

# China / HK Market Weekly

## Consumer stocks gained on lockdown easing

Last week (9-13 May), US equities continued to pull back as US CPI topped estimates. But China A-shares rebounded and H-shares were largely unchanged as their valuations dropped to low levels with increasing possibility of further policy easing. Looking ahead to this week, investors will watch for 1Q earnings and guidance of Chinese tech companies including Tencent, JD.com and Xiaomi, and any supportive policies from Beijing such as any cut in LPR. Consumer stocks may outperform as Covid-lockdown in Shanghai is easing, and there could be fiscal support on the horizon.

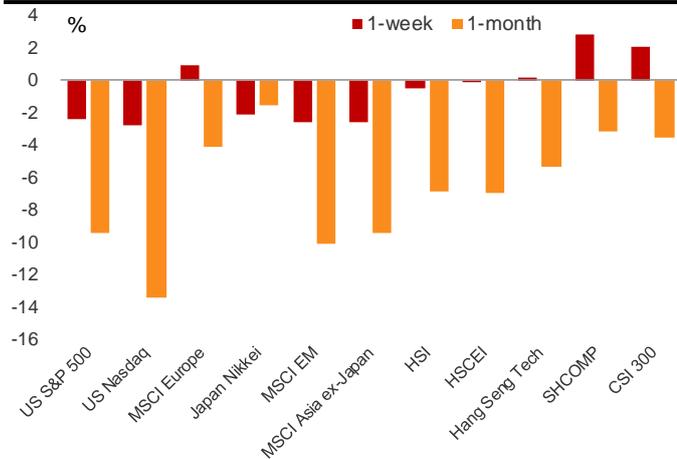
- **Market recap:** China A-shares were the best performing last week among major stock markets, with the CSI 300 up 2.1%. The HSI was down by 0.5% but outperformed the US & EM. The positive market sentiment from easing lockdown measures in Shanghai and expectation of more pro-growth policies such as "going-rural" initiative of automobile (汽车下乡) boosted China/HK stocks. By sector, in HK, Consumer & Healthcare led gains, while Commodities & Financials declined. In A-shares, growth stocks such as Healthcare, IT & Consumer outperformed value stocks (Fig. 3 & 4).
- **Fund flows:** Global funds continued to flow out of EM amid Fed's tightening. Equity flows to China declined after two weeks of improvement. US equity mutual funds continued to see net outflows, but mildly improved as investors seemed divided over further downside of US stocks. UST yield curve flattened as 10-year yield retreated while 3-month yield spiked (Fig. 10).
- **Stock Connect flows:** Southbound recorded the strongest inflows since mid-Mar, while Northbound weekly inflows dropped further (Fig. 12-13). By sector, Southbound funds flew into IT, Healthcare, Energy & Industrials and out of Consumer Discretionary, Real Estate & Construction. Northbound funds flew into Semiconductors, Utilities, Consumer Services, Pharmaceutical & Biotechnology, and out of Materials, Food, Beverage & Tobacco, Capital Goods & Transportation. AH premium widened by 1.7 ppt as A-shares outperformed (Fig. 17).
- **Sentiment:** "Fear Index" VHSI remained above 33, while the US VIX moderated to 28.9 (Fig. 22). Short sell % on HK mainboard came down to 18.6% last Friday (Fig. 23). By sector, short sell ratio increased in Financials, Healthcare & Industrial, and decreased in Property, Utilities, Telecom, Energy, Materials & Consumer Staples.
- **Earnings:** FY22E EPS consensus of the HSI / HSTECH / CSI 300 were still in downtrends, revised down by 1.1% / 2.7% / 0.4% last week (Fig. 41-43). In HK, every sector except Materials got downward revisions, with IT slashed by 3.2%. In A-shares market, EPS estimates went down in every sector except Energy & Real Estate, but the magnitude of revisions was smaller than H-shares (Fig. 44-45).
- **Sector views:** In the short term, Consumer stocks may outperform as Covid-lockdown in Shanghai is easing, and there could be fiscal support on the horizon. Internet sector may remain volatile as companies are going to announce their 1Q results and potentially lower earnings guidance.

