

## WHAT HAPPENED LAST NIGHT

US stocks were higher on Monday, as gains in the consumer discretionary, communication services and consumer staples sectors led shares higher. At the close of the NYSE, the DJIA gained 0.25% while the S&P 500 index rose 0.67%, and the NASDAQ Composite index advanced 1.14%. Advancing stocks outnumbered falling ones on the NYSE by 1,578 to 1,305 and 135 ended unchanged; on the Nasdaq Stock Exchange, 2,247 advanced and 2,023 declined, while 215 ended unchanged. (Source: WSJ, Bloomberg)

## WHAT'S IN THE PACK

### China/HK Economics Update:

**Money Supply - New loans beat expectations, but yoy loans growth unchanged.**

M1 and M2 money supply growth was below consensus expectations in August, slowing to 2.2% yoy and 10.6% yoy respectively...

### China/HK Sector Update:

**Beer - 2Q23/1H23 results wrap-up: Sales to see modest pick-up in September.**

Brewers reported solid 1H23 results for their China business, backed by mid-to-high single-digit percentage sales volume growth, ASP expansion and sequentially softer cost pressure...

**Commodities - Weekly: Signs of economic stabilisation from improving CPI/credit data.**

Metal prices have been boosted by China's Aug 23 CPI figures which have returned to positive territory, paring some of the losses last week given the strength of the US dollar...

### Singapore Company Update:

**CDL Hospitality Trusts - Singapore and Europe leading the recovery.**

(CDREIT SP/BUY/\$\$1.05Target: S\$1.48)

CDREIT's six Singapore hotels will benefit from higher occupancies and increased contributions from GCWH during the seasonally stronger 2H23...

### Singapore Technical Analysis:

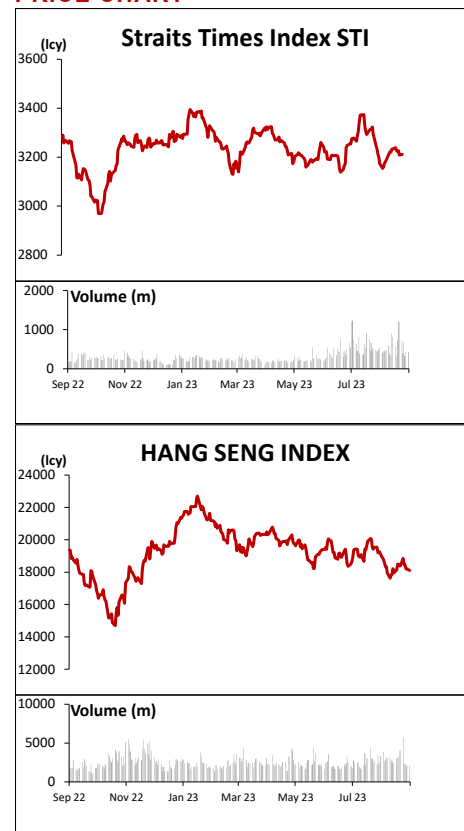
**Best World International (BEST SP) - Trading BUY**

Price broke and closed above the cloud yesterday, turning the chart outlook to bullish. The conversion and base lines remain in a bullish crossover...

**AEM Holdings (AEM SP) - Trading BUY**

Price managed to stay above the middle Bollinger band, aka the 20-day moving average, which is also near to the gap support zone...

## PRICE CHART



## KEY INDICES

	Prev Close	1M %	YTD %
DJIA	34663.7	(1.8)	4.6
S&P 500	4487.5	0.5	16.9
FTSE 100	7496.9	(0.4)	0.6
AS30	7387.8	(2.2)	2.3
CSI 300	3767.5	(3.0)	(2.7)
FSSTI	3218.3	(2.3)	(1.0)
HSCEI	6298.7	(3.7)	(6.1)
HSI	18096.5	(5.1)	(8.5)
JCI	6963.4	1.2	1.6
KLCI	1455.0	(0.1)	(2.7)
KOSPI	2556.9	(1.3)	14.3
Nikkei 225	32467.8	(0.0)	24.4
SET	1540.9	0.4	(7.7)
TWSE	16433.0	(1.0)	16.2
BDI	1209	7.1	(20.2)
CPO (RM/mt)	3750	1.4	(7.4)
Brent Crude (US\$/bbl)	91	4.4	5.5

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**Retail Market Monitor**

Tuesday, 12 September 2023

**YESTERDAY IN SINGAPORE**

The Straits Times Index (STI) closed 10.53pt higher to 3,218.28. Among the top active stocks were Seatrium (-0.7%), Singapore Telecommunications (+0.9%), Thai Beverage (+0.9%), Rex International (-1.3%) and Singapore Airlines (-0.3%). The FTSE ST Mid Cap Index fell 0.4%, while the FTSE ST Small Cap Index rose 0.4%. The broader market saw 280 gainers and 271 losers with total trading value of S\$680.2m.

