

China: Will there be more fresh stimulus policies to boost economy?

EQUITY STRATEGY TEAM

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What were China's latest stimulus measures?

The latest policy initiative in China primarily aims to stabilise the real estate sector.¹ This includes measures such as reducing interest rates on existing mortgages and easing restrictions on the housing market.¹ In coordination with the central bank, Chinese authorities have lowered interest rates, increased liquidity to encourage bank lending, and committed up to US\$340 billion to support China's equity market.¹ During a mid-October briefing, Finance Minister Lan Fo'an announced that local governments would be permitted to use special bonds to purchase unsold homes, while also hinting at a possible budget revision in the near future.² Although he did not specify the cost of any additional stimulus, the stock market reacted with cautious optimism, anticipating increased fiscal support.¹

Will the latest stimulus effort fix the problem?

The stimulus package could enhance growth by about 1% to 1.1% over the next four quarters, according to Bloomberg Economics.¹ Success largely hinges on the extent of fiscal resources that policymakers are willing to allocate, which could bring China closer to its 5% growth target.¹ Nonetheless, overcoming deflation and improving the sentiment surrounding the property market will be challenging.² It remains to be seen if this momentum can be sustained as the impact from previous property easing measures did fizzle out around one to two months after the announcement of the supportive measures.² According to data from market watcher China Real Estate Information Corp (CRIC), new home transactions saw a rebound in the first two weeks of Oct 2024.² This rose 27% in 30 key cities for the first 13 days of Oct 2024 as compared to the first 13 days of Sep 2024.² New home sales for tier-1 cities increased 14% for the first 13 days of Oct 2024 versus the same period in the preceding year and was higher by 29% sequentially.² There was also a rebound in secondary home transactions. This doubled on a year-on-year and month-on-month basis in 14 cities in the second week of Oct 2024.² In particular, both Shenzhen and Hangzhou recorded their highest weekly transaction volumes year-to-date.²

What is next?

In response to growing concerns, Premier Li Qiang recently pledged to "listen to the voice of the market" when formulating economic policies. Some analysts believe a turning point has already been reached.²

The market is currently awaiting stimulus plans as China's top legislature is set to convene from 04 to 08 Nov 2024.³ Policymakers in Beijing may take further steps to support Chinese stocks, building on the initial boost from earlier stimulus measures.³ The upcoming session of China's top legislative body is particularly significant as markets anticipate details of fiscal support aimed at bolstering President Xi Jinping's most ambitious economic stimulus plan since the pandemic.⁴ Some reports suggest that China may consider approving over 10 trillion yuan (US\$1.4 trillion) in additional borrowing in the coming years to strengthen the economy and address local government debt risks.⁴ This package includes 6 trillion yuan in debt to be raised over three years, starting in 2024, to help local authorities manage off-balance-sheet debt, along with 4 trillion yuan in bonds to finance regional governments' purchases of idle land and properties over the next five years.⁴ The scale of the stimulus could expand if Donald Trump wins re-election on 05 Nov 2024, as he is expected to intensify economic challenges for China.⁴ While China's commitment to economic support is generally welcomed, the potential for increased tariffs and a strained relationship with the US could weigh on Chinese equities and the broader region.⁴ Ongoing uncertainty regarding US policy toward China is likely to dampen foreign investor sentiment.⁴

In general, the markets believe the monthly changes to the People's Bank of China's balance sheet and leverage would be key indicators to monitor given the PBoC will grant loans to both banks and non-banking financial institution (NBFII).^{3,4} Brokers and exchanges would be key beneficiaries, along with major index-heavy stocks that have improving earnings outlook, such as key internet and platform companies.⁵ It is important to seek for high-quality yield stocks despite some recent market shifts, as well as to focus on market leaders and those benefiting from reforms.⁵



Top 10 stocks in the **Capital Markets** industry, based on Market Capitalisation

