China Strategy Tracker

Post Fed hike, AI back in focus

Equity Strategy
China

- Now the Fed has hiked, lower investor anxiety and strong earnings growth have led to a solid rebound in US AI trade…
- …and this momentum could extend to China, where domestic compute stocks may outperform over the near term
- 10 stocks, five themes: AI, going global, new consumption, price hikes, and high-quality dividends

Post Fed hike, AI back in focus. The Fed delivered its rate hike with hawkish guidance, leaving the door open for additional hikes. ly, the NASDAQ has since hit fresh highs even with this hawkish policy bias intact, accompanied by lower oil prices. Meanwhile, China's August activity data points to persistent weakness in domestic demand: retail sales rose only 0.4% y-o-y, and FAI extended its decline (8M26 -7.2% y-o-y). Against these divergent signals post the Fed hike, AI stands out as the key investment theme in China due to tangible and considerable earnings growth (see *Exhibits 6-9* for 1H26 A-share earnings). Within AI, domestic compute may deliver tactical outperformance over overseas compute, especially before the US mid-term election in November, due to strong policy support, cost-effective domestic models, and uncertainties tied to US CSPs' capex (see *China Equity Strategy - A tale of two AI compute chains*, 22 September 2026).

Data highlights: (1) y-t-d new mutual fund issuance increased 28% y-o-y; **(2)** weekly AI token usage on OpenRouter rose to 129trn in the week starting 14 September, up 47% vs August's average, with Chinese models accounting for 83% of the top nine large language models' (LLMs) token usage; **(3)** global semi sales grew 135% y-o-y in July, while Taiwan outsourced semiconductor assembly and test (OSAT) sales were up 41% y-o-y in August; **(4)** domestic game licence issuances reached 209 in August 2026, the highest since April 2019; and **(5)** secondary home prices in tier-1 cities rose 0.1% m-o-m in August, the sixth consecutive sequential increase, although the pace has slowed down somewhat.

Tighter global liquidity: The latest US inflation data (CPI up 3.4% y-o-y in August), combined with the rising oil price, has shifted the Fed's focus to tackle sticky inflation. Accordingly, the Fed announced a 25bp rate hike at the September FOMC meeting, and the "dot plot" suggests one 25bp rate hike by the end of this year and unchanged policy rate in 2027 (see *FOMC Multi-Asset Reaction: Hawks go hiking*, Ryan Wang, 16 September 2026). In contrast, market expectations have been more hawkish, and Federal Fund Futures (FFF) now imply three 25bp rate hikes by end-2027, which could lead to tighter global liquidity and hinder the rotation from DM to EM.

10 stocks, five investment themes based on our analysts' bottom-up analysis: **(1)** AI: **Naura**, **Shengyi Tech,** and **Hongfa**; **(2)** going global: **Wuxi Apptec** and **Deye**; **(3)** new consumption: **Ninebot** and **COL Global**; **(4)** price hikes: **SF Holding**; and **(5)** high-quality dividends: **Midea** and **Bank of Jiangsu**.

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Index targets, sector allocations, stock ideas, and sector views

Exhibit 1. HSBC Qianhai end-2026e index targets

	SHCOMP	CSI 300	SZCOMP
Dividend yield (%)	3.0	2.7	2.0
Index level	3,911.9	4,507.4	13,640.9
EPS growth YR1 (2026e)	26.3%	16.8%	44.4%
EPS growth YR2 (2027e)	12.2%	18.2%	31.9%
Growth in stage 2	10.0%	11.0%	13.0%
Number of years of excess growth	10	10	10
Perpetual growth rate (%)	3.8	3.7	4.4
COE (%)	8.75	8.75	8.75
Payout ratio (%)	40.1	38.1	41.7
Fair value	4,463	5,435	17,249
Undervalued/overvalued vs fair value	-12%	-17%	-21%
HSBCe end-2026e targets	**4,500**	**5,400**	**17,000**
Target implied forward PE (x)	16.0	17.4	27.0
Index upside	**15.0%**	**19.8%**	**24.6%**

Note: Index upside calculated based on index levels as of 18 September 2026.
Source: Bloomberg consensus estimates, HSBC Qianhai Securities estimates

Exhibit 2. Sector allocations

Sector	Benchmark weight	Sector weighting	Growth vs average (2027e)	3M earnings revision (2027e)	3M PE re-rating (2027e)	Investor sentiment	2026 y-t-d performance
Info Tech	25.2%	Overweight	Higher	Positive	Downward	Negative	+25.8%
Materials	11.9%	Overweight	Higher	Positive	Downward	Negative	-1.5%
Healthcare	5.5%	Overweight	Lower	Positive	Upward	Negative	-4.9%
Industrials	17.4%	Neutral	Higher	Positive	Downward	Negative	-10.8%
Comm Svs	2.1%	Neutral	Lower	Negative	Upward	Negative	-14.5%
Utilities	3.4%	Neutral	Lower	Positive	Upward	Positive	+3.6%
Energy	4.5%	Neutral	Lower	Positive	Upward	Negative	+11.5%
Cons Stap	4.7%	Neutral	Higher	Negative	Upward	Negative	-13.6%
Cons Disc	6.0%	Underweight	Higher	Negative	Upward	Negative	-16.9%
Real Estate	0.9%	Underweight	Lower	Negative	Downward	Negative	-12.7%
Financials	15.5%	Underweight	Lower	Positive	Upward	Positive	-6.2%

Note: Data updated to 18 September 2026.
Source: Wind. Wind consensus estimates, HSBC Qianhai Securities estimates

Exhibit 3. HSBC Qianhai Securities' key stock ideas

Theme	Ticker	Company	Industry	Rating	TP LC	Curr price LC	Upside	Mcap USDbn	3M ADT USDm	PE (x) 2026e	EPSg (%) 2026e	PB (x) 2026e	ROE (%) 2026e	DY (%) 2026e	Analyst*
AI	002371 CH	NAURA	Electronics	Buy	1031.90	686.51	50%	74.4	1222.9	70.3	25.9	11.3	17.0	0.1	Cara Su
	600183 CH	SYTECH	Electronics	Buy	191.50	143.93	33%	52.2	1568.6	47.2	126.0	19.7	43.7	1.8	Cara Su
	600885 CH	HONGFA	Elec Equip	Buy	50.50	34.08	48%	7.9	93.2	25.0	20.1	3.7	15.7	1.2	Corey Chan
Going global	603259 CH	WUXI APPTEC	Healthcare	Buy	182.50	160.00	14%	73.5	1269.2	20.7	61.6	5.0	27.5	1.3	Linda Shu
	605117 CH	DEYE	Elec Equip	Buy	187.86	84.63	122%	16.1	214.7	20.9	57.8	8.6	43.7	4.1	Corey Chan
New consumption	689009 CH	NINEBOT	Auto	Buy	61.00	38.00	61%	4.2	77.4	15.1	4.3	3.5	24.5	3.3	Li Quan
	300364 CH	COL	Media	Buy	43.00	24.40	76%	2.7	219.6	375.9	NA	51.7	15.1	0.0	Jing Han
Price hikes	002352 CH	SF HOLDING	Transportation	Buy	39.50	30.78	28%	23.1	103.0	15.4	0.7	1.5	10.8	2.9	David Wu
High dividend	000333 CH	MIDEA GROUP	Home App	Buy	97.00	84.40	15%	96.2	390.0	15.4	-3.2	2.7	18.4	5.7	Li Quan
	600919 CH	BANK OF JIANGSU	Banks	Buy	13.40	12.17	10%	33.3	172.0	5.9	13.6	0.6	11.2	5.0	Angel Sun

Note: Priced as of 18 September 2026. *Employed by a non-US affiliate of HSBC Securities (USA) Inc. and not registered/qualified pursuant to FINRA regulations.
Source: Wind, Bloomberg, HSBC Qianhai Securities estimates

