Rosefinch Fund
[021]2030 5888 [021]2030 5999
58 Floor, New Bund Center, NO.555 West Haiyang Road/588 Dongyu Road, Pudong New Area, Shanghai
上海市浦东新区海阳西路 555 号/东育路 588 号前滩中心第 58 层，邮编：200126

Rosefinch Research | 2024 Series # 13

History Does Not Simply Repeat

"Protection cannot guarantee development, but development must have protection." – The Hypocrisy of a Prosperous Nation.

Here are some key points from our latest research insight article:

1. The key to countercyclical regulation lies in fiscal stimulus. China's Politburo meeting emphasized the need to seize the opportunity, avoid a policy of tightening followed by loosening, and effectively consolidate and enhance the positive momentum of economic recovery.

2. After the first two rounds of "Nine Policies" were introduced, the capital market experienced a period of favorable development opportunities. However, history does not simply repeat itself. The current economic structure, growth rate, market supply and demand environment, listed companies, and investor structure have undergone qualitative changes. The process of market transformation and clearance will inevitably face pressure and risks in order to achieve healthier development.

3. China has strong engineering and imitation capabilities. The advantage of China's development in artificial intelligence also lies in its large-scale unified market and massive manufacturing system, which can accommodate competition among multiple large enterprises. We believe that products that can stand out in the Chinese market can also go global.

4. Overcapacity can occur in any economy that impacts a market economic system. On the surface, it may not be good, but on the other hand, it means intensified competition. Intensified competition leads to improved efficiency, which in turn drives further innovation. Once new products emerge, the demand will exceed the production capacity of the new products. This is the path of technological progress.

5. Currently, the direction of reducing interest rates is relatively certain. Firstly, from Friedman's perspective of inflation expectations, looking at government bond yields as an interest rate indicator, the current real interest rate is relatively high and needs to decrease. Secondly, from Keynes' liquidity preference perspective, looking at the A-share risk premium as an interest rate indicator, the current level of real interest rates is also relatively high.

6. For investors, if they focus on their own specialty field and believe in the future growth and development of the industry, if the company's operations are secure and competitive, and if it is a phase of seeking bottom and building a foundation for the industry, when asset prices are low and cheap, it is highly likely an opportunity to invest in companies with relevant advantages.

1. The Ship Has Sailed Through Troubled Waters, and History Does Not Simply Repeat

Since the beginning of the year, with more and more data confirming the "global manufacturing recovery," the market thought has shifted from "rate cuts needed for a soft landing" to "strong economy + stronger inflation" starting from late March. JPMorgan Chase has even prepared for the possibility of the Fed raising interest rates to a maximum of 8% and a minimum of 2%. The S&P, Nasdaq, and Dow Jones have all fallen to nearly two-month lows. The yields of the 2-year and 10-year US Treasury bonds have risen above 5.0% and 4.60%, respectively. The number of priced-in rate cuts has gone from one extreme to another, leading to increased volatility in global stock markets.

In April, the US ISM Manufacturing PMI fell to 49.2, and the non-farm payroll growth was lower than expected. This to some extent indicates that the effects of rising interest rates and tighter financial conditions since the beginning of the year are starting to show. The early May FOMC meeting showed a balanced attitude, easing concerns about "resuming rate hikes," and began tapering the balance sheet in June. Based on stock indices and US bond yields, rate cut expectations have resurfaced. The reversal of market expectations for Fed rate cuts is largely driven by inflation volatility.

The US dollar index has appreciated nearly 4% amidst fluctuations this year, and major global currencies have experienced a competitive depreciation against the US dollar, with the yen reaching a new low since 1990. The resilience of the US economy, high inflation, and escalating global geopolitical conflicts are important factors driving the strength of the US dollar. Commodities have also abandoned the traditional framework of pricing based on "Chinese demand," with Bitcoin, gold, and silver reaching historic highs, and copper prices surpassing $10,000.

China GDP in the first quarter exceeded expectations, with January and February being the highlights, while the year-on-year growth rate slowed down in March due to a high base. The characteristic shown by the April PMI is "quantity stabilizing, prices bottoming out and rebounding." Guangfa Securities believes that the 4.2% nominal GDP growth in the first quarter is likely the bottom for the year, and the nominal growth rate in the following three quarters will gradually increase with the upward movement of the price index. Nominal GDP not only determines the micro-level perception, but also affects the pricing of assets in areas such as stocks, bonds, and exchange rates.

