

## Lessons from Japan

- SOE developers' sales still rising strongly, and their stock prices are diverging from those of POEs. Thus, housing demand is probably delayed, not disappearing.
- The momentum in iron ore price is rising, and tends to lead long bond yield and market recovery by one and three months, respectively.
- So far, the market recovery is driven more by valuation than by fundamentals. Policies must deliver. And China's private sector leverage is similar to that of Japan in 1993. It is a significant turning point that warrants all attentions and resources.

Hao Hong, CFA

[hao.hong@growim.com](mailto:hao.hong@growim.com)

[Twitter: HaoHong\\_CFA](#)

Chinese version:

《中日历史的较量》

## Some leading indicators not "lying flat"

In July, property sales, prices, investments are taking another turn down, on an already-low base for comparison. At this juncture, it is easier to be a pessimist than an optimist. Thus, being pessimistic is not adding value anymore, except probably for the eyeballs. After examining recent property data, we would like to raise a few curiosities. Note that we are neither pessimistic as the prevalent consensus, nor optimistic like pollyannas. We are simply being realistic.

1) SOE developers are doing well and are indeed registering strong y/y sales growth in July, amid general sector weakness. Yuexiu, for instance, is experiencing 68% y/y sales growth in the first seven months of the year. And for Poly, it is 109%. If the demand for property has evaporated, as some pundits are alleging, then why people are still buying from SOEs? Is the fulfillment of property demand subject to the ownership of the developers? Obviously, the concerns for "unfinished buildings" (烂尾楼) still overwhelm.

Figure 1: Iron ore has made a significant low in 2H22, and its momentum is picking up.



Of course, these significant SOE developers we track consist only 18% of national area sales and 28% of national yuan sales, but their strong sales hint at continuing housing demand that is not affected by the general market conditions and prevalent pessimism. And these developers make up ~50% national area sales and over 60% of national yuan sales of the nationally-significant SOE and POE developers that we track.

2) Second-hand property market appears ailing, as shown in declining listing prices, larger seller concessions and more listing amid falling prices. But rent is rising, suggesting that people are delaying buying decision and renting instead. If so, the housing demand probably is delayed, not disappearing.

Obviously, some may question why people are not simply buying second-hand property, if they are so concerned about “unfinished buildings”? The answer may stem from Chinese culture of the preference to buy new instead of second hand, as well as the age of Chinese housing stock -- more than 85% of China’s housing stock is more than 5 y.o., and about two thirds is more than 10 y.o. And Chinese properties depreciate really fast for lack of proper maintenance.

3) SOE developers’ stock prices remain resilient, and some even rise amid such gloom. But POE developers’ stock prices are indeed plunging. What could explain such disparity of fortune between the two groups of developers with different ownership structure, if the sector is in complete despair?

*And how do the cross-asset prices reflect these curious nuances within the property sector?*

In **Figure 1**, we show that the price of iron ore, an important leading indicator for the Chinese economy, is picking up momentum. It is evident that iron ore has made a significant bottom in 2H22, and has been recovering ever since. In general, it leads the P/E of the Shanghai Composite by about three months, and China’s 10-year treasury yield by about one month.

If iron ore continues its recovery to signal improving underlying demand in the Chinese economy on the margin, then the Shanghai Composite should continue its valuation recovery, despite near-term volatility.

The down trend in China’s long treasury yield should also revert, after making its low in the coming weeks. This projection appears to be consistent with the inflation outlook in the second half, when deflationary pressure in the upstream will likely ease due to higher commodity prices and pork price will likely stop dragging on CPI.

## ... But longer-term outlook murky

While we have raised some interesting questions above, we note that the property sector is confronted with significant challenges. In [Figure 2](#), we can see that while the property sector valuation has recovered somewhat, the relative performance of high-yield property USD bonds versus investment-grade bonds is heading for a second low, in tandem with Chinese consumer confidence and the property sector index.

