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China Equity Strategy | Asia Pacific

A-share Sentiment Edges Down Despite Market Rebound

MSASI edged lower on lower index future trading and negative earnings estimates revisions. Global geopolitical de-escalation led to equity market rebound, likely bigger for Hong Kong than for the A-shares. We continue to view energy security and high-end manufacturing as key medium-term themes.

A-share investor sentiment edged down vs. previous cycle: Weighted MSASI dropped by 4ppt versus the prior cutoff date (April 8) to 43%; the weighted MSASI 1MMA declined by 3ppt over the same period to 44%. Daily turnover dropped modestly, with turnover for ChiNext down by 1% (to Rmb652bn), A-shares down by 1% (to Rmb2,418bn) and equity futures down 23% (to Rmb409bn) versus the last cutoff day, while margin financing outstanding increased slightly to Rmb2,630bn. The 30-day RSI increased by 11% over the same cycle (April 8-15). Consensus earnings revision breadth remained negative and deteriorated marginally versus last week.

Southbound had net inflow of US\$1.9bn during April 9-15: YTD net inflows hit US \$25.3bn, while MTD net outflows recorded US\$0.03bn.

**Note: As announced on July 26, 2024, by HKEX, Shanghai Stock Exchange, and Shenzhen Stock Exchange, the publication of Northbound daily purchase and sales data was terminated as of August 19, 2024. Northbound daily buying and selling data were last made available on August 16, 2024.*

1Q Real GDP beat at 5% y-y on industrial strength, while consumption weakness persists: The strong 1Q real GDP is driven by: 1) a front-loaded infrastructure push reflected in accelerated government bond issuance and a pickup in infrastructure FAI; 2) an Asia-led industrial upcycle ahead of the oil shock, with stronger spending on AI, energy transition and defense; and 3) potential export market share gains amid higher energy prices. March industrial production remained resilient at 5.7% y-y (vs. 6.3% in Jan-Feb) despite late LNY distortions, likely indicating China’s relative competitiveness in sectors benefiting from a more diversified energy mix (e.g., chemicals, rubber & plastics, and selected high-tech industries). However, **consumption weakness persisted**, with per capita household spending growth slowing by 40bp to 3.6% y-y, auto sales declining to -9% y-y (down 2.5ppt), and goods retail sales excluding trade-in and gold moderating by 70bp to 2.6% y-y. **Growth is expected to soften to around 4.5% in 2Q**, as worsening terms of trade and downstream margin pressure amid the oil shock weigh on activity, partly offset by fiscal front-loading and selective export resilience.

Continued in the following section.

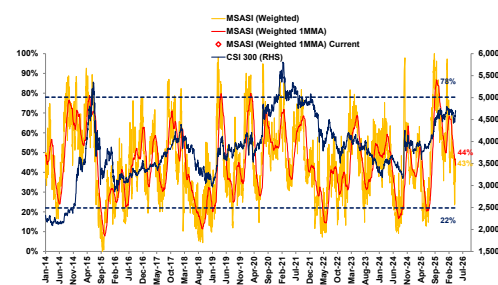
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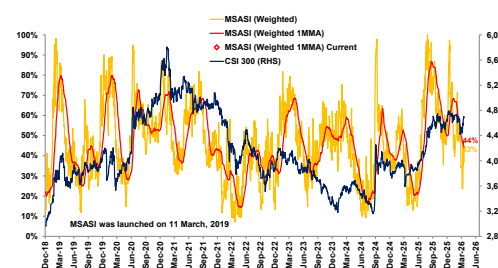
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Exhibit 1 : MS A-share Sentiment Indicator (MSASI weighted) and (MSASI weighted 1MMA)



Source: CEIC, Bloomberg, Wind, RIMES, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 2 : MSASI trajectory since January 1, 2019



Source: CEIC, Bloomberg, Wind, RIMES, MS Research. Data as of April 15, 2026.

