The 720: STE initiation, Global Macro & Strategy, Weichai Power, Hanwha Aerospace, China Beer Sector, JP Telcos, India's AI Complex

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In Focus | STE initiation

ST Engineering – Tailwinds from aerospace MRO and international defence – Buy. We initiate coverage on ST Engineering with a Buy rating and a 12m TP of SGD13.20, forecasting above-consensus 2025–29E earnings and revenue CAGRs of 20% and 12%, respectively. We expect top-line growth to be driven by significant airframe and engine MRO capacity expansion to capture robust commercial aerospace demand, alongside accelerated penetration into international defence markets amidst persistent European capacity shortages. Furthermore, we forecast operating margins to expand from 9.6% in 2025 to 11.5% in 2029E, supported by a favorable mix shift toward higher-margin engine MRO, an asset-light international defence strategy, and over SGD1bn in planned cumulative cost savings. *Herbert Lu*

Listen Up - GS Webcasts on the Agenda

Global Markets: Rates, Fiscal Concerns & Cross-Asset Implications | 830am HK | Access Webinar | with Dominic Wilson, William Marshall, Michael Snaith

Global Macro & Strategy | US Rates, Competition for Capital, US Strategy

US Macro – September FOMC Recap: Hawkish Dots Show Two-Hike Baseline; Adding an October Hike. Following a more hawkish-than-expected September FOMC meeting that raised the funds rate by 25bp to 3.75-4%, we now expect the Committee to deliver a second 25bp hike in October. This revised expectation is driven by a 16-2 majority projecting at least one more hike this year, an upward revision in the median neutral rate dot from 3.06% to 3.25%, and Chairman Warsh's commentary highlighting strong labor market data and inflation trends. We leave our terminal rate forecast unchanged at 3.25-3.5% by adding a third 25bp rate cut in March 2028 to the September and December 2027 rate cuts we already expected. Additional hikes beyond October are possible but remain outside our base case, as our core PCE inflation forecasts of 3.2% in 2026 and 2.2% in 2027 continue to track below the FOMC's median projections. *David Mericle*

Global Strategy Views – Competition for Capital. We remain neutral on equities on a 3-month horizon given near-term bond market risks, but we maintain an overweight stance over 12 months as ongoing nominal GDP and earnings growth continue to propel returns. Rapidly rising bond yields and surging AI infrastructure capex have increased the cost of capital, temporarily eating into tech free cash flow and triggering a de-rating across major hyperscalers. However, we do not see a classic

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valuation or earnings bubble in the technology sector, as corporate balance sheets remain strong and structural compute demand continues to outstrip supply. With equity performance broadening geographically and stock correlations falling to multi-year lows, we recommend well-diversified exposure to capture alpha driven by resilient earnings rather than multiple expansion. *Peter Oppenheimer*

US Equity Views – Over-earning, but not an earnings bubble. We believe the S&P 500 is not in an earnings bubble, anticipating a deceleration rather than a collapse in corporate profits as we set a 12-month index target of 8,700. We forecast S&P 500 EPS to grow 11% to $415 in 2027 and $460 in 2028, supported by solid US GDP growth and a transition from AI infrastructure spending tailwinds to growing AI productivity boosts. Although recent extraordinary profitability was temporarily inflated by booming hyperscaler capex, peak semiconductor margins, and mega-cap private investment gains, we expect underlying earnings growth rather than valuation expansion to remain the primary driver of the bull market. *Ben Snider*

Themes in Play | Weichai Power, Hanwha Aerospace, China Beer Sector, China Basic Materials, JP Telcos, Proya

Weichai Power – Generac's Amazon agreement strengthens visibility – Buy. We reiterate our Buy rating on Weichai Power following US partner Generac's long-term backup generator supply agreement with Amazon. Generac expects $2.4bn in initial deliveries over 2027–28 and up to $8bn in aggregate payments, driving substantial order visibility beyond 2028. As a key large engine supplier to Generac, we see positive implications for Weichai. This deal alleviates concerns over data center power sustainability and points to upside potential for Weichai's 2027 volume targets and ASPs amidst unit upsizing trends. 12m TPs of HK$55/Rmb48. *Nick Zheng*

