23 Jun 2026

CMB International Global Markets | Equity Research | Sector Update

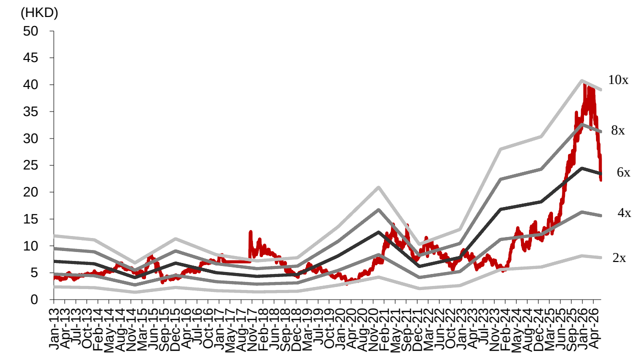
# Materials

## Concerns largely priced in; Attractive valuation

The aluminium sector has come under pressure since early Apr due to the ease of conflict in the Middle East, the potential restriction of bauxite export from Guinea and sector rotation. We reiterate our view that the resumptions of aluminium production being affected in the Middle East will likely take 12-18 months, due to the expensive and time-consuming process to drain and reline the pots (for details, please refer to our sector note *"A prolonged supply deficit even assuming the end of Iran war"* published on 12 May). Besides, any unexpected restart of conflict over the medium term, which is also likely given the lack of trust between the US and Iran, will add uncertainties to the regional aluminium supply from time to time, in our view. On the other hand, we see the potential change of bauxite export policy in Guinea to have manageable impact to **China Hongqiao (1378 HK, BUY)**, given the investment in Guinea's mining and alumina refinery. China Hongqiao is now trading at 5.6x 2026E P/E and ~11% yield, which we think is attractive. **Hongqiao Holdings (002379 CH, BUY)**, the major subsidiary of China Hongqiao, is trading at 8x 2026E P/E with >9% yield. We also have **BUY** rating on **Chuangxin Industries (2788 HK)**, a volume growth play in the sector**.**

- **Aluminium price assumptions unchanged**. Shanghai aluminium price YTD gained 17% YoY to RMB24.2k/t (VAT-included). Our full year assumption is unchanged at RMB23.7k/t (+15% YoY), which implies RMB23.2k/t in 2H26E (+10% YoY).
- **China Hongqiao is back to mid-cycle valuation**. After the recent pullback, Hongqiao is now trading at slightly below the historical average of 6x forward P/E. We think the major market concerns have been in the price. We expect a stabilisation of aluminium price and potential share buyback will serve as positive catalysts.

### China Hongqiao's P/E band




Source: Bloomberg, company data, CMBIGM estimates

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**(Maintain)**

### China Materials Sector


**Wayne FUNG, CFA**
(852) 3900 0826
waynefung@cmbi.com.hk


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China Hongqiao (1378 HK) – Major subsidiary's 1Q26 profit +38% YoY; in line with expectations – 27 Apr 2026 (link)

China Hongqiao (1378 HK) – 2025 core profit in-line; Supply disruption to drive ASP in 2026E – 22 Mar 206 (link)

Chuangxin Industries (2788 HK) – Takeaways from post-results meeting – 20 Mar 2026 (link)

Chuangxin Industries (2788 HK) – 2025 profit +33% YoY; surprising dividend – 18 Mar 2026 (link)

Production cut in Qatar to further increase supply risks; +ve to aluminium price – 4 Mar 2026 (link)

Potential supply disruption in the Middle East will support the aluminium price – 2 Mar 2026 (link)

Aluminium price to be fuelled by tight supply throughout 2026 – 4 Feb 2026 (link)

China Hongqiao (1378 HK) - Raising earnings and TP on higher aluminium price – 4 Feb 2026 (link)

