China Equity Strategy

Four stimulus scenarios and stock screens

A State Council executive meeting, chaired by Premier Li Qiang, discussed work related to strengthening and improving the effectiveness of macro policy and promoting effective investment. According to the media report, the government will examine and roll out policies and measures aimed at stabilizing the real estate market and promoting employment and income growth. **An upside scenario—akin to the broad, September 2024–style stimulus focused on property and consumption—would likely trigger an aggressive rotation into high-beta consumer, property, and building-materials names** (*Figure 13*). Meanwhile, the JPM China economists' base case is a measured "catch-up" within the existing budget: supportive rather than expansionary, centered on the "Six Networks", with more than Rmb7 trillion of investment planned for 2026 alone and an estimated Rmb23–26 trillion over the 15th Five-Year Plan period. Under this base case, we screened for exposure to funded, strategy-aligned capex expansion (*Figure 7 and Figure 8*). Beyond fiscal options, if monetary easing becomes the primary tool, our back-testing shows micro/small caps leading in three-month returns, growth mildly outperforming value, and healthcare, IT, and materials leading A-share sectors (*Figure 15*). By contrast, a downside scenario of fiscal under-delivery would likely push the market into a defensive, cash-flow-led regime characterized by low P/B and high yield (*Figure 14)*. **Over the next six months, we expect market speculation around stimulus to center on three key events: (1) the 5th Plenum scheduled in October, (2) the Central Economic Work Conference in early to mid-December, and (3) the Two Sessions in early March 2027.**

- **Upside scenario: A replay of September 2024 replay in property and consumption** (*see page 6-7*). *Macro assumption: Policymakers move beyond the approved budget, adding central or quasi-fiscal support, alongside stronger housing-completion and consumption measures.* Equity implications: A one-month beta burst led by home appliances, autos, property developers/brokers, second-tier *baijiu* names, and select building materials (*Figure 13*). Meanwhile, export-oriented consumer names, e.g. textile OEMs, and the more defensive high yielders lagged in Sep-24. A key precondition the investors we have met have flagged is export growth decelerating to mid-single digits. Some wonder whether the upcoming 5th Plenum of the 20th Congress will be a potential catalyst, though others note that the Plenum will mostly be about party discipline and preparation for the 21st Congress expected to be held in October 2027.

- **Base case: Fiscal catch-up within the approved budget** (*see page 4-5*). *Macro assumption: Fiscal execution improves from slow to measured, with faster government-bond issuance, fiscal-deposit drawdown and policy-bank funding directed at infrastructure, urban renewal, project completion and strategic investment; the impulse is supportive rather than expansionary.* Equity implications: the Six Networks convert policy into backlog, revenue and then earnings over the following few quarters. We estimate China data-center capex roughly doubles from US$55bn–69bn in 2026 to US$95bn–151bn by 2029, while Xinhua News reported an estimated Rmb4trn-plus total capex on computing network over the 15th FYP period; the grid adds >Rmb5tn of 15th-FYP spend (+75% vs. the prior plan); water >Rmb6tn; urban pipes ~Rmb5tn across 770,000 km; telecom Rmb3.8tn of direct investment (Rmb7tn of upstream/downstream output); and logistics targets a 95% backbone completion

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rate. Our screens, based on market cap, are in *Figure 7* for AIDC, telecom and grid exposure and in *Figure 8* for water, pipeline and logistics exposure. Investors we spoke with remained most confident of AIDC supply chain fundamentals, noting positive channel check feedback.

- **Monetary-only easing – micro/small-caps could be the principal beneficiaries** (*see page 9*). *Macro assumption: Policymakers hold the line on fiscal and continue to ease monetary, e.g. cutting policy rates, guiding interbank rates lower and letting liquidity run loose.* Equity implications: historical back-testing shows micro and small-caps would lead over a three-month horizon, while growth outperforms value. Sector-wise, cyclicals should react positively, near term, but, over three months, healthcare, IT and materials would take the lead, while defensive utilities, staples and financials will underperform. At six months, Wind Micro Cap is up a median +9.5% and CSI1000 +5.0%, versus CSI300 Value at −2.5% (*Figure 15*).

