UBS

Global Research
28 October 2026

China Equity Strategy

Where are we post the tech sell-off?

Equity Strategy

China

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Taking stock on tech: valuations now more reasonable

China AI tech hardware forward P/E (x)



Global tech hardware forward P/E (x)



China AI tech hardware P/B (x)



Global tech hardware P/B (x)



Source: Bloomberg, Wind, FactSet, UBS

China AI sector investor positioning back to 2025 year end levels

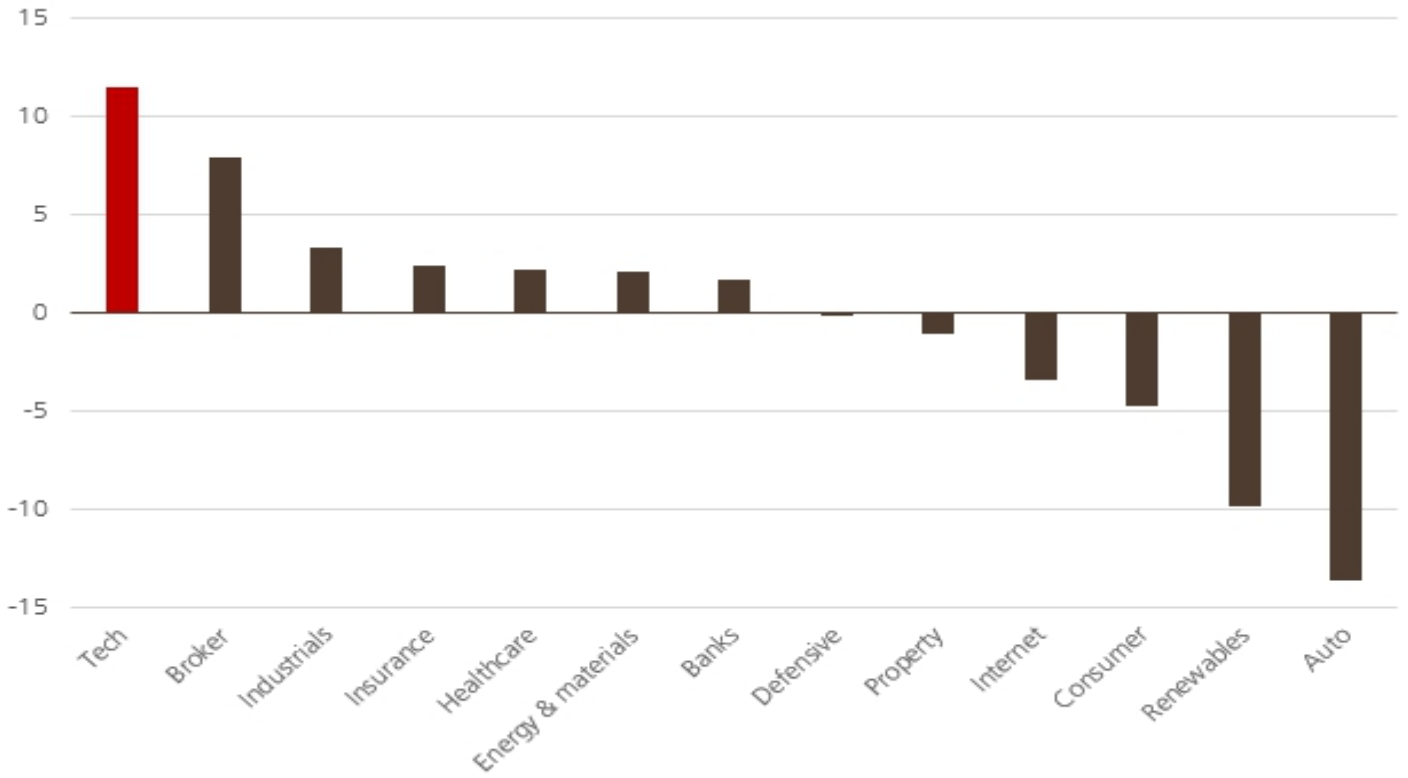
Average crowding scores of China AI hardware names



Source: Bloomberg, Wind, FactSet, UBS estimates

While earnings performances remain strong

Tech forward earnings changes last 3 months vs other sectors



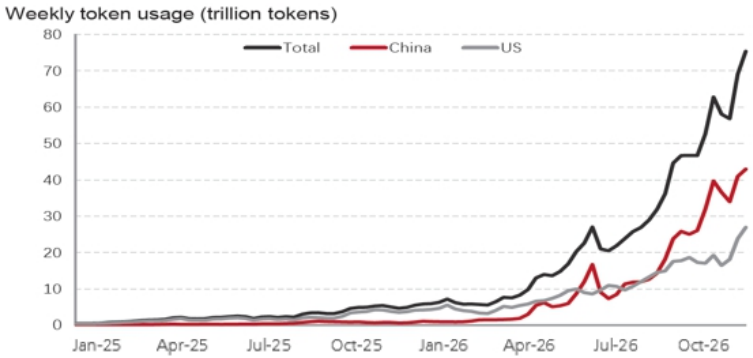
Source: FactSet, UBS

AI narrative has stabilised

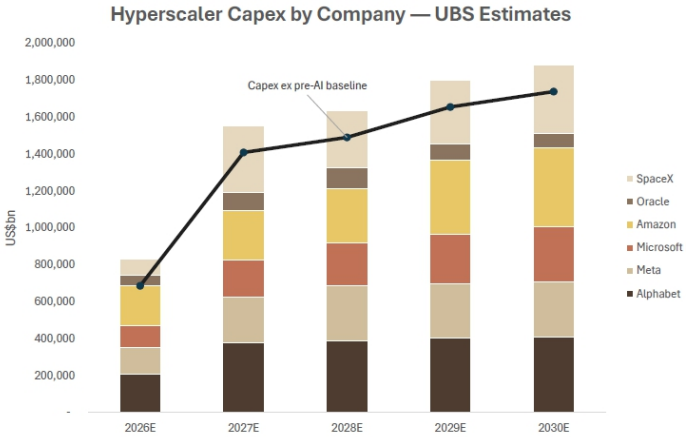
US software sector share price performance (IGV)



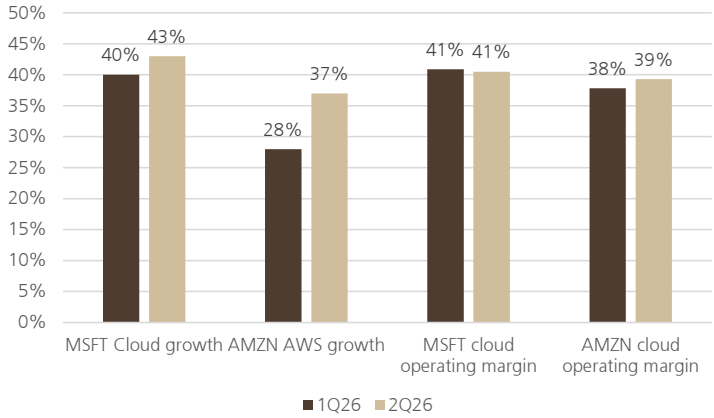
Token usage growth



Incremental capex vs pre-AI is around US$6.8trn



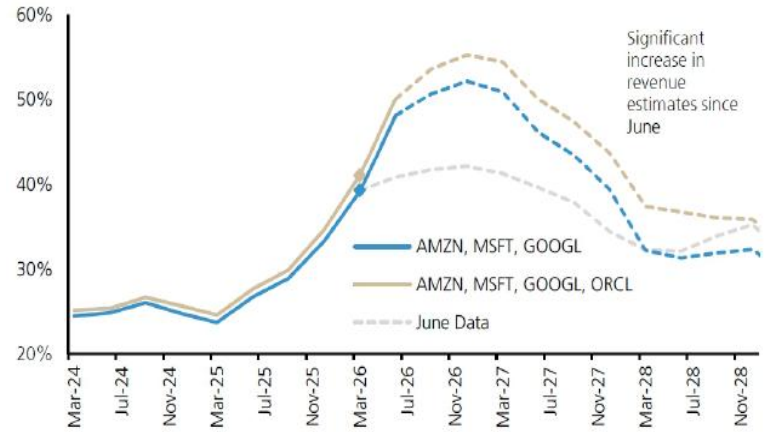
AMZN and MSFT 2Q cloud revenue growth and margin



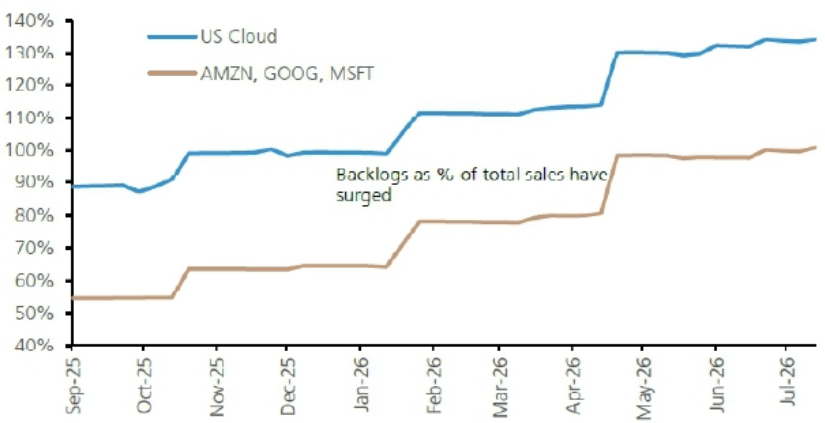
Source: Bloomberg, Wind, FactSet, UBS estimates

We remain positive on US equities and tech

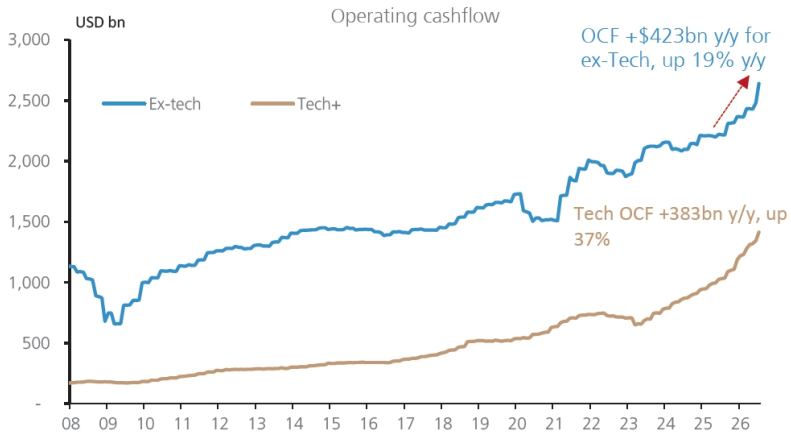
US hyperscaler cloud revenue growth consensus forecast



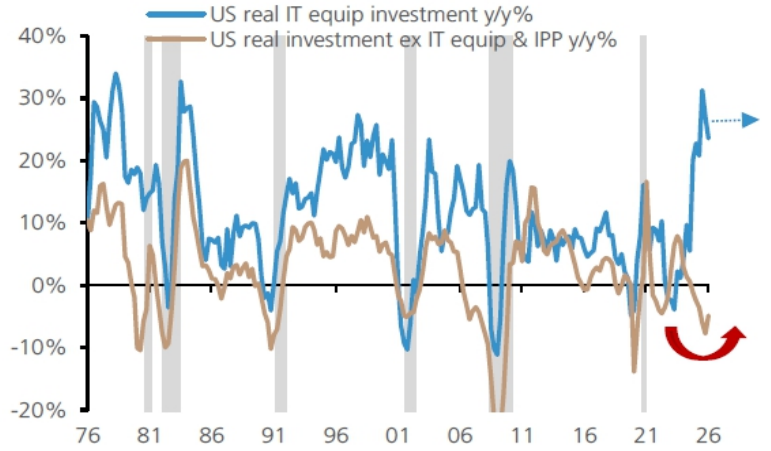
US Cloud backlog as % of total sales



US corporates and hyperscalers cash flows strong



As capex intentions start to improve



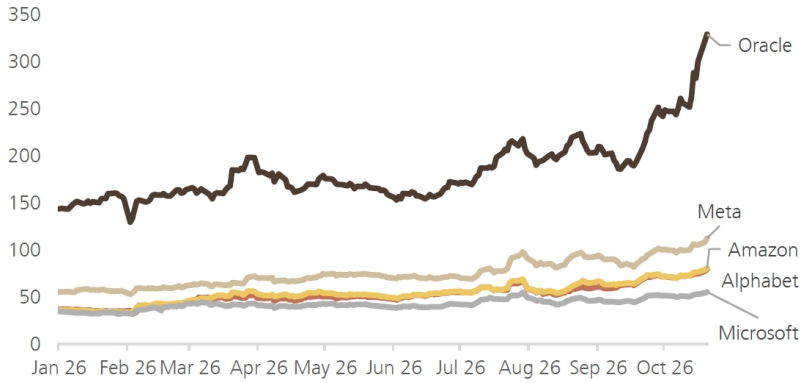
Source: Bloomberg, Wind, FactSet, UBS estimates

AI stress is still contained

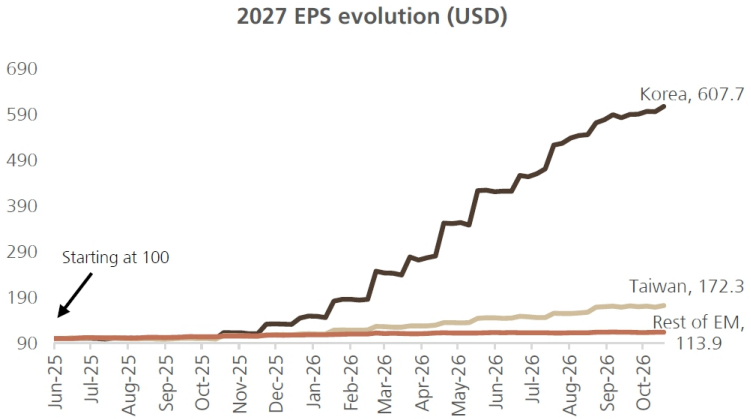
Neoclouds seeing the most stress

Company / Group	Spread Level (bps)	Spread Change (bps)		
	Current	MTD	QTD (Color coded)	YTD
Hyperscalers				
Oracle Corp	329	87	87	184
Meta Platforms Inc	112	13	13	57
Amazon.com Inc	81	9	9	44
Alphabet Inc	79	8	8	41
Microsoft Corp	55	4	4	20
Average	**131**	**24**	**24**	**69**
Average ex ORCL	**82**	**11**	**11**	**46**
Datacenter/Neocloud				
CoreWeave Inc	1121	273	273	351
Iron Mountain Inc	130	2	2	3
Average	**625**	**137**	**137**	**177**
Semiconductors/Compute				
Broadcom Inc	157	28	28	116
Advanced Micro Devices Inc	108	14	14	67
NVIDIA Corp	109	24	24	67
Intel Corp	91	5	5	21
Average	**116**	**18**	**18**	**68**

