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China Securities

Monthly bulletin: Institutional resilience offsets softer retail trends; CICC remains our top pick

Banks & Financial Services

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Brokers' September data presented a mixed picture. On one hand, retail business momentum continued to moderate, with A-share ADT declining 19% m/m, to Rmb1.83tn in September, and margin-financing activity remaining relatively subdued. Weak equity market performance also continued to weigh on brokers' equity investment exposure. On the other hand, institutional business momentum remained resilient, with both A- and H-share IPO issuance recovering sequentially in September and IPO pipelines remaining robust. A- and H-share brokers currently trade at a 0.94x and 0.63x forward P/B, respectively. We believe the soft 3Q26 sector earnings outlook and weaker investor sentiment are largely priced in. Recent share price weakness therefore presents an opportunity to accumulate leading brokers (e.g., CICC and Citic Sec) and names with strong 3Q earnings momentum (e.g., CICC and CMS), in our view. CICC remains our sector top pick. **Our pecking order is CICC > CMS = Guangfa > Citic Sec > Guotai Haitong > Huatai = Galaxy > East Money**.

News and share price performance

- **CICC merger progressing; Citic Sec chairman transition:** CICC's proposed merger with Dongxing Securities and Cinda Securities received CSRC approval, marking a key milestone toward transaction completion. CICC resumed A-share trading on 23 September after completing the dissenting shareholders' share purchase process (link). We view the recent share price pullback as a buying opportunity, given the potential for enhanced franchise strength and long-term earnings accretion. We also expect CICC to deliver relatively resilient 3Q26 earnings vs. peers, supported partly by CXMT-related investment gains. Separately, Citic Sec announced the retirement of Chairman Zhang Youjun and appointed Zou Yingguang as Chairman and Acting President (link); we expect the orderly internal succession to have a limited impact on the firm's operations or strategic direction.
- **3Q26 operating trends in focus – three key trends to watch: First**, retail business momentum continued to moderate, with ADT and margin financing softening in 3Q. This could have negative implications for brokers with high reliance on retail brokerage (i.e., East Money, Galaxy Sec). **Second**, the STAR 50 Index declined 31% in 3Q26, which could negatively affect brokers with greater exposure to IPO co-investments and proprietary equity trading. Within our coverage, Guotai Haitong has relatively higher exposure. **Third**, CXMT-related investment income should support broker revenues in 3Q, with CMS and CICC expected to benefit the most.
- **Share price performance in September:** Chinese brokers' share prices declined 8% and 8% in A- and H-shares, respectively (-2% against CSI300 for A-listed brokers and -5% against HSCEI for H-listed brokers). Among the brokers in our coverage, CICC recorded the largest share price declines in both markets, falling 12% for its A-shares and 13% for its H-shares due to a high beta and merger-related sell-off. Guotai Haitong has relatively resilient share price movement in H share (-1% in September vs peer average -8%), due partly to its attractive dividend yield and the increase in southbound holding.

See page 10 for analyst certification and important disclosures, including non-US analyst disclosures.

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Sector positioning

- **Our pecking order is CICC > CMS = Guangfa > Citic Sec > Guotai Haitong > Huatai = Galaxy > East Money.** We expect CICC and CMS to deliver stronger earnings growth than peers in 3Q26, partly supported by their CXMT-related investment exposure. We also like Guangfa for its more diversified revenue structure and relatively low exposure to equity investments. We remain cautious on the retail business into the 3Q26 results season, given that ADT declined 21% q/q in 3Q26. East Money, Galaxy and Huatai have relatively high exposure to retail activity among the brokers in our coverage. Guotai Haitong has relatively high exposure to equity investments and could therefore face some earnings pressure from weak capital-market performance in 3Q26.

September trends

- **Equity brokerage – ADT weakened further in September:** A-share market ADT weakened further in September, to Rmb1.83tn (-19% m/m, -24% y/y) (Figure 6). Monthly mutual fund sales were Rmb93bn (+68% m/m, -38% y/y) (Figure 29). On a net basis, we expect brokers' equity brokerage business to weaken sequentially in September.

- **Capital intermediary declined slightly:** The outstanding margin financing balance was Rmb2.61tn in Sep-26, -2% m/m and +9% y/y (Figure 12). Stock pledges were Rmb2.55tn in Sep-26 (-6% m/m and -15% y/y). Margin financing accounted for 2.7% of the A-share tradable market cap (+0.1ppt m/m), and the stock-pledged balance accounted for ~2.7% of the A-share tradable market cap (-7bps m/m). The margin financing maintenance ratio dropped 13ppt m/m, to 269% at the end of September.

- **Investment banking – IPO flow remained robust with a strong pipeline:** IPO flows in the HK market picked up sequentially in September, and CICC had the largest market share, followed by Citic Sec and Guangfa (Figure 27). Monthly A-share IPO flow was Rmb26bn in September (+18% m/m, +123% y/y), and CICC had the strongest market share. Bond underwriting flows moderated slightly, to Rmb1.57tn (-6% m/m, +1% y/y). Citic Sec had the largest A-share IPO pipeline among brokers, while CICC has the largest pipeline in H-shares (Figure 21).

