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Market Review & Outlook

A-shares choppy, closing higher

Market Review

A-shares ended last week with volatile but overall positive performance, with large-cap styles outperforming. Overseas, U.S. employment data (ADP) softened and PCE inflation came in broadly in line with expectations, reinforcing market expectations for Fed rate cuts. Most major global equity markets moved higher, with the S&P 500 and Nasdaq rising 0.3% and 0.9% according to Bloomberg, respectively.

Domestically, the manufacturing PMI edged up and deflation conditions continued to improve. A-shares saw increased volatility and finished higher, with the Shanghai Composite up 0.4%. Large-cap indices outperformed, as ChiNext and CSI 300 gained 1.9%

and 1.3% as of Dec 5, according to Wind. Sector-wise, non-ferrous metals led the market—supported by price increases in industrial metals such as copper—posting gains of more than 5%. The commercial space exploration theme also performed strongly (up more than 6%) following the successful launch of the Zhuque-3 rocket.

Market Outlook

Looking ahead, given the strong gains in Q3 and the fact that many previously strong names are still in a post-pullback recovery phase—and with no major new narratives or clear sectors take the lead—**we expect the market to remain range-bound in the near term.**

For indices where the correction has been small and structural adjustments remain incomplete (e.g., the Shanghai Composite and ChiNext), current trading is mostly in the “upper half” of their ranges, with some

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pressure at the top. By contrast, the STAR 50 and Hang Seng Tech Index—both having undergone longer and more complete adjustments—are trading near the “lower half” of their ranges, with clearer support levels.

Brokerage stocks, which had lagged earlier and acted as a spearhead in the market, saw solid gains last week. ETF shares in the brokerage sector expanded further. However, it remains unclear whether this upward move marks a true reversal or just a rebound, and further observation is needed.

Allocation Strategy: Based on the view that the market will likely remain range-bound during this garbage time, we recommend **holding positions rather than chasing rallies**, avoiding actions that would raise average cost. Investors may set target entry levels according to each index’s “left-foot” technical classification—e.g., the Shanghai Composite’s September 4 low or prior "gap" area, or the Hang Seng Tech Index’s recent bottom or 250-day moving average—and wait for tactical entry opportunities by buying in gradually.

For sector and stock selection, we recommend monitoring:

- **Brokerage stocks**, which remain structurally undervalued and continue to see ETF inflows;
- **Appliances**, which historically perform well in December and currently show smooth upward trends;
- **Healthcare, consumer, and AI application names** that remain at relatively low valuations;
- **Lagging stocks trading just above their 250-day moving averages.**

(Source: Zheshang Securities, as of December 7)