The 720: China Consumer, Korea Short Selling Resumption, GCPL, Kuaishou, AIA, Taiwan Semis, Murata, Mitsubishi Electric

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In Focus | China Consumer

China - Consumption getting greater attention from policymakers, but details still unclear. On March 16, the State Council unveiled a "special action plan" to boost consumption. As a follow-up, the National Development and Reform Commission (NDRC), together with several other ministries, held a press conference on March 17 to answer journalist questions. The action plan outlined the broad approach that the government is adopting to boost consumption, including raising income and wealth, improving the social safety net, expanding the consumer goods trade-in program, increasing the quality of consumer products, promoting services consumption, and removing various purchase restrictions. However, neither the action plan nor the press conference provided detailed packages and programs beyond what had already been announced at the "Two sessions". *Yuting Yang*

China Consumer - Government's commitment to boost consumption supports sentiment; execution remains key. While we still prefer the idiosyncratic opportunities for sectors/companies that can explore the white space as we highlighted in our 2025 Consumer Outlook report, we see upside for areas of improvement from 1) increase in wage inflation if employment market and corporate profits recover, to drive overall household discretionary cashflow, 2) declining saving rate from better social security protection such as pension, new birth subsidies, health insurance, to drive household discretionary cashflow, 3) wealth effect from rising stock market and stabilizing property market to benefit top tier cities' retail sales. For categories, we prefer Leading white goods, Sports brands, Diversified retailer, Dairy, Beverage. Our stock preferences include Anta (on CL), Moutai, Midea, YUMC, Laopu, Mengniu, Tsingtao H-share, Tingyi, Giant Biogene, Miniso, Hisense, China Resources Beverage, Robam, China Pet Foods, Ligao. *Michelle Cheng et al*

Listen Up - GS Webcasts on the Agenda

China Consumer: Policy support implications | 830am HK | Access Webinar | with Michelle Cheng, Hui Shan, Michael Snaith

US Agriculture Chemicals: Favor defensive and value names | 10am HK | Access Webinar | with Duffy Fischer, John Kim

Themes in Play | Korea Short Selling Resumption, GCPL, Kuaishou, AIA, Taiwan

Semis, Japan Chemicals

Korea Strategy - Implications of Short Selling Resumption and Alpha Ideas. Korea's short selling ban will be fully lifted on all listed stocks as planned on March 31. Historically, overall market valuation, positioning, and earnings cycles have played a more significant role in market performance than short-selling resumptions. However, foreign investor trading activity has typically increased following prior short selling resumption events. We highlight five alpha ideas based on the current market backdrop. 1) The most crowded long/short positions through futures. 2) The most shorted stocks with existing open positions. 3) Retail investors' highest- and lowest-turnover stocks. 4) KOSDAQ vs. KOSPI rotation. 5) Undervalued and overvalued stocks despite diverging earnings outlook. Maintain a Neutral stance on the overall market. *John Kwon*

GCPL - Growth outlook intact, 3Q weakness was an aberration providing a good entry point - Buy. GCPL had a weak 3Q performance with flat volumes, which in our view was driven by one-off factors. It is important to note that for 6 quarters prior to 3QFY25 GCPL delivered high single digit volume growth on average, which was the strongest within our FMCG coverage. We see the trajectory before 3Q as the sustainable medium term outlook for GCPL, given multiple drivers. GCPL's stock has seen ~31% correction over the past 6 months, due to the weak 3Q results and the correction in the broader stock market. GCPL's FY27E PE multiple is 35x, which is one of the lowest among our FMCG coverage. We see favorable risk reward as the factors driving the 3Q weakness were temporary and are likely to reverse over the next 2-3 quarters. 12m TP of Rs1,370. *Arnab Mitra*

Kuaishou - Shifting debates from SFV competition to AI potential - Buy. Kuaishou's AI strategy will focus on: 1) improving content recommendation algorithm and driving better ads targeting (current ad load/eCPM is 30% below leading peers), 2) using their in-house Kling AI text-to-video application on vastly increasing video generation efficiency for Kuaishou's own content creators as well as external enterprise/individual usage. At this stage, we believe Kling's imminent monetization should not be the priority, but rather, to further enhance the model capability, broaden the user base, create rich video contents, and eventually a potential AI agent/AIGC platform for creators, enterprises and community. On revenue contribution, we expect a potential RMB100mn monthly revenue is achievable from Kling alone from serving its ecosystem content creators. Company is set to report on Mar 25 after market close. We see the key catalysts to watch for are: 1) 1Q25/FY25 Ads and GMV outlook, 2) AI initiatives and 3) Profit margin/growth in FY25 (potentially near term pressure): with likely higher AI related spending and elevated S&M expenses, we expect a more prudent profit growth target for FY25 (14% yoy). *Lincoln Kong*

