

Major Market Indicators

	6 Jun	5 Jun	4 Jun
Mkt. Turn.(mn)	114,600	115,600	116,200
Stock Advances	685	583	947
Stock Declines	955	1,049	673
HSI	18,477	18,425	18,444
Change	+52	-19	+41

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	18,600
Primary support	18,200

HSCEI Technical Indicators

10-days MA	6,558
50-days MA	6,280
250-days MA	6,061
14-days RSI	48.42
Primary resistance	6,800
Primary support	6,400

Stock Pick

Trip.com (9961)

Target: \$480

Stop loss: \$394

At the beginning of the year, a survey was conducted to gather data on when Chinese residents plan to travel this year. The results showed that the majority of residents chose the summer vacation as their preferred travel period. To recap, Trip.com's 1Q24 revenue and profit both beat expectations. Net revenue was RMB 11.9bn, a yoy increase of 29%. Adjusted EBITDA was RMB4bn, compared with RMB2.8bn in 1Q23, and compared with RMB2.9bn in 4Q23. Adjusted EBITDA margin was 33%, compared with 31% in 1Q23, and compared with 28% in 4Q23. As the summer vacation is approaching, tourism sector may outperform the market.

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

ECB President Lagarde attended a press conference after Thursday's interest rate meeting. Apart from the only a single rate cut decision as mentioned above, the road to interest rate reduction in 2H24 is still challenging. She emphasized that core inflation fell in April and price pressures gradually decreased. However, overall inflation is still clearly hovering above the 2% long-term target. It is expected that it will fluctuate at the current level for the rest of this year, and then gradually drop to the long-term level in the 2H25 Target. For the labor wage, an important factor driving core inflation, Lagarde pointed out that they are still rising at a relatively high rate and are driving service prices. In the first quarter of this year, negotiated wages in the euro zone increased by 4.7% annually, higher than the 4.5% in the fourth quarter of last year. Labor costs may fluctuate in the short term, but the ECB maintains that wage growth is on a downward trend.

The net inflow of Southbound Hong Kong stock connect on Thursday was HK\$3.67bn, of which China Mobile (0941) had the largest inflow, reaching HK\$750mn; followed by CNOOC (0883). Kuaishou (1024) recorded the largest net outflow of HK\$310mn; followed by Industrial and Commercial Bank of China (1398).

Daily Focus

Meituan (3690): 1Q results beat market; 2Q outlook positive

- Meituan announced its 1Q24 results after the market closed yesterday, which were overall better than expected. Revenue was Rmb73.28bn, a yoy increase of 25.0%, better than the expected Rmb68.99bn; adjusted net profit was Rmb7.49bn, a yoy increase of 36.4%, better than the expected Rmb5.78bn.

Meituan (3690): Info	
Closed price	112.7
FY24 P/E (X)	24.49
FY24 Dividend yield (%)	NA
52 week high	150.0
52 week low	61.1
14 RSI	49.01

- market focus new business analysis Department revenue increased 18.5% yoy to Rmb18.65bn, better than expected; operating loss was Rmb2.8bn, the lowest since the third quarter of 2020. The expected loss is Rmb3.23bn, narrowing 45.2% yoy, and the operating loss rate subsequently improved to 14.8%, compared with 32% in the same period last year. Management promised in the 23FY results that it would focus on narrowing operating losses in the future, and the rate of narrowing of operating losses in new business this quarter has accelerated significantly yoy.
- For the earnings outlook of 2H24, management stated that this quarter will no longer benefit from the low base effect of food delivery and in-store, restaurant and travel businesses, and delivery order volume will slow to normal levels. Refined operations respond to diversified consumption scenarios, and the transaction frequency of medium and high-frequency users increases. In addition, the group has strengthened its marketing solutions to help merchants attract users, and merchants' higher intention to advertise will help improve monetization capabilities. Management pointed out that consumers' willingness to travel continues and they are more inclined to travel packages, while the competitive landscape has also stabilized. The market expects that transaction volume will increase by 12% year-on-year, and delivery revenue will increase by 12.5% year-on-year, reaching Rmb39.7bn.
- For the Meituan Select, the market expects that the operating loss of new business will continue to narrow to Rmb2.1bn in the 2H24, which reflects that management can continue to fulfill its promises.

