UOBKayHian

# Country Daily | Greater China

Friday, 18 September 2026

## Key Indices

| | Prev Close | 1D % | 1W % | 1M % | YTD % |
|---|---|---|---|---|---|
| DJIA | 51778.0 | 0.6 | (0.5) | (3.1) | 7.7 |
| S&P 500 | 7637.8 | 1.1 | 0.6 | (1.4) | 11.6 |
| FTSE 100 | 10816.1 | 1.2 | 2.0 | 0.9 | 8.9 |
| AS30 | 8910.9 | 0.4 | (1.1) | (3.9) | (1.2) |
| CSI 300 | 4460.2 | (0.4) | (1.9) | (5.6) | (3.7) |
| FSSTI | 5660.5 | 0.4 | (0.5) | (0.7) | 21.8 |
| HSCEI | 8175.4 | (0.4) | (1.2) | (3.3) | (8.3) |
| HSI | 24604.3 | (0.4) | (1.4) | (3.3) | (4.0) |
| JCI | 6462.4 | 0.4 | (1.9) | 0.2 | (25.3) |
| KLCI | 1674.7 | (0.3) | (2.3) | (3.4) | (0.3) |
| KOSPI | 6715.4 | (0.0) | (4.5) | (2.2) | 59.4 |
| Nikkei 225 | 64136.3 | 0.3 | (1.7) | (4.9) | 27.4 |
| SET | 1583.3 | 1.3 | (2.0) | (2.4) | 25.7 |
| TWSE | 46288.0 | 1.0 | (1.4) | 2.2 | 59.8 |
| BDI | 3336 | 0.3 | (5.3) | 15.9 | 77.7 |
| CPO (RM/mt) | 4642 | 0.7 | (0.9) | 2.6 | 18.0 |
| Brent Crude (US$/bbl) | 105 | (1.0) | (2.6) | 15.4 | 72.3 |

*Source: Bloomberg*

## Corporate Events

| | Venue | Begin | Close |
|---|---|---|---|
| 17th Asian Gems Conference 2026 (Virtual) | Singapore | 22 Sep | 23 Sep |
| Post-results NDR with Sunny Optical (2382 HK) | Taipei | 22 Sep | 23 Sep |
| New Economy Conference at The Ritz Carlton Hotel | Malaysia | 07 Oct | 07 Oct |
| NDR with Food Empire Holdings Ltd (FEH SP) | Malaysia | 08 Oct | 08 Oct |

## Corporate and Macro Calendar

| Economic Indicator/Event | Country/Region | Date |
|---|---|---|
| Aug CPI Composite | Hong Kong | 23 Sep |
| Aug Trade Balance, Exports, Imports | Hong Kong | 24 Sep |
| Aug Industrial Profits | China | 28 Sep |
| 2Q F BoP Current Account Balance | China | 29 Sep |
| Sep PMI (Composite, Manufacturing, Non-manufacturing) | China | 30 Sep |
| Sep RatingDog China PMI (Mfg, Composite, Services) | China | 30 Sep |
| Aug Money Supply (M1, M2, M3) | Hong Kong | 30 Sep |

## Top Stories

**Sector Update** | Automobile Page 2 →

- Lithium carbonate fell more than 20% during September to Rmb124,020/tonne. BYD restated a 2027 solid-state launch. CATL dropped 10.0% to a one-year low. We see bottom-fishing opportunities emerging for CATL. Geely received more than 43,900 Cruiser 700 pre-orders in an hour, and four September launches are now priced, setting up the National Day peak. China brought truck electrification to IAA Hannover. Maintain MARKET WEIGHT.

**Sector Update** | Consumer Page 6 →

- A potentially strong El Niño has already driven a rise in agricultural commodity prices. We expect upside pressure on domestic sugar prices to be manageable, while palm oil remains the key swing factor. El Niño could affect China consumer companies through both supply- and demand-side channels. Higher input costs may pressure margins, particularly for food producers exposed to palm oil and apparel companies exposed to cotton. On the demand side, it could alter seasonal consumption patterns. Maintain OVERWEIGHT.

## Technical Analysis

**Innovent Biologics** | 1801 HK Page 10 →

- Support levels: HK$93.10/HK$91.75
- Resistance levels: HK$105.60/HK$112.70

**Hansoh Pharmaceutical** | 3692 HK Page 10 →

- Support levels: HK$32.28/HK$30.76
- Resistance levels: HK$37.16/HK$40.12

*Disclaimer: In Traders' Corner, technical analysis is carried out purely based on charting patterns, price movements and trends, and is thus independent of the fundamental research views of our analysts. As a result, and from time to time, we may make a technical recommendation that is opposite to our fundamental BUY/HOLD/SELL rating.*

# Automobile

## Weekly: Lithium Carbonate Price Drop Reconfirms Our Preference For OEMs; Bottom-fishing Opportunity Emerges For CATL

### Highlights

- Lithium carbonate fell more than 20% during September to Rmb124,020/tonne, cutting revenue at Ganfeng and Tinci.
- Geely received more than 43,900 Cruiser 700 pre-orders in an hour, and four September launches are now priced.
- BYD, CATL and Pony AI showed electric trucks at the IAA Hannover, opening a second export front.
- CATL dropped 10.0% to Rmb304.30, a one-year low; we see the switching fear as overdone.
- Maintain MARKET WEIGHT. Top BUYs: BYD, Geely, CATL, and Minth. Top SELL: Li Auto.

### Analysis

- **Battery: Lithium gave back the year's gain while CATL hit a one-year low.**
  - **The most-active Jan 27 futures contract (2701) fell to as low as Rmb124,020/tonne on 16 Sep 26, down more than 20% in September,** on reports that the leading cell makers have trimmed production schedules and on Shanghai Metals Market's (SMM) switch to a broader inventory methodology that raised reported weekly stocks from roughly 70,000 tonnes to 169,300 tonnes in one adjustment, and it has pulled the listed lithium miners down with it. Even after that retreat, battery-grade lithium carbonate spot is still quoted at Rmb128,850-133,200/tonne, leaving the 2701 contract at a Rmb6,380-7,900/tonne discount to physical material.

