February 22, 2022 by Yang Pu (pu.yang@pncps.com)

Prime Number Weekly Market View:

US financial markets are closed Monday February 21st for Presidents' Day, celebrating the birthdays of Presidents George Washington and Abraham Lincoln.

The Winter Olympics in Beijing has closed, this month is the 50th anniversary of Nixon's historic trip to China in 1972, meanwhile inflation fears and geopolitics are over-shadowing the markets. The Russia-Ukraine situation is again capturing markets attention with a potential Putin-Biden summit brokered by French President Macron on the horizon. As long as the Ukraine situation remains uncertain markets will remain in flux, but once an outcome is determined I think markets will return to discounting the factors determining corporate profitability. Whatever happens in Ukraine and Russia are relatively small parts of the global economy and stock market. Russia certainly punches above its weight militarily, but that only goes so far. Historically, these types of military standoffs (except for the outbreak of WWII in 1939) have been buying opportunities. So back to the drawing board, global investors should re-focus on energy, materials, commodities, industrials, and real assets to inflation-proof their portfolios.

Whereas most developed economies are moving toward "living with COVID", China continues its policy of "zero COVID". By implication the stock market investment environment of China versus the rest of the world could be quite different. The People's Bank of China (PBOC) injected RMB 100 billion into the financial system on Tuesday through the medium-term lending facility (MLF) while keeping the benchmark rate unchanged. This signals the central bank's commitment to easing and China-based investors bought mainland equities. Conversely, Hong Kong listed internet stocks had price declines after the National Development and Reform Commission (NDRC) gave unexpected guidance that food delivery businesses should lower service fees. Meituan shares fell over 15% in reaction to the NDRC announcement but overall, this announcement seems like an outlier and the worst of the "common prosperity" internet regulation is behind us. Chinese internet stocks have outperformed the S&P500 by 6% YTD.

Alibaba (BABA) is due to report results this week. Alibaba is trading at historically low valuation levels. It's share price has declined 55% in the last year. It faces numerous regulatory and competitive challenges. BUT it presents a contrarian buying opportunity. While the internet related stocks in the US face major headwinds, Chinese internet stocks are the opposite with beaten down share prices and improving fundamentals. Potential catalysts to unlock that value at Alibaba include capital raising by subsidiaries that will give a clearer picture of its sum-of-the-parts valuation, and its cloud computing business turning profitable and becoming an earnings driver. Let's start there.

– Michael Longthorne, Co-CEO of Prime Number Capital

Prime Number Weekly Recap:

- Russia's Defense Ministry announced on Feb 16 that its military units have completed their drills in Crimea and have begun returning to their garrisons, but the large-scale drills in Belarus and the Black Sea were still ongoing. (The Moscow Times) On Sunday, Belarus's Defense Ministry said that Russia and Belarus would extend joint military drills which were set to end on Sunday. (The Hill) On Monday the 21st, Russia claimed that it has killed five Ukrainian soldiers and destroyed two military vehicles that were crossing the border. (Financial Times) And Putin just signed a decree to recognize the breakaway regions of Donetsk and Lugansk. (CNBC)

- Intel announced to acquire Tower Semiconductor for $5.4B. The deal is expected to accelerate Intel's path to become a major global foundry. (Intel)

- India ordered to ban 54 Chinese apps for security concerns, including those apps belonging to Tencent, Alibaba, NetEase which are rebranded versions of apps that have already been banned in 2020. Garena's Free Fire is among the list because of Tencent's 18.7% equity ownership in Sea. Surprisingly, Sensor Tower estimated that Asian countries only accounted for under 3% of Sea's gaming sales in 2021, while JPMorgan analyst thinks that India might account for less than 10%. (Bloomberg)

- China January CPI increased by 0.9%, and PPI increased by 9.1%. Both increases have leveled off over the past three months, and the PPI-CPI growth gap has also narrowed.

