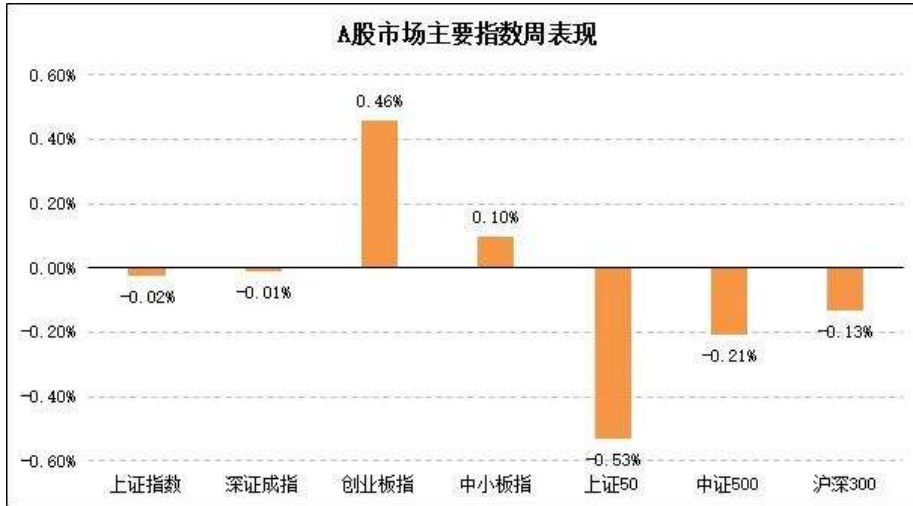


## Rosefinch Weekly

### Energy Consumption Dual Control Trend to Continue

#### 1. Market Review

For the last week: SSE was -0.02%, SZI was -0.01%, GEM was +0.46%, SSE50 was -0.53%, CSI300 was -0.13%, and CSI500 was -0.21%.



Source: Wind, Rosefinch.

Amongst the ShenWan Primary industries, 13 out of 28 rose: utilities, real estate, defense, transportation, food & beverages led the way.



Source: Wind, Rosefinch

Market volume was over 1 trillion RMB for a record 46 straight days as of last week, with Northbound net -1.6 billion RMB, and Southbound net +4.6 billion HKD.



Source: Wind, Rosefinch. Blue is cumulative Northbound flow and unit is 100 million RMB; yellow is cumulative Southbound flow and unit is in 100 million HKD.

## 2. Market Outlook

On policy front last week, the State Council Standing Committee meeting emphasized on close coordination among the implementations of fiscal, financial, and employment policies. Extra attention was paid to employment and citizens' well-being. Under the policy of cross-cycle adjustments, stability remains the key factor with more structural support towards SME and steady employment situation. In addition, there was highlighting of "new infrastructure construction" which is important to the economy's transformation and will be a focus of subsequent infrastructural spending, especially since traditional infrastructural construction's marginal contribution to economic growth is decreasing. The key areas of new infrastructural construction will be supported by fiscal and financial policies and include: 5G networking; completion of mid-western region's basic networks for mid- to small cities; deeper development of national connection hubs and big data centers; and continued innovation in photovoltaic, wind, and hydrogen energy sectors.

This week's markets saw light sideway trading with small rebound in innovation and GEM market; dividend index and SSE50 were weaker mostly due to banking sector losses on back of real estate exposures and some general retracement among cyclical stocks from last week's highs. Market sectoral rotation is fast-paced and volatile, but it's hard to see large systematic risk. The economic deceleration is expected to see government policy support going forward. Our preference is for a balanced portfolio

allocation approach, with focus on sub-sectors that are clearly supported by government policies. With high uncertainty from offshore markets, we remain cautiously optimistic in looking for short-term entry points for next year's positions.

General Secretary Xi mentioned that we will help developing countries to build green energy and withhold future construction of coal-firing plants. This confirms our view that green energy substitution, creation of green energy network, and transformation of energy-intensive sector towards more green consumption are the more certain investment opportunities in China. As we've been highlighting in the "3060" investment theme, the long-term growth stars will be green energy network, photovoltaic, wind, hydrogen and energy storage.

For this week, the key phrase is "energy consumption dual control." This refers to government policy to control both the total amount of energy consumption as well as the energy consumption intensity. Last week NDRC published policy paper on controlling energy consumption intensity and total amount, which led to regional implementations to reach control targets by end of year. The phenomenon of electricity black-out or strict limitations is rolling out across China now, especially with coal prices near recent highs. Many listed companies have issued production warnings due to electricity-shortages. Some restrictions are impacting not only industrial electricity consumption, but also consumer usage. There are active efforts to balance supply and demand and improve future electricity price management.

Even though it's difficult to quickly correct the short-term supply & demand imbalance, we can see market prices reflecting future expectations. The supply side is more elastic than demand, so will have bigger impact on the future expectations. Currently many commodities future contracts are trading at a discount, reflecting market's cautious view. Going forward, the energy control dual control theme will continue, but the implementation will focus on structural adjustments which will bring new equilibrium points for various commodity prices.

#### Disclaimer

The information and data provided in this document is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of any financial products or services. This document is not intended for distribution to, or usage by, any person or entity in any jurisdiction or country where such distribution or usage are prohibited by local laws/regulations. The contents of this document are based upon sources of information believed to be reliable at the time of publication. Except to the extent required by applicable laws and regulations, there is no express or implied guarantee, warranty or representation to the accuracy or completeness of its contents. Investment returns are not guaranteed as all investments carry some risk. The value of an investment may rise or fall with changes in the market. Past performance is no guarantee of future performance. This statement relates to any claims made regarding past performance of any Rosefinch (or its associated companies') products. All rights are reserved by Rosefinch Fund Management Co. Ltd and its affiliates.