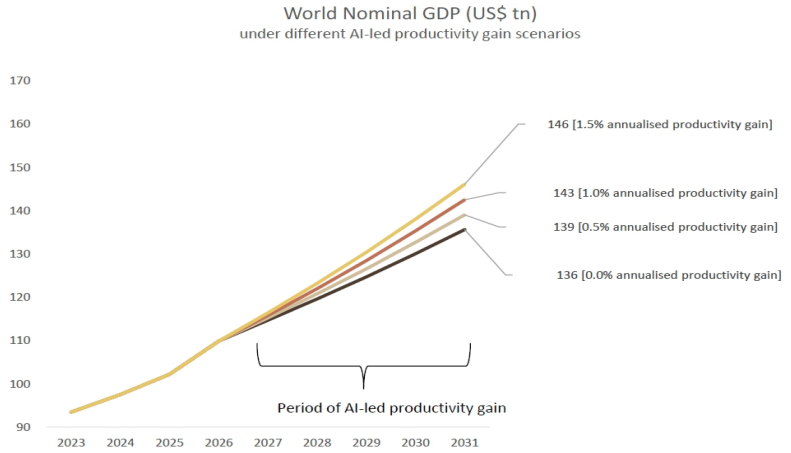
Hyperscalers CDS generally well behaved



Korea EPS holding up



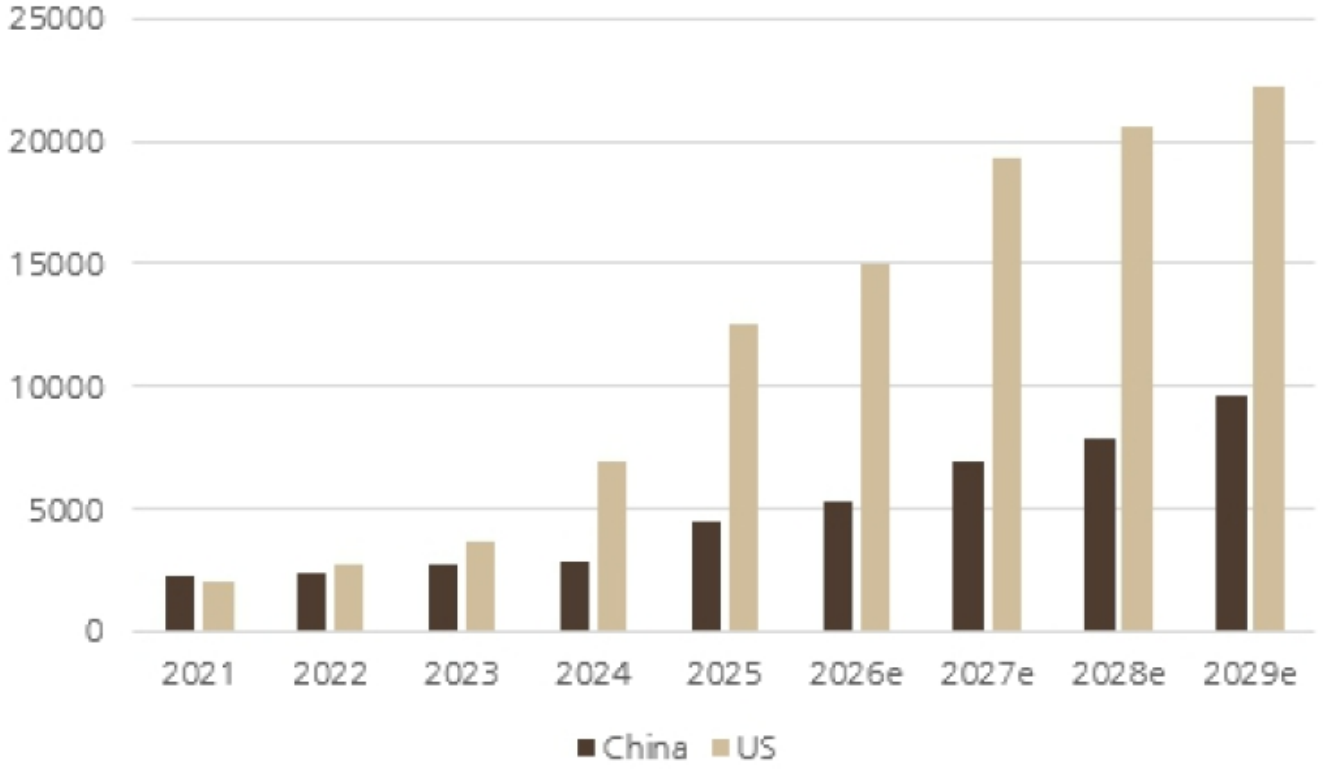
Productivity gains to fund the return on AI capex?



Source: Bloomberg, Wind, FactSet, UBS estimates

China the catch-up play on global AI

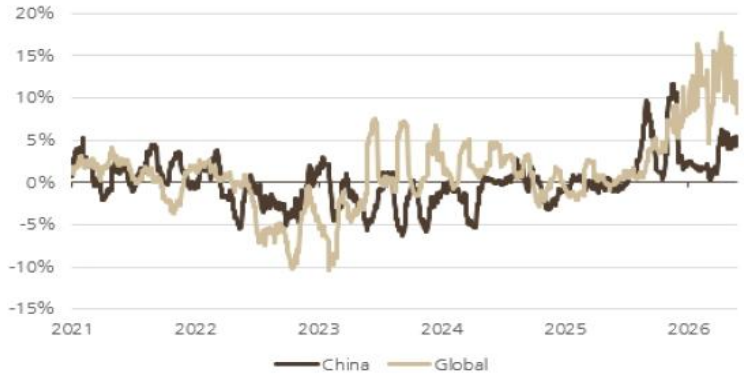
AIDC capacity buildout net addition in MW



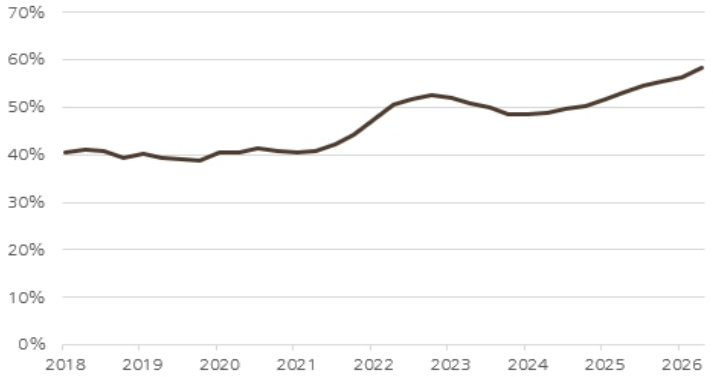
Source: MIIT, UBS estimates

Leading indicators remain robust

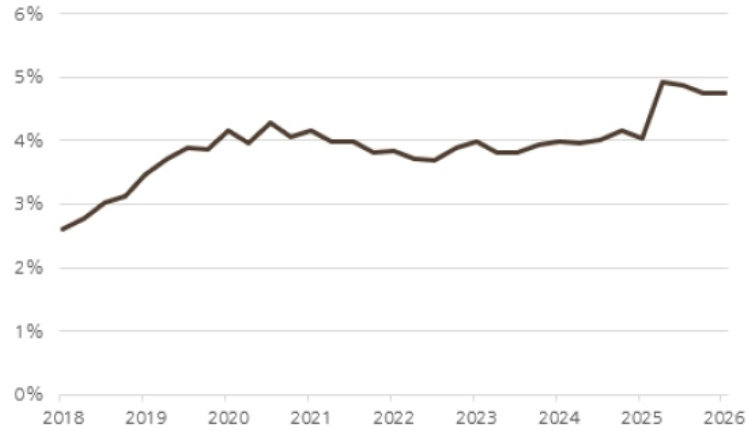
Forward EPS 1M revision for China and global AI tech hardware



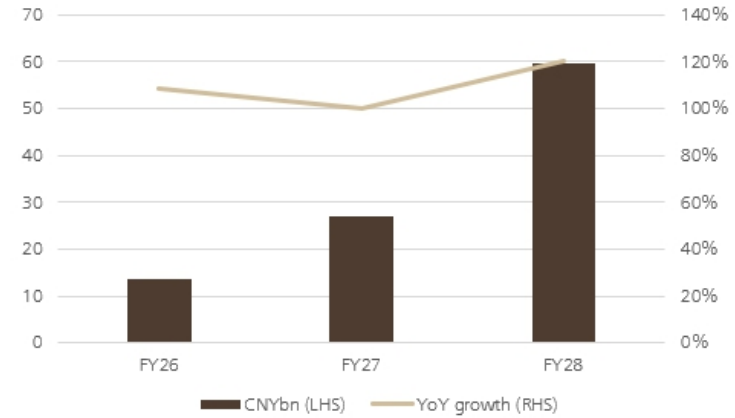
Chinese AI names inventory as % of revenue (4-quarter moving average)



Chinese AI names contract liability as % of revenue (4-quarter moving average)



Cambricon's revenue guidance



Source: Bloomberg, Wind, FactSet, Company data, UBS estimates

However share prices suggest major deterioration in EPS growth ahead

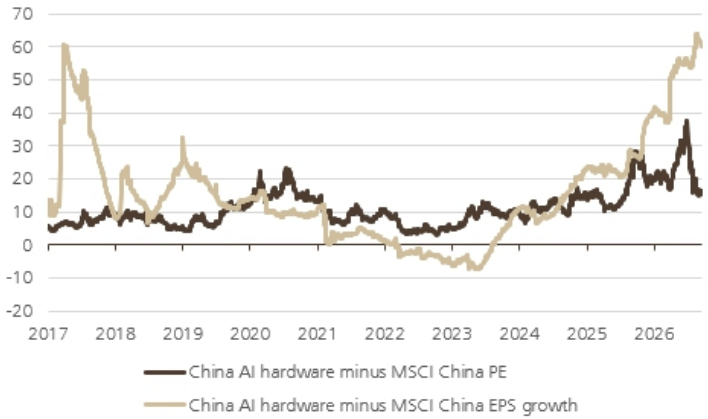
China AI tech hardware share price YoY vs 12M forward earnings growth



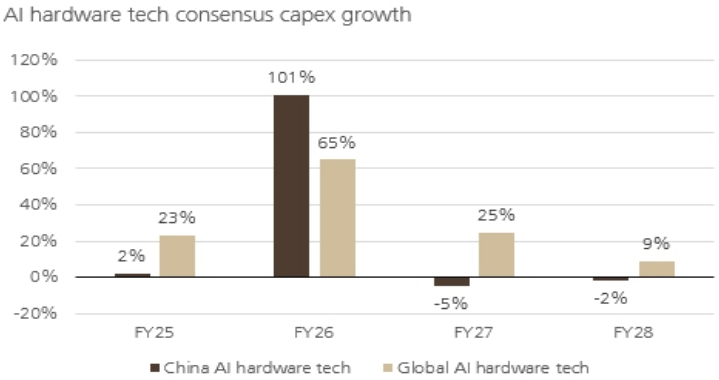
Consensus growth forecasts



PE Rel of China AI hardware vs relative EPS growth vs market



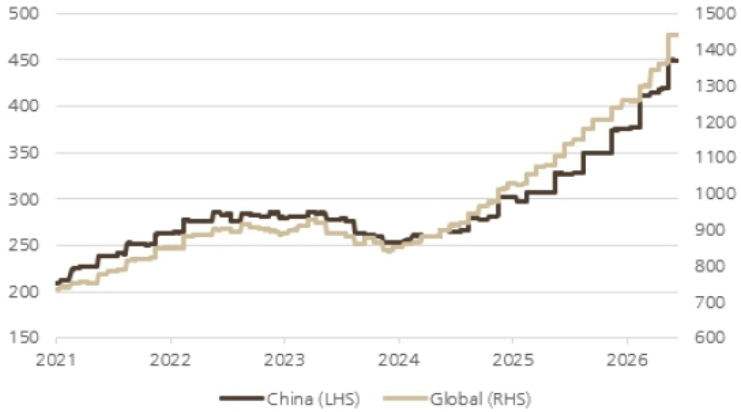
Consensus capex growth



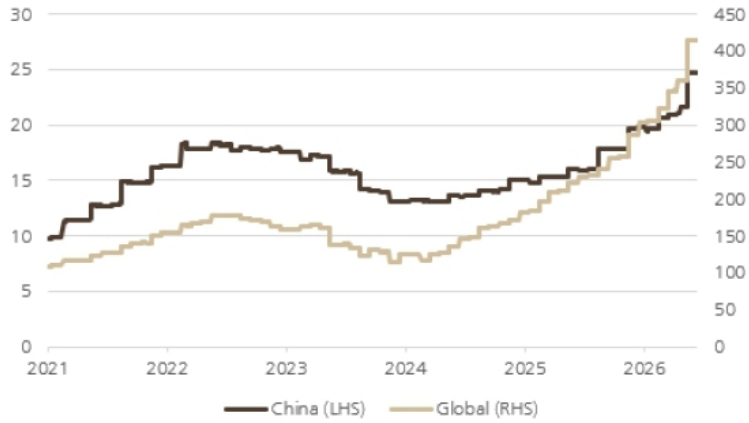
Source: Bloomberg, Wind, FactSet, UBS estimates

How do Chinese AI tech hardware's compare with global peers?

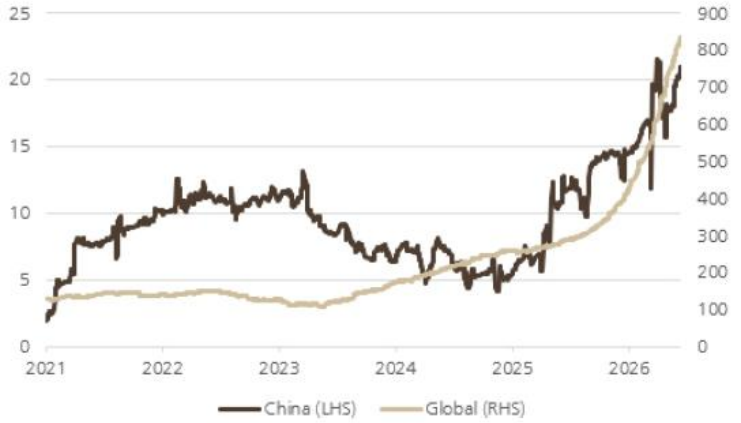
Trailing 12M revenue (USDbn)



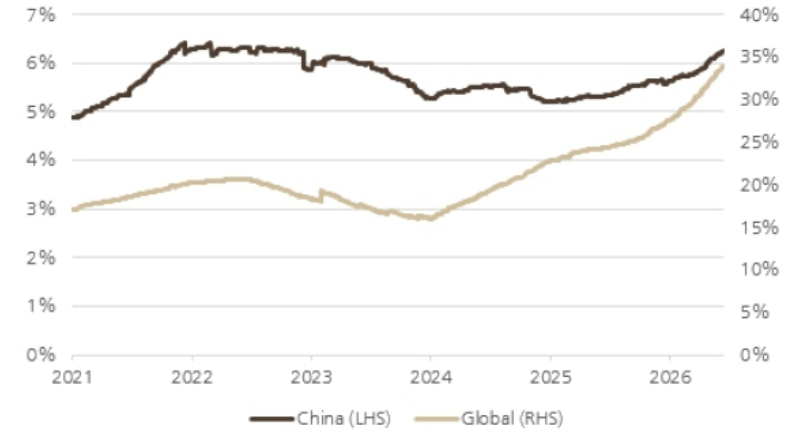
Trailing 12M earnings (USDbn)



Trailing 12M FCF (USDbn)



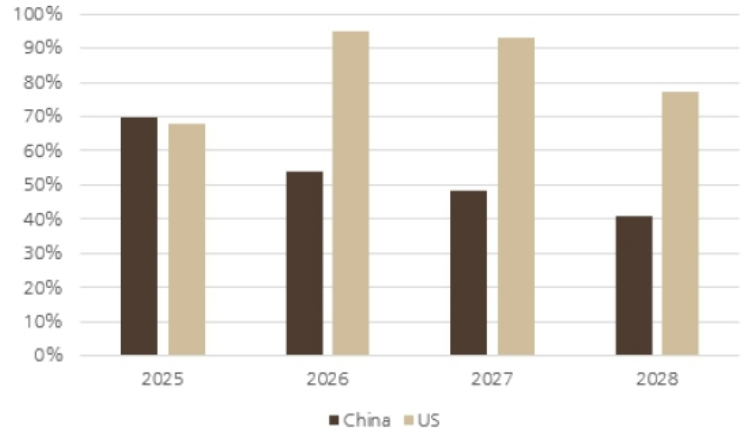
Trailing net margin



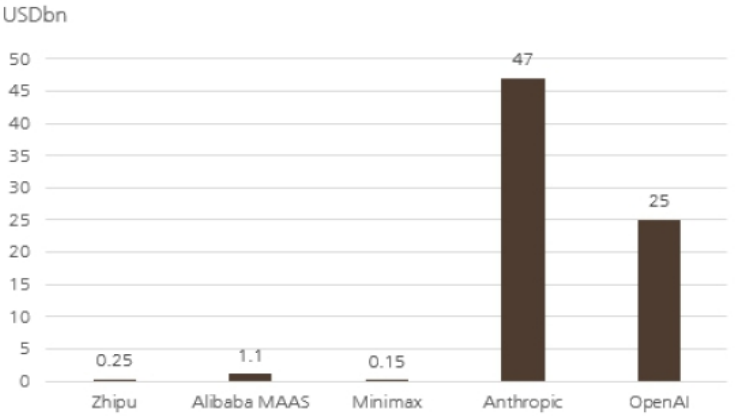
Source: Bloomberg, Wind, FactSet, UBS estimates

Comparing the hyperscaler and LLM companies

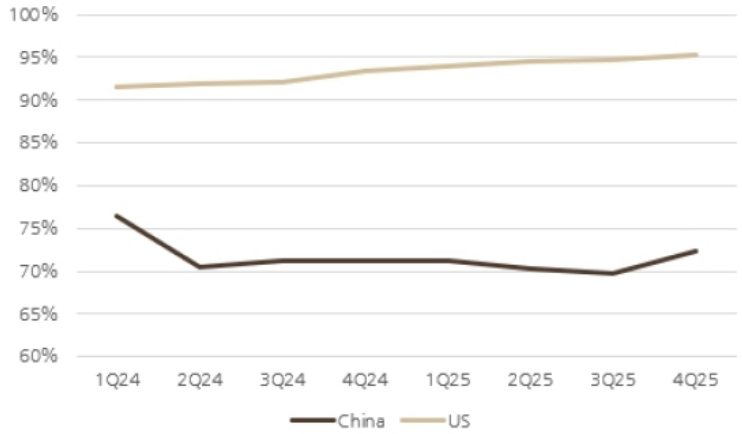
Capex as % of operating cash flow - China vs US hyperscalers



