



## The Macro, Valuation, Sentiment and Technical Lens

**Macro:** This week's key data releases for China:

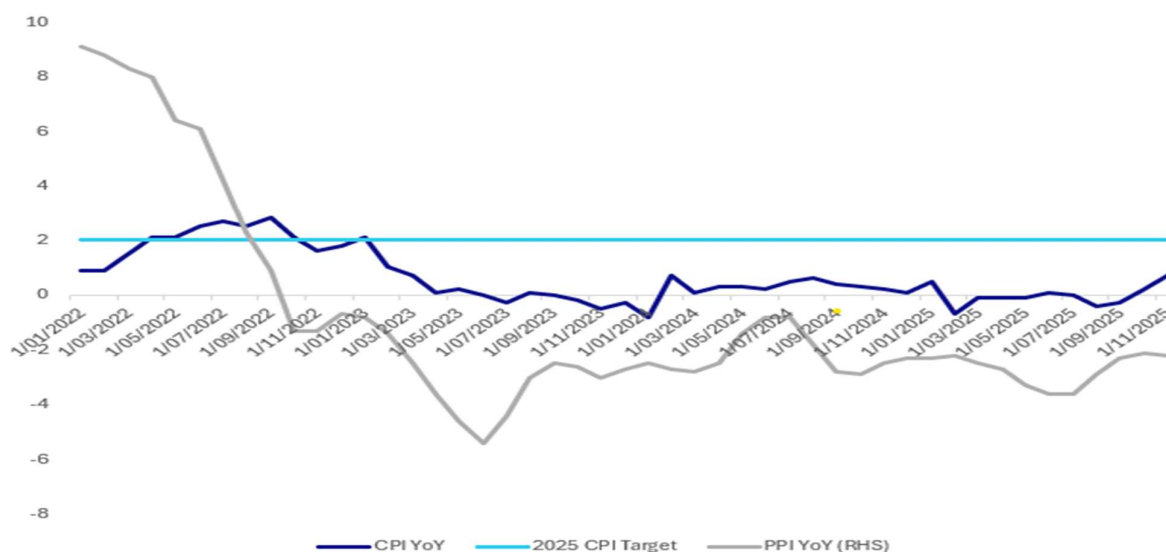
**Monday (Jan 5) RatingDog Services PMI (Dec)** — The private-sector measure of service sector activity in China as a near-term indicator of business conditions, slipped marginally into November and this moderation is forecast to continue with survey's suggesting December is likely to be near 52.0 (from 52.1 prior)

**Wednesday (Jan 7) China Foreign Reserves (Dec)** — No survey occurs for this release, November result was US\$3,346.40, up marginally from the month prior.

**Friday (Jan 9) China CPI (Dec)** — Consumer Price Index bottomed out at -0.4% in August and climbed to +0.7bps by November. Policy makers will be hoping for further improvements as a sign that the economy continues to improve and activity accelerates.

**Friday (Jan 9) China PPI (Dec)** — Producer Price Index reflects price changes at the factory gate. PPI helps gauge industrial inflation trends and cost pressures in manufacturing, which has been mired in deflation since September 2022. It is unlikely to see the December release being anything other than more of the same, showing factory gate prices remain in deflation due to the aggressive cost cutting that has been occurring.

*Fig 1: China CPI YoY vs 2025 CPI target and China PPI YoY*



source: Bloomberg Finance LP / MNI

**Valuations:** The CSI 300 ended the week with modest gains and in early January is at 5-Year highs for Price to Earnings. At 17.52x, it remains significantly above the 2026 forecast of 14.40x, suggesting downside risks could build. The dividend yield finished 2025 at 2.36% to remain a supportive factor from a valuation perspective, relative to bond yields.

