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Investor Presentation | Asia Pacific

China Equity Strategy: Hong Kong Takes a Backseat, for Now

MORGAN STANLEY ASIA LIMITED+

Laura Wang
Equity Strategist
Laura.Wang@morganstanley.com +852 2848-6853

Chloe Liu
Equity Strategist
Chloe.Liu1@morganstanley.com +852 2848-5497

Vicky Wu
Equity Strategist
Vicky.Wu@morganstanley.com +852 3963-3928

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We take profits from Hong Kong's recovery rally since July, and focus again on A shares

We see A-share market dynamics gradually improving from here:

- Stabilization of global market and momentum recovery of the AI super cycle (A-share market's resonation);
- Gradual digestion of near-term liquidity squeeze caused by large A-share IPOs (CXMT and UniTree);
- National Team potentially serving as a market stabilizer.

Key reasons for us to become bullish on Hong Kong market since the start of July have been largely priced in:

- 2Q results season proving bottoming out of earnings, especially for the internet/e-commerce sectors, thanks to reining in of price competition by regulators starting from mid-April 2026.
- Progress made on AI front demonstrated by new LLM launches and AI functions added to established ecosystems alleviating investor concerns over Chinese hyperscalers re their capex expansion plan.
- Massive IPO share unlocking pressure that had mounted since May 2026 being steadily digested through July and August.
- Other external factors also helped: unwinding of funding short positions built against HK due to global market drawdown; very low positioning by global investors.



We watch out for the next window for Hong Kong to regain momentum, likely late September

Hong Kong's defensiveness against potential resurgence of global volatility

- Potentially driven by concerns over fiscal sustainability, higher bond yields or renewed skepticism towards the global AI investment cycle, geopolitical uncertainty, etc.

A busy AI catalyst calendar into September

- Tencent's Global Digital Ecosystem Summit and Weixin AI launch.
- Alibaba's Qwen 4.0 upgrade and Apsara Conference.
- Baidu's potential dual-primary listing and Stock Connect inclusion.
- New model releases from MiniMax and Z.AI.

Potential improvement in China-U.S. relations ahead of US visit

- Confirmation of President Xi's expected US visit in September.
- Any signals of softening technology and trade restrictions ahead of the event.

Rising prospects for additional policy easing around late September if macro data worsens further:

- Any meaningful policy step-up would likely be a positive catalyst for both Hong Kong and the A-share market.

MSCI China has started to underperform EM peers again as the AI memory super-cycle regains footing post the July-Aug drawdown



Source: MSCI, FactSet, DataStream, Morgan Stanley Research. Data as of August 24, 2026. Past performance is no guarantee of future results.

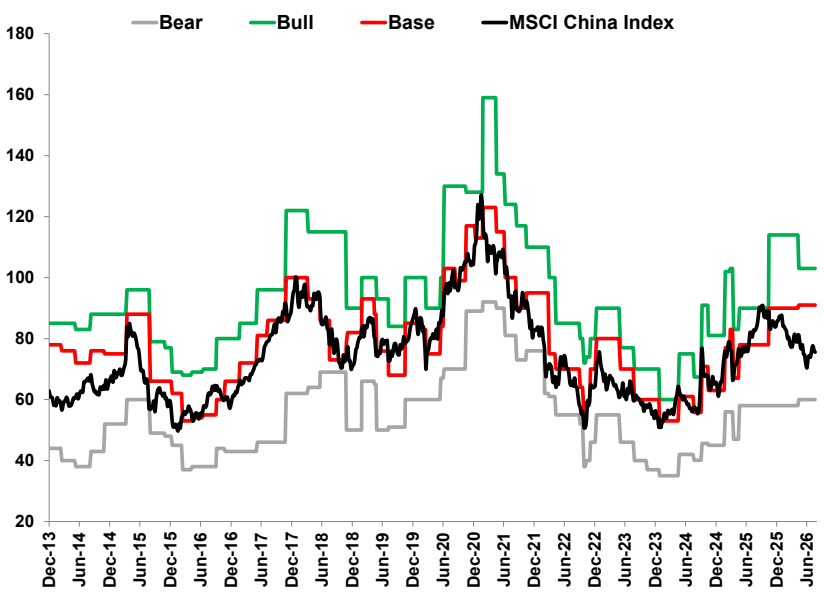
Asia/EM/China 2Q 2027 index targets – Wide range across bull/base/bear cases

	Index	Current Price	MS Target Price (Jun-2027)	MS Top-Down EPS YoY %			Consensus EPS Forecast YoY %			MS Target Fwd P/E Jun - 2027	Consensus 12m Fwd P/E Current
				Dec-26	Dec-27	Dec-28	Dec-26	Dec-27	Dec-28		
Base Case	TOPIX	4,073	**4,300** *6%*	216 *9%*	235 *9%*	263 *12%*	234 *15%*	264 *13%*	294 *11%*	17.5x	16.0x
	MSCI EM	1,695	**1,800** *6%*	125 *40%*	136 *9%*	141 *4%*	146 *72%*	180 *23%*	199 *11%*	13.0x	10.1x
	MSCI APxJ	876	**900** *3%*	59 *40%*	64 *8%*	65 *2%*	69 *73%*	86 *24%*	95 *10%*	14.0x	10.9x
	Hang Seng	25,517	**28,400** *11%*	2,254 *7%*	2,408 *7%*	2,557 *6%*	2,299 *12%*	2,520 *10%*	2,757 *9%*	11.4x	10.5x
	HSCEI	8,471	**9,900** *17%*	939 *5%*	993 *6%*	1050 *6%*	925 *5%*	983 *6%*	1,053 *7%*	9.7x	9.5x
	MSCI China	75	**91** *20%*	6.6 *7%*	7.2 *10%*	7.7 *7%*	6.5 *14%*	7.4 *14%*	8.4 *13%*	12.2x	10.7x
	CSI300	4,563	**5,400** *18%*	315 *10%*	347 *10%*	378 *9%*	362 *21%*	421 *16%*	487 *16%*	14.8x	13.1x
Bull Case	TOPIX	4,073	**4,900** *20%*	224 *13%*	255 *14%*	290 *14%*	234 *15%*	264 *13%*	294 *11%*	18.0x	16.0x
	MSCI EM	1,695	**2,100** *24%*	135 *50%*	147 *9%*	154 *5%*	146 *72%*	180 *23%*	199 *11%*	14.0x	10.1x
	MSCI APxJ	876	**1,080** *23%*	65 *53%*	72 *10%*	73 *2%*	69 *73%*	86 *24%*	95 *10%*	15.0x	10.9x
	Hang Seng	25,517	**32,400** *27%*	2,299 *8%*	2,504 *9%*	2,675 *7%*	2,299 *12%*	2,520 *10%*	2,757 *9%*	12.5x	10.5x
	HSCEI	8,471	**11,000** *30%*	958 *6%*	1,013 *6%*	1,079 *7%*	925 *5%*	983 *6%*	1,053 *7%*	10.6x	9.5x
	MSCI China	75	**103** *37%*	6.7 *8%*	7.4 *11%*	8.0 *8%*	6.5 *14%*	7.4 *14%*	8.4 *13%*	13.3x	10.7x
	CSI300	4,563	**6,090** *33%*	321 *11%*	361 *12%*	401 *11%*	362 *21%*	421 *16%*	487 *16%*	16.0x	13.1x
Bear Case	TOPIX	4,073	**2,600** *-36%*	202 *2%*	209 *4%*	222 *6%*	234 *15%*	264 *13%*	294 *11%*	12.0x	16.0x
	MSCI EM	1,695	**1,100** *-35%*	103 *16%*	101 *-2%*	99 *-2%*	146 *72%*	180 *23%*	199 *11%*	11.0x	10.1x
	MSCI APxJ	876	**590** *-33%*	50 *21%*	51 *2%*	51 *0%*	69 *73%*	86 *24%*	95 *10%*	11.5x	12.9x
	Hang Seng	25,517	**18,000** *-29%*	2,141 *4%*	2,239 *5%*	2,378 *6%*	2,299 *12%*	2,520 *10%*	2,757 *9%*	7.8x	10.5x
	HSCEI	8,471	**6,200** *-27%*	892 *3%*	923 *4%*	945 *2%*	925 *5%*	983 *6%*	1053 *7%*	6.7x	9.5x
	MSCI China	75	**60** *-20%*	6.1 *3%*	6.4 *5%*	6.7 *5%*	6.5 *14%*	7.4 *14%*	8.4 *13%*	9.1x	10.7x
	CSI300	4,563	**3,550** *-22%*	304 *7%*	319 *5%*	333 *4%*	362 *21%*	421 *16%*	487 *16%*	10.9x	13.1x

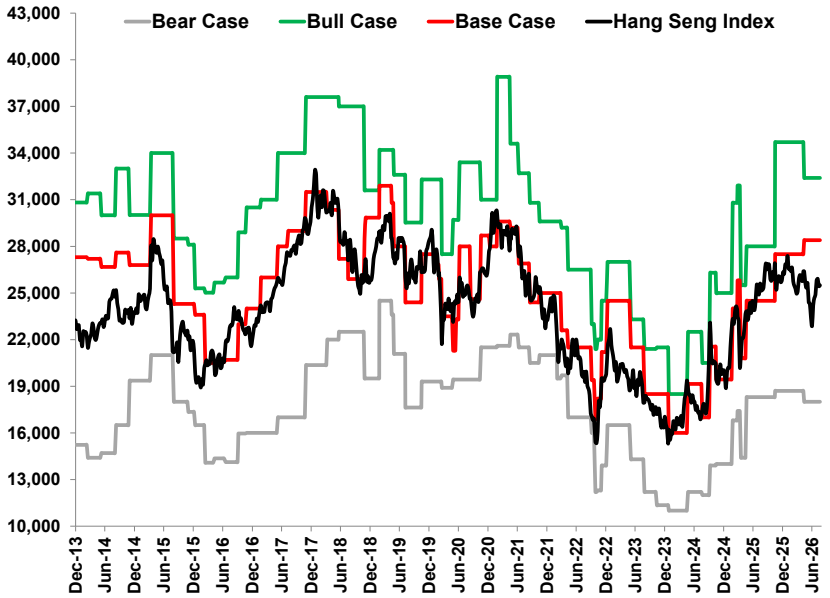
Source: MSCI, IBES, Bloomberg, FactSet, RIMES, Morgan Stanley Research estimates. Note: Data as of August 24, 2026.

Morgan Stanley bull/base/bear case index target history for MSCI China and the Hang Seng Index

MS target price history for MSCI China



MS target price history for Hang Seng



Source: RIMES, FactSet, Morgan Stanley Research forecasts. Note: Weekly price index data as of August 24, 2026.

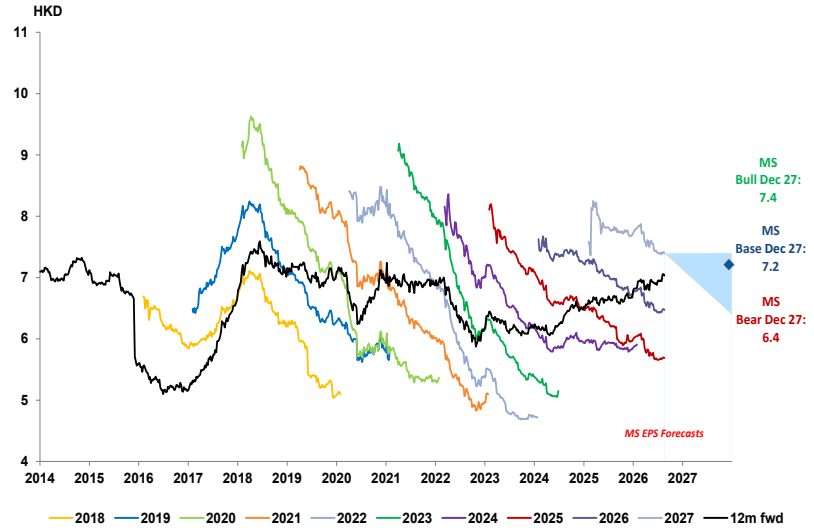
Assessing Morgan Stanley's China framework – Macro drag continues but could trigger potential stimulus step-up

		2018	2020 Post Covid-19	2H 2021	Dec-22	Aug-23	Feb-25	2025 Year End	2026 Mid Year
1	Economic/Earnings Estimates	x	✓	Neutral	xx	xx	x	x	Neutral
2	Valuation	x	✓	x	Neutral	Neutral	✓	Neutral	Neutral
3	Liquidity	x	✓	x	✓	x	✓	✓	Neutral
4	Policy Cycle	x	✓	x	✓✓	✓	✓	✓	✓
5	USDCNY trend	x	✓	Neutral	✓	x	xx	x	✓
6	US/China & geopolitical tension	x	Neutral/ Slightly negative	Neutral/ Slightly negative	Neutral/ Slightly negative	Neutral/ Slightly negative	x	Interim truce	Interim truce
7	Regulatory/Policy priority	x	Neutral	x	✓	xx	✓	✓	✓
		Downgrade	Upgrade	Downgrade	Upgrade	Downgrade	Upgrade	PT increase	PT increase

Source: Morgan Stanley Research. Note: Tick indicates our view on the factor is improving, while x indicates the factor is deteriorating, and xx indicates a greater level of deterioration.

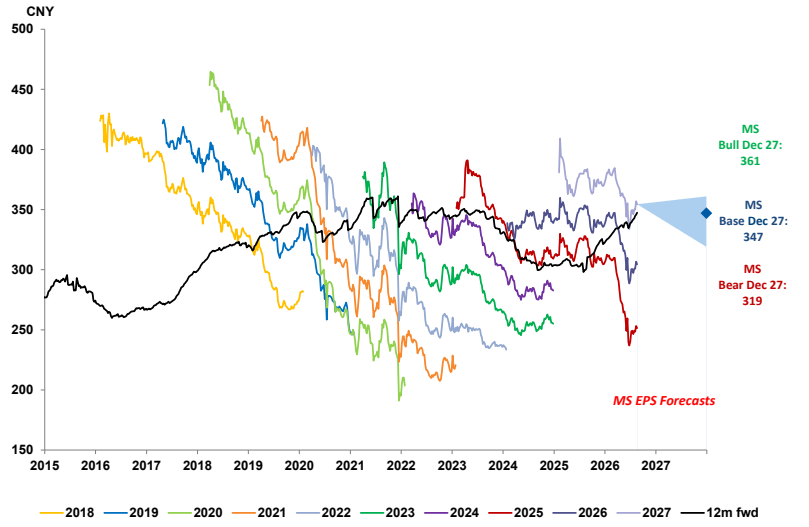
Consensus earnings estimates for MSCI China and CSI300 – We expect further downward revisions for 2026 EPS but at a decelerating pace

MS EPS base-case forecasts for MSCI China at Dec-26 and Dec-27



Source: IBES, Datastream, Morgan Stanley Research. Note: Weekly data as of August 24, 2026.

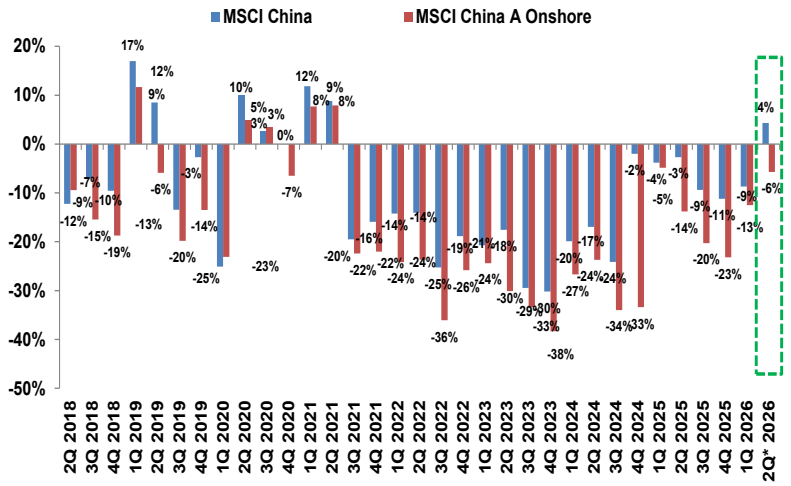
MS EPS base-case forecasts for CSI 300 at Dec-26 and Dec-27



Source: IBES, Datastream, Morgan Stanley Research. Note: Weekly data as of August 24, 2026.

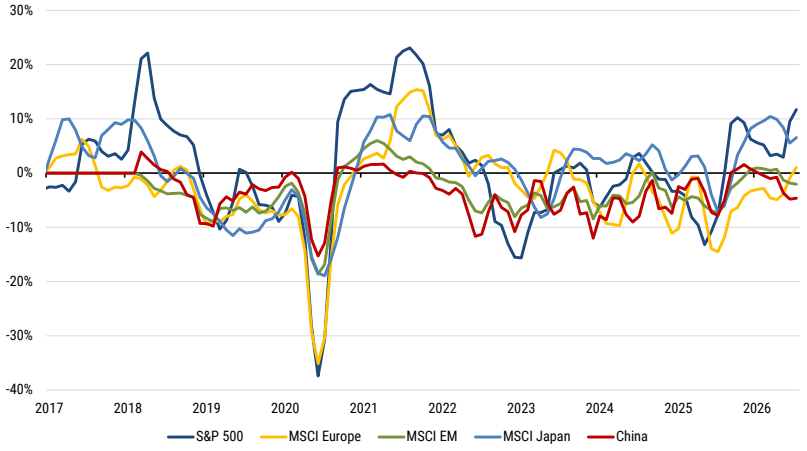
2Q26 earnings miss so far narrowed meaningfully vs. before; sustainability is key

History of Chinese equity market quarterly earnings surprises by number of companies



Source: MSCI, Bloomberg, RIMES, Factset, Morgan Stanley Research. Data as of August 24, 2026.

12-month forward consensus earnings estimate revision breadth (ERB, 3mma)



Source: Factset, Morgan Stanley Research. Note: Monthly data as of July 2026.

MSCI China consensus EPS composition by industry group

	Consensus EPS Contribution			EPS Growth			EPS Growth Contribution		
MSCI China	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Automobiles & Components	0.09	0.17	0.25	30%	86%	46%	0.4%	1.2%	1.1%
Banks	1.60	1.58	1.66	2%	-1%	5%	0.5%	-0.3%	1.1%
Capital Goods	0.15	0.23	0.26	-19%	52%	15%	-0.6%	1.2%	0.5%
Commercial & Professional Services	0.00	0.01	0.02	NM	NM	12%	0.0%	0.2%	0.0%
Consumer Durables & Apparel	0.10	0.12	0.13	22%	11%	10%	0.3%	0.2%	0.2%
Consumer Services	0.13	0.15	0.26	-55%	12%	78%	-2.8%	0.2%	1.5%
Diversified Financials	0.12	0.17	0.18	0%	36%	7%	0.0%	0.7%	0.2%
Energy	0.21	0.27	0.26	-12%	24%	-1%	-0.5%	0.8%	0.0%
Consumer Staples Distribution & Retail	0.01	0.01	0.02	15%	6%	18%	0.0%	0.0%	0.0%
Food Beverage & Tobacco	0.10	0.12	0.14	-20%	13%	16%	-0.5%	0.2%	0.3%
Health Care Equipment & Services	0.03	0.02	0.02	-25%	-15%	11%	-0.1%	-0.1%	0.0%
Household & Personal Products	0.01	0.01	0.01	19%	11%	4%	0.0%	0.0%	0.0%
Insurance	0.69	0.67	0.69	29%	-3%	3%	2.7%	-0.3%	0.2%
Materials	0.19	0.41	0.44	23%	119%	8%	0.6%	3.4%	0.4%
Media & Entertainment	1.08	1.03	1.12	16%	-4%	8%	2.6%	-0.7%	1.2%
Pharmaceuticals, Biotechnology & Life Sciences	0.09	0.13	0.15	89%	41%	19%	0.7%	0.6%	0.3%
Real Estate	0.08	0.09	0.10	8%	14%	14%	0.1%	0.2%	0.2%
Consumer Discretionary Distribution & Retail	0.59	0.76	1.01	-40%	29%	34%	-6.9%	2.6%	3.5%
Semiconductors & Semiconductor Equipment	(0.01)	0.02	0.04	54%	NM	84%	0.2%	0.5%	0.3%
Software & Services	(0.01)	(0.00)	0.00	-27%	NM	403%	0.0%	0.1%	0.1%
Technology Hardware & Equipment	0.17	0.25	0.35	18%	45%	42%	0.5%	1.2%	1.4%
Telecommunication Services	0.02	0.02	0.02	10%	24%	8%	0.0%	0.1%	0.0%
Transportation	0.09	0.10	0.11	-29%	14%	3%	-0.7%	0.2%	0.0%
Utilities	0.15	0.14	0.14	3%	-7%	6%	0.1%	-0.2%	0.1%
MSCI China	**5.7**	**6.5**	**7.4**	**-3%**	**14%**	**14%**	**-3%**	**14%**	**14%**

Source: IBES, MSCI, FactSet, Datastream, Morgan Stanley Research. Note: Data as August 24, 2026.