**SINGAPORE**
**TOP VOLUME**

Company	Price (S\$)	Chg (%)	Volume ('000s)
Seatrium	0.14	(0.7)	289,139
Golden Agri-Resources	0.25	4.2	19,985
Thai Beverage	0.59	0.9	14,473
Lendlease Global Commercial	0.55	0.9	10,833
CapitaLand Integrated Comm	1.91	1.1	10,037

**TOP GAINERS**

Company	Price (S\$)	Chg (%)	Volume ('000s)
Frasers Hospitality Trust	0.51	5.2	5,160
Mandarin Oriental	1.75	4.8	4
Golden Agri-Resources	0.25	4.2	19,985
Frasers Property	0.79	3.3	252
Sheng Siong Group	1.58	2.6	2,963

**TOP LOSERS**

Company	Price (S\$)	Chg (%)	Volume ('000s)
Olam Group	1.17	(8.6)	8,105
Shangri-La Asia	5.50	(3.8)	2
Sinarmas Land	0.19	(3.5)	4
Hongkong Land Holdings	3.52	(3.3)	3,340
ESR-LOGOS REIT	0.31	(3.1)	2,686

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

Stock	Price (HK\$)	Chg (%)	Vol ('000)
Country Garden Holdings	1.03	(3.7)	1,337,273
Tracker Fund Of Hong Kong	18.72	(0.4)	825,042
Bank Of China	2.69	0.0	268,376
China Construction Bank	4.31	0.5	241,060
Petrochina Co	6.00	(0.3)	216,237

**TOP GAINERS**

Stock	Price (HK\$)	Chg (%)	Vol ('000)
China International Capital	15.04	4.3	18,897
JD Health International	43.10	4.2	6,310
Hansoh Pharmaceutical	10.48	4.0	4,355
Sino Biopharmaceutical	3.01	3.1	58,902
Orient Overseas Intl	103.70	3.1	950

**TOP LOSERS**

Stock	Price (HK\$)	Chg (%)	Vol ('000)
Sun Hung Kai Properties	79.95	(9.5)	26,346
Henderson Land Development	20.30	(4.0)	5,256
China Vanke Co	9.34	(4.0)	37,217
Longfor Group Holdings	16.76	(3.8)	28,327
Country Garden Holdings	1.03	(3.7)	1,337,273

## SINGAPORE TRADERS' CORNER



### Best World International (BEST SP)

Trading buy range: S\$1.73-1.74

Last price: S\$1.74

Target price: S\$2.00

Protective stop: S\$1.65

Price broke and closed above the cloud yesterday, turning the chart outlook to bullish. The conversion and base lines remain in a bullish crossover. The MACD has turned bullish and is rising. We are likely to see price continuing to move higher.

We see increasing odds of stock price testing S\$2.00. Stops could be placed at S\$1.65.

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



### AEM Holdings (AEM SP)

Trading buy range: S\$3.42-3.43

Last price: S\$3.43

Target price: S\$3.90

Protective stop: S\$3.32

Price managed to stay above the middle Bollinger band, aka the 20-day moving average, which is also near to the gap support zone. The RSI is rising above its neutral level. These could increase chances of the stock price rebounding to move higher.

We see increasing odds of stock price testing S\$3.90. Stops could be placed at S\$3.32.

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

Our institutional research has a fundamental BUY and target price of S\$3.65.

#### ANALYST

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FROM THE REGIONAL MORNING NOTES...

## CDL Hospitality Trusts (CDREIT SP)

Singapore And Europe Leading The Recovery

**CDREIT's six Singapore hotels will benefit from higher occupancies and increased contributions from GCWH during the seasonally stronger 2H23. Visitor arrivals have picked up since July as Singapore becomes a preferred destination for well-heeled Chinese tourists. CDREIT will benefit from the continued recovery in Germany and Italy. Residential Build-to-Rent project The Casting in the UK will start contributing in 2H24. Maintain BUY for 2024 distribution yield of 6.6%. Target price: S\$1.48.**

### WHAT'S NEW

- **Singapore: Becoming a preferred destination for Chinese tourists.** RevPAR for CDL Hospitality Trusts' (CDREIT) six Singapore hotels increased 20.7% yoy to S\$182 in 2Q23 driven by higher room rates (+28.5% yoy). The recovery would have been more pronounced if not for: a) Grand Copthorne Waterfront Hotel (GCWH) undergoing refurbishment, and b) one of its hotels exiting the last government contract in Jan 23 and still undergoing gestation in 1H23. The average length of stay in Singapore was 3.9 days in 1H23, which is 15% higher than pre-pandemic levels. We expect continued recovery from Singapore driven by higher occupancies in 2H23 due to an influx of Chinese tourists. Its six hotels in Singapore will also benefit from the healthy line-up of MICE events and concerts.
- **Repositioning GCWH as a leading conference hotel.** GCWH has just completed extensive refurbishment and will contribute more meaningfully post-renovation in 2H23. Full renovation for its 549 rooms was completed in Jun 23. The bedroom refurbishment removed 34,000 room nights (34% of total room nights) from its inventory in 1H23. Conference facilities were closed since Apr 23 but reopened in Jul 23. Room rates have increased by double digits, while the pace of bookings for corporate events have picked up. The hotel also benefits from the opening of the Havelock MRT station in Nov 22.
- **Germany: Event calendar to pick up in 2H23.** RevPAR for Germany recovered 40.5% yoy although events have not fully recovered. The recovery was driven by corporate travellers and airline crew. NPI was boosted by variable rent of €0.4m in 1H23. Pullman Hotel Munich benefits from the pick-up in events during 2H23, including Oktoberfest and IAA Mobility (motor show focusing on passenger vehicles) in September.
- **Italy: Benefitting from return of leisure travellers from Asia.** RevPAR for Italy grew 66.4% yoy and was 33.2% above pre-pandemic levels. Hotel Cerretani Firenze benefitted from the strong recovery of Asian travellers. Chinese tourists are fond of travelling to Italian cities, including Florence. The tourism industry has almost recovered back to pre-pandemic levels. NPI was boosted by variable rent of €1.2m in 1H23.