Exhibit 4. Key sector views

Sector	Key views	Links	Most liquid stocks over L1M
Info Tech (Overweight)	**Optical transceivers**: Potential FCC restrictions' near-term valuation pressure is likely to outweigh earnings impact; a blanket restriction would face significant practical constraints. **Software**: While leading US AI labs have called for slower AI development on safety grounds, this could be as an attempt by AI labs to gain greater bargaining power across the supply chain.	*China Technology - Optical transceivers: Assessing potential FCC policy implications*, Bingyi Zheng, 5 August 2026 *China Software - Implications of a potential AI LLM slowdown*, Yiran Liu, 14 September 2026	Innolight (300308 CH) Eoptolink (300502 CH) CXMT (688825 CH)
Materials (Overweight)	**Chemicals**: Market concerns over profit normalisation in 2H26 after peaking in 1H. Cost advantages and resilient demand remain structural positives, but we expect near-term investor pushback. **Copper**: Solid production, cost control and clearer shareholder returns to narrow valuation discount vs global peers.	*China Chemicals - Investor marketing feedback*, Yi Ru, 18 May 2026 *China Copper Sector - Price breakout and solid execution to drive valuation catch-up*, Stephen Wang, 15 September 2026	China Jushi (600176 CH) Zijin Mining (601899 CH) Sinocera (300285 CH)
Healthcare (Overweight)	**Is**: With multiple catalysts ahead in 2H26e, including major academic conferences, milestones for blockbusters as well as flourishing BD deals, we believe the sector's valuation is attractive. **CXOs**: We favour companies with strong growth momentum backed by new products. **AIDD**: 1H26 validates monetisation, while asset optionality unlocks meaningfully greater long-term TAM. Watch BD, clinical proof, and agentic AI.	*China Is - 1H26 preview: Domestic policy headwinds with global business momentum*, Linda Shu, 10 July 2026 *China CXOs - How to position in 2027: Conviction buy with strong growth momentum backed by new products*, Linda Shu, 21 September 2026 *China AIDD - Monetisation validated, asset optionality expands; watch BD, clinical proof and agentic AI*, Linda Shu, 16 September 2026	Wuxi Apptec (603259 CH) Hengrui Pharma (600276 CH) HPGC (600664 CH)
Industrials (Neutral)	**Humanoid robot:** Based on the existing price quotes of key components, the BOM of a wheeled humanoid robot with grippers could be as low as cRMB100k/unit, which implies a payback period of just two years. **Energy storage**: Potential US policy restrictions on Chinese inverter imports could impact Chinese solar inverters and ESS players negatively. Conversely, AIDCs in China and the US to generate an ESS demand of 132GWh in 2030, up from 36GWh in 2026. **Battery equipment**: New orders for lithium battery equipment could reach 622-809GWh during 2026-28e.	*China Industrials - Trip takeaways: Humanoid robot progress ahead of track*, Corey Chan, 11 September 2026 *China Energy Storage - Potential US policy restrictions could hurt key players*, Corey Chan, 2 July 2026 *China Battery Equipment - Is the boom over?*, Corey Chan, 5 August 2026	CATL (300750 CH) Far East Energy (600869 CH) Sungrow Power (300274 CH)
Comm Svs (Neutral)	**Telcos**: While all three telcos introduced token-based subscription plans, we expect little earnings impact over the near term. **Gaming**: Recent company visits suggest that gaming companies are constructive about overseas markets − particularly SLG and casual games − and that AI adoption is deepening in-game development.	*China Telcos - Token-based plans to monetize the AI boom*, Piyush Choudhary, 19 May 2026 *China Gaming - Company visit takeaways*, Jing Han, 18 September 2026	Bluefocus (300058 CH) Kunlun (300418 CH) E Click (301171 CH)
Utilities (Neutral)	**Nuclear and hydro:** The Five-Year Energy Plan targets 48GW and 100GW of total new builds for nuclear and pumped hydro, respectively over this period.	*China Power Equipment - Positive read-across from the 15th FYP Energy Plan*, Daniel Yang, 26 June 2026 *China Power Utilities - Too early to call a power price upcycle*, Daniel Yang, 26 May 2026	Yangtze Power (600900 CH) HD LN Energy (600396 CH) Gcl Energy (002015 CH)
Energy (Neutral)	**Oil & gas**: HSBC Global Investment Research raised Brent forecast to USD90/b for 2026 and USD85/b for 2027, on disrupted Hormuz new normal. **Coal**: Suspended production in Shanxi has lasted longer than expectation; output contraction likely lingers into 3Q; QHD5,500 thermal coal price to be supported through September 2026, and HSBC Global Investment Research lifts 3Q26 price forecast to RMB815/t (from RMB768/t).	*Oil markets - Raising forecasts on disrupted Hormuz new normal*, Kim Fustier, 8 September 2026 *China coal - Stringent production inspections to linger through 3Q26*, Daniel Yang, 14 August 2026	Jereh Group (002353 CH) CNOOC (600938 CH) Jiangxi Tungsten (600397 CH)
Cons Stap (Neutral)	**Baijiu:** 2Q earnings are below expectations. Earnings could see sequential improvements in 2H26, supported by public holidays and lower base. **Dairy**: Raw milk prices are rising, easing the industry price competition, which is positive for dairy product leaders. **Snacks**: We are positive on the snack retailer sector which could continue to see high growth. **Hog industry:** We remain constructive on the hog price upcycle in 2027 and prefer players with leading cost advantages.	*China Baijiu -2Q26 review: accelerating destocking*, Kathy Song, 31 Augus 2026 *China Consumer Tracker - Recovery remains weak*, Kathy Song, 16 September 2026 *China's hog industry - Capacity reduction accelerated in August*, Yihui Sha, 17 September 2026	Moutai (600519 CH) LHG (600186 CH) Jinjian Cereals (600127 CH)
Cons Disc (Underweight)	**Auto**: Demand remained soft, while policy shift is likely to accelerate industry consolidation, favouring OEMs with strong products/tech and global reach. **Home appliances:** The industry was under pressure in 2Q26, while overseas sales were resilient. We expect industry earnings growth to bottom out in 3Q26e.	*China EV Tracker - Policy shift may accelerate industry consolidation*, Yuqian Ding, 15 September 2026 *China Home Appliances - 1H26 results preview: Earnings bottoming out*, Li Quan, 16 July 2026	FLAC (002536 CH) Xingyun Tech (300209 CH) BYD (002594 CH)
Real Estate (Underweight)	**Property:** Market consolidation, improved earnings visibility, and a better balanced supply-demand backdrop could help the recovery over the long term.	*China Real Estate - Land appetite weakens; policy support emerging*, Oliver Yu, 11 September 2026	Vantone Dev (600246 CH) 5I5J (000560 CH) Winnovation (000620 CH)
Financials (underweight)	**Banks:** Capital injections plan announced on 6 September 2026 could help: (1) improve banks' asset growth; (2) accelerate earnings growth; and (3) increase banks' dividend payout ratio.	*China Banks - Capital injection: Second batch confirmed*, Gary Lam, 7 September 2026	Ping An Ins (601318 CH) Eastmoney (300059 CH) CMB (600036 CH)

Source: Wind, HSBC Global Investment Research, HSBC Qianhai Securities estimates

Market focus

Exhibit 5. Key events to watch

Corporate earnings					
Date	**Event**	**Key data to watch**	**Consensus**	**Company guidance**	**Implications**
01 Oct	Micron FY4Q26 earnings	FY4Q26 Revenue/GPM	USD51.3bn/86.1%	USD49-51bn/86%	Memory and AI demand
Macro data release					
Date	**Event**		**Market expectations**	**Previous**	**Implications**
02 Oct	US nonfarm payrolls for Sep		107,000	162,000	Rates, liquidity and valuation
14 Oct	US CPI for Sep			+0.4% m-o-m; +3.4% y-o-y	Rates, liquidity and valuation
14 Oct	US core CPI for Sep			+0.3% m-o-m; +2.4% y-o-y	Rates, liquidity and valuation

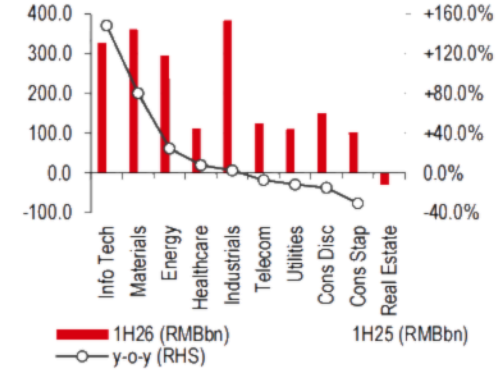
Source: Company data, BBG consensus estimates, HSBC Qianhai Securities

Exhibit 6. A-share 1H26 and 2Q26 earnings by sector, market cap, style, and AI chain

(RMBbn)	1H26 vs 1H25			2Q26 vs 2Q25		
	1H26	1H25	y-o-y	2Q26	2Q25	y-o-y
All A-share	3,576.1	2,995.0	+19.4%	1,943.5	1,501.5	+29.4%
Ex-financials	1,940.3	1,596.7	+21.5%	1,031.8	812.4	+27.0%
By sector						
Energy	295.7	237.0	+24.8%	157.4	106.3	+48.1%
Materials	361.3	200.3	+80.4%	201.8	109.0	+85.1%
Industrials	384.0	374.9	+2.4%	190.4	197.8	-3.7%
Cons Disc	151.6	178.1	-14.9%	77.0	91.4	-15.8%
Cons Stap	102.8	148.0	-30.5%	26.8	58.2	-53.9%
Healthcare	112.4	104.2	+7.8%	58.8	52.8	+11.2%
Financials	1,635.8	1,398.4	+17.0%	911.7	689.1	+32.3%
Info Tech	327.6	132.0	+148.3%	212.9	79.8	+166.8%
Telecom	125.3	135.0	-7.2%	76.4	82.2	-7.0%
Utilities	111.0	125.7	-11.6%	52.2	63.6	-17.8%
Real Estate	-31.4	-38.4	N.A.	-22.0	-28.8	N.A.
By market cap						
CSI300	2,777.9	2,413.7	+15.1%	1,497.2	1,208.3	+23.9%
CSI500	360.9	286.9	+25.8%	202.3	150.4	+34.5%
CSI1000	216.0	197.9	+9.1%	117.0	99.6	+17.5%
By style						
ChiNext Index	150.7	104.0	+44.9%	86.3	55.2	+56.5%
SSEDI	1,175.3	1,101.1	+6.7%	589.1	530.0	+11.2%
AI value chain						
AI upstream	181.3	124.6	+45.5%	90.8	36.4	+149.4%
AI midstream	180.6	175.0	+3.2%	39.2	41.0	-4.2%
AI downstream	323.5	286.3	+13.0%	78.3	81.8	-4.3%
AI value chain total	685.5	585.9	+17.0%	208.3	159.2	+30.9%

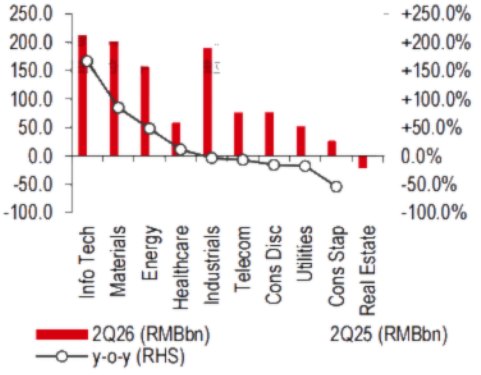
Source: Wind, HSBC Qianhai Securities

Exhibit 7. A-share ex-financials earnings and growth by sector: 1H26



Source: Wind, HSBC Qianhai Securities

Exhibit 8. A-share ex-financials earnings and growth by sector: 2Q26



Source: Wind, HSBC Qianhai Securities

Exhibit 9. A-share 1H26 and 2Q26 earnings by industry

(RMBbn)	1H26 vs 1H25			2Q26 vs 2Q25		
	1H26	1H25	y-o-y	2Q26	2Q25	y-o-y
All A-share	3,576.1	2,995.0	+19.4%	1,943.5	1,501.5	+29.4%
Ex-financials	1,940.3	1,596.7	+21.5%	1,031.8	812.4	+27.0%
By industry						
Agriculture	-12.6	27.2	-146.2%	-11.3	13.1	-185.9%
Basic Chem	100.5	73.0	+37.7%	59.4	37.5	+58.2%
Steel	7.5	13.0	-42.2%	6.4	7.7	-17.2%
NF Metals	196.6	95.1	+106.7%	103.1	51.1	+101.7%
Electronics	257.5	87.3	+194.9%	167.0	50.3	+232.2%
Home App	65.8	70.2	-6.2%	35.6	37.4	-4.9%
F&B	106.7	112.1	-4.8%	33.5	41.3	-18.7%
Textile	14.1	14.8	-4.3%	6.1	6.7	-8.6%
Light Mfg	12.2	14.3	-14.9%	6.6	7.4	-10.8%
Healthcare	109.4	99.6	+9.9%	56.9	50.6	+12.5%
Utilities	107.4	121.7	-11.7%	50.6	61.5	-17.8%
Transportation	99.9	97.3	+2.7%	41.8	48.7	-14.0%
Real Estate	-31.6	-38.3	N.A.	-22.2	-28.8	N.A.
Retail	17.9	12.1	+48.5%	6.6	4.5	+47.2%
Social Svs	5.3	5.7	-6.7%	3.1	3.6	-14.3%
Conglomerates	0.5	0.7	-26.0%	0.1	0.4	-81.1%
Blg Materials	6.6	12.3	-46.1%	5.2	9.9	-47.7%
Construction	68.6	92.0	-25.4%	29.5	45.8	-35.6%
Elec Equip	99.1	72.7	+36.4%	52.7	42.0	+25.5%
Defence	25.5	16.7	+52.8%	14.9	11.0	+35.3%
Computer	20.7	13.2	+57.6%	15.5	10.7	+44.8%
Media	24.1	21.8	+10.4%	13.1	10.7	+22.1%
Comm Svs	146.3	137.9	+6.0%	91.4	85.5	+6.9%
Banks	1,132.7	1,100.1	+3.0%	551.8	536.2	+2.9%
Non-bank Fin	505.0	300.0	+68.3%	360.7	153.6	+134.8%
Auto	67.3	84.8	-20.6%	34.9	43.2	-19.2%
Machinery	79.7	76.6	+4.1%	46.9	42.4	+10.8%
Coal	67.9	53.0	+28.2%	40.2	24.1	+66.5%
Oil & Gas	251.7	187.3	+34.4%	131.5	83.1	+58.3%
Env Prot	18.7	15.9	+17.1%	8.9	7.7	+15.9%
Beauty Care	5.0	4.9	+2.2%	2.9	2.5	+15.8%

