



China Macro Economy and Equity Market Outlook for Q2 2024

May 2024

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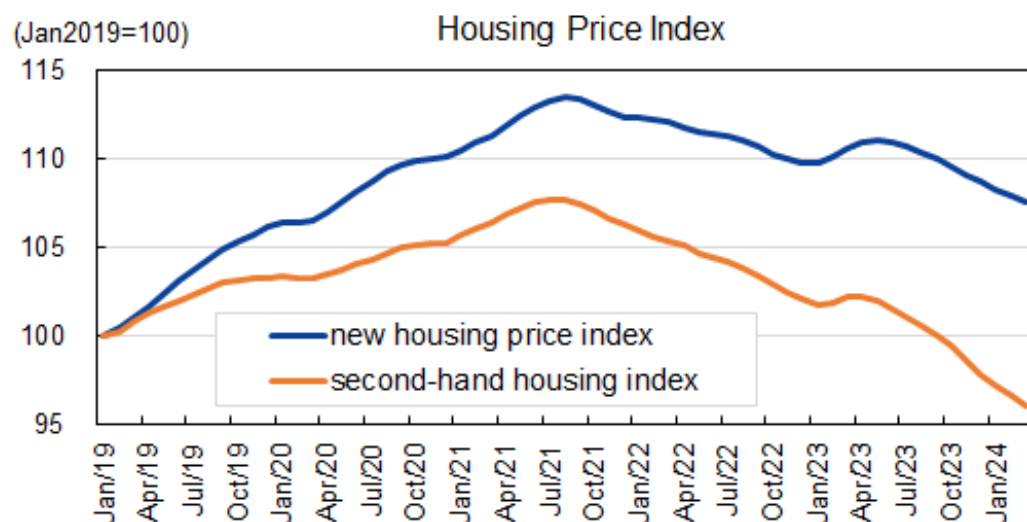
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Quarterly Macro Highlight (1) : Balance Sheet Recession

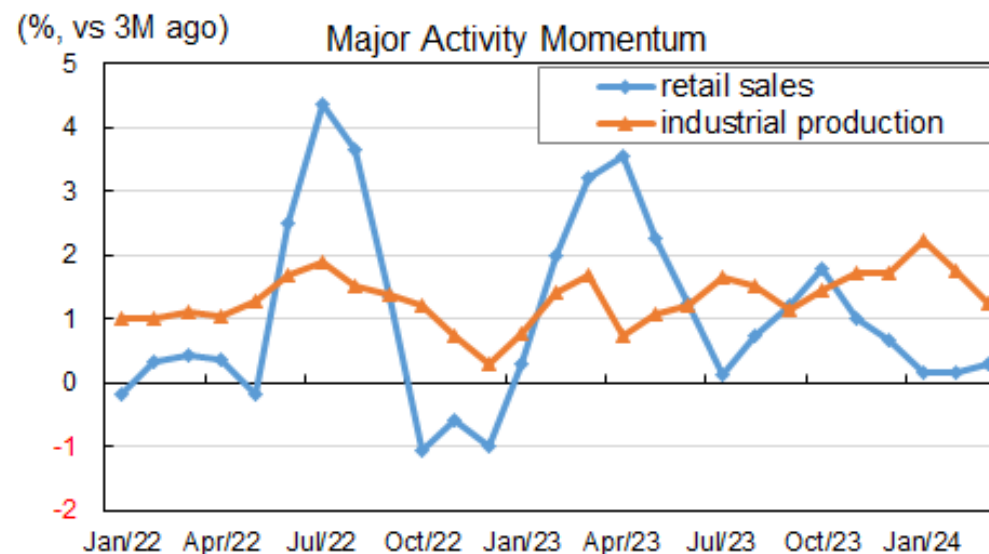
- Continuous lower housing prices should cause insufficient demands via balance sheet recession in household sector.
- Retail sales momentum has remained subdued.

