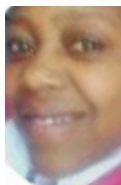




# Forecasts For Chinese Stocks Remain Positive For 2018

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Chinese Stocks are expected to do better in 2018. Investors should look forward to improved performance due to a number of reasons. However, improved earning growths and inclusion of the country's equities in MSCI Inc. benchmark indexes will drive much of the growth.

According to Southwest Securities Co. strategist Zhu Bin, a leading forecaster for Chinese stocks, the Shanghai composite index is expected to gain at least 13% in 2018 to hit just over 3,700. Mr. Zhu is one of the most respected forecasters in China. Last year he predicted that a deleveraging campaign would have an impact on the country's stocks. Mr. Bin put the Shanghai Composite Index at 3,300 by the end of 2017. The Index will close the year at 3296.54.

## 2018 Outlook for Chinese Stocks

Mr. Zhu argues that in 2018 most companies would have already adapted to slowed economic growth in China. This will accelerate industry consolidation leading to stronger earnings and better stock performance. The inclusion of some A shares into the MSCI indices will also provide additional support for growth in the next 12 months.

Zhu's sentiments are also shared by most analysts who have had an eye on China the past one year. ▶

- ◀ According to a Bloomberg Survey, the Shanghai Composite Index's Median forecast from 13 hedge fund managers polled is 3650.

Prospects for the Hong Kong Hang Seng China Enterprise Index are also looking good. Median estimates from 10 analysts polled by Bloomberg indicate that the Hang Seng China Enterprise Index will hit 13300 next year. This would represent a 17% gain. The Hang Seng China Enterprise Index has also done relatively well this year. It has gained 22% over the last 12 months. Analysts are also tipping the MSCI China Index to gain 15% in 2018.

### **Key Highlights in 2017**

Despite this positive 2018 forecast, Chinese stocks have had an eventful year. Performance has been solid albeit shaky at times. A government campaign to cut leverage in the financial markets has had the biggest destabilizing effect on most Chinese

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mainland shares this year. Due to this most investors were betting on big cap shares and off shore stocks. But there were great positives too. The CSI 100 Index was up 29% with the MSCI China Index also rallying 48%.

### **Preferred Stocks For 2018**

The Chinese stock markets will have an array of investment options for interested investors both local and global. However, analysts are seeing three sectors of interest in 2018.

Stocks in technology, finance, and health care will be ideal bets next year. The analysts are also tipping Materials, Commodities, and Chinese Developers to underperform in 2018.

Nonetheless this is not likely to have an effect on overall stock performance. Some bullish analysts are actually seeing the Shanghai composite Index hitting above 3900 points. The lowest forecast from all analysts polled by Bloomberg was at 3400. Median forecasts from 12 analysts however indicate that this could be achieved during the first quarter.

### **Investing In Chinese In 2018**

The Asia Pacific Fund is giving you an opportunity to invest in Chinese stocks in 2018 through a managed portfolio. The Fund invests in equity securities of companies in the Asia pacific region excluding Japan. Feel free to buy into the Fund in the NYSE under the ticker symbol APB.