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China Bi-Weekly Outlook

Tuesday, 11 August 2026

Targeted Support Sustains a Narrow Relief Rally

Key China Market Indices

Index	Ticker	Price	Past 2-Week Return	YTD Return
Hang Seng Index	HSI.HK	25,668	2.8%	0.1%
HSCEI Index	HSCE.HK	8,532	3.1%	-4.3%
Hang Seng Tech Index	HSTECH.HK	4,858	4.9%	-11.9%
Shanghai Composite Index	000001.SH	3,940	3.3%	-0.7%
CSI 300 Index	000300.SH	4,694	1.0%	1.4%

Source: UOB Kay Hian and iFinD, as of Aug 7, 2026

- **Domestic momentum weakened despite an export surge.** China's manufacturing sector slipped back into contraction in July. With the manufacturing PMI falling from 50.3 in Jun to 49.2 in Jul. The new-orders sub-index dropped from 51.2 to 48.5, pointing to even weaker demand ahead. In contrast, July exports rose 23.9% yoy in USD terms, remaining robust and reinforcing our China Export Shock 2.0. However, GDP growth still slowed from 5.0% in 1Q to 4.3% in 2Q, confirming our thesis on China's Growing Pains despite continuing strength in exports.
- **Growth stocks led the rebound, yet conviction remained tentative.** The Hang Seng Tech Index gained 4.9% over the past two weeks, outperforming both HSCEI (+3.1%) and HSI (+2.8%). Materials (+12.5%), Information Technology (+7.5%) and Consumer Discretionary (+7.3%) led the gains. Southbound activity remained heavy, accounting for 45% of market turnover, the modest HKD8.7 bn net outflow suggests more profit-taking and rotation rather than broad conviction buying.
- **Policy support may sustain sentiment, but not a meaningful recovery.** The July Politburo meeting delivered no major new stimulus. However, prior stock purchases by the National Team, alongside heavy inflows into the STAR 50 ETF, signal strong support for equities and high-tech development. This may sustain near-term investor sentiment. However, without a clear recovery in the domestic economy, we remain cautious on China, while selectively constructive on policy-backed AI firms and platform leaders.
- **Best-performing sectors:** Materials (e.g., 2899.HK, 2099.HK, 2259.HK) +12.5%; Information Technology (e.g. 0700.HK, 0992.HK, 9999.HK) +7.5%; Consumer Discretionary (e.g. 9988.HK, 3690.HK, 0669.HK) +7.3%.
- **Potential movers and shakers:** Details inside.

Positive	BYD (1211.HK), COLI (0688.HK), CR Land (1109.HK), Longfor (0960.HK)
Neutral	Galaxy (0027.HK), Sands China (1928.HK)
Negative	Shenzhou International (2313.HK)

- **Must-watch events:** China Jul CPI/PPI (Aug 9), TSMC Jul Monthly Sales (Aug 10), China Jul M2 Money Supply, New Yuan Loans, Outstanding Loan Growth and Total Social Financing (Aug 13), China Jul Retail Sales, Industrial Production, Fixed Asset Investment YTD, Unemployment Rate and House Price Index (Aug 17). Unitree IPO debut (Aug 19, est). **Earnings:** Tencent & Galaxy (Aug 12), China Mobile (Aug 13), PetroChina & Weichai Power (Aug 14, est), Geely (Aug 17), GigaDevice & Xiaomi (Aug 18), Zijin (Aug 21). Details below.