After the rebound in Hong Kong and A-shares, they have almost synchronized with the adjustment in the US stocks. Southbound funds have been buying HK shares in large amounts for the past two months, and foreign capital has also switched to Chinese assets. The daily turnover of the whole Hong Kong stock market has exceeded HKD 200 billion, and liquidity and position sizes have increased. Since the low point in early February, the Hang Seng Tech Index, Shanghai Composite Index, and CSI 300 have rebounded by more than 37%, 19%, and 18% respectively, with increasing structural opportunities.

China's Politburo meeting pointed out that "although the economy continues to recover and improve, it still faces many challenges. The main issues are insufficient effective demand, significant pressure on enterprise operations, multiple risks and hazards in key areas, an insufficiently smooth domestic circulation, and a noticeable increase in complexity, severity, and uncertainty in the external environment." Due to persistently weak domestic demand, the domestic Producer Price Index (PPI) in April fell short of expectations, and various inflation indicators are more likely to be at a bottom rather than showing signs of warming up. Coupled with the impact of "financial deleveraging," social financing and M1 money supply have experienced rare negative growth. Insufficient demand is not only influenced by the downward phase of the financial cycle but also by the "scarring effect" caused by the COVID-19 pandemic.

To address the issues of insufficient effective demand on the real economy and weak risk appetite in the financial sector, Dr. Peng Wensheng believes that the key to counter-cyclical macroeconomic adjustment lies in fiscal expansion. The Politburo meeting emphasizes the need to seize the opportunity, avoid a policy stance of tightening followed by loosening, and effectively consolidate and enhance the positive momentum of economic recovery. It is pointed out that efforts should be made to effectively implement the macroeconomic policies that have already been determined, implement proactive fiscal policies and prudent monetary policies, coordinate research on policy measures for digesting existing housing inventory and optimizing the supply of new housing, and ensure that highly indebted provinces, cities, and counties can genuinely reduce debt while maintaining stable development.

In history, including countries like the Netherlands, England, and the United States, building a world power in science and technology is inseparable from being a financial powerhouse. The "Nine Policies" state that "promoting the high-quality development of the capital market is conducive to promoting high-level circulation of technology, industry, and capital, improving the modern industrial system, and promoting the development of new productive forces; it is conducive to enriching financial products and services, creating more opportunities to increase residents' property income; it is also conducive to the development of equity financing, optimizing the financing structure, and improving China's modern financial system with Chinese characteristics."

After the validation of corporate quarterly reports, industries with strong certainty and outstanding performance have experienced remarkable increases. Some leading companies have replaced adjustments with stability, and seemingly have sailed through numerous challenges. Following the 8th meeting of the Exchange Listing Committee held on February 7th, the 9th meeting of the Listing Committee was convened by the Shanghai and Shenzhen Stock Exchanges on May 16th, indicating that the market has returned to normalcy.

After the release of the previous two sets of "Nine Policies," the capital market experienced a period of favorable development opportunities. However, history does not simply repeat itself. The current economic structure and growth rate, market supply and demand environment, and the structure of listed companies and investors have undergone qualitative changes. **The process of market reform and clearance will inevitably face pressure and risks in order to achieve a healthier development.**

2. The US and China Bipolarization Continues – What About Over-Capacity?

The shift from globalization to deglobalization is not only economic but also political. The current international competition primarily takes place between China and the United States. Trump pursued isolationism, advocating decoupling from China and imposing tariffs. Biden defines the relationship between China and the United States as strategic competition, implementing industrial policies and technological blockades through "small circles" to further bind Europe to the anti-China camp. The entire Western camp collaborates to block China's sources of technology and restrict China's industrial upgrading space, reducing the participation of Chinese companies in the global market competition. Through actions such as speculating on geopolitical risks, they "guide" foreign capital to voluntarily withdraw from China and hollow out China's industrial foundation through supply chain restructuring, resulting in a slowdown in China's economic growth. The United States, on the other hand, revitalizes its economic competitiveness through the artificial intelligence revolution, widening the gap between China and Europe.

