PICARD ANGST

China’s Shifting Economic Landscape

June 2026

This series of research papers will combine technical and macroeconomic analysis of Chinese markets, with deep insights into China's macro policy and sectoral trends, alongside expertise in market execution, trend analysis, and tactical investment strategies, with a data-driven approach to investing in China.

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Our Experts Behind the Research

Shiyin Li | Portfolio Manager, Picard Angst AG | Macro & Sector Analysis

Shiyin Li is a CFA charterholder with extensive expertise in China's macroeconomic policy. With a strong background in equity research and asset management across Switzerland and China, Shiyin brings a deep understanding of the country's evolving economic landscape and investment opportunities.

Holding a Master's degree in Banking & Finance from the University of Zurich, Shiyin specializes in identifying key growth drivers and structural trends shaping China's future, offering valuable insights for investors navigating this dynamic market.

Ashley Clarke | Execution & Advisory, Picard Angst MEA | Technical Market Outlook

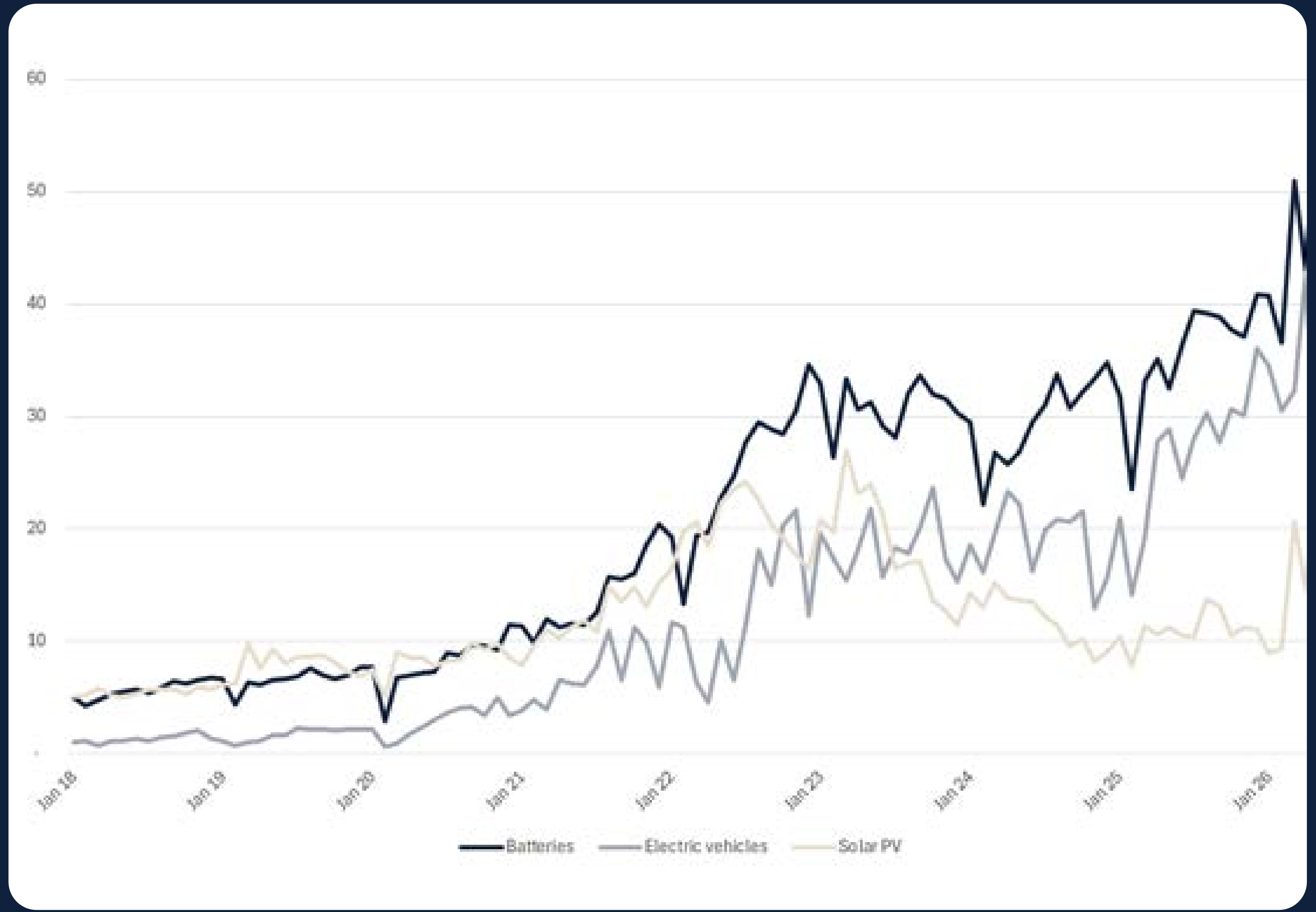
Ashley Clarke has over a decade of experience in European Equity Derivatives and market execution, with a strong focus on institutional trading and advisory. Prior to joining Picard Angst, Ashley worked at TP ICAP London, specializing in market structure, risk management, and execution strategies for institutional clients.

