

Changes in Domestic Investment Market Preferences after the End of the COVID-19 Epidemic

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Abstract: In order to analyze what specific influencing factors exist in the fluctuation and changes of the stock market after the COVID-19, this paper studies the impact of the COVID-19 on the stock market after the COVID-19, as well as the changes in these impacts before and after the COVID-19 epidemic, and further analyzes the real estate investment and development, the trading volume of the stock market, the level of market sentiment, social and financial data, and the basic situation of the brokerage industry. The research results indicate that investor sentiment and real estate investment data have a significant impact on stock volatility. In addition, the occurrence of the COVID-19 makes the yield more vulnerable to investor sentiment.

Keywords: Capital flow, Security, Profit situation, Average trading volume of stocks in 60 days, China Stock Markets.

1. Introduction

As a global emergency, the COVID-19 epidemic has hit various domestic industries hard. After the COVID-19 epidemic, China is in the stage of economic recovery. However, due to the long duration of the epidemic, the investment preference of the domestic investment market and securities market has gradually shifted from conservative and cyclical to hot concepts and hot sectors, leading to confusion and deviation in corporate valuations and statements of listed companies. The purpose of this paper is to sort out the domestic investment market preferences, various investment

groups and capital flow directions after the end of the COVID-19 epidemic, and to analyze the changes in domestic investment market preferences, especially securities and fund markets after the end of the COVID-19 in combination with sociology. The significance of research lies in continuously refining the various convenient changes and limited predictions of this phenomenon, in order to provide and organize policy plans and suggestions for investors. This paper will use empirical analysis, literature research, comparative research, and methods of increasing data sources to analyze and explore the specific situation under the epidemic situation.

Table 1. Differentiation of AUM Performance of Some Securities and Fund Companies in Q4 2022

Partial Share AUM (100 million Yuan)	2019Q4	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2022Q4 Sequential increase
E Fund	2278	5458	6344	6917	6202	6488	5618	5925	5488	5627	2.5%
GF Fund	1257	3509	4232	4475	4375	4603	4030	4252	3918	3840	-2.0%
China Universal Asset Management	1770	3809	4027	4321	3894	3894	3143	3374	2919	3949	1.0%
Orient Securities	961	1521	1635	2034	2016	2016	1700	1733	1490	1451	-2.6%
Southern Asset Management	1478	2854	3192	3490	3419	3419	2880	2974	2783	2923	5.0%
Aegon-Industrial Fund	1176	2036	2274	2460	2252	2252	1835	1952	1692	1713	1.2%
Invesco Great Wall	881	1891	2249	2497	2595	2595	2085	2250	1945	2044	5.1%
Great Wall Fund	163	466	417	444	452	452	377	404	426	443	4.0%
Fullgoal Fund	1420	2955	3364	3824	3818	3818	3284	3558	3192	3214	0.7%
China Asset Management	2206	3767	3843	4355	4776	4776	4031	4379	4053	4302	6.1%
Bosera Funds	944	1399	1679	1750	1857	1857	1566	1562	1384	1347	-2.7%
Total market fund managers	31923	66353	72093	79146	79786	84731	73107	76771	69297	70340	1.5%

2. Basic Information of the Securities Industry

2.1. Performance of securities firms' stocks from 2022 to January 2023

Enterprises of different securities companies generally increased by 40%. In the short term, after the COVID-19, loose policies, the economy cannot move down sharply, and

the industry of state-owned enterprises and central enterprises recovered, all of which led to a sharp rise in performance. The long-term factors are the positive news brought by the stock registration system, as well as the entry of residents' wealth into the stock market and public funds.

2.2. AUM market share of securities fund companies

Table 2. Partial stock market share of some securities firms from Q4 2019 to Q4 2022

Bias stock market share	2019Q4	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4
E Fund	7.1%	8.2%	7.0%	7.4%	7.6%	7.7%	7.7%	7.7%	7.9%	8.0%
GF Fund	3.9%	5.3%	5.6%	5.8%	5.5%	5.4%	5.5%	5.5%	5.7%	5.5%
China Universal Asset Management	5.5%	5.9%	5.3%	5.2%	6.0%	4.6%	4.3%	4.4%	4.2%	4.2%
Orient Securities	3.0%	2.3%	2.8%	2.4%	2.0%	2.4%	2.3%	2.3%	2.2%	2.1%
Southern Asset Management	4.6%	4.3%	4.2%	4.7%	4.7%	4.0%	3.9%	3.9%	4.0%	4.2%
Aegon-Industrial Fund	3.7%	3.1%	3.0%	3.1%	3.0%	2.7%	2.5%	2.5%	2.4%	2.4%
Invesco Great Wall	2.8%	2.8%	2.4%	2.5%	2.7%	3.1%	2.9%	2.9%	2.8%	2.9%
Great Wall Fund	0.5%	0.7%	0.6%	0.7%	0.8%	0.5%	0.5%	0.5%	0.6%	0.6%
Fullgoal Fund	4.4%	4.5%	4.4%	4.2%	4.6%	4.5%	4.5%	4.6%	4.6%	4.6%
China Asset Management	6.9%	5.7%	7.6%	6.5%	5.6%	5.6%	5.5%	5.7%	2.8%	6.1%
Bosera Funds	3.0%	2.1%	2.8%	2.8%	2.2%	2.2%	2.1%	2.0%	2.0%	1.9%

