The 720: China Property 2027 Outlook, CATL, Yaskawa downgrade, Ryohin Keikaku, Honda, China Consumer Durables, Mitsubishi Electric

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In Focus | China Property 2027 Outlook

China Property – 2027 Outlook: Four Key Pivot Points Towards 2035. We expect four key pivot points for China's housing market towards 2035E, driven by the transition to a completed property sales model, a deteriorating inventory pipeline, and our 16% lower 2027-2035E structural demand forecast. We anticipate a sharp primary supply contraction to stabilize housing prices by 2029E, prompting us to raise our two-year ASP growth forecast for Shanghai and Shenzhen to 20% from 15%. We project new starts and property FAI to turn around by 2032E as demolition needs accelerate, while the secondary market's transaction share should reach 75% by 2035E. Adapting to a slower ROE recovery, we upgrade CMSK to Buy and downgrade Greentown to Neutral, while continuing to prefer Buy-rated COLI and CRL over Sell-rated Seazen and Vanke due to superior saleable resources and lower leverage. *Yi Wang*

China Property – Inventory structure and balance sheet depth differentiate ROE recovery path. We expect sales model reforms to slow ROE recovery across the housing sector, favoring developers with higher saleable resources, longer land reserve duration, and lower leverage. We lower 2026E-28E underlying profit forecasts for our coverage by 2%-27% on average to reflect lower contract sales and margin estimates for POE developers prioritizing cash over profitability, while introducing 2029E forecasts and rolling our NAV estimates to end-2027E. Consequently, we upgrade CMSK (001979.SZ) to Buy with a 12m TP of Rmb9.8 given its sector-leading footprint in core cities, and downgrade Greentown (3900.HK) to Neutral with a 12m TP of HK$7.2 due to a comparatively weaker balance sheet. We retain Buy ratings on COLI, CRL, and Jinmao, and Sell ratings on Seazen and Vanke, as ASP trends remain the key driver of ROE and reinvestment scale under deleveraging constraints. *Yi Wang*

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China Consumer Staples: 3Q Preview, Key Trends & Stock Ideas |10am HK | Access Webinar | with Leaf Liu & Valerie Zhou (in Mandarin)

Results | CATL, Yes Bank

CATL – 3Q26 margin miss on temporary mix and tax headwinds – Buy (on CL). We maintain our Buy (on CL) and lower our A/H-share 12m TPs to Rmb507/HK$777 following a 12% 3Q26 net profit miss driven by an unfavorable product mix,

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consumption tax resumption, and lower export rebates. We cut our 2026E–2028E EPS estimates by 4–7%, assuming the company absorbs the full tax impact this year before sharing the burden with customers starting in 2027. Management views these margin pressures as temporary and expects unit profitability to recover, supported by new product launches and the delayed revenue recognition of higher-value overseas energy storage systems. *Nick Zheng*

Yes Bank – AT-1 bond principal reinstatement drives estimate cuts – Sell. We cut our FY27-FY29E earnings by up to 130% and lower our 12m TP to Rs17, driven by weaker-than-expected F2Q27 margin progression and the reinstatement of the Rs84bn AT-1 bond principal liability. This reinstatement lowers the CET-1 ratio by 240 bps and reduces our book value estimates by 10-11% over FY28-FY29E, prompting us to lower our loan growth forecasts over the next five years due to moderated capital ratios. While F2Q27 core revenue growth was in line, higher operating costs drove a miss on core PPOP, and headline margins remained subdued due to the impact of FCNR loans. We await management clarity regarding potential liabilities from un-modelled historical and prospective coupon payments, which present further downside risk to capital adequacy. *Sumeet Kariwala*

New | Yaskawa Electric downgrade

Yaskawa Electric – Supply chain bottlenecks and constrained leverage – Downgrade to Neutral. We downgrade to Neutral from Buy and lower our 12m TP to ¥5,000 from ¥5,500, following a reassessment of supply chain trends across the broader factory automation sector. We reduce our FY2/28–FY2/29 operating profit estimates by approximately 10%, bringing our FY2/28 forecast down to align with management's ¥72.0 bn interim target, as persistent component procurement bottlenecks negatively impact the spread between pricing and costs. While top-line order momentum remains supported by robust AI and data-center demand, we expect near-term operating leverage to be constrained by production transitions and rising human capital expenses for capacity expansion. We await clear evidence of supply chain normalization and a sustained profitability turnaround before turning more constructive. *Yuichiro Isayama*

