

Market Review & Outlook

A-Shares Gain Momentum

Macro View >>>

China A-shares continued the spring "January Effect" trend and opened the week with a strong rally, as all major broad-based indices posted solid gains. Against the backdrop of improving risk appetite, the market is likely to continue its upward momentum. The spring rally theme remains intact, and from a medium- to long-term perspective, we continue to **favor the core allocation strategy of "dividends plus technology."**

The CSI 300, SSE 50, and ChiNext Index rose by 2.79%, 3.4%, and 3.89%, respectively last week. At the sector level, all Shenwan Level-1 industries advanced except for banking. The top performers were Conglomerates (+14.55%), Defense & Military Industry (+13.63%), Media (+13.10%), and Non-Ferrous Metals (+8.56%).

Earnings Outlook >>>

The spring market is characterized by incremental capital inflows and continuous windows favorable for risk-taking, leading to a notable improvement in risk appetite.

Spring liquidity conditions remain supportive. ETF inflows, the “January Effect” premium from insurance funds, and expectations of foreign capital reallocation form the liquidity foundation. Meanwhile, accelerating retail participation, increased activities of speculative capital, and incremental positioning by existing investors have become key marginal sources of liquidity.

Windows supportive of risk assets are expected to persist throughout the spring:

- **January:** With near-term downside macro risks largely alleviated, the market entered a typical low-risk trading window.
- **February:** Pre-Chinese New Year rallies historically cally offer one of the highest win-rate periods

for A-shares. This period also coincides with potential major technology-related catalysts.

- **March:** The National People's Congress (NPC) may deliberate on the official draft of the 15th Five-Year Plan, potentially introducing a richer set of policy catalysts.
- **April:** A possible visit by the U.S. President Donald Trump to China could serve as a confirmation window for easing Sino-U.S. trade relations, helping stabilize capital market expectations.

Overall, **the spring rally remains predominantly driven by rising risk appetite. Downside risks appear limited, with any near-term pullbacks more likely to reflect consolidation after rapid gains rather than a structural reversal.** February should be monitored closely for major technology catalysts that could define new thematic directions. From March onward, markets may shift to a phase of policy validation, technological progress confirmation, and macro data verification, potentially establishing a new trading

range for A-shares.

Investment Themes

Our view that thematic investing will dominate in spring remains unchanged. Industrial themes such as **commercial aerospace, robotics, and nuclear fusion continue to exhibit the strongest momentum.** At the same time, A-share valuations are increasingly pricing in a turning point in venture capital and private equity financing activity. As a result, venture capital-related stocks and listed companies with stakes in unlisted technology leaders tend to display high-beta characteristics.

Looking ahead, **policy-driven themes** (such as service consumption and Hainan-related initiatives) and **capital flow-driven themes** may also emerge as rotation signals. Beneficiaries include high-dividend stocks that are likely benefiting from insurance capital inflows, and core assets supported by potential foreign capital re-entry.

The view that the beta of AI industry chain remains relatively weak has been validated. Short-term opportunities in other TMT sectors are largely theme-driven rather than fundamentally based.

For **pro-cyclical sectors**, we continue to focus on alpha-driven strategies. The non-ferrous metals sector has already begun pricing in China's strategic control over critical resources and the revaluation of physical assets. Spring may represent the final acceleration of this rally, with valuations potentially approaching less attractive levels over a medium-sized cycle. In basic chemicals, high operating rates suggest a clearer and more sustainable price-gain narrative.

Based on internal report of Shenwan Hongyuan Research, data as of Jan 9.

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