**Figure 2: The market recovery is mostly driven by valuation, but reality has failed to deliver.**

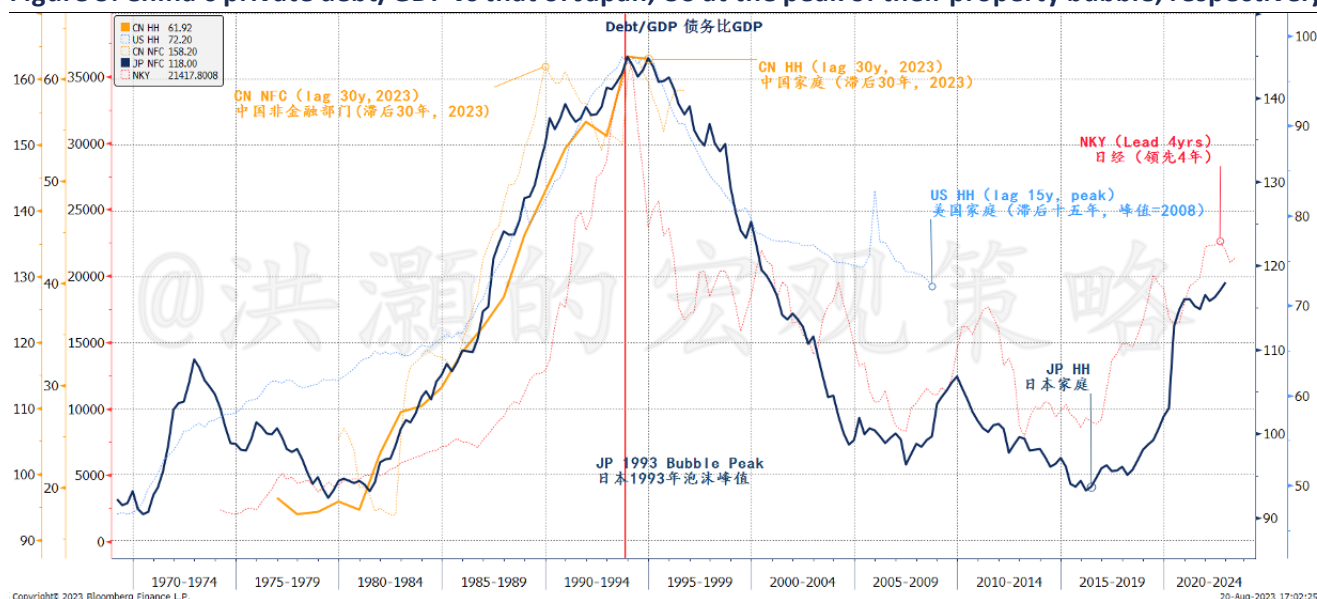


As valuation recovery diverges from confidence and relatively high-yield performance, the recovery so far has been driven more by hopes than by reality. But hopes and dreams can only get us this far, if economic fundamentals fail to deliver. That said, we don't believe that 2023 should be even worse than 2022, when our future was shrouded by the ravage of COVID. As such, the market low in late October 2022 should hold.

But longer-term outlook appears murky. Recently, there has been heated debates among economists, drawing parallels between China and Japan. After all, Japan's "lost decades" have resonated loudly in today's China. But we fail to see concrete comparison based on data, except for some anecdotal evidence and eloquent babbles that reciting clichés that fail to add anything to the debate. But people carry on debating each other regardless.

Here, we compare the household/private-debt-to-GDP ratios between Japan at the peak of its property bubble in 1993 and China now in 2023 ([Figure 3](#)). We can show that China's ratio is now ~150% GDP, similar to that of Japan in 1993. Further, the pace at which China's private sector is adding on leverage also bears uncanny resemblance.

This is a critical chart that goes without saying. Its significance is beyond the scope of this short note. We will return to it at a later date with more.

**Figure 3: China's private debt/GDP vs that of Japan, US at the peak of their property bubble, respectively.**


Source: Bloomberg, GROW Research

## Conclusion

The Chinese property market is beset by pessimism. Yet people are still buying from SOE developers, and the rising rent suggests that housing demand is delayed rather than disappearing. As such, the SOE developers' stock prices have diverged from those of POEs.

Iron ore price is picking up some momentum, and suggest that the valuation recovery in the Shanghai Composite should resume after recent turmoil, and the Chinese 10-year should soon find some support around its recent lows, if history is a guide. If we agree that 2023 is already much better than 2022, then the low in late October 2022 should hold.

Longer term, however, the picture is murkier. China's private sector leverage has reached a plateau similar to that of Japan at the peak of its bubble in 1993. It is a significant turning point that warrants all attentions and resources.

Hao Hong, CFA

Twitter: [@HAOHONG\\_CFA](https://twitter.com/HAOHONG_CFA)

[https://twitter.com/HAOHONG\\_CFA](https://twitter.com/HAOHONG_CFA)



