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Yuan now accounts for 80% of Bitcoin transactions

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KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	17977.4	1.3	(0.1)	(0.4)	0.9
S&P 500	2081.2	1.4	0.1	(0.9)	1.1
FTSE 100	6804.1	0.9	(1.1)	(1.4)	3.6
AS30	5769.7	0.7	0.3	(0.2)	7.8
CSI 300	3705.7	2.4	4.7	5.2	4.9
FSSTI	3376.0	0.4	(0.8)	(1.2)	0.3
HSI	23949.6	0.5	(0.7)	(3.4)	1.5
HSCEI	5435.3	0.2	(0.2)	1.8	4.0
HSCCI	1780.5	(0.1)	(0.6)	(1.6)	1.1
Shanghai A	1987.3	0.1	0.1	1.3	3.7
Shanghai B	19246.1	(0.0)	2.4	7.0	10.3
Shenzhen A	1515.6	(1.7)	(2.8)	(4.5)	1.2
Shenzhen B	8966.4	0.1	(0.1)	(4.2)	4.1
JCI	5435.3	0.2	(0.2)	1.8	4.0
KLCI	1780.5	(0.1)	(0.6)	(1.6)	1.1
KOSPI	1987.3	0.1	0.1	1.3	3.7
Nikkei 225	19246.1	(0.0)	2.4	7.0	10.3
SET	1515.6	(1.7)	(2.8)	(4.5)	1.2
TWSE	8966.4	0.1	(0.1)	(4.2)	4.1

BDI	564	0.4	(0.7)	8.0	(27.9)
CPO (RM/mt)	2243	(0.2)	(1.5)	(1.7)	(2.4)
Nymex Crude (US\$/bbl)	44	(0.1)	(9.3)	(18.1)	(17.7)

Source: Bloomberg

TOP VOLUME

Company	Price (HK\$)	Chg (%)	Volume ('000)
BANK OF CHINA-H	4.39	0.9	230,595
ICBC-H	5.58	0.5	188,391
CCB-H	6.36	0.5	138,032
ABC-H	3.78	0.0	77,943
SINOPEC CORP-H	6.14	(0.2)	75,888

TOP GAINERS

Company	Price (HK\$)	Chg (%)	Volume ('000)
CGS-H	8.31	4.4	33,012
NEW CHINA LIFE-H	42.15	4.1	6,134
SINOPHARM-H	28.30	3.3	7,183
PING AN-H	86.35	3.2	24,487
BELLE INTL	8.79	3.2	37,664

TOP LOSERS

Company	Price (HK\$)	Chg (%)	Volume ('000)
WHARF HLDG	50.75	(3.3)	13,811
HUTCHISON	103.30	(2.6)	2,402
LI & FUNG LTD	7.94	(2.6)	14,509
CHINA RES GAS	20.30	(2.4)	2,138
MENGENIU DAIRY	35.15	(2.4)	4,734

KEY ASSUMPTIONS

GDP (% yoy)	2012	2013F	2014F
US	1.9	2.4	3.2
Euro Zone	-0.4	0.9	1.4
Japan	1.5	1.5	2.0
Singapore	3.9	3.2	3.3
Malaysia	4.7	5.9	5.2
Thailand	2.9	1.5	3.9
Indonesia	5.8	5.2	5.8
Hong Kong	2.9	3.5	3.7
China	7.7	7.2	7.0

	2014	2015F	2016F
Brent (US\$/bbl)	99.45	65	70
CPO (US\$/mt)	722	765	788
BDI	1,101	1,300	1,400

Source: Bloomberg, UOB ETR, UOB Kay Hian

SECTOR UPDATE

Macau Gaming – Hong Kong

In Search Of The Bottom

With the GGR trend worsening further in 2M15, the street cut 2015 GGR assumptions by 18-30%. We still hope casino openings can help stabilise GGR in 2H15, although further policy changes may disrupt this scenario. As casino operators will generally post strong free cash flow after settling a new project's capex, we believe high future dividend yields could support gaming stocks in the near term. Maintain MARKET WEIGHT. We suggest investors review their calls in mid-15.

