# The 720: China's great Go Global expansion, China Consumer, AU Gold sector, Solar Industries, China TSF, US Communacopia takeaways

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**In Focus | China's great Go Global expansion**

China in Transition – China's great Go Global expansion.

China's nearly 40% share of global markets may be unsurprising after a decade of domestic substitution. But with a sharp rise to an 18% share for Chinese players in ex-China markets, competition is now moving from peripheral towards core market segments of the leading global incumbents. We collaborated globally across 36 analysts using a framework of classic competitive analysis between new entrants and incumbents, encompassing 11 sectors and 40 companies, to ask what the learnings from past global expansions are, and how they help us think about the decade ahead. From peripheral to core, we expect a more uncertain path ahead: Chinese companies' market shares to rise further to 31% by 2035E, with revenue growth of 3.6x, favoring the "latecomers". We see a harder path and slower pace, as the competitive ground shifts toward core segments, where the moat of the incumbents is widest. Nonetheless, markets have yet to price in China's global growth opportunity, with a number of sectors trading at less than 1.0x sales ex China. *Trina Chen et al*

**China Consumer | Cost Inflation Risks**

China Restaurants – Revisiting cost inflation risk from rising oil and El Niño. We see limited correlation between raw material cost indices and margin performance for most of our covered restaurant companies, despite rising oil prices and potential Super El Niño impacts on sugar and coffee beans. We attribute this margin resilience to diversified product structures, multi-month price lock-ups, and strong corporate cost controls that allow companies to adjust menus flexibly. Within our coverage, we continue to prefer Buy-rated Yum China and Guming, both on the Conviction List, given their strong track records in managing costs and diversified raw material mixes. We also highlight Buy-rated Luckin Coffee, where we expect a margin turnaround starting in the second half of 2026 as coffee bean prices become a tailwind and delivery mix improves. *Michelle Cheng*

China Consumer Staples – Super El Niño poses further input cost risks. We believe the emergence of a potential Super El Niño adds a new layer of uncertainty to the raw material outlook for Chinese food and beverage companies, particularly for imported sugar, palm oil, and soybeans. Our 2027 earnings sensitivity analysis indicates that the beverage, instant noodle, and condiment sectors are the most exposed to this agricultural inflation cycle, though industry leaders like Nongfu

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Spring and Haitian appear relatively defensive given their high margins and operating efficiency. Conversely, we view the beer, snacks, and frozen food segments as less vulnerable, while dairy and spirits remain largely insulated due to domestic self-sufficiency and limited exposure to the most at-risk commodities. Although cost lock-ins offer temporary protection through late 2026, we expect vulnerability to rise in the second half of 2026 and into 2027 if sustained weather disruptions materialize. *Leaf Liu*

China Consumer Staples – What we learn from past El Niño cycles. We analyze the potential impact of El Niño on key input costs across our food coverage, concluding that nuts will likely face headwinds while sunflower seeds and konjac see mixed to limited impacts. Historical precedent indicates that while drought conditions can drive up nut procurement costs and pressure margins, companies have managed konjac and sunflower seed volatility through efficiency gains and pricing power. Currently, input costs remain manageable, with US almond prices declining 6% year-on-year and sunflower-seed costs down 18% year-on-year amid healthy harvest conditions. Looking into 2027, our snacks and frozen foods coverage appears relatively insulated from broader agricultural inflation, given less than 10% cost-of-goods-sold exposure to sugar, palm oil, and soybeans for most names. *Valerie Zhou*

**Themes in Play | US rate hike, AU Gold sector, Solar Industries**

US Macro – A Hike Without a Signal?. We add a 25bp rate hike at this week's September FOMC meeting to our forecast, driven by market pricing nearing 90% following the August CPI report rather than a strong economic case. We also raise our terminal rate forecast to 3.25-3.5% from 3-3.25% and shift our expectation for two 2027 cuts to September and December from June and December. We believe the inflation overshoot is driven by fading one-time tariff effects, with core PCE improving to a 2.5% pace and the broader economy showing no signs of overheating. Consequently, we expect the FOMC to make minimal statement changes without signaling further hikes, and we project a narrow 10-8 majority in the dots showing just one hike this year. *David Mericle*

