

PLEASE CLICK ON THE PAGE NUMBER TO MOVE TO THE RELEVANT PAGE.

## KEY HIGHLIGHTS

### Sector

#### Commodities

Weekly: Israel-Hamas conflict boosts safe-haven appeal.

Page 2

#### Property

Preview of the 2023 Policy Address: Assessing the impact of easing measures on the property industry.

Page 5

### TRADERS' CORNER

Page 8

**Kuaishou Technology (1024 HK):** Trading Buy range: HK\$60.50-62.30

**WH Group Limited (288 HK):** Trading Buy range: HK\$4.08-4.12

## UOBKH EVENTS

Date	Corporate/Stock Code	Event
11 Oct	Crystal International Group Limited (2232 HK)	Investor Luncheon @ 12:30pm HKT
18 Oct	China Overseas Land & Investment Ltd (688 HK)	Virtual Meeting @ 4:30pm HKT

## CORPORATE AND MACRO CALENDAR

Date	Country/Region	Economic Indicator
09-15 Oct	China	Sep Money Supply And Credit
13 Oct	China	Sep Inflation
13 Oct	China	Sep Trade
18 Oct	China	3Q GDP and Sep Economic Activities
20 Oct	China	Oct Loan Prime Rate

## KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	33604.7	0.6	0.5	(2.8)	1.4
S&P 500	4335.7	0.6	1.1	(2.7)	12.9
FTSE 100	7492.2	(0.0)	(0.2)	0.2	0.5
AS30	7157.0	0.2	(1.1)	(2.7)	(0.9)
CSI 300	3684.7	(0.1)	(1.4)	(1.5)	(4.8)
FSSTI	3166.5	(0.2)	(1.3)	(1.3)	(2.6)
HSCEI	5998.3	0.4	(2.4)	(5.0)	(10.5)
HSI	17517.4	0.2	(1.6)	(3.8)	(11.4)
JCI	6891.5	0.0	(1.0)	(0.5)	0.6
KLCI	1417.3	0.0	(0.1)	(2.6)	(5.2)
KOSPI	2408.7	0.2	(3.5)	(5.5)	7.7
Nikkei 225	30994.7	(0.3)	(2.7)	(4.9)	18.8
SET	1431.7	(0.5)	(2.6)	(7.5)	(14.2)
TWSE	16520.6	0.4	1.0	(0.3)	16.9
BDI	1991	3.2	14.6	67.9	31.4
CPO (RM/mt)	3570	(1.4)	(3.2)	(6.2)	(11.8)
Brent Crude (US\$/bbl)	88	4.2	(2.8)	(2.8)	2.6

Source: Bloomberg

## TOP TRADING TURNOVER

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
HKEX	288.80	0.1	878.8
JD-SW	113.80	0.5	842.9
BIDU-SW	129.00	0.9	560.7
LI AUTO INC-A	133.90	(0.9)	528.3
SANDS CHINA LTD	22.55	0.2	525.1

## TOP GAINERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
WEIBO CORP-CL A	96.50	4.2	1.3
BYD ELECTRONIC	37.70	3.9	74.2
ZIJIN MINING-H	11.80	3.7	163.2
BANKCOMM-H	4.72	3.1	42.6
WUXI BIOLOGICS C	44.90	2.7	462.3

## TOP LOSERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
CHINA RES CEMENT	1.94	(3.5)	21.1
XPENG INC-A SHRS	67.55	(3.1)	359.7
ZHONGSHENG GROUP	19.92	(2.8)	58.8
SINOPHARM-H	21.75	(2.7)	52.5
LONGFOR GROUP HO	13.10	(2.4)	101.6

