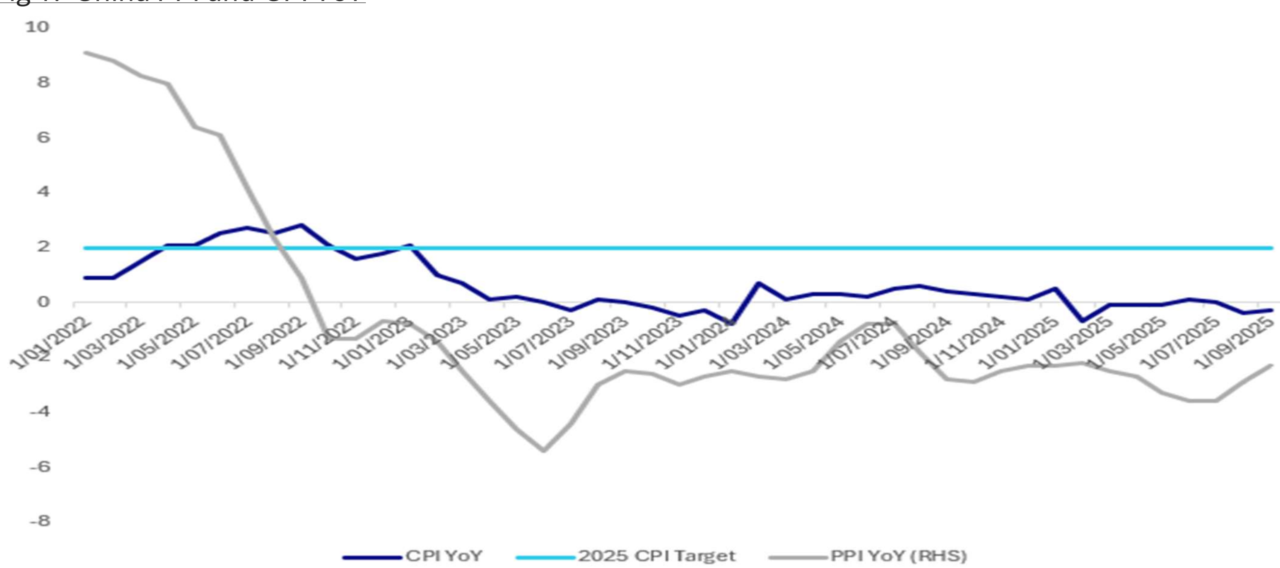
The Macro, Valuation, Sentiment and Technical Lens

Macro: China starts the week with the release of the October 'RatingDog' PMIs which will give a broader snapshot from corporates, after last week's weak official PMIs. PMI Manufacturing had spiked in October in what was part of the ongoing volatility in and around tariff discussions. The spike was attributed to an increase in output ahead of the Xi Trump meeting. Whilst today's release is too soon to see an impact from last week's meeting, the expected softening of PMI Manufacturing back closer to 50 (forecast 50.7) is probably a closer reflection of where manufacturing is at present. Services remains strong and is expected to remain above 52, after 52.9 last month.

Wednesday's key release is trade and consistent with the PMI Manufacturing, should moderate after a spike in September. The market forecasts are for +3.1%, from 8.3% prior and Imports to +2.5% from +7.4%.

Over next weekend will be the closely watched release of PPI and CPI. CPI tried to turn positive in June and July only to contract back into negative, whilst PPI will remain firmly in the negative where it has been since September 2022.
The weekend will be rounded off with Aggregate Financing and Money Supply.
Key to markets will be CPI with the bond market particularly looking for any sign of inflation in the system.

Fig 1: China PPI and CPI YoY



Source: Bloomberg Finance LP / MNI

Valuations: The CSI 300 Price to Earnings moderated last week from 18.11x to 17.48x. This is consistent with the expected moderation into year end.

