

# China / HK Market Weekly

## Consumer stocks gained despite COVID

Last week (11-15 Apr), China / HK stock markets declined but outperformed the US market, as the State Council indicated to cut RRR & large banks' provision ratio as well as to boost consumption & export growth. IT & Healthcare stocks suffered again as US rate hike concerns deepened, while Consumer stocks gained despite COVID lockdowns. We see potential of further rebound in Consumer stocks, as the COVID outbreak in Shanghai is likely to be peaking out. Besides, Property stocks may rebound on expectation of further policy loosening on real estate market.

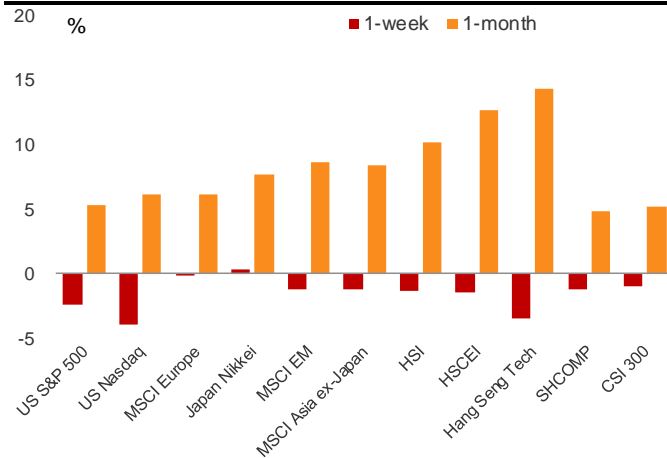
- **Market recap:** The HSI and CSI 300 declined by 1.62% and 0.99% respectively, but outperformed the US market for the second consecutive week (Fig. 1), as expectations of a RRR cut by China partly offset concerns on Fed rate hikes. The HSI stayed range-bound between 21000-22500 for four weeks in a row. By sector, growth stocks such as IT & Healthcare suffered in HK again as rate hike concerns deepened, while Commodity stocks gained. Consumer stocks in both A & H-shares markets gained despite COVID lockdowns (Fig. 3-4).
- **Fund flows:** Global funds flow to emerging markets sharply deteriorated last week as the US Fed was ready to accelerate its policy tightening. But the condition was better for China as the valuation of Chinese stocks remained attractive and Shanghai may have already seen its worst time of the epidemic. China internet ETF had slight outflows last week after weeks of inflows (Fig. 9). US stock mutual funds saw more significant net withdrawals in early April on a more hawkish Fed, but overseas stock funds saw net inflows.
- **Stock Connect flows:** Southbound net buying rebounded further. Northbound oscillated between inflows and outflows (Fig. 10-11). By sector, Southbound funds flew into Real Estate, Telecom, Healthcare & Energy, and out of Financials & Consumer. Northbound funds flew into Capital Goods, Real Estate, Materials, Pharma & Banking, and out of Consumer Durables & Apparels & Diversified Financials. AH premium slightly narrowed further from a week ago to 40.6%, but still way above 10-year average of 22% (Fig. 15).
- **Sentiment:** "Fear Indexes" VHSI & VIX crept higher on a hawkish Fed (Fig. 20). Short sell % on HK mainboard rose further to above 19%. By sector, short sell ratio increased noticeably in Consumer Discretionary, Utilities & Property.
- **Earnings:** FY22E EPS estimates of the HSI was cut by 0.2% last week. That of the CSI 300 was cut by 0.4%, extending its downtrend since mid-Mar (Fig. 41). By sector, in HK, Healthcare & Consumer Discretionary were revised down again, as in previous weeks. In A-shares market, EPS estimates of Real Estate, Financials, Consumer & Healthcare were cut (Fig. 42-43).
- **Sector views:** The magnitude of RRR cut by China announced last Friday was smaller than expected, and we believe the market has already priced in the positive of this RRR cut. In the short term, we see potential of rebound in Consumer stocks, as the COVID outbreak in Shanghai is likely to be peaking out. Besides, Property stocks may rebound on expectation of further policy loosening on real estate market.

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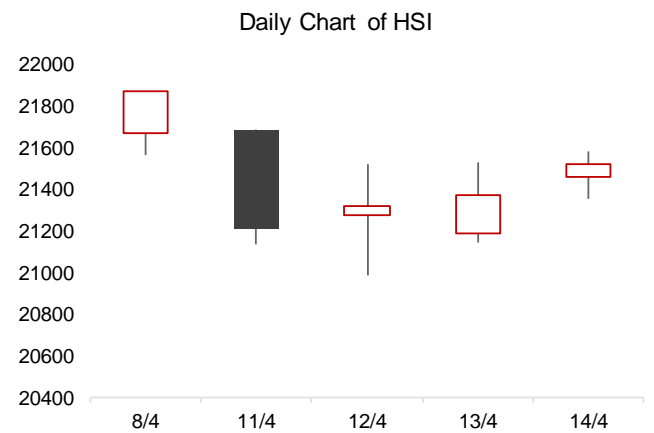
## Market Recap