Hanwha Aerospace – Multiple order catalysts brewing. We remain constructive on Hanwha Aerospace with a 12m TP of W1,810,000, as substantial global order pipelines continue to build despite near-term headwinds from a strong KRW and potentially soft third-quarter K9 deliveries. We highlight accelerating momentum across multiple regions, including a US tracked howitzer program that could be 1.5x the size of the wheeled program, alongside expanding European adoption of Chunmoo systems. Furthermore, we see underappreciated potential for L-SAM air defense systems in the Middle East and Switzerland, driven by critical global market shortages and the company's rapid delivery capabilities. We expect the anticipated US and Saudi orders alone to drive a 20% EPS CAGR through 2030, shifting market focus toward the long-term earnings trajectory. *Do Hyoung Kim*

China Beer Sector – Revisiting M&A framework on strong FCF and attractive valuation. We turn more cautious on the near-term China beer top-line outlook, forecasting 2026E industry volume and ASP growth of -3.5% and +1.0% due to continued on-trade weakness, extreme weather disruptions, and an accelerating O2O channel shift. Consequently, we downgrade Tsingtao-H to Neutral with a 12m TP of HK$43, cutting 2026-28E earnings estimates by 3-12% as intense local competition ch regional dominance and slows premiumization. Conversely, we raise Buc rank to 2 given its strong free cash flow and less restrictive ownership, u TP to HK$7.30 alongside reduced 12m TPs for Buy-rated CR Beer (HK$2 Neutral-rated Chongqing Brewery (Rmb36.50) following downward sale across the space. Although overall volumes remain pressured, we expec



brewers to utilize efficiency savings and flagship premium SKUs to support margin trends amid a fragmenting market. *Leaf Liu*

China Basic Materials Monitor – Sep 2026: Timid Seasonal Strength. We see a timid seasonal demand recovery across basic materials in mid-September, with sequential orderbook pickups led by export machinery, EVs, batteries, and construction, while domestic consumer sectors like auto-ICE, appliances, and paper packaging continue to lag. Margins and pricing improved for aluminum, copper, and coal amid lingering supply constraints—including strict coal safety enforcements, tight copper scrap delaying smelter restarts, and mild aluminum project delays—whereas lithium pricing softened as Zimbabwe spodumene arrivals eased supply deficits. High-frequency data and proprietary checks indicate above-normal producer inventories for steel, paper, and finished products, alongside muted infrastructure new starts that remain contained strictly to ongoing projects. *Trina Chen*

Japan Telecom Services – Signs of easing in mobile competition, shifting to growth phase on higher ARPU; Buy NTT, Softbank. We expect the Japanese telecom sector to enter a growth phase driven by higher ARPU and an easing in excessive promotional competition following recent price hikes. Aggregate mobile communications revenues accelerated to 2.5% year-over-year growth in the April-June quarter, and we see substantial room for Softbank and KDDI to beat full-year company earnings guidance as non-telecom businesses provide further structural support. We favor Softbank, anticipating the sector's highest profit growth fueled by enterprise AI and PayPay, alongside NTT, which is seeing its mobile business bottom out. We remain Neutral on KDDI due to slowing profit momentum and a lack of valuation appeal, and view Rakuten's impending October roaming agreement change as a key risk for its network quality and subscriber acquisition. *Chikai Tanaka*

Proya Cosmetics – Media reports on Peterson's Lab investment – Buy. We note media reports stating Proya has acquired a 19% stake in Shanghai Kodai Biotechnology, operator of the science-led mass skincare brand Peterson's Lab. We view this potential minority investment as broadly aligned with Proya's multi-brand roadmap, offering a differentiated, efficacy-driven addition that is distinct from the company's core franchise. We also see potential synergies in channel expansion, particularly leveraging Proya's Tmall experience to balance Peterson's Lab's Douyin-heavy mix, alongside longer-term support for R&D and overseas development. We maintain our 12m TP of Rmb70. *Valerie Zhou*

