

Sunny Optical: Breaking above the resistance line

DIGITAL ENGAGEMENT TEAM

04 NOVEMBER 2020

TRADING MATTERS SERIES: STOCK HIGHLIGHT

Features a single stock and zooms in on its performance in the market

KEY METRICS

Current Price	141.00
Latest Dividend	0.73
Dividend Ex-Date	27/5/2020
Indicated Dividend Yield	0.56%
RSI	69.39
Analysts 12M Target Price	144.97

REFINITIV STOCKREPORTS+ AVERAGE SCORE

8/10

As of 04 November 2020 closing

Refer to page 3 for indicator components

KEY MARKET EVENTS

- 03 Nov**
US Elections
- 04 Nov**
China Oct Caixin PMI Release
- 06 Nov**
FOMC Interest Rate Decision
- 20 Nov**
China Loan Prime Rate Release
- 27 Nov**
HK Futures Roll Date

Sunny Optical Price Chart



Hang Seng Index Price Chart



Market Commentary

- Tech stocks rise in Hong Kong amid Huawei, election optimism (03 Nov, Bloomberg)
 - Technology stocks were among Hong Kong’s biggest gainers Tuesday, rising on what some analysts say is optimism about potential eased U.S.-China tensions after the election and more firms possibly getting U.S. licenses to supply Huawei
 - The Hang Seng Tech Index was up 1.70%
 - Sunny Optical’s trading volume was almost quadruple the 20-day average, putting Sunny Optical amongst the top 5 traded stocks by value on the Hong Kong Exchange
 - Trading in the company's call options was also quadruple the average

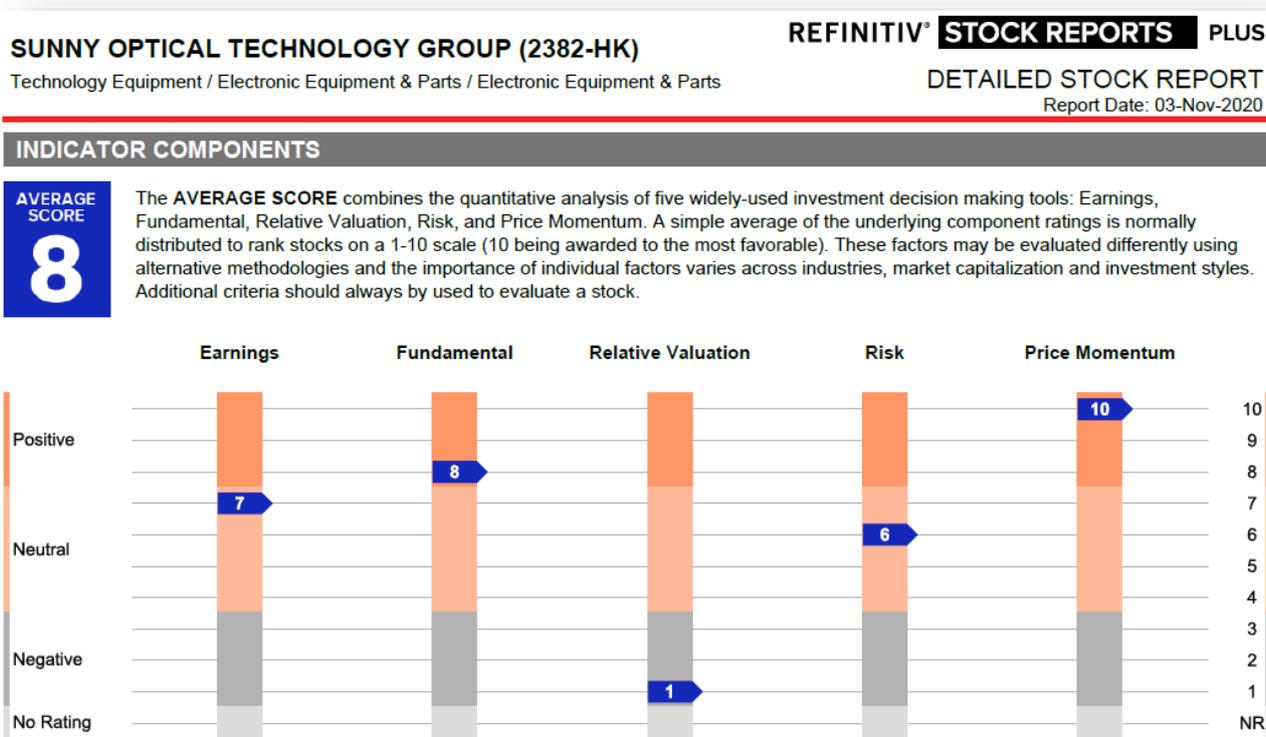
- Biden might de-escalate China tech war (23 Oct, Asia Times)
 - Barney Frank, a former 16-term congressman and ex-chair of the House Finance Committee, told an Asia Times webinar Oct. 22 that nothing will change in America’s rhetoric towards China, but that a Biden Administration would ease some of the Trump Administration’s tech war restrictions in return for Chinese concessions