### KEY FINANCIALS

Year to 31 Dec (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	158	229	266	288	294
EBITDA	71	105	128	149	153
Operating profit	50	84	107	128	132
Net profit (rep./act.)	72	220	48	71	72
Net profit (adj.)	28	76	48	71	72
EPU (\$ cent)	2.3	6.2	3.8	5.7	5.7
DPU (\$ cent)	4.3	5.6	6.1	7.0	7.0
PE (x)	46.1	17.0	27.4	18.4	18.3
P/B (x)	0.8	0.7	0.8	0.8	0.8
DPU Yld (%)	4.1	5.4	5.8	6.6	6.7
Net margin (%)	45.5	95.8	17.9	24.8	24.6
Net debt/(cash) to equity (%)	58.7	55.1	62.7	67.0	70.2
Interest cover (x)	4.0	n.a.	2.5	3.0	2.9
ROE (%)	4.4	12.8	2.7	4.1	4.2
Consensus DPU (\$ cent)	n.a.	n.a.	6.4	7.1	7.8
UOBKH/Consensus (x)	-	-	0.96	0.98	0.90

Source: CDL Hospitality Trusts, Bloomberg, UOB Kay Hian

## Retail Market Monitor

Tuesday, 12 September 2023

- **The UK: Margin pressure from higher wages and...** RevPAR for its two UK hotels increased 10.1% yoy to £141 and room rates were 13% above pre-pandemic levels in 2Q23. Hilton Cambridge City Centre and The Lowry Hotel were affected by higher labour costs and cessation of the government's COVID-19 business rates relief since 2Q22. Hotel Brooklyn provided full six months contribution in 1H23. Fixed rent from Hotel Brooklyn has increased 5% to £2.5m per year (7 May 23 to 6 May 24).
- **...expansion in rental housing.** Residential Build-to-Rent project The Castings with 352 units in Manchester, UK, has completed structural works and topped out in Jun 23. The Castings is on track for practical completion around mid-24. There is strong demand but a supply shortage for rental housing in Manchester. Asking rents have increased 10-15% yoy for one-bed, two-bed and three-bed units. The average length of stay is one year or more. We estimate that The Casting will contribute 4.4% of NPI in 2H24.
- **Guiding for a slight increase in cost of debts.** Aggregate leverage was stable at 37.9% in 2Q23. About 48% of its borrowings are on fixed interest rates. CDREIT has refinanced term loan of S\$120m with five-year sustainability-linked loan. Cost of debt increased 0.3ppt qoq to 4.1% in 2Q23.

### STOCK IMPACT

- **Outlook for Singapore remains positive** with continued recovery supported by a healthy pipeline of MICE events and increased flight connectivity. Singapore Tourism Board (STB) expects visitor arrivals to reach 12m-14m in 2023 (2022: 6.3m), bringing in tourism receipts of S\$18b-21b (66-75% of pre-pandemic levels). Tourism activities are expected to recover fully to pre-pandemic levels in 2024.
- **Recovery gathered pace in Jul 23.** Visitor arrivals increased 95% yoy and 26% mom to 1.4m in Jul 23, reaching 79% of pre-pandemic levels. Chinese tourists doubled mom to 231,326 in Jul 23 (16.3% of total), reaching 59% of pre-pandemic levels. China has, once again, become Singapore's largest source market. Visitor arrivals from Indonesia and Australia grew 6% and 8% mom respectively.
- **Chinese visitors to boost demand in 2H23.** Well-heeled Chinese tourists have returned since Jul 23. Flight capacity has increased and administrative kinks for visa applications have been resolved. The volume of Chinese guests is expected to increase during the National Day Golden Week in Oct 23, which coincides with the mid-autumn festival. STB expects 1.1m-2.2m Chinese visitors in 2023 (2019: 3.6m).

### 1H23 RESULTS

Year to 31 Dec (\$m)	1H23	yoy % chg	Remarks
Total Revenue	119.2	+20.9	Registered healthy growth despite renovation at GCWH.
Net Property Income (NPI)	62.9	+23.3	Growth driven by Singapore, Japan, Australia, Europe and the UK.
Distributable Income	31.2	+23.8	Interest costs increased 71.4% yoy.
DPU (S cents)	2.51	+23.0	

Source: CDREIT, UOB Kay Hian

### EARNINGS REVISION/RISK

- We trimmed our 2023 DPU forecast by 11% due to the seasonally softer 1H23 and depreciation of AUD (-6.1% yoy) and JPY (-8.5% yoy) against the SGD.

### VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$1.48 is based on DDM (cost of equity: 7.25%, terminal growth: 2.8%).

### SHARE PRICE CATALYST

- Recovery of MICE events in Singapore. Return of corporate and leisure travellers to Australia, Germany, Italy, Japan, Maldives, New Zealand and the UK.
- Contributions from yield-accretive acquisitions, including hotels and rental housing.

### KEY OPERATING METRICS - CDREIT

	2Q22	3Q22	4Q22	1Q23	2Q23	yoy % Chg	qoq % Chg*
DPU (S cents)	2.04	n.a.	3.59	n.a.	2.51	23.0%	-30.1%
Aggregate Leverage	39.5%	39.4%	36.6%	37.5%	37.9%	-1.6ppt	0.4ppt
Weighted All-in-Financing Cost	2.3%	2.5%	3.5%	3.8%	4.1%	1.8ppt	0.3ppt
% Borrowings in Fixed Rate	63.8%	64.4%	55.9%	55.5%	47.9%	-24.9ppt	-13.7ppt
Weighted Debt Maturity (years)	1.9	1.7	2.0	1.9	2.1	0.2yrs	0.2yrs
<b>Singapore Hotels</b>							
Average Occupancy Rate (%)	65.2%	88.1%	86.8%	67.9%	69.2%	4ppt	1.3ppt
Average Room Rate (%)	189	226	241	259	258	36.5ppt	-0.4ppt
RevPAR	123	199	209	176	179	45.5ppt	1.7ppt

Source: CDREIT, UOB Kay Hian \* hoh % chg for DPU

FROM THE REGIONAL MORNING NOTES...