With expertise in long-term trend cycles, price structure analysis, and tactical entry strategies, Ashley provides a data-driven approach to navigating complex market environments. His insights contribute to identifying key opportunities and risks within China's evolving financial landscape.

Macro Analysis

From Buffer to Beneficiary: China’s Energy Calculus Post-Iran War

China’s pre-positioned energy strategy proved its worth as the Strait of Hormuz keeps closing over the last quarter - 1.4 billion barrels of strategic reserves accumulated at discounted prices through sanctioned Iranian and Russian crude provided roughly 109 days of import cover, validating last quarter’s assessment of limited near-term impact. However, the picture has evolved beyond mere resilience. On inflation, Brent above $100 delivered a modest inflationary impulse that partially offset China’s persistent deflationary pressure. More structurally, the war has boosted China’s influence in Asia, as other economies urgently seek to reduce Hormuz dependency, opening a demand window for Chinese renewable energy products that Beijing is well-positioned to fill. With Beijing accelerating approvals for renewable capacity and nuclear buildout, the war may prove the decisive catalyst that structurally shifts China away from fossil fuel dependency toward its 2030 non-fossil energy targets ahead of schedule.



Source: China Customs

China’s Two-Speed Economy

China’s Q1 2026 GDP of 5.0% conceals a two-speed economy: a firing export and high-tech manufacturing sector, set against persistently weak domestic consumption. On the external side, exports surged 14.7% YoY to a record $977.6 billion in Q1 - accelerating further to 19.4% in May - driven by higher demand on green technology as energy-insecure economies diversified away from Hormuz-exposed fossil fuels, as discussed in the preceding section. Notably, exports to the US fell 16%, yet overall export momentum remained firmly intact, underscoring that China has successfully reoriented its trade flows toward the other regions. On the demand side, retail sales contracted 0.6% YoY in May - the first monthly decline since COVID - as the four-year property downturn continues to erode household wealth and suppress consumer confidence with no credible near-term recovery catalyst. This divergence reflects a deliberate policy choice: rather than deploying consumption-led stimulus, Beijing is doubling down on industrial policy and technological self-sufficiency, making the supply-side sectors examined in this paper - from semiconductors to nuclear power - the intended engine of China’s next growth cycle.

China’s Retail Sales YoY (%)