Source: Wind, HSBC Qianhai Securities

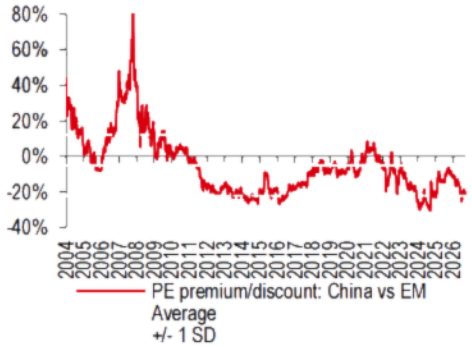
Exhibit 10. Valuation levels of broad-based indices and industries

Index	PE-TTM	Percentile	Median	Historical range	PB-LF	Percentile	Median	Historical range
All A-shares	21.5x	68.5	19.3x	[11.5, 58.2]	1.8x	41.4	1.9x	[1.3, 7.4]
SSE50	10.7x	45.3	10.9x	[6.9, 48.5]	1.2x	27.8	1.4x	[1.0, 7.2]
CSI100	11.4x	47.8	11.6x	[7.1, 50.1]	1.2x	20.6	1.4x	[1.0, 7.3]
CSI300	13.4x	52.2	13.2x	[8.0, 50.7]	1.4x	25.6	1.6x	[1.1, 7.5]
CSI500	33.3x	60.5	30.0x	[15.6, 92.8]	2.4x	54.5	2.3x	[1.4, 5.9]

Industry	PE-TTM	Percentile	Median	Historical range	PB-LF	Percentile	Median	Historical range
Basic Chem					2.2x	35.5	2.4x	[1.4, 6.8]
Steel		73.2			1.0x	25.4	1.2x	[0.7, 4.7]
NF Metals		13.7			3.0x	49.6	3.0x	[1.4, 13.7]
Blg Materials		82.9			1.6x	20.6	2.0x	[0.9, 6.7]
Construction					0.7x	2.7	1.5x	[0.6, 7.0]
Elec Equip	28.6x	19.8	37.6x	[13.6, 100.0]	2.7x	35.7	3.3x	[1.5, 9.8]
Machinery	43.9x	80.3	29.7x	[11.8, 136.1]	3.3x	76.1	2.6x	[1.4, 8.9]
Defense	60.5x	50.2	60.5x	[17.8, 245.8]	3.3x	48.9	3.3x	[1.2, 12.7]
Auto	25.6x	64.7	21.7x	[7.9, 70.0]	2.2x	42.3	2.3x	[1.1, 6.2]
Home App	15.0x	35.7	16.6x	[10.6, 89.5]	2.3x	26.3	2.7x	[1.0, 5.3]
Textile	24.5x	41.0	26.0x	[13.1, 98.3]	1.8x	25.9	1.9x	[1.1, 6.3]
Light Mfg	34.2x	60.5	30.8x	[14.0, 113.3]	1.9x	31.5	2.1x	[1.1, 6.4]
Retail	33.5x	59.1	30.2x	[13.1, 96.2]	1.7x	20.7	2.2x	[1.2, 8.6]
Agriculture	82.0x	88.7	42.5x	[15.0, 157.0]	2.5x	16.4	3.3x	[1.1, 8.1]
F&B	20.5x	11.8	30.5x	[16.5, 101.0]	3.3x	8.1	5.3x	[2.0, 12.7]
Social Svs	42.4x	38.5	47.1x	[17.4, 209.7]	2.6x	10.4	3.6x	[1.6, 10.5]
Healthcare	32.5x	30.7	36.8x	[20.3, 99.4]	2.6x	15.5	4.0x	[1.6, 8.4]
Utilities	21.8x	47.0	22.5x	[13.8, 74.4]	1.6x	21.6	1.9x	[1.3, 5.3]
Transportation	16.9x	39.9	18.2x	[10.0, 58.6]	1.2x	2.9	1.6x	[1.1, 6.6]
Real Estate					0.8x	10.4	1.8x	[0.5, 10.1]
Electronics	63.6x	76.7	47.7x	[20.3, 118.1]	6.5x	98.5	3.4x	[1.3, 9.0]
Computer	61.6x	70.1	52.8x	[18.6, 159.7]	3.6x	36.5	3.9x	[1.9, 15.8]
Media	34.8x	24.0	44.2x	[19.5, 141.8]	2.6x	25.7	3.2x	[1.6, 11.5]
Communications	54.6x	85.7	38.0x	[9.2, 96.3]	6.3x	98.7	2.5x	[0.7, 8.5]
Banks					0.5x	12.4	1.0x	[0.4, 8.1]
Non-bank Fin		0.1			1.1x	4.1	2.0x	[0.9, 14.3]
Conglomerates		69.3			2.7x	54.6	2.5x	[0.9, 7.9]
Coal					1.5x	44.1	1.5x	[0.8, 11.1]
Oil & Gas					1.4x	21.9	1.8x	[1.1, 8.1]
Env Prot	25.5x	36.6	30.1x	[14.7, 89.5]	1.6x	16.6	2.5x	[1.1, 8.3]
Beauty Care	28.1x	10.7	38.3x	[11.8, 164.1]	2.4x	13.8	3.7x	[0.8, 7.2]

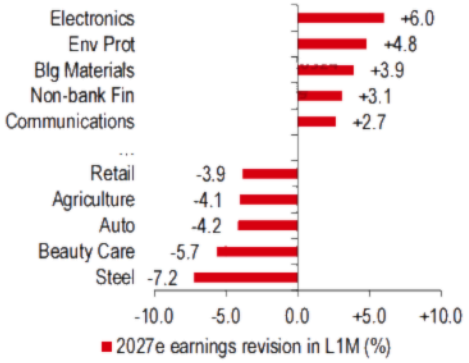
Note: Data updated to 18 September 2026. Grey font implies PE multiples of cyclical sectors, which may be less relevant. Historical range dates back to the start of 2005.
Source: Wind, HSBC Qianhai Securities

Exhibit 11. China's market is trading at a 22.4% discount vs EM (10.4x forward PE for FTSE China vs 13.4x forward PE for FTSE EM)



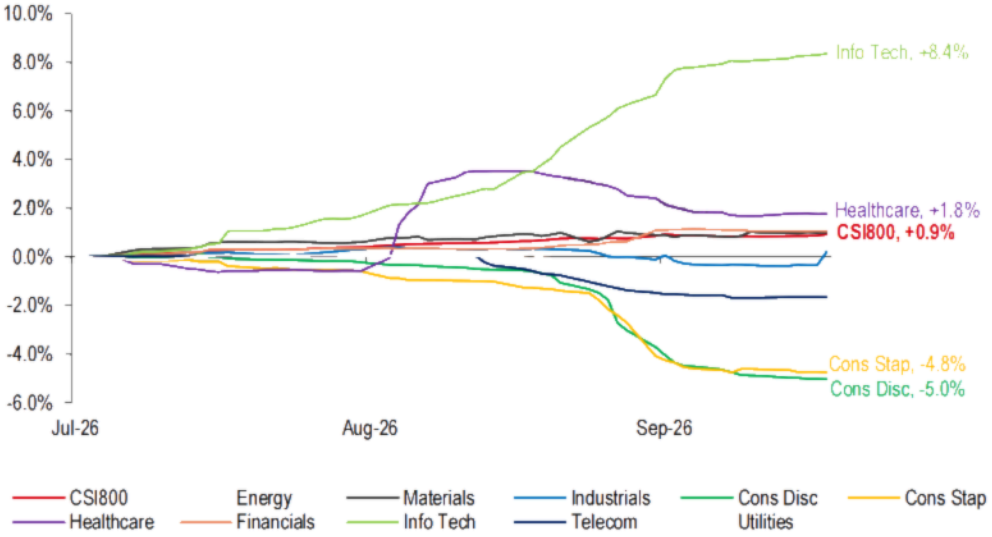
Note: Data updated to 18 September 2026.
Source: FTSE Russell, FactSet, HSBC Qianhai Securities

Exhibit 12. During L1M, electronics and environmental protection saw the most upward earnings revisions; steel and beauty care were revised down the most



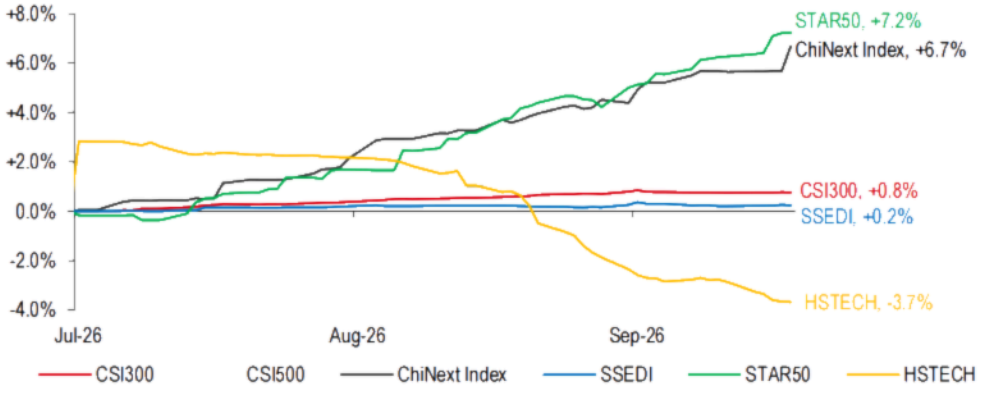
Note: Data updated to 18 September 2026.
Source: Wind, HSBC Qianhai Securities

Exhibit 13. Consensus 2027e earnings for IT and healthcare have seen upward revisions of 8.4% and 1.8%, respectively, since 2H26



Note: Data updated to 18 September 2026. The real estate sector, which registered a 30.1% upward revision, is excluded from the chart.
Source: Wind consensus, HSBC Qianhai Securities

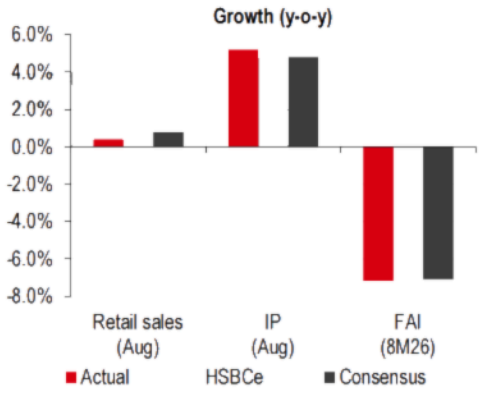
Exhibit 14. Consensus 2027e earnings for STAR50 have seen upward revisions of 7.2%, while HSTECH saw downward revisions of 3.7% since 2H26



Note: Data updated to 18 September 2026.
Source: Wind consensus, HSBC Qianhai Securities