MSCI China index level earnings growth forecasts by industry based on MS bottom-up estimates

MSCI China Sectors EPS Growth Decomposition	Index weight*	2025E	2026E	2027E
Consumer Discretionary	22%	(31%)	2%	46%
Consumer Staples	2%	(1%)	24%	9%
Information Technology	8%	20%	12%	57%
Health Care	4%	49%	21%	(2%)
Communication Services	18%	8%	2%	2%
Utilities	1%	5%	(6%)	2%
Real Estate	1%	(42%)	11%	23%
Financials	19%	8%	4%	1%
Energy	3%	(14%)	33%	6%
Materials	4%	25%	72%	(2%)
Industrials	4%	4%	7%	16%
MS bottom up forecasts of EPS growth for MSCI China		(2%)	7%	12%
MS top down forecasts of EPS growth for MSCI China		5%	7%	10%
Consensus EPS growth for MSCI China		(3%)	14%	14%

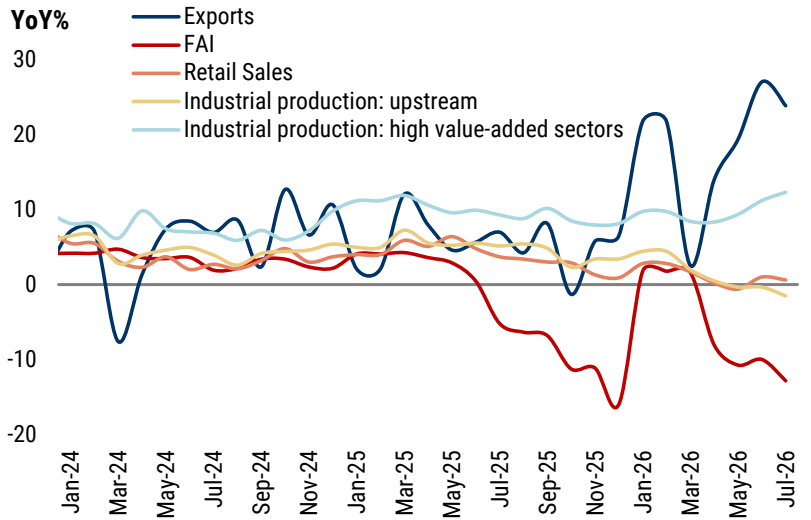
Source: FactSet, Datastream, ModelWare, Morgan Stanley Research. Note: Data as of August 24, 2026. *Only index weight of Morgan Stanley Research-covered stocks that are MSCI China constituents are counted. Hence it may not sum to 100% due to coverage.

K-shaped economy continues as exports and tech/high-end manufacturing accelerate while consumption and real estate stagnate

3Q real GDP growth is now tracking at 4.4% YoY



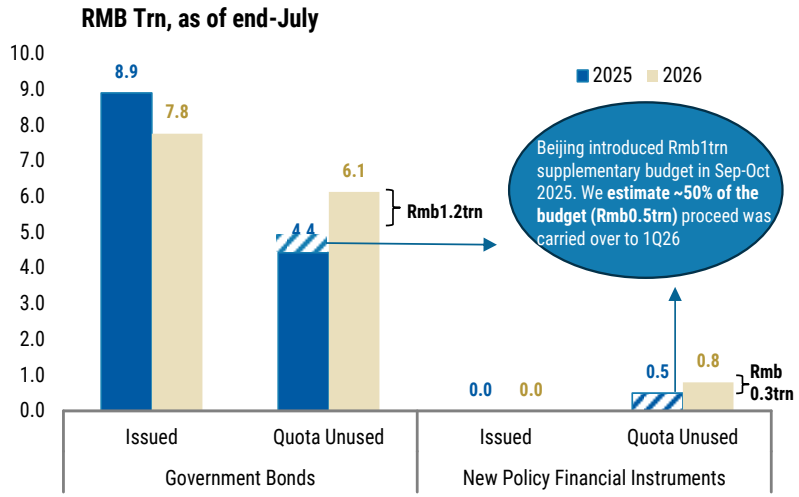
K-shaped economy deepened



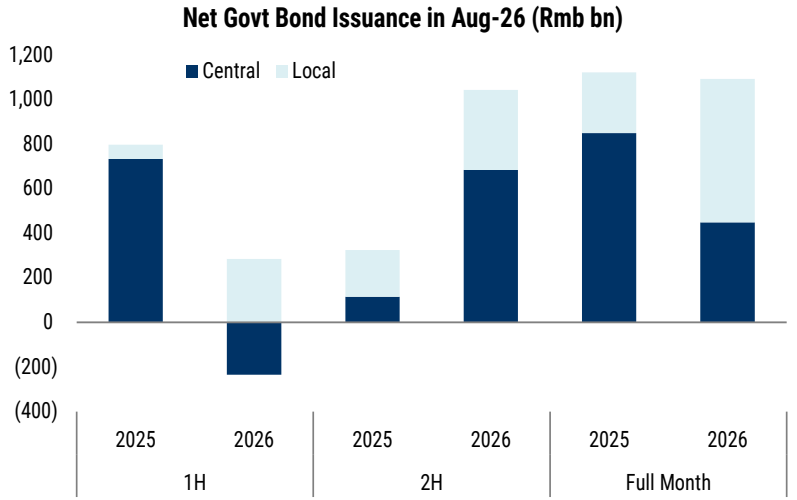
Source: CEIC, Morgan Stanley Research estimates.

Fiscal impulse remains the key near-term swing factor, should the macro conditions worsen more

There remains Rmb2trn untapped fiscal and quasi-fiscal impulse for Aug-Dec



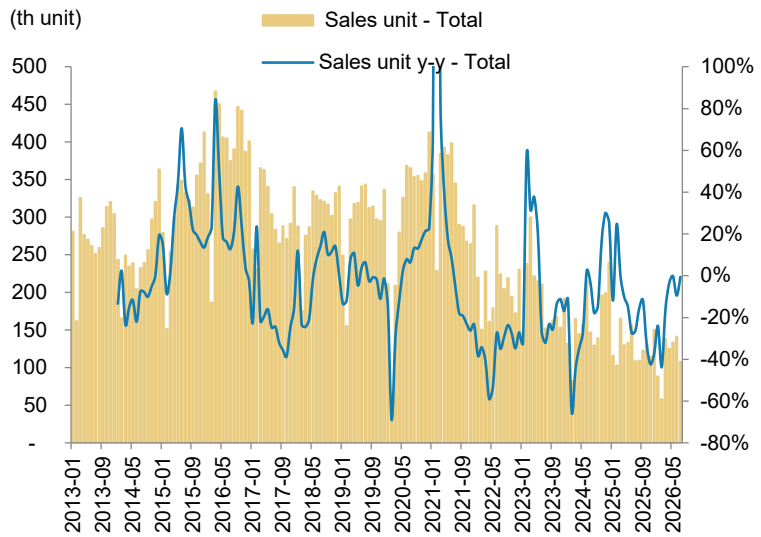
Government bond issuance accelerated in 2H August



Source: CEIC, Morgan Stanley Research estimates.

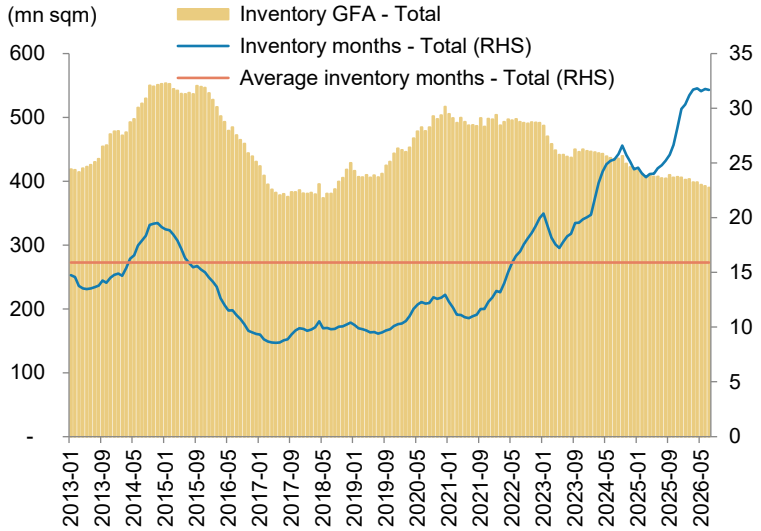
Primary housing inventory level stays elevated

Monthly primary housing sales



Source: CREIS, Morgan Stanley Research. Note: Monthly data as of end-July 2026.

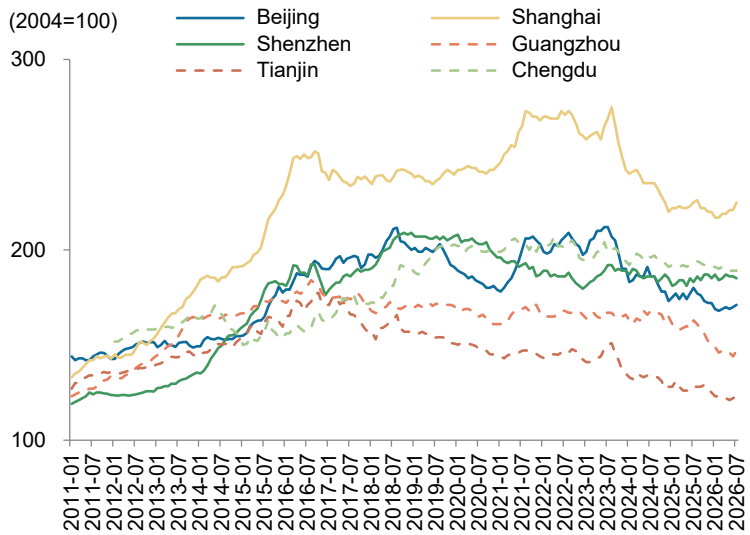
Housing inventory among 70 cities



Source: CREIS, Morgan Stanley Research. Note: Monthly data as of end-July 2026.

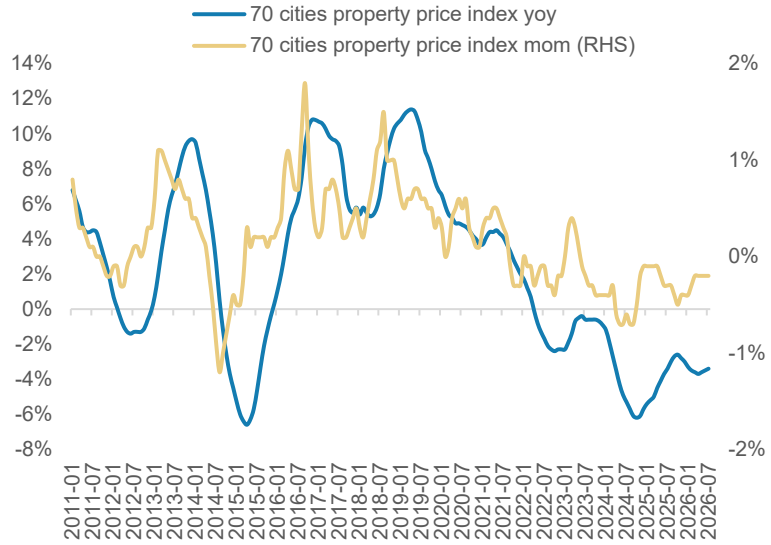
Recovery emerging in secondary property prices across select tier 1 cities, while the national market continues to lag

Beijing, Shanghai and Shenzhen secondary property prices showing signs of recovery since Feb-26



Source: CREIS, Morgan Stanley Research. Note: Monthly data as of end-July 2026.

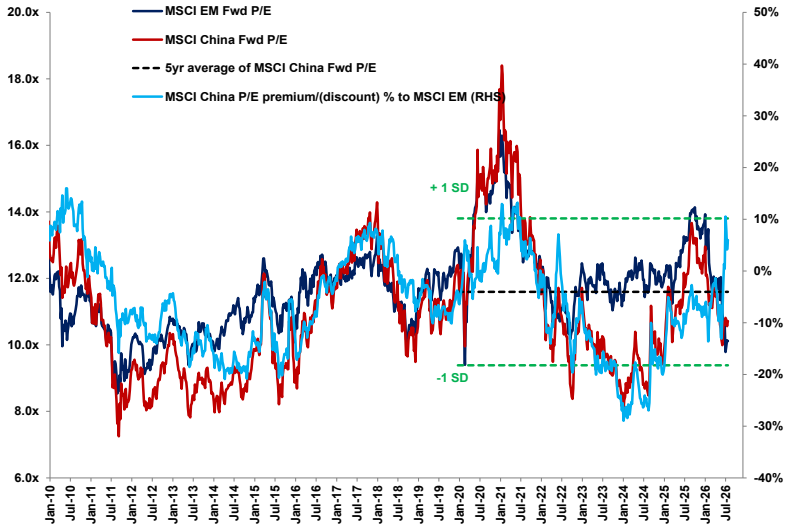
While 70 cities prices recover at a slower pace



Source: CREIS, Morgan Stanley Research. Note: Monthly data as of end-July 2026.

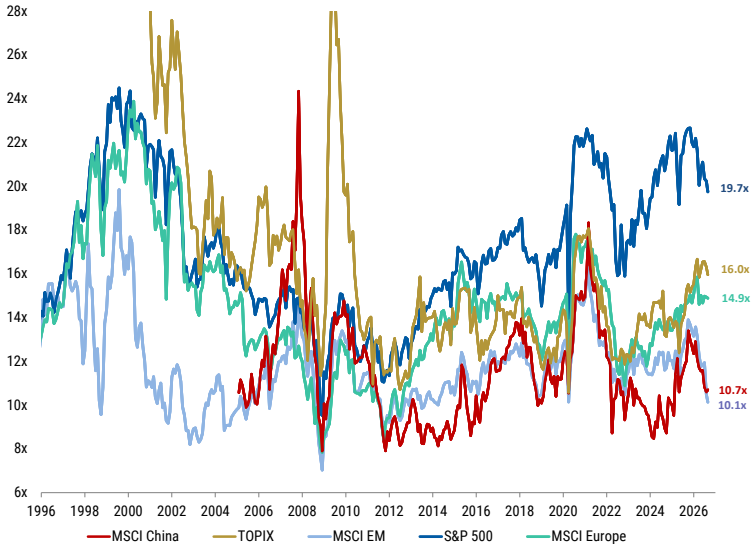
MSCI China trades at 10.7x 12-month forward P/E, ~6% premium vs. MSCI EM

MSCI China Fwd P/E vs. MSCI EM Fwd P/E



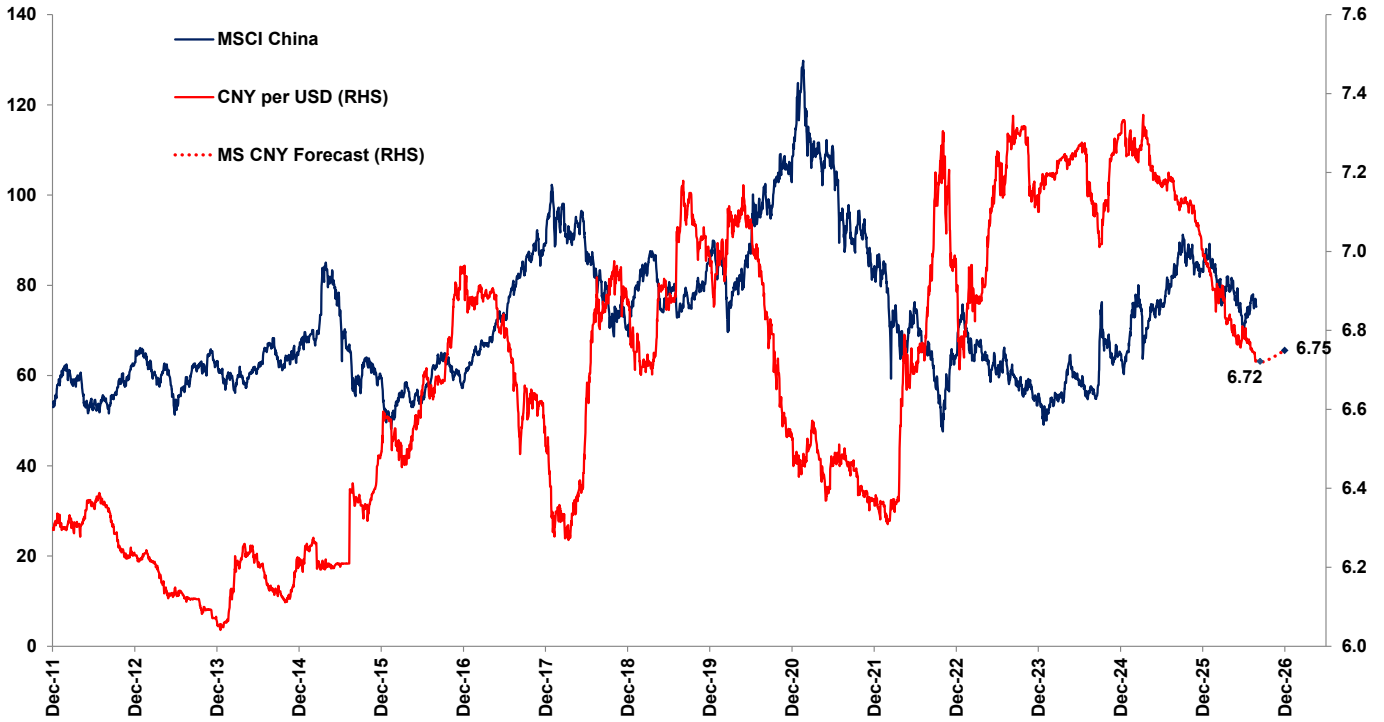
Source: Datastream, MSCI, Morgan Stanley Research. Note: Data as of August 20, 2026.

MSCI China still trades at discounts to other major global equity markets



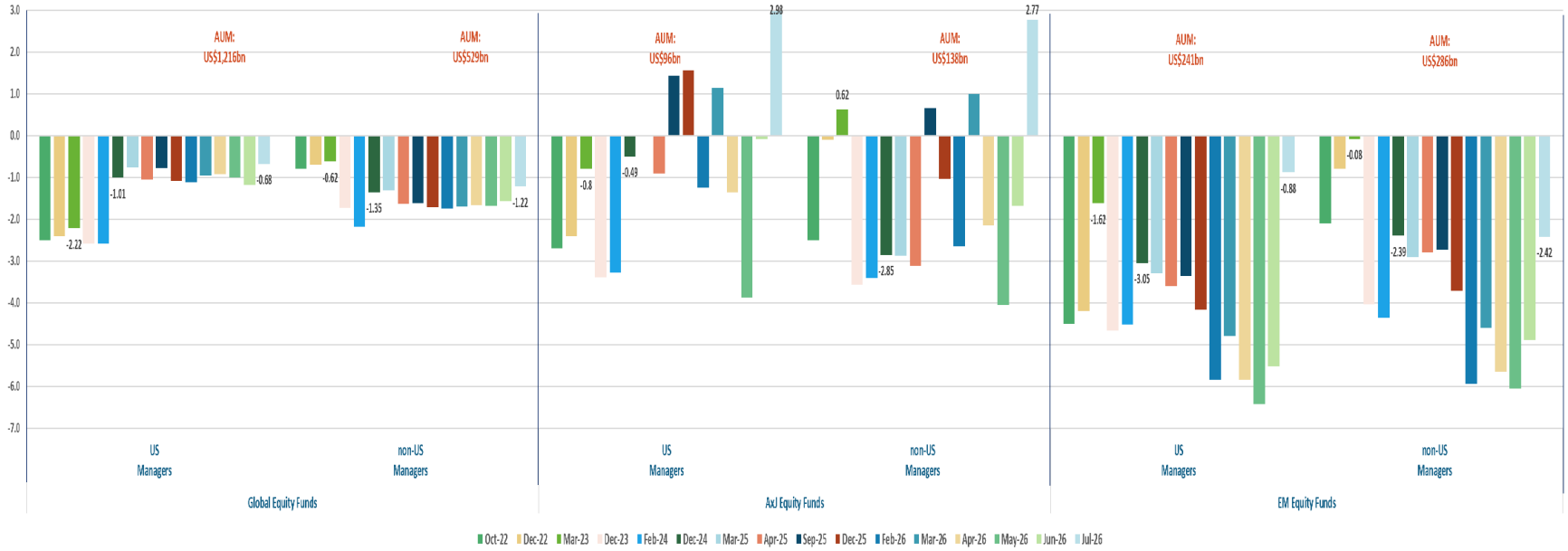
Source: Bloomberg, FactSet, Morgan Stanley Research. Note: Data as of August 25, 2026.