\*ADT: Average daily turnover

## KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	2.1	2.0	1.0
Euro Zone	3.5	0.5	0.8
Japan	1.0	1.5	1.0
Singapore	3.6	0.7	3.0
Malaysia	8.7	4.0	4.6
Thailand	2.6	3.1	3.5
Indonesia	5.4	5.1	5.2
Hong Kong	-3.5	4.6	3.0
China	3.0	5.0	4.6
CPO (RM/mt)	5,088	4,000	4,200
Brent (Average) (US\$/bbl)	99.0	81.0	84.0

Source: Bloomberg, UOB ETR, UOB Kay Hian

## SECTOR UPDATE

### Commodities – China

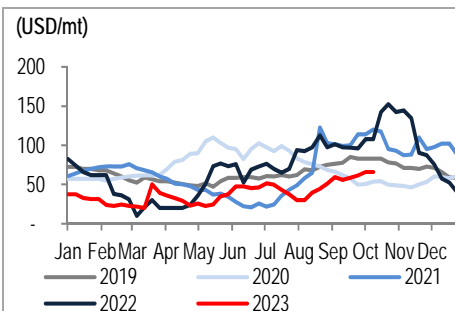
Weekly: Israel-Hamas Conflict Boosts Safe-Haven Appeal

The Israel-Hamas conflict has boosted the appeal of safe-haven assets. Gold has pared some losses in the past few weeks amid a hawkish Fed. US' Aug 23 nonfarm payroll came in well above expectations at +336,000. However, the weaker-than-expected wage growth of 0.2% mom could be a signal of decelerating inflation. Steel inventory was +6.7% wow and ended its seven consecutive weeks of downtrend. Steel's apparent consumption and cement shipment was -15.2%/-8.6% wow during Golden Week holidays.

• **Base metals (maintain MARKET WEIGHT):** The Israel-Hamas conflict boosts the appeal of safe-haven assets.

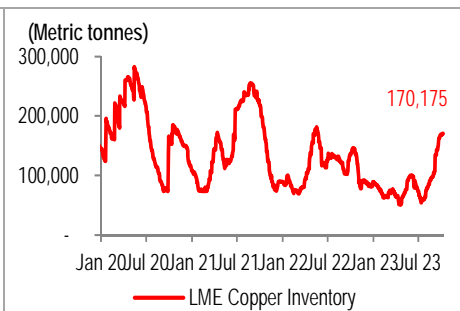
- The attack on Israel is expected to continue to boost the appeal of safe-haven assets like gold and the US dollar. Spot gold prices have rallied over 1% on 10 September, paring some losses in the past few weeks given the rising treasury yield and strengthening USD.
- US' nonfarm payrolls released on 6 October came in well above expectations at +336,000 (consensus: +170,000) while Aug 23's reading was also revised up to +227,000 from +178,000, bolstering bets for another rate hike in 2023. However: a) US' Aug 23 wage growth remained moderate at 0.2% mom (consensus: 0.3% mom), which could be a signal of decelerating inflation; and b) unemployment rate also came in above expectations at 3.80% (consensus: 3.70%).
- COMEX gold/LME copper three-month futures closed -1.0%/-2.7% wow at US\$1,830 per t oz/US\$8,046 per mt as at end last week. The US dollar index has reversed down by 0.1% wow to 106.04 while 10-year treasury yield further climbed to 4.78%.
- According to CME FedWatch Tool, market is still pricing in 72.9% 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 61.01% probability.
- The focus this week will be on the: a) US' Sep 23 CPI data releasing on 12 October (consensus: +3.6% yoy/+0.30% mom), and b) FOMC meeting minutes on the same day.