## Money Supply

New Loans Beat Expectations, But yoy Loans Growth Unchanged

**M1 and M2 money supply growth was below consensus expectations in August, slowing to 2.2% yoy and 10.6% yoy respectively. Due to a high base for comparison, the better-than-expected new loans and new TSF had minimal impact on the yoy growth of outstanding loans and TSF. From a macro stand point, the credit impulse remains weak, and further monetary easing is needed.**

### OUR VIEWS

- **M1 and M2 money supply growth slowed in August**, coming in at 2.2% yoy and 10.6% yoy, which are below Bloomberg consensus estimates of 2.4% yoy and 10.7% yoy respectively. The weaker M1 growth points to weak transactional demand for money, while the slowing M2 growth suggests that stronger bank loans growth is needed. That said, the new loans are better mom; loans to households saw a net increase of Rmb392b, while that to non-financial corporate rose to Rmb949b.

### KEY MONETARY INDICATORS

(yoy % chg)	Aug 23	Consensus	Jul 23	Jun 23
M0 Money Supply	9.5	-	9.9	9.8
M1 Money Supply	2.2	2.4	2.3	3.1
M2 Money Supply	10.6	10.7	10.7	11.3
Outstanding Bank Loans	11.1	-	11.1	11.3
Outstanding Total Social Financing	9.0	-	8.9	9.0
New Bank Loans (Rmbt)	1.36	1.25	0.35	3.05
New Total Social Financing (Rmbt)	3.12	2.69	0.53	4.22

Source: Wind, PBOC, UOB Kay Hian

- Although new bank loans and new TSF at Rmb1.36t and Rmb3.12t respectively exceeded market expectations, the higher base for comparison led to outstanding loans growth and TSF growth of only 11.1% yoy and 9.0% yoy respectively, which are almost unchanged mom. From a macro standpoint, credit impulse remains weak and the economy would definitely benefit from stronger bank loans growth.

### OUTSTANDING TSF

(yoy % chg)	Aug 23	Jul 23	Jun 23	2022
Renminbi Loans	10.9	11.0	11.2	10.9
Forex Loans	-16.8	-17.8	-18.9	-17.4
Entrusted Loans	2.4	4.0	4.1	3.4
Trust Loans	-2.9	-3.6	-5.1	-14.0
Bank Acceptances	-8.2	0.0	-2.8	-11.6
Corporate Bond	-0.2	-0.4	-0.4	3.6
Government Bond	11.5	10.1	10.1	13.4
Equity Issuance	10.2	10.6	11.4	12.4

Source: Wind, PBOC, UOB Kay Hian



FROM THE REGIONAL MORNING NOTES...

## Beer – China

2Q23/1H23 Results Wrap-Up: Sales To See Modest Pick-up In September

**Brewers reported solid 1H23 results for their China business, backed by mid-to-high single-digit percentage sales volume growth, ASP expansion and sequentially softer cost pressure. In the near term, we expect sales to pick up in Sep 23 thanks to the Golden Week and low base, though the recovery should be modest amid bad weather. In the medium to long term, we believe premiumisation will remain intact, and brewers' cost pressure will soften more in 2024. Upgrade to OVERWEIGHT.**

### WHAT'S NEW

- **Sales to pick up in September but modest.** Brewers saw mid-to-high single-digit percentage yoy sales volume growth in 1H23 for the China business, which benefitted from channels reopening. China Resources Beer (CRB)/Tsingtao Brewery (TB)/Chongqing Brewery (CBC)/Yanjing Brewery (YB)/Bud APAC (Bud) China region recorded 4%/6%/5%/6%/9% yoy sales volume growth, respectively. Sales momentum weakened during July-August, especially for CRB and TB, due to the high base effect and bad weathers. While we believe that sales momentum may pick up from September supported by the upcoming Golden Week and the low base effect, we foresee that consumption recovery may be modest, given the continuous bad weather headwinds. Based on our channel check, CRB recorded low single-digit percentage yoy sales volume growth mtd, even on a low base.
- **Premiumisation remained intact while divergence emerged.** We continued to see product upgrade and price hikes of the mid-to-high-end products in 1H23, leading to 4%/5%/2%/3%/6% of yoy ASP increase for CRB/TB/CBC/YB/Bud China region, respectively. While some may argue that the slow economic recovery in China may suppress the premiumisation of the beer sector, we insist that it will remain intact. In our view, premium beer is an affordable luxury for consumers, and even though some consumers traded down against the uncertain macro backdrop, they actually replaced the luxury spirits with more affordable ones, among which premium beers were good replacements for them, according to Bud's observations. However, we do think that divergence has emerged in the premium beer segment.
- **In 1H23, sales volume of Heineken and Tsingtao Classic grew by about 60% and 16% yoy, respectively, while Wusu only delivered positive yoy growth in Xinjiang province. Looking ahead, we think brewers that:** a) provide more product offerings for wider consumption scenarios, b) plan for higher investment and thus have stronger control on channels, especially on-trade channels, and c) have deeper penetration in areas where consumers have stronger spending power, such as Jiangsu, Zhejiang, Guangdong, Fujian provinces, etc., will outperform.
- **Expect cost pressure to soften more in 2024.** Per unit COGS of CRB/TB/CBC/YB/ Bud recorded -1%/+4%/+3%/+2%/+4% yoy changes in 1H23, with most players seeing cost pressure easing in 2Q23 (per unit COGS in 1Q23: CBC/YB/Bud: +6%/-3%/+5% yoy changes), given the gradual digestion of higher costs raw materials. Although we expect raw material cost pressure to continue to soften in 3Q23-4Q23, we think China's lift of anti-dumping and anti-subsidy tariffs on Australian barley that took effect since 5 Aug 23, will only be reflected in late-23/2024. Among the brewers under our coverage, TB and CRB will benefit from the lift of tariffs earlier than peers, in our view, as the two players will begin barley procurement in late-23.