Date	Macro Data	Sector / Company Events
Aug 10		TSMC Jul Monthly Sales; Unitree IPO subscription date
Aug 12		Earnings: Tencent (0700.HK), Galaxy (0027.HK), China Unicom (0762.HK)
Aug 13	China Jul M2 Money Supply, New Yuan Loans, Outstanding Loan Growth and Total Social Financing **对话 CIO 系列私享会 #11：韩国豪赌欧亚算力，中美 AI 竞赛正酣（Online）7:30PM** https://voovmeeting.com/dw/sRpVvYXw7IHv?ch=tteP51JLyE4B8 https://meeting.tencent.com/dw/sRpVvYXw7IHv?ch=tteP51JLyE4B8	Earnings: China Mobile (0941.HK), SMIC (0981.HK), JD.com (9618.HK), Lenovo (0992.HK).
Aug 14		Earnings: PetroChina (0857.HK) est, Weichai Power (000338.SZ) est, Meituan (3690.HK) est, China Shenhua (1088.HK) est, BYD (1211.HK) est, CGN Power (1816.HK) est, Sinopec (0386.HK) est, Moutai (600519.SZ), MTR (0066.HK) est, China Telecom (0728.HK) est
Aug 17	China Jul Retail Sales, Industrial Production, Fixed Asset Investment YTD, Unemployment Rate and House Price Index	Earnings: Geely (0175.HK)
Aug 18	CIO Series #38: Asia's AI Moment - What Investors Need to Know (Online) 6:30PM https://events.teams.microsoft.com/event/f847c65f-82ed-4182-89c5-e7f74f5a96d6@7eadc1e1-1a4d-4f70-9305-931a048687ff	Earnings: GigaDevice (3986.HK), Xiaomi (1810.HK), Baidu (9888.HK)
Aug 19		Earnings: China Resources Beer (0291.HK). Unitree IPO debut est
Aug 20	China Aug LPR Fixing; Taiwan Jul Export Orders	Earnings: Ping An (2318.HK), Chongqing Machinery (2722.HK), Sinopharm (1099.HK)
Aug 21	CIO Series Luncheon: US Market Outlook (in-person event, Hong Kong) 12:00PM RSVP Iris Lee (iris.lee@uobkh.com)	Macau Jul Visitor Arrivals. Earnings: Zijin (2899.HK).
Aug 25	CIO Series Forum: Macro Shocks vs AI Tailwinds (in-person event, Singapore) 5:30PM https://events.teams.microsoft.com/event/80534eb2-bd78-49d3-bc86-586cf2c7b656@7eadc1e1-1a4d-4f70-9305-931a048687ff	

Best 3 Hang Seng Sectors (Past 2 Weeks)

Hang Seng Sector Index	Past 2-Week Return	YTD Return	Stock Drivers Past 2-Weeks
Materials	12.5%	-6.1%	Zijin Mining Group Company Limited (2899.HK) +12.4%, China Gold International Resources Corp. Ltd. (2099.HK) +27.6%, Zijin Gold International Company Limited (2259.HK) +19.2%
Information Technology	7.5%	-16.2%	Tencent Holdings Ltd. (0700.HK) +10.2%, Lenovo Group Limited (0992.HK) +17.0%, NetEase, Inc. (9999.HK) +9.3%
Consumer Discretionary	7.3%	-13.0%	Alibaba Group Holding Limited (9988.HK) +12.5%, Meituan (3690.HK) +6.3%, Techtronic Industries Co. Ltd. (0669.HK) +14.4%

Source: UOB Kay Hian and iFinD, as of Aug 7, 2026

- **Materials was the best-performing sector, rising 12.5% over the past two weeks.** Leaders included Zijin Mining (+12.4%), China Gold International (+27.6%) and Zijin Gold International (+19.2%). However, the sector was still down 6.1% YTD, with the recent bound concentrated in precious metals rather than broad industrial materials. This remains fundamentally gold story.
- **Information Technology gained 7.5%, while remaining down 16.2% YTD.** Tencent, Lenovo and NetEase advanced 10.2%, 17.0% and 9.3%, respectively, reflecting gains across platforms, hardware and gaming. The broad-based recovery is healthier than single-stock spikes. Tencent's upcoming results (12 Aug) will test whether monetisation, margins and FCF can support this rebound. **Tencent (0700.HK) remains our Core Recommendation.**
- **Consumer Discretionary rose 7.3% over the past two weeks but remained down 13.0% YTD.** Alibaba, Meituan and Techtronic gained 12.5%, 6.3% and 14.4%, respectively, reflecting a recovery across platforms and exporters. Sustainability requires earnings delivery in commerce and local services alongside resilient export demand, rather than valuation re-rating alone. **Alibaba (9988.HK) remains our Core Recommendation.**