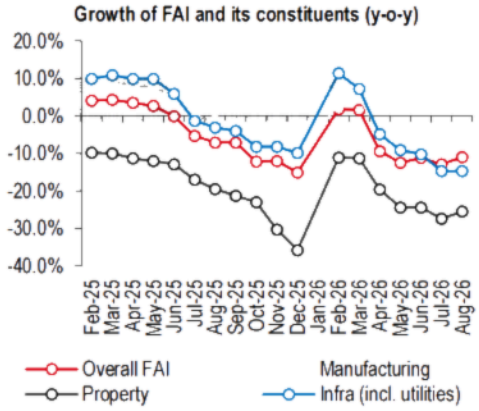
Macro focus

Exhibit 15. In August 2026, domestic demand remains weak while external demand supported industrial production…



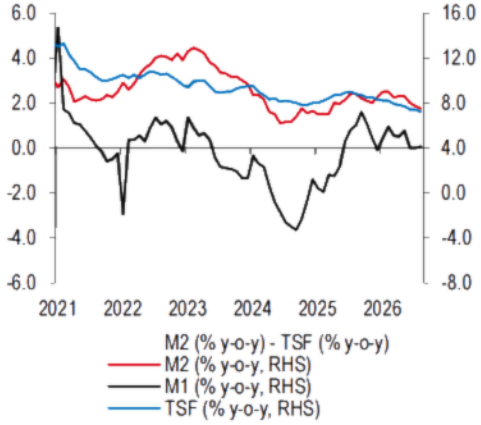
Note: IP is in real terms, while retail sales and FAI are in nominal terms.
Source: Bloomberg consensus, HSBC estimates, HSBC Qianhai Securities

Exhibit 16. …and within weak FAI, all three major components continued to see y-o-y decline…



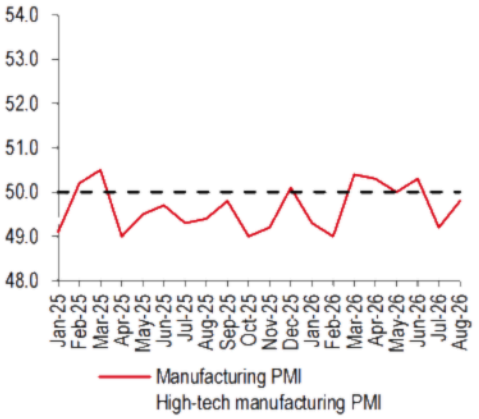
Source: Wind, HSBC Qianhai Securities

Exhibit 17. …the y-o-y growth of M2 (+7.5%) and total social financing (+7.2%) decelerated, while that of M1 (+4.1%) picked up…



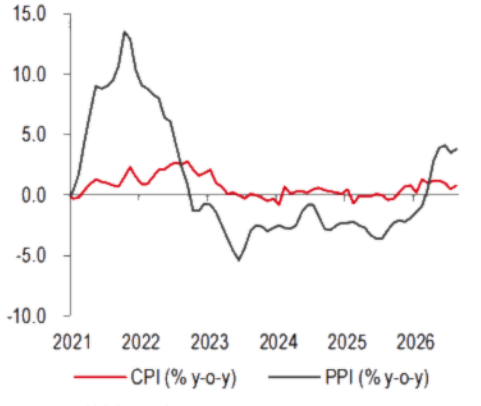
Source: Wind, HSBC Qianhai Securities

Exhibit 18. …PMI of manufacturing edged up to 49.8, while that of high-tech manufacturing edged down to 52.9…



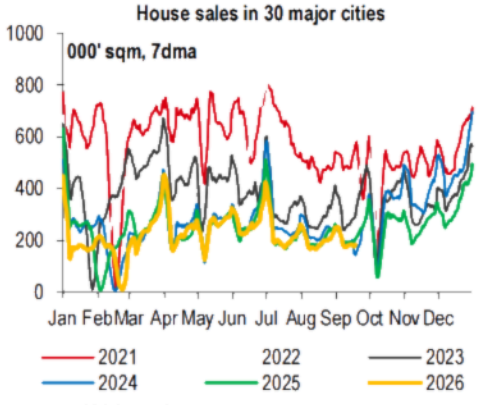
Source: Wind, HSBC Qianhai Securities

Exhibit 19. …CPI rose to 0.8% y-o-y and PPI picked up to 3.8% y-o-y, due to higher oil prices



Source: Wind, HSBC Qianhai Securities

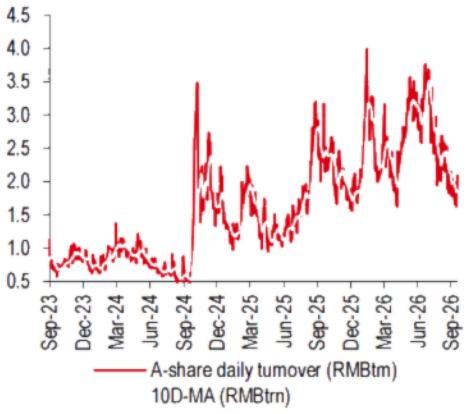
Exhibit 20. Residential house sales have seen ongoing recovery since March



Source: Wind, HSBC Qianhai Securities

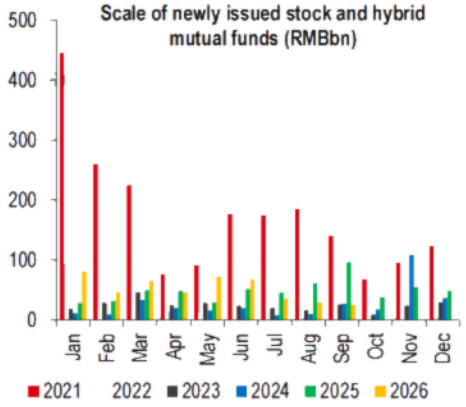
Liquidity focus

Exhibit 21. Market turnover dropped further in September 2026, with the 10-day moving average turnover below RMB2.0trn



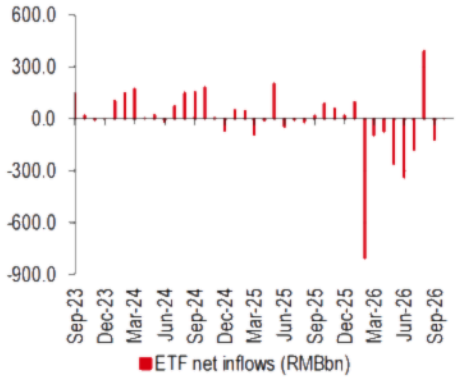
Source: Wind, HSBC Qianhai Securities

Exhibit 22. New mutual fund issuances recovered further, up 28% y-o-y, y-t-d



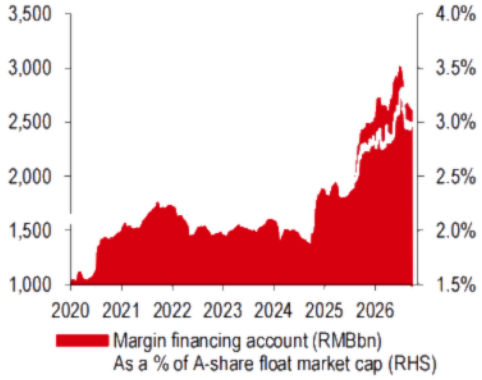
Note: Data updated to 18 September 2026.
Source: Wind, HSBC Qianhai Securities

Exhibit 23. ETFs have seen net inflows of RMB268.2bn since July 2026



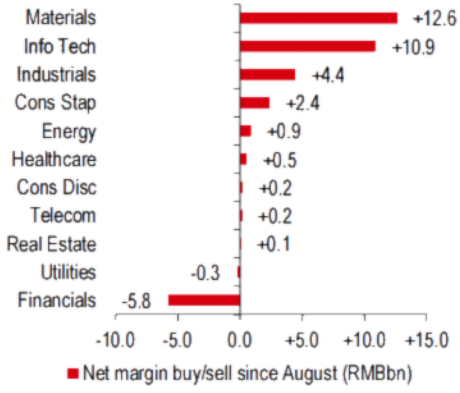
Note: Data updated to 18 September 2026.
Source: Wind, HSBC Qianhai Securities

Exhibit 24. The margin financing balance has stabilised at RMB2.6trn in September 2026



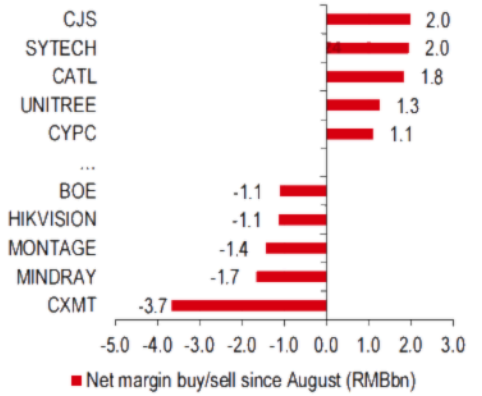
Source: Wind, HSBC Qianhai Securities

Exhibit 25. Since August 2026, materials and IT had the highest net inflows through the margin financing account…



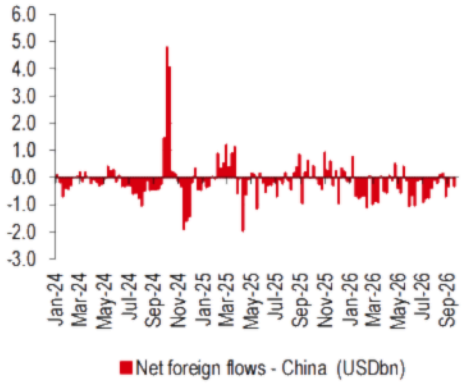
Note: Data updated to 18 September 2026.
Source: Wind, HSBC Qianhai Securities

Exhibit 26. …and at the stock level, margin financing mainly bought CJS and Shengyi Tech, and mainly sold CXMT



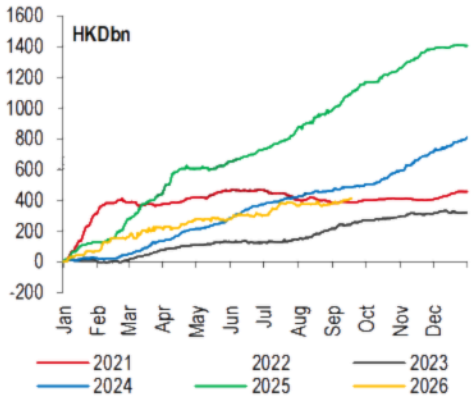
Note: Data updated to 18 September 2026.
Source: Wind, HSBC Qianhai Securities

Exhibit 27. Mainland China equities have seen outflows from foreign funds since mid-January 2026



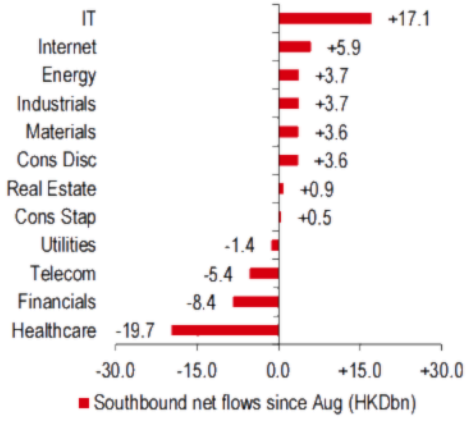
Note: Data based on a sample of funds and updated to 18 September 2026
Source: Morningstar, HSBC Qianhai Securities