ARR of China vs US LLM



IDC utilization rate - China vs US



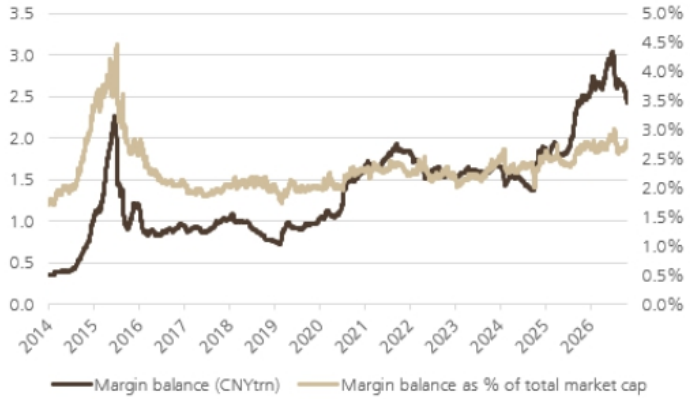
Relative share price performance of China/US hyperscalers vs corresponding market indices



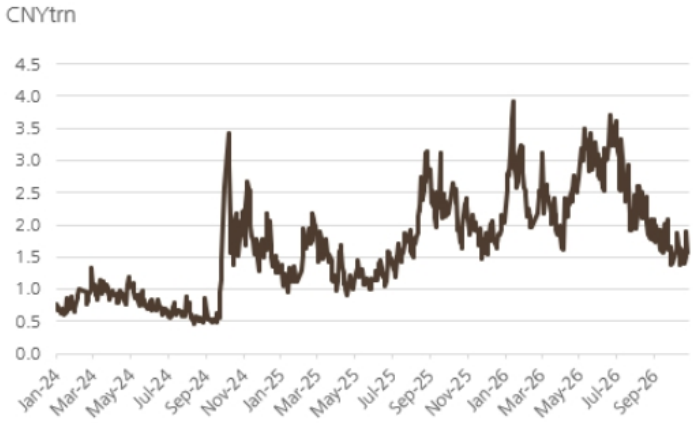
Source: Bloomberg, Wind, FactSet, UBS estimates Note: Note: Tencent, Alibaba, Baidu, AMZN, MSFT, GOOGL, ORCL, IBM and META are included in hyperscaler

Multiple indicators suggest weak market sentiment

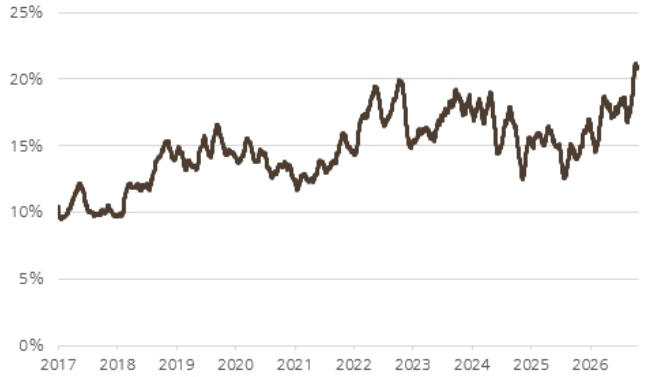
China A share margin balance outstanding



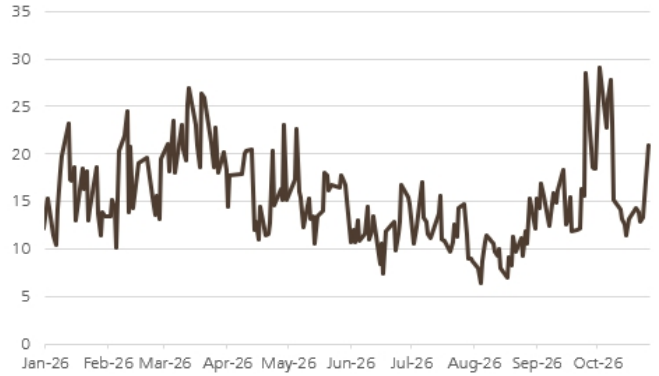
China A share market daily turnover



HK short selling turnover as % of total



Average short selling turnover ratio of major AI stocks listed in HK

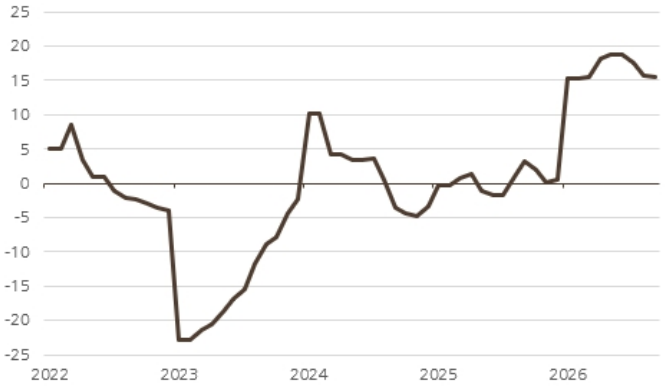


Source: Bloomberg, Wind, FactSet, UBS estimates

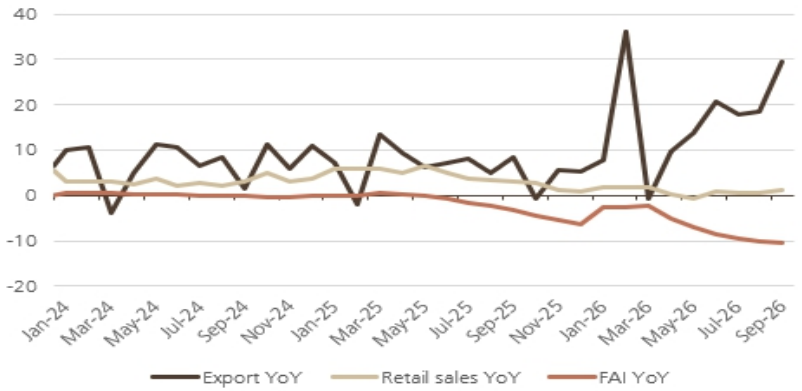
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更多资料请加V

Macro: tech and export led growth

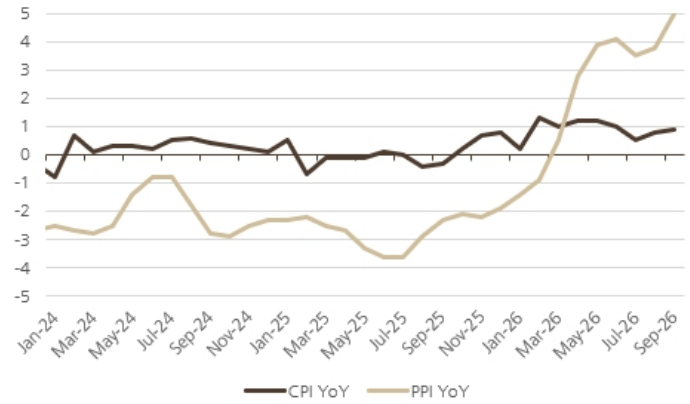
China industrial enterprise profit YoY



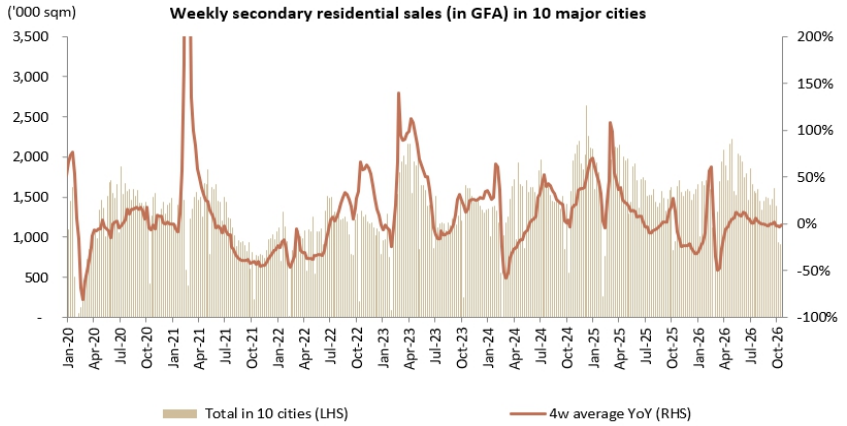
Export, retail sales and FAI YoY



China CPI vs PPI YoY

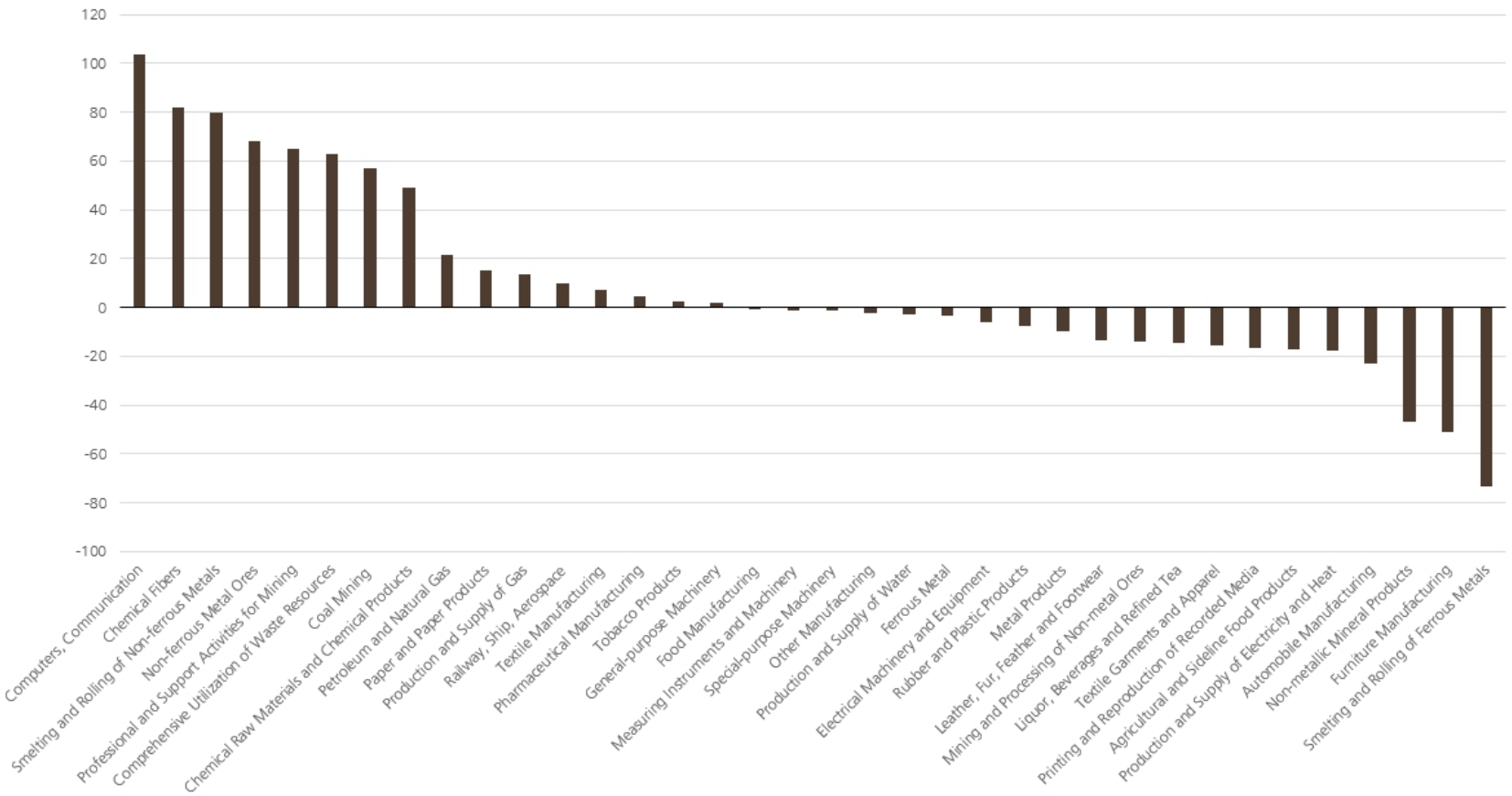


Secondary property sales YoY



Source: Bloomberg, Wind, FactSet, UBS estimates

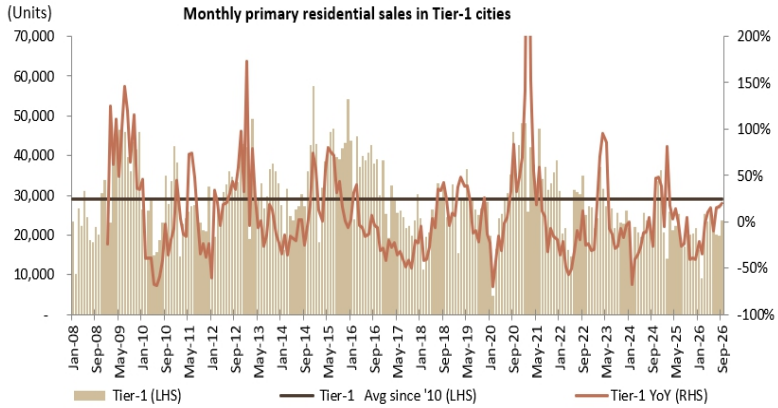
Sep 2026 YTD industrial profit growth by sector



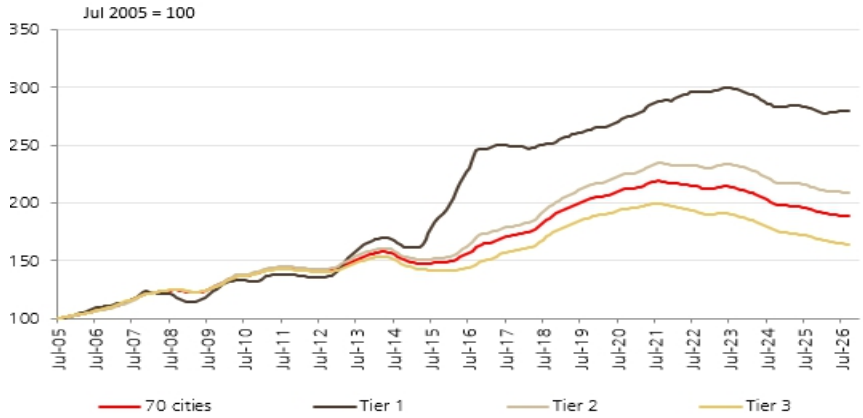
Source: NBS, UBS

Property market: Tier 1 cities recovering

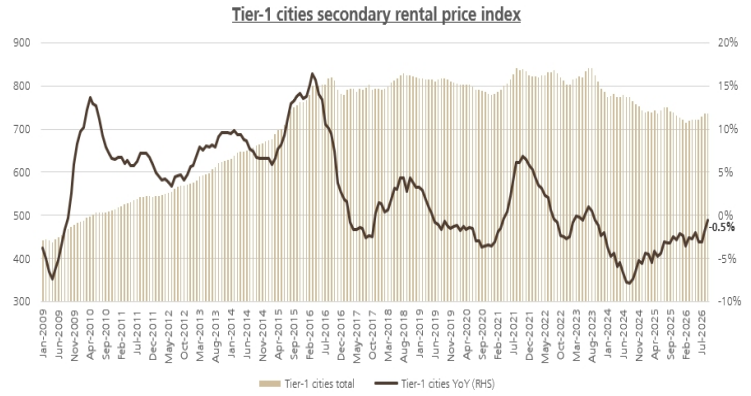
Primary market sales stabilizing



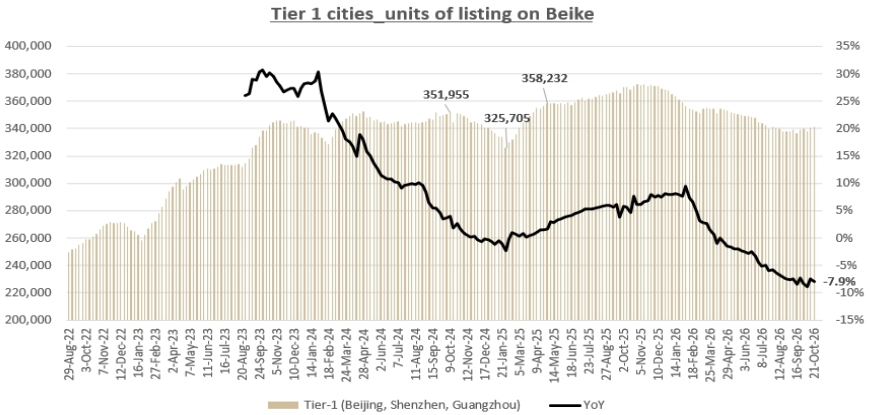
Secondary property market prices stabilizing in tier 1 cities



Rental declines have decelerated



While listings have come down



Source: Bloomberg, Wind, Centaline, UBS estimates, Beike

Would higher PPI lead to lower earnings?

