

Hot on the plate – China Connect

❖ **Banking Sector 1H19 Results Review: Stability dictates**

Banking | In the second quarter, listed banks recorded a slight rise in earnings, with further strengthening of both balance sheet robustness and risk offsetting capability. For the whole year and in the medium and long term, the fundamentals underpin stable factors, giving rise to a high degree of earnings certainty. At present, the average valuation of the sector is only 0.80x PB (2019). The ROE level is expected to stabilize at 12-13% over a long period of time. The investment return ratio looks promising. We recommend gradual attention to the allocation value of bank stocks after the digestion of expectations.

❖ **Coal Sector 1H19 Results Review: Earnings stability is verified again, and premium targets show prominent value**

Coal | Interim reports in the industry continued to show robust earnings growth, showing coal enterprises' strengthening profit stability against a backdrop of weak coal prices. Cash flows in the sector continued to improve. Currently, half of the listed companies in the industry remain in a state of "share price falling below net asset value". With a high margin of stock price safety, there is high probability of future valuation recovery. We recommend continuous attention to targets with low P/E and P/B, improving ROE and high dividend yield.

❖ **Steel Sector Hotspot Analysis Report Series No.5: Will demand for crude steel show characteristics of a peak season in Sep-Oct?**

Steel | Demand for crude steel bears clear seasonal characteristics. Sep is expected to be an inflection point for MoM demand growth to turn from negative to positive, while Oct will be a period of accelerated recovery of demand. We anticipate demand for crude steel to rebound in Sep-Oct 2019E. Steel prices are expected to start a trend of stabilization and rebound from late Sep 2019E onwards and continue into Oct 2019E.

❖ **Data Flash - Costco Alternative Data Analysis Report: A though low-price strategy**

Data Technology | In the long run, offline retail business in China is expected to enter a new stage of competition under the impact of low gross profit + fine management competitors. We recommend key attention to the possibility of potential store opening in some other cities. According to our big data estimates, there are a total of 14 locations in Shanghai, 15 in Beijing, 7 in Guangzhou and 6 in Shenzhen, which meet the environmental requirements for business circles to open more stores, and 50% of them do not have direct competitors.

❖ **Ningbo Joyson Electronic (600699) Investment Value Analysis Report: Business expectations are at a low point, and wait for the integration effect**

Automobile | In the past few years, the Company has become the second largest automobile safety system supplier in the world through a series of extensional mergers and acquisitions. Its development model is gradually switching from extensional mergers and acquisitions to internal integration, with full efforts to promote the integration of auto safety production capacities and personnel. This will lead to improved operational efficiency. We expect the Company's 2019/20E/21E EPS to be Rmb0.89/1.22/1.60. We initiate coverage on the Company with target price of Rmb24.4.

Other recommendations

- ❖ **Yangtze River Electric Power (600900) 1H19 Results Commentary:** Electric quantity hedging investment revenue declines, and flat earnings are in line with expectation

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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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