



China Power Utilities

Too early to call a power price upcycle

Equities Electric Utilities

China

- ◆ We take a deeper look at the complicated impacts from the AIDC and China's Compute/Power Integration
- ◆ We also highlight the expanding firm capacity reserve margin and why a structural upcycle for power price is less likely
- ◆ Renewables to benefit structurally – Maintain Buy on Longyuan; Reduce Huaneng H/A for current earnings downcycle

A deeper look at the Compute/Power Integration: Investor interest on Chinese IPPs have picked up recently on AI-driven power demand and the government's push for Compute/Power Integration ("算电协同"). Indeed, we estimate AIDC power consumption to rise 5x till 2030 (see [China Power Utilities: The AI power story II](#), 17 Mar 2026). In this note, we take a deeper look at AIDC's impact on China's electricity market. We also demonstrate how the Compute/Power Integration program will mitigate these impacts by flattening the load curve/reducing regional imbalance, etc. For IPPs, the implications are not the same, and renewables IPPs are likely winners.

System flexibility from tightness to surplus: China is now tight on dispatchable capacity given strong load demand and recent addition of massive unstable renewables. But this could change soon, as we estimate the firm capacity is quickly expanding, led by ESS. Hence, the reserve margin over peak load is rebounding from 18% in 2024 to 34% in 2030 – back to pre-2020 level. This suggests a major improvement in power supply capability, even during peak hours. Therefore, we expect peak spot power price to be under pressure, which could then be reflected in longer term power purchase agreement (PPA) prices. Conversely, demand/prices at trough hours could increase and benefit renewables.

Less likely for a structural upcycle of power price: Some investors expect power price trend to also be reversed and embark on an uptrend from here. Despite near term volatility, we have a more cautious view on this. We believe China's Compute/Power Integration and rising firm capacity reserve margin would drag average power price in the market. Besides, lacklustre industrial/property consumption and largely stable coal price are less likely to fuel higher power price over the medium term.

Buy Longyuan/CGN, Reduce Huaneng-A/H: We like Longyuan as a direct beneficiary of the policy support for compute/power integration despite near-term earnings pressure. We expect power price for renewables to rebound by 2027-28 as demand/supply for renewables recalibrate. We also like CGN given upside from the nuclear CfD policy. We have Reduce ratings for Huaneng H/A, considering its current earnings downcycle, and higher risk for 2Q26 results.

This is our latest report on the Energy Transition theme. If you want to subscribe to any of our nine big themes, [click here](#).

Daniel Yang*

Analyst, Asia Energy Transition
The Hongkong and Shanghai Banking Corporation Limited
daniel.h.yang@hsbc.com.hk
+852 299 66976

Evan Li*

Head, Asia Energy Transition Research
The Hongkong and Shanghai Banking Corporation Limited
evan.m.h.li@hsbc.com.hk
+852 2996 6619

Shayla Xu*

Associate, Asia Energy Transition
The Hongkong and Shanghai Banking Corporation Limited
shayla.b.xu@hsbc.com.hk
+852 2288 7378

Vivian Zhou*

Associate
Guangzhou

* Employed by a non-US affiliate of HSBC Securities (USA) Inc, and is not registered/qualified pursuant to FINRA regulations

HSBC Funding the Future Survey
Sentiment, AI and Private Credit

[Click to view](#)

Disclosures & Disclaimer

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

Issuer of report: The Hongkong and Shanghai Banking Corporation Limited

View HSBC Global Investment Research at:
<https://www.research.hsbc.com>

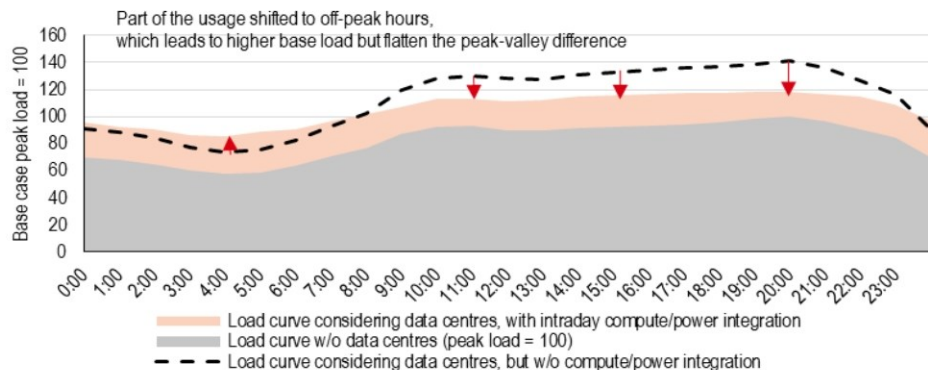
Power utilities comp table

Company	Ticker	Rating	Cnrcy	TP	Price	Up/down side	MktCap (USDm)	PE 2026e	PE 2027e	ROE 2026e	ROE 2027e	PB 2026e	PB 2027e	Div Yld 2026e	Div Yld 2027e
Utilities H-Share															
Huaneng Power-H	902 HK	Reduce	HKD	5.00	6.59	-24.1%	16,085	10.3x	9.4x	12%	12%	1.2x	1.1x	5.4%	5.8%
CR Power	836 HK	Hold	HKD	20.00	20.04	-0.2%	13,249	9.0x	8.4x	10%	10%	0.9x	0.8x	4.4%	4.8%
Huadian Power-H	1071 HK	Hold	HKD	4.30	4.50	-4.4%	8,815	9.5x	9.4x	10%	9%	0.9x	0.9x	5.1%	5.1%
CGN	1816 HK	Buy	HKD	4.20	3.38	24.3%	4,819	13.5x	12.9x	9%	9%	1.1x	1.1x	3.3%	3.5%
China Power Int.	2380 HK	Buy	HKD	3.90	3.57	9.2%	5,640	13.3x	11.1x	7%	8%	0.9x	0.8x	5.3%	6.3%
Longyuan-H	916 HK	Buy	HKD	8.10	6.71	20.7%	15,759	11.3x	8.2x	6%	7%	0.6x	0.6x	2.7%	3.7%
Datang Power *	991 HK	NR	HKD	NA	2.63	NA	9,699	6.8x	6.3x	8%	8%	1.0x	0.9x	4.8%	5.2%
Utilities A-Share															
Huaneng Power -A	600011 CH	Reduce	RMB	6.20	7.50	-17.3%	16,085	13.4x	12.4x	12%	12%	1.5x	1.4x	4.1%	4.5%
Huadian Power-A	600027 CH	Hold	RMB	5.20	5.38	-3.3%	8,815	13.0x	13.0x	10%	9%	1.2x	1.2x	3.7%	3.7%
CYP	600900 CH	Buy	RMB	31.00	26.89	15.3%	96,754	19.6x	19.0x	14%	14%	2.7x	2.5x	3.6%	3.7%
Longyuan-A	001289 CH	Buy	RMB	19.60	17.42	12.5%	15,759	33.7x	24.4x	6%	7%	1.9x	1.8x	0.9%	1.2%

Source: LSEG Datastream, HSBC estimates; (*) denote Bloomberg consensus. Priced at 20 May 2026.

