

## WHAT HAPPENED LAST NIGHT

US stocks were higher on Monday, as gains in the energy, materials and consumer discretionary sectors led shares higher. At the close of the NYSE, the DJIA gained 0.13% while the S&P 500 index rose 0.40%, and the NASDAQ Composite index advanced 0.45%. Falling stocks outnumbered advancing ones on the NYSE by 1,507 to 1,394 and 97 ended unchanged; on the Nasdaq Stock Exchange, 2,276 declined and 2,000 advanced, while 191 ended unchanged. (Source: WSJ, Bloomberg)

## WHAT'S IN THE PACK

### China/HK Sector Update:

**Commodities - Weekly: Hawkish Fed and gloomy China recovery outlook weigh on metals prices.**

The Fed maintained interest rates last week but guided for one more rate hike by end-23. The Fed's hawkish guidance and China's gloomy recovery outlook have weighed on the demand outlook ...

### Singapore Sector Update:

**Offshore Marine - With oil prices up 30% since the lows seen in June, and continued asset demand in the sector, we continue to like Seatrium for exposure.**

Demand across the offshore marine asset classes has continued since our last update in Jul 23. Company managements' comments during the 1H23 reporting season in the US and Europe indicated a strong belief that ...

### Singapore Technical Analysis:

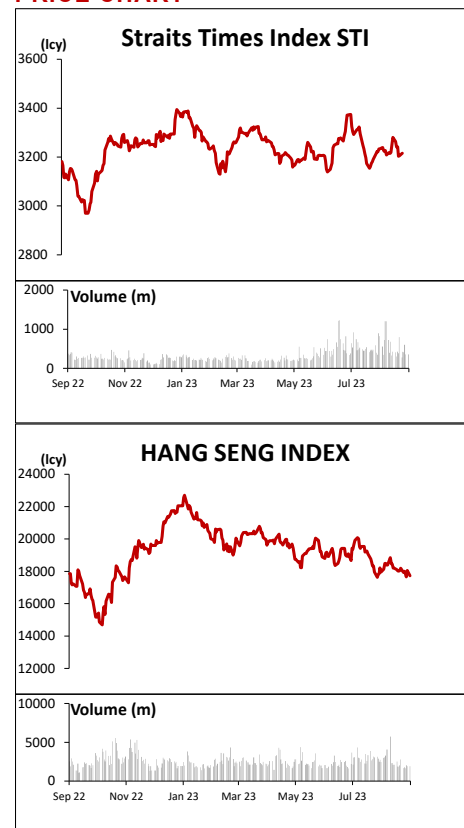
**Medtecs International (MED SP) - Trading BUY**

Price managed to trade above the cloud after the breakout, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover. MACD is bullish and is rising...

**Yangzijiang Financial Holding (YZJFH SP) - Trading BUY**

Price is trading above the cloud, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover, and the base line is acting as support at the moment...

## PRICE CHART



## KEY INDICES

	Prev Close	1M %	YTD %
DJIA	34006.9	(1.0)	2.6
S&P 500	4337.4	(1.5)	13.0
FTSE 100	7624.0	3.9	2.3
AS30	7278.6	(0.7)	0.8
CSI 300	3714.6	0.1	(4.1)
FSSTI	3215.4	0.8	(1.1)
HSCEI	6130.3	(0.7)	(8.6)
HSI	17729.3	(1.3)	(10.4)
JCI	6998.4	1.5	2.2
KLCI	1443.5	(0.1)	(3.5)
KOSPI	2495.8	(0.9)	11.6
Nikkei 225	32678.6	3.3	25.2
SET	1507.4	(3.4)	(9.7)
TWSE	16452.2	(0.2)	16.4
BDI	1614	49.4	6.5
CPO (RM/mt)	3645	(5.6)	(10.0)
Brent Crude (US\$/bbl)	93	10.4	8.6

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**Retail Market Monitor**

Tuesday, 26 September 2023

**YESTERDAY IN SINGAPORE**

The Straits Times Index (STI) closed 10.58pt higher to 3,215.40. Among the top active stocks were Seatrium (-0.8%), Thai Beverage (+5.4%), Genting Singapore (-1.2%), Jiutian Chemical (+3.2%) and Rex International (-2.1%). The FTSE ST Mid Cap Index fell 0.01%, while the FTSE ST Small Cap Index gained 0.27%. The broader market saw 252 gainers and 277 losers with total trading value of S\$682.9m.

**SINGAPORE**
**TOP VOLUME**

Company	Price (S\$)	Chg (%)	Volume ('000s)
Seatrium	0.13	(0.7)	264,151
Thai Beverage	0.59	5.4	56,205
Golden Agri-Resources	0.27	6.0	33,372
Genting Singapore	0.84	(1.2)	17,771
Singapore Telecommunications	2.41	(0.8)	11,833

**TOP GAINERS**

Company	Price (S\$)	Chg (%)	Volume ('000s)
Golden Agri-Resources	0.27	6.0	33,372
Thai Beverage	0.59	5.4	56,205
First Sponsor Group	1.25	3.3	43
Cromwell Reit SGD	1.91	3.2	55
Frasers Property	0.85	3.0	97

**TOP LOSERS**

Company	Price (S\$)	Chg (%)	Volume ('000s)
Nio Inc	8.24	(6.4)	390
Sinarmas Land	0.19	(2.6)	140
OUE Commercial REIT	0.22	(2.3)	6,529
Top Glove Corp	0.23	(2.1)	480
Singapore Post	0.51	(1.9)	3,198

**HONG KONG**
**TOP VOLUME**

Stock	Price (HK\$)	Chg (%)	Vol ('000)
Country Garden Holdings	0.96	(7.7)	385,027
Tracker Fund Of Hong Kong	18.34	(1.9)	244,694
China Construction Bank	4.40	(1.3)	200,488
Bank Of China	2.73	(1.1)	156,642
Agricultural Bank Of China	2.90	(0.7)	124,464