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Overview (continued)

Corporate fundamentals still showing mixed signals: MSCI China 4Q earnings missed by company count but were broadly in line on weighted surprise, similar to 3Q trend. However, revenue shows signs of stabilization, with in-line results, improving meaningfully from a net miss in 3Q. Sector divergence remains pronounced. Upstream sectors (Materials, Energy) and parts of Financials showed relative resilience, with earnings beats and upward revisions. In contrast, consumer and real estate continued to lag.

Global geopolitical uncertainty de-escalation opens up room for market rebound, including the A-shares: Following geopolitical de-escalation, markets staged a strong rally, with ChiNext reaching a record high and investor focus rotating back to AI-related trades. That said, in the very near term Hong Kong could have bigger rebound upside vs. the A-share market given its higher correlation with the global market. While near-term tensions have eased, we continue to see energy security and high-end manufacturing as key medium-term themes, with China well positioned to gain share amid a global capex upcycle and the ongoing push for self-sufficiency. Accordingly, we maintain an Overweight stance on Materials, Energy, selected Industrials, and Semiconductors, as these structural themes remain firmly intact.



MSASI Methodology

Related report: [China Equity Strategy: Relaunching MSASI: A New Take on A-share Market Sentiment and Technical Signals \(27 Oct 2025\)](#)

Step 1: Normalizing sentiment metrics

The new MSASI is based on 12 individual indicators, each designed to capture a different dimension of investor sentiment and market activity.

To make these metrics comparable, each is re-scaled using a 100-day moving min-max normalization. This approach helps reduce noise from high-frequency movements and better reflects whether sentiment is improving or deteriorating over the medium term.

Normalization Formula:

$$\text{Normalized Value} = \frac{(\text{Latest Value} - \text{Min (Last 100 Days)})}{(\text{Max (Last 100 Days)} - \text{Min (Last 100 Days)})}$$

Each normalized series is expressed on a 0-100 scale, where higher values indicate stronger or more active sentiment conditions.

The 12 metrics included are:

- 1. ChiNext Turnover:** Daily trading turnover on ChiNext, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).
- 2. A-share Turnover:** Daily turnover of all A-shares, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).
- 3. Equity Index Futures Turnover:** Daily turnover of equity index futures, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).
- 4. Northbound Turnover:** Daily Stock Connect northbound trading turnover, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).
- 5. Margin Financing Outstanding:** Total margin transaction balances, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).
- 6. New Accounts Registered with the Shanghai Stock Exchange:** Monthly number of new retail accounts registered with the Shanghai Exchange, normalized using the 100-day moving min-max method (available monthly).
- 7. 30-Day RSI (CSI 300):** Relative Strength Index over a 30-day period for CSI 300 (available daily; weekly closing values used).
- 8. Number of Limit-Up A-shares:** Daily count of stocks hitting the 10% upper price limit, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).
- 9. CSI 300 Futures Backwardation:** The percentage difference between CSI 300 futures

and spot prices, calculated as $(\text{Futures Price} - \text{Spot Price}) / \text{Spot Price}$, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).

10. CSI 300 Call-Put Ratio: Ratio of open interest in call options to put options, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).

11. Foreign Passive Fund Flows to CSI 300 (1MMA): One-month moving average of daily flows from foreign-domiciled passive funds to CSI 300, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).

12. Earnings Estimate Revision Breadth (3MMA): Three-month moving average of the net proportion of upward earnings estimate revisions vs. downward earnings estimate revisions, based on the Shanghai A Index, normalized using the 100-day moving min-max method (available weekly).

This normalization process ensures that each indicator contributes proportionally, regardless of scale or data frequency, while highlighting directional shifts in sentiment over time.

Step 2: Constructing the Weighted Sentiment Indicator

Once normalized, each of the 12 series is assigned a weight based on its historical explanatory power relative to the CSI 300 Index.

Weights are determined by the R-squared values from a single-factor regression between the metric (relative to its 100-day moving min max) and the CSI 300 (relative to 100MA) performance.

