

Hot on the plate – China Connect

- ❖ **Jun 2019 Inflation Data Commentary: Price signals show lingering concerns in the economy**
Macroeconomic | In Jun, YoY CPI growth rate was unchanged from the previous month, but the logic behind structural changes was different from several months earlier. Due to the supply factor, food prices, especially pork and fruit prices, supported overall inflation to remain at a high level. However, MoM fruit price rises had already narrowed. The continued weak performance of non-food items reflects the need for improvement on aggregate economic demand. PPI fell by 0.3% MoM, while the prices of almost all industrial products fell. Iron ore was the only exception in that corresponding upstream mining price rose MoM thanks to falling overseas supply. There is a rising risk of deflation for PPI in the short run, though the magnitude of such deflation will be relatively limited.
- ❖ **Real Estate Sector Update: Credit shows prominent value under policy hedging in an easing liquidity environment**
Real Estate | We believe that the current regulatory ratchet-up represents policy hedging in a relaxed general financing environment. Against the background of likely looser liquidity, real estate enterprises should not go too loose with financing. We reckon that high-credit enterprises will show more prominent value.
- ❖ **Education Sector Update: A blue sea of education investment: national standards for the nursery industry to be introduced**
Social Services | The National Health Commission is now seeking public comments on the draft Standard for the Establishment of Nursery Education Institutions and the draft Code of Management for Nursery Education Institutions, both of which will be put into trial implementation if adopted. The introduction of these national nursery standards for infants aged 0-3 will set rules for the investment and operation of nursery institutions, bringing the sector into a stage of all-new development.

Other recommendations

- ❖ **Credit Risk and Strategy Tracking:** Despite lingering credit risk warnings, local bond issuance reaches a new high again
- ❖ **New Energy Vehicle Sector Sales Volume Commentary:** Rush-to-install sales beat expectation, as subsidies enter into implementation
- ❖ **Automobile Sector Jun Sales Volume Commentary:** Sales exceed expectation thanks to heightened destocking efforts
- ❖ **Liuzhou Iron and Steel (601003) Investment Value Analysis Report:** Prominent cost advantage, full reaping of regional premium
- ❖ **New Hope Liuhe (000876) 1H19E Preliminary Earnings Estimate Commentary:** Earnings are expected to be up 60%-71% thanks to a booming poultry business chain
- ❖ **Beijing Sinnet Technology (300383) 1H19E Preliminary Earnings Estimate Commentary:** Long-term high-speed growth trend remains unchanged despite falling growth rate from the previous six months
- ❖ **Shanghai Fosun Pharmaceutical (600196) 1H19E Earnings Report Commentary:** As drug R&D makes progress on multiple fronts, earnings growth is expected to gather pace quarter by quarter

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	HOLD	Increase relative to market representative index between -10% and 5%
	SELL	Decrease relative to market representative index over 10%
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