**Daniel So, CFA**  
 (852) 3900 0857  
 danielso@cmbi.com.hk

**Bingnan YE, Ph.D**  
 (852) 3761 8967  
 yebingnan@cmbi.com.hk

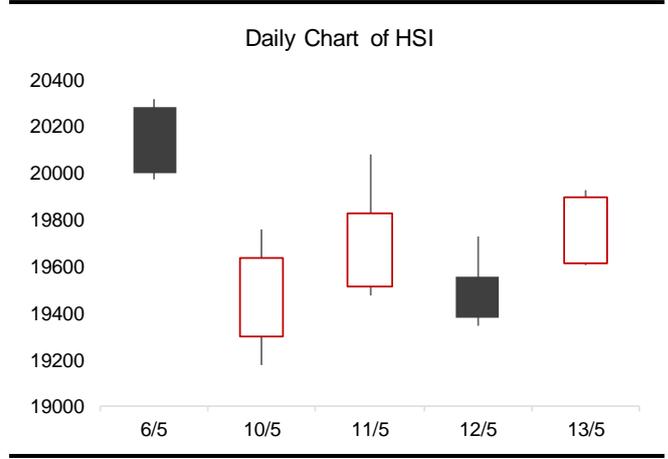
## Market Recap

**Figure 1: US & EM remained weak, but China/HK outperformed**



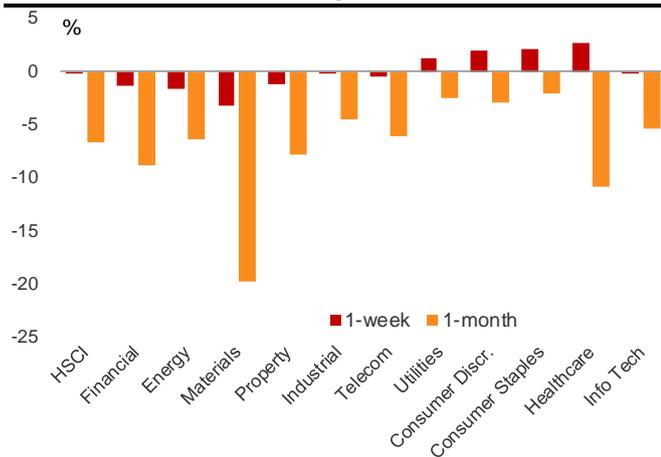
Source: Bloomberg, CMBIGM

**Figure 2: HSI dropped to the lowest since mid-Mar and then rebounded along with A-shares**



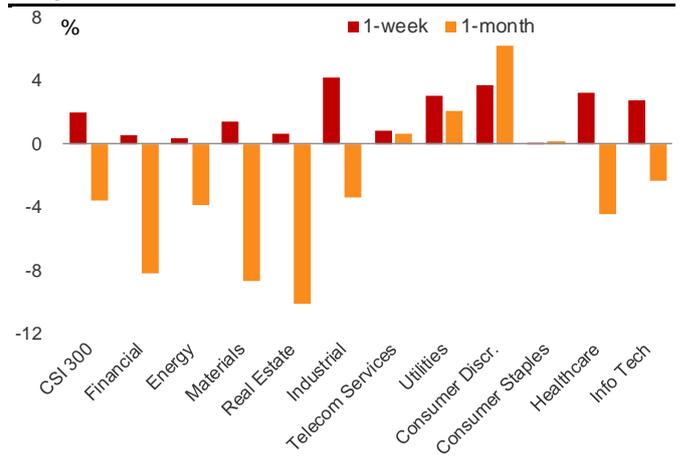
Source: Bloomberg, CMBIGM

**Figure 3: Hang Seng Composite Index sectors: Consumer & Healthcare up; Commodities down**



Source: Bloomberg, CMBIGM

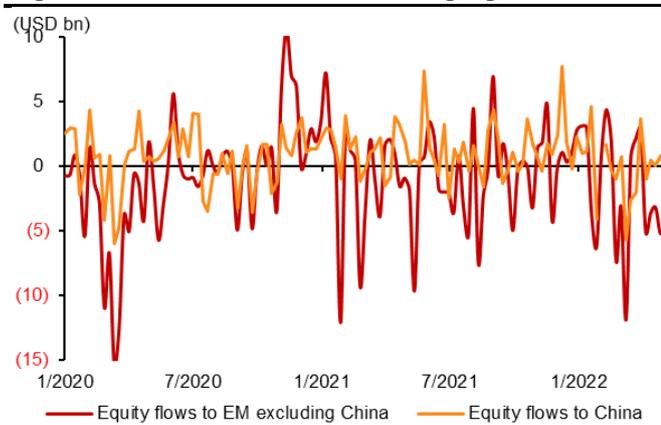
**Figure 4: CSI 300 Index sectors: growth stocks outperformed value**