(1) Compared to the same period last year, the asset management scale of mixed equity shows that at the end of 2022, E Fund, Southern Fund, Fullgoal Fund, Huaxia Fund, and Great Wall Fund were the same as the managers of Haoyu Global Market Fund.

(2) From the perspective of asset management scale and market share of stock and hybrid, at the end of 2022, E Fund and GF Fund increased by 0.3/0.1 pct year-on-year, Southern Fund increased by 0.2 pct year-on-year, and Huaxia Fund increased by 0.5 pct year-on-year. The market share of E Fund and GF Fund under GF Securities showed relatively stable performance.

(3) From the perspective of market share of newly issued

partial stock products, the global market share of Xingzheng in 2022 increased by 1.9 pct year-on-year, with a significant increase. The market share of Fullgoal Fund increased by 0.9 pct year-on-year.

2.3. Profit situation of fund companies in the securities industry

In the first half of 2022, the revenue of 45 fund companies was -1% year-on-year, the net profit was -3% year-on-year, and the net interest rate of head fund companies was higher than the industry average.

Table 3. Profit situation of some securities fund companies in the first half of 2022

Company	Operating income (100 million Yuan)			Net profit (100 million yuan)			Net profit margin	
	2021H1	2022H1	YOY	2021H1	2022H1	YOY	2021H1	2022H1
E fund	67.73	68.31	1%	18.41	17.26	-6%	27%	25%
ICBC Credit Suisse Asset Management				14.55	15.05	3%		
Fullgoal Fund	39.98	37.73	-6%	12.42	11.22	-10%	31%	30%
China Asset Management	36.52	36.33	-1%	10.49	10.58	1%	29%	29%
China Universal Asset Management	46.07	32.00	-31%	15.70	10.09	-36%	34%	32%
GF Fund	44.75	39.32	-12%	12.72	10.02	-21%	28%	25%
China Merchants Fund Management	22.78	28.85	27%	7.84	9.54	22%	34%	33%
Aegon-Industrial Fund	39.16	23.56	-40%	13.76	9.20	-33%	35%	39%
Southen Asset Management	34.61	32.73	-5%	8.76	8.86	1%	25%	27%
Bosera Funds	27.54	27.49	0%	8.05	8.73	8%	29%	32%
BOCOM Schroders				9.77	8.32	-15%		
Invesco Great Wall	21.27	21.93	3%	7.20	7.56	5%	34%	34%
CCB Principal Asset Management				4.97	5.89	19%		
Penghua Fund Management	22.41	22.00	-2%	6.14	5.43	-12%	27%	25%
HuaAn Funds	17.26	18.16	5%	4.50	5.10	13%	26%	28%
TOP6 median			-6%			-8%	29%	29%
TOP10 median			-5%			-3%	29%	30%
TOP15 median			-1%			1%	29%	29%
Median of 45 sample fund companies			-1%			-3%	27%	26%

Data source: Wind

Note: (1) ICBC Credit Suisse, BOCOM Schroders and CCB Fund did not disclose 2022H1 operating income; (2) 38 of the 45 sample companies disclosed operating income

In the first half of 2022, the revenue of fund companies decreased by 1% year-on-year, and the net profit decreased by 3% year-on-year. Mainly due to limited year-on-year decline in daily average asset management scale. Top fund companies have stronger profitability, with a net profit of 29 in the first half of 2022, which is higher than the median of 45 fund companies (26%).

2.4. Overall situation of the securities industry and fund companies

Recently, the 2022 performance forecast of securities firms has been intensively disclosed. In 2022, the profit performance of securities companies was poor, and the performance generally declined. According to the 2022 performance forecast disclosed by 35 securities firms, 18 of them saw a net profit decline of over 50%, accounting for more than half of the total. 4 companies suffered losses, of which 3 companies switched from profits to losses. Three companies are anticipating. [1] As of now, 35 securities firms have disclosed their 2022 performance in the form of

performance forecasts, unaudited non consolidated financial statements for the year 2022 (parent company standards, unaudited), and prospectuses. The overall performance is not ideal. [2] From the disclosed data of 35 securities firms, it can be seen that in 2022, 27 securities firms had a decrease in net profit, of which 18 securities firms had a decrease of over 50%, accounting for more than half. At the same time, there are only 9 securities firms, including CITIC Securities, Guoyuan Securities, Capital Securities, Donghai Securities, CICC Wealth, Anxin Securities, Minmetals Securities, and Dongguan Securities. It is expected that the year-on-year decrease in net profit in 2022 will be below 50% (including around 50%).