### PEER COMPARISON

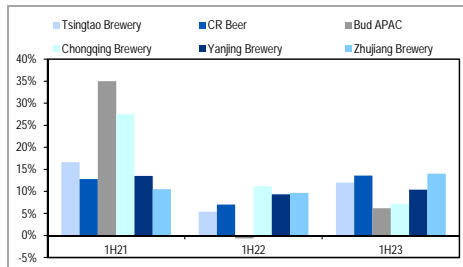
Company	Ticker	Rec	Current Price (11 Sep 23) (lcy)	Target Price (lcy)	Upside/(Downside) to TP (%)	Market Cap (US\$m)	----- PE ----- 2023F (x)	2024F (x)	----- P/B ----- 2023F (x)	2024F (x)	----- EV/EBITDA ----- 2023F (x)	2024F (x)	ROE 2023F (%)
Tsingtao Brewery	168 HK	BUY	65.50	91.80	40.2	14,411.8	17.1	15.5	3.0	2.7	11.7	10.8	18.3
CR Beer	291 HK	BUY	44.85	66.70	48.7	18,575.4	26.3	22.5	4.5	3.9	18.0	14.7	17.9
Bud APAC	1876 HK	BUY	16.72	22.50	34.6	28,268.8	25.1	21.4	2.5	2.3	10.7	9.4	10.1
Chongqing Brewery	600132 CH	BUY	90.00	108.00	20.0	5,970.0	29.6	26.2	19.2	15.8	10.6	9.3	68.0
Yanjing Brewery	000729 CH	Not Rated	10.62	n.a.	n.a.	4,105.0	50.3	34.9	2.2	2.1	14.8	12.0	4.2

Source: Bloomberg, UOB Kay Hian

## ACTION

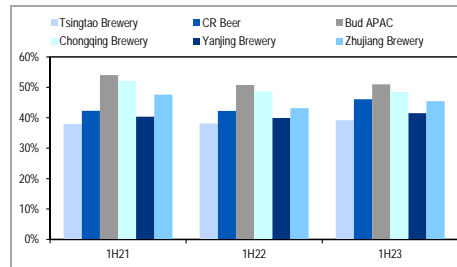
- **Pecking order: CRB>TB>CBC>Bud.** The current valuation of the beer sector is undemanding. Brewery players under our coverage are trading at 10-18x 2023F EV/EBITDA, 1.25-2SD below five-year average, and 17-30x 2023F PE, 0.5-1.75SD below five-year average. Our pecking order for the beer sector is: CRB>TB>CBC>Bud. We like CRB for its: a) mixed product offerings, b) strong channel expansion, and c) ability to grow fast in non-core markets.

### REVENUE YOY GROWTH COMPARISON



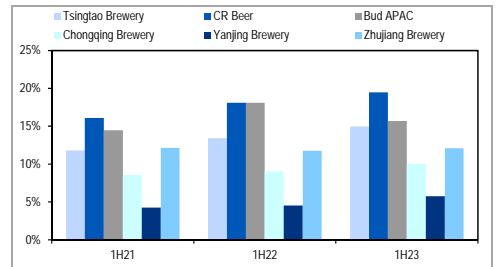
Source: Tsingtao Brewery, CR Beer, Bud APAC, Chongqing Brewery, Yanjing Brewery, Zhujiang Brewery, UOB Kay Hian

### GROSS PROFIT MARGIN COMPARISON



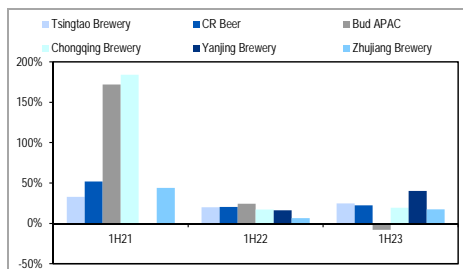
Source: Tsingtao Brewery, CR Beer, Bud APAC, Chongqing Brewery, Yanjing Brewery, Zhujiang Brewery, UOB Kay Hian

### NET PROFIT MARGIN COMPARISON



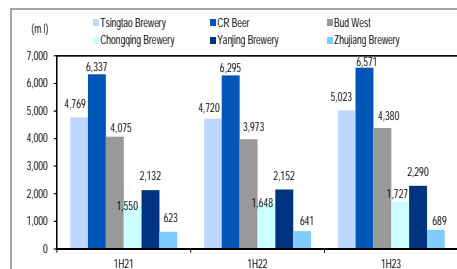
Source: Tsingtao Brewery, CR Beer, Bud APAC, Chongqing Brewery, Yanjing Brewery, Zhujiang Brewery, UOB Kay Hian