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**MARKET WEIGHT (Maintained)**

### Segmental Rating

| Segment | Rating |
|---|---|
| OEMs | OVERWEIGHT (Maintained) |
| Auto parts | MARKET WEIGHT (Maintained) |
| Battery | MARKET WEIGHT (Maintained) |
| Battery materials | UNDERWEIGHT (Maintained) |

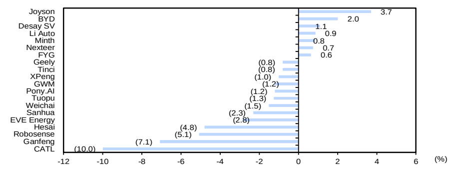
*Source: Bloomberg, UOB Kay Hian*

### Sector Picks

| Company | Ticker | Rec | Share Price (Lcy) | Target Price (Lcy) |
|---|---|---|---|---|
| BYD | 1211 HK | BUY | 81.15 | 150.00 |
| Geely | 175 HK | BUY | 16.00 | 29.00 |
| CATL | 300750 CH | BUY | 304.30 | 585.00 |
| Minth | 425 HK | BUY | 24.00 | 56.00 |
| Li Auto | 2015 HK | SELL | 46.88 | 35.00 |

*Source: Bloomberg, UOB Kay Hian*

### Weekly Stock Performance




*Source: UOB Kay Hian*

### Peer Comparison

| Company | Ticker | Rec* | Price 17 Sep 26 (Lcy) | Target Price (Lcy) | Upside To TP (%) | Last Year End | PE 2025 (x) | PE 2026F (x) | PE 2027F (x) | Yield 2026F (%) | ROE 2026F (%) | Market Cap. (Lcy m) | Price/ NAV ps (x) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BYD – H | 1211 HK | BUY | 81.15 | 150.00 | 84.8 | 12/25 | 19.7 | 14.2 | 11.4 | 0.7 | 15.3 | 298,907 | 2.2 |
| Geely | 175 HK | BUY | 16.00 | 29.00 | 81.2 | 12/25 | 9.7 | 8.5 | 6.7 | 3.3 | 17.8 | 172,569 | 2.3 |
| Great Wall Motor - H | 2333 HK | HOLD | 7.47 | 9.90 | 32.5 | 12/25 | 5.6 | 6.0 | 4.9 | 3.0 | 10.2 | 17,168 | 0.6 |
| Li Auto | 2015 HK | SELL | 46.88 | 35.00 | (25.3) | 12/25 | 185.3 | 58.4 | 72.2 | 0.0 | 2.0 | 97,745 | 1.2 |
| XPeng | 9868 HK | BUY | 41.18 | 60.00 | 45.7 | 12/25 | Loss | 130.8 | 15.7 | 0.0 | 1.7 | 64,547 | 2.2 |
| Fuyao Glass - H | 3606 HK | BUY | 55.20 | 84.00 | 52.2 | 12/25 | 13.5 | 12.6 | 10.5 | 5.3 | 27.2 | 33,493 | 2.9 |
| Huizhou Desay SV | 002920 CH | BUY | 84.43 | 135.00 | 59.9 | 12/25 | 20.5 | 20.5 | 17.4 | 1.7 | 24.8 | 50,389 | 2.9 |
| Minth | 425 HK | BUY | 24.00 | 56.00 | 133.3 | 12/25 | 8.7 | 8.3 | 7.1 | 3.5 | 11.7 | 28,116 | 0.9 |
| Nexteer | 1316 HK | BUY | 4.72 | 11.40 | 141.5 | 12/25 | 14.9 | 11.3 | 10.2 | 4.0 | 6.2 | 11,846 | 0.7 |
| Ningbo Joyson | 600699 CH | BUY | 19.87 | 25.00 | 25.8 | 12/25 | 20.9 | 15.7 | 13.8 | 1.3 | 9.9 | 27,732 | 1.5 |
| Ningbo Tuopu | 601689 CH | BUY | 43.76 | 64.00 | 46.3 | 12/25 | 28.2 | 25.1 | 21.8 | 0.0 | 11.7 | 76,048 | 3.1 |
| Pony AI | PONY US | BUY | 6.55 | 15.00 | 129.0 | 12/25 | Loss | Loss | Loss | 0.0 | n.a. | 2,314 | 0.3 |
| Weichai Power - H | 2338 HK | HOLD | 31.14 | 31.00 | (0.4) | 12/25 | 39.2 | 20.5 | 19.2 | 2.9 | 10.7 | 60,506 | 2.4 |
| Zhejiang Sanhua | 002050 CH | BUY | 34.64 | 43.00 | 24.1 | 12/25 | 36.2 | 30.9 | 26.8 | 1.3 | 14.2 | 129,258 | 4.2 |
| Hesai | 2525 HK | BUY | 16.65 | 29.00 | 74.2 | 12/25 | 36.9 | 33.2 | 20.1 | 0.0 | 5.9 | 17,335 | 1.9 |
| RoboSense | 2498 HK | BUY | 16.27 | 33.00 | 102.8 | 12/25 | Loss | 73.5 | 16.9 | 0.0 | 2.4 | 7,674 | 1.7 |
| CATL | 300750 CH | BUY | 304.30 | 585.00 | 92.2 | 12/25 | 19.3 | 14.7 | 11.1 | 3.4 | 20.8 | 1,334,964 | 3.5 |
| EVE Energy | 300014 CH | BUY | 48.23 | 85.00 | 76.2 | 12/25 | 24.2 | 12.7 | 9.7 | 2.0 | 6.8 | 104,818 | 2.0 |
| Ganfeng Lithium - H | 1772 HK | BUY | 33.34 | 75.00 | 125.0 | 12/25 | 37.7 | 18.2 | 11.2 | 1.1 | (1.2) | 16,107 | 1.2 |
| Tinci Materials | 002709 CH | BUY | 32.88 | 54.00 | 64.2 | 12/25 | 46.5 | 13.1 | 10.9 | 2.3 | 5.4 | 67,028 | 2.9 |

*Source: Bloomberg, UOB Kay Hian*

CATL's price-cost linkage passes lithium swings through to the battery price, and the 2% battery consumption tax levied from 1 Sep 26, rising to 4% in Sep 27, falls on the buyer, so neither hit unit profit: we hold CATL's 2026-28 net profit per GWh at Rmb93.6m, Rmb95.6m and Rmb97.8m respectively. The drop in lithium carbonate prices benefit OEMs at the expense of Ganfeng and Tinci. In the 2Q26 results note, we already cut Ganfeng's 2027-28 ASP assumptions to Rmb142,000 per tonne (ex-VAT) and its target price to HK$75.00. The Rmb124,020 per tonne (including 13% VAT) is below our full-year assumption, and the spot-futures gap means the contract is discounting a weaker balance than the physical market has so far confirmed.

