



## China bucks the trend



Author(s)  
Kevin Thozet

Published  
June 30, 2022

Leng  
1

**Beijing now seems determined to ease policies on several fronts – whether in terms of public health, regulations, or fiscal or monetary policy – in an effort to reboot China’s economy. Does this mean we’ll see a prolonged rebound in Chinese stocks?**

### China’s credit impulse and equity performance



Source: Carmignac, Bloomberg

**Chinese policymakers have changed their tone recently in an attempt to bolster the country's slowing output** This comes in stark contrast to the moves being taken in other major economic blocs and to the strict approach Beijing itself had taken until recently – an approach that had been weighing heavily on Chinese equities for over a year.

In the past few days, the central government has underscored its recommendation to **lift the overly aggressive Covid restrictions** and preventive measures that some areas introduced. And **it has loosened its regulatory stranglehold**, easing the pressure on certain businesses.

**On the monetary policy front**, the People's Bank of China lowered the reserve requirement ratio for banks again this spring; it also cut its benchmark lending rate for the second time this year and reduced its medium-term lending facility rate. The goal is to spur investments (by getting banks to grant more loans) and support housing demand (the real estate sector accounts for 25% of China's GDP) – and therefore stimulate the economy. This comes as a welcome counterweight to the policy tightening being carried out by central banks in the developed world amid a slowdown in those regions.

**A pick-up in credit impulse could therefore be a key driver** of the economic recovery in China. In the second half of the year, we should also start seeing the benefits of **other measures intended to stoke domestic demand**, such as a fresh round of infrastructure spending (through increases in the issuance of local government bonds), a reduction in corporate taxes, and financial assistance for poorer households.

**All these factors could, finally, revitalise Chinese stocks.**

[To read our latest market analyses](#)

This is an advertising document. This article may not be reproduced, in whole or in part, without prior authorisation from the management company. It does not constitute a subscription offer, nor does it constitute investment advice. The information contained in this article may be partial information and may be modified without prior notice. Past performance is not necessarily indicative of future performance. Reference to certain securities and financial instruments is for illustrative purposes to highlight stocks that are or have been included in the portfolios of funds in the Carmignac range. This is not intended to promote direct investment in those instruments, nor does it constitute investment advice. The Management Company is not subject to prohibition on trading in these instruments prior to issuing any communication. The portfolios of Carmignac funds may change without previous notice. In the United Kingdom, this article was prepared by Carmignac Gestion and/or Carmignac Gestion Luxembourg and is being distributed in the UK by Carmignac Gestion Luxembourg UK Branch (Registered in England and Wales with number FC031103, CSSF agreement of 10/06/2013). CARMIGNAC GESTION 24, place Vendôme - F-75001 Paris - Tél : (+33) 01 42 86 53 35 Investment management company approved by the AMF Public limited company with share capital of € 15,000,000 - RCS Paris B 349 501 676 CARMIGNAC GESTION Luxembourg - City Link - 7, rue de la Chapelle - L-1325 Luxembourg - Tel : (+352) 46 70 60 1 Subsidiary of Carmignac Gestion - Investment fund management company approved by the CSSF Public limited company with share capital of € 23,000,000 - RC Luxembourg B 67 549