

China: “Two Sessions” to play on active investing

China’s “Two Sessions” kick off this week with the opening of the Chinese People’s Political Consultative Conference (CPPCC) on March 4 and the National People’s Congress (NPC) on March 5. Markets will focus on Premier Li Qiang’s delivery of the Government Work Report, essentially the government’s economic and social targets and the new budget, on March 5.

We expect the Chinese government to maintain its growth target at around 5% this year to anchor expectation for the first year of the 15th Five Year Plan. In practice, we forecast real GDP to grow 4.8% this year, down slightly from 5.0% last year. **We expect new economy sectors, especially advanced manufacturing and digital infrastructure, to remain top policy priorities.**

The government will announce a wide array of objectives ranging from supporting consumption and people’s welfare, stabilising the property market to ending involution. However, we do not expect a meaningful increase in household support - **any concrete measure to boost domestic demand would be viewed as a positive surprise.**

The budget is likely to focus on targeted stimulus rather than broad stimulus of the economy. We expect the formal budget deficit to remain at 4% of GDP and limited increases in off-budget spending to keep the broader public sector deficit at 10.6% of GDP. Though this would be an increase from 9.8% of GDP in 2025, a large part of the increase reflects the gradual shift of fiscal burden from local to central government as the property market downturn continues to dampen local fiscal revenue. Despite this, the government is likely to signal that it has resources and plans in reserve that it could deploy later in the year to support growth if necessary.



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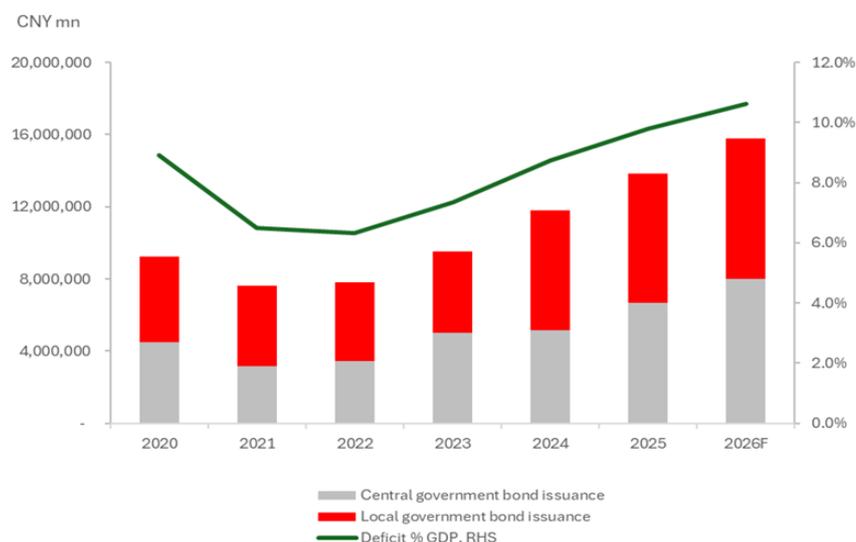


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Augmented fiscal deficit expected to increase by 0.8ppt of GDP, driven by central government issuance



As such, investors will need to invest actively to outperform. Starting with where we are cautious, **we doubt the government will boost broad consumption growth with widespread fiscal transfers.** Consumption support is likely to remain targeted at selected goods through trade-in subsidies, limited increases in basic pensions and medical insurance subsidies, and elements of child and senior care in services.

We are also sceptical that the government will deliver new measures that will end housing deflation. We think this requires a multi-trillion yuan program to buy excess housing inventory. No signals of such a policy exist yet.

In contrast, government spending and subsidies are likely to focus on developing industry and infrastructure. **We see three main thrusts of industrial policy:**

- 1) **Select supply chain industries:** mining, metallurgy, chemicals, and shipbuilding.
- 2) **Strategic new industries:** new energy, new materials, aerospace, biotech, semiconductors and semiconductor production equipment, particularly advanced lithography.
- 3) **Future industries:** 6th generation mobile, fusion energy, biomanufacturing, and quantum technology.