MSCI China vs. USDCNY – We see mild but limited appreciation room from here



Source: CEIC, Morgan Stanley Research. Data as of August 25, 2026. MS China Economics team expects USDCNY to reach 6.72 and 6.75 by 3Q26 and 2026, respectively.

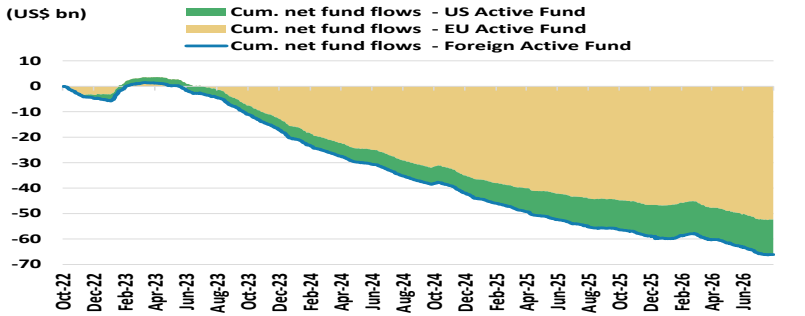
Active weights of China/HK equities by regional fund category and manager domicile – Global and EM managers' UW narrowed in July amid other market pullbacks



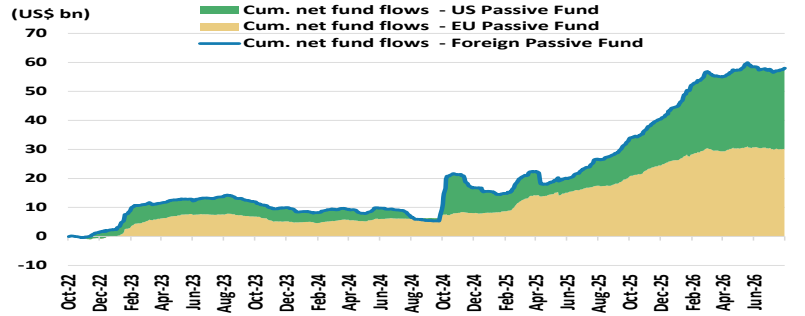
Source: Morningstar, FactSet, EPFR, Morgan Stanley Research; Note: Data refreshed as of July 31, 2026, most funds have disclosed data up to June 30. Fund universe of each category is formed by the largest 30 active mutual funds under Morningstar regional category. Funds under "non-US Managers" are mostly domiciled in Europe. We exclude ESG funds, Income funds, and Systematic funds. All the covered funds are benchmarking to either MSCI or FTSE standard regional indices of All Country World, Asia ex Japan, or Emerging Markets. The EPFR data and charts displayed here must not be extracted and republished (whether internally or externally). Such use will violate the terms of Morgan Stanley's contract with EPFR which only covers named users.

Foreign mutual fund 2026 YTD inflows around 50% of full-year 2025 level, still largely driven by passive funds

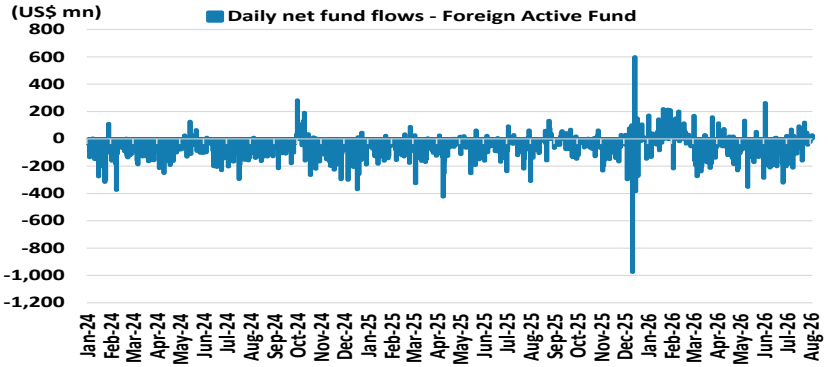
Daily cumulative fund flows – Foreign active funds



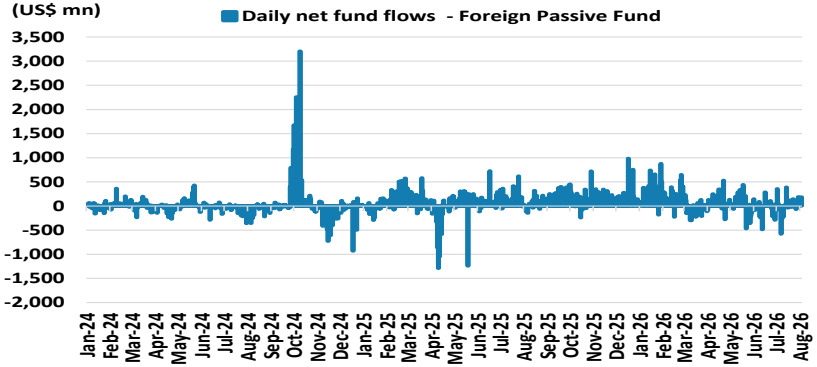
Daily cumulative fund flows – Foreign passive funds



Daily net fund flows – Foreign active funds



Daily net fund flows – Foreign passive funds



Source: EPFR, Morgan Stanley Research. Note: Data as of August 24, 2026.

EM and China active managers' active exposure in China/HK equities by GICS industry group

		International & US Funds			International Funds - UCITS			US Funds		
GICS Industry Group	MSCI China Index Weights	Portfolio Composite Weights	Active Weights	Active Weights Changes vs. last month	Portfolio Composite Weights	Active Weights	Active Weights Changes vs. last month	Portfolio Composite Weights	Active Weights	Active Weights Changes vs. last month
Capital Goods	4.3%	12.8%	8.5%	-1.8%	13.3%	9.0%	-1.9%	12.4%	8.0%	-1.6%
Insurance	4.8%	8.1%	3.3%	0.4%	7.3%	2.5%	0.5%	8.9%	4.2%	0.3%
Consumer Durables & Apparel	1.7%	3.8%	2.1%	0.4%	4.2%	2.5%	0.3%	3.3%	1.6%	0.5%
Food Beverage & Tobacco	2.4%	3.1%	0.7%	0.2%	3.4%	1.0%	0.3%	2.8%	0.4%	0.1%
Materials	5.2%	5.8%	0.6%	0.9%	5.2%	0.0%	0.7%	6.5%	1.3%	1.1%
Pharmaceuticals Biotechnology & Life Sciences	4.7%	5.2%	0.5%	0.5%	5.0%	0.3%	0.7%	5.4%	0.7%	0.4%
Commercial & Professional Services	0.2%	0.6%	0.4%	0.0%	0.8%	0.6%	0.0%	0.5%	0.3%	0.0%
Health Care Equipment & Services	0.3%	0.7%	0.4%	0.1%	0.7%	0.5%	0.1%	0.6%	0.3%	0.1%
Transportation	1.5%	1.7%	0.2%	0.2%	1.9%	0.4%	0.1%	1.5%	0.0%	0.3%
Semiconductors & Semiconductor Equipment	4.2%	4.3%	0.1%	-4.1%	5.0%	0.9%	-4.7%	3.4%	-0.7%	-3.5%
Consumer Staples Distribution & Retail	0.3%	0.4%	0.1%	0.2%	0.6%	0.3%	0.3%	0.1%	-0.1%	0.1%
Household & Personal Products	0.1%	0.2%	0.0%	0.0%	0.2%	0.0%	0.0%	0.2%	0.0%	0.0%
Real Estate Management & Development	1.5%	1.5%	0.0%	0.1%	1.9%	0.4%	0.1%	1.1%	-0.4%	0.1%
Telecommunication Services	0.3%	0.1%	-0.1%	0.0%	0.2%	0.0%	0.0%	0.0%	-0.2%	0.0%
Consumer Services	4.3%	4.1%	-0.2%	1.1%	4.3%	0.0%	1.1%	3.8%	-0.5%	1.0%
Media & Entertainment	18.9%	18.5%	-0.3%	0.1%	15.9%	-3.0%	0.1%	21.4%	2.5%	0.0%
Automobiles & Components	4.1%	3.6%	-0.4%	1.1%	3.7%	-0.3%	1.3%	3.5%	-0.6%	0.8%
Financial Services	2.1%	1.5%	-0.6%	-0.2%	1.9%	-0.1%	-0.2%	1.0%	-1.1%	-0.3%
Software & Services	0.9%	0.2%	-0.7%	0.1%	0.2%	-0.7%	0.2%	0.2%	-0.7%	0.1%
Utilities	1.8%	0.6%	-1.2%	0.1%	0.5%	-1.3%	0.1%	0.6%	-1.2%	0.1%
Consumer Discretionary Distribution & Retail	12.3%	10.4%	-1.9%	3.4%	10.4%	-1.9%	3.9%	10.4%	-1.9%	2.8%
Energy	3.2%	1.3%	-2.0%	0.3%	1.0%	-2.2%	0.3%	1.5%	-1.8%	0.3%
Technology Hardware & Equipment	8.6%	4.3%	-4.3%	-3.5%	4.5%	-4.1%	-4.2%	4.1%	-4.5%	-2.8%
Banks	12.3%	7.1%	-5.2%	0.3%	7.6%	-4.8%	0.6%	6.7%	-5.7%	0.1%

Source: FactSet, MorningStar, EPFR, Morgan Stanley Research. Note: Data as of July 31, 2026, most funds have disclosed data up to June 30.

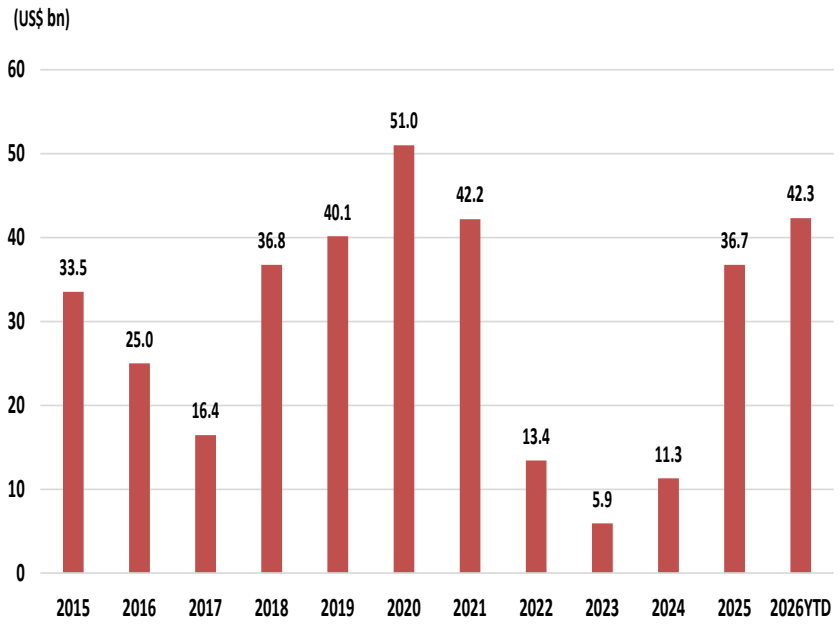
Top 50 China/HK holdings among Long-only EM and China active managers

			International & US Funds				International Funds - UCITS			US Funds		
Ticker	Company Name	GICS Industry Group	Portfolio Composite Weights	MSCI China Index Weights	Active Weights	Active Wgt. Changes vs. last month	Portfolio Composite Weights	Active Weights	Active Wgt. Changes vs. last month	Portfolio Composite Weights	Active Weights	Active Wgt. Changes vs. last month
700-HK	Tencent Holdings	Media & Entertainment	14.8%	14.4%	0.4%	-0.5%	12.0%	-2.4%	-0.5%	17.8%	3.5%	-0.6%
9988-HK	Alibaba Group Holding	Consumer Discretionary Distribution & Retail	8.3%	8.4%	-0.2%	2.4%	7.9%	-0.6%	2.9%	8.7%	0.3%	1.9%
300750-CN	Contemporary Amperex Technology	Capital Goods	4.7%	1.3%	3.4%	-0.3%	4.6%	3.2%	-0.3%	4.8%	3.5%	-0.4%
939-HK	China Construction Bank	Banks	3.1%	3.8%	-0.6%	0.3%	2.6%	-1.1%	0.5%	3.7%	-0.1%	0.1%
2318-HK	Ping An Insurance Group	Insurance	2.9%	2.0%	0.9%	0.2%	3.3%	1.3%	0.4%	2.5%	0.5%	0.1%
1299-HK	AIA Group	Insurance	2.7%	0.0%	2.7%	0.1%	2.2%	2.2%	0.0%	3.2%	3.2%	0.1%
9999-HK	NetEase	Media & Entertainment	2.2%	1.9%	0.3%	-0.3%	2.5%	0.6%	-0.3%	1.9%	0.0%	-0.3%
2899-HK	Zijin Mining Group	Materials	2.0%	0.0%	2.0%	1.5%	1.5%	1.5%	1.4%	2.6%	2.6%	1.6%
3968-HK	China Merchants Bank	Banks	1.8%	1.2%	0.6%	0.0%	2.1%	0.9%	0.0%	1.3%	0.2%	0.1%
000333-CN	Midea Group	Consumer Durables & Apparel	1.4%	0.3%	1.1%	0.1%	1.4%	1.1%	0.1%	1.3%	1.0%	0.0%
2359-HK	WuXi AppTec	Pharmaceuticals Biotechnology & Life Sciences	1.4%	0.5%	0.9%	-0.1%	0.9%	0.4%	-0.1%	1.9%	1.4%	-0.3%
1211-HK	BYD	Automobiles & Components	1.4%	1.6%	-0.3%	0.3%	0.8%	-0.8%	0.4%	1.9%	0.3%	0.2%
688008-CN	Montage Technology	Semiconductors & Semiconductor Equipment	1.2%	0.1%	1.1%	-0.8%	1.1%	1.0%	-0.9%	1.3%	1.2%	-0.6%
HTHT-US	H World Group	Consumer Services	1.1%	0.3%	0.7%	-0.1%	0.9%	0.6%	0.0%	1.2%	0.9%	-0.1%
600519-CN	Kweichow Moutai	Food Beverage & Tobacco	1.0%	0.6%	0.4%	0.0%	1.2%	0.6%	0.0%	0.8%	0.3%	-0.1%
PDD-US	PDD Holdings	Consumer Discretionary Distribution & Retail	1.0%	1.8%	-0.8%	0.3%	1.3%	-0.5%	0.5%	0.6%	-1.2%	0.2%
688012-CN	Advanced Micro-Fabrication Equipment	Semiconductors & Semiconductor Equipment	1.0%	0.2%	0.8%	-0.6%	0.9%	0.8%	-0.6%	1.0%	0.9%	-0.6%
2628-HK	China Life Insurance	Insurance	0.9%	1.1%	-0.2%	0.1%	0.4%	-0.7%	0.0%	1.6%	0.4%	0.1%
2328-HK	PICC Property & Casualty	Insurance	0.9%	0.5%	0.4%	0.0%	0.7%	0.1%	0.0%	1.1%	0.6%	0.0%
002028-CN	Sieyuan Electric	Capital Goods	0.9%	0.0%	0.9%	-0.1%	0.7%	0.7%	-0.1%	1.0%	1.0%	-0.2%
3690-HK	Meituan	Consumer Services	0.8%	1.9%	-1.0%	0.2%	0.9%	-0.9%	0.2%	0.8%	-1.1%	0.2%
1398-HK	Industrial and Commercial Bank of China	Banks	0.8%	2.4%	-1.6%	-0.1%	1.1%	-1.3%	0.0%	0.5%	-1.9%	-0.1%
600660-CN	Fuyao Glass Industry Grp	Automobiles & Components	0.8%	0.2%	0.6%	0.1%	0.9%	0.7%	0.0%	0.7%	0.5%	0.1%
992-HK	Lenovo Group	Technology Hardware & Equipment	0.8%	0.9%	-0.2%	0.1%	0.5%	-0.5%	0.1%	1.1%	0.2%	0.0%
002371-CN	NAURA Technology Group	Semiconductors & Semiconductor Equipment	0.8%	0.2%	0.5%	-0.4%	0.8%	0.6%	-0.4%	0.7%	0.4%	-0.3%
2338-HK	Weichai Power	Capital Goods	0.7%	0.4%	0.3%	0.0%	0.6%	0.2%	0.0%	0.8%	0.4%	0.0%
600031-CN	Sany Heavy Industry	Capital Goods	0.7%	0.1%	0.7%	0.1%	0.5%	0.5%	0.1%	1.0%	0.9%	0.2%
600690-CN	Haier Smart Home	Consumer Durables & Apparel	0.7%	0.3%	0.4%	0.1%	0.5%	0.2%	0.0%	0.8%	0.5%	0.3%
9961-HK	Trip.com Group	Consumer Services	0.7%	1.0%	-0.3%	0.2%	0.9%	-0.1%	0.2%	0.4%	-0.6%	0.2%
9888-HK	Baidu	Media & Entertainment	0.7%	1.2%	-0.6%	0.1%	0.7%	-0.5%	0.1%	0.6%	-0.6%	0.1%
669-HK	Techtronic Industries	Capital Goods	0.7%	0.0%	0.7%	0.0%	0.5%	0.5%	0.0%	0.8%	0.8%	-0.1%
6160-HK	BeOne Medicines	Pharmaceuticals Biotechnology & Life Sciences	0.6%	0.7%	-0.1%	0.1%	0.5%	-0.2%	0.1%	0.8%	0.0%	0.1%
857-HK	PetroChina	Energy	0.6%	1.1%	-0.4%	0.2%	0.5%	-0.5%	0.2%	0.7%	-0.3%	0.2%
YMM-US	Full Truck Alln	Transportation	0.6%	0.2%	0.4%	-0.2%	0.7%	0.5%	-0.2%	0.5%	0.2%	-0.2%
3692-HK	Hansoh Pharmaceutical Group	Pharmaceuticals Biotechnology & Life Sciences	0.6%	0.2%	0.4%	0.1%	0.3%	0.1%	0.0%	1.0%	0.8%	0.2%
388-HK	Hong Kong Exchanges & Clearing	Financial Services	0.6%	0.0%	0.6%	0.0%	0.7%	0.7%	0.0%	0.5%	0.5%	0.0%
300308-CN	Zhongji Innolight	Technology Hardware & Equipment	0.6%	0.5%	0.1%	-0.6%	0.7%	0.2%	-0.6%	0.5%	-0.1%	-0.5%
9618-HK	JD.com	Consumer Discretionary Distribution & Retail	0.6%	1.2%	-0.6%	0.2%	0.5%	-0.7%	0.2%	0.7%	-0.6%	0.2%
2020-HK	ANTA Sports Products	Consumer Durables & Apparel	0.6%	0.5%	0.1%	0.0%	0.7%	0.2%	0.0%	0.4%	-0.1%	0.0%
1109-HK	China Resources Land	Real Estate Management & Development	0.5%	0.5%	0.1%	0.1%	0.6%	0.2%	0.1%	0.4%	0.0%	0.1%
1801-HK	Innovent Biologics	Pharmaceuticals Biotechnology & Life Sciences	0.5%	0.6%	-0.1%	0.0%	0.6%	0.0%	0.0%	0.4%	-0.2%	0.0%
600276-CN	Jiangsu Hengrui Pharmaceuticals	Pharmaceuticals Biotechnology & Life Sciences	0.5%	0.1%	0.4%	-0.1%	0.6%	0.5%	-0.1%	0.4%	0.3%	0.0%
002475-CN	Luxshare Precision Industry	Technology Hardware & Equipment	0.5%	0.2%	0.3%	0.3%	0.3%	0.1%	-0.1%	0.7%	0.5%	0.7%
BZ-US	Kanzhun	Commercial & Professional Services	0.5%	0.2%	0.3%	0.0%	0.5%	0.3%	0.0%	0.4%	0.2%	0.0%
1810-HK	Xiaomi	Technology Hardware & Equipment	0.4%	2.0%	-1.6%	0.4%	0.5%	-1.5%	0.4%	0.3%	-1.7%	0.4%
601600-CN	Aluminum Corp of China	Materials	0.4%	0.2%	0.2%	0.1%	0.1%	-0.1%	0.1%	0.8%	0.6%	0.1%
1208-HK	MMG	Materials	0.4%	0.2%	0.2%	0.1%	0.1%	-0.1%	0.0%	0.8%	0.6%	0.1%
291-HK	China Resources Beer (Holdings)	Food Beverage & Tobacco	0.4%	0.2%	0.2%	0.0%	0.3%	0.1%	0.0%	0.5%	0.4%	0.0%
2319-HK	China Mengniu Dairy	Food Beverage & Tobacco	0.4%	0.3%	0.1%	0.1%	0.6%	0.4%	0.1%	0.1%	0.1%	0.0%