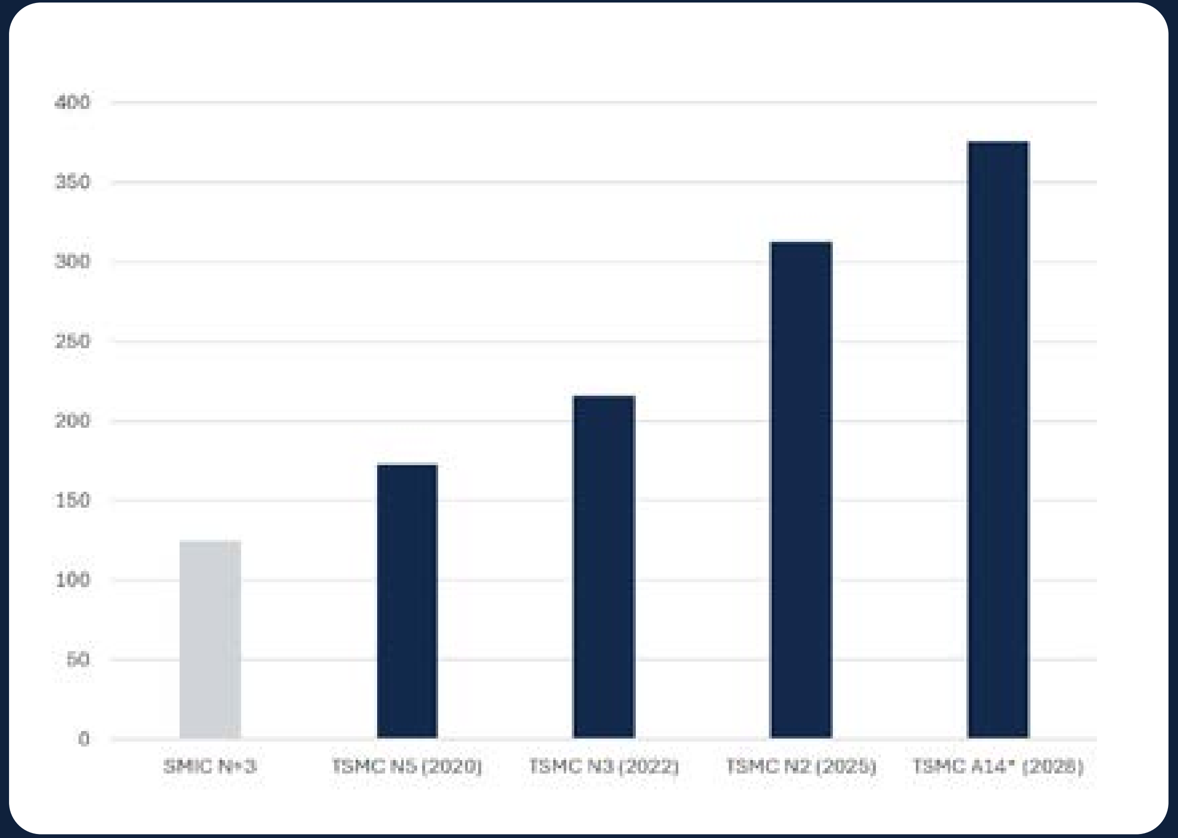
Source: EMBER

Sector Analysis

Huawei's Tau (τ) Law: China's Semiconductor Independence Play

On May 25, 2026, Huawei proposed the Tau (τ) Scaling Law at IEEE ISCAS in Shanghai - replacing Moore's Law's focus on shrinking transistors with a new principle of compressing signal propagation delay (τ), implemented through "Logic Folding," a 3D vertical circuit stacking architecture that achieves a claimed 55% transistor density gain without requiring restricted EUV equipment. It offers China a viable alternative path to advanced chip performance under US export controls and marks the first time a Chinese firm has proposed an original guiding paradigm for the global semiconductor industry. The real challenge lies in manufacturing - SMIC, Huawei's likely foundry partner, remains limited to 7nm DUV processes, a wide gap from TSMC's sub-2nm capabilities, and Huawei's Ascend software ecosystem still trails Nvidia's CUDA by years in developer maturity. Huawei targets 1.4nm-equivalent density by 2031. The key domestic beneficiaries span the full supply chain: EDA software firms, advanced packaging players, and foundries SMIC and Hua Hong - the latter two saw shares surge on announcement day, signaling the market is already pricing in the order pipeline.

