China Equity Strategy

Innovation Accelerates, Old Economy Stalls

Equity Macro Research

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Index target & sector allocation

We maintain our OW China equities in our EM/Asia allocations and maintain end-2026 base case targets for the MXCN index and CSI-300 at 100 and 5,200, respectively, underpinned by 14% and 25% consensus year-over-year EPS growth projections. Liquidity remains abundant, though is yet to return to the excessive levels that we observed in June. 2Q26 results show that AI remains a tier-1 growth theme, outperforming the broad China equity space on financials. We believe such outperformance can support a rebound of the AI ecosystem in the rest of 2H26, though liquidity turbulence could make the path choppy. Our favored domestic AI supply-chain players are: Iluvatar CoreX (H), V-Test (A), JCET (A), AMEC (A), and NAURA (A). For investors looking for diversification, our top picks in the non-AI fields include Meituan, Bank of China-H, Bank of Ningbo, CICC-H, Innovent, BYD-H and CR Land. Chinese policymakers' initiatives to balance equity issuance and buybacks may also lend support to the higher shareholder return theme in 2H26.

	9-Apr-26	18-May-26	Current	
Communication Services	N	N	N	
Consumer Discretionary	UW	N	N	
Consumer Staples	N	UW	UW	
Energy	OW	OW	N	Downgraded
Financials	N	N	N	
Health Care	OW	OW	OW	
Industrials	OW	OW	OW	
Information Technology	N	N	OW	Upgraded
Materials	OW	OW	OW	
Real Estate	UW	UW	UW	
Utilities	N	N	N	

Source: J.P. Morgan estimates (25 Jun 2026)

2026E MXCN Index Target (HK$)	16-Sep-26	Base (F)	Bull (F)	Bear (F)
Index level	**73**	**100**	**120**	**80**
Implied upside/downside vs. Current		**37%**	**65%**	**10%**
Consensus 2026F EPS integer	6.5	6.5	6.5	6.5
Consensus 2026F EPS growth y-y		14%	14%	14%
Consensus 2027F EPS integer	7.5	7.5	7.5	7.5
Consensus 2027F EPS growth y-y		15%	15%	15%
P/Es: consensus 2026F EPS	11.2	15.4	18.5	12.3
P/Es: consensus 2027F EPS	9.8	13.4	16.1	10.7
SD by 2027 P/E (1SD: 2.5x P/E)	-0.8	0.7	1.8	-0.4

Source: MSCI, LSEG Workspace, J.P. Morgan estimates. Data as of 16 Sep 2026

2026E CSI-300 Index Target (Rmb)	16-Sep-26	Base (F)	Bull (F)	Bear (F)
Index level	**4,480**	**5,200**	**6,000**	**4,000**
Implied upside/downside vs. Current		**16%**	**34%**	**-11%**
Consensus 2026F EPS integer	313	313	313	313
Consensus 2026F EPS growth y-y		24%	24%	24%
Consensus 2027F EPS integer	368	368	368	368
Consensus 2027F EPS growth y-y		18%	18%	18%
P/Es: consensus 2026 forecast	14.3	16.6	19.2	12.8
P/Es: consensus 2027 forecast	12.2	14.1	16.3	10.9
SD by 2027 P/E (1SD: 1.4x P/E)	0.0	1.4	3.0	-0.9

Source: Wind, Refinitiv Eikon, J.P. Morgan estimates. Data as of 16 Sep 2026

Screen on MXCN constituents with high shareholder return

Screen on MXCN constituents with dividend + buyback yield >5%, positive net cash and OCF, and beta<1.2

RIC Code	Security Name	GICS Sector Name	Market cap (US$ bn)	Dividend + buyback yield
6186.HK	CHINA FEIHE	Consumer Staples	3.7	11%
600219.SH	SHANDONG NANSHAN A(HK-C)	Materials	7.6	11%
1378.HK	CHINA HONGQIAO GROUP	Materials	28.8	11%
VIPS.N	VIPSHOP HOLDINGS ADR	Consumer Discretionary	7.1	9%
1919.HK	COSCO SHIPPING HLDGS H	Industrials	34.1	8%
601216.SH	INNER MONGOL JUN A(HK-C)	Materials	5.7	8%
600066.SH	YUTONG BUS CO A (HK-C)	Industrials	10.7	8%
000333.SZ	MIDEA GROUP CO A (HK-C)	Consumer Discretionary	95.8	7%
601919.SH	COSCO SHIP HLDG A (HK-C)	Industrials	34.1	7%
002027.SZ	FOCUS MEDIA A (HK-C)	Communication Services	11.4	6%
600741.SH	HUAYU AUTO SYS A (HK-C)	Consumer Discretionary	7.6	6%
601006.SH	DAQIN RAILWAY A (HK-C)	Industrials	14.4	6%
2313.HK	SHENZHOU INTERNATIONAL	Consumer Discretionary	8.3	6%
0316.HK	ORIENT OVERSEAS (CN)	Industrials	12.7	
2367.HK	GIANT BIOGENE HOLDING	Consumer Staples	3.9	
0168.HK	TSINGTAO BREWERY H	Consumer Staples	9.6	
3998.HK	BOSIDENG INTL HLDGS	Consumer Discretionary	7.3	
3898.HK	ZHUZHOU CRRC TIMES H	Industrials	7.7	
601766.SH	CRRC CORP A (HK-C)	Industrials	24.3	
0135.HK	KUNLUN ENERGY	Utilities	7.8	
1766.HK	CRRC CORP H	Industrials	24.3	
0300.HK	MIDEA GROUP H	Consumer Discretionary	95.8	
000538.SZ	YUNNAN BAIYAO A (HK-C)	Health Care	13.6	

Source: Wind, LSEG Workspace, MSCI (data as of 28 Jul 2026)

AI entry point improving, balanced by shareholder return plays



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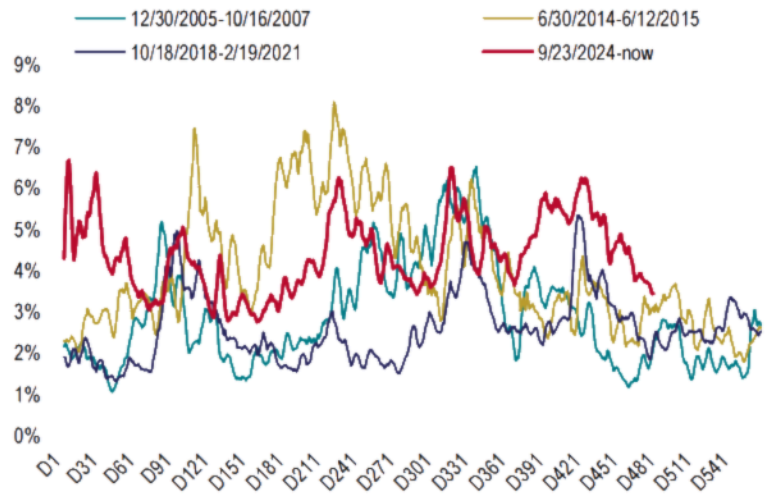
China equity indices' exposure to selected themes

(Index weight %)	AI	Humanoid	Energy security	Innovative drug & CXO	NEV	Staples & real estate
STAR50	58	17	2	2	0	0
Chinext	37	24	25	1	24	2
CSI300	23	12	8	3	7	7
A500	23	11	9	3	8	6
SSE50	21	7	3	6	0	11
HSI	19 (Hyperscaler: 15)	6	0	9	3	6
HSCEI	19 (Hyperscaler: 16)	9	0	8	5	4
HSTECH	31 (Hyperscaler: 16)	23	0	0	14	2
MXCN	32 (Hyperscaler: 25)	7	1	10	5	4

Source: Wind (21 Aug 2026)

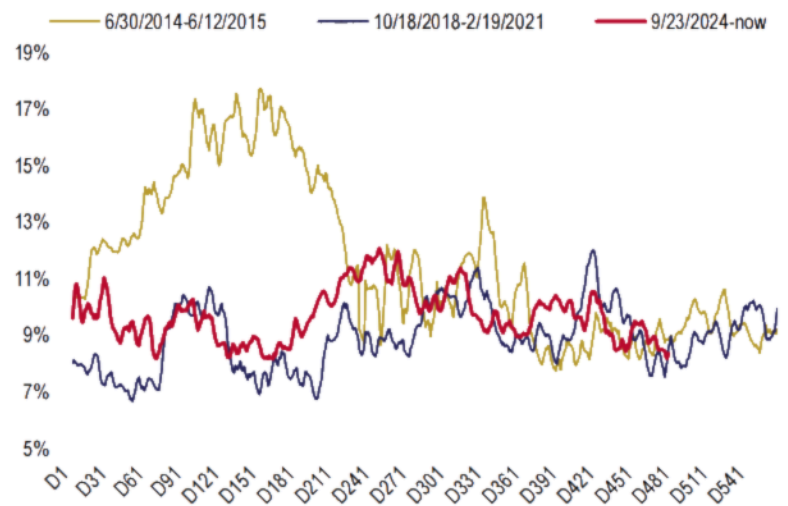
Abundant domestic liquidity

A-share velocity at healthy levels



Source: Wind (16 Sep 2026)

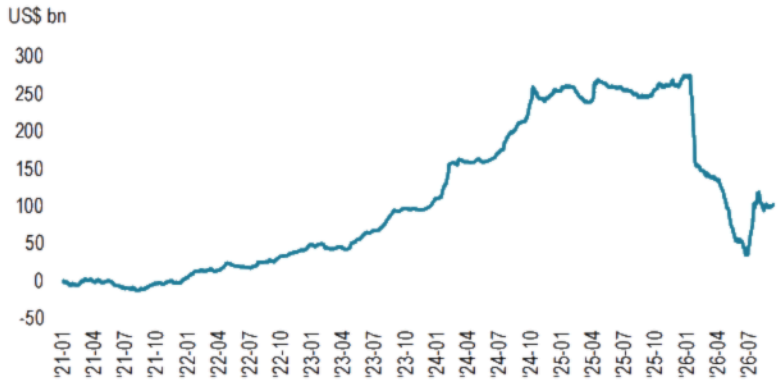
A-share margin buy as % of turnover staying robust