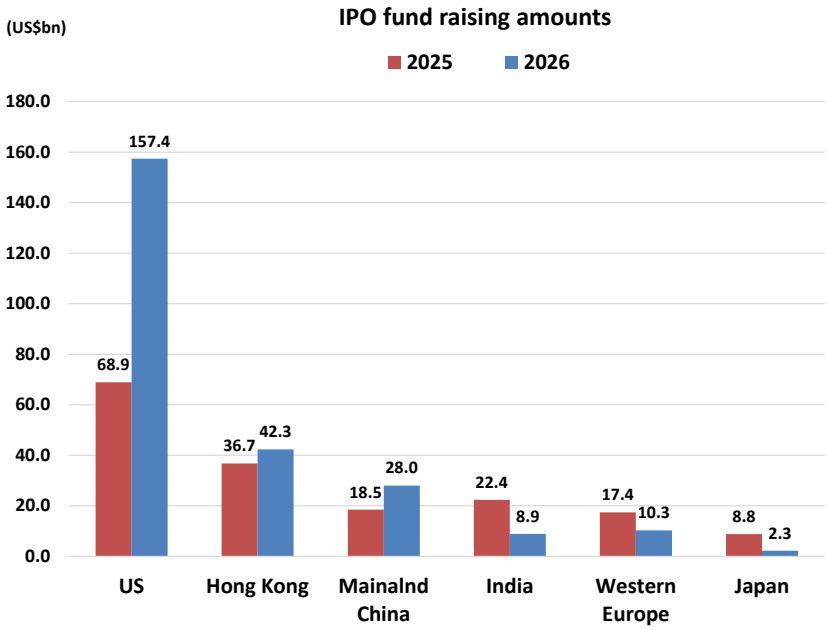
Source: FactSet, MorningStar, EPFR, Morgan Stanley Research. Note: Data as of July 31, 2026, most funds have disclosed data up to June 30.

Hong Kong IPO fund-raising hit US$37bn and US$42bn in 2025 and 2026 YTD, respectively, making Hong Kong one of the most-active IPO markets globally

Historical IPO USD amount in Hong Kong by year



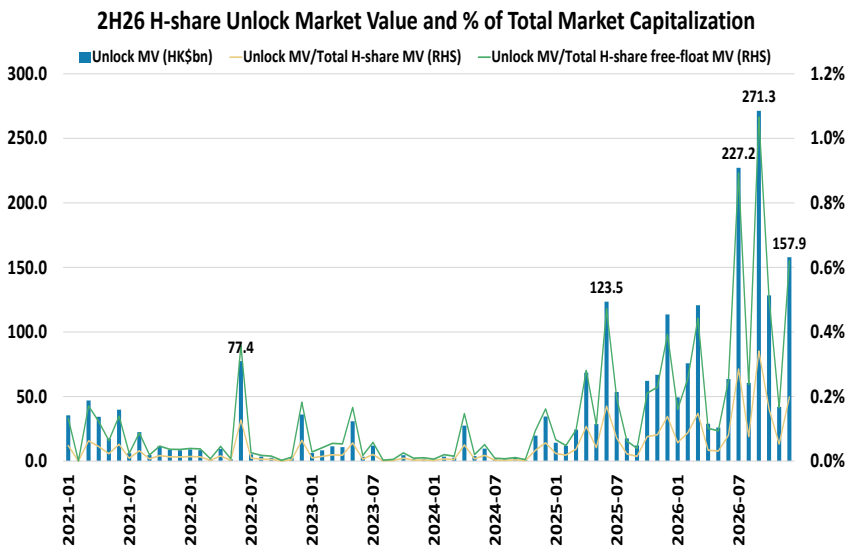
2025-26 YTD IPO fund raising by market



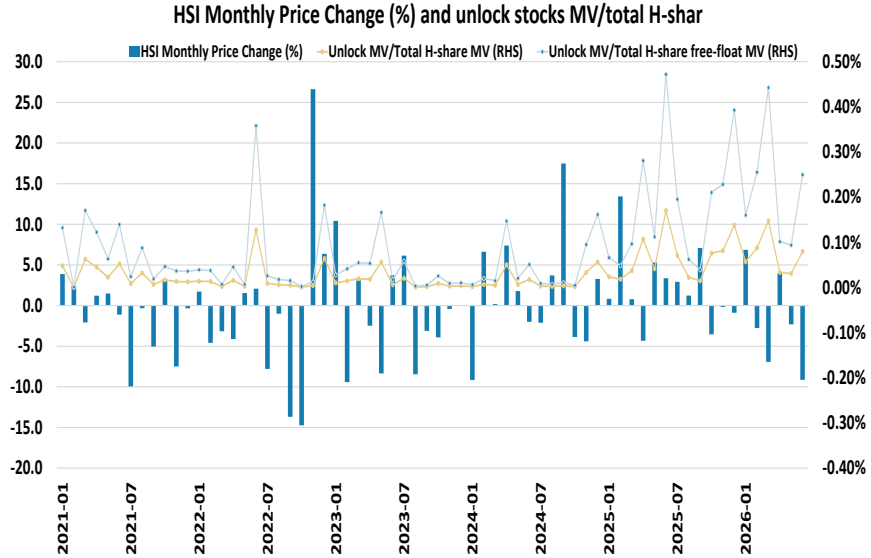
Source: Wind, Bloomberg, Morgan Stanley Research. Data as of August 26, 2026.

Watch out for the largest IPO share unlocking month in September for Hong Kong (I) – Market-level impact likely limited…

September and July 2026 rank no. 1 and no. 2, respectively, in the past five years



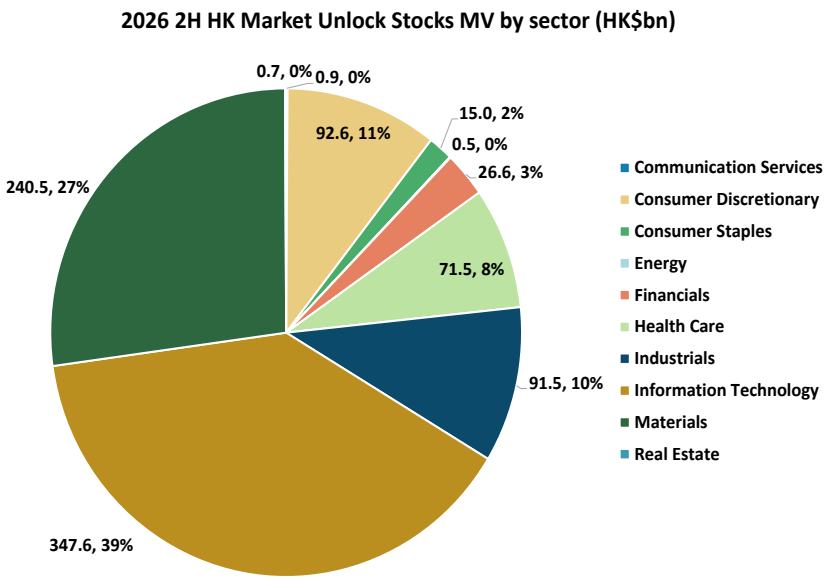
Large unlocking months have not consistently coincided with weak market performance



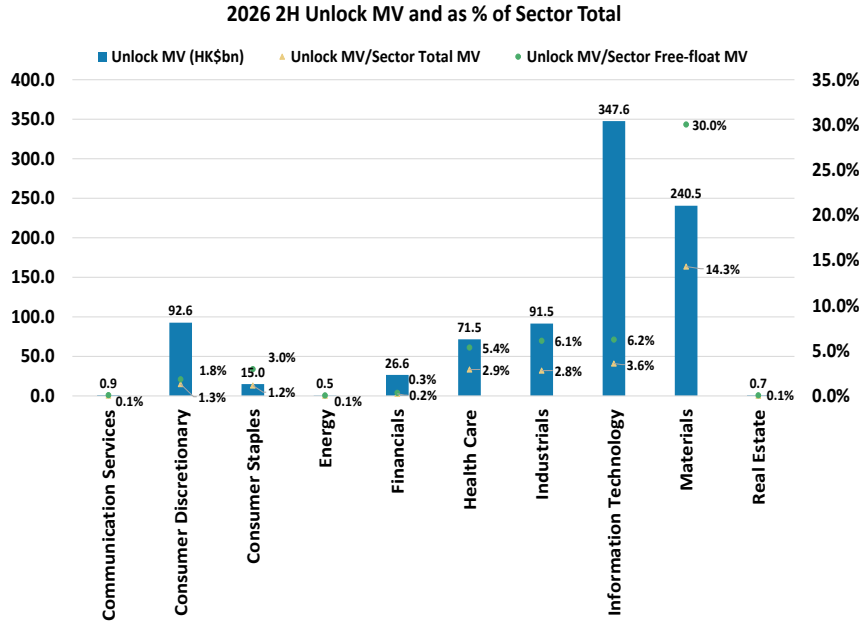
Source: Wind, Morgan Stanley Research. Note: Monthly unlocked market value as a percentage of total H-share market capitalization and free-float market capitalization is calculated using market capitalization as of the prior month-end.

Watch out for the largest IPO share unlocking month in September for Hong Kong (II) – However, IT and Materials could be facing bigger supply flow at the sector level

IT and Materials are the top two sectors in 2H26 HK market value unlocking



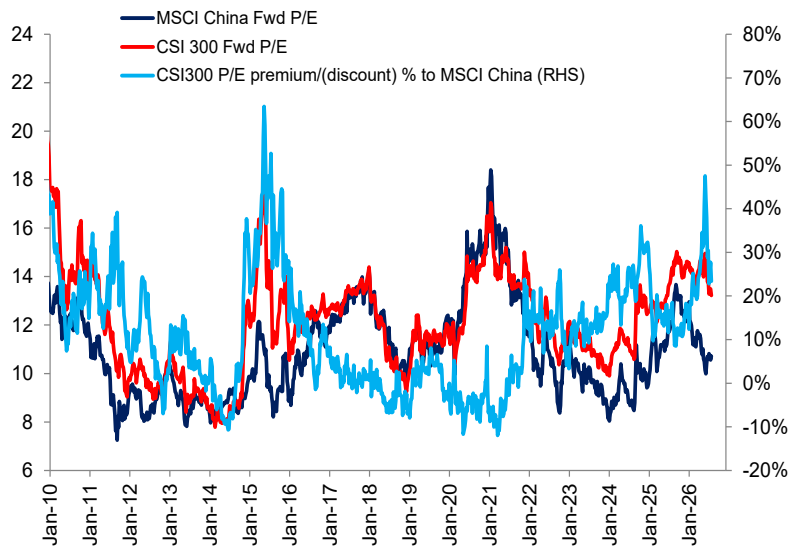
IT and Materials top the ranking by absolute and relative (to market cap) sizes



Source: Wind, Morgan Stanley Research. Note: Monthly unlocked market value as a percentage of total H-share market capitalization and free-float market capitalization is calculated using market capitalization as of the prior month-end.

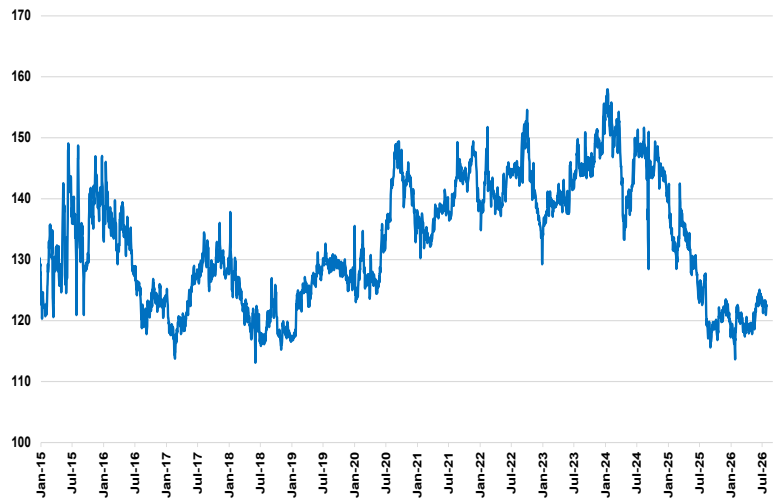
CSI 300 trades at 13.2x with ~23% valuation premium to MSCI China

Valuation of CSI300 absolute and relative to MSCI China



Source: Datastream, Morgan Stanley Research. Weekly data as of August 20, 2026.

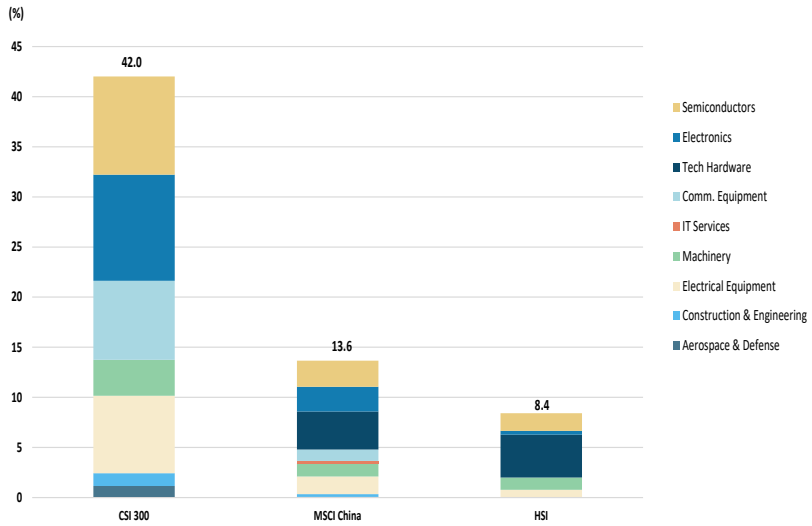
Hang Seng A-H Premium index



Source: Factset, Morgan Stanley Research. Data as of August 20, 2026

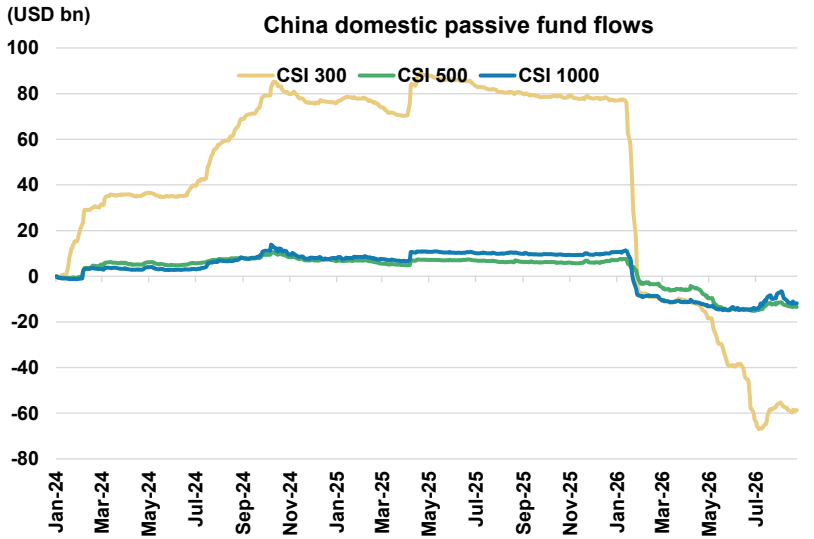
A-share market's high exposure to high-end upstream and deep tech space has led to higher correlation with the global market; national team has started to buy with deep pockets

Bigger concentration in high-end manufacturing and hard-tech companies in A-shares



Source: Datastream, Morgan Stanley Research. Data as of August 26, 2026.

National team support resumed in July amid global AI correction



Source: Factset, Morgan Stanley Research. Data as of August 24, 2026

A-share large tech IPOs' implication on the market (I) – May add to near-term market liquidity squeeze and trading breadth narrowing, but likely only temporarily

Across five tech IPOs raising over Rmb10bn since 2010, average daily trading volume as a share of market turnover fell by 0.5ppt in weeks 2-4 after listing versus week 1.

Ticker	Company Name	Listing Date	Average Daily Trading Volume of The Company (Rmb bn)		Average Daily Trading Volume of Total Market (Rmb bn)		% of Average Daily Trading Volume of The Company / Total Market		Change
			1 Week After Listing	2-4 Weeks After Listing	1 Week After Listing	2-4 Weeks After Listing	1 Week After Listing	2-4 Weeks After Listing	
601138.SH	Foxconn Industrial Internet Co.,Ltd.	2018-06-08	4.9	1.8	343.8	349.1	1.4%	0.5%	0.9%
688981.SH	Semiconductor Manufacturing International Corporation	2020-07-16	19.3	5.1	1,240.6	947.1	1.6%	0.5%	1.0%
688041.SH	Hygon Information Technology Co., Ltd.	2022-08-12	3.0	0.9	1,046.7	685.5	0.3%	0.1%	0.2%
688469.SH	United Nova Technology Co.,Ltd.	2023-05-10	1.7	0.4	895.8	968.3	0.2%	0.0%	0.2%
688347.SH	Hua Hong Grace Semiconductor Limited	2023-08-07	1.6	0.5	774.6	707.4	0.2%	0.1%	0.1%
	Average		6.1	1.7	860.3	731.5	0.7%	0.3%	0.5%

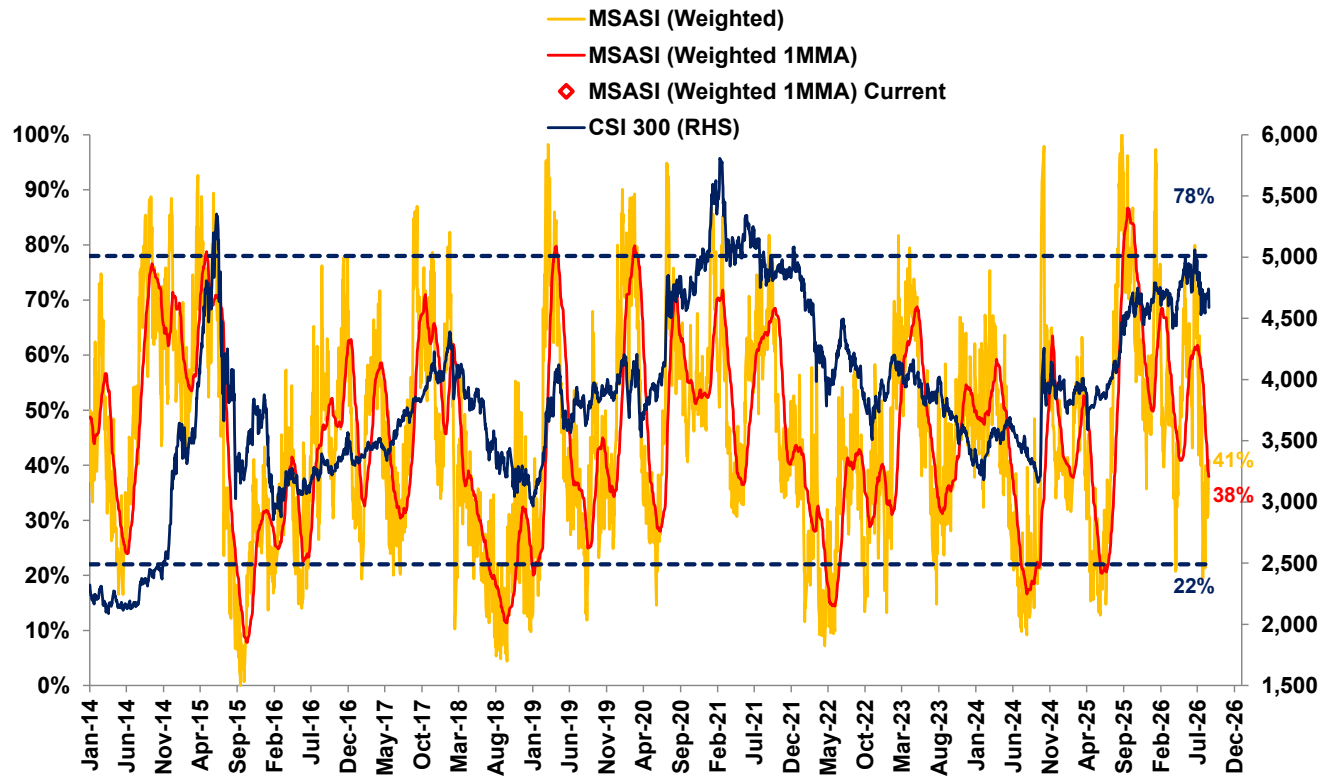
Past performance is no guarantee of future results. Results shown do not include transaction costs. Source: Wind, Bloomberg, Morgan Stanley Research.

