

Hot on the plate – China Connect

❖ **A-Share Market Hotspot Commentary: As financial opening-up picks up speed, increase allocation to Chinese core assets**

A-Strategy | The abolition of QFII and RQFII investment quota restrictions by the State Administration of Foreign Exchange marks a further step in the implementation of financial opening-up policy, which is of greater symbolic significance for the market. It is expected to substantially boost the core assets of A-share in the short term. In the longer term, the general trend of global excess liquidities making allocation to China's premium assets is still in an early stage of development.

❖ **Aug 2019 Price Data Commentary: The contrasting worlds of deflation and inflation**

Macroeconomic | In Aug, CPI rose 2.8% YoY, level with the previous value. It continued to reflect the structural change logic of "food prices up, non-food prices down". Pork price was the main driver of food prices. Non-food prices and the core CPI fell to their lowest levels in the year. Inflation is expected to continue to rise during the year, with the possibility of breaking the 3% mark. PPI continued to deflate, and pressure increased somewhat. PPI is expected to remain in deflationary territory in the fourth quarter, but with a narrower YoY decline.

❖ **Thematic Report on the Big 3 Operators in the Telecommunications Industry: From price war to high-quality improvement, operators head for industry-wide reversal**

Telecommunications | In the first half of 2019, telecom operators in China experienced industry-wide negative growth in revenue and profit, while market expectations of them also reached the worst moment in history. Among the Hong Kong stocks, China United Network Communications (600050) had a PB of 0.68x, while China Telecom (00728.HK) was at 0.72x and China Mobile (00941.HK) at 1.1x. For international mainstream operators, by contrast, AT&T has a PB of 1.42x, Verizon 4.27x, NTT Docomo 1.82x, and KDDI 1.6x. We believe that as the Big 3 operators stop price wars and turn to high-quality development, their profits are expected to be soon in line with the international levels. China Unicom, China Telecom and China Mobile are all expected to be approaching the PB valuations of their mainstream international counterparts.

❖ **Apple New Product Release Conference in Focus: Optical innovation is the highlight of cellphones, while service business continues to ramp up**

Electronics | Apple released a trio of new cellphone models, namely the iPhone 11ProMax (6.5inch OLED), iPhone 11Pro (5.8inch OLED), and iPhone 11 (6.1inch LCD), which have a basic selling price of US\$1,099/999/699, respectively. The price of the LCD model is down compared with the XR's US\$749 price tag. Apple also released an iWatch which supports an always-on display, seventh-generation iPad and others.

❖ **Ternary Anode Material Industry Tracking Report: With rising sales volume and price, the sector is recovering**

Non-ferrous Metals | Boosted by improved consumption and rising raw material prices, there has been a visible rebound in ternary cathode material prices, and the sector is recovering. At the same time, as the industry becomes more concentrated, leaders show growing advantages and the competitive landscape is continuously optimized. We call attention to the recovery of the ternary cathode materials industry and maintain its "OUTPERFORM" rating. We have a closer look on Beijing Easpring Material Technology (300073), while calling attention to Xiamen Tungsten (600549).

Other recommendations

- ❖ **Yintai Resources (000975) Update:** Proposed purchase of high-quality resources will increase lead and zinc reserves to a new level

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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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