Source: Wind (16 Sep 2026)

A-share ETF flows

Cumulative A-share ETF net flows since January 2021 (US$ bn)



Source: Wind (16 Sep 2026)

A-share ETF net flows by benchmark

Inflows in (Rmb bn)	18 Dec 2023 - 9 Feb 2024	19 Feb 2024 - 9 Jan 2026	QTD	MTD
ETFs by benchmark index	**Total**	**Total**	**Total**	**Total**
CSI300	254.3	356.7	25.8	0.4
SSE50 + A50	35.1	30.0	3.2	2.5
A500	0.0	204.9	40.8	-3.4
CSI500	32.5	31.6	17.9	2.4
CSI1000	29.8	58.0	15.4	0.6
CSI2000	6.2	-5.4	3.8	-1.6
Chinext	24.6	-15.1	41.4	5.9
STAR	9.4	-71.0	69.3	11.8
Yield	12.2	60.5	-17.4	-4.0
Consumers	-2.4	33.0	-1.4	0.0
Semis	-0.4	-25.4	131.4	1.0
IT hardware	0.0	0.7	28.1	2.0
Rest	-0.9	184.2	92.1	-1.8
TOTAL	400.3	842.6	450.4	15.9

Source: Wind (16 Sep 2026)

EPFR tracked fund flows

EPFR Stock Barometer tracked funds flows into AeJ

	Ending 11 Sep 2026						
US$ mn	1W	2W	4W	3M	6M	12M	24M
CN	409	-225	158	-368	-2,867	22,304	34,624
HK	60	7	75	779	1,363	4,199	5,130
IN	300	389	698	2,162	656	11,386	12,227
ID	7	10	36	271	458	1,408	1,491
KR	97	287	799	12,776	13,206	34,142	36,098
MY	32	46	79	266	377	1,635	2,105
PH	8	5	10	76	88	215	179
SG	164	212	306	1,274	1,839	3,556	5,125
TW	1,285	598	2,298	15,249	21,233	45,588	62,518
TH	23	31	47	164	234	836	1,063
TOTAL	2,385	1,358	4,506	32,650	36,588	125,269	160,560

Source: EPFR, LSEG Workspace, J.P. Morgan estimates

EPFR Stock Barometer tracked funds flows into China

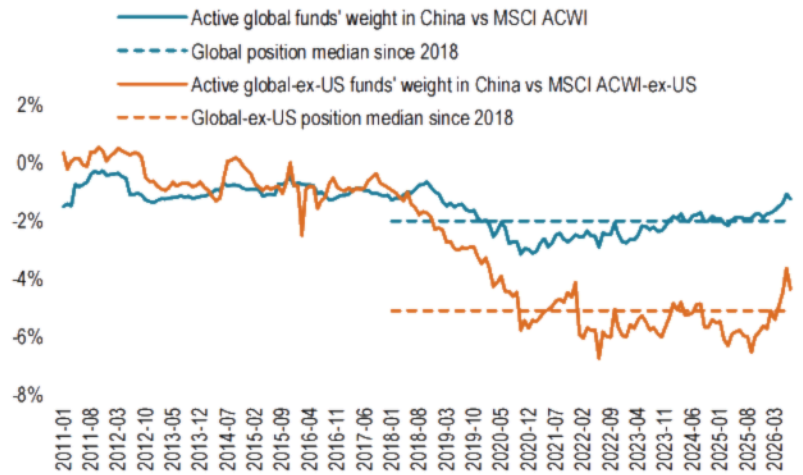
US$ mn	1 week	4 weeks	3 months
Communication Services	57.8	-84.8	-430.3
Consumer Discretionary	112.2	-38.3	-510.4
Consumer Staples	11.4	25.7	28.4
Energy	21.1	61.5	142.3
Financials	90.1	233.0	471.3
Health Care	12.1	41.1	87.4
Industrials	20.3	-20.8	-64.1
Information Technology	56.0	-83.3	-117.6
Materials	6.1	10.5	39.3
Real Estate	3.7	11.3	19.9
Utilities	17.9	1.7	-34.2
TOTAL	408.5	157.7	-368.1

Source: EPFR, LSEG Workspace, J.P. Morgan estimates

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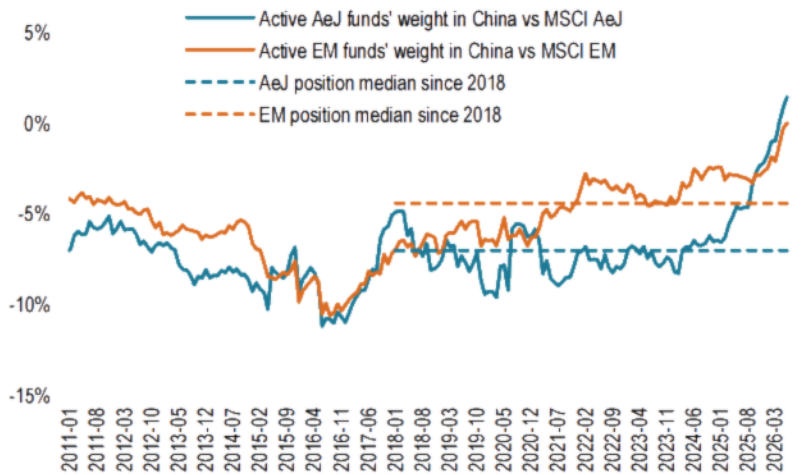
Offshore investors adding China exposure YTD

Active global funds' weight in China vs MSCI benchmarks



Source: EPFR (end Jul 2026), MSCI (end Jul 2026)

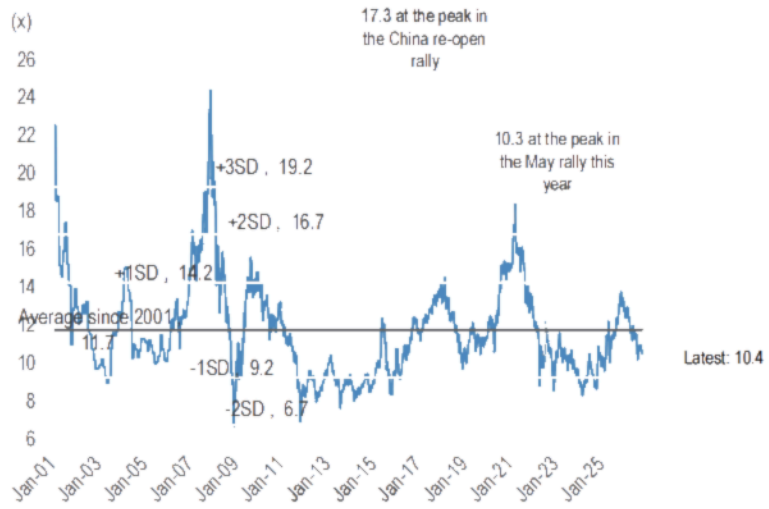
Active regional funds' weight in China vs MSCI benchmarks



Source: EPFR (end Jul 2026), MSCI (end Jul 2026)

