

Market Review & Outlook



Spring rally positioning began

Market Review >>>

The market has entered a spring rally positioning phase, with a focus on technology and cyclical sectors. Last week, the Shanghai Composite traded in range-bound and closed down a bit. Notably, trading volume expanded significantly on Monday and Friday, with the index briefly breaking above the previous gap and the 55-day moving average, suggesting that **institutional investors may have begun positioning for the spring rally.**

At the sector level, the top performers last week were communications (+6.27%), defense (+2.8%), electronics (+2.63%), and machinery (+1.38%). The worst-performing sectors were coal (-3.64%), oil & petrochemicals (-3.52%), steel (-2.89%), and real estate (-2.62%).



Market Outlook

Our view remains unchanged that this spring rally is likely to be a market drive with limited scale. After optical connectivity fully reflects its alpha logic (with short-term valuation still indicating room for upside), the market may enter a new phase of high-level consolidation. For other technology and growth sectors, the focus remains on opportunities for rebounds after being oversold .

Seasonal policy-backed and industrial themes are expected to stay active and remain the primary drivers of wealth effects, with particular attention on **commercial aerospace and robotics**. Following the Central Economic Work Conference, key thematic signals include the marine economy, opening-up of service sectors, energy, flood-control infrastructure in North China, and “quality housing.”

In addition, under the supply-side pricing cycle, **cyclical assets** are expected to retain meaningful upside potential, supported by expectations for PPI to turn positive by mid-2026. Key areas to watch include cyclical alpha, industrial metals, and basic chemicals.

(Source: Shenwan Hongyuan, as of December 14)

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