WHAT'S NEW

- **No signs of improvement.** Since our previous adjustment of gaming revenue assumptions in early-January, Macau's gaming market has shown further deterioration. In 2M15, gross gaming revenue (GGR) dropped 48.6% yoy to MOP43.3b, with VIP and mass-market GGR falling 40.3% yoy and 25.8% yoy respectively. As the trend suggests that 1Q15 GGR will fail to meet our previous MOP75.1b expectations, and various factors suggest fundamentals may deteriorate further before reaching the bottom, we further cut our expectations on future gaming revenue assumptions, with growth assumptions reduced to -21.2% (from -3.1%) for 2015 and +9.0% (from 12.7%) for 2016.
- Besides declining revenue, we foresee that rising labour cost due to a labour shortage will put additional pressure on casino operators' earnings. Several casino operators will be raising casino workers' salaries by 5% in 2015. Hence, we lower 2015 and 2016 industry EBITDA assumptions by 27.0% and 32.4% respectively vs our previous estimates. We also lower our valuation multiples for casino operators because of the worsening market outlook.

ACTION

- **Wait for entry points.** As the gaming revenue outlook may be further affected by various factors, including junket closure, deteriorating average gaming budget in the mass market, as well as a fine-tuning of China's tourist visa policy, gaming revenue may take longer to bottom. As a result, we suggest investors continue to wait for better entry points.
- After our forecast changes, **MGM China (2282 HK/Target: HK\$17.20)** is now our only BUY in the sector. We see its relatively small operations and strong track record in execution could help the company remain as the most defensive amid the challenging environment. Among our HOLDS, we like **Sands China (1928 HK/Target: HK\$32.50)** as its most balanced revenue mix within the sector will reduce the company's sensitivity to a decline in market revenue. Also, the strong free cash flow and a healthy balance sheet should enable the company sustain decent future dividend returns.

SECTOR CATALYSTS

- Stabilising GGR trend and supportive policy announcement.

ASSUMPTION CHANGES

- We cut 2015 EBITDA forecasts of gaming concessions by 19.3-30.9% and lower the target EV/EBITDA multiples for some properties. Overall, our target prices are cut by 23.5-49.4%, with MGM China as our only BUY within the sector.

RISKS

- Further macro slowdown, policy changes and the sector's further de-rating due to a change in investors' risk appetite may affect the sector's performance.

PEER COMPARISON

Company	Ticker	Rec		Price 16 Mar 15 (HK\$)	Market Cap. (US\$m)	Target Price		EV/EBITDA (x)			PE (x)			Dividend Yield (%)		
		New	Previous			New (HK\$)	Previous (HK\$)	2014	2015F	2016F	2014	2015F	2016F	2014	2015F	2016F
MGM China	2282 HK	BUY	BUY	14.28	6,987.8	17.20	24.10	9.6	12.5	12.4	9.5	13.7	15.1	9.4	4.4	4.0
Galaxy Entertainment	27 HK	HOLD	BUY	33.85	18,534.3	33.40	66.00	10.9	14.6	13.8	13.3	21.2	22.3	2.4	1.5	1.5
Melco Crown	6883 HK	HOLD	BUY	55.20	11,593.2	59.40	77.60	13.6	13.3	11.9	19.4	27.4	26.7	1.5	1.1	1.5
Sands China	1928 HK	HOLD	BUY	30.85	32,052.7	32.50	48.80	10.7	15.3	15.0	12.4	20.0	22.5	6.4	7.0	7.0
SJM Holdings	880 HK	HOLD	BUY	9.53	6,941.1	10.90	20.15	7.1	9.9	10.6	7.9	12.1	13.5	8.8	6.3	6.3
Wynn Macau	1128 HK	HOLD	HOLD	16.88	11,293.6	16.20	21.00	11.6	15.6	14.3	12.3	19.1	21.5	10.4	6.5	4.1
Average								10.6	13.5	13.0	12.5	18.9	20.3	6.5	4.5	4.1

MARKET WEIGHT

(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
MGM China	2282 HK	BUY	14.28	17.20

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Source: Bloomberg, UOB Kay Hian

ESSENTIALS

- **What else could exert further pressure on GGR outlook?** Among all the negative factors that have been affecting GGR since last year, the impact from a change in the transit visa policy and a crackdown on the usage of illegal tampered UnionPay points-of-sale (intended for use in China with lower transaction fees and no transaction limit) should have been fully factored in. However, we believe a fine-tuning of the individual visitation scheme (IVS), further tightening of the smoking ban, closure of more junket VIP rooms and a delay in the opening of new casino resorts in Cotai could create further impact on Macau's gaming GGR outlook.