- On Friday, Chinese authorities released new guidelines to aid the recovery of service businesses such as restaurants, retail, and travel. The guidelines specifically asked food delivery platforms to lower their commission charges on restaurants. (Wallstreetcn.com) Meituan's stock was down 15.4% on the news.

- Two top Fed officials, Lael Brainard and John Williams, said in different events on Friday that interest rate hikes are likely to start in March at a steady path. Market expectations for a half-point interest rate increase in March dropped substantially on Friday after their speeches. (Financial Times)

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Prime Number Weekly Market Comment:

北京冬奥会在周日圆满落幕。美股市场周一（2 月 21 日）总统日休市，纪念乔治·华盛顿和亚伯罕·林肯两位总统的生日。在未来这一周，尼克松总统访华刚好过去了 50 周年。

与此同时，通胀和地缘政治的乌云笼罩着金融市场。俄罗斯和乌克兰之间的争端另投资者惴惴不安。普金和拜登之间的对话也许会在法国总统马克龙的斡旋下于本周进行。不过只要俄乌之争能分出个结果（无论是什么样的结果），我们认为市场关注点将回到折现系数上。尽管俄罗斯的军事实力远超其经济实力，这两国相对全球经济和股票市场而言体量很小。从历史上来看，除了 1939 年的二战，类似的争端往往是买入的时机。所以我们建议投资者们将关注重点放在全球能源、材料、大宗商品、工业、房地产这类防通胀资产上。

回到疫情上，全球最发达的经济体现在正往“与新冠共存”的方向发展，而中国任然在执行动态清零的策略。因此投资中国资产的策略和投资全球其他资产的策略会有很大不同。中国央行在周二向市场注资 100 亿人民币进行逆回购，MLF 利率维持不变。这代表着中国央行将继续维持宽松的市场环境。另一方面，港股科技板块在周五迎来了大跌。中国发改委等十四部门周五发布了新的政策来帮助服务行业恢复发展，其中包括要求外卖平台下调佣金费， 导致美团大跌 15%。不过我们依然认为互联网企业的最糟糕的时间已经过去，此次新政策的推出更像是个偶发事件，不代表未来会有更多的风险。中国互联网股票自今年以来回报率超出 S&P 500 6%。

目前美国的高估值互联网公司正面临着新的困难，而中国互联网公司估值处于低位，基本面在逐渐好转。阿里巴巴在本周会发布季报。其股价在过去一年里下跌了 55%。阿里巴巴正面临着很大的政策监管的困境和竞争对手的挑战。**但是**，这同时也是一个逆向投资的机会。我们认为未来盒马的融资和云业务的利润率转正或许会成为阿里巴巴股价的催化剂。

– 质数资本 Co-CEO Michael Longthorne

Prime Number Weekly Recap:

- 俄罗斯国防部长在周三 2 月 16 日表示其在克里米亚的军队已经完成了军事演习，正逐渐撤军，但在白俄罗斯和黑海的大型军演仍在进行中。(The Moscow Times) 周日，白俄罗斯的国防部长称原本将在周日结束的与俄罗斯的联合军演将被延长。(The Hill) 周一（2 月 21 日）俄罗斯称其军队击杀了 5 名正试图穿越其边境的乌克兰军人，并摧毁了两部军用车辆。(Financial Times) 普金签署总统令宣布承认乌冬地区分裂的顿涅茨克人民共和国和卢甘斯克人民共和国。(CNBC)

- Intel 宣布将以$5.4B 的价格收购 Tower Semiconductor。此次收购将加速 Intel 重新成为全球芯片制造巨头的目标。(Intel)

- 印度政府宣布禁止了 54 个中国企业的应用程序，其中包括腾讯、阿里巴巴、网易等企业在 2020 年被禁后，更名重新上市的应用。此外，由于腾讯拥有 Sea Limited 18.7%的股份，Garena 的吃鸡游戏 Free Fire 也在被禁名单上。Sensor Tower 测算 2021 年亚洲国家仅占 Sea 游戏收入的 3%以下，而 JPMorgan 分析师认为印度占 Sea 游戏收入的不到 10%。(Bloomberg)

