

## China/Hong Kong Monthly Wrap

April 2026: Market recovers on receding geopolitical tail risks and renewed AI exuberance

Risk appetite rebounded in April across China and HK equities. MXCN/HSI/HSTECH/MXHK rose 3.5%/4.1%/4.9%/3.6% in USD terms, alongside the outperformance of onshore CSI300/500/1000 to 9.1%/10.7%/11.1%, respectively. Following the US-Iran ceasefire, equities staged a strong comeback, with gains accelerating sharply across AI infra beneficiaries. The emergence of [Anthropic's](#) Mythos helped reignite the bullish AI narrative, with its annualized revenue run-rate (ARR) surging well beyond expectations to \$30bn as of Apr 6 (vs \$9bn at end-2025). This has shifted the debate from concerns over relentless capex spending to growing confidence in a more self-sustaining revenue flywheel. Separately, DeepSeek-V4 further validates domestic compute for large-scale AI models and reinforces the trajectory of domestic substitution. Despite leadership from semis and tech hardware, heavyweight internet names lagged amid soft earnings outlooks, contributing to offshore underperformance versus onshore. Beyond tech, cyclicals saw a meaningful recovery – most notably Real Estate on signs of housing stabilization, Energy/Materials on tighter supply-demand dynamics, and Industrials on the new energy ecosystem build-out. In contrast, defensives – including Utilities, Staples, and Communication Services – were the clear laggards. For earnings season, MXCN's 1Q26 results (69% reported) were mixed with the beat/miss ratio at 33%/63% (see details below). **Macro:** April PMIs beat, with production components continuing to outpace domestic demand, while exports recovered after March's sharp pullback. [April Politburo](#) leaned modestly cautious, reinforcing a "stabilize first" stance. Policy supports remain front-loaded: the "two new" equipment-upgrade funding tranches are already at 92% of the full-year quota, suggesting near-term impulse is intact, but incremental stimulus may become more selective into 2H. On the Trump-Xi meeting (May 14-15), [The Star reports](#) the US aims to prioritize narrowing the bilateral trade deficit, securing permanent rare earths supply assurances, and addressing narrow, specific investment barriers for US firms, while keeping existing tariffs in place. If this framing holds, China rare earth names are poised to benefit on a stronger demand outlook ([link](#)). **Valuation & consensus estimates:** By month-end, MXCN traded at 11.4x FTM P/E (-0.1SD vs 10-yr mean), with IBES consensus estimating -2.0%/13.3% EPS growth y-y for 2025/2026. MXHK traded at 15.0FTMP/E (+0.1SD vs 10-yr mean) with IBES consensus estimating 1.6%/15.6% EPS growth y-y for 2025/2026. HK equity short sale ratio eased to 16.8% in Apr vs 17.8% in Mar.

**MXCN: Risk-on session favored tech and cyclicals.** The top-3 performing MXCN sectors were IT (+13%), Real Estate (+10.8%) and Energy (+8.2%), while Communication Services (-1.6%), Staples (-0.5%), and Utilities (+1.3%) lagged the most. 1) **IT: AI exuberance returned.** Leadership was concentrated in AI-adjacent supply chain winners, led by optical communication (Zhongji Innolight, Accelink Tech), PCB (Shengyi), MLCC (Three-Circle Group), and chips (Haigon, Cambricon). 2) **Real Estate** saw broad gains on encouraging signals from secondary sales volume growth in top-tier cities, alongside rising hopes towards a reflection point to occur this year. Higher-quality developers (COLI, CRL) led the move. 3) **Energy** was mainly lifted by coal names on an improving fuel-switching outlook, and oil majors supported by higher energy prices and strong earnings delivery.

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**Earnings tracker:** Further into 1Q26 results, 69% of MXCN index market cap had reported by end-Apr, with a beat/miss ratio of 33%/62%. The reported universe recorded growth of -6% in sales per share y-y, -0.2% EPS y-y, and +96bp NPM contraction. IBES consensus is calling for MXCN's FY26 EPS growth to accelerate to 13.0% in FY26 from -2% in FY25. The upgrade cycle is centered on three main inflection points: **Discretionary** turning on reduced price wars among quick commerce platforms (26E:+37%y-y vs 25E: -23%), **Real Estate** bottoming out from its cyclical trough (26E:+20% vs 25E: -24%), and **Staples** recovering amid reflation (26E: +19% vs 25E: -9%). The baked-in assumptions are continued macro growth in the expansion zone, stabilizing physical property and consumption.