### Appendix 1: Performance of major asset classes (weekly)

Asset Class	18/8/2023	11/8/2023	4/8/2023	28/7/2023	21/7/2023	14/7/2023	7/7/2023	30/6/2023	23/6/2023	16/6/2023	9/6/2023
<b>MSCI Index</b>											
MSCI World	-2.82%	-0.83%	-2.34%	1.16%	0.17%	3.38%	-1.38%	1.95%	-2.21%	2.67%	0.58%
MSCI DM	-2.53%	-0.86%	-2.33%	0.96%	0.36%	3.21%	-1.43%	2.22%	-2.03%	2.66%	0.43%
MSCI EM	-3.34%	-1.99%	-2.41%	2.82%	-1.35%	4.88%	-0.89%	-0.14%	-3.70%	2.76%	1.83%
MSCI China	-5.44%	-3.58%	-0.66%	6.46%	-2.63%	5.96%	-1.65%	-0.10%	-6.74%	4.38%	1.67%
MSCI AC Asia Ex. Japan	-3.76%	-2.38%	-2.28%	2.98%	-1.82%	5.48%	-1.37%	-0.14%	-4.23%	2.88%	1.34%
MSCI Europe	-2.26%	0.04%	-2.49%	1.18%	0.97%	2.91%	-3.33%	1.92%	-2.82%	1.52%	-0.53%
<b>Stock</b>											
U.S.	-2.11%	-0.11%	-2.27%	1.01%	0.69%	2.42%	-1.16%	2.35%	-1.39%	2.58%	0.39%
Chinese Mainland	-1.80%	-3.01%	0.37%	3.42%	-2.16%	1.29%	-0.17%	0.13%	-2.30%	1.30%	0.04%
	-2.40%	-3.35%	0.92%	2.03%	-2.25%	1.36%	-0.92%	0.46%	-2.09%	3.83%	-1.43%
HK SAR, China	-5.99%	-2.38%	-1.89%	4.41%	-1.74%	5.91%	-2.91%	0.14%	-5.74%	3.35%	2.32%
Japan	-3.45%	0.87%	-1.73%	1.41%	-0.77%	0.01%	-2.41%	1.24%	-2.74%	4.47%	2.35%
South Korea	-0.44%	-0.21%	-0.06%	0.00%	-0.71%	4.02%	-1.47%	-0.13%	-2.69%	1.53%	1.66%
Germany	-1.63%	-0.75%	-3.14%	1.81%	0.45%	3.42%	-3.37%	2.01%	-3.23%	2.56%	-0.53%
U.K.	-3.48%	-0.83%	-1.69%	0.40%	3.08%	2.45%	-3.65%	0.93%	-2.77%	1.06%	-0.99%
France	-2.40%	0.34%	-2.16%	0.59%	0.79%	3.69%	-3.89%	3.30%	-3.05%	2.43%	-0.19%
<b>Bloomberg Barclays Indices</b>											
Global	-0.77%	-0.76%	-0.83%	-0.18%	-0.53%	2.38%	-0.66%	-0.17%	-0.16%	0.36%	-0.02%
China	-0.42%	-0.83%	-0.13%	0.20%	-0.44%	1.53%	0.52%	-0.78%	-1.07%	0.19%	-0.90%
Global + China	-0.77%	-0.76%	-0.83%	-0.18%	-0.53%	2.38%	-0.66%	-0.17%	-0.16%	0.36%	-0.02%
U.S.	-0.90%	-0.44%	-0.59%	-0.40%	0.01%	1.51%	-1.29%	-0.26%	0.14%	0.20%	-0.15%
Europe	-1.05%	-0.88%	-0.47%	-0.78%	-0.74%	3.84%	-0.81%	-0.03%	0.10%	1.31%	0.07%
Asian Pacific	-0.79%	-1.04%	-1.47%	0.39%	-1.35%	2.07%	0.82%	-0.67%	-1.36%	-0.42%	-0.05%
EM	-1.45%	-0.03%	-0.73%	0.19%	0.12%	1.77%	-1.11%	0.07%	0.29%	0.60%	0.36%
Treasuries	-0.81%	-0.83%	-1.04%	-0.17%	-0.75%	2.38%	-0.44%	-0.16%	-0.19%	0.19%	0.01%
Corporate	-0.80%	-0.85%	-0.61%	-0.77%	-0.14%	2.18%	-0.97%	0.06%	0.02%	0.68%	-0.09%
High Yield	-1.19%	0.18%	-0.44%	0.26%	-0.13%	2.26%	-0.60%	0.63%	-0.50%	0.89%	0.73%
<b>Commodity</b>											
<b>Bloomberg Commodity Index</b>											
Energy	-1.77%	-0.33%	-1.21%	0.97%	1.53%	2.63%	0.43%	-0.35%	-2.66%	4.14%	1.14%
	-2.89%	3.07%	1.18%	3.50%	4.02%	1.38%	1.19%	1.31%	-2.06%	5.72%	0.10%
Natural Gas	-5.37%	10.13%	-2.24%	-2.04%	7.00%	-1.57%	-7.29%	-1.76%	4.01%	16.25%	3.44%
WTI Crude	-2.12%	0.37%	2.78%	4.55%	2.32%	2.10%	4.22%	2.11%	-3.62%	2.30%	-2.11%
Brent Crude	-2.07%	0.42%	2.22%	4.20%	1.68%	1.87%	4.06%	1.89%	-3.36%	2.46%	-1.82%
Heating Oil	0.37%	1.92%	3.81%	7.74%	5.74%	1.66%	4.09%	3.16%	-4.96%	5.90%	0.15%
Unleaded Gasoline	-3.05%	5.40%	-3.62%	4.75%	6.75%	2.93%	1.88%	3.99%	-5.34%	3.78%	3.64%
Precious Metal	-1.12%	-2.08%	-1.64%	-0.54%	-0.12%	3.09%	0.39%	0.45%	-3.11%	-0.51%	0.93%
Gold	-1.15%	-1.49%	-1.19%	-0.27%	0.11%	1.63%	0.16%	-0.01%	-2.11%	-0.10%	0.39%
Silver	-0.10%	-4.13%	-3.18%	-1.45%	-1.55%	8.18%	1.17%	2.09%	-7.35%	-1.18%	2.78%
Industrial Metal	-1.19%	-3.99%	-1.25%	3.16%	-2.87%	4.34%	-0.07%	-1.34%	-3.84%	2.96%	1.24%
Copper	-0.51%	-3.61%	-1.50%	2.84%	-2.92%	3.99%	0.60%	-1.47%	-2.13%	2.58%	1.67%
Aluminum	-1.80%	-2.87%	0.14%	0.70%	-3.23%	5.95%	-0.43%	-1.28%	-4.29%	0.13%	-0.38%
Zinc	-4.03%	-4.28%	0.16%	5.39%	-2.65%	3.19%	-1.20%	0.98%	-4.52%	3.05%	4.50%
Nickel	-0.41%	-5.23%	-4.60%	7.39%	-4.04%	3.87%	1.26%	-3.81%	-7.47%	8.76%	-0.16%
Agriculture	0.25%	-0.49%	-3.78%	-1.11%	3.00%	2.89%	-0.16%	-4.44%	-2.53%	7.13%	2.20%
Grains	1.20%	-1.80%	-6.95%	-0.76%	3.58%	3.25%	-0.37%	-8.01%	0.10%	10.32%	0.70%
Softs	-3.80%	1.21%	0.42%	-2.44%	2.24%	1.40%	2.01%	-3.60%	-6.75%	0.07%	3.00%
Livestock	-0.43%	-1.16%	0.49%	-0.36%	-0.02%	1.67%	0.90%	3.58%	-0.55%	2.29%	1.35%
Live Cattle	-1.18%	-0.86%	1.84%	-1.16%	-0.40%	1.50%	-0.10%	3.75%	-0.55%	-0.77%	-0.11%
Lean Hogs	0.98%	-2.11%	-2.29%	0.92%	0.78%	1.96%	2.76%	3.26%	-1.10%	6.95%	5.28%
<b>Foreign Exchange</b>											
US Dollar Index	0.52%	0.81%	0.39%	0.55%	1.16%	-2.31%	-0.82%	0.01%	0.65%	-1.27%	-0.44%
USDCNY	0.62%	0.93%	0.34%	-0.54%	0.64%	-1.45%	-0.99%	1.03%	0.74%	-0.45%	0.45%
MSCI EM Currency	-0.77%	-0.48%	-0.99%	0.29%	-0.43%	1.64%	0.07%	-0.49%	-0.84%	0.62%	0.19%
USDHKD	0.13%	0.08%	0.19%	-0.26%	0.03%	-0.16%	-0.11%	0.09%	0.13%	-0.24%	0.02%
JPYUSD	0.30%	2.26%	0.43%	-0.40%	2.11%	-2.40%	-1.46%	0.42%	1.33%	1.74%	-0.37%
EURUSD	-0.49%	-0.12%	-0.09%	-0.57%	-0.93%	2.38%	0.53%	0.14%	-0.39%	1.75%	0.38%
GBPUSD	0.30%	-0.42%	-0.79%	-0.02%	-1.83%	1.98%	1.07%	-0.09%	-0.80%	1.95%	0.96%

