China A-Shares Monthly Wrap

June 2026: All eyes on AI

- **Key market drivers:** CSI-300/500/1000 recorded +1.8%/8.0%/4.8% in June, outperforming HSI's/HSCEI's -9.1%/-10.3%, respectively. Such a significant contrast reflects investor confidence in China's AI ecosystem, in particular the infrastructure side, while taking a more cautious and selective stance in the China internet space. Abundant liquidity onshore, as evidenced by A-share velocity surging to over 6%, supported such style preference for growth. Offshore investors we spoke with have increasingly been asking about the likelihood of another round of stimulus to be announced around the July politburo meeting, suggesting rising appetite to bottom-fish consumption proxies. That said, feedback from local clients we spoke with suggests expectations on stimulus remain low onshore.

- **Key sector moves: IT**, **Materials and Financials** took the lead over the past month, while **Utilities, Energy and Real Estate** underperformed (Figure 1).

- **Earnings and valuation:** Consensus CSI-300 2026E EPS growth stayed at 24% at end-June. On 30 June, it traded at a 14.6x FTM P/E, or c1.7SD vs median since 2016, and at a 0.7x FTM PEG with FTM EPS y-y of 19.7%. YTD, materials, IT and energy have recorded the strongest FTM EPS integer upward revisions, while communication services, consumer staples and utilities have recorded the biggest FTM EPS integer downward revisions.

- **Key macro data:** China's May activity data improved in certain areas, but overall remained soft. IP improved to 0.2% m-m sa, or 4.5% y-y, rebounding from a sharp monthly contraction in April, though the trend pace slowed further to 1% 3m-3m saar. Retail sales softened further, falling 0.6%oya on a 0.1%m/m sa decline. Auto retail sales plunged a further 16.4%oya. FAI contracted sharply by 10.7%oya (vs -8.0% April), dragging ytd FAI further into contraction at -4.1%oya ytd (vs +1.7% in 1Q). By sector, real estate FAI (-24.3%oya) fell the most. May inflation continued the trend with CPI staying soft with PPI continuing to be firm, at a slower pace. AI-related cost pass-through is broadening into upstream semis and downstream electronics, adding a more durable inflation tailwind. Meanwhile, AI-related high-tech also boosted May exports, with a growing price lift (memory chips/modules, AI datacenter equipment, and new energy). FX reserves rose US$31.7bn to $3442.2bn. USD/CNY largely stayed flat and ended at c6.79, while the 10-year CGB yield ticked up to 1.72% at end June.

Figure 1: A-share sector returns and top/bottom stock returns (issue market cap >US$5bn)

A-share sector returns			A-share stock returns			HK & US listed CN stock returns		
Sector	1M (%)	YTD (%)	Ticker	Company	1M (%)	Ticker	Company	1M (%)
IT	19.6	63.1	002636.SZ	GDM	124.2	ACMR O	ACM RESEARCH INC	37.3
Materials	2.7	9.8	002409.SZ	YOKE TECHNOLOGY	109.1	1347.HK	HUA HONG SEMICONDUCTOR LTD	33.4
Financials	-1.3	-12.4	000725.SZ	BOE	71.4	2359.HK	WUXI APPTEC CO LTD	18.0
Healthcare	-3.1	-10.0	000811.SZ	YANTAI MOON	71.1	2611.HK	GUOTAI JUNAN SECURITIES CO LTD	13.7
Industrials	-4.7	-0.2	000021.SZ	KAIFA	62.4	6869.HK	YANGTZE OPTICAL FIBRE AND CABLE .	12.4
Cons. Discre.	-9.2	-17.7						
Communication services	-9.5	-16.9	002128.SZ	OPENCUT COAL	-25.3	2688.HK	ENN ENERGY HOLDINGS LTD	-26.3
Cons. Staples	-10.3	-19.6	000933.SZ	SHENHUO	-27.0	2382.HK	SUNNY OPTICAL TECHNOLOGY GROUF	-27.2
Real Estate	-10.6	-16.4	001979.SZ	CMSK	-27.1	0285.HK	BYD ELECTRONIC INTERNATIONAL CO	-28.3
Energy	-12.2	-0.8	002532.SZ	SHIMGE PUMP	-28.1	1378.HK	CHINA HONGQIAO GROUP LTD	-28.4
Utilities	-14.1	0.9	002379.SZ	LOFTEN	-30.5	6181.HK	LAOPU GOLD CO LTD	-31.3

Source: LSEG Workspace (30 Jun 2026), Wind (30 Jun 2026). Data as of 30 Jun 2026 HKT market close.