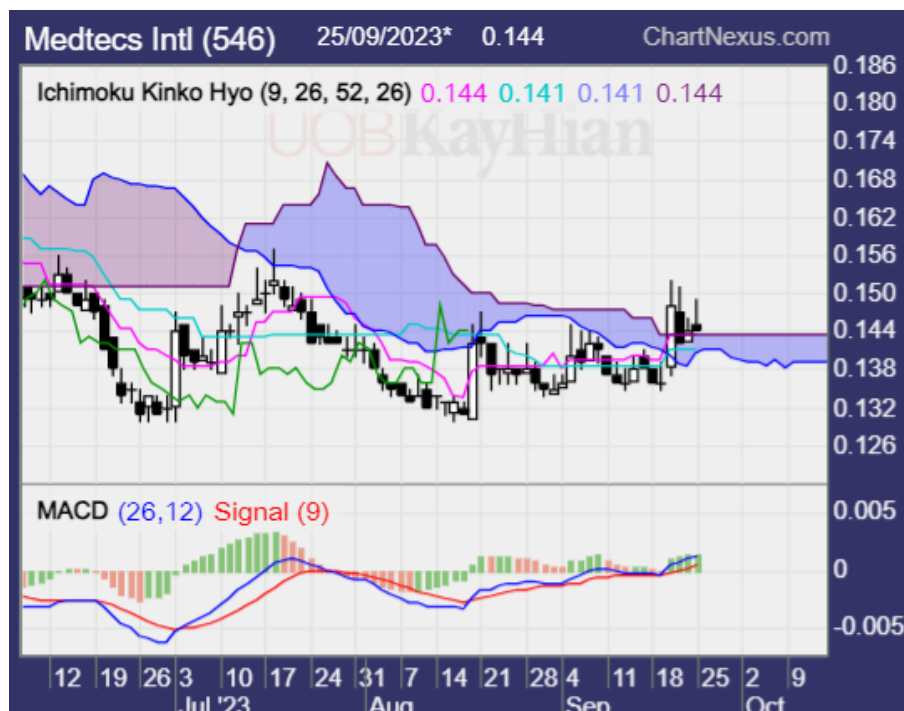
**TOP GAINERS**

Stock	Price (HK\$)	Chg (%)	Vol ('000)
Wuxi Biologics Cayman Inc	43.70	2.5	17,338
Orient Overseas Intl	107.30	1.7	714
Semiconductor Manufacturing	19.80	1.4	38,861
China Tower Corp	0.76	1.3	35,148
CGN Power Co	2.08	1.0	80,057

**TOP LOSERS**

Stock	Price (HK\$)	Chg (%)	Vol ('000)
Country Garden Holdings Co	0.96	(7.7)	385,027
Longfor Group Holdings	14.16	(6.5)	27,377
Galaxy Entertainment Group	48.55	(5.4)	13,507
Sands China	23.90	(5.2)	20,098
Xinyi Solar Holdings	5.53	(4.7)	18,804

## SINGAPORE TRADERS' CORNER



### Medtecs International (MED SP)

Trading buy range: S\$0.143-0.144

Last price: S\$0.144

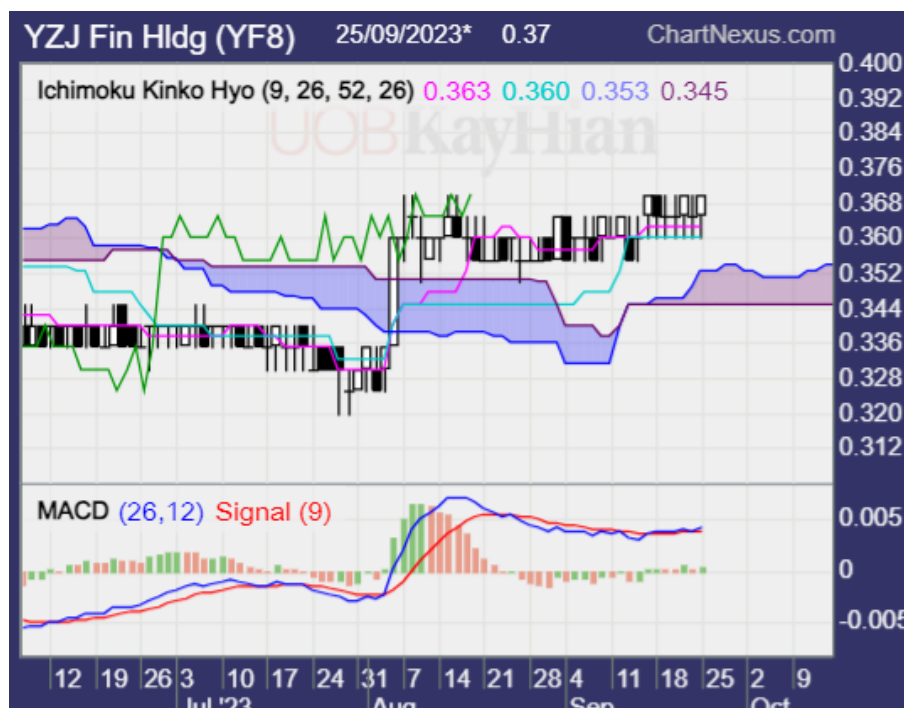
Target price: S\$0.157

Protective stop: S\$0.138

Price managed to trade above the cloud after the breakout, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover. MACD is bullish and is rising. These could increase chances of the stock price rebounding from the cloud to move higher.

We see increasing odds of stock price testing S\$0.157. Stops could be placed at S\$0.138.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)



### Yangzijiang Financial Holding (YZJFH SP)

Trading buy range: S\$0.365-0.370

Last price: S\$0.370

Target price: S\$0.400

Protective stop: S\$0.355

Price is trading above the cloud, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover, and the base line is acting as support at the moment. MACD is bullish and is rising. These could increase chances of the stock price continuing to move higher.

