

Hot on the plate – China Connect

❖ **Economic and Financial Data Outlook for May 2019: Fundamental data remains weak, while inflation may reach its highest point in the year**

Macroeconomic | The economic fundamentals remain fairly weak in May. Despite stable real estate and infrastructure investment, the manufacturing sector will form a dragging factor, with hardly visible improvement in both industrial added value and investment growth rate, which are expected to basically level from the previous month. Affected by this, credit demand is sluggish, with credit and social financing hardly experiencing high growth. Social financing is expected to grow 10.5%, registering a light MoM increase of 0.1%. As for goods prices, the CPI may reach the high point of the year as pork price keeps rising. PPI is still expected to maintain positive growth.

❖ **Telecom Sector Update: As 5G license issuance gathers pace, focus on large-scale network construction and domestic substitution**

Telecom | On 3 Jun 2019, Xinhua News Agency reported that China will issue 5G commercial licenses in the near future. This will bring the country into Year 1 of commercial 5G application. As the bearish fall-out of the Huawei incident runs out, the telecommunications sector is now at a historic low of valuation. Policy support is now rallying for 5G construction. As the commercial application of 5G picks up speed in China, the sector will usher in a reversal in its fundamentals. We recommend investment on two main cues: 1. Large-scale 5G network construction; and 2. domestic substitution on the industrial chain.

Other recommendations

❖ **Zhengzhou Yutong Bus (600066) May 2019 Sales Volume Commentary:** Sales volume falls after the installation rush, and watch for product upgrading in the medium and long term

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	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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