Equity Macro Research

Erin Zhang, CFA AC
(86-21) 6106 6328
erin.zhang@jpmorgan.com
SAC Registration Number: S1730521090002
J.P. Morgan Securities (China) Company Limited

Tim Huang
(852) 2800-4323
tim.huang@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Rajiv Batra
(65) 6882-8151
rajiv.j.batra@jpmorgan.com
J.P. Morgan Securities Singapore Private Limited

Greater China Economics

Feng Zhu
(852) 2800 1745
feng.zhu@jpmorgan.com
JPMorgan Chase Bank, N.A., Hong Kong Branch

Tingting Ge
(852) 2800-0143
tingting.ge@jpmorgan.com
JPMorgan Chase Bank, N.A., Hong Kong Branch

Head of China Research

Alex Yao
(86 21) 6106 6505
alex.yao@jpmorgan.com
SAC Registration Number: S1730523020001
J.P. Morgan Securities (China) Company Limited

See page 5 for analyst certification and important disclosures, including non-US analyst disclosures.

Erin Zhang, CFA
(86-21) 6106 6328
erin.zhang@jpmorgan.com

Equity review and YTD returns

With key China equity return drivers summarized on the front page, we detail below the top- and bottom-ranked Wind A-share Level 1 sector returns.

Top 3 performing sectors

- **IT (+20%)** continued its lead on AI infrastructure proxies in June.
- **Materials (+3%)** saw AI-related materials, e.g., fiber glass and MLCC materials, recording strong return, offset by the retreat in gold and aluminum names.
- **Financials (-1%)** saw diverging performance between the outperforming non-bank financials, notably brokers as a catch-up beta trade, and the underperforming banks that suffer from penalties due to regulatory tightening

Bottom 3 performing sectors

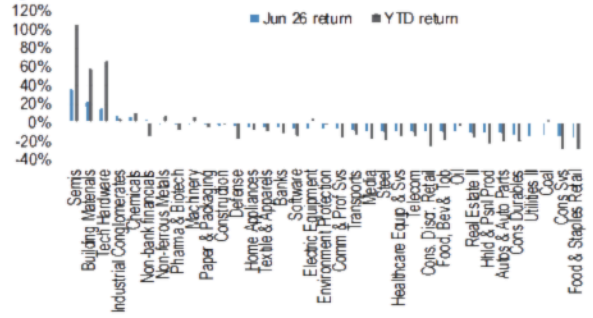
- **Utilities (-14%)** corrected on overall macro weakness, while yield as a factor is also out of favor for now.
- **Energy (-12%)** retreated on lower oil price due to a potential reopening of the Strait of Hormuz.
- **Real Estate (-11%)** corrected as industry data fails to sustain strong momentum.

Figure 2: Market performance

Sector	Jun 26 return	YTD return
CSI300	1.8%	7.5%
CSI500	8.0%	21.0%
CSI1000	4.8%	16.0%
Wind All A-shares	3.2%	11.5%
HSCEI	-10.3%	-15.2%
HSI	-9.1%	-10.7%
CSI300 Relative Growth	9.4%	26.9%
CSI300 Relative Value	-5.6%	-9.9%
Wind Dividend	-8.2%	-10.1%

Source: Wind (30 Jun 2026), J.P. Morgan (30 Jun 2026).

Figure 3: Wind A-share Level 2 sector indices' MTD/YTD returns

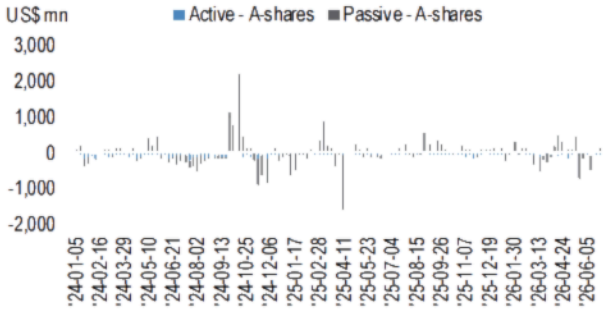


Source: Wind (30 Jun 2026), J.P. Morgan (30 Jun 2026).

