

Major Market Indicators

	9 May	8 May	7 May
Mkt. Turn.(mn)	123,700	128,700	113,400
Stock Advances	1,165	578	812
Stock Declines	492	1,063	809
HSI	18,538	18,314	18,479
Change	+224	-166	-99

HSI Technical Indicators

10-days MA	18,104
50-days MA	16,934
250-days MA	17,667
14-days RSI	71.70
Primary resistance	18,800
Primary support	18,400

HSCEI Technical Indicators

10-days MA	6,405
50-days MA	5,932
250-days MA	6,055
14-days RSI	71.49
Primary resistance	6,800
Primary support	6,400

Stock Pick
Meituan (3690)
Target: \$128
Stop loss: \$102

The market expects 1Q24 revenue to increase by 18.7% yoy to RMB69.6bn, and adjusted net profit to increase by 9.3% yoy to RMB6bn. The market expects core local commerce segment revenue to be RMB50.74bn, an annual increase of 18.3%, and operating profit is expected to be RMB8.44bn, a yoy increase of 10.6%. The market expects new business to increase by 15.8% yoy to RMB18.22bn, with an estimated operating loss of RMB3.23bn. Next week market will eye on management's guidance for 2Q24, the latest market demand of business segments, the competitive landscape, the impact of severe weather, the progress of loss reduction in new businesses, and its overseas expansion plans, etc.

BOC (3988)
Target: \$4
Stop loss: \$3.3

The group's fundamentals are superior to those of its peers. Net interest income in 2023 was Rmb466.5bn, a YoY increase of 1.58%. The group's net interest margin was 1.59%, a YoY decrease of 16bps, but the decline in interest margin was smaller than that of its peers; PPOP reached Rmb401.2bn, an annual increase of 3.7%; net profit was Rmb231.9bn, exceeding market expectations and higher than the same period last year. Growth of 2.4% was higher than the 1.8% average annual growth for large banks in 2023. Overall, Bank of China's fundamentals are better than those of its peers. In 2023, its revenue growth rank first among the six major state-owned banks. In addition, the dividend rate is 8%, which is attractive for long term investment.

HKEX (388)
Target: \$290
Stop loss: \$225

Recent initiatives announced by the China Securities Regulatory Commission, such as the expansion of eligible ETFs and the inclusion of Real Estate Investment Trusts in Stock Connect, the addition of RMB-denominated stocks in Southbound Stock Connect, as well as supporting leading Mainland companies to list in Hong Kong. Although these measures may not have a great impact in the short term, there maybe stimulating effect on the average daily trading volume when the market sentiment further improves.

Market Overview

The U.S. Department of Labor announced on Thursday that the number of seasonally adjusted initial jobless claims for the week ended May 4 was 231,000, an increase of 22,000 from the previous week and higher than the 214,000 expected. This is the highest number of claims since August 26, 2023, a potential sign that the otherwise strong labor market is changing. The report also showed that the number of people applying for continuing claims increased by 17,000 from the previous week to 1.78 million. More people now expect the central bank to start lowering interest rates in September.

Hong Kong Stock Connect had a net inflow of HK\$4.17bn on Thursday, of which China Mobile (941) had the largest net inflow, reaching HK\$0.24bn; followed by ICBC (1398). Tracker Fund (2800) recorded the largest net outflow at HK\$4.7bn, followed by HSBC (5).

Daily Focus

Meituan (3690): improving demand in the summer time

- Meituan will announce its results next week. The market expects 1Q24 revenue to increase by 18.7% yoy to RMB69.6bn, and adjusted net profit to increase by 9.3% yoy to RMB6bn. The market expects core local commerce segment revenue to be RMB50.74bn, an annual increase of 18.3%, and operating profit is expected to be RMB8.44bn, a yoy increase of 10.6%, or OPM 16.6%, compared with 14.5% in 4Q23, and 22% in 1Q23. The market expects new business to increase by 15.8% yoy to RMB18.22bn, with an estimated operating loss of RMB3.23bn.
- To recap, Meituan's 4Q23 revenue rose 22.6% yoy to RMB73.69bn, higher than market expectations. Among segments, core local commerce segment revenue increased by 26.8% to RMB55.13bn, operating profit increased by 11.1% to RMB8.02bn, and segment operating profit margin decreased by 2.1 percentage points yoy from 16.6% to 14.5%. The increase in operating profit of the core local commercial segment was mainly due to the increase in the number of transactions, and lower delivery related costs per order of food delivery and Meituan Instashopping businesses. The decrease in operating margin was mainly due to lower average order value of food delivery and Meituan Instashopping businesses, higher Transacting User incentive ratio and more promotion and advertising expenses.
- The new business segment's quarterly revenue increased by 11.5% to RMB18.56bn, operating loss narrowed from RMB6.37bn to RMB4.83bn, and the operating loss rate dropped to 26%. Meituan stated that it will make strategic adjustments to new businesses this year, improve its business model, and aim to significantly reduce operating losses. It plans to increase product mark- up ratio, reduce subsidies, and focus on the long-term growth of natural retention rate.
- The market is currently optimistic that Meituan's losses of new business will narrow, which may offset the profit pressure caused by user incentive costs. Next week market will eye on management's guidance for 2Q24, the latest market demand of business segments, the competitive landscape, the impact of severe weather, the progress of loss reduction in new businesses, and its overseas expansion plans, etc.