Housing Price Index



(Source: CEIC, WIND, SMDAM) (As of March, 2024)

Major Activity Momentum



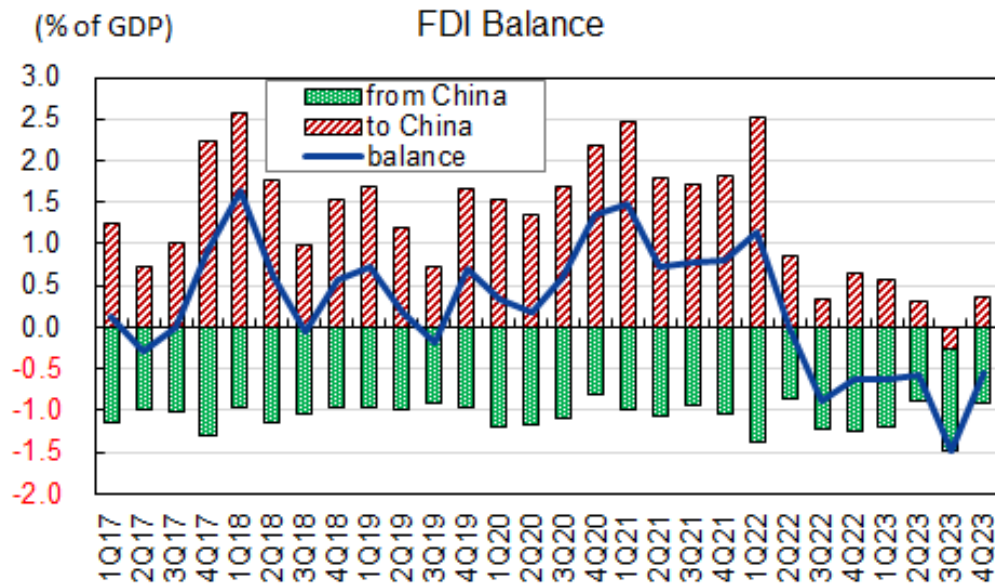
(Source: CEIC, WIND, SMDAM) (As of March, 2024)

Note: The above views represent SMDAM's forecast as at the date of this presentation and may be subject to change without notice. Those do not guarantee future trends or results.

Quarterly Macro Highlight (2) : De-coupling and FDI

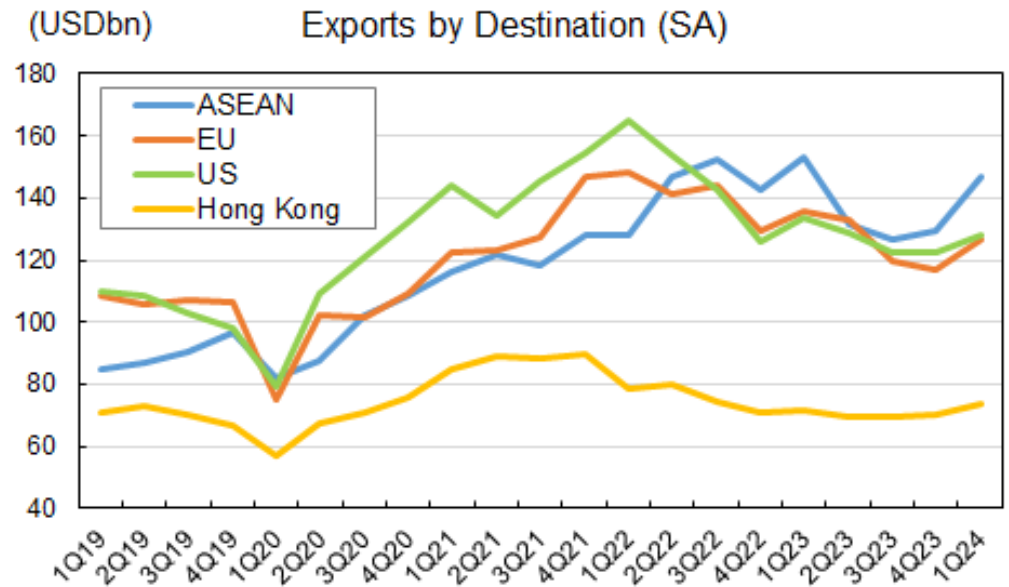
- Gross outward FDI from China should last under de-coupling.
- Corporates have started to shift their production base to ASEAN.