- **Investment & trading – continued to see pressure:** The CSI300 index and the STAR 50 index dropped 6% and 9% m/m, respectively, in September, while 10Y CGB yields declined 1.2bps m/m. We expect this to have negative implications for brokers' IPO co-investment and equity prop trading in September. IPO co-investment income from CXMT remained a positive driver of China brokers' investment income in 3Q26. On derivatives business, exchange-traded derivatives saw a 2% m/m increase in nominal balances in Sep-26 (Figure 28).

- **Asset management activity improved slightly:** Mutual fund AUM (excluding money market funds) increased 2% m/m in Aug-26, to Rmb23.3tn (Figure 30). East Money had the highest outstanding balance of equity and balanced funds' market share as of end-2Q26, followed by Citic Sec. Brokers' AMP AUM increased 3% m/m, to Rmb7.5tn at Aug-26 (Figure 31). On a net basis, we expect asset management to have improved slightly in August.

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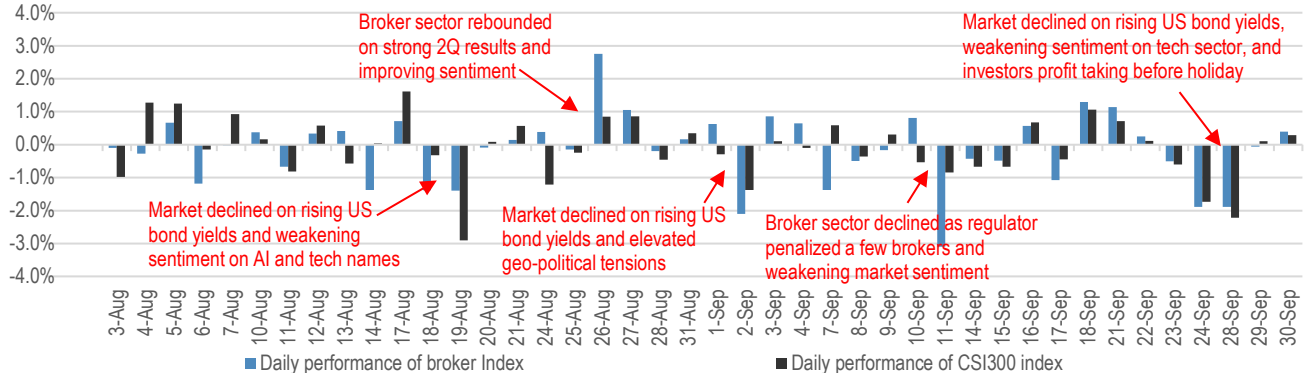
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Table 1: System quarterly trends

Rmb bn	3Q25	4Q25	1Q26	2Q26	3Q26	QoQ	YoY
ADT	2,112	1,975	2,583	2,886	2,278	-21%	8%
Aggregate turnover	139,389	118,477	144,628	173,172	148,091	-14%	6%
Margin financing balance	2,394	2,541	2,609	3,020	2,611	-14%	9%
Avg. margin financing balance	2,120	2,490	2,663	2,825	2,714	-4%	28%
Quarterly mutual funds raised	366	278	325	312	231	-26%	-37%
CSI 300 Index	4,641	4,630	4,450	4,979	4,358		
CSI 300 Index QoQ	18%	0%	-4%	12%	-12%		
STAR 50 Index	1,495	1,344	1,256	2,208	1,530		
STAR 50 Index QoQ	49%	-10%	-7%	76%	-31%		

Source: WIND, Bloomberg Finance L.P. Data as of 30 September 2026.

Figure 1: Daily broker index movements over the past two months



Source: WIND, J.P. Morgan. Data as of 2 October 2026.

Table 2: Summary of the key news over the past month

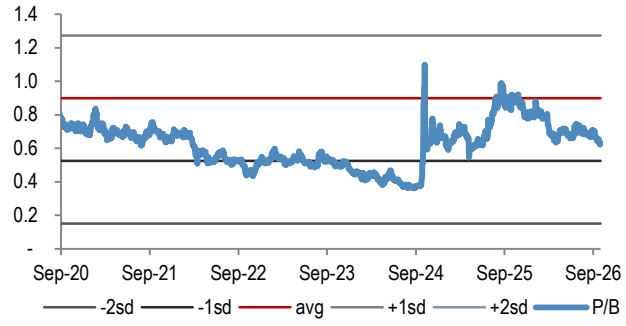
Date	Details	Link
9/3/2026	The alternative investment subsidiaries (另类子公司) of 41 listed Chinese securities firms reported a combined net profit of Rmb20.3bn in 1H26, accounting for approximately 13% of their parent brokers' total net profits.	link
9/7/2026	On 7 September, CICC announced that its proposed merger with Dongxing Securities and Cinda Securities has received formal approval from the CSRC. In addition, the company stated that its A-shares will be suspended from trading starting 15 September to facilitate the implementation of the purchase right for dissenting A-share shareholders, allowing eligible shareholders who object to the merger to have their shares acquired under the prescribed arrangement.	JPM note
9/23/2026	According to the latest data released by the Shanghai Securities Association, the average commission rate for A-share trading in Shanghai was 0.0169% in August (excluding high-frequency quantitative trading), up 4.32% MoM. The average A-share trading commission rate in Shanghai during the first eight months of the year was 0.0176%, down further from the 0.0206% average recorded for the whole of last year.	link
9/28/2026	CITIC Securities announced the retirement of Chairman Zhang Youjun and elected Zou Yingguang as the new Chairman and Acting President.	link

Source: CSRC, news websites.

