



**Portfolio Director's comments:**

Recently, the Central Bank and Financial Regulator held a joint press conference where they announced a range of stimulus measures. These include:

- An interest rate cut
- Mortgage rate cuts
- Reserve Requirement Ratio cut
- A cut in the down payment for second homes
- Increased Central Bank support for buying unsold homes.
- A stock stabilisation fund and liquidity support for stocks
- A plan to inject capital into the banks

There was then an unscheduled Politburo meeting, chaired by President Xi, which made further pro-growth commitments in order to reach their target of 5% GDP growth. In particular, they called for more fiscal support and emphasised the need to halt the decline in the property market. There were subsequently rumours of a forthcoming RMB2trn special sovereign bond to be used to boost domestic consumption.

The market has reacted favourably to these developments, with sharp rallies in most sectors, particularly Property, Technology and Consumer. There now appears to be convincing prospects for an end to the long economic slowdown that has affected consumer spending and corporate earnings. Furthermore, this boost comes at a time when corporate earnings are already showing an improvement, driven by cost management and better competitive intensity in key industries.

Over the past month, the Hang Seng Index has rallied 28%. However, over the past 3 years, the market is still down 4%. In this way, it can be seen more as a recovery from oversold levels rather than entering overvalued territory. Looking at valuations, the Hang Seng Index is on 10x P/E and a Free Cash Flow Yield of 10% - nothing to be alarmed about.

**Quam Asset Management Limited**

Address: 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong

Tel: 852-2922-9555 Fax: 852-2319-1013

Email: [gamcs@quamgroup.com](mailto:gamcs@quamgroup.com)

Website: <http://www.quamam.com>

---

DISCLAIMER: This Newsletter is issued solely for informational purposes and is not to be constructed as an offer to sell or the solicitation of an offer to buy. The contents herein are based on sources which are believed to be reliable and written in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness, timeliness or correctness. No portion of this Newsletter may be reproduced without the written authorization of Quam Asset Management Limited.