

ChinaAMC 2026 Market Outlook



Key Takeaways

Macro View >>>

- **As valuations decline while earnings improve, the broader market is expected to deliver low single-digit index gains.**
- Structural opportunities are more viable than broad index opportunities.
- Hong Kong equities may show greater earnings elasticity and could outperform A-shares.

Earnings Outlook

- Assuming PPI turns positive in H2 of 2026, we anticipate that aggregate earnings growth of A-share market could reach a high single-digit rate (~7.9%), exceeding the near-zero earnings growth expectations of 2025.

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- A-share valuation expansion is likely nearing its end, with potential valuation compression over the next year.
- From an earnings expectations perspective, H-share advantages are concentrated in internet leaders and new-consumer sectors, where growth momentum is stronger than in A-shares. H-share could also benefit more from the expected CNY appreciation.

Structural view

Growth is slightly favored over value, with value clearly outperforming this year

Strong Cyclical Sectors

- **AI-driven industrial investment:** hardware equipment, semiconductors, software, and power equipment.

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- **Global capex upcycle supports power-centric industrial demand:** power equipment, non-ferrous metals, and chemicals.

Dividend-Like / Value Opportunities

- Price elasticity driven by supply-side clearing in cyclical sectors: steel, chemicals, building materials, and airports.
- Improving ROE and cash flow driven by consumption recovery: home appliances, tourism, agricultural products, animal feed, and dairy.

Disclaimer:

Investment involves risk, including possible loss of principal. The information contained herein is for reference only and reflects prevailing market conditions and our judgment as of the release date, which are subject to change without further notice.