- **CATL fell 10.0% to a one-year low, and we published on it this week.** The A shares fell 10.0% to Rmb304.30 over the five sessions to 17 Sep 26 and the H shares dropped 9.7% to HK$507.00, after reports that Li Auto, Xiaomi, Aito and XPeng have all widened their cell sourcing. The company bought back Rmb947m of stock on 16 Sep 26, and August installations rose 26.3% yoy to 79.0GWh. The switching fear is groundless, as CATL has technology, reliability and brand moats, and the same fear peaked in late-23 without costing CATL share. OEMs that switched battery sourcing away from CATL to smaller suppliers saw the move end in failure – as illustrated by Geely's recall over defects in Sunwoda battery. We maintain BUY on CATL, with 2026-28 net profit at Rmb93.64b, Rmb117.64b and Rmb141.88b respectively, and at Rmb304.30 the stock trades on about 12x our 2027 earnings.
- **BYD restated a 2027 launch for its first solid-state battery (SSB) model.** Executive vice-president Stella Li said in an interview published on 14 September that BYD holds "the leading position" in SSB and will prove it with its first model in 2027. BYD's own timetable, set out by group chief scientist Lian Yubo, is for a sulphide all-solid-state cell in bulk demonstration vehicles in 2027, on the flagship brands and in the order of 1,000 units, with large-scale application only around 2030. BYD's SSB launch may raise concerns that CATL's battery technology moat is being eroded. We think that fear is misplaced. Apart from BYD, CATL, Geely, Changan, Toyota and Mercedes-Benz all target the same 2027 pilot date for SSB. 2027 is an engineering milestone rather than an earnings event - about 1,000 demonstration cars is immaterial against BYD's volume base, so we have not input any SSB volume into either company's 2027 forecasts. CATL's chairman Robin Zeng said in June that sulphide cells still cost 3-5x a conventional lithium-ion cell and called mass commercialisation by 2030 unlikely. The technology is nobody's advantage yet, and our BYD and CATL estimates are unchanged.

- **Corporate update: September launch calendar landing on schedule.** All five OEMs we cover have now priced or launched their September models, and the order data is running ahead of the Chengdu Auto Show cohort.
  - **Geely received more than 43,900 Cruiser 700 pre-orders in an hour.** Pre-sales opened on 15 Sep 26 at Rmb199,800-269,800 across five versions, with a Rmb389,800 Land Ark edition limited to 700 units that sold out in 12 minutes, on a 47.14kWh CATL lithium iron phosphate pack giving 270-305km of electric range. Formal launch is due by year-end, and Geely also launched the Galaxy TT on 10 Sep 26 at Rmb129,900. The Cruiser 700 boost the blended ASP of Geely rather than sales volume.
  - **Geely started building the EX5 EM-i in Brazil.** The first unit came off the line at the Ayrton Senna complex on 15 Sep 26 under the Renault partnership, in which Geely holds 26.4% of Renault do Brasil, with the EX2 to follow in December. Geely's overseas sales rose 205% yoy in August. The localisation of production enables Geely to bypass the trade barriers. Overseas volume is already the driver in our Geely estimates, so Brazil supports the forecast rather than changes it.

### China PV Sales (Aug 26)

| ('000 units) | Aug 26 | yoy % | mom % | 8M26 | yoy % |
|---|---|---|---|---|---|
| *Production volume* | | | | | |
| EV | 1,529 | 19.7 | 5.5 | 9,758 | 9.7 |
| BEV | 1,036 | 28.1 | 8.0 | 6,247 | 12.6 |
| PHEV | 391 | 4.8 | 0.0 | 2,805 | 8.9 |
| EREV | 102 | 7.4 | 3.0 | 706 | (9.0) |
| ICE-car | 832 | (31.5) | 5.7 | 7,436 | (20.0) |
| Total | 2,361 | (5.3) | 5.6 | 17,194 | (5.5) |
| *EV share (%)* | *64.8* | *13.5* | *0.0* | *56.8* | *7.8* |
| *Wholesale* | | | | | |
| EV | 1,511 | 16.7 | 4.6 | 9,779 | 9.1 |
| BEV | 1,032 | 26.5 | 7.7 | 6,310 | 13.7 |
| PHEV | 386 | 2.9 | (0.3) | 2,771 | 5.6 |
| EREV | 93 | (10.6) | (7.0) | 698 | (11.9) |
| ICE-car | 860 | (29.4) | 4.9 | 7,538 | (19.2) |
| Total | 2,371 | (5.7) | 4.7 | 17,317 | (5.3) |
| *EV share (%)* | *63.7* | *12.2* | *(0.1)* | *56.5* | *7.5* |
| *Retail sales* | | | | | |
| EV | 1,005 | (9.9) | 5.7 | 6,675 | (12.1) |
| BEV | 698 | 1.2 | 7.9 | 4,469 | (3.9) |
| PHEV | 226 | (29.4) | 3.2 | 1,600 | (27.1) |
| EREV | 81 | (22.9) | (4.7) | 606 | (19.3) |
| ICE-car | 549 | (39.2) | 5.0 | 5,151 | (30.0) |
| Total | 1,554 | (23.9) | 5.4 | 11,826 | (20.9) |
| *EV share (%)* | *64.7* | *10.0* | *0.2* | *56.4* | *5.7* |
| *Export* | | | | | |
| EV | 519 | 154.4 | (3.9) | 3,328 | 135.0 |
| BEV | 329 | 145.5 | 2.5 | 1,998 | 118.6 |
| PHEV | 171 | 163.1 | (11.9) | 1,209 | 158.3 |
| EREV | 19 | 280.0 | (24.0) | 121 | 255.9 |
| ICE-car | 375 | 25.0 | (2.1) | 2,815 | 35.0 |
| Total | 894 | 77.4 | (3.1) | 6,143 | 75.5 |
| *EV share (%)* | 58.1 | 17.6 | (0.5) | 54.2 | 13.7 |
| *Chg in inventories* | | | | | |
| EV | 5 | n.a. | n.a. | (245) | n.a. |
| ICE-car | (92) | n.a. | n.a. | (530) | n.a. |
| Total | (87) | n.a. | n.a. | (775) | n.a. |