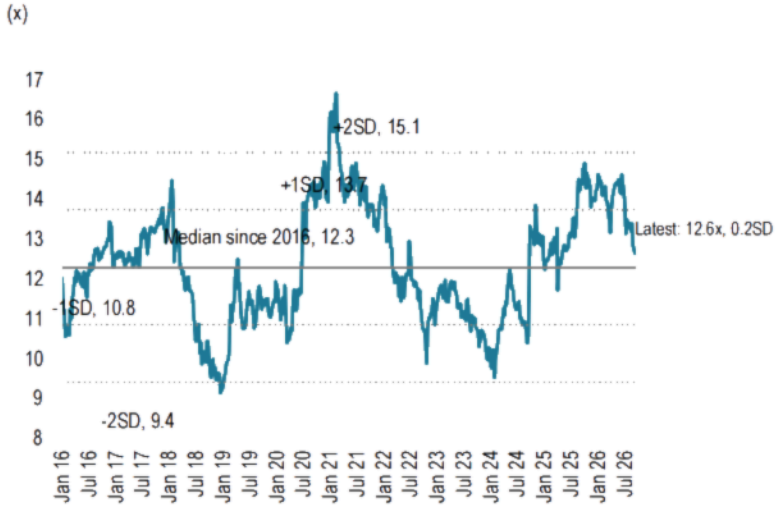
MXCN and CSI-300 FTM P/E

MXCN FTM P/E



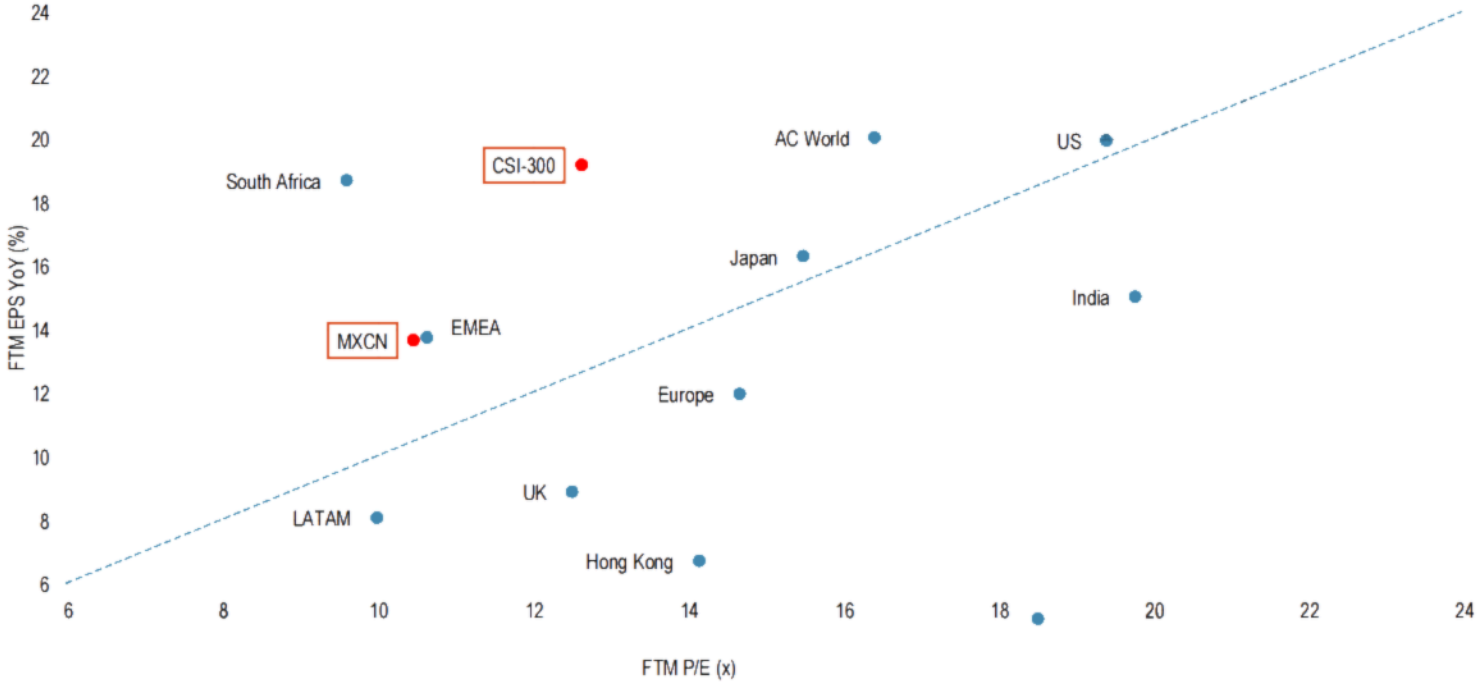
Source: EPFR (16 Sep 2026), MSCI (16 Sep 2026)

CSI300 FTM P/E



Source: EPFR (16 Sep 2026), MSCI (16 Sep 2026)

Cross-market comparison on PE-EPS growth



Source: LSEG Workspace (16 Sep 2026)

MXCN performance during selected periods of UST 10Y YTM rising by at least 50bps

	Since 1990s			Since 2010		
FTM PE change	Median	Bear steepener	Bear flattener	Median	Bear steepener	Bear flattener
MSCI CHINA	3.0	6.4	-3.5	-7.9	6.4	19.8
IT	6.1	8.2	-14.3	-7.2	6.1	21.7
Energy	9.1	9.5	0.7	5.6	9.1	25.0
Financials	-0.6	2.6	-3.8	-3.5	-1.8	10.7
Industrials	3.2	3.5	2.0	-8.6	-7.6	11.9
Materials	2.9	13.1	-15.7	-0.8	9.1	34.8
Utilities	-3.3	-3.0	-5.7	-6.7	-3.5	10.0
REALES	3.8	13.0	-2.9	3.8	13.0	-2.9
COMM Services	0.0	-0.2	0.3	-7.5	-6.5	32.4
Cons Discr	7.3	19.4	4.9	-16.2	0.8	23.8
Health Care	-3.2	-3.4	5.9	-3.3	-3.4	-1.4
Cons Staples	6.6	17.6	-9.8	-6.8	0.2	17.3

	Since 1990s			Since 2010		
FTM EPS change	Median	Bear steepener	Bear flattener	Median	Bear steepener	Bear flattener
MSCI CHINA	4.8	0.7	10.3	2.9	0.9	6.6
IT	5.5	6.6	-5.6	12.8	15.2	10.4
Energy	0.5	-3.3	24.9	5.9	-6.7	63.4
Financials	5.1	1.2	8.7	6.7	1.2	8.3
Industrials	0.1	0.0	7.3	-0.2	0.0	-0.4
Materials	3.3	-1.7	32.0	6.3	-6.4	46.3
Utilities	2.5	3.7	1.2	-0.1	-0.6	8.3
REALES	-3.9	-15.9	0.9	-3.9	-15.9	0.9
COMM Services	3.4	2.1	6.2	2.7	3.4	-11.0
Cons Discr	-2.4	1.9	-4.5	-1.1	1.9	-4.1
Health Care	2.0	2.0	-0.3	4.6	6.4	2.9
Cons Staples	2.5	1.1	2.5	-3.1	-8.8	0.0

	Since 1990s			Since 2010		
Price change	Median	Bear steepener	Bear flattener	Median	Bear steepener	Bear flattener
MSCI CHINA	6.9	8.7	6.8	-6.1	-2.9	-14.0
Information Technology	8.7	18.1	-5.8	3.5	31.6	-13.9
Energy	15.1	3.7	24.1	5.6	3.0	25.5
Financials	13.2	16.6	8.0	-4.2	-3.4	-5.1
Industrials	6.4	6.4	3.2	-6.7	-4.9	-12.4
Materials	8.6	15.9	7.5	-5.9	-3.6	-10.7
Utilities	1.3	1.3	2.8	-9.6	-12.6	-6.6
REALES	-11.3	5.9	13.1	11.3	5.9	-13.1
COMM Services	1.1	1.3	1.0	13.7	3.5	31.0
Cons Discr	2.8	7.3	-3.5	-13.3	-1.7	-28.8
Health Care	-0.6	-1.0	6.9	-2.3	-3.7	5.3
Cons Staples	10.6	9.4	12.6	-18.2	-17.5	-21.7

Source: LSEG Workspace (3 Sep 2026), Wind (3 Sep 2026)

Thematic top/bottom performers

Top/bottom 10 thematic trades in Aug

Theme	5d price return	1m price return	YTD price return	RSI 14d
CPO	4.6	34.1	74.3	47.9
PCB (A-shares)	9.7	28.7	70.1	47.9
Gold	-0.1	27.2	13.6	60.6
CDMO	-3.9	24.8	52.5	58.5
High US exposure	-3.3	19.4	60.9	63.6
Rare earth (A-shares)	2.6	18.5	21.5	47.9
Healthcare leaders	-4.7	18.4	47.1	55.4
Huawei supply chain	9.4	17.4	27.9	57.8
Smartphone supply chain	7.7	17.3	43.2	47.9
Nuclear fusion	3.3	16.5	-0.1	48.4
Smartgrid	-3.4	-3.6	-8.8	47.9
Domestic brands	-3.1	-3.8	-17.6	42.8
Online gaming	1.4	-4.1	-20.8	47.9
Infrastructure	-1.3	-4.3	-8.2	38.0
Solar	-3.0	-4.4	-35.9	47.9
Retail	0.5	-6.6	-21.7	37.3
Auto	-4.5	-9.3	-25.3	37.3
Pure EV	-2.4	-9.5	-27.6	39.9
Internet	0.6	-10.0	-29.0	32.6
Airlines	-5.1	-12.5	-47.0	33.4

Top/bottom 10 thematic trades in 5 days ending 16 Sep

Theme	5d price return	1m price return	YTD price return	RSI 14d
Little Giants	5.0	-1.3	46.4	40.1
Semi equipment	4.9	-3.4	118.3	51.0
CXMT supply chain	4.2	-4.3	65.4	40.1
Nuclear fusion	3.4	1.6	0.1	56.0
Rare earth (A-shares)	3.4	-7.6	15.4	40.1
Data center	3.3	-6.8	21.5	49.0
PCB (A-shares)	3.2	5.3	76.8	40.1
Tau scaling law enablers	3.1	-6.6	65.0	48.6
Semiconductors (A-shares)	3.1	-7.8	47.4	40.1
CDMO	2.7	0.9	52.2	54.6
Macau gaming	-4.2	-9.3	-26.9	28.5
HK property	-4.2	-3.1	12.2	35.8
Solar	-4.2	-13.2	-40.1	40.1
Cosmetics	-5.0	-5.1	-22.4	37.6
Tourism	-5.0	-4.9	-32.4	29.6
Shipping	-5.2	7.0	18.2	49.5
E-CNY	-5.6	-2.1	-37.5	40.1
Shipbuilding	-5.7	5.7	10.0	55.1
Materials	-6.1	0.5	-16.0	44.7
Construction & HDT	-7.1	-6.1	3.7	36.8

Source: LSEG Workspace (3 Sep 2026), Wind (3 Sep 2026)

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Onshore mutual funds' sector holding