GS Event | Ryohin Keikaku

Ryohin Keikaku – Confident CEO meeting highlights growth and productivity focus – Buy. Following a meeting with President Satoshi Shimizu, we see potential to further unlock growth in each operating country through localized regional strategies and a global matrix management structure. Management expects to drive continued productivity improvements without being complacent about its 12% OPM target, noting that simple product characteristics align well with maturing consumer values and support stronger-than-expected earnings in China. Furthermore, the company aims to roll out successful marketing and e-commerce strategies from China to other regions, while expanding its flagship store presence and establishing self-sustaining logistics networks in the US and Europe. We maintain our 12m TP of ¥4,900. *Sho Kawano*

Previews | China Consumer Durables, Korea Telcos, Prudential

China Consumer Durables – RVC 3Q26 Preview: Core Profits Growth to Remain Resilient. We remain Buy-rated on Roborock and Sell-rated on Ecovacs ahead of 3Q26 results, expecting core profit growth to stay resilient despite market concerns over China/EU trade tensions and Amazon Prime Day timing. We revise our 2026E–2028E EPS for both

companies by -6% to -1% and lower Roborock's 3Q26 net profit forecast to incorporate expected foreign exchange losses, though we raise its operating profit forecast to reflect a robust core business. We expect Roborock to outperform the industry, delivering 20% yoy revenue and 44% yoy operating profit growth in 3Q26 driven by global market share gains, new product expansion, and operating efficiency improvements, while Ecovacs faces slower revenue growth and profit declines amid intense domestic competition. *Nicolas Yi*

South Korea Telecom Services – 3Q26E Preview and Diverging Earnings Trends. We expect mixed 3Q26 earnings across Korean telcos and continue to prefer Buy-rated KT (12m TP W68,000, from W69,000) for its shareholder return optionality and valuation re-rating potential, despite near-term top-line pressure from its data breach. Conversely, we maintain Sell on SKT (12m TP W59,000, from W58,000), as concerns over capital intensity and uncertain returns from its AI infrastructure investments overshadow its expected 12% YoY revenue recovery, while keeping LGU Neutral (12m TP W17,000) given its stable trajectory and limited AI burden. Incorporating slower tariff upgrades and subscriber losses, we lower our 2026-2028 operating profit estimates for KT by 2.4%-3.4%, while fine-tuning estimates for LGU and SKT and rolling forward our valuation basis to 4Q26-3Q27 across the sector. *Eric Cha*

Prudential Plc – 3Q26 Preview: Challenging Base Effect – Buy. We expect 3Q26 new business profit (NBP) to remain flat year-over-year at US$703mn, as positive growth in Southeast Asia is largely offset by a high base effect in Hong Kong and mainland China. However, we see continued margin expansion driven by product repricing and mix changes in Hong Kong, and we anticipate a double-digit growth recovery in 4Q26. We lower our FY26 net profit estimate by 7% to reflect equity market weakness and adjust our 12m TPs to HK$146 and GBp1,380, but remain constructive given the attractive risk/reward and intact medium-to-long-term demand trends. *Thomas Wang*

Event | Mitsubishi Electric

Mitsubishi Electric – Deconsolidation of power distribution & control equipment to improve ROE – Buy. Mitsubishi Electric announced it will transition its power distribution and control equipment business into a joint venture with ABB (51% ABB, 49% Mitsubishi) and deconsolidate the unit by October 2027, and we maintain our 12m TP of ¥7,900. The transaction involves a transfer price of ¥82.4 bn, which management expects will generate a gain of approximately ¥90 bn under other income in FY3/28 consolidated earnings. We view this move positively as it divests a business with profit margins likely below the FA Systems segment average, demonstrating continued progress in corporate portfolio reform. Alongside the recent deconsolidation of the automotive equipment unit, we believe these structural changes will enhance overall profitability and could drive the early achievement of the company's ROE improvement targets. *Ryo Harada*