This weighting method gives greater emphasis to indicators that have historically demonstrated stronger correlations with market movements, ensuring that the overall index reflects sentiment components most relevant to A-share performance.

Step 3: Constructing the MSASI (Weighted)

Using the weighted sentiment indicator derived in Step 2, we construct the MSASI (Weighted) as the composite measure of overall market sentiment.

This index is then re-scaled to a 0-100 range, based on its distance from historical high and low values since January 2024.

This scaling allows the indicator to reflect relative sentiment strength over time – where higher readings indicate stronger investor enthusiasm, and lower readings reflect weaker sentiment or risk aversion.

Step 4: Constructing the MSASI (Weighted 1MMA)

To highlight underlying trends and reduce short-term volatility, we apply a one-month moving average to the MSASI (Weighted).

The resulting MSASI (Weighted 1MMA) smooths out high-frequency fluctuations, providing a clearer picture of medium-term sentiment dynamics and improving interpretability for tactical or strategic analysis.

Exhibit 3: Weighting of 12 indicators of MSASI, and R-squared of indicators vs. CSI 300 (relative to 100MA)

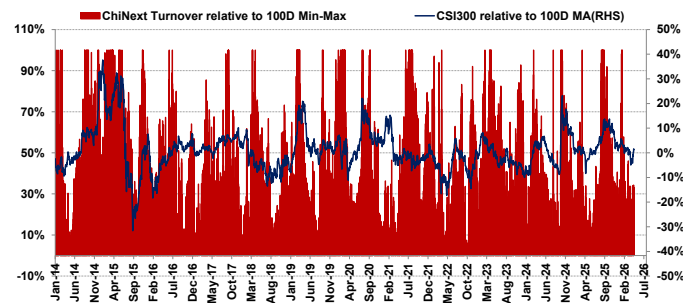
Indicator	R-sq vs. CSI 300 (relative to 100MA)	Weighting
ChiNext Turnover	12.6%	10%
A-share Turnover	19.7%	15%
Equity Futures Turnover	8.1%	6%
Northbound Turnover	7.6%	8%
Margin Transaction Outstanding	34.3%	15%
SHSE New accounts Registered	14.3%	3%
Earnings Revision Breadth (3MMA)	6.6%	8%
RSI-30D	49.0%	15%
No. of Limit Up A-share	4.6%	6%
CSI300 backwardation	3.9%	4%
CSI300 call put ratio	14.0%	6%
Foreign domiciled passive funds flows to CSI300 (1MMA)	0.5%	4%

Note: for SHSE new account registrations, although the R-squared with the CSI 300 is high, the data is available only on a monthly basis rather than daily or weekly, so we assign it a relatively lower weight. Similarly, for the CSI 300 call-put ratio, despite its high R-squared with the CSI 300, the data is only available from late 2019 onward, so we also assign it a relatively lower weight.
Source: CEIC, Wind, Rimes, EPFR, Bloomberg, Morgan Stanley Research.

Other items to keep in mind

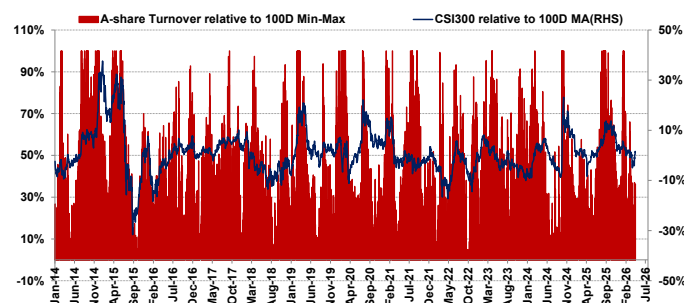
- The charts below show the scaled version of all these metrics as they are used in our MSASI compilation analysis.
- We use data from January 2014 to the present because some of the market-influencing factors were not fully developed before that, i.e., Stock Connect Northbound (program only launched in November 2014).
- Some metrics have gone through regime shifts owing to regulatory changes, i.e., index futures trading, which became heavily regulated as part of market stabilization measures during the 2015 correction. We try to accommodate/normalize, such shifts by looking at relative level to moving 100 days min-max level rather than absolute volume/value.

