	5.66	17.24

Ten Short Sell Stocks

Stock Name	Code	Short Selling Turnover	Turnover	Short Selling Ratio
KUAISHOU-W	01024.HK	1.13B	3.08B	36.73%
TENCENT	00700.HK	939.59M	7.25B	12.97%
BABA-SW	09988.HK	777.27M	3.25B	23.95%
MEITUAN-W	03690.HK	755.37M	3.75B	20.14%
JD-SW	09618.HK	669.51M	1.94B	34.47%
GEELY AUTO	00175.HK	569.85M	1.66B	34.28%
PING AN	02318.HK	531.70M	1.09B	48.67%
BYD COMPANY	01211.HK	478.30M	1.87B	25.56%
HSBC HOLDINGS	00005.HK	468.40M	1.84B	25.47%
NTES-S	09999.HK	403.88M	1.22B	33.07%

Source: AA Stocks

Economic Calendars

Date	Country	Event	Survey	Prior
Mon	Hong Kong	XPeng Inc. (9868) Result		
Tue	US	May. Manufacturing PMI	57.9	59.2
		May. Services PMI	55.2	55.6
		Apr. New Home Sales	750k	763k
	Euro Zone	May. Manufacturing PMI		55.5
		May. Services PMI		57.7
	Hong Kong	Kuaishou (1024), ZTO Express (2057), Kingsoft (3888), NetEase (9999) Results		
Wed	US	Apr. Durable Goods Orders	0.6%	1.1%
	Hong Kong	Alibaba Health (241), CSPC Pharma (1093) Results		
Thu	US	FOMC Meeting Minutes (4 May)		
		1Q. GDP Annualized (QoQ)	-1.3%	-1.4%
		Initial Jobless Claims (Till May 21)		218k
		Continuing Jobless Claims (Till May 14)		1,317k
		Apr. Pending Home Sales (MoM)	-1.8%	-1.2%
	Hong Kong	Lenovo (992), Baidu (9888), Alibaba (9988) Results		
Fri	US	Apr. Wholesale Inventories (MoM)		2.3%
		Apr. Personal Income	0.5%	0.5%
		Apr. Personal Spending	0.6%	1.1%
		Apr. Retail Inventories (MoM)		2.0%
		Apr. PCE Deflator (MoM)	0.2%	0.9%
		May. University of Michigan Sentiment	59.1	59.1

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