The 720: China Strategy, Wiwynn, Eternal, DISCO, Prada, Gigadevice, China Healthcare, Korea Insurance, JP Building Materials

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In Focus

China Musings – Cash return is the best hedge to higher US rates (and lower China rates). We reaffirm our Overweight preference for A-shares over H-shares (Marketweight), upgrade Banks to Overweight, and lower Insurance to Marketweight. As US and China rate cycles diverge, we expect higher US rates to restrain valuation upside and portfolio flows for offshore equities. Conversely, we remain constructive on onshore A-shares given their elevated equity risk premium, supportive capital market policies, easy financial conditions, and strong 2Q26 CSI300 profit growth of 20% yoy. To navigate this bipolar rate environment, we recommend a barbell strategy that pairs stable Value, Dividend, and Cash Return proxies with structural growth themes like AI. *Kinger Lau*

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China Property 2027 Outlook: Four Key Pivot Points Towards 2035 | 10am HK | Access Webinar | with Yi Wang, Michael Snaith

Themes in Play | Korea Insurance, Baidu, Gigadevice, JP Building Materials, China Healthcare

Korea Insurance – 3Q26E Preview: Valuation losses to weigh on stabilizing insurance trends. We expect Korean non-life insurers to report disappointing 3Q26E results driven by valuation losses amid elevated interest rates and sluggish capital markets, despite resilient underlying insurance operations and improving auto loss ratios. Consequently, we adjust our 2026E-28E sector earnings estimates by -3%/1%/1% and 12m TPs by -1% on average, while noting that tighter medical-indemnity claims controls and commission caps should support medium-term profitability from 2027. As the divergence between accounting profit and cash generation widens under IFRS17, we believe sustainable payout capacity will depend primarily on cash earnings. We stay selective and reiterate Buy on Samsung Fire and Marine Insurance given its stronger cash-generation capacity and meaningful headroom to raise shareholder returns. *Sinyoung Park*

Baidu – Cloud re-acceleration offsetting ad weakness in 3Q26 – Not Rated. We preview 3Q26 results, expecting Baidu Core revenue to return to positive growth at +1% yoy to Rmb24.8bn, driven by a 57% yoy re-acceleration in Cloud revenue that partially offsets a projected 22% yoy decline in advertising. We cut our 2026E–28E net profit estimates by 9%–12% to reflect continued margin pressure from a soft

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macro advertising environment and increased AI-search computing costs. Despite near-term profitability headwinds with Baidu Core non-GAAP OP expected to fall 24% yoy to Rmb1.7bn, we view 3Q26 as a potential margin trough as improving Cloud economics and utilization increasingly absorb foundation-model training and Robotaxi losses. *Lincoln Kong*

Gigadevice – Specialty DRAM Mix Upgrade and SLC NAND Ramp Up – Buy. We raise our 12m TP to Rmb413 from Rmb391 and significantly upgrade 2026-28E earnings by 160%/61%/49% to reflect higher revenues from specialty DRAM pricing increases and accelerated SLC NAND shipments. Looking into 3Q, we expect continued quarter-over-quarter specialty DRAM pricing strength and slightly improving gross margins driven by product mix upgrades. Furthermore, management expects SLC NAND wafer shipments to maintain robust growth into 2027E, keeping pricing at high levels as global peers transition from 2D to 3D NAND to serve rising AI demand. *Ting Song*

Japan Housing & Building Materials – US and Europe markets generally weak; focusing on sustainability of domestic price revision effects. We update our outlook on the housing equipment sector to reflect mixed domestic shipments, persistently weak China completions, and delayed US and European recoveries amid high interest rates. Reflecting soaring copper and aluminum costs alongside weak overseas demand, we cut our FY3/27–FY3/29 operating profit estimates for LIXIL by -25%/-6.5%/-6.7% and lower our 12m TP to ¥1,800 (Neutral). We also trim our FY3/27–FY3/29 operating profit estimates for Toto by -3.8%/-5.6%/-5.0% and reduce its 12m TP to ¥10,800 (Buy), driven by sluggish China consumption and revised NAND manufacturing equipment sales forecasts. Meanwhile, we maintain our views on Rinnai and Sanwa Holdings, expecting stable domestic non-residential demand and gradual overseas recoveries to offset current macro headwinds. *Sachiko Okada*