# Sector valuation

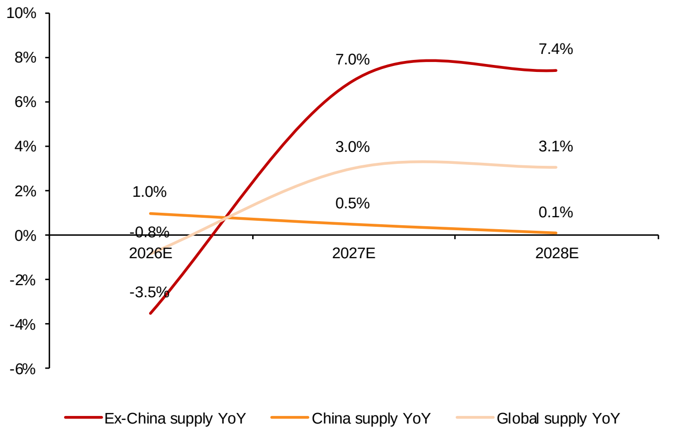
### Figure 1: Peer valuation table

| Ticker | Company | Price (local currency) | Market cap (US$ mn) | PE (x) 2026E | PE (x) 2027E | PB (x) 2026E | PB (x) 2027E | Yield (%) 2026E |
|---|---|---|---|---|---|---|---|---|
| **A share** | | | | | | | | |
| 601600 CH Equity | CHALCO-A | 9.86 | 23,604 | 8.0 | 7.5 | n/a | n/a | 5.2 |
| 002379 CH Equity | HONGQIAO-A | 17.36 | 33,473 | 8.0 | 8.6 | 3.2 | 3.0 | 9.4 |
| 000807 CH Equity | YUNNAN ALUM-A | 25.99 | 13,337 | 7.2 | 6.5 | 1.9 | 1.5 | 5.2 |
| 002532 CH Equity | TIANSHAN ALUM-A | 12.90 | 8,835 | 6.7 | 5.9 | 1.5 | 1.2 | 8.3 |
| 600219 CH Equity | SHANDONG NANSHAN-A | 4.76 | 8,088 | 9.6 | 7.7 | 0.9 | 0.9 | 5.3 |
| 000933 CH Equity | HENAN SHENHUO-A | 25.11 | 8,356 | 6.5 | 6.2 | 1.6 | 1.3 | 7.0 |
| | **Average** | | | **7.7** | **7.1** | **1.8** | **1.6** | **6.7** |
| **Hong Kong listed** | | | | | | | | |
| 2600 HK Equity | CHALCO-H | 8.58 | 23,555 | 5.8 | 6.1 | 1.3 | 1.1 | 6.7 |
| 1378 HK Equity | CHINA HONGQIAO | 22.76 | 28,533 | 5.6 | 6.1 | 1.3 | 1.2 | 10.7 |
| 2788 HK Equity | CHUANGXIN IND | 16.36 | 4,334 | 6.7 | 6.3 | 2.4 | 1.8 | 1.5 |
| 486 HK Equity | RUSAL | 3.30 | 6,401 | 5.6 | 5.1 | 0.4 | 0.4 | 5.9 |
| 2610 HK Equity | NANSHAN ALUMINIUM INT | 30.72 | 2,433 | 6.5 | 5.6 | 1.0 | 0.9 | 3.3 |
| | **Average** | | | **6.0** | **5.8** | **1.3** | **1.1** | **5.6** |
| **Overseas** | | | | | | | | |
| HNDL IN Equity | HINDALCO | 1,011.50 | 24,040 | 9.8 | 9.5 | 1.2 | 1.1 | 0.6 |
| VEDL IN Equity | VEDANTA | 304.75 | 12,603 | 4.4 | 4.3 | 1.8 | 1.5 | 10.0 |
| NACL IN Equity | NATIONAL ALUMINUM | 377.40 | 7,331 | 10.7 | 10.3 | 2.3 | 1.9 | 3.3 |
| AA US Equity | ALCOA CORP | 59.37 | 15,667 | 8.5 | 8.7 | 1.6 | 1.3 | 0.7 |
| CENX US Equity | CENTURY ALUMINUM | 51.71 | 5,118 | 4.5 | 3.7 | n/a | n/a | n/a |
| Rio AU Equity | RIO TINTO | 175.99 | 170,031 | 14.5 | 14.3 | 3.6 | 3.3 | 4.1 |
| S32 AU Equity | SOUTH32 | 4.15 | 13,145 | 14.6 | 10.2 | 1.7 | 1.6 | 2.7 |
| NHY NO Equity | NORSK HYDRO | 100.95 | 20,944 | 11.1 | 10.3 | 1.5 | 1.4 | 5.3 |
| PMAH MK Equity | PRESS METAL | 8.47 | 17,187 | 25.3 | 22.6 | 5.0 | 4.2 | 1.2 |
| ALBH BI Equity | ALUMINIUM BAHRAIN | 0.97 | 3,653 | 4.3 | 3.1 | n/a | n/a | 7.6 |
| QAMC QD Equity | QATAR ALUMINUM | 1.72 | 2,634 | 17.2 | 13.8 | 1.1 | 1.1 | 5.5 |
| | **Average** | | | **11.4** | **10.1** | **2.2** | **1.9** | **4.1** |

