



KGI

CHINA
DEVELOPMENT
FINANCIAL

Investment Daily

31 May 2022

Major Market Indicators

	30 May	27 May	26 May
Mkt. Turn.(mn)	128,800	120,100	95,500
Stock Advances	1,045	945	737
Stock Declines	568	630	837
HSI	21,124	20,697	20,116
Change	+427	+581	-55

HSI Technical Indicators

10-days MA	20,478
50-days MA	20,885
250-days MA	24,460
14-days RSI	56.51
Primary resistance	21,500
Primary support	20,885

HSCEI Technical Indicators

10-days MA	7,021
50-days MA	7,139
250-days MA	8,678
14-days RSI	56.22
Primary resistance	7,500
Primary support	7,000

Stock Pick

CHINA RAILWAY (0390)

Target: \$6.10

Stop loss: \$5.00

With the Chinese government support, issuing RMB 300bn of railway bonds, which will be beneficial to the railway infrastructure projects. Moreover, the special bond scheduled has speed up, aim to make full issuance of 3.65 trillion by the end of June. It is expected the growth of newly signed contracted project and revenue to speed up, which will benefit the valuation.

Xinyi Solar(968)

Target: \$14.70

Stop loss: \$12.00

Thanks to sharp increase of new installed capacity, solar power component including solar glass price performed well recently. Moreover, China recently launched a new renewable power installation target for 2030, in order to accelerate the pace of renewable energy.

Trip.com-S (9961)

Target: \$180

Stop loss: \$140

Covid-19 pandemic has been easing in China, and lockdown measures have gradually lifted. This will drive short-haul travel demand recovery. Trip.com has issued a 2021-22 business travel management white paper, which expects China business travel market to return to pre-pandemic level by 2024. We see business travel to lead the tourism market recovery near-term, driving up shares of Trip.com from the bottom.

Market Overview

China continued to launch measures to boost domestic demand including fixed asset investment as well as consumption. Together with improvement of epidemic in Shanghai, China related stock rebounded recently. Hang Seng Index overcome the resistance at 50 Day SMA (20,885), the next resistance will be 21,300.

Hong Kong Stock Connect turned to net outflow of HK\$1.48bn on Monday, of which, Tencent (0700) recorded a net outflow of HK\$529mn, while Li Ning (2331) and China Mobile (0941) recorded most net buy. In fact, Tencent already recorded two consecutive trading day net outflow, share price is expected to range trade from HK\$330 to HK\$358 (50 Day SMA) in the near term. Besides, China 618 Shopping Festival as well as anticipated rebound in consumption, fund switch to e-commerce stocks such as Alibaba (9988) and JD(9618). China to accelerate special bond issuance to stabilize economy growth, investors could accumulate China Railway(0390), Anhui Conch(0914) and Xinyi Solar (0968) during weakness.

Daily Focus

HKEX(0388): ETF Connect

- To further deepen mutual stock market access between the Mainland and Hong Kong (Stock Connect), China CSRC and HKSFCA has agreed to the inclusion of eligible exchange-traded funds (ETFs) by Mainland and Hong Kong exchanges in Stock Connect. Official implementation of the proposal will come in about two months.
- There is some limitation at the initial stage. Those on the mainland need to maintain an average daily assets under management level of Rmb1.5 billion over the past six months, with their components mostly listed in Shanghai and Shenzhen.

HKEX(0388): Info	
Closed price	338
FY22 P/E (X)	31.0
FY22 Dividend yield (%)	2.9%
52 week high	535.13
52 week low	314.00
14 RSI	52.3

The ETFs in Hong Kong must have a daily average AUM of at least HK\$1.7 billion, while their underlying assets listed in Hong Kong.

- The launch of ETF Connect will add more capital to both the onshore and offshore ETF markets. However, since the initial investment scope for southbound fund is limited to Hong Kong underlying assets, the actual impact to the market might not be too substantial initially. It is expected that ETF Connect will increase overall Stock Connect turnover by around 10% or 1% of HKEX total turnover.
- Hence, the launch of ETF Connect might not provide too material impact on HKEX share price. In fact, with sluggish sentiment in global stock market, HK stock market average daily turnover fell to HK\$134bn year to date or HK\$113bn in May. It will impact HKEX revenue and share price performance. Current valuation is 31x prospective P/E, which is fair only. Share price short term resistance will be HK\$350.

