

Verus Market Note

Chinese equities deliver significant rally on government stimulus news

Throughout 2024, Chinese equities notably underperformed the broader emerging market index following economic weakness, an extended downturn in housing prices, and demographic concerns.

However, in the past week, several interest rate cuts were announced, as well as a substantial stimulus package, aimed at pushing the Chinese economy towards a 5% GDP growth target. A two trillion yuan (\$285b USD) package was announced that will reportedly go directly to consumers, as well as to local governments. Some of these funds will be used to purchase housing, with the goal of supporting prices. It remains unclear whether this stimulus will be effective in resolving any of China's deep and structural issues.

This week's Market Note illustrates the recent equity market rally that has followed announcements of these government programs.



Source: Hang Seng, as of 9/27/24