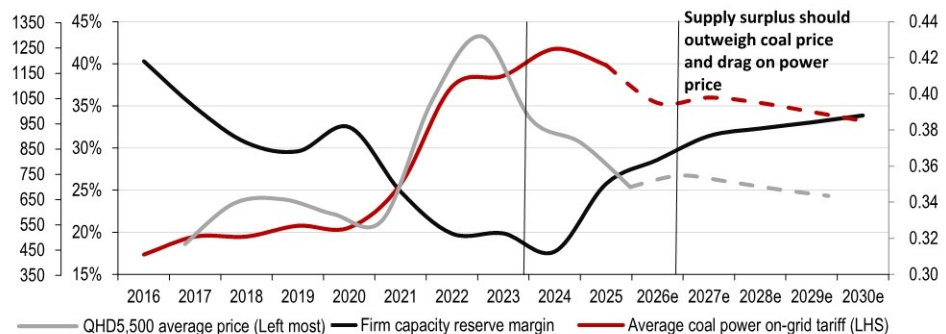
Key charts

China's Compute/Power Integration program could turn AIDC from a challenge to a dispatchable resource for demand load



Source: HSBC

Expanding firm capacity reserve margin could drag on power price in China



Source: CEC, Sxcoal, HSBC estimates

Mitigating AIDCs' impact

- ◆ AIDCs can cause complicated impacts to the electricity market, i.e. more load volatility and regional imbalance...
- ◆ ...China's Compute/Power Integration could mitigate these impacts through measures like co-location, on-site generation and VPPs
- ◆ Renewables benefit the most from demand upside and better load flexibility, nuclear has potential but needs regulatory clarity to scale

AIDC power demand beyond the headline: volatility, flexibility and winners

From power demand uplift to load-shaping potentials

Previously, we estimated that power consumption at AIDCs would jump 5x between now and 2030, reaching over 1,000bn kwh or 9% of China's total power demand, with further upside coming from new AI agents and usage surge for Chinese AI models from overseas (see [China Power Utilities: The AI power story II](#), 17 Mar 2026). In this report, we look beyond the headline AIDC power demand to understand its grid load profiles and the scope for load flexibility, which remain less discussed by investors.

Our key thesis

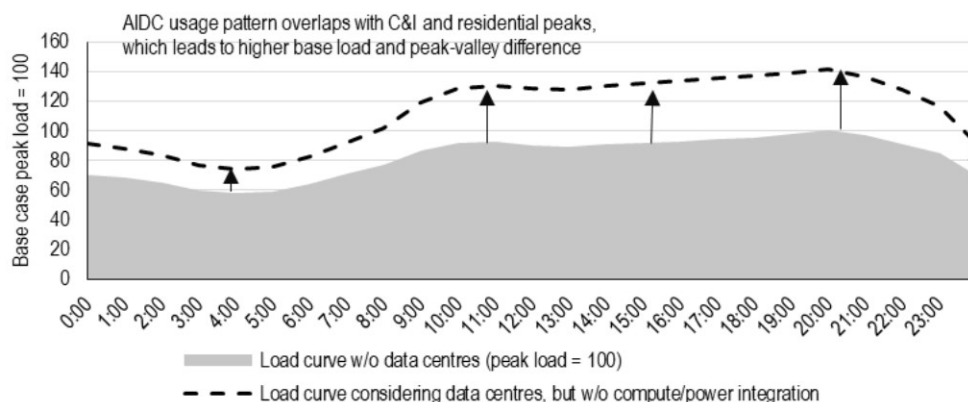
- ◆ **Challenges:** Rising power demand from AIDCs will likely increase grid-load volatility and lift peak load, given less predictable computing workloads versus traditional data centres.
- ◆ **Compute/Power Integration:** We believe China's ambitious Compute/Power Integration programme can effectively mitigate these impacts by flattening the load curve/reducing regional imbalance, etc.
- ◆ **Winners:** Renewables should be favoured, supported by mandatory green electricity requirements for AIDCs and improving demand flexibility. By contrast, AIDC's incremental impact on thermal generation looks less compelling in China. While nuclear is valued by AIDC developers for its stable, emissions-free output, regulatory ambiguity must be addressed to enable broader use of nuclear power for AIDCs in China.

AIDC load pattern: More volatile, yet more adaptable

A traditional data centre for cloud storage or enterprise data storage has a largely flat 24-hour base load from IT equipment, with small fluctuations from daytime business operations. The main variability comes from cooling, which typically peaks in the afternoon, then falls overnight as temperatures drop. Similarly, the year-round load pattern is driven by stable baseload computing needs and seasonal changes in cooling demand, which tend to peak during summer months.

AIDCs can have a very different power-demand pattern from traditional data centres, with bigger, faster, and less predictable swings in electricity use. AI training and inference rely on large GPU clusters working synchronously. Power demand can be extremely high during a training session, then drop sharply when it finishes, creating demand fluctuations within a short period of time. For inference (usage of trained model), the load pattern would be more dependent on usage time and type - business use is likely to peak during working hours, and personal use may resemble residential demand.

Impact of AIDC power demand on the intraday load patterns in China's metropolitan areas, assuming no load shifting

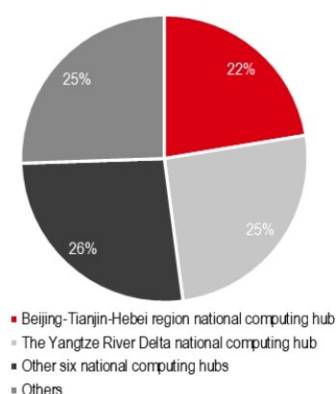


Source: HSBC

China's computing power distribution remains skewed toward coastal provinces

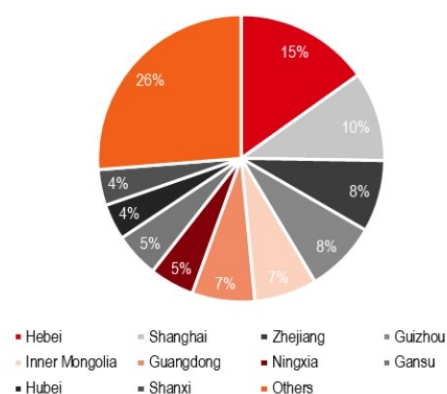
Currently, China's computing power remains highly concentrated. The Beijing-Tianjin-Hebei region and the Yangtze River Delta together account for over 45% of the national computing capacity as of 1Q25 (source: China Academy of Information and Communication Technology). This underscores the need for load shifting and demand optimisation to smooth the increasingly volatile load profiles that will emerge as AIDCs scale up.

Share of national computing power



Source: China Academy of Information and Communication Technology

Share of national AI computing power



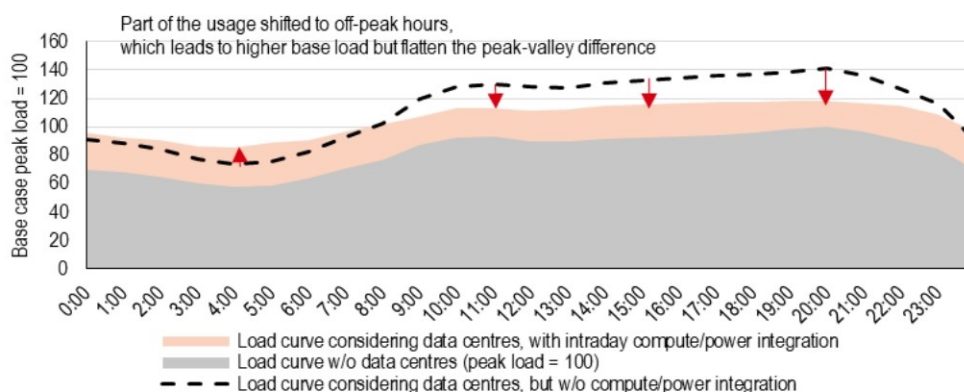
Source: China Academy of Information and Communication Technology

Compute/Power Integration: How it changes AIDC's load impact

China has laid out AI computing as a core pillar of economic growth for the 15th Five-Year-Plan period while promoting "Compute/Power Integration" to meet AIDC power demand. Over the next five years, we expect green electricity be critical to in this roadmap via green power trading, PPAs, green certificates, and direct power supply. Meanwhile, AIDCs can act as stable, long-term off takers for renewable generation, creating a win-win dynamic under the 15th FYP's direction. We outline the mechanisms that can make compute/power integration work on the ground:

