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China Equity Strategy | Asia Pacific

A-Share Sentiment Rebounds but Remains Below Rebound Threshold

MSASI recovered to 19% but remained below its 22% technical rebound signal level, historically pointing to a potential index rebound within 1–2 months. We maintain our cautious stance, preferring A-shares for their greater potential to benefit from National Team stabilization efforts.

A-share investor sentiment remained subdued: Weighted MSASI increased 10ppt as of October 28 vs. the prior cutoff date (October 21) to 19%, remaining below its 22% technical rebound signal level. The weighted MSASI 1MMA was largely unchanged at 17%. ADT for ChiNext and A-shares increased 14% (to Rmb443bn) and 9% (to Rmb1,638bn), respectively. Equity futures turnover was largely the same (as Rmb470bn), while margin transactions outstanding decreased 2% (to Rmb2,390bn) from the prior cutoff date. The 30-day RSI increased 10ppt over the period. Consensus earnings estimate revision breadth remained negative, deteriorating further last week.

Southbound net outflows – US$1.9bn over Oct 22-28: October MTD continued to record outflows with US$2.7bn and YTD net inflows were US$53bn (36% of the same period last year).

Note: As announced on July 26, 2024, by HKEX, Shanghai Stock Exchange and Shenzhen Stock Exchange, the publication of Northbound daily purchase and sales data was terminated as of August 19, 2024. Northbound daily buying and selling data were last made available on August 16, 2024.

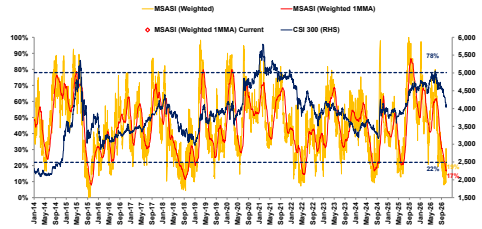
China's property market showed mixed signs of stabilization in September, but the recovery remained uneven, with existing homes outperforming new homes. According to our China Property team, primary home sales volume in 65 cities fell 2% YoY (vs. -5% in August), while secondary home sales in 33 cities rose 9% YoY (vs. +2%). Home price declines also moderated, with NBS 70-city new home prices down 0.1% MoM (vs. -0.2% in August); secondary prices continued to drop, down 0.3% MoM. However, underlying pressures persisted, as new secondary listings rebounded 11% MoM, primary housing inventory rose to 31.9 months, and land sales value across 300 cities fell 20% YoY. Our China Property team expects new home sales to remain subdued in 4Q26, as recent targeted housing measures are unlikely to reverse the divergence between new and existing homes or meaningfully improve developers' sales and earnings outlooks. Overall, marginal stabilization in selected indicators has yet to translate into sustained property recovery, reinforcing the uneven domestic demand backdrop.

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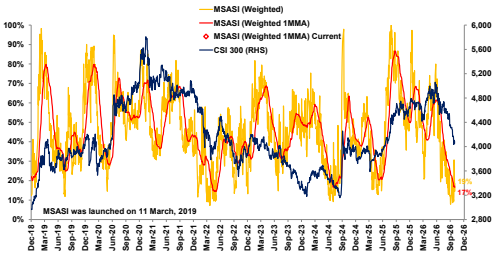
the 2027 Extel Asia Research Survey. Voting opens 10 November 2026.

Exhibit 1 : MS A-share Sentiment Indicator: MSASI weighted and MSASI weighted 1MMA



of Oct 28, 2026.

Exhibit 2 : MSASI trajectory since January 1, 2019



Source: CEIC, Bloomberg, Wind, RIMES, MS Research. Data as of Oct 28, 2026.

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Overview (cont'd)

We maintain our more cautious stance on China equities following our early-September index target cuts. As discussed in our latest China Market-Wise: What Happened? What Next? (25 Oct 2026), a weakening domestic macro environment, uncertainty around global oil prices, bond yields and inflation, and liquidity concerns from upcoming mega IPOs have contributed to the recent market correction. Historical valuation ranges suggest another ~10–15% downside for the Hang Seng Index and MSCI China before reaching trough valuations of around 8x 12-month forward P/E, compared with their current levels of 9.5x and 9.3x, respectively, as of October 29.