FDI Balance



(Source: CEIC, WIND, SMDAM) (As of December, 2023)

China Exports by Destination (SA)



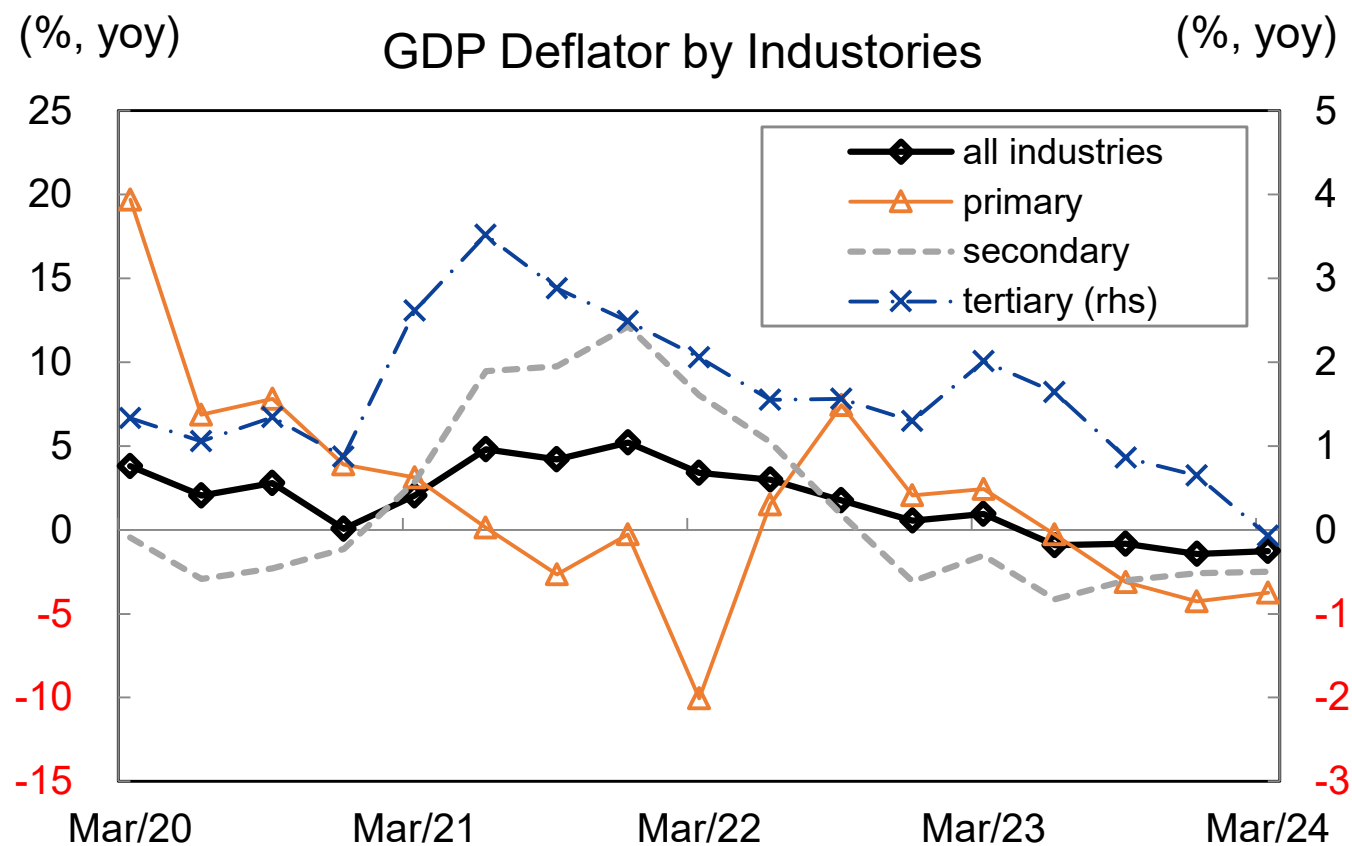
(Source: CEIC, WIND, SMDAM) (As of March, 2024)

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Quarterly Macro Highlight (3) : Service Deflator

- Service deflator contracted in 1Q.24 for the first time.

