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Market Review

A-Shares Rally as Bad news fully priced in

A-shares rallied on higher turnover last week as **easing geopolitical concerns and greater policy clarity lifted risk appetite**, bringing technology and growth stocks back into focus.

China's mediation efforts in the U.S.-Iran conflict helped ease geopolitical concerns and drove a notable decline in oil prices. Meanwhile, the Fed delivered a **hawkish rate hike**, but greater clarity around the policy path, and the market's recognition of Warsh's resolve on inflation helped remove a key source of uncertainty for equities.

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Market Review

China’s economy continued to be plagued by **weak domestic demand, as shown in August's retail sale, but manufacturing and exports remained robust**, while policy maintained its focus on economic transformation. The high-level U.S.-China engagement this week also supports market sentiment.

Technology and growth stocks regained market leadership, with electronics and communications outperforming as concerns over an AI slowdown eased amid continued model upgrades and computing infrastructure deployment.

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Market Outlook

Core broad-market+ AI, pharma

Improving external conditions and stronger investor risk appetite may create a favorable window for A-shares following the market's second bottom since July.

Technology growth remains a key focus in a high-rate environment. Continued AI model upgrades and computing infrastructure deployment are supporting the theme, while **AI-enabled drug discovery is also providing a catalyst for innovative pharma and CXO companies**.

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Market Outlook

In the short term, core broad-market exposures such as the **STAR & ChiNext 50 and CSI A500** remain key portfolio positions, while **AI and innovative pharma** could be added as satellites.

Over the medium term, the approaching **long holiday could bring some disruptions**. On market pullbacks, attention may remain on sectors with relatively favorable Q3 earnings expectations, particularly **AI computing infrastructure, non-ferrous metals, and energy & chemicals**.

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Sector Sentiment & Market Indicators

Sector	Sell-side Sentiment	Data Tracking			
		Earnings Expectations	Crowding	Fund Flows	Valuation Percentile
Semiconductors	3.50 (Conservative) ↓	136.96%	1.13	30.61	63.25%
Communications	3.42 (Conservative) ↓	86.19%	1.63	-54.58	85.32%
New Energy	3.09 (Neutral) ↓	74.28%	0.89	-55.37	37.94%
Chemicals	3.17 (Neutral) ↓	41.07%	0.37	1.94	67.38%
Financials	3.14 (Neutral) ↓	27.88%	0.48	-15.40	0.32%
Non-ferrous Metals	3.15 (Neutral) ↓	83.74%	1.29	-13.28	38.65%
Dividend	3.44 (Conservative) ↑	4.79%	0.11	-5.32	90.08%
Healthcare	3.13 (Neutral) ↑	36.02%	0.67	-0.92	8.33%
Consumer	3.41 (Conservative) ↑	-7.21%	0.37	-1.50	17.78%

Methodology & Data Notes

Sell-side sentiment scores are generated using AI-based semantic analysis of at least 20 sell-side weekly research reports for each sector published during the prior week. Scores use a 1–5 scale based on positive and negative keyword frequency: **3.0–3.25 = Neutral; 3.25–3.6 = Conservative; ≥3.6 = Positive; <3.0 = Negative**.

Earnings Expectations = (Consensus Net Profit FY1 − Net Profit FY0) / |Net Profit FY0| × 100. Crowding = the sector index's share of total A-share turnover divided by its share of total A-share free-float market capitalization. Fund Flows represent net main-fund inflows over the most recent week. Valuation Percentile is based on the past five years.

Data as of September 18, 2026.Source: ChinaAMC Research