#### CHINA YANGSHAN COPPER PREMIUM



Source: Bloomberg, UOB Kay Hian

#### LME COPPER INVENTORY



Source: Bloomberg, UOB Kay Hian

## PEER COMPARISON

Company	Ticker	Rec	Price @ 9 Oct 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	19.88	28.30	42.4	135,865.6	8.3	7.6	0.5	0.5	8.0	7.2	6.4
Baosteel	600019 CH	BUY	6.14	7.10	15.6	136,689.9	13.2	9.8	0.7	0.6	5.6	4.8	5.2
CR Cement	1313 HK	HOLD	1.94	3.10	59.8	13,546.9	7.2	5.6	0.3	0.3	6.6	5.4	3.8
Zijin Mining	2899 HK	BUY	11.80	15.00	27.1	337,519.8	12.5	10.6	2.7	2.3	10.3	9.1	23.7

Source: Bloomberg, UOB Kay Hian

## MARKET WEIGHT

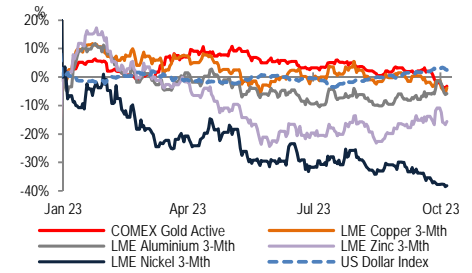
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### SECTOR PICKS

Company	Rec	Target Price (HK\$)	Share Price (HK\$)
Anhui Conch	BUY	28.30	19.88

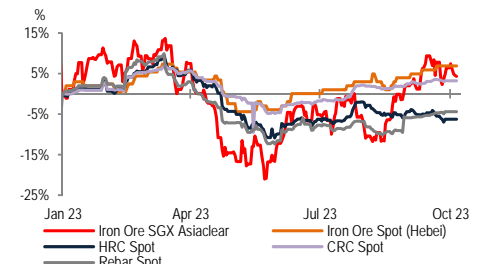
Source: UOB Kay Hian

### METALS – YTD PRICE PERFORMANCE



Source: Bloomberg, UOB Kay Hian

### STEEL – YTD PRICE PERFORMANCE



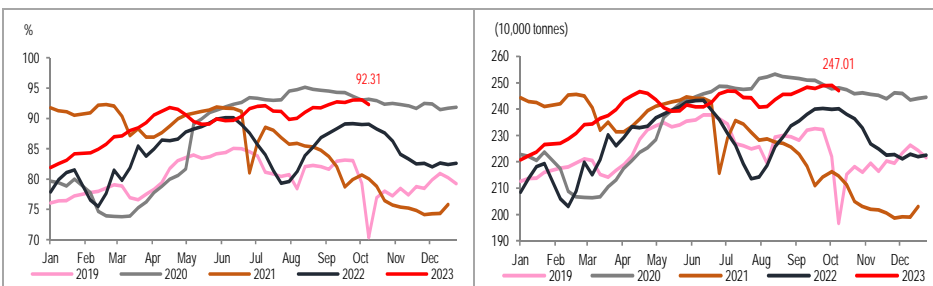
Source: Bloomberg, UOB Kay Hian

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- **Steel (maintain UNDERWEIGHT):** Weak Golden Week home sales data dragged on sentiment.
  - **Iron ore prices corrected on moderating demand outlook.** SGX iron ore futures continued declining, - 5.1% wov to US\$112.25 per mt on 10 September, the lowest in a month. Sentiment was dragged by the data released by China Index Academy, whereby 35-city home sales during the Golden Week holiday (29 September-6 October) were down by close to 20% yoy. Iron ore's demand outlook for the rest of 2023 would hinge on China's potential crude steel output cap.
  - **CMRG in talks with miners over 2024 iron ore supply.** China Mineral Resources Group (CMRG), the central procurement agency established in Jul 22, was reported to be in talks with Rio Tinto Group and other leading miners regarding 2024's iron ore supply. CMRG and major miners were said to be in discussion on preferential terms on transport, grades and delivery arrangements.
  - It was also reported that large steel mills, like Baowu Steel and Ansteel Group, have now delegated all their iron ore term purchases to CMRG. As the largest iron ore buyers globally, we believe this would strengthen Chinese steel mills' bargaining power as a group, and enhance their iron ore supply security amid intensifying geopolitical tensions. This should also help in stabilising steel mills' profitability in view of volatile iron ore prices and expected weak downstream demand ahead.