Meituan (3690): Info	
Closed price	117.9
FY24 P/E (X)	21.17
FY24 Dividend yield (%)	0.00
52 week high	150
52 week low	61.1
14 RSI	69.7

Analyst: Cynthia Tam

Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
Balance (RMB bn)	46.81	46.89	84.75
Balance as % of Quota Amount	90.0	90.2	100.9

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
TRACKER FUND	2800	6,752,620	2,950,046,160	2,956,798,780
TENCENT	700	556,633,400	605,782,760	1,162,416,160
CHINA MOBILE	941	535,797,625	621,509,400	1,157,307,025
CNOOC	883	435,093,740	673,741,183	1,108,834,923
HSBC HOLDINGS	5	54,926,280	964,037,040	1,018,963,320
MEITUAN-W	3690	350,547,780	566,607,364	917,155,144
SENSETIME-W	20	389,550,040	437,723,470	827,273,510
CCB	939	434,188,540	380,624,630	814,813,170
XIAOMI-W	1810	374,418,984	399,881,788	774,300,772
ICBC	1398	344,702,210	194,800,300	539,502,510

Sources: HKEx

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
TRACKER FUND	2800	1,783,060	1,758,338,960	1,760,122,020
TENCENT	700	532,578,400	483,984,386	1,016,562,786
MEITUAN-W	3690	428,612,030	479,517,685	908,129,715
CNOOC	883	400,030,720	261,161,179	661,191,899
XIAOMI-W	1810	299,562,044	241,328,325	540,890,369
CHINA MOBILE	941	436,306,075	103,501,625	539,807,700
SENSETIME-W	20	230,839,870	280,884,849	511,724,719
LI AUTO-W	2015	184,760,550	321,612,170	506,372,720
KUAISHOU-W	1024	136,184,540	240,851,969	377,036,509
SUNAC	1918	149,329,310	184,550,780	333,880,090

Sources: HKEx

Other Statistics

Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Billion)
TRACKER FUND	2800	1.41%	18.67	13.234
TENCENT	700	2.32%	369.80	5.882
MEITUAN-W	3690	3.88%	117.90	4.467
BABA-SW	9988	0.85%	76.80	3.992
HSBC HOLDINGS	5	-0.33%	67.70	3.641
AIA	1299	2.53%	62.80	2.724
XIAOMI-W	1810	0.31%	19.16	2.631
HSCEI ETF	2828	1.47%	66.36	2.332
CCB	939	1.54%	5.28	2.180
LI AUTO-W	2015	-2.01%	107.20	1.672

Ten Short Sell Stocks

Stock Name	Code	Short Sell Amount	Turnover	Short Sell Ratio
TRACKER FUND	02800.HK	2.10B	13.23B	15.84%
HSCEI ETF	02828.HK	872.45M	2.33B	37.41%
TENCENT	00700.HK	821.59M	5.88B	13.97%
MEITUAN-W	03690.HK	802.29M	4.47B	17.96%
CCB	00939.HK	570.18M	2.18B	26.16%
ICBC	01398.HK	564.90M	1.56B	36.21%
BANK OF CHINA	03988.HK	485.50M	1.38B	35.12%
KUAISHOU-W	01024.HK	463.11M	1.51B	30.76%
LI AUTO-W	02015.HK	406.20M	1.67B	24.30%
HSBC HOLDINGS	00005.HK	387.73M	3.64B	10.65%

Source: AA Stocks

Economic Calendars

Date	Country	Event	Survey	Prior
Mon	China	Apr. Caixin Services PMI	52.5	52.7
Tue	US	Walt Disney (DIS) Result		
	Hong Kong	Budweiser Brewing (1876) Result		
Wed	US	Shopify (SHOP) Result		
Thu	US	Initial Jobless Claims (Till May 4)		208k
		Continuing Jobless Claims (Till Apr 27)		1,774k
	UK	BOE Monetary Policy Meeting		
	China	Apr. Exports (YoY)		-7.5%
		Apr. Imports (YoY)		-1.9%
		Apr. Trade Balance		\$58.55b
	Hong Kong	Manulife Financial (945), SMIC (981) Results		
Fri	US	May. University of Michigan Sentiment	77.0	77.2
Sat	China	Apr. PPI (YoY)		-2.8%
		Apr. CPI (YoY)		0.1%

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