Source: Bloomberg, GROW Research (Updated on 19/08/2023, same below)

## Appendix 2: Performance of major asset classes (annual)

Asset Class		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>MSCI Index</b>															
MSCI World		10.1%	-19.8%	16.8%	14.3%	24.0%	-11.2%	21.6%	5.6%	-4.3%	2.1%	20.3%	13.4%	-9.4%	10.4%
MSCI DM		11.3%	-19.5%	20.1%	14.1%	25.2%	-10.4%	20.1%	5.3%	-2.7%	2.9%	24.1%	13.2%	-7.5%	9.6%
MSCI EM		0.8%	-22.4%	-4.5%	15.8%	15.4%	-16.6%	34.3%	8.6%	-17.0%	-4.5%	-5.0%	15.1%	-20.4%	16.4%
MSCI China		-8.4%	-23.5%	-22.4%	26.7%	20.4%	-20.3%	52.3%	-1.4%	-10.1%	4.7%	0.4%	18.7%	-20.4%	2.6%
MSCI AC Asia Ex. Japan		-1.5%	-21.5%	-6.4%	22.5%	15.4%	-16.4%	38.7%	2.9%	-11.3%	2.2%	0.7%	19.4%	-19.2%	17.0%
MSCI Europe		5.7%	-11.9%	22.4%	-5.4%	22.2%	-13.1%	7.3%	-0.5%	5.5%	4.1%	16.4%	13.4%	-10.9%	8.0%
<b>Stock</b>															
U.S.	S&P 500	13.8%	-19.4%	26.9%	16.3%	28.9%	-6.2%	19.4%	9.3%	-0.7%	11.4%	29.5%	13.4%	0.0%	12.8%
Chinese Mainland	SHCOMP	1.4%	-15.1%	4.8%	13.9%	22.3%	-24.6%	6.6%	-12.3%	9.4%	52.9%	-6.7%	3.2%	-21.7%	-14.3%
	SZCOMP	-1.8%	-21.9%	8.6%	35.2%	35.9%	-33.2%	-3.5%	-14.7%	63.2%	33.8%	20.0%	1.7%	-32.9%	7.5%
HK SAR, China	HSI	-9.3%	-15.5%	-14.1%	-3.4%	9.1%	-13.6%	36.0%	0.4%	-7.2%	1.3%	2.9%	22.9%	-20.0%	5.3%
Japan	Nikkei 225	20.5%	-9.4%	4.9%	16.0%	18.2%	-12.1%	19.1%	0.4%	9.1%	7.1%	56.7%	22.9%	-17.3%	-3.0%
South Korea	KOSPI	12.0%	-24.9%	3.6%	30.8%	7.7%	-17.3%	21.8%	3.3%	2.4%	-4.8%	0.7%	9.4%	-11.0%	21.9%
Germany	DAX	11.9%	-12.3%	15.8%	3.5%	25.5%	-18.3%	12.5%	6.9%	9.6%	2.7%	25.5%	29.1%	-14.7%	16.1%
U.K.	FTSE 100	-2.5%	0.9%	14.3%	-14.3%	12.1%	-12.5%	7.6%	14.4%	-4.9%	-2.7%	14.4%	5.8%	-5.5%	9.0%
France	CAC 40	10.7%	-9.5%	28.9%	-7.1%	26.4%	-11.0%	9.3%	4.9%	8.5%	-0.5%	18.0%	15.2%	-17.0%	-3.8%
<b>Bloomberg Barclays Indices</b>															
Global		-0.2%	-16.2%	-4.7%	9.2%	6.8%	-1.2%	7.4%	2.1%	-3.2%	0.6%	-2.5%	4.3%	5.6%	5.5%
China		-1.1%	-5.2%	8.4%	9.8%	3.4%	3.5%	6.2%	-5.2%	3.9%	8.0%	1.3%	5.1%	9.2%	6.4%
Global + China		-0.2%	-16.2%	-4.7%	9.2%	6.6%	-0.9%	7.3%	1.7%	-2.9%	0.9%	-2.5%	4.3%	5.8%	5.6%
U.S.		0.1%	-13.0%	-1.5%	7.5%	8.7%	0.0%	3.5%	2.6%	0.5%	6.0%	-2.0%	4.2%	7.8%	6.5%
Europe		3.5%	-22.3%	-9.7%	13.4%	4.1%	-4.4%	14.5%	0.3%	-9.8%	-2.4%	6.8%	12.9%	-0.1%	-4.5%
Asian Pacific		-4.9%	-12.8%	-5.0%	6.6%	3.7%	2.7%	5.2%	5.3%	-0.5%	-6.8%	-14.6%	-7.0%	7.3%	17.2%
EM		2.0%	-15.3%	-1.7%	6.5%	13.1%	-2.5%	8.2%	9.9%	1.3%	4.8%	-4.1%	17.9%	7.0%	12.8%
Treasuries		-1.2%	-17.5%	-6.5%	9.5%	5.6%	-0.4%	7.3%	1.7%	-3.3%	-0.8%	-4.3%	1.8%	6.3%	5.9%
Corporate		2.2%	-16.7%	-2.9%	10.4%	11.5%	-3.5%	9.1%	4.3%	-3.5%	3.1%	0.3%	11.2%	4.3%	5.8%
High Yield		5.5%	-12.7%	1.0%	7.0%	12.6%	-4.1%	10.4%	14.3%	-2.7%	0.0%	7.3%	19.5%	3.1%	14.8%
<b>Commodity</b>															