Fig 2 CSI Price 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

12 Months Ending	2021 Y 12/31/2021	2022 Y 12/30/2022	2023 Y 12/29/2023	2024 Y 12/31/2024	Current 11/02/2025	2025 Y Est 12/31/2025	2026 Y Est 12/31/2026
Valuation Metrics							
Price/Earnings	16.65	14.03	12.65	15.77	17.48	16.25	14.26
Price/Earnings before ...	14.55	12.26	11.34	13.64	15.42	15.85	14.25
Price/Earnings before ...	15.19	12.72	11.59	14.46	16.25		
Price/Book Value	2.20	1.75	1.46	1.62	1.82	1.74	1.57
EV/Sales	2.58	2.04	1.87	2.28	2.64		
EV/EBIT	20.39	17.17	17.18	20.43	22.36		
EV/EBITDA	20.32	15.46	14.70	16.15	19.36	17.15	15.18
Dividend Yield	1.64	2.43	2.79	2.71	2.39	2.42	2.68

Source: Bloomberg Finance LP / MNI

There are diverging thoughts on the China economy, given the moderation of 3Q GDP. Some see it as a weak recovery, whilst other see it as a moderation from a higher-than-expected Q2. This divergence is playing out in the valuations between onshore and offshore as the Hang Seng lags the CSI 300 in valuations, falling again last week and with its P/E now below year end expectations.

Fig 3: 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	2021 Y 12/31/2021	2022 Y 12/30/2022	2023 Y 12/29/2023	2024 Y 12/31/2024	Current 11/02/2025	2025 Y Est 12/31/2025	2026 Y Est 12/31/2026
Valuation Metrics							
Price/Earnings	11.28	10.48	8.71	9.46	11.92	12.53	11.19
Price/Earnings before ...	10.32	10.48	8.73	9.74	12.07	12.92	11.52
Price/Earnings before ...	10.38	10.95	8.83	9.88	12.21		
Price/Book Value	1.13	1.12	1.00	1.10	1.38	1.34	1.25
EV/Sales	1.76	1.35	1.15	1.60	1.77		
EV/EBIT	9.71	9.19	7.76	10.23	12.18		
EV/EBITDA	9.72	7.96	8.02	9.49	10.06	11.15	9.70
Dividend Yield	2.54	3.37	4.06	3.83	3.06	3.04	3.23

Sentiment: Overall, it seems investors are encouraged by improving corporate profits and clearer policy direction, especially around tech and domestic demand. Corporate earnings have showed signs of improvement. On-shore listed firms in China are expected to record about 5.8 % year-on-year profit growth in Q3, up from 1.6 % in the preceding quarter (source China Daily) yet investors are looking for a broader based expansion, rather than what is being described as 'tech heavy'. The next 15th Five Year Plan and related policy announcements have stirred investor attention — especially around themes of technology self-reliance, domestic consumption and manufacturing upgrade, as long term positives for the economy. Yet sentiment remains tempered by the property drag (and its impact on domestic consumption) with the market commentary onshore over the weekend remains cautious for any trade resolution with the US.

Technicals: The Hang Seng's weakness last week has seen it reach an interesting inflection point, one that sees it atop the 50-day EMA. The HSI closed at 25,906 and a break below could bring into play 25,263 as the 100-day EMA. The CSI fell back late last week and is now approaching the 20-day EMA of 4,623 (Friday's close 4,640). It has only traded below the 20-day EMA and held once in recent months and will be watched closely if does as a potential technical correction.

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

Source: Bloomberg Finance LP / MNI

USD/CNH is steady in early Monday trade, as weekend press onshore could be described as cautious on the US China trade deal. We got to lows of 7.1159, (after opening at 7.1251), but sit slightly higher now. At 7.1229 USDCNY sits atop the 20-day EMA. Any break above brings the 50-day EMA into play at 7.1335.

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 bond market had dual forces impacting its fortunes last week, namely the increase in daily liquidity injections and the comments from the PBOC that they intend to begin bond buying again. The CGB 10-Yr finished the week below 1.80% and with expectations for further liquidity injections to come, could see it establish itself closer to 1.75% this week.