Transistor Density: SMIC v.s. TSMC (MTr/mm²)



Source: SMIC & TSMC

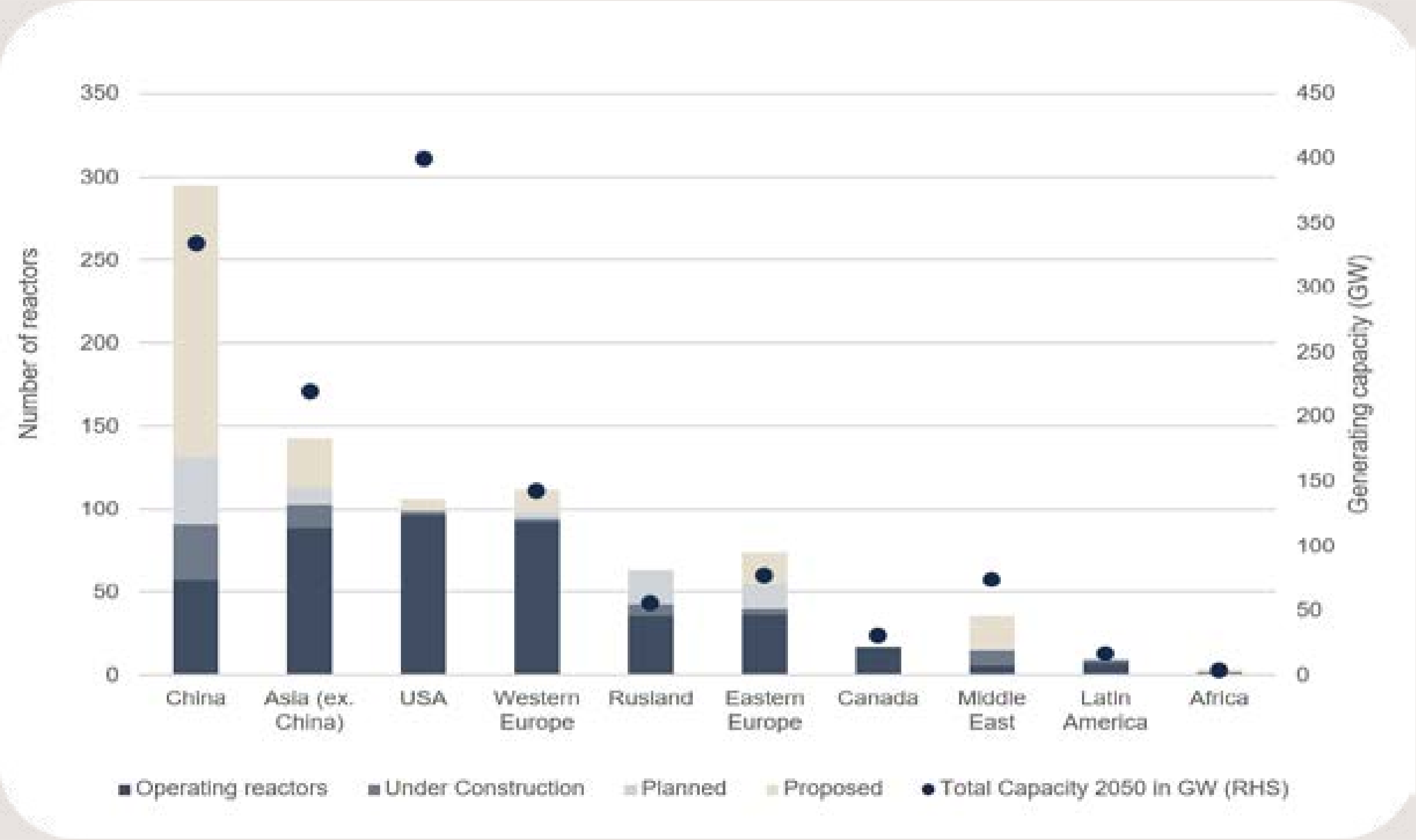
China's AI Statecraft: The Meta-Manus block

In April 2026, China's NDRC ordered the unwinding of Meta's $2 billion acquisition of AI startup Manus - the first time Beijing has publicly blocked a foreign investment in its AI sector - citing national security grounds despite Manus having relocated its headquarters to Singapore. Manus is a general-purpose autonomous AI agent that independently executes complex multi-step tasks from a single prompt, celebrated domestically as China's "second DeepSeek moment" upon its 2025 launch. Early backers HSG, ZhenFund, and Tencent are now preparing to buy Manus back at the original $2 billion price, a notable discount given that annualized revenue has since quadrupled, with Manus simultaneously considering restructuring into a China-incorporated joint venture as a precursor to a Hong Kong listing. The deal's unwinding signals that China views agentic AI as a strategic asset too valuable to be absorbed into US Big Tech and that cross-border AI M&A involving Chinese-origin technology faces a new bilateral veto risk, effectively creating a no-man's land for deals in this space.

