

Hot on the plate – China Connect

- ❖ **Overseas Macroeconomic Commentary: If the Fed cuts interest rate in Jul 2019E**
Macroeconomic | If the Fed makes its first interest rate cut of the year in Jul 2019E, the following three issues will be of key concern to the market: the pace of rate cuts in the year, the impact on asset prices, and the effect on the current macro environment.
- ❖ **Huaneng Lancang River Hydropower (600025) Investment Value Analysis Report: A scarce hydropower growth stock benefiting from improving sectoral supply and demand dynamics**
Public Utilities | In terms of installed capacity, the Company ranks second among hydropower companies in China, boasting rare assets. Since mid-2018, the Company has intensively put its installed capacities into operation, making itself a rare hydropower growth stock. As its capex cycle is expected to draw a close, it will help the Company accelerate cash flow recovery. For its existing generating units, the electricity price is expected to bottom out and rebound as supply and demand dynamics improve, thus boosting its profitability. DCF results show a reasonable value of Rmb90.8bn.
- ❖ **Hailir Pesticides and Chemicals Group (603639) Investment Value Analysis Report: An integrated pesticide leader opening up a growth upside with new products**
Chemicals | The Company is a domestic leader in new nicotine insecticides, with prominent advantages of integration. Benefiting from a booming pesticide industry and the gradual release of new product capacities, the Company is expected to open up new room for growth. We estimate its 2019-2021E EPS to be Rmb2.28/2.95/3.81. Given its high earnings growth potential in the future, we give it a 15x PE for 2019E, corresponding to a target price of Rmb35.

Other recommendations

- ❖ **Insurance Sector Tracking Commentary:** China Pacific Insurance listed as the top choice for now in terms of probability and odds
- ❖ **Home Appliances Watch Series No.21:** Air conditioners are waiting for market opening, as channels generate new dividend
- ❖ **Jun 2019 Inflation Data Commentary and Bond Market Analysis:** Will inflation hamper the Chinese central bank from lowering interest rates?
- ❖ **Photovoltaic Sector Update:** As competitive PV projects enter implementation, installed capacity growth is ensured for the whole year
- ❖ **Fujian Star-net Communication (002396) 1H19E Preliminary Earnings Estimate Commentary:** Profit beats expectation, with upbeat long-term outlook for innovative business expansion
- ❖ **Jointo Energy Investment (000600) 1H19E Preliminary Earnings Estimate Commentary:** High earnings growth is in line with expectation, thanks to improving electricity price and cost control
- ❖ **Winning Health Technology Group (300253) 1H19E Preliminary Earnings Estimate Commentary:** High-speed orders growth supports earnings, and productization path boosts growth
- ❖ **Jiangxi Zhengbang Technology (002157) 1H19E Preliminary Earnings Estimate Commentary:** Effective cost control despite reported interim losses, and profit elasticity is to be released
- ❖ **Wens Foodstuff Group (300498) 1H19E Preliminary Earnings Estimate Commentary:** Profit expected to grow 47%-58% on rising pork prices and investment returns

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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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