Aggregate weight in active equity funds' AuM

Sector	06 '26	12 '25	06 '25	12 '24	06 '24	12 '23	06 '23	12 '22	06 '22	12 '21	06 '21	12 '20	06 '20	12 '19	06 '19	12 '18	06 '18	12 '17	06 '17	12 '16	06 '16	12 '15	06 '15	12 '14	06 '14	12 '13	06 '13
IT	46	28	26	23	20	22	24	19	17	19	17	18	23	21	16	15	14	15	15	16	20	23	20	13	16	14	11
Industrials	12	15	14	15	15	14	15	17	16	16	14	13	10	10	9	11	9	13	14	18	17	16	16	15	14	15	13
Materials	11	14	8	8	9	9	9	11	15	15	13	12	6	7	5	6	9	10	10	10	11	9	7	7	6	6	5
Healthcare	9	13	15	14	14	18	15	16	14	13	16	14	21	13	12	12	14	9	11	11	11	10	11	9	16	15	14
Cons Discre	5	10	13	13	11	10	9	9	10	10	11	13	11	13	13	12	14	14	14	13	12	14	11	11	13	14	12
Cons Staples	3	5	7	7	8	10	9	12	11	10	11	13	13	12	16	11	11	10	6	5	6	4	4	5	7	9	8
Financials	2	3	4	4	3	3	2	2	3	4	5	5	3	8	10	10	6	9	8	5	4	4	6	16	4	5	6
Energy	1	1	1	2	3	2	1	1	1	1	1	1	0	1	1	2	2	1	1	2	2	1	1	1	2	2	2
Utilities	0	1	1	1	3	2	2	2	2	2	1	0	0	1	1	2	1	1	3	3	3	3	2	2	1	1	2
Real Estate	0	1	1	1	1	1	1	1	1	1	1	1	1	4	3	3	2	2	2	2	2	2	3	7	3	3	6
Comm Svs	0.3	0.8	1.5	1.4	1.5	0.9	0.4	0.3	0.3	0.1	0.2	0.0	0.1	0.1	0.2	0.3	0.1	0.2	0.8	0.7	0.2	0.2	0.3	0.3	0.3	0.3	0.3

Source: LSEG Workspace (3 Sep 2026), Wind (3 Sep 2026)

Standard deviation vs respective history

Sector	06 '26	12 '25	06 '25	12 '24	06 '24	12 '23	06 '23	12 '22	06 '22	12 '21	06 '21	12 '20	06 '20	12 '19	06 '19	12 '18	06 '18	12 '17	06 '17	12 '16	06 '16	12 '15	06 '15	12 '14	06 '14	12 '13	06 '13
IT	3.9	1.2	0.9	0.5	0.0	0.3	0.6	-0.1	-0.4	-0.1	-0.4	-0.2	0.6	0.1	-0.5	-0.8	-0.9	-0.7	-0.7	-0.5	0.1	0.5	0.1	-0.9	-0.5	-0.9	-1.3
Industrials	-0.9	0.4	-0.1	0.6	0.5	0.1	0.5	1.2	1.0	0.9	0.0	-0.4	-1.6	-1.5	-2.0	-1.2	-2.0	-0.6	0.0	1.7	1.1	0.8	0.8	0.3	0.0	0.6	-0.3
Materials	0.7	1.8	-0.4	-0.5	0.0	0.1	0.0	0.5	1.9	1.9	1.4	0.9	-1.1	-0.9	-1.4	-1.2	0.1	0.3	0.2	0.4	0.6	0.0	-0.8	-0.8	-1.1	-1.0	-1.3
Healthcare	-1.5	-0.2	0.7	0.2	0.4	1.6	0.7	0.9	0.1	-0.2	0.8	0.4	2.7	0.0	-0.3	-0.3	0.3	-1.7	-1.0	-0.8	-1.0	-1.3	-0.7	-1.4	1.0	0.5	0.1
Cons Discre	-3.3	-0.9	0.5	0.6	-0.5	-1.0	-1.1	-1.1	-0.5	-0.9	-0.2	0.5	-0.2	0.6	0.5	0.2	1.2	1.0	1.2	0.9	0.1	1.2	-0.1	-0.4	0.7	1.0	0.1
Cons Staples	-1.8	-1.1	-0.6	-0.5	-0.2	0.3	0.2	1.0	0.8	0.4	0.7	1.4	1.3	1.0	2.3	0.7	0.6	0.3	-0.7	-1.2	-0.8	-1.3	-1.3	-1.2	-0.5	0.1	-0.1
Financials	-1.1	-0.7	-0.4	-0.5	-0.6	-0.8	-0.9	-0.9	-0.7	-0.5	-0.2	0.0	-0.8	0.8	1.5	1.4	0.3	1.0	1.0	-0.2	-0.4	-0.6	0.1	3.5	-0.3	-0.1	0.2
Energy	-0.5	-0.6	-0.8	0.3	2.1	1.6	0.1	0.1	-0.1	-1.2	-0.9	-1.6	-1.9	-0.4	-0.4	1.1	1.0	0.0	-0.4	0.8	0.6	-1.0	-0.9	0.0	0.4	0.8	1.9
Utilities	-1.4	-1.2	-0.8	-0.1	1.9	0.3	0.4	0.1	0.0	0.6	-1.2	-1.5	-1.6	-0.9	-0.5	0.9	-0.2	-0.3	1.4	1.2	1.9	1.2	-0.1	0.5	-0.6	-0.3	0.3
Real Estate	-1.0	-0.9	-0.7	-0.7	-0.7	-0.8	-0.8	-0.5	-0.5	-0.6	-0.8	-0.7	-0.5	0.9	0.5	0.9	0.1	0.2	-0.2	-0.3	-0.2	-0.1	0.4	3.1	0.6	0.8	2.5
Comm Svs	-0.4	0.7	2.5	2.2	2.5	1.1	-0.2	-0.4	-0.4	-0.7	-0.5	-0.9	-0.8	-0.9	-0.5	-0.3	-0.8	-0.5	0.7	0.5	-0.6	-0.6	-0.4	-0.4	-0.2	-0.4	-0.4

Source: LSEG Workspace (3 Sep 2026), Wind (3 Sep 2026)

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Consensus estimates on 2026 EPS growth have held up well

MXCN EPS sector breakdown by consensus

GICS Sector Name	1Q26	2Q26	2H26	2026
Index	-18.7%	6.1%	14.7%	9.3%
Communication Services	5.8%	1.8%	-0.2%	3.1%
Consumer Discretionary	-68.9%	-7.2%	81.7%	13.1%
Consumer Staples	-47.7%	-3.7%	64.1%	16.9%
Energy	12.5%	41.1%	36.4%	25.4%
Financials	-7.4%	8.9%	-9.2%	1.8%
Health Care	-12.8%	40.1%	106.3%	53.5%
Industrials	-4.2%	6.4%	12.1%	12.7%
Information Technology	0.9%	-18.4%	37.1%	17.4%
Materials	16.4%	73.6%	81.3%	71.7%
Real Estate	-85.6%	**-9.5%**	16.7%	6.5%
Utilities	-2.5%	5.2%	-29.9%	-12.1%

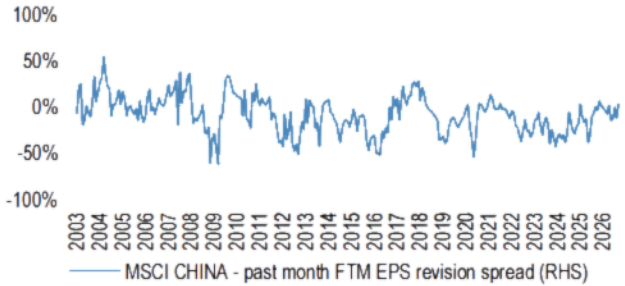
Source: MSCI, LSEG Workspace (19 Aug 2026). Note: only constituents with 2Q forecasts are included, and as such data can deviate from IBES whole year numbers

CSI-300 EPS sector breakdown by consensus

GICS Sector Name	1Q26	2Q26	2H26	2026
Index	6.0%	19.1%	34.1%	24.2%
Communication Services	10.3%	5.8%	73.5%	28.9%
Consumer Discretionary	-8.9%	-9.7%	29.2%	4.8%
Consumer Staples	-12.8%	-19.0%	16.9%	0.0%
Energy	17.8%	51.3%	38.2%	31.6%
Financials	-5.5%	12.8%	3.0%	5.6%
Health Care	5.2%	-2.8%	75.1%	35.4%
Industrials	10.2%	13.3%	15.8%	18.9%
Information Technology	67.1%	64.7%	97.7%	90.1%
Materials	85.1%	74.4%	56.3%	61.1%
Real Estate	-22.8%	**58.6%**	92.9%	83.9%
Utilities	6.3%	6.2%	-2.5%	3.8%

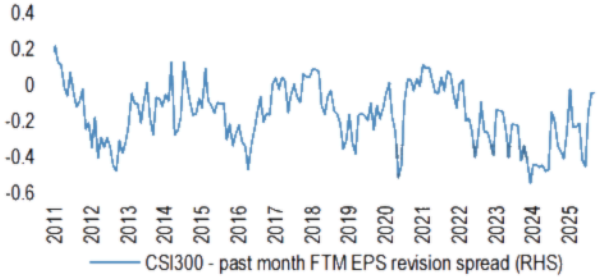
Source: MSCI, LSEG Workspace (19 Aug 2026). Note: only constituents with 2Q forecasts are included, and as such data can deviate from IBES whole year numbers

MXCN EPS revision spread



Source: LSEG Workspace (16 Sep 2026).

CSI-300 EPS revision spread



Source: LSEG Workspace (16 Sep 2026).