Source: Bloomberg, CMBIGM

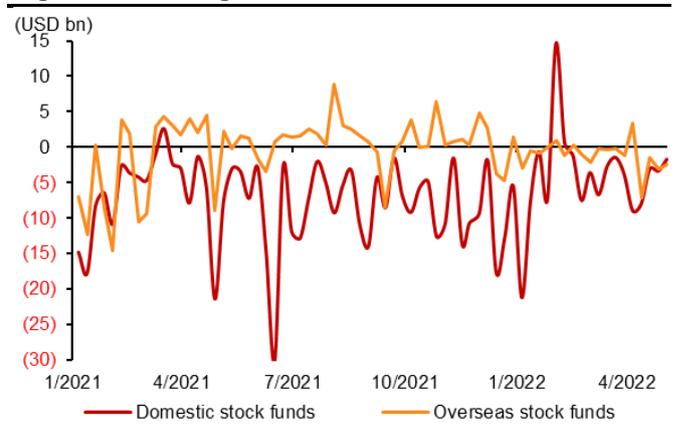
## Fund Flows

**Figure 5: Global fund flow to emerging market**



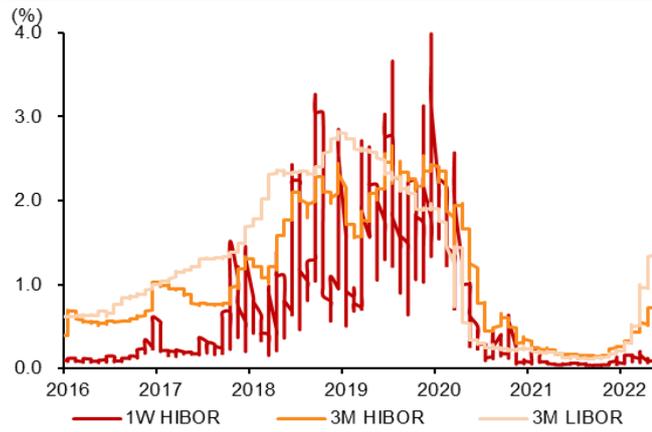
Source: IIF, CMBIGM

**Figure 6: US long-term mutual fund flow**



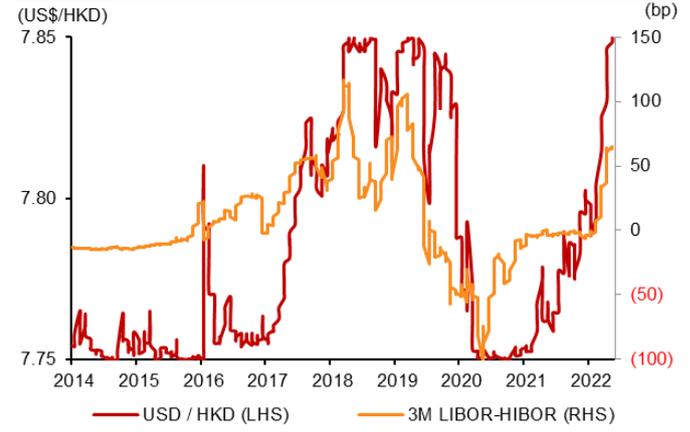
Source: Wind, CMBIGM

**Figure 7: USD & HKD interest rates**



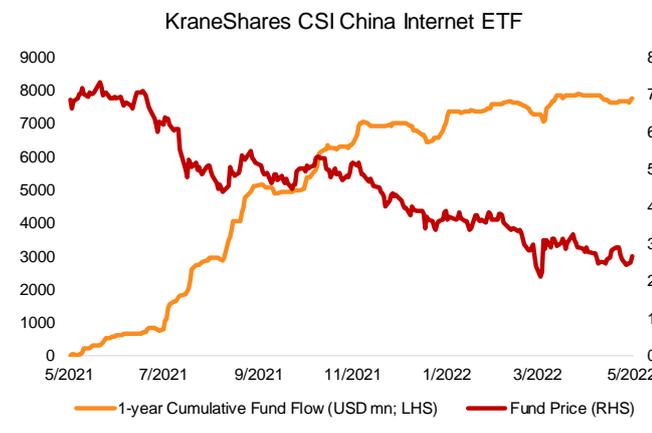
Source: Wind, CMBIGM

**Figure 8: USD/HKD rates & interest spreads**



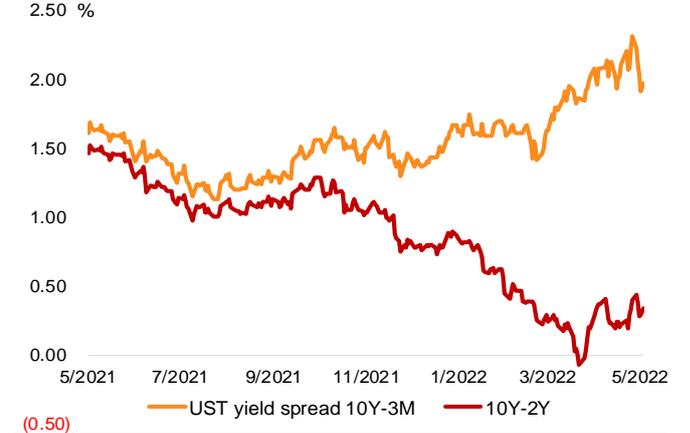
Source: Wind, CMBIGM

**Figure 9: KWEB, the largest China Internet ETF, recorded mild inflows last week as prices rebounded**



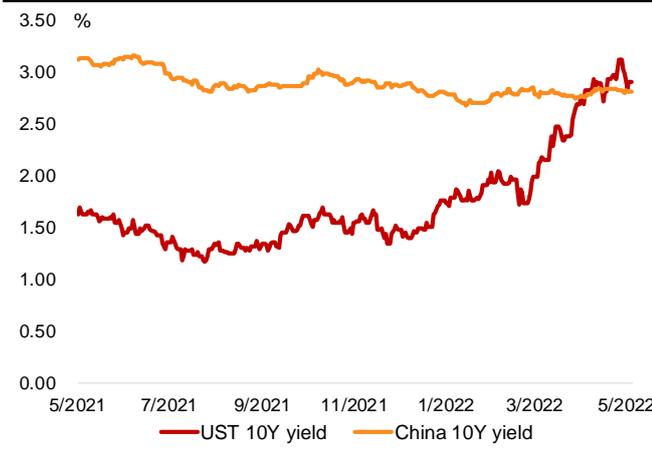
Source: Bloomberg, CMBIGM

**Figure 10: UST yield curve flattened as 10-year yield retreated while 3-month yield spiked**



Source: Bloomberg, CMBIGM

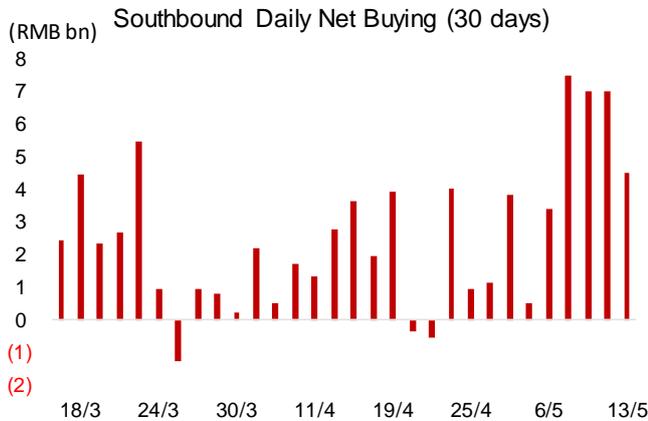
**Figure 11: US-China 10-year yield spread narrowed by 20 bps last week**