GS Event | Nippon Paint, CICC

Nippon Paint – China tour highlights decorative ecosystem and mobility potential – Buy. Following a comprehensive China site tour, we expect the company to outpace market growth by leveraging its proprietary decorative paint ecosystem and integrated direct-to-store logistics network. Although the corporate market has corrected roughly 40% from its peak, management expects demand to bottom out and stabilize into 4Q 2026 as the company pivots toward government infrastructure and high-growth industrial clients. We believe the consumer segment is steadily expanding its dominant market share through a regional city penetration strategy, while the industrial business is making rapid progress in next-generation mobility via advanced coatings for local EV and flying car manufacturers. We maintain our 12m TP of ¥1,460. *Atsushi Ikeda*

China International Capital Corp – Post-Merger Capital Efficiency and ROE Expansion – Buy. We are Buy/Neutral on CICC-H/CICC-A with 12m TPs of HK$38.2/Rmb57.35, as management discussions reinforce our view that post-merger capital efficiency and rising shareholder returns will drive further re-rating. Management expects the upcoming consolidation of Dongxing and Cinda to triple parent net capital to Rmb120bn, enabling centralized deployment into higher-return segments like the international business, which recently secured an additional Rmb4-5bn capital injection to support structural ROE expansion. Near-term earnings appear resilient despite softer trading conditions, bolstered by stable wealth-management revenues and an anticipated Rmb2.5bn-3.0bn base-case profit contribution from a one-off CXMT co-investment gain. Furthermore, management indicated scope for dividend payout ratios to gradually increase toward 30% from historical 15% levels, providing greater medium-term return visibility. *Shuo Yang*

Event | Mitsui OSK Lines, Ramsay Healthcare

Mitsui OSK Lines – Strong Competitiveness Supports Improved Utilization and ASP. Following a boarding event for the new Mitsui Ocean Sakura cruise ship, we view the product's competitiveness as high and see substantial room for further utilization and unit price improvements as awareness grows. Management notes that average selling prices and occupancy rates are recovering heading into winter 2026, supported by repeat-customer retention, reduced discounts, and stepped-up digital marketing targeting younger demographics and inbound demand. While the cruise unit posted an operating loss last fiscal year, structural similarities with its sister ship enable fluid crew allocation and optimized maintenance to support the segment as a stable revenue business. We hold a 12m TP of ¥7,400. *Norihiro Miyazaki*

Ramsay Health Care – Ongoing progress to lift margins and deleverage. Ramsay Sante's investor day highlighted ongoing operational improvements, delivering ~80bps of EBITDA margin expansion and balance sheet deleveraging over the last two years despite a constrained funding environment. Management expects flat FY27 EBITDA margins due to cautious expectations for French tariff changes, while guiding for longer-term FY29 revenue growth of ~3% and gradual margin improvement driven by French day case growth, imaging acceleration, and Swedish primary care scale-ups. We view these targets as broadly in line with our forecasts and note that management's four-year outlook to lower net debt/EBITDA below 4.0x indicates limited appetite for large-scale M&A. We maintain our 12m TP of A$54.10. *Davin Thillainathan*

India Strategy | India's AI Complex

India Strategy – India AI Complex, Part 1: 'AI Enablers' Hiding Beneath A Laggard Index. We highlight a hidden cohort of 42 AI Enablers across power, data centers, and semiconductors that has surged 60% year-to-date against a 12% Nifty decline. This outperformance is overwhelmingly driven by earnings growth rather than speculative re-rating, with the cohort's CY27 EPS estimates upgraded 22% year-to-date while the broader index saw 2% cuts. We expect these infrastructure beneficiaries to continue compounding materially ahead of the market, supported by accelerating 65% capex growth in 2026 and robust 2026-2028 earnings growth forecasts of 53%, 39%, and 29%. While absolute multiples sit at a premium to the broader market, we believe this is fully justified by the cohort's superior structural growth profile. *Amorita Goel*