China GDP Deflator by industries



(Source: CEIC, WIND, SMDAM) (As of March, 2024)

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China Macro Economy Outlook

	2023	2024	2025	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	2024	2025
		(F)	(F)						(F)	(F)	(F)	(F)	(F)	(F)		consensus	
Real GDP (%)	5.2	4.9	4.6	4.5	6.3	4.9	5.2	5.3	5.0	4.8	4.6	4.5	4.7	4.6	4.5	4.7	4.4
Consumption	7.9	5.4	5.1	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Investment	3.6	4.6	4.3	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net exports (contribution)	-0.6	-0.1	-0.1	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Nominal GDP (%)	4.6	4.2	4.5	5.2	5.4	3.9	4.2	4.2	4.0	4.0	4.3	4.3	4.5	4.7	4.5	NA	NA
GDP deflator (%)	-0.5	-0.7	-0.1	0.9	-0.9	-0.8	-1.4	-1.3	-1.0	-0.8	-0.3	-0.2	-0.2	0.1	0.0	NA	NA
Industrial production (%)	4.5	4.8	4.1	3.0	4.6	4.2	6.0	6.1	4.6	4.5	4.2	3.9	4.1	4.2	4.1	4.7	4.2
PPI inflation (%)	-3.0	-1.5	0.5	-1.6	-4.6	-3.3	-2.7	-2.7	-1.8	-1.1	-0.5	1.0	0.7	0.3	0.0	-0.5	1.0
CPI inflation (%)	0.2	0.9	0.8	1.3	0.1	-0.1	-0.3	0.1	1.0	1.1	1.3	0.9	0.9	0.8	0.7	0.8	1.6
7D reverse repo rate (%)	1.80	1.80	1.80	2.00	1.90	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.60	1.60
1Y MLF rate (%)	2.50	2.50	2.50	2.75	2.65	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.30	2.30
CNY/USD	7.10	7.20	7.00	6.87	7.25	7.30	7.10	7.22	7.30	7.30	7.20	7.15	7.10	7.05	7.00	7.14	7.00

(note) gothic figures for actual

yoy growth expect for next exports and interest rates

(source) SMDAM, CEIC, WIND and Bloomberg

Outlook for China A-Share Equity Market (CSI300)