Exhibit 28. Southbound Stock Connect has seen net inflows of HKD411.6bn y-t-d



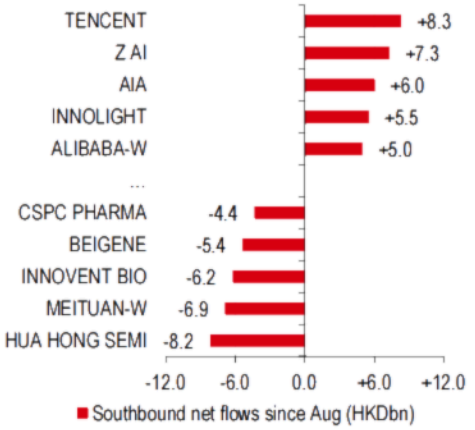
Note: Data updated to 18 September 2026.
Source: Wind, HSBC Qianhai Securities

Exhibit 29. Since August 2026, IT and internet saw the most inflows through the southbound channel…



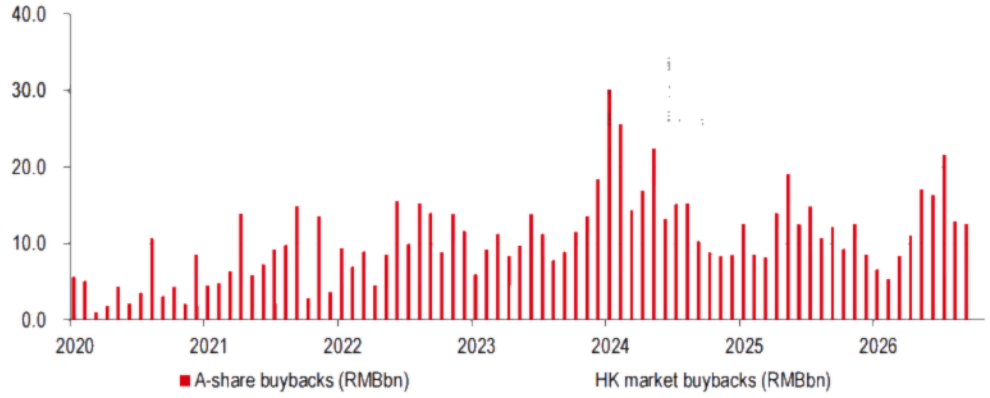
Note: Data updated to 18 September 2026.
Source: Wind, HSBC Qianhai Securities

Exhibit 30. …and at the stock level, southbound funds bought Tencent and Z AI, and sold Huahong Semi



Note: Data updated to 18 September 2026.
Source: Wind, HSBC Qianhai Securities

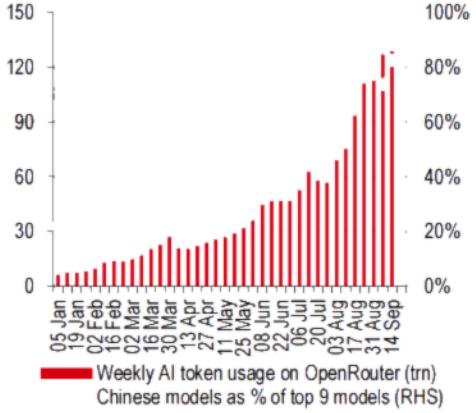
Exhibit 31. A-share buybacks reached RMB112.1bn y-t-d, down only 1% y-o-y, while the Hong Kong market had share buybacks of RMB102.3bn, down 19% y-o-y



Note: Data updated to 18 September 2026.
Source: Wind, HSBC Qianhai Securities

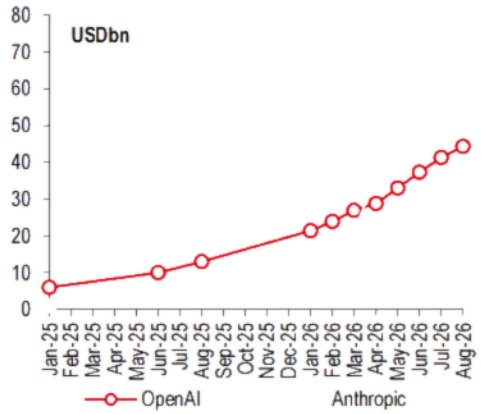
Sectors: Growth sectors

Exhibit 32. AI: Weekly token usage rose to 129trn; Chinese models accounted for 83% of top nine models' token usage



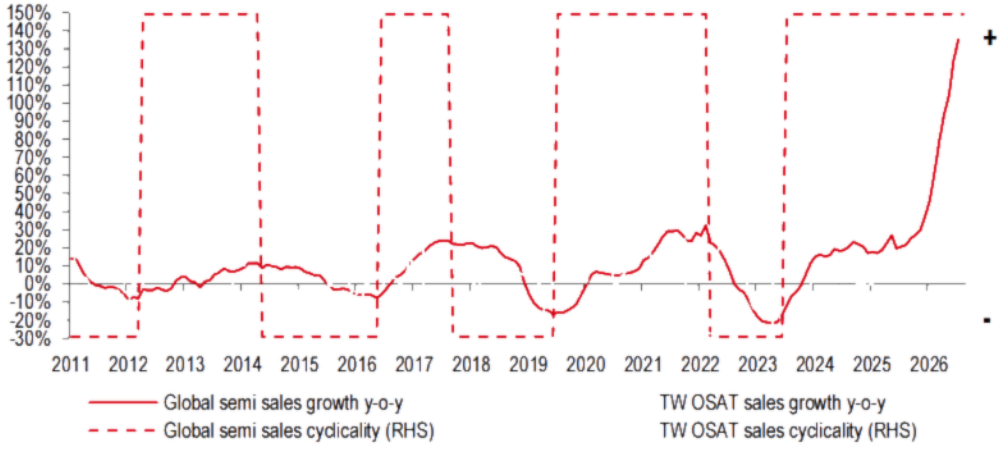
Note: Data updated as of the week of 14 September 2026.
Source: OpenRouter, HSBC Qianhai Securities

Exhibit 33. AI: Anthropic's ARR reached USD74.1bn in July while OpenAI's ARR was USD44.3bn in August



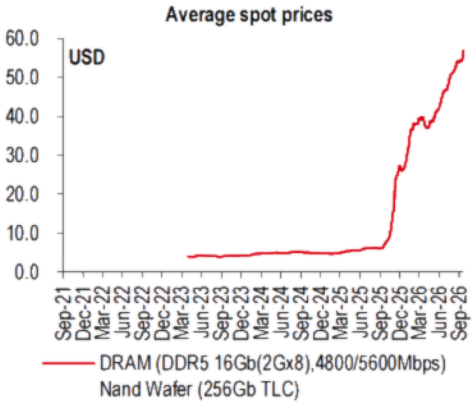
Source: Wind, TickerTrends, HSBC Qianhai Securities

Exhibit 34. Semiconductors: The strong growth momentum continues



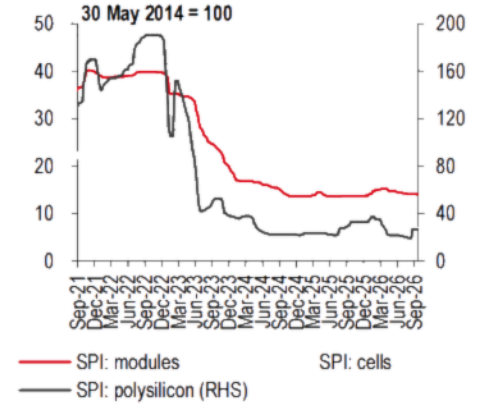
Source: Wind, HSBC Qianhai Securities

Exhibit 35. Memory: DRAM prices increased 6% m-t-d while NAND Flash wafer prices remained unchanged



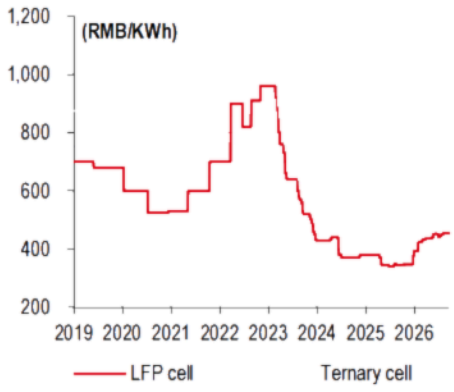
Source: Wind, HSBC Qianhai Securities

Exhibit 36. Solar: Cell prices rebounded slightly



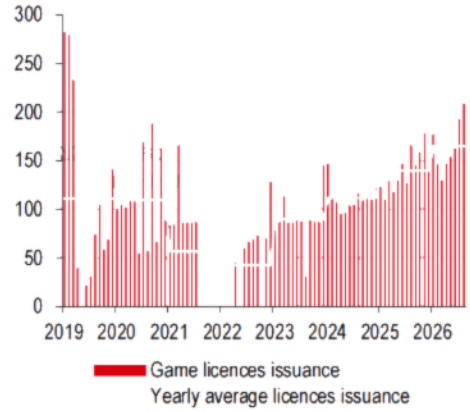
Source: Wind, HSBC Qianhai Securities

Exhibit 37. EV batteries: Prices have continued to rebound



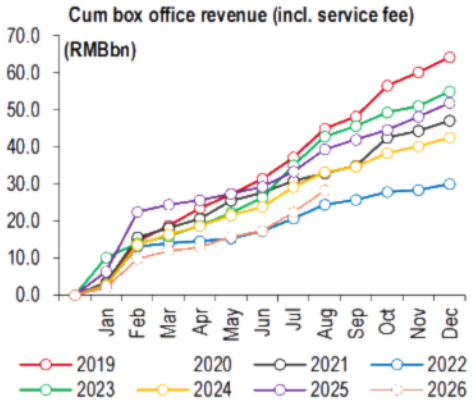
Note: LFP – Lithium iron phosphate. Ternary cell (NCM) – Nickel, Cobalt, and Manganese.
Source: Baiinfo, HSBC Qianhai Securities

Exhibit 38. Gaming: Domestic game licence issuance reached 209 in August 2026, the highest since April 2019



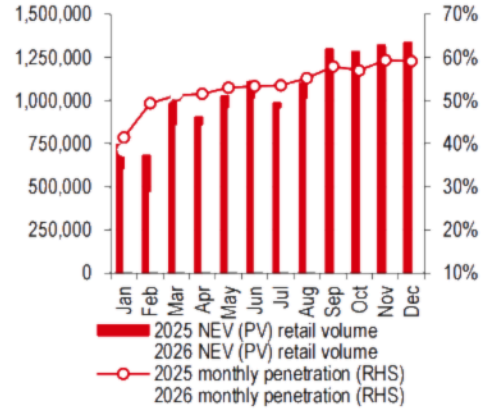
Source: NPPA, HSBC Qianhai Securities

Exhibit 39. Film: Box office revenue was RMB28.2bn in 8M26, down 28% y-o-y and 37% below the 8M19 level