Source: Bloomberg, CMBIGM

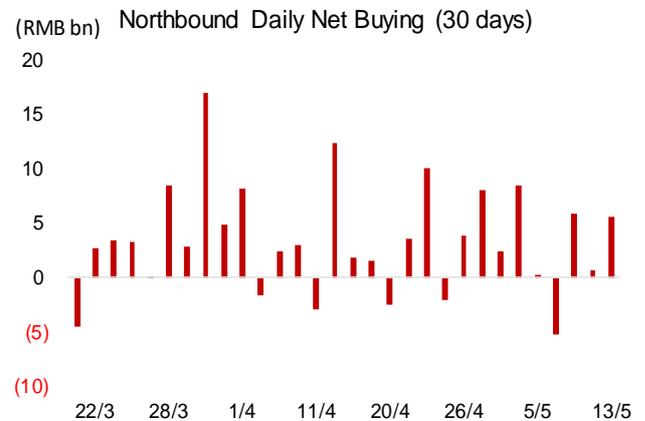
## SH/SZ-HK Stock Connect

**Figure 12: Southbound had strongest inflows since mid-Mar**



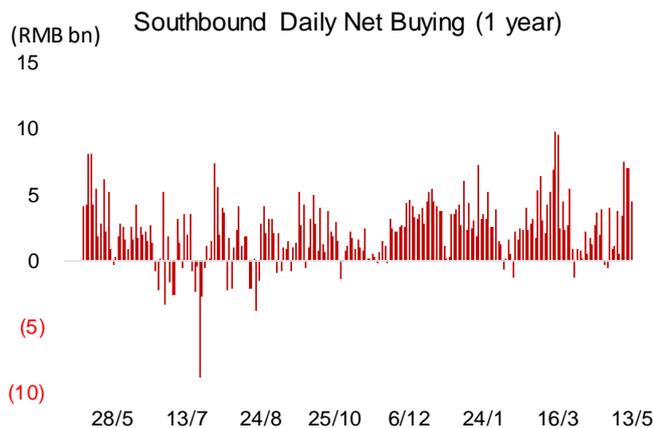
Source: Bloomberg, CMBIGM

**Figure 13: Northbound weekly inflows dropped further**



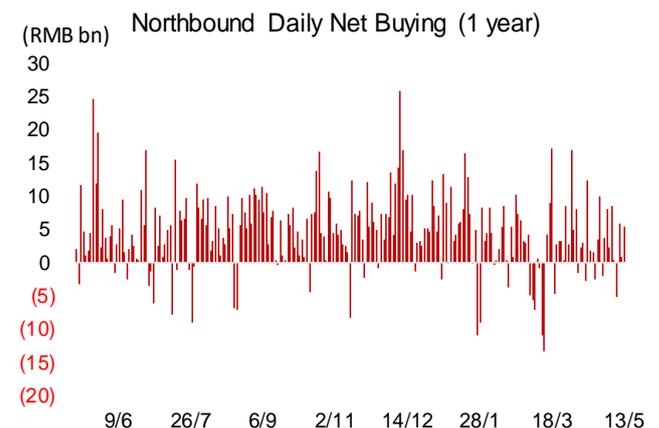
Source: Bloomberg, CMBIGM

**Figure 14: Southbound net buying moderated vs. 1Q**



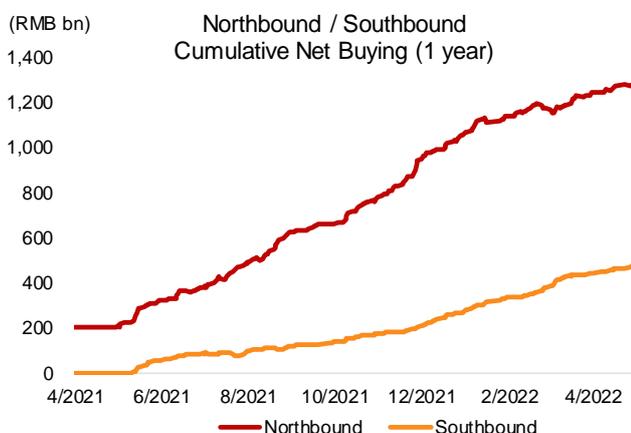
Source: Bloomberg, CMBIGM

**Figure 15: Northbound inflows trending down**



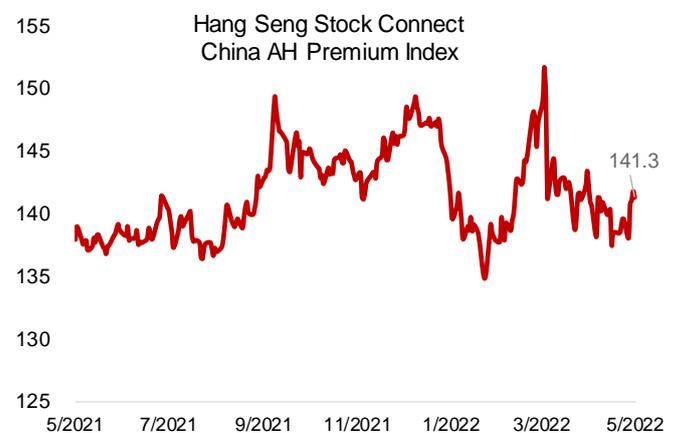
Source: Bloomberg, CMBIGM

**Figure 16: Southbound inflows speeded up since early 2022, while Northbound inflows slowed down**



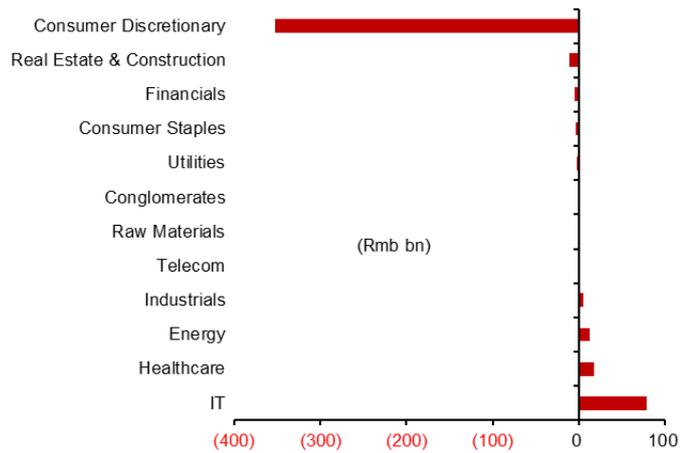
Source: Bloomberg, CMBIGM

**Figure 17: AH premium widened by 1.7 ppt last week as A-shares outperformed**



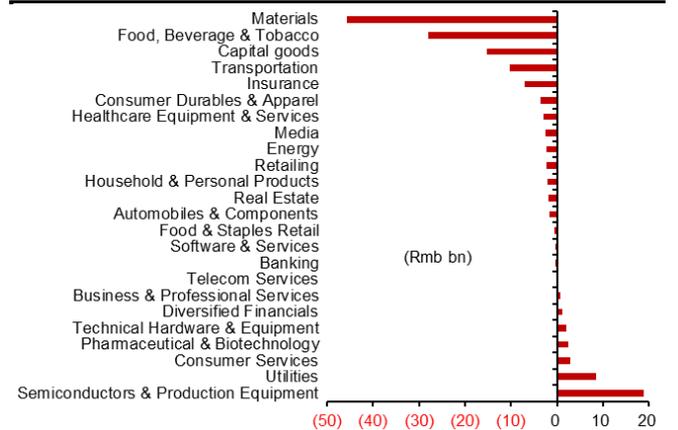
Source: Bloomberg, CMBIGM

**Figure 18: Southbound net flows by sector last week**



Source: Wind, CMBIGM

**Figure 19: Northbound net flows by sector last week**



Source: Wind, CMBIGM

**Figure 20: Southbound weekly top 10 active stocks**

(HKD mn, cumulative)		Turnover	Net Buying
Meituan	3690 HK	13,171	6,343
Tencent	700 HK	11,574	3,869
CNOOC	883 HK	4,028	569
China Mobile	941 HK	2,129	499
Kuaishou	1024 HK	4,389	858
Great Wall Motor	2333 HK	1,303	61
Xiaomi	1810 HK	1,792	93
SMIC	981 HK	1,292	-33
BYD Co	1211 HK	822	641
ANTA Sports	2020 HK	883	580