The relationships between China and Europe, as well as between Russia and India, are important building blocks for maintaining global balance. The United States exploits the conflict between Russia and Ukraine to disrupt European-Russian cooperation, rendering Europe devoid of strategic autonomy and forcing them to cooperate with the United States in decoupling from China. If the situation between Russia and Ukraine eases, the Russian political situation stabilizes, and it gains support from Europe while repairing relations with Japan and South Korea, it will partially restore the global balance of power politically and potentially reshape globalization economically. This could weaken the technological blockade against China by the United States, reduce China's supply chain risks, and provide Chinese companies with a larger market space. Industries such as new energy, aerospace, biomedicine, semiconductors, and the digital economy are expected to further gain global competitiveness.

On April 2nd, President Xi Jinping had a phone conversation with President Biden of the United States, emphasizing that the issue of strategic perception is always the "first link" that must be fastened in China-US relations. The principles guiding China-US relations are valuing harmony, prioritizing stability, and building on trust. On May 5th, during a state visit to France, President Xi published a signed article in the French newspaper Le Figaro titled "Inheriting the Spirit of China-France Diplomatic Relations to Promote World Peace and Development." The Chinese side understands the impact of the Ukrainian crisis on the European people. The longer the Ukrainian crisis persists, the greater the damage to Europe and the world. China hopes that the European continent will return to peace and stability at an early date and is willing to work with the international community, including France, to find a reasonable path to resolve the crisis. "Taking the Paris Olympics as an opportunity, I propose a global ceasefire during the Games." On May 9th, during a meeting with Hungarian Prime Minister Orban in Budapest, President Xi pointed out that

Europe is an important pole in a multipolar world and is a significant partner in achieving China's modernization. The leaders of the two countries exchanged views on the Ukrainian crisis. President Xi held talks with Russian President Putin, and both agreed that a political solution to the Ukrainian crisis is the right direction. "Russia has never refused negotiations and hopes to resolve the conflict comprehensively, sustainably, and fairly through peaceful means."

In the past three years, there has been a significant adjustment in the domestic real estate market, while the U.S. stock market continues to reach new historical highs driven by performance and technology. Ray Dalio believes that the "unprecedented changes" are actually "the making of heroes in the times". As the confrontation between China and the United States intensifies, with the widening gap in the pandemic, debt bubble, and wealth disparity, many changes are driven by the times.

Professor Yan Xuetong believes that China's strategic response can be divided into low, medium, and high levels. The low-level strategic goal is to avoid a cold war. The medium-level goal is to narrow the power gap between the two countries under the condition of avoiding war, which is not only reflected in GDP but also covers all aspects including technology, military, and culture. The high-level goal is to shape a geopolitical environment favorable to China. In the next ten years, the United States may widen the power gap with China, but if China implements the correct strategy, it is also possible to narrow the power gap with the United States. There is a certain degree of uncertainty, but it can be determined that both China and the United States will widen the economic gap with other countries. Therefore, the bipolar pattern will be strengthened, not weakened.

Janet Yellen's visit to China once again emphasized that the United States does not seek decoupling from China. Concerns about certain characteristics of the Chinese economy are increasingly causing negative spillover effects on the United States and the world, and these problems are exacerbated by the government's massive support for specific industry sectors.

Historically, Britain and the United States were not the birthplaces of free trade. For a long time, they were countries with strong protectionist policies. Adam Smith's "The Wealth of Nations" was published in 1776, and it was not until more than 80 years later that Britain truly became a free trade country. Alexander Hamilton, the first Secretary of the Treasury of the United States, submitted the "Report on Manufactures" to Congress in 1791, with the core idea that countries like the United States should protect their "infant industries" from foreign competition until they can stand on their own. During the first period of economic globalization when Western capitalist powers engaged in colonial rule, the free flow of goods, personnel, and capital that developed was largely the result of military coercion or colonial rule, rather than the mobilization of market forces. After the failure of the Opium War in 1842, China was forced to sign the Treaty of Nanking, "leasing" Hong Kong to Britain and losing tariff autonomy.

In fact, industrial policies have been making a comeback globally in recent years, such as the United States' inflation reduction bill and chip subsidy bill. According to the monitoring of the International Monetary Fund and the Global Trade Alert, more than 2,500 new industrial policies will be launched globally in

2023, with the vast majority introduced by developed economies. Two-thirds of the motivation behind these industrial policies is to address climate change, improve supply chain resilience, and consider security concerns.