#### 247 SAMPLED STEEL MILLS BLAST FURNACE UTILISATION RATIO 247 SAMPLED STEEL MILLS DAILY AVERAGE MOLTEN IRON OUTPUT

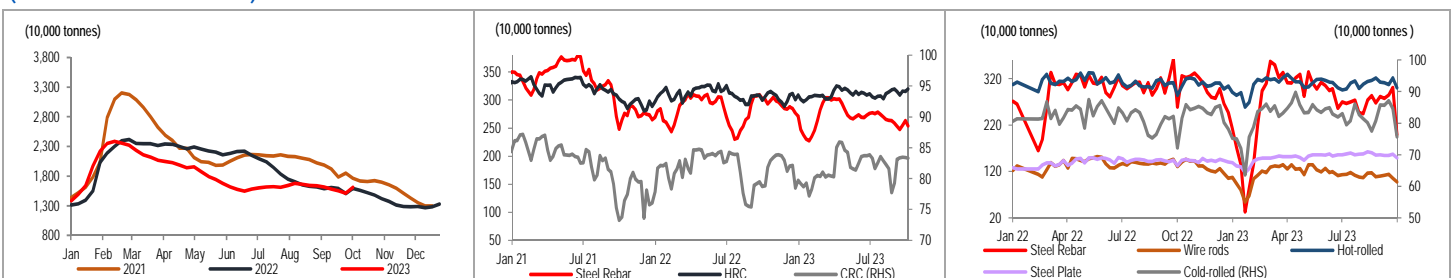


Source: Bloomberg, UOB Kay Hian

Source: Wind, UOB Kay Hian

- **Steel production activities reversed down.** According to Mysteel's survey on 247 sampled steel mills, daily average molten iron production (for the week ended 6 October) was 2.4701m tonnes (-0.0198m tonnes wov), blast furnace capacity utilisation ratio was down 0.77ppt wov to 92.31%. Some of the blast furnaces which were loss-making have commenced maintenance work and halted productions. Weekly output of five major steel products slowed to 9.2341m tonnes (-0.74% wov) this week.
- **Downtrend of steel inventory ended; sharp decline in consumption of construction-related steel products.** Overall steel inventory based on Mysteel's survey was up 6.73% wov to 16.13 tonnes (+1.2% yoy), ending its seven-consecutive weeks of contraction. Weekly steel apparent consumption slumped 15.2% wov to 8.2169m tonnes (-6.4% yoy). The decline was led by rebar/wire rods with weekly consumption falling 33.8%/20.0% wov amid slower construction activities.

#### INVENTORY OF FIVE MAJOR STEEL PRODUCTS (TRADERS & STEEL MILLS) WEEKLY PRODUCTION OUTPUT OF MAJOR STEEL PRODUCTS WEEKLY APPARENT CONSUMPTION



Source: Wind, UOB Kay Hian

Source: Wind, UOB Kay Hian

Source: Wind, UOB Kay Hian

- **Cement (maintain MARKET WEIGHT):** The rainy weather and long holidays dragged on cement demand.
  - **Weekly shipment -8.6% wow during Golden Week holidays.** According to 100NJZ's survey conducted on 250 cement enterprises, weekly cement shipment volume for the week of 27 Sep-3 Oct 23 was 5.22m tonnes (-8.6% wow/-38.4% yoy). By region, the eastern/central/southern regions' shipment volume was -9.7%/-9.9%/+8.7% wow (-44.4%/-39.1%/-46.8% yoy) respectively. Shipment for infrastructure projects was 2.06m tonnes (-8.0% wow/-18.9% yoy). The rainy weather coupled with slower construction activities during the Golden Week holidays has dragged on cement demand.
  - **Inventory level declined further on slowing production output.** Based on 100NJZ's survey on 274 cement enterprises, clinker production capacity utilisation has slowed further to 49.15% (-1.28ppt wow). The same survey also indicated that clinker storage capacity trimmed slightly to 72.35% (-1.37ppt wow).