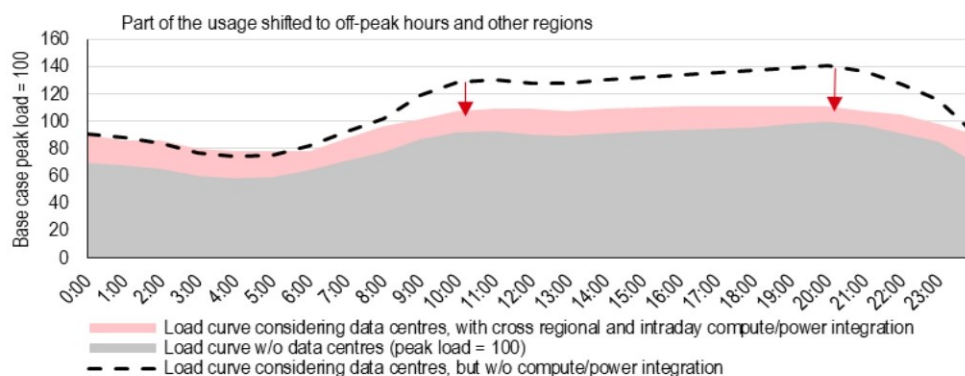
- ◆ **Co-location with mega renewable bases:** China is accelerating the integration of AIDC with green energy by incentivizing AIDC investments in regions with abundant renewable resources, such as Northwest China.
- ◆ **On-site generation and direct power supply:** AIDCs can utilise on-site distributed renewables or co-located power supplies to reduce reliance on grid networks. Under NDRC's recently released *Action Plan to Promote Mutual Empowerment of Artificial Intelligence and Energy* (15 May 2026), regulators also encourage exploring the direct supply of nuclear power to data centres to provide stable, emissions-free electricity. Currently, a major barrier to direct power supply for AIDC is agreeing fair wheeling fees with the local grid (or obtaining a waiver) to bring down transmission costs.
- ◆ **Real-time demand response through virtual power plants (VPPs):** Load shifting with AIDCs can be done through moving computational workload to off-peak times or geographical task migration in real time to shave demand "peaks" and fill demand "valleys". This is suitable for power-cost-sensitive use case such as AI training and edge computing. China is developing a National Integrated Computing Network that will integrate computing resources into a nationwide platform to optimise the use of computing power.

Scenario 1: Impact of AIDC power demand on the intraday load patterns in China's metropolitan areas, assuming intraday compute/power integration



Source: HSBC

Scenario 2: Impact of AIDC power demand on the intraday load patterns in China's metropolitan areas, assuming cross-regional and intraday compute/power integration



Source: HSBC

Local mandates: The case of Shanghai

- ◆ **VPP for local demand response:** Under the 15th Five-Year Plan, Shanghai aims for virtual power plants (VPPs) to provide stable regulation capacity of around 5% of the city's annual peak load. As of Aug 2025, the Shanghai VPP Management Centre had connected 47 VPP operators with 2 GW of dispatchable capacity, covering EV charging/swapping, building HVAC, industrial users, behind-the-meter storage, and data centres (Source: Xinhua, 16 Aug 2025). Of the city's 160 operating data centres, around 15% had connected to the Shanghai VPP management platform and participated in load dispatching, with total registered adjustable load of 183.5 MW (Source: Sina, 5 Feb 2026).
- ◆ **Cross-regional load shifting:** State Grid Shanghai and China Telecom have recently validated rapid cross-province AI workload migration for a 100-GPU cluster. In July 2025, China Telecom's Lingang AI compute centre shifted live AI tasks to a data centre in Hubei province within 3 minutes, without disrupting the computing service. This demonstrates the potential for cross-regional load shifting and could enable data-centre operators to take advantage of more competitive electricity prices in other regions.
- ◆ **On-site off-grid generation:** Shanghai's local data centre operator, Hailan Cloud (a subsidiary of Hilander, 300065 CH, Not Rated), has brought a 2.3MW underwater data centre project into commercial operation and is scaling it up to 24MW. Over 95% of the facility's electricity is supplied directly by a windfarm nearby (source: [government of Lingang](#), 22 Oct 2025). The site also has independent backup power feeds to enable seamless switchover in the event of an outage.

Renewables to benefit from higher demand and load flexibility

- ◆ **At the system level, demand-side flexibility will gradually improve** relative to baseload supplies, as AIDCs' participation in load shifting ramps up. This suggests grid regulation capability is being strengthened from the demand side without squeezing reserve margin, as AIDCs can evolve from passive load into a controllable resource that helps shave peaks and fill valleys.
- ◆ **AIDC growth is structurally positive for renewables**, as the Chinese government mandates 80% of the power consumption of new data centres to come from green power. As AI training loads can be shifted across time and geography, this will improve renewable utilisation (lower curtailment) and support incremental wind/solar (plus storage) demand in remote resource-rich regions.

- ◆ **For thermal power, however, the implication is less exciting for the long term.** As workload migration, VPP dispatch and behind-the-meter storage/off-grid supply reduce net load curve volatility, they can dampen incremental peak load uplift and marginal demand for ancillary services from thermal power. The role of thermal power will skew more toward reliability/backup power source rather than the main power supply for AIDCs. This suggests a more stable outlook for thermal power revenue.



From tightness to surplus

- ◆ China's electricity market could shift from current tightness in system flexibility into surplus of dispatchable power in the coming years
- ◆ ...as we estimate the firm capacity reserve margin would rebound and return to pre-2020 level, amid fast-growing ESS and more
- ◆ This could drag on average spot power price first and later reflect in longer term PPAs, while renewables would likely benefit

The power system flexibility could be in surplus soon

China is in tight supply of dispatchable power

In recent years, the electricity market in China continued to evolve with massive renewables being added into the system, faster-growing load demand and more volatile power consumption patterns. These have shifted the market from a position of generation abundance to a structural tightness of flexible capacity in meeting load demand. In this environment, we have seen new challenges, like increased curtailment of renewables, widened gap in peak/trough power prices, or even negative pricing, etc.

...but this could change soon, and potentially into surplus again

While realizing this structural challenge, the Chinese government and the industry have been working to improve the flexibility of the electricity system. These include: 1) restarting investment in baseload power, i.e. nuclear and coal, 2) speeding up investment and support of energy storage, including battery, pumped hydro and even flexible coal power, and 3) continued investment in grid upgrade and UHV transmission lines.

Based on our analysis in below paragraphs, we believe that these efforts could relieve such tightness in flexible supply, and potentially transitioning the market into surplus of dispatchable power again in the coming years. In this scenario, we see different implications to China's electricity market, from lower upside potential in power prices, less volatile spot market to reverse trends in project return in renewables and energy storage, etc. We believe most investors may underestimate the speed of such transition.

Investors may underestimate how quickly China can go into surplus of power system flexibility and its implications

A new analysis to evaluate surplus

Calculation of firm capacity reserve margin

Firm capacity, or dispatchable capacity of power refer to the available power generation fleet that is ready anytime in the system. Its ratio over peak load (the highest demand of power during the year), also known as the firm capacity reserve margin, is therefore a key metric in our view to evaluate how sufficient is the power supply to meet fluctuating demand. We arrive these estimates by:

1. Calculating the firm capacity in China by applying different availability ratios to the nameplated power generation capacity of different power sources. The availability ratio considers the dispatchability and self-consumption of power of each technology, i.e. 0% for wind/solar given their intermittency.
2. Divide the firm capacity by the peak load demand of the year in China, which we estimate to grow at 6% CAGR in 2026-2030e, slightly ahead of power consumption and GDP growth.
3. Analyse the trend of this firm capacity reserve margin from 2016 to our forecasted period of 2026-2030.