**Figure 1: Weekly global markets returns: Tech suffered again as rate hike concerns deepened**



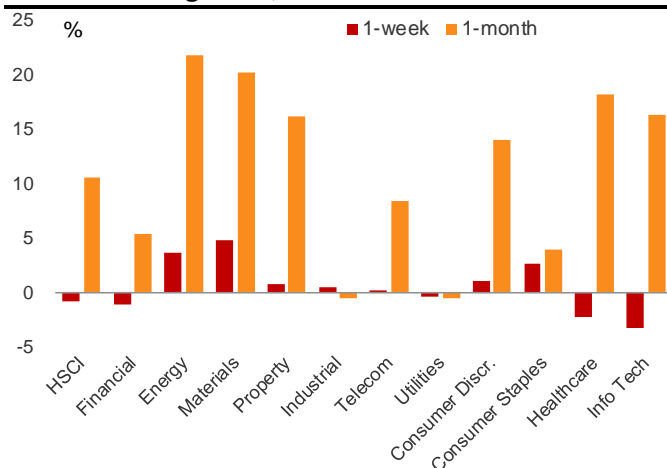
Source: Bloomberg, CMBIGM

**Figure 2: HSI range-bound between 21000-22500 for four weeks in a row**



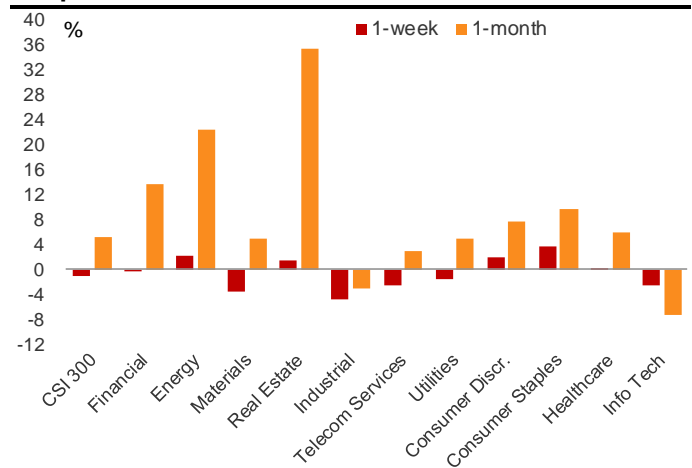
Source: Bloomberg, CMBIGM

**Figure 3: Hang Seng Composite Index sectors: Commodities gained; IT & Healthcare declined**



Source: Bloomberg, CMBIGM

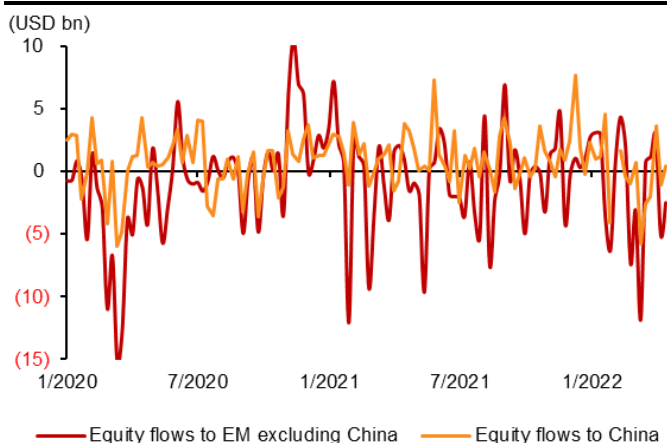
**Figure 4: CSI 300 Index sectors: Consumer gained despite COVID lockdowns**



Source: Bloomberg, CMBIGM

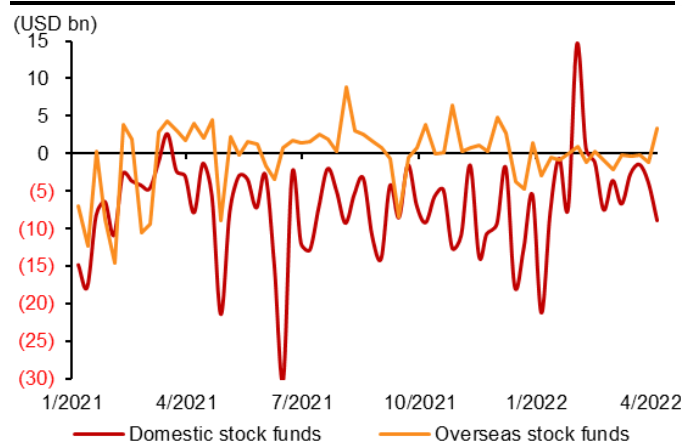
## Fund Flows

**Figure 5: Global Fund Flow to Emerging Market**

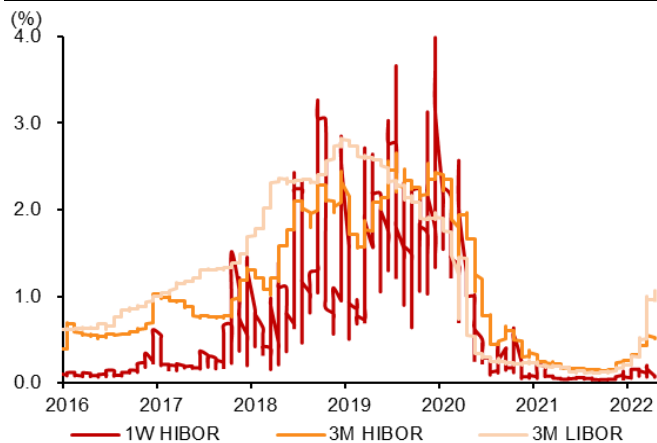


Source: IIF, CMBIGM

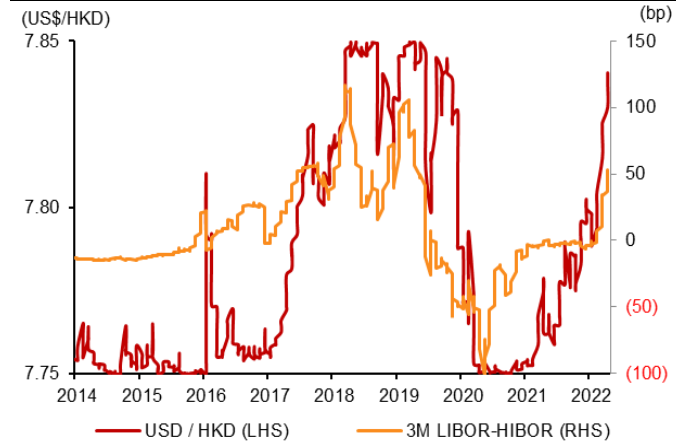
**Figure 6: US Long-term Mutual Fund Flow**