#### ESSENTIALS

- **We maintain MARKET WEIGHT on the base metals sector.** A hawkish Fed and strong US dollar have continued to weigh on metal prices. We are concerned on global copper demand given the prospect of a prolonged high interest rate environment and gloomy global economic outlook. Partly due to the high pace expansion of inventory level, copper prices fell below US\$8,000 on 4 and 5 October. 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 and construction activities resume after the long holidays. We are still concerned about the high inventory level as it could cap the upside of the price recovery. With the acceleration of local government special purpose bond issuance, we should see a ramp up in construction activities in 4Q23.
- **We maintain UNDERWEIGHT on the steel sector.** We expect more production curbs to be announced in the following weeks with the authorities' intention to improve air quality. Steel production activities are expected to remain active in Oct 23 based on the current known production schedule, but we expect the growing inventory pressure and recent steep deterioration of profitability to continue to help in moderating the production output in the following weeks.

## SECTOR UPDATE

### Property – Hong Kong

Preview Of 2023 Policy Address: Assessing Impact Of Easing Measures On Property Industry

With Paul Chan softening his tone, when/how to ease cooling measures on non-PR buyers again becomes a market focus. We expect the government to marginally relax BSD/NRSD rules in the 2023 Policy Address. However, it may still be a bit too early to bet on the complete removal of cooling measures, as: a) the CCL index is still flat ytd, and b) Hong Kong has a very large pool of non-PR talents waiting to apply for PR and possibly buying property. Maintain MARKET WEIGHT. SHPK remains our top pick.

#### WHAT'S NEW

- On 8 Oct 23, Paul Chan said the government would pragmatically review property policies.
- The CCL and CVI index were released on 6 Oct 23.

#### ESSENTIALS

- CCL index flat ytd and 18% lower than peak.** The CCL index stood at 156.79 on 6 Oct 23, flat ytd and 18% lower than the peak level reached in Aug 21. The CVI index, which reflects banks' view on the property market, fell to 11.23 as of 6 Oct 23; it has been staying below 20 for four consecutive months. High interest rates (ie 1M HIBOR standing above 4% in the last month) continued to weigh on the sentiment of home-buyers.
- Rising possibility of easing cooling measures on property sector.** Hong Kong Financial Secretary Paul Chan said on 27 September that "we see that the current property market situation is different from when we introduced the management measures". This is the first time government official hinted on easing cooling measures on non-HK PR buyers, although his overall tone remains prudent as he said that "recent property price correction was still manageable". On 8 Oct 23, Paul Chan again said to pragmatically review property policies.

#### COOLING MEASURES ON HONG KONG PROPERTY MARKET

Tax	Rate	Effective date
Buyers Stamp Duty (BSD)	15% on transaction value for non-PR buyers	Oct 2012
New Residential Stamp Duty (NRSD)	15% on transaction value for non-PR buyers	Nov 2016
Special Stamp Duty (SSD)	10%/15%/20% on transaction value, if property is sold within 12-36 months/6-12 months/6 months after purchasing	Oct 2012

Source: Hong Kong Immigration, UOB Kay Hian

- Assessing impact of easing measures on property sector.** Despite the negative impact of high interest rates and tighter capital control of mainland China, we think easing policy measures will have a notable impact on demand and will change the market equilibrium in the short term, considering the big talent pool of Hong Kong.
  - During 2016-22, Hong Kong Immigration approved 55,800-81,400 HK PR applications annually. Assuming all one-way permit (OWP) holders will apply for HK PR, the number of talents that successfully receive HK PR is estimated to be 10,800-26,800 annually, which is equivalent to 19-48% of the total number of property transactions.