A share non-financials trailing earnings growth vs PPI YoY



A share non-financials trailing earnings growth vs Brent oil YoY



Exporters trailing revenue growth vs PPI YoY

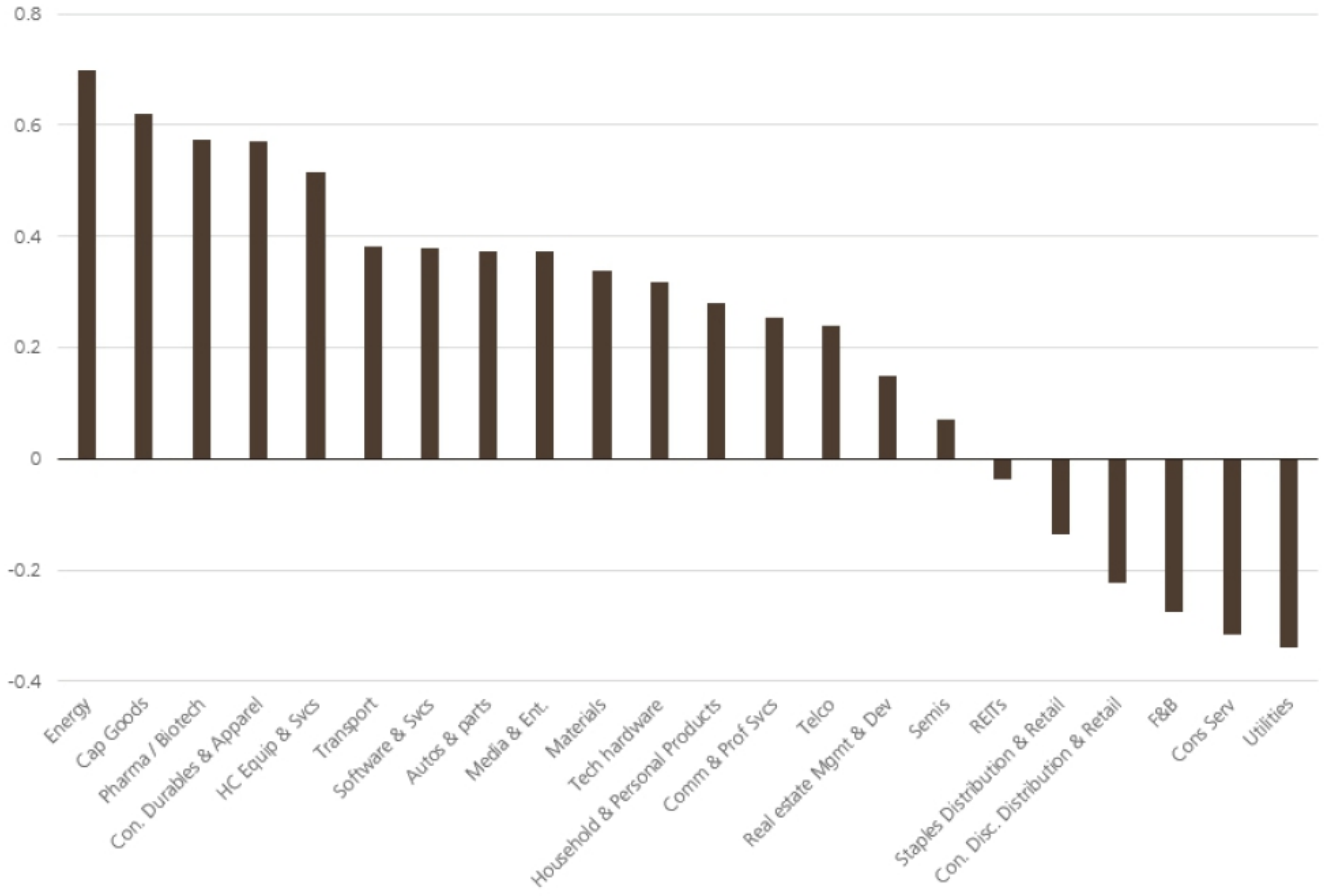


Exporters trailing earnings growth vs PPI YoY



Source: Bloomberg, Wind, FactSet, UBS estimates

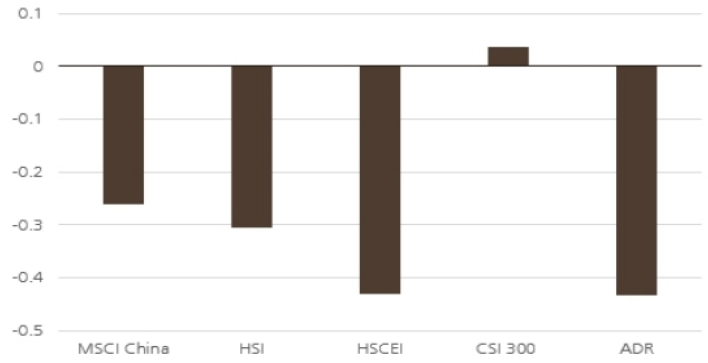
Correlation between sector trailing earnings growth and PPI YoY



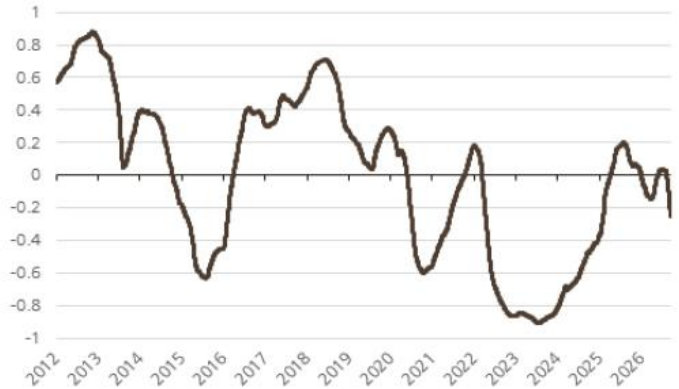
Source: Bloomberg, Wind, FactSet, UBS estimates

US rate hike implications for Chinese equities

Correlation of US 10Y yield with different market indices



Rolling 2Y correlation of MSCI China and US 10Y yield



Index performance during different phases of previous rate hike cycles

1st quarter after rate hike

Start date	12/17/2015	3/15/2022	
End date	3/17/2016	6/14/2022	Average
MSCI China	-6%	17%	6%
HSI	-6%	14%	4%
HSCEI	-9%	20%	5%
CSI 300	-17%	6%	-5%
ADR	-9%	35%	13%
S&P 500	0%	-12%	-6%

2nd quarter after rate hike

Start date	3/17/2016	6/14/2022	
End date	6/16/2016	9/13/2022	Average
MSCI China	-2%	-10%	-6%
HSI	-2%	-8%	-5%
HSCEI	-4%	-10%	-7%
CSI 300	-1%	-3%	-2%
ADR	-8%	-2%	-5%
S&P 500	2%	5%	4%

3rd quarter after rate hike

Start date	6/16/2016	9/13/2022	
End date	9/15/2016	12/13/2022	Average
MSCI China	18%	3%	11%
HSI	16%	1%	9%
HSCEI	14%	0%	7%
CSI 300	5%	-4%	0%
ADR	20%	-3%	8%
S&P 500	3%	2%	3%

4th quarter after rate hike

Start date	9/15/2016	12/13/2022	
End date	12/15/2016	3/14/2023	Average
MSCI China	-8%	-1%	-5%
HSI	-5%	-2%	-4%
HSCEI	-1%	-3%	-2%
CSI 300	3%	1%	2%
ADR	-10%	-1%	-6%
S&P 500	5%	-2%	1%

Current cycle vs previous cycle

Start date	12/17/2015	3/15/2022		2/27/2026
End date	12/15/2016	3/14/2023	Average	9/16/2026
MSCI China	0%	7%	4%	-11%
HSI	1%	5%	3%	-7%
HSCEI	-2%	5%	2%	-7%
CSI 300	-11%	0%	-6%	-5%
ADR	-10%	27%	8%	-20%
S&P 500	11%	-8%	1%	10%

Source: Bloomberg, FactSet, UBS estimates

Subsector performance rank during the previous rate hike cycles

Sector	1st quarter	2nd quarter	3rd quarter	4th quarter	Avg
Express delivery	11	1	8	1	5
Education	1	5	3	19	7
Restaurant	3	8	9	8	7
Internet (Online game)	29	4	16	4	13
Beer	19	12	14	16	15
Telecom	22	22	15	3	16
Baijiu	13	9	37	10	17
Furniture	16	2	38	14	18
Sportswear	18	31	10	13	18
Leisure	10	18	7	38	18
Pharma retail	12	10	1	50	18
Internet (Media & entertainment)	6	39	6	30	20
Basic materials	23	14	43	6	22
Home appliance	27	13	27	21	22
Truck	24	47	11	9	23
Internet (E-commerce)	4	35	5	49	23
Auto parts	14	6	41	34	24
Energy	7	40	44	5	24
Airline airport	37	7	17	35	24
Health care service	15	33	24	29	25
Food & beverage	21	20	25	36	26
Insurance	30	28	13	32	26
Pharma	42	32	12	17	26
Construction	36	45	21	2	26
Software	48	23	26	7	26
Chemicals	35	21	33	18	27
Medical device	44	24	2	37	27
Auto retail	8	49	4	47	27
Grid	40	34	19	15	27
Semiconductor	49	25	22	12	27
Machinery	38	27	34	11	28
Gas utilities	9	30	31	41	28
Tech hardware	45	16	29	23	28
Hog	17	17	48	33	29
Banks	28	38	28	25	30
Construction materials	34	43	23	20	30
Property	20	37	20	45	31
EV Battery & materials	26	3	49	44	31
Power operator	33	19	46	24	31
Auto	5	42	35	42	31
Transportation	32	41	30	22	31
Solar supply chain	39	11	47	31	32
Aerospace & defense	46	15	40	28	32
Biotech, CRO	31	44	18	39	33
Broker	41	29	39	27	34
Personal product	25	36	36	43	35
Wind power equipment	47	26	45	26	36
Consumer finance	2	50	50	46	37
Shipping	43	46	32	40	40
Data center	50	48	42	48	47

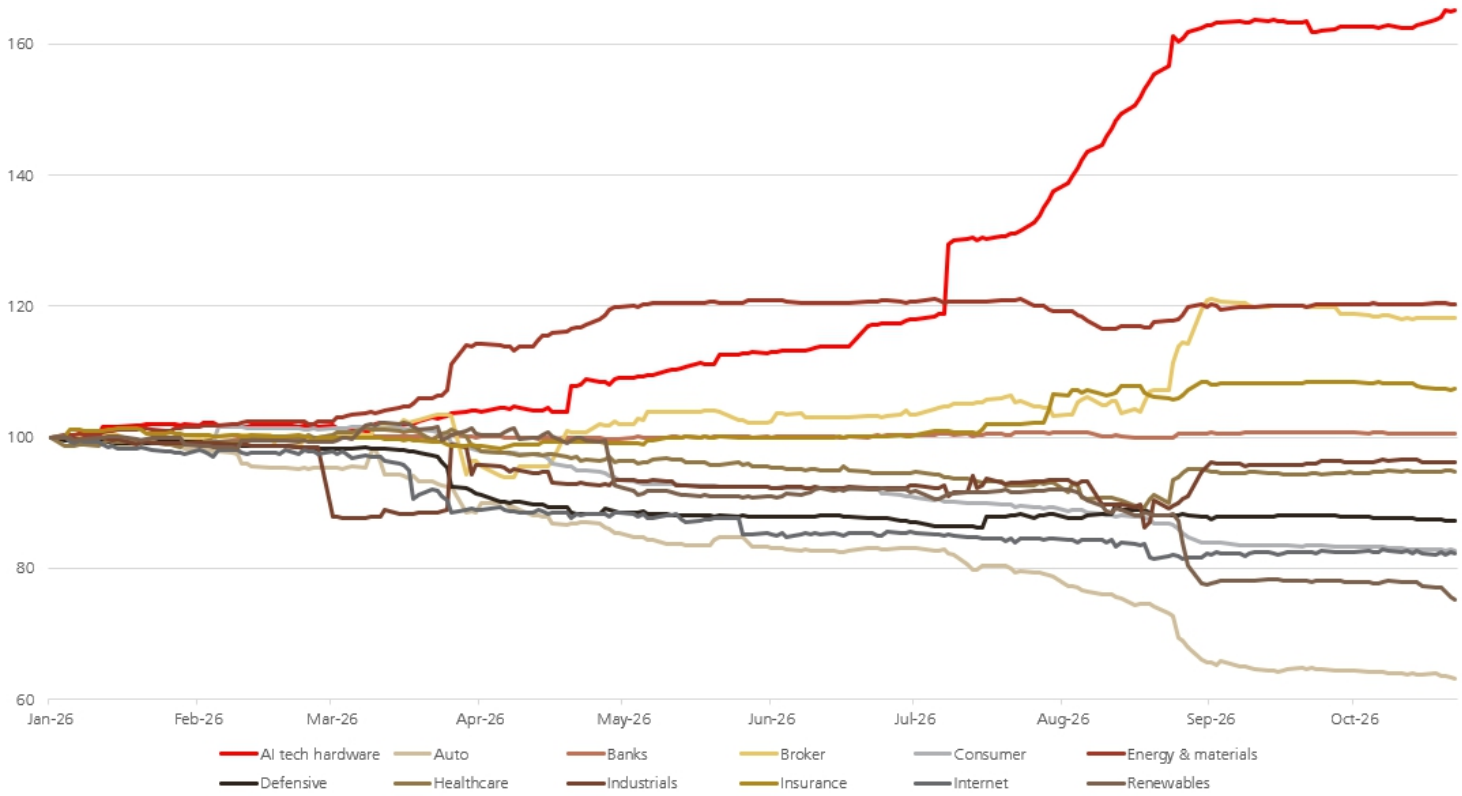
Source: UBS, FactSet

MSCI China 1H26 results

Sector	No. of companies reported	% weighting in MSCI China	Revenue growth	Earnings growth
Overall	**847**	**100%**	**4%**	**16%**
Financials	138	18%	2%	26%
Non-financials	709	82%	5%	8%
SOE	268	26%	2%	15%
Non-SOE	578	74%	7%	16%
Upstream	190	9%	10%	29%
Downstream	537	36%	0%	3%
Renewables	36	2%	27%	90%
Insurance	9	4%	12%	84%
Tech	116	5%	19%	38%
Energy & materials	136	6%	9%	36%
Other Financials	42	2%	51%	36%
Property	57	3%	-18%	26%
Healthcare	106	6%	5%	14%
Banks	30	9%	-1%	3%
Consumer	135	13%	1%	-2%
Industrials	89	3%	-3%	-6%
Defensive	33	3%	-2%	-12%
Internet	29	38%	5%	-15%
Auto	29	5%	0%	-32%

Source: Bloomberg, Wind, FactSet, UBS

Sector earnings trend - FY26 EPS integer by sector (Jan 2026 =100)



Source: Bloomberg, Wind, FactSet, UBS estimates

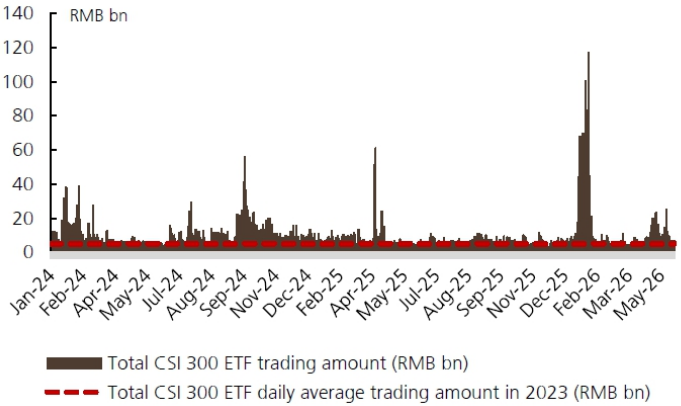
The national team is a counter-cyclical force



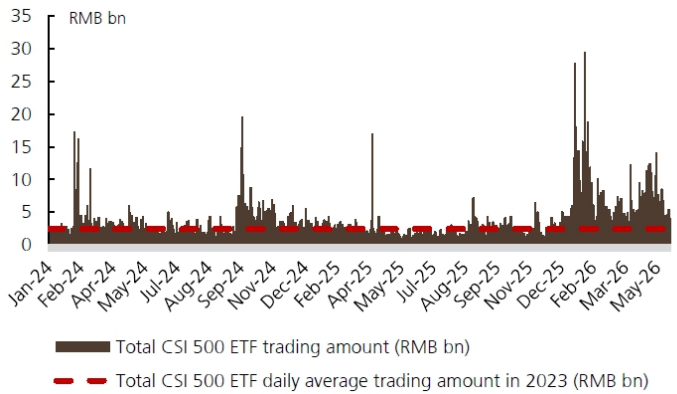
Source: Bloomberg, Wind, FactSet, UBS estimates

How to monitor the national team?

