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Stock Spotlight

Jul 8, 2019

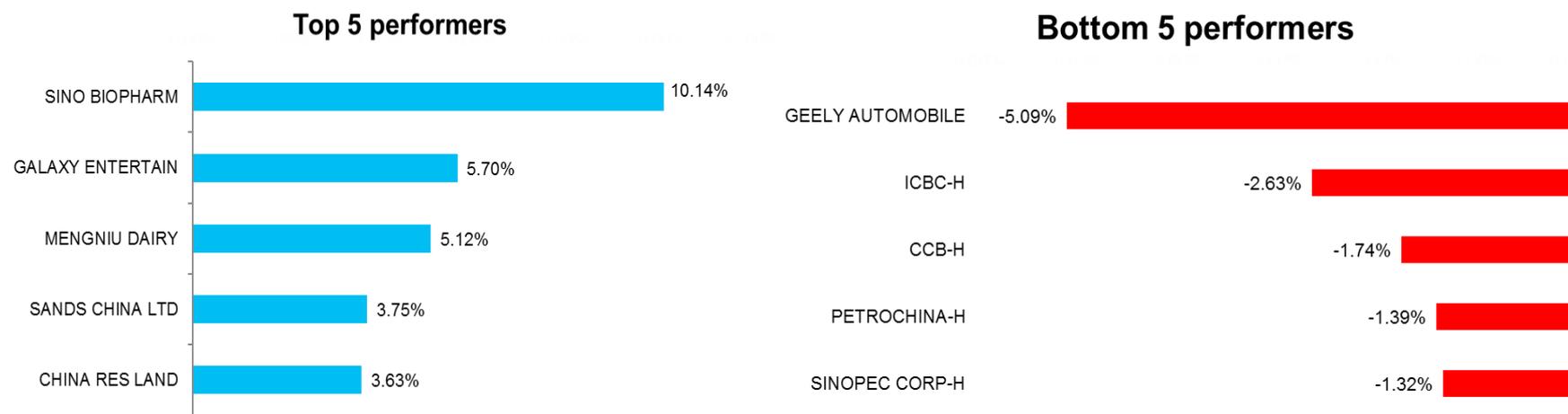


Weekly HK stocks Recap & Leaders/Laggards

2

HSI Index rose 0.81% last week

Chart: Weekly HSI Top 5 & Bottom 5 Performers



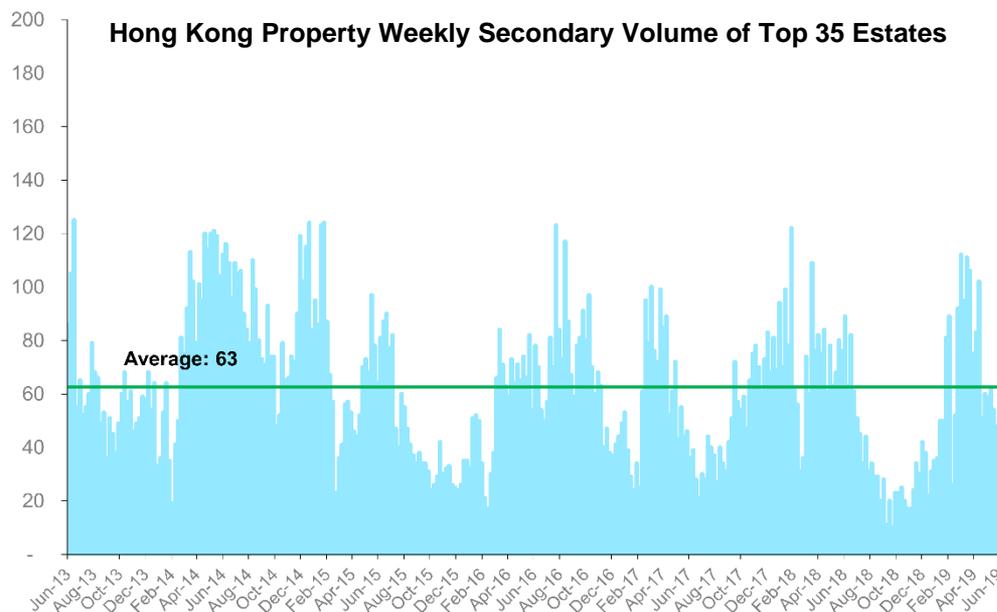
Source: Bloomberg L.P., as of Jul 5, 2019

❖ The Hang Seng Index was posting gains for a fifth week in a row.

