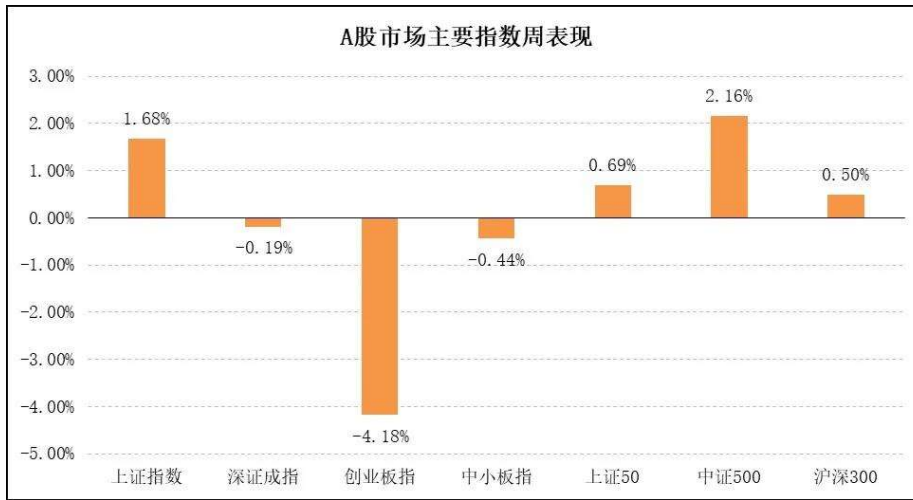


## Rosefinch Weekly

### Monetary policy remains stable, market now in rebalance mode

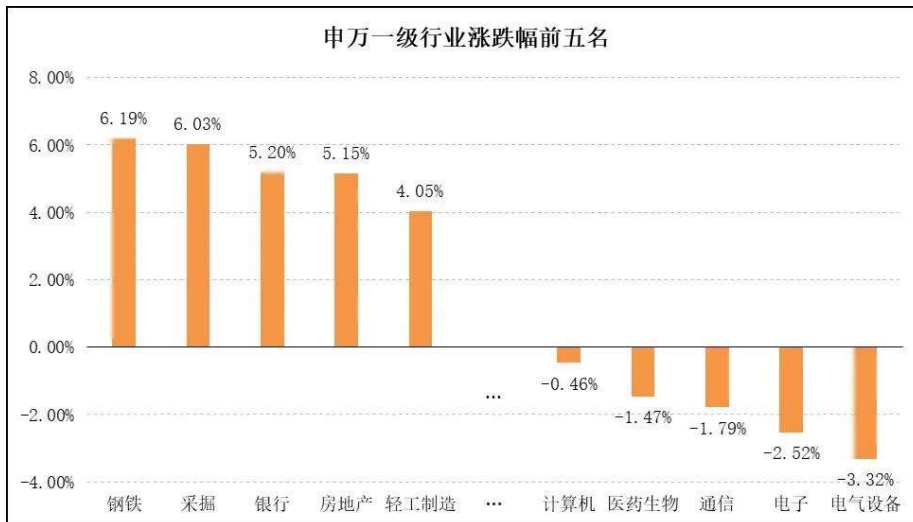
#### 1. Market Review

For the week, SSE was +1.68%, SZI was -0.19%, GEM was -4.18%, SSE50 was +0.69%, CSI300 was +0.50%, and CSI500 was +2.16%.



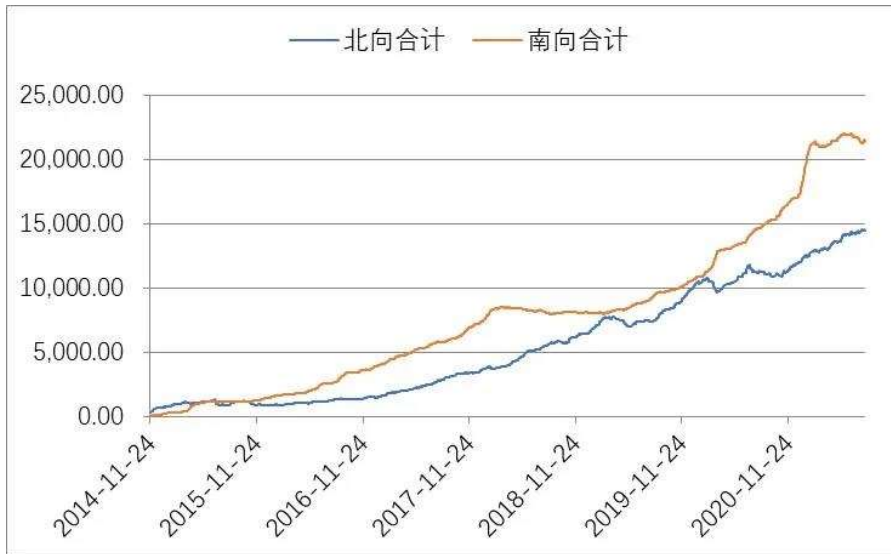
Source: Wind, Rosefinch

Amongst the ShenWan Primary industries, 21 out of 28 rose with steel, mining, banking, real estate, and light manufacturing the top 5 performers.



Source: Wind, Rosefinch

Market volume dropped slightly, with Northbound flow net small positive, Southbound flow net +18.3 billion RMB.



Source: Wind, Rosefinch

## 2. Market Outlook

China's July CPI was +1% YoY vs +0.8% expected, while the Core CPI was +1.3% YoY vs +0.9% in June. The July CPI was also +0.3% mom, showing some upward pressure. There was certain seasonality in the CPI such as summer holiday seasonal travel and tourism expenditures. These two items will have reduced in August given the latest round of Covid measures in China. Aside from these short-term factors, the demand drag on CPI is showing sign of reversal, thus we need to beware of core CPI's rise. From supply side, the commodity price rally will push up core CPI with a lag, but impact looks limited for now. We'd expect subsequent small increase in core CPI.

On policy front, PBOC released the 2Q monetary policy implementation report, with no major changes in the general tone of the monetary policy. The theme is still a stable monetary framework. Given the future policy support of Carbon-neutral related funding needs, this is a prudent policy posture.

The Politburo meeting at end of July and the July non-farm data provided new directions for future capital trends. There will be marginal rebalancing from the corporate profit and liquidity angles. Recently there were volatilities at high price levels amongst the photovoltaic, new energy automobile and semiconductor sectors. Other sectors like construction, traditional banking, real estate, food and beverages are rebounding with healthy volume, partly in expectation of 2H fiscal stimulus. Whether these rebounds will hold remains to be seen. Short-term market may be volatile due to macro factors, while the rebalance between growth and value investments may be the central theme right now.

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