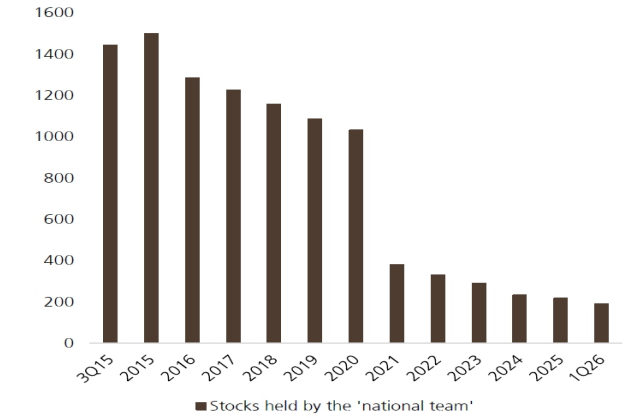
Total CSI 300 ETF daily turnover



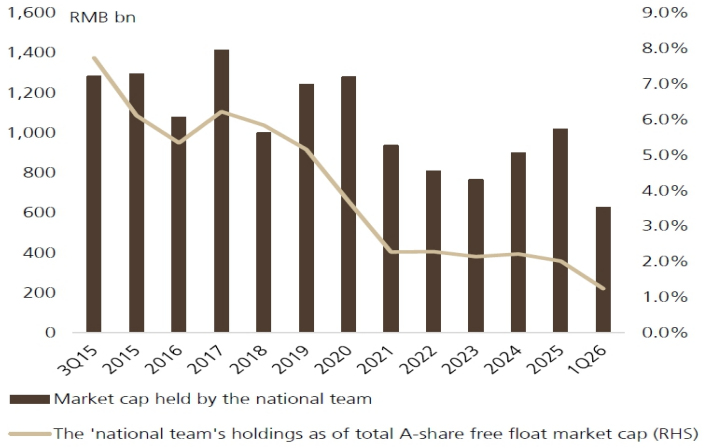
Total CSI 500 ETF daily turnover



Stocks held by the old national team



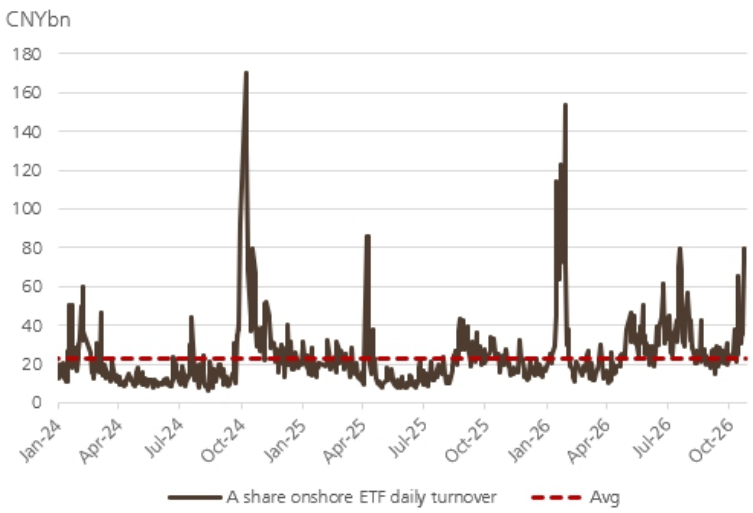
Value of stocks held by the old national team



Source: Bloomberg, Wind, FactSet, UBS estimates

Recent ETF transactions activities suggest national team re-entering

A share broad market ETF daily turnover



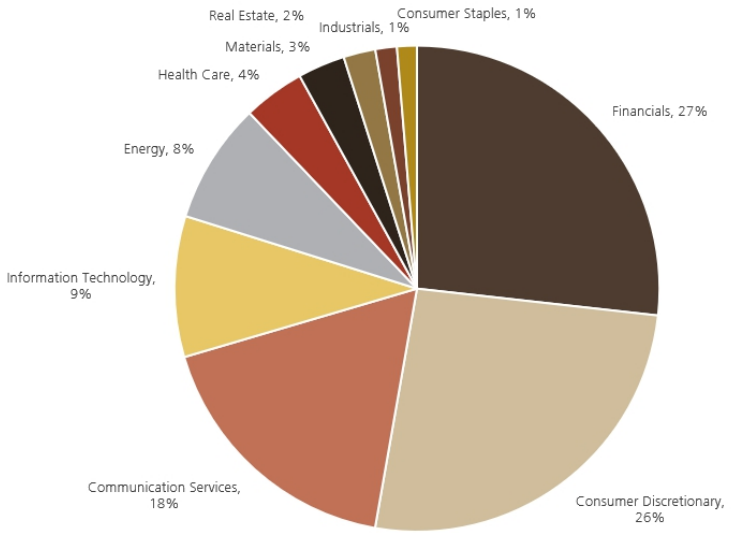
Cumulative net inflows into A share equity ETFs



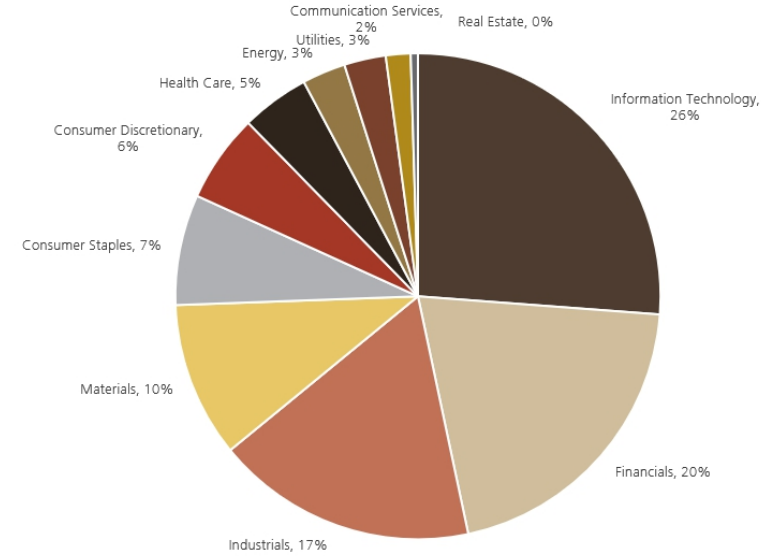
Source: Bloomberg, Wind, FactSet, UBS estimates

A vs H sector mix

HSCEI



CSI 300



HSCEI

Internet	27%
Tech	9%
Renewables	0%

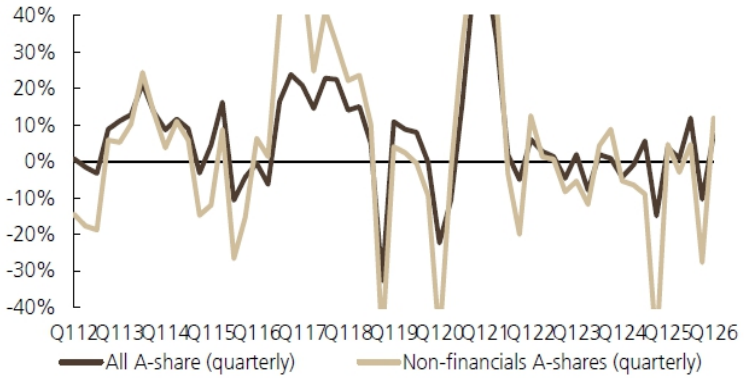
CSI 300

Internet	0%
Tech	18%
Renewables	9%

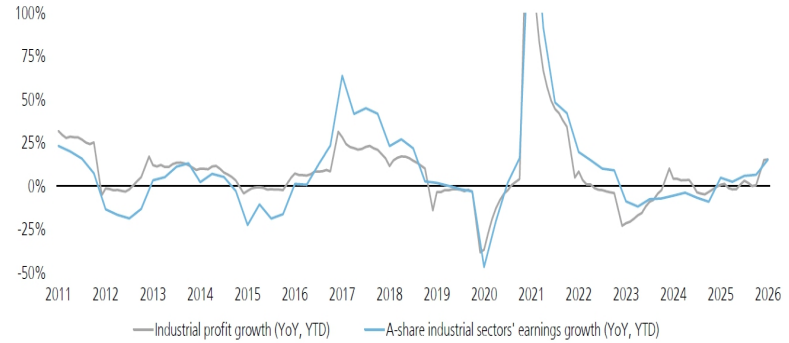
Source: Bloomberg, Wind, FactSet, UBS

A share market fundamentals improving

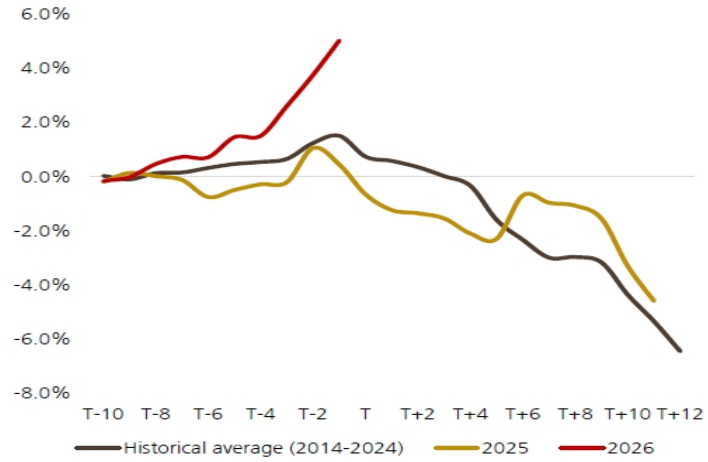
A share quarterly earnings growth



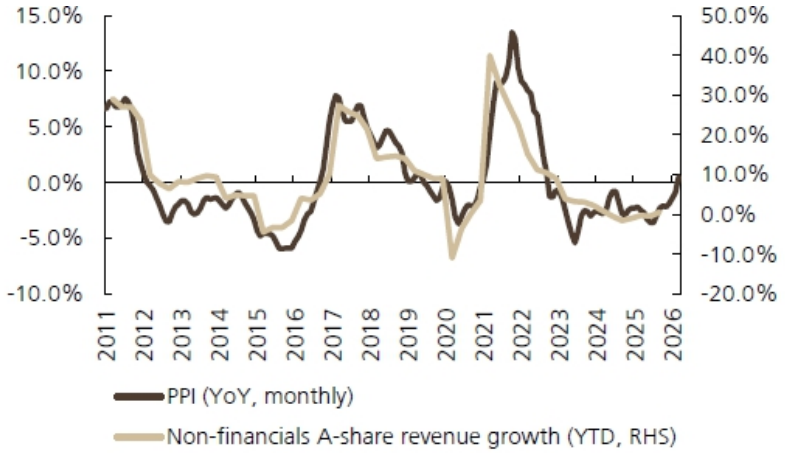
NBS industrial profit growth and A-share industrial-related sectors' earnings growth



CSI 300 monthly earnings revisions (2014-26F)



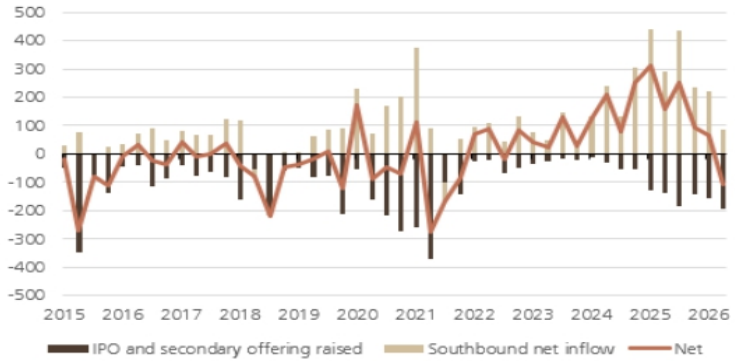
China PPI vs A-share non-financials revenue growth



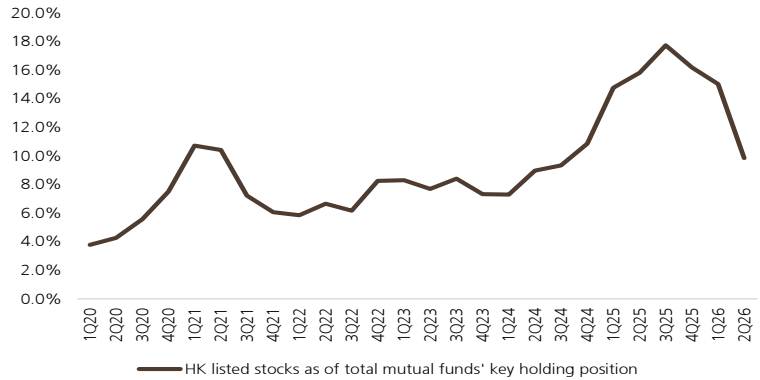
Source: Go-goal, Wind, FactSet, UBS estimates

Prefer A over H –flows

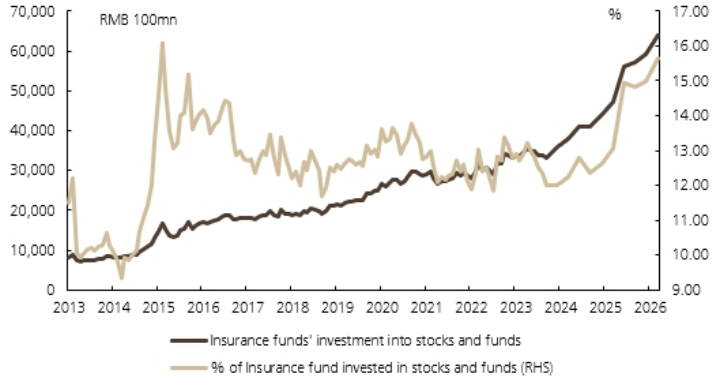
Southbound net inflows minus equity raising (quarterly)



