

Securities Broker/Dealer - China

National team fund inflow monitor

Industry Overview

Monitor ETFs and northbound inflow

As we mentioned in our previous reports, the current channels for investors to monitor the movement of China's "National team" or government related funds, include mainly: index ETFs purchase on the domestic A-share market and unusual northbound inflow via China background brokers when most foreign brokers report outflow. The total size in Jan, as of 28th Jan, amounted to RMB169bn. There are some other ways for the National team to purchase stocks which we could not exclude, but the size so far should be minor.

ETFs are a better way to support the market

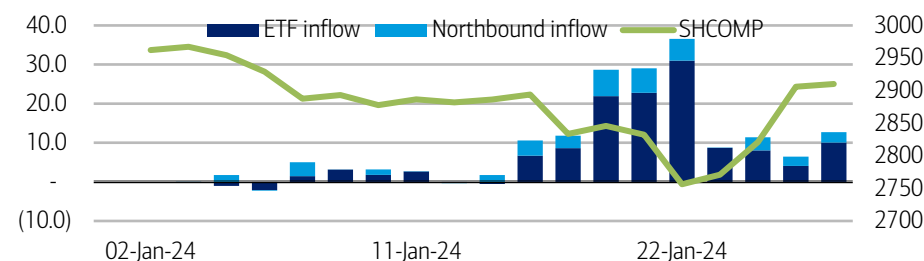
Compared with buying single stocks directly from the market, such as buying large cap banks which could stabilize only limited indices, buying ETFs which link to major indices, like CSI300 and SSE50, is a better strategy for the National team to achieve its targets. Till 28th Jan, we saw the inflow to the major 5 ETFs amounted to RMB127bn. Based on our estimates, the majority should be from the National team when the A-share market slumped. It seems to us that the inflow increased when SHCOMP was around 2,800 and the inflow decelerated when more supportive policies were introduced, such as the Required Reserve Rate cut on 23rd Jan, showing the potential coordination among the regulators.

Northbound inflow is a smaller part

Some China background brokers recorded inflow via Stock Connect in the past 2 weeks when most overseas brokers reported outflow. We think this unusual trend should also be regarded as "National team" related movements. As funds could buy A-share ETFs via Stock Connect, we were not able to exclude some possible overlaps if the inflow contributed to the ETF increase we observed on the A-share market. Overall, the size of the offshore inflow remained smaller than onshore supports, amounting to RMB42bn as of 28th Jan.

Exhibit 1: National team inflow (RMB bn)

ETFs and northbound inflow are the major channels



Source: Wind

BofA GLOBAL RESEARCH

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