- **Downside scenario: Fiscal under-delivery persists; stay with low P/B high yielders with good cash flows** (*see page 8*). *Macro assumption: Financing fails to translate into spending — bond proceeds and policy-bank funds reach projects slowly, weak land revenue and scarce matching funds constrain local implementation, fiscal deposits stay elevated, and part of the intended impulse is deferred.* Equity implications: A flight-to-safety regime where the market pays up for valuation, balance-sheet health, cash flow and dividends. Our defensive screen (MXCN constituents, three-month ADT >US$30m, TTM P/B <1.5x, positive FCF in the last fiscal half-year, dividend yield >4%, 2026/27 consensus EPS y-y >0) is concentrated in insurers (Ping An, China Life, PICC), select banks (Bank of China, China Merchants, Postal Savings), energy and consumer staples (*Figure 14*).

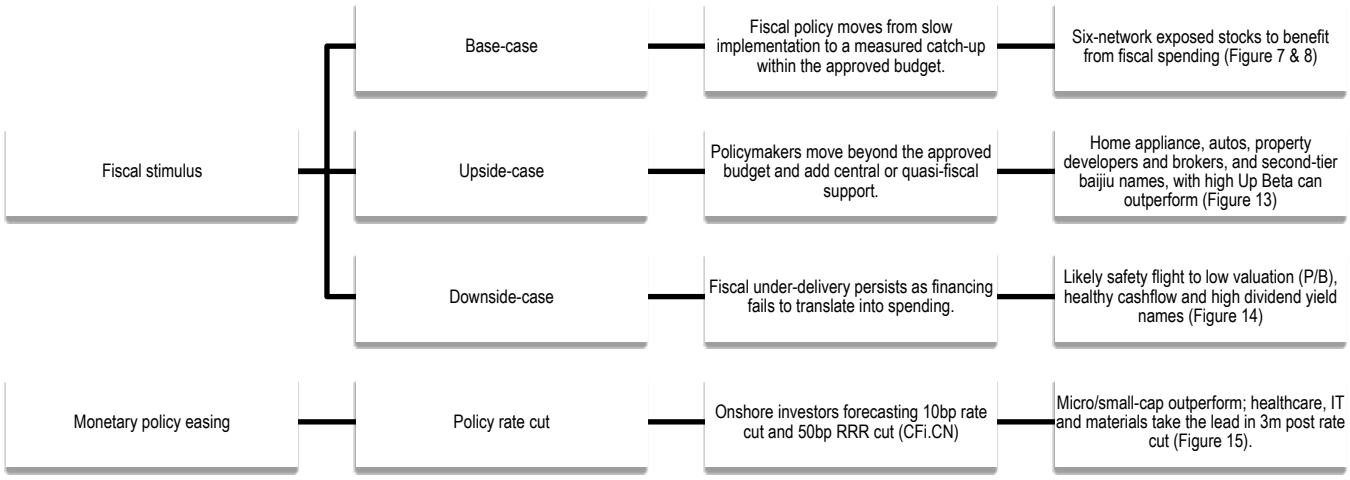
- **We maintain our OW China equities in our EM/Asia allocations and maintain end-2026 base case targets for the MXCN index and CSI-300 at 100 and 5,200, respectively,** underpinned by 14% and 25% consensus year-over-year EPS growth projections. Liquidity remains abundant, though it is yet to return to the excessive level that we observed in June. Our regional strategists note that in the near term, a combination of (1) likely more restrictive monetary policy and tighter liquidity ahead, (2) worsening cycle indicator (QMI) in Asia, (3) risk aversion heading the into mid-term elections in the US, (4) lack of new earnings catalysts until 3Q results in October, and (5) poor seasonality offer reasons to be cautious over the coming weeks. The 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), JECT (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 policy makers' initiatives to balance equity issuance and buybacks may also lend support to the higher shareholder return theme in 2H26.

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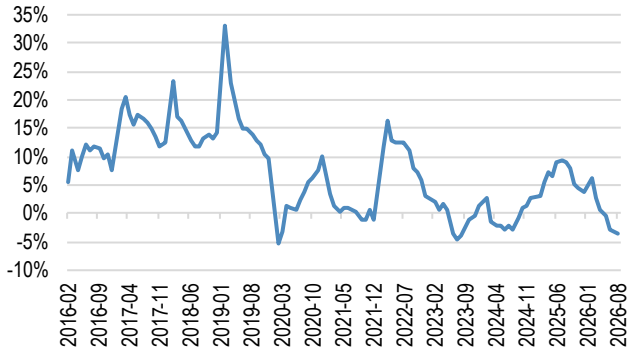
Key charts in focus

Figure 1: Four scenarios of policy stimulus and the equity implications



Source: J.P. Morgan (28 September 2026).

