

# Hong Kong

2.0 Stars – Not Attractive ★★☆☆☆

## Macro Outlook

- China has been adopting a tough zero-clearing policy in the fight against the epidemic. Even though this policy has had a major impact on the economy, the central government has not yet made any concessions, which is reflected in the period of the epidemic.

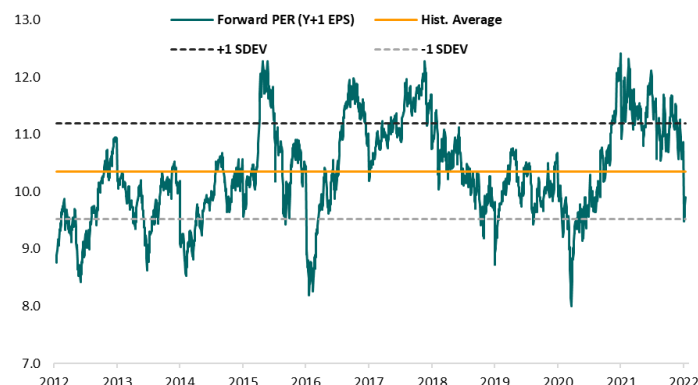
## What we like about

- We prefer companies aligned with China's priorities, such as SOEs and companies in favoured industries like green energy.
- Many of these companies are found in A-shares, which should see policy support given President Xi's desire to develop a robust onshore capital market.

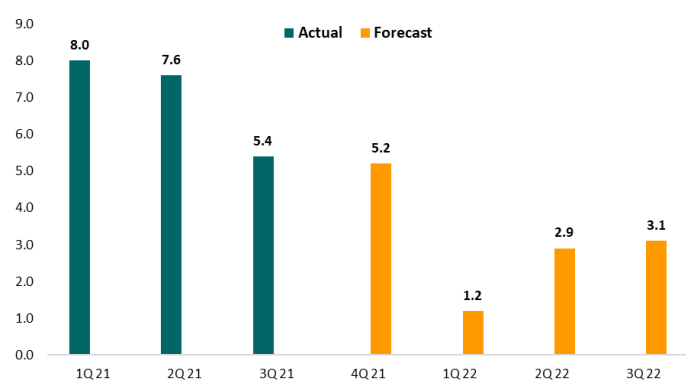
## Investment Risk(s)

- Worsening geopolitical tensions, especially with the US, could lead to China becoming more isolated from the world.
- China's movements away from a free market economy towards a state-controlled economy could lead to a permanent deterioration of Chinese company fundamentals.

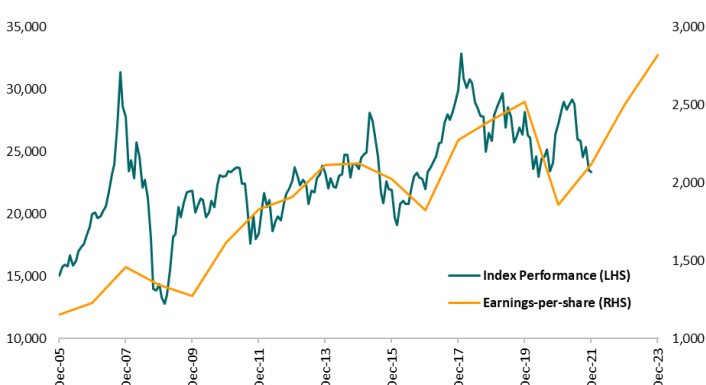
HSI Index Forward PE Ratio (x)



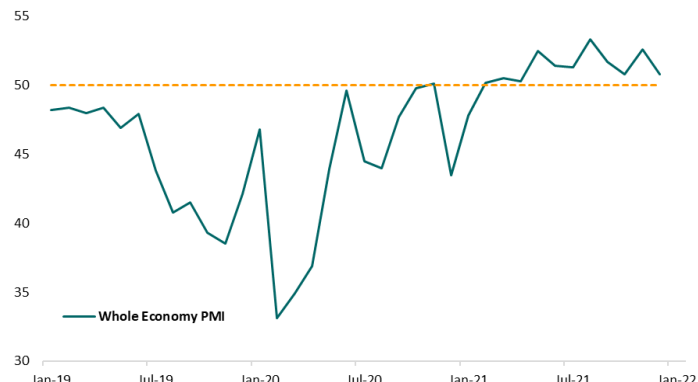
Real Quarterly GDP - Actual and Forecast (YoY %)



Hong Kong Equity (HSI Index) Price vs EPS



Hong Kong Market PMI



Source : Bloomberg Finance L.P., iFAST compilations. Data as of Jan 2022.

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