We see increasing odds of stock price testing S\$0.40. Stops could be placed at S\$0.355.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

#### ANALYST

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FROM THE REGIONAL MORNING NOTES...

## Offshore Marine – Singapore

Oil Price Recovery And Asset Demand Strength Seen In The Sector

**Demand across the offshore marine asset classes has continued since our last update in Jul 23. Company managements' comments during the 1H23 reporting season in the US and Europe indicated a strong belief that the current cycle will be resilient and have a long duration. With oil prices likely to remain at elevated levels in the medium term, sentiment towards the sector should be positive, in our view. Maintain OVERWEIGHT on the sector. Key stock pick is Seatrium.**

### WHAT'S NEW

- **The offshore marine sector continues to see strong demand across asset classes** with higher dayrates and utilisation rates for jack-up rigs, deepwater semi-submersibles and drillships, eg new contract negotiations for high-spec drillships are close to US\$500,000/day for 2024. The number of active offshore rigs registered yet another mom increase in Jul 23, and there are now 9% more active rigs compared to the year-ago period (see chart on RHS) as more jack-ups and drillships have been taken out of warm-stack status.
- **1H23 results season saw positive comments from oilfield services CEOs**, which bolster our positive view on the offshore marine sector. SLB stated that the offshore market is being driven by "resilient long-cycle offshore developments, production capacity expansions, (and) the return of global exploration and appraisal". This was echoed by Subsea 7 which stated that "there is a very long cycle in oil and gas coming, there are a number of good years ahead of us". TechnipFMC meanwhile commented that many projects are "in advanced stages (and) moving towards final investment decision".
- **Oil prices should be supported in the near to medium term** by Saudi Arabia's and Russia's joint decision in Sep 23 to extend voluntary oil production cuts to the year-end. This is despite a rally in oil prices that has seen Brent rise by nearly 30% since its lows in Jun 23. For the longer term, we note Rystad's research that has shown that despite rising investments, discovered volumes are falling to new lows (see chart on RHS). In particular, 1H23 saw only 2.6 billion boe discovered, or 42% lower than the same period last year. This clearly has ramifications in the longer term on the world's ability to supply energy for its economic growth.
- **Oil demand expected to grow, but forecasts face heightened uncertainty.** In its latest Sep 23 update, the US Energy Information Administration (EIA) left its 2023 oil demand unchanged vs its Jun 23 estimates but downgraded 2024 demand by 0.4% to 1.4mmbpd. The agency highlighted that low levels of global oil inventories would support a higher Brent oil price into the end of 2023, however it expects oil prices to moderate in early-24 due to slowing oil demand growth. Note that China is expected to account for more than two-fifths of global oil demand growth in 2023.

### ACTION

- **Maintain OVERWEIGHT on the sector.** We continue to like STM as we believe that the company will benefit from stronger offshore marine dynamics as well as demand for offshore vessels and structures related to the renewables industry. In addition, the normalisation of economic activity should result in a greater volume of shipping activities thus positively impacting its repairs/upgrades segment.

### PEER COMPARISON

Company	Ticker	Rec	Price (1cy)	Upside	Market Cap	PE (x)	P/B (x)	EV/EBITDA (x)	ROE%	Yield (%)				
			25 Sep	Target	(US\$m)	2023F	2024F	2023F	2024F	2022F	2023F	2023F	2023F	
Seatrium	STM SP	BUY	0.133	0.190	42.9	6,637.6	NA	57.3	1.1	1.1	43.8	22.4	NA	NA
Yangzijiang	YZJSGD SP	BUY	1.71	1.88	10.2	4,942.2	10.3	9.2	1.4	1.2	5.9	5.2	16.5	4.0
Average – Spore-listed														
Hanwha Ocean Co	042660 KS	NR	31,050	NA	NA	5,646.0	NA	27.9	2.8	2.5	NA	16.0	-17.6	NA
Samsung Heavy Ind	010140 KS	NR	7900	NA	NA	5,193.8	59.8	18.7	1.8	1.6	22.0	12.7	3.1	NA
HD Korea Shipbldg	009540 KS	NR	116,300	NA	NA	6,149.3	28.5	8.2	0.8	0.8	9.7	4.5	2.9	1.1
Average – Sector							32.9	24.3	1.6	1.4	20.4	12.2	1.2	2.6

Note: NR = Not Rated, based on Bloomberg consensus

Source: Bloomberg, UOB Kay Hian

## KEY STOCK CALLS

### Seatrium (STM SP/BUY/Target: S\$0.19)

- **Outlook for new orders still remains strong.** Seatrium believes that there are numerous tenders in the market for production assets, floating LNG production and storage as well as renewables projects. While it has seen enquiries for drilling assets, given that day rates and utilisation rates for all types of assets have hit or are approaching multi-year highs, it said that these early enquiries are opportunistic in nature and thus it will be patient, conservative and selective in which orders it accepts.
- **It's not just oil and gas and renewables.** Seatrium's S\$20b orderbook comprises 40% in the renewable energy space (with the remainder related to oil and gas projects). However, its addressable market is arguably much larger when taking into account carbon capture usage and storage, floating LNG, and ammonia storage and transport which feed into the hydrogen energy chain. At present, the company has 37 projects under execution with deliveries until 2030.
- **We maintain our BUY rating on Seatrium with a P/B-based target price of S\$0.19.** Our target P/B multiple of 1.5x is 2SD above the company's five-year average of 1.0x and is pegged to its 2024 book value of S\$0.125. Our positive view on the stock reflects our belief that the company will benefit from bullish trends in the offshore marine space. These include: a) the tailwinds from increased construction in the renewables space, and b) the current offshore marine upcycle. Risks include higher-than-expected provisions for 2023, negative newsflow regarding its CPIB case, and volatile oil prices.