### NET PROFIT YOY GROWTH COMPARISON



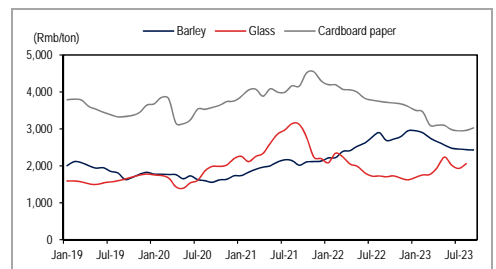
Source: Tsingtao Brewery, CR Beer, Bud APAC, Chongqing Brewery, Yanjing Brewery, Zhujiang Brewery, UOB Kay Hian

### SALES VOLUME COMPARISON



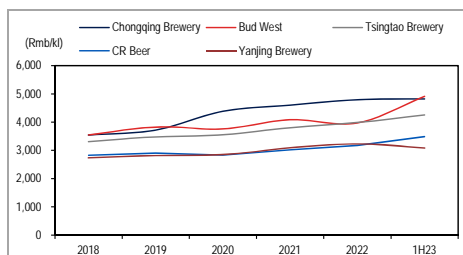
Source: Tsingtao Brewery, CR Beer, Bud APAC, Chongqing Brewery, Yanjing Brewery, Zhujiang Brewery, UOB Kay Hian

### RAW MATERIAL COST TREND



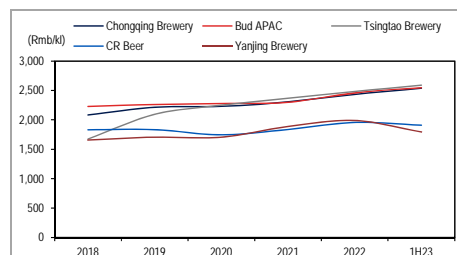
Source: Wind, UOB Kay Hian

### ASP OF BEER COMPARISON



Source: Tsingtao Brewery, CR Beer, Bud APAC, Chongqing Brewery, Yanjing Brewery, UOB Kay Hian

### COGS OF BEER COMPARISON



Source: Tsingtao Brewery, CR Beer, Bud APAC, Chongqing Brewery, Yanjing Brewery, UOB Kay Hian



FROM THE REGIONAL MORNING NOTES...

## Commodities – China

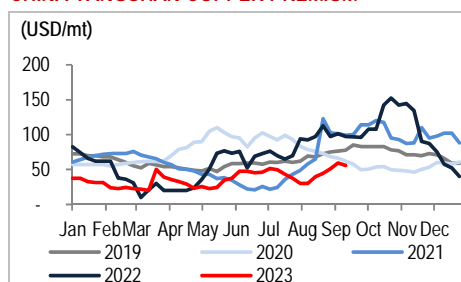
Weekly: Signs Of Economic Stabilisation From Improving CPI/Credit Data

Metal prices have been boosted by China's Aug 23 CPI figures which have returned to positive territory, paring some of the losses last week given the strength of the US dollar. Iron ore prices corrected last week as Chinese authorities stepped up intervention and warned futures brokers not to hype up iron ore prices. Steel production activities expand further as steel mills anticipate consumption to pick up further. Cement shipments continue to recover as weather conditions improve, but rising coal prices are eroding margins.

### WHAT'S NEW

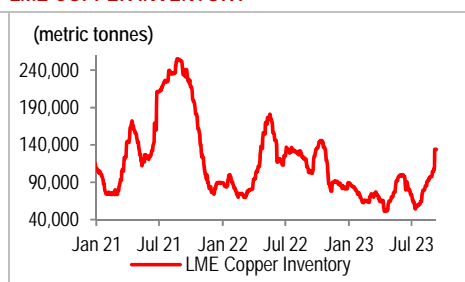
- **Metals (maintain MARKET WEIGHT):** Improving CPI and credit data bolstered confidence.
  - Copper prices rallied yesterday, boosted by China's improving Aug 23 CPI data at +0.1% yoy, returning to positive territory while the decline of PPI has also slowed to -3.0% yoy (Jul 23: -4.4% yoy). China's Aug 23's aggregate financing has also beat expectations at Rmb3,120b (consensus: Rmb2,690b), indicating improving credit demand after a series of steps was taken to stabilise the economy.
  - COMEX gold/LME copper three-month futures were down 1.2%/3.0% wow to US\$1,925 per t oz/US\$8,243 per mt, largely dragged by the strength in USD where USD index had hit the highest level last week since Mar 23. Market weighed on the possibility of the Fed maintaining interest rate at the current level for longer given the better-than-expected labour market (six-month low initial jobless claims) and ISM non-manufacturing PMI (54.5 vs consensus 52.5).
  - According to CME FedWatch Tool, the market has priced in 93.0% odds of the Fed maintaining interest rate at 5.25-5.50% in Sep 23 and 45.2% odds of cutting interest rate in May 24, deferring from the previously expected Mar 24.
  - The focus this week will be on the US' CPI data releasing on 13 September with consensus looking at +3.6% yoy.

### CHINA YANGSHAN COPPER PREMIUM



Source: Bloomberg, UOB Kay Hian

### LME COPPER INVENTORY



Source: Bloomberg, UOB Kay Hian

### PEER COMPARISON

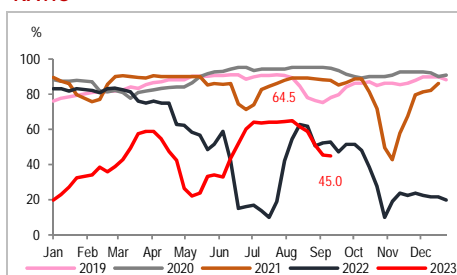
Company	Ticker	Rec	Price @ 11 Sep 23 (lcy)	Target Price (lcy)	Upside/ (Downside) to TP (%)	Market Cap (lcy m)	PE 2023F (x)	2024F (x)	P/B 2023F (x)	2024F (x)	EV/EBITDA 2023F (x)	2024F (x)	ROE (%)
Anhui Conch	914 HK	BUY	21.65	28.30	30.7	139,051.9	9.0	8.3	0.6	0.5	8.2	7.3	6.4
Baosteel	600019 CH	BUY	6.21	7.10	14.3	138,248.3	13.3	9.9	0.7	0.7	5.6	4.8	5.2
CR Cement	1313 HK	HOLD	2.39	3.10	29.7	16,689.2	8.8	6.9	0.3	0.3	7.2	5.9	3.8
Zijin Mining	2899 HK	BUY	12.78	15.00	17.4	360,682.2	13.5	11.5	2.9	2.5	10.8	9.5	23.7