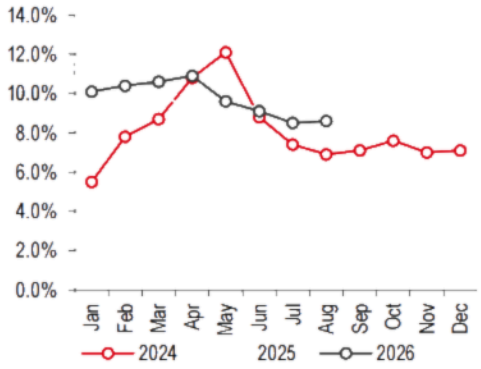
Source: Maoyan, HSBC Qianhai Securities

Exhibit 40. NEV: In August 2026, China NEV penetration went up 10ppt y-o-y to 65%, a record high



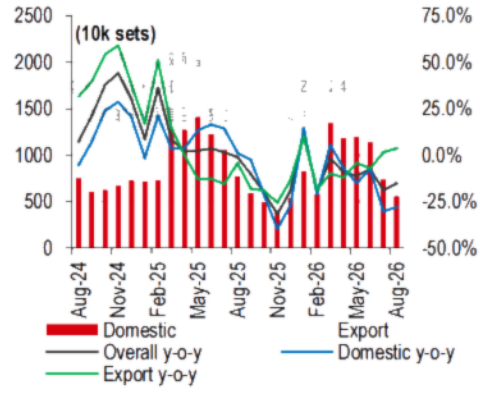
Source: CPCA, HSBC Qianhai Securities

Exhibit 41. NEV: The discount rate for NEVs increased slightly to 8.6% in August 2026



Source: CPCA, HSBC Qianhai Securities

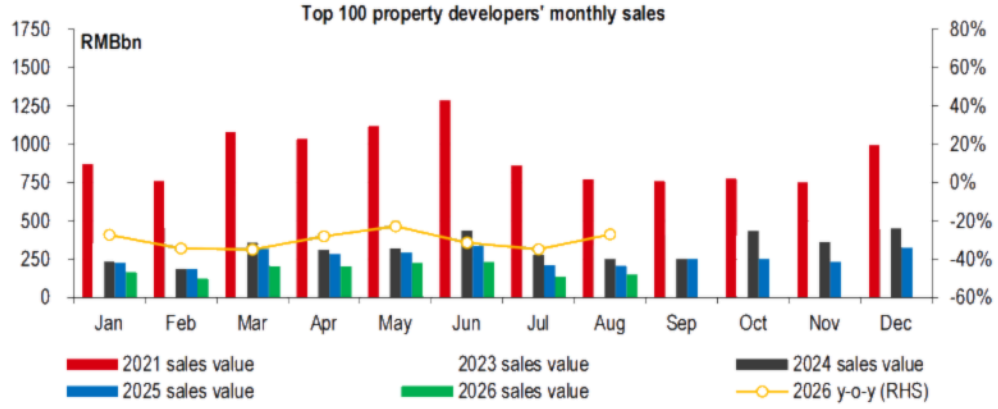
Exhibit 42. Home appliances: In August 2026, AC exports grew 3.6% y-o-y while domestic sales fell 28% y-o-y



Note: AC – Air conditioner.
Source: ChinaIOL, HSBC Qianhai Securities

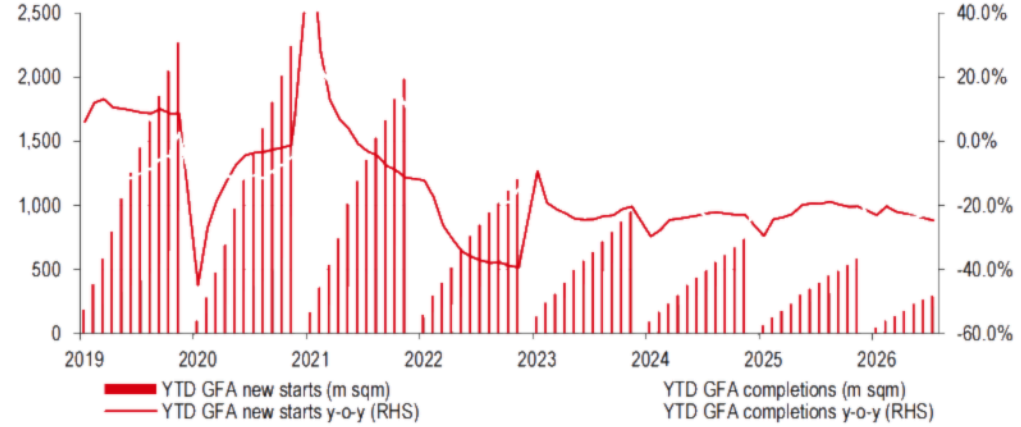
Sectors: Value sectors

Exhibit 43. Property: Monthly sales from the top 100 developer amounted to RMB151.0bn in August 2026, down 27.0% y-o-y



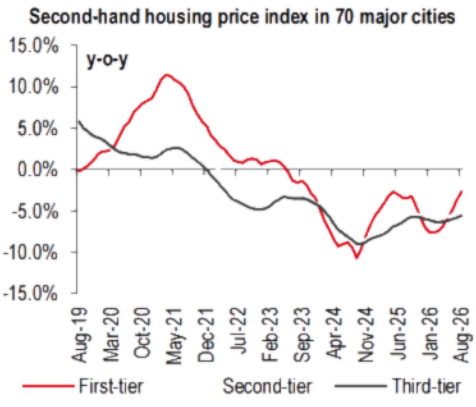
Source: CRIC, HSBC Qianhai Securities

Exhibit 44. Property: Both housing new starts and housing completions declined over 20% y-o-y in August 2026



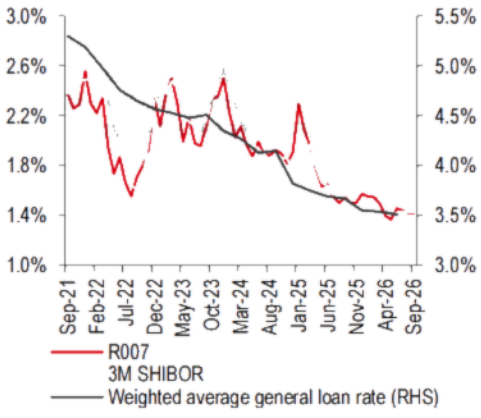
Source: Wind, HSBC Qianhai Securities

Exhibit 45. Property: More cities have seen secondary market home prices stabilise in August 2026



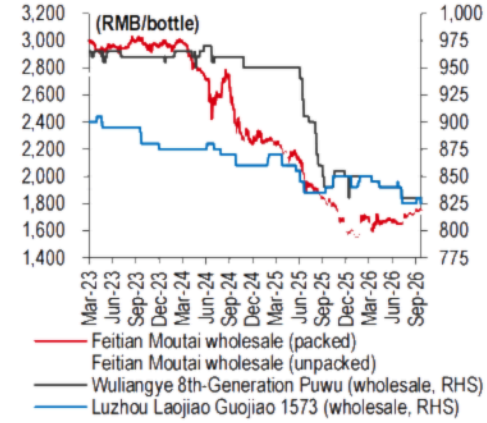
Source: Wind, HSBC Qianhai Securities

Exhibit 46. Banks: Moderately loose monetary policy is set to lower the average loan rate



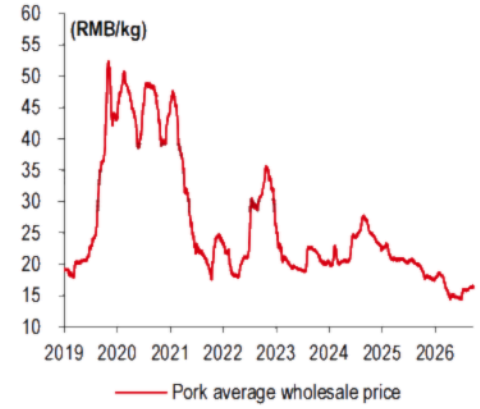
Source: Wind, HSBC Qianhai Securities

Exhibit 47. Baijiu: Wholesale prices continued to rebound



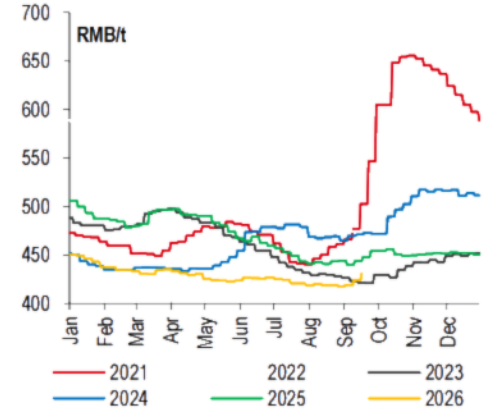
Source: Jinrijiujia, HSBC Qianhai Securities

Exhibit 48. Pork: Average wholesale price rebounded 14% since July



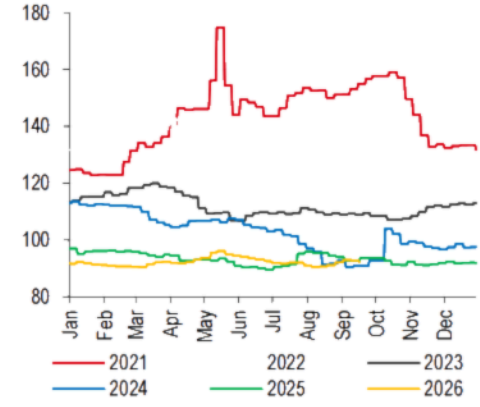
Source: Wind, HSBC Qianhai Securities

Exhibit 49. Cement: Countrywide average price was lukewarm in September 2026



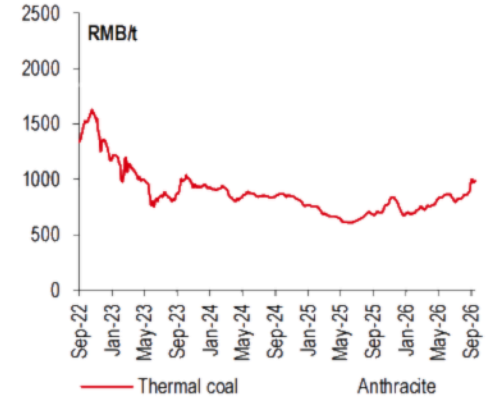
Source: Wind, HSBC Qianhai Securities

Exhibit 50. Steel: The price index stabilised in September 2026



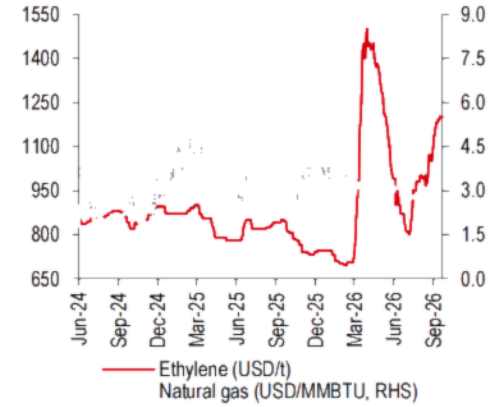
Source: Wind, HSBC Qianhai Securities

Exhibit 51. Coal: Prices rose further in September 2026



Source: Wind, HSBC Qianhai Securities

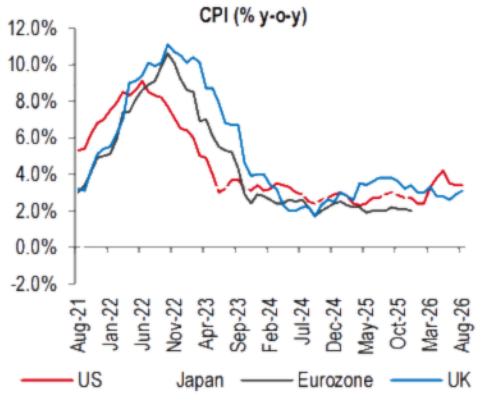
Exhibit 52. Chemicals: Ethylene price rebounded further in September 2026