We continue to prefer onshore A-shares over Hong Kong equities, as we see greater potential for National Team stabilization support and higher exposure to AI, advanced technology and innovation sectors with stronger revenue and earnings growth. Our proprietary MSASI has rebounded to 19% but remains below the 22% technical rebound signal level. Historically, more often than not, a meaningful index-level rebound has been likely to follow within the next 1–2 months when sentiment falls below this threshold.

Overall, we remain cautious on broad index-level upside while recognizing the potential for an A-share technical rebound over the coming months. We favor selective structural opportunities over broad market exposure, as persistent domestic demand weakness and offshore valuation risks continue to constrain the outlook.

Read more:

- China Market-Wise: What Happened? What Next? (25 Oct 2026);
- China Market-Wise: Cutting Index Targets amid Macro and Liquidity Headwinds (3 Sep 2026);
- China Equity Strategy: China/HK Flows and Positioning Monthly Tracker – September 2026 (8 Oct 2026)

MSASI Methodology

Related report: China Equity Strategy: Relaunching MSASI: A New Take on A-share Market Sentiment and Technical Signals (27 Oct 2025)

Step 1: Normalizing sentiment metrics

MSASI is based on 12 individual indicators, each designed to capture a different dimension of investor sentiment and market activity.

To make these metrics comparable, each is re-scaled using a 100-day moving min-max normalization. This approach helps reduce noise from high-frequency movements and better reflects whether sentiment is improving or deteriorating over the medium term.

Normalization Formula:

Normalized Value = (Latest Value−Min (Last 100 Days)) /
(Max (Last 100 Days)−Min (Last 100 Days))

Each normalized series is expressed on a 0-100 scale, wherein higher values indicate stronger or more active sentiment conditions.

The 12 metrics included are:

1. ChiNext Turnover: Daily trading turnover on ChiNext, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).

2. A-share Turnover: Daily turnover of all A shares, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).

3. Equity Index Futures Turnover: Daily turnover of equity index futures, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).

4. Northbound Turnover: Daily Stock Connect northbound trading turnover, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).

5. Margin Financing Outstanding: Total margin transaction balances, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).

6. New Accounts Registered with the Shanghai Stock Exchange: Monthly number of new retail accounts registered with the Shanghai Exchange, normalized using the 100-day moving min-max method (available monthly).

7. 30-Day RSI (CSI 300): Relative Strength Index over a 30-day period for CSI 300 (available daily; weekly closing values used).

8. Number of Limit-Up A-shares: Daily count of stocks hitting the 10% upper price limit, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).

9. CSI 300 Futures Backwardation: The percentage difference between CSI 300 futures and spot prices, calculated as (Futures Price – Spot Price)/Spot Price, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).

10. CSI 300 Call-Put Ratio: Ratio of open interest in call options to put options, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).

11. Foreign Passive Fund Flows to CSI 300 (1MMA): One-month moving average of daily flows from foreign-domiciled passive funds to CSI 300, normalized using the 100-day moving min-max method (available daily; weekly closing values used for analysis).

12. Earnings Estimate Revision Breadth (3MMA): Three-month moving average of the net proportion of upward earnings estimate revisions vs. downward earnings estimate revisions, based on the Shanghai A Index, normalized using the 100-day moving min-max method (available weekly).

This normalization process ensures that each indicator contributes proportionally, regardless of scale or data frequency, while highlighting directional shifts in sentiment over time.

Step 2: Constructing the Weighted Sentiment Indicator

Once normalized, each of the 12 series is assigned a weight based on its historical explanatory power relative to the CSI 300 Index.

Weights are determined by the R-squared values from a single-factor regression between the metric (relative to its 100-day moving min max) and the CSI 300 (relative to 100MA) performance.

