

Hot on the plate – China Connect

- ❖ **Weekly Macroeconomic Focus 20190317: Prospects for progress in China-US trade talks**
Macroeconomic | With the approaching of the end of Mar and the weakening of export data, progress in China-US economic and trade talks once again became a focus of attention for the media and the market during the annual Two Sessions. Based on various disclosed information, we believe that: 1. the content of an overall agreement to be reached in the China-US economic and trade talks is getting clearer and clearer, though the date of signing of the agreement expected by the market is likely to be postponed to Apr; 2. once an agreement is reached, the additional tariffs already levied are very likely to be lifted; and 3. after an agreement is reached, China will speed up measures to cut tariff and non-tariff barriers. This is expected to increase the pressure of competition in industries and accelerate industrial transformation and upgrading.

- ❖ **A-Share Strategy Focus 20190317: Look for value-supporting points**
A-Share Strategy | A shares have switched from an incremental fund-driven stage to one of competition among stock funds. We maintain our judgment that the Shanghai Composite Index will fluctuate and diverge in the range from 2,800 to 3,200 points, with earnings as the most important supporting point. With close reference to the fundamentals and the entire divergence period, we keep a top-down watch on the three industrial chains of infrastructure construction, NEVs and healthcare. Bottom-up, we have screened out three portfolios from different dimensions for reference use by investors.

- ❖ **Overseas Weekly Strategy 20190317: Value mining: "follow the rise" and "high dividend"**
Overseas Strategy | As southbound funds resume a net inflow since the beginning of Mar, Hong Kong stocks are expected to greet a "follow-the-rise" market, with computer, telecommunications, media and electronics in the TMT sectors, as well as the big financial sector including banking, securities brokerage and insurance where there is a high degree of target overlap as the most likely industries to see such rises. Mid-stream cyclical machinery and building materials leaders are also expected to usher in growing valuations. In addition, as the annual report release season starts, we also suggest that investors keep a watch on targets with high dividend payment ratios and stable fundamentals.

- ❖ **Regional Strategy Report Series No.4: Accelerating integration leads to an emerging growth pole in the Yangtze River Delta region**
Policy Research | In the course of accelerating integration, the Yangtze River Delta Region is expected to achieve breakthroughs in institutional innovation, interconnection of infrastructures and synergies of industrial upgrading. Key investment opportunities will be concentrated in three major domains: infrastructure investment in regional transportation, energy, water conservancy and information networks; new-generation information technology, new energy, new materials, high-end equipment manufacturing, biomedicine and other advanced manufacturing industries, and healthcare, pension, tourism and other modern service industries.

- ❖ **BYD (01211.HK; 002594.SZ) Tracking Report: Low market expectations, high real climate**
Automobile | BYD's share price rises YTD have far underperformed the industry and the market. We believe that the market has fully responded to various concerns about the Company. With reference to the expected implementation of the subsidy policy in the near future, the Company is expected to post high earnings growth in the first quarter. In the long run, the Company is most hopeful to develop its own hit new energy vehicle models and realize the value revaluation of its external power battery supply business. We continue to recommend the Company.

Other recommendations

- ❖ **Office Building Market In-Depth Research Report:** Regional policy, interest rate and management offer tailwinds
- ❖ **Radio, TV and Cable Sector Thematic Report:** Proactive policy is expected to further boost national network integration
- ❖ **Home Appliances Sector Thematic Report:** Industry development trends in the light of this year's AWE
- ❖ **Banking Sector Investment Watch:** A funds perspective
- ❖ **Commodity Tracking Report:** Peak season demand for industrial products resumes stability
- ❖ **Commodity Strategy:** The gold rise trend is far from over
- ❖ **CITICS Automobile- Auto News (Issue 136):** A primary market perspective on intelligent driving
- ❖ **Aviation Transport Feb 2019 Data Tracking Report:** Domestic passenger load factor growth turns positive, and flight ban period may become the key
- ❖ **Real Estate Update:** Are real estate markets in third- and fourth-tier cities very poor?
- ❖ **Chongqing Department Store (600729) In-Depth Tracking Report:** The commerce leader in Chongqing posts robust growth on state ownership reform
- ❖ **Jointo Energy Investment Hebei (000600) 2018 Annual Report Commentary:** Earnings meet expectation, and climate is under correction
- ❖ **S.F. Holding (002352) 2018 Annual Report Commentary:** Operating revenue growth picks up speed YoY, and profit margin has hit bottom
- ❖ **Yonyou Network Technology (600588) 2018 Annual Report Commentary:** Cloud-based revenue continues to grow, and product change boosts growth
- ❖ **Fuyao Glass Industry Group (600660) 2018 Annual Report Commentary:** Business operations remain robust and visibly outperform the sector

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Rating standard for Investment Recommendations	Ratings	Description
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%
	NEUTRAL	Increase relative to market representative index between -10% and 10%
	UNDERPERFORM	Decrease relative to market representative index over 10%

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