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APAC Market Thematics - Specialist Sales Commentary
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JPM | CHINA SUMMIT - Investor Sentiment, Top-down Snippets, Key Discussion Topics

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APAC Thematics focuses on key macro views, market debates, and favoured investment themes.

JPM's flagship 22nd Global China Summit…. *We kicked off Day 1 of Panels at our China Summit today, with a fantastic line-up of speakers. Below is a quick rundown of investor sentiment, top-down snippets which caught my attention, and some of the key topics which have come up discussions.*

JPM's analyst team will host a Summit takeaways call at 4pm HK / 9am UK on Tues 26 May. *Speakers include Alex Yao (Internet), Billy Feng (Tech), Alan Hon (Power & Renewables), Stephen Tsui (Power Equipment & Utilities), Rebecca Wen (EV & Auto Parts), Katherine Lei (Financials), Karl Chan (Property) and DS Kim (Consumer & Macau). Hope you can join us (link to register).*

INVESTOR SENTIMENT

Overall, investors are "cautiously optimistic". While China isn't leveraged into the US-centric AI spending boom in the way Taiwan/Korea are (the overarching driver of markets right now)… investors are optimistic that a number of trends are starting to move in the right direction, with (i) China's own AI capex cycle accelerating from a much lower starting base, (ii) Advanced manufacturing share gains, (iii) Combined industrial and tech leadership positions China well in a physical-AI era, (iv) Some parts of the property market are showing signs of stabilization, & (v) Geopolitical tailwinds favour China given the increasingly unilateral policy agenda by the Trump administration. That said, some concerns remain - notably weak consumer sentiment & uncertainty around whether Beijing will ever truly prioritize stimulating demand-side vibrancy.

Investors, overall, are looking to add to their China exposure. In the audience survey, to the question about what is "your anticipated investment approach to China the next 12 months"... 57% said they plan to increase exposure, 28% plan to maintain current levels, 3% expect to reduce, with 12% undecided. For reference, the share of investors who said "plan to increase" is up from 51% at last year's China Summit. With LO investors, on aggregate, still UW on China (although the magnitude has narrowed in recent years), the investment intent to raise exposure is a clear positive.

INTERESTING SNIPPETS FROM THE PANELS & ROUNDTABLES

INVESTMENT FOCUS - Areas where investors are focusing. Which sector in China is expected to be the r
in the coming years? When put to the audience... by far, the two most popular answers were (i) AI and next-g
59%, and (ii) Robotics and automation = 28%. On the flip side, Consumption was referenced by less than 5%

GEOPOLITICS - All about fairness, reciprocity and understanding. There are serious issues that need to be
areas such as trade and defense. That said, while there are structural challenges in the relationship, there rema
opportunity. Respectful understanding and dialog are key. Just as importantly, Chinese culture is now being ex
key to building understanding and trust.

***INDUSTRIAL INNOVATION* - Leading edge competition.** In many sectors, China has dozens of companies where China is at the front-end of the innovation curve.. competing aggressively for the consumer wallet. No other market is as competitive, and this is leading to significant pressures on industrialisation in many other countries (e.g. Germany frequently quoted as losing out).

***WRITING THE BOOK* - On how to industrialize.** China has written the playbook for how to industrialize in the 21st century. This is leading, rightly, to greater curiosity about China in the West, especially among the younger demographic… and not just because it's been so successful, but because it's been done so differently vs the development model in the West.

***AI ADOPTION* - Different AI races.** While the US is in a race for AGI, with 5x leading companies where pushing the technology boundary is the only objective (cost-agnostic)… the approach in China is different. The priority for Beijing is real-world deployment as pilots scale and ROI becomes demonstratable. This is true both in digital AI and physical AI.