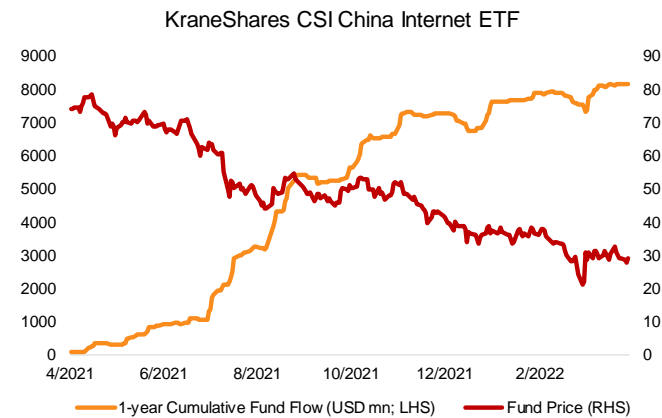
Source: Wind, CMBIGM

**Figure 7: USD & HKD Interest Rates**

Source: Wind, CMBIGM

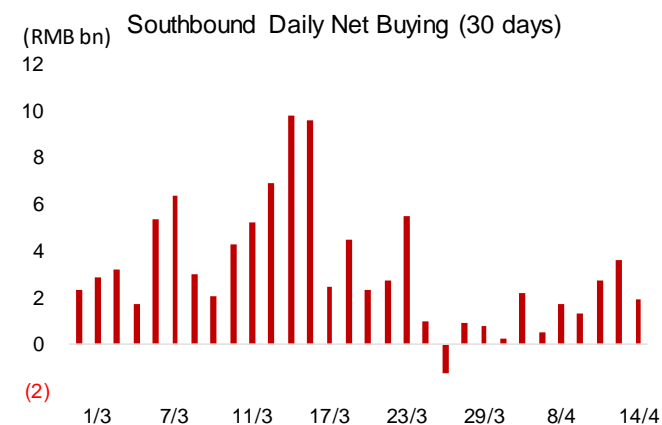
**Figure 8: USD/HKD Rates & Interest Spreads**

Source: Wind, CMBIGM

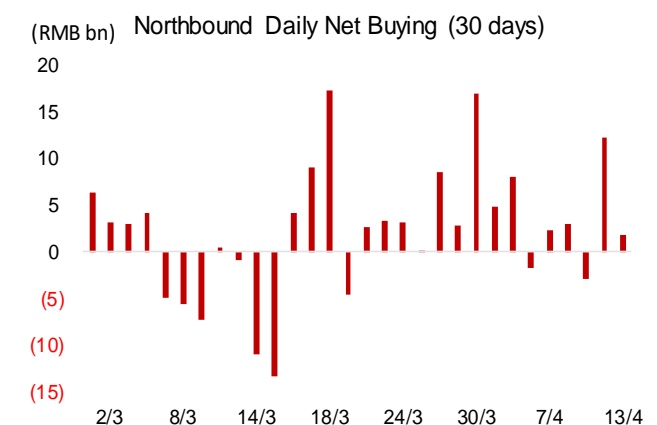
**Figure 9: KWEB, the largest China Internet ETF, had slight outflows last week after weeks of inflows**

Source: Bloomberg, CMBIGM

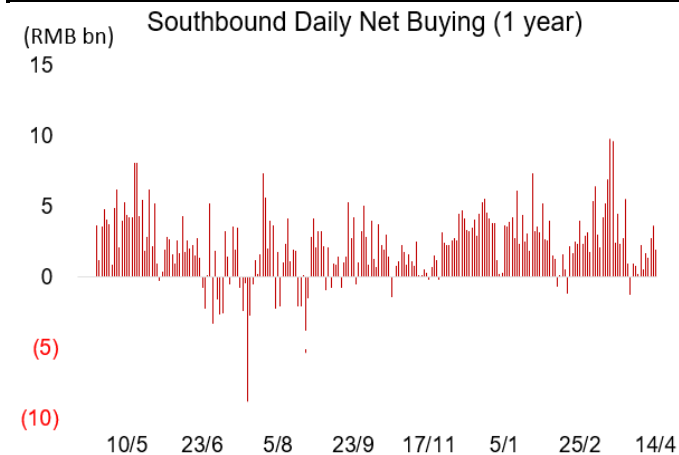
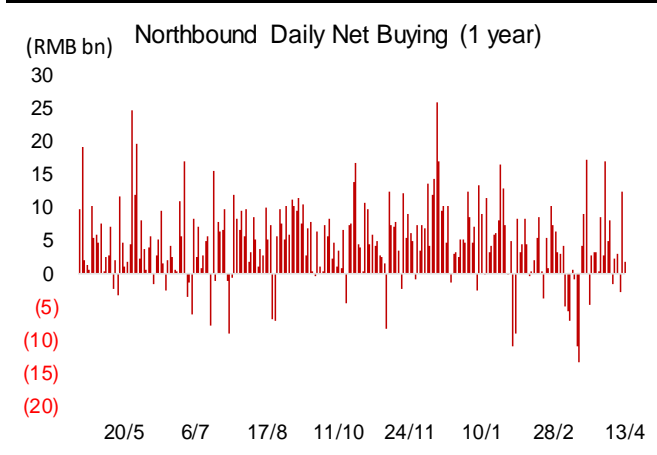
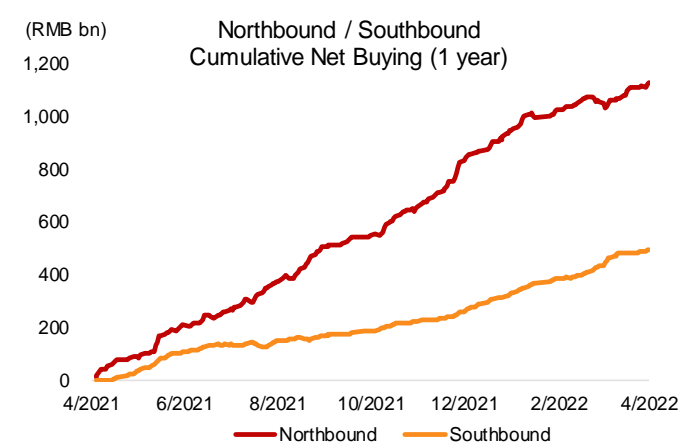
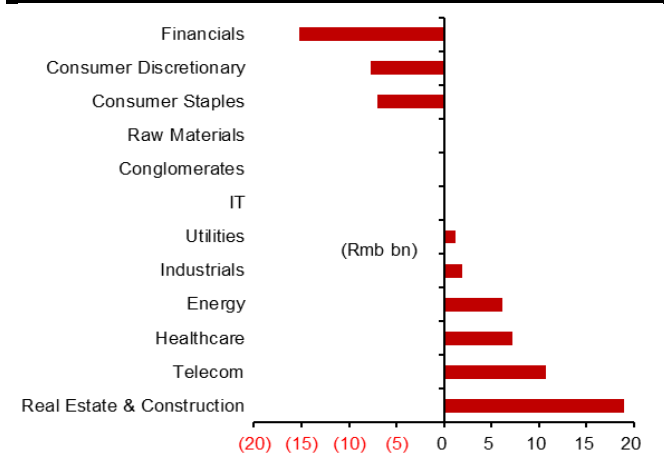
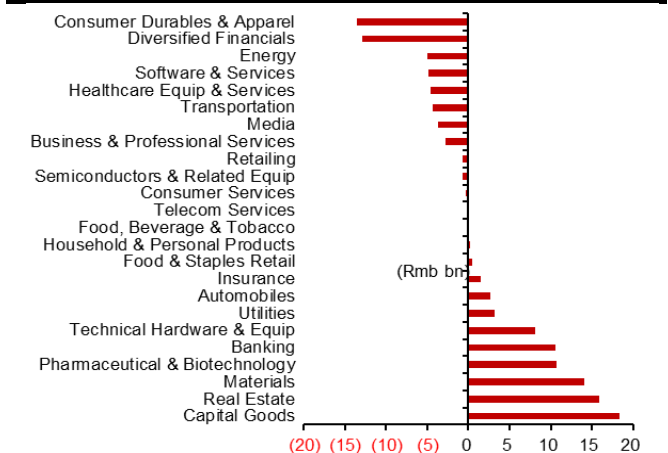
## SH/SZ-HK Stock Connect