China’s Nuclear Scale-Up: From Energy Security to Upstream Opportunity

China has surpassed the United States to become the world’s largest nuclear fleet, with 62 GWe operational at end-2025 and a further 43 GWe under construction, targeting 110 GWe by 2030 a near-doubling in five years. The timing is strategic: the Iran war has reinforced Beijing’s urgency to reduce fossil fuel dependency, while surging AI and data center demand requires stable, carbon-free baseload that renewables cannot provide alone. China is the only country simultaneously deploying Gen III, Gen IV, and small modular reactors at commercial scale, building each unit in roughly five years at approximately $2.7 billion, versus $35–60 billion and decade-long timelines in the West. Nuclear remains a local-to-local story given its regulatory complexity; while state-owned operators face government-capped tariffs that limit earnings upside, the cleaner investment thesis lies upstream in equipment and component suppliers where pricing is more market-driven and margins less politically constrained.

Nuclear Pipeline by Region



Source: World Nuclear Association

Technical Analysis

CSI 300 Index - Medium Term Technical Analysis (MTF T.A.)

Source: CSI 300 Technical Cycle Analysis (Source: TradingView, Bloomberg)

1. As highlighted in the previous update, a potential upward-sloping trendline is forming beneath current price action, which would be further validated by a third touch in the event of a slightly deeper pullback. In the last update we saw price retracing towards this possible trendline, but since then we have rallied quite considerably, so although we are now trading a fair bit above this level it is worth having on the charts to monitor if we do see a more pronounced pullback in the near future.
2. Both the 50-day and 200-day EMAs continue to be respected by price action, regularly acting as areas of dynamic support and resistance. In the Q1 update, price was finding support at the 200-day EMA, with this level highlighted as an important area to hold in order to maintain the prevailing trend. A sustained break below the 200-day EMA was noted as a potential catalyst for a deeper retracement. Since then, price has remained above this key moving average and continued to trend higher, supported by additional confluence from the anchored VWAP & 8th October, 2024 yearly high positioned directly below .
3. In the previous update, it was noted that price reacted from the Anchored Volume-Weighted Average Price (aVWAP) anchored to the April 7th sell-off low, which had been previously highlighted as a potential area of support in the event of a deeper retracement. This scenario has since played out, with price finding support at this level (to almost the exact CNY) and producing a notable bounce followed by further upside continuation, with price up approximately 12% at the time of writing. Although this level has now been tested (tapped), any future pullback toward the same aVWAP may warrant attention, as the initial touch generated a strong market reaction. The April 7th aVWAP therefore remains a relevant reference point for potential support should price revisit the area.
4. A local Fibonacci retracement pull has been applied from the most significant low to the recent high. Given the current bullish market structure, this high may still evolve, but I've included it here as a reference point for potential levels of support in today's trading snapshot. The 0.382 Fibonacci retracement of the current move aligns with the prior support level where price bounced from the aVWAP and 200-day EMA, establishing a confluence zone that may warrant attention on any pullback to that area.
5. The 4,000 CNY psychological level, as noted in previous updates, produced multiple rejections, keeping price capped for nine months before finally breaking out. Again, as previously mentioned we would now expect this level to flip into strong support.
6. Price action is currently rejecting at the 5000 CNY psychological level, confluence here with the 2022 Yearly Level, with no sustained acceptance above this key resistance. Of the two daily sessions that have closed above this level, both were met with significant selling pressure. Price is now trading at levels last seen in late 2021, where the 5000 CNY level acted as a ceiling over a six-month period. A decisive break and close above this resistance would open a path toward the HTF 0.786 Fibonacci retracement level (see. HTF T.A.), which could represent the final notable technical resistance before making a run for the all-time high.
7. Since the previous update, price has reclaimed the HTF 0.5 Fibonacci retracement at 4,519 CNY, drawn from the all-time high to the January 2024 low (reference HTF CSI 300 T.A.). Price subsequently pushed through the 0.618 HTF Fibonacci retracement with relative ease, after the initial pullback from this level outlined in the Q1 update and has since maintained acceptance above this level across multiple sessions. The 2 brief pullbacks below were met with buying demand, suggesting market participants continue to support price at this retracement level.