Source: Wind, CMBIGM

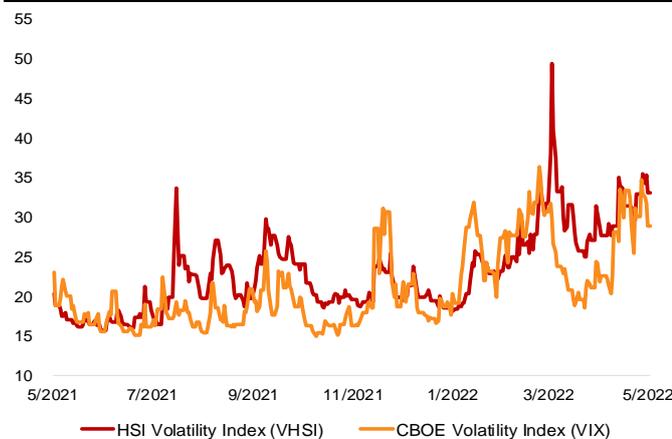
**Figure 21: Northbound (SH) top 10 active stocks**

(RMB mn, cumulative)		Turnover	Net Buying
Kweichow Moutai	600519 CH	8,537	-2,138
China Merchants Bank	600036 CH	3,446	342
LONGi Green Energy	601012 CH	3,380	373
China State Construction	601668 CH	1,821	293
China Yangtze Power	600900 CH	483	296
Industrial Bank	601166 CH	1,127	379
TBEA Co	600089 CH	438	270
Great Wall Motor	601633 CH	1,019	-590
Sany Heavy Industry	600031 CH	432	-34
Ping An Insurance	601318 CH	2,296	-593

