

China/HK Markets: Navigating a tough journey with Trump

EQUITY STRATEGY TEAM

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Geopolitical concerns have led traders to hesitate in allocating funds to China recently.¹ However, financial experts with CFAs and MBAs recognise a significant opportunity to keep a lookout on the undervalued Chinese stocks.¹ The Chinese government has begun to gradually stimulate the economy, which could act as a positive catalyst for Chinese markets and potentially indicating that the MSCI China index reached its bottom back in January 2024.² As such, China's stock markets are likely to maintain an upward trend with further stimulus measures.² While the risk of policy missteps always exists, the broader market remains optimistic that the Chinese government will continue to pursue accommodative fiscal and monetary policies in 2025.³ Additionally, there is an expectation that the Trump Administration will seek a "grand bargain" with China, albeit through challenging negotiations.⁴

The focus isn't solely on whether China will become a significant player in 2025, but rather the pace and extent of its growth trajectory. The critical question for traders is whether they can effectively position themselves to capitalise on the momentum.

1 Stimulus

President Xi Jinping has pushed China to implement more proactive macroeconomic policies this year to maintain its growth momentum, particularly in anticipation of potential new tariffs from the US on the world's second-largest economy.⁵ Policymakers have also indicated that they are evaluating additional supportive measures, such as increasing the official fiscal deficit and promoting domestic consumption.⁵ The Central Economic Work Conference back in December 2024 has set China's annual growth target and budget.⁶ However, specific strategies to achieve these objectives will not be revealed until the National People's Congress convenes in early March 2025.⁷ It is expected that stimulus measures will be intensified, with the growth target likely mirroring or closely resembling last year's figures.⁶ Therefore, keep a lookout on companies that are the policy beneficiaries.⁶

2 Earnings Outlook/Dividend

Chinese equity fundamentals appear to be the primary drivers of long-term returns. In the fourth quarter of 2024, interim dividends paid by Hong Kong-listed Chinese companies reached a record high of over US\$16.2 billion, marking a 47% increase compared to the previous year.⁸ Cash dividends and payout ratios are anticipated to rise again in 2025, partly due to government encouragement for all listed companies to not only boost dividends but also to pay them more frequently to enhance share prices.⁸ Consequently, banks distributed cash payments to shareholders generously.⁹ With their valuations nearing record lows, these high yields are among the most attractive in the market, often double or triple those of Chinese government bonds.⁹ Therefore, the features of bank stocks characterised by low volatility and quality dividends, make them comparable to corporate bonds.^{6,9}

3 Artificial intelligence and Machine Learning

President Xi Jinping reiterated his dedication to promoting high-level scientific and technological self-reliance.^{3,10} By 2025, Artificial Intelligence (AI) and machine learning are expected to play a dominant role in China's industrial landscape, acting as transformative forces across various sectors.¹⁰ The swift adoption of digital technologies, strong government backing, and an increasing demand for AI-driven solutions have placed these industries at the leading edge of innovation and growth.¹⁰ The AI sector is forecasted to expand from US\$34.2 billion in 2024 to US\$154.8 billion by 2030, with machine learning anticipated to experience even more rapid growth.¹⁰ At the sector level, the markets are tapping on such growth through large-cap, index-heavy internet and platform companies.⁶