CSI 300 Index - Higher Term Technical Analysis (HTF T.A.)

Source: CSI 300 Technical Cycle Analysis (Source: TradingView, Bloomberg)

1. In previous updates, we highlighted that since August 2009 the CSI 300 has shown a recurring pattern, with bear cycles (c.1350 days) lasting roughly twice as long as bull cycles (c.750 days). This cyclical rhythm appears to be continuing, with the market still in a bull phase and price advancing approximately c. +57% since the low put in on 18th September 2024. The underlying theme remains intact and continues to demonstrate relevance.
2. CSI 300's previous bear market began in the post-COVID period of 2021 and extended until September 2024. Based on the cyclical pattern, the current bull phase could potentially run through to end of September/beginning of October 2026, only 3 months from now.
3. Long-term upward trend-line (lower bound of flag) to be aware of if we do see a deeper retracement.
4. Following multiple failed attempts to establish acceptance above the upper boundary of the multi-year flag formation outlined in previous updates, price has now achieved a decisive breakout and, notably, is maintaining sustained acceptance above this level. This resolves the prolonged period of consolidation that has defined price action over the formation and is a technically significant development. Given the duration and structure of the consolidation, a breakout of this nature has the potential to precede a substantial directional move higher. Early signs of acceptance are encouraging, and continued price action above the boundary would further validate the breakout.
5. As outlined in the MTF T.A. section, a confirmed break above the 5,000 CNY psychological level and the 0.786 Fibonacci retracement would leave limited technical resistance between current price and the all-time high. This is partly due to the speed at which price declined from the high established on 18th February 2021 — retracing approximately 10% to what is now the 0.786 Fibonacci level within just seven daily sessions. The rapid nature of that decline left relatively thin liquidity in this price range, meaning a return to these levels could result in an accelerated move toward the all-time high.
6. 3000 CNY Long-term support zone, breaking below would look extremely bearish and one could expect considerably lower prices.

Hang Seng China Enterprises Index (HSCEI) - Medium Term Technical Analysis (MTF T.A.)

Source: CSI 300 Technical Cycle Analysis (Source: TradingView, Bloomberg)

1. As outlined in the previous update, the risk of a breakdown has now fully materialized. Following a brief and unsuccessful attempt to reclaim the channel's lower boundary, price rolled over and broke decisively lower. The move has been swift, consistent with the accelerated decline typical of a multi-touch trendline failure following an extended period of consolidation. With three years of coiled range bound price action now unwound. The broken trendline flips to resistance on any retest, and the bias remains to the downside.
2. As noted in previous reports, major pullbacks over the past two years have consistently found support at the local 0.618 Fibonacci level. On this occasion, while there was a brief bounce and a daily close above the level, it offered little meaningful support given the speed and force of the move. Price has since pushed through the 0.786 with similar ease. Although neither level has held, the 0.618 retracement remains a key reference point going forward. Its consistency across prior pullbacks means it will continue to be monitored closely, both as a potential entry zone and as a framework for risk management when the next pullback develops.
3. As anticipated in the previous update, the 200-day EMA has continued to assert itself as firm resistance. Following the failed retest, price has since extended lower and is now trading considerably below the level, reinforcing the broader shift in character from what was a reliable support structure for much of the past year to a ceiling that sellers have defended consistently. It is essential for the bulls to reclaim this level for any chance of upward momentum.
4. Price continues to trade within the broader downward-sloping trend channel on the higher timeframe. As noted in the previous update, price was hovering just above the channel's midline. A level that ultimately offered little meaningful support. Since then, price has pushed further lower, and at this stage there are no clear signals of trend exhaustion or the early stages of a broader reversal. The prevailing downtrend remains firmly intact.
5. Throughout 2025, the 50-day EMA has been consistently respected, acting as a key dynamic support and reinforcing the broader buy-the-dip structure. However, since the October 2025 peak, price has broken below this level on multiple occasions and has struggled to regain sustained acceptance above it. The most recent rejection on June 2nd again has led to a pullback. Given how reliably the 50-day EMA has functioned as support over an extended period, this shift in behaviour is not unexpected. For the bullish structure to reassert itself, a decisive reclaim of this level remains crucial.
6. Zooming out to identify potential support areas below, we can reference the Fibonacci retracement drawn from the January 2024 low, made close to a multi-decade low, up to the October 2025 high. The 0.5 retracement sits just below current price, though in isolation this level is unlikely to offer significant support. A slip through here and a move below 7100 HKD would take out the last meaningful higher low. While a shift in near-term bullish market structure would not be confirmed until a subsequent lower high is established, such a move would be an early indication that the broader structure is beginning to deteriorate.
7. The next key level to watch on the downside is the 0.618 retracement, which carries additional confluence from the 7000 HKD psychological level and the December 2024 monthly open. As highlighted on numerous occasions throughout these updates, the 0.618 has been a consistently reliable level for producing significant reactions, making this area one to monitor closely. One scenario worth considering is a brief push below the 0.618, taking out the January 2025 low in a swing failure pattern, sweeping the stops resting below that low, creating a failed auction, and setting the stage for a sharp recovery to the upside.