Exhibit 4: ChiNext turnover adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA



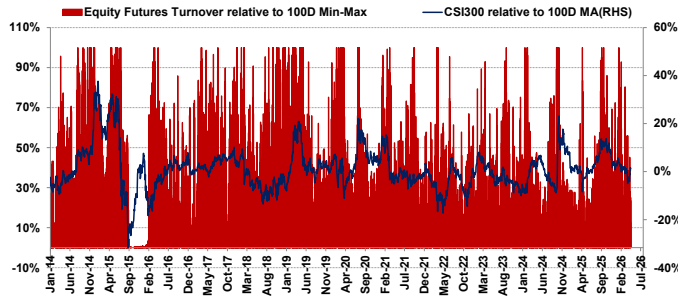
Source: CEIC, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 5: A-share turnover adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA



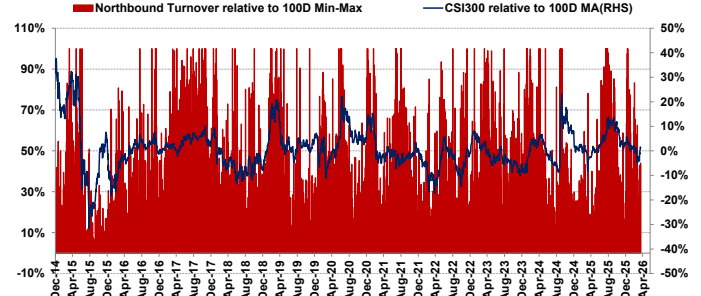
Source: CEIC, Bloomberg, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 6: Equity futures turnover adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA



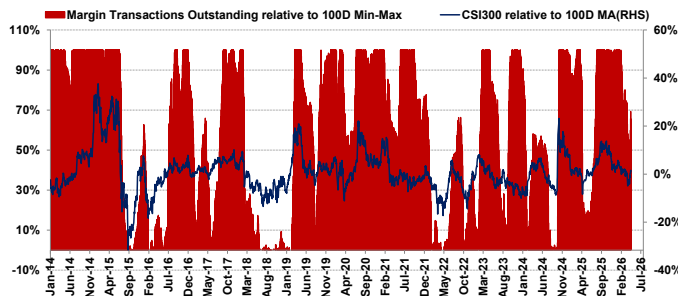
Source: CEIC, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 7: Northbound turnover adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA



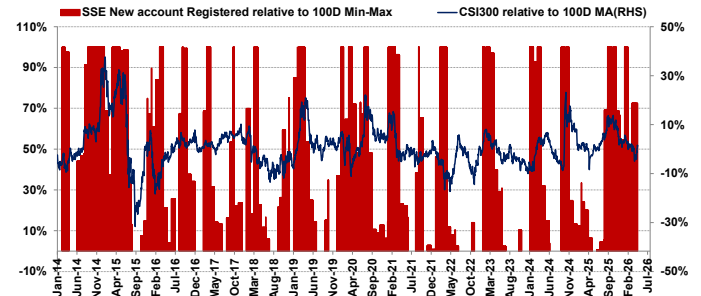
Source: CEIC, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 8: Margin transactions adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA



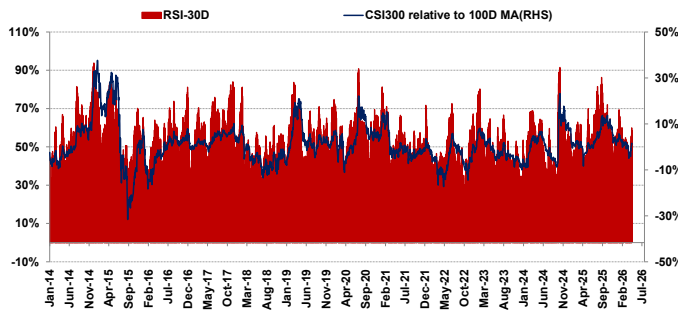
Source: CEIC, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 9: SSE new accounts adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA