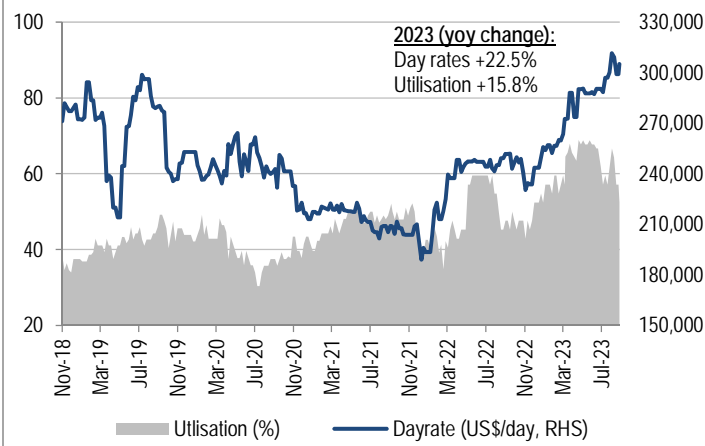
### Yangzijiang Shipbuilding (YZJSGD SP/BUY/Target: S\$1.88)

- **1H23 margins exceeded expectations.** YZJ saw overall improvements in margins in 1H23, led by its core shipbuilding segment with a gross profit margin of 17.7% (+4.9ppt yoy) which surpassed our full-year forecast of 14.5%. This was due to lower material costs and favourable US\$/Rmb foreign exchange rates.
- **Regulatory factors should continue to boost new order wins.** Clean-energy vessels accounted for 56% of YZJ's orderbook value of US\$14.7b in 1H23 (1H22: 23%). During 1H23, YZJ also secured its first-ever methanol dual-fuel containership order. The company believes that the global fleet-renewal trend will be boosted by the International Maritime Organisation's (IMO) revised 2023 Strategy on Reduction of Greenhouse Gas Emissions from Ships which accelerated greenhouse gas reduction in the shipping industry. As a result, YZJ believes that the focus will be on methanol rather than LNG-fuelled vessels.
- **Maintain BUY with a PE-based target price of S\$1.88.** Our target PE multiple of 9.9x remains at 1.5SD above the company's five-year average of 6.6x with the upgrade coming from higher 2023/24 EPS estimates after the company's strong 1H23 results. We believe the premium to its average PE is justified given the company's earnings visibility into 2027 as well as its strong track record of safe and efficient shipbuilding for its international customer base. YZJ has an outstanding orderbook for 181 vessels worth US\$14.7b as at end-1H23. We maintain our 2023 orderbook win target at US\$7b.

## RISKS TO OUR THESIS

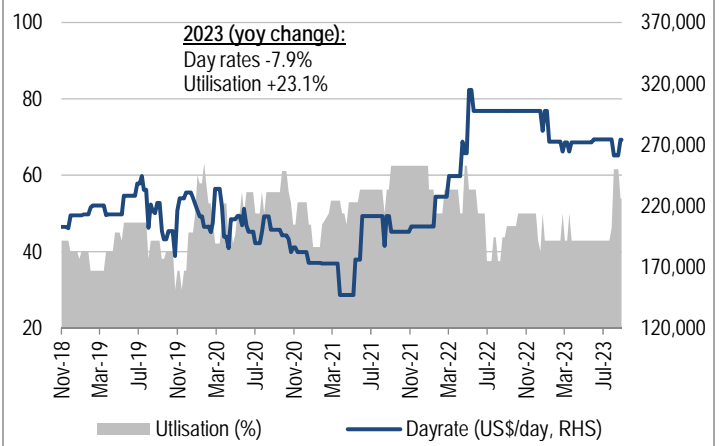
- Delays in project sanctioning due to supply chain issues; lack of financing for fossil fuel-related industries; global recession leading to lower capex.

