

Chinese Stocks Gain 20% From Lows, Fueling Market Bottom Calls

Description

Several key indicators signify an upward trajectory in Chinese stocks, with an impressive increase of 20% from their previous low points. This promising upsurge suggests a potential sustainable growth trend is on the horizon, following a year of recurrent false starts in the market.

Recently, The Hang Seng Tech Index has followed suit, plunging into a technical bull market during Tuesday's trading session. This move was along the lines of the ChiNext, a gauge highlighting China's prospering shares, and other industry indices pertaining to materials and renewables that reached this pivotal milestone.

This optimistic sentiment denotes a considerable shift from the melancholy mood that hovered just a few months prior when Chinese stocks were among the global market's weakest performers. Several investors with heavy stakes even reduced their exposure to Chinese markets. However, various factors are beginning to reverse this trend. Beijing's persistent efforts to halt market downfall, visible signs of economic and earnings improvement, and a resurgence of foreign inflow investment have underlined the possibility of the market's revitalization.

Fanwei Zeng, an investment analyst at GAM Investment Management, observed, "China's markets have rarely been able to maintain a steady rally for consecutive weeks since the latter part of last year. Most Chinese tech and renewables enterprises have been channelling their attention towards cost reduction and enhancing operational efficiency; these efforts have culminated in the improvement of margins and respectable top-line growth."

Recent positive trends indicate investors are becoming accustomed to China's endeavour to remodel its economy. Some are even wagering that President Xi Jinping's push towards high-tech growth and a resolution of the property crisis could soon yield rewarding results. Despite some investors' qualms about the absence of a substantial stimulus, a continual flow of policy support—from mortgage rate reductions to increased liquidity—is anticipated.

Further bolstering investor confidence, the CSI 300 Index, representing mainland shares, has seen a 13% increment since reaching a five-year low on February 2. On Tuesday, the Hang Seng Tech gauge moved ahead more than 4%, with Xiaomi Corp. significantly contributing to the gains following an announcement about the imminent launch of its eagerly awaited electric vehicle line.

Beijing's commitment to achieving 5% economic growth this year has buoyed market confidence, fostering expectations of continued incremental stimulus. Market data also visualizes an economy in mend, with inflation turning positive for the first time since August and previous slumps in manufacturing and services sector slowly recovering.



"We're forecasting high single-digit or low-teen overall earnings growth for the year," said Nicholas Yeo, head of China equities at Aberdeen. "We expect deflationary forces to abate this year, granting companies greater pricing power. We believe we are at the brink of a market turnaround."

Foreign investment appears to be gradually re-entering the Chinese arena. Morgan Stanley's analysis suggests that global long-term investors have paused their divestment from China, with some reducing their pessimistic outlook.

However, the journey towards consistent recovery may be a challenging one. External international tensions and high internal deflationary pressure are potential roadblocks in China's steady march towards market recovery. The controversial measures taken to support the market, such as the crackdown on high-frequency trading and state funds' massive purchases, also bring the risk of distorting fair pricing and unintended future consequences.

In the current climate, where record-breaking rallies have increased the potential for market corrections in areas such as India and the US, China can present an attractive investment opportunity. Notwithstanding the recent rally, MSCI China trades below nine times forward earnings predictions, while the S&P 500 Index and MSCI Inc. India benchmark exceed 20 times.

Wei Li, a multi-asset quantitative solutions portfolio manager at BNP Paribas Asset Management, said, "China presents a constructive long-term investment market with undervalued valuations. For those seeking investment alpha, I wholeheartedly endorse exploring opportunities in China."

Vocabulary List:

1. **Trajectory** // (noun): The path followed by a moving object.
2. **Upsurge** // (noun): A rapid increase or rise.
3. **Recurrent** // (adjective): Occurring or appearing again.
4. **Melancholy** // (noun): A feeling of sadness.
5. **Revitalization** // (noun): The action of giving new life and vitality.
6. **Resurgence** // (noun): A rise after a period of inactivity.

Vocabulary quizzes

Multiple Choice (Select the Correct answer for each question.)

1. What is another word for making great efforts to achieve something?
Option: Composite
Option: Striving
Option: Perturbation



Option: Revitalization

2. What term refers to the process of determining the economic value of a company?

- Option: Sell-off
- Option: Upsurge
- Option: Valuation
- Option: Trajectory

3. Which of the following terms means strong and healthy in constitution?

- Option: Robust
- Option: Downturn
- Option: Consolidation
- Option: Ascendance

4. What term describes a disturbance or a change in a system?

- Option: Augmentation
- Option: Perturbation
- Option: Melancholy
- Option: Trajectory

5. Which term means the action of imbuing something with new life and vitality?

- Option: Downturn
- Option: Revitalization
- Option: Cognoscenti
- Option: Consecutive

6. What term refers to the act of spreading something especially information widely?

- Option: Robust
- Option: Dissemination
- Option: Upsurge
- Option: Intricacies

7. Which term means occurring often or repeatedly?

- Option: Recurrent
- Option: Sell-off
- Option: Amass
- Option: Augmentation

8. What term describes a person who intervenes in others' affairs without being asked?



- Option: Ascendancy
- Option: Meddlesome
- Option: Consolidation
- Option: Robust

9. Which term means guilty of or involving betrayal or deception?

- Option: Consolidation
- Option: Trajectory
- Option: Treacherous
- Option: Amass

10. What is the verb form of the word "striving"?

- Option: Strive
- Option: Orchestrate
- Option: Consecutive
- Option: Cognoscenti

Gap-Fill (Fill in the blanks with the correct word from the vocabulary list.)

- 11. The merger led to the _____ of two major corporations.
- 12. The project's _____ was positively influenced by the new team.
- 13. The investor sought to _____ a significant amount of wealth.
- 14. The company experienced a rapid _____ of its shares.
- 15. The final product was a _____ of different materials.
- 16. The _____ of the team with skilled professionals improved productivity.
- 17. The sudden departure of the key employee caused a _____ in the department.
- 18. Their company saw an _____ in market share after the successful product launch.
- 19. The manager advised caution and _____ in implementing the new strategy.
- 20. The cultural festival brought about a _____ of interest in traditional arts.

Matching Sentences (Match each definition to the correct word from the vocabulary list.)



21. The art gallery is frequented by the who appreciate the finer details of each piece.
22. The athlete's training regimen was well-planned to ensure an upward in performance.
23. The whole town was in after the tragic accident claimed several lives.
24. The recent marketing campaign led to a significant in product sales.
25. The young entrepreneur was constantly to improve her business skills.
26. The dark clouds and cold rain added to her feelings of .
27. The notebook is made of a durable material that is resistant to wear and tear.
28. The security system prevented any unauthorized access to the sensitive data.
29. The local economy witnessed a after the new factory opened creating numerous jobs.
30. The jeweler explained the of diamond grading to the curious customers.

Answer

Multiple Choice: 1. Striving 2. Valuation 3. Robust 4. Perturbation 5. Revitalization 6. Dissemination
7. Recurrent 8. Meddlesome 9. Treacherous 10. Strive

Gap-Fill: 11. consolidation 12. trajectory 13. amass 14. sell-off 15. composite 16. augmentation 17.
perturbation 18. ascendance 19. restraint 20. revitalization

Matching sentence: 1. cognoscenti 2. trajectory 3. mourning 4. upsurge 5. striving 6. melancholy 7. composite
8. robust 9. resurgence 10. intricacies

CATEGORY

1. Business - LEVEL5

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