KEY DISCUSSION TOPICS WITH INVESTORS

***PROPERTY* - Mixed views on whether the market has bottomed.** The recent m/m price uplift in Tier 1 cities (led by Shanghai), alongside a recovery in secondary transaction volumes, has led to debate on whether China's property market has truly bottomed. Bulls say green-shoots in Tier-1 cities alongside a now reasonable 6x price/income ratio nationwide (below US/UK/JP) is the signal to turn constructive. Developers are still cheap (e.g. COLI 0.4x P/B) - and the sector bottoms as fundamentals go from "bad" to "less bad". Waiting for it to be "good" = too late. The bears counter that inventory is still very high (around 20x months) and the consumption impulse remains weak. Given property still accounts for 40% of household wealth - few things matter more than this for China's economic outlook - consumption, inflation, and the flow of capital.

***CONSUMPTION* - Why government policy has been lackluster.** Many agree a consumption uplift is needed to improve China's economic vibrancy (to grow into its impressive capacity)... but aren't sure why policy to stimulate demand hasn't been more forceful... is it because (i) It's less of a priority for the Govt vs supply-side growth, (ii) The Govt doesn't know how to stimulate it, (iii) The Govt is saving their bullets until the property market stabilizes else it'd be pulling on a string, of (iv) All the above. While conviction in the overall consumption backdrop remains uncertain... investors are asking about companies with strong revenue/ profit growth and attractive valuations (e.g. Laopu or Pop-Mart), successful multi-brand strategies (e.g. Anta or Yum), or attractive idiosyncratic stories (e.g. A-Tour).

***AI SUPPLY CHAIN* - China's 40% AI capex ramp through 2030.** Tech = the one area where there's no doubt on govt policy support. Locals say this is the sector where all the policy traffic-lights are "green" - funding, capital, etc. JPMe China's AI capex to grow from $39bn last year to $140bn by 2030 (37% CAGR), providing a strong tailwind for China's AI capex supply-chain. Many note this remains the cleanest "runway story" in China across Semi Equipment, Chips, Servers and Hardware. The Internet platforms are also back on investor radars with Alibaba and Baidu favoured in the near term given their build-out of AI infrastructure, but longer-term investors are also starting to flag Tencent as an undervalued "implementor" (read: monetizer) of AI through their platform.

***MEMORY* - The China ramp.** One part of Tech where there was a lot more questions vs usual (in China) was Memory. Given the current memory shortage and the fact Samsung/Hynix are now 2x of the top 10 most profitable companies globally, it's not a total surprise. However, while the big memory debate overseas is the bull/bear discussion around Long Term Contracts (are they good because they provide earnings visibility or bad because they aren't enforceable when the cycle turns?)... in China, local investors were talking-up the prospects/outlook for CXMT (DRAM) and YMTC (NAND). CMXT recently turned profitable (1Q revs >700% y/y), and some locals believe overseas investors are underestimating their ramp-up profile and growth ambitions, as they seek to gain a growing foothold (first) in their domestic market.

***COMMODITIES* - A disconnect between China vs regional peers.** There's been a notable disconnect between commodity stocks in China vs regional comps, despite the fact they are all selling… a commodity. Spec sales Anmol Mehta pointed out (i) In the gold/copper sector the likes of Zijin, MMG & CMOG are down 20-30% YTD vs regional peers roughly flat, (ii) In aluminium the likes of Chalco & Hongqiao are -20% YTD vs regional peers up 20-40%. Overall, onshore investors are more cautious commodities vs offshore peers citing Hormuz and oil-related macro uncertainty. We see this as an opportunity to position in China commodity names as onshore sentiment normalizes (and catches up to positive underlying EPS revision trends).

AVIATION* - *Future area of strategic focus? The recent Xi/Trump meeting was more about setting a framework for strategic "accommodation" and "stability", rather than a flurry of new trade deals. One exception was China buying 200x Boeing planes. This deal was expected by investors (in fact, many anticipated a larger number) - but the fact that Beijing continues to place sizable orders for commercial aircraft shows this remains one (of the increasingly few) areas left where China is still reliant on foreign tech and imports. And as we've seen in other sectors (autos, power, equipment & renewables in the past and semis today), that makes aviation an area Beijing could expand in policy support in the years ahead to boost its domestic supply chain. The sector is currently off-radar, but potentially somewhere to start doing the work early. .

Best, Matt

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