**MXHK: Real estate drove the index rally.** Within MXHK, Real Estate (+7.2%) and Industrials (+4.8%) led the returns, while Staples (-7.1%) and Discretionary (-3.6%) lagged. **1) HK property:** JPM's Karl Chan raised HK's residential price [forecast](#) for 2026 growth from 5-7% to 10-15% y-y, and another 5% y-y in 2027. Implied inventory months (based on 12M rolling sales) fell to 9 months (4Q25: 10.9M), the lowest level since 4Q21. **2) HK financials:** HK's IPO/equity placement proceeds totaled HK\$286bn/HK\$325bn in 2025, a record since 2021; YTD, IPO/equity placement totals reached HK\$151bn/HK\$49bn. **3) HK retail sales** in 2M26 rose 19% y-y in value terms, or +4,5% m-m. HK's synchronized recovery remains intact, as we articulated in [Hong Kong's comeback: early thoughts on 2026 and top picks](#). **4) MXHK's FTM EPS** has risen by 3.6% since Dec'25, with consensus 2026 EPS growth calling for 15.6% y-y. **2026 outlook:** Our base case end-2026 target for MXHK stands at 16,000, representing 7% potential upside. **Top picks:** SHKP is considered the best proxy for the HK housing market, with earnings growth likely to be revised up to MSD% amid the housing market upcycle; HSBC in Financials offers a 7-8% dividend yield and mid-teens multi-year RoTE growth guidance.

Figure 1: Indices and sectors' USD returns over the past month (%)

Benchmarks		MXCN sectors		MXHK sectors	
MSCI China	3.5	Information Technology	13.0	Real Estate	7.2
MSCI HK	3.6	Real Estate	10.8	Industrials	4.8
HSI	4.1	Energy	8.2	Communication Services	3.9
HSTECH	4.9	Industrials	6.3	Utilities	3.5
HSCEI	3.8	Financials	4.3	Financials	3.0
CSI300	9.1	Materials	3.9	Consumer Discretionary	(3.6)
CSI500	10.7	Consumer Discretionary	3.0	Consumer Staples	(7.1)
CSI1000	11.1	Health Care	2.1		
		Utilities	1.3		
		Consumer Staples	(0.5)		
		Communication Services	(1.6)		

Source: Bloomberg Finance L.P., J.P. Morgan. Note: Past performance is not an indicator of future results

## JPM's China & Hong Kong QMIs

Based on the framework of JPM's [Quantitative Macro Indicator](#) (QMI), we introduced the China and Hong Kong QMI to monitor innate macro strength. Figure 2 and Figure 4 exhibit the visible correlations between the QMI and MSCI China & HK y-y returns. Through the lens of the business cycle, HK QMI eased to Slowdown in March, while China remained solid in Expansion.

## Connect flows, turnover and short sales

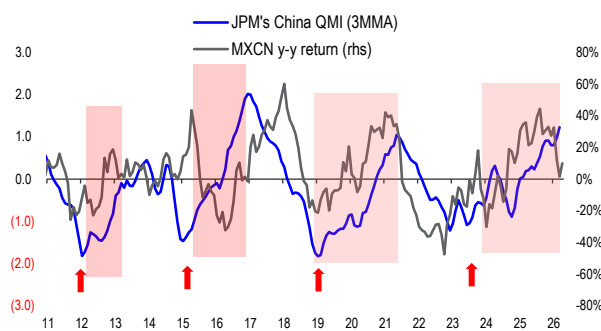
**Stock Connect:** Southbound recorded HK\$57bn net inflows in Apr (vs HK\$61bn net inflows in Mar), accounting for ~21% of HK turnover (15% since 2023). SB's share of HK turnover rose from 6% in 2018 to 6%/9%/12%/12%/15%/18%/24% over 2019/2020/2021/2022/2023/2024/2025, respectively (Figure 8).

Ranked by the dollar amount of monthly SB net flows, Financials, Healthcare, and IT were the top three, while Materials, Discretionary, and Staples were the bottom three.

