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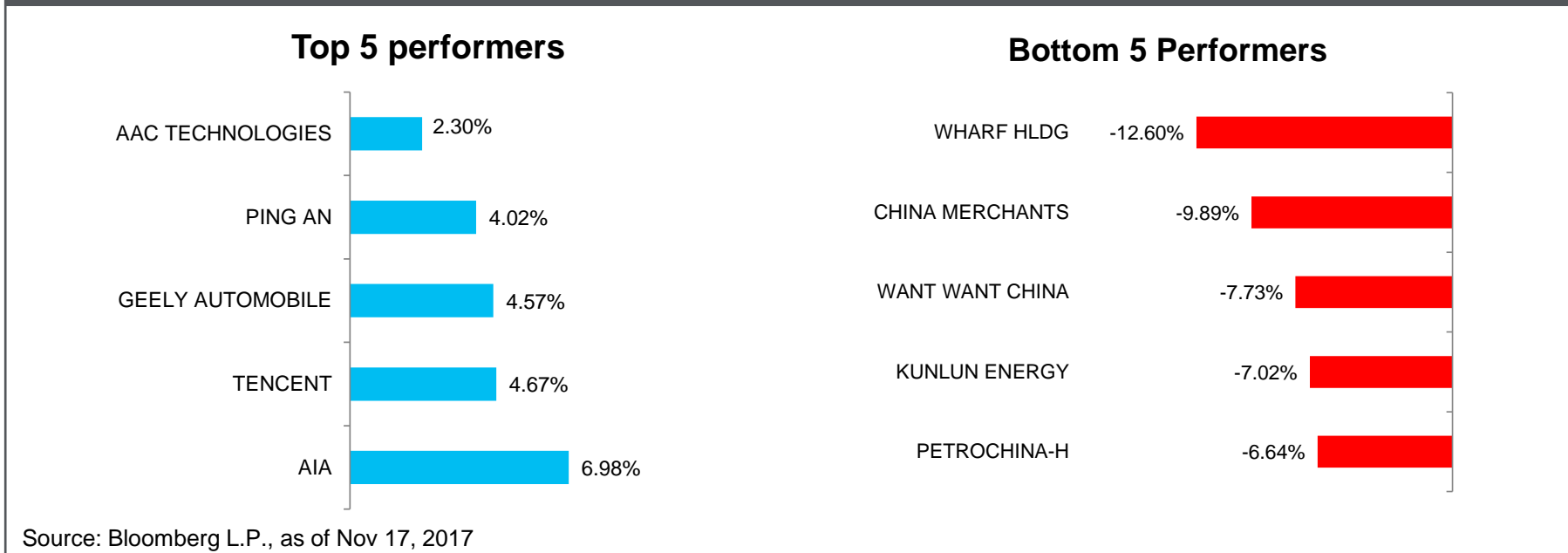
Stock Spotlight

Nov 20, 2017



HSI rose last week

Chart: Weekly HSI Top 5 & Bottom 5 Performers



❖ The Hang Seng Index rose last week.

- ▶ Daily Turnover exceed HK\$100 billion per day in the past 2 weeks.
- ▶ Tencent reported 3Q17 sales were 65.2 billion yuan, compared to analyst expectations for 61 billion yuan. Net income surged 69% to 18 billion yuan, also surpassing projections for 15.8 billion yuan.

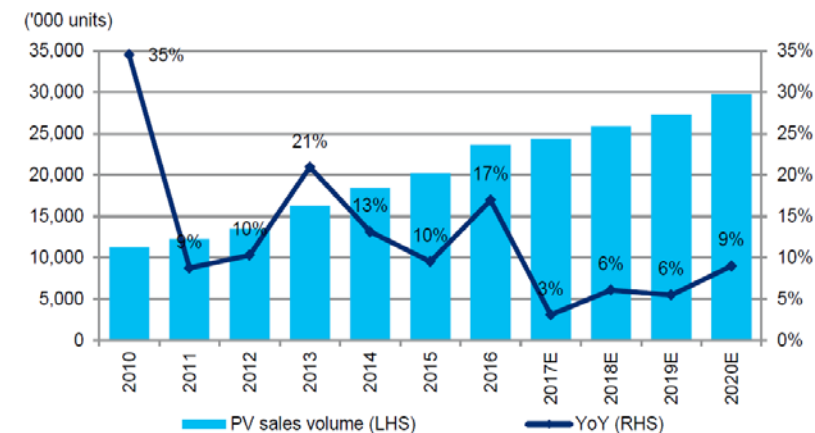
- ❖ Combining Citi’s proprietary analysis on engines, the auto market’s latest trends and Citi’s positive GDP view, we forecast China’s PV volumes will grow 3.1/6.1% in 17/18E and at a 6.9% CAGR in 18-20E.

- ❖ In sync with Citi’s views on China’s consumption story, three factors drive our bullish view on China Auto Sector
 - **Car upsizing:** Car upsizing should lift PV volume growth in 1Q18E to 7% yoy (3% in 4Q17). Larger SUVs/sedans will on our estimates growth to 24%/35% of segmental sales in 20E from 17E’s 12%/23%.

 - **Solid replacement demand:** It should alone generate sales volume of 8.4m cars in 17E (34% of 17E PV demand). Replacement demand should offset the decline in first-time buyers.

 - **More female drivers:** Female drivers’ share are expected to rise from 27% of the driver population in ‘16 to 34% by 20E.

Chart: PV Sales Volume and YoY Change



Source: CPCA, Citi Research estimates

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