

## Securities Broker/Dealer - China

## National team fund inflow monitor: after NPC?

Industry Overview

## Keep SHCOMP above 3,000 during the week of NPC

China government's strong injection before Chinese New Year into major ETFs, both ETFs for large cap stocks, like CSI300 and SSE50, and small cap stocks, like CSI500/1000/2000, stabilized the A-share market and the key index SHCOMP stayed above 3,000 for most of the time after the holiday. We did not see further injection from the National team (China's stabilization fund) when the market further rebounded and investors expect that the market performance will remain stable during the week of NPC (National People's Congress), one of the important political events in China. However, the current focus may have been shifted from the NPC week to post-NPC weeks and how the National team stabilizes the market for longer time.

## CSI300 saw further inflow, but not CSI2000

CSI300 ETFs are the key to keep key indices stable. On 5<sup>th</sup> Mar, the first day of the NPC, the outstanding size of CSI300/SSE50 ETFs issued by major mutual funds, increased to 228bn (Chart 1), vs 122bn on Jan 2. After the latest injection, we estimate that the total size of fund inflow from the National team amounted to RMB362bn (USD50bn) this year (Chart 2). Some of the funds may not be new funds, but likely the previous injection to small cap ETFs as we saw the size of CSI2000 shrank. Without further supports, CSI2000 also dropped by 2% on 5<sup>th</sup> Mar, while CSI300 rose by 1% and SHCOMP flat, still above 3,000 level. (Chart 3)

## Surging turnover of CSI300 ETFs

We also observe the surging turnover of CSI300 ETFs on 5<sup>th</sup> Mar, which could be the signal of selling from non-National team participants. In most time in 2024, the daily turnover of the 5 major CSI300/SSE50 ETFs averaged to RMB17bn. The turnover only jumped to >RMB30bn level on 18-22 Jan, 5<sup>th</sup> & 7<sup>th</sup> Feb, and 5<sup>th</sup> Mar (Chart 4). The first 5 dates were the time when SHCOMP dropped below 2,800 level and the National team started to buy ETFs. After the NPC, if the National team stops its stabilization or reduces its injection, CSI300 may see downside.

## Turnover rise is positive to brokers, but still see pressure

Rising turnover and recovering margin financing balance bode encouraging signs for brokers. We have seen daily A-share turnover above RMB1tn for 5 days in a row, the first time since Jun 2023, and turnover-sensitive names (especially in A-share) should enjoy higher betas during short rallies. However, we still see pressure in brokers 1Q24 results given average daily turnover YTD is still below 1Q23 level, and brokers may have incurred trading/hedging losses from the series of Snowball meltdowns and quant tightening in early 2024.

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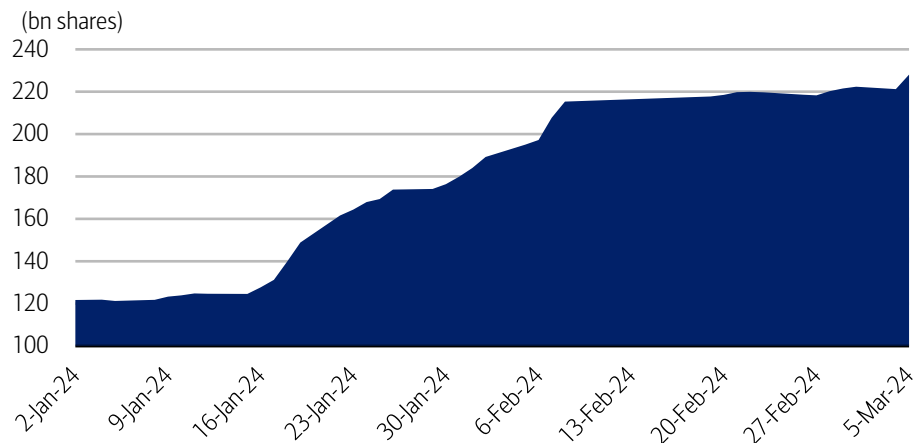
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Timestamp: 06 March 2024 12:06AM EST

### Chart 1: Outstanding shares of major CSI300/SSE50 ETFs stepped up on National Team inflow

Total shares rose from 122bn in beginning of Jan to 215bn before CNY, and 228bn on Mar 5