**DAYRATE & UTILISATION: SEMISUB 8000'**



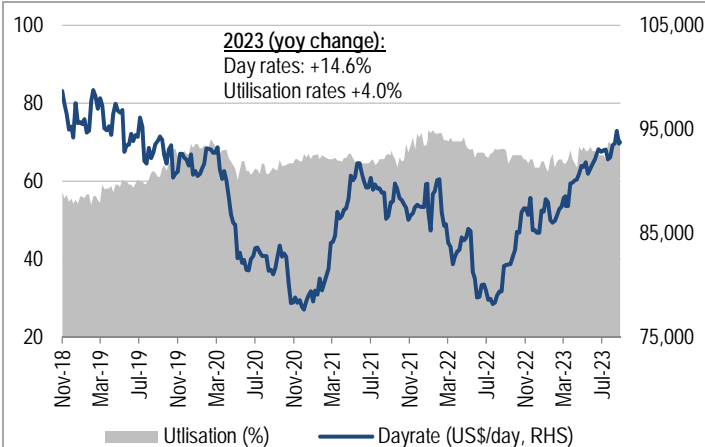
Source: Rigzone, Bloomberg

**DAYRATE & UTILISATION: SEMISUB 5000-8000'**



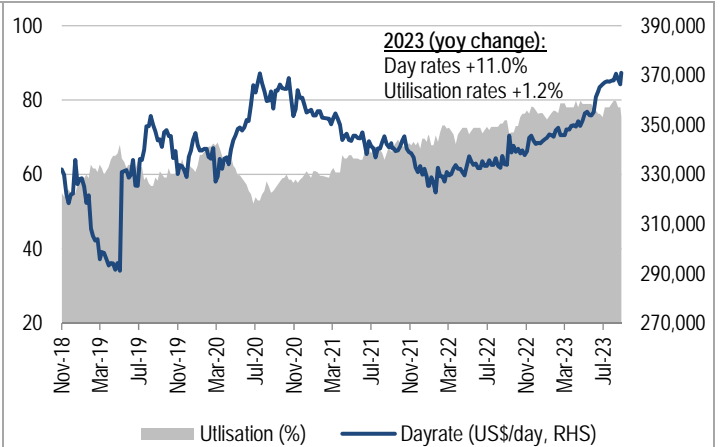
Source: Rigzone, Bloomberg

**DAYRATE & UTILISATION: JACKUP 300+ INDEPENDENT CANTILEVERED**



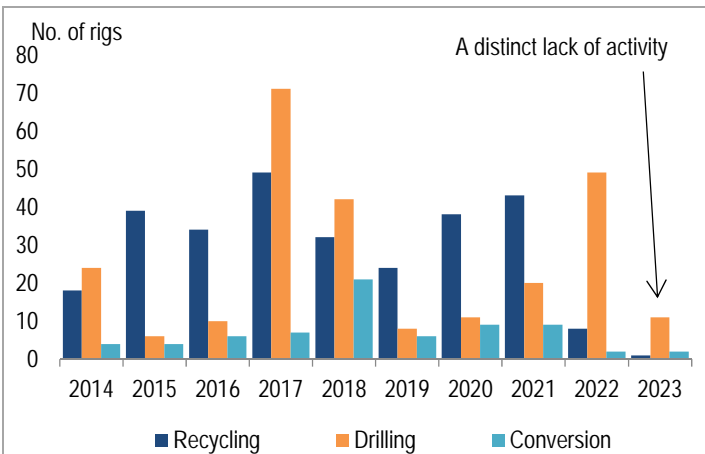
Source: Rigzone, Bloomberg

**DAYRATE & UTILISATION: DRILLSHIP**



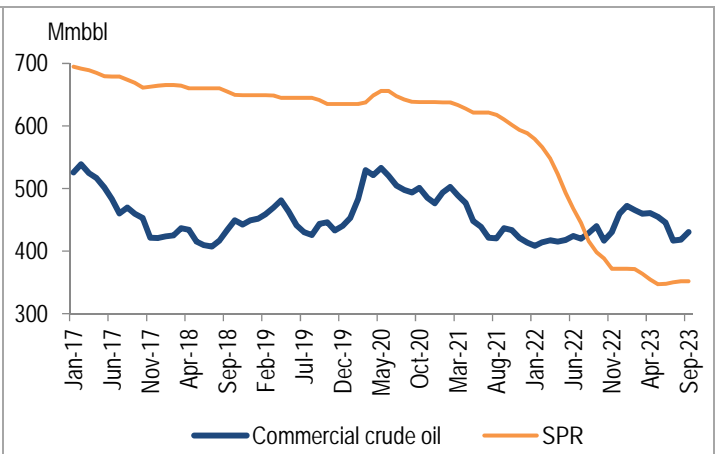
Source: Rigzone, Bloomberg

**RIG SALES BY TYPE AS OF SEP 23**



Source: Esgian

**US INVENTORIES: COMMERCIAL OIL VS STRATEGIC PETROLEUM RESERVE**



Source: US Energy Information Administration



**OFFSHORE MARINE COMPANIES IN ASEAN: 1H23 RESULTS COMPARISON**

Name of company/ ticker	Mkt cap (US\$m)	Revenue (l.c.)	Net profit (l.c.)	----- Margins (%) ----- Gross	Net	ND/equity	Free cashflow	--- 2023E (x) --- PE	P/B	Description and comments
<b>MALAYSIA (MYRm)</b>										
Dayang Enterprise (DEHB MK)	464.4	418.1	48.9	37.7%	11.7%	26.3%	79.2	13.6	1.4	Provides maintenance services, fabrication operations, hook-up and commissioning and charter of marine vessels. Still low vessel utilisation rates at 49% but guiding for better 2H23 outlook and better-than-expected margins for its core operations. Key clients: Petronas, Sarawak Shell, ExxonMobil
Perdana Petroleum (PETR MK)	125.9	111.3	31.8	0.3%	28.6%	0.2%	12.6	18.5	1.9	Subsidiary of Dayang providing offshore marine support services for the upstream oil & gas industry. Strong 1H23 performance with revenue +89% yoy due to high vessel utilisation and charter rates.
Coastal Contracts* (COCO MK)	220.2	226.8	389.7	35.1%	171.8%	-26.7%	68.0	6.6	0.5	Owns >40 offshore vessels, two onshore gas processing plants in Mexico and two shipyards in Malaysia. Strong balance sheet; looking to enter renewables energy market; loss in 4Q23 due to loss on disposal of JV.
<b>SINGAPORE (SGDm)</b>										
ASL Marine* (ASL SP)	24.8	335.8	3.6	8.8%	1.1%	226.4%	92.4	9.6	0.5	Shipbuilding, ship repair/conversion, marine engineering, owns 229 vessels. Strong free cash flow in FY23, +43% yoy revenue growth, generated profits in FY23 vs losses in FY22. Small market cap, highly leveraged.
Atlantic Navigation (ATL SP)	115.1	43.6	10.5	37.8%	24.1%	120.2%	1.6	10.3	1.4	Provides marine logistics services (vessel chartering and chandlery services), ship repair/fabrication. Relatively illiquid stock (7% free float); guiding for stronger outlook in 2024 after full servicing of fleet; strong ties with local bank with good borrowing rates
CH Offshore (CHO SP)	44.9	8.5	-4.4	-15.0%	-51.4%	-1.5%	0.8	NA	1.0	Owns 6 x 12,240bhp offshore vessels for heavier deepwater work. Small market cap; constant net losses for past seven years and disappointing revenue decline of 10% yoy in 1H23.
Kim Heng (KHOM SP)	43.3	44.3	1.9	33.0%	4.4%	58.0%	1.2	0.4	1.0	Specialises in engineering, procurement, construction and installation support; owns 40 vessels and two shipyards. Small market cap; relatively high debt levels but recent expansion into renewable energy construction has growth potential.
Baker Tech (BTL SP)	82.2	39.4	1.5	29.7%	3.8%	-62.5%	18.3	13.3	0.5	Specialist in design and construction of offshore equipment. Weak 1H23 performance with net profit declining 84% yoy. Cash of S\$68m comprises nearly 60% of its market capitalisation.
Marco Polo (MPM SP)	128.8	55.9	5.8	31.6%	10.4%	-30.7%	-6.8	11.6	1.2	Marine logistics group that provides ship chartering of offshore support vessels, ship building and maintenance. Plans to deploy its first CSOV in 2024 which is in short supply – guiding for strong demand to continue driving up charter rates. Net cash is c.25% of market capitalisation.
Dyna-Mac (DMHL SPO)	280.1	182.3	10.2	13.5%	5.6%	-87.5%	53.4	18.5	6.1	Specialist engineering and construction focused on FPSOs. Large net cash position; strong net orderbook of S\$543m; has leased land along Gul Road for further expansion. Net cash of S\$129m is one-third of market cap.
<b>INDONESIA</b>										
Wintermar (USDm) (WINS IJ)	173.5	31.2	1.2	17.5%	4.0%	22.3%	6.2	39.6	1.3	Owns 65 offshore support vessels to assist oil & gas companies in offshore exploration and development. Low gearing ratio; strong 1H23 revenue growth of 24%yoy; potential for greater utilisation (67% in 1Q23). Guiding for stronger 2H23 performance on the back of higher rates and utilisation. Orderbook (end 1H23): US\$79m
Temas (IDR b) (TMA5 IJ)	635.8	2,105.5	418.0	27.1%	19.9%	191.7%	376.2	8.5	4.4	Port, warehousing and logistics solutions, container management. Owns 50 ships throughout Indonesia. Large market cap; yoy decline in revenues and margins
Sillo Maritime (USDm) (SHIP IJ)	231.6	74.4	14.6	37.0%	19.5%	1076.0%	-52.3	10.0	1.8	Shipping services to support oil & gas exploration and production activities. Committed to spend on capex to grow via expansion of its fleet of Indonesian-flagged LNG vessels.