<b>Bloomberg Commodity Index</b>		-7.5%	13.8%	27.1%	-3.5%	5.4%	-13.0%	0.7%	11.4%	-24.7%	-17.0%	-9.5%	-1.1%	-13.4%	16.7%
Energy		-12.5%	33.5%	52.1%	-42.9%	9.4%	-14.4%	-5.2%	15.9%	-38.9%	-39.4%	5.1%	-9.4%	-16.0%	-10.7%
	Natural Gas	-52.1%	17.0%	27.9%	-42.2%	-38.5%	-2.1%	-37.0%	10.0%	-40.0%	-30.7%	4.9%	-30.7%	-47.1%	-40.7%
	WTI Crude	1.0%	22.4%	61.5%	-50.9%	31.6%	-22.0%	4.1%	6.7%	-44.4%	-41.7%	6.8%	-11.8%	-3.7%	3.7%
	Brent Crude	0.7%	38.9%	65.5%	-31.8%	32.7%	-16.6%	13.2%	25.0%	-45.6%	-47.6%	7.2%	7.5%	16.8%	11.3%
	Heating Oil	4.2%	90.3%	58.2%	-38.5%	22.0%	-17.4%	13.9%	33.0%	-42.9%	-38.8%	0.3%	5.4%	10.5%	8.2%
Unleaded Gasoline		19.5%	45.7%	69.5%	-31.2%	41.5%	-29.7%	1.8%	6.1%	-12.7%	-43.8%	1.9%	25.6%	14.4%	12.9%
Precious Metal		-1.9%	-1.9%	-6.1%	25.1%	14.6%	-6.4%	9.9%	9.1%	-11.5%	-6.7%	-30.8%	6.2%	4.5%	42.5%
	Gold	0.1%	-2.7%	-4.3%	20.5%	15.6%	-4.7%	11.7%	7.4%	-10.9%	-1.8%	-28.7%	6.0%	9.6%	28.5%
Silver		-8.0%	0.5%	-12.3%	41.9%	11.5%	-11.9%	4.8%	13.5%	-12.8%	-20.5%	-36.7%	7.0%	-10.2%	81.6%
Industrial Metal		-16.1%	-4.4%	30.3%	15.9%	4.7%	-21.1%	28.1%	19.5%	-26.9%	-6.9%	-13.7%	0.6%	-24.3%	16.1%
	Copper	-3.8%	-15.3%	27.0%	22.8%	5.0%	-22.8%	28.0%	15.4%	-25.2%	-16.6%	-8.8%	4.9%	-24.5%	29.4%
	Aluminum	-14.0%	-16.8%	38.9%	3.5%	-5.3%	-18.5%	29.9%	9.4%	-23.0%	-3.1%	-20.8%	-4.1%	-21.7%	5.2%
	Zinc	-22.2%	-12.3%	27.9%	18.1%	-3.2%	-22.9%	28.5%	56.9%	-28.0%	3.5%	-7.0%	8.9%	-27.8%	-9.0%
Nickel		-34.7%	43.7%	25.1%	16.2%	29.8%	-18.0%	24.4%	11.5%	-42.7%	7.3%	-20.1%	-10.3%	-24.7%	32.0%
Agriculture		-3.5%	13.2%	26.5%	16.0%	-0.4%	-12.5%	-11.9%	1.8%	-15.7%	-9.3%	-14.3%	3.9%	-14.4%	38.3%
	Grains	-10.3%	15.6%	20.9%	18.9%	-3.2%	-7.4%	-12.1%	-6.2%	-19.5%	-9.4%	-16.9%	18.1%	-14.5%	30.1%
Softs		9.7%	-5.4%	43.9%	2.5%	2.1%	-23.8%	-15.6%	12.8%	-9.9%	-10.1%	-16.9%	-22.5%	-14.0%	59.7%
Livestock		3.0%	5.3%	8.6%	-23.7%	-8.0%	-3.5%	5.4%	-5.9%	-18.9%	11.5%	-3.5%	-3.5%	-2.4%	9.1%
	Live Cattle	14.1%	2.6%	-0.1%	-18.2%	-0.9%	0.6%	8.1%	-7.7%	-14.3%	22.0%	-5.1%	-4.0%	-1.1%	14.8%
	Lean Hogs	-14.9%	10.8%	25.1%	-31.8%	-20.9%	-12.7%	1.8%	-3.8%	-26.1%	-4.4%	-2.1%	-3.0%	-4.5%	0.2%
<b>Foreign Exchange</b>															
US Dollar Index		-0.1%	8.2%	6.4%	-6.7%	0.2%	4.4%	-9.9%	3.6%	9.3%	12.8%	0.3%	-0.5%	1.5%	1.5%
USDCNY		5.6%	8.5%	-2.5%	-6.3%	1.2%	5.7%	-6.3%	6.9%	4.6%	2.5%	-2.3%	-1.0%	-4.5%	-3.4%
MSCI EM Currency		0.5%	-4.3%	0.9%	3.3%	3.1%	-3.8%	11.4%	3.5%	-7.1%	-4.3%	-1.9%	5.5%	-2.5%	7.9%
USDHKD		0.4%	0.1%	0.6%	-0.5%	-0.5%	0.2%	0.7%	0.1%	-0.1%	0.0%	0.0%	-0.2%	-0.1%	0.2%
JPYUSD		10.9%	13.9%	11.5%	-4.3%	-1.0%	-2.7%	-3.7%	-2.7%	0.4%	13.7%	21.4%	12.8%	-5.2%	-12.8%
EURUSD		1.6%	-5.8%	-6.9%	8.9%	-2.2%	-4.5%	14.1%	-3.2%	-10.2%	-12.0%	4.2%	1.8%	-3.2%	-6.5%
GBPUSD		5.4%	-10.7%	-1.0%	3.1%	3.9%	-5.5%	9.5%	-16.3%	-5.4%	-5.3%	1.9%	4.6%	-0.4%	-3.5%