Source: Bloomberg, UOB Kay Hian

- **Steel (maintain UNDERWEIGHT):** Chinese authorities investigated irrational iron ore price movement.

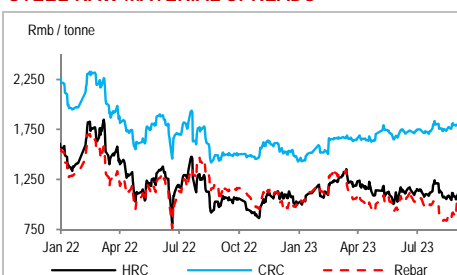
- **Iron ore prices corrected as authorities stepped up intervention.** On 7 August, National Development and Reform Commission and China Securities Regulatory Commission summoned iron ore futures brokers to discuss the recent iron ore price movement; participants were told not to hype up iron ore prices during the meeting. SGX iron ore closed at US\$113.33 (-0.6% wow), but was still +14.1% mom. Domestic spot prices of rebar/hot-rolled coil steel (HRC)/cold-rolled coil steel (CRC) saw wow changes of +0.2%/-0.8%/+0.1%.

## 247 SAMPLED STEEL MILLS PROFIT-MAKING RATIO



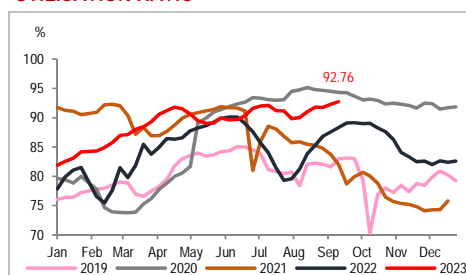
Source: Wind, UOB Kay Hian

## STEEL-RAW MATERIAL SPREADS



Source: Bloomberg, UOB Kay Hian

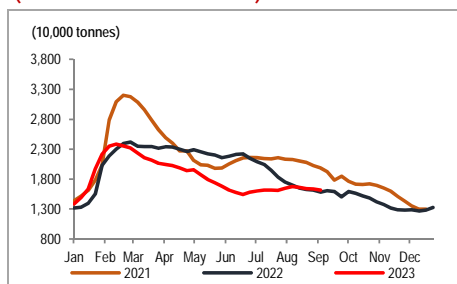
## 247 SAMPLED STEEL MILLS BLAST FURNACE UTILISATION RATIO



Source: Wind, UOB Kay Hian

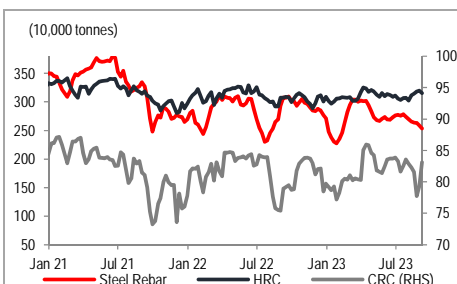
- **Strong steel prices driving margin recovery.** The recent rebound in steel prices has helped support the margins of long products. Weekly average of HRC steel-raw materials spread was up 1.2% wow. Robust steel production continued dragging margins, and Mysteel's survey indicated that 45.0% of steel mills are currently profit-making (-0.45 ppt wow), dragged by the robust production activities.
- **Ramping up production as peak consumption season is approaching.** The blast furnace capacity utilisation rate of 247 domestic steel mills has expanded again to 92.76% (+0.49ppt wow) while the weekly average daily molten iron production has also hit another record high of the year at 2.4824m tonnes (+0.5% wow). However, weekly output of five major steel products has slowed to 9.224m tonnes (-0.8% wow) this week.
- **Inventory down for fourth consecutive week; apparent consumption picking up.** Overall steel inventory based on Mysteel's survey was down 1.37% wow to 16.16m tonnes (+2.0% yoy), down for the fourth consecutive week. Steel apparent consumption continued growing last week, up 1.2% wow to 9.449m tonnes, driven by the 5.2%/6.2% wow increase in consumption of rebar/CRC. However, rebar consumption was still 12.4% yoy lower whereas CRC/steel plate demand remained resilient at +7.6%/+7.2% yoy.

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



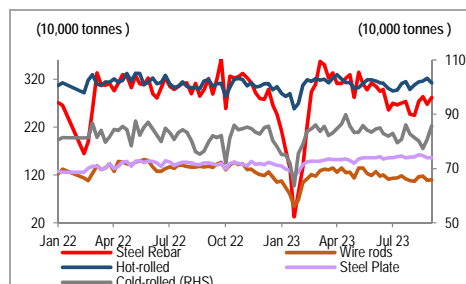
Source: Wind, UOB Kay Hian

## WEEKLY PRODUCTION OUTPUT OF MAJOR STEEL PRODUCTS



Source: Wind, UOB Kay Hian

## STEEL PRODUCTS WEEKLY APPARENT CONSUMPTION



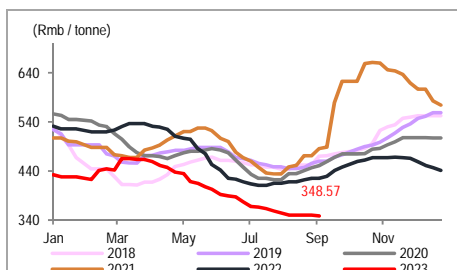
Source: Wind, UOB Kay Hian

- **Cement (maintain MARKET WEIGHT):** Shipment picking up as weather condition improves.