Worst 3 Hang Seng Sectors (Past 2 Weeks)

Hang Seng Sector Index	Past 2-Week Return	YTD Return	Stock Drivers Past 2-Weeks
Financials	-0.5%	10.3%	AIA Group Limited (1299.HK) -5.1%, Bank of China Limited (3988.HK) -1.9%, Industrial and Commercial Bank of China Limited (1398.HK) -0.7%
Utilities	-1.6%	-3.0%	Power Assets Holdings Ltd. (0006.HK) -2.5%, The Hong Kong and China Gas Co. Ltd. (0003.HK) -2.4%, China Resources Power Holdings Co. Ltd. (0836.HK) -4.1%
Energy	-1.9%	7.2%	PetroChina Company Limited (0857.HK) -6.9%, CNOOC Limited (0883.HK) -1.3%, China Shenhua Energy Company Limited (1088.HK) -1.1%

Source: UOB Kay Hian and iFinD, as of Aug 7, 2026

- **Financials slipped 0.5% over the past two weeks but remained up 10.3% YTD.** The pullback was insurance-led: AIA fell 5.1% following reports that certain Hong Kong policy returns are subject to a 20% mainland levy in isolated cases. Bank of China (-1.9%) and ICBC (-0.7%) recorded milder declines, indicating an insurer-specific sentiment shock rather than a broad financial-sector reversal. Further tax clarification and mainland-visitor sales serve as key tests for insurers, while asset quality and interest margins remain the focus for banks.
- **Utilities declined 1.6%, extending its YTD loss to 3.0%.** Power Assets, HK & China Gas and China Resources Power fell 2.5%, 2.4% and 4.1%, respectively. Earnings delivery and developments in tariffs and fuel costs are essential to rebuilding the sector's defensive appeal.
- **Energy fell 1.9% but retained a 7.2% YTD gain.** The pullback was concentrated in PetroChina, which lost 6.9%, compared with declines of 1.3% for CNOOC and 1.1% for China Shenhua. Looking ahead, commodity prices and earnings results will determine whether the sector's relative resilience resumes. **PetroChina (0857.HK) remains our Core Recommendation.**

Southbound Trading Summary (Past 2 Weeks)

(HKD millions)	Ticker	Total Buy	Total Sell	Net Buy (Sell)	% of Total Turnover	Past 2-Week Return	Data
Southbound Total	HSHKI.HK	558,613	567,358	(8,745)	45%	3.4%	Full
Z.AI	2513.HK	35,978	32,727	3,251	45%	0.7%	Full
TENCENT	0700.HK	31,907	32,999	(1,093)	26%	10.2%	Full
BABA-W	9988.HK	33,853	30,783	3,070	27%	12.5%	Full
SMIC	0981.HK	27,427	31,764	(4,337)	41%	-6.2%	Full
GIGADEVICE	3986.HK	20,907	19,716	1,191	59%	-7.0%	Partial
KB LAMINATES	1888.HK	21,187	18,442	2,746	42%	1.7%	Partial
HUA HONG GRACE	1347.HK	19,010	18,221	789	35%	-5.7%	Full
YOFC	6869.HK	18,031	18,601	(570)	46%	2.5%	Partial
XIAOMI-W	1810.HK	17,222	18,389	(1,167)	27%	1.3%	Partial
MEITUAN-W	3690.HK	7,660	9,960	(2,300)	34%	6.3%	Partial

Source: UOB Kay Hian and iFinD, as of Aug 7, 2026.
Note: Based on the two-week period from Jun 27 to Aug 7, 2026. For Stock Connect Southbound trading, only the top 10 most actively traded securities are disclosed. "Full data" means the stock appeared on the top 10 list for each of the past few trading days. "Partial data" means otherwise.