#### PEER COMPARISON

Company	Ticker	Rec	Price @	Target	Upside/(Downside)	Market	PE		P/B		Yield	
			6 Oct 23 (HK\$)	Price (HK\$)	to TP (%)	Cap (HK\$m)	Y1 (x)	Y2 (x)	Y1 (x)	Y2 (x)	Y1 (%)	Y2 (%)
Hysan Development	14 HK	BUY	14.88	26.18	75.9	15,281.9	7.9	6.8	0.2	0.2	9.7	9.7
Sun Hung Kai Properties	16 HK	BUY	83.90	112.64	34.3	243,123.8	9.5	9.1	0.4	0.4	5.2	5.5
New World Development	17 HK	HOLD	14.96	16.03	7.1	37,648.8	7.0	7.0	0.2	0.2	5.1	5.1
Wharf Real Estate Investment Co Ltd	1997 HK	HOLD	29.05	40.30	38.7	88,202.4	13.4	11.9	0.5	0.5	4.6	5.2
Link REIT	823 HK	BUY	36.90	50.70	37.4	94,236.9	14.5	13.6	0.5	0.5	6.9	7.4

Source: Bloomberg, UOB Kay Hian

## MARKET WEIGHT

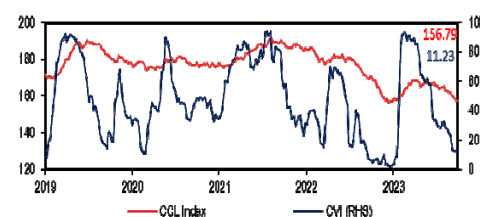
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#### SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
SHKP	16 HK	BUY	83.90	112.64

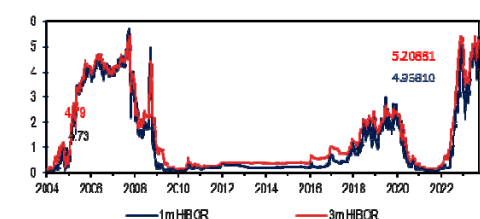
Source: UOB Kay Hian

#### CCL INDEX VS CVI INDEX



Source: Bloomberg, UOB Kay Hian

#### 1M & 3M HIBOR



Source: Bloomberg, UOB Kay Hian

#### SUPPLY OF NEW HOME UNITS IN 2023



Source: Ricap Corp Properties, UOB Kay Hian

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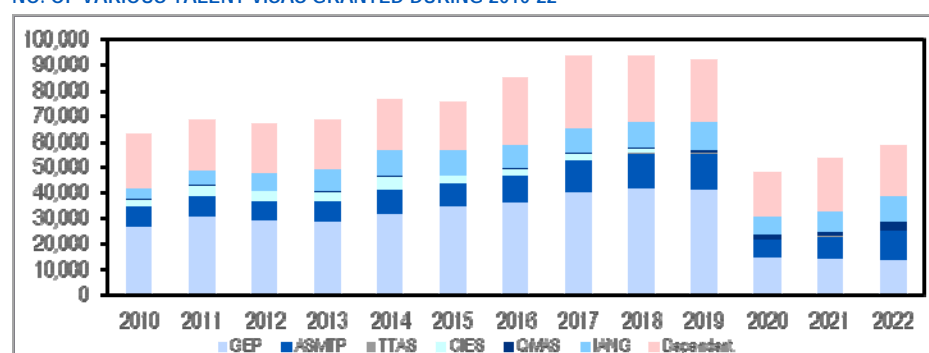
### NO. OF POTENTIAL NEW BUYERS (NEW HK PR) VS NO. OF TRANSACTIONS

	2017	2018	2019	2020	2021
No. of primary home transactions	18,501	15,458	20,685	15,013	17,469
No. of secondary home transactions	39,744	38,782	35,893	41,353	51,928
Approved HKPR application (excl. OWP)	21,009	25,832	26,790	10,799	16,046
Approved HKPR application (incl. OWP)	63,609	69,232	81,390	55,799	56,546
No. of new PR (excl. OWP) vs no. home transactions	36%	48%	47%	19%	23%

