

Hot on the plate – China Connect

- ❖ **Banking Sector Statutory Digital Currency Thematic Report: A conjecture of cryptocurrency**
Banking | The central banks digital currency is positioned as a replacement of cash (M0), which is essentially the digital upgrading of cash. With reference to guesses about its technical architecture, the proposed digital currency is expected to require a functional and positioning reshuffle of payment institutions: banks are expected to speed up their electric payment layout through digital wallets; third-party payment institutions will witness accelerating divergence, and distribution institutions and multi-licensed holding institutions are expected to benefit; payment and clearing institutions are expected to experience intensified cross-industry and within-industry competition. At the industrial chain level, we call attention to companies related to digital encryption, identity authentication, distributed ledger and intelligent payment equipment.

- ❖ **Transport Sector - Airlines and Airports Sep 2019 Data Tracking Commentary: Spring Airlines posts the best passenger load factor, Beijing Capital International Airport receives continuous recommendation**
Transportation | As peripheral trade risks ease and counter-cyclical adjustment ramps up, business travel is expected to improve in 4Q19E, and demand recovery is expected to bring value restoration for the Big 3 airlines. With increased new international freight capacity, booming flight routes to Japan and South Korea and a low base number of last year, Spring Airlines (601021) is expected to see its international flight business continue to improve. Beijing Capital International Airport (00694.HK) has lately witnessed a correction of pessimistic market expectations of the company, with an earnings bottom expected to be c. Rmb1.5bn under the neutral assumption. It still has clear valuation advantages, and we continue to recommend the company.

- ❖ **Huawei 3Q19 Results Commentary: Robust operations, with cellphone business regains growth momentum**
Innovative Technology | In the first three quarters of 2019, Huawei's operating revenue grew 24% YoY. Smartphone sales volume bucked the odds and rose 26% to reach 185mn units. 5G base station shipments reached 400,000 units. The U.S. ban mainly affected the Company's server, overseas smartphone and other businesses, but with a relatively limited overall impact. At present, the US has not yet lifted its ban on core parts, components and systems. In the face of the ban, the Company has bravely fought against difficulties. We call for strategic attention to opportunities on Huawei's 5G, smartphones and other industrial chains.

Other recommendations

- ❖ **Express Delivery Sector Sep 2019 Data Tracking Commentary: Yiwu price war ceases, earnings growth is expected for peak season**

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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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