The 720: China Staples & Spirits, Korea Power Equipment, Anker, Japan Cybersecurity, Huaqin, Yaskawa, Montage, Global Metals & Mining

Michael Snaith
+852-2978-0455 |
michael.snaith@gs.com
Goldman Sachs (Asia) L.L.C.

Caleb Chan
+852-2978-0790 | caleb.chan@gs.com
Goldman Sachs (Asia) L.L.C.

In Focus | China Staples & Spirits

China Consumer Staples – Muted 3Q trend amid heightened cost pressure. We expect subdued demand in 3Q26, and believe earnings delivery will depend on company execution, channel reinvention, and opex discipline rather than a broad consumption recovery. Heading into results, we highlight structural growth in value retailers, relative margin resilience in dairy, and the outperformance of premium products amid renewed cost inflation risks across PET, sugar, and palm oil. Within our coverage, we downgrade CR Beverage to Sell with a lower 12m TP of HK$6, cutting our 2026–2028 recurring net profit estimates by 7%–10% due to a lagging water recovery and pronounced margin pressure from resurging PET costs. We remain constructive on key Buy-rated names including Wanchen, Mengniu, Yili, Tingyi, Yihai, and Anjoy, supported by steady demand recovery and margin resilience. *Leaf Liu*

China Spirits – 3Q Preview: Prioritizing Channel Health. We expect 3Q26 to mark the earnings trough for the sector as companies prioritize channel health and inventory destocking over near-term shipments amid subdued macro and business banquet demand. Reflecting a more gradual consumer recovery and muted holiday sell-through, we lower our 2026 average industry sales and net profit growth estimates to -4% and -3%, respectively, anticipating continued performance bifurcation. We highlight Moutai as a key pick for its resilient brand equity and expanding direct-to-consumer mix, while downgrading Anhui Gujing Distillery Co. (000596.SZ) to Neutral with a 12m TP of Rmb95 given weaker balance sheet trends and a slower earnings recovery path. *Leaf Liu*

Listen Up - GS Webcasts on the Agenda

China in Motion: Internet | 10am HK | Sector Themes, Addressing Key Debates, Z.AI Upgrade | Access Webinar | with Ronald Keung, Lincoln Kong & Timothy Zhao (in Mandarin)

Japan Industrials: Setup into CY3Q26 Results | 330pm HK | Access Webinar | with Yuichiro Isayama, Michael Snaith

Top of Mind | Higher Bond Yields

Top of Mind – Higher bond yields: how concerning?. We examine the resilience of global growth and markets amidst multi-decade high bond yields, noting that our economists expect only a modest growth drag from higher rates but warn of more

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consequential impacts if yields remain near current or higher levels. While the IMF's Tobias Adrian is relatively sanguine about economic resilience despite downside risks, Moody's Analytics' Mark Zandi describes the US economy as vulnerable and sees one-in-three odds of the economy going off the rails. Our strategists are not especially concerned about banks or broader markets, though we caution that further yield increases or rate volatility could test risk assets, particularly whether the increasingly interconnected and leveraged AI investment boom can withstand higher rates. *Allison Nathan*

Previews | Korea Power Equipment, Anker

South Korea Industrials – Power Equipment 3Q Preview. We view the recent pullback in South Korea power equipment shares as an attractive entry point for Buy-rated Hyosung Heavy Industries, despite expecting a 3Q earnings miss. Ahead of results, we anticipate LS Electric will beat consensus on strong distribution revenue, whereas we expect misses and lower our 2026 EPS estimates for Hyosung Heavy due to mechanically deferred revenue and for Neutral-rated HD Hyundai Electric given FX headwinds. However, underlying AI data center power demand remains robust, and we expect Hyosung Heavy to benefit from strong transmission order momentum heading into 2027 as customers increasingly prioritize delivery timelines alongside the company's planned capacity expansion. *Do Hyoung Kim*

Anker Innovations Technology – Resilient 3Q26 Revenue and Operating Profit Growth Expected – Buy. Previewing 3Q26 results, we expect resilient but sequentially moderating revenue growth of 26% year-over-year, alongside robust 28% operating profit growth, as the boost from an earlier Amazon Prime Day tapers. We forecast accelerating sales in consumer power storage following the resolution of supply bottlenecks, which combined with a new audio/video product cycle should offset slower growth in smart home segments amid rising component cost pressures. To factor in these updated revenue and margin assumptions, we reduce our 2026-2028 EPS estimates by 2-5% and lower our 12m A/H-share TPs to Rmb154/HK$159. *Nicolas Yi*