Figure 2: Year-on-year change in the sum of general public budget expenditure + government managed fund expenditure



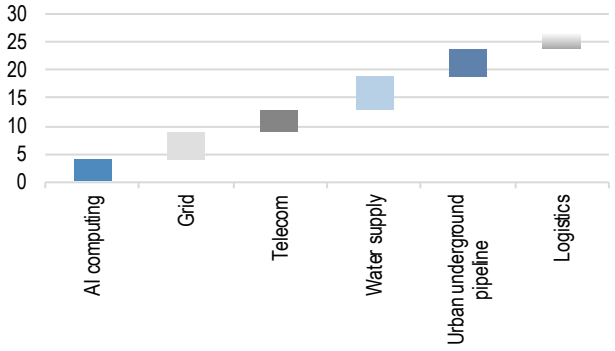
Source: Wind (28 September 2026).

Figure 3: Year-on-year change in local government special purpose bond new issuance



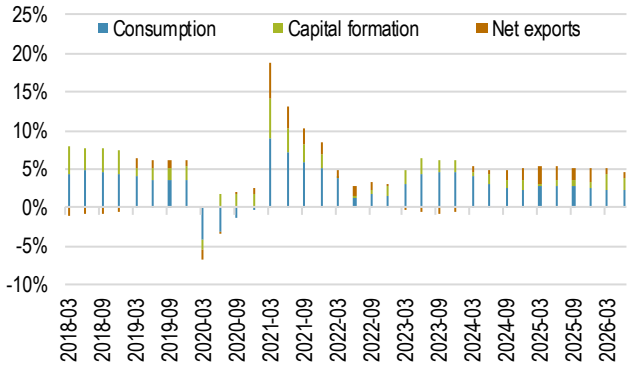
Source: Wind (28 September 2026).

Figure 4: Six Network related budget expenditure during 15th FYP



Source: Wind (28 September 2026), J.P. Morgan estimates (we estimate Logistics Network related investment at Rmb1trn-2trn).

Figure 5: GDP growth breakdown by contribution in %pts



Source: Wind (28 September 2026).

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Base case: The "Six Networks" convert policy into backlog, revenue and then earnings.

Base-case assumption of JPM China Economics Research:

- Fiscal policy moves from slow implementation to a measured catch-up within the approved budget.
- Faster government-bond issuance, a drawdown in fiscal deposits and deployment of policy-bank funding support infrastructure, urban renewal, project completion and strategic investment.
- Execution improves but remains constrained by weak land revenue, local-government risk aversion and limited project readiness, leaving the fiscal impulse supportive rather than expansionary.

If fiscal spending continues to track the YTD "Six Networks" framework, we expect the related names to convert policy into fundamentals over the next 2–3 quarters, via order backlogs, revenue recognition, and operating leverage.

- Taking the compute-power network as an example, we estimate China data-center capex to roughly double from US$55bn–69bn in 2026 to US$95bn–151bn by 2029, benefiting AI servers, optical modules, liquid cooling, IDC operators and the domestic AI chip supply chain. Xinhua News reports that an estimated Rmb4trn is to be spent on computing networks over the 15th FYP period.
- The new-type grid adds another Rmb5 trillion of planned "15th FYP" spend (up ~75% from the prior plan), channeling into UHV equipment, distribution automation, smart meters, storage inverters and virtual power plants.
- The next-generation telecom network, including 500k new 5G-A base stations, the dual-gigabit evolution, eventual 6G and LEO satellite coverage, is projected to pull through Rmb7trn of upstream and downstream output, enabling the digital economy, low-altitude economy, and embodied-AI use cases.
- The water, underground-pipe and logistics networks are the more traditional, balance-sheet-heavy sleeves: over Rmb6 trillion for water, ~Rmb5 trillion and 770,000 km of newly built or rebuilt urban pipes, and a national logistics backbone targeted at 95% completion. These latter three skew to engineering contractors, PCCP and pipe makers, utility-tunnel, smart-monitoring vendors, and freight/cold-chain operators.

