

Major Indices – 19.07.08

Index	Close (pts)	Change (pts)	% Chg
SHCOMP	2,933.4	-77.7	-2.58%
SZSE Comp	9,186.3	-256.9	-2.72%
CSI 300	3,802.8	-90.4	-2.32%
ChiNext	1,506.7	-41.1	-2.65%
HSI	28,331.7	-443.1	-1.54%
HSCEI	10,725.2	-169.9	-1.56%

Source: Bloomberg

CSI300 Top 5 Gainers – 19.07.08

Stock	Code	Close
H&R Century Union	000892	4.15
Yonggao	002641	4.70
Shandong Delisi Food	002330	6.68
Hongta Securities	601236	5.48
Guizhou Jiulian Industrial Explosive Material Development	002037	8.67

Source: Bloomberg

CSI300 Top 5 Losers – 19.07.08

Stock	Code	Close
Jijia Food Group	002650	3.92
HengFeng Information Technology	300605	12.39
Xi'an Dagang Road Machinery	300103	9.70
Guangdong Liantai Environmental Protection	603797	14.64
Beijing Andawell Science & Technology	300719	11.23

Source: Bloomberg

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China Galaxy A-Share Morning Comments

Market Commentary

The A-share market lost momentum on Monday. Most sectors reported losses. The communications, telecom operators, jewellery, and instrument & meter sectors were among the top losers.

In terms of liquidity flows, the Shanghai and Shenzhen markets reported net capital outflows of RMB13.8bn and RMB21.63bn, respectively. The arts & craft, chemical fibers, agriculture sectors had the largest net capital inflows, while the electronic components, software services, and communications sectors saw the largest net outflows. Northbound trades of the Shanghai and Shenzhen Stock Connects registered net outflow of RMB2.462bn and RMB869m, respectively.

Following the market correction last week, the broader market continued to plunge today. This was mainly due to the following factors: 1) while the strong performance of the major indices in June was mainly due to a positive expectation for the meeting between China President Xi Jinping and US President Donald Trump at G20, the positive impacts have been gradually discounted; 2) though there is still a high probability of a rate cut in July, the rate cut expectation by the market has decreased to 25 bps (vs previous expectation of 50bps) after data showed U.S. jobs growth rebounded strongly in June 2019; 3) there are concerns about the new board diverting fund flow from the three major indices.

On the other hand, given the upcoming 1H19 results season, the market may become more volatile in the near term. We see a divergence in the broader market, with consumer stocks outperforming the broader market. In addition, the SSE 50 Index also outperformed the ChiNext. However, we see potential for the performances of different major indices to converge. Looking ahead, if market sentiment turned sluggish, we see potential for the SHCOMP to drop to the 2,804 level as suggested by technical indicators.

From CGS A-Share Morning Meeting Summary

Automobile: China's passenger-vehicle sales volume increased 4.9% YoY in June 2019, according to China Passenger Car Association (CPCA). We believe that (1) the higher sales volume in June was mainly due to inventory clearance of vehicles that do not meet new stricter emission standards ("China VI"). This may lead to lower demand growth in Q3; (2) auto companies will start to replenish inventory after the substantial clearance of inventory, which is beneficial to the supply chain of the OEM and upstream industry players. We recommend Xingyu Automotive (601799.CH), Huayu Automotive (600741.CH) and Fuyao Glass (600660.CH). [\(Click here...\)](#)

Property: The fundamentals of property sector are likely to weaken in FY19, but investors should not be overly pessimistic. In FY19, the overall house prices are expected to increase 1% YoY, and the GFA sold is expected to drop 3% to 4% YoY. The sales amount is estimated to increase 2% to 4% YoY. On the other hand, we expect the property FAI growth rate to decline slightly to 8%-10% in FY19, considering the combined impact of land transaction, shanty town reform and the change in statistical standards. We recommend China Merchants Shekou (001979.CH), a company with high earnings visibility, abundant land resources compared to peers and high potential to gain market share. We also like Yango (000671.CH), which outperformed peers in terms of sales growth and had a strong earnings performance. [\(Click here...\)](#)

Renewables: There is a rising expectation that China will resume its nuclear power program, which may bring huge growth potential for the nuclear equipment market. Recommended Jiuli (002318.CH), China Nuclear Power (601985.CH), Jiangsu Shentong (002438.CH) and Yingliu (603308.CH). [\(Click here...\)](#)

Non-bank financials: We are optimistic about the investment value of leading players in the brokerage sector. We continue to recommend CITIC Securities (600030.CH) and Huatai Securities (601688.CH). We also prefer insurance stocks with attractive valuation. Our order of recommendation is as follow: China Ping An (601318.CH), New China Life Insurance (601336.CH), China Pacific Insurance (601601.CH), China Life Insurance (601628.CH). [\(Click here...\)](#)

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