

Market Overview

Hong Kong stocks markets have been suspended trading on 13 and 14 Oct, due to Typhoon signal #8 and Double Ninth festival, respectively. On Tuesday, Hong Kong stocks retreated from a four-week high as market concerns on surging global energy prices will undermine economic revival efforts. Crude oil futures traded above USD80 a barrel, with the global energy crunch disrupting supply and pushing up commodity prices. Aluminium also hit a 13-year high. The surge in basic material may further lead to higher input costs, which hurt profit margins of other industrial companies, such as manufacturers and power producers. The Hang Seng Index was down 362pts to 24,962pts. A positive sign was the declining in daily turnover in a slump market with HKD136.9b. A series of China economic data were released, Sept PPI was higher than expectation at 10.7% (vs. consensus forecast of 10.5% YoY). Companies-news: (1) Ganfeng Lithium (1772 HK) expects its 3Q21E net profit to increase 425%-527% YoY; (2) Jiangxi Copper (358 HK) released positive profit alert, expecting its 9M21E net profit to be RMB4.27b-473b (+ 179% to 209% YoY).

Sector News

China Shipping

The Shanghai Containerized Freight Index (SCFI), which is more exposed to the spot market, rose by 0.7% WoW to a record high of 4,647.6 as of 8 Oct. By route, the USWC and Europe indices rose by 0.8% and 2.3% WoW, respectively, while the WoW drop for the USEC index narrowed to 1.2% from 6.1% as of 30 Sept. Market believes the latest set of data indicates robust trade demand and should alleviate market concerns over previously reported sharp freight rate declines. Recently, CSOCO Shipping (1919 HK) and OOIL (316 HK) released positive profit alert for its 3Q21E results.

China Property

"Gold Sept Silver Oct" does not exist in 2021. We witnessed property sales dropped WoW in both primary and secondary markets. Primary GFA sold in 36 cities declined further by 45% WoW in the first week of Oct 2021 and down by 42% YoY, and was 45% below the Sept 2021 average. According to CRIC, new home sales volume during the National Day holiday (Oct 1-7) among 60 cities with data available declined by 43% YoY. By cities, Tier-1 cities recorded 7% decline YoY; Tier-2 cities recorded 42% decline YoY; lower Tier cities recorded 49% YoY decrease.

China Auto

Market starts to build conservative view on the China Auto sector in 4Q21, mainly due to concerns of macro driving liquidity issue. Recently, most auto players released their 9M21 sales volume, with most of them achieving less than 75% of their full-year sales target (except for BYD Co. (1211 HK)). Market starts to believe they are likely to cut their sales volume target in the upcoming weeks. In addition, investors are concerned the impact from China power outage and chip shortage. Also, the potential financial sector risk due to a China property sector cooldown will also be another headwind. Among the sector, some prefer auto dealer players, rather than OEMs.

Company News

Geely Auto (175 HK)

Geely's Sept total sales volume declined by 18% YoY to c.103k units, which is expected to be caused by the chip shortage impact. On a MoM basis, the sales volume improved by 18%. By countries, Geely's China sales dropped by 19% YoY to 95,923 units, while, export sales registered a 0.7% YoY drop to 8,013 units. YTD, the total sales volume was 921.8k units (+5% YoY), representing only 60% of its full-year sales target, which was the lowest % of full-year target among its peers. Market believes Geely will revise down its full-year sales target of 1.53m units. On positive sign, its high-end brand, Lynk & Co, sales volume fell by 16% to 15.8k units, but improved significant by 162% MoM.

Zijing Mining (2899 HK)

On 8th Oct, Zijin announced that it has entered into an agreement with Neo Lithium to acquire 100% equity interest in the company for a total cash consideration of CAD6.50/sh, or RMB4.90b in total. The asset currently owned by Neo Lithium is the Tres Quebradas (3Q) lithium brine project located in Catamarca Province, Argentina. From the announcement, the 3Q project has a total reserve of 1.3m tons LCE and total resources of up to 7.6m tons LCE, with an average grade of 790mg/L. The company expects to complete the final feasibility study in 2H21 and start construction afterwards.

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