Figure 6: Six Networks' core tasks

Six networks	15th FYP budget	Core tasks
AI computing	Rmb4trn	Connect data centers and supercomputers across the country to "deliver computing power". Key projects include AI computing centers, East-Data-West-Computing hubs, and computing power scheduling platforms.
Grid	Rmb5trn-plus	Build a smart power grid that can handle large amounts of wind and solar power, delivering clean energy to users smoothly. Key projects include ultra-high-voltage (UHV) transmission lines, smart distribution grids, energy storage stations, and virtual power plants.
Telecom	Rmb3.8trn, pulling through Rmb7trn through the supply chain	Upgrade from 5G to 5G-A (5.5G), prepare for 6G, and build satellite internet to achieve seamless coverage everywhere — on the ground and in space. Key projects include 5G-A base stations, low-orbit satellite constellations, and fiber optic network upgrades.
Water supply	Rmb6trn-plus	Build a nationwide water network to solve water shortages, flood control, and irrigation. Key projects include later-phase South-to-North Water Diversion, large reservoirs, modern irrigation districts, and smart water management.
Urban underground pipeline	Rmb5trn-plus	Unify planning of underground pipes and build utility tunnels to stop endless road digging and aging pipes. Add sensors for smart monitoring. Key projects include comprehensive utility tunnels, pipe network renovation, and smart pipe monitoring systems.
Logistics	N/A	Build a nationwide logistics hub network to make freight transport faster and cheaper. Key projects include national logistics hubs, cold chain logistics, smart warehouses, unmanned delivery, and multi-modal transport (rail + air + road).

Source: Xinhua News (reports published on 11 June 2026, 30 July 2026, and 14 August 2026)

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Figure 7: China stocks in AIDC, telecom network, and grid industries with a free-float market cap >US$10bn

Ticker	Company	Industry	FFL market cap (US$ bn)	3m ADT (US$ mn)	Current price (LCU)	2026 P/B (x)	2026 P/E (x)	2026 EPS y-y (%)	2027 EPS y-y (%)	P/E percentile rank in history (%)
0700.HK	Tencent Holdings Ltd	AIDC	346	1,559	437	3	15	3	8	8
9988.HK	Alibaba Group Holding Ltd	AIDC	262	1,368	108	N/A	N/A	N/A	-9	66
300308.SZ	Zhongji Innolight Co Ltd	AIDC & Telecom network	107	4,794	896	16	32	201	91	49
300750.SZ	Contemporary Amperex Technology Co., Limited	Grid	106	1,728	294	3	14	33	25	2
300502.SZ	Eoptolink Technology Inc Ltd	AIDC & Telecom network	75	3,201	435	16	30	113	74	37
0941.HK	China Mobile Ltd	AIDC & Telecom network	59	133	78	1	11	0	2	59
688256.SH	Cambricon Technologies Corp Ltd	AIDC	46	2,143	1,091	41	122	172	111	5
688012.SH	Advanced Micro-Fabrication Equipment Inc China	AIDC	37	1,369	339	11	86	78	28	41
002371.SZ	Naura Technology Group Co Ltd	AIDC	35	1,153	653	11	66	31	46	47
0992.HK	Lenovo Group Ltd	AIDC	35	394	37	N/A	N/A	N/A	43	100
002475.SZ	Luxshare Precision Industry Co Ltd	AIDC	35	1,071	52	4	19	27	36	9
688008.SH	Montage Technology Co Ltd	AIDC	34	1,741	215	14	74	58	36	58
603986.SH	GigaDevice Semiconductor Inc	AIDC	33	3,432	384	9	25	545	24	10
688981.SH	Semiconductor Manufacturing International Corp	AIDC	32	1,232	120	6	141	45	26	64
688041.SH	Hygon Information Technology Co Ltd	AIDC	30	1,117	248	21	129	76	53	66
601138.SH	Foxconn Industrial Internet Co Ltd	AIDC	29	1,186	61	6	19	76	37	86
600183.SH	Shengyi Technology Co Ltd	AIDC	26	1,477	137	16	48	108	53	97
002463.SZ	Wus Printed Circuit Kunshan Co Ltd	AIDC	24	1,084	124	11	37	68	58	87
9888.HK	Baidu Inc	AIDC	24	170	85	1	16	121	24	N/A
300394.SZ	Suzhou TFC Optical Communication Co Ltd	AIDC & Telecom network	24	1,691	268	36	83	75	66	97
688802.SH	MetaX Integrated Circuits (Shanghai) Co Ltd	AIDC	21	248	557	17	2044	114	978	54
300408.SZ	Chaozhou Three-circle (Group) Co Ltd	AIDC	21	1,172	123	10	61	54	42	98
688498.SH	Yuanjie Semiconductor Technology Co Ltd	AIDC	21	1,038	1,700	64	206	438	79	38
300476.SZ	Victory Giant Technology (HuiZhou) Co Ltd	AIDC	20	1,357	233	9	27	100	71	73
688347.SH	Hua Hong Grace Semiconductor Ltd	AIDC	18	932	224	9	409	181	45	69
688072.SH	Piotech Inc	AIDC	18	626	701	18	102	116	39	45
300274.SZ	Sungrow Power Supply Co Ltd	Grid	18	948	84	3	12	6	25	14
600487.SH	Hengtong Optic-Electric Co Ltd	AIDC & Telecom network	17	1,939	67	4	21	194	24	95
300604.SZ	Hangzhou Changchuan Technology Co Ltd	AIDC	17	1,038	261	20	77	64	48	42
002916.SZ	Shennan Circuits Co Ltd	AIDC	15	608	395	13	46	79	48	95
688795.SH	Moore Threads Technology Co Ltd	AIDC	15	245	433	18	-1262	84	427	N/A
000063.SZ	ZTE Corp	AIDC & Telecom network	14	790	32	2	26	4	14	97
600584.SH	JCET Group Co Ltd	AIDC	14	1,842	69	4	57	38	34	48
603019.SH	Dawning Information Industry Co Ltd	AIDC	14	790	82	5	40	37	27	30
600522.SH	Jiangsu Zhongtian Technology Co Ltd	Grid & Telecom network	13	1,319	35	3	19	117	28	89
002281.SZ	Accelink Technologies Co Ltd	AIDC & Telecom network	13	1,157	182	13	89	78	94	98
688361.SH	Skyverse Technology Co Ltd	AIDC	13	571	370	24	473	370	131	N/A
688521.SH	Verisilicon Microelectronics (Shanghai) Co., Ltd	AIDC	12	707	207	27	566	136	281	N/A
000988.SZ	HGTECH Co Ltd	AIDC & Telecom network	12	1,014	103	8	46	55	33	73
688120.SH	Hwatsing Technology Co Ltd	AIDC	11	546	247	13	88	29	33	88
688525.SH	Biwin Storage Technology Co Ltd	AIDC	11	1,206	211	6	9	1,183	2	1
002156.SZ	TongFu Microelectronics Co Ltd	AIDC	11	1,282	61	6	53	51	15	9
600089.SH	Tbea Co Ltd	Grid	11	262	18	1	13	15	29	55
000977.SZ	IEIT SYSTEMS Co Ltd	AIDC	10	1,146	70	4	21	98	34	8
600406.SH	NARI Technology Co Ltd	Grid	10	177	22	3	19	11	13	10

