

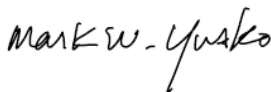
## *New Asia Perspectives*



Welcome to Morgan Creek's New Asia Perspectives, an open forum where we share our proprietary research together with curated articles of interest. We seek to offer a variant interpretation of important political and economic events through an Asian lens by leveraging our team's "on the ground" insights and decades-long experience in covering the region. We disseminate our research through newsletters,

webinars and periodic whitepapers. Feel free to forward our research to colleagues you think might be interested and please share any interesting research you come across as well. To offer comments, share research, or learn more about our team and investment offerings, please email [chinateam@morgancreekc.com](mailto:chinateam@morgancreekc.com).

Best Regards,



Mark W. Yusko  
CEO & CIO

### **NOTES FROM THE BUND<sup>1</sup>**

After years of cooling, China's stock market may have finally reached its turning point. Since late September, the broader China index and equities markets have seen a significant rally. This surge not only marked the highest monthly returns since November 2022 but also positioned the China index as the top-performing global index year to date. In this newsletter, we will explore the key drivers behind this rise and present our analysis of why this could signal a long-term bull market in the region.

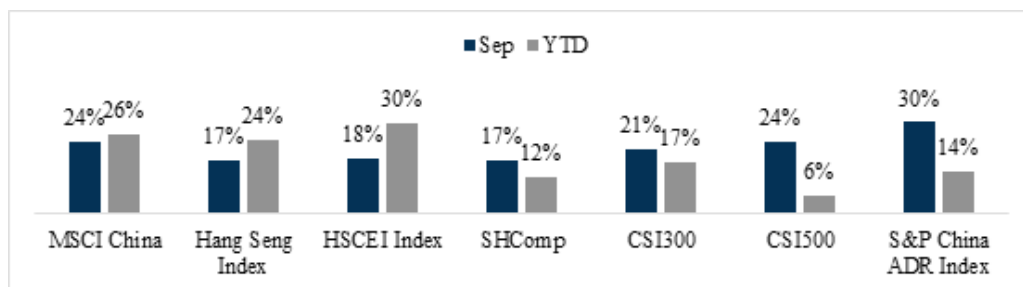


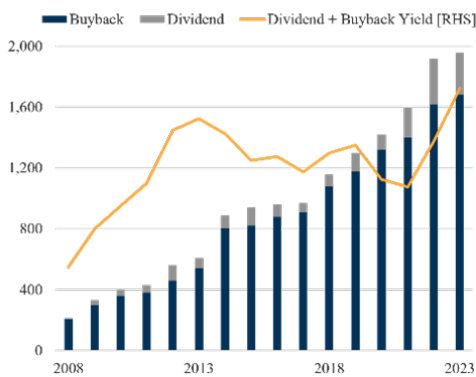
Figure 1: China market index performance (as of Sep 30, 2024)<sup>2</sup>

Starting from September 24<sup>th</sup>, China's PBoC<sup>3</sup> and CSRC introduced a series of financial and real estate support measures, which we believe have been the primary drivers behind this market rally. These policies have increased short-term risk appetite and are expected to bolster both the stock market and the broader economy in the long run. Key measures include:

**Innovative financing instruments to ensure market liquidity:** The PBoC established swap facilities for securities firms, fund management companies, and insurance companies, with an initial amount of RMB 500 billion. Non-banking institutions can pledge eligible securities to the central bank to continuously access liquidity, allowing them to invest in ETFs and listed stocks. In addition, the central bank introduced RMB 300 billion in relending facilities, enabling commercial banks to offer low-cost loans for listed companies' share buybacks. We think these new facilities have encouraged long-term capital to enter the market.

**Chinese companies have already reached new highs in terms of dividends payouts and stock buybacks**

Use of cash breakdown for MSCI China companies (RMB bn)



**Yet, still have more room to improve**

Payout ratio vs. cash-to-Mkt cap ratio (%)

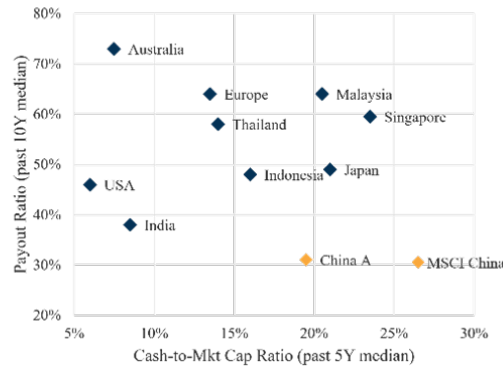


Figure 2: Investors ecosystem is expected to continue to improve<sup>4</sup>

**Promote income growth for low and middle-income groups with enhanced consumption structure:** Achieving increased employment will be a priority goal, as outlined in the State Council's guidelines, which call for enterprises to support reasonable wage growth for workers. Furthermore, the September Politburo meeting emphasized stabilizing the real estate market by adjusting housing purchase restrictions, including lowering the minimum down payment ratio on second homes from 25% to 15% and reducing existing mortgage interest rates by an average of 50 basis points (bps). According to the PBoC, these measures will benefit 50 million households, reducing annual interest expenses by approximately RMB 150 billion.<sup>5</sup> We believe stabilizing the property market is essential to prevent a vicious cycle of balance sheet contraction.