Calculation of firm capacity reserve margin

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
A) Nameplate capacity (GW)															
Coal	946	980	1,006	1,045	1,080	1,109	1,124	1,165	1,195	1,259	1,334	1,419	1,474	1,519	1,564
Gas	70	76	83	90	98	109	122	126	144	146	161	173	183	193	203
Hydro	332	341	352	356	370	391	414	422	436	448	465	483	503	528	555
Nuclear	34	36	45	49	50	53	56	57	61	62	71	80	86	95	104
Others	38	49	54	56	73	79	87	99	106	134	137	140	143	146	149
Wind	149	164	184	210	282	330	367	441	521	640	747	863	992	1,131	1,273
Solar	77	130	175	205	253	307	393	609	887	1,202	1,372	1,552	1,762	1,982	2,202
ESS	-	-	-	1	1	4	13	35	74	136	211	293	379	470	565
Total	1,646	1,777	1,899	2,011	2,207	2,381	2,574	2,955	3,423	4,027	4,498	5,003	5,522	6,064	6,615
B) Availability ratio															
Coal	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Gas	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Hydro	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Nuclear	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%
Others	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Wind	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Solar	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
ESS	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
C) Firm capacity (GW) = A)*B)															
Coal	804	833	855	888	918	943	955	990	1,016	1,070	1,134	1,206	1,253	1,291	1,330
Gas	63	69	75	81	88	98	110	113	129	131	145	156	165	174	183
Hydro	282	290	299	303	315	332	351	358	371	381	395	411	428	449	472
Nuclear	31	33	41	45	46	49	51	52	56	57	66	73	79	87	96
Others	30	40	43	45	58	63	69	79	85	107	109	112	114	116	119
Wind	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Solar	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ESS	-	-	-	1	1	3	9	25	52	95	148	205	265	329	396
Total	1,211	1,264	1,314	1,362	1,425	1,488	1,546	1,618	1,708	1,842	1,997	2,163	2,304	2,447	2,595
- yoy		4%	4%	4%	5%	4%	4%	5%	6%	8%	8%	8%	7%	6%	6%
D) Peak load															
863	938	1,006	1,051	1,076	1,192	1,290	1,350	1,451	1,465	1,553	1,646	1,742	1,839	1,938	
- yoy		9%	7%	4%	2%	11%	8%	5%	7%	1%	6%	6%	6%	6%	5%
E) Firm capacity reserve margin = C)/D)															
40%	35%	31%	30%	32%	25%	20%	20%	18%	26%	29%	31%	32%	33%	34%	
-yoy		-5ppt	-4ppt	-1ppt	+2ppt	-7ppt	-5ppt	-0ppt	-2ppt	+8ppt	+3ppt	+2ppt	+1ppt	+1ppt	+1ppt

Source: NEA, HSBC estimates

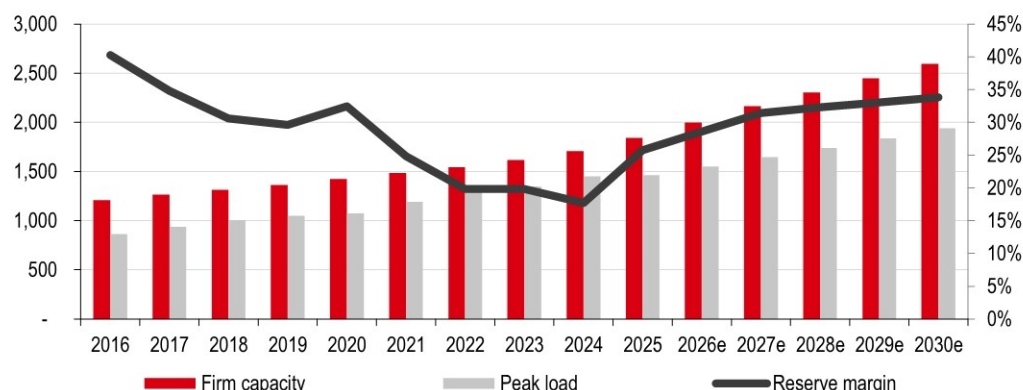
A potential surplus in firm capacity

We summarise the key findings of above analysis:

- ◆ The firm capacity reserve margin dropped steadily from 40% in 2016 to 18% in 2024, which was in line with our observation for the lack of system flexibility during the period...
- ◆ ...then we estimate it to be on a consistent uptrend from 2025 and reach 34% by 2030e, well above a typical threshold of 20%, hence suggesting a potential surplus.
- ◆ We expect this to be driven by the fast-growing firm capacity in China, by 752GW or 40% from 2025 to 2030e.
- ◆ Within different technology, battery ESS is the largest contributor of the growth in firm capacity, followed by flexible coal power and pumped hydro.

The reserve margin is on an uptrend to 34% by 2030e, suggesting a potential surplus

The firm capacity reserve margin is on an uptrend



Source: NEA, HSBC estimates

What could go wrong in our analysis

There are risks to our assumptions in the above analysis, including:

- ◆ **Regional imbalance:** we take China as a unified electricity market for simplicity. There are imbalance of firm capacity and reserve margin for different provinces.
- ◆ **Higher-than-expected load growth:** If peak load is growing faster than our estimates, i.e. climate reasons, we could have less surplus in power supply and system flexibility.
- ◆ **Less-than-expected ESS installation:** as system flexibility starts to improve, project return of battery ESS should normalise or decline, which in return could lower the installation potential as in our forecast.

Implications to China's power market

With the firm capacity reserve margin going from tight to potential surplus in the coming years, we see different impacts to China's power market:

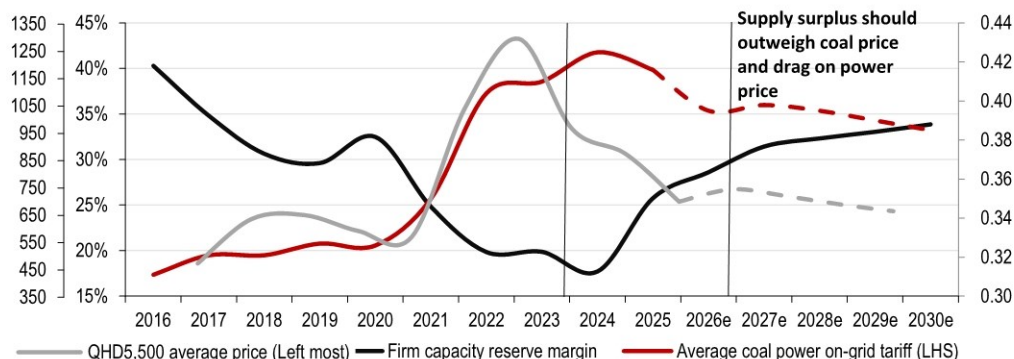
- ◆ **Smoothing the “duck” (net load) curve:** Thanks to the buildout of more ESS and flexible coal power, we believe power demand during trough hours and supply during peak hours will increase. This shall largely improve the current supply bottleneck of China's power system.
- ◆ **Narrowing gap in peak/trough spot power prices:** given more balanced demand/supply of power during the day, we expect spot power price at peak hours to go down assuming stable input cost for power generation, and the opposite for spot price at trough hours.
- ◆ **Pressure on average power prices:** Normally, spot power price at peak hours is a leading indicator for average power price in the market. Hence, downward pressure on spot power price could gradually translating into lower average retail power price as well as wholesale power price in longer term PPAs due to lower risk premium.
- ◆ **Improving project return for renewables:** As more trough-filling capacity, like battery ESS being added to the system, wind/solar projects would likely become a major beneficiary of lower curtailment and higher tariffs, and hence bringing better project return.
- ◆ **More competition or less policy support on ESS:** With narrowing gap for peak/trough power prices, the arbitrage profits for ESS may come down. This could also be the case for ancillary services due to more competition and supply. Eventually, the government could reduce financial support, like the capacity payment for new projects.

Power supply and flexibility likely more important factors in driving future power price

In China, the movement of power prices are normally dependent on its supply/demand and the changes of coal price (as the marginal input cost). As a recap in chart below, we note that the rising coal price (grey line) and declining firm capacity reserve margin (black line, representing marginal supply/demand of power) together pushed up power prices (red line) in the country during 2016 to 2022/23. Since 2024/2025, power prices in China were falling because the shaper decline in coal price outweighed the impact of pick up in firm capacity reserve margin.

Looking ahead, we believe coal price in China to stay largely stable apart from an uptick in 2026. Therefore, the increasing supply in both generation and flexibility of power should become a more prominent factor. This could be a structural pressure on average power prices in China, although we believe the prices for renewables and during trough hours would go up.