- Most recent Analyst 12M Target Prices on 2 Nov all rated at Outperform by Credit Suisse (168.00), Macquarie (152.00), CCB International (140.50) (Bloomberg)

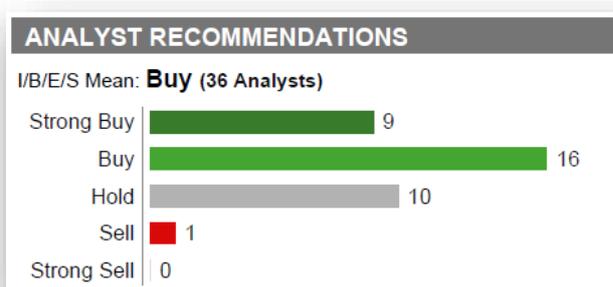
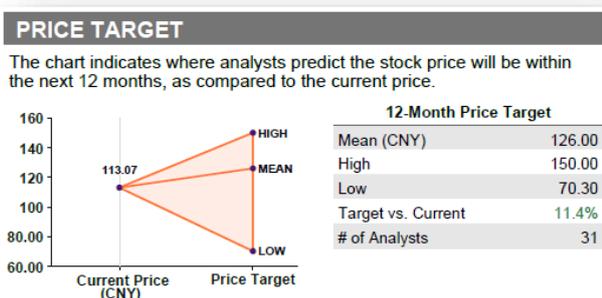
TRADING FLOWS	RESISTANCE LEVELS	SUPPORT LEVELS
<ul style="list-style-type: none"> • Sunny Optical’s 50 Day Moving Average (123.14) is approaching its 200 Day Moving Average (123.39) 	<ul style="list-style-type: none"> • 135.00 (24 Jul 20) • 142.00 (18 Aug 20) • 150.00 (06 Aug 20) 	<ul style="list-style-type: none"> • 128.17 (100 Day MA) • 123.39 (200 Day MA) • 115.00 (05 Oct 20)

Fundamental Viewpoint

An Extract from STOCKREPORTS+



Analyst Price Target and Recommendations



Source: REFINITIV STOCKREPORTS+, extracted 04 November 2020 closing

Hong Kong Peer Analysis (STOCKREPORTS+)

PEER ANALYSIS													Currency in HKD
Average Score	Ticker	PRICE MOMENTUM				Market Cap	VALUATION		FUNDAMENTAL		ANALYSTS		
		Price (02/11/20)	1-Mo Return	3-Mo Return	1-Yr Return		Trailing PE	Forward PE	Dividend Yield	Net Margin	LTG Forecast	IB/E/S Mean	# of Analysts
8	6969	42.70	22.2%	4.8%	--	235.2B	84.5	64.6	--	28.6%	--	Strong Buy	8
8	2382	130.80	10.6%	-11.3%	1.1%	140.6B	30.4	27.6	0.6%	10.5%	18.4%	Buy	35
8	698	0.42	1.2%	-9.7%	-35.4%	2.7B	6.8	7.8	0.1%	1.2%	10.2%	Hold	12
9	259	1.77	8.6%	9.3%	45.1%	1.8B	14.2	--	2.8%	15.2%	--	--	--
4	553	4.68	-2.1%	-8.2%	22.5%	1.1B	70.5	--	0.4%	0.7%	--	--	--
6	2788	0.57	-3.4%	-12.3%	-31.3%	466M	11.6	--	4.4%	8.3%	--	--	--
9	912	1.31	4.8%	17.0%	-21.1%	366M	13.2	--	6.1%	1.7%	--	--	--
3	2078	0.31	5.2%	32.6%	-34.4%	366M	--	--	--	-22.8%	--	--	--
NR	1850	0.25	0.0%	2.0%	-9.1%	200M	--	--	--	-13.5%	--	--	--
4	9918	0.10	-4.0%	-6.8%	--	192M	4.3	--	10.4%	-1.0%	--	--	--
2	572	0.20	24.4%	7.0%	-79.3%	188M	--	--	--	-73.7%	--	--	--
6.1	Average	16.65	6.1%	2.2%	-15.8%	34.8B	29.4	33.3	3.6%	-4.1%	14.3%	Buy	18.3