Source: Hong Kong Immigration, UOB Kay Hian

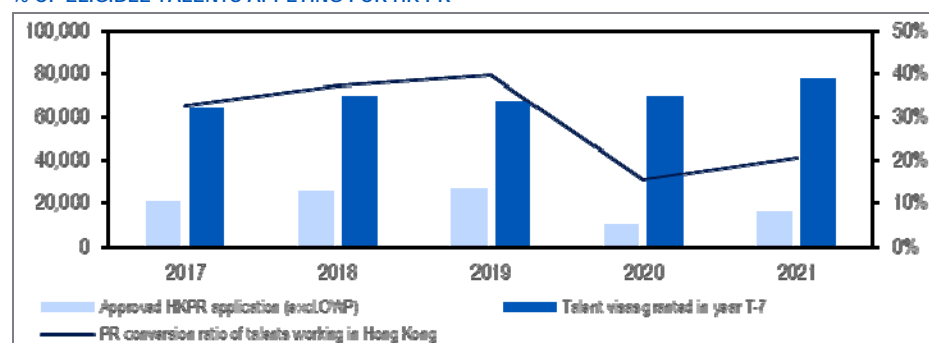
b) From 2016 to 2022, Hong Kong immigration issued a total number of 359,789 talent visas, of which we conservatively estimate that roughly 25% will apply for their HK PR once their conditions are fulfilled. That means Hong Kong currently has roughly 90,000 potential PR applicants from its talent pool. We expect this sizeable group to be the key beneficiaries if the Hong Kong government eases measures on the property sector.

### NO. OF VARIOUS TALENT VISAS GRANTED DURING 2010-22



Source: Hong Kong Immigration, UOB Kay Hian. Note: GEP: General Employment Policy; ASMP: Admission Scheme for Mainland Talents and Professionals; TTAS: Technology Talent Admission Scheme; CIES: Capital Investment Entrant Scheme; QMAS: Quality Migrant Admission Scheme; IANG: Immigration Arrangements for Non-local Graduates.

### % OF ELIGIBLE TALENTS APPLYING FOR HK PR



Source: Hong Kong Immigration, UOB Kay Hian

- **Key points to watch out for during the coming policy address on 25 October.** In the 2022 Policy Address, the government marginally eased policies that for non-PR talents purchasing properties. With greater downward pressure on property market, we expect further easing of measures in the 2023 Policy Address, which may include: a) shortening the number of years for non-PR talents to become PR, b) lowering Buyer's Stamp Duty (BSD) and New Residential Stamp Duty (NRSD) tax rates, c) adopting the practice of exempting BSD and NRSD for non-PR talents when they buy property and asking for tax payments if they sell their property before becoming HKPR. A complete removal of BSD and NRSD is of low possibility at the moment. On the other hand, the government's target of private and government housing supply will be another focus.



# RECAP: KEY TAKEAWAYS FROM 2022 HONG KONG POLICY ADDRESS

Subject	Details
Refunding the extra stamp duty paid by eligible incoming talents.	Eligible talents will receive a refund on extra stamp duty if they have stayed seven years to become permanent residents while still holding property by then. The amount talents end up paying will be equal to first-home PR buyers in the city (from HK\$100 to 4.25% of transaction value), as compared with 30% stamp duty charged for non-PR residents.
Accelerating private housing supply in next five years.	The government vows to get sufficient land ready to provide no less than 72,000 residential units in the next five years. This is a more aggressive supply plan as compared with the target of 2021 Policy Address of providing land for 100,000 residential units in the next 10 years.
Increasing public housing supply in next five years	The government targets to provide 158,000 units of public housing in the next five years, including 30,000 units of light public housing (LPH) units, representing an increase of approximately 50% compared with 105,000 units provided in the previous five-year period.
Continuing to push forward the development of Northern Metropolis and other major infrastructures	Construction of Northern Metropolis remains as one of the government's top agenda. For the next five years, the government targets to commence all land resumption procedures for development projects. In the subsequent 10 years, the government targets to form 40% of the new development land and complete 40% of the new flats. Specifically, the government guides that the Northern Metropolis will adopt higher plot ratios, ie 6.5 for residential sites (higher than 5 for earlier generations of new towns like Sha Tin) and 9.5 for commercial sites.