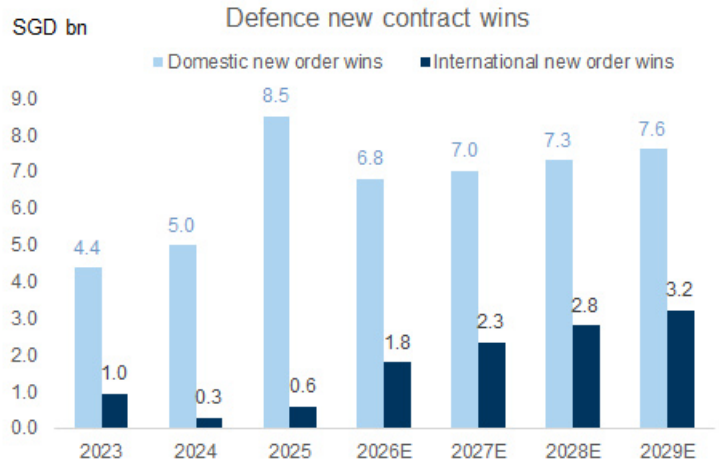
Around the world | EM Trader

The EM Trader – CEE-ing through the Vol. We see idiosyncratic local catalysts taking center stage in Central and Eastern Europe (CEE) despite ongoing European natural gas volatility, prompting us to initiate trades to receive 5Y HUF IRS, enter 2s10s PLN IRS steepeners, and pair HUF longs with PLN shorts. Within regional equities, we raise Poland to Marketweight and lift our 12m WIG target to 165,000 on robust 2026 EPS growth of 38%, while maintaining Overweight on Hungary with a higher 12m BUX target of 170,000 driven by Euro adoption progress and EU fund disbursements. We stay Underweight on Czechia with a 12m PX target of 2,500 due to demanding valuations and weak earnings linked to a slowing Germany, while remaining Overweight on Greece with a raised 12m target of 2,900. To hedge against winter gas spikes, we recommend going long EM Europe Energy versus Industrials. *Kamakshya Trivedi*

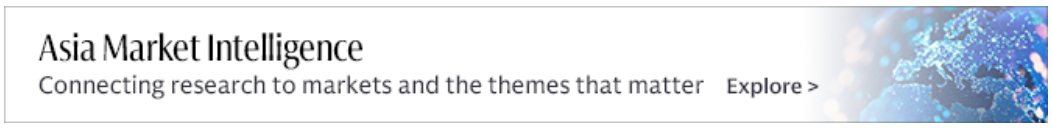
Connections | China Travel & Leisure

China Travel & Leisure Tracker – Choppy travel data in summer. We observe choppy summer travel data driven by airfare fluctuations and weather, though domestic air traffic and hotel RevPar rebounded in August, and we expect a longer-tail effect for upcoming Golden Week demand as travelers increasingly seek out off-peak periods. Within our coverage, we prefer Macau casino names including Galaxy, Sands China, and Wynn Macau given low market expectations and potential fourth-quarter margin inflections, alongside Trip.com for its manageable take-rate transition and sustainable international growth drivers. We maintain our preference for Buy-rated H World and Atour over Sell-rated Jinjiang and BTG due to clearer network expansion and profitability visibility, retain our Buy on Samsonite for a potential top-line recovery inflection, and favor Spring Airlines for its resilience to surging oil prices. *Simon Cheung*

Graphic language | ST Engineering (Buy) – STE defence new contract wins breakdown



Source: Company data, Goldman Sachs Global Investment Research



GS Events (Home Page here)

- **Asia Healthcare CDMO Day | Singapore |** 23-25 Sep
- **Vietnam Corporate Day | Singapore** | 5-6 Oct
- **APAC Healthcare Corporate Day 2026 - Part I | Hong Kong** | 3-6 Nov
- **Japan Conference | Tokyo |** 30 Nov - 4 Dec