Source: Bloomberg, GROW Research

### Appendix 3: Performance of major stock market sectors (weekly)

	18/8/2023	4/8/2023	28/7/2023	21/7/2023	14/7/2023	7/7/2023	30/6/2023	23/6/2023	16/6/2023	9/6/2023	2/6/2023
<b>S&amp;P 500 GICS Groups Index</b>											
S&P 500 GICS Groups Index	-2.42%	-2.27%	1.01%	0.69%	2.42%	-1.16%	2.35%	-1.39%	2.58%	0.39%	1.83%
Info. Tech.	-3.67%	-4.14%	1.27%	-0.08%	2.79%	-1.46%	2.93%	-2.03%	4.44%	-0.66%	1.37%
Industrials	-1.99%	-1.79%	0.56%	0.88%	2.22%	-1.04%	3.87%	-1.65%	2.95%	1.38%	2.57%
Materials	-3.35%	-2.03%	1.81%	0.58%	2.48%	-2.01%	3.96%	-1.96%	3.32%	0.55%	2.87%
Consumer Staples	-2.15%	-1.90%	0.72%	1.64%	1.20%	-1.09%	0.56%	-0.45%	1.97%	-0.53%	0.28%
Health Care	0.84%	-2.09%	-0.85%	3.46%	2.03%	-2.87%	0.56%	0.24%	1.40%	-0.08%	2.19%
Consumer Discretionary	-5.05%	-0.23%	1.21%	-2.28%	3.31%	-0.33%	2.48%	-0.02%	3.15%	2.44%	3.27%
Financials	-2.82%	-0.83%	-0.24%	2.96%	1.96%	-0.46%	2.93%	-2.02%	1.19%	1.05%	2.12%
Energy	1.82%	1.15%	1.68%	3.53%	0.58%	-0.67%	4.77%	-3.45%	-0.71%	1.71%	1.31%
Real Estate	-2.44%	-2.20%	-1.80%	-0.51%	2.63%	0.21%	5.00%	-4.03%	1.19%	0.68%	3.07%
Utilities	-1.19%	-4.66%	-2.10%	2.40%	2.26%	-0.20%	0.69%	-2.59%	1.29%	1.91%	0.78%
Telecom	-2.42%	-2.85%	6.85%	-3.01%	3.36%	-0.32%	0.37%	-0.76%	2.13%	-0.42%	1.12%
<b>Shanghai Stock Exchange Sector Index</b>											
Info.Tech.	-9.76%	2.61%	0.54%	-4.82%	1.70%	-1.01%	-3.60%	-1.60%	4.73%	-1.59%	2.93%
Industrials	-5.85%	0.56%	2.66%	-2.19%	1.45%	-0.41%	0.89%	-2.12%	2.83%	-1.06%	-1.26%
Materials	-4.89%	0.51%	2.71%	0.57%	3.45%	0.44%	0.60%	-3.60%	1.82%	-0.91%	1.53%
Consumer Staples	-5.03%	-0.42%	5.73%	-0.21%	2.05%	0.24%	-3.51%	-3.73%	5.65%	-3.04%	-1.52%
Health Care	-3.21%	-2.92%	3.58%	-1.07%	0.46%	-1.47%	1.49%	-3.90%	1.53%	-2.26%	-2.09%
Consumer Discretionary	-6.63%	0.73%	5.65%	-1.23%	0.39%	0.43%	-0.27%	-1.37%	5.11%	-1.12%	0.34%
Financials	-4.69%	0.58%	8.51%	-2.07%	1.31%	0.33%	-0.72%	-3.23%	-1.31%	1.91%	0.53%
Energy	-1.36%	-2.27%	1.02%	-3.63%	0.13%	2.35%	1.88%	-2.31%	-0.90%	1.13%	-0.67%
Utilities	-1.92%	1.43%	-0.30%	-2.05%	-0.58%	-0.01%	2.12%	0.52%	-4.03%	0.35%	-0.56%
Telecom	-5.53%	2.17%	0.00%	-2.86%	4.68%	-2.25%	-1.94%	-4.29%	-0.53%	2.96%	6.59%
<b>Hang Seng Sector Index</b>											
Info.Tech.	-8.03%	-0.54%	6.31%	-3.81%	9.01%	-0.31%	-1.57%	-8.19%	7.93%	1.85%	3.30%
Industrials	-9.10%	-2.96%	4.69%	-3.23%	2.97%	-2.09%	3.82%	-7.31%	5.05%	0.97%	-2.37%
Materials	-7.95%	-0.79%	2.48%	-0.97%	8.57%	0.49%	-0.08%	-6.48%	2.47%	-0.13%	4.00%
Consumer	-7.25%	0.35%	4.13%	-1.85%	6.19%	-3.58%	0.63%	-6.85%	5.42%	1.13%	1.20%
Financials	-8.16%	-2.57%	3.75%	-0.69%	3.51%	-5.25%	1.03%	-3.44%	0.19%	3.13%	0.13%
Energy	0.94%	-1.95%	-1.13%	-0.83%	5.10%	-0.76%	2.57%	-5.37%	-4.02%	2.29%	-2.83%
Real Estate	-10.17%	-3.25%	6.56%	-0.79%	1.18%	-3.39%	1.93%	-6.99%	1.36%	2.74%	0.68%
Utilities	-5.20%	-2.09%	2.04%	-2.14%	3.48%	-4.28%	2.13%	-3.37%	-0.13%	-0.01%	-0.61%
Telecom	-1.93%	-0.88%	0.03%	0.98%	2.15%	-0.85%	2.39%	-2.81%	-2.61%	1.33%	-0.54%