Source: 2022 Hong Kong Policy Address, UOB Kay Hian

## ACTION

- Maintain MARKET WEIGHT on Hong Kong's property sector.** During this earnings season, major developers guided down their dividend payout ratios in order to better position themselves amid a high interest rate environment. Stock prices of major Hong Kong developers have corrected by 11~30% ytd. In the short term, we think that major negative factors have been fully priced in. Looking forward, we expect the Hong Kong government to set a more supportive tone for the property industry during the upcoming policy address, which is expected to be a key catalyst for the sector. SHKP remains our top pick for its abundant saleable resources and balanced product mix in Hong Kong.
- SHKP remains our top pick.** Stock prices of SHKP have corrected by over 20% ytd, dragged by: a) weak sentiment of property market in the high interest rate environment, and b) normalised dividend payout ratio of 40-50% since FY24 from 60% in FY23. We think most near-term negative factors have been priced in. Potential policy easing will offer upside on margin and valuation. SHKP is currently trading at 5.2% FY24 dividend yield, which is close to 1SD above its three-year mean.

## 1FY DIVIDEND YIELD OF SHKP (16HK):2020-2023



Source: Bloomberg, UOB Kay Hian

## RISKS

- Upside risks:** Stronger-than-expected policy easing at 2023 Policy Address.
- Downside risks:** Longer-than-expected interest rate hike cycle.

## TRADERS' CORNER



Chart by TradingView

### Kuaishou Technology (1024 HK)

Trading Buy range: HK\$60.50-62.30

Last price: HK\$62.50

Target price: HK\$64.50/HK\$67.00

Protective stop: Breaks below HK\$57.00

#### Stock Highlights:

In 2Q23, average daily active users (DAU) and monthly active users (MAU) on the Kuaishou App increased 8.3% yoy and 14.8 % yoy to reach 376.0m and 673.3m, taking the scale of its user community to a new record high.

#### Technical View:

Share price has been correcting since August. Recently, price fell to around its 200-day moving average (purple) and is being supported at that level for the time being. It is now near its 10-day (light blue), 20-day (orange) and 200-day moving averages, but restricted by its 50-day moving average (red) at the moment. The 14-day RSI has gradually improved and is now around 48. If it rises and stays firm above the midline level of 50, momentum may strengthen. The difference between the MACD line and the signal line has narrowed and is almost flat, with both lines expected to rise above the zero axis. If share price breaks through the 50-day moving average, it could start a significant rally.

Average timeframe: Around two weeks.



Chart by TradingView

### WH Group Limited (288 HK)

Trading Buy range: HK\$4.08-4.12

Last price: HK\$4.15

Target price: HK\$4.28/HK\$4.38

Protective stop: Breaks below HK\$3.85

#### Stock Highlights:

WH Group Limited indirectly owns approximately 70.33% equity interest in Shuanghui Development. The latter's total operating income increased by 9.2% yoy to Rmb30,522m.

#### Technical View:

Share price recently challenged the 200-day moving average (purple) again and hit a one-month high. Its 10-day (light blue), 20-day (orange) and 50-day (red) moving averages are pointing upwards. The 14-day RSI is higher than the midline level of 50 and is now around 55, indicating that momentum is moderately strong. The MACD line has just risen above the signal line, showing a double bullish signal. If share price breaks through and stays above its 200-day moving average, it could rise further.

Average timeframe: Around two weeks.

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