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Investments - Flash

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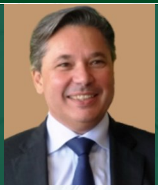

THE ANNOUNCED RECOVERY OF THE CSI300 WILL CONTINUE

Recovery in exports and industrial production underpins the recovery

When the Chinese authorities acted in January to restore investor confidence in China's equity market, we pointed out that its interventions could well be successful when the stock market rout had already cost investors $6,000 billion since the market top reached in January 2018. The six-year bear market pushed the Hang Seng Index back below 15,000 points, wiping out all the gains made since June 2009. During this period, China's GDP had increased fivefold. At just 7x 2024 earnings and a dividend yield of 4.5%, we saw them as an attractive repositioning opportunity. The crisis in the real estate sector is not over: sales are still down -32.7% and real estate investment is down -9% year-on-year, maintaining a high degree of uncertainty, particularly among consumers, foreign investors and local businesses.

Nevertheless, we felt that the government could perhaps reverse the trend through a series of supportive actions, in particular by mobilizing several hundred billion dollars to support the equity market and limit short selling. Since then, exports have picked up by +10.3%, and industrial production rose by a much higher-than-expected +7% in February. Part of the Chinese economy therefore appears to be in the recovery phase at the start of this year. Against this backdrop, since our recommendation on January 24, the CSI 300 index (3580 pts) has jumped +11% and is still 40% below its peak level of 2021 (5930). At just 11x expected earnings for 2024, China's flagship index can still climb +10% and approach 4,000 points in 2024.