

Tuesday, 17 December 2013

Today's Top Calls | Country Top Call | Global Top Call | GEMs Top Call | Daily Changes Report | Pan Asia Research Round-Ups | Daily Research Summaries | Upcoming Events

Equities

Asia

Today's Top Calls

Huishang Bank (3698.HK) — Initiate at Sell: Little Earnings Upside, Risk of De-rating

China, Hong Kong | Diversified Banks | Sell

TP HK\$3.30 – We initiate on Huishang Bank (HSB) at Sell with a TP of HK\$3.30, derived from a GGM-based fair multiple and adjusted 2014E BV. We see little upside risk to earnings, which are now helped by a sector low-end credit cost and cost/income ratio. Recent rapid expansion in the interbank business will likely face regulatory headwinds. Despite structurally strong loan demand in Anhui and HSB's unique deposit franchise, a high LDR would cap loan growth. High LGFV exposure is also a concern. We see de-rating risk and prefer CRCB to HSB.

Paddy Ran | Simon Ho, CFA | Kaiwan Master

China Telecoms Sector — 2014 LTE Impact: Vendors Thrive; CM Not Aggressive in 4G Tariff and Handset Subsidy; CU Still Grows Fast

China | Telecommunications Operators, Telecommunications Infrastructure

We prefer equipment vendors CCS and ZTE over telcos in the early stage of the LTE investment cycle. CU is our top pick among Chinese telcos with profitable mobile data growth, 30% earnings GAGR in 13-15E, and least exposure to LTE investment return risks. We reduce CM TP to HK\$98 (from HK\$101) as we expect more voice ARPU and earnings decline before FY15, but maintain Buy for its LTE opportunities. CM's LTE tariff discipline indicates competition is likely to be moderate. CT remains a Neutral.

Bin Liu

Asia Solar View — Construction Rush for Solar Farm Projects in China and Japan

China, Taiwan | Solar Power, Renewable Energy, Renewable Utilities

Repeating history - China looks to be the next growth market for solar projects, following Spain (2008), Germany (2010), Italy (2011) and Japan (2013), as regulations become clearer, offering attractive return metrics. In this note we highlight recent project visits and different operating models for China solar projects. We expect the rise in global end-demand will help Chinese manufacturers to see steadier margins in 1H14. We re-iterate our Buys on GCL-Poly, OCI and Motech.

Timothy Lam | Pierre Lau, CFA | Jason Channell | Phuc Nguyen | Shahriar (Shar) Pourreza, CFA

Daily Changes Report

16 December 2013

Pan Asia Research Round-Ups

This Week at Citi – Pan Asia
Citi's Most Read - Pan Asia
In Focus Pan Asia

Daily Research Summaries

The Global Point
The Globaliser

The Point for Australia/NZ
The Point for CEEMEA
The Point for Europe
The Point for Japan AM
The Point for Latin America
The Point for North America

The Weekly Globaliser

Upcoming Events

Food for Thought Lunch: Haier Electronics – Discussion on strategic partnership with Alibaba
7 Jan in Hong Kong

HK and China Corporate Day (Theme: Top Picks) 2014
10 Jan in Hong Kong

Indonesia Consumer Corporate Day 2014
11 Feb in Hong Kong
12 Feb in Singapore

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Chipbond Technology (6147.TWO) — Intensifying Competition, Price Discipline No Longer Applies

Taiwan | Semiconductors | Sell

Cut TP to NT\$40 from NT\$52 - We cut our 2014E/2015E earnings forecast by 20% and 18% on meaningful ASP erosion due to competition. Our new DCF based TP is equivalent to 10x of 2014E P/E and implies 13% share price downside. We believe that it's too early to bottom fish Chipbond's shares given 1) Intensifying competition, 2) On-going inventory correction; and 3) Upcoming seasonal low in 1Q14E. We maintain our Sell rating on Chipbond.

