(UBS)

China confirms stimulus, but size remains uncertain

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China's latest press conference did not deliver the concrete fiscal target markets had anticipated, but it did confirm the government's shift toward a more accommodative policy stance.

Forward guidance has improved, and initial announcements suggest the potential for a modest beat to expectations, particularly as more details are expected after the National People's Congress (NPC) at the end of October.

Despite this positive shift in tone, uncertainty remains regarding the timing and scope of the stimulus measures. While local government bond issuance aimed at stabilizing the property market is a promising step, concerns over policy execution continue to weigh on sentiment.

Market volatility has surged, with the Hang Seng Volatility Index hitting a 30-month high, and investors remain cautious amid geopolitical risks like the upcoming US election. Additionally, property support is encouraging, but limited direct measures to boost consumption leave questions about the overall impact of the policy.

Takeaway: Given the lack of clarity on the exact size and timing of the stimulus, we maintain a Neutral view on China equities. Within Chinese stocks, investors can consider adding exposure via our preferred internet and consumer names while building some defensive exposure, including high-yielding names in sectors like financials and utilities. We maintain our recommendation to hedge CNY exposure ahead of the US election.

For more, see the Weekly Global, **A "no landing" US economy should support equities**, 21 October, 2024.

Important information