\* Denotes FY23 results

Source: UOB Kay Hian, Bloomberg

FROM THE REGIONAL MORNING NOTES...

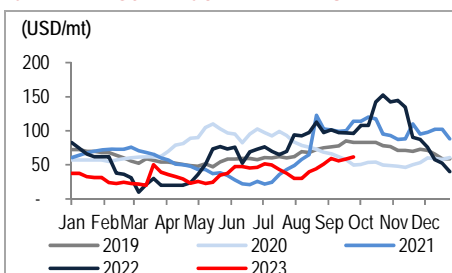
## Commodities – China

Weekly: Hawkish Fed And Gloomy China Recovery Outlook Weigh On Metals Prices

The Fed maintained interest rates last week but guided for one more rate hike by end-23. The Fed's hawkish guidance and China's gloomy recovery outlook have weighed on the demand outlook of base metals. Steel mills' margin erosion and the upcoming steel production curbs are expected to drag on iron ore consumption. The rebound in cement prices continues to be supported by demand recovery. Guangdong is seeing an intensifying price war given the influx of products from Guangxi.

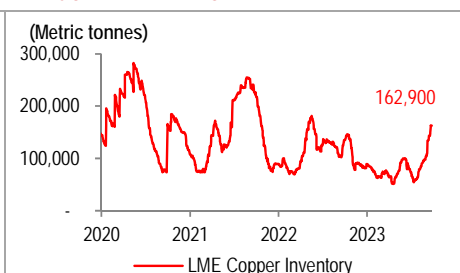
- **Base metals (maintain MARKET WEIGHT):** A hawkish Fed and high inventories have weighed on copper prices.
  - COMEX gold/LME copper three-month futures were flat/-2.2% w/w to US\$1,927 per t oz/US\$8,222 per mt. The US dollar index strengthened to 105.58 on 22 September while 10-year Treasury yield spiked to 4.49% on 21 September, the highest since 2007.
  - **The Fed maintained interest rates at 5.25-5.50%; guided for one more rate hike by end-23.** Fed officials have guided at least one more rate hike by the end of the year and expect rates to stay high for a longer duration that they had initially anticipated.
  - The prolonged high interest rate environment will weigh on global economic growth while the continuous climb of LME copper inventory, which has reached the highest level since May 22, is also concerning to the market. The high-paced growth of new energy industries was insufficient to offset the contraction in copper demand from global manufacturing industries.
  - **Market reassessing Fed rate path.** According to CME FedWatch Tool, the market is still pricing in 74.5% odds of the Fed maintaining interest rate at 5.25-5.50% on 1 Nov 23, and is expecting a first rate cut in Jun 24 with a 43.15% probability.
  - The focus this week will be on the US' core PCE inflation (29 Sep 23), with consensus looking at +3.50% yoy.

CHINA YANGSHAN COPPER PREMIUM



Source: Bloomberg, UOB Kay Hian

LME COPPER INVENTORY



Source: Bloomberg, UOB Kay Hian

### PEER COMPARISON

Company	Ticker	Rec	Price @ 25 Sep 23 (lcy)	Target Price (lcy)	Upside/ (Downside) to TP (%)	Market Cap (lcy m)	PE 2023F (x)	2024F (x)	P/B 2023F (x)	2024F (x)	EV/EBITDA 2023F (x)	2024F (x)	ROE (%)
Anhui Conch	914 HK	BUY	20.75	28.30	36.4	140,089.8	8.7	8.0	0.5	0.5	8.2	7.4	6.4
Baosteel	600019 CH	BUY	6.24	7.10	13.8	138,916.1	13.4	10.0	0.7	0.7	5.6	4.8	5.2
CR Cement	1313 HK	HOLD	2.13	3.10	45.5	14,873.7	7.9	6.1	0.3	0.3	6.9	5.6	3.8
Zijin Mining	2899 HK	BUY	12.60	15.00	19.0	353,108.6	13.4	11.4	2.9	2.4	10.7	9.4	23.7