The Chinese government has ambitious goals to raise the domestic supply chain production of many advanced and strategic materials to over 50% of domestic demand and to over 90% for certain products. **Investors will need to anticipate how China's investment in the sectors and products will spill over into price and supply competition for established companies outside of China.**

Investment implications of the Iran war on China

While China's Two Sessions are likely to remain focused on stabilising growth, the recent escalation in the Middle East highlights an important external vulnerability. With China being a net crude oil importer, the key transmission mechanism to China from the conflict in the Middle East is via oil and energy security. As mentioned in our [market flash](#) on the Iran war, oil is central to Iran's relationship with China. Iran accounted for over 10% of China's seaborne crude imports in 2025.

Higher oil prices would drive cost-push inflation and squeeze margins in an economy still in recovery. That said, China has a medium-term energy buffer through its sizable gas and coal reserves as well as oil stockpile. The risk potentially becomes material only if elevated oil prices persist beyond three months.

We continue to expect hostilities to ease in the coming weeks, allowing the return of most, if not all, of previous energy supply from the Middle East. However, in the scenario of a prolonged rise in energy prices of greater than 10%, sectoral impacts would be more pronounced.

In this context, according to **Jocelyn Wu, Portfolio Manager at Eastspring Hong Kong**, the geopolitical tensions could benefit Chinese aluminium producers, as the Middle East accounts for roughly 9% of global aluminium supply. Chinese aluminium stocks are trading at high single-digit price to earnings multiples with forward dividend yields of about 5-6%. China's coal producers may also gain, given coal's role as an alternative energy source, while defense-related names - including rare earth plays - could see short-term upside.

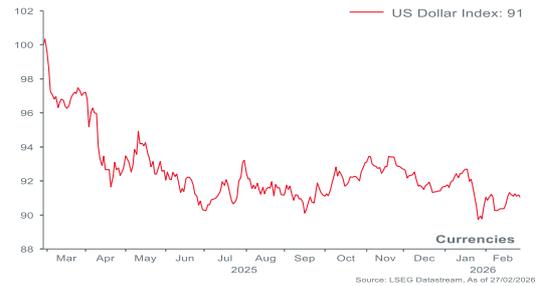
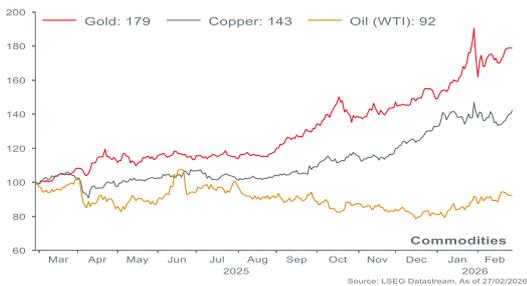
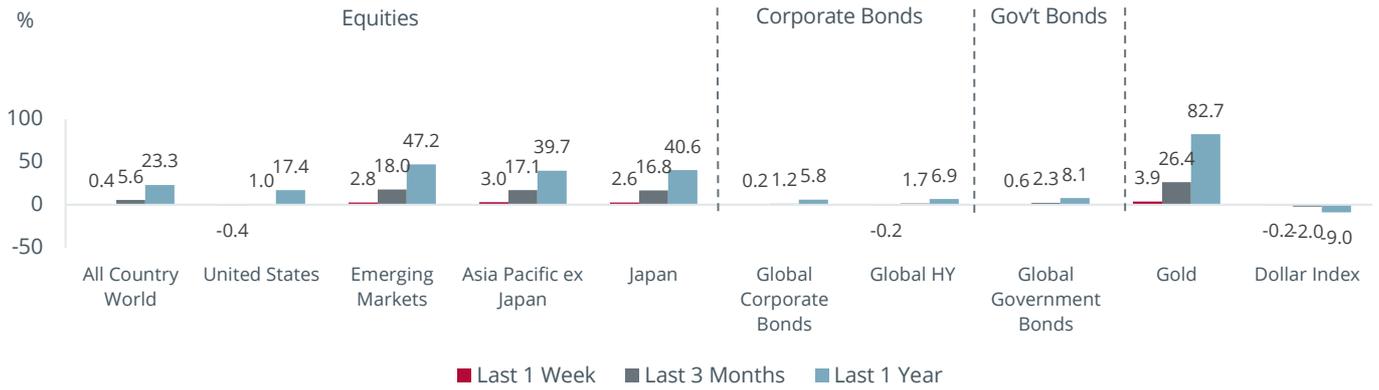
On the other hand, higher jet fuel prices could pressure airline margins, as carriers remain minimally hedged against oil. Container and bulk shipping may also face margin compression due to rising fuel costs, limited ability to pass-through costs, ship-lane re-routing, and higher insurance premiums. Energy-intensive industrials such as cement producers and auto original equipment makers would be similarly exposed. Refiners could see margins squeezed if the loss of lower-cost Iranian crude forces a shift to more expensive alternatives. That said, the geopolitical situation in the Middle East remains fluid and highly uncertain, and our investment team continues to monitor developments closely.

