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China A-share strategy

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Equity Strategy

ETF inflows: Scope for structural liquidity relief

Equity index ETFs see strong net subscriptions

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Equity index ETFs saw sizable net subscriptions last week

Despite continued weakness in A-shares, equity ETFs recorded substantial net subscriptions last week. ETFs tracking the CSI300, ChiNext and STAR 50 indices attracted the largest inflows, at CNY55.81bn, CNY20.42bn and CNY18.82bn, respectively, accounting for 62.87%, 69.49% and 89.71% of their respective net subscriptions over the past month.

Sustained ETF inflows may ease A-share selling pressure

Although the sources of incremental ETF funds remain unclear, market sentiment and trading conditions remain fragile following prolonged A-share volatility. We believe the current pace and scale of ETF net subscriptions are unlikely to drive a sustained market reversal in the near term. This would likely require substantially larger ETF inflows or stronger market-support measures, such as the ETF purchases announced by Central Huijin and other state-backed investors alongside positive corporate announcements in April 2025, or the coordinated policy measures introduced in September 2024. For now, we expect sustained ETF inflows to help alleviate market selling pressure.

Maintain defensive positioning until volatility subsides

Rising oil prices have heightened concerns over persistent overseas inflation, while financing pressures at some North American neocloud providers have triggered swings in risk appetite, with some spillover into A-share sentiment. Elevated overseas long-term bond yields and recurring Middle East tensions also pose near-term external headwinds. We expect A-share reallocation opportunities to emerge as market positioning and sentiment adjust, but investors should maintain defensive portfolios until volatility subsides to guard against liquidity-related tail risks. With the economy still facing transition-related headwinds, we expect A-share reallocation opportunities to remain largely selective over the medium term. Low domestic interest rates have made high-dividend equities more attractive to domestic investors. Meanwhile, as investor views on liquidity become more aligned, market volatility may continue to rise. We believe the relatively low-volatility profile of dividend equities should help reinforce defensive positioning.

Monitor constituent ownership amid ETF inflows

We believe sustained ETF net subscriptions have helped ease selling pressure, although their impact across indices and constituents may vary with index weights, institutional ownership and trading by other investors. Among the five indices attracting the largest ETF inflows last week, the CSI300 recorded the highest net subscriptions, suggesting some preference for large-cap core assets. Meanwhile, the STAR 50 had the highest ratio of ETF assets to non-ETF fund assets linked to the index, at c.41.4x, highlighting the importance of ETFs among related funds. To examine institutional ownership across constituents of these two indices, we exclude the bottom 20% by total market cap as of 28 October 2026 and rank the remaining stocks by institutional ownership based on 1H26 data. We present the 20 CSI300 and ten STAR 50 constituents with the lowest institutional ownership. We believe differences in institutional ownership across index constituents warrant attention, as liquidity conditions may evolve unevenly amid sustained ETF net subscriptions.

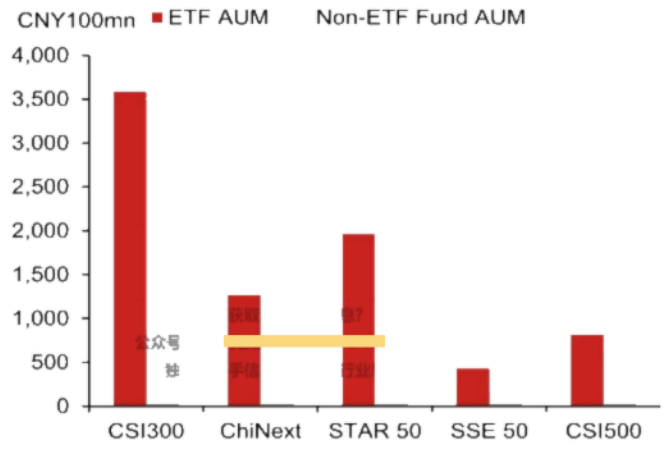
Risks: Broad market declines; weaker-than-expected improvement in liquidity conditions; disappointing 3Q26 earnings.

