



The Macro, Valuation, Sentiment and Technical Lens

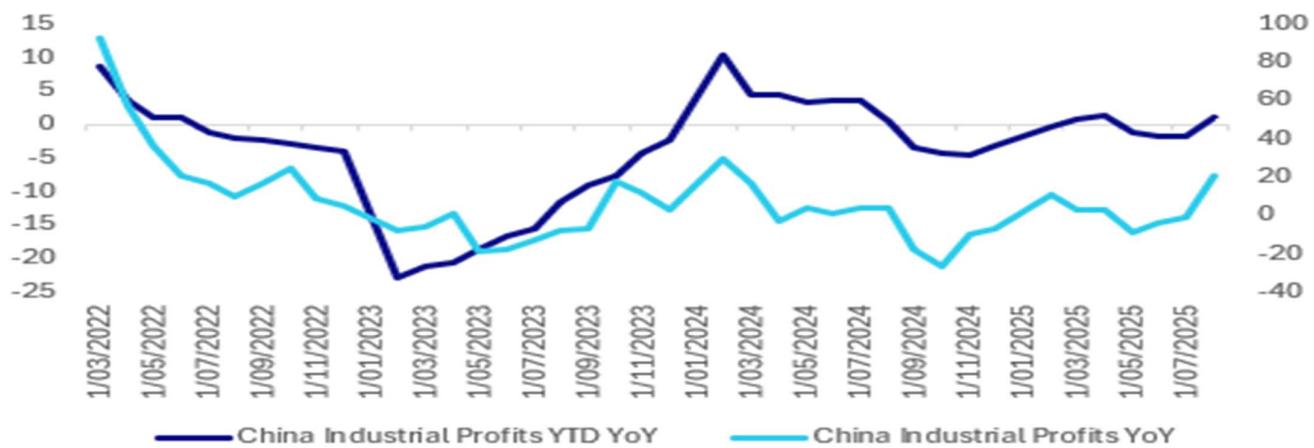
Macro: The discussions between US and China ahead of the leaders meeting this week has seen some positive outcomes with an initial consensus reached on various bilateral issues including agriculture, according to a statement from the Chinese Ministry of Commerce. Chinese officials said the two sides reached a preliminary consensus on further topics including export controls, fentanyl and shipping levies, while US Treasury Secretary Scott Bessent said Trump's threat of 100% tariffs on Chinese goods "is effectively off the table". This comes ahead of the Thursday meeting with US President Trump and China President Xi in South Korea, on the sidelines of APEC summit. The weekend talks are expected to pave the way for a deal/agreement at the Thursday meeting between the two leaders and Trump expressed confidence in such an outcome.

Last week gave an idea for the likelihood of policy support for the remainder of the year with the loan prime rate decision and GDP third quarter released. The GDP 3Q moderate to 4.8% from 5.2%. The decline from Q2 is likely as much about the upside surprise in Q2, then a dramatic slowdown with 4.7% a somewhat fairer reflection. September Industrial production saw a significant upside surprise, rising +6.5% with significant increases across multiple sectors and when considered alongside the strength in exports, points to a growing sign that growth is broad based.

The outlook for retail sales and service-related data releases could be revised up following the October Golden week holiday numbers showing a surge in spending on travel and retail, despite long standing property woes. It was too soon for the September release to show that impact and retail sales was flat on the month prior at 3.00%. At this stage there has been no major policy initiatives announced from the party meeting, but expectations remain for the focus on consumption as key to growth.

The key for the week ahead is Industrial Profits. It is forecast that profits will rise for a second straight month given exports and industrial production data. The jump higher in August appears driven more by cost than demand and is likely therefore to see a moderation in September, whilst remaining positive. Later in the week the Official PMI release is expected to see a continuation of the moderation from Manufacturing and Services. However, the official PMIs appear to becoming less of a driver with the RatingDog PMIs (formerly CAIXIN) and which reflect the broader economies taking into account public and private companies), more closely watched.

[Fig 1: China Industrial Profits YTD YoY and YoY](#)



source: Bloomberg Finance LP / MNI

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Valuations: The Hang Seng is now approaching year end projected P/Es after a better week next week and on a 5-Yr historical basis. The onshore offshore divergence has been a key factor impacting equities as onshore P/E's now are much more elevated with the CSI 300 at 18.11x.