*Source: China Passenger Car Association (CPCA), UOB Kay Hian*

- **BYD priced three new models in a week, and moved Fang Cheng Bao into sedans.** Denza added the battery electric N8L at Rmb299,800 with 960km of range, in a line-up previously limited to plug-in hybrids, and opens Z9S pre-sales on 23 Sep 26 at Rmb319,800-389,800 for up to 1,100km of CLTC range on a 102.3kWh second-generation Blade pack. Fang Cheng Bao launched the Formula S on 16 Sep 26 at Rmb189,900-229,900, its first sedan, priced into the Xiaomi SU7 and Tesla Model 3 band. BYD is meeting a soft domestic market with new products like Formula S rather than with price cuts, which is what our volume and margin estimates assume.
- **XPeng launched the G9L on 17 Sep 26 and Li Auto launched the i9 on 16 Sep 26.** The G9L five-seat sport utility vehicle has been on pre-sale since 11 Aug 26 at Rmb259,800 upwards, and the i9 is Li Auto's flagship battery electric sport utility vehicle. The i9 therefore arrives alongside the G9L, Denza's N8L and Z9S and Geely's Cruiser 700, four comparable large electric sport utility vehicles were launched within three weeks; Li Auto's product is not competitive enough in regards to pricing, and that supports our SELL rating on the stock.
- **XPeng opened its first megawatt charging station and widened the Volkswagen tie-up.** XPeng and Halo opened an X-Energy megawatt flash-charging station in Hong Kong on 15 Sep 26, open to all brands, and Europe is next. XPeng also extended the Volkswagen cooperation beyond battery electric vehicles to internal combustion and hybrids, and has taken its Turing chip from vehicles into humanoid robots. The charging network is capital XPeng carries for the whole market, while the Volkswagen extension earns platform and software fees at a far higher margin than vehicles; that moves its breakeven date rather than its deliveries, so our delivery forecasts are unchanged.
- **Great Wall Motor remains the exception, with no new nameplate this month.** It is extending the Wey Gaoshan multi-purpose vehicle family instead. That leaves Great Wall Motor as the only OEM in our coverage without a September volume catalyst going into the National Day peak, and the one with the least cover if the holiday turns to discounting; it is the risk to its September retail share and our estimates are unchanged ahead of the print.

• **Commercial vehicles: China brought truck electrification to IAA Hannover.** BYD unveiled the ETT 44 heavy-duty electric tractor, with up to 600km of range and 1.5MW charging, CATL launched the Tectrans II commercial-vehicle battery for up to 1,000km of truck range, 25% more than its 2024 platform, and a megawatt charge to 80% in 25 minutes, and Pony AI showed a fourth-generation Level 4 electric robotruck with GAC on the T9 platform, for volume production later in 2026.

- **Trucks opened a second export front, and a higher-margin one.** Chinese manufacturers have almost no installed base in European heavy trucks, so the entry point is a product gap rather than a price war, and megawatt charging answers diesel on downtime. Weichai Power is the direct read-across on powertrain, and Pony AI's Level 4 truck with GAC moves the autonomy case from robotaxis to freight, where the labour saving is easier to underwrite. Neither carries any of this in our 2026 estimates, because European heavy-truck orders convert into revenue from 2027 at the earliest, so it lengthens the runway behind Weichai Power and Pony AI without changing our forecasts.

• **The next month: National Day sell-through, the September prints, and whether the discounting spreads.**

- **Positive: The National Day peak follows four priced launches.** XPeng launched the G9L on 17 Sep 26, Geely formalises Cruiser 700 pricing by year-end, Denza opens Z9S pre-sales on 23 Sep 26 and Fang Cheng

Bao's Formula S is already on sale. Orderbooks, not discounts, carry the quarter if the pre-order run rates hold.

- **Negative: Whether Tesla's discounting spreads through the holiday.** Tesla China is running cash incentives of Rmb5,000 on the Model 3 and Rmb10,000 on the Model Y. A response from the domestic brands during the holiday would land on 4Q margins rather than on volumes, and the OEMs with the thinnest cover are those without a September launch.
- **Watch lithium carbonate, CATL's response and the September installation ranking.** CATL has said it will respond to reports of customers moving to other suppliers; that answer, and whether the lithium carbonate price holds at Rmb124,020/tonne, will set the near-term direction for the battery chain. The China Automotive Power Battery Industry Innovation Alliance will publish the September ranking in mid-October, and September deliveries will land on 1 Oct 26.

## Valuation/Recommendation

- **We maintain MARKET WEIGHT on China's auto sector.** Our preference for segments in descending order is OEMs > auto parts > battery > battery materials, based on: a) the accelerating sales growth of the leading OEMs; b) their structural profitability improvement from moving upmarket and going overseas; c) the new growth engines for the auto parts companies, eg ADAS, AI, and robotics; and d) the falling lithium carbonate prices, which benefits the OEMs at the expense of the battery materials producers.
- Top BUYs: BYD, Geely, CATL, and Minth. Top SELL: Li Auto.

## Sector Catalyst/Risk

- **Catalysts:** Denza's Z9S pre-sales on 23 Sep 26; CATL's response to the supplier reports and further buyback execution; September delivery numbers on 1 Oct 26; the CPCA September retail print in the second week of October; the September battery installation ranking in mid-October; 3Q26 results from late-October.
- **Risks:** A discounting round that spreads through the National Day holiday; fluctuations in lithium carbonate prices, which move revenue at Ganfeng and Tinci; input cost inflation that cannot be passed through; a longer delay to CATL's Hungary plant; export barriers in Europe, Brazil and Mexico.