**Daily average turnover** of Hong Kong was HK\$254bn in Apr (Mar: HK\$304bn) vs A-shares at Rmb2,360bn (Mar: Rmb2,332bn).

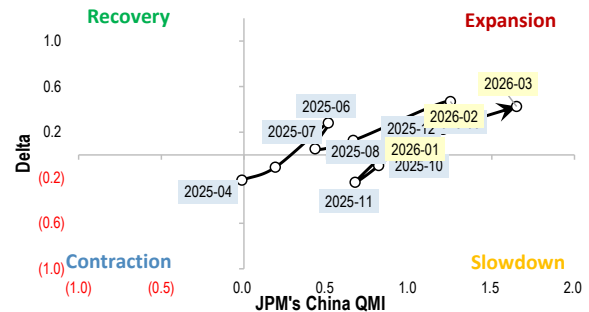
**Equity short sale ratio** eased to 16.8% in Apr vs 17.8% in Mar (+0.9SD vs average of 14.5% since 2014).

Figure 2: JPM's China QMI vs. MXCN y-y return



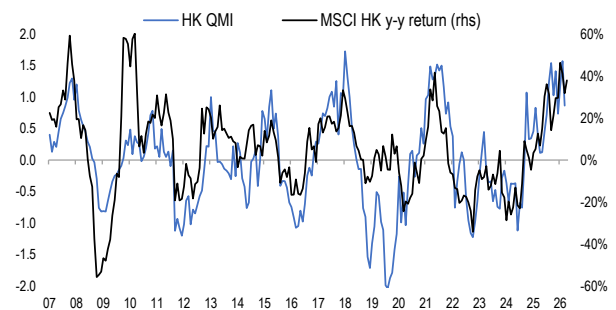
Source: Wind, J.P. Morgan

Figure 3: Monthly business cycle based on China QMI



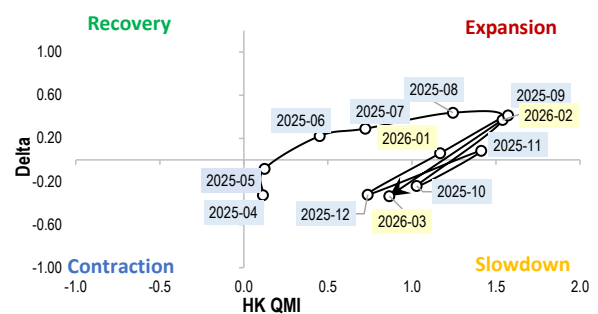
Source: Wind, J.P. Morgan

Figure 4: JPM's HK QMI vs MSCI HK y-y return



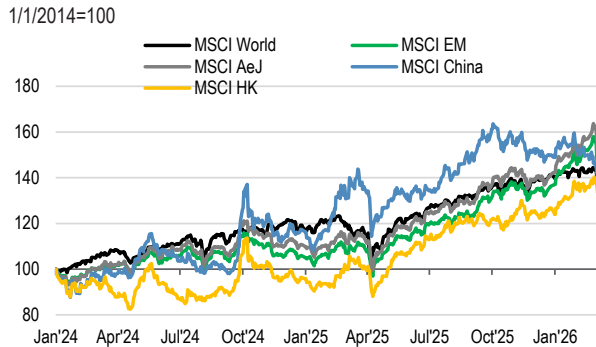
Source: Wind, J.P. Morgan.

Figure 5: Monthly business cycle based on the HK QMI



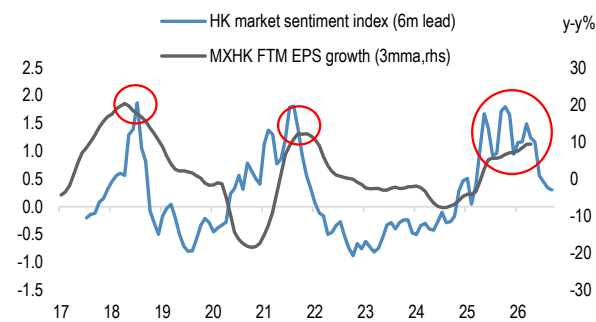
Source: Wind, J.P. Morgan.