**Figure 10: Southbound net buying rebounded further**

Source: Bloomberg, CMBIGM

**Figure 11: Northbound net in/outflows fluctuated**

Source: Bloomberg, CMBIGM

**Figure 12: Southbound net buying turned strong since mid-Feb...****Figure 13: ...while Northbound buying weakened at the same time****Figure 14: Southbound inflows speeded up since early 2022, while Northbound inflows slowed down****Figure 15: AH premium slightly narrowed further from a week ago, and still above historical average****Figure 16: Southbound net flows by sector last week****Figure 17: Northbound net flows by sector last week**

**Figure 18: Southbound weekly Top 10 active stocks**

(HKD bn, cumulative)		Turnover	Net Buying
Tencent	700 HK	110.9	8.0
CNOOC	883 HK	59.3	15.8
Meituan	3690 HK	56.7	17.6
China Mobile	941 HK	27.5	6.4
CCB	939 HK	13.2	-5.5
BYD Co Ltd	1211 HK	3.6	2.3
ICBC	1398 HK	8.6	-5.4
Kuaishou Technology	1024 HK	45.5	0.4
SMIC	981 HK	2.5	-0.5
China Coal Energy	1898 HK	8.8	3.8

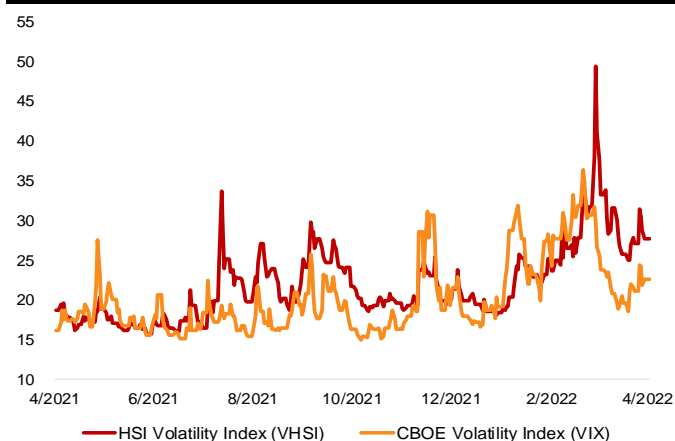
Source: Wind, CMBIGM

**Figure 19: Northbound (SH) Top 10 active stocks**

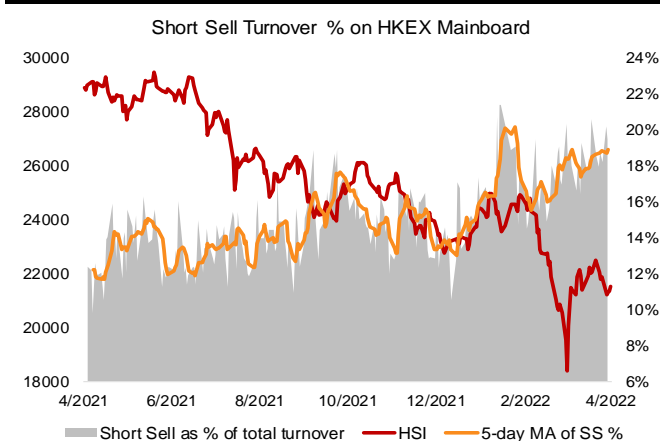
(RMB bn, cumulative)		Turnover	Net Buying
Kweichow Moutai	600519 CH	62.6	6.2
China Merchants Bank	600036 CH	39.3	-4.2
Zijin Mining	601899 CH	17.6	3.0
LONGi Green Energy	601012 CH	26.7	-2.5
CTG Duty Free	601888 CH	20.3	-0.2
China State Construction	601668 CH	22.9	5.0
WuXi AppTec	603259 CH	18.8	-1.1
Inner Mongolia Yili	600887 CH	5.7	-0.7
Industrial Bank	601166 CH	5.4	-0.3
Shanxi Fen Wine	600809 CH	11.5	3.4