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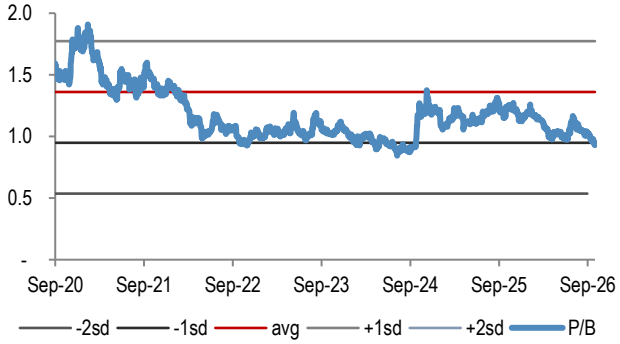
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Figure 2: H-share brokers trade at a ~0.63x FY1 P/B



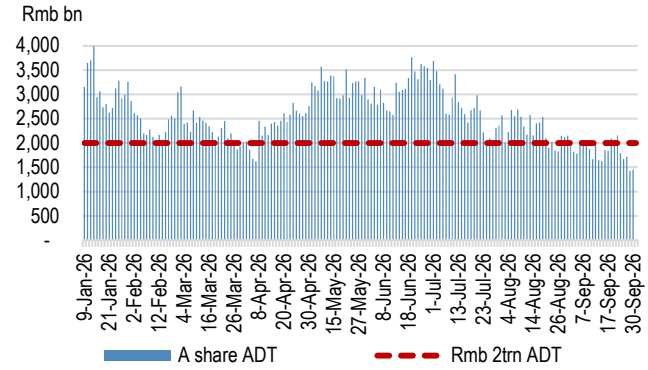
Source: Bloomberg Finance L.P. Data as of 30 September 2026.

Figure 3: A-share brokers trade at a ~0.94x FY1 P/B



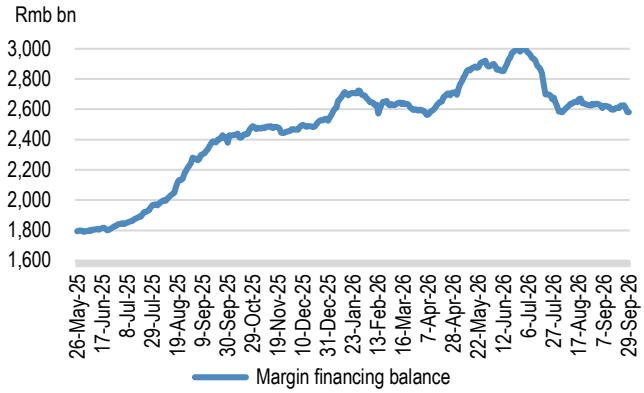
Source: Bloomberg Finance L.P. Data as of 30 September 2026.

Figure 4: A-share ADT weakened to Rmb1.4tn at end-September



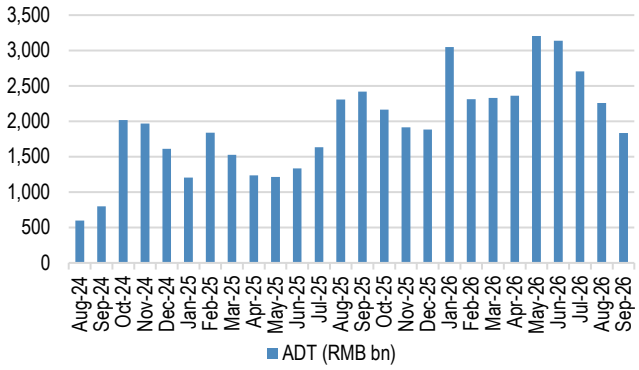
Source: CEIC.

Figure 5: Margin financing balance stabilized at the Rmb2.6tn level



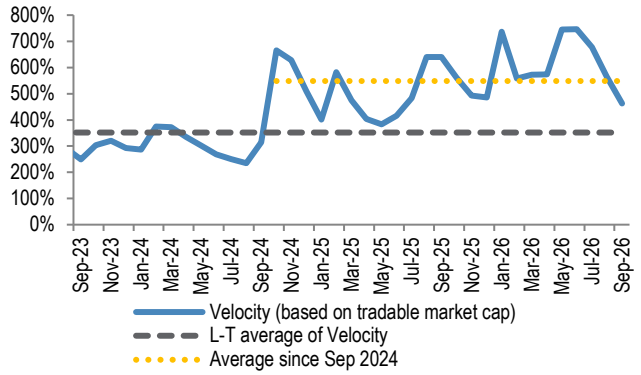
Source: CEIC.

Figure 6: Monthly ADT moderated to Rmb1.83tn in September



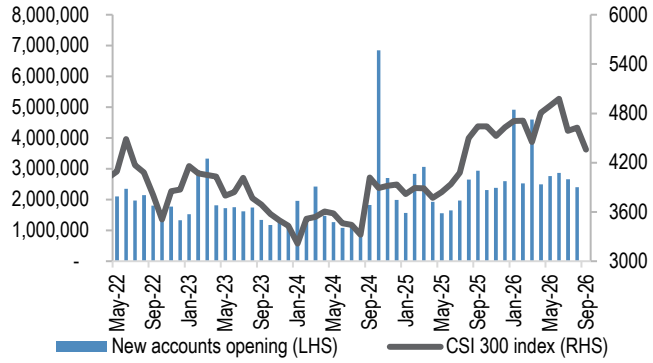
Source: CEIC.