Source: Bloomberg, company data, CMBIGM
Note1: Data as of 22 Jun 2026
Note2: Year-end June for South32

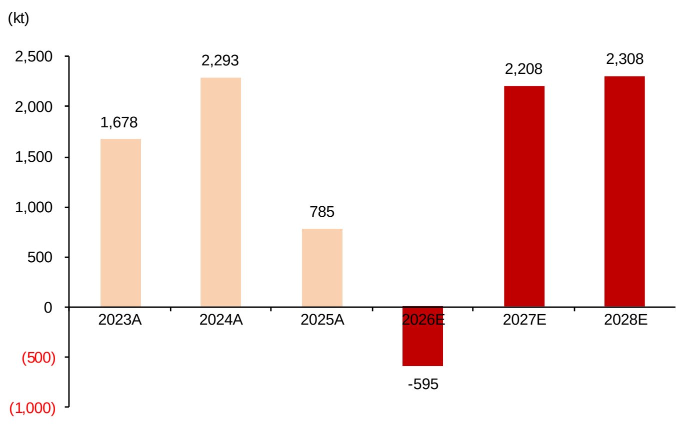
# Favourable demand and supply profile

### Figure 2: Global aluminium supply growth YoY



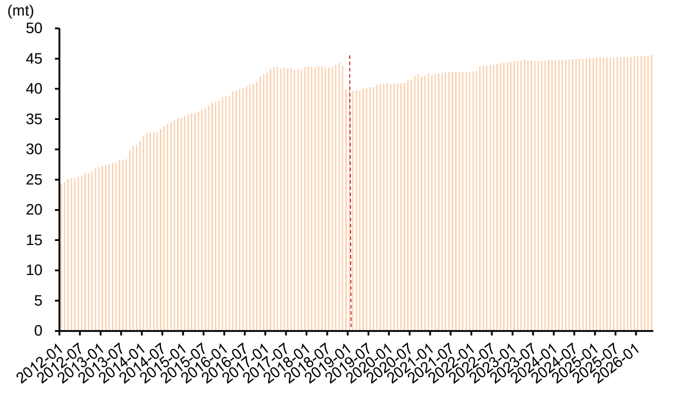

Source: IAI, CMBIGM estimates

### Figure 3: Global aluminium supply change (YoY)



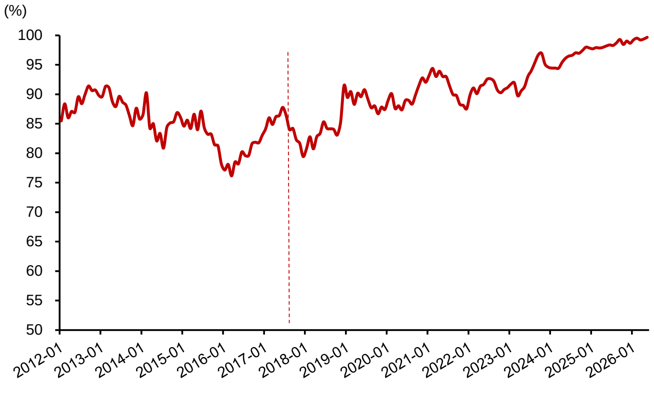

Source: IAI, CMBIGM estimates

### Figure 4: China aluminium annual production capacity




Source: Wind, CMBIGM

### Figure 5: China aluminium capacity utilisation rate



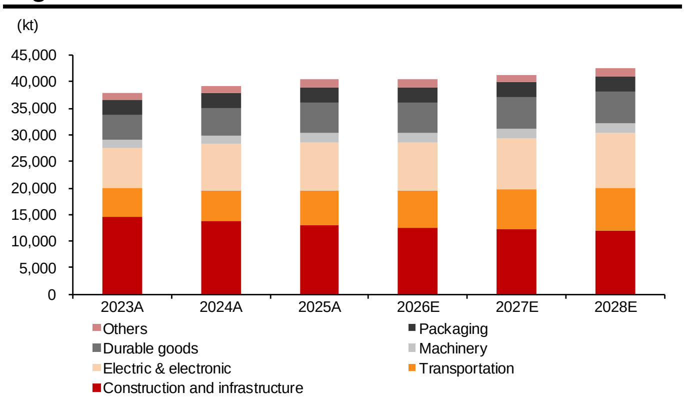

Source: Wind, CMBIGM

### Figure 6: Ex-China new aluminium project pipeline (unit: kt)

| Country | Company | Project | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| Angola | Huatong Cable | Huatong Angola Aluminum Industry Park - Barra do Dande | 54 | 54 | 0 |
| Brazil | Companhia Brasileira de Aluminio (CBA) | Furnace Room 1 | 0 | 23 | 23 |
| India | Vedanta | Bharat Aluminium (BALCO) | 196 | 196 | 0 |
| India | Vedanta | Jharsuguda Smelter | 0 | 113 | 113 |
| India | Hindalco | Aditya Aluminium Smelter Ph 2 | 0 | 0 | 0 |