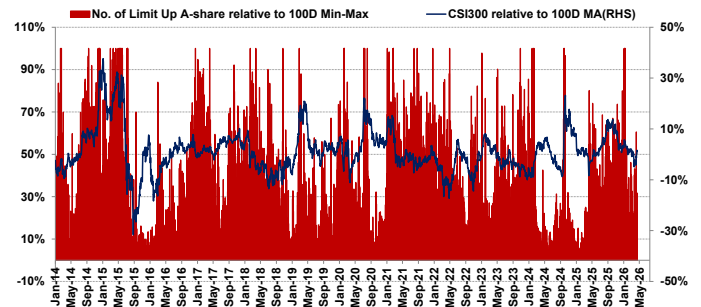
Source: CEIC, Bloomberg, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 10: RSI-30D since January 2014 vs. CSI 300 relative to 100D MA



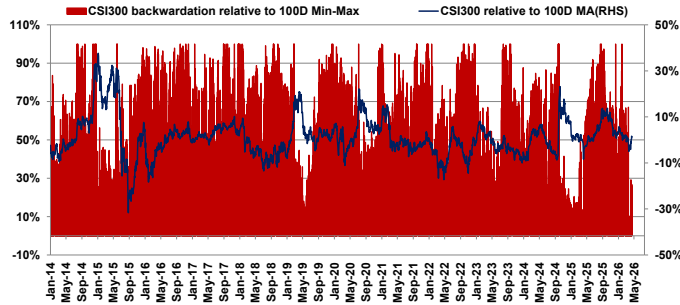
Source: CEIC, Bloomberg, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 11: Number of limit-up A-shares adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA



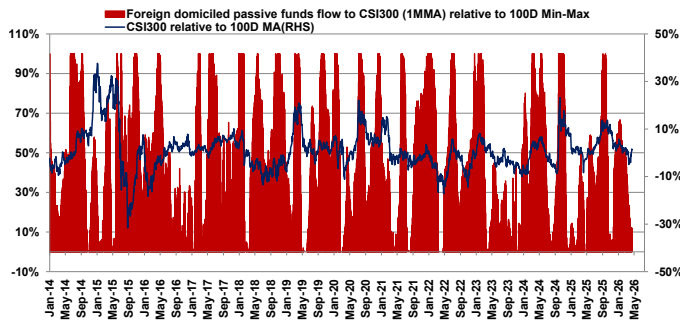
Source: CEIC, Wind, Bloomberg, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 12: CSI 300 future backwardation adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA



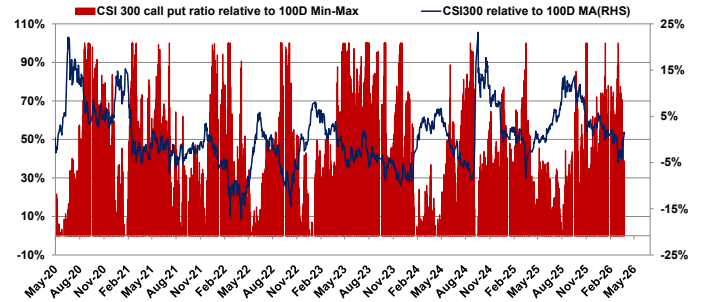
Source: CEIC, Wind, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 14: Foreign domiciled passive funds flows to CSI 300 (1mma) adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA



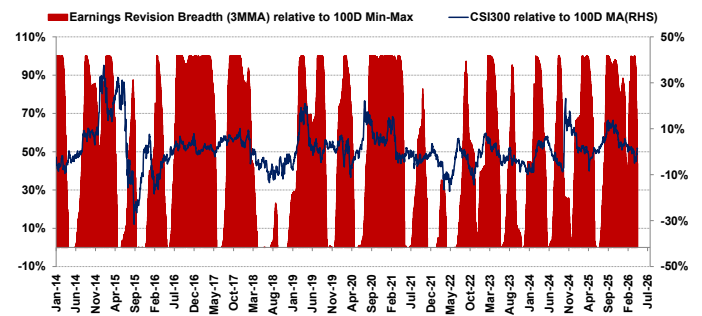
Source: CEIC, Wind, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 13: CSI 300 put-call ratio adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA



Source: CEIC, Wind, Morgan Stanley Research. Data as of April 15, 2026.