Ticker	Name	Market Cap (HKD)	Price (HKD)	Analysts' Consensus 12M Target Price (HKD)	Potential returns from Analyst Consensus	Dividend Yield
388 HK	HONG KONG EXCHANGES & CLEAR	391.25B	313.00	360.10	15.05%	2.68%
6066 HK	CSC FINANCIAL CO LTD-H	189.43B	9.42	8.77	-6.85%	1.07%
3908 HK	CHINA INTERNATIONAL CAPITA-H	139.28B	14.70	16.40	11.59%	0.68%
6881 HK	CHINA GALAXY SECURITIES CO-H	136.19B	6.88	7.45	8.29%	1.37%
1359 HK	CHINA CINDA ASSET MANAGEME-H	54.96B	1.49	0.99	-33.89%	3.41%
2799 HK	CHINA CITIC FINANCIAL ASSE-H	51.36B	0.65	0.47	-27.69%	N/A
1456 HK	GUOLIAN SECURITIES CO LTD-H	32.84B	4.34	9.00	107.37%	3.58%
1375 HK	CENTRAL CHINA SECURITIES C-H	19.05B	1.87	N/A	N/A	1.18%
1788 HK	GUOTAI JUNAN INTERNATIONAL	10.78B	1.16	N/A	N/A	1.95%
3678 HK	HOLLY FUTURES CO LTD-H	10.43B	3.32	N/A	N/A	0.14%

Top 20 Hang Seng **index-heavy** stocks

Ticker	Name	Index Weighting	Market Cap (HKD)	Price (HKD)	Analysts' Consensus 12M Target Price (HKD)	Potential returns from Analyst Consensus	Dividend Yield
9988 HK	ALIBABA GROUP HOLDING LTD	9.18%	1835.06B	97.55	117.00	19.94%	1.02%
700 HK	TENCENT HOLDINGS LTD	7.86%	3821.35B	418.40	504.25	20.52%	0.83%
3690 HK	MEITUAN-CLASS B	7.82%	1118.98B	189.30	189.85	0.29%	N/A
5 HK	HSBC HOLDINGS PLC	6.93%	1305.19B	71.60	80.30	12.15%	6.63%
1299 HK	AIA GROUP LTD	4.92%	669.59B	62.50	90.81	45.29%	2.67%
939 HK	CHINA CONSTRUCTION BANK-H	3.50%	1515.35B	6.05	7.11	17.49%	3.60%
941 HK	CHINA MOBILE LTD	3.05%	1562.72B	71.35	87.96	23.27%	7.03%
1810 HK	XIAOMI CORP-CLASS B	3.04%	645.13B	25.85	24.98	-3.38%	N/A
388 HK	HONG KONG EXCHANGES & CLEAR	2.80%	391.25B	313.00	360.10	15.05%	2.68%
1398 HK	IND & COMM BK OF CHINA-H	2.60%	2164.51B	4.70	5.32	13.16%	3.40%
2318 HK	PING AN INSURANCE GROUP CO-H	2.37%	1011.56B	49.00	60.50	23.47%	5.51%
3988 HK	BANK OF CHINA LTD-H	2.34%	1421.35B	3.77	4.17	10.67%	3.58%
883 HK	CNOOC LTD	2.29%	888.27B	18.42	23.20	25.95%	7.78%
1211 HK	BYD CO LTD-H	2.05%	923.73B	297.00	330.94	11.43%	1.13%
9618 HK	JD.COM INC-CLASS A	1.42%	508.74B	162.50	186.30	14.65%	1.89%
669 HK	TECHTRONIC INDUSTRIES CO LTD	1.16%	206.71B	115.30	119.01	3.22%	1.83%
3968 HK	CHINA MERCHANTS BANK-H	1.15%	1023.49B	39.35	46.09	17.13%	5.60%
2015 HK	LI AUTO INC-CLASS A	1.08%	229.18B	111.40	113.98	2.32%	N/A
2 HK	CLP HOLDINGS LTD	1.03%	168.01B	66.85	73.44	9.86%	4.66%
857 HK	PETROCHINA CO LTD-H	1.03%	1554.54B	5.81	8.26	42.15%	8.44%

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