



ChinaAMC

Spot-on

A-shares Touched a One-year
Low. Now What?



What happened:

On September 28, A-shares experienced a broad-based sell-off. The onshore benchmark CSI 300 Index dropped 2.2%. The ChiNext Index and STAR Market Composite Index fell more than 4%, while the communications sector dropped over 7%. According to Wind data, 4,549 stocks declined, with 60 hitting their daily downside limits.

What's Driving the Market?

ChinaAMC Research attributes the correction to three key factors:

- **Tightening global liquidity:** Elevated oil prices, rising U.S. Treasury yields and the Fed's September rate hike increased pressure on equity valuations. A stronger U.S. dollar also added to capital outflow pressures on emerging markets.
- **Pre-holiday risk aversion:** Declining turnover and reduced investor exposure ahead of the closely timed Mid-Autumn Festival and National Day holidays amplified selling pressure. Some short-term investors also took profits following positive geopolitical developments.
- **Technology-sector concerns:** Proposed U.S. legislation banning federal procurement and deployment of Chinese-made optical transceivers, alongside a leading optical communications company's proposed RMB 6.6 billion (approximately

US\$980 million) private placement, triggered concerns over potential restrictions, additional share supply and capital diversion. Selling pressure in the heavily positioned sector was further amplified by stop-loss selling and leveraged position unwinding.

Strategy

Looking ahead, ChinaAMC Research sees risks being released amid the market slump and expects A-shares to remain range-bound rather than entering a one-way decline.

Several factors underpin this outlook:

- **Global liquidity:** With markets already anticipating three Fed rate hikes, ChinaAMC Research's near-term base scenario is that global liquidity tightening may be approaching its later stages, unless economic growth, AI momentum or oil prices exceed expectations.

- **Earnings fundamentals:** Improving corporate earnings could help offset valuation pressure from elevated global interest rates. The upcoming Q3 earnings season will be important for identifying companies with strong order visibility and earnings delivery.
- **Post-holiday recovery:** Historical seasonal patterns suggest that A-share turnover typically contracts ahead of National Day and is highly likely to recover after the holiday. Historically, the probability of positive returns over the five trading days following the holiday has exceeded 50%.

In the short term, following the recent correction, ChinaAMC Research sees improving opportunities for pre-holiday positioning. Core broad-market indices, including the **CSI 300 and STAR & ChiNext 50**, alongside low-volatility dividend strategies, remain key areas of focus. **Banking and machine tools** also warrant attention.

Over the medium term, ChinaAMC Research highlights opportunities in **technology and non-ferrous metals**, particularly companies with strong order visibility and earnings growth. Persistently high overseas interest rates and tightening domestic liquidity remain important risks. We suggest **closely following Q3 earnings and global tech developments**, while **paying greater attention to low-volatility dividend, and low-valuation sectors**.

Source: ChinaAMC Research and Wind.
Market data as of September 28, 2026.

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