

Major Market Indicators

	29 Jan	26 Jan	25 Jan
Mkt. Turn.(mn)	100,100	131,600	132,100
Stock Advances	807	546	1,117
Stock Declines	780	1,025	572
HSI	16,007	15,952	16,212
Change	+125	-260	+312

HSI Technical Indicators

10-days MA	16,063
50-days MA	16,099
250-days MA	15,701
14-days RSI	50.47
Primary resistance	16,200
Primary support	15,800

HSCEI Technical Indicators

10-days MA	5,398
50-days MA	5,413
250-days MA	5,274
14-days RSI	51.95
Primary resistance	5,600
Primary support	5,200

Stock Pick

Tencent (700)

Target: \$400

Stop loss: \$258

Tencent achieved notable margin expansion, favored by the relatively new services such as Video Accounts and Mini Games which contributed high margin revenue streams. Meanwhile, the AI development of the Company is creating new growth opportunities and enriching its ecosystem.

China Telecom (728)

Target: \$5

Stop loss: \$3.6

The State Council previously announced that it will further study the inclusion of market value management in the performance assessment of the persons in charge of central SOEs. China Telecom, as well as other SOEs, responded in affirmation. By incorporating market value management into the KPI of state-owned enterprise management, it may promote Chinese telecommunications stocks to continue to increase their dividend payout ratios in the future. We see this as a catalyst for China Telecom.

NetEase (9999):

Target: \$183

Stop loss: \$131

NetEase's net revenue increased 11.6% yoy to RMB27.3bn in 3Q23. Revenue from games and related value-added services was RMB21.8bn, a yoy increase of 16.5%. Gross profit margin and operating profit margin increased steadily. Non-GAAP net profit was RMB8.64bn, a yoy increase of 15.7%. NetEase's gaming division performed well in the third quarter, with gross profit margin reaching 69%, thanks to contributions from Justice mobile.

Market Overview

As the market expects that the Fed will begin to cut interest rates by the middle of this year at the latest, the U.S. large-cap corporate bond market is also the first to recover. According to Bloomberg, U.S. blue-chip corporate bond sales reached US\$176bn in January, breaking the record of US\$175bn in January 2017 with the ten-year high. We believe that large cap companies have a competitive edge and lower financial costs. The stocks and bonds of large cap companies are still outperforming this year.

Daily Focus

China Telecom (728): Value management activities as a catalyst for China Telecom

- The State Council previously announced that it will further study the inclusion of market value management in the performance assessment of the persons in charge of central SOEs. China Telecom, as well as other SOEs, responded in affirmation. They vowed to actively carry out value management and value dissemination activities, and will adopt market capitalization management tools on a regular basis to safeguard company value and enhance shareholders' returns.
- Among many different SOEs, Chinese telecommunications are developing steadily in their core businesses and at the same time, having new opportunities in emerging businesses. According to the data of MIIT, in 2023, the annual telecom business income increased by 6.2% YoY. The network infrastructure consolidated continuously, with a total of 3.377 million 5G base stations built. The network service capacity continued to upgrade, with the total computing power scale ranking the second worldwide. By comprehensively deepening fusion application, the industrial internet realized the full coverage of 41 industrial categories.
- The operating revenues of China Telecom were RMB384.2bn in 9M23, representing an increase of 6.4% yoy. Service revenues were RMB349.7bn. The profit attributable to equity holders of the Company was RMB27.1bn, grew 10.4% yoy. EBITDA was RMB105.6bn, representing an increase of 5.2% yoy. EBITDA margin was 30.2%.
- In terms of Industrial Digitalization, while focusing on customer demands and use cases, the Company proactively deployed strategic emerging industries. Driven by cloud-, AI-, security-and platform-integrated initiatives, and capitalizing on its edges in cloud-network integration, customer resources and localized services, the Company increased the supply of digital products and services with high quality and high efficiency. The Company also leveraged “network + cloud computing + AI + applications” to promote the cloud migration, the use of data and intelligence injection for numerous walks of life, facilitating the in-depth integration of digital technologies with the real economy. In 9M23, the Company’s Industrial Digitalization service revenues reached RMB99.7bn, representing a yoy increase of 16.5%.
- By incorporating market value management into the KPI of state-owned enterprise management, it may promote Chinese telecommunications stocks to continue to increase their dividend payout ratios in the future. We see this as a catalyst for China Telecom.

