

## Daily Dose of Macro & Markets 16<sup>th</sup> September 2025: “China: More Stimulus -> More Equity Upside”

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The ‘Daily Dose of Macro & Markets’ is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday and Thursday morning (early London time).

### China: More Stimulus -> More Equity Upside

Yesterday we updated our views on the Chinese economy, as part of our quarterly global asset allocation process.

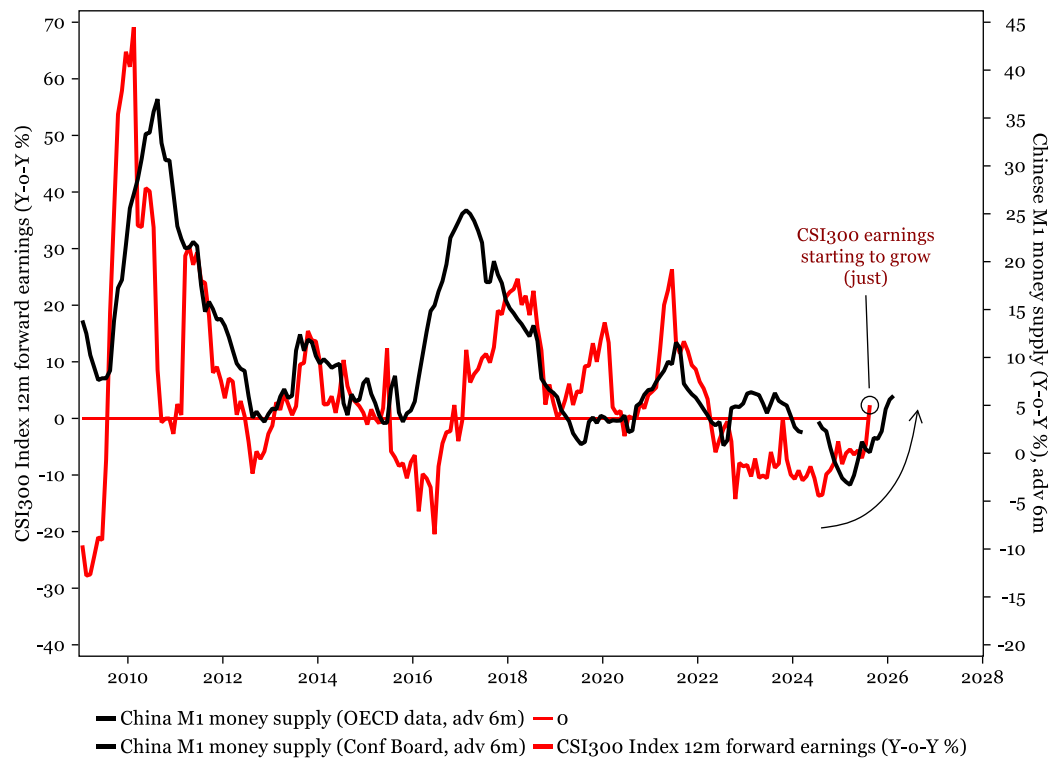
Whilst we remain concerned about China’s long term structural challenges, a **cyclical recovery is brewing**. In particular, monetary and fiscal policy easing is ongoing – with more loosening likely in coming quarters, as the authorities (continue to) battle against deflation and ‘below target’ growth. That loosening should increasingly generate a turn in China’s money, credit, and housing cycles, and shift economic momentum to the upside (temporarily pausing the balance sheet recession dynamics; for detail see Quarterly AA Update, No. 63: “China: Sugar Rush Now, Slowdown Later”, available [HERE](#)).

Of note, the stimulus is already ‘starting to work’. House price growth, for example, is turning up; developers have been buying more land; excavator sales are now growing; and money supply growth has reaccelerated. Typically, when money supply growth turns up, that marks the start of a cyclical upswing in China. That’s starting to show in stronger **stock market earnings** (FIG 1) which had been shrinking since the bursting of the real estate bubble in 2021.

Markets are discounting machines and Chinese equities have therefore already had a strong run. That rally began around this time last year, when the authorities started to squeeze out short positions from the equity market (FIG 2). At that time, our expectation was for a short term (6 month+) rally in Chinese equities (and we moved OW in our strategic portfolio, see 25<sup>th</sup> Sept ’24 Global AA No. 50: “Chinese Equities: Bear Market Rally a.k.a. A Trade Not An Investment”, available [HERE](#)). In the past 12 months, though, policies to squeeze the shorts have been followed by meaningful policy loosening (hence we have stayed with the OW).

