

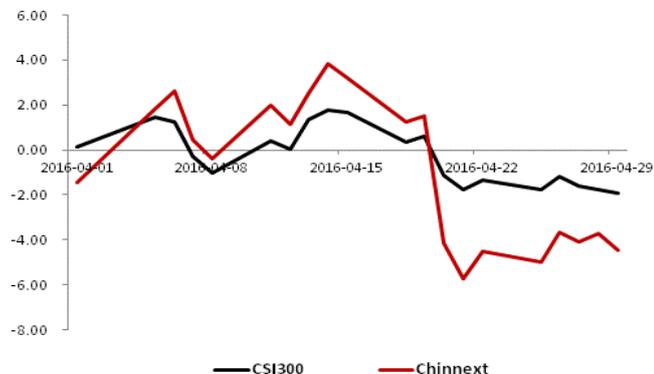
# China's Economic & Market Perspective

## Fundamentals

The economic data in April has continued to show a few signs of a moderate recovery. In terms of industrial performance, IAV (Industrial added value) have increased by 6.8% YoY while power generation rose by 4% YoY. In the short term, the rebound of industrial prices will encourage production willingness for some manufacturers; meanwhile the recovery in investments also increases the demand for industrial goods. As a result, the rebound of industrial production is likely to continue. Fixed asset investment of the first quarter has risen by 10.7%, with a YoY growth of investment in infrastructure at a level of 19%. Sales of real estate have risen 33.1% YoY.

PMI reports a level of 50.2, which is the highest record over last 12 months. It's the first time above midpoint since August. Consumption is at a steady growth of 10.2% YoY, and the export is beyond expectation with a growth rate of 11.5%.

Graph 1: China A share sector performance (%) in April

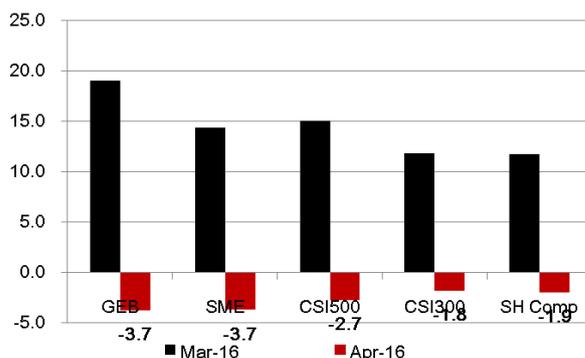


Source: Wind Info, ChinaAMC

## Markets

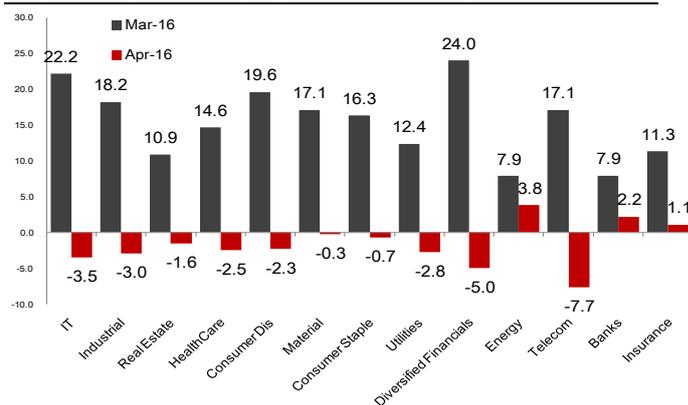
In terms of the market performance in April, all sectors reported loss, yet the scale has been mitigated. Shanghai Composite index and CSI 300 index have dropped only a little over 1.8%. Loomed by uncertainties in the market, small cap stocks significantly underperformed as ChiNext and SME indices reported performance of minus 3.7%. As for the sector performance, energy, banks and insurance are the three sectors with positive contributions while all other sectors report a negative performance.

Graph 2: Performance of Shanghai Index and ChiNext in April



Source: Wind Info, ChinaAMC

Graph 3: Performance of different sectors in April



Source: Wind Info, ChinaAMC

## Outlook

Hinted by the improved economic data, the government's intention to stabilize the economy with infrastructure is now becoming apparent to market. However, we still keep a cautious view on the market and try not to be over-optimistic. We believe the current stabilized market is partially a result of a previous over pessimistic sentiment and the rally in March is a process of self-correction from that negativity. As the recovery of economy remains slow, we doubt the market would expect an obvious rise in near future.

As we believe market will continue to trade in ranges in May, we will remain a cautious view and a balanced position as we have been doing for the last three months. Stock selection remains key and our position heavily on companies with solid earnings power and sound financial profiles.

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