

Major Market Indicators

	20 May	17 May	16 May
Mkt. Turn.(mn)	156,500	179,300	204,900
Stock Advances	1,059	1,100	992
Stock Declines	718	661	764
HSI	19,636	19,554	19,377
Change	+83	+177	+303

HSI Technical Indicators

10-days MA	18,963
50-days MA	17,255
250-days MA	17,651
14-days RSI	71.74
Primary resistance	19,800
Primary support	19,200

HSCEI Technical Indicators

10-days MA	6,711
50-days MA	6,065
250-days MA	6,057
14-days RSI	64.48
Primary resistance	7,200.
Primary support	6,800

Stock Pick
Netease (9999)
Target: \$200
Stop loss: \$146

NetEase will announce its 1Q24 result on Thursday (23rd). The market predicts that NetEase's first quarter revenue will increase by 6.7% yoy to RMB26.7bn, and non-GAAP net profit will increase by 10% yoy to RMB8.3bn. Among segments, games and related value-added service revenue is expected to increase by 7.4% yoy. NetEase currently trades at a lower price-to-earnings ratio than its peers. In addition, NetEase recently updated its cooperation agreement with Blizzard, and games such as "World of Warcraft" will return to the Chinese market starting this summer. The market is looking forward to NetEase's revenue growth in international games. Finally, The market is looking forward to "where winds meet", which will be officially launched on July 26.

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: \$310
Stop loss: \$260

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 Chinese auto market experienced a fierce price competition in the 1H24, and market participants believed that the competition is not over in the 2H24. Zeng Qinghong, chairman of GAC Group (2238), believed that the Chinese auto market is expected to grow only slightly by 3% to 5% this year. With many brands competing for market share, the price war is expected to continue in the 2H24 and competition will remain very fierce. In addition, Li Auto (2015) released its company guidance yesterday, in which vehicle delivery volume was lower than consensus, which also reflects that the industry leader is still not optimistic about the market outlook.

The net inflow of Hong Kong Stock Connect on Monday was HK\$2.49bn yuan. Among them, Bank of China (3988) had the largest inflow, reaching HK\$793mn; followed by China Construction Bank (0939). Xiaomi (1810) recorded the largest net outflow of HK\$634mn, followed by Meituan (3690).

Daily Focus

Netease (9999): currently trades at a lower PE ratio than its peers

- NetEase will announce its 1Q24 result on Thursday (23rd). The market predicts that NetEase's first quarter revenue will increase by 6.7% yoy to RMB26.7bn, and non-GAAP net profit will increase by 10% yoy to RMB8.3bn. Among segments, games and related value-added service revenue is expected to increase by 7.4% yoy. The growth of Justice mobile is likely to be dragged by the slower growth of "Egg Party" due to the high base. Youdao revenue is expected to rise 14% yoy to RMB1.3bn, benefiting from a low base. Cloud Music revenue is expected to edge up 1.9% yoy.
- NetEase's stock price has lagged behind the market since the beginning of the year, mainly due to poor feedbacks of its new game Condor Heroes. The market currently does not have high expectations for first-quarter results, as fewer games have been launched in the first quarter. However, there are several positive factors for the stock right now. NetEase currently trades at a lower price-to-earnings ratio than its peers. In addition, NetEase recently updated its cooperation agreement with Blizzard, and games such as "World of Warcraft" will return to the Chinese market starting this summer. The market is looking forward to NetEase's revenue growth in international games. Finally, The market is looking forward to "where winds meet", which will be officially launched on July 26.

Netease (9999): Info	
Closed price	164.9
FY24 P/E (X)	14.7
FY24 Dividend yield (%)	1.75
52 week high	185.7
52 week low	116.1
14 RSI	64.21

Analyst: Cynthia Tam

Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
Balance (RMB bn)	76.28	67.03	78.01
Balance as % of Quota Amount	17.0	12.3	92.9

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
CNOOC	883	1,093,480,300	1,652,017,380	2,745,497,680
TENCENT	700	718,657,040	800,918,168	1,519,575,208
CHINA VANKE	2202	689,424,073	731,182,119	1,420,606,192
SENSETIME-W	20	700,328,740	652,300,120	1,352,628,860
SUNAC	1918	603,821,330	463,775,620	1,067,596,950
CHINA MOBILE	941	427,090,450	635,704,869	1,062,795,319
BANK OF CHINA	3988	854,483,020	61,864,900	916,347,920
XIAOMI-W	1810	321,569,124	557,885,778	879,454,902
CCB	939	536,736,140	313,146,630	849,882,770
KINGKEY FIN INT	1468	388,127,840	404,687,750	792,815,590

