



Market Overview

Yesterday, Hong Kong stocks markets advanced on the back of the rally in China healthcare and basic material companies, esp. 3 oil companies. CNOOC (883 HK), Sinopec (386 HK) and PetroChina (857 HK) surged at the range of 2.3-7.5%. The Hang Seng Index was up 67pts to 24,104pts with a thin turnover of HKD99.7b. China Property slumped after another Chinese property developer, Fantasia (1777 HK) did not pay USD206m due on 4 Oct. Fitch estimates Fantasia has c.USD2b international bond payments and c.USD1b local bond payment to make between now and the end of next year. Macau gaming sector also tumbled after Macau stated that Macau's entertainment venues, excluding casinos, will have to suspend their operations. Today's news: (1) Overnight, U.S. markets saw a solid bounce with financials and technology gains; (2) Tam Jai (2217 HK) releases its IPO allotment results this morning; (3) The Hong Kong Chief Executive will deliver the 2021 Policy Address today, eyes on any policy towards property sector.

Sector News

China Healthcare

Merck Sharp & Dohme's (MSD) Molnupiravir can inhibit the replication of RNA viruses including COVID-19. Phase III clinical trials show that it reduces hospitalization or mortality by 50% as only 7.3% of people were hospitalized or died after 30 days, compared with placebo's 14.1%. Market believes that COVID-19 will gradually shift from a global epidemic to a local issue. The main treatment approaches are neutralizing antibodies and remdesivir at present. Molnupiravir has the advantages of good patient compliance, low cost and small capacity bottleneck, and is expected to become an important supplement in COVID-19 treatments. Yet, still, vaccines remain crucial given their high efficacy against severe infections. Vaccine-related stocks tumbled recently due to market sentiment. Prefer to the ones with global strategies and clinical data disclosure.

China Shipping

Data updates: SCFI inched down 0.6% WoW to 4,614.1 points, after 20 consecutive weeks of increases. The near-term container freight rates may hover at high levels; The Baltic Dry Index (BDI) advanced 12.0% WoW/ 201.6% YoY to 5,202 points as of 1 Oct. The recent stabilization in ocean freight rates should continue to weigh on the share prices of container carriers. Yet, in light of the tight booking condition and carriers' continued plan for the general rate increase (GRI) in Oct, the container market is expected to remain buoyant in 4Q21E.

China Sportswear

The recent weakness in share price was due to weaken online sales performance and potential supply chain disruptions due to power outages. There have been power outages in various parts of China, esp. in Guangdong in the south, and Heilongjiang, Jilin, and Liaoning in the North East. Most companies highlighted that the impact is limited given the location of the factories and that their orders are prioritised over that of smaller brands. Market estimates that Xtep (1368 HK) has half of its factories in Fujian and the other half in regions such as Anhui, etc., while Anta Sports (2020 HK) has most factories in Fujian region. Shenzhou (2313 HK) has commented that its factories are unaffected by the outages. Market starts to change their view to cautious to reflect concerns on (1) supply chain risk; (2) sluggish demand environment; (3) high base effects.

China Airline

According to VariFlight, the number of domestic flights scheduled for 1-7 Oct (during National Day Holiday) is expected to be 101k, indicating full recovery and surpassing the 2020 and 2019 levels. Market expects the average number of daily flights scheduled during the National Holidays of 14k to be the highest among public holidays in

2021, except the Lunar New Year (LNY). With vaccinations ramping up globally and countries' relatively positive tone on living with COVID-19, market expects more bilateral travel agreements or controlled border openings to countries with high vaccination rates (esp. over the Christmas holidays). Related stocks: Cathay Pacific (293 HK), Trip.com-S (9961 HK), Samsonite (1910 HK).

Company News

Junshi (1877 HK)

The company announced that it has entered into collaboration with China-based Vigonvita to co-develop VV116, an oral anti-SARS-CoV-2 nucleoside candidate for the treatment of COVID-19. The two companies will collaborate on the global R&D and commercialization of VV116. VV116 is under joint development by Vigonvita and Chinese Academy of Sciences, with IND filed in China and Uzbekistan. Preclinical results show that VV116 is a safe and effective oral nucleoside drug candidate against SARS-CoV-2.

DISCLAIMERS

This Dim Sum Daily is prepared for general circulation and for information purposes only. It is not an investment research or a research recommendation, as it does not constitute substantive research or analysis. The material contained herein is intended as a general market commentary. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources believed to be reliable. However, Kim Eng Securities (HK) Ltd, its subsidiary and affiliates (collectively, "Kim Eng (HK)") do not independently verify such information and consequently no representation is made as to the accuracy or completeness of such information. Kim Eng (HK) does not take responsibility for any loss occasioned by reliance placed upon the contents hereof. Any statements nonfactual in nature constitute only current opinions, which are subject to change at any time without prior notice. Kim Eng (HK) or its officers, directors, analysts, or employees may, to the extent permitted by law, from time to time participate or invest in financing transaction with any company mentioned herein; may have positions in securities or commodities referred to herein, and may, as principal or agent, buy and sell such securities or commodities. An employee, analyst, officer, or a director of Kim Eng (HK) may serve as a director for companies mentioned in this email. Neither the information nor opinion expressed in this email shall constitute a solicitation to buy or sell any securities. There may be instances when fundamental, technical, and quantitative opinions may not be in concert. Kim Eng (HK) may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any company mentioned in this email. This Dim Sum Daily is prepared for the use of Kim Eng (HK)'s clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of Kim Eng (HK) and Kim Eng (HK) accepts no liability whatsoever for the actions of third parties in this respect. There are risks inherent in international investments, which may make such investments unsuitable for certain clients. These include, for example, economic, political, currency exchange rate fluctuations, and limited availability of information on international securities. Kim Eng (HK) recommends that you obtain the advice of your Financial Advisor regarding this or other investment in order to confirm to your financial resources and risk preference.