Fig 2: CSI 300 Price to Earnings

SHSZ300 Index 90 Actions 97 Export 98 Settings								
Shanghai Shenzhen CSI 300 Index Compare <Sec> Periodicity Annuals Cur FRC (CNY)								
1) Key Stats 2) Fundamentals 3) Custom 4) Shared								
1) Highlights	2) Valuation	3) Profitability	4) Leverage & Liquidity	5) Market Data				
12 Months Ending	2022 Y 12/30/2022	2023 Y 12/29/2023	2024 Y 12/31/2024	2025 Y 12/31/2025	Current 01/04/2026	2026 Y Est 12/31/2026	2027 Y Est 12/31/2027	
Valuation Metrics								
Price/Earnings	14.00	12.72	15.78	17.48	17.52	14.40	12.73	
Price/Earnings before ...	12.26	11.34	13.64	15.30	15.35	14.35	12.67	
Price/Earnings before ...	12.72	11.60	14.46	16.12	16.17			
Price/Book Value	1.75	1.46	1.62	1.81	1.81	1.59	1.46	
EV/Sales	2.04	1.87	2.28	2.67	2.68			
EV/EBIT	17.16	17.17	20.45	22.55	22.58			
EV/EBITDA	15.57	14.70	16.15	19.82	19.82	15.00	12.27	
Dividend Yield	2.43	2.79	2.71	2.36		2.63	2.93	

The Hang Seng starts 2026 at 5-Year highs also, but not as elevated as onshore comparisons. At 12.38x, it is marginally ahead of the full year forecast of 11.58x and looks more attractive relative to bond yields with a dividend yield of 2.93%.

Fig 3: Hang Seng Price to Earnings

HSI Index 90 Actions 97 Export 98 Settings								
Hang Seng Index Compare <Sec> Periodicity Annuals Cur FRC (HKD)								
1) Key Stats 2) Fundamentals 3) Custom 4) Shared								
1) Highlights	2) Valuation	3) Profitability	4) Leverage & Liquidity	5) Market Data				
12 Months Ending	2022 Y 12/30/2022	2023 Y 12/29/2023	2024 Y 12/31/2024	2025 Y 12/31/2025	Current 01/04/2026	2026 Y Est 12/31/2026	2027 Y Est 12/31/2027	
Valuation Metrics								
Price/Earnings	10.84	8.68	9.50	11.92	12.38	11.58	10.32	
Price/Earnings before ...	10.51	8.59	9.94	12.27	12.76	11.88	10.59	
Price/Earnings before ...	10.95	8.69	10.02	12.44	12.93			
Price/Book Value	1.12	1.00	1.10	1.38	1.41	1.27	1.18	
EV/Sales	1.35	1.17	1.59	1.85	1.92			
EV/EBIT	9.19	7.62	10.34	13.06	13.50			
EV/EBITDA	7.96	7.44	9.49	11.76	12.32	10.33	9.08	
Dividend Yield	3.37	4.06	3.83	3.01	2.93	3.20	3.42	

Bond yields traded in tight ranges with the CGB 10-Yr locked in a 1.85 – 1.86% range for the week and appears unlikely to show much volatility in the week ahead.

USD/CNH consolidated its late 2025 break under 7.00, tracking near 6.9700 in latest dealings. The pair saw little upside through the tail end of last year, despite broader USD indices recovering some ground. Spot USD/CNY finished up at 6.9880. Note that onshore markets were shut Thursday/Friday last week but return today, with focus to rest on the USD/CNY fixing, which remains above market estimates but still skewed lower.

Firm downside technicals remain in play for USD/CNH. We tested under 6.9700 on Friday but couldn't sustain the break. 6.9500 is the likely next downside focus point, while all key EMAs are trending lower. The 20-day was last near 7.0130. We remain notably oversold for USD/CNH, per RSI (14), with a reading currently around 15.4.

Positive seasonality tends to continue through Jan for CNH. In the past 10yrs, on average USD/CNH has lost 0.79% (down in 6 out of the 10 January's for this sample period).

**Sentiment:** Investor sentiment in China is weakening as of late 2025, largely due to concerns over the economic outlook. The ongoing concerns with China Vanke weigh heavy over an already subdued property market with the grace period extension ending at the end of January. Despite the run up in equities since the April lows, the potential government support for the economy and its focus on specific high-tech sectors, overall confidence remains subdued. Key factors shaping this sentiment include persistent weakness in the property market and a slowdown in the broader economy which is feeding into subdued consumer demand. The probability for any significant policy changes appears remote, with some modest expectations for minor announcements for the property sector gaining traction.

**Technical:** The Hang Seng's good finish last week with +2.7% gains saw it back above all major moving averages, having remained below the 20-day EMA and the 50-day EMA since early November. Onshore bourses are all trading above all major moving averages also.

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



Source: Bloomberg Finance LP / MNI

The OMO last week began January with a large withdrawal of CNY433bn. There is over CNY1tn of maturities this week, focused in the first few days.

The focus for issuance this week is a CNY40bn of 182-bills, CNY175bn of 2027 bonds and CNY180bn of 2035 bonds.

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