Source: Wind (25 September 2026).

Figure 8: China stocks in the water, underground pipe and logistics industries with a free-float market cap >US$5bn

Ticker	Company	Industry	FFL market cap (US$ bn)	3m ADT (US$ mn)	Current price (LCU)	2026 P/B (x)	2026 P/E (x)	2026 EPS y-y (%)	2027 EPS y-y (%)	P/E percentile rank in history (%)
601669.SH	Power Construction Corporation of China Ltd	Water supply	5	68	5	0	8	1	6	47
601668.SH	China State Construction Engineering Corp Ltd	Urban underground pipeline network	10	151	4	0	5	-5	2	47
002352.SZ	S.F. Holding Co Ltd	Logistics	8	99	31	1	13	7	13	0
2057.HK	ZTO Express (Cayman) Inc	Logistics	8	36	153	1	9	19	12	N/A
1519.HK	J&T Global Express Limited	Logistics	6	48	9	3	19	179	47	N/A

Source: Wind (25 September 2026).

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Upside scenario: A replay of September 2024 in property and consumption

Upside assumptions by JPM China Economics Research:

- Policymakers move beyond the approved budget and add central or quasi-fiscal support.
- Additional bond financing, policy-bank resources or central transfers ease local funding constraints and accelerate project execution, potentially alongside stronger support for housing completion and consumption.
- The upside depends on genuinely incremental funding, central risk-sharing and rapid conversion into spending, rather than a larger headline package alone.

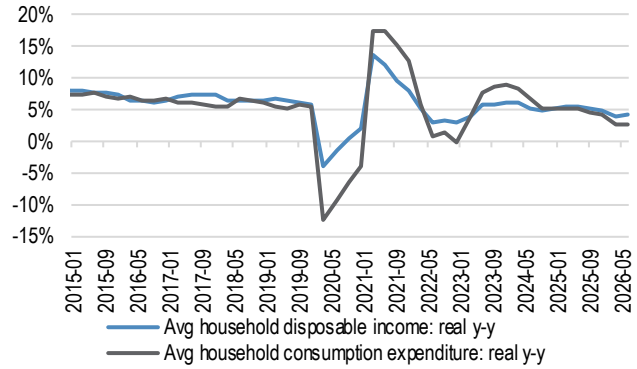
A low-probability upside risk would be a fresh, broad-based stimulus on property, and consumption, similar to that announced in September 2024.