- ▶ Sino Biopharmaceutical (1177.HK) announced that a drug, applied in the therapy for erectile dysfunction, has obtained approval for drug registration by the National Medical Products Administration of the People's Republic of China. The stock jumped 10% last week.
- ▶ Macau casinos generated total GGR of MOP73.3bn in 2Q19 (virtually flat YoY). Galaxy (0027.HK) rose 6% and Sands China (1928.HK) increased 4% last week.

Please note and carefully read the Important Disclosure on the last part

- Despite highly uncertain macro environment, HK property companies remain cautiously optimistic on 2H19E property market outlook - the message which came out from our AP Property Conference held on 27-28 June, attended by 19 listed HK property companies.
- Developers generally see the cut in the land-supply target from 18,000 to 13,500 units per year to intensify the undersupply situation in Hong Kong. With the likelihood of an interest rate cut, overall housing demand is likely to remain robust even under a prolonged trade war scenario.
- Secondary volume has dropped to 2019 lows in June due to the stock market corrections driven by intensifying trade war situations in early May together with the concerns on extradition bills legislation.

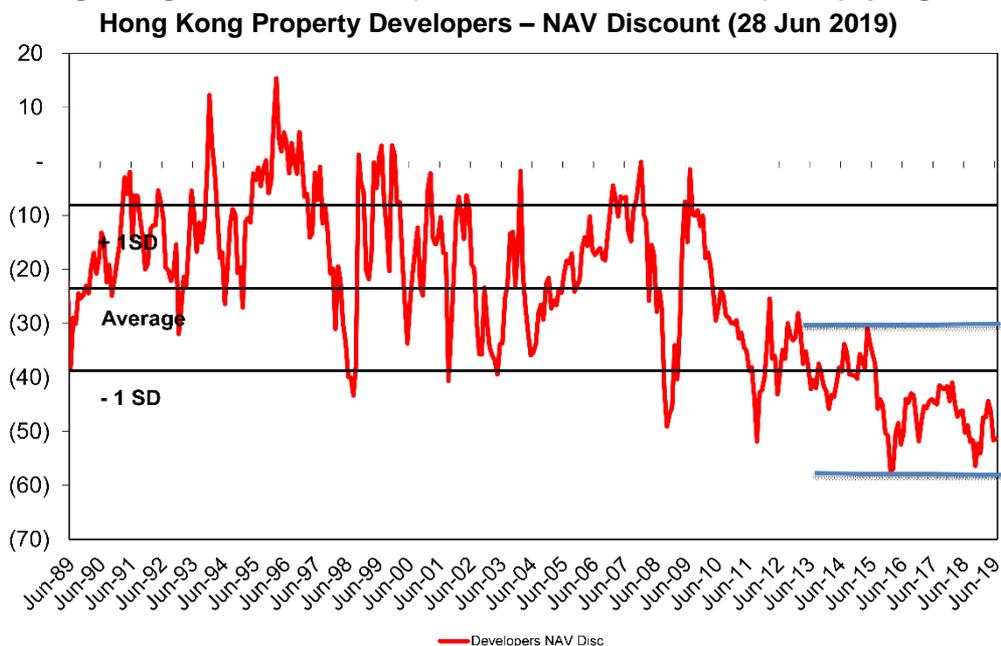


Source: Midland, Citi as of Jul 1, 2019

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- We expect the transaction volume to pick up continuously since mid-June with the suspension of extradition bills, while HK home price would likely resume an upward trend (Citi est: +5-10% in 2H19E). We expect another round of share price rally for developers to be driven by: 1) Contracted sales/EPS/DPS upgrades; 2) New mindset of treating HK developers as defensive plays; 3) Potential interest rate cuts driving money to flow into HK property names; and 4) Lower policy risk concerns. We prefer residential developers and low-end retail names.
- Hong Kong developers are currently trading at c.51% NAV discount, while we believe it should re-rate to the high-end of the trading range since 2011 (c.30% NAV discount), implying another 25-30% upside from here.



Source: DataStream, Citi as of Jul 1, 2019

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