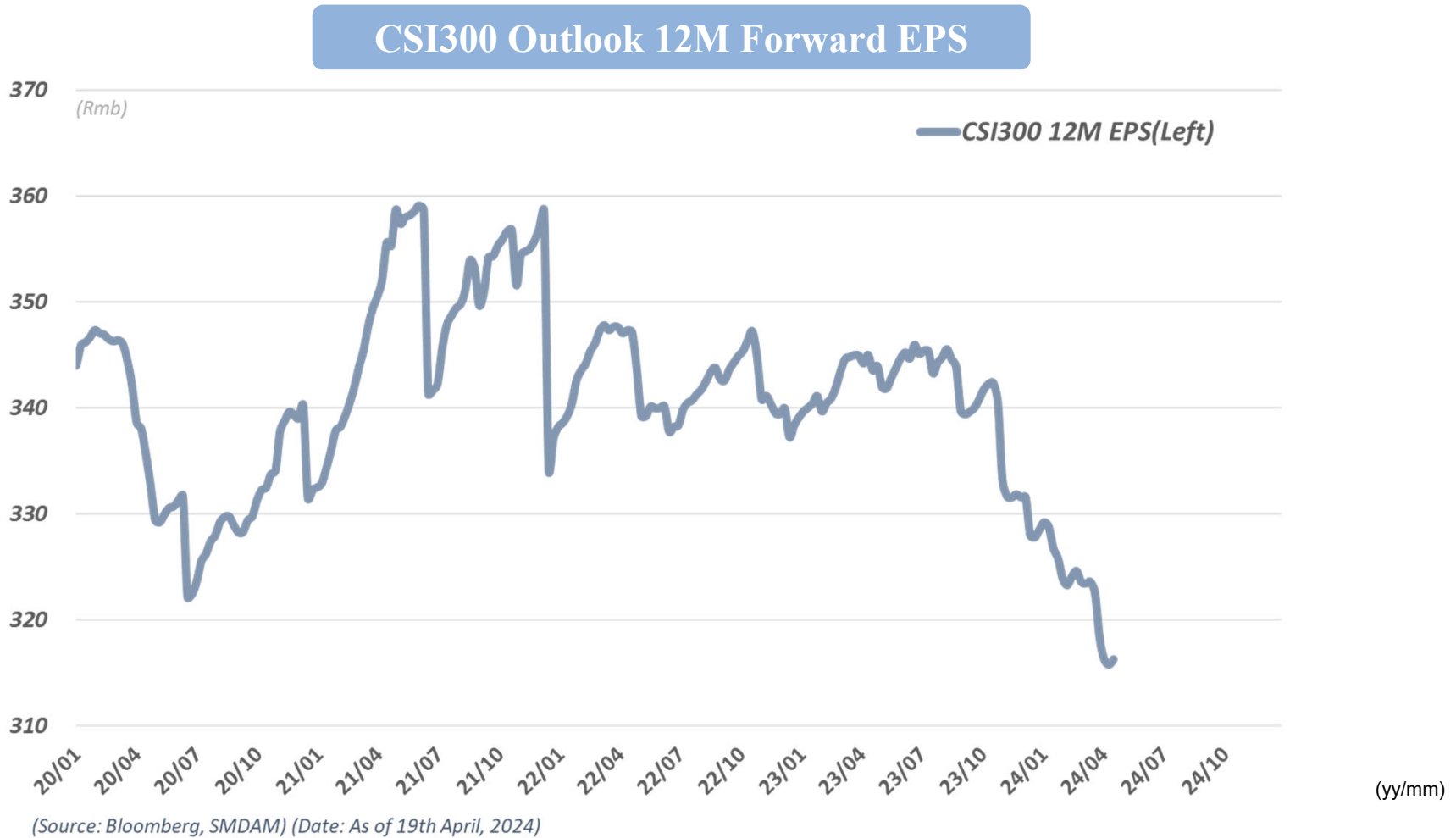
- Current CSI300 valuation has already been at discounted level. Under our base case scenario, gradual recovery is expected based on 2024/2025 earnings growth as well as moderate uptick of discounted valuation.



Note: The above views represent SMDAM's forecast as at the date of this presentation and may be subject to change without notice. Those do not guarantee future trends or results.

12 month forward EPS forecast for CSI300

- Earnings Expectation had remained lackluster throughout 2023. 2024 earnings, due partly to the low base, will see some recovery upon further fiscal support from Chinese government through goods trade-in program and equipment upgrades.



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Earnings multiples* for CSI300

* Price-to-earnings ratio based on 12 month forward EPS

- 12 month forward PER stands at 11.0 times, which is below its Long Term Average. Our base case assumes there will be some uptick in this discounted valuation due to the stabilization of sentiment upon potential government support on goods trade-in program and equipment upgrades.