Analyst: Samuel Chua, CFA

Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
Balance (RMB bn)	47.80	45.35	83.85
Balance as % of Quota Amount	91.9	87.2	99.8

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
MEITUAN-W	3690	965,433,870	923,528,044	1,888,961,914
TENCENT	700	682,246,480	940,686,380	1,622,932,860
CCB	939	394,965,570	261,460,050	656,425,620
CNOOC	883	217,123,260	361,218,540	578,341,800
BYD COMPANY	1211	174,064,400	256,996,700	431,061,100
LI NING	2331	251,430,025	175,080,275	426,510,300
KUAISHOU-W	1024	208,002,885	131,158,490	339,161,375
GREATWALL MOTOR	2333	176,870,280	124,542,300	301,412,580
XIAOMI-W	1810	63,938,024	221,799,432	285,737,456
TSINGTAO BREW	168	165,797,100	115,750,095	281,547,195

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	434,099,260	704,685,620	1,138,784,880
MEITUAN-W	3690	516,513,790	538,912,500	1,055,426,290
CNOOC	883	489,909,160	235,358,480	725,267,640
LI NING	2331	416,094,550	155,387,275	571,481,825
BYD COMPANY	1211	199,188,900	201,541,400	400,730,300
KUAISHOU-W	1024	279,549,540	120,798,850	400,348,390
WUXI BIO	2269	202,464,975	131,893,125	334,358,100
CHINA MOBILE	941	260,329,900	64,612,125	324,942,025
CHINA SHENHUA	1088	202,095,450	92,584,400	294,679,850
HKEX	388	101,639,160	168,242,812	269,881,972

Sources: HKEx

Other Statistics

Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Million)
TENCENT	700	2.40%	350.00	77.74
MEITUAN-W	3690	6.83%	175.10	76.98
BABA-SW	9988	4.29%	94.90	54.27
JD-SW	9618	6.91%	222.80	37.78
BYD COMPANY	1211	2.38%	275.00	27.35
LI NING	2331	11.02%	58.45	24.44
CCB	939	0.34%	5.83	23.78
KUAISHOU-W	1024	3.43%	70.90	22.93
CNOOC	883	1.33%	12.16	22.54
HKEX	388	2.18%	338.00	21.98

Ten Short Sell Stocks

Stock Name	Code	Short Selling Turnover	Turnover	Short Selling Ratio
TRACKER FUND	02800.HK	1.47B	5.66B	25.89%
HSCEI ETF	02828.HK	1.29B	4.99B	25.78%
MEITUAN-W	03690.HK	679.26M	7.70B	8.82%
TENCENT	00700.HK	498.34M	7.77B	6.41%
NTES-S	09999.HK	373.02M	1.60B	23.34%
BABA-SW	09988.HK	311.53M	5.43B	5.74%
JD-SW	09618.HK	286.78M	3.78B	7.59%
BYD COMPANY	01211.HK	277.76M	2.74B	10.15%
KUAISHOU-W	01024.HK	249.48M	2.29B	10.88%
XI2CSOPHSTECH	07552.HK	238.39M	818.78M	29.12%

Source: AA Stocks

Economic Calendars

Date	Country	Event	Survey	Prior
Mon	US	Market will close (Memorial Day)		
	Hong Kong	Huazhu Group (1179), Topsports Int'l (6110), Weibo (9898) Results		
Tue	US	May. Conference Board Consumer Confidence	103.9	107.3
	Euro Zone	May. CPI (YoY)		7.5%
		May. Core CPI (YoY)		3.5%
	China	May. Manufacturing PMI	48.9	47.4
Wed	Hong Kong	May. Non-manufacturing PMI	45.0	41.9
		KE Holdings (2423) Result		
	US	May. Manufacturing PMI	57.5	57.5
		Apr. Construction Spending (MoM)	0.7%	0.1%
Thu	Euro Zone	May. ISM Manufacturing	55.0	55.4
		May. Manufacturing PMI		54.4
	China	May. Caixin Manufacturing PMI	49.0	46.0
	Fri	Hong Kong	Link REIT (823) Result	
U.S. Federal Reserve Releases Beige Book				
May. ADP Employment Change			295k	247k
1Q. Nonfarm Productivity			-7.5%	-7.5%
Initial Jobless Claims (Till May 28)				210k
Continuing Jobless Claims (Till May 21)				1,346k
Fri	US	Apr. Factory Orders	1.1%	1.8%
		Apr. Durable Goods Orders		
		May. Change in Nonfarm Payrolls	329k	428k
	Euro Zone	May. Unemployment Rate	3.5%	3.6%
		May. Average Hourly Earnings (MoM)	0.4%	0.3%
		May. Services PMI		
		May. ISM Services Index	56.9	57.1
China	May. Services PMI		56.3	
Market will close (Tuen Ng Festival)				
Hong Kong	HK Stock Connect Closed			
Market will close (Tuen Ng Festival)				

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