- Looking back at that episode, within one month, leadership was concentrated in appliance, autos, property developers and brokers, second-tier baijiu names, and selected building materials (*Figure 13*).
- Meanwhile, export-oriented consumer names, e.g., textile OEMs, and the more defensive high-yielders lagged.
- We note that the outperformers on average have higher Up Beta (β^{+}: How much a stock rises when the market is up) than the underperformers.

If policymakers today were to repeat that playbook, e.g., another round of a true step-up in the central fiscal envelope, explicit housing-completion support and credible consumer-side handouts as the JPM China Economics team has pointed out, we would expect a similar one-month beta burst led by the high-beta consumer and property chain.

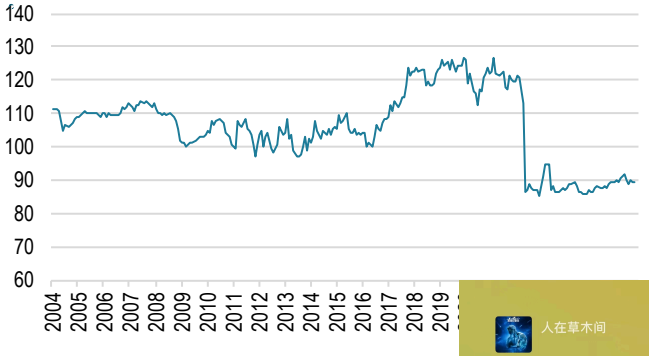
Investors we met additionally note that one of the possible preconditions can be decelerating export growth to mid-single digits. Some wonder whether the upcoming 5th Plenum of the 20th Congress is a potential catalyst, though others noted that the Plenum will mostly be about party discipline and preparation for the 21st Congress to be held in October 2027.

Figure 9: China households average disposable income growth and consumption growth



Source: Wind (25 September 2026).

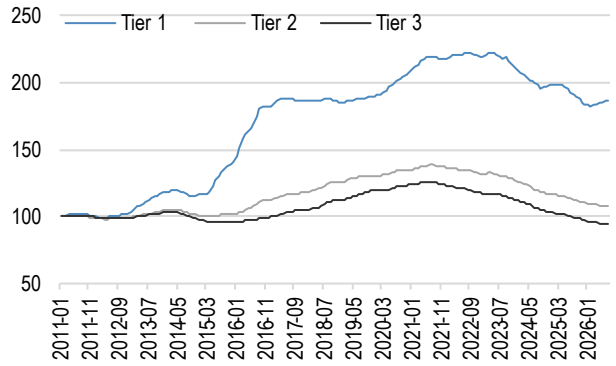
Figure 10: China consumer confidence index



Source: Wind (25 September 2026).

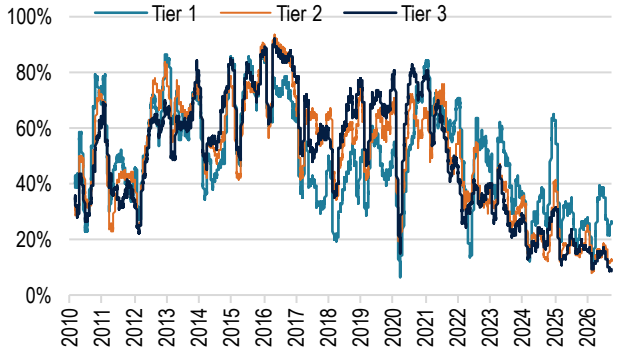
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Figure 11: China Tier 1/2/3 secondary commodity housing ASP



Source: Wind (25 September 2026).

Figure 12: China primary commodity housing unit sales percentile rank 60d avg



Source: Wind (25 September 2026).