China's green industries have made significant progress and are leading globally, but they also face protectionist pressures. On May 17, the Biden administration released the results of a four-year review of Section 301 tariffs on China, further increasing tariffs on green industries such as lithium batteries, electric vehicles, photovoltaics, critical minerals, and semiconductors. China's new energy industry has made great progress over the past few decades, and government subsidies may have played a role in promoting it in the early stages. However, the current competitive advantage is rooted in China's economies of scale, a large and integrated industrial system, abundant human resources, and the enormous investment in research and development innovation by enterprises and the relentless spirit of entrepreneurs.

In the next ten years, semiconductors will play a critical role in the global economy, from everyday products to the forefront of defense and artificial intelligence. The Chip and Science Act has successfully enabled TSMC to establish a plant in the United States, and Intel and Texas Instruments have received substantial subsidies. The same applies domestically, where capital expenditures are driven by national will and geopolitical needs, with security as a bottom-line consideration. The 2024 Government Work Report first proposed the "Artificial Intelligence+" action. In 2023, after Huawei's global sales fell for two consecutive years to 640 billion yuan, they returned to the 700 billion yuan mark, with a net profit of 87 billion yuan, a year-on-year increase of 144.5%. In addition to the steady growth of its ICT infrastructure business, Huawei's terminal business, cloud computing business, and intelligent automotive solutions business have shown significant growth. China has strong engineering and imitation capabilities. **China's advantage in developing artificial intelligence also lies in its large-scale unified market, a vast manufacturing system that can accommodate competition among multiple large enterprises. We believe that products that can stand out in the Chinese market can also go global.**

"China's current economic scale is too large to be absorbed by other countries around the world due to its massive production capacity." Excess production capacity can occur in any economy that implements a market economic system. On the surface, it may not seem favorable, but on the other hand, it signifies intensified competition, which leads to improved efficiency. This, in turn, drives further innovation. Once new products are introduced, the demand for them will surpass their production capacity, paving the way for technological progress.

Discussions on "excess production capacity" in China involve not only traditional industries such as steel, alumina, and shipbuilding but also emerging industries such as electric vehicles, lithium batteries, and photovoltaics. Compared to the past, where excess capacity primarily occurred in traditional industries, it is now starting to appear in some emerging industries. Huang Yiping, Dean of the National School of Development at Peking University, pointed out that in the past, the contradiction of excess capacity was mainly concentrated in state-owned enterprises, but now it may be more concentrated in private enterprises. This may indicate that the mechanisms causing this round of excess capacity issues differ from before. The main reason is that China's economy is currently undergoing a crucial period of industrial upgrading and transformation, with many old industries needing to find new directions for sustainable development. Once industries with development potential emerge, companies nationwide concentrate their efforts towards these industries, ultimately resulting in rapid supply expansion.

From the perspective of demand, economic aggregate demand mainly comes from consumption, investment, and net exports. Among these three, consumption and investment can be controlled by our country, while external demand is mainly influenced by foreign countries. The proportion of value-added manufacturing in our country, which is mainly focused on the mid-to-low end, has reached 30% of the global total, while the population only accounts for 17.6% of the world's population, and consumption accounts for about 13% of the global total. The proportion of consumption in GDP is low, while savings are high. Real estate and infrastructure investment have absorbed a large amount of savings in the past. It is necessary to pay more attention to the growth of domestic consumption demand, to strengthen the size of the domestic market, and to lay a more solid foundation for the development of green industries, global economic cooperation, and industrial cooperation.

In the current situation, only fiscal policy, which is the exogenous and counter-cyclical nature of central government debt, is an effective tool to address insufficient aggregate demand and resolve debt risks. Dr. Peng Wensheng suggests considering debt resolution from two dimensions: incremental and stock. In terms of debt increment, the central government can appropriately increase debt. Government debt is the assets of contemporary people, and its increase enhances the net assets of enterprises and households, thereby helping them deleverage. In terms of stock, debt restructuring oriented towards extension and interest rate reduction reduces the current burden of principal and interest payments. At the same time, in this period of great uncertainty, two "unwavering" principles are crucial: adhering to the principles of marketization and rule of law, avoiding the rigidity and solidification of state-owned enterprises, ensuring the vitality and development momentum of innovation; protecting the property rights of private enterprises and stabilizing expectations of all parties, allowing private entrepreneurs to feel the stability of institutional rules and the certainty and security of asset capital. Adhere to reform and continue opening up! Wu Jinglian suggests, "Create a business environment as much as possible so that individuals and enterprises can forge ahead. Eventually, some people and enterprises will make breakthroughs, and then they can continue to move forward along these paths."