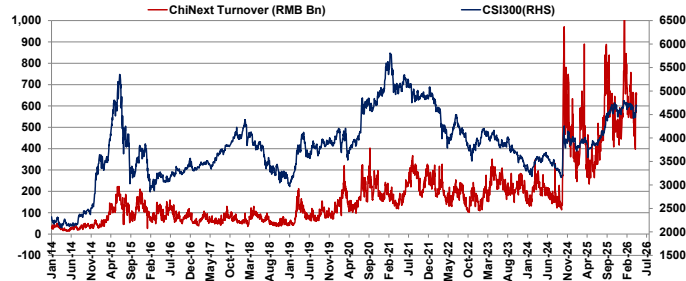
Exhibit 15: Shanghai A-share earnings estimate revision breadth (3mma) adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA



Source: CEIC, Morgan Stanley Research. Data as of April 15, 2026.

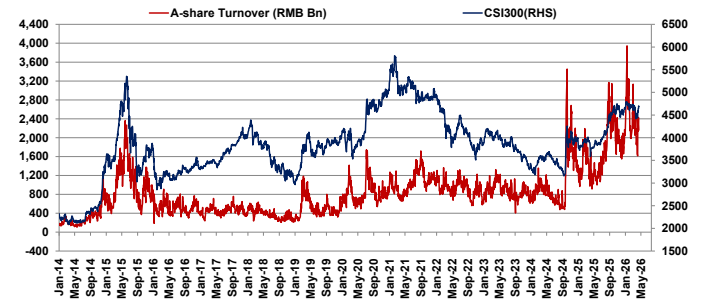
Appendix: A-share Market Data

Exhibit 16: ChiNext daily turnover (RMB bn) trend vs. CSI 300



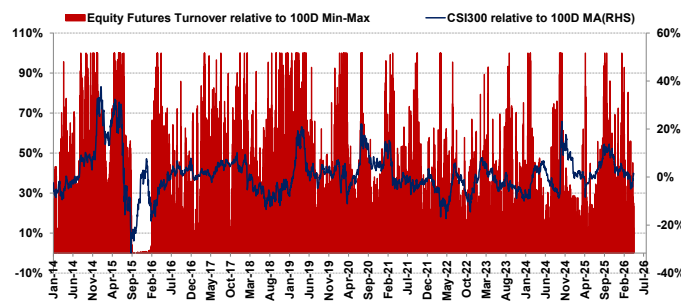
Source: CEIC, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 17: A-share daily turnover (RMB bn) trend vs. CSI 300



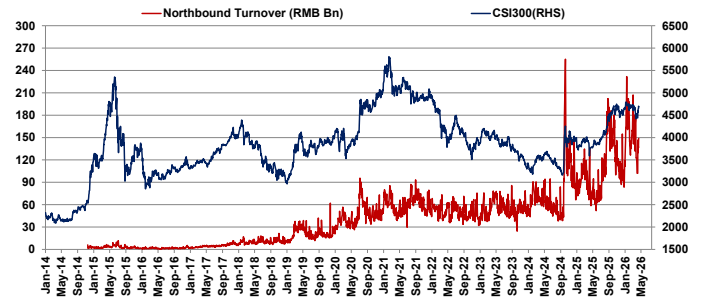
Source: CEIC, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 18: A-share equity futures turnover (RMB bn) trend vs. CSI 300