Australia Metals & Mining – Refreshing gold equity relativity at US$3,500-5,500/oz. We refresh our gold pricing bull and bear scenario analysis and upgrade Capricorn Metals to Buy with a 12m TP of A$18.40, and Greatland Resources to Neutral with a 12m TP of A$12.20. We see Capricorn Metals as well-placed with a low cost base at the ramping-up Karlawinda expansion, offering defensive operating margins and sector-leading growth following recent underperformance. For Greatland Resources, while we remain cautious on Havieron capex and execution risks, we believe the valuation has reset to a less demanding level. Across the broader sector, we expect names with growing near-term free cash flow to outperform, highlighting Ramelius Resources (Buy, on CL) as a standout among mid-caps and Newmont (Buy) for superior cash generation among large-caps. *Hugo Nicolaci*

Australia Metals & Mining – Gold Book: Jun-Q production rebounds into FY-end. We refresh our bottom-up analysis of the Australian gold sector, noting that June-quarter production rebounded following March-quarter disruptions and a seasonally stronger fiscal year-end push. While cash unit costs remained broadly flat, unit AISC increased quarter-on-quarter driven by higher absolute spend and a catch-up in sustaining capex. We see emerging inflationary pressures from diesel and labour flowing into FY27 guidance, with average AISC spend expected to rise 15-20% year-on-year, prompting a

positive reset in reserve pricing assumptions to above A$3,100/oz. Amid ongoing macro volatility, we prefer large-caps such as Newmont (Buy) for their diversified portfolios and balance sheet strength, while among mid-caps we highlight Ramelius Resources (Buy, on CL) for its attractive valuation and growth profile. *Hugo Nicolaci*

Solar Industries – Proposed Omnia acquisition likely to be earnings accretive – Buy. We view Solar Industries' proposed acquisition of Omnia Holdings as strategically positive, creating a global platform for commercial explosives and strengthening the company's value chain in Africa. The transaction offers synergistic benefits through Omnia's fully integrated mining business, expands market share in Australia and Indonesia, and opens new geographies including Canada and Brazil. While we do not yet incorporate the transaction into our estimates, our pro-forma analysis suggests a potential 11% to 25% accretion to FY28E EPS. Reflecting the company's willingness to pursue inorganic growth and increased opportunities in the domestic defense business, we raise our target multiple to 75x and increase our 12m TP to INR 26,550. *Amit Dixit*

**Asia Macro | China TSF**

China – Weaker-than-expected credit extension. We note that August money and credit data missed market expectations, driven primarily by slow bank loan extension and weaker government bond issuance. Total social financing flows came in at RMB 1,660bn, well below our RMB 2,000bn forecast, while new RMB loans of RMB 60bn significantly lagged consensus expectations of RMB 404bn. The detailed breakdown indicates that both household and corporate loan demand remained weak, with household loans declining by RMB 203bn during the month. Meanwhile, M1 growth edged up to 4.1% year-over-year, whereas M2 growth moderated to 7.5%, largely reflecting slower deposit growth among non-bank financial institutions. *Xinquan Chen*

**Around the World | US Communacopia**

US Internet – Key Takeaways from 2026 Communacopia + Technology Conference. We highlight key takeaways from our 2026 Communacopia + Technology conference, where discussions centered on AI transitioning from experimentation to implementation with measurable business outcomes across customer service, advertising, and internal productivity. We expect the AI capex cycle to remain elevated and above Street consensus through the end of 2027 as companies invest to close the growing compute supply-demand imbalance. Management teams noted a resilient digital consumer prioritizing services and value, alongside healthy digital advertising trends driven by AI-enhanced targeting and ROI-focused budgets. We see ongoing investor debates focused on capital allocation for AI deployment, potential shifts in consumer discovery funnels, and the ability of AI-enabled productivity to offset macroeconomic headwinds. *Eric Sheridan*