On April 30th, the Political Bureau held a meeting and decided to convene the Third Plenary Session of the 20th Central Committee of the Communist Party of China in Beijing in July this year. The main agenda is for the Politburo of the Communist Party of China to report its work to the Central Committee and focus on further comprehensively deepening reforms and promoting the issue of Chinese-style modernization. The Third Plenary Session of the 18th Central Committee included the decisive role of the market in resource allocation in its decision and proposed the major tasks of modernizing the national governance system and governance capacity. General Secretary Xi Jinping pointed out in his speech at the conference celebrating the 40th anniversary of reform and opening up: "In the past 40 years, we have emancipated our minds, sought truth from facts, dared to experiment and bravely made reforms, and created a new world." The Politburo meeting once again emphasized the need to further emancipate the mind, develop and enhance social productive forces, and liberate and enhance social vitality. From the expressions of the meeting, the basic idea is to "take economic system reform as traction, take promoting social fairness and justice and enhancing people's well-being as the starting point and foothold, pay more attention to system integration, highlight key areas, and focus on reform effectiveness, and promote the better adaptation of production relations and productivity, superstructure and economic foundation, state governance, and social development."

After more than 40 years of reform, we have made significant progress in both liberating and developing productivity and constructing a modern governance system. Jiang Xiaojun pointed out that in the next round of deepening reforms, we need to adhere to and innovate in these two main lines: First, we need to adhere to the main line of liberating and developing productive forces, with the key being to innovate various resource allocation efficiencies and improve total factor productivity. Second, we need to adhere to the main line of advancing the modernization of the national governance system and governance capacity, with the key being to handle the relationships of rights, responsibilities, and interests in various aspects and improve the collaborative governance capacity under diverse and complex demands. Research seeks major reform tasks that can bring about comprehensive changes.

3. High Real Interest Rate and the US & China Monetary Policies

M2 is a major component of the security assets of Chinese residents and corporate sectors, with M2 growth rate declining from 8.7% in February to 8.3% in March and 7.2% in April, with a balance of 301 trillion yuan. "Monetary policy has provided strong support for macroeconomic stability in terms of overall quantity." Monetary and credit data have strong forward-looking significance, and the recent decline in M2 growth rate deserves attention, mainly due to weak credit demand and insufficient internal economic momentum.

On April 18, Guo Shuqing, Director of the Monetary Policy Department of the People's Bank of China, said at a press conference at the State Council Information Office that overall, the current stock of money is indeed not low. Currently, China's economic structural adjustment is accelerating, and the economy is becoming more lightweight. Compared with before, credit demand has weakened, and credit structure has been optimized and upgraded. In the future, with the transformation and upgrading of the economy, the recovery of effective financing needs, improvement in social expectations, and alleviation of the phenomenon of idle funds will also occur. The rapid growth of the current large amount of money may slow down.

In the case of a small increase in overall inflation in February, March's CPI was 0.1% YoY and -1.0% MoM, and PPI was -2.8% YoY and -0.1% MoM, once again refuting the expectation of sustained inflation rebound, reflecting the pattern of weak and volatile economic demand. In April, CPI was 0.3% YoY and

0.1% MoM, and PPI was -2.5% YoY and -0.2% MoM, which also failed to reflect significant improvements in domestic demand, but rather exhibited characteristics of bottom-level fluctuations.

In the first quarter, the monetary policy meeting mentioned for the first time that "in the process of economic recovery, attention should also be paid to changes in long-term interest rates," and the "weak social expectations" increased market instability. The requirement for prices has been updated from "promoting a low-level rebound" to "promoting a moderate rebound." Officials from relevant departments of the People's Bank of China believe that the long-term government bond yield will generally operate within a reasonable range that matches long-term economic growth expectations. The underlying logic for the continued decline in long-term government bond yields is the lack of "safe assets" in the market. With the issuance of future ultra-long-term special government bonds, the situation of "asset shortage" will be alleviated, and long-term government bond yields will also rise. The central bank stated that "the central bank conducts government bond trading in the secondary market, which can serve as a liquidity management method and a reserve monetary policy tool."

