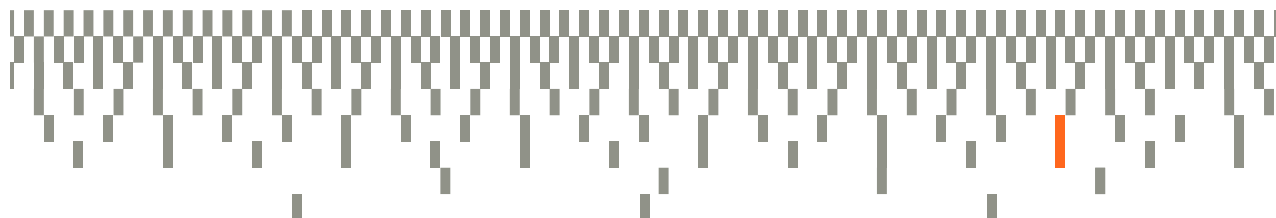




Rising Corporate Buybacks in China



China update

Despite closing above its intra-month low in October, the Chinese equity market continued its decline from previous months, with the manufacturing PMI slipping to 49.5 from September's 50.6 print. Home sales continued to experience declines while car sales remained robust. The property and energy sectors experienced the most significant declines, while Huawei supply chain stocks performed well following the company's release of new products and technologies.

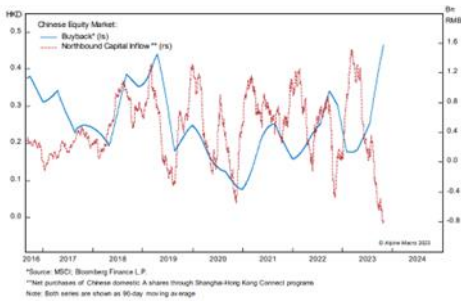
- **The Chinese equity market witnessed a continued decline, with both the MSCI China and MSCI China A Onshore indices down by 4.3% and 3.0%, respectively.**
- **More companies have announced plans for share buybacks.**
- **Huawei supply chain stocks thrived due to the company's new product releases.**
- **The market closed above its intra-month low, suggesting a partial recovery.**

Chinese equities: The month of October in review

China's economic growth remains relatively lacklustre with mixed data released in October. We say *relatively* since many countries would be overjoyed with a 4.9% growth rate! Investor sentiment worsened as exports experienced a large decline, with the manufacturing Purchasing Managers' Index (PMI) slipping to 49.5 (compared to 50.6 in September). The latest Consumer Price Index (CPI) reading fell back into negative territory due to falling food and beverage prices. On the other hand, car sales remained robust, and home sales saw a smaller decline following stepped-up efforts by Beijing to support the property sector. The drag on growth from this sector is tapering off as it now represents a smaller part of the economy

Rising corporate buybacks

Since September, more than 800 listed companies have announced plans for share buybacks, indicating that company management and insiders perceive Chinese stocks as attractively valued. The following chart shows that corporate buybacks have skyrocketed since the beginning of the year while foreign investment into Chinese markets has declined significantly over the same period.



China's lacklustre economy faces mixed data and exports decline.



Despite an intra-month recovery, Chinese equities fall 4.3% and 3.0%.



Household excess savings increased by almost five times since the beginning of Covid.

Despite the negative economic indicators in China, household excess savings have increased by almost five times since the beginning of Covid. The chart below substantiates this, with the upward trend only reversing in the latest quarter. *Dissaving* is seen as a positive development as it supports new consumption.



Source: CEIC, UBS-S Estimates.

The Central Financial Work Conference called for a coordinated effort later in the month, to address the issue of local government debt. Looking ahead, one would do well to closely monitor Beijing's policy decisions, particularly those emerging from the Central Economic Work Conference scheduled for December.

Over 800 listed companies have announced plans for share buybacks since September, suggesting that company management and insiders believe Chinese stocks are attractively valued.