| India | Hindalco | Aditya Aluminium Smelter Ph 1 | 0 | 0 | 81 |
| Indonesia | Alamtri Minerals (formerly Adaro Minerals) | Kalimantan Aluminium Industry (KAI)'s KIPI project in North Kalimantan | 225 | 225 | 0 |
| Indonesia | PT Dharma Inti Bersama (DIB) (subsidary of Harita Group) | Palau Penebang Industrial Zone (KIPP) in West Kalimantan | 0 | 0 | 450 |
| Indonesia | Nanshan International | Galang Batang special economic zone (SEZ) in Bintan | 0 | 0 | 113 |
| Indonesia | Nanshan Aluminum | Galang Batang special economic zone (SEZ) in Bintan | 113 | 113 | 0 |
| Indonesia | Xinfa-Tsingshan Juwan | Weda Bay | 225 | 225 | 0 |
| Indonesia | PT Hua Chin Aluminium Indonesia (JV of Huafon & Tsingshan) | Morowali Industrial Park (IMIP) - Central Sulawesi | 225 | 225 | 0 |
| Saudi Arabic | Chuangxin | the Saudi Project | 0 | 225 | 225 |
| Spain | Alcoa Corp | San Ciprian | 36 | 36 | 0 |
| US | Century Aluminum | Mt. Holly | 44 | 7 | 0 |
| Vietnam | Tran Hong Quan Metallurgical Company | The Dak Nong Aluminum Electrolysis Plant | 68 | 135 | 135 |
| **Ex-China new supply (kt)** | | | **1,185** | **1,576** | **1,139** |