Figure 7: Velocity was ~463% in Sep-26 vs. ~550% on average since Sep-24



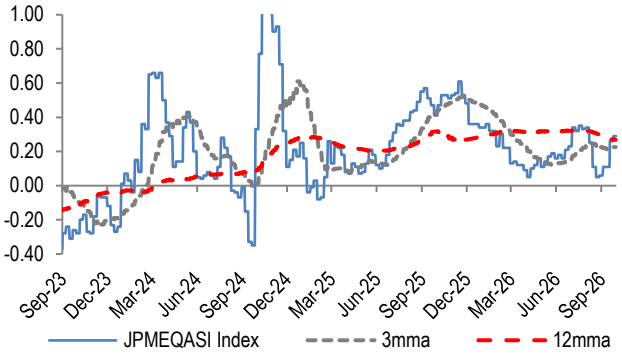
Source: CEIC. Note: We calculate velocity based on tradable market cap.

Figure 8: Monthly new account openings were 2.4mn in August, -10% m/m and -10% y/y



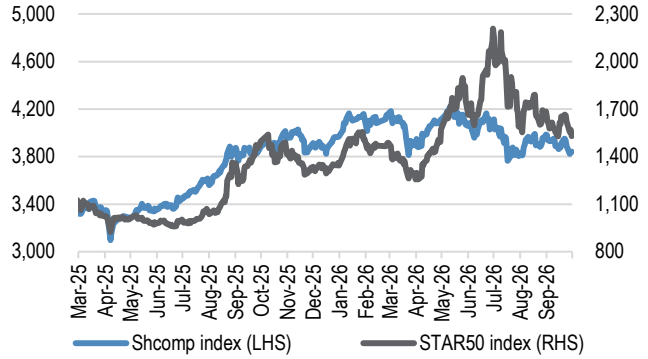
Source: WIND. Note: September data not released yet.

Figure 9: JPM A-share sentiment index improved slightly in September



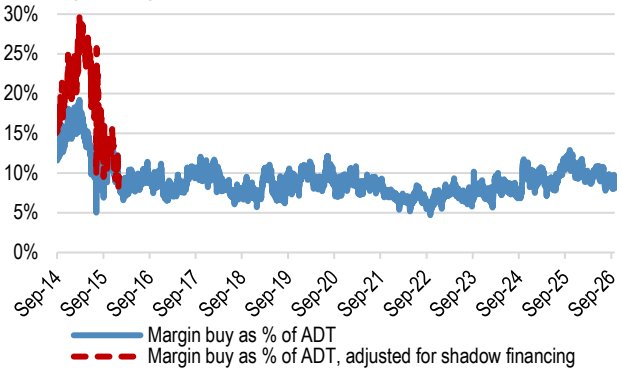
Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 10: STAR 50 index weakened in 3Q



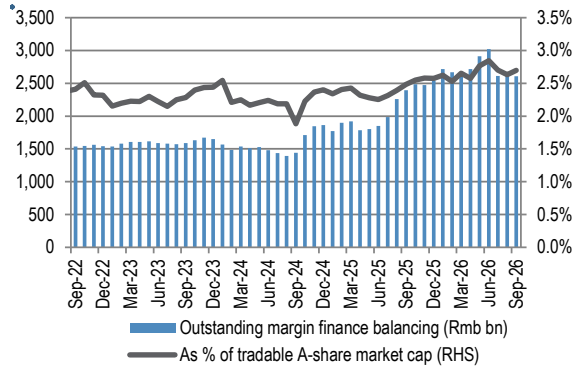
Source: Bloomberg Finance L.P.

Figure 11: Margin buy as a % of ADT has been ~8-9% lately, still a relatively healthy level vs. the 2015 period



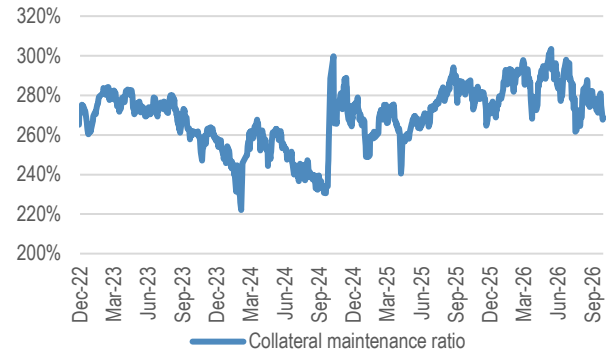
Source: J.P. Morgan, CEIC.

Figure 12: Outstanding margin financing balance was Rmb2.6tn in Sep 26 (-2% m/m), accounting for 2.7% of the tradable A-share market cap



Source: CEIC.

