

China Market Update

EQUITY RESEARCH

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China Upgraded to a Confirmed Uptrend

China's market has been upgraded to a Confirmed Uptrend as the CSI 300 rose 2.43% on higher-than-yesterday's and above average volume today. The index has been trading above the 200-DMA (4,955, -2.6%), which has acted as consistent support since June 2020, and broke above the 21-DMA (~5,030, -1.1%) today. The previous low of ~4,900 could also be considered solid support as the index has traded above it since November 9, when there was a follow-through day. Our conviction has increased due to today's follow-through day (day 17 of a Rally Attempt). We would like to see the index hold above this level to be constructive.

However, we still believe it is too early to be aggressive due to the following reasons: (1) the first follow-through day could fail, according to our research; (2) the index still faces resistance at the 100-DMA (~5,210, +2.4%) and 50-DMA (~5,230, +2.8%); (3) China's solid Q1 2021 GDP growth showed a strong recovery but also possible tightening liquidity; and (4) the correction of high-valuation sectors such as Consumer, Health Care, and New Energy could continue to exert pressure on the index. We recommend a more active approach if the index can retake the 100-DMA and 50-DMA and hold above these levels. Take a gradual approach to buying actionable growth ideas with reasonable valuations. Be selective and focus on companies with strong earnings and improving technical profiles.

Actionable ideas on our China A-Shares Focus List include:

Symbol	Name	Bloomberg	Sector Name	Market Value (\$M)	ADV (\$000)	EPS Rank	RS Rtg.	A/D Rtg.	SMR Rtg.	Comp Rtg.
CTE.CN	Changchun High New Tech	000661 CH	Health Care	27,022	261,536	95	71	B	A	93
JFN.CN	Jafron Biomed	300529 CH	Health Care	10,655	80,788	97	83	B+	A	97
HOS.CN	Honglu Steel Construction	002541 CH	Capital Equip.	4,209	42,666	94	96	D+	B	98
CYP.CN	China Yangtze Power	600900 CH	Energy	71,390	199,688	68	74	C	A	85
BOY.CN	Beijing Oriental Yuhong	002271 CH	Cons. Cyclical	21,680	230,818	99	94	B+	A	99

Ideas near pivot:

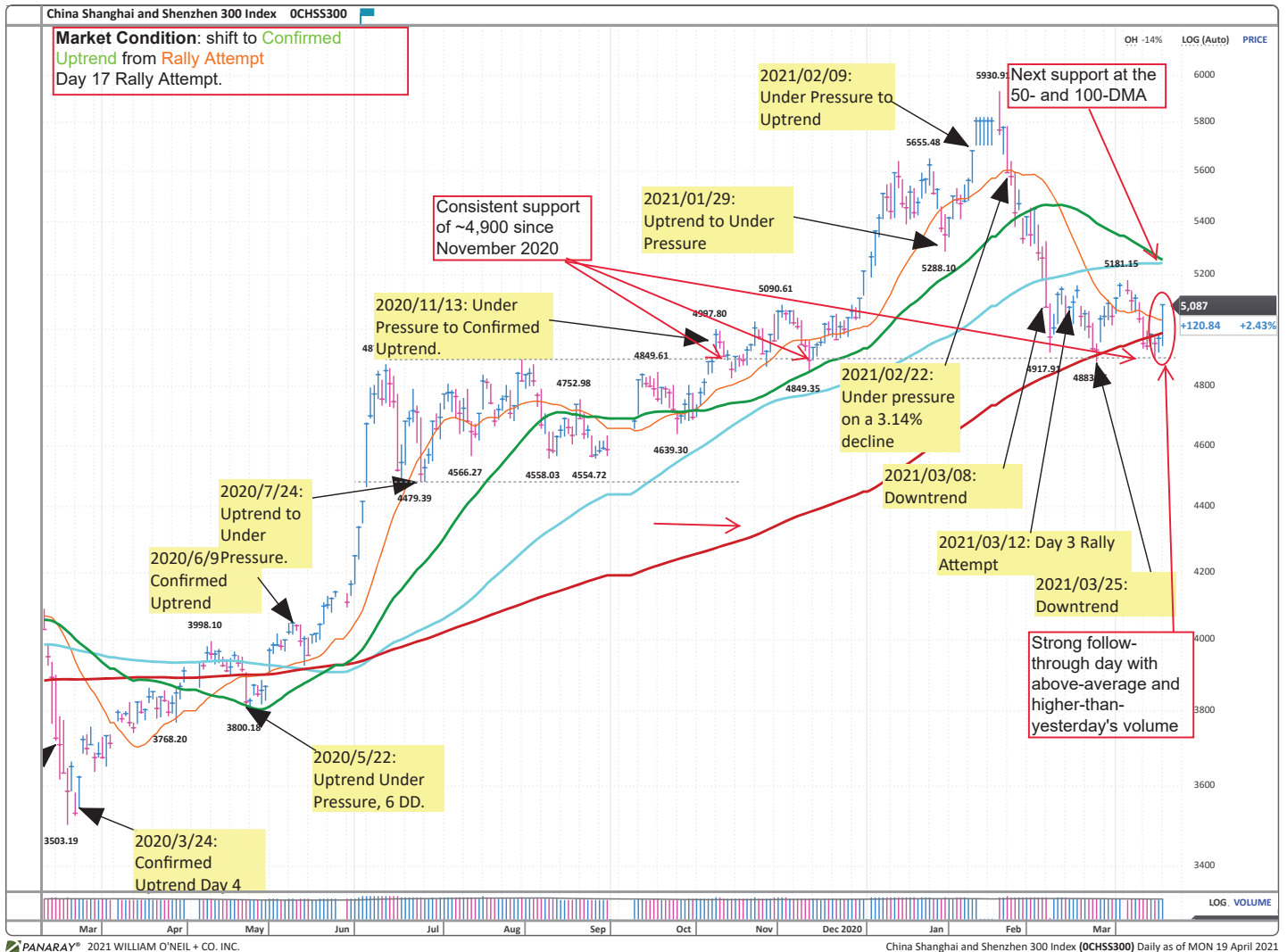
Symbol	Name	Bloomberg	Sector Name	Market Value (\$M)	ADV (\$000)	EPS Rank	RS Rtg.	A/D Rtg.	SMR Rtg.	Comp Rtg.
LUN.CN	Sailun Group	601058 CH	Cons. Cyclical	4,690	61,791	90	98	B	B	97
ONN.CN	Joinn Laboratories	603127 CH	Health Care	6,031	51,317	94	95	C-	A	94
SNP.CN	Sichuan Swellfun	600779 CH	Cons. Staple	7,872	98,230	78	95	A+	B	98
XFC.CN	Xiamen Faratronic	600563 CH	Technology	3,763	38,712	80	95	B-	A	92
YTR.CN	Chaozhou Three-Circle	300408 CH	Technology	11,596	90,926	84	93	B+	A	94
QHR.CN	Haier Smart Home	600690 CH	Cons. Cyclical	45,115	173,906	91	93	B	B	93
HXQ.CN	Pharmablock Sciences	300725 CH	Health Care	3,919	62,194	90	91	B	A	96
CTI.CN	Centre Testing	300012 CH	Health Care	7,941	82,160	80	90	B+	A	93
TZS.CN	Zhonghuan Semicon.	002129 CH	Technology	13,056	218,841	85	84	B-	C	92

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