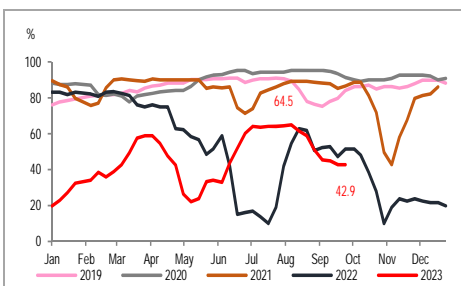
Source: Bloomberg, UOB Kay Hian

- **Steel (maintain UNDERWEIGHT):** Steel mills are maintaining high production activities despite moderate downstream demand.
  - **Iron ore pared earlier gains.** SGX iron ore futures pared earlier gains last week, dropping 1.4% w/w to US\$121.18, but still increasing 15.1% mom. Iron ore prices were supported by steel mills' robust restocking demand prior to the Golden Week holidays, which took place at a higher pace compared with the past two years. Spot prices of



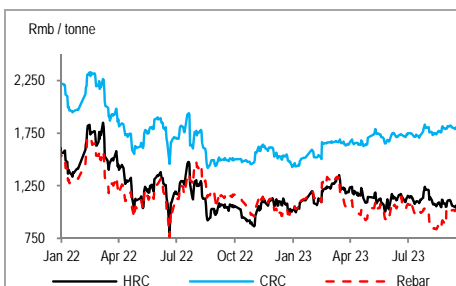
rebar/rot-rolled coil (HRC)/cold-rolled coil (CRC) were rather flattish with wow changes of +0.1%/-0.4%/-0.1%.

### 247 SAMPLED STEEL MILLS PROFIT-MAKING RATIO



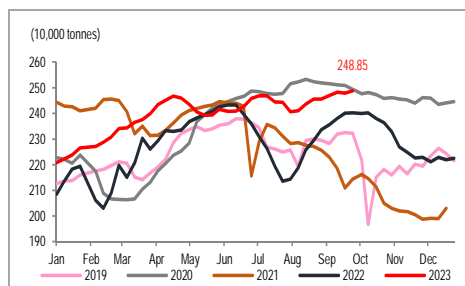
Source: Wind, UOB Kay Hian

### STEEL-RAW MATERIAL SPREADS



Source: Bloomberg, UOB Kay Hian

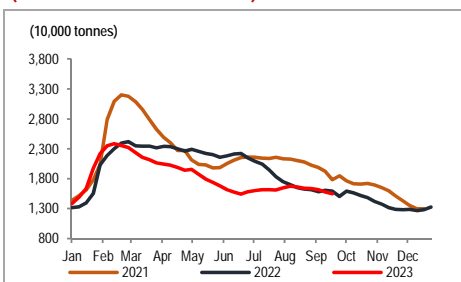
### 247 SAMPLED STEEL MILLS AVERAGE DAILY MOLTEN IRON PRODUCTION



Source: Wind, UOB Kay Hian

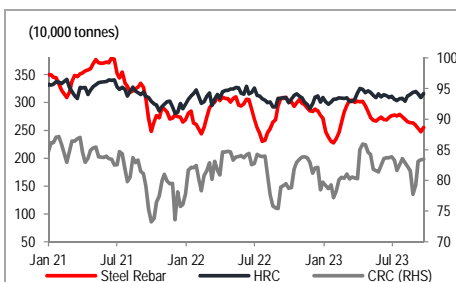
- **Spike in raw materials prices compressed margins.** The recent spikes in iron ore, coke and scrap steel prices have all weighed on steel mills' production margins, with respective average price changes of +0.4%/+1.8%/+0.8% wow. Weekly average HRC steel-raw materials spread was down 1.34% wow. Mysteel's survey indicated that 42.86% of steel mills are currently profit-making (flat wow).
- **Molten iron production hit highest level since Sep 20.** Steel mills' production activities remained high, with weekly average daily molten iron production hitting the highest level since Sep 20 at 2.4885m tonnes (+0.01m tonnes wow), boosted by the growing number of blast furnace resuming operations. Weekly output of five major steel products slowed to 9.1694m tonnes (+1.5% wow) this week.
- **Steel inventory down for sixth consecutive week.** Overall steel inventory based on Mysteel's survey was down 1.9% wow to 15.49m tonnes (-2.6% yoy). Steel apparent consumption remained flattish at 9.4699m tonnes (+0.7% wow). The weekly average apparent consumption of rebar/HRC/CRC in Sep 23 was -12.9%/-0.4%/+5.9% yoy.
- Based on Mysteel's survey, restocking demand of construction materials before the long holidays remained weak, with only 42% of the 92 sampled entities indicating that they plan to restock before the long holidays. Some 84% of the respondents expect steel prices to stay flattish or fall after the holidays, which explains the delay in the restocking timeline.

### INVENTORY OF FIVE MAJOR STEEL PRODUCTS (TRADERS & STEEL MILLS)



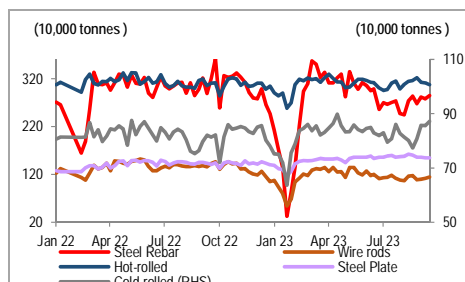
Source: Wind, UOB Kay Hian

### WEEKLY PRODUCTION OUTPUT OF MAJOR STEEL PRODUCTS



Source: Wind, UOB Kay Hian

### STEEL PRODUCTS WEEKLY APPARENT CONSUMPTION



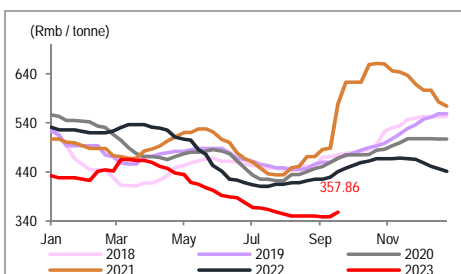
Source: Wind, UOB Kay Hian

- **Cement (maintain MARKET WEIGHT):** The rebound of cement prices was backed by demand recovery and an uptick in coal prices; the price war in Guangdong is intensifying.
- **Rebound in cement prices continues.** National average PO42.5 cement prices (bulk) continued its uptrend, rising 0.4% wow to Rmb356.67 per tonne. Average cement prices for the eastern/central/southern regions saw changes of +2.5%/+5.2%/-1.8% wow. Guangdong is seeing an intensifying price war, largely due to the influx of cement products from Guangxi and the high inventory level in the region. Cement-coal spread recovered to Rmb248.64 per tonne (+0.5% wow/-3.5% yoy) due to the recent rebound of cement prices.