Dr. Peng Wensheng believes that the direction of lowering interest rates is relatively certain at present. First, from the perspective of Friedman's inflation expectations, using government bond yields as an interest rate benchmark, the current real interest rate is relatively high and needs to be lowered. Second, from Keynes' liquidity preference perspective, using the A-share risk premium as an indicator of interest rates, the current level of real interest rates is also relatively high.

However, certainty hides uncertainty. In terms of the first option, lowering interest rates to promote increased demand may need to consider the constraints of the exchange rate. **A more effective measure is to boost demand through fiscal expansion while stabilizing the exchange rate by boosting confidence.** As for the second option, the speed and extent of the decline in risk premiums are influenced by factors such as debt resolution and geopolitical situations, and also face a certain degree of uncertainty. To address these factors and reduce uncertainty, efforts from all parties are needed to reduce risk premiums.

The Politburo meeting pointed out the need to flexibly use policy tools such as interest rates and reserve requirement ratios, increase support for the real economy, and lower the comprehensive financing cost of society. It is necessary to evaluate the consistency of macroeconomic policy orientation and strengthen expectation management. On May 17, a video conference on effectively ensuring the delivery of housing was held in Beijing, and the issuance of 30-year ultra-long-term special government bonds was officially launched.

April's CPI in the US cooled down, indicating an overall positive trend but not enough to prompt a rapid interest rate cut. Powell believes that the path of inflation is only a "more turbulent downturn" rather than a "rebound upward." Along with other economic indicators in April, this has relieved the market's vigilance under the previous expectation of "further rate hikes," and the Dow Jones Index has reached 40,000 points for the first time. "Dealing with inflation" is extremely difficult. Under the previous model of Sino-US trade cooperation, it was marginally characterized by China's production and US consumption. The US is promoting the "decentralization" and resetting of the global industrial chain, which macroscopically means that China is facing insufficient demand and deflationary pressure, while the US is facing supply shortages and inflationary pressure. The difference in internal demand between China and the US is to some extent reflected in exchange rate fluctuations, namely the depreciation of the real exchange rate of the RMB and the appreciation of the real exchange rate of the US dollar. Currently, the US inflation rate remains stubbornly high, encountering resistance to interest rate cuts within the year, while China still has a need for interest rate cuts. **There are significant differences in monetary policies between China and the US, which will be reflected to some extent in exchange rate fluctuations.**

4. Choose Wisely and Plan Ahead

The core capabilities of entrepreneurs include strategic determination and execution. In the era of rapid development and incremental growth, radical and aggressive strategies and execution have allowed many enterprises to grow rapidly. A few entrepreneurs have climbed the stairs and quickly reached the platforms and stages of their dreams. In the era of high-quality growth, strategic choices for enterprises not only require a forward-looking global perspective but also demand precise operational management, balanced governance structures, and necessary sharing mechanisms.

Investing is similar, as qualitative direction selection is crucial, and it requires the ability to implement forward-looking layouts. Currently, in fields such as new energy, intelligent vehicles, semiconductor digital economy, etc., staying in the industry tests the spirit of entrepreneurs. As production capacity is cleared and technological innovation takes root, leading companies will regain profitability and continue to progress.

For investors focusing on their own professional fields, if they see future industry potential and development, if the company's business is secure and competitive, and if they trust the entrepreneur, it is likely an opportunity to invest in companies with relevant advantages when the industry is bottoming out and asset prices are low.

The entire Rosefinch research team has sharpened its collaboration in adversity, with improved research capabilities, organizational strength, and disciplined execution. At crucial moments when significant opportunities arise, it requires diligent learning, patient perseverance, perceptiveness, and determination to make a forceful impact.

[021]2030 5888 [021]2030 5999
58 Floor, New Bund Center, NO.555 West Haiyang Road/588 Dongyu Road, Pudong New Area, Shanghai
上海市浦东新区海阳西路 555 号/东育路 588 号前滩中心第 58 层，邮编：200126

We hope that by sharing Rosefinch's views, we add value to your day.

We endeavor to provide timely English version of Rosefinch's publications. For any English translation of the original Chinese article, in case of any discrepancy, the Chinese version takes precedence.