Themes in Play | Japan Cybersecurity, Huaqin, Yaskawa, Montage

Japan Technology – Cybersecurity demand expanding rapidly amid rising incidents. We see the Japanese cybersecurity market poised for significant growth, driven by a sharp rise in cyber attacks—with domestic incidents up 18% month-over-month in September—alongside new vulnerabilities stemming from AI proliferation and supply chain weaknesses. To play this expanding demand, we highlight Buy-rated Baycurrent for its surging consulting growth, as well as major system integrators NEC, Fujitsu, and Nomura Research Institute (NRI), which are well-positioned to benefit across a broad scope of services and infrastructure buildouts. The broader market expansion is further underpinned by rising communication traffic, increased cloud adoption, and surging corporate investments ahead of the government's planned 2027 supply chain security regulations. *Chikai Tanaka*

Huaqin – Data Center Ramp-up and AI Server Expansion – Buy. We remain constructive on the company's growing data center revenue, supported by rising China CSP spending on AI servers and the expected 2H26 shipment ramp-up of its Supernode solutions. For 3Q26, we forecast 28% YoY revenue growth driven by data center strength, pushing gross margin to 8.5% on product mix upgrades. We revise our 2026E net income up by

7% on higher non-operating income, while lowering 2027-2028E revenue estimates to reflect near-term smartphone business pressures. Consequently, we raise our 12m TP for Huaqin-A to Rmb121 (from Rmb106.43) and adjust Huaqin-H to HK$113.19 (from HK$127.76). *Verena Jeng*

Yaskawa Electric – Strong AI/DC Demand Offset by Semiconductor Procurement Risks – Buy. Following an earnings beat, management highlighted that AI and data center investment is driving stronger-than-expected factory automation demand, which is anticipated to expand over a multi-year horizon. However, management cautioned that intensifying semiconductor supply constraints remain the top production risk heading into FY28, forcing advance ordering despite expecting to recover roughly 70% of cost increases through price pass-throughs. Furthermore, management acknowledged that improving robot business profitability is proving more difficult than expected, with physical AI monetization likely to take longer. We have a 12m TP of ¥5,500. *Yuichiro Isayama*

Montage – RCD05 Enters Mass Production – Buy. We remain positive on Montage, maintaining our Buy rating while lowering our 12m TPs for the A-share to Rmb377 and the H-share to HK$500, following the mass production of its fifth-generation DDR5 RCD05 for servers and CK01P for client applications. We revise our 2026E–2028E net income estimates by -6%/+11%/+14%, revenue by -6%/+5%/+4%, and gross margins by -1.5ppt/+0.8ppt/+1.7ppt, reflecting a more gradual near-term ramp of new interconnect products offset by stronger future contributions from higher-generation DDR5 chips. We expect continued AI-driven growth in server memory capacity and the adoption of MRDIMM architectures—which incorporate one MRCD and multiple MDB chips per module—to significantly increase the company's value content and support an ongoing product mix upgrade. *Allen Chang*

GS Event | LNG Tour, China Sportswear, China Travel & Leisure

Asia Energy Tour – Takeaways on Global LNG. Following our recent Asia tour, we see the global LNG market remaining tight in the near term due to prolonged Middle East supply constraints, but loosening longer-term as capacity additions outpace softening demand. Large consumers are increasingly prioritizing energy security over price to diversify supply, which should drive commercial momentum for new project final investment decisions despite a more measured long-term demand trajectory in China and developed Asia. While we are incrementally more cautious on the long-term price outlook, we remain constructive on the US LNG complex and highlight Buy-rated Cheniere Energy, Venture Global, Golar LNG, and Excelerate Energy given their near-term price upside, ongoing contracting activity, and low-cost floating liquefaction offerings. *John Mackay*

China Sportswear – Expert call: Soft 3Q and 4Q Discount Pressure Persists. The expert notes that third-quarter sportswear sales remained soft with a clear K-shaped divergence, as premium outdoor labels and Adidas outperformed while Nike and mass-market domestic brands faced declining demand. Adidas sustained double-digit growth with manageable inventory and disciplined pricing, whereas Nike, Li Ning, Anta, and Xtep saw deeper discounts amid intense clearance activities and saturated mass-market supply. The expert expects a highly promotional fourth quarter as brands utilize Double 11 to clear excess stock, though industry pricing discipline could potentially improve in 2027 following Nike's channel strategy reset. *Michelle Cheng*