China Healthcare – ESMO 2026 China data: Takeaways from abstracts. Ahead of the ESMO 2026 Congress, we see encouraging preliminary clinical data from China's diversifying ADC pipelines, particularly across TROP2, B7H3, and bispecific ADCs, alongside incremental updates in PD-1-based multi-specific antibodies. We highlight promising initial efficacy and safety profiles from novel candidates by Innovent, Hansoh, CSPC, and BeOne, including strong activity for EGFR-targeted bispecific ADCs in post-TKI settings and competitive outcomes for emerging B7-H3 ADCs. Additionally, Zai Lab's DLL3 ADC zoci demonstrated a favorable 80% objective response rate with well-controlled tolerability in front-line SCLC. We continue to await highly anticipated late-breaking Phase 3 data for Kelun Biotech's sac-TMT in first-line NSCLC and endometrial cancer to further de-risk its global development trajectory. *Ziyi Chen*

Results | Wiwynn, Eternal, DISCO, Prada, Chacha Food, Centre Testing

Wiwynn – Strong September beat and AI server expansion – Buy. We raise our 12m TP to NT$4,000 following a strong September revenue beat that tracked 19% ahead of our estimates. We increase our 2026-2028E net income forecasts by 3% to 13% on higher revenue expectations, improved operational efficiency, and a stronger gross margin product mix from both ASIC AI and general servers. We expect mid-double-digit year-over-year revenue growth to persist through December 2026, driven by ramping ASIC AI server deployments, robust general server demand from leading US cloud service providers, and the mass production of new GPU-powered AI server racks across NVIDIA and AMD platforms in the fourth quarter. *Verena Jeng*

Eternal – Benign competition and improving earnings visibility – Buy. We raise our 12m TP to Rs400 from Rs385 following strong 2QFY27 results, highlighted by Blinkit's 79% YoY net order value growth and a material upgrade to its FY27 store count guidance to over 3,500. We upgrade our FY27-FY30E Blinkit net order value estimates by up to 10%, though we lower FY27-FY28 adjusted EBITDA by 1-3% to reflect higher operating expenses from the accelerated store rollout. We believe the competitive landscape in quick commerce is easing, supporting continued margin expansion and durable market share gains despite near-term free cash flow pressure from festive season investments. *Manish Adukia*

DISCO – Added Production Support Signals Strong Demand – Buy. We reiterate our Buy rating and ¥105,000 12m TP following 2Q3/27 operating profits of ¥67.6 bn, which beat consensus, and we slightly raise our forward operating profit estimates. Management expects a transitory dip in 3Q HBM equipment shipments but noted underlying generative AI demand remains robust, prompting the addition of 100 manufacturing support personnel by March 2027 to meet rising blade dicer production needs. We believe shipment momentum will continue to step up as the company benefits from diverse technological transitions, including advanced packaging capex, hybrid bonding, and co-packaged optics. *Shuhei Nakamura*

Prada SpA – Q3 Market Share Gains and Constructive Outlook – Buy. We raise our 12m TP to HK$53 following third-quarter constant FX retail sales that comfortably beat our expectations and outperformed key luxury peers. The core Prada brand demonstrated strong resilience with 1% retail growth, and management expressed a highly constructive outlook for continued market share gains across both Prada and Miu Miu into 2027. We believe the market underappreciates the underlying strength of the core brand and view the stabilization of Miu Miu's recent growth normalization as an important positive catalyst moving forward. *Erwan Rambourg*