This weighting method gives greater emphasis to indicators that have historically demonstrated stronger correlations with market movements, ensuring that the overall index reflects sentiment components most relevant to A-share performance.

Step 3: Constructing the MSASI (Weighted)

Using the weighted sentiment indicator derived in Step 2, we construct the MSASI (Weighted) as the composite measure of overall market sentiment.

This index is then re-scaled to a 0-100 range, based on its distance from historical high and low values since January 2024.

This scaling allows the indicator to reflect relative sentiment strength over time – where higher readings indicate stronger investor enthusiasm, and lower readings reflect weaker sentiment or risk aversion.

Step 4: Constructing the MSASI (Weighted 1MMA)

To highlight underlying trends and reduce short-term volatility, we apply a one-month moving average to the MSASI (Weighted). The resulting MSASI (Weighted 1MMA) smooths out high-frequency fluctuations, providing a clearer picture of medium-term sentiment dynamics and improving interpretability for tactical or strategic analysis.

Exhibit 3: Weighting of 12 indicators of MSASI, and R-squared of indicators vs. CSI 300 (relative to 100MA)

Indicator	R-sq vs. CSI 300 (relative to 100MA)	Weighting
ChiNext Turnover	12.6%	10%
A-share Turnover	19.7%	15%
Equity Futures Turnover	8.1%	6%
Northbound Turnover	7.6%	8%
Margin Transaction Outstanding	34.3%	15%
SHSE New accounts Registered	14.3%	3%
Earnings Revision Breadth (3MMA)	6.6%	8%
RSI-30D	49.0%	15%
No. of Limit Up A-share	4.6%	6%
CSI300 backwardation	3.9%	4%
CSI300 call put ratio	14.0%	6%
Foreign domiciled passive funds flows to CSI300 (1MMA)	0.5%	4%

Note: For SHSE new account registrations, although the R-squared with the CSI 300 is high, the data is available only on a monthly basis rather than daily or weekly, so we assign it a relatively lower weight. Similarly, for the CSI 300 call-put ratio, despite its high R-squared with the CSI 300, the data is only available from late 2019 onward, so we also assign it a relatively lower weight. Source: CEIC, Wind, Rimes, EPFR, Bloomberg,

Other items to keep in mind

- The charts below show the scaled version of all these metrics as they are used in our MSASI compilation analysis.
- We use data from January 2014 to the present because some of the market-influencing factors were not fully developed before that, i.e., Stock Connect Northbound (program only launched in November 2014).
- Some metrics have gone through regime shifts owing to regulatory changes, i.e., index futures trading, which became heavily regulated as part of market stabilization measures during the 2015 correction. We try to accommodate/ normalize such shifts by looking at relative level to moving 100 days min-max level rather than absolute volume/value.

Exhibit 4: ChiNext turnover adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA

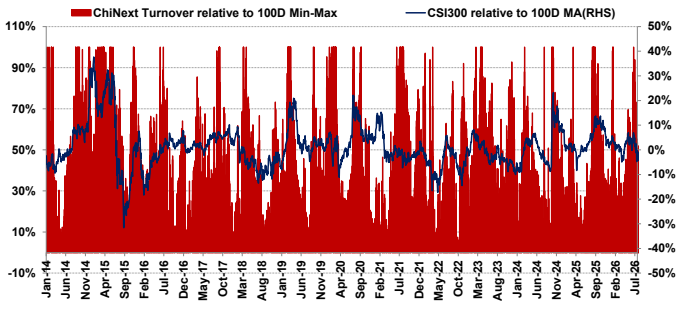


Exhibit 5: A-share turnover adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA

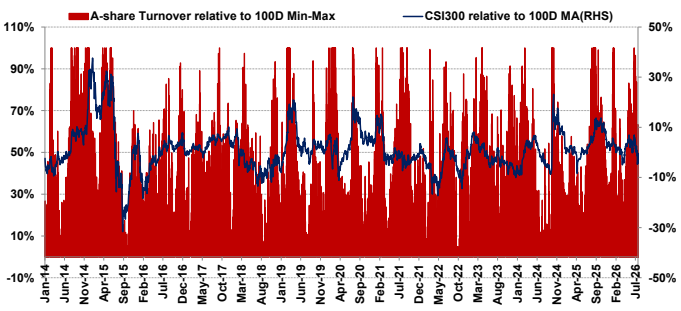


Exhibit 6: Equity futures turnover adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA

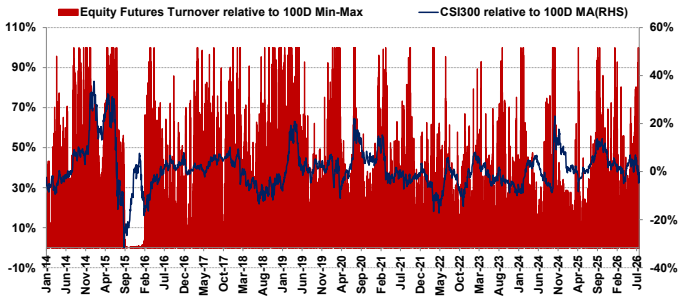


Exhibit 7: Northbound turnover adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA

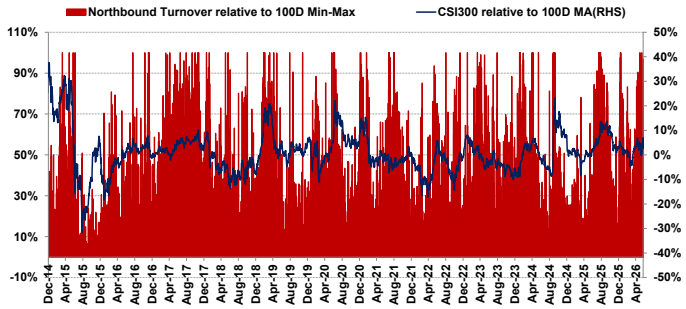


Exhibit 8: Margin transactions adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA

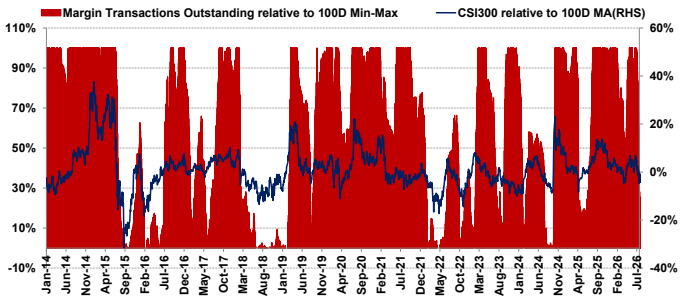


Exhibit 9: SSE new accounts adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA

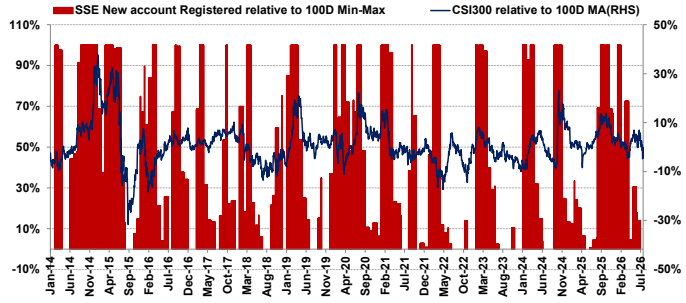


Exhibit 10: RSI-30D since January 2014 vs. CSI 300 relative to 100D MA

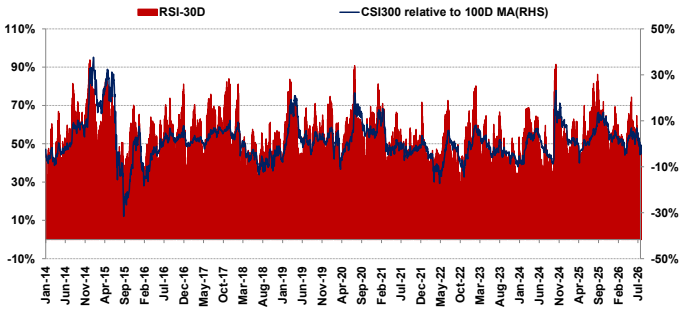


Exhibit 11: Number of limit-up A-shares adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA

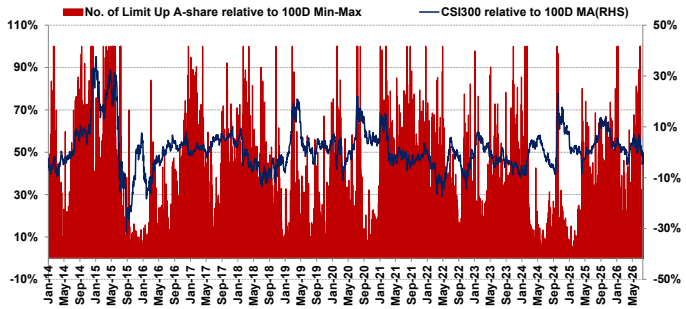


Exhibit 12: CSI 300 future backwardation adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA

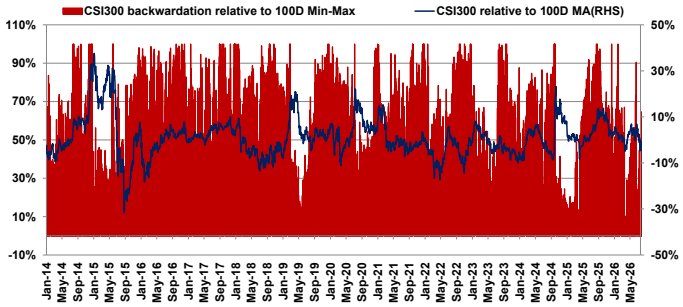


Exhibit 13: CSI 300 put-call ratio adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA

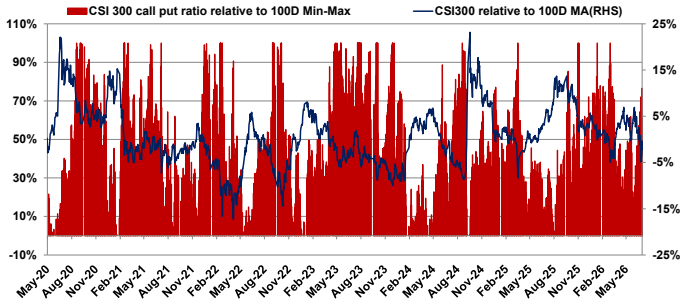


Exhibit 14: Foreign domiciled passive funds flows to CSI 300 (1mma) adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA

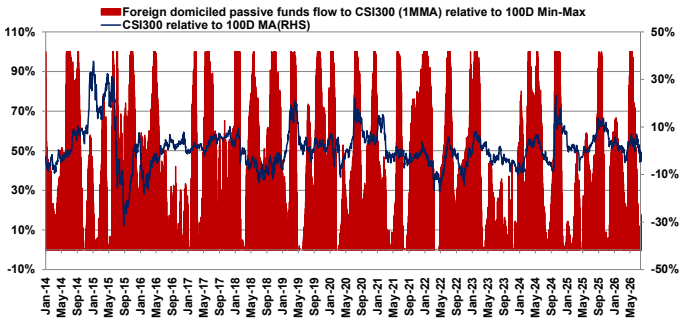


Exhibit 15: Shanghai A-share earnings estimate revision breadth (3mma) adjusted by moving 100D min-max (scaled to 0-100% based on the percentage away from its 100-day high and low levels) vs. CSI 300 relative to 100D MA

