Hot on the plate (A-share)

- **Hospitality Sector 2018 Investment Strategy: Hold onto the leaders; sear for undervalued names – OUTPERFORM (Reiterate)**
  Value of the scarce value leading players is projected to continue unfolding in 2018. Although absolute valuation of the tourism leaders is not very attractive, their solid business fundamentals and strong growth visibility should offer enough support. We recommend holding onto China International Travel Service (601888, duty-free leader), BTG Hotels (Group) (600258, hotel leader) while looking for the undervalued quality assets, such as the core scenic spot plays such as China CYTS Tours Holding (600138) and Songcheng Performance Development (300144), as well as the undemanding hotel name Shanghai Jin Jiang International Hotels Development (600754). Investors are also advised to seize the re-rating opportunities among HNA-Caissa Travel Group (000796) and UTour Group (002707) as demand for outbound travels warms up in 2018, and keep tabs over the periodical investment opportunities among Wuhan Sante Cableways Group (002159), Emei Shan Tourism (000888) and Huangshan Tourism Development (600054) given their recent share price weakness and the expected catalysts.

- **A-share Market Express: "Short-term bear sales" offers an opportunity for "long-term allocation"**
  The A-share market staged notable plunges on 23 Nov, with Shanghai Composite Index, Shenzhen Component and the ChiNext board index retreating by 2.29%, 3.33% and 3.16%, respectively. We think the correction is driven by investor sentiment rather than business fundamentals. It offers opportunities for medium-term investment. The biased understanding of regulatory efforts and leading plays' valuations needs to be corrected over time. Amid increase of market volatilities, some investors opted for "short-term bear sales", but this offers an important opportunity to "long-term allocation".

Other recommendations

- **The bond market series (20171124): Correction of the A share market implies a solace for the bond market**
  The interest rate curve of the US has been flattening YTD. This shows the long term interest rates are not supposed to rise too fast in the context of high asset prices and low inflation rate. However, the long term interest rates in China have surged, driven by investors' sentiment and marginal tightening of liquidity by the PBoC. We view that the long term interest rates have overshot recently albeit we haven't seen the trend of them taking a turn. Against the backdrop of sentiment recovery and decline in asset prices, which result in waning risk appetite due to the correction of the A share market, the 10-yr government bond yield is expected to pull back to the range of 3.8%-4.0%.

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	SELL	Decrease relative to market representative index over 10%
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