

Fund Manager Perspective

Last week, the Shanghai and Shenzhen stock markets saw corrections and experienced slight declines. The Shanghai Index fell 2.09% and the Shenzhen Composite Index fell 3.11%. Small-cap and GEM index saw sharp rises, reaching record highs, before corrections and ended up rising 0.15% and 1.21% this week. In terms of industry sectors, commerce, textiles, and non-ferrous metals gained, while the banks, non-bank financials, and architectural decoration industries fell.

The PBOC cut rates for a second time. However, there was little reaction from the market, which continued to fall, especially blue chips. The reason is because the rate cut did not exceed expectations in terms of timing or magnitude and the market continued with profit taking. Growth stocks continued its strong performance last week, but fell sharply last Friday. The main reason for the fall is that there was too much accumulated growth, which caused the short-term overvaluation that needed time to be digested. With the high concentration of IPOs next week, there will likely be a large amount of freezing of fund. Therefore, short-term financing faces relatively more pressure.

At the annual “Lianghui” meeting between the NPC and the CPPCC last week, the government work report that were released were mostly aligned with market expectations. Management continues express a policy direction of stable growth, structural adjustments, and promoting reform; there were also no surprises positive fiscal policy and moderate monetary policy. The government work reports emphasized internet innovation, environmental protection, and the reform of state-owned enterprises. These are key policy directions to which we must pay attention.

Generally speaking, we think there will be some consolidation in the market this week. On investment strategy, we insist on continuing with individual stock selection, increasing our holdings of quality growth stocks during this period of consolidation. We will focus on investment opportunities in energy conservation, environmental protection, new energy, medical services, and the internet industries.