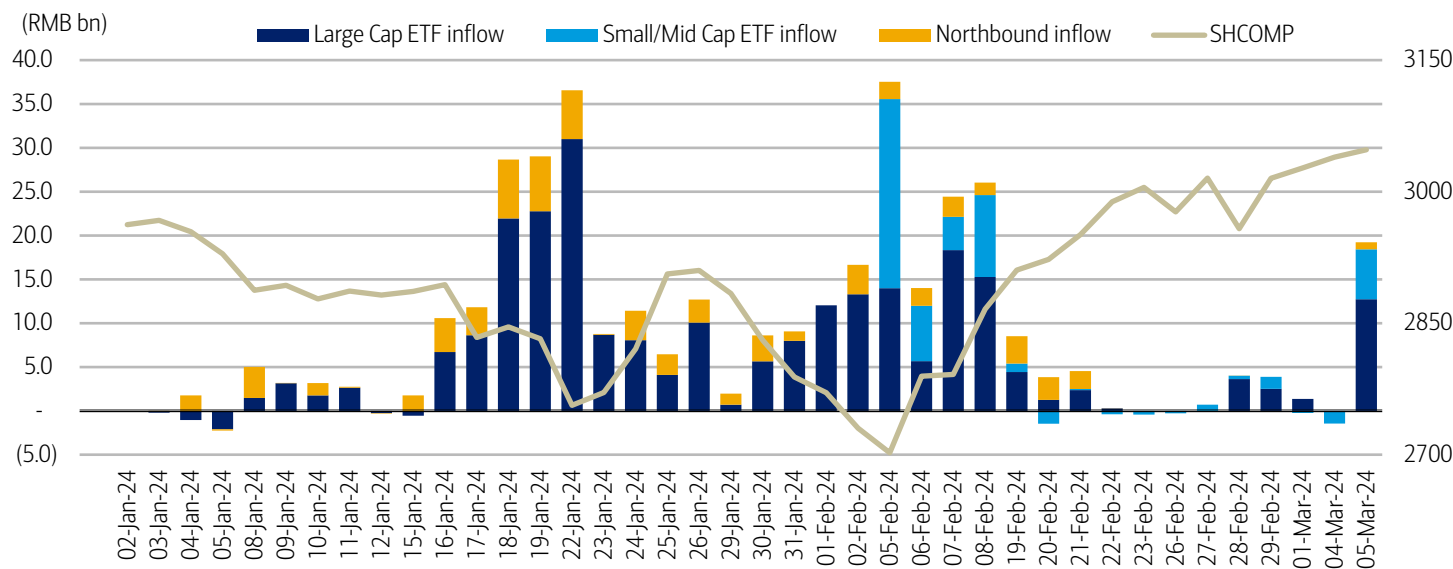


**Source:** Wind, BofA Global Research; ETFs include E-Fund CSI300, China AMC CSI300, Harvest CSI300, Huatai Pinebridge CSI300, and China AMC SSE50 ETFs

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### Chart 2: National Team inflow posts support to A-share index

We estimate National Team inflow amounted to RMB19bn yesterday, or a total of RMB362bn (USD50bn) YTD