Roland Shu

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Country Top Call

China Property — Central Economic Work Conference Sets Stable Policy Tone

China, Hong Kong | Real Estate/Property

We believe the CEWC's policy framework for the government in 2014 is positive for the property market. Unlike wordings like "unshaken implementation of tightening" in 2011/12, the new government only emphasized in the meeting to push forward with public housing schemes and shantytown renovation. Residential land supply in megacities is also pledged to be increased. Echoing President Xi's speech on 30 Oct, the new gov't thinking on social housing & supply has become more evident after the CEWC.

Oscar Choi | Marco Sze

Also: Asia ViewFinder; China Macro Flash; China Power Sector; Guangshen Railway (0525.HK); Home Thoughts; Macau Gaming; Mindray (MR); Weekly Asia Petrolizer

Coal India (COAL.BO) — Partial Price Hike; Higher Sizing/Loading Charges

India | Coal | Buy

CIL to benefit from higher prices, sizing/loading charges — CIL has raised coal prices for one of its subsidiaries and sizing/loading charges across subsidiaries w.e.f 17 Dec 2013. Higher prices/charges are likely to benefit PAT by ~5% (annualized) according to our calculations.

Raashi Chopra, CFA

Also: India Macro Flash; Tata Consultancy Services (TCS.BO)

Mando (060980.KS) — Halla E&C Selling 2.94% Stake in Mando

South Korea | Auto Parts & Equipment | Buy

Halla E&C, a major shareholder of Mando (20.23% stake as of Sep), disclosed to FSS that it would dispose of 529K shares (2.94% of outstanding shares). After the disposal, Halla E&C will have a 17.3% stake (or 25% combined with chairman Chung M.W.'s 7.71% stake) of Mando. Halla E&C expects W71.2bn of proceeds from the disposal (based on today's closing price at W134.5K), which the company plans to use for a) cW40bn for paying the bank loan and b) rest for further liquidity improvement.

Ethan Kim

St.Shine Optical (1565.TWO) — Downgrade to Neutral: The Best Case Scenario Priced-In

Taiwan | Medical Supplies & Technology | Neutral

We believe consensus has factored in the best case scenarios for 2014E and 2015E earnings outlook and we see little earnings upside potential to consensus' earnings over the next two years. The 23x 2014E P/E has priced-in Street's 20%

India Financials Day 2014

10 Feb in Goa (tour)

11 Feb in Mumbai

India Investor Conference 2014

12-14 Feb in Mumbai

Korea Investor Conference 2014

6-7 Mar in Seoul

Asean Investor Conference 2014

9-11 Jun site-visits

12-13 Jun in Singapore

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China Property — Ghost Towns and Property Bubbles – A Trek for Reality



Many investors worry China's once sizzling-hot real estate sector is fast losing its luster. Conventional metrics hint of bubbles poised to burst, and strain is made tangible by the famed ghost towns. Over the past 2 months, we visited 30 cities, including 8 labeled as ghost towns by media, and retested our views on the ground. We believe the reality is a complex mix: yes, bubbles in certain geographies, predominantly

2013-15E earnings CAGR given 1.2x PEG ratio. Trading at historical high multiple with a decelerating earnings momentum, risk/reward profile no longer justifies a Buy call. We downgrade the stock to Neutral from Buy with a new target price of NT\$851 (from NT\$445), which is derived from our dividend discount model.

Timothy Chen | Peter Kurz | Jonathan Chow

inland Tier 3/4 markets which will face painful and prolonged adjustments...but also cities with underlying resilience, where solutions are achievable and concerns overdone.

Oscar Choi | Marco Sze

Singapore Airlines (SIAL.SI) — November Passenger Traffic Declines on Difficult Comps

Singapore | Airlines | Sell

During November, SQ's mainline operation recorded a 0.4% YoY decline in Passenger RPKs (on a difficult year-ago comp), while capacity increased 0.7% YoY. Passenger load factors along the Americas & European routes improved 160bp and 70bp YoY respectively, but were more than offset by weaker performance across the other regions, leading to a 70bp deterioration YoY overall. Nov total passengers and cargo actually improved 0.7% and 1.8% YoY respectively, implying a shorter average length of haul.