Supply surplus could be a structural pressure on average power price ahead



Source: CEC, Sxcoal, HSBC estimates

Sector and stock views

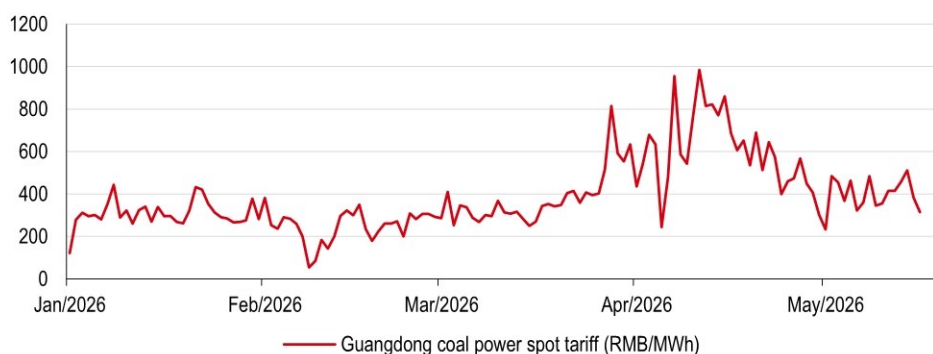
- ◆ We don't think power price in China is on a structural uptrend despite recent volatility
- ◆ Renewables remain in a better position longer term; Coal power is less relevant to the AI theme and heading to earnings decline
- ◆ Buy Longyuan and CGN, Reduce Huaneng-A/H

Less likely for a structural upcycle in power price

Some investors now expect a structural upcycle in power price...

In April, spot power price in Guangdong jumped because of a quick disruption from the import gas market, which further led to a 30% increase in the monthly contracted price in May. We expect this momentum in Guangdong to cool down in coming months as the impact from gas market is fading away, while power prices in other provinces remain rather stable during the period. Nevertheless, many investors now start to expect power price to be on an uptrend in China because of 1) strong demand driven by AI; and 2) inflation in global energy prices. However, we have a more cautious view on this.

Guangdong's spot power price is cooling down



Source: sxcoal, Wind

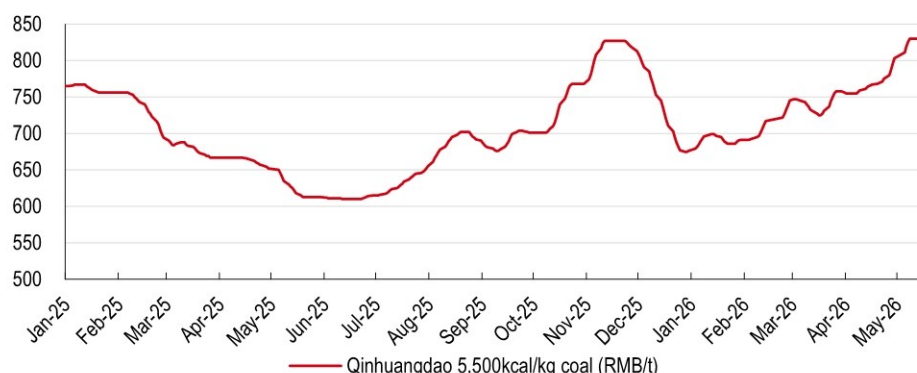
...which we believe is less likely

We believe the power price in China is less likely to enter a structural upcycle over the medium term. Apart from detailed discussion in previous sections, below is a summary of our arguments:

- ◆ **Demand:** AI is no doubt a major driver for power consumption in China going forward. While the market has high expectation on this being a driver for power price, we argue that China's ambitious Compute/Power Integration programme should flatten the demand curve and reduce regional imbalance. Apart from this, we see a stable industrial demand on power while property related consumption shows no signs of recovery.

- ◆ **Supply:** China is speeding up the installation of dispatchable capacity, i.e. ESS and flexible coal power. With this, we estimate the firm capacity reserve margin to rebound and recover to pre-2020 level in the recent years. This should help shift the electricity market from tightness in system flexibility to a potential surplus, pressing down average power price from the spot market first before reflecting in longer term PPAs.
- ◆ **Cost:** We expect the average coal spot price in China to rebound by 6% y-o-y this year due to tighter import coal market. Given we believe there's sufficient output potential domestically, we see largely stable coal price in the medium term (see [China Coal: more resilient to external supply shock](#), 18 March 2026). Apart from the major input cost, we expect investment/equipment cost of power generating/ESS projects in China to remain stable as well, which historically is less relevant to the movement of power price.

China thermal coal price spot price



Source: sxcoal, Wind

Sector views

Renewables: Watch for more demand-side policy support

On blended basis, we expect power prices to remain in a downtrend y-o-y in 2026 due to loose demand/supply in Northern and Western provinces, although the downtrend has been moderating thanks to the rollout of renewables contract-for-difference (CfD) schemes. We expect renewables power price to stabilise and rebound in 2027-28 as power demand/supply recalibrate, and "compute/power integration" remains a key catalyst which should enhance both demand and system flexibility that could lower curtailment for renewables. Meanwhile, development of direct power supply with AIDCs would allow green power suppliers to achieve more favourable contract pricing than spot markets, supporting mutual benefits. Another key catalyst to watch in 2H26 would be the bidding of CfD price for 2027.

Nuclear: Earnings growth back on track

We remain constructive on nuclear power operators in China. In the near term, the introduction of nuclear CfD schemes in Liaoning and Guangxi should support nuclear earnings in 2026. Expansion of CfD policies to other provinces remains a key catalyst to watch in 2026-27. AIDC-driven demand upside for nuclear remains less straightforward for now, given regulatory ambiguity over whether nuclear qualifies towards the 80% "green electricity" requirement for data centres. In the long term, the development of long-term commercial PPAs for nuclear power with data centres as potential off-takers may bring upside to earnings, especially given recent policy support.

Coal power: higher earnings risk in 2Q

We remain negative for coal power producers in China. Despite recent recovery of power prices in some provinces, the average effective tariff is declining on a y-o-y basis even including higher capacity payment. Coal price edged up and leading to margin contraction and earnings decline. Particularly, we see higher earnings risk for 2Q26, given a bigger increase in coal price off the low base in last year (24% y-o-y increase in QHD5,500 spot price so far).

Stock picks

CGN Power (1816 HK, Buy)

We reiterate our Buy rating on CGN. The recent share price correction following weak 1Q26 results likely reflects investors' concerns over weakness in spot power market in Liaoning and the prolonged refuelling outages at Taishan Nuclear, Guangdong. The extended downtime in Guangdong also limits CGN's ability to benefit from higher local spot power prices. Still, our expectations for earnings recovery in 2H26 remains directionally unchanged, driven by (1) introduction of the CfD policy in Liaoning and Guangxi; and (2) new capacity from Huizhou and Cangnan. We see potential for further rerating from improved visibility of project returns driven by the rollout of CfD policy across China in 2026-27. Valuation remains attractive at 11.0x PE and 1.1x PB for 2026 given its defensive value with stable utilisation and visible long-term growth.

Longyuan (916 HK/ 001289 CH, Buy/Buy)

We expect earnings to remain under pressure in 2Q26 as potential El Nino could bring further downside risks to wind and solar utilisations. However, we see positive catalysts from policy support for renewable consumption (via direct interconnection with data centres, green fuel production, and stricter emission controls on hard-to-abate sectors), which should help reset power prices in 2027-28. We believe risk/reward remains attractive, with the H-shares trading at a 2026e PB of only 0.6x compared to other SOE power utilities at 0.8- 1.2x. Hence, we maintain our Buy ratings on Longyuan-H/A.

Huaneng Power (902 HK/600011 CH, Reduce/Reduce)

We maintain our Reduce ratings on Huaneng H/A. Its 1Q26 net profits dropped 10% y-o-y and we see faster fall in this quarter amid a high base (2Q25: +50% y-o-y). Recent shares rally on the back of expectation for power price uptrend and the Compute/Power Integration theme were unjustified in our view. The company now trade at 10x/13x PE, 1.1x/1.5x PB and 5%/4% dividend yield for 2026, which look unattractive to us.

ESG disclosure

Where is Longyuan on the Energy Transition journey?

Longyuan disposed of 1.2GW of coal power capacity in August 2024 and deconsolidated the remaining 0.7GW of coal power capacity at end-2024. As a recap, the coal-related business accounted for c19% of its revenue as of 2023, before the deconsolidation. Longyuan has ceased investment in coal power since its listing in 2009 and become dedicated to wind and solar-power development.

Where is Huadian Power on the Energy Transition journey?