Analyst: Cynthia Tam

Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
Balance (RMB bn)	62.81	64.444	77.91
Balance as % of Quota Amount	16.9	13.6	92.8

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
CNOOC	883	941,327,900	505,241,400	1,446,569,300
TENCENT	700	811,066,780	544,208,960	1,355,275,740
SMIC	981	648,976,230	551,377,830	1,200,354,060
MEITUAN-W	3690	358,546,850	503,486,896	862,033,746
CCB	939	364,410,470	466,663,950	831,074,420
CHINA MOBILE	941	607,554,550	132,615,965	740,170,515
XIAOMI-W	1810	371,338,176	319,919,324	691,257,500
SENSETIME-W	20	307,287,450	310,174,170	617,461,620
ICBC	1398	159,454,740	457,685,740	617,140,480
KUAISHOU-W	1024	128,617,635	317,526,470	446,144,105

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	712,770,920	625,708,882	1,338,479,802
SMIC	981	537,188,100	407,626,485	944,814,585
MEITUAN-W	3690	385,439,630	412,338,147	797,777,777
CHINA MOBILE	941	424,252,375	150,359,050	574,611,425
CNOOC	883	248,919,900	231,603,000	480,522,900
XIAOMI-W	1810	251,236,024	227,820,428	479,056,452
SENSETIME-W	20	214,025,700	173,828,460	387,854,160
KUAISHOU-W	1024	108,778,930	233,903,982	342,682,912
YANKUANG ENERGY	1171	237,499,920	51,723,840	289,223,760
ZIJIN MINING	2899	243,569,560	35,501,200	279,070,760

Sources: HKEx

Other Statistics

Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Billion)
TENCENT	700	0.21%	381.60	7.253
TRACKER FUND	2800	0.54%	18.76	7.105
MEITUAN-W	3690	0.09%	112.70	4.207
HSCEI ETF	2828	0.42%	66.62	3.467
BABA-SW	9988	0.20%	77.10	3.027
SMIC	981	5.61%	18.06	2.380
XIAOMI-W	1810	1.47%	17.96	2.178
KUAISHOU-W	1024	-1.55%	54.05	2.020
CNOOC	883	3.94%	21.10	1.909
CCB	939	-0.18%	5.59	1.825

Ten Short Sell Stocks

Stock Name	Code	Short Sell Amount	Turnover	Short Sell Ratio
TENCENT	00700.HK	2.23B	7.25B	30.73%
MEITUAN-W	03690.HK	638.71M	4.21B	15.18%
ICBC	01398.HK	633.93M	1.76B	36.11%
CCB	00939.HK	511.52M	1.82B	28.04%
CSOP HS TECH	03033.HK	458.44M	1.13B	40.43%
KUAISHOU-W	01024.HK	422.96M	2.02B	20.94%
XIAOMI-W	01810.HK	413.06M	2.18B	18.96%
HSBC HOLDINGS	00005.HK	404.67M	1.04B	39.07%
YANKUANG ENERGY	01171.HK	391.35M	837.98M	46.70%
TRACKER FUND	02800.HK	387.75M	7.11B	5.46%

Source: AA Stocks

Economic Calendars

Date	Country	Event	Survey	Prior
Mon	US	May. ISM Manufacturing	49.7	49.2
	China	May. Caixin Manufacturing PMI	51.6	51.4
Tue	US	Apr. JOLTS Job Openings	8,300k	8,488k
		Apr. Factory Orders	0.7%	0.8%
		Apr. Durable Goods Orders	0.7%	0.7%
Wed	US	May. ADP Employment Change	175k	192k
		May. ISM Services Index	51.0	49.4
	China	May. Caixin Services PMI	52.6	52.5
		US	Initial Jobless Claims (Till Jun 1)	
		Continuing Jobless Claims (Till May 25)		1,791k
		Apr. Trade Balance	-\$69.8b	-\$69.4b
	Euro Zone	ECB Monetary Policy Meeting		
	Hong Kong	Meituan (3690), NIO Inc (9866) Results		
Fri	US	May. Change in Nonfarm Payrolls	180k	175k
		May. Unemployment Rate	3.9%	3.9%
		May. Average Hourly Earnings (MoM)	0.3%	0.2%
	Euro Zone	1Q. GDP SA (YoY) Final	0.4%	0.4%
	China	May. Trade Balance		\$72.35b
		May. Exports (YoY)		1.5%
		May. Imports (YoY)		8.4%

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