A-share large tech IPOs' implication on the market (II) – Subsequent stock performance key to watch

Ticker	Company Name	Listing Date	IPO Funding Size (Rmb bn)	IPO Offer Price	Close Price on IPO date	Price Change on IPO date	Free-floats % of total market cap	First Peak Date	Time to First Peak (Days)	Peak Price (Rmb)	Upside to Peak %	Perf. relative to CSI 300	Perf. relative to SHCOMP	FirstTrough Date	Time to Trough Point (Days)	Trough Price (Rmb)	Pullback %	Perf. relative to CSI 300	Perf. relative to SHCOMP
688981.SH	Semiconductor Manufacturing International	2020-07-16	53.2	27.5	82.9	202.0%	29.9%	2020-08-06	21	84.8	2.3%	1.9%	1.5%	2022-10-25	810	37.6	(55.7%)	(31.6%)	(43.8%)
601138.SH	Foxconn Indl Internet	2018-06-08	27.1	13.8	19.8	44.0%	5.7%	2018-06-13	5	25.7	29.7%	30.8%	31.6%	2023-02-28	1721	9.6	(62.7%)	(69.0%)	(69.2%)
688347.SH	Hua Hong Grace Semiconductor	2023-08-07	21.2	52.0	53.1	2.0%	11.1%	2023-08-08	1	53.4	0.6%	1.6%	1.5%	2024-09-23	412	27.6	(48.4%)	(28.9%)	(32.5%)
688271.SH	Shanghai United Imaging Healthcare	2022-08-22	11.0	109.9	181.2	64.9%	5.7%	2022-08-23	1	182.0	0.4%	0.2%	(0.1%)	2023-08-28	370	103.0	(43.4%)	(33.2%)	(37.9%)
688041.SH	Hygon Information Technology	2022-08-12	10.8	36.0	60.1	66.9%	8.6%	2022-08-16	4	60.7	1.0%	1.4%	1.1%	2022-10-11	56	38.0	(37.4%)	(26.4%)	(28.3%)
688795.SH	Moore Threads Tech Co. Ltd.	2025-12-05	8.0	114.3	600.5	425.5%	6.3%	2025-12-11	6	941.1	56.7%	56.6%	56.8%	2026-03-23	102	505.3	(46.3%)	(42.5%)	(44.1%)
688802.SH	MetaX Integrated Circuits	2025-12-17	4.2	104.7	829.9	692.9%	4.5%	2025-12-17	0	829.9	0.0%	(1.8%)	(1.2%)	2026-02-05	50	492.0	(40.7%)	(44.6%)	(47.3%)
688008.SH	Montage Technology	2019-07-22	2.8	24.8	74.9	202.1%	6.6%	2019-08-05	14	85.7	14.3%	17.8%	17.8%	2019-10-31	87	58.3	(32.0%)	(35.7%)	(34.1%)
688256.SH	Cambricon Technologies	2020-07-20	2.6	64.4	212.4	229.9%	7.8%	2020-07-23	3	281.5	32.5%	28.8%	29.1%	2023-01-20	911	61.0	(78.3%)	(67.0%)	(76.3%)

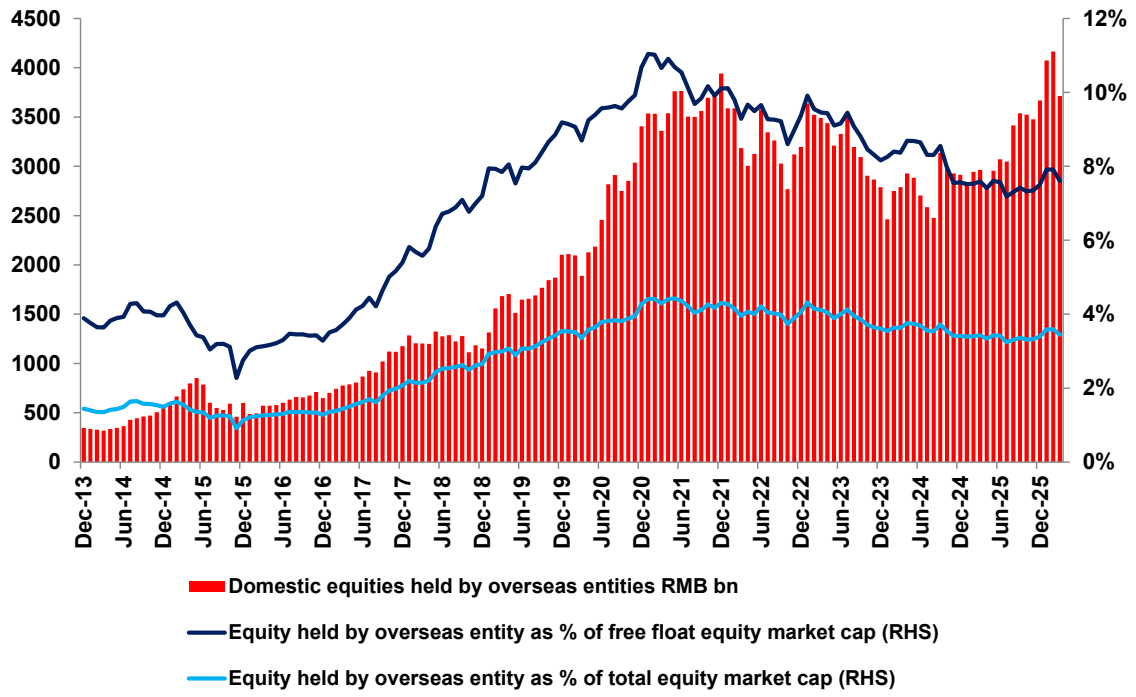
Past performance is no guarantee of future results. Results shown do not include transaction costs. Source: Wind, Bloomberg, Morgan Stanley Research.

Morgan Stanley A-share Sentiment Index (MSASI) – Helps capture critical inflection points signaling regulatory intervention and/or technical reversals



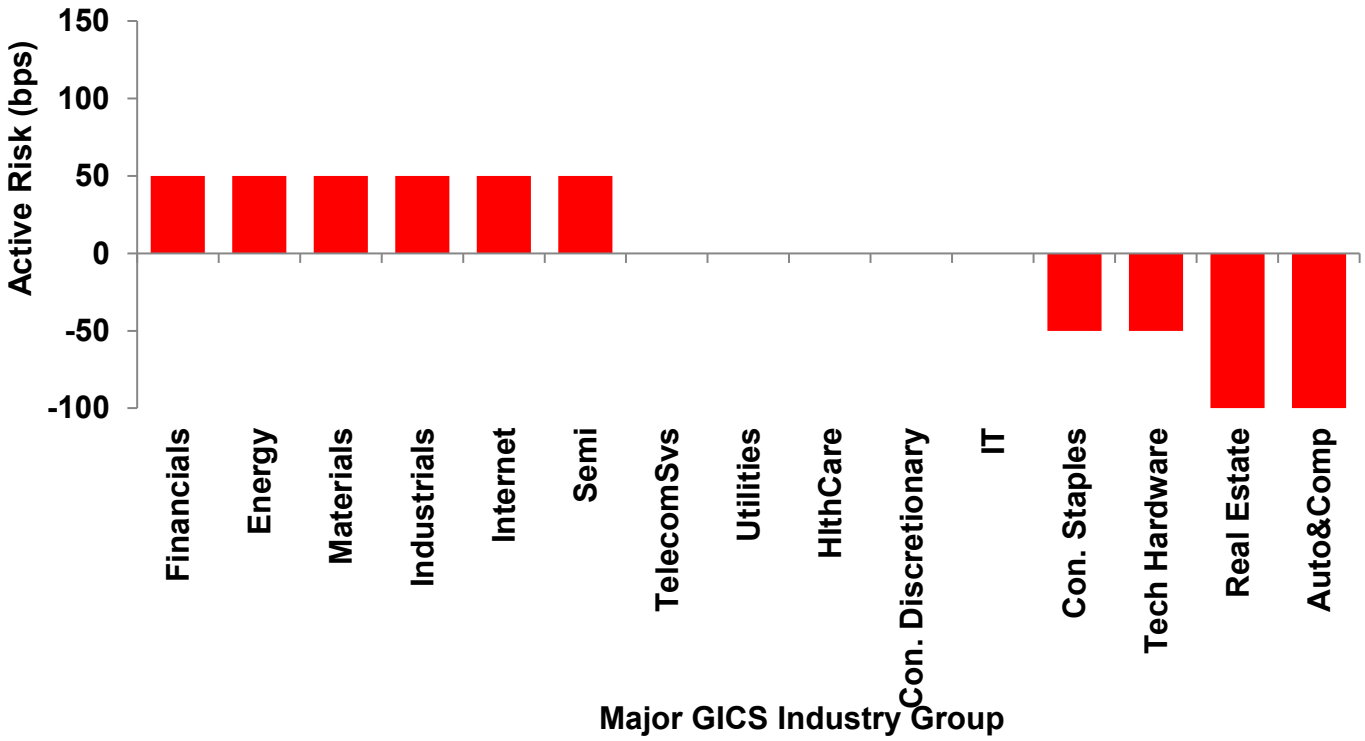
Source: CEIC, Bloomberg, Wind, RIMES, Morgan Stanley Research. Data as of August 19, 2026.

Chinese A-share market foreign ownership as a percentage of total and free float market cap – No meaningful recovery yet



Source: CEIC, Wind, Bloomberg, FactSet, Morgan Stanley Research. Note: Quarterly data as of end-March 2026.

Morgan Stanley top-down sector allocation for China market – We advise adding back Internet in the near term to capture the HK recovery rally



Source: Morgan Stanley Research.

Key recommended trades for the next 6-12 months

- Take profit from Hong Kong exposure and switch to A-shares; monitor signs for switching, especially the global market situation and Beijing policy step-up

- Morgan Stanley China/Hong Kong Focus List and A-share Thematic Focus List

- China Best Business Model

- China's Global Export Champions

- Tactical event-driven pair trading strategy based on Southbound qualification review

Source: Morgan Stanley Research.

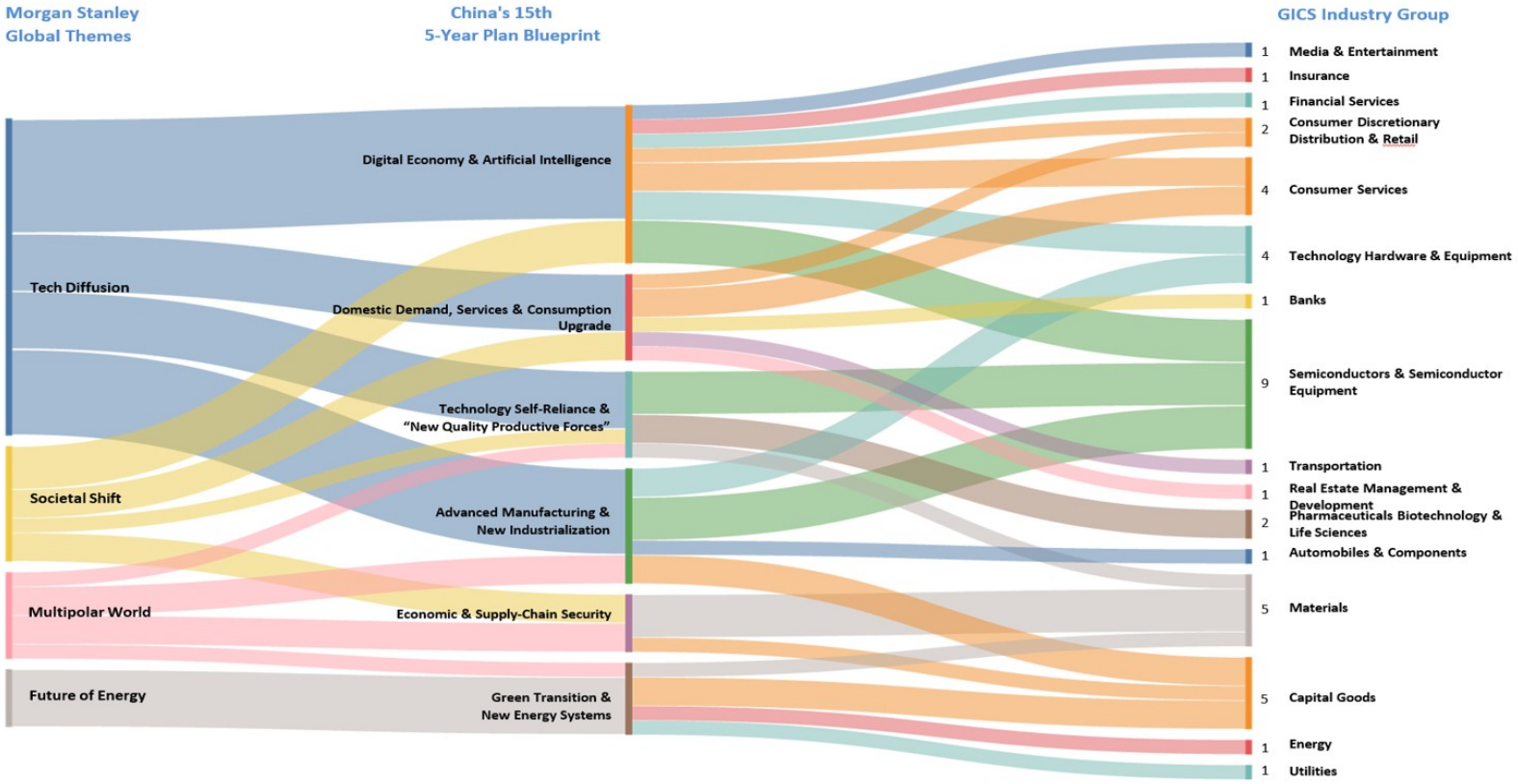
China Best Business Models– Robust stock selection to weather global macro uncertainty with risk-adjusted return



	Annualized total return in US$		Standard deviation		Sharpe ratio	
	China BBM v2	MSCI China	China BBM v2	MSCI China	China BBM v2	MSCI China
5 Yr (2021 - 2025)	15.3%	(3.0%)	22.5%	27.1%	0.53	(0.24)
3 Yr (2023 - 2025)	27.8%	11.8%	20.4%	24.0%	1.16	0.32
1 Yr (Jul 2025 - Jul 2026)	44.0%	(4.0%)	23.0%	20.1%	1.73	(0.41)

Source: IBES, FactSet, Morgan Stanley Research. Data as of July, 2026.

China Best Business Models – Aligns with Morgan Stanley global theme as well as China's long-term national growth strategy plan



Source: Morgan Stanley Research.

China Best Business Models – 26 champions identified with best competitive advantages and industry moats from 16 industry groups

Ticker	Company Name	GICS Sector	GICS Industry Group	MS Rating	MS Analyst	New Inclusion	MS Global Themes	AI Exposure
0700.HK	Tencent Holdings Ltd.	Communication Service	Media & Entertainment	OW	Yu, Gary		Tech Diffusion	AI enabler
3606.HK	Fuyao Glass Industry Group	Consumer Discretionary	Automobiles & Components	EW	Wang, Shelley		Multipolar World	Others – protected from AI disruption
BABA.N	Alibaba Group Holding	Consumer Discretionary	Consumer Discretionary Distribution & Retai	OW	Yu, Gary		Tech Diffusion	AI enabler
YUMC.N	Yum China Holdings Inc.	Consumer Discretionary	Consumer Services	OW	Lou, Lillian		Societal Shift	AI adopter
HTHT.O	H World Group Ltd	Consumer Discretionary	Consumer Services	OW	Chee, Dan		Societal Shift	AI adopter
0857.HK	PetroChina	Energy	Energy	OW	Lu, Jack		Future of Energy	Others – protected from AI disruption
002142.SZ	Bank of Ningbo Co. Ltd	Financials	Banks	OW	Xu, Richard		Tech Diffusion	AI adopter
FUTU.O	Futu Holdings Ltd	Financials	Financial Services	OW	Huang, Chiyao	+	Tech Diffusion	AI adopter
2318.HK	Ping An Insurance Group Co of China Ltd	Financials	Insurance	OW	Xu, Richard		Societal Shift	AI adopter
600276.SS	Jiangsu Hengrui	Health Care	Pharmaceuticals Biotechnology & Life Scienc	OW	Yan, Alexis	+	Societal Shift	AI adopter
300750.SZ	Contemporary Amperex Technology Co. Ltd	Industrials	Capital Goods	OW	Lu, Jack	+	Future of Energy	AI enabler
0669.HK	Techtronic Industries Co Ltd	Industrials	Capital Goods	OW	Cheng, Terence	+	Multipolar World	AI adopter
002028.SZ	Sieyuan Electric Co.Ltd.	Industrials	Capital Goods	OW	Hou, Eva	+	Future of Energy	AI enabler
ZTO.N	ZTO Express	Industrials	Transportation	OW	Fan, Qianlei	+	Tech Diffusion	AI adopter
002371.SZ	NAURA Technology Group Co Ltd	Information Technolog	Semiconductors & Semiconductor Equipmen	OW	Chan, Charlie	+	Tech Diffusion	AI enabler
688008.SS	Montage Technology Co Ltd	Information Technolog	Semiconductors & Semiconductor Equipmen	OW	Yen, Daniel	+	Tech Diffusion	AI enabler
0522.HK	ASMPT Ltd	Information Technolog	Semiconductors & Semiconductor Equipmen	OW	Dai, Daisy	+	Tech Diffusion	AI enabler
601138.SS	Foxconn Industrial Internet Co. Ltd.	Information Technolog	Technology Hardware & Equipment	OW	Shih, Sharon	+	Tech Diffusion	AI enabler
002475.SZ	Luxshare Precision Industry Co., Ltd.	Information Technolog	Technology Hardware & Equipment	OW	Shih, Sharon		Tech Diffusion	Others – protected from AI disruption
2899.HK	Zijin Mining Group	Materials	Materials	OW	Zhang, Rachel	+	Multipolar World	AI enabler
6655.HK	Huaxin Building Materials	Materials	Materials	OW	Zhang, Rachel	+	Societal Shift	Others – protected from AI disruption
300487.SZ	Sunresin New Materials Co Ltd	Materials	Materials	EW	Xu, Kaylee	+	Societal Shift	Others – protected from AI disruption
1109.HK	China Resources Land Ltd.	Real Estate	Real Estate Management & Development	OW	Cheung, Stephen	+	Tech Diffusion	AI adopter
600900.SS	China Yangtze Power Co.	Utilities	Utilities	OW	Hou, Eva		Future of Energy	Others – protected from AI disruption

Source: Morgan Stanley Research.