Price to Earnings ratio for CSI300

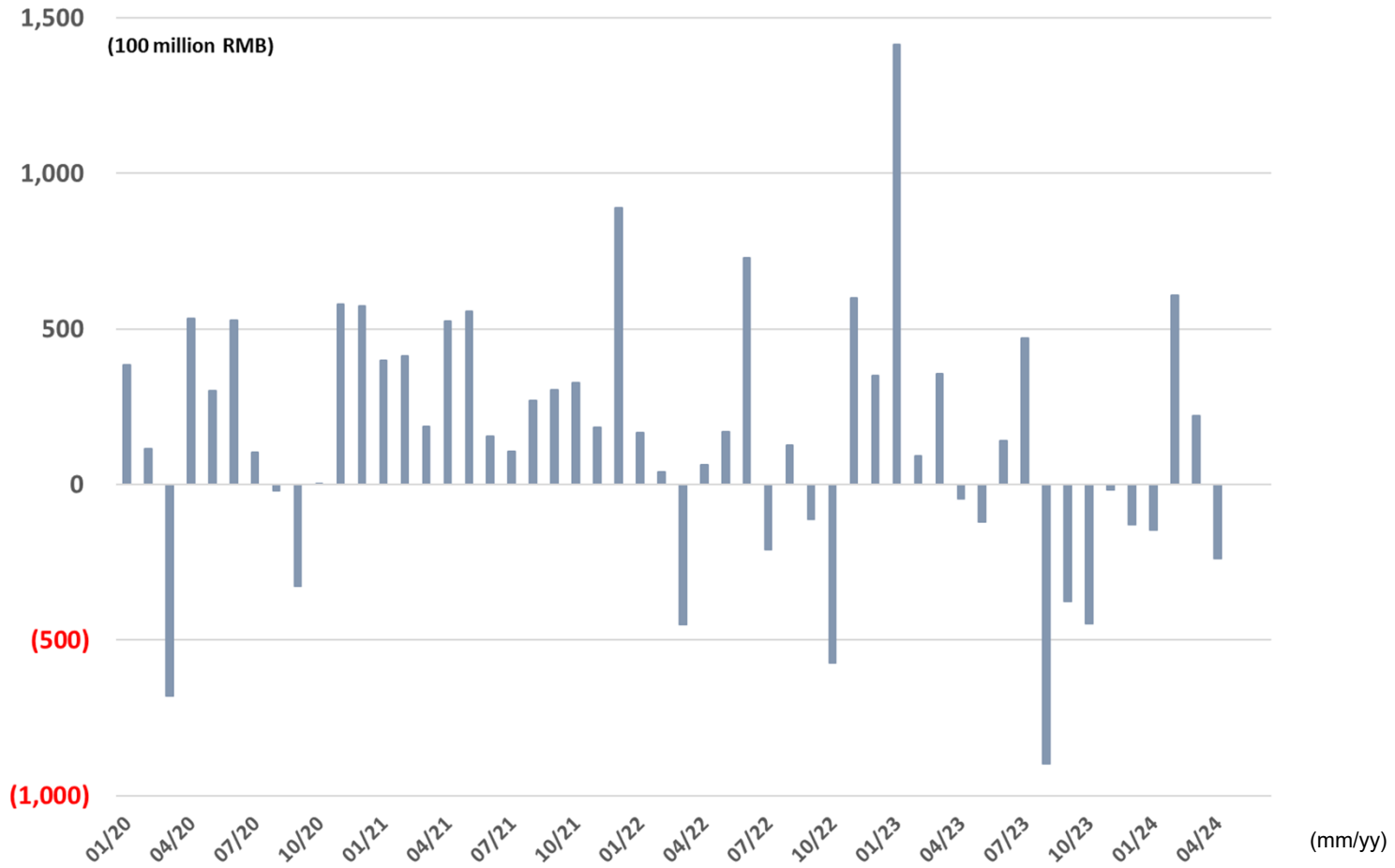


(Source: Bloomberg, SMDAM)(Date: As of 19th April, 2024)

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- Stock Connect has seen inflow back into Mainland China market after January due to attractive valuation and diversification need.

