中國銀河國際
CHINA GALAXY INTERNATIONAL

China Galaxy A-Share Morning Comments

Major Indices – 19.09.10

Index	Close (pts)	Change (pts)	% Chg
SHCOMP	3,021.2	-3.5	-0.12%
SZSE Comp	9,964.9	-37.0	-0.37%
CSI 300	3,959.3	-13.7	-0.34%
ChiNext	1,725.3	-7.9	-0.46%
HSI	26,683.7	2.3	0.01%
HSCEI	10,403.3	-14.0	-0.13%

Source: Bloomberg

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Market Commentary

The A-share market oscillated lower on Tuesday. Most sectors reported gains. The agriculture, drugs manufacturing, diversified financial, paper manufacturing sectors were among the top gainers. The aviation, communications, civil airport, electronic components sectors were among the top losers.

While the SHCOMP and SZSE Component broke above the psychological threshold of 3,000 level and 10,000 level, respectively, on Monday, the SHCOMP may still face resistance at the level between 3,000 and 3,100. In particular, market turnover reached RMB400bn during the last rally at the level between 3,000 and 3,100 level. Technically, the high level of turnover suggests a high resistance at the trading range. However, given gradual removal of overhangs in the domestic and external markets, investors should not be overly bearish on the market outlook.

The A-share market opened lower in the morning session, with the 5G, semiconductor, software sectors dipping on profit-taking activities. Northbound trades of the Shenzhen Stock Connect reported net outflows, suggesting some short-term investors are taking profits. However, the major indices picked up in the afternoon session, indicating that market sentiment remains somewhat positive. Thus, the previous correction has offered re-entry opportunities. In the medium term, TMT stocks are still the focus in the latest round of rally. Investors should be selective over TMT stocks. While some quality TMT stocks with core technology and solid earnings may also see share price correction, investors should continue to hold a constructive view on these stocks. On the other hand, while the SHCOMP may be volatile at the level between 3,000 and 3,100, the upward trend remain intact. Investors should be patient and be selective. Pay attention to TMT, consumer, and financial sectors.

From CGS A-Share Morning Meeting Summary

Macro: While pork prices have been strong and contributed to higher CPI, oil prices remain stable. At this stage, we don't see concern over a very high inflation. It is estimated that Inflation may reach 2.9% in Q4 2019. If the oil price rises slightly, the CPI may reach 3% in December. However, inflation should fall sharply after the Chinese New Year holiday of 2020. The high inflation in the near term will limit the implementation of monetary policy, and the PBOC may adopt more loose monetary policy in Q1 2020. Industrial product prices have declined and it is mainly due to the high base of crude oil prices in the same period last year. Industrial product prices should continue to decline sequentially in 2H19. Considering the healthy supply-and-demand dynamics, we believe that the latest round of decline in industrial products prices is different from that in 2015. A potential increase in raw material prices will disrupt the PPI trend. The decline in PPI does not imply deflation and it only indicates that the major heavy industrial product prices have declined. The growth rate of PPI may turn positive in Q3 2020, and it is expected to be around -0.3% in 2019. (*Click here…)*

Automobiles: We reiterate our view that leading auto players will be benefit in the inventory replenishment stage of the industry. We prefer quality players in the auto parts and components segment, including HUAYU Automotive Systems (600741.CH), Xingyu (601799.CH) and Fuyao Glass (600660.CH). For auto manufacturers, we prefer industry leaders including SAIC (600104.CH) and Guangzhou Automobile Group (601238.CH). (*Click here…)*

Tianneng Heavy Industries (300569.CH): The company is a leading wind turbine tower manufacturer in the domestic market, and it is steadily expanding business along the industry chain and promoting strategic transformation. The outlook of domestic wind power industry is improving, and steel prices have dropped, which should benefit the Company. In addition, the Company has abundant order backlog and its wind tower business should maintain high growth. This, coupled with solid operating assets of the Company, should offer high earnings visibility in the future. The Company is expected to record operating income of RMB2.514bn/3.257bn/3.597bn in 2019/2020/2021, corresponding to EPS of RMB1.15/1.70/1.92 and PER of 14.5x/9.8x/8.7x. Initiate with RECOMMEND. (*Click here…)*

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