Fund flow, margin financing, issuance

EPFR data recorded -US$0.4bn in net outflow from A-shares over 1-26 June 2026, led by outflows from Industrials, Financials, and Consumer Discretionary, with IT the only sector recording mild net inflow.

Figure 4: EPFR tracked net A-share flows



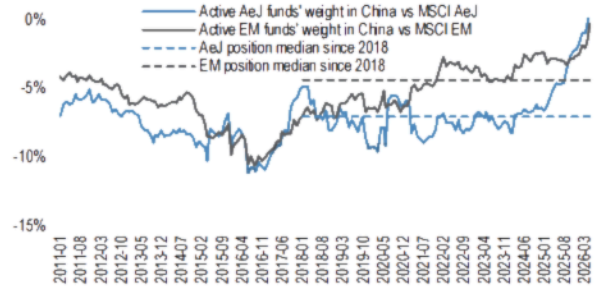
Source: EPFR (26 June 2026), J.P. Morgan (26 June 2026).

Figure 5: Active global equity funds' China weights vs MSCI benchmarks



Source: EPFR, MSCI. Data as of end-May 2026.

Figure 6: Active AeJ/EM equity funds' China weights vs MSCI benchmarks

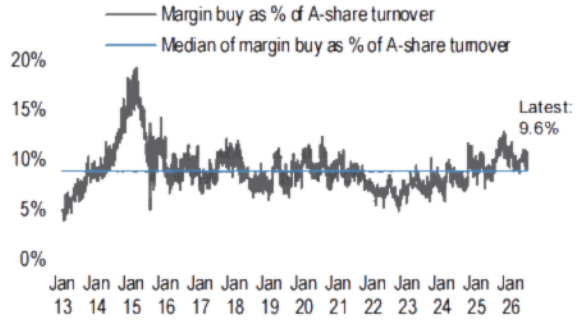


Source: EPFR, MSCI. Data as of end-May 2026.

The **A-share margin financing** balance as a percentage of A-share market cap edged up to 2.85% at end-June (range of 1.8-3% since 2016), while gross margin buying as a percentage of total A-share turnover stayed around 10% (range of 5.3-12.8% since 2016).

Erin Zhang, CFA
(86-21) 6106 6328
erin.zhang@jpmorgan.com

Figure 7: A-share margin financing



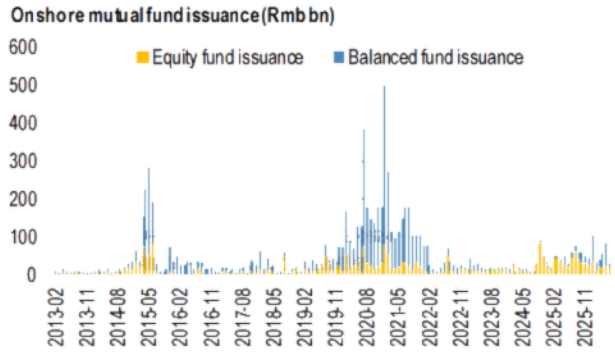
Source: Wind (29 June 2026), J.P. Morgan (29 June 2026).

A-share equity mutual fund issuance remained stable
Preliminary data recorded Rmb19bn/Rmb12bn equity/balanced fund issuance in June, while May's final numbers improved to Rmb26bn/Rmb56bn from the preliminary reading of Rm22bn/Rmb31bn.

Annual fundraising proceeds since 2016 have ranged Rmb40bn-419bn for equity funds (median Rmb143bn) and Rmb65bn-1,625bn for balanced funds (median Rmb234bn).

We estimate retail/controlling & strategic shareholders/ domestic financial institutions/foreign investors held 43%/42%/12%/3% of A-shares' total market cap at end-2025, based on company shareholding data and the PBOC's statistics of foreign investors' holdings of A-shares, respectively.