Figure 13: Margin maintenance ratio was 269% at Sep 26, -13ppt m/m

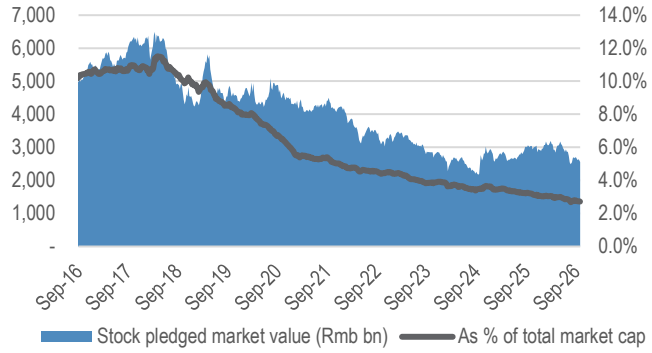


Source: WIND.

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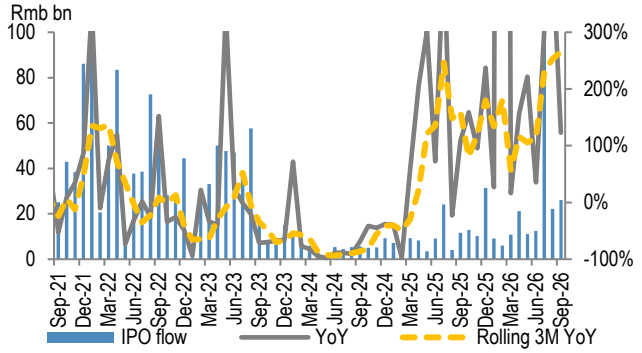
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Figure 14: Stock-pledged ratio was 2.71% at end-September, -7bps m/m



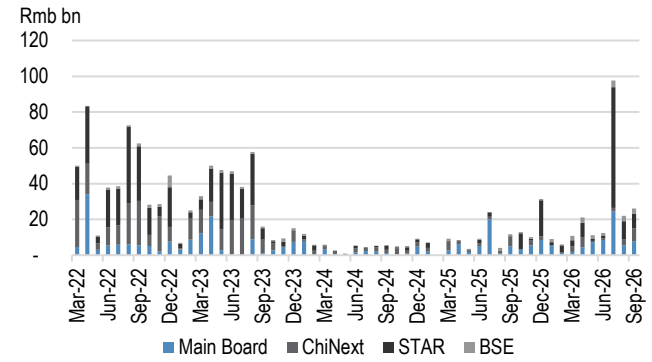
Source: East Money.

Figure 15: A-share IPO flow was Rmb26bn in September, +18% m/m and +123% y/y



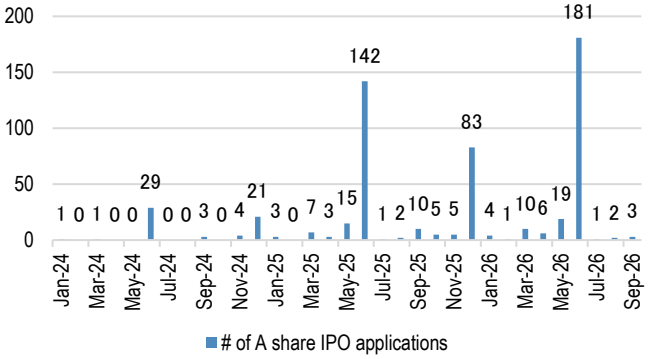
Source: WIND.

Figure 16: A-share IPO flow by exchange



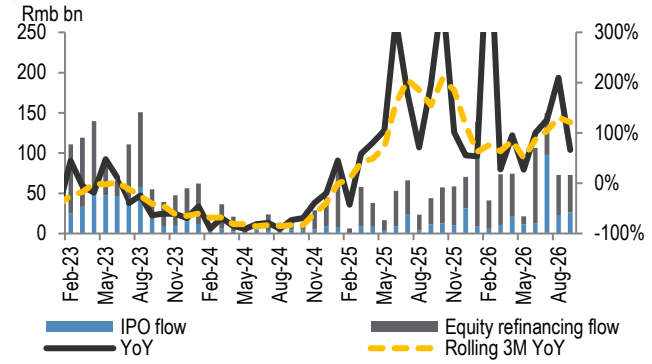
Source: WIND.

Figure 17: Monthly A-share IPO applications moderated in August due to seasonality



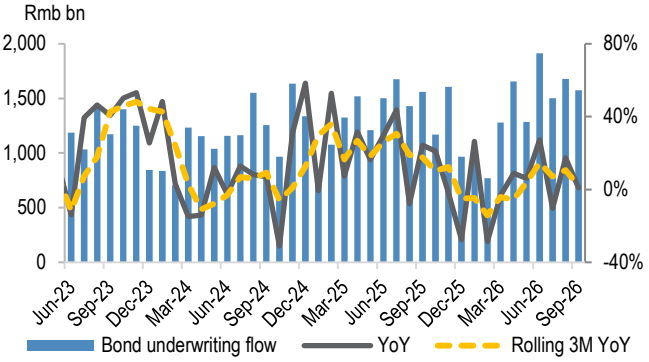
Source: WIND.

Figure 18: A-share equity underwriting flow remained stable in September



Source: WIND. Note: Excludes the Rmb500bn SOE bank equity-raising in Jun-25.