Source: Wind, CMBIGM

## Sentiments

**Figure 22: "Fear Index" VHSI remained above 33, while the US VIX moderated to 28.9**



Source: Bloomberg, CMBIGM

**Figure 23: Short sell % on HK mainboard came down to 18.6% last Friday**



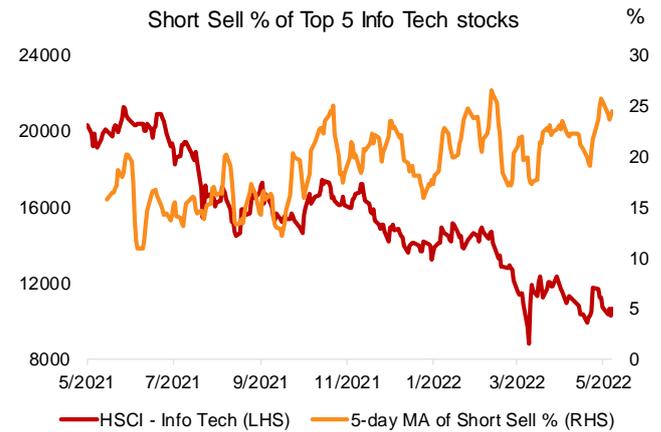
Source: Bloomberg, CMBIGM

**Figure 24: Short sell % in HK - Financials**



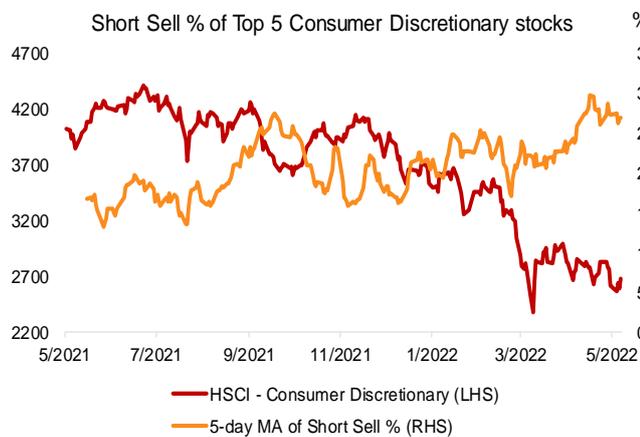
Source: Bloomberg, CMBIGM

**Figure 25: Short sell % in HK – Info Tech**



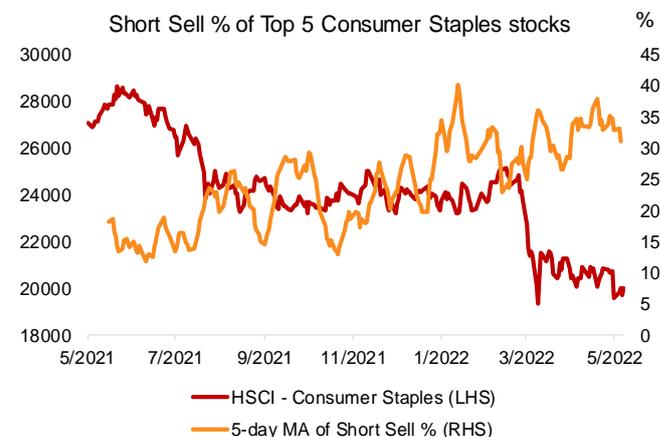
Source: Bloomberg, CMBIGM

**Figure 26: Short sell % in HK – Consumer Discretion.**



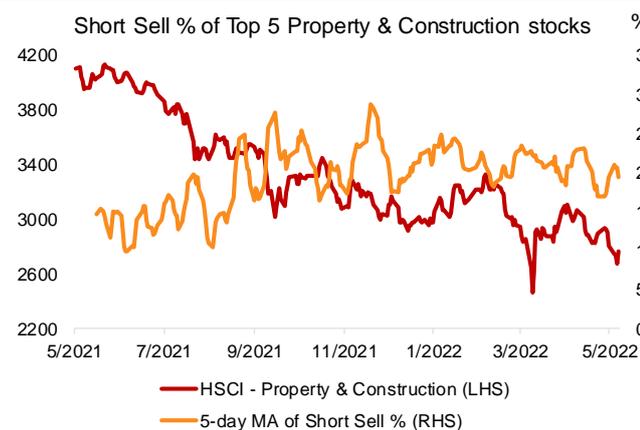
Source: Bloomberg, CMBIGM

**Figure 27: Short sell % in HK – Consumer Staples**



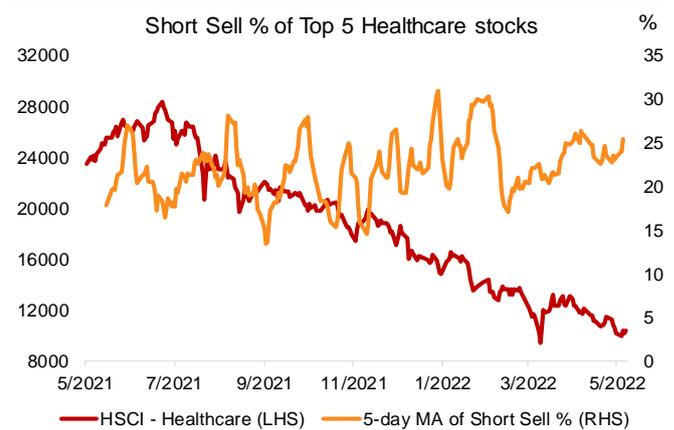
Source: Bloomberg, CMBIGM

**Figure 28: Short sell % in HK - Property**



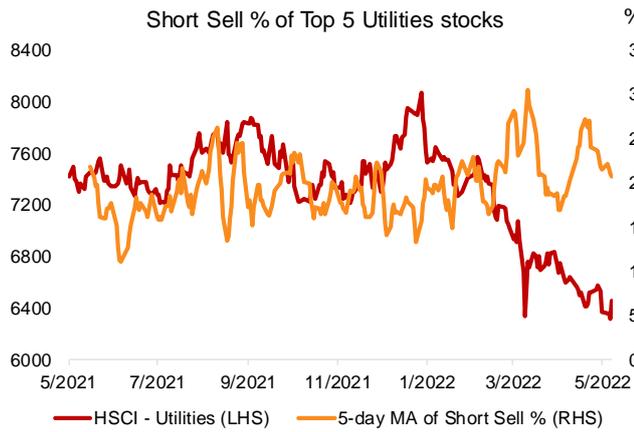
Source: Bloomberg, CMBIGM

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



Source: Bloomberg, CMBIGM

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



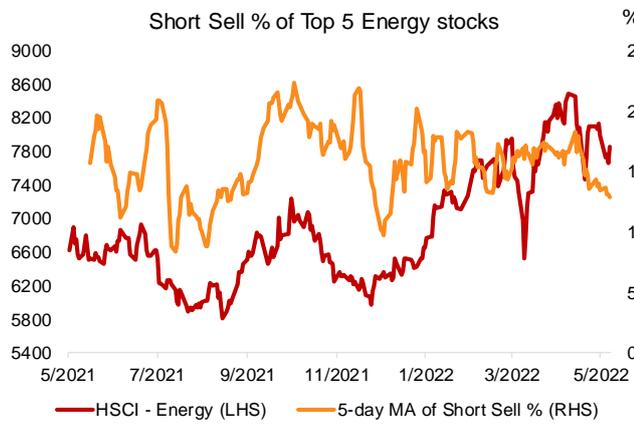
Source: Bloomberg, CMBIGM

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



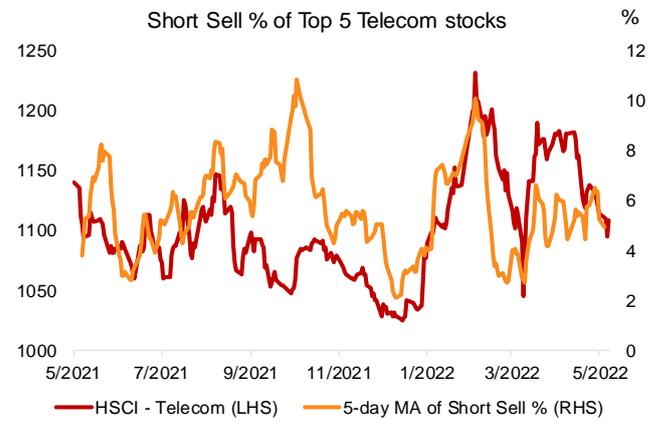
Source: Bloomberg, CMBIGM

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



Source: Bloomberg, CMBIGM

**Figure 33: Short sell % in HK – Telecom**



Source: Bloomberg, CMBIGM

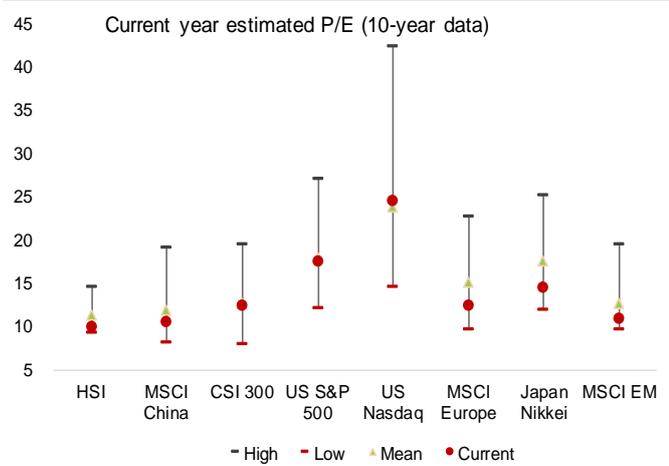
**Figure 34: Short sell % in HK – Materials**



