

Hot on the plate – China Connect

- ❖ **A-Share Market Hotspot Commentary 20190107: Real progress unlikely to be made in goodwill amortization in the short term**
Investment Strategy | Lack of approval means that goodwill amortization is not expected to be implemented any time soon. Moreover, compared with impairment test, goodwill amortization will only produce marginal improvement in A-share earnings when the amortization period is not less than 30 years.
- ❖ **Radio Frequency Subsector In-Depth Report: 5G pre-cycle varieties to usher in rising product price and sales volume**
Telecom | Antenna feeder FR as a pre-cycle variety of 5G is expected to post better performance. 1) Antenna business is to see increased concentration, with convergence on industry leaders; and 2) filters are facing a change of competition track, and ceramic media will become the mainstream. We advise investors to keep a close watch on Suzhou Dongshan Precision Manufacturing (002384).
- ❖ **The State-owned Enterprise Hedging Thematic Report: Reflections on hedging of state-owned enterprises in the aftermath of the SINOPEC incident**
Non-ferrous Metal | The huge hedging loss suffered by Unipet, a wholly-owned subsidiary of SINOPEC, has caused market shocks. However, compared with existing spot trading, hedging is conducive to stabilizing import costs. The continuous standardization of overseas hedging policies and increased participation in domestic hedging by state-owned enterprises will reduce the possibility of general losses for hedging. By adhering to the principle of "opposite trading direction for same varieties, with appropriate quantities and matching terms", state-owned enterprises are expected to achieve the intrinsic purpose of stable hedging results.
- ❖ **Strategy Thematic Report: Can A shares replicate the bull repurchase surge of US stocks?**
Investment Strategy | Corporate governance determines different stock repurchase motivations between China and the United States. After the new regulations come into force, the three driving forces of A-share repurchase are significant in a bear market, but lack sufficient sustainability in a bull market. A further rise in the scale of A-share repurchase is expected in 1H19.

Other recommendations

- ❖ **Innovative Technology Research Series Report 48: A sluggish 2018: review and outlook of global technology stocks**
- ❖ **Transport Sector Logistics Thematic Research Report Series: Why the express delivery has not visibly benefitted from American E-commerce dividend?**
- ❖ **Beijing Thunisoft (300271) 2018 Earnings Preannouncement Commentary: Rapid growth of contractual volume, focus on new business opportunities in 2019**
- ❖ **BYD (002594) Dec Sales Volume Commentary: Hit models continue to be released, with most EV sales in the country**
- ❖ **Muyuan Foods (002714) 2018 Earnings Projection Modification Announcement Commentary: Hog slaughter volume meets expectation, with 4Q profit expected to hit Rmb150-200mn**
- ❖ **Fujian Sunner Development (002299) 2018 Earnings Projection Modification Announcement Commentary: 4Q18 profit forecast revised to c. Rmb700mn on strong chicken prices**

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Investment ratings are divided into stock rating and sector rating (unless stated otherwise). Rating standard is based on the relative performance with market in 6 to 12 months from the report issuance date, i.e. Performance of company stock price (or sector index) over the 6-to-12-month period from report issuance day is benchmarked against the change in market representative index in the same period. CSI 300 Index will be the benchmark index for A-share market; the NEEQ Component Index (stocks subject to negotiated transfer) or the NEEQ Market Making Index (stocks subject to market making) will be the benchmark index for the NNEQ board; MSCI-China Index will be the benchmark index for Hong Kong market; and NASDAQ Composite Index or Standard & Poor's 500 Index will be the benchmark indices for U.S. market.	BUY	Increase relative to market representative index over 20%
	OVERWEIGHT	Increase relative to market representative index between 5% and 20%
	HOLD	Increase relative to market representative index between -10% and 5%
	SELL	Decrease relative to market representative index over 10%
	OUTPERFORM	Increase relative to market representative index over 10%
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