

Major Indices – 19.09.06

Index	Close (pts)	Change (pts)	% Chg
SHCOMP	3,024.7	25.1	0.84%
SZSE Comp	10,001.9	178.5	1.82%
CSI 300	3,972.9	24.4	0.62%
ChiNext	1,733.2	41.0	2.42%
HSI	26,681.4	-9.4	-0.04%
HSCEI	10,417.4	-13.3	-0.13%

Source: Bloomberg

China Galaxy A-Share Morning Comments

Market Commentary

Driven by positive news flow over the weekend, the A-share market had a strong opening on Monday. After opening higher, the major indices had a divergent performance throughout the day. While the SHCOMP narrowed its gain after a strong opening, the SZSE Component and ChiNext shot significantly higher. Most sectors reported gains. The telecom operators, communications, software service, and electronic information sectors were among the top gainers.

The TMT sector gained momentum in the afternoon session amid higher turnover. Investors should pay attention to TMT stocks with undemanding valuation. We also prefer brokerage and bank stocks with attractive valuation. It is important that investors should avoid TMT, brokerage and bank stocks which have high valuation. On the other hand, technical indicators suggest that the broader may see correction in the near term. Thus, investors should take a cautious stance and control their risk exposures in the short term.

From CGS A-Share Morning Meeting Summary

Brokerage: The landscape of China's financial industry is expected to change in the future, with the capital markets playing a greater role in the financial system. The Chinese government is likely to launch supportive industry policies, which should offer new business opportunities for the brokerage business. The PBOC has adopted more counter-cyclical adjustments, and the RRR cuts were implemented as expected. Market liquidity is loose, which should offer support to the valuation of the financial sector. The "Matthew effect" has intensified in the brokerage sector, with the leading players gaining more market share. We continue to be optimistic about the investment thesis of leading brokers. Pay attention to CITIC Securities (600030.CH), Huatai Securities (601688.CH), Haitong Securities (600837.CH) and East Money Information (300059.CH). ([Click here...](#))

Retail: The CS Business Retail Index rose by 1.64% last week, underperforming the SZSE Component Index, CSI 300 Index, and the SHCOMP Index. The portfolio reported return of -1.36% last week, representing a 3.93ppt decline compared with the return in the previous week. We maintain our recommendations in the portfolio: Jiajiayue (603708.CH), Rainbow Department Store (002419.CH), Chow Tai Seng (002867.CH), Suning (002024.CH), Yonghui Superstores (601933.CH). ([Click here...](#))

Shanghai Pharmaceuticals (601607.CH): We are positive on the company's leading position in the commercial segment and its growth potential in the industrial segment. The key industrial products of the company grew strongly, and the company's future industrial products have also made steady progress in their evaluation. The Company's industrial segment is expected to maintain its strong growth. On the other hand, we are optimistic about the leading position of the company in distribution segment. With increasing concentration in the drugs distribution industry, the Company's market share is expected to further increase. The company also has leading positions in the areas like import of medicine. We are optimistic about the company's growth prospects. It is estimated that the Company will report net profit of RMB4.095/4.528/4.887bn in 2019/20/21, corresponding to EPS of RMB1.44/1.59/1.72 and 13x/12x/11x PER. Maintain CAUTIOUSLY RECOMMEND. ([Click here...](#))

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