Morgan Stanley global export champion stock list

Ticker	Company name	Analyst Rating	GICS industry group	Last Price (US$)	Avg daily t/o	Mkt cap.	Upside to target	EPS Growth (MS estimate)		ROE		PE		DY		Analyst	2025 Overseas revenue %
					US$ mn	US$ bn	price	2026e	2027e	2026e	2027e	2026e	2027e	2026e	2027e		
603308.SS	Anhui Yingliu Electromechanical Co Ltd	OW	Capital Goods	6.48	152	4	130.5%	67%	93%	10.9%	18.6%	51.5	26.7	0.4%	0.6%	Li, Tom	53%
2590.HK	Beijing Geekplus Technology Co., Ltd.	OW	Capital Goods	1.19	13	2	113.7%	123%	1242%	-0.7%	8.8%	NM	34.8	NA	NA	Zhong, Sheng	71%
300750.SZ	Contemporary Amperex Technology Co. Ltd.	OW	Capital Goods	58.61	1850	281	49.9%	27%	35%	25.8%	29.4%	19.3	14.2	2.6%	3.5%	Lu, Jack	32%
002487.SZ	Dajin Heavy Industry	OW	Capital Goods	5.97	173	4	180.6%	77%	46%	21.2%	25.0%	13.2	9.0	0.5%	0.9%	Hou, Eva	75%
600885.SS	Hongfa Technology Co Ltd	OW	Capital Goods	5.02	100	7	26.5%	11%	29%	15.0%	16.4%	25.4	19.7	1.0%	1.2%	Zhong, Sheng	31%
002270.SZ	Huaming Power Equipment	OW	Capital Goods	2.94	62	3	32.7%	11%	20%	24.1%	26.6%	22.7	19.0	3.1%	3.5%	Li, Tom	20%
600522.SS	Jiangsu Zhongtian Technology Co. Ltd.	OW	Capital Goods	4.33	706	15	81.4%	121%	29%	16.2%	18.2%	15.6	12.1	2.0%	2.7%	Hou, Eva	19%
603606.SS	Ningbo Orient Wires & Cables Co Ltd	OW	Capital Goods	6.05	106	5	49.1%	27%	30%	18.2%	19.8%	17.7	14.0	1.6%	1.9%	Hou, Eva	14%
601567.SS	Ningbo Sanxing Medical Electric Co. Ltd.	OW	Capital Goods	2.38	80	3	124.6%	27%	31%	16.3%	19.2%	10.7	8.2	4.1%	5.2%	Li, Tom	20%
600031.SS	Sany Heavy Industry Co., Ltd.	OW	Capital Goods	3.01	242	28	37.3%	12%	39%	11.1%	14.5%	18.6	13.4	2.7%	3.8%	Zhong, Sheng	64%
002028.SZ	Sieyuan Electric Co.Ltd.	OW	Capital Goods	24.47	247	19	43.1%	31%	40%	23.9%	26.8%	31.4	22.4	0.4%	0.6%	Hou, Eva	29%
0669.HK	Techtronic Industries Co Ltd	OW	Capital Goods	16.74	70	31	2.8%	20%	11%	20.8%	21.3%	21.3	19.2	2.0%	2.4%	Cheng, Terence	97%
2338.HK	WeiChai Power	OW	Capital Goods	4.10	59	35	46.3%	31%	31%	14.7%	17.5%	17.0	13.0	3.4%	4.6%	Zhong, Sheng	53%
300450.SZ	Wuxi Lead Intelligent	OW	Capital Goods	4.93	570	8	61.6%	53%	79%	15.5%	21.7%	21.8	12.2	0.9%	1.4%	Zhong, Sheng	24%
603338.SS	Zhejiang Dingli Machinery Co Ltd.	OW	Capital Goods	8.93	50	5	10.8%	10%	27%	17.2%	19.2%	14.7	11.6	2.1%	2.6%	Zhong, Sheng	82%
688006.SS	Zhejiang Hangke Technology	OW	Capital Goods	3.09	63	2	139.2%	52%	45%	12.9%	16.3%	16.5	11.4	0.7%	0.9%	Zhong, Sheng	56%
603799.SS	Zhejiang Huayou Cobalt Co Ltd	OW	Capital Goods	5.95	646	11	86.1%	35%	29%	16.5%	18.2%	8.9	6.9	1.2%	1.7%	Jiang, Chris	64%
1157.HK	Zoomlion Heavy Industry	OW	Capital Goods	0.97	10	9	28.6%	6%	40%	8.7%	11.7%	11.3	8.1	6.4%	9.0%	Zhong, Sheng	60%
6655.HK	Huaxin Building Materials	OW	Materials	1.93	11	6	12.3%	19%	12%	10.2%	10.7%	8.0	7.2	5.0%	5.6%	Zhang, Rachel	35%
600219.SS	Shandong Nanshan Aluminium Co.	EW	Materials	0.68	204	8	0.2%	11%	-20%	10.6%	8.4%	10.5	13.1	9.0%	7.2%	Zhang, Rachel	54%
600309.SS	Wanhua Chemical	OW	Materials	11.00	407	35	35.6%	44%	16%	15.7%	16.3%	13.0	11.2	2.4%	2.8%	Xu, Kaylee	47%
688008.SS	Montage Technology Co Ltd	OW	Semiconductors & Semiconductor Equipment	30.65	1197	35	81.7%	63%	107%	20.2%	28.0%	65.7	31.8	0.0%	0.0%	Yen, Daniel	72%
300373.SZ	Yangjie Technology	OW	Semiconductors & Semiconductor Equipment	12.94	222	7	55.3%	27%	40%	15.1%	18.3%	29.9	21.3	0.6%	0.7%	Dai, Daisy	25%
601138.SS	Foxconn Industrial Internet Co. Ltd.	OW	Technology Hardware & Equipment	8.53	1763	160	43.4%	73%	31%	36.1%	45.9%	18.8	14.3	4.9%	6.5%	Kao, Howard	44%
601231.SS	Universal Scientific Ind. (Shanghai)	OW	Technology Hardware & Equipment	3.48	184	8	92.6%	42%	48%	12.5%	16.7%	19.9	13.4	1.8%	2.6%	Dai, Daisy	46%

Source: ModelWare, RIMES, FactSet, Morgan Stanley Research. Note: OW = Overweight. Data as of July 28, 2026. This assumes the Focus List constitutes an equal-weighted portfolio, rebalanced whenever positions are added or subtracted. Results shown represent total absolute return (including dividends) and exclude brokerage commissions. These figures are not audited. Past performance is no guarantee of future results. (X) indicates stock has outperformed MSCI China Index since inclusion in the Focus List.

MSSBT forecast of September 2026 SB inclusion stocks

Ticker	Name	Sector	Price (HK$)	YTD perf (%)	Average Mktcap during the review period (HK$ bn)	Total market cap as of the cut-off date (HK$bn)	3 M ADTV (HK$ mn)	IPO date	ROE	EPS Growth		P/E (X)		P/B (X)		Dividend yield (%)	
									2026E	2026E	2027E	2026E	2027E	2026E	2027E	2026E	2027E
2723.HK	Beijing DeepZero Technology H	Communication Services	549.0	170.4	29.2	33.5	107.0	2026-05-27									
6675.HK	SENASIC Electronics Technology H	Consumer Discretionary	20.9	(49.9)	13.3	13.7	47.9	2026-06-17									
2632.HK	Jiangsu New Vision Automotive Electronics H	Consumer Discretionary	59.5	113.4	10.4	9.9	10.3	2026-03-24									
6715.HK	Hangzhou Qiandaohu Xunlong Sci-tech H	Consumer Staples	80.2	(29.6)	12.4	12.4	73.3	2026-06-30	16.6		20.2%	17.1	14.2	2.4	2.1	2.4	2.9
6658.HK	Liuliumei H	Consumer Staples	149.1	16.5	11.4	13.4	56.3	2026-06-15			39.3%	33.8	24.2				
2553.HK	Beijing Shougang LanzaTech H	Energy	25.0	18.7	11.1	20.9	86.4	2026-06-03									
2672.HK	Baige Online Digital Technology H	Financials	64.0	(12.3)	11.2	24.0	41.3	2026-06-29									
1508.HK	China Reinsurance (Group) H	Financials	1.2	(22.0)	10.1	47.2	32.6	2015-10-26	9.4	-8.7%	4.6%	4.2	3.9	0.4	0.4	7.0	7.3
2526.HK	Hangzhou Diagens Biotechnology H	Health Care	307.4	46.7	26.8	27.5	37.6	2026-03-30									
7666.HK	Metis TechBio H	Health Care	11.1	(53.4)	17.0	18.2	114.2	2026-05-13	(16.9)		-72.7%						
2696.HK	Shanghai Henlius Biotech	Health Care	59.4	4.0	16.1	35.1	58.9	2019-09-25	20.4	28.1%	-18.3%	25.5	31.2	5.6	4.7	0.0	0.0
2697.HK	Guangdong True Health Medical Technology Development H	Health Care	482.0	20.5	14.3	14.3	55.3	2026-06-30									
6872.HK	TenNor Therapeutics H	Health Care	171.6	(18.7)	12.1	11.4	25.7	2026-05-22									
2142.HK	HBM Holdings	Health Care	12.0	(1.6)	11.0	9.4	45.7	2020-12-10	20.3	11.5%	-6.9%	6.3	4.9	2.7	2.2		
2335.HK	Shaanxi Micot Pharmaceutical Technology H	Health Care	34.3	(7.0)	10.7	12.1	48.8	2026-06-24									
7630.HK	IMPACT Therapeutics H	Health Care	12.7	(69.6)	10.5	10.2	29.5	2026-05-13			-361.9%		8.3			0.0	0.0
1779.HK	LongBio Pharma H	Health Care	84.9	(35.6)	10.5	11.2	46.9	2026-06-05									
6938.HK	Suzhou Ribo Life Science H	Health Care	50.8	(38.1)	10.5	8.0	13.5	2026-01-09	(17.6)	-52.1%	147.7%			7.6	12.3	0.0	0.0
1609.HK	Star Sports Medicine Co. H	Health Care	133.7	(37.8)	10.5	8.5	32.3	2026-05-05									
9637.HK	Alebund Pharmaceuticals H	Health Care	29.2	(36.6)	10.4	15.6	73.6	2026-06-29									
2616.HK	CStone Pharmaceuticals	Health Care	4.7	(11.2)	10.4	7.5	68.9	2019-02-26		40.1%	-213.3%	0.4	6.0				
6656.HK	Sigenergy Technology H	Industrials	293.2	(55.2)	67.5	89.5	151.2	2026-04-16	59.7		39.5%	12.3	8.8	5.3	3.3	0.0	0.0
2729.HK	Zhejiang Galaxis Technology Group H	Industrials	30.3	(1.2)	14.1	12.9	16.6	2026-03-24	14.0								
1651.HK	Precision Tsugami	Industrials	52.7	71.8	14.0	25.9	89.0	2017-09-25	27.5	58.4%	19.0%	17.7	14.3	4.6	3.5	2.6	3.5
9900.HK	Hong Kong Zcloud Technology Construction	Industrials	4.8	(22.6)	13.1	17.7	16.6	2018-02-13									
7688.HK	Shanghai Top Numerical Control Technology H	Industrials	14.5	(69.6)	12.4	10.1	82.3	2026-05-20			617.4%	208.0	30.4				
2670.HK	Beijing Yunji Technology H	Industrials	161.9	48.5	11.8	21.0	11.3	2025-10-16		-87.2%	-157.1%						
1286.HK	Impro Precision Industries	Industrials	7.6	58.5	11.7	15.6	63.8	2019-06-28	14.0	21.6%	23.3%	17.0	13.9	2.3	2.1	2.4	3.1
6106.HK	Shanghai Seer Intelligent Technology H	Industrials	62.3	(41.2)	11.6	11.2	71.3	2026-06-24									
3388.HK	Shenzhen Creality 3D Technology H	Industrials	19.5	(14.6)	10.9	12.5	63.0	2026-05-29	9.2		75.4%	45.8	25.5	3.8	3.4		
1133.HK	Harbin Electric H	Industrials	16.2	(1.0)	10.7	34.3	152.9	1994-12-16	17.5	28.7%	19.3%	9.2	7.7	1.6	1.4	3.8	4.5
1511.HK	UISEE Technologies H	Industrials	59.5	3.5	10.6	15.7	43.6	2026-05-20									
1021.HK	Guangdong Huayan Robotics H	Industrials	11.7	(36.4)	10.4	10.1	25.5	2026-03-30	3.1		714.3%	240.4	73.2	10.1	8.9	3.3	10.4
1879.HK	Shanghai Xizhi Technology H	Information Technology	318.8	(64.0)	47.4	39.5	416.6	2026-04-28			-52.8%						
0068.HK	Manycore Tech	Information Technology	8.9	(52.3)	34.3	19.9	295.2	2026-04-17	(5.2)		82.1%	150.3	84.2	7.7	7.1		
3277.HK	Gpixel Changchun Microelectronics H	Information Technology	72.4	3.7	27.1	49.4	177.1	2026-04-17	15.5		46.8%	50.2	34.4	6.0	5.1	0.6	0.8
3355.HK	FS.COM H	Information Technology	35.8	(23.1)	17.0	16.1	17.1	2026-03-23									
1956.HK	Beijing Zhongke WengeAI Science and Technology H	Information Technology	62.8	(43.8)	16.7	14.8	78.7	2026-06-26									
1191.HK	Crealights Technology H	Information Technology	96.7	(41.4)	16.0	17.2	172.7	2026-06-29									
1392.HK	Shenzhen HQVT Technology H	Information Technology	14.9	(44.3)	15.5	14.0	66.5	2026-06-22									
3310.HK	Viewtrix Technology H	Information Technology	30.7	(23.1)	14.8	17.5	40.8	2026-05-27									
1236.HK	Shenzhen LDRobot H	Information Technology	33.2	(44.7)	13.4	11.4	33.9	2026-05-11									
0901.HK	Shenzhen SDMC Technology H	Information Technology	61.0	(0.3)	13.3	13.9	29.9	2026-05-27									
2726.HK	Epiworld International H	Information Technology	102.3	(0.7)	13.1	49.2	26.2	2026-03-30									
3625.HK	Shanghai FourSemi Semiconductor H	Information Technology	81.0	1.3	12.6	10.9	18.8	2026-03-31	(33.3)		-144.6%		759.8			0.0	0.0
0600.HK	Axera Semiconductor H	Information Technology	12.3	(56.5)	12.6	9.0	20.0	2026-02-10	3.8		-31.5%						
2272.HK	Keytop Parking H	Information Technology	113.5	(5.6)	11.5	11.6	25.6	2026-06-26									
6636.HK	Shandong Extreme Vision Technology H	Information Technology	72.0	(28.0)	10.9	9.7	35.8	2026-03-30			7.4%						
0340.HK	Tongguan Gold Group	Materials	1.9	(30.2)	13.3	9.7	21.3	1997-03-26	29.4	97.7%	19.9%	6.6	5.5	1.9	1.4	1.8	4.7
1866.HK	China XLX Fertiliser	Materials	9.1	5.6	11.5	11.7	47.6	2009-12-08	14.7	28.8%	24.1%	6.5	5.3	0.9	0.8	5.4	7.8
2245.HK	Lygend Resources & Technology H	Materials	13.7	(36.2)	10.1	22.8	71.2	2022-12-01	29.2	27.2%	40.0%	5.1	3.6	1.0	0.7		

Past performance is no guarantee of future results. Results shown do not include transaction costs. For valuation methodology and risks associated with any price targets above, please email morganstanley.research@morganstanley.com with a request for valuation methodology and risks on a particular stock. Source: IBES, FactSet, Morgan Stanley Research. Data as of July 21, 2026.

MSSBT forecast of September 2026 SB deletion stocks

Ticker	Name	Sector	Price (HK$)	YTD perf (%)	Average Mktcap during the review period (HK$ mn)	Total market cap as of the cut-off date (HK$bn)	3 M ADTV (HK$ mn)	IPO date	ROE	P/E (X)		P/B (X)		Dividend yield (%)	
									2026E	2026E	2027E	2026E	2027E	2026E	2027E
1691.HK	JS Global Lifestyle	Consumer Discretionary	1.44	(25.4)	29.2	4.6	8.6	2019-12-18	11.2	9.18	7.35	1.0	0.9	5.4	
1773.HK	Tianli International Holdings	Consumer Discretionary	1.21	(48.3)	11.4	2.3	15.2	2018-07-12		2.61	2.61				
2431.HK	Minieye Technology H	Consumer Discretionary	7.25	(48.5)	10.1	3.9	85.6	2024-12-27	-28.2			3.0	3.3		
6603.HK	IFBH	Consumer Staples	5.8	(62.3)	11.2	1.6	26.7	2025-06-30	20.6	6.16	5.21	1.0	0.8	34.1	57.9
6955.HK	Shandong Boan Biotechnology H	Health Care	5.05	(40.9)	10.4	2.9	40.3	2022-12-30							
2587.HK	HealthyWay	Health Care	2.16	(50.6)	26.8	2.0	41.7	2024-12-30							
2291.HK	LEPU ScienTech Medical Technology (Shanghai) H	Health Care	12.18	(20.2)	12.4	3.5	22.5	2022-11-08							
2410.HK	TYK Medicines H	Health Care	8.42	(35.8)	17.0	2.2	26.3	2024-08-20							
2158.HK	Yidu Tech	Health Care	4.92	(6.3)	13.3	5.0	40.5	2021-01-15	0.0		64.36	1.1	1.2		
2570.HK	Shanghai REFIRE H	Industrials	21.66	(66.6)	16.1	2.0	19.3	2024-12-06	-35.5			1.5	1.8	0.0	
2582.HK	Jiangsu Guofu H	Industrials	11.23	(58.4)	14.3	1.6	48.4	2024-11-15	-5.7		24.24				
0909.HK	Ming Yuan Cloud Group Holdings	Information Technology	1.45	(53.6)	11.1	2.3	15.1	2020-09-25	1.7	50.07	29.81	0.5	0.5	3.6	3.6
2562.HK	Synagistics	Information Technology	1.36	(22.7)	13.4	0.6	74.8	2024-10-30							

Past performance is no guarantee of future results. Results shown do not include transaction costs. For valuation methodology and risks associated with any price targets above, please email morganstanley.research@morganstanley.com with a request for valuation methodology and risks on a particular stock. Source: IBES, FactSet, Morgan Stanley Research. Data as of July 21, 2026.

Morgan Stanley China/HK Focus List

Company Name	Ticker	Rating	Market	GICS Sector	Mkt Cap (US$bn)	Date Added	Total US$ Returns Since Added	12M Total Return Perf.	Last Price (US $)	Upside to Target Price	MS P/E 2026E	MS P/E 2027E	MS P/B 2026E	MS ROE 2026E	MS Div. Yld 2026E	MS P/Sales 2026E	Analyst
Alibaba Group Holding	BABA.N	OW	China	Consumer Discretionary	295.6	24-Feb-25	-5.1%	-3.1% ✓	119.4	50.7%	24.9x	25.7x	1.7x	7.0%	-	2.1x	Yu, Gary
China Petroleum & Chemical Corp.	0386.HK	OW	China	Energy	91.5	2-Mar-26	-13.6%	11.9% ✓	0.6	48.0%	8.4x	6.1x	0.6x	6.8%	8.7%	0.2x	Lu, Jack
China Shenhua Energy	1088.HK	OW	China	Energy	138.4	25-Mar-26	-1.8%	32.2% ✓	5.8	6.9%	12.8x	13.4x	1.8x	13.8%	5.9%	2.3x	Yang, Hannah
Contemporary Amperex Technology Co. Ltd.	300750.SZ	OW	China	Industrials	269.9	10-Mar-24	151.2%	32.7%	56.5	56.7%	18.3x	14.0x	4.5x	26.0%	2.7%	3.0x	Lu, Jack
GigaDevice Semiconductor Beijing Inc	603986.SS	OW	China	Information Technology	39.3	2-Mar-26	35.2%	151.1%✓	58.6	90.6%	11.3x	8.7x	6.1x	53.8%	2.6%	6.8x	Yen, Daniel
HK Exchanges & Clearing	0388.HK	OW	Hong Kong	Financials	67.7	24-Feb-25	25.9%	-7.0% ✓	53.9	21.9%	29.3x	27.5x	8.8x	29.9%	3.0%	17.5x	Xu, Richard
HKT Trust and HKT Ltd.	6823.HK	OW	Hong Kong	Communication Services	11.8	24-Mar-21	53.9%	9.5% ✓	1.6	14.4%	16.7x	16.0x	2.6x	15.4%	6.9%	2.5x	Tang, Tom
Jiangsu Zhongtian Technology Co. Ltd.	600522.SS	OW	China	Industrials	17.2	25-Mar-26	23.4%	115.5%✓	5.0	59.3%	17.8x	13.7x	2.7x	15.1%	1.8%	1.9x	Hou, Eva
MiniMax	0100.HK	OW	China	Information Technology	13.3	12-Aug-26	-16.2%	#N/A ✓	38.9	195.0%	-20.9x	-19.9x	5.8x		-	33.5x	Yu, Gary
NARI Technology	600406.SS	OW	China	Industrials	27.7	13-Jun-19	153.8%	6.7% ✓	3.5	37.7%	20.0x	17.6x	3.3x	16.4%	2.7%	2.5x	Hou, Eva
NAURA Technology Group Co Ltd	002371.SZ	OW	China	Information Technology	75.5	18-Jun-26	-2.8%	84.5%	104.5	16.4%	55.3x	37.8x	9.9x	17.9%	0.3%	9.9x	Chan, Charlie
Sinoma Science & Technology Co. Ltd.	002080.SZ	OW	China	Materials	12.2	12-Jan-26	34.3%	29.6% ✓	7.4	12.1%	37.0x	27.3x	3.9x	10.5%	0.7%	2.3x	Hou, Eva
Ping An Insurance Group Co of China Ltd	2318.HK	OW	China	Financials	29.3	2-Dec-25	1.8%	1.4% ✓	7.4	52.5%	5.9x	5.4x	0.8x	15.0%	5.8%	0.9x	Xu, Richard
Zijin Mining Group	2899.HK	OW	China	Materials	131.5	14-Nov-22	287.2%	57.0%	4.9	59.6%	11.5x	10.1x	3.5x	30.6%	2.2%	1.8x	Zhang, Rachel

Total Return	Since Inception		12 Months		1 Month	
	Absolute	Relative	Absolute	Relative	Absolute	Relative
China Focus List (US$)	114.4%	69.4%	10.1%	19.5%	-1.6%	-2.9%

Source: ModelWare, RIMES, FactSet, Morgan Stanley Research. Note: OW = Overweight. Data as of August 26, 2026. This assumes the Focus List constitutes an equal-weighted portfolio, rebalanced whenever positions are added or subtracted. Results shown represent total absolute return (including dividends) and exclude brokerage commissions. These figures are not audited. Past performance is no guarantee of future results. (X) indicates stock has outperformed MSCI China Index since inclusion in the Focus List.