Themes in Play | Honda, Hua Hong

Honda Motor – Willow Drive dexterous hands unlock potential of physical AI – Buy. We raise our 12m TP to ¥2,150 from ¥2,000 to incorporate the long-term value of Willow Drive, the company's proprietary multi-fingered robotic hand. Positioned for manufacturing adoption with a class-leading 5 kg fingertip force and high durability, we expect mass production to begin around 2030 and model a base-case 2035 operating

profit contribution of ¥30 bn assuming a 5% global high-spec market share. For the core business, we forecast consolidated operating profit will recover to ¥1.34tn by FY3/28, rebounding from an expected ¥894bn in FY3/27 as legacy BEV-related losses are resolved. *Kota Yuzawa*

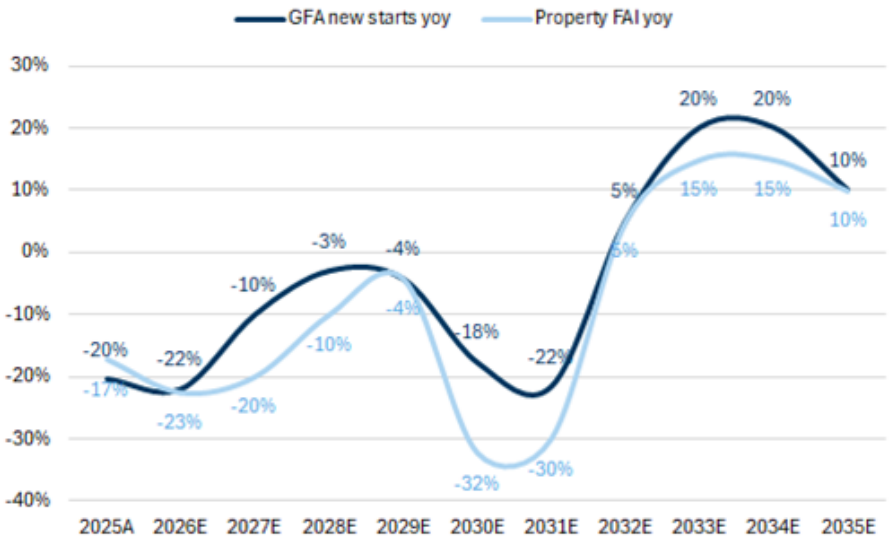
Hua Hong – Flash and PMIC to ride on AI spending; Huali integration and 12-inch expansion support growth – Buy. We maintain Buy but lower our 12m TP to HK$289 (from HK$335) and revise 2026-28E net income estimates by -5%/-2%/+3% to reflect the Huali Micro consolidation. We expect generative AI spending and customers' "China for China" strategies to drive robust demand for embedded and standalone NVM and PMIC products. While higher depreciation and initial integration costs will weigh on near-term profitability, broadening 12-inch manufacturing capabilities should yield long-term scale benefits and improving operating leverage. *Allen Chang*

Around the world | Eli Lily, Commodities

Eli Lilly & Co. – Expecting Another 3Q Beat and Raise – Buy. Heading into 3Q26 results, we expect another beat and raise, prompting us to lift our 12m TP to $1,413 from $1,371. We forecast 3Q26 revenue of $23.1bn, tracking 2.8% above consensus, though our $5.63 EPS estimate sits below consensus due to a $4.2bn acquired IPR&D charge, and we revise our FY26–FY28 EPS estimates to $32.77, $46.08, and $51.68. Topline upside is primarily driven by stronger-than-expected OUS Mounjaro sales and robust Zepbound volume growth aided by the Medicare Bridge program, which should more than offset mix-driven pricing declines. We anticipate a FY26 guidance raise and believe investor focus will quickly shift to the 2027 outlook and the December investor event spotlighting the next-generation obesity pipeline and non-incretin franchises. *Asad Haider*

Commodity Views – Conflict, Climate and the Case for Commodity Diversification. We continue to recommend a positive commodities allocation both tactically and structurally, favoring targeted energy hedges like long European summer 2027 gasoline futures and TTF 2027Q1 call spreads. Tactically, long commodity positions serve as a vital portfolio hedge against geopolitical escalation, high equity and bond sensitivity to energy shocks, and agricultural upside risks from a potential Super El Niño. Structurally, we see commodities providing insurance against rising supply disruption risks and upward price pressure in constrained markets, driving our expectations for copper to reach $15,400 next year and gold to hit $5,400 by end-2027 amid sustained central bank buying. *Daan Struyven*

Graphic language | China Property Outlook



Source: Goldman Sachs Global Investment Research, NBS, CREIS

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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