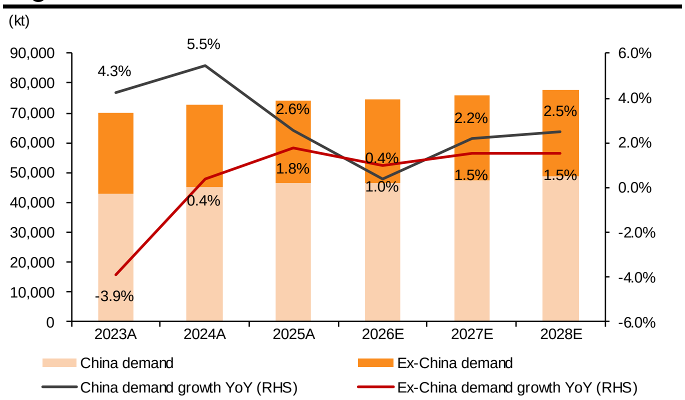
Source: Company data, CMBIGM estimates

### Figure 7: China aluminium demand breakdown



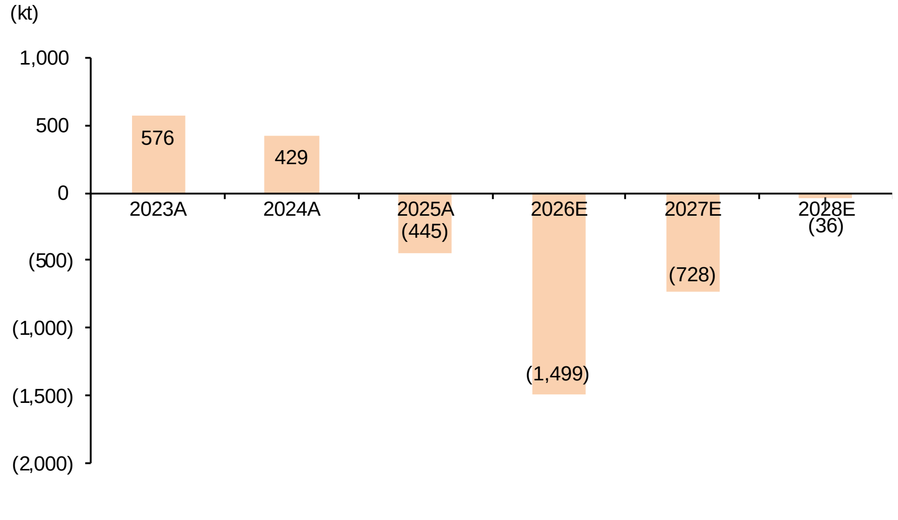

Source: Antaike, CMBIGM estimates

### Figure 8: Global aluminium demand breakdown




Source: Antaike, CMBIGM estimates

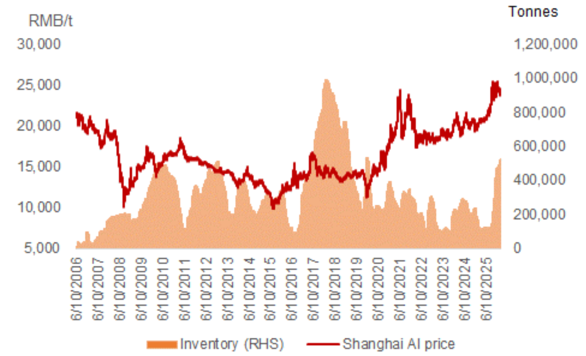
**Figure 9: Global aluminium (deficit)/ surplus**




Source: IAI, Antaike, CMBIGM estimates

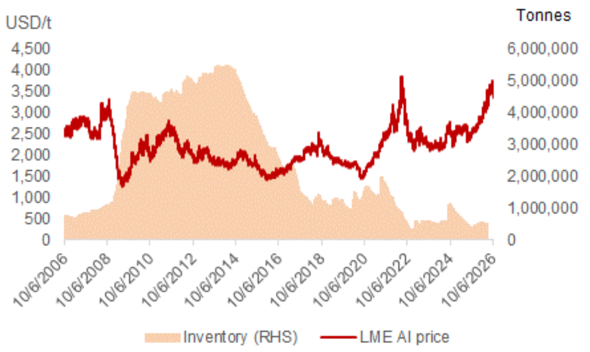
## Sector pricing

**Figure 10: Shanghai aluminium price and inventory**



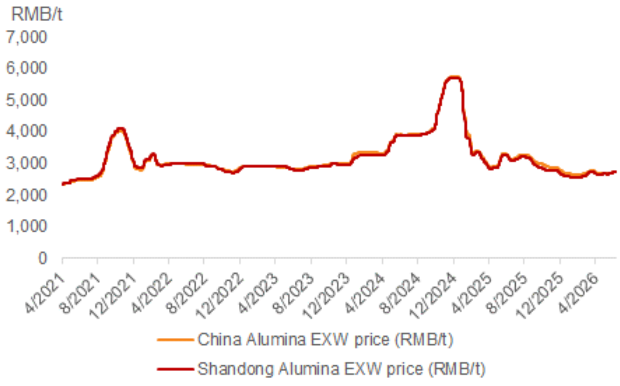

Source: Bloomberg, CMBIGM

**Figure 11: LME aluminium price and inventory**



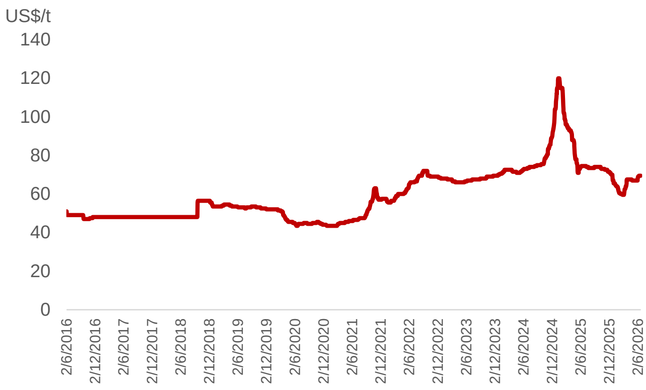

Source: Bloomberg, CMBIGM

**Figure 12: Alumina EXW price in China**




Source: Wind, CMBIGM

**Figure 13: Import price of bauxite from Guinea to China (CIF)**




Source: Bloomberg, CMBIGM

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*CMB International Global Markets Limited*

**Address**: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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