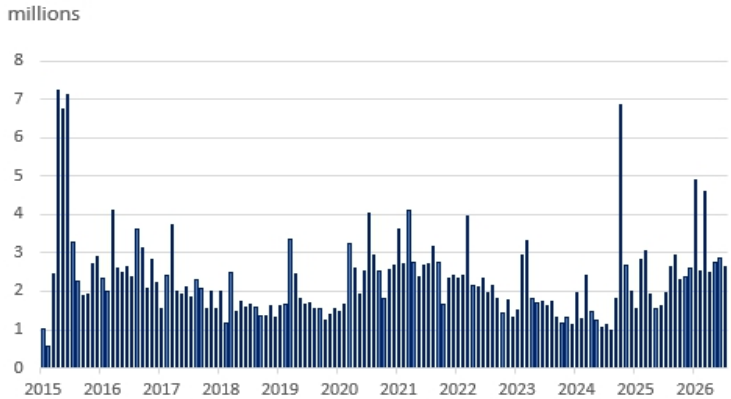
Onshore mutual fund holding of H-shares



Insurers' holding of stocks

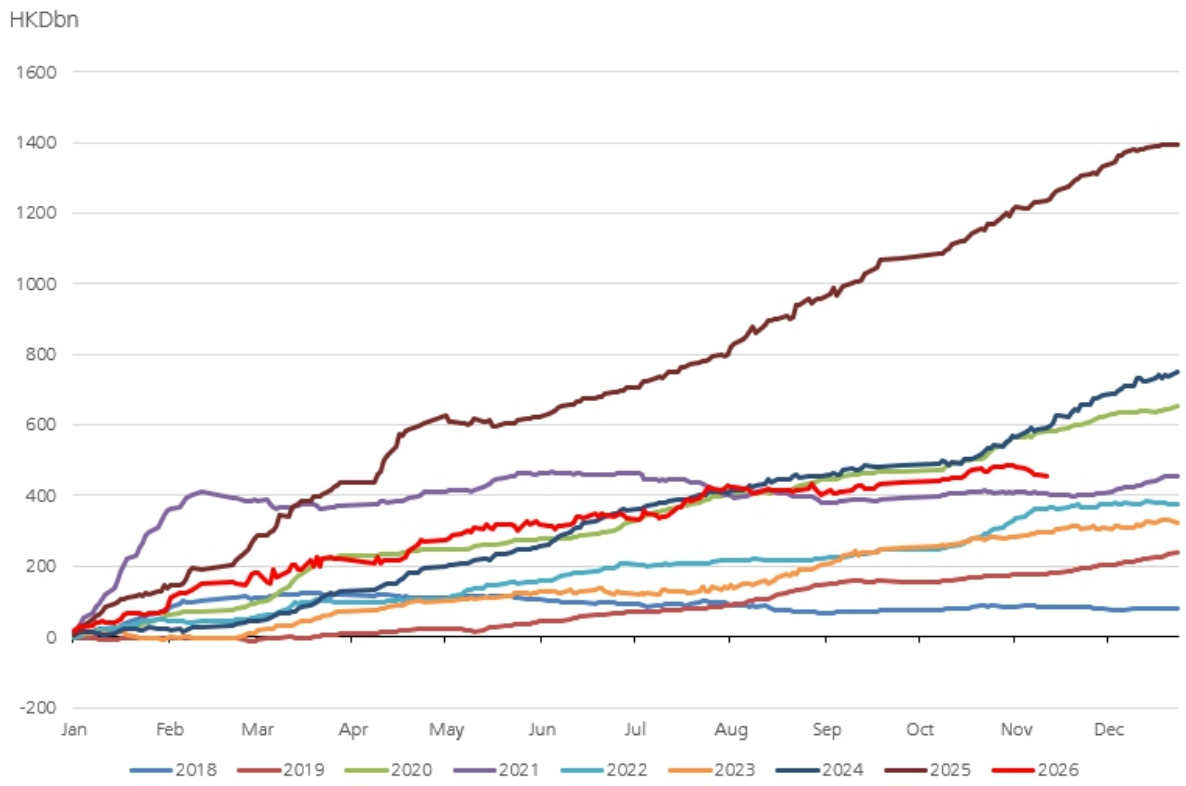


A-share new retail investor account openings at SSE



Source: Bloomberg, Wind, FactSet, UBS

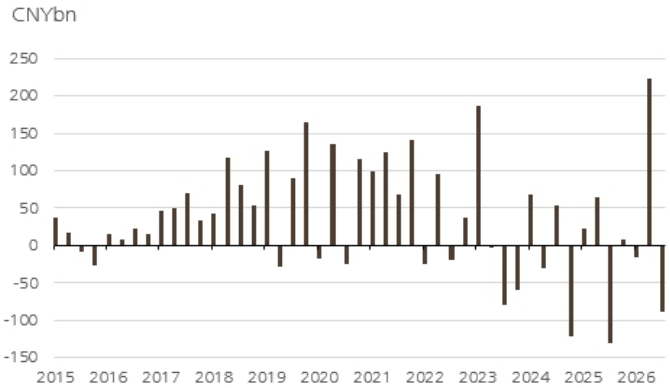
Southbound flows slowed down vs last year



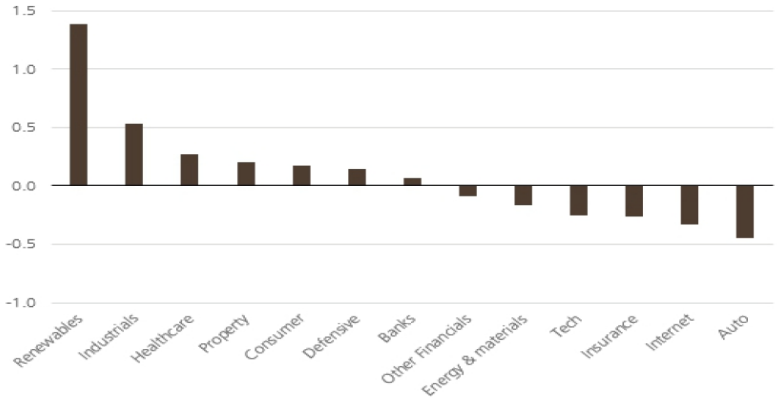
Source: CEIC, UBS

Record foreign funds inflows into A-share in 2Q but outflow in 3Q

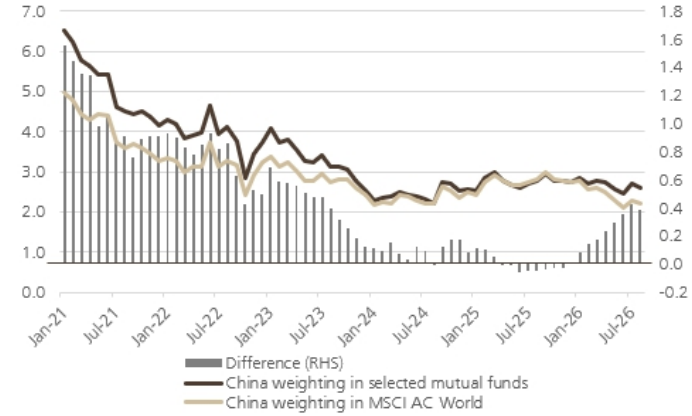
Quarterly northbound net inflows



Sector inflows by foreign funds into HK in 2Q



Monthly active investors' positioning



Top 40 global investor positioning in Chinese equity (% of portfolio)



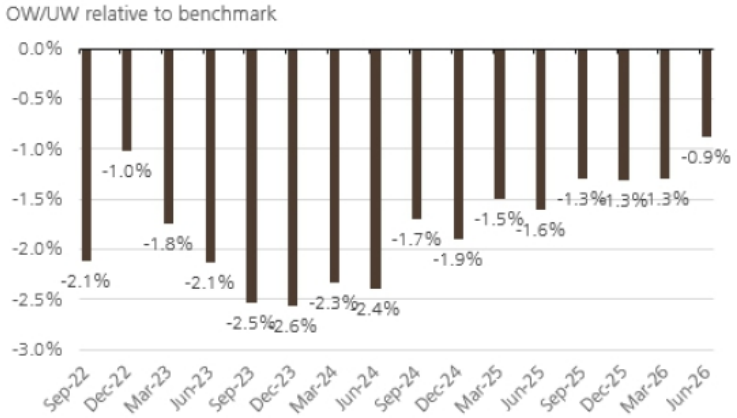
Source: Bloomberg, Wind, FactSet, UBS Note: Monthly data up to Aug

Investor positioning

Actively managed funds' Chinese equity holdings vs benchmarks - 30 June 2026

Region/market focus	Benchmark index	No. of funds	Total equity AUM (USDbn)	Weighting in Chinese equities (as % of equity portfolio)	Weighting in benchmark	Diff	Cash as % of total AUM
Asia	MSCI AC Asia ex Japan Index	31	29	27.2	24.1	3.1	0.5
	MSCI AC Asia Pacific ex Japan Index	10	3	24.5	21.0	3.5	1.8
	MSCI AC Asia Pacific ex Japan Small Cap Index	2	0	18.8	10.3	8.4	3.6
	MSCI AC Asia Pacific Index	6	10	17.9	15.2	2.7	0.1
	MSCI All Country Asia ex Japan Index	16	10	21.4	24.1	-2.7	1.4
	MSCI Asia Pacific Ex-Japan IMI Index	3	6	37.6	20.7	17.0	0.1
	MSCI Emerging Markets Asia Index	2	7	25.8	22.2	3.6	1.9
Asia Total		**70**	**65**	**25.7**	**22.0**	**3.6**	**0.7**
Global	FTSE All-World Index	5	13	3.8	3.1	0.8	6.8
	FTSE Global All Cap Index	3	112	2.8	3.0	-0.2	0.8
	MSCI ACWI Index - EUR	8	6	3.7	2.7	1.1	1.9
	MSCI ACWI Ex USA Growth Index	6	37	6.1	8.4	-2.3	1.9
	MSCI ACWI Large Cap Index net	1	26	1.6	2.5	-0.8	0.0
	MSCI AC World Net USD	4	5	4.2	2.7	1.5	1.5
	FTSE All-World ex US Index	2	96	7.5	8.0	-0.5	1.7
	FTSE Global All Cap ex US Index	1	663	7.3	8.0	-0.7	2.2
	MSCI ACWI Index	176	694	2.0	2.7	-0.7	0.4
	MSCI ACWI ex USA Index	59	251	3.8	7.3	-3.6	0.6
	MSCI World Index	202	371	1.4	0.5	0.9	1.1
	MSCI World Index - EUR	39	82	1.6	0.5	1.2	1.4
Global Total		**506**	**2358**	**3.9**	**4.6**	**-0.6**	**1.2**
EM	FTSE Emerging Index	3	11	24.6	26.2	-1.6	-0.2
	FTSE Emerging Markets All Cap China A Inclusion Index	1	168	23.5	25.9	-2.4	3.7
	MSCI Emerging Markets Index	222	502	16.6	18.6	-2.0	0.6
	MSCI Emerging Markets Index - EUR	10	16	16.6	18.6	-2.0	0.6
	MSCI Emerging Markets Index - GBP	8	8	19.1	18.6	0.5	0.7
EM Total		**244**	**705**	**18.4**	**20.5**	**-2.1**	**1.3**
Overall total		**820**	**3128**	**7.6**	**8.5**	**-0.9**	**1.2**

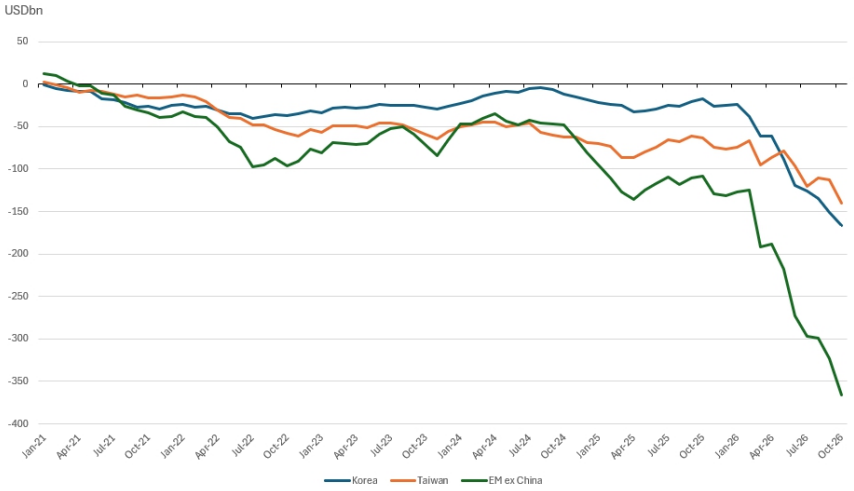
Actively managed funds' Chinese equity holdings vs benchmarks



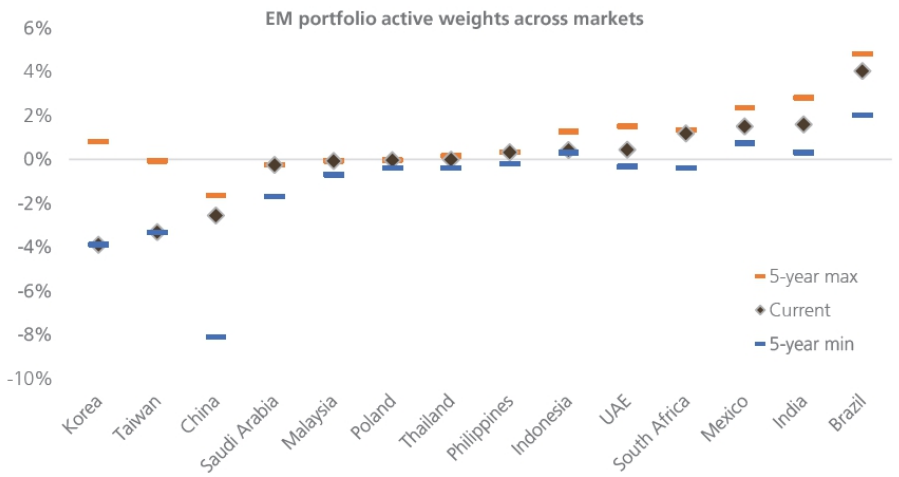
Source: Bloomberg, Wind, FactSet, UBS

EM flows and investor positioning

Cumulative foreign net inflows into EM equities (ex-China)



EM funds' active holdings across major markets



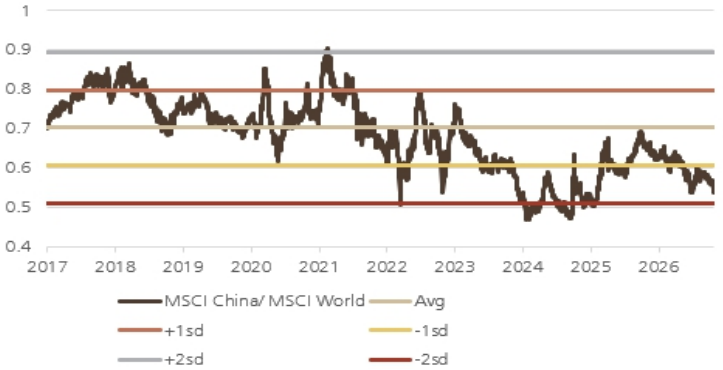
Source: Bloomberg, Wind, FactSet, UBS estimates

MSCI China valuations

MSCI China forward P/E (x)



MSCI China forward P/E relative to MSCI World



MSCI China trailing dividend yield (%)



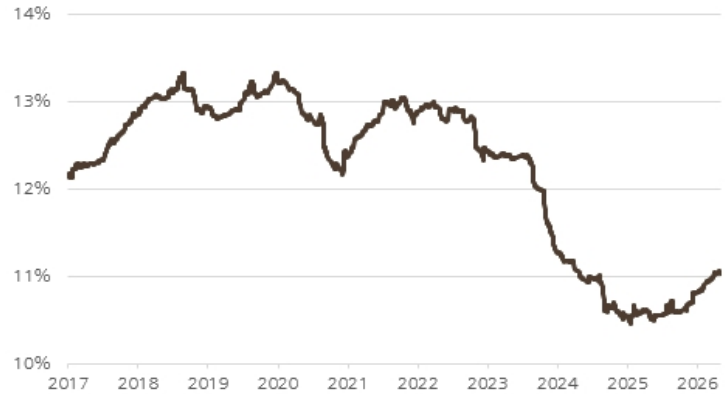
MSCI China forward P/E relative to MSCI EM



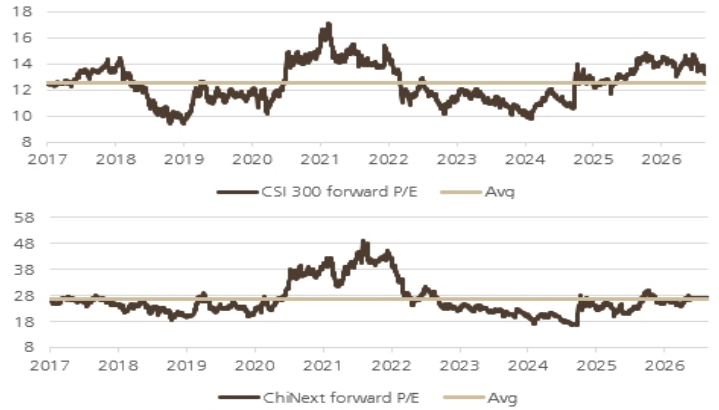
Source: Bloomberg, Wind, FactSet, UBS

A-share valuation

Trailing ROE trends



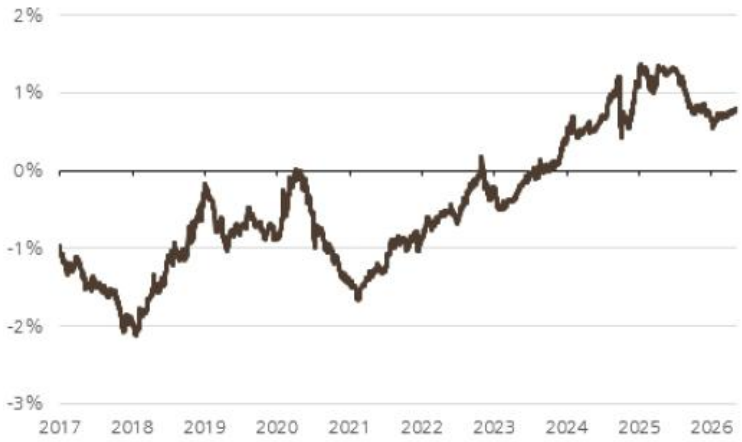
Valuation (Chinext, CSI300)



A-H premium



Dividend yield minus government bond yield



Source: Bloomberg, Wind, FactSet, UBS

Sector preferences – back to a barbell

Most preferred	Least preferred
Tech hardware	Construction
Internet	Auto OEM
"Going Abroad" stocks	Consumer
Non-ferrous metal	
Banks	