Figure 19: Bond underwriting flow was Rmb1.57tn in September, +1% y/y and -6% m/m

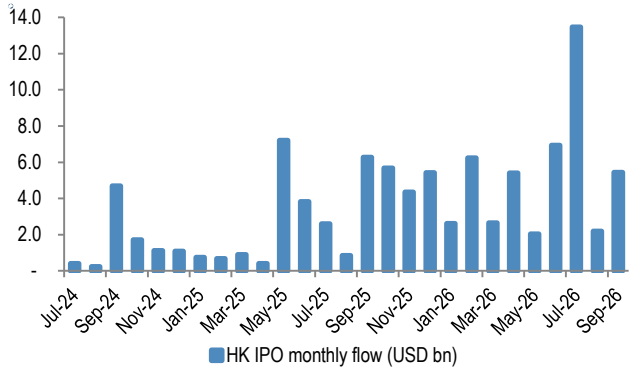


Source: WIND.

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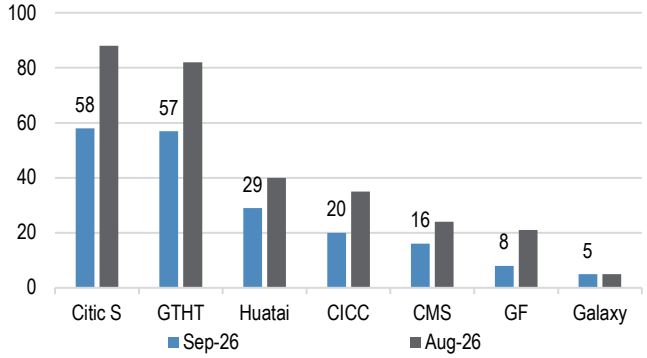
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Figure 20: Monthly HK IPO flow picked up sequentially in September



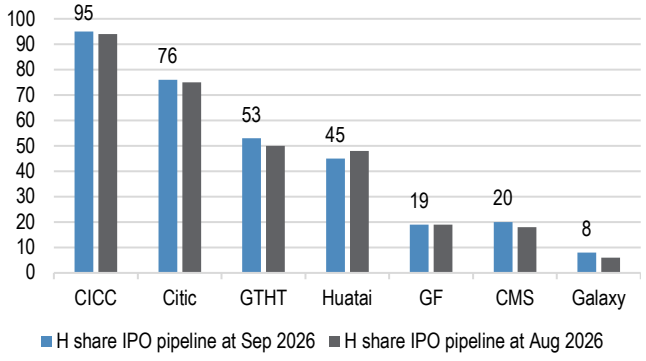
Source: Bloomberg Finance L.P.

Figure 21: Brokers' A-share IPO pipelines declined in general in September



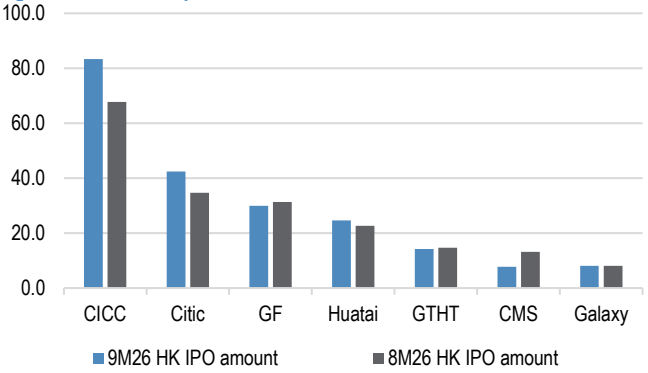
Source: WIND. IPO pipelines include IPO cases with the following status: (1) application accepted; (2) under inquiry; (3) pre-disclosure updated; (4) approval by committee; (5) suspension of committee voting; (6) application submitted to CSRC; and (7) application registered with CSRC.

Figure 22: H-share IPO pipeline by broker



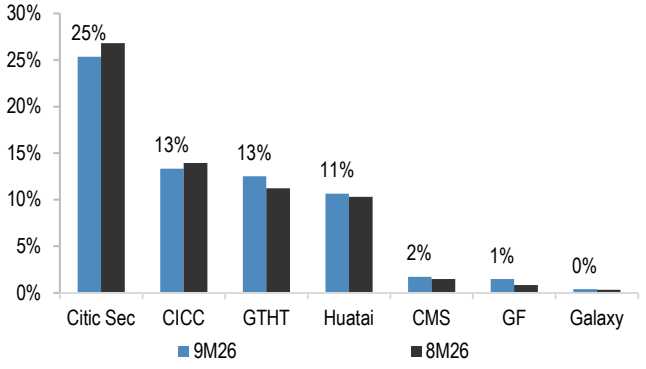
Source: WIND.

Figure 23: CICC led peers in HK IPO issuance amount in 9M26



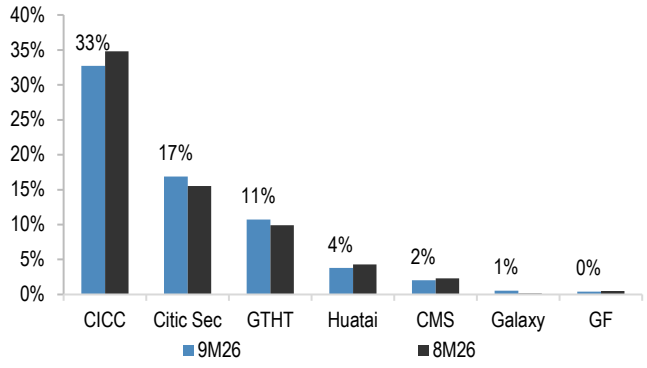
Source: WIND.