88% of Huadian Power's net profits stems from the coal power segment. The coal power segment includes coal-fired power generation and sales to downstream users. The company has previously spun off its renewable energy assets into an associate, Huadian Renewable (HDR), which debuted on A-share IPO for financing to support and accelerate its renewables expansion. As a result, Huadian Power is seeking to reduce its heavy reliance on coal by investing in HDR, thereby diversifying its earnings mix over time. During the 15th Five-Year-

Plan (2026-30), HDP aims to have 10GW of pump hydro power projects turned into construction, and expect them to become operational from 2030s onward, an continuing efforts for energy transitions.

Where is China Power International on the Energy Transition journey?

China Power International (2380 HK) currently has 9.8GW of coal power capacity, accounting for 18% of total installed capacity, and contributing 40%/c49% of revenue/net profits in 2025. The coal-related business mainly involves coal power generation and sales. CPI is actively working to reduce its coal capacity by expanding its clean energy portfolio through two main routes: (i) clean asset injections from its parent, including hydro and renewable assets such as Huanghe Hydro, which has 16GW of installed hydro capacity; and (ii) independent development of renewable projects. During the 14th FYP (2021-2025), the company has invested cRMB100bn into wind/solar energy development and another RMB100bn in the next 5 years. By end-2025, clean energy accounted for approximately 84% of total installed capacity.

Where is Huaneng Power on the Energy Transition journey?

Huaneng Power (902 HK/600011 CH) generates 61% of revenue from the coal related activities. These activities include coal power generation and sales to downstream users and the grid. The company is the largest coal-fired independent power producer in China, with coal power accounting for 59% of total installed capacity. The company has strived to achieve energy transition, by adding 38GW of wind/solar capacity in 2020-25, investing more than RMB114bn over the same period. Huaneng Power is an early leader in hydrogen technologies among China's five major power SOE groups, and was the first to launch a 1,300 standard cubic metres per hour alkaline water electrolysis hydrogen production system globally. The company plans to invest RMB37.7bn in renewable power projects in 2026.

Where is CR Power on the Energy Transition journey?

CR Power currently has 76%/26% of revenue/net profit derived from coal-related activities. The coal operation mainly engages in coal power generation and sales to the grid and business users. CR Power has set itself green energy transition goals by reducing coal capacity exposure to <50% from the current share of 62%, by adding c40GW of wind/solar capacity during 2021-25. Over the past two years, the company has invested cHKD67bn (equivalent to cUSD8.6bn) on green energy projects. With a strong commitment to green transition, the company plans to further invest HKD35bn (equivalent to USD4.6bn) in green energy-related projects in 2026.

China Power International: SOTP valuation

SOTP valuation	2026e
Net asset value (RMB)	3.54
Hydro	0.62
Thermal	0.57
Renewable	2.34
SOTP valuation	
Hydro (DCF valuation)	
Thermal (PB valuation)	0.7x
Renewable (PB valuation)	0.7x
ESS (PE valuation)	2.0x
Implied value (RMB)	3.40
Hydro	1.38
Thermal	0.40
Renewable	1.52
ESS	0.10
RMB/HKD	1.16
Environmental discount	0%
TP (HKD)	3.90

Source: HSBC estimates

CR Power: SOTP valuation

CR Power's SOTP valuation	2026e
CR Power's BVPS (HKD/share)	22.73
-Renewables	18.18
-Thermal	4.55
Benchmark PB (x)	
-Renewables (A share RE operators' average PB)	1.30x
-Thermal (Huaneng- H)	0.70x
Environmental discount	5%
Holding company discount	25%
TP (HKD)	20.00

Source: HSBC estimates

Valuation and risks

Valuation		Risks
CGN Power 1816 HK Buy	Current price: HKD3.38 Target price: HKD4.20 Up/downside: +24.3%	Methodology: Discounted cash flow Assumptions: - A WACC of 4.7%, based on a risk-free rate of 4.25% and an equity risk premium of 4.75% according to our equity strategy team's forecasts, an equity beta of 0.7, and a cost of debt of 2.3% (all unchanged). - Terminal growth rate of 0% (unchanged) We use HSBC FX strategists' latest end-2026e RMB-HKD FX rate assumption of 1.16 (unchanged) to derive our target price of HKD4.20 (unchanged). Our target price implies 24.3% upside. We maintain our Buy rating as we believe CGN provides defensive value with stable utilisations and visible long-term growth, while the potential introduction of nuclear power CfD across China is an upside risk to watch. Downside risks: Slower-than-expected completion of new units; weaker-than-expected utilisation; more-than-expected refuelling outages; higher-than-expected fuel costs; and lower tariffs from market trading of power, which may result in lower average tariffs.
	Evan Li* evan.m.h.li@hsbc.com.hk +852 2996 6619	
Longyuan Power H/A H: 916 HK A: 001289 CH H: Buy A: Buy	Current price: HKD6.71 RMB17.42 Target price: HKD8.10 RMB19.60 Upside: H: +20.7% A: +12.5%	Methodology: DCF and A/H price premium of 180% (unchanged) for A-share TP conversion. Assumptions: WACC of 5.5%, based on a risk-free rate of 4.25%, equity risk premium of 4.75%, equity beta of 1.05, and cost of debt of 3% (all unchanged). We assume a terminal growth rate of 2% (unchanged) to reflect growth in long-term power demand from AI. We use HSBC FX strategists' latest end-2026e RMB-HKD FX rate assumption of 1.16 (unchanged) to derive our H-share TP of HKD8.10 (unchanged). Our H-share target price implies 20.7% upside and we maintain our Buy rating as we view the acceleration of RE subsidy settlements and power demand from AI as positive catalysts, despite near-term earnings risk. A-share target price: Our A-share target price is RMB19.60 (unchanged), is converted from the H-share target price by applying an H/A price premium of 180% (unchanged) benchmarked to the average since 2023. Our A-share target price implies 12.5% upside and we maintain our Buy rating on the stock because we are positive on its renewable assets, catalysts from RE subsidies, and rising power demand from AI computing.
	Evan Li* evan.m.h.li@hsbc.com.hk +852 2996 6619	
HNP H/A 902 HK 600011 CH H: Reduce A: Reduce	Current price: HKD6.59 RMB7.50 Target price: HKD5.00 RMB6.20 Up/downside: H: -24.1% A: -17.3%	Methodology: 2026e P/B valuation (unchanged), and A/H price premium for A-share TP conversion. Target valuation: 0.95x 2026e P/B at past three-year average P/B valuation and 43% A/H price premium (unchanged). Target price: We continue to assign a 10% environmental discount to reflect the existing substantial coal-fired units held by Huaneng, and apply HSBC end-2026e RMB/HKD FX rate assumption of 1.16 (unchanged), arriving at our HNP-H/A TP of HKD5.00/ RMB6.20 (both unchanged). Our HNP H/A target prices imply 24.1%/17.3% downside. We maintain the stock at Reduce/Reduce ratings, as the H/A valuations look less attractive – 2026e trading P/B at 1.2x/1.5x. Potentially higher-than-expected coal price may continue to weigh on the company's dark spread outlook.
	Daniel Yang* daniel.h.yang@hsbc.com.hk +852 299 66976	