Figure 6: Indices' performance since 2024



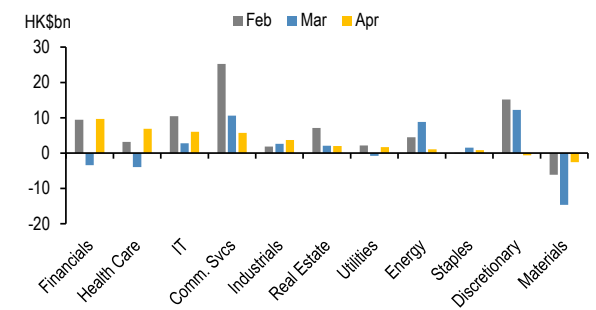
Source: Eikon, J.P. Morgan. Note: Past performance is not an indicator of future results

Figure 7: JPM's HK Market Sentiment Index bodes well for MXHK



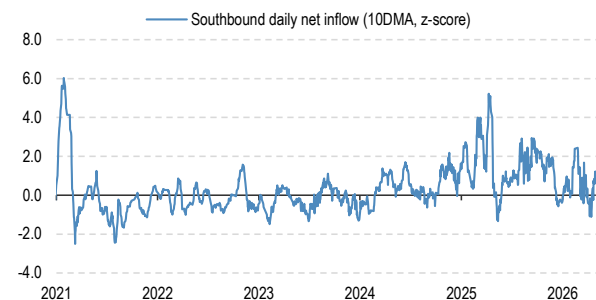
Source: MSCI, Wind, J.P. Morgan.

Figure 8: Southbound net inflows by sector



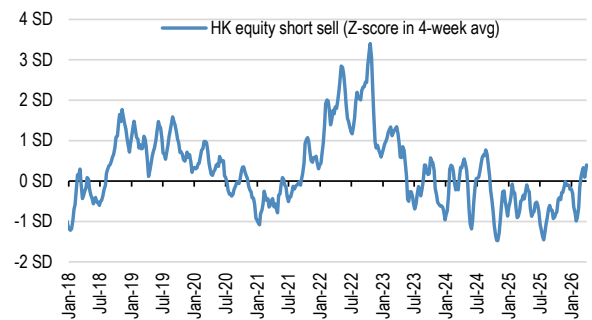
Source: Wind, J.P. Morgan.

Figure 9: Southbound daily net inflow (10-day moving average in SD)



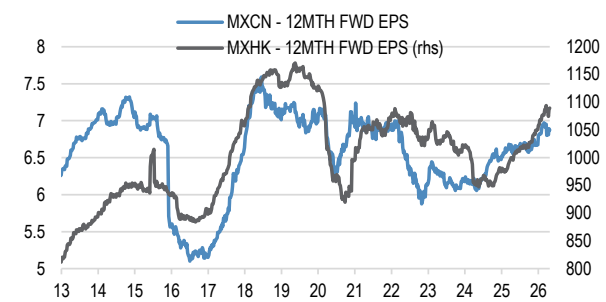
Source: Wind, J.P. Morgan

Figure 10: HK equity short sell ratio



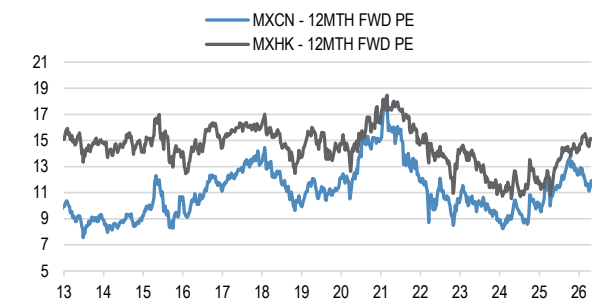
Source: Wind, J.P. Morgan

Figure 11: MSCI China and HK: 12M forward EPS



Source: IBES, J.P. Morgan.

Figure 12: MSCI China and HK: 12M forward P/E



Source: IBES, J.P. Morgan.