Source: Wind, HSBC Qianhai Securities

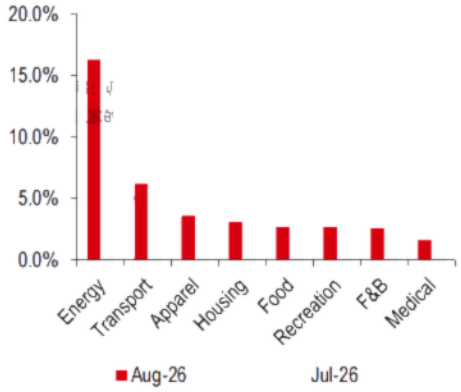
Global markets

Exhibit 53. CPI: Global inflation remained sticky in August 2026, but rising oil prices could lead to more uncertainty ahead



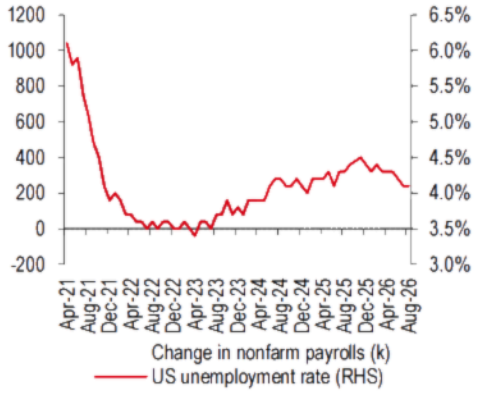
Source: Wind, HSBC Qianhai Securities

Exhibit 54. CPI: Rising oil price would still be an upside risk to US inflation



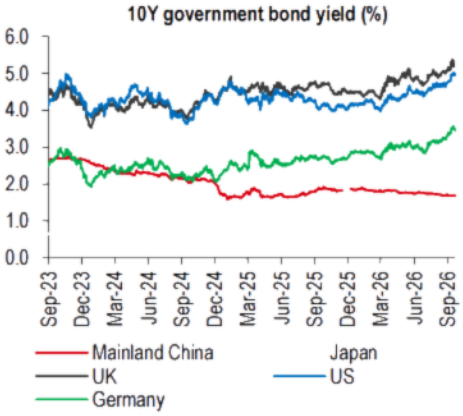
Source: Wind, HSBC Qianhai Securities

Exhibit 55. The US unemployment rate stabilised, and payroll employment was above consensus



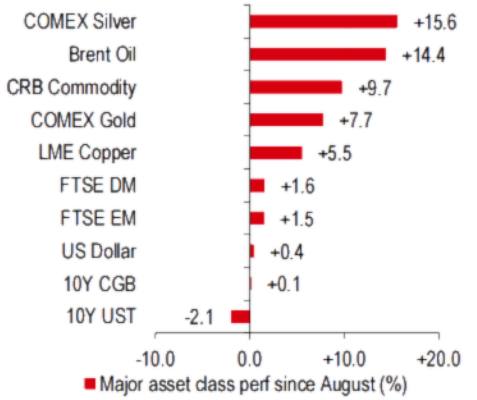
Source: Wind, HSBC Qianhai Securities

Exhibit 56. US Treasury yields rose in September 2026



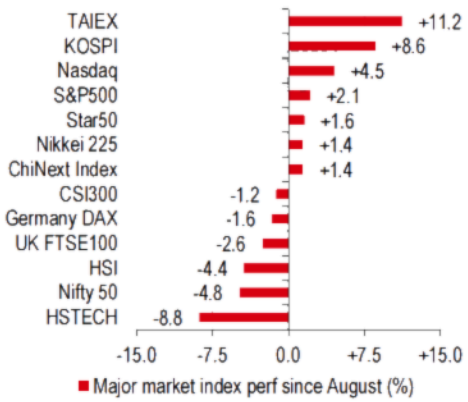
Source: Wind, HSBC Qianhai Securities

Exhibit 57. Silver, oil, and commodity has outperformed other asset classes since August 2026



Note: Performance refers to price return in USD, which does not include dividends.
Source: Wind, HSBC Qianhai Securities

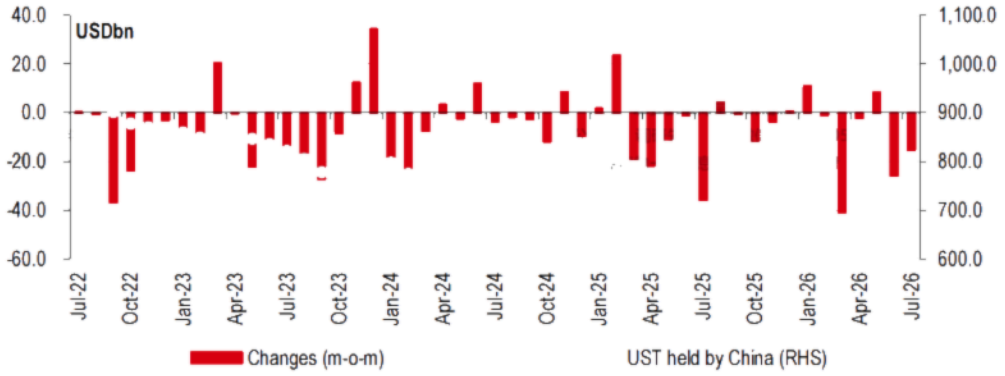
Exhibit 58. Taiwan and South Korea stock markets have outperformed since August 2026



Note: Performance refers to price return in USD, which does not include dividends.
Source: Wind, HSBC Qianhai Securities

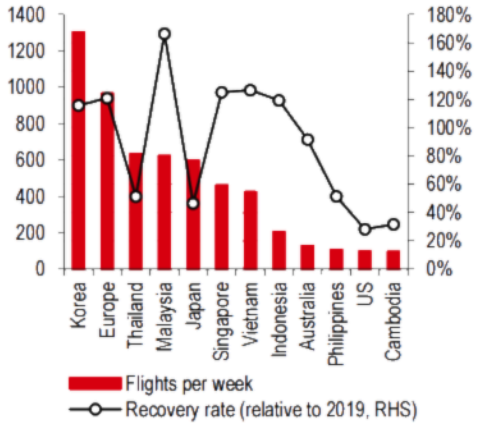
Sino-US links

Exhibit 59. In July 2026, mainland China's UST holdings decreased USD15.4bn m-o-m



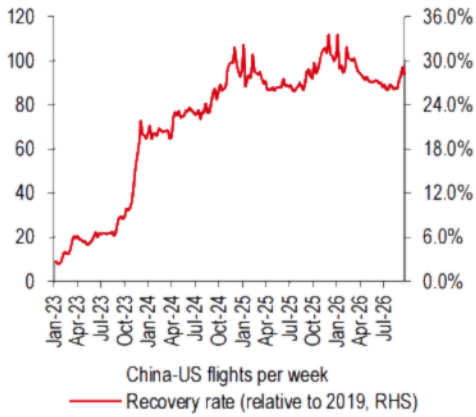
Source: Wind, HSBC Qianhai Securities

Exhibit 60. In September 2026, mainland China-US flights were only at 28.1% of the level in 2019



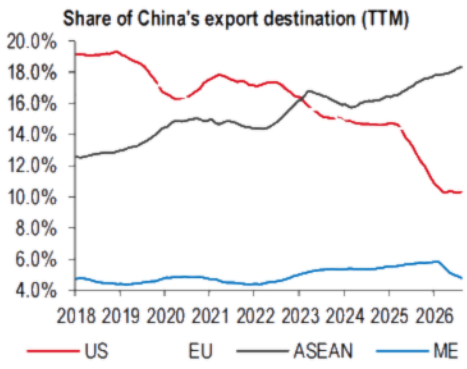
Note: Data updated to the week ending on 20 September 2026.
Source: DAST, HSBC Qianhai Securities

Exhibit 61. Mainland China-US flights are scheduled to recover in a phased manner



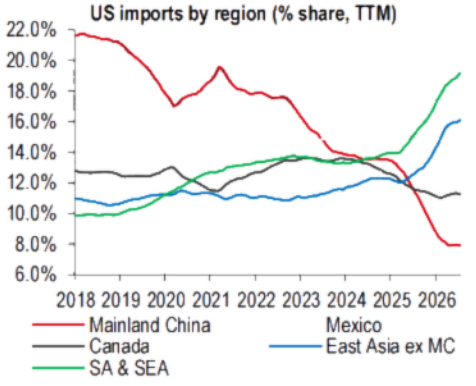
Source: DAST, Ministry of Foreign Affairs, HSBC Qianhai Securities

Exhibit 62. Share of mainland China's exports: US stabilised, while EU declined recently



Note: ME – Middle East.
Source: General Administration of Customs, HSBC Qianhai Securities

Exhibit 63. Share of US imports: Mainland China bottomed, while East Asia ex MC and SA & SEA increased



Note: MC – Mainland China. SA – South Asia. SEA – Southeast Asia.
Source: US Census Bureau, HSBC Qianhai Securities