Valuation		Risks
HDP H/A 1071 HK 600027 CH Hold/Hold	Current price: HKD4.50 RMB5.38 Target price: HKD4.30 RMB5.20 Up/downside: H: -4.4% A: -3.3%	Methodology: Target PB multiple valuation; A/H premium for A-share TP Target valuation: 0.95x 2026e PB, benchmarked to the past three-year PB mean (both unchanged) H-share TP assumptions: We use RMB/HKD FX rate assumption of 1.16 (unchanged) and an additional environmental discount of 10%, arriving at our rounded TP of HKD4.30 (unchanged). This implies 4.4% downside from current price levels, and we maintain our Hold rating because the current valuation looks fair to us at 2026e PB of 0.9x. A-share TP assumptions: We derive our A-share TP by applying a 40% (unchanged) A/H premium over the H-share TP, and the RMB/HKD assumption of 1.16 (unchanged). Our TP of RMB5.20 (unchanged) implies 3.3% downside, and we therefore maintain our Hold rating; the current trading valuation looks justified to us at 2026e PB of 1.2x PB. Upside risks for H/A shares: (1) Lower-than-expected coal costs, higher than-expected tariffs, (2) stronger-than-expected utilisation; and (3) higher-than expected capacity payment in 2026 could lead to upside in earnings. Downside risks for H/A shares: (1) Stronger-than-expected coal prices; lower-than-expected tariffs; (2) weaker-than-expected utilisation; (3) no change in capacity payment may drag on the company's thermal earnings outlook and the dark spread going forward.
	Daniel Yang* daniel.h.yang@hsbc.com.hk +852 299 66976	
China Power International 2380 HK Buy	Current price: HKD3.57 Target price: HKD3.90 Upside: +9.2%	Methodology: 2026e PB-based SOTP valuation Assumptions: - Thermal assets: We maintain our target PB for the thermal assets at 0.7x (unchanged), referencing the H share thermal utilities sector average 2026e PB; we arrive at a fair value of RMB0.40 (unchanged) - Renewable assets: 0.7x 2026e PB (unchanged, benchmarked to the average PB of renewable H-share operators), to arrive at a fair value of RMB1.52 (unchanged). - Hydro assets: We continue to use a DCF approach with base year 2026e. We keep the beta at 1.0 and WACC at 6.23% (unchanged), arriving at a fair value of RMB1.38 (unchanged) for the hydro segment. - ESS assets: We continue to use a target price-to-earnings (PE) ratio of 2x, arriving at a fair value of RMB0.10 (unchanged).
	We add up our fair values of the above respective segments and apply HSBC FX strategists' latest end-2026e RMB-HKD FX rate assumption of 1.16 (unchanged) to derive our target price of HKD3.90 (unchanged). This implies 9.2% upside from current levels. We maintain our Buy rating on CPI as we believe the looming downcycle in its thermal operation should have limited impacts to company's DPS, which should stay largely intact given a potential uplift in payout policy. Daniel Yang* daniel.h.yang@hsbc.com.hk +852 299 66976	
CR Power 836 HK Hold	Current price: HKD20.04 Target price: HKD20.00 Up/downside: -0.2%	Methodology: 2026E PB-based SOTP valuation (unchanged) Assumptions: - Renewable assets: 1.30x 2026e (unchanged), referencing the A-share renewable sector average PB, given its progress towards its A-share IPO. We continue to apply a 25% holding discount (unchanged), assuming CRP will take c75% control of CR Renewable. - Thermal assets: 0.7x 2026e PB (unchanged), referencing H-share thermal utilities' average trading 2026e PB multiple.
	We continue to apply an environmental discount of 5% to CR Power's existing thermal units. By adding up the respective segmental implied values, we arrive at our TP of HKD20.00 (unchanged). Our TP implies 0.2% downside from current levels. We maintain the stock at Hold. The stock currently trades at 0.8x 2026e PB and offers a dividend yield of 4.4%, close to its three-year average PB, the current price looks fair to us. Daniel Yang* daniel.h.yang@hsbc.com.hk +852 299 66976	

Priced at 20 May 2026
Source: Bloomberg, HSBC estimates

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), or strategist(s) who is(are) primarily responsible for this report, including any analyst(s) whose name(s) appear(s) as author of an individual section or sections of the report and any analyst(s) named as the covering analyst(s) of a subsidiary company in a sum-of-the-parts valuation certifies(y) that the opinion(s) on the subject security(ies) or issuer(s), any views or forecasts expressed in the section(s) of which such individual(s) is(are) named as author(s), and any other views or forecasts expressed herein, including any views expressed on the back page of the research report, accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Daniel Yang, Evan Li and Shayla Xu

Important disclosures

Equities: Stock ratings and basis for financial analysis

HSBC and its affiliates, including the issuer of this report ("HSBC") believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations and that investors utilise various disciplines and investment horizons when making investment decisions. Ratings should not be used or relied on in isolation as investment advice. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations and therefore investors should carefully read the definitions of the ratings used in each research report. Further, investors should carefully read the entire research report and not infer its contents from the rating because research reports contain more complete information concerning the analysts' views and the basis for the rating.

From 23rd March 2015 HSBC has assigned ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

Prior to this date, HSBC's rating structure was applied on the following basis:

For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands were classified as Neutral.

*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Rating distribution for long-term investment opportunities

As of 31 March 2026, the distribution of all independent ratings published by HSBC is as follows:

Buy	59%	(12% of these provided with Investment Banking Services in the past 12 months)
Hold	36%	(12% of these provided with Investment Banking Services in the past 12 months)
Sell	6%	(6% of these provided with Investment Banking Services in the past 12 months)

For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see "Stock ratings and basis for financial analysis" above.

For the distribution of non-independent ratings published by HSBC, please see the disclosure page available at <http://www.hsbcnet.com/gbm/financial-regulation/investment-recommendations-disclosures>.

To view a list of all the independent fundamental ratings/recommendations disseminated by HSBC during the preceding 12-month period, and the location where we publish our quarterly distribution of non-fundamental recommendations (applicable to Fixed Income and Currencies research only), please use the following links to access the disclosure page:

Clients of HSBC Private Bank: www.research.privatebank.hsbc.com/Disclosures

All other clients: www.research.hsbc.com/A/Disclosures

HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price date	Disclosure
CGN POWER	1816.HK	3.30	20 May 2026	–
CHINA LONGYUAN POWER	0916.HK	6.52	20 May 2026	11
CHINA LONGYUAN POWER A	001289.SZ	17.26	20 May 2026	11
CHINA POWER INTERNATIONAL	2380.HK	3.54	20 May 2026	7
CHINA RESOURCES POWER	0836.HK	20.16	20 May 2026	–
HUADIAN POWER INTL	1071.HK	4.39	20 May 2026	–
HUADIAN POWER INTL A	600027.SS	5.23	20 May 2026	–
HUANENG POWER INT'L A	600011.SS	7.47	20 May 2026	–
HUANENG POWER INTL	0902.HK	6.48	20 May 2026	–

Source: HSBC

- 1 HSBC has managed or co-managed a public offering of securities for this company within the past 12 months.
- 2 HSBC expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
- 3 At the time of publication of this report, HSBC Securities (USA) Inc. is a Market Maker in securities issued by this company.
- 4 As of 30 April 2026, HSBC beneficially owned 1% or more of a class of common equity securities of this company.
- 5 This company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of investment banking services.
- 6 This company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-investment banking securities-related services.
- 7 This company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-securities services.
- 8 A covering analyst/s has received compensation from this company in the past 12 months.
- 9 A covering analyst/s or a member of his/her household has a financial interest in the securities of this company, as detailed below.
- 10 A covering analyst/s or a member of his/her household is an officer, director or supervisory board member of this company, as detailed below.
- 11 At the time of publication of this report, HSBC is a non-US Market Maker in securities issued by this company and/or in securities in respect of this company.

- 12 As of 15 May 2026, HSBC beneficially held a net long position of more than 0.5% of this company's total issued share capital, calculated according to the SSR methodology.
- 13 As of 15 May 2026, HSBC beneficially held a net short position of more than 0.5% of this company's total issued share capital, calculated according to the SSR methodology.
- 14 HSBC Qianhai Securities Limited holds 1% or more of a class of common equity securities of this company.

HSBC and its affiliates will from time to time sell to and buy from customers the securities/instruments, both equity and debt (including derivatives) of companies covered in HSBC Research on a principal or agency basis or act as a market maker or liquidity provider in the securities/instruments mentioned in this report.

Analysts, economists, and strategists are paid in part by reference to the profitability of HSBC which includes investment banking, sales & trading, and principal trading revenues.

Whether, or in what time frame, an update of this analysis will be published is not determined in advance.

Non-U.S. analysts may not be associated persons of HSBC Securities (USA) Inc, and therefore may not be subject to FINRA Rule 2241 or FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts.

Economic sanctions laws imposed by certain jurisdictions such as the US, the EU, the UK, and others, may prohibit persons subject to those laws from making certain types of investments, including by transacting or dealing in securities of particular issuers, sectors, or regions. This report does not constitute advice in relation to any such laws and should not be construed as an inducement to transact in securities in breach of such laws.