## Hong Kong economic review

- Exports** surged 8.5%/m sa in March, the seventh consecutive sequential gain, lifting the trend pace to 78.7%3m/3m saar. Annual rate beat was 35.8%oya (JPM forecast: 18.3%; consensus: 13.1%), the highest since January 2021. Imports also accelerated to 11.0%/m sa, after five solid sequential increases, pushing the annual rate to a multi-year high at 41.2%oya on the back of higher tech pricing in the region. Higher global commodity prices have pushed up HK's oil and petroleum products (+81.3%oya) and non-ferrous metal imports (+403.6%) in March, despite their share in overall imports being relatively small. For 1Q as a whole, exports rose 32.0%oya while imports increased 37.0%. March trade deficit widened significantly to HK\$89.1bn, or 2.7% of 2025 nominal GDP, pointing to downside to our 1Q GDP growth forecast.
- PMI** fell 4pts to 49.3 in March, ending seven consecutive months of expansion. Output and new orders deteriorated sharply, although new business from Mainland China remained solid. Business sentiment also worsened to a nine-month low, amid concerns that conflicts in the Middle East could weigh on the global economy.
- CPI** headline CPI inflation stayed unchanged at 1.7%oya in March, below expectations (JPM and consensus: 1.9%). Smoothing CNY-related volatility by averaging Jan-Feb, headline CPI ticked up 0.2%pt, mainly reflecting faster fuel-price increases. Seasonally adjusted, headline CPI posted a fifth consecutive gain, rising 0.1%/m sa. Excluding the impact of government one-off relief measures, underlying CPI rose 1.6%oya or 0.02%/m sa.
- Retail sales** volume growth surprised on the upside in February, rising 17.5%oya or 2.8%/m sa (J.P. Morgan forecast: 8.9%oya), supported by LNY seasonality and continuing visitor inflows. Combining the Jan-Feb data to account for the LNY timing difference, Jan-Feb retail sales volume rose 9.8%oya. In value terms, sales increased 19.3%oya or 4.5%/m sa, leaving the retail unit value at 1.5%oya in February. February visitor inflows from mainland China rose 53.4%oya, on a longer-than-usual holiday, lifting local sales activities.

Figure 13: Hong Kong economic indicator forecasts

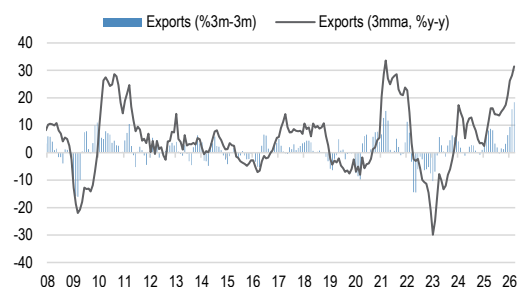
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Hong Kong: economic indicators	Average				
	2019-23	2024	2025f	2026f	2027f
Real GDP, % change	-0.6	2.6	3.5	3.3	2.9
Consumption <sup>1</sup>	0.2	0.0	1.3	2.5	1.9
Investment <sup>1</sup>	-0.9	0.5	2.5	0.6	0.7
Net trade <sup>1</sup>	0.1	2.1	-0.3	0.3	0.3
Consumer prices, %oya	1.7	1.7	1.4	1.6	1.6
% Dec/Dec	1.7	1.4	1.4	1.7	1.4
Government balance, % of GDP	-3.1	-2.7	-2.0	-0.6	-1.0
Merchandise trade balance (US\$bn)	-7.8	-2.0	1.1	1.2	-0.9
Exports	589.7	631.1	675.7	689.3	708.6
Imports	597.5	633.1	674.6	688.0	709.5
Current account balance	31.6	52.5	54.7	50.1	46.0
% of GDP	8.7	12.9	12.7	11.0	9.6
International reserves, (US\$ bn)	456	421	426	428	421

1. Contribution to growth of GDP.

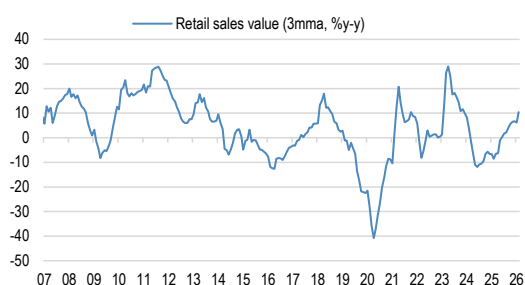
Source: Hong Kong C&SD, J.P. Morgan.

Figure 14: Hong Kong's merchandise trade



Source: Hong Kong C&SD, J.P. Morgan.

