

# China Property Sector

## If solving TSP could help them

TSP refers to Travelling Salesman Problem, which is a million-dollar question that has not been solved for centuries. Basically it is to prove or disprove if there is a simple algorithm (in polynomial time) to quickly find the shortest route plan if a salesman needs to travel to every city just once. This problem is just one particular example of P=NP problem, one of seven Millennium Prize Problems (so far only one is solved: Poincare conjecture by Russian Mathematician Grigori Perelman) and its application could go as wide as coding, deciphering, security, blockchain and any internet thing. Why? This is mainly because if you do not master to find solutions in a fast way, then it could take infinite time when complexity increases exponentially, which means very secure. As far as the poll is done by top mathematicians, the majority think there is no quick algorithm to hard problem but many are still trying their whole life to prove or disprove in a rigorous way, living in small house, eating bread for three meals, taking Grigori Perelman as their model who still lives with his mom/sister at the age of 56 and said no to US\$1mn prize money.

Similar to what many mathematicians believe in  $P \neq NP$ , there is no quick solution to the current primary property market crisis which consists of annual RMB18tn sales, 5.8bn sqm of residential GFA under construction, 52mn units to be finished, thousands of developers, millions of buyers, RMB50tn bank loans (mortgage + development) and many more in other formats, especially under so many constraints. Despite that, investors have kept asking what is the big thing coming out to save the sector? As the property and its supply chain contributed 20% of GDP; as the invisible hand stops working for long – Evergrande thing, sales decline, banks call loans, default one by one, and then >1000 projects at a risk of being unfinished. **Now all the eyes are on the political bureau meeting next week** and below is our scenario study:

**Figure 1: Scenario study on the tone towards property during the meeting**

Case	Probability	Contents	Action
Base case	50%	Inject liquidity to help home delivery	This may boost home buyers' confidence but too slow to save the sector
Bull case	30%	Setup relief fund to inject liquidity to developers for debt payment	Buy CIF/CGS/Longfor/Ever Sunshine/Sunac Service
Bear case	20%	No change comparing to the meeting in April	POE survivors may have more downside

Source: CMBIGM

### OUTPERFORM (Maintain)

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