Figure 13: China consumer, property and building materials stocks' reaction to the September-2024 policy stimulus

Ticker	Company	Industry group	5d return post 24 Sep 2024	1m return post 24 Sep 2024	3m return post 24 Sep 2024	25 Sep 2026 vs 23 Sep 2024	Drawdown from past two-year peak	Up Beta (past 5 years)
600839.SH	Changhong Electric	Consumer Durables & Apparel	19.1	**117.4**	106.0	34.2	-63.1	1.5
600418.SH	Jianghuai Automobile	Automobiles & Components	15.4	**60.2**	72.9	5.5	-61.0	2.6
9992.HK	Pop Mart Int'l	Consumer Discretionary Distribution & Retail	9.3	**54.4**	82.5	219.2	-54.4	1.4
601777.SH	Afari Technology	Automobiles & Components	19.7	**49.4**	83.9	111.8	-40.3	1.7
3690.HK	Meituan	Consumer Services	29.5	**46.8**	17.2	-46.0	-67.0	1.6
0960.HK	Longfor Group	Real Estate Management & Development	71.9	**45.4**	16.1	-36.4	-72.4	4.0
6181.HK	Laopu Gold	Consumer Durables & Apparel	14.4	**44.4**	64.5	177.8	-68.1	0.6
2367.HK	Giant Biogene	Household & Personal Products	35.3	**44.4**	36.3	-31.5	-70.4	1.0
2423.HK	KE	Real Estate Management & Development	55.4	**43.7**	23.5	16.4	-39.3	2.3
3323.HK	China National Building Material	Building Materials	55.5	**43.6**	63.6	54.5	-55.2	1.6
0175.HK	Geely Automobile	Automobiles & Components	19.6	**42.8**	48.3	60.3	-37.5	1.4
9618.HK	JD.com	Consumer Discretionary Distribution & Retail	47.7	**40.6**	23.4	-2.5	-42.7	1.9
000568.SZ	Luzhou Laojiao	Food, Beverage & Tobacco	46.3	**36.9**	26.8	-22.6	-51.9	1.2
3998.HK	Bosideng International	Consumer Durables & Apparel	21.2	**36.1**	13.9	22.8	-20.8	0.7
000596.SZ	Gujing Distillery	Food, Beverage & Tobacco	39.4	**35.6**	20.2	-31.2	-55.2	1.2
600048.SH	Poly Developments	Real Estate Management & Development	36.5	**35.4**	14.1	-29.2	-52.9	2.2
000786.SZ	Beijing New Building Material	Building Materials	31.8	**32.9**	23.1	-32.2	-53.3	1.0
600895.SH	Zhangjiang Hi-tech Park Dvlpt	Real Estate Management & Development	19.2	**32.5**	36.7	42.5	-49.0	2.1
000858.SZ	Wuliangye Yibin	Food, Beverage & Tobacco	44.7	**32.3**	26.9	-31.2	-56.8	1.4
002311.SZ	Haid	Food, Beverage & Tobacco	37.5	**31.7**	40.1	24.0	-38.0	0.7

Source: Wind (25 September 2026), LSEG Workspace (25 September 2026).

Downside scenario: Go defensive

Downside assumptions by JPM China Economics Research:

- Fiscal under-delivery persists as financing fails to translate into spending.
- Bond proceeds and policy-bank funds remain slow to reach projects, while weak land revenue, scarce matching funds and cautious local implementation hold back government-managed fund expenditure and infrastructure activity.
- Fiscal deposits stay elevated and part of the intended impulse is deferred, leaving policy support materially weaker than what the budget stance implies.

This scenario, if combined with lackluster market liquidity, may lead to a regime-shift flight to safety where investors pay more attention to valuation (P/B), balance sheet health, cash flow and dividends.

In the figure below, we screen MXCN constituents with 3m ADT>US$30mn, TTM P/B<1.5x, positive FCF y-y in the last fiscal half-year, dividend yield>4%, and 2026 and 2027 consensus EPS y-y>0.

Figure 14: MXCN constituents with 3m ADT>US$30mn, TTM P/B<1.5x, positive FCF y-y in the last fiscal half-year, dividend yield>4%, 2026 and 2027 consensus EPS y-y>0