- **Southbound activity remained heavy despite a modest net outflow.** Southbound gross turnover reached HKD1.126 tn, representing 45% of total turnover. It included HKD558.6 bn of purchases and HKD567.4 bn of sales, resulting in a modest outflow of HKD8.7 bn.
- **Stock-specific positioning drove sharp divergence across AI and internet names.** Z.AI (+HKD3.25 bn), Alibaba (+HKD3.07 bn) and KB Laminates (+HKD2.75 bn) led net buying, while SMIC (-HKD4.34 bn) and Meituan (-HKD2.30 bn) led selling. Tencent rose 10.2% despite HKD1.09 bn of net selling; GigaDevice and Hua Hong also saw net buying against negative returns.
- **Flow signals favour selectivity over a broad risk-on stance.** Alibaba combined positive flow and price movements, Tencent rallied despite the southbound net-selling, and SMIC saw negative flows and price actions simultaneously – all pointing investor being highly selective with tech stocks.

Stocks: Potential Movers and Shakers

Stock	Sector	Type of Events	Our Take
BYD (1211.HK)	Consumer Discretionary	Sales / Products	Positive

- **July sales reached a 2026 high.** BYD sold 419,211 vehicles in July, up 21.8% yoy and 3.9% mom, bringing 7M26 volume to 2,227,722 units (-10.5% yoy) versus its full-year 2026 target of 5.0-5.5 mn (+8.6-19.5% yoy). Overseas sales reached a record 180,538 units (+123.6% yoy, +3.0% mom), taking 7M26 overseas sales to 972,794 units (+78.5% yoy) versus our 2.0 mn estimate; overseas sales accounted for 43.7% of July's volume. We expect monthly sales to exceed 500,000 units from September, supported by the ramp-up of Flash-Charging models (Da Tang, Da Han and Seal 08), as well as resilient overseas demand.
- **Premium and export mix continued to improve.** The Dynasty sales head guided Da Tang output to 15,000 units in August as second-generation Blade Battery capacity rises. Denza opened Z9S pre-orders on 3 August at RMB319,800-389,800 with a 1,100 km CLTC range. Yangwang launched the four-seat U8L at RMB1.458 mn. Fang Cheng Bao surpassed 500,000 cumulative sales in under three years, with an average transaction price above RMB223,000. BYD put its first Brazil-built plug-in hybrid on sale. These developments should support ASPs and margins.
- **Our View: Maintain BUY with a target price of HKD135,** pegged to 20x 2027F PE. *(Ken Lee)*

Stock	Sector	Type of Events	Our Take
COLI (0688.HK) CR Land (1109.HK) Longfor (0960.HK)	Real Estate	Legal / Regulatory	Positive

- **Beijing city further eased housing restrictions.** On 7 August, Beijing announced a package of measures including raising the maximum housing provident fund loan for a first-home family with two depositors to RMB3.4 mn from RMB1.6 mn, and shortening the social-security/income-tax qualification period for non-Beijing-hukou buyers inside the Fifth Ring Road to one year from two years. The measures took effect on 8 August.
- **Policy support positive for developers and transaction volumes.** The latest action follows Beijing's December 2025 easing and the July Politburo meeting's call to further stabilise the property market. We expect more local governments and potentially central government ministries to introduce similar stimulus measures, which should facilitate a recovery in transaction volumes and improve investor sentiment.
- **Our View: Reiterate BUY on COLI with a target price of HKD19.88.** Backed by Beijing-based central SOE China State Construction Engineering Corporation, COLI has significant exposure to the Beijing market and ranked number one in contracted sales in Beijing among all property developers in 2025. *(Liu Jieqi)*

