



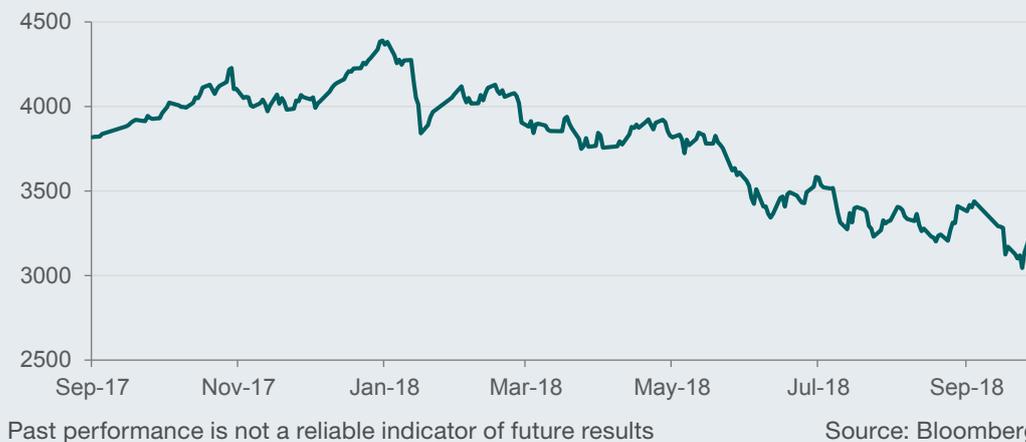
Our thoughts

Market observation

China's stock market marches to its own beat

After a long summer spent at the mercy of US protectionist trade policies, Chinese equity markets enjoyed considerable relief on Monday. Boosted by government plans to stimulate the domestic economy, the onshore market had its strongest day since 2015 – the CSI 300 index rallied by more than 4%. However, investors soon witnessed a sharp reversal: the CSI 300 index fell by 2.7% on Tuesday, apparently fuelled by a resurgence of trade fears.

A varied year for onshore Chinese equities
CSI 300 Index price



Against this backdrop, it is important to remember that the Chinese equity market is one of the top three largest in the world in market cap terms (along with the US and Japan). However, it has long been closed off and hard to access. This is changing, but slowly, with China in the process of a multi-year agenda to open up its investment markets.

At Heartwood, we see long-term opportunities in the Chinese onshore stock market. However, international investors must be mindful that domestic Chinese equities march to their own drumbeat, and that despite international money entering the space, local investors remain the key marginal buyers.

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Investment Manager

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