Source: Wind, CMBIGM

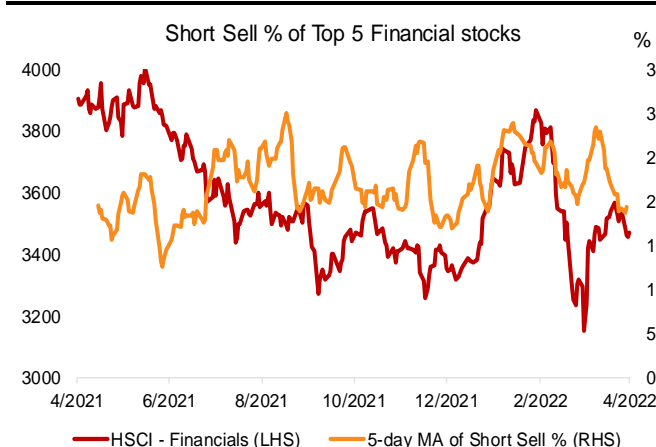
## Sentiments

**Figure 20: "Fear Index" VHSI crept up to 27.7, and the VIX was up too as market went down on hawkish Fed**

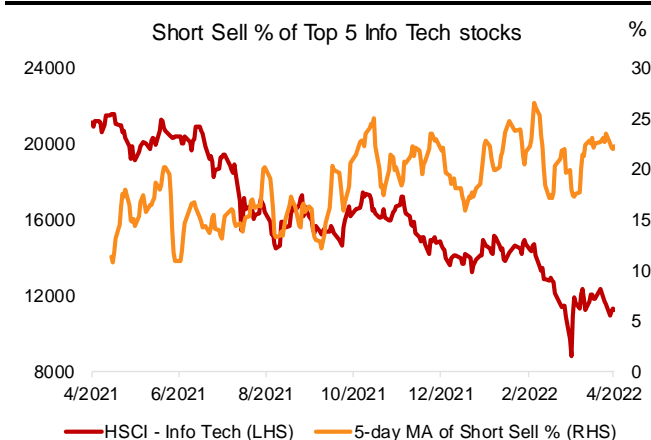
Source: Bloomberg, CMBIGM

**Figure 21: Short sell % on HK mainboard rose to above 19%**

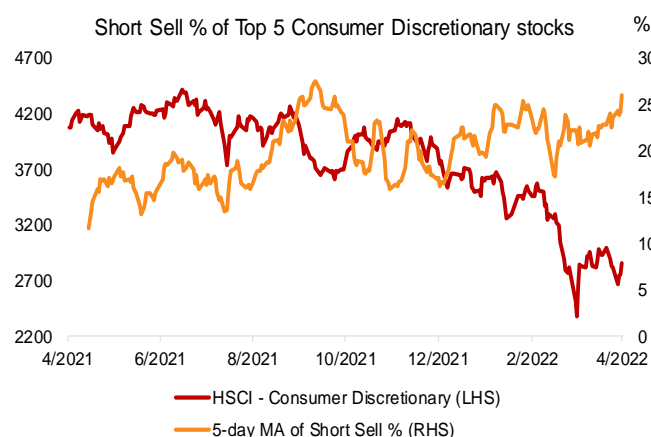
Source: Bloomberg, CMBIGM

**Figure 22: Short sell % in HK - Financials**

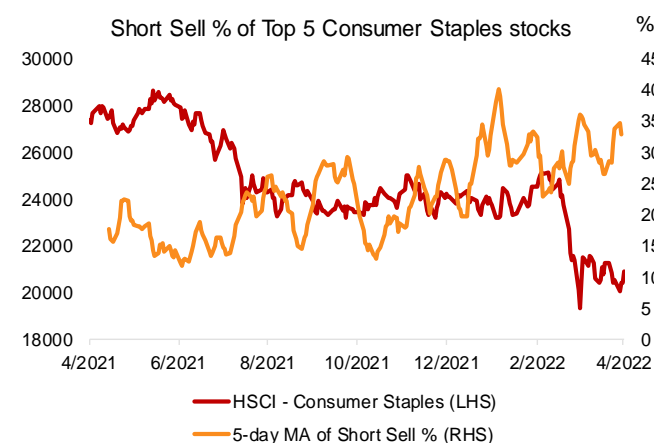
Source: Bloomberg, CMBIGM

**Figure 23: Short sell % in HK - Info Tech**

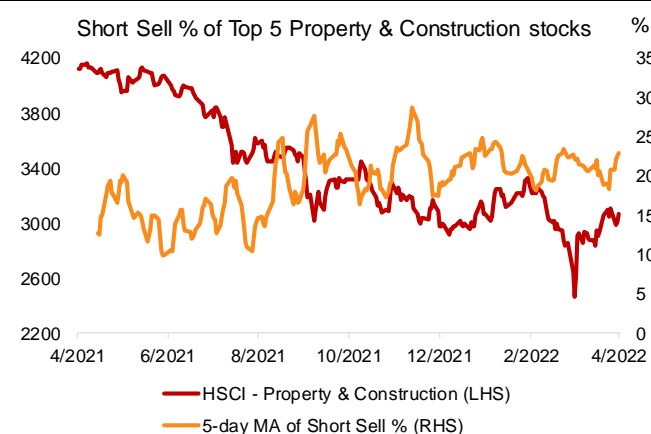
Source: Bloomberg, CMBIGM

**Figure 24: Short sell % in HK – Consumer Discretion.**

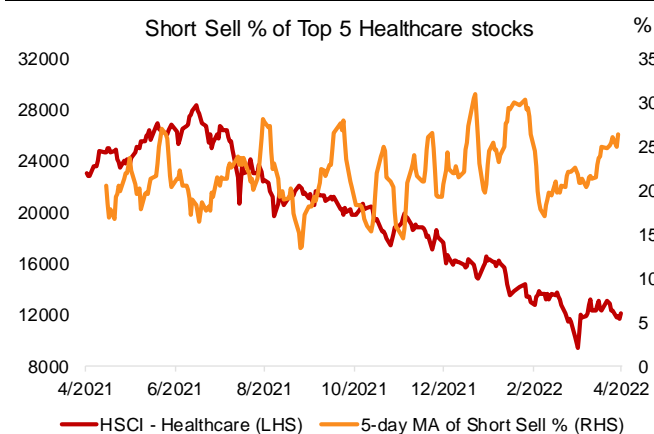