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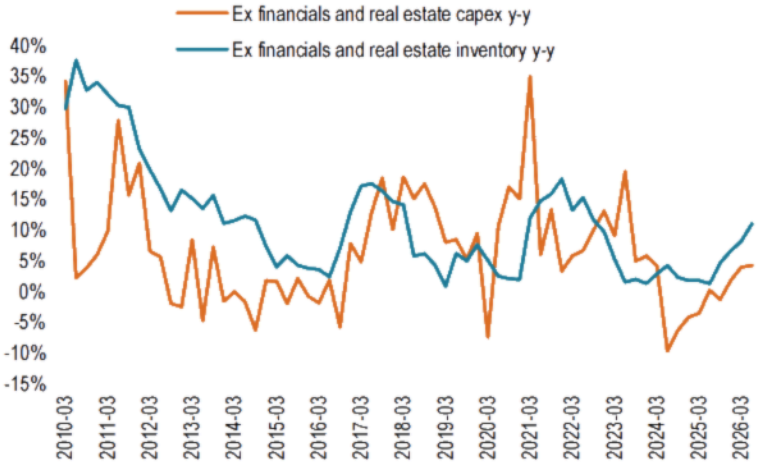
China’s capex and inventory-cycle shown by A-shares

A-share capex and inventory y-y changes

	2Q26 capex	2Q26 inventory
Ex financials and real estate inventory y-y	4%	11%
Ex fin/real estate/utilities/energy inventory y-y	7%	11%
Level 1 sector		
Communication Services	-9%	35%
Consumer Discretionary	-17%	12%
Consumer Staples	-7%	6%
Energy	7%	5%
Health Care	-1%	0%
Industrials	18%	4%
Information Technology	22%	31%
Materials	4%	19%
Utilities	-10%	9%

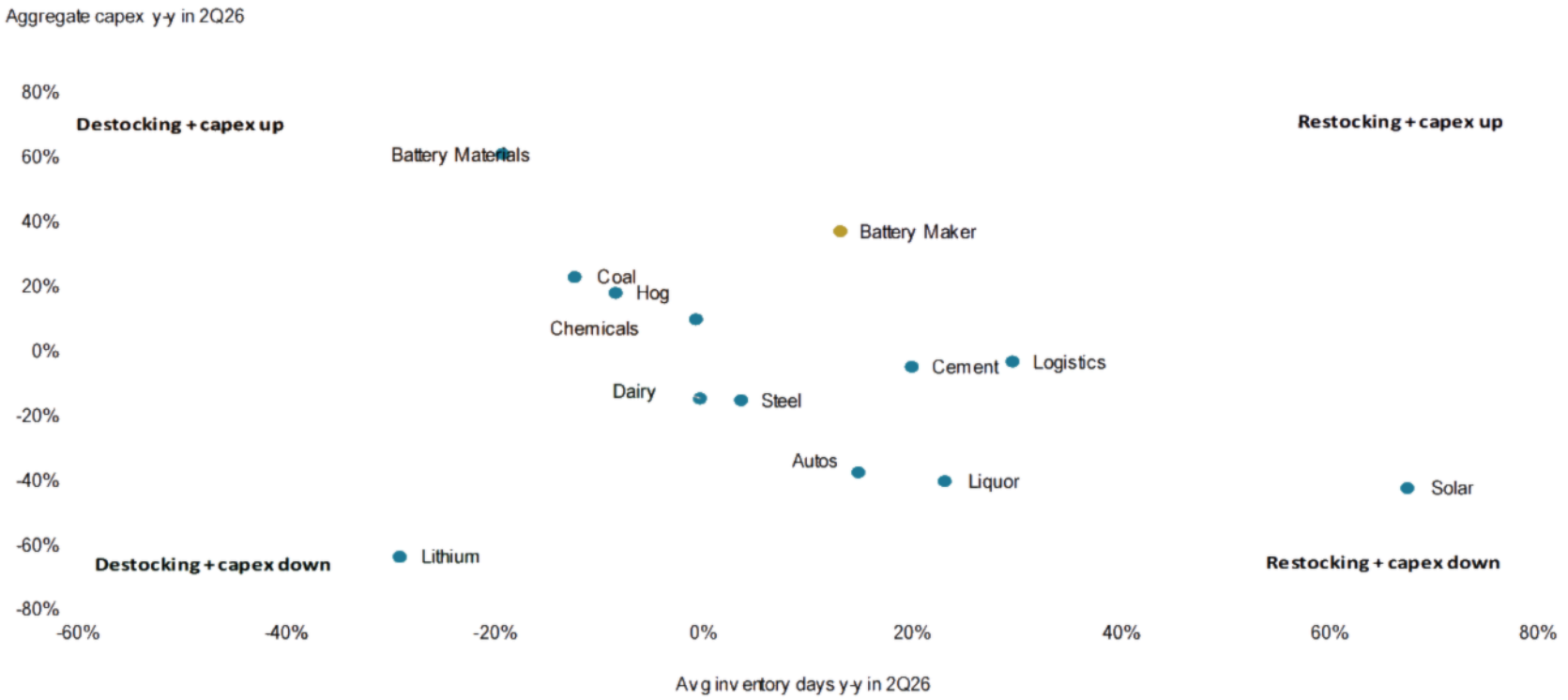
Source: Wind (14 Sep 2026)

A-share capex and inventory cycles



Source: Wind (14 Sep 2026)

Anti-involution: capex & inventory days y-y changes of selected industries

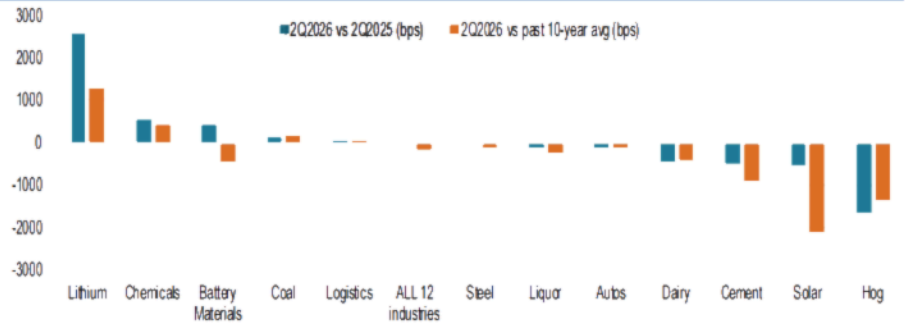


Source: Wind (14 Sep 2026)

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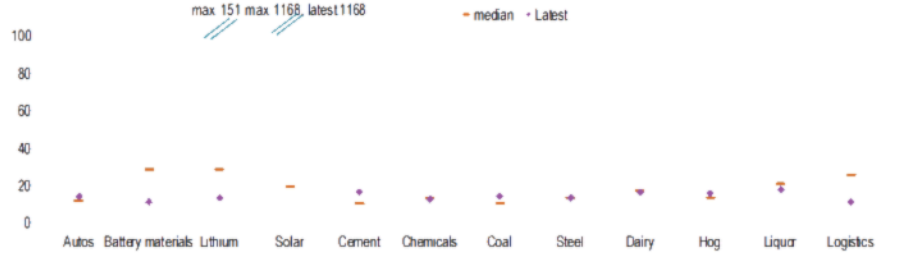
Anti-involution: NPM and revenue y-y, and FTM P/E

Anti-involution quarterly assessment on NPM



Source: Wind (14 Sep 2026)

Anti-involution quarterly assessment on NPM



Source: Wind (14 Sep 2026)

Anti-involution quarterly assessment on revenue

Industry	2Q2025	3Q2025	4Q2025	1Q2026	2Q2026
Autos	11%	9%	-3%	-3%	-4%
Battery Materials	11%	30%	53%	69%	97%
Lithium	-18%	10%	43%	125%	207%
Solar	-7%	-2%	-18%	-21%	-13%
Cement	-10%	-15%	-21%	-8%	-15%
Chemicals	-7%	-3%	7%	-3%	12%
Coal	-16%	-6%	-12%	0%	37%
Steel	-7%	0%	0%	0%	1%
Dairy	5%	-1%	-3%	5%	2%
Hog	15%	-4%	-8%	-2%	-12%
Liquor	-14%	-15%	-29%	3%	-16%
Logistics	11%	8%	7%	9%	9%

Source: Wind (14 Sep 2026)

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Overseas expansion in steady progress

Anti-involution quarterly assessment on NPM

Overseas revenue exposure	*2024*	*2025*	*1H26*
MXCN	15%	17%	18%
Communication Services	6%	9%	11%
Consumer Discretionary	13%	16%	17%
Consumer Staples	4%	4%	4%
Energy	22%	23%	25%
Financials	5%	5%	6%
Health Care	10%	13%	15%
Industrials	18%	19%	21%
Information Technology	53%	55%	56%
Materials	19%	24%	21%
Real Estate	1%	0%	0%
Utilities	3%	3%	2%

Source: Wind (14 Sep 2026), J.P. Morgan estimates

Anti-involution quarterly assessment on revenue

Overseas revenue exposure	*2024*	*2025*	*1H26*
CSI-300	19%	21%	22%
Communication Services	3%	5%	7%
Consumer Discretionary	27%	31%	33%
Consumer Staples	2%	2%	2%
Energy	21%	21%	23%
Financials	4%	4%	4%
Health Care	17%	21%	23%
Industrials	17%	19%	21%
Information Technology	48%	48%	47%
Materials	20%	23%	22%
Real Estate	0%	0%	0%
Utilities	3%	2%	2%

Source: Wind (14 Sep 2026), J.P. Morgan estimates

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YTD return: onshore led by IT and Energy, offshore led by Energy and Healthcare

Price performance YTD

Benchmarks	YTD	MXCN A sectors	YTD	MXCN sectors	YTD
MSCI China	(13)	Information Technology	23	Energy	16
MSCI HK	3	Energy	23	Health Care	13
HSI	(5)	Utilities	3	Financials	6
HSTECH	(22)	Health Care	(3)	Information Technology	4
HSCEI	(9)	Materials	(6)	Utilities	(5)
CSI300	0	Financials	(10)	Real Estate	(5)
CSI500	7	Industrials	(17)	Industrials	(7)
CSI1000	4	Consumer Staples	(17)	Materials	(11)
		Consumer Discretionary	(20)	Consumer Staples	(19)
		Communication Services	(24)	Consumer Discretionary	(26)
		Real Estate	(27)	Communication Services	(30)

