

## Hot on the plate – China Connect

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❖ **A-Share Market Hotspot Commentary 20190708: Allocation opportunities from a momentary slip in the market**

**Strategy** | The market adjustment on Jul 8 was triggered by the short-term outflow of foreign capital after the disturbance from expectations of the Fed's interest rate cuts. Domestic regulatory measures are not events that go beyond expectations, while the diversion of funds brought about by the forthcoming launch of the STAR Board is negligible. A momentary slip can amplify sentimental volatility. As a clear inflection point in global liquidity emerges, the short-term disturbance of rate cut expectations will soon recover. We maintain our judgment that Jul is the second wave of window opportunity for going long and that short-term core asset adjustment will provide better allocation opportunities.

❖ **Consumer Sector Thematic Report: An analysis of consumption positions held by northbound funds in 2Q19: overall position remains stable, while industry allocation changes slightly**

**Consumer** | See from the consumption positions held by northbound funds, the consumer sector is undoubtedly a sector preferred by overseas investors for allocation. However, the rising market value of 2Q positions was mainly a passive rise caused by rising share prices, while underweighting has already started in liquor and other sectors with more concentrated positions, as evidenced in the number of holdings tracked. By contrast, there is apparent overweighting to leaders in the healthcare sector whose rally was suppressed by the early policy impact, as well as in sectors such as hospitality, apparel & accessories, household paper and retail.

❖ **Innovative Technology Report Series No.63: Pay attention to the M&A value of infrastructure software vendors**

**Innovative Technology** | According to Bloomberg News, US chip giant Broadcom is holding high-level talks with information security vendor Symantec on the possible acquisition of the latter for an estimated price of c. US\$15bn billion. Information security is currently gaining growing importance, which is seen as an inherent core basic capacity for cloud computing platforms, underlying chips and system platforms. Recent years have seen a growing number of M&As in the US software market. As mixed cloud becomes a general industrial trend, we recommend investors to pay attention to revaluation opportunities arising from expected M&As of infrastructure software and some industrial application software enterprises by considering the pressing needs of core platform vendors for product capacity enhancement and customer and channel resource integration.

❖ **Property Management Sector Thematic Report: The dawning of market-oriented community maintenance**

**Real Estate** | The difficult issue of maintenance of existing communities has aroused wide public concern. Breakthroughs in future institutional reform may bring about the further marketization of the property management sector.

## Other recommendations

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❖ **Mutual Funds 1H19 Review and Outlook:** Stock and bond index funds increased by over Rmnb100bn, and the fee rate war may last longer than expected

❖ **Comments on "Opinions on Deepening the Reform of Education and Teaching and Improving the Quality of Compulsory Education in an All-round Way":** Strong supervision of compulsory education makes a high-profile start

- ❖ **Petroleum and Petrochemical Sector 2019 Interim Earnings Report Outlook:** Profit diverges for petrochemicals, while oilfield service engineering climate goes upward in the mid term
- ❖ **Internet Video Sector Jul 2019 Tracking Report:** As iQIYI's paying members break the 100mn mark, how will the future hold?
- ❖ **Public Utilities Sector Thermal Power Hotspot Discussion Series No.7:** Zhejiang adjusts electricity price to address historical problems, but its measures possess no replicability

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

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