Northbound Stock Connect Flow from Hong Kong to Shenzhen / Shanghai



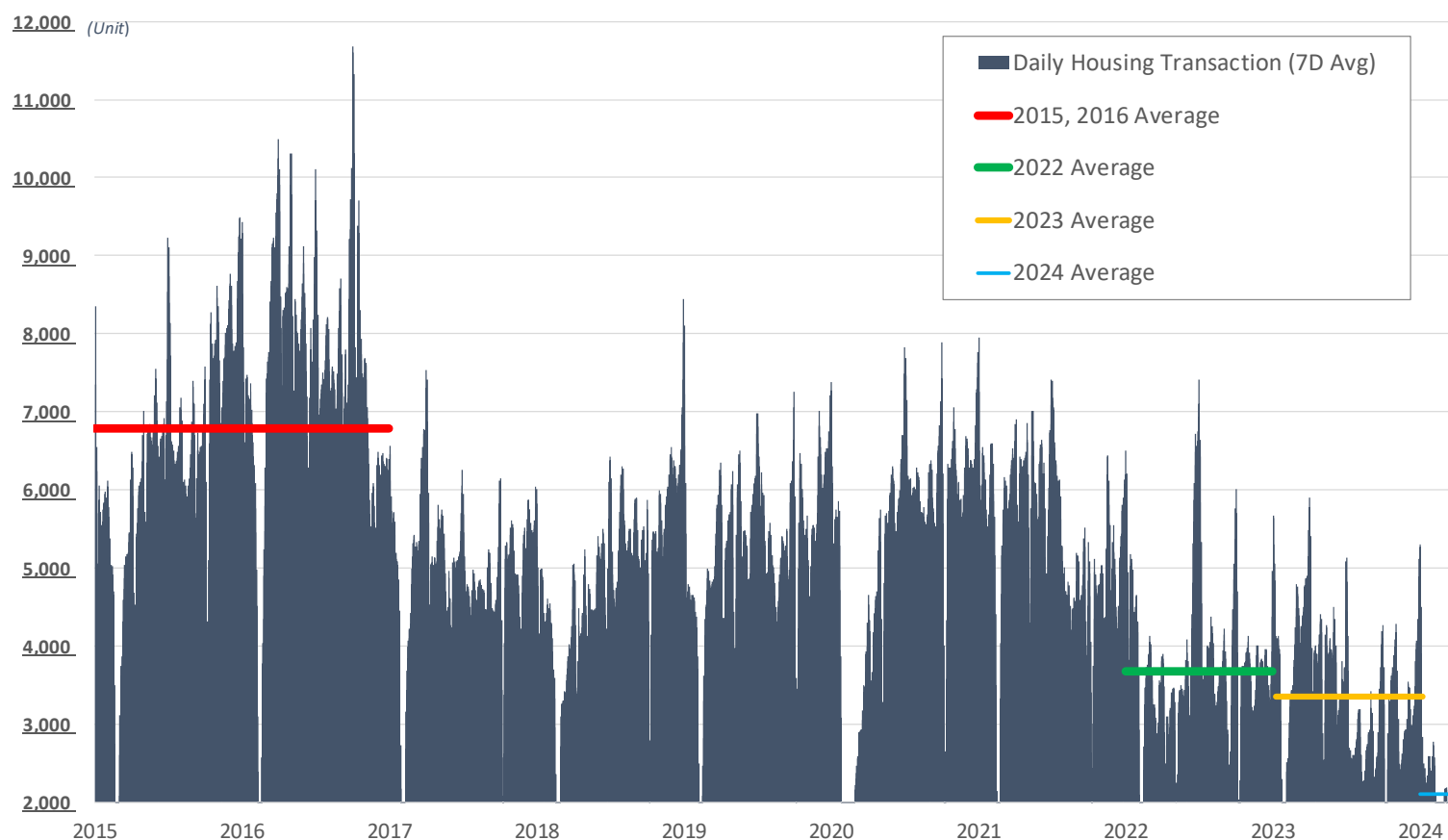
(Source: Bloomberg, SMDAM) (Date: As of 23rd April, 2024)

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Monitoring Point: Property Market

- Property Market remains one of the most important industry for Chinese Economy. In Mar 2024, transaction showed signs of demand recovery due to the Government Stimulus Policies including down payment reduction and Mortgage Rate Cut. Continuous stimulus is needed for property market sentiment moderation.