Source: Bloomberg, CMBIGM

**Figure 25: Short sell % in HK – Consumer Staples**

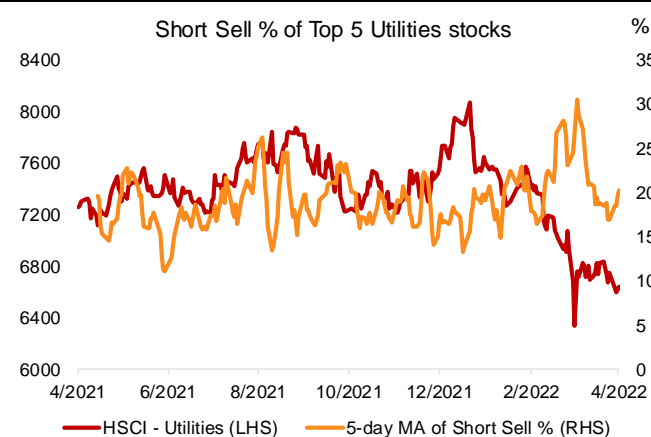
Source: Bloomberg, CMBIGM

**Figure 26: Short sell % in HK - Property**

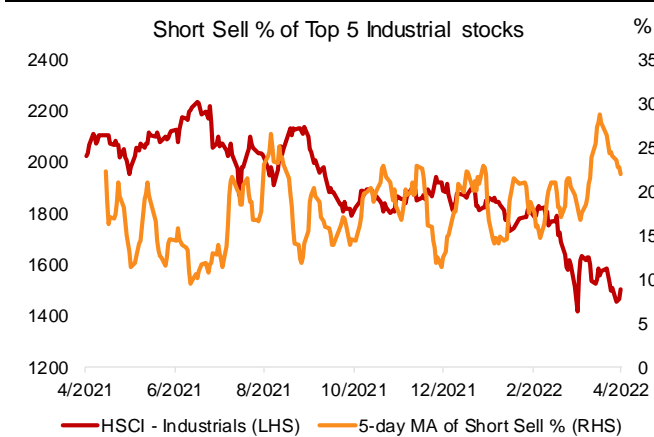
Source: Bloomberg, CMBIGM

**Figure 27: Short sell % in HK – Healthcare**

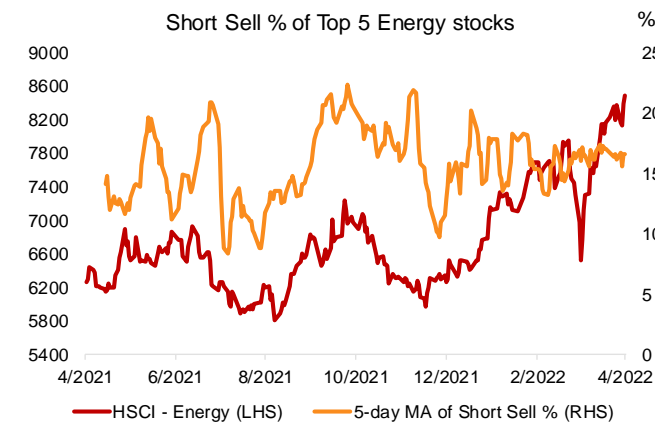
Source: Bloomberg, CMBIGM

**Figure 28: Short sell % in HK – Utilities**

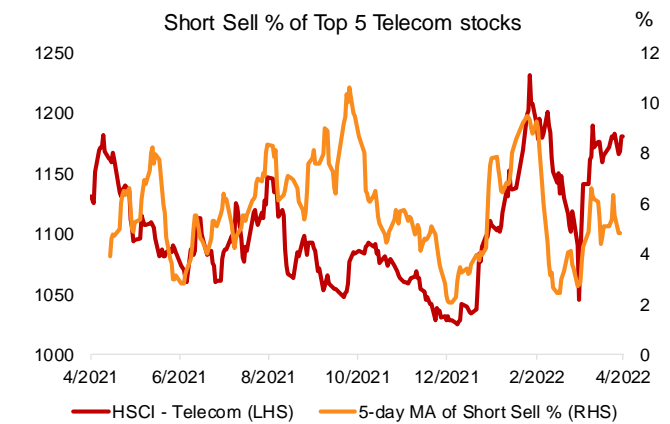
Source: Bloomberg, CMBIGM

**Figure 29: Short sell % in HK – Industrials**

Source: Bloomberg, CMBIGM

**Figure 30: Short sell % in HK – Energy**

Source: Bloomberg, CMBIGM

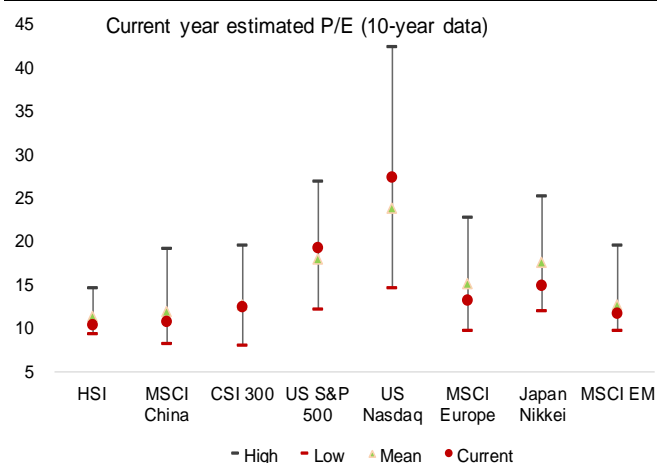
**Figure 31: Short sell % in HK – Telecom**