AIA Group - Addressing key questions on FY24 results – Buy. Post AIA FY24 results, our discussions with investors mainly centered on 1) a smaller-than-expected share buyback, and 2) potentially slower VONB growth in mainland China in FY25. We believe the key question underlying both concerns is the conservative approach that AIA has taken to reflect the impact of the lower bond yield in mainland China in its results. We fine-tune our estimates post FY24 results, and continue to see double-digit VONB growth in FY25E, despite headwinds in mainland China. Our 12-month discounted model-based target price is now HK$91 (vs. HK$94 previously), based on 8X forward new business multiple (unchanged). Our target price implies 1.6X FY26E P/EV. *Thomas Wang*

Taiwan Semis - Marketing feedback: Geopolitical risk, AI demand concerns top of mind. On March 13-14th, we met with 40+ investors in Hong Kong. In general, we feel that overall investor sentiment on the sector remains negative, with concerns around potential downside from AI demand, geopolitical risks, tariff impact, and much discussion around the possibility of TSMC/Intel collaboration. We note that investors are shifting focus away from AI-related plays in the near term, favoring a top-down view based on potential trade shifts from tariffs. Among our Taiwan semiconductor coverage, investor interests mainly focused on TSMC and MediaTek. In general, we feel that investors are not fully aware of the new automotive business story and the potential earnings/revenue upside. *Bruce Lu*

Japan Chemicals - Asia investor visit feedback: Broad interest from valuation perspective. We visited Hong Kong and Singapore on March 10-14 and held around 35 meetings with investors. Despite particularly volatile share prices at present, we got the impression that interest in Japan chemicals was strong among Asian investors in general, including among those looking for bottom-fishing opportunities regardless of the stock, mainly as valuations have declined across the sector. Discussions focused primarily on Toray Industries, SUMCO, and Asahi Kasei, while interest in the paints and fine chemicals industries appeared higher than during previous meetings due to the decline in raw material prices, including crude oil. We also saw strong interest in business conditions and companies' exposure in Europe, based on expectations for a recovery in the region. On the other hand, investors were generally cautious about semiconductor-related stocks, and there was considerable uncertainty about the outlook for the North American PVC business at Shin-Etsu Chemical. Overall, we got the impression that investors were more interested in buy opportunities based on valuation levels. *Atsuhi Ikeda*

Results | Hunan Yuneng

Hunan Yuneng - 2024FY results inline excluding one-off impairment - Buy. Hunan Yuneng released its FY24 results on 14th Mar after market: 1) net profit of Rmb594mn, 8% below GSe due to Rmb123mn impairment loss, with the majority recorded in 4Q24; 2) sales volume of 711kt, up 40% yoy, 1% below GSe; 3) unit GP of Rmb2.4k/t, in line with GSe, with Rmb2.1k/t recorded in 4Q24, implying flat qoq; 4) unit ASP of Rmb31k/t, down 61% yoy, 3% below GSe. We continue to highlight cyclical recovery opportunities in China's LFP cathode sector and forecast utilization to reach 72%/86% in 2025-2026E, from 71% in 2024E. With 1/3 of the global market share (2024E per GSe), Yuneng looks well positioned to enjoy volume growth and margin expansion from the upcoming LFP cathode industry upcycle. We marginally hike Yuneng's 2025-2027 earnings by 2%/1%/2%, 12m TP to Rmb68 from Rmb66.6. *Eric Shen*