Source: Bloomberg, CMBIGM

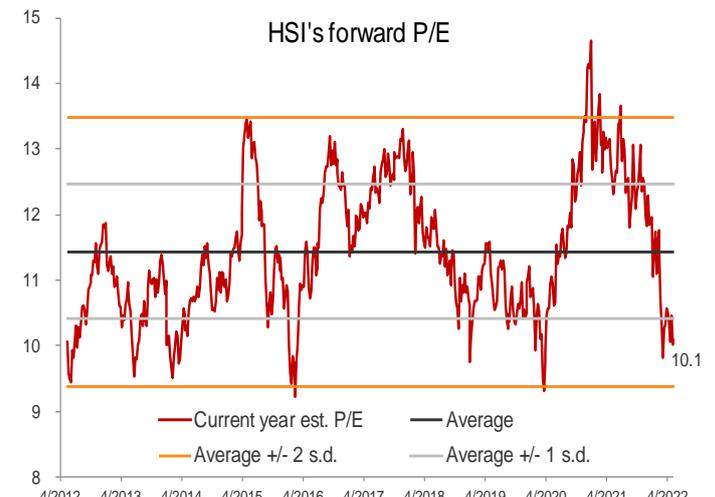
## Earnings & Valuations

**Figure 35: HSI's P/E close to low end, while A-shares and the US are near 10-year mean**



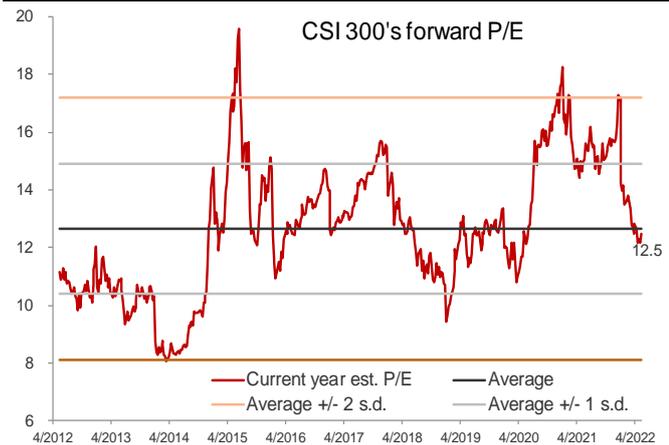
Source: Bloomberg, CMBIGM

**Figure 36: HSI's forward P/E at 10.1X**



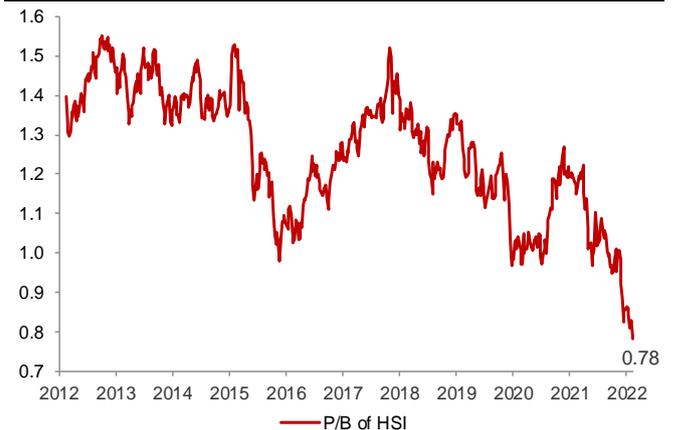
Source: Bloomberg, CMBIGM

**Figure 37: CSI 300's P/E only slightly lower than 10-year mean**



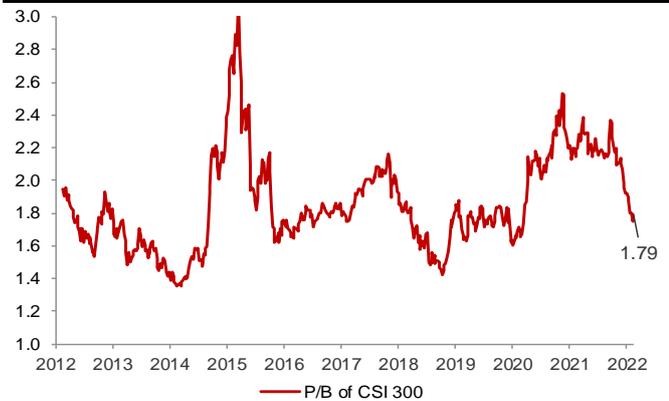
Source: Bloomberg, CMBIGM

**Figure 38: HSI's P/B well under 1, lower than previous crisis troughs**



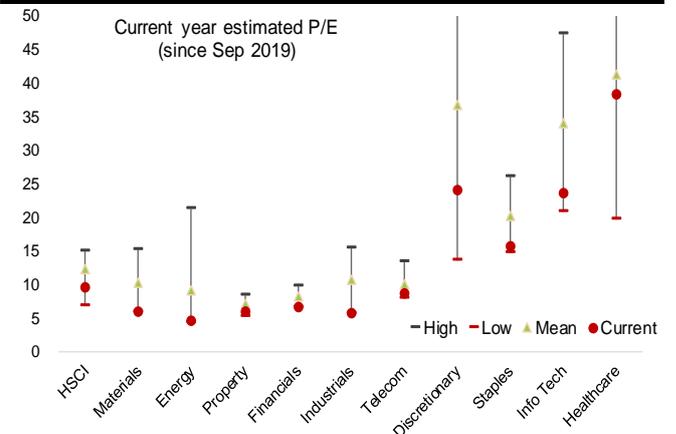
Source: Bloomberg, CMBIGM

**Figure 39: CSI 300's P/B only slightly lower than 10-year mean (1.88X)**



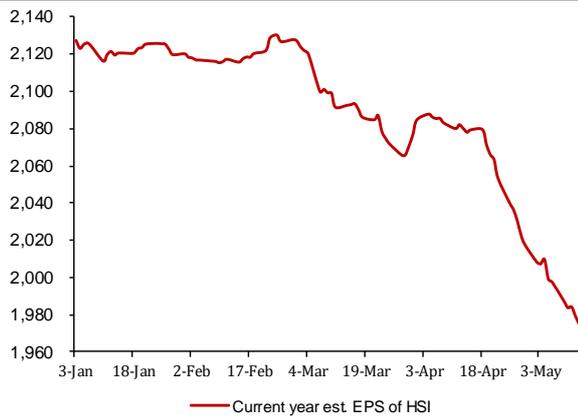
Source: Bloomberg, CMBIGM

**Figure 40: Most HSCI sectors' P/E are near troughs**



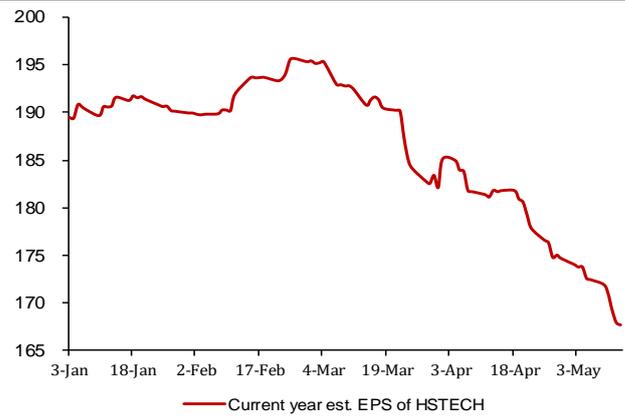
Source: Bloomberg, CMBIGM

**Figure 41: EPS estimates of HSI were still in downtrend, revised down by 1.1% last week**



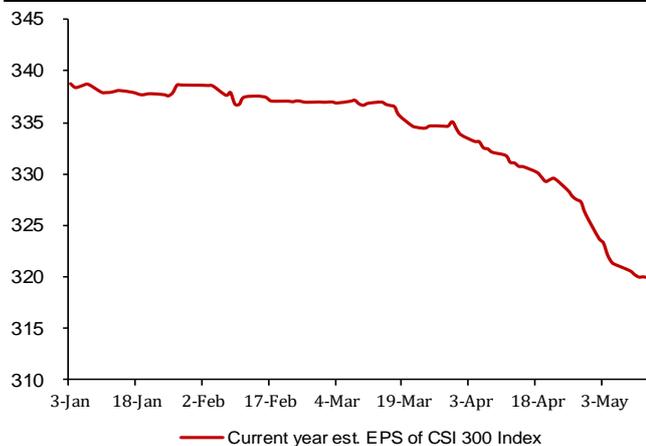
Source: Bloomberg, CMBIGM

**Figure 42: EPS estimates of HSTECH Index were revised down by 2.7% last week**



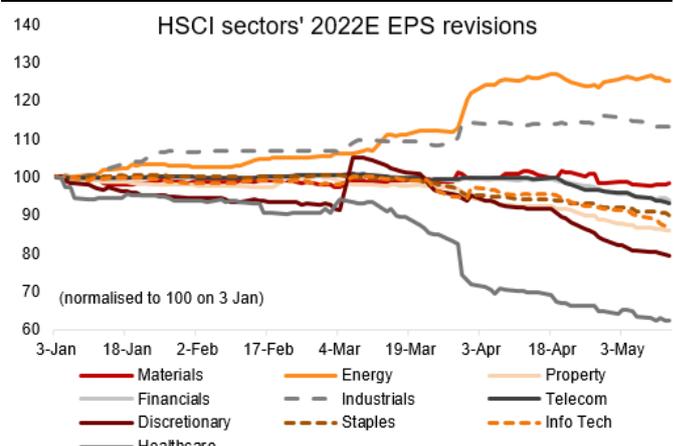
Source: Bloomberg, CMBIGM

