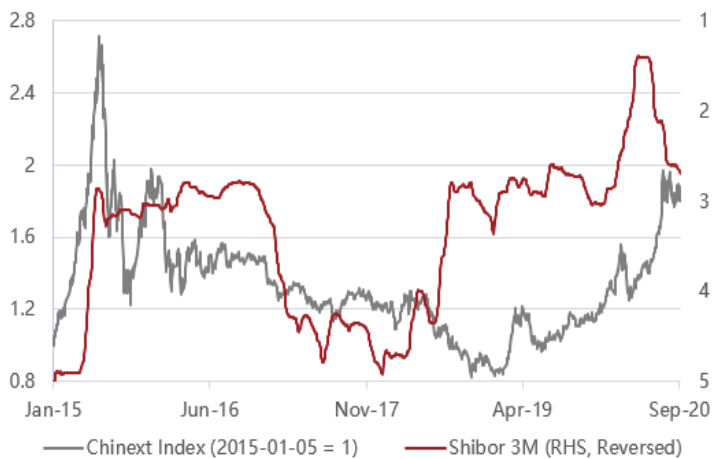


China Bulletin: Market View



Equity Market

China A shares have dropped around 5% since our last report, and we may see a structural market ahead instead of a universal rally. Lagging by around 2 months, the tightening monetary conditions finally passed through to the equity market. Especially to the Chindex and STAR market, which are both filled with tech names and healthcare start-ups. Tech and healthcare companies benefitted from the substantial liquidity that has been injected to support financial markets against the pandemic and now may fall after PBoC has begun tightening liquidity. Economic data continues to improve and valuations for some sectors stand below their historical average, which points to outperformance of undervalued blue-chip stocks with lower volatility, among which commercial banks, utilities and transportation are top picks to us.

External uncertainty has remained elevated in the last fortnight, notably from the persistent tension with the US and the border standoff with India. The potential cut-off of microchip supplies to Huawei remains a risk, and the forced sale of TikTok adds to the already stretched tension with the US. We reiterate the view that before the US presidential election, more and more headline events will show up, but the impact should be under control as long as the Phase 1 trade deal is intact. The standoff along the border with India could date back to half a century ago, and the window for any military operation is about to close in a couple of weeks due to the weather. Thus, any escalation to armed conflict between China and India is not an acute risk at the moment.

Economic Policy

PBoC policy normalization is coming to an end for the time being and the market has adjusted to the new stance as well. Money market and government bond rates are stabilizing around the 2019-end, pre-pandemic level, after a swift rise. Policy makers deployed various policies to support companies that were hit by the pandemic, and as a result credit risk may be less serious than previous downturns. Although a lower rate is not expected, China onshore bonds stand out in a globally low rate environment and offer attractive risk adjusted rewards.

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


☎ +44 203 617 5260

✉ marketaccess@chinapostglobal.co.uk


🌐 www.chinapostglobal.com

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



China Post Global



Market Access
Exchange Traded Funds