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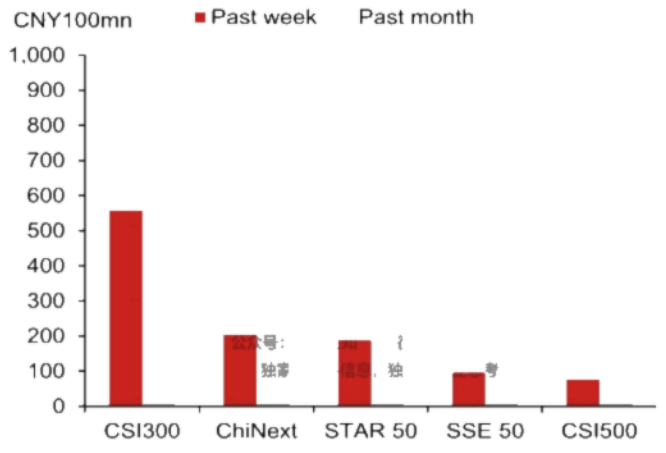
See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

Fig. 1: AUM of ETFs and non-ETF funds by index



Note: Data as of 23 October 2026.
Source: Wind, Nomura

Fig. 2: ETF net subscriptions by index



Note: Data as of 23 October 2026.
Source: Wind, Nomura

Fig. 3: CSI300 – 20 constituents with the lowest institutional ownership (bottom 20% by total market cap excluded)

Ticker	Company	SW Industry	Institutional ownership (%)	Mkt cap (CNY100mn)
300999 CH	Yihai Kerry Arawana	Agriculture	7.33	1,420.46
600930 CH	Huadian New Energy	Utilities	7.74	1,631.03
600415 CH	China Commodities City	Retail & Trade	9.43	609.22
601012 CH	LONGi Green Energy	Power Equipment	9.58	854.05
300498 CH	Wens Foodstuffs	Agriculture	9.96	1,034.69
605499 CH	Eastroc Beverage	Food & Beverage	10.20	759.31
001280 CH	China National Uranium	Non-ferrous Metals	13.17	1,200.17
300059 CH	East Money Information	Non-bank Financials	15.49	2,849.58
603893 CH	Rockchip Electronics	Electronics	16.56	873.55
002460 CH	Ganfeng Lithium	Non-ferrous Metals	17.09	764.45
688506 CH	Biokin Pharmaceutical	Pharma & Biotech	19.12	983.96
601985 CH	China National Nuclear Power	Utilities	19.15	1,986.87
002241 CH	Goertek	Electronics	23.77	828.10
603986 CH	GigaDevice Semiconductor	Electronics	24.73	2,040.67
002594 CH	BYD	Automobiles	24.99	7,543.57
603019 CH	Dawning Information Industry	Computer	26.22	1,129.53
002230 CH	iFLYTEK	Computer	27.38	913.99
000988 CH	HGTECH	Machinery	27.86	723.46
300033 CH	Hithink RoyalFlush	Computer	28.19	1,497.75
603501 CH	OmniVision Integrated Circuits	Electronics	28.37	1,072.15

Note: Institutional ownership represents aggregate institutional holdings as a percentage of tradable shares outstanding, based on 1H26 data (as of 30 June 2026). Market cap data are as of 28 October 2026.
Source: Wind, Nomura

Fig. 4: STAR 50 – 10 constituents with the lowest institutional ownership (bottom 20% by total market cap excluded)

Ticker	Company	SW Industry	Institutional ownership (%)	Mkt cap (CNY100mn)
688820 CH	SJ Semiconductor	Electronics	10.25	1,637.38
688188 CH	Friendess	Computer	16.55	411.64
688525 CH	Biwin Storage	Electronics	18.28	780.00
688506 CH	Biokin Pharmaceutical	Pharma & Biotech	19.12	983.96
688729 CH	E-Town Semiconductor	Electronics	27.77	526.09
688777 CH	SUPCON Technology	Machinery	31.37	640.86
688795 CH	Moore Threads	Electronics	33.73	1,793.16
688981 CH	Semiconductor Manufacturing International	Electronics	34.49	8,733.63
688002 CH	Raytron Technology	Electronics	35.81	663.41
688469 CH	United Nova Technology	Electronics	41.47	647.98

Note: Institutional ownership represents aggregate institutional holdings as a percentage of tradable shares outstanding, based on 1H26 data (as of 30 June 2026). Market cap data are as of 28 October 2026.
Source: Wind, Nomura