Ticker	Company	Industry	FFL market cap (US$ bn)	3m ADT (US$ mn)	Current price (LCU)	2026 P/E (x)	2026 EPS y-y (%)	2027 EPS y-y (%)	P/B (TTM)	FCF y-y (last half fiscal year)	Dividend yield
601318.SH	Ping An Insurance (Group) Company of China, Ltd.	Financials	68	619	52	6	12	10	0.8	9	6
000783.SZ	Changjiang Securities Co Ltd	Financials	4	181	8	10	30	5	1.5	181	5
601688.SH	Huatai Securities Co., Ltd.	Financials	14	195	18	8	27	12	1.2	1,565	4
2318.HK	Ping An Insurance (Group) Company of China, Ltd.	Financials	40	231	53	6	10	9	0.8	6	7
000776.SZ	GF Securities Co., Ltd.	Financials	8	232	20	8	45	10	1.3	198	4
3968.HK	China Merchants Bank Co., Ltd.	Financials	25	73	51	7	3	5	0.9	355	5
601555.SH	Soochow Securities Co Ltd	Financials	4	47	8	11	8	11	0.9	100	7
600036.SH	China Merchants Bank Co., Ltd.	Financials	69	475	41	7	1	4	0.8	147	5
600958.SH	Orient Securities Company Limited	Financials	5	71	9	11	23	9	1.0	319	4
2319.HK	China Mengniu Dairy Company Ltd	Consumer Staples	7	51	18	12	213	15	1.3	11	4
601077.SH	Chongqing Rural Commercial Bank Co Ltd	Financials	5	63	7	6	7	8	0.5	184	6
601825.SH	Shanghai Rural Commercial Bank Co Ltd	Financials	6	33	9	7	1	2	0.5	130	5
600000.SH	Shanghai Pudong Development Bank Co., Ltd.	Financials	23	99	9	6	3	8	0.6	3,044	5
002128.SZ	Inner Mongolia Dian Tou Energy Corp Ltd	Energy	4	55	28	9	74	8	1.3	224	6
601658.SH	Postal Savings Bank of China Co Ltd	Financials	7	128	5	7	2	4	0.6	95	4
2328.HK	PICC Property and Casualty Co Ltd	Financials	15	54	17	7	9	7	1.1	1	5
002966.SZ	Bank of Suzhou Co Ltd	Financials	4	53	9	7	8	9	0.6	62	4
601838.SH	Bank of Chengdu Co Ltd	Financials	6	55	19	6	5	6	0.8	67	5
000157.SZ	Zoomlion Heavy Industry Science and Technology Co Ltd	Industrials	4	55	6	10	13	22	1.0	254	7
601998.SH	China Citic Bank Corp Ltd	Financials	7	71	9	7	1	4	0.5	1,423	4
601229.SH	Bank of Shanghai Co Ltd	Financials	11	82	10	6	1	3	0.5	69	6
600016.SH	China Minsheng Banking Corp., Ltd.	Financials	10	132	3	5	1	2	0.2	173	6
601006.SH	Daqin Railway Co Ltd	Industrials	6	79	5	13	19	8	0.6	465	4
601398.SH	Industrial and Commercial Bank of China Ltd	Financials	40	429	8	8	2	4	0.6	77	4
1398.HK	Industrial and Commercial Bank of China Ltd	Financials	85	152	8	6	3	4	0.5	62	5
3988.HK	Bank of China Ltd	Financials	65	131	6	7	5	5	0.5	467	5
0857.HK	PetroChina Company Limited	Energy	26	99	10	8	13	2	0.9	18	6

Source: LSEG Workspace (25 September 2026)

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Monetary-only easing: Small caps could be the principal beneficiaries

When policymakers hold the line on fiscal and continue to ease monetary instead, such as cutting policy rates, guiding interbank rates lower and letting liquidity run loose, our historical back-testing suggests micro and small-cap tend to take the lead, while growth slightly outperforms value, on a three-month horizon.

Sector-wise, cyclicals tend to react positively in the near term, but on a three-month horizon, Healthcare, IT and Materials take the lead, while defensive type of utilities, staples, and financials underperform.

Figure 15: Median price return of select China equity indices post-policy rate cut

Median (%)	+1w	+1m	+3m
FTSE A50	-0.2	-0.3	-0.3
CSI300	-0.3	0.8	1.5
MSCI China (LCU)	1.1	1.4	4.5
CSI500	-0.5	0.3	5.7
CSI1000	-0.4	-0.4	5.7
CSI2000	-0.1	-0.7	5.0
Wind Micro Cap	1.0	4.3	9.5
CSI300 Value	-0.8	2.0	-0.8
CSI300 Growth	-0.9	1.8	2.5
Wind A-share	**-0.3**	**1.2**	**3.9**
Energy	0.9	4.1	2.8
Materials	-1.4	1.5	4.4
Industrials	0.6	2.4	2.7
Cons. Discre.	-0.5	0.5	3.2
Cons. Staples.	0.5	-0.5	0.5
Healthcare	-1.0	-2.0	9.4
Financials	-1.1	1.3	0.6
IT	-0.4	-1.1	7.1
Comm. Svs.	-0.1	1.5	3.0
Utilities	-0.1	1.0	-3.1
Real Estate	0.1	0.7	4.1

Source: Wind (25 September 2026).