Michael Beer

Indonesia Banks — Liquidity Tightening Monitor: BBNI Raises Saving Deposit Rates

Indonesia | Diversified Banks

Upward pressure on Deposit Rates in Dec — Our checks indicate that 1) BBNI has raised saving deposit rates and 2) time deposits (TD) are following the policy rate. BBNI is now offering 1) seven slabs based on deposit size (previously five) and 2) rates ranging from 0-2.75% (prev. 0-2.25%). Other large banks are maintaining their saving deposit rates while mid and small have introduced higher promotional rates. Sensitivity calculations show that 50bps change in Rp Saving rate ~ 4-5% of earnings.

Salman Ali, CFA

Wesfarmers Ltd (WES.AX) — Potential Sale of Insurance Highlights High PE Ratio

Australia | Retailing - Broadlines | Sell

Wesfarmers has agreed to sell its Insurance underwriting business for \$1,845 million. The implied PE ratio is 18x FY15e which is very similar to the company's trading PE. The deal is slightly EPS dilutive, in our view, and net proceeds should be closer to \$1,700 million. The key risk will likely be ACCC and NZCC approval because this deal consolidates the insurance market further. Regulatory approval will not be a formality. We maintain a Sell rating & leave our target price unchanged at \$34.60.

Craig Woolford

Also: Aurizon Holdings Limited (AZJ.AX); Big Ideas in Small Caps; Insurance Australia Group Ltd (IAG.AX); NEXTDC Ltd. (NXT.AX)

Iida Group Holdings (3291) — FY3/14 guidance unveiled

Japan | Homebuilding | Buy

Following the December 16 market close, Iida Group Holdings announced its forecasts and DPS estimates for FY3/14. The much-awaited goodwill figure was announced at c¥204bn, with annual amortization of ¥10.2bn over a 20-year amortization period (but with ¥4.8bn in the initial period). The company's numbers tally with our projections, but are perhaps slightly lower than the market expected.

Shusuke Terada

Also: Cement; Hitachi (6501); Japan Macro Flash; LCD materials update; Premier Investment (8956); Primary oil distributors: Impact of weekly data; Silicon wafers; Sony (6758); Sumitomo Chemical

(4005); Telecom Sector; Ube Industries (4208); Yaskawa Electric (6506)

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Global Top Call

2014 Global Political Outlook — All Over But The Shouting?

Global

Systemic political risks will decline in 2014, but country-level and geopolitical risks remain significant. The coming year will feature a concentration of elections in the EM democracies that have experienced major protests over the past year. Also on the docket are US midterm and European Parliament elections. Early elections in Italy and Greece remain possible and may trigger the return of political risk to the eurozone. Mass protests in Ukraine and Thailand are a reminder of the continuing influence of *Vox Populi* risk. In total, the market impact of political risks could rise as QE wanes.

Tina M Fordham

Global Fertilizers — China's 2014 Fertilizer Export Policy

China, Norway, United States | Fertilizers & Agricultural Chemicals

China's Ministry of Finance announced a more favorable fertilizer export policy for 2014. The most notable changes are the change of sliding scale tariff to fixed rate in off-peak season and significantly lower tariff during peak season for both urea and DAP. This reflects the government is less concerned about: 1) product availability during peak demand on domestic supply glut; and 2) surge in domestic price seems unlikely given weak international price.

Oscar Yee | P.J. Juvekar | Andrew Benson | Dominik Frauendienst

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GEMs Top Call

Avianca (AVH) — An Average Risk Profile; Share Price Well Below Fair Value

Colombia | Airlines | Buy

We are initiating coverage of Colombia's Avianca Airlines with a Buy rating and an US\$18.50/ADR target price. Avianca's operating synergies related to the re-hubbing of Bogotá and San Salvador, along with growing air travel demand in markets such as Colombia, should drive earnings growth. A target adj. PEG ratio of 0.12x is undemanding.

Stephen Trent | Juliano Navarro

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Appendix A-1

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|---|-----------------|------|------|-----------------|------|------|
| | Buy | Hold | Sell | Buy | Hold | Sell |
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