Most preferred names

Stock Code	Company name	Lead analyst	UBS rating	Last close	Price target	FY26 P/E	UBSe FY26 EPS growth	UBSe vs consensus FY26 earnings	Forward div yield	YTD return
9888-HK	Baidu, Inc. Class A	Wei Xiong	Buy	76.40	135.00	13.9	-34%	-7%	3%	-42%
3606-HK	Fuyao Glass Industry Group Co., Ltd. Class H	Nora Min	Buy	51.20	75.29	12.3	6%	4%	6%	-20%
2899-HK	Zijin Mining Group Co., Ltd. Class H	Sharon Ding	Buy	27.74	56.00	7.9	59%	0%	4%	-20%
002371-CN	NAURA Technology Group Co Ltd Class A	Jimmy Yu	Buy	517.00	905.00	48.8	23%	-8%	0%	13%
700-HK	Tencent Holdings Ltd	Kenneth Fong	Buy	386.40	742.67	11.5	0%	-2%	2%	-35%
300750-CN	Contemporary Amperex Technology Co., Limited Class A	Paul Gong	Buy	238.00	520.00	11.8	21%	-1%	5%	-33%
600183-CN	Shengyi Technology Co., Ltd. Class A	Edward Liu	Buy	100.26	209.00	30.8	202%	32%	3%	42%
BABA-US	Alibaba Group Holding Limited Sponsored ADR	Kenneth Fong	Buy	100.25	207.15	16.9	-26%	-7%	1%	-31%
1211-HK	BYD Company Limited Class H	Paul Gong	Buy	70.80	136.15	13.8	12%	-10%	2%	-25%
883-HK	CNOOC Limited	Amily Guo	Buy	23.94	34.30	5.9	45%	4%	7%	19%
2259-HK	Zijin Gold International Company Limited	Sharon Ding	Buy	119.30	195.93	13.7	67%	-12%	2%	-16%
002850-CN	Shenzhen Kedali Industry Co Ltd Class A	Nora Min	Buy	161.59	255.00	19.6	31%	3%	2%	4%
600919-CN	Bank of Jiangsu Co., Ltd. Class A	Helen Li	Buy	12.25	14.00	6.3	10%	-5%	5%	23%
939-HK	China Construction Bank Corporation Class H	May Yan	Buy	9.92	12.01	6.3	0%	-1%	5%	32%
981-HK	Semiconductor Manufacturing International Corp.	Jimmy Yu	Buy	45.92	102.38	33.5	83%	-11%	0%	-36%
688825-CN	CXMT Corporation Class A	Jimmy Yu	Buy	42.66	76.00	14.9	9553%	-2%	0%	392%

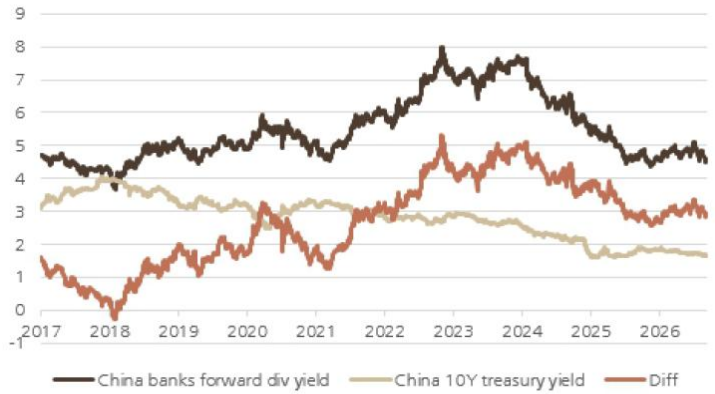
Source: FactSet, UBS estimates Note: Closing prices as of 27 Oct 2026

Banks stand out as an attractive diversification option

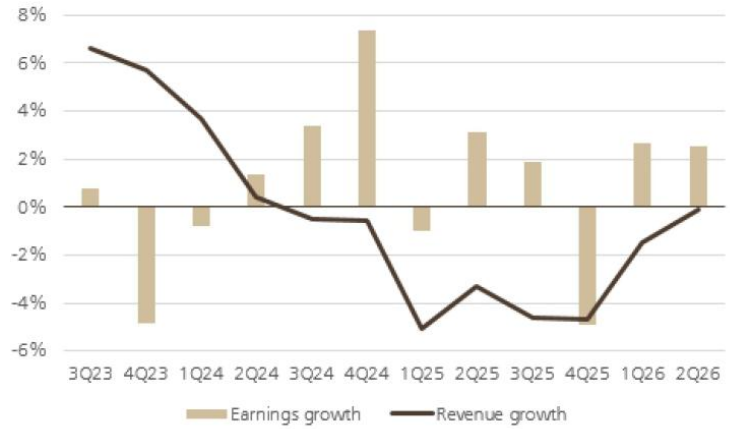
China banks forward DPS and payout ratio



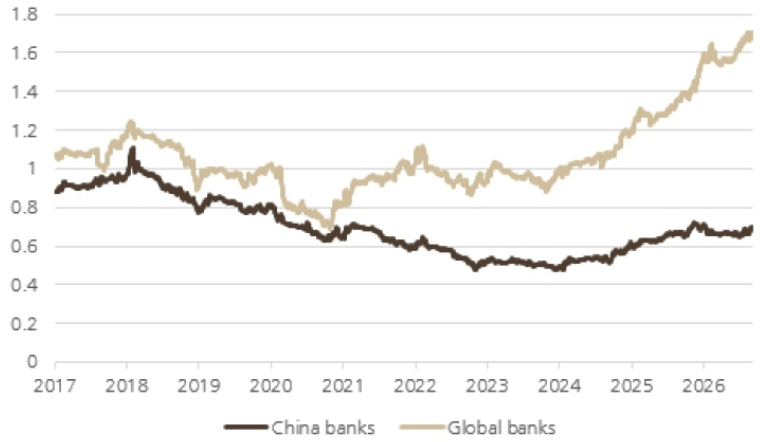
China banks forward div yield vs China 10Y yield



China banks quarterly revenue and earnings growth



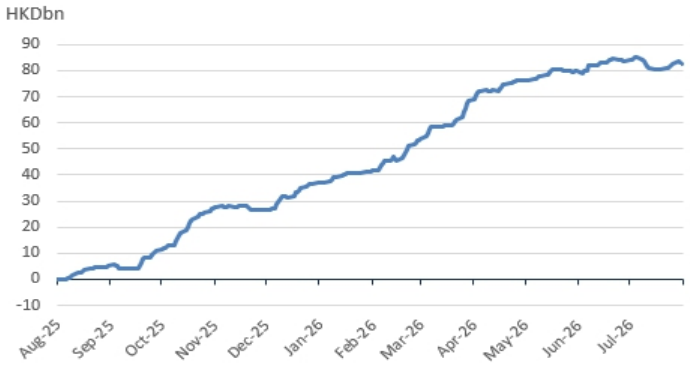
China vs global banks P/B



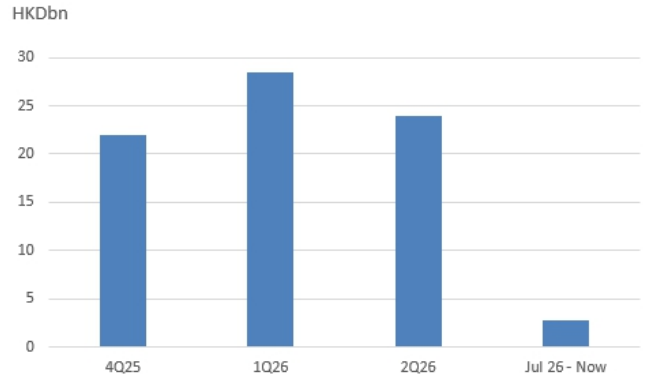
Source: Bloomberg, Wind, FactSet, UBS estimates

Recent flows trend and investor positioning in HK banks

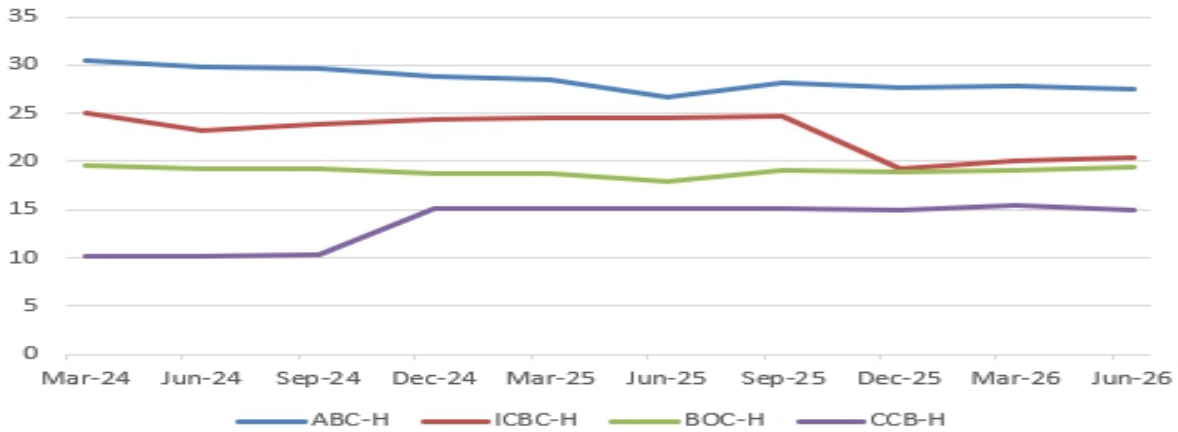
Cumulative southbound net inflows into four major SOE banks



Quarterly southbound net inflows into four major SOE banks



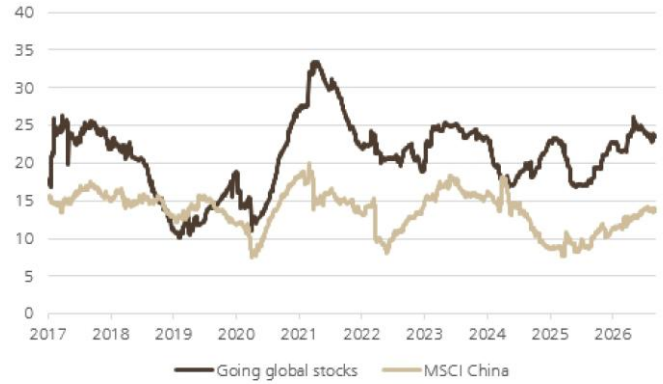
Foreign institutional ownership of four major SOE banks



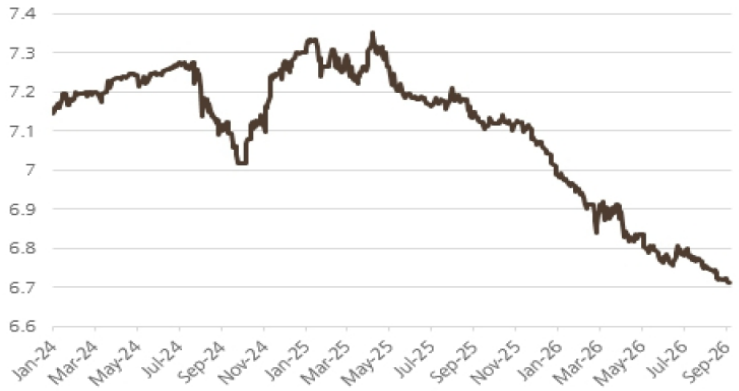
Source: FactSet, CEIC, UBS

Going global as an alternative theme outside of AI tech

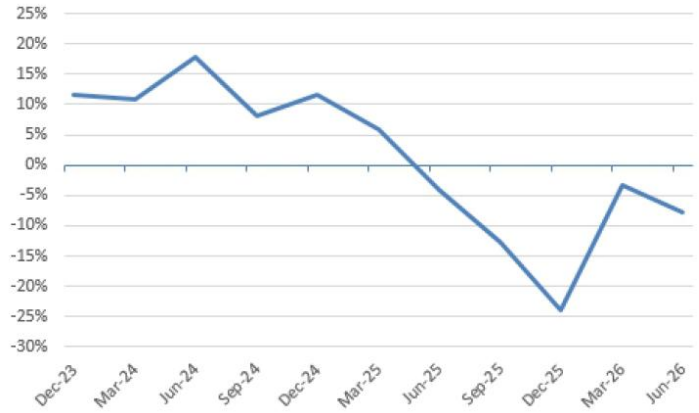
Forward earnings growth - going global stocks vs MSCI China



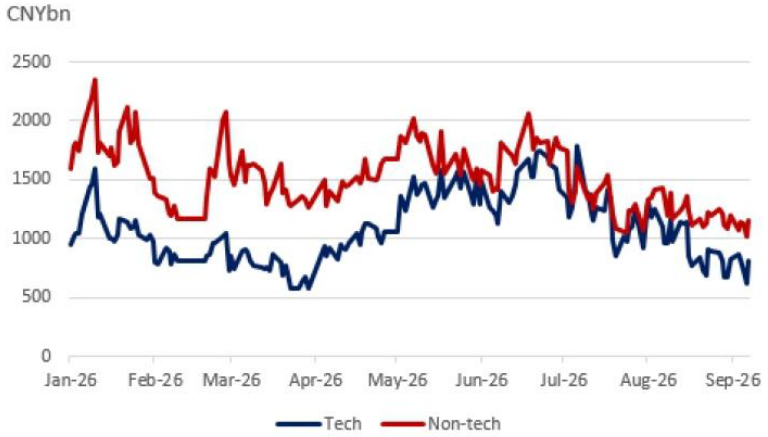
FX headwind may moderate for exporters in 2027