Figure 24: Citic Sec led peers in A-share equity underwriting market share in 9M26



Source: WIND.

Figure 25: CICC led peers in A-share IPO market share in 9M26

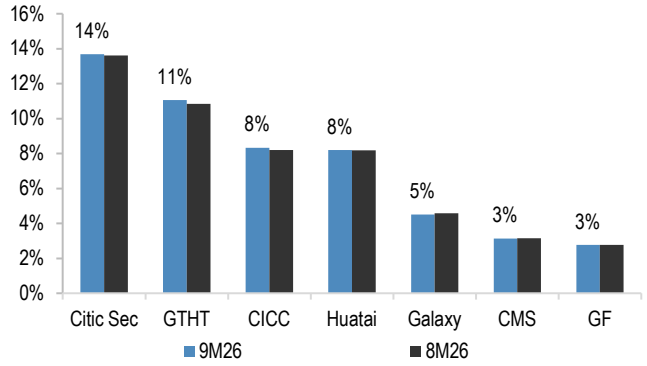


Source: WIND.

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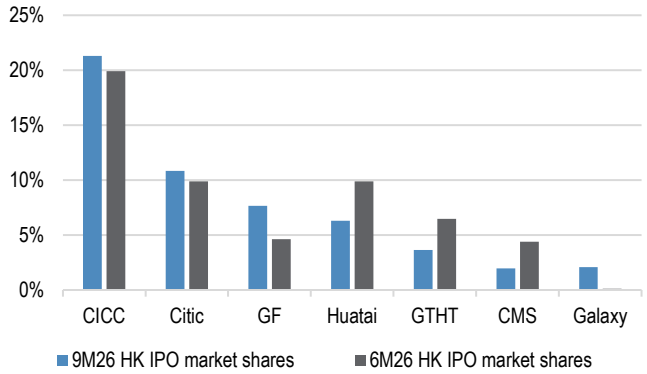
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Figure 26: Citic Sec led peers in bond underwriting market share in 9M26



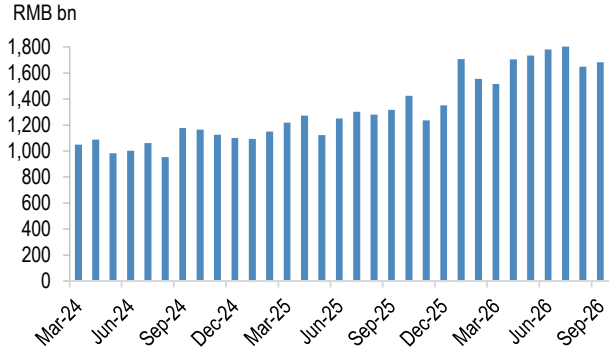
Source: WIND.

Figure 27: CICC led peers in HK IPO market share



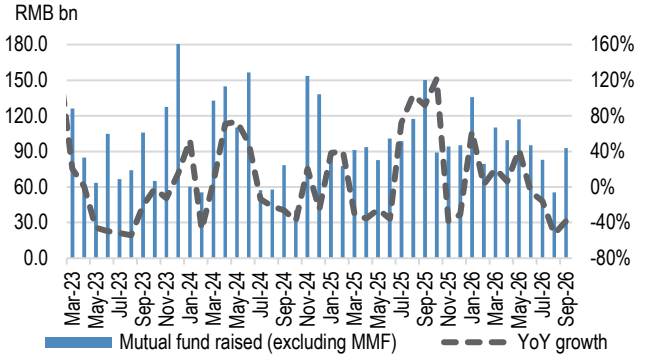
Source: WIND.

Figure 28: Nominal value of exchange-traded future and options was Rmb1,682bn in September, +2% m/m and +28% y/y



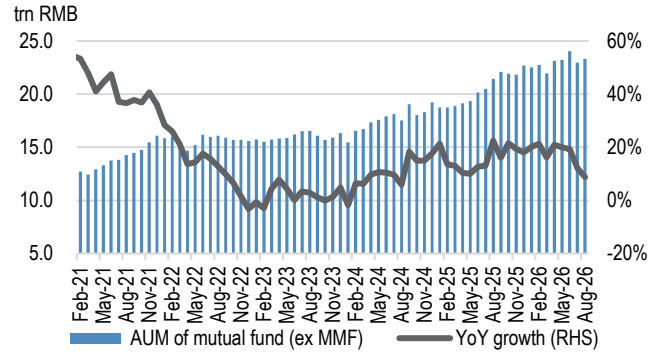
Source: WIND, Bloomberg Finance L.P.

