

Major Market Indicators

	21 May	20 May	17 May
Mkt. Turn.(mn)	150,600	156,500	179,300
Stock Advances	462	1,059	1,100
Stock Declines	1,266	718	661
HSI	19,221	19,636	19,554
Change	-41	+83	+177

HSI Technical Indicators

10-days MA	19,027
50-days MA	17,316
250-days MA	17,649
14-days RSI	75.65
Primary resistance	19,500
Primary support	19,000

HSCEI Technical Indicators

10-days MA	6,736
50-days MA	6,091
250-days MA	6,058
14-days RSI	63.77
Primary resistance	7,000
Primary support	6,500

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: \$4.2
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 above 6%, 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

Federal Reserve Governor Christopher Waller continued to echo recent comments from a Fed spokesman about keeping interest rates unchanged at current levels, saying further evidence is needed that inflation is slowing before supporting a rate cut. "In the absence of a significant weakening in the labor market, I need to see several more months of good inflation data before I would be comfortable supporting an easing in the stance of monetary policy," Waller said Tuesday.

Hong Kong Stock Connect had a net inflow of HK0.47bn on Tuesday, of which BOC (3988) had the largest net inflow, reaching HK\$1.14bn; followed by Li Auto (2015). Tracker Fund (2800) recorded the largest net outflow at HK\$1.8bn, followed by Meituan (3690).

Daily Focus

Bank of China (3988): fundamentals better than its peers

- Recently more southbound capital flow into China Banks sector. Among which, we like BOC.
- To recap, the group's fundamentals are superior to those of its peers in FY23. Net interest income in 2023 amounted to Rmb466.5bn, a YoY increase of 1.58%. The group's net interest margin was 1.59%, a YoY decrease of 16 basis points, 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 will rank first among the six major state-owned banks. At the same time, the decline in interest spreads is also smaller than that of its peers. In addition, the dividend rate is above 6%, which is attractive for long term investment.
- We reiterate buy and raise our target price.

BOC (3988): Info	
Closed price	3.96
FY24 P/E (X)	4.88
FY24 Dividend yield (%)	6.48
52 week high	3.98
52 week low	2.6
14 RSI	79.45

Analyst: Cynthia Tam

Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
Balance (RMB bn)	56.14	55.38	80.30
Balance as % of Quota Amount	16.2	12.2	95.6

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
TENCENT	700	1,805,049,360	1,541,786,572	3,346,835,932
CNOOC	883	879,484,240	1,081,509,460	1,960,993,700
LI AUTO-W	2015	762,049,850	670,137,650	1,432,187,500
BANK OF CHINA	3988	1,235,666,440	95,531,990	1,331,198,430
XIAOMI-W	1810	419,516,736	708,345,728	1,127,862,464
KINGKEY FIN INT	1468	511,591,430	459,670,910	971,262,340
MEITUAN-W	3690	200,258,810	750,411,715	950,670,525
CHINA VANKE	2202	364,826,802	323,514,766	688,341,568
TRACKER FUND	2800	10,712,425	676,608,155	687,320,580
CCB	939	487,000,570	200,117,970	687,118,540

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	1,291,410,580	2,386,686,819	3,678,097,399
LI AUTO-W	2015	951,657,360	364,245,798	1,315,903,158
TRACKER FUND	2800	1,730,510	1,181,583,060	1,183,313,570
CNOOC	883	469,238,060	313,794,934	783,032,994
MEITUAN-W	3690	116,648,900	615,005,303	731,654,203
XIAOMI-W	1810	195,132,076	426,398,712	621,530,788
CHINA MOBILE	941	410,700,250	187,590,859	598,291,109
KUAISHOU-W	1024	221,209,575	346,564,464	567,774,039
KINGKEY FIN INT	1468	226,459,230	204,449,520	430,908,750
HKEX	388	80,125,420	342,624,216	422,749,636

Sources: HKEx

Other Statistics

Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Billion)
TENCENT	700	-2.89%	383.60	11.792
TRACKER FUND	2800	-2.32%	19.35	11.672
HSCEI ETF	2828	-2.29%	69.04	4.279
LI AUTO-W	2015	-19.27%	80.65	3.980
BABA-SW	9988	-1.11%	84.40	3.643
MEITUAN-W	3690	-2.10%	121.40	3.606
BANK OF CHINA	3988	1.02%	3.96	2.689
HKEX	388	-3.58%	285.20	2.631
XIAOMI-W	1810	-2.92%	19.30	2.595
CCB	939	-0.51%	5.87	2.581

Ten Short Sell Stocks

Stock Name	Code	Short Sell Amount	Turnover	Short Sell Ratio
TRACKER FUND	02800.HK	4.65B	11.67B	39.84%
HSCEI ETF	02828.HK	1.85B	4.28B	43.26%
TENCENT	00700.HK	1.02B	11.79B	8.67%
LI AUTO-W	02015.HK	740.94M	3.98B	18.62%
BANK OF CHINA	03988.HK	710.20M	2.69B	26.41%
BYD COMPANY	01211.HK	549.81M	1.94B	28.30%
ICBC	01398.HK	476.83M	1.64B	29.04%
MEITUAN-W	03690.HK	439.28M	3.61B	12.18%
PING AN	02318.HK	420.47M	2.45B	17.19%
BABA-SW	09988.HK	391.87M	3.64B	10.76%

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		
		US	FOMC Meeting Minutes (May 1) (Announce in early morning on 24 May in HKT)	
Apr. Durable Good Orders (Ex Transportation)	0.2%		0.0%	
May. University of Michigan Sentiment	67.4		67.4	

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