Chacha Food – 3Q26 NP miss on softer sales and higher taxes; margins remain resilient – Buy. Chacha reported 3Q26 net profit of Rmb142mn, missing our estimates by 23% driven by a much higher tax rate (25.8%), higher selling expenses, and softer sales, which grew 6.1% yoy to Rmb1,856mn. However, gross margin remained broadly resilient, expanding 2.1ppt yoy to 26.6% on sunflower seed cost tailwinds despite an overall muted consumer environment. We expect the company to stay resilient supported by easing competition, and look to upcoming management commentary for updates on raw material procurement costs and pricing strategy. We maintain our 12m TP of Rmb21.5. *Valerie Zhou*

Centre Testing – 3Q26 in line and resilient 2030 growth targets – Buy. We maintain our Buy rating and Rmb18.6 12m TP following in-line 3Q26 results that demonstrated 14% year-over-year revenue growth and steady margins. We slightly lower our 2026 revenue and net profit estimates by 2% and 1%, but raise 2027–30 projections by up to 4% and 7%, respectively. These upward revisions reflect management's new 2030 growth plan targeting a 13%–16% revenue CAGR, supported by a structurally higher-margin mix in emerging niche verticals and expectations for the loss-making medical and semiconductor testing businesses to achieve breakeven in 2027. *Jacqueline Du*

Japan Macro | Wages

Japan Economic Flash – 2027 Shunto Forecast. We forecast the 2027 shunto base pay

rise to reach 3.1-3.4%, slightly below last year's 3.5% but marking the fourth consecutive year of increases above 3%. We expect labor unions to demand a 4.2% base pay increase to improve real wages, while corporate agreement rates should remain high between 73% and 81%. This robust wage growth is supported by acute labor shortages and expanding corporate earnings, though rising costs may slightly moderate hikes among SMEs and non-manufacturing firms. *Yuriko Tanaka*

Around the World | Meta, CoreWeave, AI & Labour Displacement, EM Trader

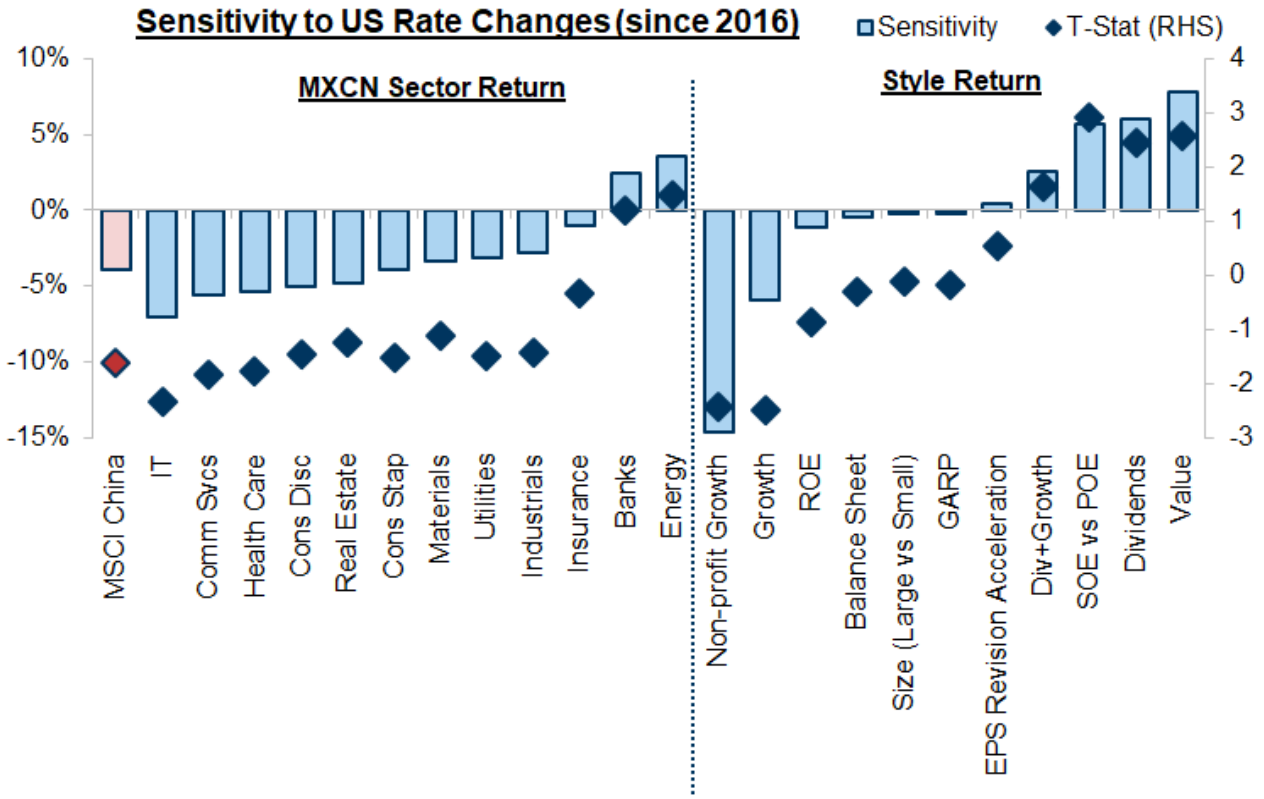
Meta – Core Advertising Momentum Builds on AI Success – Buy. We raise our 12m TP to $885 from $860 following Q3 results that highlighted 26% year-over-year growth in the core advertising business and strong early commercial traction for the new Muse platform. We see healthy user engagement increasingly driven by AI solutions, with expected moderating losses at Reality Labs acting as a potential tailwind to operating costs against elevated AI compute capital intensity. To reflect Q3 results and ongoing investments, we increase our Q4'26 and 2027 revenue estimates to $75.47bn and $315.89bn, respectively, while revising our corresponding GAAP EPS estimates to $8.39 and $31.02. *Eric Sheridan*