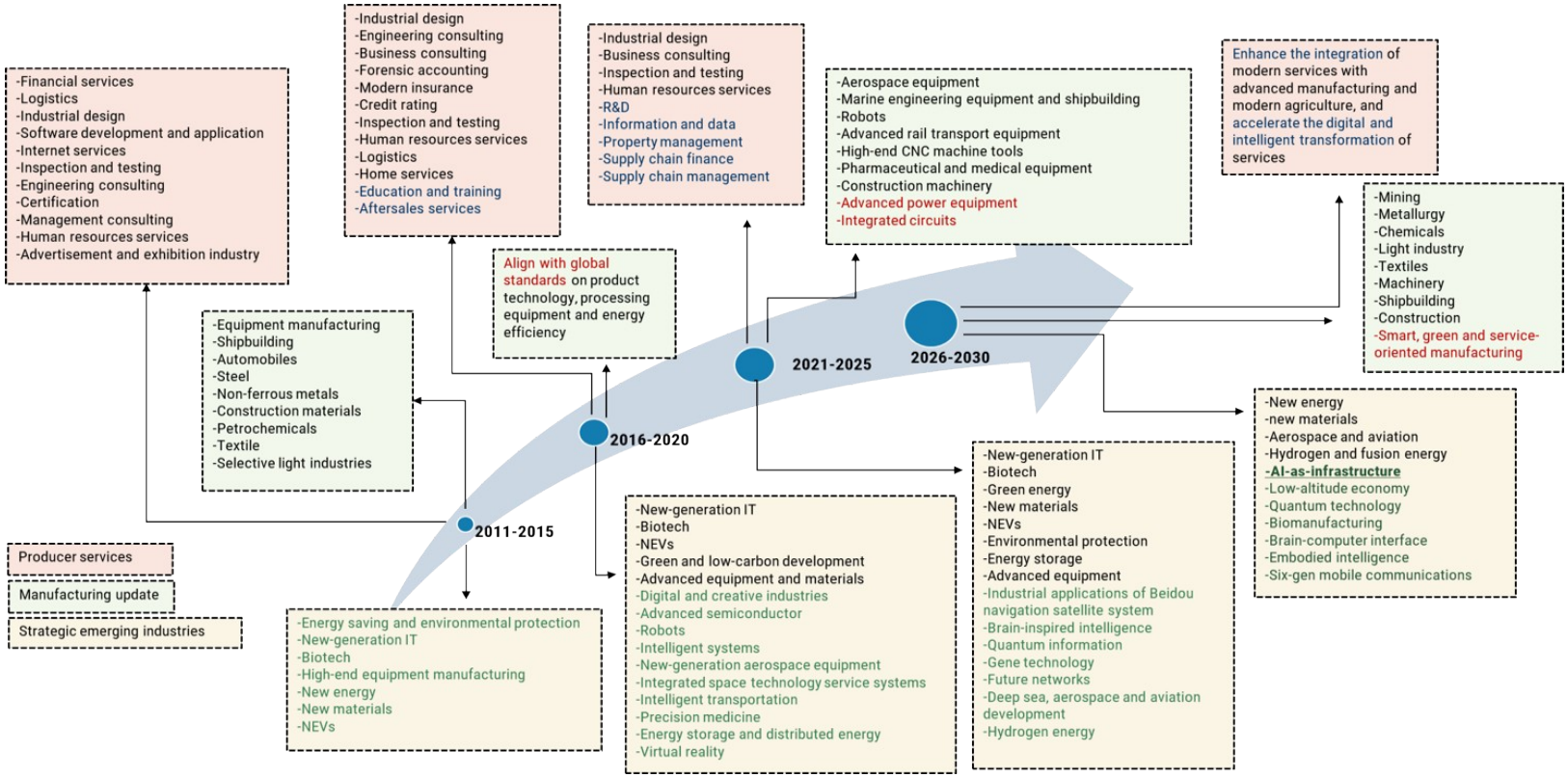
Morgan Stanley China A-share Thematic Stock List

Company Name	Ticker	Rating	Market	GICS Sector	Mkt Cap (US$bn)	Date Added	Total US$ Returns Since Added	12M Total Return Perf.		Last Price (US $)	Upside to Target Price	MS P/E 2026E	MS P/E 2027E	MS P/B 2026E	MS ROE 2026E	MS Div. Yld 2026E	MS P/Sales 2026E	Analyst
Contemporary Amperex Technology Co. Ltd.	300750.SZ	OW	China	Industrials	271.3	10-Mar-24	174.1%	40.8%	✓	56.4	57.0%	18.3x	14.0x	4.5x	26.0%	2.7%	3.0x	Lu, Jack
GigaDevice Semiconductor Beijing Inc	603986.SS	OW	China	Information Technology	39.0	2-Mar-26	38.4%	167.0%	✓	58.4	91.1%	11.3x	8.7x	6.1x	53.8%	2.7%	6.8x	Yen, Daniel
Hongfa Technology Co Ltd	600885.SS	OW	China	Industrials	7.5	16-Apr-24	101.7%	42.3%	✓	5.1	39.0%	23.3x	17.9x	3.5x	15.1%	1.0%	2.3x	Zhong, Sheng
Jiangsu Zhongtian Technology Co. Ltd.	600522.SS	OW	China	Industrials	17.0	25-Mar-26	26.5%	128.9%	✓	5.0	59.3%	17.8x	13.7x	2.7x	15.1%	1.8%	1.8x	Hou, Eva
NARI Technology	600406.SS	OW	China	Industrials	28.0	13-Jun-19	168.9%	13.6%	✓	3.5	37.7%	20.0x	17.6x	3.3x	16.4%	2.7%	2.6x	Hou, Eva
NAURA Technology Group Co Ltd	002371.SZ	OW	China	Information Technology	75.6	18-Jun-26	-2.2%	96.2%		104.3	16.7%	55.1x	37.7x	9.9x	17.9%	0.3%	9.9x	Chan, Charlie
Ping An Insurance Group Co of China Ltd	601318.SS	OW	China	Financials	143.8	12-Jan-26	-12.7%	0.7%		8.4	40.7%	6.7x	6.1x	0.9x	15.0%	5.1%	0.9x	Xu, Richard
Sinoma Science & Technology Co. Ltd.	002080.SZ	OW	China	Materials	12.5	17-Nov-25	59.3%	37.5%	✓	7.4	12.2%	37.0x	27.3x	3.9x	10.5%	0.7%	2.3x	Hou, Eva
Zijin Mining Group	601899.SS	OW	China	Materials	134.7	28-Nov-22	311.2%	67.0%	✓	5.1	68.3%	12.1x	10.6x	3.7x	30.6%	2.1%	1.9x	Zhang, Rachel

Total Return	Since Inception		12 Months		1 Month	
	Absolute	Relative	Absolute	Relative	Absolute	Relative
China A-Share Thematic Focus List (US$)	215.0%	143.8%	35.8%	26.8%	-0.8%	-2.5%

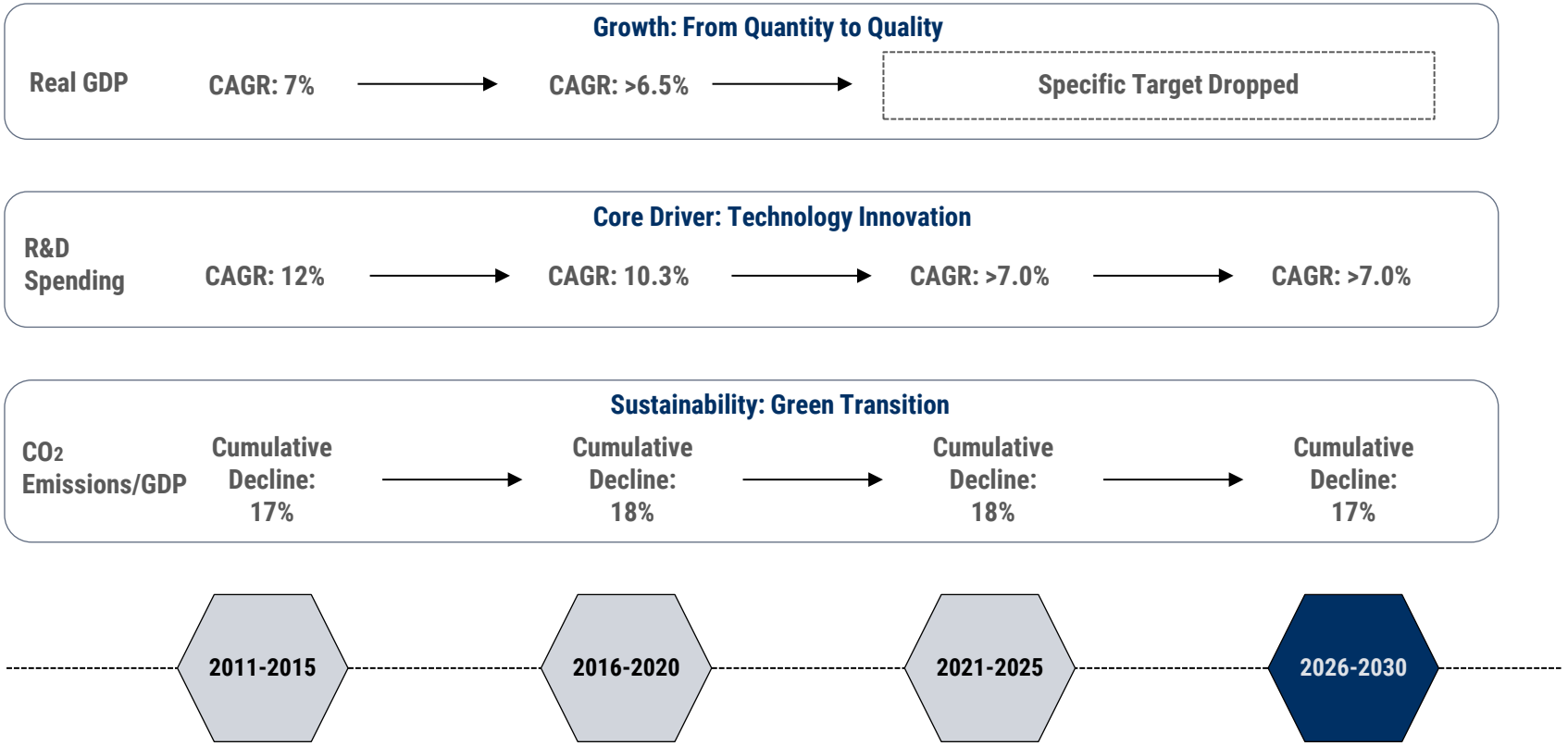
Source: MSCI, RIMES, Morgan Stanley Research. Note: OW = Overweight. Data as August 26, 2026. This assumes the group of selected stocks constitutes an equal-weighted portfolio, rebalanced whenever positions are added or subtracted. Results shown represent total absolute returns (including dividends) and exclude brokerage commissions. These figures are not audited. Past performance is no guarantee of future results. Tick-mark indicates stock has outperformed Shanghai Composite Index since inclusion in the Focus List.

Long-term growth opportunities concentrate in Tech & Innovation – China has implemented a systemic framework on industrial upgrade and innovation



Source: Government website, Morgan Stanley Research.

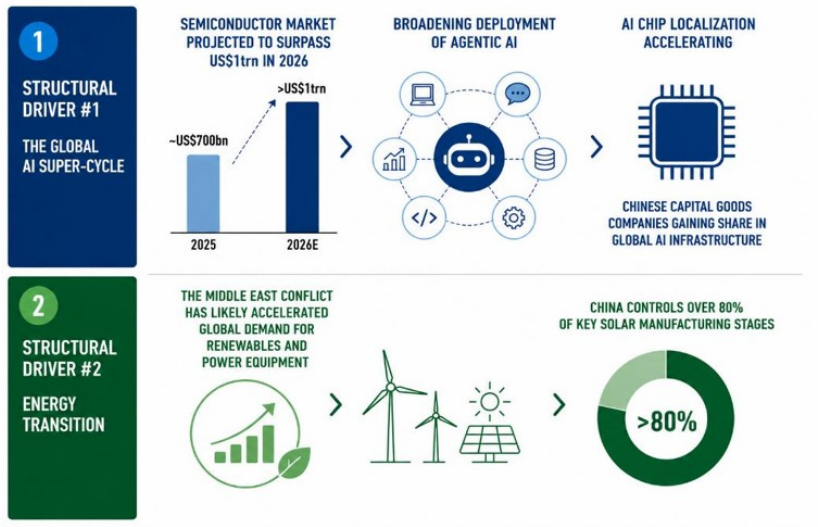
Evolution of recent Five-Year Plans – A clear focus on quality growth and tech innovation



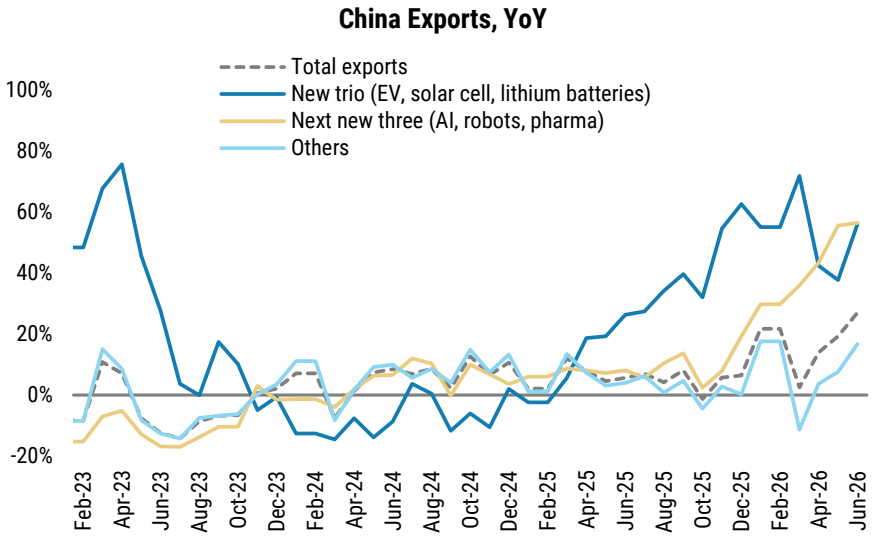
Source: NPC, Morgan Stanley Research.

Exports continue to anchor cyclical growth, positioning China's electronics and renewable supply chains as direct beneficiaries

Two structural drivers for export growth



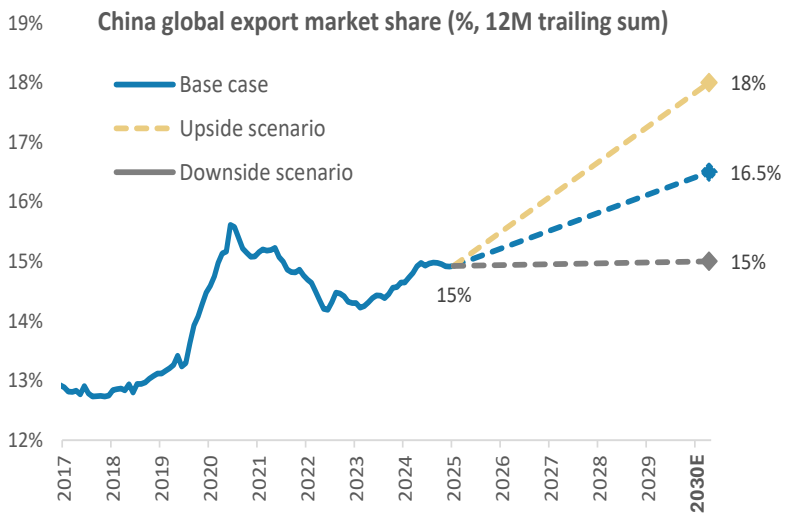
China's deep electronics and renewable supply chains will be direct beneficiary



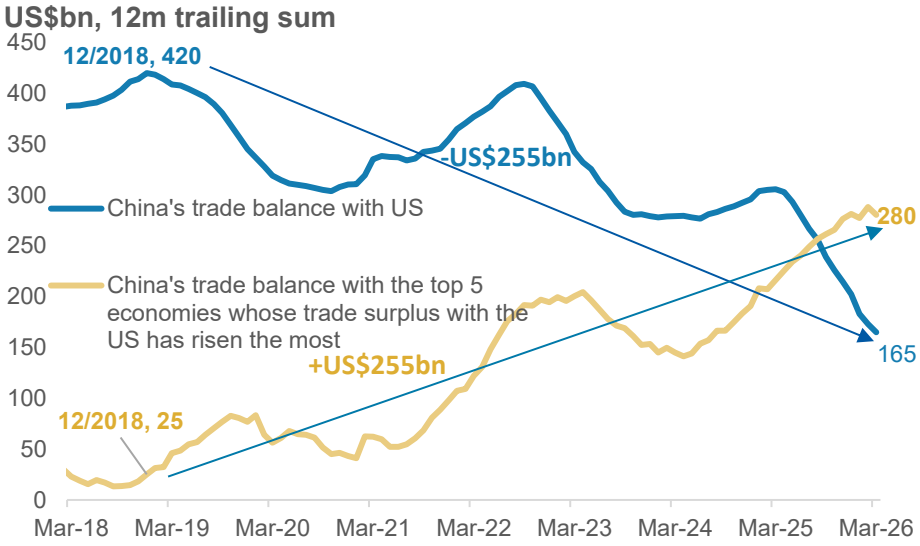
Source: CEIC, Morgan Stanley Research estimates. "New Trio" includes EVs, lithium batteries, and solar cells.

China has been widening its lead in global exports since 2022; we expect further acceleration given China's best positioning in global AI/energy capex supercycle supply chain

China likely to contribute 16.5% of global export market share by 2030…



…while continuing to play a critical role in global supply chain despite diversification



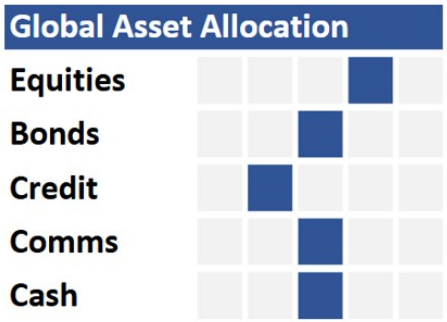
Source: Haver, Morgan Stanley Research estimates.