Fig 2: Hang Seng Price to Earnings

Hang Seng Index		Compare <Sec>	Periodicity	Annuals	Cur	FRC (HKD)	
1) Key Stats	2) Fundamentals	3) Custom	4) Shared				
11) Highlights	12) Valuation	13) Profitability	14) Leverage & Liquidity	15) Market Data			
12 Months Ending	12/31/2021	2021 Y	2022 Y	2023 Y	2024 Y	Current	2025 Y Est
Valuation Metrics		12/31/2021	12/30/2022	12/29/2023	12/31/2024	10/26/2025	12/31/2025
Price/Earnings	11.38	10.48	8.53	9.49	12.03	12.69	11.35
Price/Earnings before ...	10.26	10.48	8.56	9.77	12.19	13.09	11.70
Price/Earnings before ...	10.38	10.95	8.67	9.91	12.33		
Price/Book Value	1.13	1.12	1.00	1.10	1.40	1.36	1.26
EV/Sales	1.76	1.35	1.14	1.59	1.78		
EV/EBIT	9.71	9.19	7.66	10.26	12.27		
EV/EBITDA	9.72	7.96	8.03	9.49	10.14	11.31	9.86
Dividend Yield	2.54	3.37	4.06	3.83	3.01	3.00	3.20

Source: Bloomberg Finance LP / MNI

Fig 3: CSI to Earnings

Shanghai Shenzhen CSI 300 Index		Compare <Sec>	Periodicity	Annuals	Cur	FRC (CNY)
1) Key Stats	2) Fundamentals	3) Custom	4) Shared			
11) Highlights	12) Valuation	13) Profitability	14) Leverage & Liquidity	15) Market Data		
2021 Y	2022 Y	2023 Y	2024 Y	Current	2025 Y Est	2026 Y Est
12 Months Ending	12/31/2021	12/30/2022	12/29/2023	12/31/2024	10/26/2025	12/31/2025
Valuation Metrics						
Price/Earnings	16.55	13.98	12.67	15.77	18.11	16.41
Price/Earnings before ...	14.47	12.27	11.37	13.64	15.87	16.03
Price/Earnings before ...	15.10	12.72	11.62	14.46	16.76	14.41
Price/Book Value	2.18	1.73	1.45	1.62	1.87	1.75
EV/Sales	2.59	2.05	1.88	2.28	2.61	
EV/EBIT	20.34	17.26	17.31	20.43	22.50	
EV/EBITDA	20.24	15.64	14.79	16.15	18.29	17.09
Dividend Yield	1.64	2.43	2.79	2.71	2.38	2.42
						2.67

Source: Bloomberg Finance LP / MNI

Sentiment: Onshore media outlets continue to report on the growing shift in retail investors into equity. Equity markets weakness on tariff headlines have lately seen the bounce back the following day to stronger levels, indicating that the asset allocation shift is a strong driver of equity sentiment at present. The number of leveraged purchases as a proportion of total market capitalization was 2.2% as month end, slightly above the 10-year average but far below 2015's peak of 4.6% (as reported by BBG). The upcoming meeting between President Trump and President Xi will be monitored closely for guidance on Chinese tariffs. It appears for now that equity markets are somewhat immune to tariff headlines, with the CSI 300 up over +3.2% last week.

Technicals: All major onshore equity bourses have traded back above all major moving averages, with the exception of the HSI which is trying to hold above, having been stuck in tight ranges between the 50-day and the 100-day over the last fortnight. The HSI has moved above the 20-day EMA in morning trade and will be watched closely to see if it can close and consolidate above.

Fig 4: Hang Seng Index vs 20, 50, 100 and 200-day EMA



Source: Bloomberg Finance LP / MNI



USD/CNH is lower in early Monday trade, as markets digest positive weekend news around US-China talks. We got to lows of 7.1159, (after opening at 7.1251), but sit slightly higher now. Recent lows have been marked in the 7.1160/70 region, so this will remain a downside focus point. A clear break lower should bring the 7.1000 back into focus. The 20-day EMA is back around 7.1300, a likely upside resistance point, but with positive headlines around US-China talks the market focus is likely to remain on downside risks for the pair. Bonds have traded in tight ranges for several months with the recent trend in the daily OMO keeping liquidity tight. The CGB 10-Yr has traded in a 1.80-1.90% range and at current levels of 1.85% is trading around fair value.

The bond market has for best part of this year seen the 10-Yr trading in a +18bps range, with no signs of a breakout. The move above 1.90% in the CGB 10-Yr at the beginning of the month was short lived with it moderating back to 1.82% at the bottom end of recent ranges. Having had a period of relative consistent liquidity injections via the daily OMO, last week saw very controlled liquidity injections/withdrawals as bonds appeared to hover around fair value. For the week ahead there is no major central government bond issuance indicated yet, but this could change at any stage

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