GGR CHANGES

Market GGR (MOPm)	2013	2014	2015F (New)	2015F (Old)	yoy % chg	% chg	2016F (New)	2016F (Old)	yoy % chg	% chg
Total	360,749	351,521	276,961	340,450	(21.2)	(18.6)	301,757	383,730	9.0	(21.4)
VIP	238,524	212,535	155,325	184,650	(26.9)	(15.9)	166,031	201,550	6.9	(17.6)
Mass	107,841	124,542	109,412	139,500	(12.1)	(21.6)	122,969	163,680	12.4	(24.9)
Slots	14,384	14,444	12,223	16,300	(15.4)	(25.0)	12,757	18,500	4.4	(31.0)

Source: UOB Kay Hian

INDUSTRY EBITDA FORECAST

(HK\$m)	2010	2011	2012	2013	2014	2015F	Previous	% chg	2016F	Previous	% chg
EBITDA	29,015	44,754	53,900	70,199	72,311	54,482	74,617	(27.0)	56,965	84,272	(32.4)
Galaxy Entertainment	2,197	5,719	9,906	12,712	13,529	10,177	14,725	(30.9)	10,739	17,842	(39.8)
Melco Crown	3,811	6,854	7,747	10,734	9,978	8,836	11,108	(20.5)	9,740	11,780	(17.3)
MGM China	2,831	5,046	5,543	6,645	6,998	5,536	6,857	(19.3)	5,896	7,463	(21.0)
Sands China	9,462	12,261	15,386	22,566	25,415	17,963	26,531	(32.3)	18,454	30,510	(39.5)
SJM	4,838	6,923	7,580	8,676	7,763	5,555	7,142	(22.2)	5,173	7,525	(31.3)
Wynn Macau	5,876	7,951	7,738	8,867	8,627	6,416	8,254	(22.3)	6,962	9,152	(23.9)
Yoy chg (%)											
Industry	95.1	54.2	20.4	30.2	3.0	(24.6)	3.2		4.6	12.9	
Galaxy Entertainment	92.7	160.3	73.2	28.3	6.4	(24.7)	8.9		5.5	21.2	
Melco Crown	411.4	79.8	13.0	38.6	(7.0)	(11.4)	11.3		10.2	6.0	
MGM China	140.0	78.3	9.8	19.9	5.3	(20.9)	(2.0)		6.5	8.8	
Sands China	50.3	29.6	25.5	46.7	12.6	(29.3)	4.4		2.7	15.0	
SJM	113.2	43.1	9.5	14.5	(10.5)	(28.4)	(8.0)		(6.9)	5.4	
Wynn Macau	81.2	35.3	(2.7)	14.6	(2.7)	(25.6)	(4.3)		8.5	10.9	

Source: Respective companies, UOB Kay Hian

FREE CASHFLOW YIELD FORECAST

FCF Yield (%)	2010	2011	2012	2013	2014	2015F	2016F	2017F
Galaxy Entertainment	(1.8)	0.9	5.5	7.1	6.3	(2.2)	(2.7)	(2.3)
Melco Crown	(9.4)	1.8	5.8	6.2	3.3	(2.5)	(6.4)	3.0
MGM China	10.9	11.2	10.8	10.5	3.2	(6.8)	(3.8)	3.7
Sands China	3.2	1.9	2.9	7.8	9.1	1.5	3.7	6.7
SJM	15.2	15.2	19.3	16.2	8.8	(4.6)	(4.9)	(4.2)
Wynn Macau	6.8	10.2	6.8	8.1	0.3	(3.9)	(3.1)	5.5
Average	4.1	6.9	8.5	9.3	5.2	(3.1)	(2.9)	2.1