Hang Seng China Enterprises Index (HSCEI) - Higher Timeframe (HTF T.A.)

Source: CSI 300 Technical Cycle Analysis (Source: TradingView, Bloomberg)

1. Price action remained range bound between 8500 HKD (0.236 FIB) and 15000 HKD (0.618 FIB) for c. 12.5 years.
2. HSCEI set 3 lower highs in 2015, 2018 and 2021 when the most recent bear market began.
3. Strong rejection at 15000 HKD level/ 0.618 Fib from the ATH, key zone of resistance to be aware. A sustained move through this area would likely open the way for a retest of the all-time highs. However, several key resistance levels must still be reclaimed before such a scenario becomes viable.
4. Break of long-term support (8500) in 2022 coincided with numerous issues in Chinese real-estate and banking sectors as well as the broader sell-off seen in tech stocks due to resurgence of inflation and therefore, sustained cheap financing. Price has remained range-bound between the 5,000 HKD support level and 8,500, the lower boundary of the upper trend channel, for just over 3.5 years. As noted in the previous up-date, price had slipped back below this channel. Since then, a subsequent attempt to reclaim the level has followed, with nearly two months of sustained price action above it, before ultimately rolling back below once more. The move this time with notably stronger momentum. A renewed push higher, accompanied by sustained acceptance above this area, would carry meaningful technical significance and could open the door to a broader upside continuation, with the 15,000 HKD level as a potential target.
5. Strong technical support 5000 HKD range (GFH lows of 2008 & recent 2022/2024 lows). Losing this level with acceptance would look ex-tremely bearish and I would expect significantly lower prices.
6. As outlined in previous updates, the key multi term time frame Fibonacci retracement to monitor is drawn from the February 2021 high to the January 2024 low, which marked the beginning of the current bullish medium-term timeframe structure. As discussed extensively in earlier analyses this is an important area to monitor, the 0.618 retracement level has historically been highly influential on this asset, acting as both support and resistance and serving as a frequent inflection point for pullbacks. Since the last update, where we saw price pullback from yet another rejection from the 0.681, we've seen an even more pronounced pullback . This remains the next critical resistance level that must be reclaimed for the medium term timeframe bullish structure to remain intact.
7. The 0.618 Fibonacci retracement, drawn from the January 2024 low to the October 2025 high, was highlighted in the medium-term analysis as the next key support level to watch. Stepping back to the higher timeframe, this zone is further reinforced by its confluence with the midline of the broader 5,000–8,500 range, adding yet another layer of technical weight to the area.

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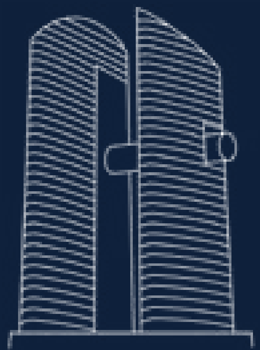

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