For disclosures in respect of any company mentioned in this report, please see the most recently published report on that company available at www.hsbcnet.com/research. HSBC Private Bank clients should contact their Relationship Manager for queries regarding other research reports. In order to find out more about the proprietary models used to produce this report, please contact the authoring analyst.

Additional disclosures

- 1 This report is dated as at 26 May 2026.
- 2 All market data included in this report are dated as at close 20 May 2026, unless a different date and/or a specific time of day is indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.
- 4 You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument or of an investment fund.

Production & distribution disclosures

4. This report was produced and signed off by the author on 21 May 2026 06:53 GMT.
5. In order to see when this report was first disseminated please see the disclosure page available at <https://www.research.hsbc.com/R/34/hLJWgWn>

Disclaimer

Legal entities as at 13 May 2026:

HSBC Bank plc; HSBC Continental Europe; HSBC Continental Europe SA, Germany; HSBC Bank Middle East Limited, DIFC; HSBC Bank Middle East Limited, Dubai branch; HSBC Yatirim Menkul Degerler AS, Istanbul; The Hongkong and Shanghai Banking Corporation Limited, Hong Kong; The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch; HSBC Qianhai Securities Limited; HSBC Securities (Taiwan) Corporation Limited; HSBC Securities and Capital Markets (India) Private Limited, Mumbai; HSBC Bank Australia Limited; HSBC Securities (USA) Inc., New York; HSBC México, SA, Institución de Banca Múltiple, Grupo Financiero HSBC; Banco HSBC SA

Issuer of report

The Hongkong and Shanghai Banking Corporation Limited

Level 16, 1 Queen's Road Central
Hong Kong SAR

Telephone: +852 2843 9111

Fax: +852 2596 0200

Website: www.research.hsbc.com

This document has been issued by The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in the conduct of its Hong Kong regulated business for the information of its institutional and professional investor (as defined by Securities and Future Ordinance (Chapter 571)) customers; it is not intended for and should not be distributed to retail customers in Hong Kong, unless permitted otherwise. The Hongkong and Shanghai Banking Corporation Limited is regulated by the Hong Kong Monetary Authority. All enquires by recipients in Hong Kong must be directed to your HSBC contact in Hong Kong. If it is received by a customer of an affiliate of HSBC, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. HSBC has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; HSBC makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of the Research Division of HSBC only and are subject to change without notice. From time to time research analysts conduct site visits of covered issuers. HSBC policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits. HSBC and its affiliates and/or their officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). HSBC and its affiliates may act as market maker or have assumed an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies. The document is intended to be distributed in its entirety. Unless governing law permits otherwise, you must contact a HSBC Group member in your home jurisdiction if you wish to use HSBC Group services in effecting a transaction in any investment mentioned in this document.

In the UK, this publication is distributed by HSBC Bank plc for the information of its Clients (as defined in the Rules of FCA) and those of its affiliates only. Nothing herein excludes or restricts any duty or liability to a customer which HSBC Bank plc has under the Financial Services and Markets Act 2000 or under the Rules of FCA and PRA. A recipient who chooses to deal with any person who is not a representative of HSBC Bank plc in the UK will not enjoy the protections afforded by the UK regulatory regime. HSBC Bank plc is regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

In the European Economic Area, this publication has been distributed by HSBC Continental Europe or by such other HSBC affiliate from which the recipient receives relevant services.

In Japan, this publication has been distributed by HSBC Securities (Japan) Co., Ltd.. It may not be further distributed in whole or in part for any purpose. In Korea, this publication is distributed by either The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch ("HBAP SLS") or The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch ("HBAP SEL") for the general information of professional investors specified in Article 9 of the Financial Investment Services and Capital Markets Act ("FSCMA"). This publication is not a prospectus as defined in the FSCMA. It may not be further distributed in whole or in part for any purpose. Both HBAP SLS and HBAP SEL are regulated by the Financial Services Commission and the Financial Supervisory Service of Korea. In Singapore, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch for the general information of institutional investors or other persons specified in Sections 274 and 304 of the Securities and Futures Act 2001 of Singapore ("SFA") and accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the SFA. Only Economics or Currencies reports are intended for distribution to a person who is not an Accredited Investor, Expert Investor or Institutional Investor as defined in SFA. The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch accepts legal responsibility for the contents of reports. This publication is not a prospectus as defined in the SFA. It may not be further distributed in whole or in part for any purpose. The Hongkong and Shanghai Banking Corporation Limited Singapore Branch is regulated by the Monetary Authority of Singapore. Recipients in Singapore should contact a "Hongkong and Shanghai Banking Corporation Limited, Singapore Branch" representative in respect of any matters arising from, or in connection with this report. Please refer to The Hongkong and Shanghai Banking Corporation Limited Singapore Branch's website at www.business.hsbc.com.sg for contact details. In Australia, this publication has been distributed by The Hongkong and Shanghai Banking Corporation Limited (ABN 65 117 925 970, AFSL 301737) for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). Where distributed to retail customers, this research is distributed by HSBC Bank Australia Limited (ABN 48 006 434 162, AFSL No. 232595). These respective entities make no representations that the products or services mentioned in this document are available to persons in Australia or are necessarily suitable for any particular person or appropriate in accordance with local law. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient.

HSBC Securities (USA) Inc. accepts responsibility for the content of this research report prepared by its non-US foreign affiliate. The information contained herein is under no circumstances to be construed as investment advice and is not tailored to the needs of the recipient. All US persons receiving and/or accessing this report and wishing to effect transactions in any security discussed herein should do so with HSBC Securities (USA) Inc. in the United States and not with its non-US foreign affiliate, the issuer of this report. HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC is authorized and regulated by Secretaría de Hacienda y Crédito Público and Comisión Nacional Bancaria y de Valores (CNBV). In Brazil, this document has been distributed by Banco HSBC SA ("HSBC Brazil"), and/or its affiliates. As required by Resolution No. 20/2021 of the Securities and Exchange Commission of Brazil (Comissão de Valores Mobiliários), potential conflicts of interest concerning (i) HSBC Brazil and/or its affiliates; and (ii) the analyst(s) responsible for authoring this report are stated on the chart above labelled "HSBC & Analyst Disclosures". If you are a customer of HSBC International Wealth & Premier Banking ("IWPB"), including HSBC Private Bank, you are eligible to receive this publication only if: (i) you have been approved to receive relevant research publications by an applicable HSBC legal entity; (ii) you have agreed to the applicable HSBC entity's terms and conditions and/or customer declaration for accessing research; and (iii) you have agreed to the terms and conditions of any other internet banking, online banking, mobile banking and/or investment services offered by that HSBC entity, through which you will access research publications (collectively with (ii), the "Terms"). If you do not meet the above eligibility requirements, please disregard this publication and, if you are a IWPB customer, please notify your Relationship Manager or call the relevant customer hotline. Distribution of this publication is the sole responsibility of the HSBC entity with whom you have agreed the Terms. Receipt of research publications is strictly subject to the Terms and any other conditions or disclaimers applicable to the provision of the publications that may be advised by IWPB.

© Copyright 2026, The Hongkong and Shanghai Banking Corporation Limited, ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of The Hongkong and Shanghai Banking Corporation Limited.

[1279852]

Stay connected to our topical and timely thought leadership



Download the HSBC Global Investment Research app

From Apple's [App Store](#) or [Google Play](#) The app features topical and timely curated reports, multimedia, and upcoming events



Log on to the Global Investment Research website

To access all reports and videos, visit research.hsbc.com



Connect with Global Investment Research on LinkedIn

Search [#HSBCResearch](#) for free to view insights that can easily be shared with clients and prospects



Subscribe and listen

Under the Banyan Tree by HSBC Global Investment Research on [Apple](#), [Spotify](#) or [YouTube](#)

The Macro Brief by HSBC Global Investment Research on [Apple](#), [Spotify](#) or [YouTube](#)



Newsletters

Subscribe to our monthly collection of free to view reports and interviews in [Open Pass](#) or read our bite-sized round up of research covering our nine key themes, [Talking Points](#)