



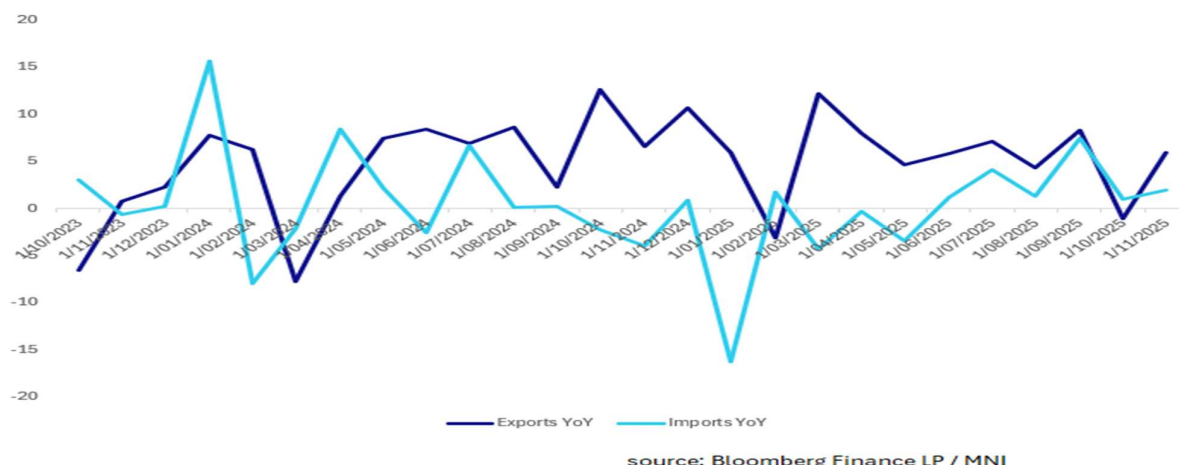
The Macro, Valuation, Sentiment and Technical Lens

Macro: The key data releases out for the week in China include aggregate financing/new loans and trade data. In 2025, China's credit growth was characterized by resilient government-led financing (agg financing) and weak private-sector demand (new yuan loans).

December forecasts are showing the divergent trend between broad aggregate financing and traditional bank lending is set to continue. Whilst traditional bank lending is sluggish, record government bond issuance which local governments have used for infrastructure and debt resolution, continues to see total aggregate financing strong. New bank lending has remained subdued throughout 2025, consistently missing market expectations due to a cooling property sector and cautious household spending. There is some expectations for an increase in December (forecast CNY 16,160.5bn from CNY15,361bn) but the increases are modest when base effects are considered.

China's trade data is out also and forecast to show resilience in December. Exports have been volatile in 2025 given the trade war and uncertainty leading into the Trump Xi meeting in Korea. Having peaked ahead of the leader's meeting with a September expansion of 8.2%, exports contracted in October modestly before jumping by 5.2% in November. The forecast of 3.0% for December would represent a resilient end to the year for exports. Most closely watched will be destination data with stronger growth to non-US destinations. If the forecast is correct, it would see full year exports of just over 5% for the full year. Imports are expected to moderate further into year end with a consensus of 0.8% and a modest expansion for the full year, punctuated by four months of contracting imports.

Fig 1: China Exports and Imports YoY



Valuations: Last week the onshore / offshore divide was on full show again as onshore bourses delivered gains of +2.75 – 5.00% whilst the Hang Seng declined -0.41%. The HSI price to earnings finished the week at 12.33x which remains high on a five-year comparison whilst significantly below the 18x of the CSI 300. The IPO schedule for the Hang Seng could be a factor in it's underperformance with an estimated 150 potential new IPOs (with 300 applications in the pipeline) and an estimated HK\$150bn of value expected this year.

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								
1) Highlights 12) Valuation 13) Profitability 14) Leverage & Liquidity 15) Market Data								
12 Months Ending	2022 Y	2023 Y	2024 Y	2025 Y	Current	2026 Y Est	2027 Y Est	
	12/30/2022	12/29/2023	12/31/2024	12/31/2025	01/11/2026	12/31/2026	12/31/2027	
Valuation Metrics								
Price/Earnings	10.84	8.68	9.50	11.92	12.33	11.51	10.26	
Price/Earnings before ...	10.51	8.59	9.94	12.27	12.70	11.81	10.52	
Price/Earnings before ...	10.95	8.69	10.02	12.44	12.88			
Price/Book Value	1.12	1.00	1.10	1.38	1.41	1.27	1.17	
EV/Sales	1.35	1.17	1.59	1.85	1.91			
EV/EBIT	9.19	7.62	10.34	13.06	13.46			
EV/EBITDA	7.96	7.44	9.49	11.76	12.28	10.23	8.96	
Dividend Yield	3.37	4.06	3.83	3.01	2.94	3.22	3.45	

Bond yields traded in tight ranges with the CGB 10-Yr locked in a 1.82 – 1.89% range for the week and appears unlikely to show much volatility in the week ahead even in the face of issuance.

Spot USD/CNH tracks near 6.9745/50 in early Monday dealings, a touch higher versus Friday lows (6.9717). The pair edged up slightly last week, but notably outperformed broader USD gains (BBDXY index +0.3%). We remain above early 2026 lows (6.9664) but moves towards 7.00 drew selling interest last week. This region is also where the 20-day EMA resistance point rests. Spot USD/CNY finished up at 6.9783 on Friday, while the CNY CFETS basket tracker sat at 98.54, fresh highs back to April last year and 0.56% higher last week.

The slight up tilt in USD indices since the start of the year is likely curbing USD/CNH downside, like wise in terms of US-CH yield differentials, which edged higher at the end of last week, but remained within recent ranges (2yr spread around +211bps). USTSY yields were firmer at the front post Friday's NFP print. However, CNH crosses continue a clear outperformance trend. CNH/JPY has broken to fresh highs above 22.66 at the tail end of last week (USD/JPY through 158.00). EUR/CNH is near 8.1150 in early dealings today, close to fresh lows since May last year. The USD/CNY fixing outcome, which made fresh lows last week despite higher USD index levels, along with positive yuan seasonality for January, will remain focus points in the near term.

Sentiment: Investor sentiment in China at the start of 2026 could be described as cautiously optimistic and highly divergent. Whilst a strong consensus among major financial institutions forecasts a positive year for Chinese equities, this is primarily driven by specific "new economy" sectors, leaving other areas of the market like property and consumer stocks lagging. There is focus on general consumption from policy makers and whilst the policies announced so far appear moderate, there remains high expectation of more to come. Valuations are already high for onshore bourses, but it is sector specific. The optimism appears fuelled by policy focus on AI / Tech and expectations for earning growth.

Technical: The Hang Seng's good finish last week with down at 4,758 and remains near to its downside resistance from the 20-day EMA at 4,664

Fig 3: Hang Seng Index vs 20, 50, 100 and 200-day EMA



Source: Bloomberg Finance LP / MNI

The OMO last week had a huge withdrawal of liquidity of CNY1.6tn, whilst replenishing the 3-month reverse repo of CNY1.1tn to ensure liquidity management over the lunar new year.

The focus for issuance this week is a CNY135bn of 2027 bonds and CNY32bn of 2056 bonds.

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