Price performance MTD

Benchmarks	1M	MXCN A sectors	1M	MXCN sectors	1M
MSCI China	(5)	Utilities	1	Utilities	(1)
MSCI HK	(3)	Health Care	(1)	Financials	(1)
HSI	(4)	Real Estate	(2)	Health Care	(1)
HSTECH	(7)	Financials	(2)	Information Technology	(3)
HSCEI	(4)	Consumer Staples	(2)	Consumer Staples	(5)
CSI300	(3)	Information Technology	(3)	Energy	(5)
CSI500	(4)	Consumer Discretionary	(3)	Communication Services	(6)
CSI1000	(3)	Communication Services	(3)	Industrials	(6)
		Energy	(5)	Real Estate	(7)
		Industrials	(6)	Materials	(7)
		Materials	(8)	Consumer Discretionary	(8)

Source: Wind (20 Aug 2026)

Market leadership is off the August peak

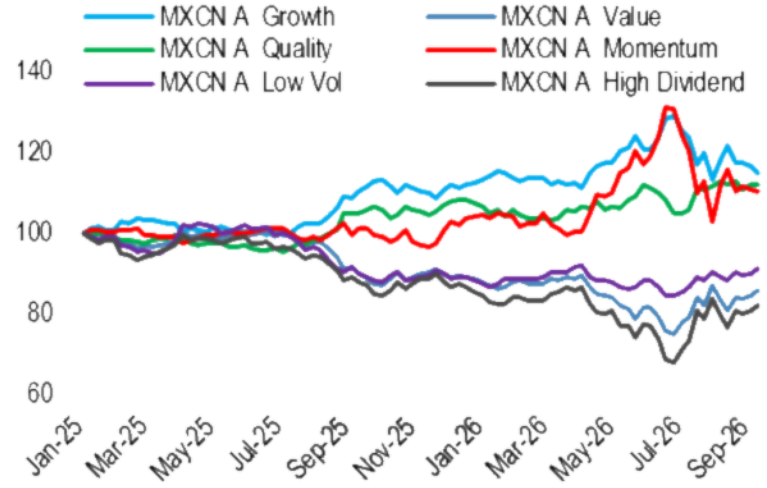
Market leadership is narrowing as expected, with improvements in AI tech hardware, shipping, and semi materials etc.

A-share sector momentum tracker (Max=100, Min=0) measures the % of sectors with score >60



Source: Wind (17 Sep 2026)

Momentum and Growth saw a brief rally in August

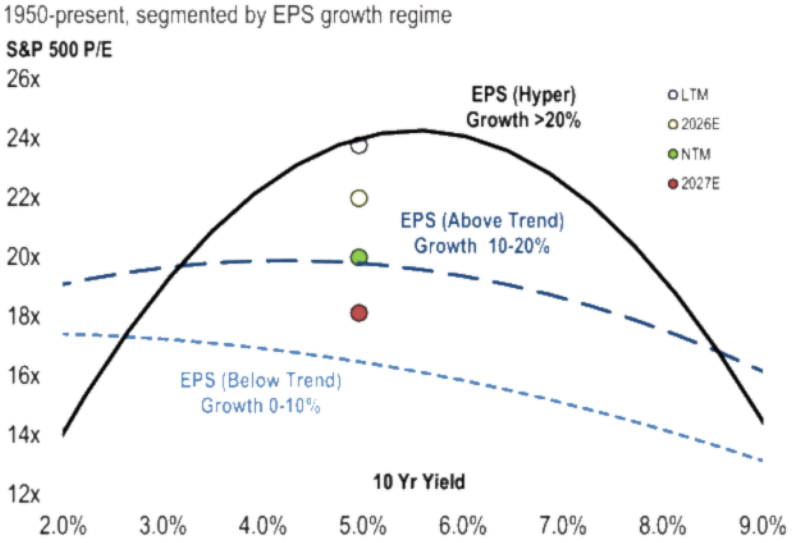


Source: Wind (17 Sep 2026)

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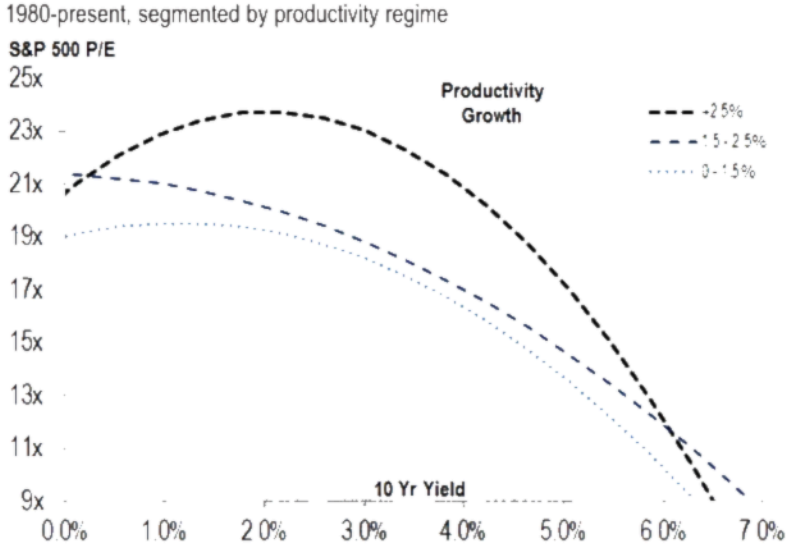
Higher for longer: through the lens of global equity strategy

S&P500 P/E Sensitivity to Rising Yields - By EPS Growth Regime: During periods of above-trend EPS growth (~15% y/y), 10yr yields can continue to rise to ~5% before the equity multiple starts to de-rate.



Source: J.P. Morgan Global Equity Strategy and Quantitative Research, Shiller Data. Note: Currently, forward consensus EPS growth is calling for 20%+ and the S&P 500 is trading at ~18x on 2027 EPS.

S&P500 P/E Sensitivity to Rising Yields - By Productivity Regime: Strong productivity growth should support a higher multiple environment.

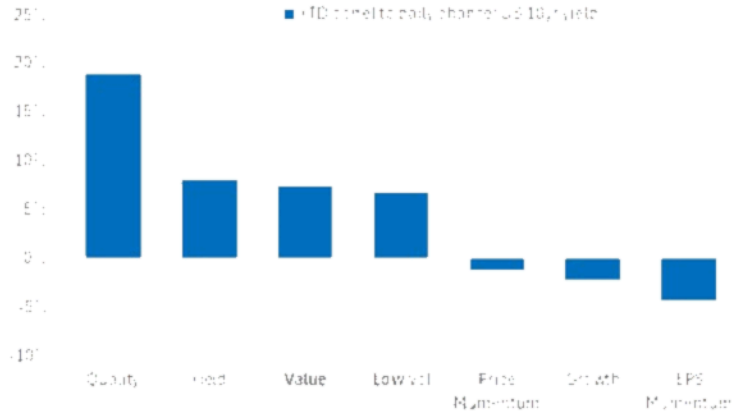


Source: J.P. Morgan Global Equity Strategy and Quantitative Research (14 Sep 2026)

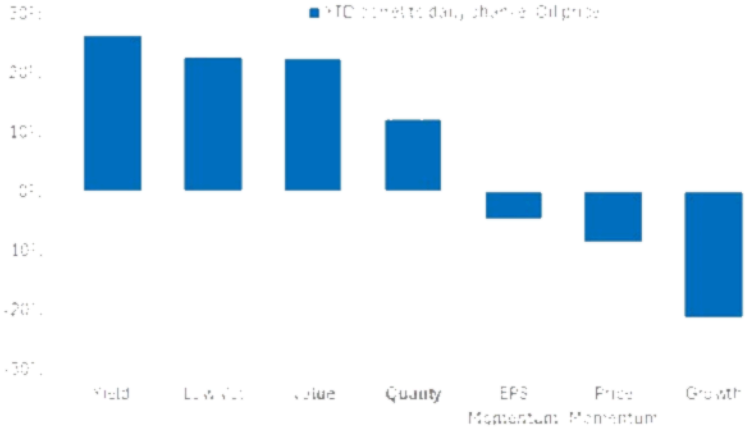
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Higher for longer: through the lens of Asia equity strategy

From a factor perspective, Quality has this year been the best hedge to rising bond yields



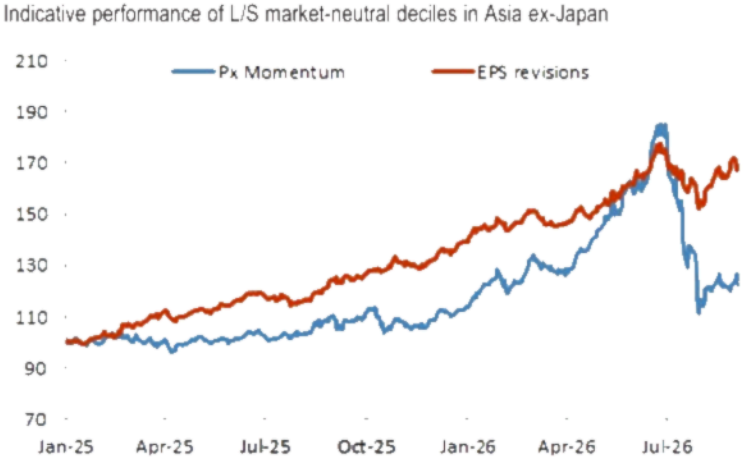
From a factor perspective, Defensive Value has this year been the best hedge to rising oil prices