Source: Bloomberg, CMBIGM

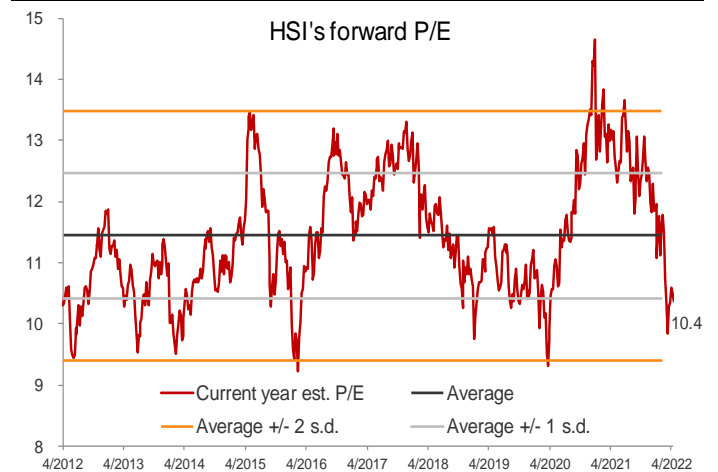
**Figure 32: Short sell % in HK – Materials**

Source: Bloomberg, CMBIGM

## Earnings & Valuations

**Figure 33: HSI' P/E close to low end, while other major markets' are near 10-year mean**

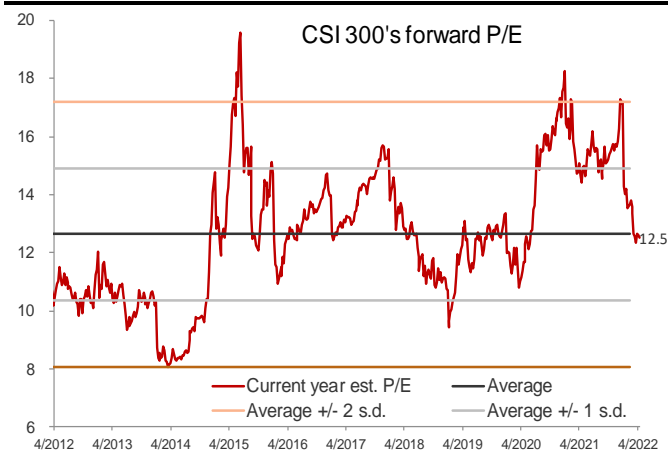
Source: Bloomberg, CMBIGM

**Figure 34: HSI' forward P/E at 1 s.d. below 10-yr average**

Source: Bloomberg, CMBIGM

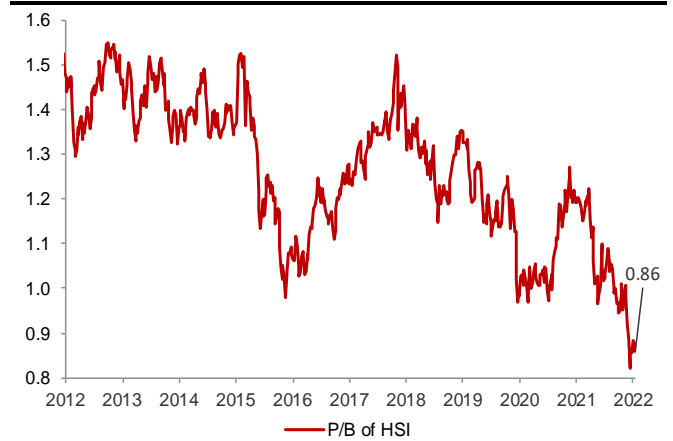


**Figure 35: CSI 300's P/E at around 10-year mean, not really cheap**



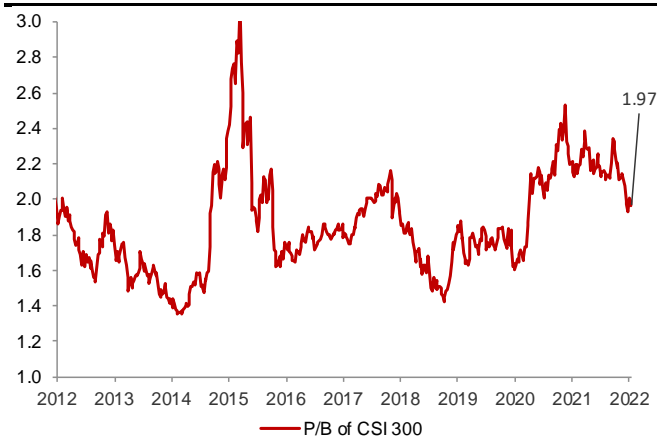
Source: Bloomberg, CMBIGM

**Figure 36: HSI' P/B below 1, lower than previous crisis troughs**



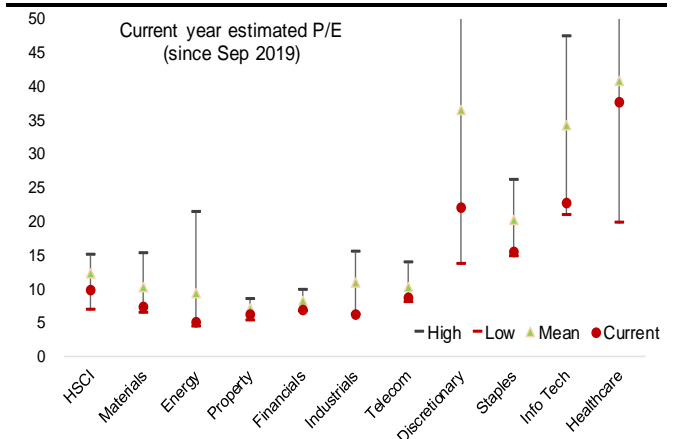
Source: Bloomberg, CMBIGM

**Figure 37: CSI 300's P/B at around 2**



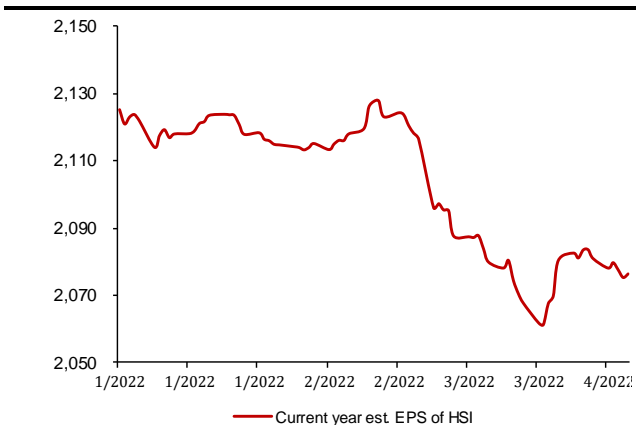
Source: Bloomberg, CMBIGM