CoreWeave – Analyzing future funding needs – Buy. Following our recent upgrade, we evaluate the magnitude and viability of CoreWeave's future funding requirements, maintaining our $106 12m TP. To serve the existing $129bn backlog, we calculate a ~$60bn capex need, leaving a minor $1.6bn cash shortfall post-debt financing that can be bridged via customer prepayments, vendor financing, or operating cash flow. Factoring in customer prepayments at 20% of total contract value, we estimate the company requires ~$23bn in new debt for current contracts, and ~$38bn to ramp its already-secured 4.2GW of power to support a potential $260bn backlog. *Gabriela Borges*

Global Economics Analyst – Revisiting the Extent and Timing of AI Labor Displacement. We believe AI automation will deliver significant labor cost savings, though the timing and extent of disruption will heavily track the broader economic cycle. Under our forecast for a 15% productivity increase from AI, we estimate that up to 9% of workers could be temporarily displaced, with an additional 3% employment headwind from slower hiring. Because historical automation data indicates headcount reductions are driven more by job separations than hiring slowdowns, we expect AI-related layoffs to provide a reliable real-time guide. While a resilient economy currently limits near-term labor impacts, we see upside risks to job losses during cyclical slowdowns, which could accelerate AI-related automation and amplify business cycle downturns. *Joseph Briggs*

EM Trader – Steering through Shocks. We remain structurally constructive on emerging markets despite recent AI-driven volatility, supported by robust third-quarter profit growth of roughly 70% year-over-year and expectations for 20% and 14% MSCI EM earnings growth in 2027 and 2028, respectively. In equities, we favor diversifying away from concentrated tech exposure into idiosyncratic opportunities like Brazilian rate-sensitives, Hungarian banks, and unloved markets like South Africa and India. Across FX and rates, we expect a continued strong carry component to total returns, preferring the Colombian peso and South African rand over the Mexican peso, while initiating a recommendation to receive Brazil Jan 29 rates ahead of the election run-off. Within sovereign credit, we see pockets of value in the five-year CDS of Saudi Arabia and Chile, though we view Brazil's CDS as vulnerable to post-election fiscal policy disappointment. *Kamakshya Trivedi*

Graphic language | China Strategy



Source: FactSet, Goldman Sachs Global Investment Research

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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