China Travel & Leisure – Expert call takeaways: Resilient demand, stable take rates, slower hotel adds. Following our industry call, the expert notes that Golden Week travel demand remained resilient, particularly for outbound travel and lower-tier cities, while OTA competitive dynamics and take rates should stay stable despite new flexible tiering systems. However, the expert remains cautious on near-term hotel additions, as a historical high in domestic room inventory continues to weigh on RevPAR and weakens franchisee unit economics. We agree that OTA take rates face limited downside risk and expect investor focus to shift toward the sustainability of hotel unit growth heading into next year. Consequently, we maintain our Buy ratings on H World, Atour, and TCOM given their clearer visibility on network expansion and long-term overseas growth potential. *Simon Cheung*

Around the world | Global Metals & Mining, EU Aerospace & Defense, AI demand & Inflation

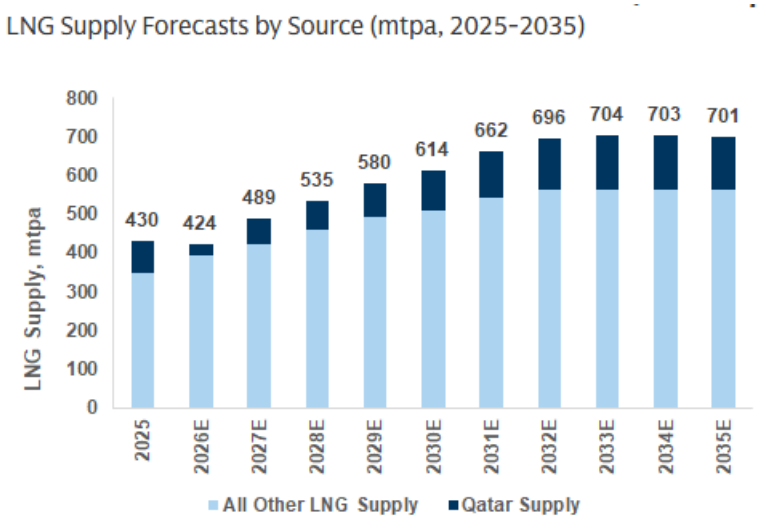
Global Metal & Mining Conference – Metals Security, Growth and Consolidation. Ahead of our third Global Metals & Mining Conference in London, we see the industry narrative shifting from demand-driven growth to supply constraints and resource security amid tightening physical markets for copper, aluminum, and zinc. With greenfield project pipelines increasingly difficult to execute due to permitting delays, inflation, and remote locations, we expect producers to prioritize district-scale partnerships, asset-level tie-ups, and corporate M&A to achieve scale. To fund this next phase of growth while preserving balance sheet strength, we believe miners will increasingly explore infrastructure monetization and alternative capital pools, which alongside disciplined capital allocation, should help sustain the sector's ongoing multiple re-rating. *Matt Greene*

Europe Aerospace & Defense – 3Q26 Earnings Previews. We remain constructive on the civil aerospace aftermarket and the structural defense spending outlook ahead of 3Q26 results, focusing on supply-chain execution and the conversion of higher budgets into funded orders. Within aerospace, we model MTU Aero modestly above consensus given continued MRO strength, but forecast Airbus below consensus owing to lower commercial deliveries, though we remain buyers of Airbus, Safran, and Rolls-Royce. In defense, Germany is our preferred market given its fiscal capacity, and we expect Rheinmetall to beat consensus driven by strong ammunition profitability and vehicle volume growth. Conversely, we forecast Thales below group-level consensus estimates due to persistent headwinds in its Cyber & Digital segments. *Sam Burgess*

US Macro – The Impact of AI Demand on Inflation. We estimate that AI demand is currently boosting core PCE inflation by about 45bp, though roughly half of this reflects statistical mismeasurement in the software and accessories category rather than genuine cost pressures. We expect this impact to peak at 50bp by end-2026 before declining to 10bp by end-2027, driven by a significant slowdown in memory and computer price growth alongside stable electricity and industrial metal cost spillovers. Consequently, we view the AI impact on consumer prices as meaningful but moderate and we continue to see core PCE inflation falling meaningfully toward th year. *Jessica Rindels*

Graphic language | Asia Energy/LNG Tour – There remains a considera Qatar's expansion plans





Source: Goldman Sachs Global Investment Research, Company data

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GS Events (Home Page here)

- **China Next-Gen Power & Mobility Day | Shenzhen** | 2-4 Nov
- **APAC Healthcare Corporate Day 2026 - Part I | Hong Kong** | 3-6 Nov
- **Korea KRX Kosdaq Corporate Day | Hong Kong & Singapore** | 24-25 Nov
- **India Corporate Day | Hong Kong** | 30 Nov - 1 Dec
- **Japan Conference | Tokyo |** 30 Nov - 4 Dec