

Hot on the plate – China Connect

- ❖ **Sep 2019 Import and Export Data Commentary: Import and export growth rates both decline as expected, with improvement difficult to come by within the year**
Macroeconomic | Import and export growth rates both fell in Sep. Country- and commodity-specific structural data show that trade tariff hikes and weak domestic and overseas demand were still the main reasons for the falling imports and exports. In the current foreign trade environment, trade surplus continues to increase. Looking forward, the easing of current China-US negotiations may be beneficial to imports in the year, but its boosting effect on exports will be limited, making it difficult to make big overall improvement. Exports are expected to grow at a rate of - 2% and imports at - 5%.
- ❖ **Overseas Strategy 20191013: A revaluation of state-owned enterprise stocks in the Hong Kong market**
Strategy | Comprehensively deepening reform is expected to be one of the key points at the upcoming Fourth Plenary Session of the CPC Central Committee meeting, while measures such as social security funds transfer and state-owned enterprise reform may become the driving forces to boost the capital market. In order to make up for the future shortage of social security expenditure, among the enterprises that have recently made social security fund transfers, Agricultural Bank of China and Industrial and Commercial Bank of China have the biggest space to raise the dividend rate. As for state-owned enterprise reform, attention should continue to be paid to enterprises which have low PB valuations and may achieve privatization through repurchase, as well as to those targets which have reasonable valuations and outstanding fundamentals and will benefit from reform in the future.
- ❖ **ESG Research Series I: ESG in China: A new investment perspective**
Automobile | According to overseas experience, ESG investment has the opportunity to bring clear excess returns. On the one hand, it provides effective early warning information for "mine clearance". On the other hand, it also helps to tap into good companies from a non-financial perspective. In recent years, the regulatory authorities have actively promoted ESG information disclosure of A-share listed companies, which is expected to bring a new perspective on A-share investment.
- ❖ **Steel Sector "Hotspot Analysis" Series No.7: Earnings outlook for 3Q19E: 60%-80% YoY earnings decline expected for key steel enterprises**
Steel | Key steel enterprises are expected to see their 3Q19E earnings fall by c. 60% to 80%. Under the strong support of scrap steel, electric furnace profit is still being suppressed near the break-even line at present. As the peak season of demand now comes to its end, inventory pressure may be higher in the off-peak season in the autumn and winter of this year. The fourth quarter may look a bit bleak overall.
- ❖ **Kingsoft (A17083.SH) Tracking Report: A detailed interpretation of fourth-round IPO feedback**
Computer | After more than 30 years of development, the Company has become the torch bearer of homegrown office software in China. Riding on the tailwinds of domestic software development and use of copyright software, the Company is pushing the transformation of its business model to cloud subscription services. We maintain the Company's 2019-2021E ANP forecast at Rmb433mb/593mn/797mn and call for active attention to its IPO progress.

Other recommendations

- ❖ **Sep 2019 Import and Export Data Commentary: Exchange rate devaluation can hardly support export growth, insufficient demand still drags on imports**

- ❖ **NEV Sep 2019 Sales Volume Commentary:** Sales volume falls short of expectation, but MoM improvement is expected
- ❖ **Construction Sector Sep PPP Update:** PPP inventory projects decline, net increase in project implementation rebounds at low level, and "zombie projects" are cleared up
- ❖ **Offcn Education Technology (002607) Update:** Significant revival of National Civil Servant Recruitment Examination enhances high growth certainty
- ❖ **CATL (300750) 3Q19 Earnings Preannouncement Commentary:** Earnings forecast meets expectation, as the leader continues to increase market shares
- ❖ **Sichuan Chuantou Energy (600674) 3Q19 Preliminary Earnings Estimate Commentary:** Earnings fall slightly but are in line with expectations, with high certainty of valuation expansion
- ❖ **Shenzhen Capchem Technology (300037) 3Q19 Earnings Preannouncement Commentary:** As fluorine chemicals ratchet up and traditional business hits the bottom, 3Q earnings beat expectation
- ❖ **Mango Excellent Media (300413) 3Q19 Earnings Preannouncement Commentary:** Earnings meet expectations, and key projects are the point to watch for in 4Q19E
- ❖ **Sangfor Technologies (300454) 3Q19 Earnings Preannouncement Commentary:** Earnings beat expectation, and cloud + security investment and conversion brace for a turning point
- ❖ **Winning Health Technology Group (300253) 3Q19 Earnings Preannouncement Commentary:** Earnings growth picks up speed, and Internet and policy support innovation business improvement

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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%	
Industry ratings	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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