PEER COMPANIES				
6969	Smooere International Holdings		2078	Panasialum Holdings Co
698	Tongda Group Holdings		912	Suga International Holdings
259	Yeebo		1850	WINDMILL Group
553	Nanjing Panda Electronics Co		9918	Wise Ally International
2788	Yorkey Optical International		572	Future World Holdings

Source: REFINITIV STOCKREPORTS+, extracted 04 November 2020 closing

Global Peer Analysis (Bloomberg)

Ticker	Name	Mkt Cap (USD) (Millions)	Last Px	P/E	P/E 5Yr Avg	P/B	P/B 5Yr Avg	Indicated Yield (%)
Average		7,249.45	374.12	49.46	45.87	6.85	5.64	0.89
2382 HK	SUNNY OPTICAL TECH LENS TECHNOLOGY CO	19,954.30	141.00	30.90	32.61	9.89	10.35	0.56
300433 CH	LTD-A WUHAN RAYCUS FIBER	21,791.49	33.25	29.88	30.67	5.65	3.60	0.78
300747 CH	LASER T-A HUBEI JIUZHUYANG	3,199.04	74.30	95.13	77.59	8.74	8.21	0.12
300516 CH	INFRARED -A XIAMEN LEADING	1,187.53	44.13	143.99	101.87	7.30	5.20	0.16
605118 CH	OPTICS CO L-A JUTZE INTELLIGENT	1,083.92	17.88	35.76		10.56		N/A
300802 CH	TECHNOLO-A LARGAN PRECISION CO	998.18	41.10	58.71		6.96		0.30
3008 TT	LTD GENIUS ELECTRONIC	14,554.98	3105.00	16.23	20.03	3.11	4.37	2.54
3406 TT	OPTICAL CO	2,189.44	565.00	18.08	27.20	4.71	4.76	1.59
JEN GR	JENOPTIK AG WUHAN GUIDE	1,447.09	21.64	23.09	19.19	1.88	2.04	0.60
002414 CH	INFRARED CO LT-A	8,686.30	36.50	74.30	81.13	14.01	9.14	0.32
FLIR US	FLIR SYSTEMS INC	4,651.70	35.47	17.99	22.54	2.57	3.12	1.92

Source: Bloomberg, extracted 04 November 2020 closing

Maintain neutral position in equities

For now, we continue to believe that investors should be positioned for a rotation from growth/momentum to cyclical/value stocks, and we maintain our neutral overall position in equities

Eli Lee,
Head of Investment Strategy,
Bank of Singapore

Despite the bruising performance registered across global markets recently, we believe that volatility is unlikely to recede in the short term. In our view, the upcoming US presidential election would be the key risk event for equity markets, with concerns over a potentially drawn-out contested election process in play.

Still, we remain constructive on the long-term outlook of markets, with China in particular a bright spot, as latest activity data demonstrates that the Chinese economy continues to lead the global recovery in 3Q 2020 after its V-shaped recovery in 2Q 2020.

China

China will hold its plenary session at the end of October to discuss the 14th Five Year Plan (2021-2025), which will be a key event to watch out for. We expect the “dual circulation” strategy to be a key policy focus and certain government policies will be needed to facilitate this development. The “dual circulation” strategy will focus on domestic demand as the main driver, supported by a network of domestic and international circulations that complement each other. In our view, this strategy is a shift towards self-reliance and a re-emphasis on the large-scale potential of China’s domestic economy, amid an uncertain global environment and ongoing US-China tensions which have resulted in uncertainty on external demand.

Domestic consumption could be boosted and supported by structural reforms and effective investment, not only in traditional infrastructure projects but also through investment in new infrastructure and new urbanisation projects. As such, potential beneficiaries would be broadened to new infrastructure sectors, like data centres, artificial intelligence, 5G applications, Internet of Things, electric vehicle charging piles and ultra-high voltage power transmission projects. We prefer sectors focused on domestic consumption, such as autos, internet and insurance, and expect these sectors to have more policy support. While the healthcare sector should also benefit, we would only accumulate companies with a domestic focus on dips, given the sector’s outperformance and relatively rich valuations.

For the full outlook on Equities, click [here](#)

Source: OCBC Premier Banking Insights, extracted 04 November 2020 closing

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