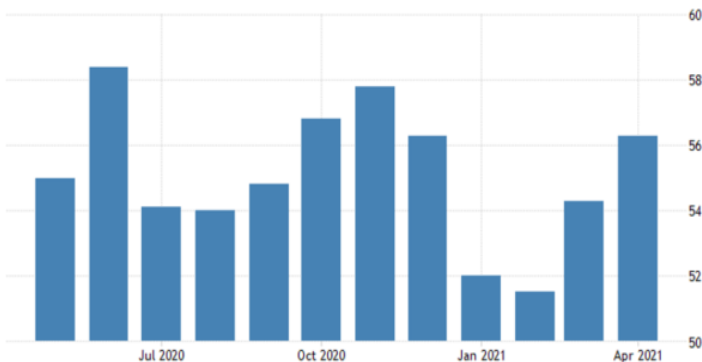


China Bulletin: Market View

Caixin China General Services PMI





Source: TradingEconomics.com


Latest evidence confirms a gradual recovery in China's service sector as well as robust external demand. The Labor Day holiday in early May is an important window to monitor China's service sector. This year's data showed tourism growing 3.2% versus the comparable pre-pandemic period. Further, the Caixin China General Services PMI data release for April reached a 4-month high of 56.3, indicating a strong expansion in output. April export and import data points to a healthy external sector, which remains the most significant source of uncertainty in the coming quarters. The Politburo meeting at the end of April reiterated the previous policy stance and delivered no surprises to the market. The most influential implication from the deteriorating China-Australia relationship is the rising steel price, as steel-makers in China are seeing less excess capacity and have been able to pass through the higher cost of importing iron ore. The excess capacity, as in previous reports, has been cut substantially in the last 5 years and poses a less critical problem at its current stage.


China's equity market has been less eventful than its economic data, with most sectors trading lower in the last fortnight. Commercial banks outperformed the market due to better-than-expected earnings results and their outperformance is likely to continue in our view. The Healthcare sector remains strong upon the resurgence of the Covid-19 pandemic in India and is expected to grow at an impressive rate along with the growing ageing population in China. Cyclical sectors, such as steel-makers, coal miners and non-ferrous metal producers, are seeing increasing profits and improved valuations, delivering remarkable performance recently. However, we hold a cautious stance with regards to companies in this sector due to their notoriously weak profitability over the last decade. Further, we expect an increase in costs of production associated with developing more effective environmental protection measures, as requested by the carbon neutrality policy.

This document is issued by China Post Global (UK) Limited ("China Post Global") acting through its offices at 75 King William Street, London EC4N 7BE and for the purposes of Directive 2014/65/EU has not been prepared in accordance with the legal and regulatory requirements to promote the independence of research. This document has been prepared for information purposes only. It shall not be construed as, and does not form part of an offer, nor invitation to offer, nor a solicitation or recommendation to enter into any transaction or an offer to sell or a solicitation to buy any security or other financial instrument. No representation, warranty or assurance of any kind, express or implied, is made as to the accuracy or completeness of the information contained herein and China Post Global and each of its affiliates disclaim all liability for any use you or any other party may make of the contents of this document. The contents of this document are subject to change without notice and China Post Global does not accept any obligation to any recipient to update or correct any such information. China Post Global (UK) Limited is authorised and regulated by the Financial Conduct Authority. This document is not for distribution in the U.S. or to U.S. persons. This document is directed at Institutional Investors only. This communication is exclusively directed and available to Institutional Investors as defined by the 2014/65/EU Directive on markets in financial instruments acting for their own account and categorised as eligible counterparties or professional clients. This communication is not directed at retail clients. It should not be distributed to or be relied on by retail clients in any circumstances. For the UK, institutional investors ("Institutional Investors") are Professional Clients as defined by the FCA. Calls may be recorded. This document is confidential and not to be communicated to any third party or copied in whole or in part, without the prior written consent of China Post Global. This communication contains the views, opinions and recommendations of China Post Global. This material is based on current public information that we consider reliable, but we do not represent it as accurate or complete, and it should not be relied on as such. The information, opinions, estimates and forecasts contained herein are as of the date hereof and are subject to change without prior notification. There can be no assurance that future results or events will be consistent with any opinions, forecasts or estimates contained in this document. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance.

 2nd Floor | 75 King William Street
London EC4N 7BE

 +44 203 617 5260

 marketaccess@chinapostglobal.co.uk

 www.chinapostglobal.com

