# Investments - Flash

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## A STIMULUS PLAN FAVORABLE TO CHINESE EQUITIES

### Measures that should be enough to revive interest in Chinese stocks

The Chinese authorities have finally announced new economic support and stimulus measures. The People's Bank of China reduced its benchmark interest rate from 1.7% to 1.5%, and also announced a 0.5% cut in the banks' reserve requirement ratio (RRR), freeing up almost 1,000 billion yuan in liquidity for the economy. These measures, announced at the same time, were accompanied by other announcements and a plan to support the real estate sector, which has been in great difficulty for several years. Borrowing costs will be lowered, and the rules for acquiring second homes will also be relaxed. The minimum down payment will be reduced from 25% to 15%. After several years of declining equity markets, the central bank announced that it would inject over $110 billion in liquidity, while hinting that it was studying the creation of a market stabilization fund. What may seem surprising today is the media coverage of this news, which comes as no real surprise. This probably indicates a certain feverishness on the part of the authorities, who are undoubtedly worried about the economic situation and the possibility of not achieving the growth rate set at +5% for 2024. The authorities' intention is also to create a positive shock of confidence through a series of measures. The rate cut will also have an impact on household confidence, and may be enough to revive domestic consumption a little. Investors' initial reaction was rather positive, with the Hong Kong index jumping from 18,227 to 19,000 points in one session (+4.2%). The Hang Seng had lost 56% of its value between 2018 and its low point in January 2024. These measures should restore investor confidence and revive interest in Chinese stocks.