Figure 8: Onshore mutual fund issuance



Source: Wind (30 Jun 2026), J.P. Morgan (30 Jun 2026). Data as of 30 Jun 2026.

CSI-300 EPS revisions and valuation

Consensus CSI-300 2026E EPS growth was 24% at end-June. On 30 June, it traded at a 14.6x FTM P/E, or c1.7SD vs median since 2016, and at a 0.7x FTM PEG with FTM EPS y-y of 19.7%.

Figure 9: CSI-300 FTM EPS revisions

	FTM EPS growth	FTM EPS growth revision		FTM EPS integer revision	
	FTM EPS growth	Since end-Dec 2025	Since 20 Sep 2024	Since end-Dec 2025	Since 20 Sep 2024
Communication Services	11%	5%	9%	-13.4%	0.1%
Consumer Discretionary	13%	-2%	23%	-4.6%	55.4%
Consumer Staples	15%	5%	25%	-13.3%	8.3%
Energy	15%	8%	8%	14.6%	-17.8%
Financials	6%	1%	1%	1.9%	24.6%
Health Care	23%	13%	20%	2.0%	13.5%
Industrials	25%	1%	8%	2.9%	31.2%
IT	53%	10%	49%	25.5%	202.9%
Materials	38%	14%	8%	43.4%	69.0%
Utilities	3%	-3%	3%	-6.7%	44.2%
Real Estate	63%	-24%	-14%	-835.8%	-176.7%
CSI300	20%	5%	17%	5.7%	35.2%

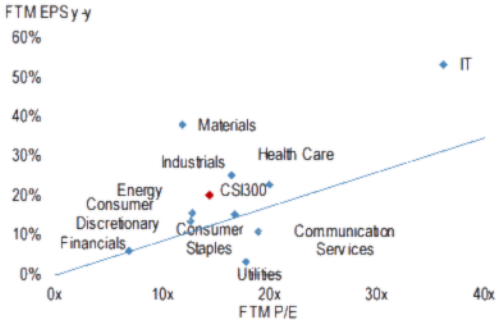
Source: Wind (30 Jun 2026), J.P. Morgan (30 Jun 2026).

Figure 10: CSI-300 FTM P/E



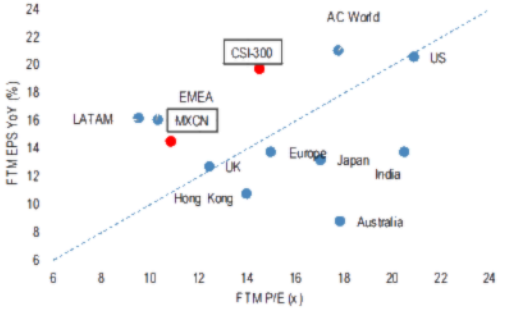
Source: Wind (30 Jun 2026), J.P. Morgan (30 Jun 2026).

Figure 11: CSI-300 FTM P/E and EPS by sector



Source: Wind (30 Jun 2026), J.P. Morgan (30 Jun 2026).

Figure 12: CSI-300 consensus P/E-EPS metrics vs. other markets



Source: LSEG Workspace (30 Jun 2026), Wind (30 Jun 2026), J.P. Morgan (30 Jun 2026).
Note: All markets except for CSI-300 are based on MSCI market indices.

Erin Zhang, CFA
(86-21) 6106 6328
erin.zhang@jpmorgan.com

Economic and political review

Average one-year CGB YTM ticked down by 1bp, and10-year CGB YTM edged down 2bps. New loan creation returned to positive Rmb520bn, but quality was weak with most of the lift from corporate short-term loans and bill financing. Household loans and corporate medium- to long-term loans stayed in contraction, signaling genuine demand weakness. Loan growth slipped to 5.5%oya, a fresh record low; TSF softened to 7.7%..

May activity recorded another month of broad weakness, though improved from April numbers.

Retail sales softened further, falling 0.6%oya on a 0.1%m/m sa decline. Auto retail sales plunged a further 16.4%oya (-1.1%m/m sa). Several categories recorded sharp declines: spending on household electronics fell 15.6%oya (vs -15.1% April), construction and decoration materials sales fell 13.6%, gold and silver jewelry fell 8.9%, and consumption of oil and related products fell 3.2%. Services spending continued to outperform: services retail sales grew 5.4%oya ytd in May, led by communications, software & information, leasing and business, financial, and transport and storage services. Online sales expanded further, with services outpacing goods.