Source: Bloomberg, GROW Research

## Appendix 4: Performance of major stock market sectors (annual)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>S&amp;P 500 GICS Groups Index</b>														
S&P 500 GICS Groups Index	13.8%	-19.4%	26.9%	16.3%	28.9%	-6.2%	19.4%	9.5%	-0.7%	11.4%	29.5%	13.4%	0.0%	12.8%
Info. Tech.	34.5%	-28.9%	33.4%	42.2%	48.0%	-1.5%	36.9%	12.0%	4.3%	18.2%	26.2%	13.1%	1.3%	9.1%
Industrials	7.9%	-7.1%	19.4%	9.0%	26.8%	-15.0%	18.5%	16.1%	-4.7%	7.5%	37.5%	12.5%	-2.9%	23.9%
Materials	3.8%	-14.1%	25.0%	18.1%	21.9%	-16.4%	21.4%	14.1%	-10.4%	4.7%	22.7%	12.2%	-11.6%	19.9%
Consumer Staples	-1.7%	-3.2%	15.6%	7.6%	24.0%	-11.2%	10.5%	2.6%	3.8%	12.9%	22.7%	7.5%	10.5%	10.7%
Health Care	-2.0%	-3.5%	24.2%	11.4%	18.7%	4.7%	20.0%	-4.4%	5.2%	23.3%	38.7%	15.2%	10.2%	0.7%
Consumer Discretionary	27.7%	-37.6%	23.7%	32.1%	26.2%	-0.5%	21.2%	4.3%	8.4%	8.0%	41.0%	21.9%	4.4%	25.7%
Financials	-1.1%	-12.4%	32.5%	-4.1%	29.2%	-14.7%	20.0%	20.1%	-3.5%	13.1%	33.2%	26.3%	-18.4%	10.8%
Energy	0.5%	59.0%	47.7%	-37.3%	7.6%	-20.5%	-3.8%	23.7%	-23.6%	-10.0%	22.3%	2.3%	2.8%	17.9%
Real Estate	-2.4%	-28.4%	42.5%	-5.2%	24.9%	-5.5%	7.2%	0.0%	1.2%	26.1%	-1.5%	16.2%	7.9%	28.0%
Utilities	-10.5%	-1.4%	14.0%	-2.8%	22.2%	0.5%	8.3%	12.2%	-8.4%	24.3%	8.8%	-2.9%	14.8%	0.9%
Telecom	37.2%	-40.4%	20.5%	22.2%	30.9%	-16.4%	-6.0%	17.8%	-1.7%	-1.9%	6.5%	12.5%	0.8%	12.3%
<b>Shanghai Stock Exchange Sector Index</b>														
Info. Tech.	7.4%	-37.1%	-0.2%	22.5%	65.4%	-34.1%	-4.9%	-26.9%	60.0%	36.5%	46.8%	-14.1%	-39.2%	27.2%
Industrials	-7.0%	-18.3%	14.3%	25.3%	13.7%	-23.6%	5.5%	-15.0%	10.7%	68.0%	-3.2%	-4.3%	-32.5%	-4.9%
Materials	-2.8%	-21.4%	15.9%	22.7%	29.0%	-30.1%	27.3%	-7.5%	-1.0%	38.9%	-24.0%	9.1%	-35.1%	-3.2%
Consumer Staples	-13.6%	-16.0%	-6.9%	81.5%	47.5%	-19.3%	43.8%	1.1%	24.1%	15.1%	7.7%	4.5%	-22.1%	12.7%
Health Care	-9.5%	-22.7%	-8.3%	57.4%	24.3%	-26.4%	18.2%	-11.4%	45.8%	6.3%	32.6%	10.3%	-31.2%	33.8%
Consumer Discretionary	-8.5%	-16.0%	-6.9%	81.5%	47.5%	-19.3%	43.8%	1.1%	24.1%	15.1%	7.7%	4.5%	-22.1%	12.7%
Financials	3.7%	-11.2%	-12.7%	-3.0%	29.6%	-17.4%	23.4%	-7.8%	-9.7%	82.0%	-9.9%	20.9%	-13.9%	-26.8%
Energy	1.6%	16.4%	29.6%	-11.3%	2.4%	-26.3%	6.4%	-3.9%	-15.0%	24.0%	-33.0%	-4.3%	-23.5%	-10.9%
Utilities	5.3%	-15.3%	39.4%	-3.3%	3.4%	-11.1%	-3.0%	-20.5%	6.2%	73.1%	-1.2%	3.4%	-17.2%	-16.8%
Telecom	16.9%	-10.5%	9.2%	-6.2%	29.9%	-29.8%	12.1%	-7.5%	56.0%	34.6%	30.6%	-22.8%	-38.8%	4.6%
<b>Hang Seng Sector Index</b>														
Info. Tech.	-6.4%	-25.1%	-32.3%	69.6%	23.7%	-29.6%	92.3%	18.2%	22.3%	8.9%	70.0%	36.5%	-18.6%	-7.0%
Industrials	-24.8%	-21.2%	-18.8%	-15.9%	15.7%	-10.2%	48.8%	-1.8%	-2.5%	3.1%	-9.9%	42.9%	-26.5%	4.3%
Materials	-1.4%	-15.2%	9.4%	30.0%	-0.4%	-29.5%	30.5%	21.0%	-18.7%	-1.1%	-21.9%	8.1%	-42.4%	4.4%
Consumer Goods	-15.9%	-21.1%	19.1%	-27.1%	51.3%	-6.5%	-10.3%	-11.1%	11.2%	10.1%	-24.3%	9.3%	116.6%	-52.6%
Consumer Services	-15.9%	-21.1%	6.7%	-22.6%	39.7%	3.6%	-23.9%	-30.5%	40.1%	22.2%	-20.6%	25.3%	70.6%	-62.1%
Financials	-7.4%	-5.5%	-6.8%	-6.9%	7.5%	-14.8%	31.2%	-3.1%	-10.0%	7.6%	3.0%	24.2%	-24.6%	-0.7%
Energy	15.8%	17.3%	20.5%	-33.7%	-4.1%	-2.8%	11.4%	14.3%	-31.3%	-17.3%	-16.2%	12.7%	-15.1%	16.5%
Real Estate	-24.8%	-21.2%	-18.8%	-15.9%	15.7%	-10.2%	48.8%	-1.8%	-2.5%	3.1%	-9.9%	42.9%	-26.5%	4.3%
Utilities	-11.2%	-30.3%	17.6%	-9.4%	-0.9%	1.2%	15.7%	-7.4%	-8.1%	6.2%	13.8%	15.0%	2.8%	6.2%
Telecom	17.5%	6.9%	0.5%	-29.9%	-9.7%	-3.4%	-1.0%	-6.0%	-5.1%	11.5%	-10.2%	11.7%	2.7%	8.4%