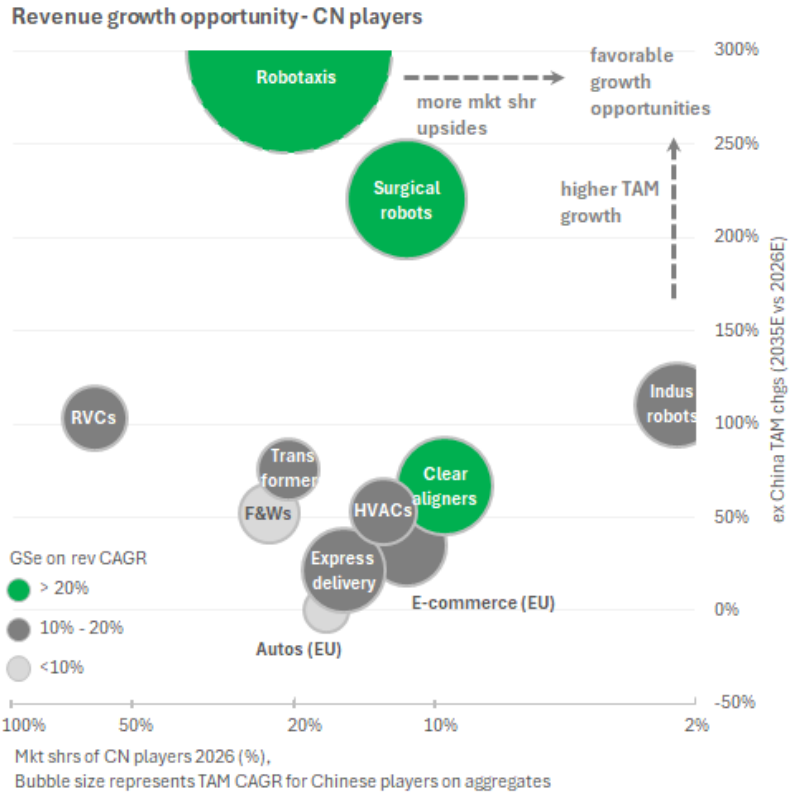
US Software - Key Takeaways from 2026 Communacopia + Technology Conference. Following our Comm+Tech conference with roughly 40 software companies, we see improving investor sentiment and exceptionally strong AI infrastructure demand as enterprises increasingly move workloads from proof of concept into production. We believe value is shifting up the stack from raw GPU access toward AI platforms, governance, and agent orchestration, while physical AI emerges as a consequential shift connecting digital intelligence with real-world execution. We note the most incremental positive data points for CrowdStrike, Datadog, DigitalOcean, Dynatrace, Shopify, and

Snowflake, driven by strong production inference adoption, whereas visibility remains more mixed for Check Point, HubSpot, Intuit, and Navan. *Gabriela Borges*

US Hardware & Networking – Communacopia + Technology 2026 Key Takeaways. We see a durable, multi-year AI infrastructure supercycle driving robust demand across hyperscale, neocloud, and enterprise customers, with agentic AI catalyzing a massive increase in network bandwidth consumption. Despite lingering supply chain constraints and component inflation, hardware and networking vendors are successfully defending margins through operating leverage, strategic pricing, and a shift toward higher-value, integrated solutions. We note that enterprise AI adoption is broadening beyond initial deployments into full workflow rearchitectures for companies like Dell, Hewlett Packard Enterprise, and Super Micro, while embedded security and campus infrastructure modernization provide additional growth vectors for Cisco, Arista Networks, and F5. *Michael Ng*

US Autos & Industrial Tech – Communacopia + Technology 2026 Takeaways. We highlight key takeaways from our Communacopia + Technology conference, where covered companies noted that datacenter demand remains robust, though supply chain constraints are currently gating near-term growth. Progress on physical AI applications remains a major focus, with auto and robotics management teams outlining timelines for autonomy deployments and highlighting software as a key driver of customer stickiness. Meanwhile, auto end-unit demand is tracking in line with prior muted expectations, while industrial demand is growing solidly on both cyclical stabilization and secular drivers like datacenter energy infrastructure. *Mark Delaney*

**Graphic language | China's Go Global expansion –** China players – Topline growth opportunities favor products with lower current market share in higher TAM growth sectors




Source: Company data, China Customs, Euromonitor, MIR, GFK, IDC, JRAIA, Goldman Sachs Global Investment Research

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