

# China Bulletin: Market View



China's financial markets have had an uneventful December to date, while the expectation of tighter credit conditions in 2021 is building up gradually. The Healthcare sector reversed its under-performance from November upon news of reduced price cuts in the latest round of drug bulk-buying talks. Electric vehicle and semiconductor names are still favoured by both market and policy, but their valuations appear very expensive to us, even when considering the distortion from the pandemic. Consumer Staples are seeing strong momentum again, as the market prefers certainty. The Banking sector remains under pressure from the credit crunch and the expectation of authorities re-introducing a deleveraging policy in the next year.

Though the PBoC turned marginally accommodative while approaching year end, credit conditions may tighten upon improving growth and external conditions. Various data confirms that

China's positive growth momentum is being sustained on both the production and demand side, and global growth momentum is expected to pick up after the introduction of a Covid-19 vaccine. One key indicator that policy makers watch is the growth of fixed asset investment in the higher-end manufacturing sector, whose recovery was interrupted by the pandemic, but whose subsequent recovery has been quite rapid. Another key indicator, employment, has overshoot the policy target as well. On the other hand, the change of administration in the US allows a friendlier external environment, in 2021 at least. All these positive developments add to a higher probability of stockpiled risk being addressed actively, which means the re-introduction of a deleveraging policy.

Though the macro outlook offers limited comfort, structural development matters more for Chinese equities. Accordingly, our top pick is the Consumer Discretionary sector, particularly consumer service providers. Technology, Media and Telecom (TMT) names will still be favoured by policy, yet their market performance may be dubious if economic growth is not as remarkable as their stretched valuations suggest. The Healthcare sector is likely to remain expensive, given their growth of revenue and profit is largely satisfactory, among which we prefer medical equipment makers. Banks, however, may benefit from tighter credit conditions, though market appetite may deteriorate. Consumer Discretionary names are largely suppressed, except duty-free retailers, and may be boosted by the further opening-up of the economy and improving market sentiment towards the sector.

📍 2<sup>nd</sup> 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.

 2<sup>nd</sup> Floor | 75 King William Street  
London EC4N 7BE

 +44 203 617 5260

 [marketaccess@chinapostglobal.co.uk](mailto:marketaccess@chinapostglobal.co.uk)

 [www.chinapostglobal.com](http://www.chinapostglobal.com)



**China Post Global**



**Market Access**  
Exchange Traded Funds