**Figure 38: Most HSCI sectors' P/E are near troughs**



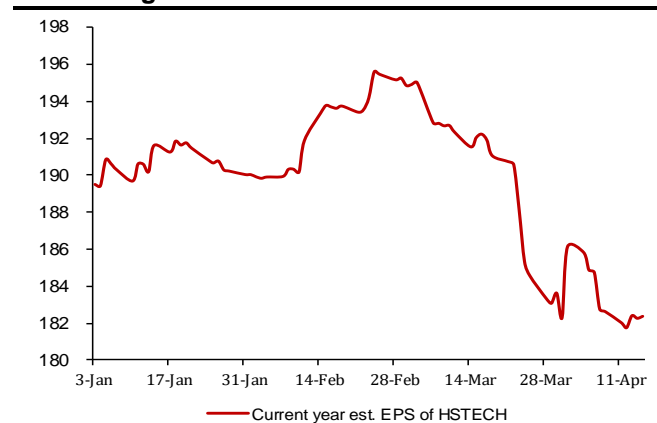
Source: Bloomberg, CMBIGM

**Figure 39: EPS estimates of HSI were little changed last week**



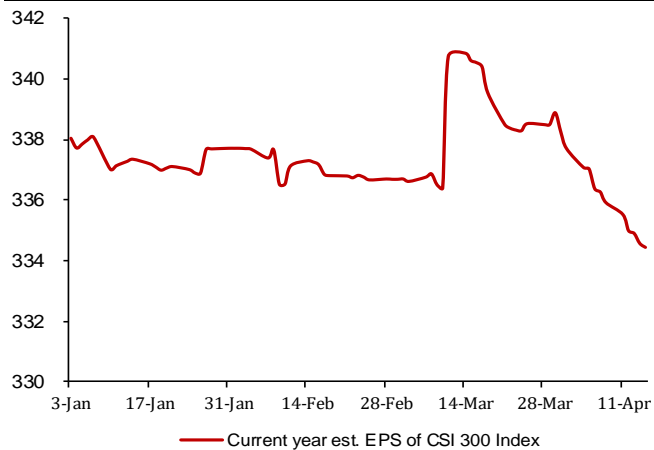
Source: Bloomberg, CMBIGM

**Figure 40: EPS estimates of HSTECH Index were little changed last week**

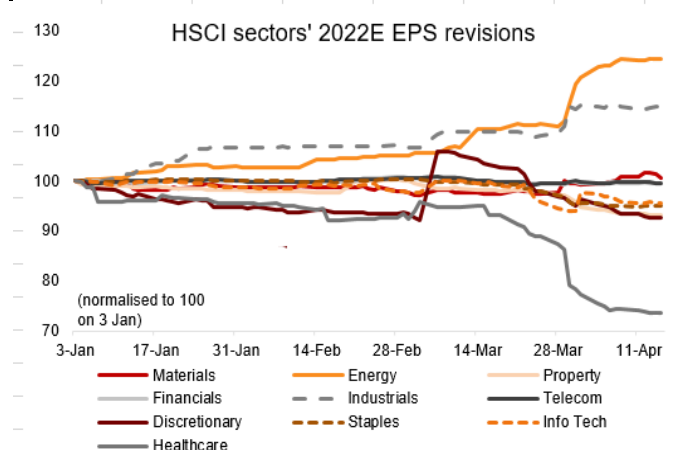


Source: Bloomberg, CMBIGM

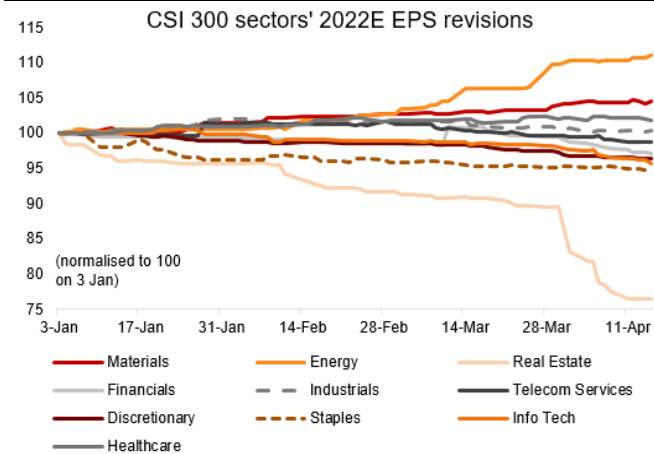


**Figure 41: EPS estimates of A-shares were in downtrend since mid-March**


Source: Bloomberg, CMBIGM

**Figure 42: HK earnings revision: Healthcare & Consumer Discretionary down again**


Source: Bloomberg, CMBIGM

**Figure 43: A-shares earnings revision: Real Estate, Financials, Consumer & Healthcare down**


Source: Bloomberg, CMBIGM

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