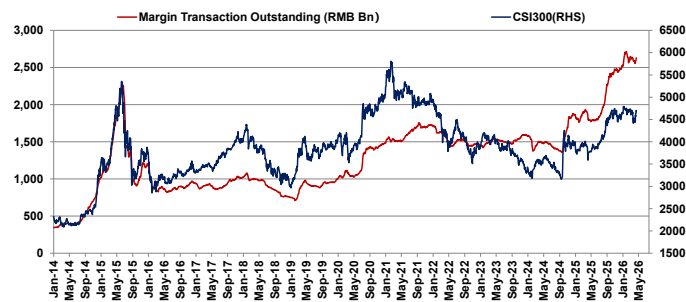
Source: CEIC, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 19: Northbound daily turnover (RMB bn) trend vs. CSI 300



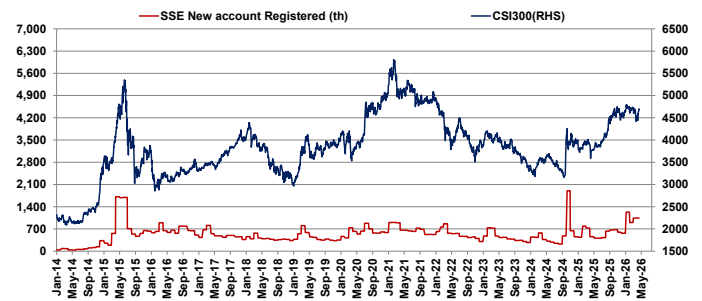
Source: CEIC, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 20: A-share margin financing vs. CSI 300



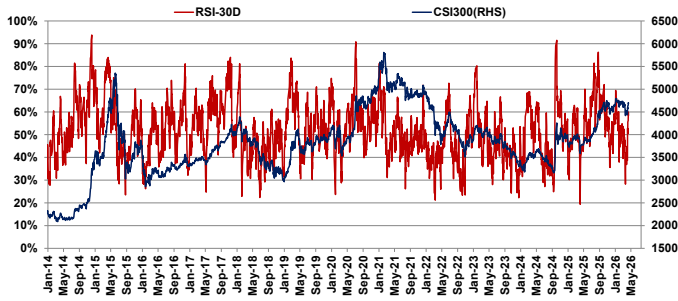
Source: CEIC, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 21: SSE new accounts registered (unit thousand) vs. CSI 300



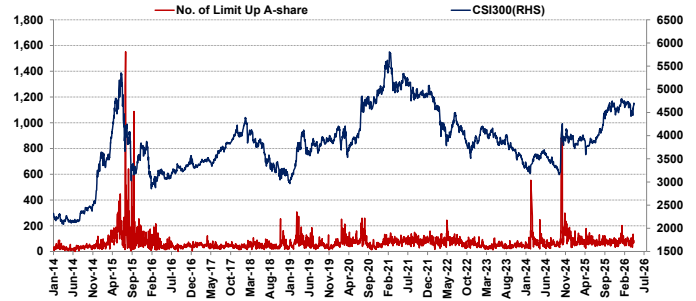
Source: CEIC, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 22: RSI (30 days) vs. CSI 300



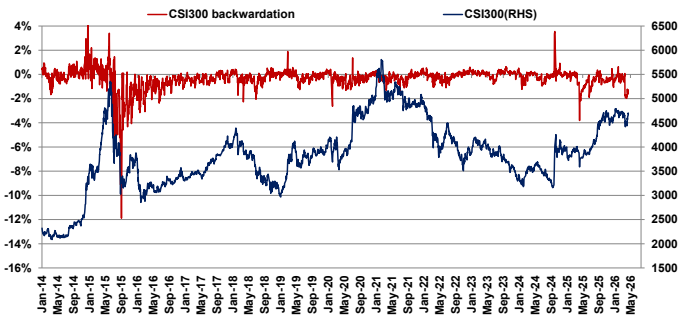
Source: Bloomberg, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 23: Number of A-shares trading at limit up vs. CSI 300