## Retail Market Monitor

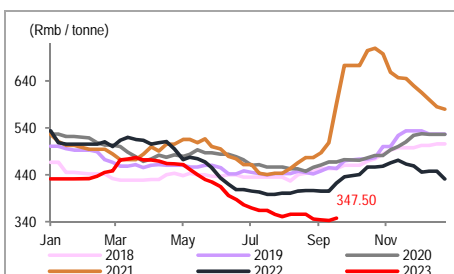
Tuesday, 26 September 2023

### AVERAGE CEMENT PRICES – EAST



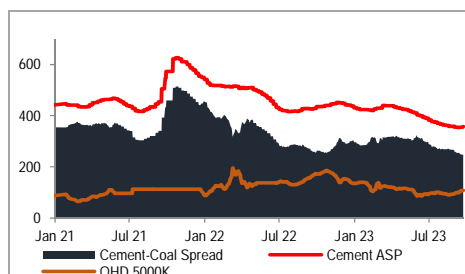
Source: CEIC, UOB Kay Hian

### AVERAGE CEMENT PRICES – CENTRAL-SOUTH



Source: CEIC, UOB Kay Hian

### CEMENT-COAL SPREAD

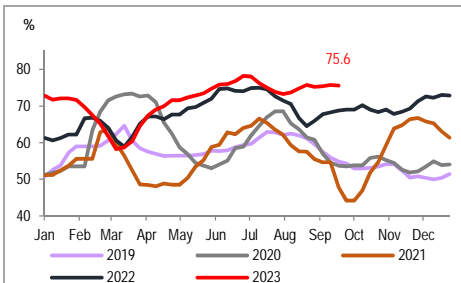


Source: CEIC, Wind, UOB Kay Hian

• **Third consecutive week of shipment recovery.** According to 100NJZ's survey conducted on 250 cement enterprises, weekly cement shipment volume for the week of 13-19 Sep 23 was 5.8855m tonnes (+1.5% wow; -31.4% yoy). By region, the eastern/central/southern regions' shipment volume was -0.9%/+1.3%/+4.8% wow (-36.5%/-28.4%/-41.9% yoy) respectively. Eastern region shipments were dragged by the rainy weather. Shipment for infrastructure projects totalled 2.28m tonnes (+1.3% wow/-10.6% yoy).

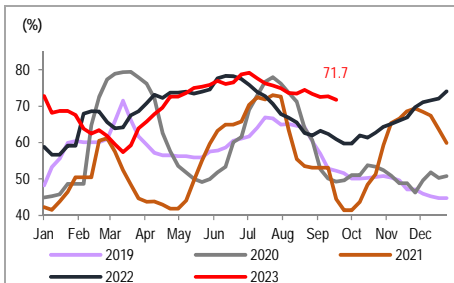
• **Inventory pressure moderated.** Based on 100NJZ's survey on 274 cement enterprises, clinker production capacity utilisation declined to 61.54% last week (-2.98ppt wow). National average cement storage capacity ratio was down 0.13ppt wow to 75.6%. Eastern and southern regions saw a contrasting trend, with changes of -0.92ppt/+1.11ppt to 71.7%/79.0% respectively.

### CEMENT STORAGE CAPACITY RATIO – NATIONAL AVERAGE



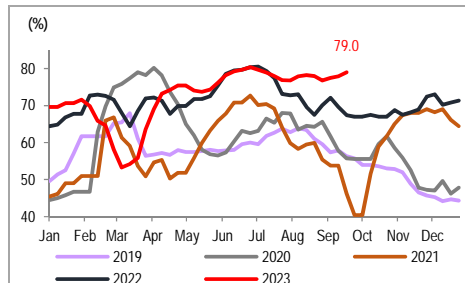
Source: CEIC, UOB Kay Hian

### CEMENT STORAGE CAPACITY RATIO – EAST CHINA



Source: CEIC, UOB Kay Hian

### CEMENT STORAGE CAPACITY RATIO – CENTRAL-SOUTH CHINA



Source: CEIC, UOB Kay Hian

## ESSENTIALS

- **We maintain MARKET WEIGHT on the base metals sector.** A hawkish Fed and strong US dollar will continue to weigh on metal prices in the short to medium term. We are concerned about the global copper demand given the prospect of a prolonged high interest rate environment and gloomy global economic outlook. Copper prices are likely to fall below US\$8,000 by the end of the year and the downcycle is likely to last until 2H24, while the rebound in crude oil prices would also inflate miners' production costs and erode margins.
- **We maintain MARKET WEIGHT on the cement sector.** We expect construction activities to continue to normalise in the following weeks as the weather condition improves. We are still concerned about the high inventory level as it could cap the upside of price recovery. Aug 23's LGSB issuance was the highest of the year at Rmb2,945b, completing 77.5% of the annual quota, but still 16.3% lower yoy. The annual quota should be fully utilised by end-Sep 23, and we should see acceleration in construction progress for infrastructure projects in 4Q23.
- **We maintain UNDERWEIGHT on the steel sector.** Iron ore prices were boosted by robust steel production activities, but the rally will not be sustainable without a meaningful recovery in the property sector. We expect more production curbs to be announced in the following weeks in order to improve air quality. The stronger price performance of raw materials against steel end products would also see steel mills moderating production.

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