# Consumer

## China Consumer: Assessing The Impacts Of El Niño

### Highlights

- Against the backdrop of a strong El Niño expected during Sep 26-Feb 27, agricultural commodity prices have already risen, well ahead of the previous two El Niño cycles.
- We expect upside pressure on domestic sugar prices to be manageable, supported by comfortable domestic supply conditions and lower reliance on imports. In contrast, palm oil remains the key swing factor within the food cost basket, although any meaningful cost pressure is more likely to emerge in 2027.
- El Niño could affect consumer companies through two channels. On the supply side, it may increase input costs and, as a result, create pressure on margins. We see the impact as most relevant for: a) food producers with high exposure to instant noodles, bakery products and snacks; and b) apparel manufacturers and brands. On the demand side, it could affect seasonal consumption trends, particularly by dampening demand for cold-weather products. Maintain OVERWEIGHT.

### Analysis

- **High probability of a strong El Niño during Sep 26-Feb 27.** According to the National Oceanic and Atmospheric Administration (NOAA), the Oceanic Niño Index (ONI) reached +1.8 during Jun-Aug 26. At the same stage (June-August) of the four most recent strong or very strong El Niño events, the ONI stood at +0.8 in 1982, +1.5 in 1997, +1.4 in 2015, and +1.0 in 2023, indicating that the current event is developing more rapidly than all four historical episodes and has been running ahead of them since May-July. According to the World Meteorological Organisation, there is an exceptionally high probability (nearly 100%) that El Niño will persist during Sep 26 – Feb 27, while the NOAA Climate Prediction Centre assigns a greater than 90% probability that the event will reach very strong intensity.

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**OVERWEIGHT (Maintaned)**

### Segmental Rating

| Segment | Rating |
|---|---|
| Apparel & textiles | MARKET WEIGHT (Maintained) |
| Broadline retail | MARKET WEIGHT (Maintained) |
| Household durables | OVERWEIGHT (Maintained) |
| Macau gaming | OVERWEIGHT (Maintained) |
| Restaurant | OVERWEIGHT (Maintained) |
| Specialty retail | MARKET WEIGHT (Maintained) |
| Baijiu | UNDERWEIGHT (Maintained) |
| Beer | MARKET WEIGHT (Maintained) |
| Dairy | OVERWEIGHT (Maintained) |

*Source: Bloomberg, UOB Kay Hian*

### Sector Picks

| Company | Ticker | Rec | Share Price (lcy) | Target Price (lcy) |
|---|---|---|---|---|
| Anta | 2020 HK | BUY | 72.00 | 112.20 |
| Atour | ATAT US | BUY | 32.02 | 47.10 |
| Mengniu | 2319 HK | BUY | 18.09 | 24.40 |
| Midea | 000333 CH | BUY | 85.04 | 112.60 |
| Yum China | 9987 HK | BUY | 327.60 | 513.70 |

*Source: Bloomberg, UOB Kay Hian*

### Peer Comparison

| Company | Ticker | Rec | Price 17-Sep-26 (lcy) | Target Price (lcy) | Upside to TP (%) | Market Cap (US$m) | PE 2026F (x) | PE 2027F (x) | P/B 2026F (x) | P/B 2027F (x) | EV/EBITDA 2026F (x) | EV/EBITDA 2027F (x) | ROE 2026F (%) | Yield 2026F (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Anta Sports | 2020 HK | BUY | 72.00 | 112.20 | 55.8 | 25,667.18 | 11.8 | 10.9 | 2.3 | 2.1 | 5.3 | 4.7 | 20.9 | 3.9 |
| Atour Lifestyle | ATAT US | BUY | 32.02 | 47.10 | 47.1 | 4,356.10 | 13.8 | 11.4 | 6.0 | 4.5 | 8.0 | 6.2 | 46.6 | 3.3 |
| Bud APAC | 1876 HK | BUY | 5.91 | 9.30 | 57.4 | 9,976.86 | 15.8 | 15.1 | 1.0 | 1.0 | 4.9 | 4.5 | 6.2 | 6.9 |
| CR Beer | 291 HK | BUY | 18.17 | 28.60 | 57.4 | 7,513.92 | 9.7 | 9.2 | 1.5 | 1.4 | 4.4 | 3.8 | 15.6 | 5.7 |
| CTG Duty-Free | 601888 CH | BUY | 51.15 | 77.10 | 50.7 | 15,623.55 | 21.3 | 19.0 | 1.8 | 1.7 | 8.3 | 6.8 | 8.6 | 1.9 |
| Galaxy | 27 HK | BUY | 32.70 | 47.00 | 43.7 | 18,253.81 | 13.2 | 12.3 | 1.7 | 1.6 | 7.6 | 7.2 | 12.7 | 5.7 |
| Haidilao | 6862 HK | BUY | 9.50 | 16.70 | 75.8 | 6,749.90 | 10.9 | 9.8 | 4.3 | 4.2 | 5.3 | 4.8 | 40.6 | 8.7 |
| Haier Smart Home | 6690 HK | BUY | 20.58 | 28.30 | 37.5 | 27,124.31 | 8.8 | 7.9 | 1.3 | 1.2 | 5.8 | 5.2 | 14.3 | 6.6 |
| Li Ning | 2331 HK | BUY | 12.58 | 21.80 | 73.3 | 4,144.93 | 11.5 | 10.4 | 1.0 | 0.9 | 1.6 | 1.3 | 8.6 | 4.4 |
| Mengniu | 2319 HK | BUY | 18.09 | 24.40 | 34.9 | 8,926.69 | 12.0 | 10.8 | 1.4 | 1.3 | 4.3 | 3.8 | 12.0 | 4.2 |
| Midea | 000333 CH | BUY | 85.04 | 112.60 | 32.4 | 96,488.08 | 13.9 | 13.1 | 2.8 | 2.6 | 13.0 | 12.2 | 20.3 | 5.3 |
| Miniso | MNSO US | BUY | 8.80 | 17.50 | 98.9 | 2,670.89 | 7.1 | 6.2 | 1.7 | 1.5 | 5.3 | 4.3 | 24.1 | 7.1 |
| Moutai | 600519 CH | HOLD | 1,266.98 | 1,295.00 | 2.2 | 236,085.46 | 19.8 | 19.3 | 6.1 | 5.7 | 12.1 | 11.6 | 34.5 | 4.0 |
| Sands China | 1928 HK | BUY | 12.20 | 20.30 | 66.4 | 12,586.26 | 10.7 | 9.8 | 8.5 | 7.8 | 8.2 | 7.9 | 81.7 | 9.1 |
| Shenzhou | 2313 HK | BUY | 34.94 | 55.80 | 59.7 | 6,693.32 | 10.4 | 8.4 | 1.2 | 1.1 | 5.4 | 4.8 | 11.3 | 5.8 |
| Tsingtao Brewery | 168 HK | BUY | 39.70 | 62.40 | 57.2 | 8,611.84 | 10.0 | 9.6 | 1.4 | 1.4 | 6.7 | 6.4 | 14.8 | 7.2 |
| Wuliangye | 000858 CH | HOLD | 69.13 | 78.50 | 13.6 | 39,998.10 | 18.0 | 17.3 | 2.3 | 2.4 | 7.0 | 7.0 | 12.7 | 7.2 |
| Xtep | 1368 HK | BUY | 3.50 | 5.60 | 60.2 | 1,254.14 | 7.1 | 6.6 | 0.8 | 0.7 | 2.5 | 2.2 | 11.6 | 8.0 |
| Yili | 600887 CH | BUY | 26.56 | 32.40 | 22.0 | 25,042.31 | 13.9 | 12.6 | 3.0 | 2.8 | 10.4 | 9.6 | 21.7 | 5.4 |
| YUM China | 9987 HK | BUY | 327.60 | 513.70 | 56.8 | 14,248.70 | 15.5 | 13.7 | 2.4 | 2.2 | 6.9 | 5.7 | 17.5 | 2.8 |