**Figure 43: EPS estimates of A-shares were revised down by 0.4% last week**



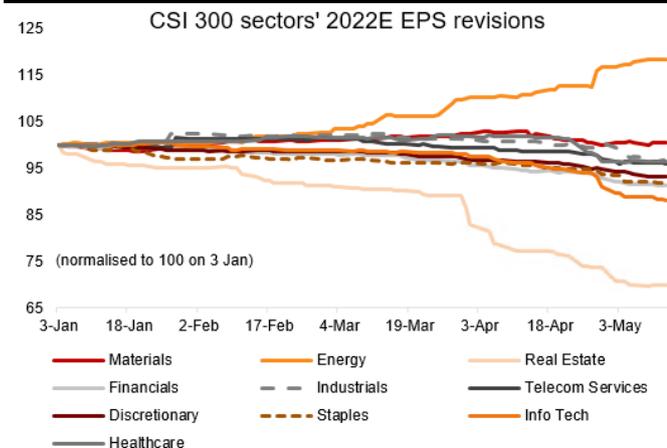
Source: Bloomberg, CMBIGM

**Figure 44: HK earnings revision: down in every sector except Materials; IT down by 3.2%**



Source: Bloomberg, CMBIGM

**Figure 45: A-shares earnings revision: only Energy & Real Estate got revised up**



Source: Bloomberg, CMBIGM

# Disclosures & Disclaimers

## Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

## CMBIGM Ratings

<b>BUY</b>	: Stock with potential return of over 15% over next 12 months
<b>HOLD</b>	: Stock with potential return of +15% to -10% over next 12 months
<b>SELL</b>	: Stock with potential loss of over 10% over next 12 months
<b>NOT RATED</b>	: Stock is not rated by CMBIGM
<b>OUTPERFORM</b>	: Industry expected to outperform the relevant broad market benchmark over next 12 months
<b>MARKET-PERFORM</b>	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
<b>UNDERPERFORM</b>	: Industry expected to underperform the relevant broad market benchmark over next 12 months

## CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

**CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)**

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.