Ex-tech, ex- financials, ex-upstream earnings growth trend



A share tech and non tech turnover



Source: Bloomberg, Wind, FactSet, UBS estimates

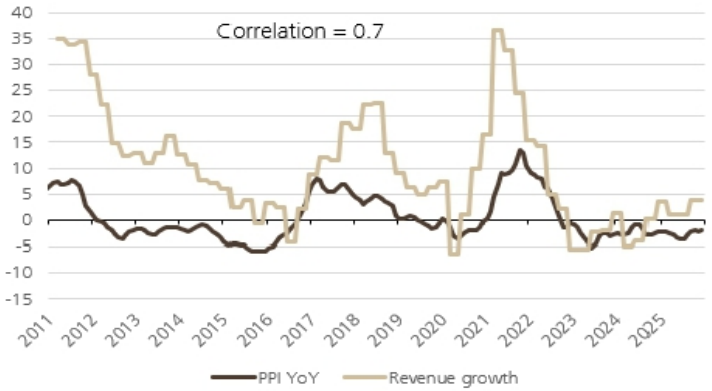
Sector valuations

Sector	Current P/E or P/B*	Valuation				FY26 consensus earnings growth	2026 YTD Return (%)	Forward Dividend yield
		5Y Average	5Y low	Standard deviation	Forward PEG			
Power operator	16.3	14.0	11.2	1.8	6.0	-6%	6%	3.3%
Banks*	0.6	0.5	0.4	1.5	1.8	3%	5%	4.5%
Construction materials	16.1	11.6	6.6	1.5	N/A	31%	-14%	3.8%
Energy	10.7	8.2	5.5	1.4	5.6	29%	15%	5.0%
Construction	6.1	5.3	3.8	1.2	-1.2	2%	-16%	4.8%
Transportation	13.4	11.6	9.2	1.2	2.0	60%	-4%	4.1%
Telecom	11.8	10.3	7.5	0.9	32.2	-7%	-10%	6.3%
Aerospace & defense	38.2	34.8	20.0	0.5	N/A	8%	-18%	0.7%
Shipping	8.9	7.9	3.3	0.4	-0.1	29%	11%	4.2%
Auto retail	12.5	14.7	-1149.1	0.0	2.9	117%	-53%	9.2%
Education*	1.3	1.4	0.4	-0.2	5.0	26%	-6%	3.1%
Solar supply chain	-51.3	24.2	-6891.1	-0.3	-1.7	88%	-25%	0.9%
Wind power equipment	11.7	12.7	6.2	-0.3	0.4	54%	-32%	2.7%
Hog*	2.2	2.4	1.7	-0.3	0.0	-158%	-15%	2.9%
Gas utilities	8.5	8.8	6.4	-0.3	4.9	5%	-20%	5.9%
Home appliance	10.8	11.3	9.3	-0.4	2.5	2%	-15%	5.9%
Semiconductor	29.4	35.1	18.4	-0.5	0.9	109%	7%	0.7%
Property*	0.5	0.6	0.4	-0.6	4.8	-204%	-16%	3.8%
Data center*	1.1	1.4	0.5	-0.6	N/A	151%	-31%	0.4%
Furniture	10.9	12.8	7.6	-0.6	N/A	-29%	-37%	5.1%
Baijiu	18.1	22.4	14.0	-0.7	2.1	1%	-14%	4.7%
Software	48.6	56.9	30.9	-0.8	4.3	96%	-22%	1.0%
Pharma	20.2	22.2	15.7	-0.8	3.9	24%	-13%	1.8%
Tech hardware	15.2	17.6	11.5	-0.8	0.3	52%	-2%	2.4%
EV Battery & materials	10.6	20.3	9.1	-0.8	0.5	49%	-36%	3.3%
Medical device	18.9	23.8	15.9	-1.0	3.5	14%	-14%	3.0%
Biotech, CRO	28.3	38.8	24.8	-1.0	8.1	65%	11%	1.3%
Internet (E-commerce)	10.2	14.7	8.4	-1.0	0.6	13%	-34%	1.4%
Health care service	23.2	34.2	19.2	-1.0	3.0	55%	-20%	2.0%
Truck	9.3	11.1	7.5	-1.1	1.3	26%	12%	6.4%
Grid	19.1	22.4	18.0	-1.2	2.4	13%	0%	3.3%
Auto parts	13.2	16.2	11.5	-1.2	0.9	4%	-31%	3.0%
Pharma retail	13.1	23.6	11.4	-1.2	2.2	9%	-30%	4.4%
Restaurant	12.1	21.7	11.3	-1.2	1.1	11%	-22%	4.9%
Express delivery*	1.2	1.9	1.2	-1.2	0.7	22%	-13%	3.6%
Beer	11.9	21.1	11.4	-1.2	1.1	18%	-20%	5.3%
Food & beverage	14.7	18.6	13.7	-1.3	1.9	5%	-15%	4.8%
Leisure	12.0	22.5	11.8	-1.3	1.9	-25%	-40%	3.6%
Chemicals	10.1	13.2	8.9	-1.3	N/A	115%	-12%	3.2%
Personal product	14.1	20.0	13.5	-1.3	2.1	8%	-23%	3.9%
Sportswear	10.7	17.5	10.2	-1.4	2.5	4%	-19%	4.8%
Consumer finance	2.5	3.8	2.0	-1.4	-0.4	-63%	-70%	10.0%
Internet (Media & entertainment)	11.0	18.2	10.9	-1.4	1.6	-2%	-40%	1.5%
Airline airport*	1.4	1.9	1.4	-1.6	-2.2	-117%	-36%	3.3%
Machinery	13.1	16.1	12.4	-1.6	0.6	14%	-20%	3.4%
Internet (Online game)	11.5	15.9	10.8	-1.7	1.1	20%	-30%	3.3%
Broker	9.5	14.1	9.3	-1.7	0.9	33%	-18%	3.4%
Basic materials	8.2	11.5	8.0	-2.0	N/A	68%	-25%	4.3%
Auto	12.9	19.5	12.6	-2.1	2.6	73%	-35%	2.7%
Insurance	5.8	8.6	5.7	-2.7	2.2	7%	-23%	4.4%

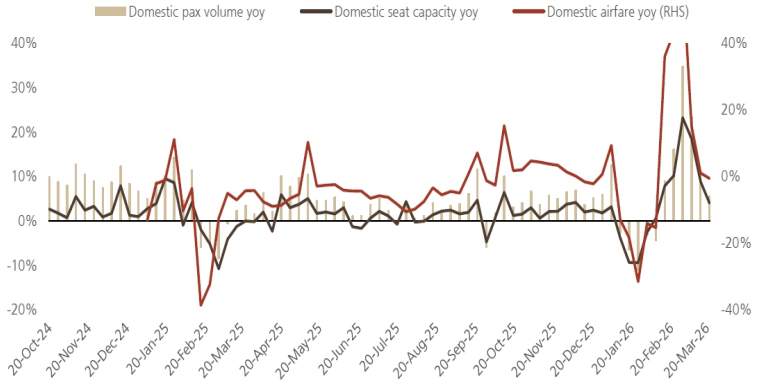
Source: FactSet, UBS estimates

Reflation signals

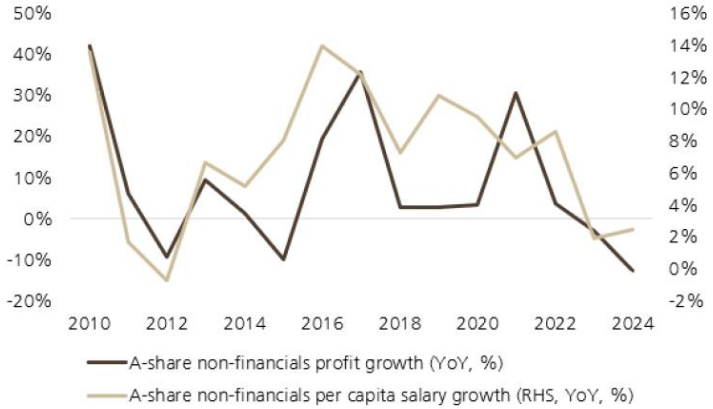
China PPI YoY vs MSCI China revenue growth



Bottom-up pricing trends – China airfare improving



A share non-financials profit growth vs salary growth



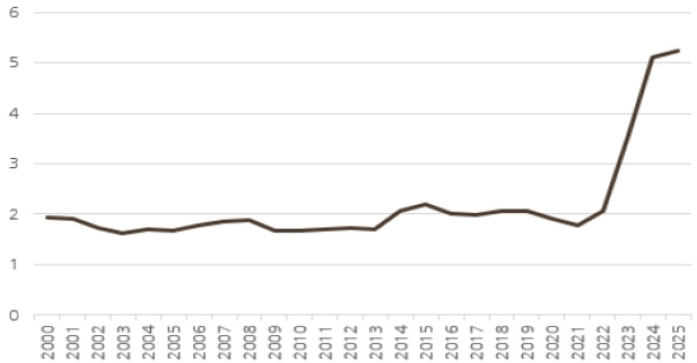
A-share companies' average wage growth



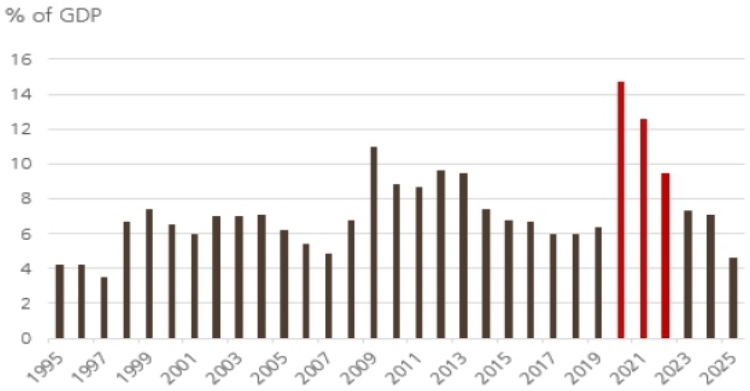
Source: Bloomberg, Wind, FactSet, UBS

Lessons learnt from Japan

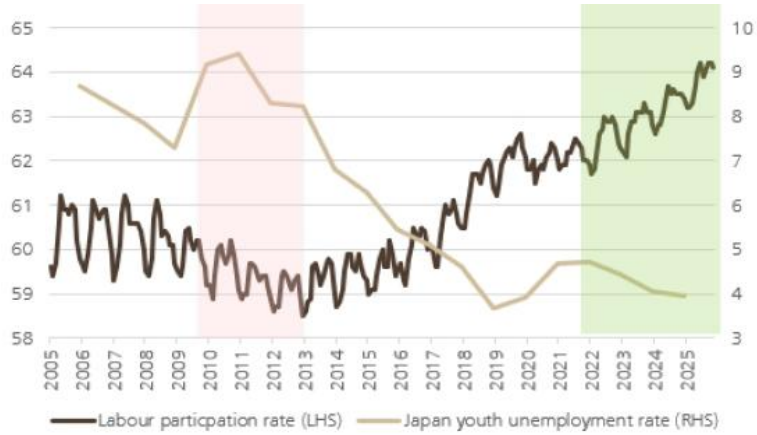
Japan Spring wage negotiation (Shuntou) monthly avg wage increase rate



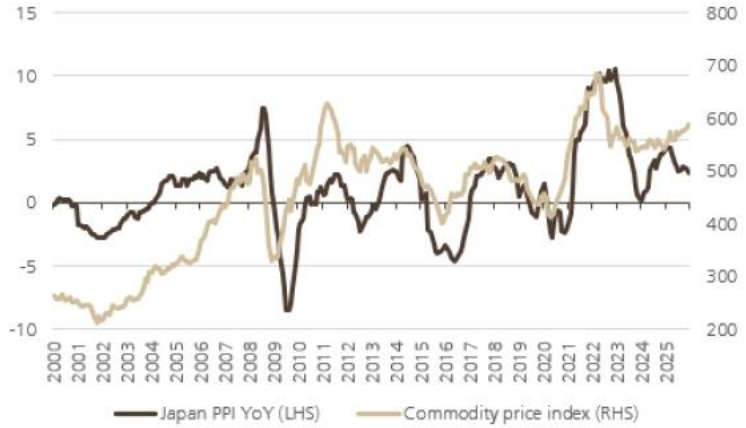
Japan fiscal deficit



Japan unemployment rate and labor participation



PPI vs commodity prices



Source: Bloomberg, Wind, FactSet, UBS

China and Global AI tech hardware mapping

Multi-layer Ceramic Capacitor (MLCC)

China		Global	
300408-CN	Chaozhou Three-Circle	6981-JP	Murata Manufacturing
000636-CN	Guangdong Fenghua Advanced Technology	009150-KR	Samsung Electro-Mechanics
		6976-JP	Taiyo Yuden
		2327-TW	Yageo Corporation

Power semi

China		Global	
688396-CN	CR Micro	IFX-DE	Infineon
600460-CN	Silan Micro	STM-US	STMicroelectronics
605111-CN	NCE Power	ON-US	ON Semi
603290-CN	Star Power	TXN-US	Texas Instruments
688141-CN	Joulwatt	ADI-US	Analog Devices
300661-CN	SG Micro	MPWR-US	Monolithic Power Systems

EDA & IP

China		Global	
301269-CN	Empyrean Tech	SNPS-US	Synopsys
688206-CN	Primarius Technologies	CDNS-US	Cadence Design Systems
688521-CN	VeriSilicon Microelectronics (Shanghai)	ARM-US	ARM Holdings
		SIE-DE	Siemens Aktiengesellschaft

Source: UBS

China and Global AI tech hardware mapping

Wafer fab equipment

China		Global	
002371-CN	NAURA Technology Group Co Ltd	ASML-NL	ASML Holding NV
688012-CN	Advanced Micro-Fabrication Equipment	AMAT-US	Applied Materials
688120-CN	Hwatsing Technology	LRCX-US	Lam Research Corporation
688037-CN	KINGSEMI	KLAC-US	KLA Corporation
688082-CN	ACM Research (Shanghai)	8035-JP	Tokyo Electron Ltd.
688072-CN	Piotech		

Back-end equipment

China		Global	
300604-CN	Changchuan	6857-JP	Advantest
688200-CN	Huafeng Test & Control	TER-US	Teradyne
688627-CN	SEICHI Tech	522-HK	ASMPT
603061-CN	JHT Design	BESI-NL	BE Semi
		042700-KR	Hanmi Semi
		7769-TW	Hon. Precision

Foundry

China		Global	
688981-CN	SMIC	TSM-US	Taiwan Semiconductor Manufacturing
1347-HK	Hua Hong Semiconductor	005930-KR	Samsung Electronics
688249-CN	Nexchip Semi	INTC-US	Intel Corporation
688396-CN	China Resources Microelectronics	GFS-US	GlobalFoundries Inc.
		2303-TW	UMC

Source: UBS

China and Global AI tech hardware mapping

Memory

China		Global	
603986-CN	Giga Device Semiconductor Inc.	000660-KR	SK hynix Inc.
		005930-KR	Samsung Electronics
		MU-US	Micron Technology
		SNDK-US	Sandisk Corporation
		WDC-US	Western Digital Corporation
		STX-US	Seagate Technology Holdings
		2408-TW	Nanya Tech

Advanced packaging

China		Global	
600584-CN	JCET Group	TSM-US	Taiwan Semiconductor Manufacturing
002156-CN	TongFu Microelectronics	3711-TW	ASE Technology Holding
002185-CN	Tianshui Huatian Technology	AMKR-US	Amkor Technology
688820-CN	SJ Semi		

CCL/ fiber glass/ resin

China		Global	
148-HK	Kingboard Holdings Limited	034020-KR	Doosan Enerbility Co., Ltd.
1888-HK	Kingboard Laminates Holdings Limited	6752-JP	Panasonic Holdings Corporation
688519-CN	Nanya New Material Technology	3110-JP	Nitto Boseki Co., Ltd.
600183-CN	Shengyi Technology	3407-JP	Asahi Kasei Corporation
600176-CN	China Jushi	4182-JP	Mitsubishi Gas Chemical Company, Inc.
002080-CN	Sinoma Science & Technology	2383-JP	Nihon Aim Co Ltd Npv
601208-CN	Sichuan EM Technology	1802-JP	Obayashi Corporation
605589-CN	Jinan Shengquan Group	DD-US	DuPont de Nemours, Inc.
603002-CN	Epoxy Base Electronic Material		
301511-CN	Defu Technology		

Source: UBS

China and Global AI tech hardware mapping

PCB/ Substrates

China		Global	
002916-CN	Shennan Circuit	4062-JP	IBIDEN
002463-CN	Wus Printed Circuit	3037-TW	Unimicron Technology
603228-CN	Shenzhen Kinwong Electronic	TTMI-US	TTM Technologies
688183-CN	Shengyi Electronics	4958-TW	Zhen Ding Technology
300476-CN	Victory Giant Technology	3189-TW	Kinsus Interconnect
002436-CN	Shenzhen Fastprint Circuit	007660-K	ISU Petasys
002938-CN	Avary Holding	8046-TW	Nan Ya PCB
002384-CN	Dongshan Precision	009150-K	Samsung Electro-Mechanics
600601-CN	Founder Technology	2368-TW	Gold Circuit Electronics
001389-CN	Delton Technology		
600183-CN	Shengyi Technology		

AI chips

China		Global	
688256-CN	Cambricon Technologies Corp. Ltd.	NVDA-US	NVIDIA Corporation
688041-CN	Hygon Information Technology	AMD-US	Advanced Micro Devices
688047-CN	Loongson Technology Corp. Ltd.	INTC-US	Intel Corporation
9903-HK	Shanghai Iluvatar CoreX Semiconductor	AVGO-US	Broadcom Inc.
6082-HK	Biren Tech	MRVL-US	Marvell Tech
688802-CN	MetaX		
688795-CN	Moore Threads		
688521-CN	VeriSilicon		

Networking and interconnect

China		Global	
000063-CN	ZTE Corporation	AVGO-US	Broadcom Inc.
688008-CN	Montage Tech	CSCO-US	Cisco Systems
600498-CN	Fiberhome Telecommunication Tech	MRVL-US	Marvell Technology
002281-CN	Accelink Technologies	COHR-US	Coherent Corp.
300308-CN	Zhongji Innolight	LITE-US	Lumentum Holdings
300502-CN	Eoptolink Technology Inc., Ltd.	GLW-US	Corning Inc
601869-CN	Yangtze Optical Fibre & Cable	ALAB-US	Astera Labs
300394-CN	Suzhou TFC Optical Communication	RMBS-US	Rambus
002475-CN	Luxshare Precision Industry		
002384-CN	Suzhou Dongshan Precision		

Source: UBS

China and Global AI tech hardware mapping

Servers/ OEM

China		Global	
992-HK	Lenovo Group Limited	DELL-US	Dell Technologies Class C
000977-CN	IEIT SYSTEMSClass A	HPE-US	Hewlett Packard Enterprise Co.
603019-CN	Dawning Information Industry	SMCI-US	Super Micro Computer
601138-CN	Foxconn Industrial Internet	2317-TW	Hon Hai Precision
603296-CN	Huaqin	6669-TW	Wiwynn
000938-CN	Unisplendour		

Source: UBS

Valuation Method and Risk Statement

For various stocks across the industries we cover in the Hong Kong and mainland China stock markets, we use a variety of valuation approaches, including DCF models, Gordon growth model analysis and relative valuation analysis using various multiples such as PE, EV/EBITDA and P/BV.
We think the risks facing China's equities include a hard landing for the property market, a capital exodus associated with currency depreciation and slow structural reform progress. In our view, any government policies that do not adequately address these risks could result in a shock to the market. For example, an excess of stimulus policies could pose a risk to the transition from an investment-driven to a consumption-driven economy and increase the debt of government and state-owned enterprises.