



## Overview

- China announced massive stimulus, includes easing monetary policy, and supporting for the property market, the stock market and consumption.
- China shares surged after the details of the stimulus were announced.
- US 2Q24 GDP grew at an annualized rate of 3%, accelerating from the first quarter and indicating that the US economy remains strong.
- US core PCE, paving way for interest rate cut.
- Oil prices fell as Saudi Arabia and OPEC+ plan to hike production in December.
- Shigeru Ishiba was elected to become Japan's next prime minister. JPY strengthened after the result.



## Market Brief

- Overall equity markets closed higher last week as strong US economic data and job market remained strong helped easing fear about recession. Inflation trended lower, open the door for Fed rate cut and sent USD down. Gold prices rose from the previous week.

- **China :**

- China shares surged after Beijing announced economic and stock market stimulus packages. Global markets sentiment also improved after the news, and price of stocks which should get benefit from China growth climbed.

- China economic stimulus measures

Monetary policy :

- Cut 7-day reverse repo by 20 bps from 1.7% to 1.5%.
- Lower medium-term lending facility (MLF) rate by 30 bps from 2.3% to 2.0%.
- Cut reserve requirement ration (RRR) by 50 bps. The move would inject about CNY1 trillion into the market. RRR may be cut again by 25 – 50 bps before the end of this year.

Property market :

- Lower the down payment for second-home purchase from 25% to 15% (match with first-home purchase rate).
- Cut mortgage rates by 50 bps.

Stock market :

- The PBOC plans to set up a swap facility that would give non-bank financial institutions access to CNY500 billion in funding to buy shares.
- The PBOC set up a CNY300 billion special relending programmed that allows listed companies and major shareholders to borrow from commercial banks for share repurchases and stake increases. Policymakers are also looking at creating a stabilization fund to buoy the stock market.

Consumption :

- China will distribute a total of CNY155 billion cash handouts to most vulnerable groups. Shanghai will dole out CNY500 million worth of consumption vouchers. Government is considering injecting up to CNY1 trillion of capital into its biggest state banks to increase their capacity to support the economy.

- An unscheduled Politburo meeting vowed to increase fiscal spending; stabilize the property market; support stock market, consumption and job market to boost growth to meet its 5% target.

- Goldman Sachs viewed that China government is on easing mode and additional stimulus measures may be announced later, included 25 bps RRR cut in 4Q24 and two additional cuts in 2025, two policy rate cuts, more bond issuance, etc.

- **US :**

- US GDP 2Q24 GDP grew at 3.0%, accelerating from an upward revision 1.6% in 1Q24, bolster by consumption and private investment.

- Initial jobless claims fell more than expected to its 4-month low, suggesting that job market remains strong and the US economy is far from recession.

- Core PCE increased by 2.7% YoY in August as expected, easing from 2.6% in July. On monthly basis, core PCE edged up 0.1%, below consensus forecast and lower than the previous month's 0.2%. Softening inflation gauge supports Fed rate cuts.

- China stimulus pushed oil prices higher at the beginning of the week. However, prices fell later as Saudi Arabia and OPEC+ plan to raise their output in December. Oil prices ended lower compared to last week.

- **Japan:**

- Japan's Liberal Democratic Party (LDP) elected Shigeru Ishiba, former Defense Minister, as its leader on September 27, setting him up to become Japan's next prime minister after ex-prime minister Fumio Kishida resignation in mid-August. JPY strengthened as Ishiba is known as a supporter of rate hike.

## Investment Outlook



Click on the fund name to view information.

- **China stimulus is larger than expected** and it should support China's market momentum. **KF-CHINA**, which invests in HSCIE Index, is recommended as its P/E remains low and should be supported by government measures. HSCIE's EPS growth is upgraded. However, property sector remains in trouble and should be a major risk. We recommended cut loss point at 5 – 7%.
- **The BOJ will not rush to hike rates.** The BOJ governor said the central bank has not planned to raise rates in the near term. It will evaluate developments in financial market and overall economy. Goldman Sachs expected the BOJ will raise policy rate again in January 2025.
- Market focuses on Powell's speech on Tuesday, US job data and Middle East unrest.

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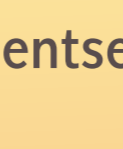
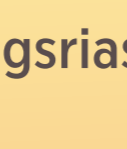
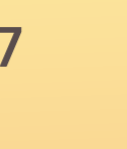
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