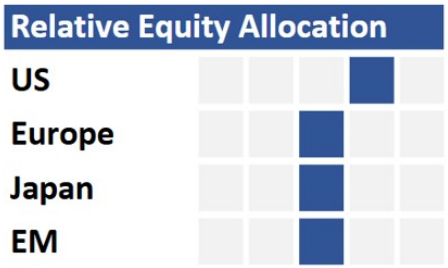
Appendix – Morgan Stanley cross-asset allocation and key forecasts

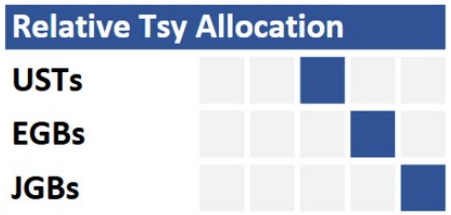
Index (Local Ccy)	7/24/2026	MS Jun 2027 Price Target	Current P/E	MS Jun 2027 P/E Target	MS Top Down EPS YoY%	
					2026e	2027e
S&P 500	7,412	8,300	19.6x	20.5x	339	380
					+23%	+12%
MSCI Europe	2,564	2,810	14.9x	16.5x	156	165
					+13%	+6%
Topix	4,011	4,300	16.2x	17.5x	216	235
					+9%	+9%
MSCI EM	1,628	1,800	10.3x	13.0x	125	136
					+40%	+9%

Source: Markit Box, MSCI, RIMES, DataStream, IBES, Bloomberg, Morgan Stanley Research forecasts.

Appendix – Morgan Stanley cross-asset allocation and key forecasts







Source: Markit Box, MSCI, RIMES, DataStream, IBES, Bloomberg, Morgan Stanley Research forecasts.

Appendix – Morgan Stanley global Real GDP growth forecasts

Real GDP (%Y)	Quarterly																Annual			
	2024				2025				2026				2027				2024	2025	2026E	2027E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE				
Global (%Y)	**3.3**	**3.4**	**3.3**	**3.7**	**3.5**	**3.5**	**3.5**	**3.4**	**3.6**	**3.1**	**3.0**	**3.2**	**3.4**	**3.6**	**3.5**	**3.3**	**3.4**	**3.5**	**3.2**	**3.4**
Global ex US (%Y)	**3.5**	**3.4**	**3.5**	**4.0**	**3.9**	**3.8**	**3.8**	**3.7**	**3.8**	**3.2**	**3.3**	**3.4**	**3.6**	**3.8**	**3.7**	**3.5**	**3.6**	**3.8**	**3.4**	**3.6**
G10 (%Y)	**1.5**	**1.6**	**1.9**	**1.9**	**1.8**	**1.8**	**1.7**	**1.4**	**1.5**	**1.5**	**1.2**	**1.4**	**1.5**	**1.6**	**1.8**	**1.9**	**1.7**	**1.7**	**1.4**	**1.8**
US	2.9	3.1	2.8	2.4	2.0	2.1	2.3	2.0	2.7	2.3	1.8	2.3	2.4	2.4	2.5	2.6	2.8	2.1	2.3	2.6
Euro Area	0.7	0.7	1.1	1.4	1.6	1.4	1.2	1.1	0.5	0.7	0.5	0.5	0.8	0.9	1.1	1.2	1.0	1.3	0.5	1.0
Japan	-1.1	-1.1	0.9	0.6	1.5	1.9	0.5	0.3	0.4	0.3	0.6	0.5	0.3	0.8	1.4	1.3	-0.2	1.1	0.4	1.0
UK	0.2	0.8	1.2	2.0	1.8	1.3	1.2	0.9	0.9	1.1	1.1	1.0	0.9	1.0	1.3	1.7	1.0	1.3	1.0	1.2
Canada	1.0	1.7	2.4	3.1	3.1	2.0	1.7	0.7	-0.1	1.3	1.2	1.7	1.7	1.7	1.7	1.7	2.0	1.7	1.1	1.7
Norway	0.3	0.3	1.2	0.9	1.8	2.1	1.4	1.7	0.9	0.9	1.3	1.5	1.7	1.9	1.9	2.0	0.7	1.7	1.1	1.9
Sweden	1.8	1.5	0.8	3.7	0.2	2.7	2.3	1.9	2.2	1.7	2.0	1.8	2.3	2.0	1.7	1.4	1.9	1.7	1.9	1.8
Australia	1.2	0.9	0.8	1.3	1.3	1.9	2.1	2.6	2.6	1.9	1.7	1.2	1.2	1.4	1.5	1.7	1.0	2.0	1.9	1.5
Global (%Q, SAAR)^	**3.7**	**3.6**	**3.6**	**3.7**	**3.1**	**3.8**	**3.8**	**3.1**	**3.2**	**2.2**	**3.7**	**4.3**	**3.3**	**3.0**	**3.5**	**3.5**	**3.7**	**3.4**	**3.2**	**3.3**
G10 (%Q, SAAR)^	**1.1**	**2.1**	**2.6**	**1.7**	**1.0**	**1.9**	**2.3**	**0.6**	**1.3**	**1.4**	**1.3**	**1.5**	**1.7**	**2.0**	**2.0**	**1.9**	**1.9**	**1.4**	**1.4**	**1.9**
US	0.8	3.6	3.3	1.9	-0.6	3.8	4.4	0.5	2.1	2.3	2.3	2.5	2.4	2.6	2.6	2.6	2.4	2.0	2.3	2.6
Euro Area	1.4	0.9	2.0	1.2	2.3	0.0	1.3	0.8	0.0	0.6	0.6	0.8	1.0	1.2	1.3	1.3	1.4	1.1	0.5	1.2
Japan	-1.2	-0.1	2.8	1.4	2.0	1.1	-2.3	0.7	1.8	0.1	-0.6	0.7	0.8	2.7	1.5	0.6	0.6	0.3	0.5	1.3
UK	2.9	2.5	0.7	1.7	2.3	0.6	0.3	0.2	2.5	1.2	0.4	0.0	1.9	1.6	1.6	1.6	2.0	0.9	1.0	1.7
EM (%Y)	**4.8**	**4.7**	**4.5**	**5.0**	**4.8**	**4.7**	**4.9**	**4.9**	**5.1**	**4.2**	**4.4**	**4.5**	**4.7**	**4.9**	**4.7**	**4.4**	**4.7**	**4.9**	**4.5**	**4.6**
EM ex China (%Y)	**4.4**	**4.7**	**4.4**	**4.8**	**4.4**	**4.4**	**5.0**	**5.2**	**5.2**	**4.2**	**4.3**	**4.3**	**4.8**	**5.1**	**4.7**	**4.3**	**4.5**	**4.7**	**4.5**	**4.7**
AXJ (%Y)	**5.6**	**5.3**	**4.9**	**5.5**	**5.4**	**5.4**	**5.5**	**5.4**	**5.8**	**5.0**	**5.0**	**4.9**	**5.1**	**5.2**	**5.1**	**4.9**	**5.3**	**5.5**	**5.2**	**5.1**
China	5.3	4.7	4.6	5.4	5.4	5.2	4.8	4.5	5.0	4.3	4.5	4.7	4.6	4.7	4.7	4.5	5.0	5.0	4.6	4.6
India	7.5	7.5	6.6	7.4	7.0	6.8	8.3	8.0	7.8	6.5	6.7	6.8	7.0	7.0	7.2	7.0	7.2	7.5	7.0	7.0
Hong Kong	2.9	3.0	2.1	2.5	3.2	3.3	3.8	4.0	5.9	5.0	4.4	3.8	3.3	4.6	5.1	5.0	2.6	3.6	4.8	4.5
Korea	3.3	2.3	1.5	1.2	-0.1	1.0	1.7	1.6	3.8	3.7	2.8	1.5	2.2	3.7	1.6	1.5	2.1	1.1	2.8	2.2
Taiwan	7.2	5.3	4.7	4.1	5.5	7.7	8.2	12.7	14.6	10.1	9.0	2.8	6.4	6.1	3.7	2.4	5.3	8.6	8.9	4.7

Source: Haver Analytics, IMF, Morgan Stanley Research forecasts. Note: ^Global and regional aggregates are GDP-weighted averages.

Appendix – Morgan Stanley CPI forecasts

Headline CPI Inflation (%Y)	Quarterly																Annual			
	2024				2025				2026				2027				2024	2025	2026E	2027E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE				
Global	**2.5**	**2.5**	**2.3**	**2.3**	**2.1**	**1.9**	**1.8**	**1.9**	**2.2**	**2.8**	**2.7**	**2.9**	**2.7**	**2.1**	**2.0**	**2.0**	**2.4**	**1.9**	**2.6**	**2.2**
G10	**3.0**	**2.9**	**2.5**	**2.5**	**2.6**	**2.4**	**2.7**	**2.6**	**2.4**	**3.2**	**3.0**	**3.1**	**2.9**	**2.0**	**1.9**	**1.8**	**2.7**	**2.6**	**2.9**	**2.1**
US	3.2	3.2	2.7	2.7	2.7	2.5	2.9	2.7	2.7	3.8	3.3	3.1	2.8	1.7	1.9	2.1	3.0	2.7	3.2	2.1
Euro Area	2.6	2.5	2.2	2.2	2.3	2.0	2.1	2.1	2.0	3.0	3.0	3.3	3.1	2.3	2.0	1.7	2.4	2.1	2.8	2.3
Japan^	2.5	2.7	2.8	2.9	3.8	3.4	2.9	2.7	1.4	1.6	1.8	2.8	2.9	1.3	1.3	0.0	2.7	3.2	1.9	1.4
UK	3.5	2.1	2.0	2.5	2.8	3.5	3.8	3.4	3.1	2.8	3.1	3.2	3.1	2.7	2.4	2.1	2.5	3.4	3.0	2.6
Canada	2.9	2.8	2.1	1.9	2.3	1.8	2.0	2.2	2.3	2.8	2.4	2.2	2.0	1.8	2.1	2.1	2.4	2.1	2.6	1.9
Norway	4.4	3.1	2.8	2.4	2.8	2.9	3.4	3.1	3.1	3.1	3.1	2.4	2.6	2.4	2.3	2.1	3.2	3.0	3.1	2.3
Sweden	4.7	3.4	2.0	1.3	0.9	0.4	0.9	0.5	0.5	0.4	0.8	1.8	2.2	2.6	2.2	1.8	2.8	0.7	0.9	2.2
Australia	3.6	3.8	2.9	2.4	2.4	2.1	3.2	3.7	4.1	5.0	4.6	4.2	3.4	2.5	2.3	2.6	3.2	2.9	4.5	2.7
EM	**2.1**	**2.2**	**2.2**	**2.2**	**1.7**	**1.5**	**1.2**	**1.4**	**2.0**	**2.5**	**2.5**	**2.7**	**2.5**	**2.3**	**2.1**	**2.1**	**2.1**	**1.5**	**2.4**	**2.2**
AXJ	**1.7**	**1.8**	**1.7**	**1.8**	**1.1**	**0.9**	**0.6**	**0.9**	**1.7**	**2.2**	**2.2**	**2.4**	**2.2**	**2.1**	**1.9**	**1.8**	**1.7**	**0.9**	**2.1**	**2.0**
China	0.0	0.3	0.5	0.2	-0.1	0.0	-0.2	0.6	0.8	1.1	0.7	0.7	0.5	0.6	0.6	0.7	0.2	0.1	0.8	0.6
India	5.0	4.9	4.2	5.6	3.7	2.7	1.7	0.8	3.1	3.9	4.7	5.8	5.4	5.4	4.5	4.0	4.9	2.2	4.4	4.8
Hong Kong	1.9	1.2	2.4	1.4	1.6	1.8	1.1	1.3	1.6	2.1	2.2	2.1	1.7	1.8	1.9	1.8	1.7	1.4	2.0	1.8
Korea	3.0	2.7	2.2	1.4	2.1	2.1	1.9	1.9	2.1	2.9	2.6	2.5	2.4	1.9	2.1	2.3	2.3	2.0	2.5	2.2
Taiwan	2.3	2.2	2.5	2.3	2.2	1.9	1.7	1.6	1.2	2.2	2.1	1.8	2.1	2.2	1.9	2.1	2.3	1.9	1.8	2.1
Singapore	3.2	2.8	2.2	1.4	1.0	0.8	0.6	1.2	1.5	1.3	2.4	2.0	1.7	1.8	1.9	1.9	2.4	0.9	1.8	1.8
Indonesia	2.8	2.8	2.0	1.6	0.6	1.8	2.4	2.8	3.9	2.9	3.2	3.3	3.2	2.7	2.4	2.4	2.3	1.9	3.4	2.7
Malaysia	1.7	1.9	1.9	1.8	1.5	1.3	1.3	1.4	1.6	2.0	2.2	2.3	2.3	2.0	2.1	2.0	1.8	1.4	2.0	2.1
Thailand	-0.8	0.8	0.6	1.0	1.1	-0.3	-0.7	-0.5	-0.5	2.7	2.7	2.7	2.6	1.1	1.2	1.2	0.4	0.0	1.9	1.5
Philippines	3.3	3.8	3.2	2.6	2.2	1.4	1.4	1.7	2.8	6.8	5.8	5.7	5.1	1.4	3.1	3.9	3.2	1.7	5.3	3.4
Core Inflation (%Y)																				
Global (G4+Selected EM)	**2.5**	**2.2**	**2.2**	**2.2**	**2.3**	**2.4**	**2.5**	**2.6**	**2.5**	**2.5**	**2.5**	**2.6**	**2.4**	**2.2**	**2.1**	**2.1**	**2.3**	**2.4**	**2.5**	**2.2**
G4	**3.2**	**2.8**	**2.8**	**2.8**	**2.8**	**2.7**	**2.8**	**2.7**	**2.8**	**2.8**	**2.7**	**2.7**	**2.6**	**2.4**	**2.3**	**2.2**	**2.9**	**2.7**	**2.8**	**2.4**
US (core PCE)	3.1	2.8	2.8	3.0	2.8	2.7	2.9	2.9	3.1	3.3	3.2	3.0	2.7	2.3	2.3	2.4	2.9	2.8	3.2	2.4
Euro Area	3.1	2.8	2.8	2.7	2.6	2.4	2.3	2.4	2.3	2.4	2.4	2.4	2.5	2.4	2.3	2.2	2.8	2.4	2.4	2.3
Japan^	3.2	2.2	2.0	2.4	2.7	3.2	3.2	3.0	2.5	1.8	2.0	2.5	2.5	2.7	2.3	1.9	2.5	3.0	2.2	2.3
UK	4.6	3.6	3.3	3.4	3.6	3.7	3.6	3.3	3.2	2.6	2.6	2.7	2.7	2.6	2.4	2.2	3.7	3.5	2.8	2.5
Selected EM	**1.9**	**1.7**	**1.5**	**1.6**	**1.8**	**2.1**	**2.3**	**2.5**	**2.3**	**2.2**	**2.3**	**2.4**	**2.2**	**2.1**	**2.0**	**2.0**	**1.7**	**2.2**	**2.3**	**2.1**
China	0.7	0.6	0.3	0.3	0.3	0.6	0.9	1.2	1.2	1.1	1.1	0.9	0.8	0.8	0.9	0.9	0.5	0.8	1.1	0.8
India	3.4	3.2	3.5	3.7	4.0	4.4	4.3	4.6	3.7	3.8	4.3	4.8	4.3	4.3	3.8	3.7	3.4	4.3	4.2	4.0
Brazil	3.6	3.1	3.5	3.8	4.7	5.2	5.0	4.7	4.5	4.4	4.4	4.6	4.3	3.7	3.4	3.4	3.5	4.9	4.4	3.7
Mexico	4.7	4.2	4.0	3.7	3.6	4.1	4.2	4.3	4.5	4.2	4.0	4.0	3.8	3.9	4.0	4.0	4.1	4.1	4.2	4.0

Source: Haver Analytics, national central banks, Morgan Stanley Research forecasts. ^7-day reverse repo rate.

Appendix – Morgan Stanley policy rate forecasts

Policy Rates	Current	2024				2025				2026				2027			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	1QE	2QE	3QE	4QE
US	3.625	5.375	5.375	4.875	4.375	4.375	4.375	4.125	3.625	3.625	3.625	3.625	3.625	3.375	3.125	3.125	3.125
Euro Area*	2.25	4.00	3.75	3.50	3.00	2.50	2.00	2.00	2.00	2.00	2.25	2.50	2.50	2.50	2.25	2.00	2.00
Japan**	1.00	0.10	0.10	0.25	0.25	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.50
UK	3.75	5.25	5.00	4.75	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.50	3.50
China^	1.40	1.80	1.80	1.50	1.50	1.50	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
India	5.25	6.50	6.50	6.50	6.50	6.25	5.50	5.50	5.25	5.25	5.25	5.25	5.25	5.25	5.50	5.75	5.75
Hong Kong	4.00	5.75	5.75	5.25	4.75	4.75	4.75	4.50	4.00	4.00	4.00	4.00	4.00	3.75	3.50	3.50	3.50
S. Korea	2.75	3.50	3.50	3.50	3.00	3.00	2.75	2.50	2.50	2.50	2.50	2.75	3.00	3.25	3.50	3.50	3.50
Taiwan	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.13	2.13	2.25	2.25

Source: Haver Analytics, national central banks, Morgan Stanley Research forecasts. *ECB Deposit Facility rate; **Uncollateralized Overnight Call Rate Upper Limit; ^7-day reverse repo rate.

Appendix – Morgan Stanley global currency forecasts

FX	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
EUR/USD	1.23	1.2	1.18	1.16	1.15	1.14
USD/JPY	160	157	159	156	154	152
GBP/USD	1.39	1.38	1.36	1.34	1.32	1.3
USD/CHF	0.73	0.74	0.74	0.75	0.77	0.78
EUR/CHF	0.9	0.89	0.87	0.87	0.88	0.89
EUR/SEK	10.6	10.4	10.3	10.2	10.21	10.21
EUR/NOK	10.7	10.6	10.5	10.5	10.54	10.59
USD/CAD	1.35	1.35	1.36	1.36	1.36	1.36
AUD/USD	0.74	0.75	0.74	0.73	0.72	0.71
NZD/USD	0.61	0.62	0.61	0.6	0.61	0.61
USD/CNY	6.72	6.75	6.77	6.8	6.77	6.75
USD/HKD	7	7	7.81	7.8	7.79	7
USD/IDR	17150.0	17100.0	17200.0	17400.0	17111.1	16826.2
USD/INR	93	93	94	95	93.8	92.7
USD/KRW	1430	1420.0	1430.0	1440.0	1418.23	1396.56
USD/MYR	3.8	3.8	3.8	3.9	3.9	3.9
USD/PHP	59.8	59.6	60.0	60.5	59.965	59.43
USD/SGD	1.2	1.2	1.2	1.3	1.3	1.3
USD/TWD	30.7	30.5	30.8	31.0	30.69	30.38
USD/THB	31.4	31.2	31.6	31.9	31.8	31.8
USD/BRL	5.1	5.0	4.95	4.9	4.85	4.8
USD/MXN	17.25	17.2	17.1	17.2	17.3	17.4
USD/ARS	1590.3	1671.1	1772.6	1826.3	1983.9	1983.2
USD/CLP	880	870	860	850	840	840
USD/COP	3800.0	3825.0	3850.0	3875.0	3900.0	3925.0
USD/PEN	3.6	3.6	3.6	3.6	3.5	3.6
USD/ZAR	16.1	15.7	16.0	16.3	16.34	16.37
USD/TRY	48.4	50.6	53.0	55.4	58.0	60.5
USD/EGP	50.0	49.0	50.0	51.0	51.5	52.0
USD/ILS	2.92	2.92	2.92	2.92	2.92	2.92
EUR/PLN	4.33	4.35	4.32	4.3	4.33	4.36
EUR/CZK	24.4	24.5	24.4	24.3	25.1	26.0
EUR/HUF	353	345	350	355	366	377
DXY	95	96	98	99	99	99
Broad USD (Fed)	102	101	100	99	99	98

Source: Morgan Stanley Research forecasts.

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(as of July 31, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1529	42%	442	47%	29%	750	43%
Equal-weight/Hold	1582	43%	396	42%	25%	773	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	560	15%	97	10%	17%	217	12%
Total	3,674		936			1741	

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.

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

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