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	925,023,400	1,061,020,680	1,986,044,080
CNOOC	883	795,427,660	462,508,178	1,257,935,838
MEITUAN-W	3690	289,181,770	743,999,916	1,033,181,686
SENSETIME-W	20	390,145,000	414,196,400	804,341,400
XIAOMI-W	1810	187,887,640	588,206,747	776,094,387
CHINA VANKE	2202	321,308,581	348,202,972	669,511,553
KUAISHOU-W	1024	262,275,485	359,300,920	621,576,405
CHINA MOBILE	941	243,369,325	373,061,713	616,431,038
SUNAC	1918	311,462,430	267,491,860	578,954,290
CCB	939	431,462,280	62,676,300	494,138,580

Sources: HKEx

Other Statistics

Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Billion)
TRACKER FUND	2800	0.46%	19.81	10.811
TENCENT	700	0.00%	395.00	8.829
BABA-SW	9988	-0.41%	85.35	4.546
HSCEI ETF	2828	0.51%	70.66	4.455
MEITUAN-W	3690	-0.80%	124.00	3.578
PING AN	2318	-1.10%	44.95	3.532
SENSETIME-W	20	12.14%	1.57	3.275
CNOOC	883	1.55%	19.66	3.149
CSOP HS TECH	3033	0.50%	4.06	3.056
XIAOMI-W	1810	-0.30%	19.88	2.483

Ten Short Sell Stocks

Stock Name	Code	Short Sell Amount	Turnover	Short Sell Ratio
TRACKER FUND	02800.HK	2.32B	7.13B	32.53%
HSCEI ETF	02828.HK	1.37B	3.13B	43.58%
TENCENT	00700.HK	615.34M	4.96B	12.42%
PING AN	02318.HK	427.22M	2.18B	19.60%
BANK OF CHINA	03988.HK	224.01M	1.20B	18.60%
MEITUAN-W	03690.HK	217.39M	1.89B	11.53%
CSOP HS TECH	03033.HK	214.01M	1.77B	12.11%
ICBC	01398.HK	207.44M	758.13M	27.36%
XI2CSOPHSTECH	07552.HK	205.54M	449.44M	45.73%
ZIJIN MINING	02899.HK	185.19M	921.64M	20.09%

Source: AA Stocks

Economic Calendars

Date	Country	Event	Survey	Prior
Mon	China	5-Year Loan Prime Rate	3.95%	3.95%
		1-Year Loan Prime Rate	3.45%	3.45%
Tue	Hong Kong	Li Auto (2015) Result		
	US	Macy's (M) Result		
Wed	Euro Zone	Mar. Trade Balance SA		17.9b
	Hong Kong	Tongcheng Travel (780), XPeng Inc (9868), Trip.com (9961) Results		
Thu	US	Apr. Existing Home Sales	4.16m	4.19m
	Hong Kong	Kuaishou Tech (1024) Result		
Fri	US	Initial Jobless Claims (Till May 18)		222k
		Continuing Jobless Claims (Till May 11)		1,794k
Sat	US	May. S&P Global Manufacturing PMI	50.2	50.0
		May. S&P Global Services PMI	51.6	51.3
Sun	US	Apr. New Home Sales	680k	693k
		NVIDIA (NVDA) Result		
Mon	Euro Zone	May. HCOB Manufacturing PMI		45.7
		May. HCOB Services PMI		53.3
Tue	Hong Kong	Lenovo (992), Xiaomi Corp (1810), KE Holdings (2423), NetEase Inc (9999) Results		
		FOMC Meeting Minutes (May 1) (Announce in early morning on 24 May in HKT)		
Wed	US	Apr. Durable Good Orders (Ex Transportation)	0.2%	0.0%
		May. University of Michigan Sentiment	67.4	67.4

All the above named KGI analyst(s) is SFC licensed person accredited to KGI Asia Ltd to carry on the relevant regulated activities. Each of them and/or his/her associate(s) does not have any financial interest in the respectively covered stock, issuer and/or new listing applicant.

Disclaimer

Some of KGI Asia Ltd. equity research and earnings estimates are available electronically on www.kgi.com.hk. Please contact your KGI representative for information. The information and opinions in this report are those of KGI Asia Ltd. internal research activity. KGI Asia Ltd. does not make any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. The information and opinions contained in this report are subject to change without any notice. No person accepts any liability whatsoever for any loss however arising from any use of this report or its contents. This report is not to be construed as an invitation or offer to buy or sell securities and/or to participate in any investment activity. This report is being supplied solely for informational purposes and may not be reproduced or published (in whole or in part) for any purpose without the prior written consent of KGI Asia Ltd.. Members of the KGI group and their affiliates may provide services to any companies and affiliates of such companies mentioned herein. Members of the KGI group, their affiliates and their directors, officers and employees may from time to time have a position in any securities mentioned herein.