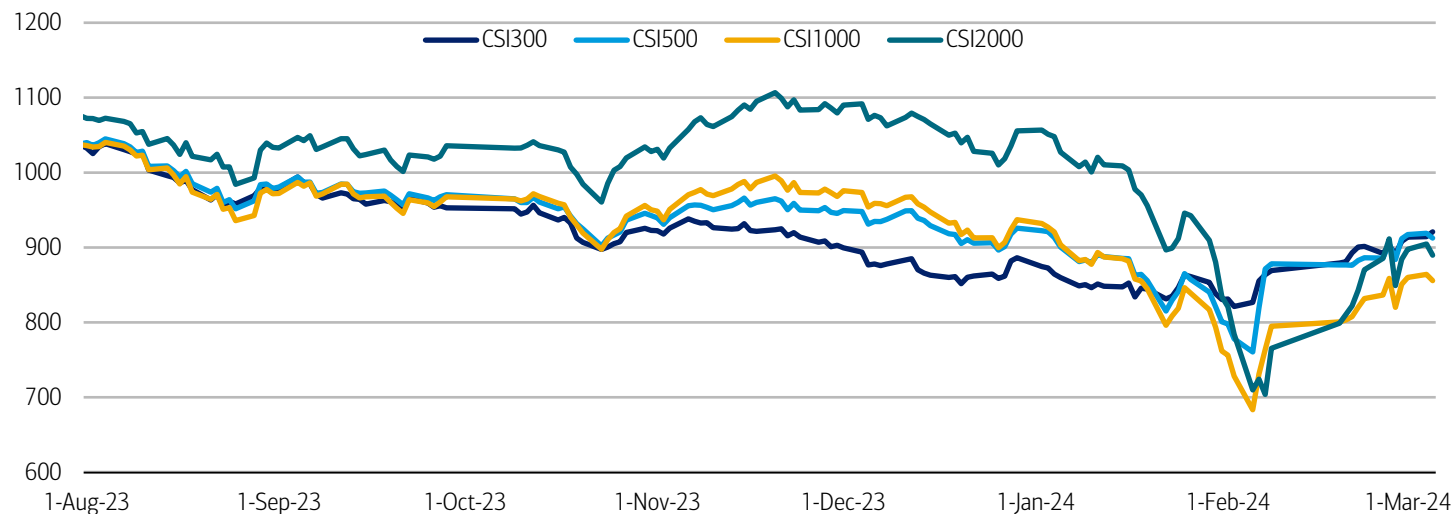


**Source:** Wind, BofA Global Research estimates

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**Chart 3: A-share indices performances (2023 – 2024 YTD)**

CSI 2000 outperformed in 2H23 but underperformed before CNY; CSI300 underperformed in late 2023 but outperformed in early 2024 with National Team support

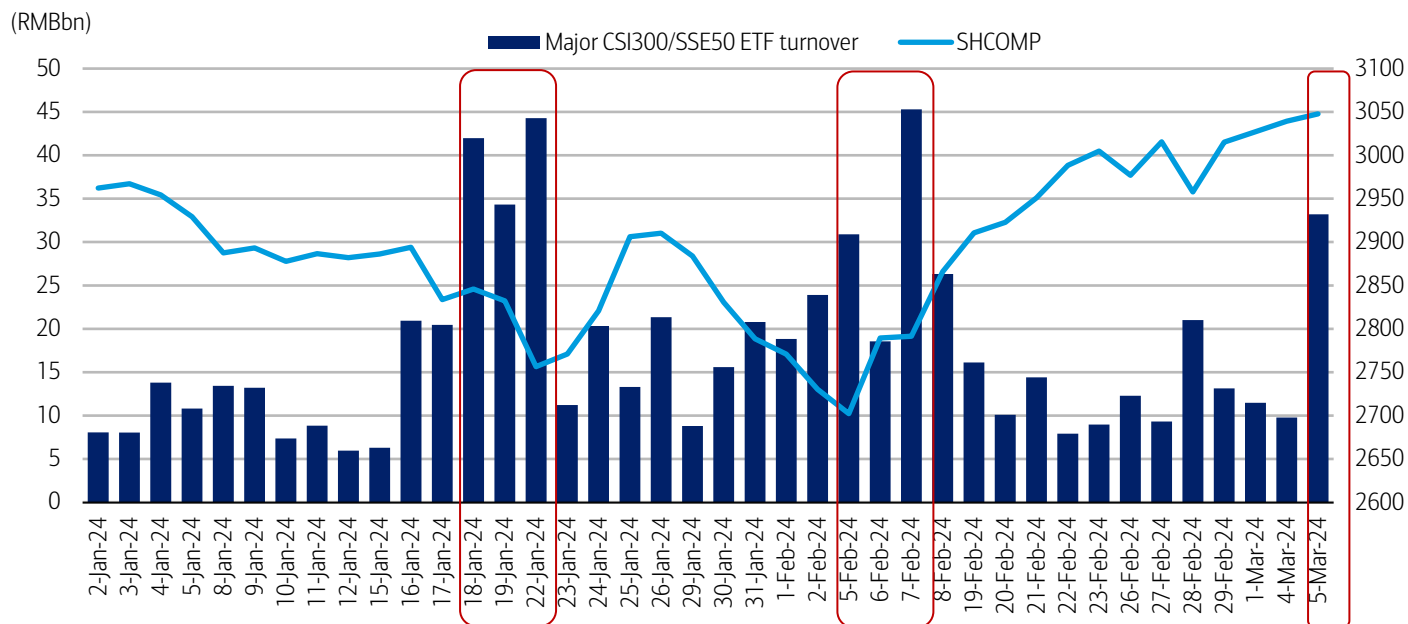


Source: Wind, BofA Global Research \*We benchmarked major indices to end 2022 level and mapped out their relative performances in 2023-2024 YTD.

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**Chart 4: Major CSI300/SSE50 ETF turnover vs. SHCOMP**

Average ETF turnover YTD was RMB17.5bn, with only 6 days when total turnover exceeded RMB30bn due to National Team support



Source: Wind, BofA Global Research

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