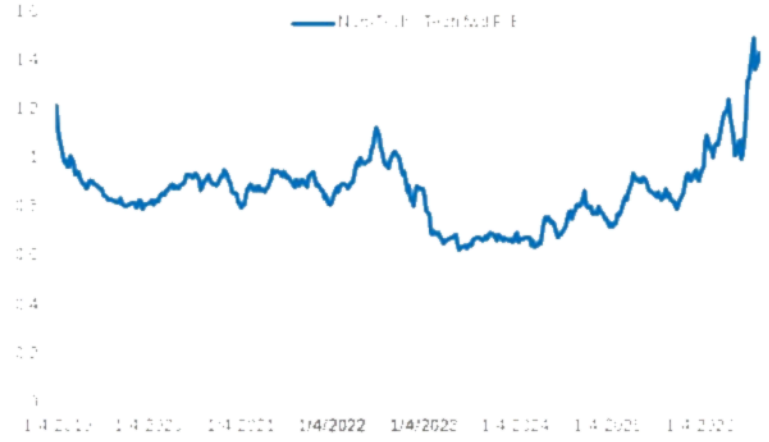
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Earning revision factor maintains outperformance

Earnings is material for stock performance –a mild correction in the EPS Momentum factor vs large drawdown in Price Momentum



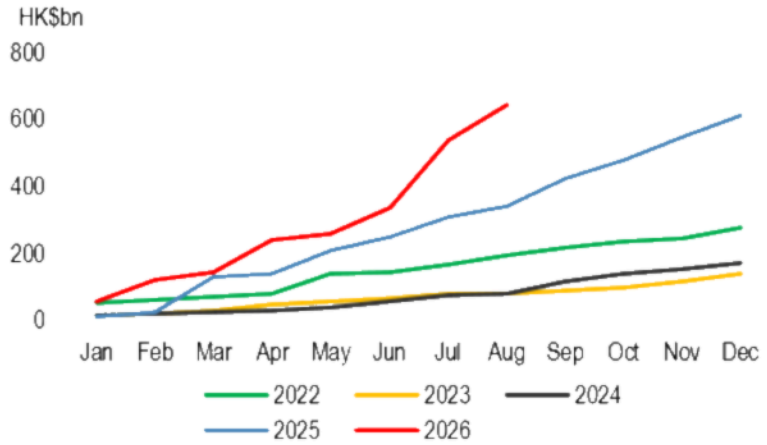
The recent brief outperformance at a time of weaker earnings has led non-Tech valuations to extreme highs vs Tech



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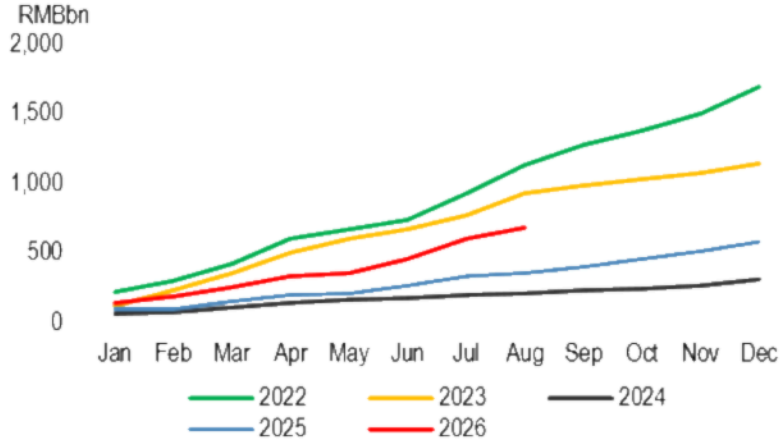
Equity financing: Hong Kong accelerating, mainland constrained

HK's equity financing: 8M26 at multi-year high (+82%y-y)



Source: Wind (15 Sep 2026)

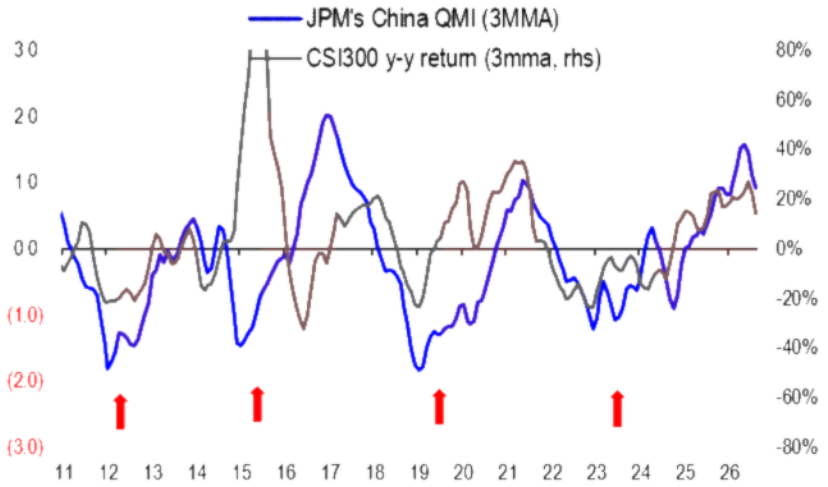
A slowing pace of equity financing by A-shares



Source: Wind (15 Sep 2026)

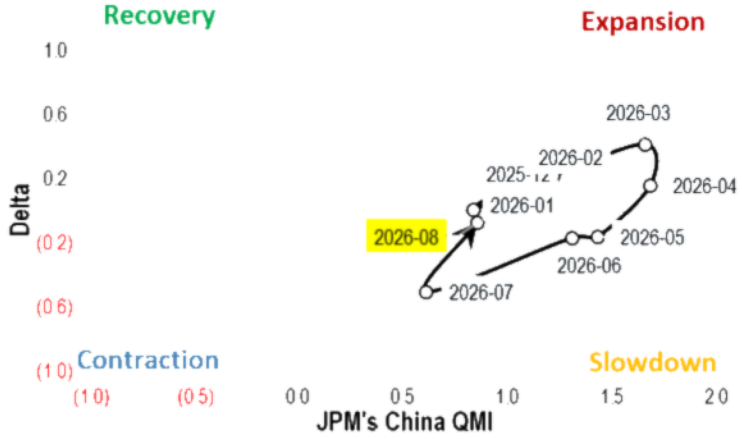
Business upcycle eased to Slowdown

JPM's China Quantitative Macro Indicator (QMI) vs. CSI300 return



Source: Wind (15 Sep 2026)

JPM's QMI: holding up in Expansion quadrant



Source: Wind (15 Sep 2026)

Style investing: OW Momentum, Value, & Quality during Slowdown

Quantitative Macro Indicator (QMI) State Cycle

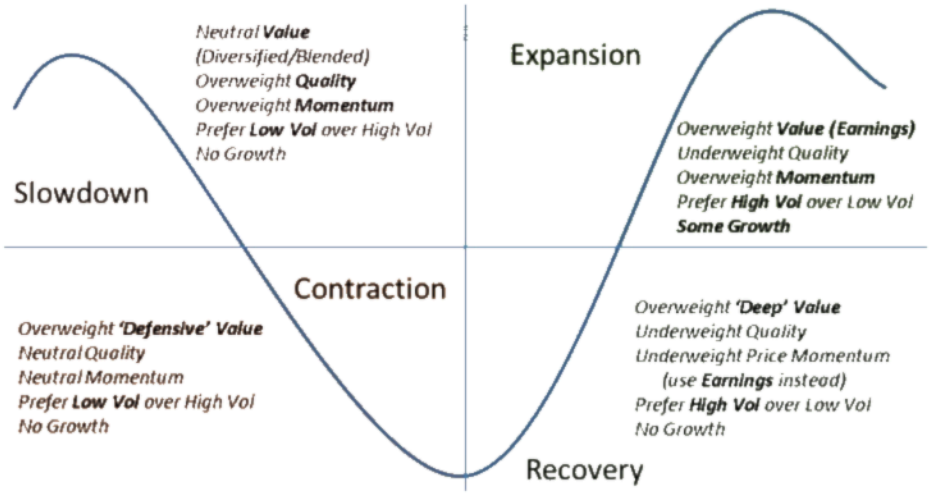
Recovery
- Deep Value (Book/Market)
- UW Quality
- UW Price Mom.
- Prefer High Vol

Expansion
- Forecast Value (Earnings Yield)
- UW Quality
- OW Price Mom.
- Prefer High Vol (some Growth)

Contraction
- Defensive Value (Dividend Yield)
- Neutral Quality
- Neutral Price Mom.
- Prefer Low Vol

Slowdown
- Blended Value (E. Yld, Div. Yld)
- OW Quality
- OW Price Mom.
- Prefer Low Vol

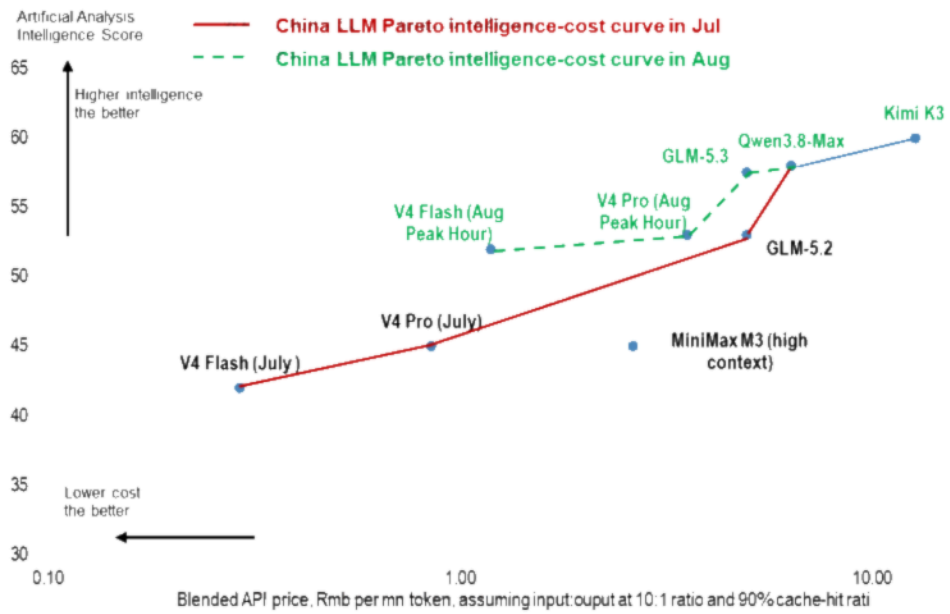
JPM's QMI: holding up in Expansion quadrant