Stock	Sector	Type of Events	Our Take
Galaxy (0027.HK) Sands China (1928.HK)	Consumer Discretionary	Macro / Industry Data	Neutral

- **July GGR missed market consensus by 2%.** July GGR reached MOP 20.3 bn, down 8% yoy and up 9% mom, recovering to 83% of 2019 levels versus 78% in June. For 7M26, GGR rose 4% yoy to MOP 147.2 bn.
- **Macau visitation improved in 1H2026.** June visitor arrivals reached 2.8 mn, down 3% yoy and 20% mom, equivalent to 90% of 2019 levels. Mainland Chinese visitors totaled 2.0 mn (-2% yoy, -23% mom), while same-day visitors reached 1.6 mn (+2% yoy, -24% mom); average length of stay was unchanged mom at 1.7 days. In 1H 2026, cumulative arrivals rose 9% yoy to 20.9 mn, 3% above 2019 levels, driven mainly by a 15% yoy increase in same-day visitors while overnight visitors were broadly flat.
- **Our View: Maintain OVERWEIGHT Macau gaming with Galaxy remains our top pick.** Target price of HKD48.00 based on a 12.0x 2026 EV/EBITDA multiple. *(Stella Guo/Ejann Hiew)*

Stock	Sector	Type of Events	Our Take
Shenzhou International (2313.HK)	Consumer Discretionary	Earnings	Negative

- **1H2026 profit warning well below consensus.** On 7 August , Shenzhou International guided 1H net profit to decline 38-43% yoy to RMB1,811-1,970 mn, versus RMB3,177 mn in 1H2025 and 27-33% below Visible Alpha consensus of RMB2,692 mn. Management attributed the decline mainly to weak demand and tariff sharing, higher labour and raw-material costs, and RMB appreciation.
- **Actual 1H2026 results due on 25 August.** Key focus will be on 2H order outlook and the pace of its gross margin expansion.
- **Our View: Maintain BUY but cut the target price by 15% to HKD61.40.** We lower our 2026/27 earnings forecasts by 24%/12%, respectively; the DCF-based target price implies 17.0x 2026F PE and 13.7x 2027F PE. *(Stella Guo/Ejann Hiew)*

Type of Events	Explanation
Channel Checks	Industry-wide or supply chain news with implications to a particular sector or company
Corporate Action	Dividends, special dividends, stock splits, share buybacks, equity / bond financing, M&As, spin-offs and restructuring etc.
Earnings	Quarterly earnings for US-listed companies. Semi-annual earnings for Hong Kong-listed companies
Insider Dealing	Company insiders' buying / selling of stocks and derivatives of the company
Investor Action	Lead investor buying / selling including activist investor actions
Investor Roadshow	Deal and non-deal roadshows, reverse roadshows (analyst days), and company meetings at investment conferences
Legal / Regulatory	Lawsuits, legislature/regulation changes, other regulatory events
Macro / Industry Data	Regular economic or industry data related to the sector or stock
Sales / Products	Sales or product related news, such as monthly sales or new product launches
Public Event	Public speeches and appearances by companies in the media or industry conferences

Appendix – China Stock Model Portfolio

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China Stock Model Portfolio - Core Recommendations and Trading Buys