*Source: Bloomberg, UOB Kay Hian*

- **Agricultural prices have moved well ahead of the previous two El Niño cycles.** Since the emergence of the event (defined as ONI ran at or above +0.5) during March-May this year, international agricultural futures from March-to-date for Arabica coffee/crude palm oil/wheat, soft red winter/corn/raw sugar No.11/cotton No.2/cocoa was up 8%/15%/21%/21%/27%/27%/114%, respectively. These moves are well ahead of those seen during both the 2015-16 and 2023-24 El Niño events. During the equivalent March-September period of the 2015-16 event, futures prices changed by -16%/-12%/-4%/+2%/-18%/-3%/+4%, respectively, and during the 2023-24 event, futures prices changed by -15%/-11%/-13%/-26%/+31%/+1%/+34%, respectively.
- **Implications on domestic market: Sugar prices have limited upside pressure…** While Intercontinental Exchange (ICE) raw sugar futures have gained 27% since March, domestic sugar futures prices (as indicated by the main contracts on the Zhengzhou Commodity Exchange) have remained largely flat. This divergence is mainly attributable to relatively comfortable domestic supply conditions. As of end-August, China's sugar industrial inventories were 91% higher than last year, providing buffer ahead of the new 2026/27 crushing season (starting in mid-to-late September). The output is expected to be approximately flat yoy. Moreover, China's reliance on sugar imports is controllable, accounting for around 30% of the total consumption in the 2025/26 crushing season. We therefore expect the upside pressure on sugar prices from El Niño to be manageable.

  **…and palm oil prices remain the key swing factor, but the impact is likely to materialise in 2027.** Palm oil is one of the few agricultural commodities for which China remains almost entirely dependent on imports, making domestic prices highly exposed to global market volatility. However, we expect any palm oil-related cost pressure to be more likely to emerge in 2027 rather than 2026. Unlike annual crops, palm oil is a perennial tree crop with a biological lag of roughly six to 18 months between adverse weather conditions and meaningful production impacts. Historical experience supports this pattern. Following the onset of the 2023 El Niño, palm oil futures prices declined 11% by September and were only 4% higher after one year, before eventually peaking at 10% by April the following year.

  A similar pattern appears to be unfolding in the current cycle. Since March, palm oil futures prices have risen 15%, lagging the gains seen in other weather-sensitive agricultural commodities, while data from the Malaysian Palm Oil Council (MPOC) showed that China inventories for palm oil stood at an eight-month high as of August, suggesting that weather-related supply disruptions have yet to materialise. As such, we view palm oil as the key swing factor within the food cost basket. It remains one of the few major input costs that food producers have yet to absorb, although a more severe weather outcome could translate into a meaningful headwind to gross margins in 2027.
- **What are the implications on China consumer?** We believe agricultural commodity prices have largely priced in the expected impact of El Niño, whereas the potential implications for China consumer companies have not yet been fully reflected. In our view, El Niño could affect consumer companies through two channels: supply side cost pressures and demand-side disruptions.

  First, on the supply side, El Niño may increase input costs and, as a result, create pressure on margins. This impact is likely to be more pronounced for: a) food producers, particularly those with high exposure to instant noodles, bakery products and snacks, for which palm oil is a key input; and b) apparel manufacturers and brands, given the potential rise in cotton prices. That said, the pass-through from higher commodity prices to raw material costs typically involves a lag. Therefore, we expect any meaningful margin pressure to be more visible in 2027. For apparel companies, the impact could materialise even later due to procurement arrangements.

Second, on the demand side, abnormal weather conditions may alter consumer spending patterns. A strong El Niño is often associated with a milder winter in eastern China and is often followed by a hot and wet summer across the Yangtze River region. Such weather conditions could affect seasonal consumption trends. In particular, a milder winter may dampen demand for cold-weather products, including down jackets and other winter apparel.