China Telecom (728): Info	
Closed price	4.01
FY24 P/E (X)	9.99
FY24 Dividend yield (%)	7.05
52 week high	4.58
52 week low	3.32
14 RSI	69.04

Analyst: Cynthia Tam

Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
Balance (RMB bn)	50.38	52.94	84.74
Balance as % of Quota Amount	96.9	101.8	100.9

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
CNOOC	883	461,722,160	710,172,980	1,171,895,140
TENCENT	700	199,922,360	800,494,418	1,000,416,778
WUXI BIO	2269	356,954,750	396,091,304	753,046,054
CHINA MOBILE	941	167,317,275	399,021,089	566,338,364
ICBC	1398	178,846,190	352,476,320	531,322,510
CHINA TOWER	788	380,362,620	100,868,900	481,231,520
CCB	939	190,060,160	273,950,090	464,010,250
PETROCHINA	857	106,708,240	290,090,860	396,799,100
MEITUAN-W	3690	192,709,770	194,914,964	387,624,734
SUNAC	1918	151,796,990	128,152,420	279,949,410

Sources: HKEx

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
CNOOC	883	389,472,680	507,899,552	897,372,232
TENCENT	700	208,270,660	522,877,638	731,148,298
WUXI BIO	2269	264,969,150	330,704,775	595,673,925
CHINA MOBILE	941	335,255,225	256,000,272	591,255,497
CSOP HS TECH	3033	412,010,164	20,209,965	432,220,129
MEITUAN-W	3690	142,641,120	239,034,175	381,675,295
LENOVO GROUP	992	16,315,320	279,645,849	295,961,169
SMIC	981	68,839,650	226,879,720	295,719,370
KUAISHOU-W	1024	53,273,640	158,017,375	211,291,015
WUXI APPTEC	2359	76,216,420	130,909,680	207,126,100

Sources: HKEx

Other Statistics

Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Billion)
TENCENT	700	-0.28%	282.00	57.00
BABA-SW	9988	2.40%	72.60	38.17
TRACKER FUND	2800	0.81%	16.23	35.25
BYD COMPANY	1211	-2.16%	186.10	29.98
WUXI BIO	2269	-5.70%	23.15	28.84
HSCEI ETF	2828	1.11%	54.88	23.70
CNOOC	883	0.82%	14.70	20.15
AIA	1299	-0.23%	64.80	19.16
MEITUAN-W	3690	0.90%	67.30	18.60
CCB	939	0.64%	4.69	18.10

Ten Short Sell Stocks

Stock Name	Code	Short Sell Amount	Turnover	Short Sell Ratio
HSCEI ETF	02828.HK	1.64B	2.37B	69.35%
TRACKER FUND	02800.HK	1.58B	3.52B	44.73%
BYD COMPANY	01211.HK	1.10B	3.00B	36.57%
CSOP HS TECH	03033.HK	1.00B	1.68B	59.79%
TENCENT	00700.HK	814.40M	5.70B	14.29%
CCB	00939.HK	492.05M	1.81B	27.18%
AIA	01299.HK	421.11M	1.92B	21.98%
HKEX	00388.HK	396.25M	1.73B	22.86%
PETROCHINA	00857.HK	382.60M	1.15B	33.31%
CM BANK	03968.HK	367.86M	1.41B	26.17%

Source: AA Stocks

Economic Calendars

Date	Country	Event	Survey	Prior
Tue	US	Jan. Conference Board Consumer Confidence	112.5	110.7
		Dec. JOLTS Job Openings		8,790k
		Alphabet A (GOOGL), AMD (AMD), Microsoft (MSFT), Pfizer (PFE), Starbucks (SBUX) Results		
		Euro Zone 4Q. GDP SA (YoY)		0.0%
	Hong Kong	Hang Lung Properties (101) Result		
Wed	US	Jan. ADP Employment Change	150k	164k
		Boeing (BA), MasterCard (MA), Nasdaq (NDAQ), QUALCOMM (QCOM) Results		
		China Jan. Manufacturing PMI		49.0
		China Jan. Non-manufacturing PMI		50.4
Thu	US	FOMC Monetary Meeting (Announce in early morning on 1 Feb in HKT)		
		Initial Jobless Claims (Till Jan 27)		214k
		Continuing Jobless Claims (Till Jan 20)		1,833k
		4Q. Nonfarm Productivity	1.6%	5.2%
		Amazon (AMZN), Apple (AAPL), Facebook (META) Results		
		Euro Zone Jan. CPI Estimate (YoY)	2.8%	
		China Jan. Caixin Manufacturing PMI		50.8
Fri	US	Jan. Change in Nonfarm Payrolls	185k	216k
		Jan. Unemployment Rate	3.7%	3.7%
		Jan. Average Hourly Earnings (MoM)	0.3%	0.4%
		Jan. University of Michigan Sentiment	78.8	78.8
		ExxonMobil (XOM) Result		

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