Daily New Home Transaction (7 Days Average)



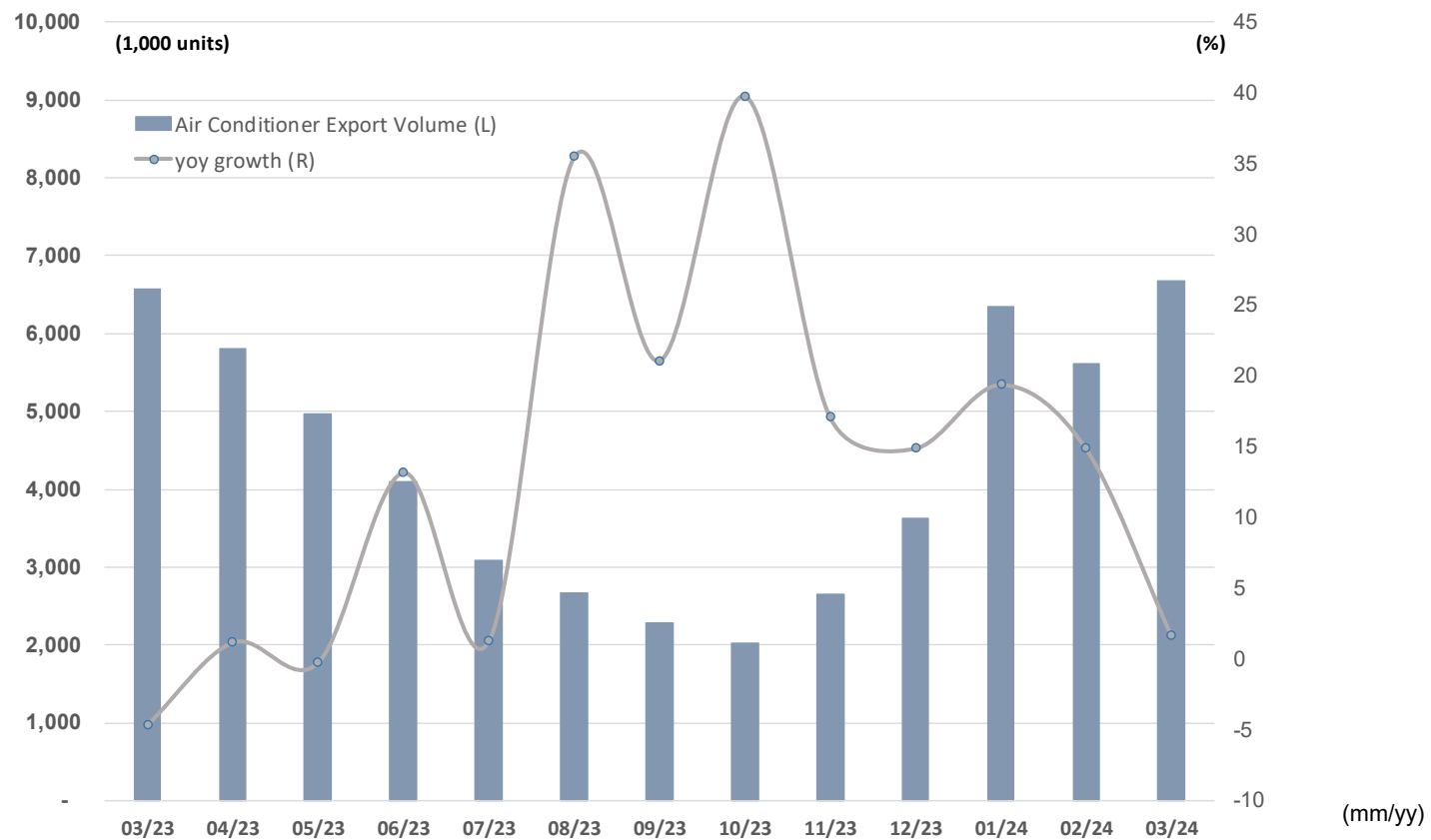
(Source: Wind, SMDAM) (Date: As of 23rd April, 2024)

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Quarterly Investment Theme: Exporters

- Traditional Chinese Home Appliance players especially AC players have built up very strong competitiveness in global market after years of accumulation. Many have gained very high market share both domestically and globally. Thus, these leading Air Conditioner exporters shall benefit the most upon the restocking in US and other overseas market.

China Air Conditioner Overseas Sales (Monthly)



(Source: China Customs, SMDAM) (Date: As of March, 2024)

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