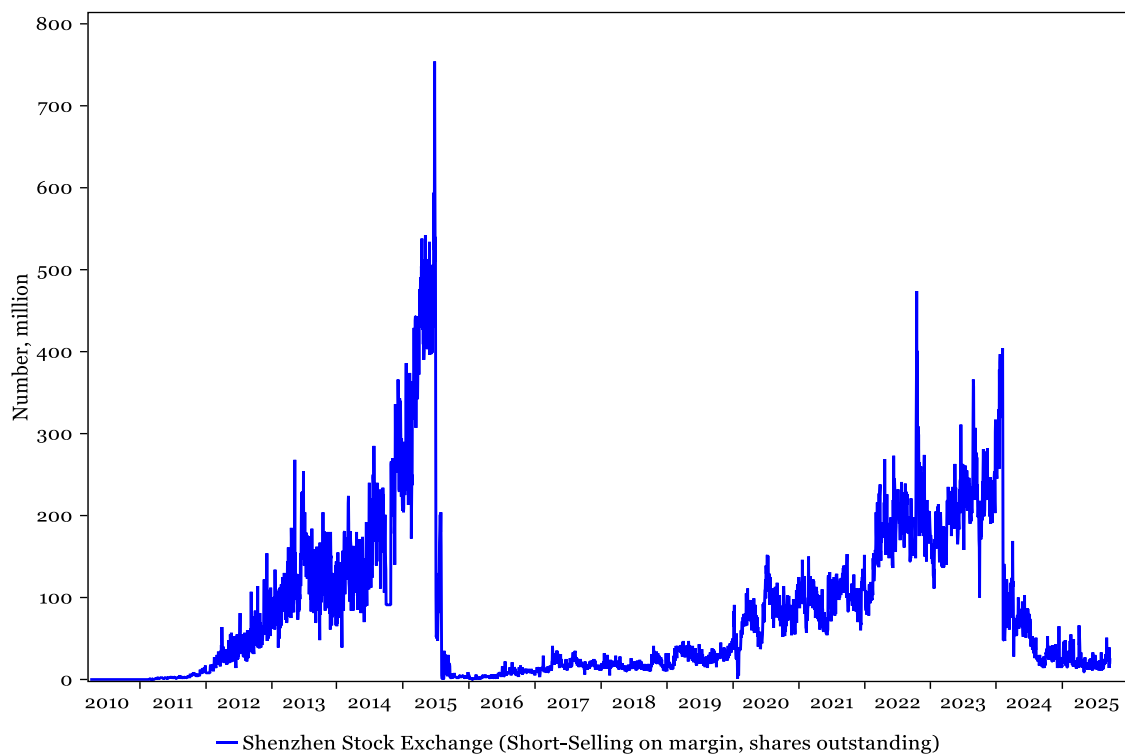
While Chinese equities are now technically overbought in the near term (and due a pause, see FIG 3), there’s a growing case that, in the medium term, more stimulus equals more earnings growth (& equity market upside).

**FIG 1: CSI300 12m forward earnings vs. M1 money supply (adv 6m), both Y-o-Y %**



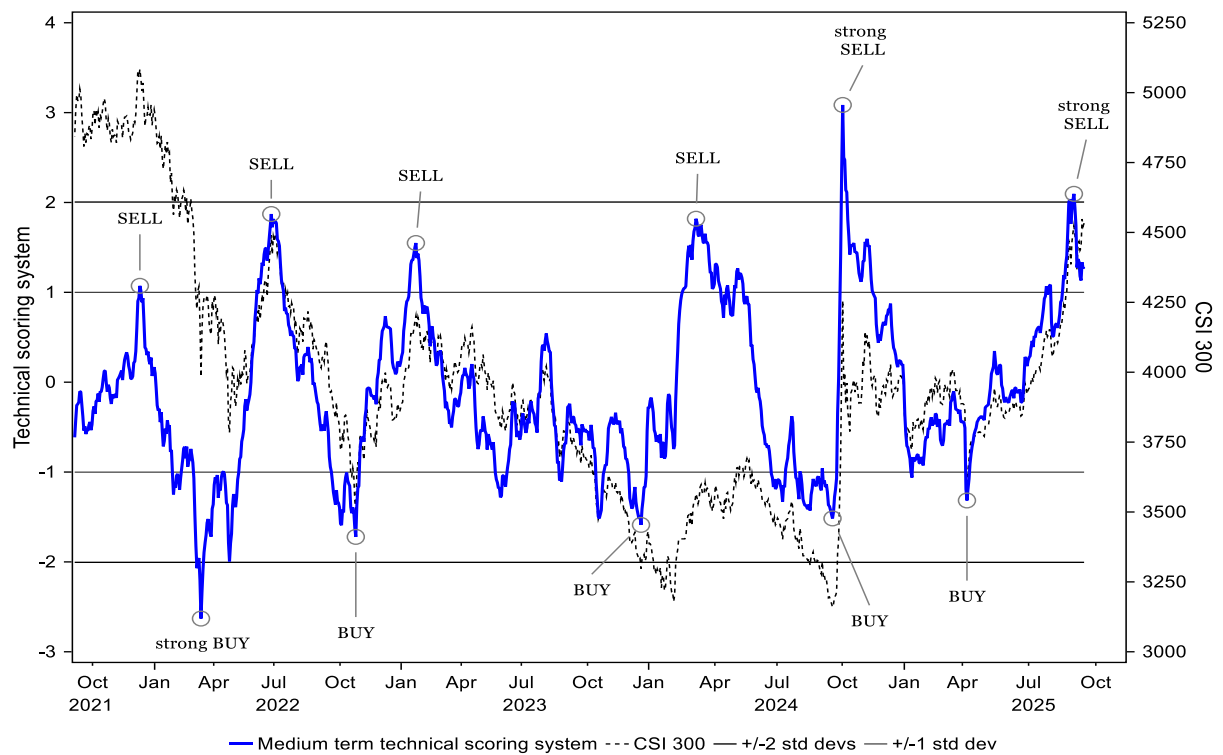
Source: Longview Economics, Macrobond

**FIG 2: Outstanding shares sold short on margin (million, Shenzhen stock exchange)**



Source: Longview Economics, Macrobond

**FIG 3: CSI 300 medium term 'technical' scoring system vs. CSI 300 index**



Source: Longview Economics, Macrobond