Figure 29: Monthly mutual funds raised were -38%y/y and +68% m/m in September



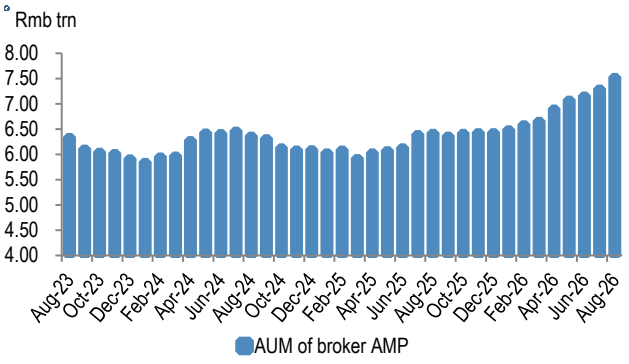
Source: WIND.

Figure 30: Mutual fund (excl. MMF) AUM was Rmb23.3tn in Aug-26, +2% m/m and +9% y/y



Source: WIND.

Figure 31: AUM of broker AMP was Rmb7.5tn at Aug-26, +3% m/m

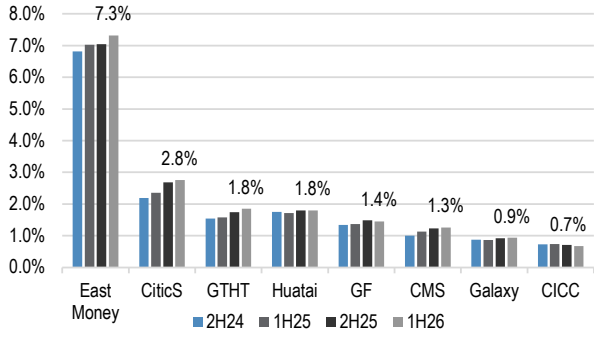


Source: WIND, AMAC.

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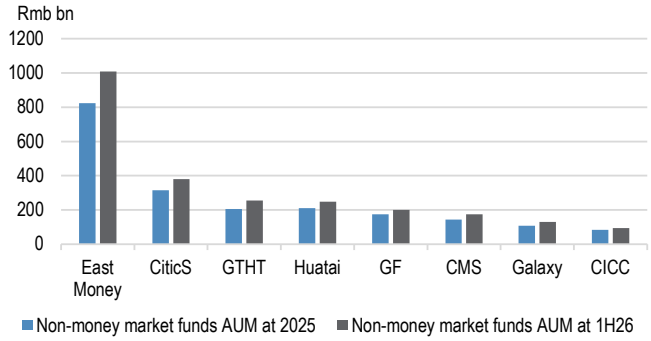
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Figure 32: Non-money-market-fund market share by broker



Source: AMAC.

Figure 33: Non-money-market-fund AUM by broker in 2025 and 1H26



Source: AMAC.

Table 3: H-share valuation table

	BBG code	Price (LC)	Rating	PT (LC)	Mkt cap (US$ bn)	P/E (x)		P/BV (x)		Div. yield (%)		ROE (%)	
						FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
GTHT - H	2611 HK	14.22	OW	18.00	42	6.7	6.3	0.7	0.6	4.8	5.0	10.3	10.1
Huatai - H	6886 HK	16.68	OW	22.10	23	6.6	6.2	0.6	0.6	4.6	4.9	11.0	10.8
CMS - H	6099 HK	13.97	OW	21.00	21	5.1	6.6	0.8	0.8	7.8	6.0	16.8	11.8
CITIC - H	6030 HK	24.00	OW	34.40	58	8.0	7.6	0.9	0.8	4.2	4.5	13.3	12.7
GFS - H	1776 HK	17.04	OW	24.20	22	6.2	5.9	0.7	0.6	4.4	4.7	13.0	12.2
Galaxy - H	6881 HK	7.16	OW	10.40	16	4.9	4.6	0.6	0.5	6.2	6.6	10.9	10.7
CICC - H	3908 HK	20.20	OW	30.00	18	6.7	7.2	0.9	0.8	1.8	2.4	12.7	11.9
Average						6.3	6.4	0.7	0.7	4.8	4.9	12.6	11.5

Source: J.P. Morgan estimates, Bloomberg Finance L.P. Note: Share prices as of 7 October 2026.

Table 4: A-share valuation table

	BBG code	Price (LC)	Rating	PT (LC)	Mkt cap (US$ bn)	P/E (x)		P/BV (x)		Div. yield (%)		ROE (%)	
						FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
GTHT - A	601211 CH	16.87	OW	22.00	42	8.0	7.5	0.8	0.7	4.0	4.3	10.3	10.1
CMS - A	600999 CH	17.07	OW	23.50	21	6.8	8.8	1.1	1.0	5.9	4.5	16.8	11.8
CITIC - A	600030 CH	25.86	OW	37.40	58	9.4	9.0	1.0	1.0	3.6	3.8	13.3	12.7
GFS - A	000776 CH	19.88	OW	27.90	22	7.9	7.6	0.8	0.8	3.5	3.7	13.0	12.2
Huatai - A	601688 CH	17.80	OW	25.00	23	7.7	7.2	0.7	0.7	4.0	4.2	11.0	10.8
Average (excl. EM)						**8.0**	**8.0**	**0.9**	**0.8**	**4.2**	**4.1**	**12.9**	**11.5**
East Money	300059 CH	17.79	N	22.00	42	18.7	17.5	2.7	2.3	0.6	0.7	14.0	14.2

Source: J.P. Morgan estimates, Bloomberg Finance L.P. Note: Share prices as of 30 September 2026.

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