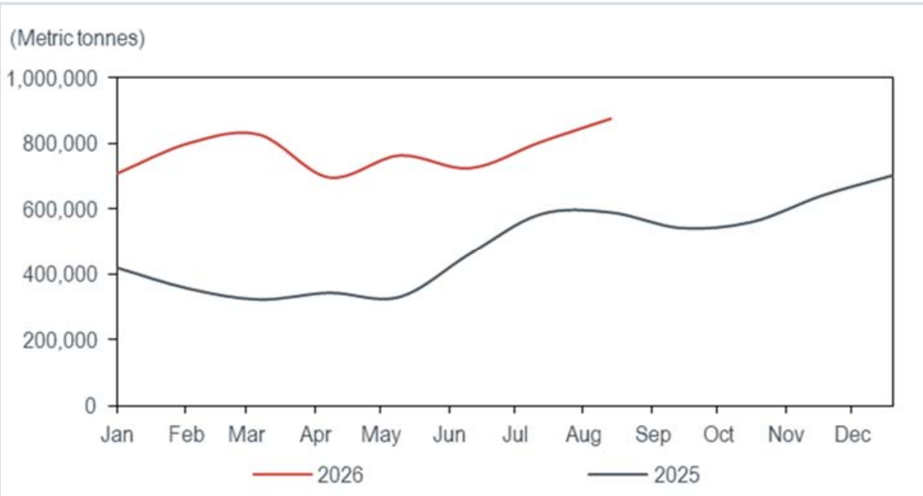
Under our consumer discretionary coverage, we favour companies with strong cost-control capabilities on the supply side. In particular, we prefer players with a centralised supply chain, which helps mitigate raw material cost volatility through scale advantages and procurement efficiency, such as YUM China. We see apparel manufacturers under our coverage, such as Shenzhou, as being more exposed to rising cotton prices. On the demand side, weather-related demand fluctuations remain a key risk. Thus, we prefer companies with diversified multi-brand portfolios, which can better absorb volatility in seasonal categories, particularly winter-related products. We prefer Anta.

Under our consumer staples coverage, we see limited pressure from rising input costs, as most companies have relatively low exposure to raw materials that are currently experiencing significant price increases. We prefer names whose key inputs are primarily sourced domestically and where supply-demand dynamics are improving. We prefer Mengniu.

## Valuation/Recommendation

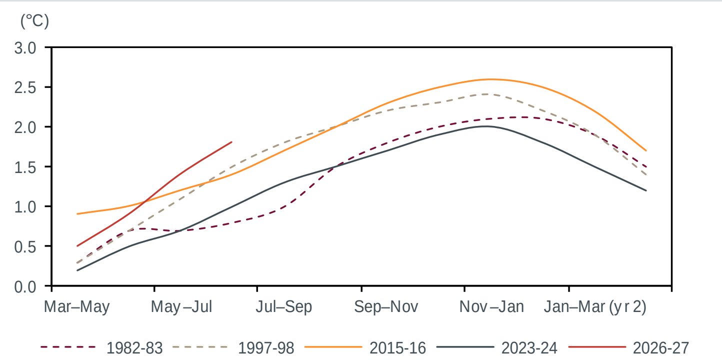
- **Maintain BUY on Anta (2020 HK).** Our DCF-based target price is HK$112.20, implying 19.2x 2026F PE and 17.7x 2027F PE. Anta currently trades at 11.8x 2026F PE and 10.9x 2027F PE.
- **Maintain BUY on Atour (ATAT US).** Our DCF-based target price is US$47.10, implying 20.4x 2026F PE and 16.8x 2027F PE. Atour currently trades at 13.8x 2026F PE and 11.4x 2027F PE.
- **Maintain BUY on Mengniu (2319 HK).** Our DCF-based target price is HK$24.40, implying 17.0x 2026F PE and 15.1x 2027F PE. Mengniu currently trades at 12.0x 2026F PE and 10.8x 2027F PE.
- **Maintain BUY on Midea (000333 CH).** Our SOTP-based target price is Rmb112.60, implying 18.4x 2026F PE and 17.3x 2027F PE. Midea currently trades at 13.9x 2026F PE and 13.1x 2027F PE.
- **Maintain BUY on YUM China (9987 HK).** Our DCF-based target price is HK$513.70, implying 23.8x 2026F PE and 20.8x 2027F PE. YUM China currently trades at 15.5x 2026F PE and 13.7x 2027F PE.