- **Cement prices still finding footing.** National average PO42.5 cement prices (bulk) were last reported at Rmb353.50 per tonne, down 0.28% wow. Average cement prices for the eastern/central/southern regions saw changes of -0.41%/-1.0%/flat wow.

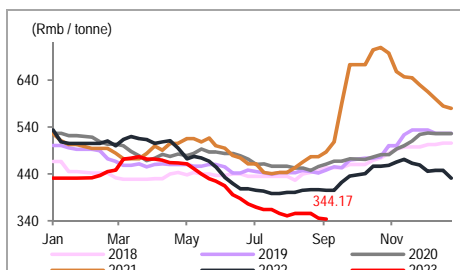
Cement-coal spread has narrowed slightly to Rmb254.18 per tonne (-0.2% wow/-7.1% yoy), largely due to the rebound of Q5000 QHD thermal coal prices in recent weeks (+8.4% since mid-Aug 23).

#### AVERAGE CEMENT PRICES – EAST



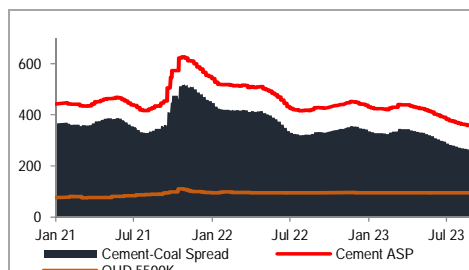
Source: CEIC, UOB Kay Hian

#### AVERAGE CEMENT PRICES – CENTRAL-SOUTH



Source: CEIC, UOB Kay Hian

#### CEMENT-COAL SPREAD



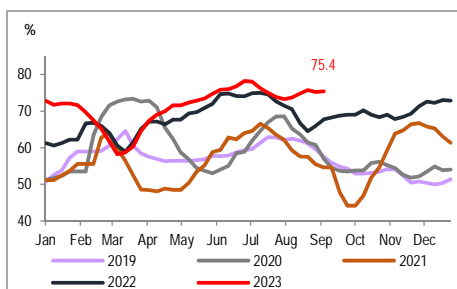
Source: CEIC, Wind, UOB Kay Hian

#### - Shipment recovered by 3% wow; southern region demand dragged by typhoon.

According to 100NJZ's survey conducted on 250 cement enterprises, weekly cement shipment volume for the week of 30 Aug-5 Sep 23 was 5.7315m tonnes (+3.0% wow, -28.1% yoy). By region, the eastern/central/southern regions' shipment volume was +0.66%/+9.49%/-2.67% wow (-36.20%/-28.57%/-37.01% yoy) respectively. Shipment for infrastructure projects was 2.22m tonnes (+3.26% wow/-8.26% yoy), remaining as the key demand pillar.

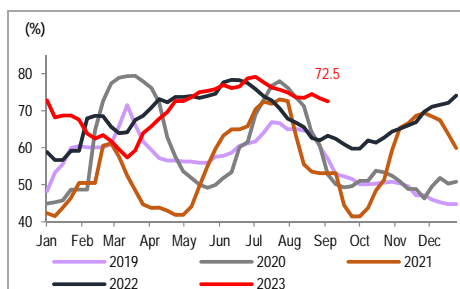
#### - Rising inventory pressure amid recovering output. Based on 100NJZ's survey on 274 cement enterprises, clinker production capacity utilisation rebounded to 56.8% last week (+4.48ppt wow). National average cement storage capacity ratio was up 0.1ppt wow to 75.4%. Inventory level for central-south China regions, particularly Fujian and Guangdong, was up 0.7ppt to 77.4% as demand was deterred by typhoons.

#### CEMENT STORAGE CAPACITY RATIO – NATIONAL AVERAGE



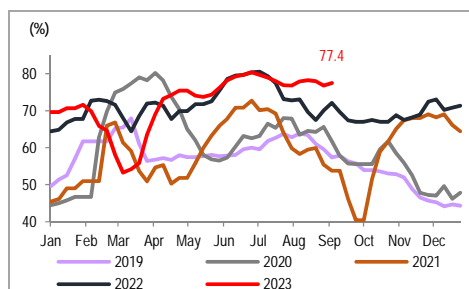
Source: CEIC, UOB Kay Hian

#### 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 cement sector.** We expect construction activities to continue to normalise in the following weeks as the weather condition improves. However, construction progress of infrastructure projects would largely still hinge on the pace of local government special purpose bond (LGSB) issuance, of which the utilisation of annual quota was slower than the previous year. Local governments were asked to complete the issuance by end-Sep 23 and fund disbursement should be completed by end-Oct 23; infrastructure projects' constructions should gain traction by then.
- **We maintain UNDERWEIGHT on the steel sector.** The recent policy easing has lifted market sentiment. Apparent consumption since mid-Aug 23 has been encouraging, which saw steel products' inventory trending down for fourth consecutive weeks and maintaining at reasonable levels. We are hopeful on downstream consumption as we enter the traditional peak season, which coupled with the potential production curbs, should result in fundamentals continuing to improve in the following weeks.

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