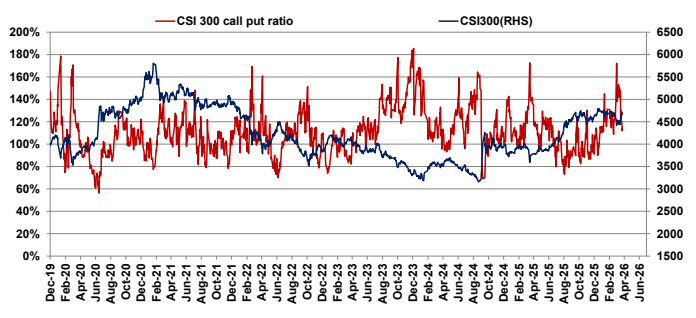
Source: Wind, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 24: CSI 300 future backwardation vs. CSI 300



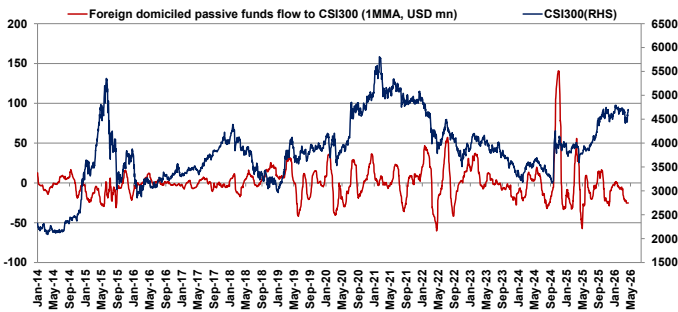
Source: CEIC, Wind, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 25: CSI 300 call put ratio vs. CSI 300



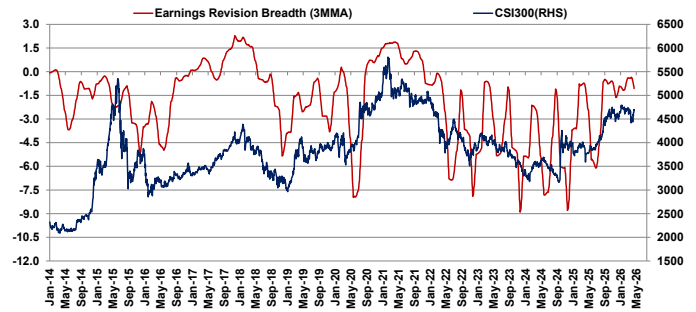
Source: CEIC, Wind, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 26: Foreign domiciled passive funds flows (1mma, USDmn) to CSI 300 vs. CSI 300



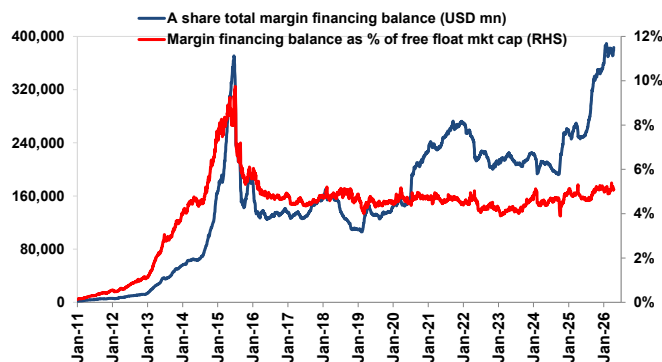
Source: CEIC, Wind, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 27: Shanghai A-share earnings estimate revision breadth (3mma) vs. CSI 300



Source: CEIC, Wind, Morgan Stanley Research. Data as of April 15, 2026.

Exhibit 28: A-share margin financing (USD mn)



Source: CEIC, Morgan Stanley Research. Note: Data as of April 15, 2026.

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(as of March 31, 2026)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1534	42%	461	50%	30%	698	43%
Equal-weight/Hold	1573	43%	372	40%	24%	716	44%
Not-Rated/Hold	4	0%	1	0%	25%	1	0%
Underweight/Sell	568	15%	89	10%	16%	209	13%
Total	3,679		923			1624	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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