### China Total Ending Stocks For Palm Oil



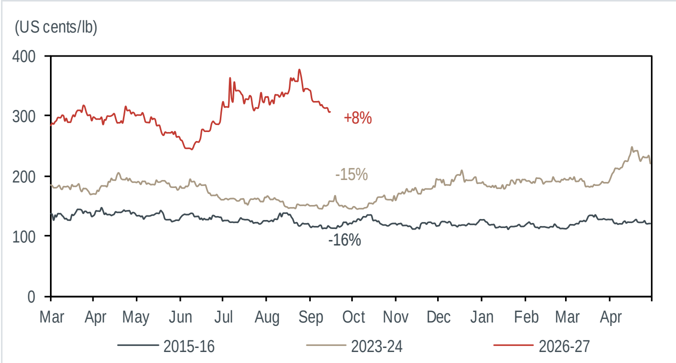

*Source: Malaysian Palm Oil Council (MPOC), UOB Kay Hian*

## Oceanic Niño Index (ONI)



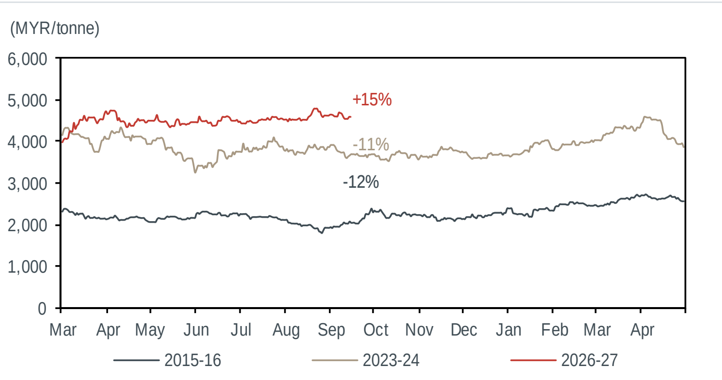

*Source: National Oceanic and Atmospheric Administration, UOB Kay Hian*

## ICE Arabica Coffee Futures



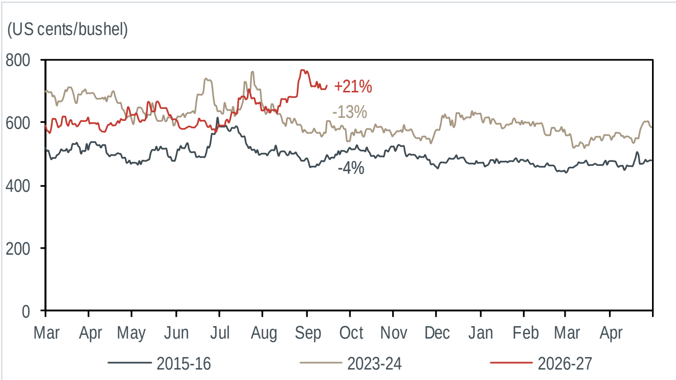

*Source: Intercontinental Exchange (ICE), UOB Kay Hian*

## Bursa Malaysia Crude Palm Oil Futures



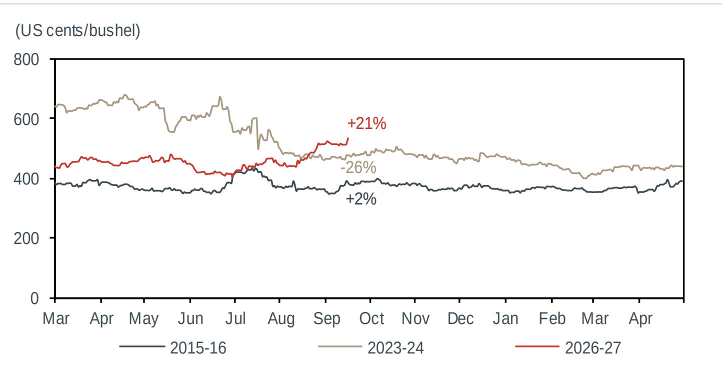

*Source: Bursa Malaysia, UOB Kay Hian*

## CBOT Wheat Futures



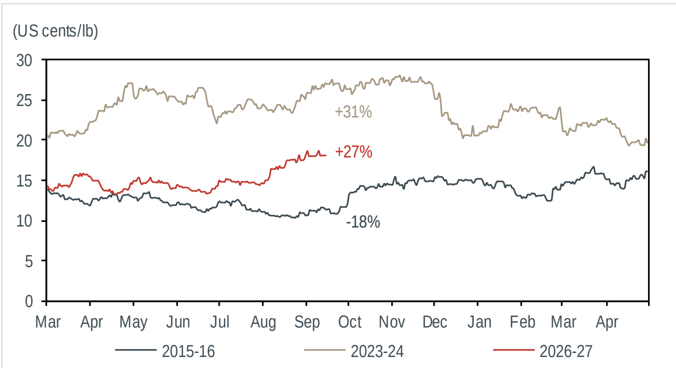

*Source: Chicago Board of Trade (CBOT), UOB Kay Hian*

## CBOT Corn Futures



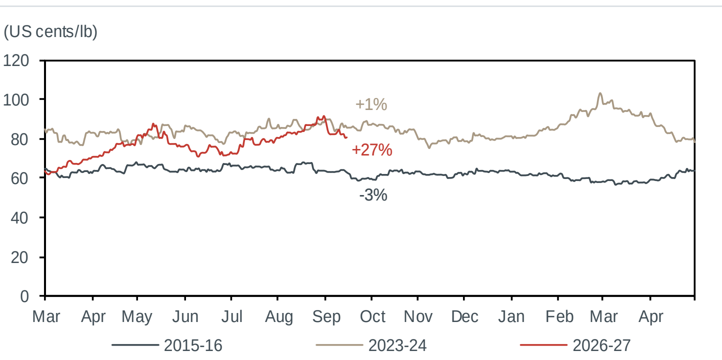

*Source: Chicago Board of Trade (CBOT), UOB Kay Hian*

## ICE Sugar No. 11 Futures



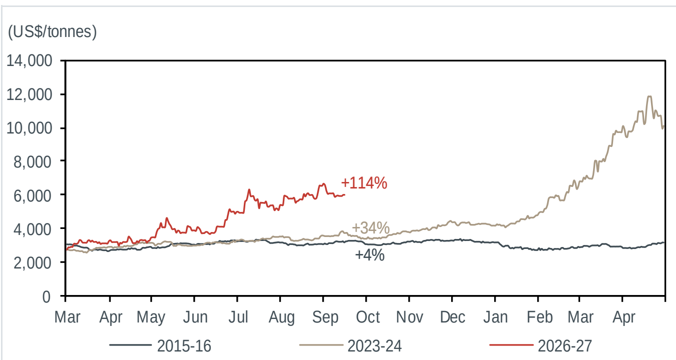

*Source: Intercontinental Exchange (ICE), UOB Kay Hian*

## ICE Cotton No. 2 Futures




*Source: Intercontinental Exchange (ICE), UOB Kay Hian*

## ICE Cocoa Futures




*Source: Intercontinental Exchange (ICE), UOB Kay Hian*

# Technical Analysis

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## Innovent Biologics (1801 HK)

| | |
|---|---|
| Last price: | HK$96.15 |
| Support levels: | HK$93.10/HK$91.75 |
| Resistance levels: | HK$105.60/HK$112.70 |

Price successfully defended its resistance-turned-support zone, confirming a successful structural polarity flip. The ability to hold above this newly converted structural anchor points to the potential formation of a higher low, keeping the bullish sequence intact. The RSI is turning upward toward its neutral 50-midline. As long as price maintains integrity above this support anchor, we could see a sustained rebound toward higher expansion targets.

**Average timeframe: Around two weeks.**


## Hansoh Pharmaceutical (3692 HK)

| | |
|---|---|
| Last price: | HK$34.34 |
| Support levels: | HK$32.28/HK$30.76 |
| Resistance levels: | HK$37.16/HK$40.12 |

Price successfully maintained above its gap support zone, re-establishing the gap floor as a primary demand anchor. The RSI has turned bullish and is sloping upward, signalling accelerating trend velocity and renewed buyer control. As long as price holds above this gap support, path-of-least-resistance dynamics favour a sustained upward movement towards higher expansion targets.

**Average timeframe: Around two weeks.**