Source: Bloomberg, GROW Research

## Recent Reports

20230522	<a href="#">Outlook 2H2023: This Time is Different</a>
20230220	<a href="#">The Puzzle of "Vanishing Surplus"</a>
20230206	<a href="#">A Deadcat, or A New Bull?</a>
20230130	<a href="#">Savings Glut Fuel for Spring Rally</a>
20230112	<a href="#">Lessons of 2022</a>
20221219	<a href="#">Chinese QE?</a>
20221205	<a href="#">Farewell, COVID-0.</a>
20221121	<a href="#">Outlook 2023: A Cyclical Recovery</a>
20221107	<a href="#">"A Trillion-Dollar Tweet"</a>
20221031	<a href="#">"Mai! Mai! Mai!"</a>
20221017	<a href="#">Whose Confidence Is Gold?</a>
20221010	<a href="#">Saving Hong Kong</a>
20220926	<a href="#">Can Property Save the Day - Again?</a>
20220919	<a href="#">"Chill" about CNY Beyond 7</a>



## Required Disclosures

This report has been prepared by GROW Asset Management (HK) Limited (“GROW AM”). GROW AM, its subsidiaries, branches and affiliates are referred to herein as GROW. For information on the ways in which GROW manages conflicts and maintains independence of its research product; historical performance information; certain additional disclosures concerning GROW research recommendations; and terms and conditions for certain third party data used in research report, please contact GROW. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. GROW AM is licensed by Securities and Futures Commission to conduct Type 9 (asset management) activities. Analyst Certification: Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. For a complete set of disclosure statements associated with the companies discussed in this report, including information on valuation and risk, please contact GROW.

## Global Disclaimer

This document has been prepared by GROW Asset Management (HK) Limited (“GROW AM”). GROW AM, its subsidiaries, branches and affiliates are referred to herein as GROW. **This Document is provided solely to recipients who are expressly authorized by GROW to receive it. If you are not so authorized you must immediately destroy the Document.** GROW research is provided to our clients. When you receive GROW research through, your access and/or use of such research is subject to this Global Disclaimer. When you receive GROW research via a third party vendor, e-mail or other electronic means, you agree that use shall be subject to this Global Disclaimer. **If you receive GROW research by any other means, you agree that you shall not copy, revise, amend, create a derivative work, provide to any third party, or in any way commercially exploit any GROW research provided, and that you shall not extract data from any research or estimates provided to you via GROW research or otherwise, without the prior written consent of GROW.**

In certain circumstances (including for example, if you are an academic or a member of the media) you may receive GROW research and you understand and agree that (i) the GROW Research is provided to you for information purposes only; (ii) for the purposes of receiving it you are not intended to be and will not be treated as a “client” of GROW for any legal or regulatory purpose; (iii) the GROW research must not be relied on or acted upon for any purpose; and (iv) such content is subject to the relevant disclaimers that follow. This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject GROW to any registration or licensing requirement within such jurisdiction.

This document is a general communication and is educational in nature; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. By providing this document, none of GROW or its representatives has any responsibility or authority to provide or have provided investment advice in a fiduciary capacity or otherwise. Investments involve risks, and investors should exercise prudence and their own judgment in making their investment decisions. None of GROW or its representatives is suggesting that the recipient or any other person take a specific course of action or any action at all. By receiving this document, the recipient acknowledges and agrees with the intended purpose described above and further disclaims any expectation or belief that the information constitutes investment advice to the recipient or otherwise purports to meet the investment objectives of the recipient. Past performance is not necessarily indicative of future results. Neither GROW nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information. Prior to making any investment or financial decisions, any recipient of this document or the information should take steps to understand the risk and return of the investment and seek individualized advice from his or her personal financial, legal, tax and other professional advisors that takes into account all the particular facts and circumstances of his or her investment objectives. Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. Different assumptions by GROW or any other source may yield substantially different results. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in any materials to which this document relates (the "Information"). The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. GROW does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups, personnel or other representative of GROW. Any statements contained in this report attributed to a third party represent GROW's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. In no circumstances may this document or any of the Information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes: (i) valuation or accounting purposes; (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or (iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Value or of defining the asset allocation of portfolio or of computing performance fees. By receiving this document and the Information you will be deemed to represent and warrant to GROW that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information. GROW has policies and procedures, which include, without limitation, independence policies and permanent information barriers, that are intended, and upon which GROW relies, to

manage potential conflicts of interest and control the flow of information within divisions of GROW and among its subsidiaries, branches and affiliates. For further information on the ways in which GROW manages conflicts and maintains independence of its research products, historical performance information and certain additional disclosures concerning GROW research recommendations, please contact GROW. Research will initiate, update and cease coverage solely at the discretion of GROW, which will also have sole discretion on the timing and frequency of any published research product. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results.

GROW specifically prohibits the redistribution of this document in whole or in part without the written permission of GROW and in any event GROW accepts no liability whatsoever for any redistribution of this document or its contents or the actions of third parties in this respect. Images may depict objects or elements that are protected by third party copyright, trademarks and other intellectual property rights. The key symbol and GROW are among the registered and unregistered trademarks of GROW. All rights reserved.