GS Event | Murata

Murata - Conference Call Takeaways: MLCC outlook unchanged; expect summer rally after earnings events - Buy (on CL). Murata said it aims for MLCC capacity utilization of around 90% in FY3/26, compared with 85-90% in 4Q. The company expects continued growth in AI servers, further increases in component content for automotive applications (including ADAS), and a seasonal recovery from July-September In conclusion, although 3Q results were slightly underwhelming despite operating profits being effectively in line with our expectations, based on 4Q business conditions, we believe full-year operating profits will be within our assumed range (our estimate is the same as guidance). While we think FY3/26 guidance is likely to be cautious as usual, including in terms of assumed exchange rates and macroeconomic assumptions, our industry outlook is unchanged. We believe Murata's shares will attract attention after earnings events as the company enters a phase of seasonal recovery in July-September. 12m TP of ¥3,500. *Daiki Takayama*

Event | Mitsubishi Electric

Mitsubishi Electric - Shifting to execution phase – Buy. On March 17, we attended a Mitsubishi Electric shareholder relations meeting, which was attended by two external directors, namely Chairperson of the Board of Directors Hiroyuki Yanagi and Chairperson of the Nomination Committee and Compensation Committee Tatsuro Kosaka, as well as Executive Officer and CFO Kuniaki Masuda. We learned during the meeting that the board of directors is aware of the growing importance of the company's longer term growth strategy as it approaches the end of its medium-term plan in FY3/26. We see scope for the company to increase its enterprise value by moving away from its net cash position, which has kept the cost of capital high, and allocating cash to growth-oriented investment and shareholder returns. From this perspective, we view positively that the board of directors appears to agree with the capital markets about where the company's issues lie. 12m TP of ¥3,250. *Ryo Harada*

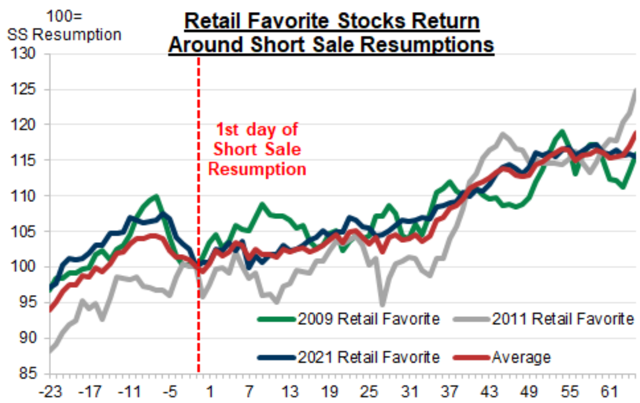
Asia Macro | Japan

Japan Macro - Estimating Wage Growth Rates Consistent With 2% Inflation Path. Service prices are strongly influenced by wage growth, and are an essential driving factor when it comes to achieving sustainable 2% inflation. In the early 1990s, 2% inflation was achieved primarily because of growth in service prices, while goods inflation was much lower. We assume this is why the Bank of Japan (BOJ) is emphasizing the importance of an increase in service prices along with wage growth in its monetary policy. In this report, we analyze wage growth rates consistent with the path to 2% inflation, as we believe this could provide a useful perspective for assessing the pace of the BOJ's rate hikes by comparing these rates with actual wage growth. *Akira Otani*

Around the World | Global Market

Global Market – double trouble for US exceptionalism. The past month has seen two important shifts across global markets. The first is a sharp re-rating lower of US growth in US stocks, rates and the Dollar, on the back of tariff volatility and the environment of broader policy uncertainty created by the new Administration. The second is a sharp re-rating higher in the fiscal impulse in Germany, with an associated uplift to Euro area growth views and more modestly in China too. Together, these two shifts pose a significant challenge to the narrative of US exceptionalism that has been a dominant market theme. *Dominic Wilson, Kamakshya Trivedi*

Graphic Language | Korea Strategy - Historically, retail favorite stocks performed positively over the 3 months after short sale resumption



Source: FactSet, Quantiwise, Goldman Sachs Global Investment Research

GS Events (Home Page here)

- **TechNet Australia |** Sydney | 8-9 May
- **Global Staples Forum |** New York | 13 May
- **TechNet Korea |** Seoul | 15-16 May
- **Electrify Europe: Utilities and Clean Energy Conference |** London | 19-20 May
- **TechNet Taiwan |** Taipei | 19-20 May
- **TechNet Japan |** Tokyo | 19-21 May
- **TechNet China |** Shanghai | 21-22 May
- **TechNet India |** Singapore | 26-27 May
- **Global Semiconductor Conference |** New York | 28-29 May

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