Additionally, the PBoC has shown its commitment to further monetary and fiscal easing to achieve the 5% growth target for 2024. This includes a 0.5% cut in the reserve requirement ratio, releasing RMB 1 trillion in liquidity, a 20-bps reduction in the 7-day reverse repo rate, and a 30-bps cut in the MLF.<sup>6</sup> The combination of these policies was above market expectations and demonstrated a clear intent to strengthen the capital market. We believe this marks the beginning of a long-term bull market.

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**Japan General Election to Test Ruling Party, May Bring Uncertainty :** Japan's voters could end more than a decade of Liberal Democratic Party dominance on Sunday, forcing the ruling party into power-sharing deals that could undermine the country's leadership. The general election, nine days before the U.S chooses a new president, adds uncertainty to an already turbulent geopolitical landscape as the Tokyo government faces growing tensions with neighboring China and inflation squeezes Japanese households. [Read More.](#)

**Cyberport Celebrates CIN's 7th Anniversary with a Strong Focus on Web 3.0 and AI Innovation:** The Cyberport Venture Capital Forum 2024, a yearly event hosted by Cyberport, launched today in Hong Kong. Spanning two days, this year's forum, titled "Innovation Challenger: Building New Venture Visions," has attracted more than 90 leading venture capitalists, entrepreneurs, and industry experts from across the globe. The forum explores how trends in venture capital and emerging technologies like Web 3.0 and artificial intelligence can help startups and investors tap into new opportunities. [Read More.](#)

**Apple's Q3 China Smartphone Sales Slip, Huawei's Soar:** Apple's iPhone sales in China slipped 0.3% while rival Huawei (HWT.UL) posted a 42% surge in the third quarter of 2024, as competition intensifies in the world's largest smartphone market. Apple reached second place with a 15.6% market share, though down 0.5 percentage points year-on-year, while Huawei claimed third place with 15.3%, gaining 4.2 percentage points, showed data from researcher IDC on Friday. [Read More.](#)

**Pony.ai, One of China's Leading Autonomous Driving Developers, Files for US IPO:** Last night, Pony.ai, one of China's most prominent names in autonomous driving and robotaxi rides, filed an IPO prospectus with the US Securities and Exchange Commission (SEC). If approved, the robotaxi company intends to trade on the Nasdaq. Pony.ai Inc. is a technology company founded in 2016 specializing in fully autonomous mobility. Its robotaxi development has risen to prominence with support from partnerships with global OEMs like Toyota, GAC Group, and NIO Capital. [Read More.](#)

**Southeast Asia Needs to Boost Investments Five-fold by 2035 to Meet Climate Goals, IEA Says:** Southeast Asia needs to increase clean energy investments to \$190 billion, about five times the current level, by 2035 to achieve its climate goals, the International Energy Agency said on Tuesday. Ramping up energy investments needs to be accompanied by strategies to reduce emissions from the region's relatively young fleet of coal-fired plants, the IEA said in a report. It added that rapid economic expansions were expected to pose challenges for energy security and climate goals. [Read More.](#)

**Singapore Could Expand SE Asia's Biggest BESS and Flow Battery, Launches VPP Push:** Singapore's government and Energy Market Authority (EMA) have announced power sector and grid enhancements, including a possible expansion of Southeast Asia's biggest battery storage plant. In a speech at the Singapore International Energy Week trade event on Monday (21 October), Gan Kim Yong, the city-state's deputy prime minister and minister for trade and industry, affirmed a commitment to peaking Singapore's emissions by 2030 and achieving carbon neutrality by 2050. [Read More.](#)

<sup>1</sup> The Bund is a historic waterfront area in central Shanghai, where Morgan Creek's office is located. From the 1860s to the 1930s, it was the rich and powerful center of the foreign establishment in Shanghai, operating as a legally protected treaty port. The picture above is part of the historical waterfront.

<sup>2</sup> Source: CICC Manager Monthly Update – Sep 2024; CICC; Oct 9, 2024

<sup>3</sup> Note: PBoC stands for People's Bank of China

<sup>4</sup> Source: The new 'Nine National Guidelines' reignite hopes for the revaluation of China's stock market; Goldman Sachs; Apr 23, 2024

<sup>5</sup> Continue to be bullish on the Chinese stock market: reversal logic and three main themes; Industrial Securities; Oct 1, 2024

<sup>6</sup> Note: MLF is the medium-term lending facility rate set by the PBoC that determines the interest rate at which the central bank lends to commercial banks.

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### **Important Disclosures**

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