FAI contracted sharply by 10.7%oya (vs -8.0% April), dragging ytd FAI further into contraction at -4.1%oya ytd (vs +1.7% in 1Q). By sector, real estate FAI (-24.3%oya) fell most and drove the decline, indicating a contraction stronger than seen in 1Q. Manufacturing (-4.2%oya) and infrastructure (-9.4%) also contracted. Within manufacturing, investment broadly cooled or contracted – led by special purpose equipment, chemicals, and pharmaceuticals – while high-tech manufacturing FAI held up better (electrical machinery and equipment, and computers, communications and other electronic equipment).

Industrial production improved to 4.5%oya. On a seasonally adjusted basis, IP rose 0.2%m/m sa but remained soft, rebounding from a sharp monthly contraction in April. The trend pace slowed further to 1.0%3m/3m saar. Industrial restructuring towards high-end manufacturing continued apace, with high-tech and equipment manufacturing outperforming, riding on the tech cycle upswing and policy support: growth accelerated to 15.1%oya and 9.5%, up from 12.8% and 7.2%, respectively. Production of 3D printing equipment, lithium-ion batteries, industrial robots and integrated circuits increased by 54.4%, 40.0%, 27.9%, and 22.9%, respectively. The pace of production of computers, communication and other electronic equipment accelerated to 17.0%oya, up from 15.6% in April.

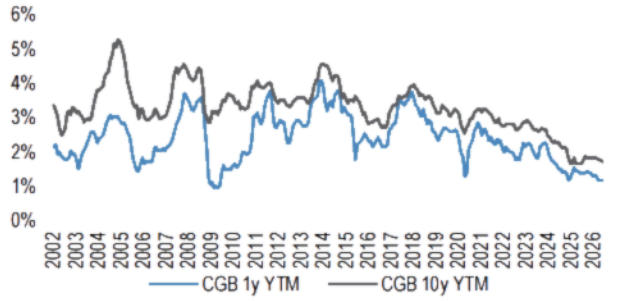
On inflation, CPI inched up 0.1%m/m sa, or 1.2% y-y, as firmer communications/entertainment prices were offset by ongoing food-price deflation. PPI extended its upturn, rising 0.8%m/m sa or 3.9%oya. Relative to last month, the lift came from industrial upgrading and AI-driven compute demand, pushing up metals, electrical machinery and electronics prices.

Figure 13: Chinese consumer confidence and SME development



Source: Wind (30 Jun 2026), J.P. Morgan (30 Jun 2026).

Figure 14: Chinese government bond yield to maturity (CGB YTM)



Source: Wind (30 Jun 2026), J.P. Morgan (30 Jun 2026).

Figure 15: Key macro indicators

Macro indicators	2026-06F	2026-05F	2026-05	2026-04
CPI (%)	1.2	1.4	1.2	1.2
PPI (%)	4.2	3.5	3.9	2.8
Industrial production (%)	5.6	--	5.4	5.6
FAI YTD y-y (%)	-3.7	-1.7	-4.1	-1.6
Manufacturing FAI YTD y-y (%)	0.3	0.1	-0.4	1.2
Infrastructure FAI YTD y-y (%)	3.7	2.1	0.8	4.9
Real estate FAI YTD y-y (%)	-15.0	-14.6	-16.2	-13.7
Social retail sales y-y (%)	0.3	0.1	-0.6	0.2
Imports y-y (%)	26.7	20.2	27.4	25.2
Exports y-y (%)	16.7	12.3	19.4	14.0
M2 y-y (%)	8.3	8.6	8.6	8.6
Rmb loans y-y (%)	5.7	5.5	5.5	5.6
TSF y-y (%)	7.8	7.6	7.7	7.8
Official manufacturing PMI	50.0	50.3	50.0	50.3
Urban survey-based unemployment rate (%)	--	5.2	5.1	5.2

Source: Wind (30 Jun 2026), J.P. Morgan (30 Jun 2026).

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