FLASH

Capital Goods

Key takeaways from investor calls after sector pullback

The construction machinery sector was under pressure yesterday (16 Sep). Based on our understanding, market was concerned about (1) the US interest rate hike that would affect overseas construction demand; (2) weakness of the latest machinery sales data; and (3) the US's initiation of antidumping and countervailing duty (AD/CVD) investigations on linear hydraulic cylinders (and parts) from China, Canada, Mexico, Korea and India (source). **SANY Heavy (600031 CH, BUY), Zoomlion (1157 HK / 000157 CH, BUY)** and **Jiangsu Hengli (601100 CH, BUY)** hosted investor calls yesterday to address the issues. Regarding the interest rate concern, construction projects overseas are generally not sensitive to US interest rate as many of those are sovereign projects financed by government budgets and China's overseas investments. Regarding the weak industry data, all the three companies highlighted that overseas orders and demand remain solid in 3Q26. For AD/CVD investigations, Hengli believes that the impact is manageable as the Company does not compete through low pricing in the US market; besides, production shifts among their global capacity will help mitigate the potential impact.

- **SANY Heavy**. SANY mentioned that overseas sales are expected to grow >20% YoY in 3Q26. Western Europe and the US are expected to grow 35%/25% YoY. Southeast Asia has maintained high growth. Africa has seen a slight slowdown but still maintained a high growth trajectory. Middle East and Russian-speaking regions have seen moderate growth. South America has been volatile relatively. In China, ASP pressure has started to ease. The full-year revenue growth (overseas + China) is expected to be >20%. On the capacity side, new plants construction in Turkey and Romania is speeding up. Product delivery to the US from Indonesia plant has been normal. Trial production in the US plant has been conducted. On the currency side, FX loss in 3Q26 is expected to narrow from 2Q26.

- **Zoomlion.** Revenue growth (1H26) was strong in Europe, Southeast Asia and South America, while that of Middle East and Central Asia was weak due largely to the war. Zoomlion is seeing initial improvement in the Middle East where tenders are restarting. On the gross margin side, newly signed orders in Jul-Aug carry a higher margin (up 2-5 ppt) driven by ASP hikes. US market (accounting for only 1% of total revenue) has not been the focus of Zoomlion.

- **Jiangsu Hengli**. Hengli's order backlog is solid now. Production capacity has been running at full utilisation throughout 3Q26 quarter-to-date. Regarding the US's AD/CVD investigations on foreign linear hydraulic cylinders (and related parts), Hengli believes that the impact should be manageable. First, unlike the mid- to low-end market segment, Hengli's products are positioned at mid- to high-end market with certain pricing power. Second, Hengli will speed up the transfer of production from China to Mexico in order to reduce the potential impact (due to lower dumping margin for Mexico). Hengli also plans to expand the production plant in Indonesia to satisfy certain demand from the US. Third, certain US hydraulic cylinder manufacturers are using China-made steel pipes as components. The potential AD/CVD duties will also increase their production cost.

China Capital Goods Sector

OUTPERFORM

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Figure 1: Alleged dumping margin for linear hydraulic cylinders

Country	Alleged dumping margin (%)
Canada	248.33-744.85
China	103.05-440.48
India	85.31-370.67
Korea	73.09-158.74
Mexico	56.79-157.12

Note 1: CVD rates: <1% for developed countries; <2% for developing countries.
Note 2: The ITC is scheduled to issue its preliminary determinations on or around 28 Sep 2026. Commerce would be scheduled to announce its preliminary determination on 12 Nov 2026 for the CVD investigation, and 26 Jan 2027 for the AD investigation. Deadlines are subject to be extended.
Source: US International Trade Commission, CMBIGM

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