Market Review

Global equities were broadly positive over the week, with MSCI AC World index up 0.36%. Gains were led by Asia, where Korea surged 7.5%, Taiwan rose 5.4% and Japan gained 2.6%. Asia Pacific ex-Japan advanced 3.0%. In Contrast, US markets declined, with the S&P 500 down 0.4%, and the NASDAQ falling 1.0%. Global corporate bonds rose 0.2%, and Global sovereign bonds outperformed gaining 0.6% over the week.

Global aggregate bonds increased 0.4%, while US Treasury yields declined by 3.0%. Gold increased by 3.9% over the week and the US Dollar was broadly flat with decline of 0.2%.

Asset Performance



Market Data

Government Bonds	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
US Treasury Yield (%)								
10 Year	3.96	-3.01	-6.18	-0.90	-7.58	-4.60	4.60	3.95
10 Year Bond Yield (%)								
Japan	2.12	0.52	-7.40	17.88	52.01	2.22	2.34	1.12
China	1.83	1.05	1.61	-1.08	2.29	-1.77	1.96	1.63
Australia	4.65	-1.69	-3.84	3.24	7.04	-2.23	4.87	4.10
Singapore	1.94	-0.72	-6.23	-9.93	-30.08	-12.69	2.78	1.75
Malaysia	3.50	-0.79	-0.20	1.45	-7.85	0.03	3.80	3.36
Indonesia	6.41	-0.73	0.74	2.49	-7.48	4.77	7.21	5.92

	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
Bond Indices								
Bloomberg Global Aggregate USD	95.69	0.37	1.18	0.43	1.24	1.10	95.69	93.25
Bloomberg U.S. Aggregate USD	95.21	0.45	1.30	0.58	3.32	1.21	95.21	90.43