Figure 15: Hong Kong retail sales value



Source: HK C&SD, J.P. Morgan.

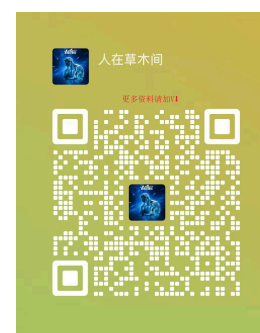
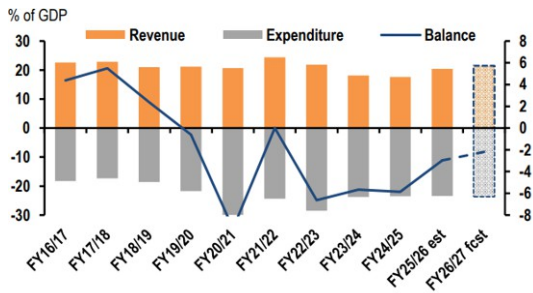
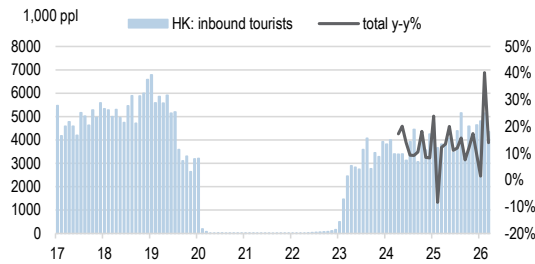


Figure 16: Hong Kong fiscal balance



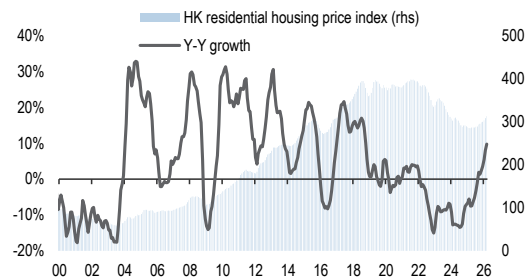
Source: HK Government, J.P. Morgan.

Figure 17: Hong Kong's inbound tourists



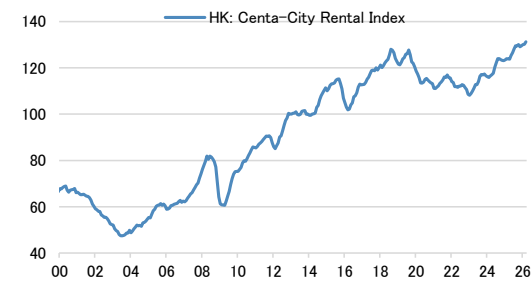
Source: Wind, J.P. Morgan.

Figure 18: Hong Kong's residential housing price index



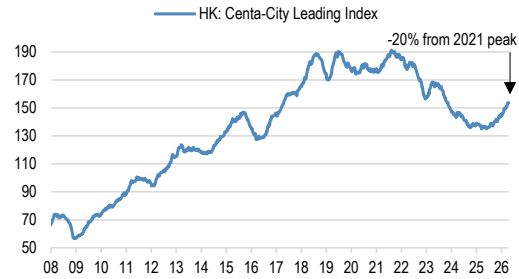
Source: Wind, J.P. Morgan.

Figure 19: HK: Centa-City Rental Index



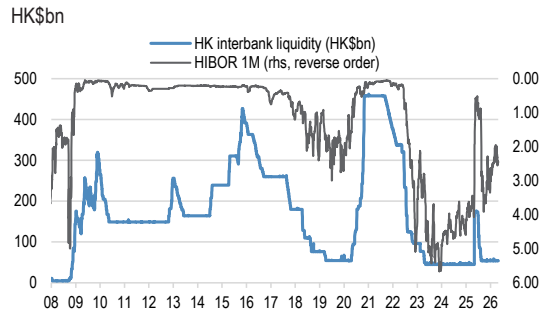
Source: Wind, J.P. Morgan.

Figure 20: HK secondary home prices (HK Centa-City Leading Index)



Source: Wind, J.P. Morgan.

Figure 21: Hong Kong's interbank liquidity balance



Source: Wind, J.P. Morgan.