Source: J.P. Morgan Quantitative and Derivatives Strategy

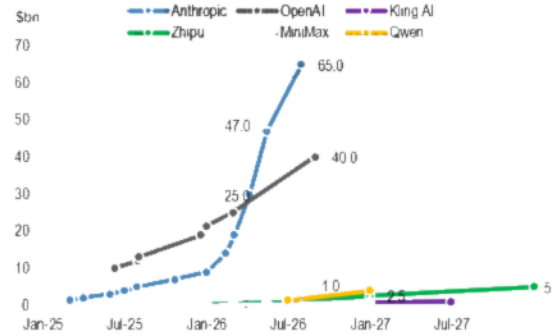
China Artificial Intelligence

China LLM: Capability–cost Pareto frontier



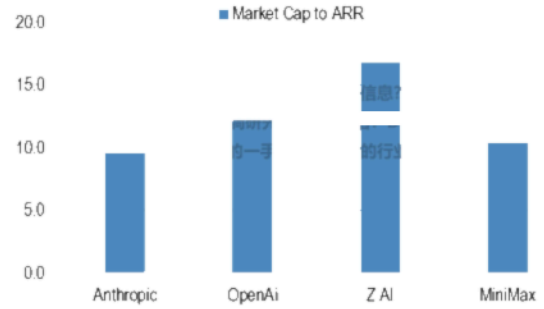
Source: Artificial Analysis, J.P. Morgan estimates (data as of Aug 15, 2026). Note: the official score on GLM5.3 is not yet available on Artificial Analysis, the current score is estimated by J.P. Morgan based on Z AI's own technical report.

ARR tracker



Source: Company reports.

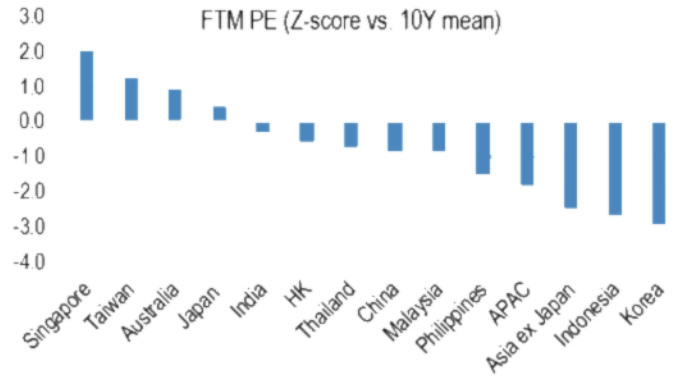
Market Cap to ARR



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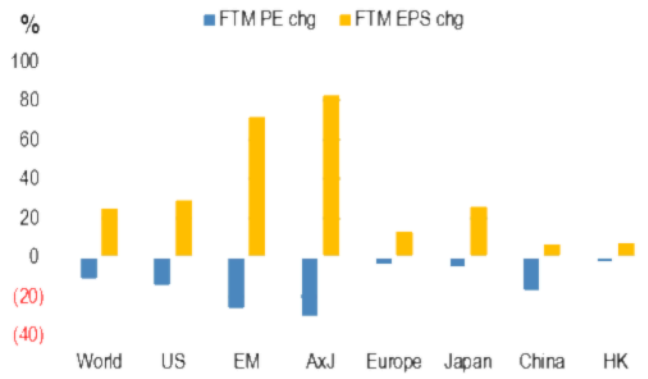
Regional comparison: MXCN & MXHK - balanced risk-reward

Regional comparison: FTM PE vs. 10Y mean



Source: LSEG Workspace (17 Sep 2026)

Regional comparison: FTM EPS revision year-to-date



Source: LSEG Workspace (17 Sep 2026)

MSCI HK: index target and sector allocation

MSCI HK index targets

2026E MXHK Index Target (HK$)	17-Sep-26	Base (F)	Bull (F)	Bear (F)
Index level	**14,265**	**16,500**	**17,300**	**14,500**
Implied upside/downside vs. Current		**16%**	**21%**	**2%**
Consensus 2026F EPS integer	988	988	988	988
Consensus 2026F EPS growth y-y		**18%**	**18%**	**18%**
Consensus 2027F EPS integer	1028	1028	1028	1028
Consensus 2027F EPS growth y-y		**4%**	**4%**	**4%**
P/Es: consensus 2026F EPS	14.4	16.7	17.5	14.7
P/Es: consensus 2027F EPS	13.9	16.1	16.8	14.1
SD by 2026 P/E (vs. LT mean since 2005)	-0.3	1.0	1.4	-0.1
SD by 2027 P/E (vs. LT mean since 2005)	-0.6	0.6	1.1	-0.4

Source: Wind (17 Sep 2026)

OW Financials & Real Estate, UW Discretionary

GICS Sectors	MXHK Wgt (%)	FTM PE (x)	SD vs. 10Y avg	2025 YA	26-Mar-25	18-Jul-25	22-Oct-25	15-May-26
Communication Services	1	16	0.0	N	N	N	OW	N
Consumer Discretionary	4	14	-0.9	N	OW	OW	OW	UW
Consumer Staples	2	8	-2.2	N	N	N	N	N
Financials	52	14	-1.2	N	OW	OW	OW	OW
Industrials	14	13	1.0	OW	N	N	N	N
Real Estate	17	14	1.5	UW	UW	N	N	OW
Utilities	10	17	-0.5	OW	UW	UW	UW	N
MXHK		14	-0.4					

Source: Wind (17 Sep 2026)

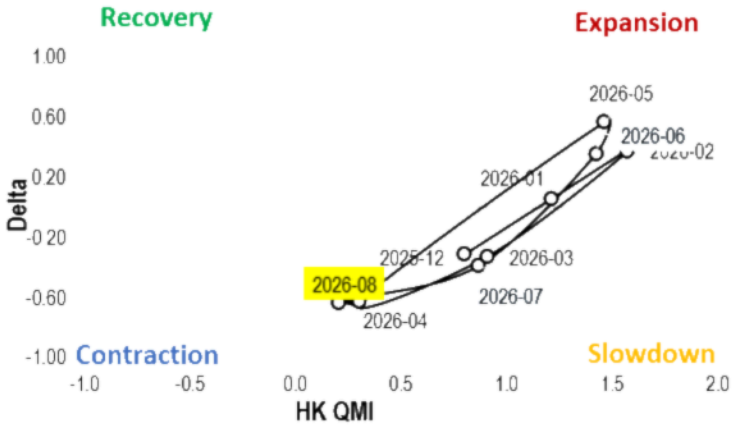
HK: from early to mid-cycle

JPM's HK Quantitative Macro Indicator (QMI) vs. MXHK return



Source: Wind (15 Sep 2026)

JPM's HK QMI: eased to Slowdown quadrant



Source: Wind (15 Sep 2026)

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MSCI HK tracks fundamentals closely

HK's GDP revision upcycle underpins MXHK's rebound



Source: Wind (15 Sep 2026)

MXHK tracks EPS revisions closely

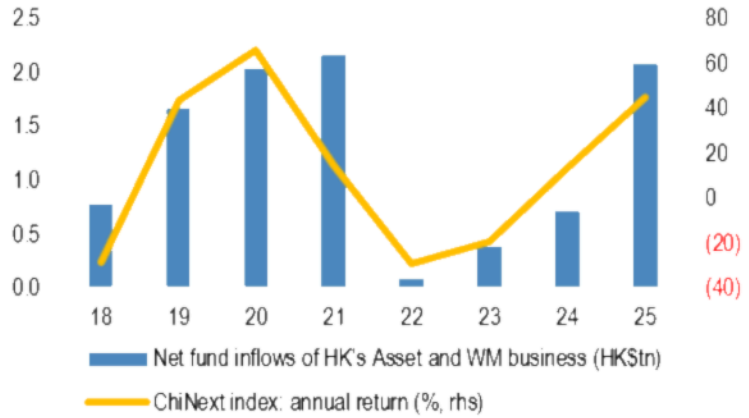


Source: Wind (15 Sep 2026)

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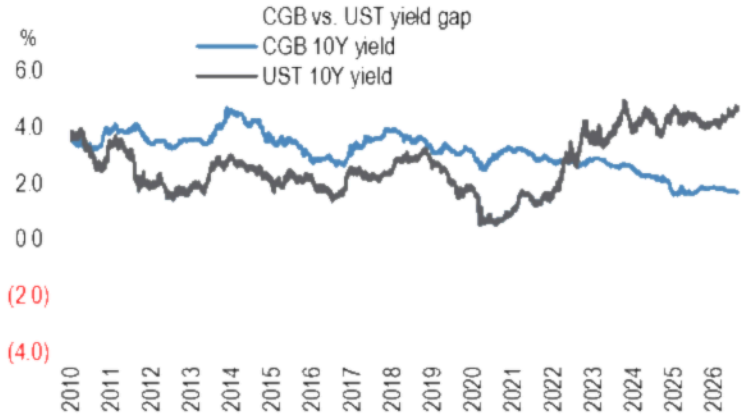
HK: capital inflows track growth-stock return, not policy changes

HK Asset & Wealth Management's net fund inflows track China's growth-stock return, not policy changes



Source: Wind (30 Mar 2026)

Widening onshore vs. offshore yield gap remains a structural tailwind for HK as an offshore wealth hub



Source: Wind (16 Sep 2026)

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JPM thematic positioning

AI ecosystem

Energy security

Robotics

Selective in consumer & real estate

Pair the quality growth with OW in energy