Hong Kong

Below are the stocks based on market capitalisation

Ticker	Name	Market Cap [USD]	Price [USD]	Analysts' Consensus 12M Target Price [USD]	Potential returns from Analyst Consensus	Dividend Yield
Top 20 index stocks						
700 HK	TENCENT HOLDINGS LTD	3.54T	387.40	517.61	33.61%	0.89%
1398 HK	IND & COMM BK OF CHINA-H	2.29T	5.03	5.76	14.48%	3.07%
941 HK	CHINA MOBILE LTD	1.65T	75.40	88.17	16.94%	6.67%
9988 HK	ALIBABA GROUP HOLDING LTD	1.56T	84.80	117.34	38.37%	1.19%
857 HK	PETROCHINA CO LTD-H	1.55T	6.06	7.84	29.45%	8.17%
939 HK	CHINA CONSTRUCTION BANK-H	1.55T	6.17	7.52	21.94%	3.45%
3988 HK	BANK OF CHINA LTD-H	1.52T	3.93	4.35	10.72%	3.30%
5 HK	HSBC HOLDINGS PLC	1.42T	78.85	82.57	4.72%	6.01%
3968 HK	CHINA MERCHANTS BANK-H	1.06T	41.95	47.49	13.20%	5.17%
2628 HK	CHINA LIFE INSURANCE CO-H	974.53B	14.00	18.34	30.99%	1.60%
3690 HK	MEITUAN-CLASS B	922.02B	158.50	208.16	31.33%	N/A
883 HK	CNOOC LTD	923.01B	18.94	22.83	20.55%	7.47%
1810 HK	XIAOMI CORP-CLASS B	886.18B	35.90	35.55	-0.98%	N/A
2318 HK	PING AN INSURANCE GROUP CO-H	876.32B	43.15	60.19	39.49%	6.28%
1211 HK	BYD CO LTD-H	851.38B	279.60	346.07	23.77%	1.21%
1088 HK	CHINA SHENHUA ENERGY CO-H	775.85B	30.65	36.70	19.74%	7.92%
386 HK	CHINA PETROLEUM & CHEMICAL-H	726.64B	4.30	5.28	22.79%	8.83%
1299 HK	AIA GROUP LTD	590.36B	55.50	91.02	64.01%	2.99%
9618 HK	JD.COM INC-CLASS A	491.24B	158.40	189.49	19.63%	1.96%
9999 HK	NETEASE INC	499.19B	157.40	184.50	17.22%	2.47%
Top 10 stocks in the Banking sector						
1288 HK	AGRICULTURAL BANK OF CHINA-H	1.81T	4.23	4.67	10.43%	2.99%
939 HK	CHINA CONSTRUCTION BANK-H	1.55T	6.17	7.52	21.94%	3.45%
3988 HK	BANK OF CHINA LTD-H	1.52T	3.93	4.35	10.72%	3.30%
1658 HK	POSTAL SAVINGS BANK OF CHI-H	529.84B	4.62	5.52	19.57%	3.46%
3328 HK	BANK OF COMMUNICATIONS CO-H	511.65B	6.07	6.57	8.22%	3.22%
998 HK	CHINA CITIC BANK CORP LTD-H	354.83B	5.43	5.93	9.26%	3.64%
2388 HK	BOC HONG KONG HOLDINGS LTD	262.20B	24.85	29.29	17.87%	6.92%
267 HK	CITIC LTD	251.34B	8.78	9.43	7.35%	6.66%
11 HK	HANG SENG BANK LTD	177.87B	94.60	97.00	2.54%	7.20%
2016 HK	CHINA ZHESHANG BANK CO LTD-H	77.82B	2.19	3.05	39.27%	8.17%
Top 10 stocks in the Internet and Platform sector						
700 HK	TENCENT HOLDINGS LTD	3.54T	387.40	517.61	33.61%	0.89%
3690 HK	MEITUAN-CLASS B	922.02B	158.50	208.16	31.33%	N/A
1024 HK	KUAISHOU TECHNOLOGY	174.89B	41.50	64.46	55.31%	N/A
780 HK	TONGCHENG TRAVEL HOLDINGS LT	42.17B	18.62	23.15	24.35%	0.83%
136 HK	CHINA RUYI HOLDINGS LTD	33.70B	2.36	N/A	N/A	N/A
1357 HK	MEITU INC	14.21B	3.11	3.87	24.33%	1.15%
2587 HK	HEALTHYWAY INC	12.53B	14.54	N/A	N/A	N/A
1896 HK	MAOYAN ENTERTAINMENT	9.06B	7.94	10.23	28.79%	N/A
2013 HK	WEIMOB INC	8.06B	2.30	2.87	24.91%	N/A
2192 HK	MEDLIVE TECHNOLOGY CO LTD	6.28B	8.63	11.10	28.62%	3.10%

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