- 中国一月份 CPI 同比上升 0.9%，PPI 同比上升 9.1%。两个数据的上升幅度以及 PPI-CPI 剪刀差过去三个月里都在不断缩小。

- 周五，中国发改委等十四部门发布了新的政策来帮助餐饮、零售、旅游等服务行业恢复发展，其中包括要求外卖平台降低其对餐饮企业的佣金费用。(Wallstreetcn.com) 美团股价应声下跌 15.4%。

- 美联储官员 Lael Brainard 和 John Williams 在周五不同场合均表示美联储或许会从三月份开始平稳加息。此后市场对三月份加息 50 基点的期望大幅下降。(Financial Times)

OUR CASES

$30M IPO AIH NASDAQ: AIH Oct 2019 **Joint Book Runner**	$85M IPO BLUECITY 蓝城兄弟 NASDAQ: BLCT Jul 2020 **Joint Book Runner**	$45M IPO 荔枝 NASDAQ: LIZI Jan 2020 **Joint Book Runner**	$100M IPO EBANG 亿邦通信 NASDAQ: EBON Jun 2020 **Joint Book Runner**	$46M IPO 青客 QK365.COM NASDAQ: QK Nov 2019 **Joint Book Runner**
$40M IPO EHANG NASDAQ: EH Dec 2019 **Co-Manager**	$256M IPO GENETRON 泛生子 NASDAQ: GTH Jun 2020 **Syndicate Member**	De-SPAC UCOMMUNE 优客工场 NASDAQ: UK Nov 2020 **De-SPAC FA**	De-SPAC clene NANOMEDICINE NASDAQ: CLNN Dec 2020 **De-SPAC FA**	De-SPAC LION FINANCIAL 狮子金融集团 NASDAQ: LGHL Jun 2020 **IPO Advisor**
Private Placement Ayla Networks **FA to Investors**	Private Placement Magic Leap **FA to Investors**	Private Placement Circle **FA to Investors**	Private Placement Palantir Palantir **FA to Investors**	Private Placement Pinterest Pinterest **FA to Investors**

UPCOMING TRANSACTIONS

OStin Supplier Of Display Modules And Polarizers NASDAQ: OST Exp. Nov 2021 **Lead Underwriter**	Project C Top E-Cigarette Company in China Exp. Jan 2022 **Lead Underwriter**	JINmed Leading Wheelchair Manufacturer NASDAQ: [TBA] Exp. Nov 2021 **Lead Underwriter**	MHiM Medical Device Manufacturer in China NASDAQ: MHUA Exp. Nov 2021 **Lead Underwriter**	ICZoom 拍明芯城 Electronics Component Trading Platform NASDAQ: ICZ Exp. Nov 2021 **Lead Underwriter**
$40M IPO **Project PNAI** SPAC Exp. Dec 2021 **Lead Underwriter**	$40M IPO **RichSpace Acquisition Corp.** SPAC Exp. Dec 2021 **Lead Underwriter**	$40M IPO **Project ASK** SPAC Exp. Dec 2021 **Lead Underwriter**	$75M IPO **Project Manna** SPAC Exp. Dec 2021 **Lead Underwriter**	And More ...

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Xiaoyan Jiang

Founder and CEO

- Vast experience with US and HK listings
- Former Head of US Asia Multinational Banking, and Asia Pacific Head of Real Estate, TMT, and Consumers at BNP Paribas
- Deutsche Bank, GE Capital, Deloitte Consulting, Sinochem Holdings
- Philanthropist

Michael Longthorne

Co-CEO

- Global financial markets executive
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- Extensive equity research experience in Asian-related Securities
- Decker Co., Mizuho, Daiwa Securities Capital Markets, ING Baring, Salomon Brothers

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- Mainly covering US/China TMT industry
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