Source: Bloomberg, UOB Kay Hian

CORPORATE

CNPC: manager is under investigation

THE general manager of China National Petroleum Corp, Liao Yongyuan, is under investigation on suspicion of severe disciplinary violations, the Party's Central Commission for Discipline Inspection said on its website yesterday.
Shanghai Daily

FAW Group: China investigates auto executive for graft

The chairman of one of China's top state-owned automakers, FAW Group Corp, and a senior provincial official are being investigated for "violating party discipline", the Communist Party said on Sunday, employing its usual euphemism for corruption. FAW Group Corp is one of China's biggest automakers which has joint ventures with Volkswagen, Toyota and General Motors in China. Faw Car shares fell 5.6%, Tianjin FAW Xiali Automobile was down 3.6% and Changchun Faway Automobile Components also declined as much as 2.2%.
Reuters

MTR: net profit rose 20% yoy in 2014 but construction costs may rise

It said the strong earnings were partly driven by a HK\$4.22b profit from its property development operations (The Austin and Grand Austin) in Hong Kong. The bad news is that project cost of West Kowloon Terminus has increased from HK\$65b to HK\$71b and opening was pushed back to the end of 2017 from the original target of this year. The cost of the South Island Line (East) from Admiralty to the south of HK Island will also be revised upward.
MarketWatch, SCMP

SECTOR

Energy: crude plunged to US\$42.85/bbl on Monday

This is the lowest price since March 2009. The market expects the U.S. Energy Information Administration to report on Wednesday another large weekly build in crude supplies. Oil traders appear to focus on the data that show production continues to grow and ignores OPEC monthly report that US oil production could start to fall by the end of the year. At the same time, the US dollar continues to skyrocket and the Fed on Wednesday is widely expected to remove its pledge to be 'patient' in raising interest rate. A stronger dollar will make dollar-denominated crude more expensive for foreign buyers whose own currencies are weaker.
MarketWatch, CNN Money

Financials: Shanghai to unveil QDII2 scheme

Shanghai will allow individuals to invest in overseas capital markets through the Qualified Domestic Individual Investor scheme as soon as this year according to a news release on the government website yesterday. The regulator is also considering raising annual quota on individuals' foreign exchange purchases under the scheme without providing details. Other measures include allowing foreign enterprises to sell yuan-denominated bonds in the zone, boost foreign ownership cap in joint-venture securities firms and set up more privately owned banks.
Shanghai Daily

Financials: may allow to trade small-caps on the Shenzhen-HK Stock Connect

According to the Secretary for Financial Services, that will also apply to the existing link with Shanghai. But newly listed shares will remain excluded. A move that immediately follows will be giving mainland investors exposure to exchange traded funds in the SAR, before allowing mutual trading of futures indices.
The Standard

Financials: five banks on crisis-proof list

Five major lenders have been designated domestic systemically important banks which means they are large enough to lead to a crisis if they fail. They are The Hong Kong and Shanghai Banking Corporation, Bank of China (Hong Kong), Hang Seng Bank, Standard Chartered Bank and Bank of East Asia. Each will be required to include a higher loss absorbency requirement into the calculation of their regulatory capital buffers in 12 months. That for HSBC in 2016 will be 0.625%, 0.25% for BEA, and 0.375% for the rest.
The Standard

Materials: high-end special steel's demand for nickel rising

High-end special steel's demand for nickel is still on the rise despite the fact that nickel prices have stayed at a low level. Besides, the trading of nickel and tin futures will officially commence on the Shanghai Futures Exchange on 27 March. It is believed that this will boost the vitality of nickel metals and have positive effect in lifting the prices of nickel and tin in the short term.
AASOCKS

MACRO

Yuan now accounts for 80% of Bitcoin transactions

Even though the bitcoin value fell from US\$1100 in late 2013 to US\$300, the trading volume on the mainland has risen markedly. Yuan tops the US dollar, yen and euro in Bitcoin transactions compared to Dec 2013 when the yuan accounted for about 50% when Zhou clamped down hard on the payment system. It is believed that people are using Bitcoin to move Yuan overseas as slower mainland economic slowdown provides fewer lucrative investment opportunities in addition to the ongoing crackdown on corruption which has made it harder to launder ill-gotten funds.

SCMP

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