Equity Indices	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
World								
MSCI AC World Index (USD)	1,056.77	0.36	0.54	5.60	23.27	4.15	1,061.41	742.96
North America								
US S&P 500 Index	6,878.88	-0.44	-1.43	0.97	17.36	0.49	7,002.28	4,835.04
US Nasdaq Composite Index	22,668.21	-0.95	-4.82	-2.35	22.24	-2.47	24,019.99	14,784.03
Europe								
MSCI Europe	2,845.88	0.74	2.29	12.22	28.41	7.68	2,845.88	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	826.18	2.98	6.29	17.08	39.72	14.40	829.20	513.60
Japan Nikkei 225	58,850.27	3.56	10.34	17.31	53.83	16.91	59,332.43	30,792.74
Shanghai Stock Exchange Composite	4,162.88	1.98	0.56	7.42	22.87	4.89	4,190.87	3,040.69
Hong Kong Hang Seng	26,630.54	0.82	-1.83	2.64	12.28	3.90	28,056.10	19,260.21
Taiwan TAIEX	35,414.49	5.38	9.58	28.53	53.62	22.27	35,579.34	17,306.97
Korea KOSPI	6,244.13	7.50	22.80	56.62	138.17	48.17	6,347.41	2,284.72
India NIFTY 50	25,178.65	-1.54	0.01	-3.96	11.68	-3.64	26,373.20	21,743.65
Australia Stock Exchange 200	9,198.60	1.29	2.87	6.75	11.25	5.56	9,202.90	7,169.20
Indonesia Jakarta Composite	8,235.48	-0.44	-8.29	-3.63	26.98	-4.76	9,174.47	5,882.61
Thailand SET	1,528.26	3.28	14.52	22.00	25.71	21.32	1,545.31	1,053.79
Malaysia FTSE Bursa KLSE	1,716.61	-2.07	-3.08	6.13	8.19	2.17	1,771.25	1,386.63
Philippines Stock Exchange PSE	6,611.24	2.26	4.83	10.76	7.96	9.22	6,673.61	5,584.35
Singapore FTSE Straits Times Index	4,995.07	-0.45	1.46	10.77	27.39	7.51	5,041.33	3,372.38

Currencies (vs USD)	Latest	1 week Change	1 Month Ago	3 Months ago	1 Year Ago	YTD	52 week high	52 week low
Developed Markets								
EUR	0.14	0.28	-1.89	1.88	13.62	0.58	1.20	1.04
GBP	0.02	0.01	-2.61	1.85	7.04	0.08	1.38	1.26
CHF	-0.66	-0.92	1.01	-4.46	-14.53	-2.98	0.90	0.76
JPY	-0.04	0.64	2.54	-0.16	4.17	-0.38	159.12	140.85
Asia								
CNY	0.25	-0.73	-1.39	-3.12	-5.87	-1.93	7.35	6.84
HKD	-0.01	0.10	0.30	0.56	0.58	0.52	7.85	7.75
INR	0.08	0.38	-0.45	1.90	4.26	1.33	92.02	84.27
MYR	0.15	-0.31	-1.57	-5.86	-12.45	-4.14	4.49	3.88
KRW	0.50	-0.47	0.51	-1.57	-0.78	-0.09	1,485.83	1,352.45
SGD	0.07	-0.13	0.38	-2.48	-6.22	-1.63	1.35	1.26
TWD	0.38	-0.39	0.77	0.28	-4.72	0.13	33.25	28.90
IDR	0.06	-0.59	-	0.75	1.92	0.54	16,945.00	16,106.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as at 27 February 2026. Equities: using MSCI indices in USD, United States is using the S&P 500. Corporate Bonds: using ICE BofA indices in USD. Government Bonds: using the FTSE Global Sovereign Bond index, in USD. Gold is London Bullion Market US Dollar per Metric Tonne. DXY is US Dollar Index. **(line charts)** Eastspring Investments, Refinitiv, as at the end of the prior week, rebased to 100 as at 1 year ago. Equities: MSCI indices, in USD. Corporate Bonds: using Bloomberg indices in USD. Government Bonds: using ICE BofA US 10 Year US Treasury and ICE BofA 7-10 Year Euro Government indices. Commodities: Gold is London Bullion Market US Dollar per Metric Tonne Ounce. Copper is LME Copper Grade A Cash US Dollar per Metric Tonne. Oil is Crude Oil WTI Spot Cushing US Dollar per Barrel. US Dollar is US Dollar Index.

Market data: Eastspring Investments, Refinitiv, as at 27 February 2026. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated. Please note that there are limitations to the use of such indices as proxies for the past performance in the respective asset classes/sector. The historical performance or forecast presented in this slide is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Fund.



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