

Hot on the plate – China Connect

- ❖ **Macroeconomic Weekly Focus 20190707: Policy to enter a period of intensive rollout**
Macroeconomic | In the first quarter, the Chinese economy "unexpectedly" stabilized ahead of schedule, which also led to a slowdown in the rollout of a series of counter-cyclical policies in the second quarter. Economic fundamentals weakened in Apr-May. Since Jun, especially from the beginning of Jul, a series of policies have been intensively introduced, with stabilizing investment and boosting consumption as the two main starting points. Further monetary policy has also been issued. This also spells an end to the "pause" of counter-cyclical policy in the earlier period, with a period of intensive policy rollout emerging on the horizon.

- ❖ **A-Share Strategy Focus 20190707: Position adjustment and overweighting drive the market steady and afar**
Investment Strategy | The adjustment of some core assets and a weak market in early Jul originated from institutional repositioning and position reduction by individual investors. However, there was no systematic overvaluation of core assets, and no inflection point is expected to appear in the fundamentals, incremental fund style and preferences or the market environment in the short term. There is little possibility of systematic adjustment of core assets. With the adjustment of core assets, incremental allocation funds will be gradually overweighted and complete the relay process. The repositioning of existing funds spreads the rally horizontally and vertically, thus formally kickstarting the Jul offensive.

- ❖ **Telecom Sector Global 5G Barometer: Korean 5G reference for China: how is 5G developing in South Korea?**
Telecom | Two months after South Korea put 5G into commercial use, the number of 5G users in the country has topped 1mn. 5G base stations are being fast built across South Korea, with a total of 83,300 commercial stations erected so far, already reaching 10% of the 4G base stations in the country. 5G substantially improves user experience over 4G, but with less fees per megabit. 5G now makes faster penetration than 4G did in its early stages, with big rises in both DOU and ARPU. There is greater multi-faceted support from the government. Given the high similarities in communication market development between China and South Korea, the development of 5G in South Korea is of great reference value to China.

- ❖ **Food and Beverages Sector Interim Report Outlook: Leaders grab market shares faster and enjoy high growth certainty in a changeable environment**
Food & beverage | As far as interim reports for 1H19E are concerned, liquor producers will maintain robust growth, while high-end leaders enjoy the strongest growth momentum and high certainty. Despite mixed performance among different mass product segments, all leaders show a more robust growth trend. Without considering the influence of VAT, we sort out the interim revenue/net profit forecasts of key companies.

- ❖ **Overseas Chinese Stocks 3Q19E Investment Strategy: Between advance and retreat**
Investment Strategy | The China-US meeting at the G20 once again opened a window period for negotiations. Optimistic sentiment superimposed with liquidity easing expectations will boost valuation in the first half of the third quarter. However, the market may still be too optimistic about the earnings growth prospects of overseas Chinese stocks. As the interim reporting period starts, investors actually have limited space of choices due to ample liquidity and the rising risk premium of trade disputes. In the third quarter, discretionary consumption, non-banking finance and infrastructure construction-related targets warrant overweighting, while attention needs to be paid to some tech targets sensitive to China-US talks, and new targets in the Hong Kong stock connect pools.

Other recommendations

- ❖ **BYD (002594) Update:** EV sales volume up 95% YoY in 1H19, with full-year high growth expected
- ❖ **Market Hotspot Quantitative Analysis Report Series No.18:** Long-term opportunities: an analysis of tech themes and investment value of tech ETF
- ❖ **ETF Market Monthly Report (Jun 2019):** Small- and mid-cap ETF activity increases, and pay attention to the launch of tech ETF
- ❖ **Banking Sector Investment Watch:** Stable interim reports expected
- ❖ **Banking Sector Survey & Research Flash Report:** The "moat" of retail business
- ❖ **Offcn Education Technology (002607) 1H19E Preliminary Earnings Estimate Commentary:** Strong off-season performance strengthens high growth expectations for the whole year

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	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%
	NEUTRAL	Increase relative to market representative index between -10% and 10%
	UNDERPERFORM	Decrease relative to market representative index over 10%

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