Valuation and risks

		Valuation	Risks
NAURA Tech 002371 CH **Buy**	Current price: RMB686.51 Target price: RMB1,031.90 Upside: 50%	**Investment rationale:** We believe NAURA Technology is well positioned to gain market share with its fast-growing product coverage and will benefit from localisation. **Valuation:** We value the stock using a PS multiple. We forecast a 2026-28 revenue CAGR of 27%, roughly in line with its global peers' average revenue CAGR of 26%. We value the stock at a 11.7x PS multiple (in line with its global peers' average). Against our 2027 revenue per share estimate of RMB88.2, we derive our TP of RMB1,031.90. Our TP implies c50% upside from current levels; accordingly, we have a Buy rating on the stock. **Cara Su* (S1700525070001)** | cara.z.h.su@hsbcqh.com.cn | +86 21 50662080	**Key downside risks** • Slowdown in domestic semi equipment capex. • Slower-than-expected progress in new equipment R&D. • Glass substrate design wins below expectation.
Shengyi Technology 600183 CH **Buy**	Current price: RMB143.93 Target price: RMB191.50 Upside: 33%	**Investment rationale**: We believe Shengyi Technology is a key beneficiary of continued AI infrastructure build-out, backed by strong capacity execution and supply chain management. **Valuation**: We use a target PE multiple to value the stock. We estimate a 2026-28 EPS CAGR of 41%, above the mid-cycle 2016-21 EPS CAGR of 19%. We use 2016-21 as our reference period since it is the previous PCB upcycle, as we believe Shengyi's near-term operation situation will be similar. Compared with the mid-cycle average PE multiple of 22x over 2016-21, we use a target PE of 47.8x. Based on our 12-month forward EPS estimate of RMB4.01, we derive our target price of RMB191.50. Our target price implies c33% upside from current levels; accordingly, we have a Buy rating on the stock. **Cara Su* (S1700525070001)** | cara.z.h.su@hsbcqh.com.cn | +86 21 50662080	**Key downside risks** • Slower-than-expected PCB business growth. • Inability to cope with material cost changes. • Intense competition in the industry.
Hongfa 600885 CH **Buy**	Current price: RMB34.08 Target price: RMB50.50 Upside: 48%	**Investment rationale:** We believe Hongfa, as the largest supplier of relays to solar and ESS inverter makers, could benefit from AIDC development. **Valuation:** We use a DCF model to value the stock. We use a WACC of 8.2%. Operating cash flow (before changes in working capital) to grow at a CAGR of 5% in 2025-37e. We set our capex assumption at RMB1,300m in 2026-28; thereafter, we expect steady capex of RMB500-633m in 2029-37, reflecting steady investments in maintenance. We expect a terminal growth rate of 2.5%; in our view, the company is likely to reach a steady growth period after 2037. Based on the above, we derive our target price of RMB50.50. Our target price implies c48% upside from current levels; accordingly, we have a Buy rating on the stock. **Corey Chan* (S1700518100001)** | corey.chan@hsbcqh.com.cn | +86 21 5066 2001	**Key downside risks** • Weaker-than-expected relay demand on a weaker-than-expected global economy. • Weaker-than-expected cost passthroughs. • Capex overruns.
Wuxi Apptec 603259 CH/ 2359 HK **Buy/Buy**	Current price: RMB160.00/ HKD200.00 Target price: RMB182.50/ HKD220.50 Upside: 14%/10%	**Investment rationale:** We like Wuxi Apptec for its strong backlog with improved global capacity. **Valuation:** We use a DCF model to value the stock. Our key assumptions include a WACC of 8.0% (based on a risk-free rate of 4.25% and a market risk premium of 4.75%) and a terminal growth rate of 3.5%. We derive our A-share target price of RMB182.50. We apply the company's average A/H-share discount of 4% since the beginning of 2025 and based on a RMB-HKD exchange rate of 1.17 to derive our H-share target price of HKD220.50. Our A- and H-share target prices imply c14% and c10% upside from current levels. As we are positive on the company's globalisation potential, we have Buy ratings on the A- and H-shares. **Linda Shu*, PhD (S1700522120001)** | linda.y.l.shu@hsbcqh.com.cn | +86 755 88983246	**Key downside risks** • Risk of the Biosecure Act prohibiting or restricting WuXi Apptec from contracting with US pharmaceutical and biotechnology companies. • A larger-than-expected impact from US tariffs. • A longer-than-expected period of high US interest rates that constrains the financing capability and project outsourcing demand of biotechnology companies.
Deye Technology 605117 CH **Buy**	Current price: RMB84.63 Target price: RMB187.86 Upside: 122%	**Investment rationale:** We believe Deye Technology is well positioned to benefit from the growth in the global residential and commercial & industrial energy storage market. **Valuation:** We use a DCF model to value the stock. Our key assumptions include a cost of equity of 9.0%, derived from a risk-free rate of 4.25%, a market risk premium of 4.75%, and a beta of 0.99, an after-tax cost of debt at 4.3%, a 2025-37e CAGR of 15% for operating cash flow (before change in working capital), capex of RMB653m, RMB653m, and RMB653m per annum in 2026-28e, respectively, and a terminal growth rate of 2.5%. Based on the above, we derive our target price of RMB187.86. Our target price implies c122% upside from current levels; accordingly, we have a Buy rating on the stock. **Corey Chan* (1700518100001)** | corey.chan@hsbcqh.com.cn | +86 21 5066 2001	**Key downside risks** • Unfavourable residential ESS policies. • Weaker-than-expected solar demand. • Sharper-than-expected rise in raw material costs. • Stronger-than-expected competition.

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		Valuation	Risks
Ninebot 689009 CH **Buy**	Current price: RMB38.00 Target price: RMB61.00 Upside: 61%	**Investment rationale**: We expect Ninebot's earnings to improve in 2H26e, driven by a lower y-o-y base, the upcoming peak season and continued margin recovery. **Valuation**: We use a DCF model to value the stock. Our key assumptions include a WACC of 9.5%, and a perpetual growth rate of 2%. We derive our TP of RMB61.00, implying c61% upside from current levels. We therefore have a Buy rating on the stock. **Li Quan* (S1700520030002)** | li.quan@hsbcqh.com.cn | +86 755 8898 3471	**Key downside risks** • Uncertainties around amendments to e2W standards in China. • Weaker-than-expected overseas demand. • Higher-than-expected costs. • Tougher-than-expected competition. • Worse-than-expected trade environment.
COL Global 300364 CH **Buy**	Current price: RMB24.40 Target price: RMB43.00 Upside: 76%	**Investment rationale**: We believe COL will benefit from the fast-growing short drama market. **Valuation**: We use an SOTP approach to value the stock. (1) We use a target PE multiple to value the online literature segment. We expect the net profit of COL's online literature and related business to post a CAGR of 9% over 2026-28, 31% below peer company China Literature's 13% over the same period. Therefore, we use a target PE of 13x, 32% below China Literature's 2026 PE. Based on our 2026 net profit estimate of RMB136m for COL's online literature and related business, we expect the market capitalisation of the online literature business to be RMB1,768m. (2) We use a PS multiple to value the short-drama business. We expect COL's short-drama revenue to grow at a CAGR of 23% over 2026-28, 64% above the peer average of 14% over the same period. Therefore, we use a target PS of 9.2x, 64% above the peer average of 2026. Based on our 2026 short drama revenue of RMB1,092m, we expect the market capitalisation of the short-drama business to be RMB10,046m. (3) We use a PS multiple to value the company's stake in Crazy Maple Studio. We expect Crazy Maple Studio's 2026 y-o-y revenue growth to be 65%, faster than peers average of 16% in 2026, however, we use a 4.2x target PS, 25% discount to peers average of 5.6 mainly because (1) the company is not yet listed (2) the short-drama industry in the overseas market is in the fast-growing phase, the competitve landscape is constantly shifting. Based on Crazy Maple Studio's revenue estimate of RMB9.46bn in 2026, we estimate its market capitalisation to be RMB39,732m. Based on COL's 49.24% stake in Crazy Maple Studio, we think Crazy Maple Studio's market capitalisation contribution to COL is RMB19,564m. Overall, we estimate the company's total market capitalisation to be RMB31,378m. Based on the above, we derive our target price of RMB43.00. Our target price implies c76% upside from current levels; accordingly, we have a Buy rating on the stock. **Jing Han* (S1700518080001)** | jing01.han@hsbcqh.com.cn | +86 10 5795 2344	**Key downside risks** • Intense competition in the short-drama industry. • Overseas operations risk. • Stricter domestic content regulations.
SF Holding 002352 CH/ 6936 HK **Buy**	Current price: RMB30.78/ HKD28.98 Target price: RMB39.50/ HKD37.30 Upside: 28%/29%	**Investment rationale:** We see SF accelerating on its profitability recovery path, underpinned by rising ASP and easing fuel cost inflation, also its dividend yields and valuation are attractive. **Valuation:** We use an adjusted forward EV/EBITDAR multiple to value the stock. The company's historical average three-year forecast EBITDAR growth is 15.3%, while the historical average three-year adjusted forward EV/EBITDAR multiple is 8.9x. We estimate SF Holding's 2025-28e EBITDAR CAGR to be 11.3%; accordingly, we use an A-share target valuation multiple of 6.6x 2026e adjusted forward EV/EBITDAR, which is proportional to the historical average three-year EV/EBITDAR multiple-to-EBITDAR CAGR ratio. Based on our 2026e EBITDAR estimate of RMB33.53bn and after subtracting net debt, minority interest, and rental debt, our A-share target price is RMB39.50, which implies c28% upside from current levels. We use a H/A-share valuation discount of 24%. Also, based on a RMB-HKD exchange rate of 1.17, we arrive at a target price for the H-shares of HKD37.30, which implies c29% upside from current levels. Accordingly, we have Buy/Buy ratings on SF's A/H-shares. **David Wu* (S1700518110001)** | david.wu@hsbcqh.com.cn | +86 21 5066 2002	**Key downside risks** • High resource input prices. • Weak macroeconomy and consumer demand. • Greater-than-expected competition in the high-end express delivery market.

		Valuation	Risks
Midea Group 000333 CH/ 300 HK **Buy/Buy**	Current price: RMB84.40/ HKD99.30 Target price: RMB97.00/ HKD113.00 Upside: 15%/14%	**Investment rationale**: We like Midea for its attractive shareholder returns and it is a key beneficiary of the consumer goods trade-in program. **Valuation**: We use a DCF model to value the stock. Our key assumptions include a perpetual growth rate of 2% and a WACC of 8.3% (based on a risk-free rate of 4.25% and a market risk premium of 4.75%). Accordingly, we derive our A-share TP of RMB97.00. We apply a 0% H-A discount and, based on a RMB-HKD exchange rate of 1.17, we arrive at a H-share TP of HKD113. Our A/H share TPs imply c15%/c14% upside from the current A/H-share prices. We believe Midea is able to navigate external uncertainty, and therefore we have Buy/Buy ratings on Midea A/H-shares. **Li Quan* (S1700520030002)** | li.quan@hsbcqh.com.cn | +86 755 8898 3471	**Key downside risks** • Weaker-than-expected policy impact on boosting household appliance sales. • Rising raw material costs. • Adverse exchange rate fluctuations. • Trade friction and tariff barriers. • Competition. • Weaker-than-expected overseas market expansion.
Bank of Jiangsu 600919 CH **Buy**	Current price: RMB12.17 Target price: RMB13.40 Upside: 10%	**Investment rationale:** We like Bank of Jiangsu, as it has a high dividend yield and because it is located in a region with a resilient economy. **Valuation:** We use a Gordon growth model (GGM) with a trading discount (TD) to value the stock and derive a target price of RMB13.40. The key assumptions in our valuation model include: (1) a COE of 7.14%, based on a risk-free rate assumption of 4.25%, a market risk premium of 4.75%, and a beta coefficient of 0.61; (2) a terminal growth rate of 2%; (3) a five-year average ROE of 10.8% in 2026-30e; and (4) a trading discount of 60%. Our target price implies c10% upside from current levels. We have a Buy rating on the stock due to its relatively high dividend yield and attractive valuation among A-share banks. **Angel Sun* (S1700519080001)** | angel.y.sun@hsbcqh.com.cn | +86 21 5066 2015	**Key downside risks** • Larger-than-expected decline in NIM. • Slowdown in local economic growth. • Worse-than-expected asset quality deterioration.

Note: Priced as of 18 September 2026. *Employed by a non-US affiliate of HSBC Securities (USA) Inc. and not registered/qualified pursuant to FINRA regulations. All the analysts in this table are employed by HSBC Qianhai Securities.
Source: Wind, HSBC Qianhai Securities estimates