10 Aug 2026

Name	Ticker	Sector	Type of Recommendation	Current Price	Position Weight (%)	Forward PE	1D Return (%)	1W Return (%)	MTD Return (%)	QTD Return (%)	YTD Return (%)	1Y Return (%)	Inception Return (%)
China Mobile Ltd-H	941 HK	Communication Services	Core Recomm	82.05	7.4	11.1	0.2	-1.9	-1.9	7.7	3.5	0.4	-
Trip.Com Group Ltd	9961 HK	Consumer Discretionary	Core Recomm	364.60	6.6	12.3	2.1	0.3	-0.5	17.0	-34.2	-24.4	-
Chinaamc Etf Series - Ch-Hkd	3188 HK	Financials	Trading Buy	56.66	5.6	NA	-0.2	3.7	2.3	-4.2	7.5	23.5	-
Contemporary Amperex Techn-A	300750 C2	Industrials	Core Recomm	393.87	5.4	16.5	1.9	0.4	0.2	1.2	14.2	62.8	-
Petrochina Co Ltd-H	857 HK	Energy	Core Recomm	9.57	5.3	8.3	0.6	-2.5	-3.8	12.8	17.7	34.6	-
Bosera Csoe Hidv Etf	3437 HK	NA	Trading Buy	9.86	5.3	NA	0.8	-0.5	-0.8	8.2	2.8	4.5	-
Tencent Holdings Ltd	700 HK	Communication Services	Core Recomm	481.40	5.1	13.0	0.5	-1.8	1.3	12.0	-18.7	-13.2	-
Alibaba Group Holding Ltd	9988 HK	Consumer Discretionary	Core Recomm	126.70	5.1	17.2	2.3	1.2	8.3	36.5	-10.5	9.9	-
Taiwan Semiconductor-Sp Adr	TSM US	Information Technology	Core Recomm	418.47	4.4	21.1	-0.4	3.1	3.6	-12.3	39.5	74.8	-
Geely Automobile Holdings Lt	175 HK	Consumer Discretionary	Core Recomm	19.01	3.9	7.2	3.2	-2.9	-4.0	12.8	9.0	6.0	-
Zijin Mining Group Co Ltd-H	2899 HK	Materials	Trading Buy	37.56	3.7	9.8	3.2	14.1	13.0	39.1	8.4	69.0	-
Galaxy Entertainment Group L	27 HK	Consumer Discretionary	Core Recomm	33.12	3.6	12.7	0.7	-1.4	-3.2	12.6	-11.4	-15.3	-
Gigadevice Semiconductor I-H	3986 HK	Information Technology	Trading Buy	501.00	2.8	NA	-5.1	18.0	9.2	-57.8	0.0	0.0	-
Cnooc Ltd-H	883 HK	Energy	Trading Buy	23.40	2.6	6.0	0.6	-1.4	-1.8	15.2	12.3	32.7	-
Montage Technology Co Ltd-A	688008 C1	Information Technology	Trading Buy	206.92	2.5	52.7	-4.0	9.2	1.1	-32.7	83.8	141.9	-
Weichai Power Co Ltd-A	000338 C2	Industrials	Trading Buy	32.08	2.4	17.0	6.4	12.9	15.0	18.5	94.8	129.0	-
Midea Group Co Ltd-H	300 HK	Consumer Discretionary	Core Recomm	97.65	2.2	12.9	2.0	-0.1	-1.7	18.2	21.0	31.8	-
Agricultural Bank Of China-H	1288 HK	Financials	Trading Buy	5.89	2.0	6.0	0.5	-4.8	-6.7	10.3	4.5	14.6	-
Haier Smart Home Co Ltd-H	6690 HK	Consumer Discretionary	Trading Buy	21.20	1.7	8.1	1.0	0.0	-1.6	11.3	-8.4	-9.5	-
Hsbc Holdings Plc	5 HK	Financials	Core Recomm	162.50	1.0	11.7	0.8	-3.4	-3.4	9.9	37.1	73.5	-
ISHARES MSCI CHINA ETF	MCHI US	NA	Trading Buy	56.93	0.5	NA	0.6	1.9	2.1	11.6	-3.8	-0.4	47.8
Cash (USD equivalent)	CASH				21.1								
TOTAL					100.0	14.9	0.7	1.1	0.8	3.6	-2.8	-0.1	29.9

Note: "Core Recommendations" refer to our high conviction, best-of-the-best stock picks, with a minimum one-year investment horizon. "Trading Buys" are medium-conviction, short-term trading ideas. "Return" refers to HKD total return including dividends but excluding transaction costs. Inception date is 31 December 2023. For more information, please contact garrick.li@uobkh.com