Four securities firms suffered losses, including Pacific Securities, Tianfeng Securities, and Jianghai Securities, which turned from profit to loss. Tianfeng Securities expects to achieve a net profit attributable to the owners of the parent company of -1.271 billion yuan in 2022, while Pacific Securities expects to achieve a net profit attributable to shareholders of the listed company of -530 million yuan to -

370 million yuan in 2022, and Jianghai Securities expects to achieve a net profit of -798 million yuan in 2022. Zhongshan Securities continued to suffer losses. The balance sheet and income statement (unaudited) show that the company achieved a net profit of -150 million yuan in 2022, further expanding its losses on the basis of a net profit of -126 million yuan in 2021. Three securities firms, namely Founder Securities, Yuekai Securities, and NetEason Securities, are anticipating. Founder Securities expects to achieve a net profit attributable to shareholders of listed companies of RMB 1.9134 billion to RMB 2.095 billion in 2022, a year-on-year increase of 5% to 15%. Yuekai Securities expects a year-on-year increase of 78.08% in net profit. NetEason Securities is expected to turn losses into profits.

In 2022, the overall performance of the bond business declined, mainly due to poor performance in two areas.

One is self-operated business. According to the statistical data of the third quarter of 2022, the average decline in the industry is as high as 50% or more. The second is the fund consignment business. In 2022, the new issuance scale of equity funds decreased by 57%, and the new issuance scale of "large share" hybrid funds decreased by 84%.

In 2022, the domestic and international economic situation is complex and ever-changing, and the operating environment of securities firms is repeatedly affected by the epidemic. Many securities firms have stated in their announcements that the profit performance of their investment/sales agency business has not been as expected.

In 2023, the performance of the securities industry is expected to undergo a recovery. (Low performance+low valuation Future: high performance + high valuation)

3. The Economic Recovery of Real Estate and Property after the Epidemic

3.1. Daily analysis of capital inflows

In 2022, the property management industry is facing unfavorable factors such as weak growth in the total delivery of new homes and the peak increase in residential property management coverage. There is also a significant impact of the epidemic on payment rates and community value-added services, as well as the chronic problem of non-owner value-added service businesses lacking core competitiveness and constantly being marginalized in the industrial chain. Overall, we believe that the performance growth rate of property management companies will generally decrease. However, there is little resistance for state-owned enterprises to expand their non residential businesses, and the historical burden of mergers and acquisitions is small. There are many potential funds, and the market share of related parties in the new home delivery market is increasing rapidly. It is expected that large state-owned property management listed companies will maintain a satisfactory performance growth rate of 24%/34%/30%/33% from 2022 to 2025.

Table 4. Real estate development and investment in the eastern, central, western, and northeastern regions from January to May 2023

Region	Investment amount (100 million yuan)	Housing	Rise and Fall (%)	Housing
National total	45701	34809	-7.2	-6.4
Eastern region	27327	20247	-2.2	-1.4
Central region	9173	7488	-8.4	-7.3
Western region	8221	6298	-18.2	-17.4
Northeast region	980	776	-19.3	-18.5

Table 5. Real estate sales in the eastern, central, western, and northeastern regions from January to May 2023

Region	Sales of commercial housing		Sales of commercial housing	
	Absolute number (10000 square meters)	Year-on-year growth (%)	100 million	Growth (%)
National total	46440	-0.9	49787	8.4
Eastern region	20472	5.2	30326	14.9
Central region	12317	-8.0	9236	-4.2
Western region	12135	-5.2	9086	1.3
Northeast region	1515	26.6	1138	22.9

3.2. The trend of increasing the flow of new projects to state-owned enterprises is expected to continue to accelerate

The growth in the total delivery of new houses is sluggish, and the peak of improving the coverage rate of residential property management has passed. The growth rate of the industry's total managed area has declined. However, the current market share of top companies is very low, and the popularity of non-residential properties needs to be improved. The industry still has broad prospects. Structurally, we believe that state-owned background companies have a continuous increase in the proportion of related party development industries, non residential expansion brands are widely favored, and mergers and acquisitions have comprehensive advantages such as small historical burden and large capital reserves. We expect that the growth rate of state-owned background leading property management enterprises in terms of management area can reach 33%/26%/23%/20% from 2022 to 25, and the growth rate can reach 25% from 2021 to 25.

3.3. The collection rate of basic property management has hit the bottom, but the profitability continues to differentiate

We expect that the property management collection rate

may gradually decrease in 2022, but it can recover quickly in the future. We believe that the epidemic and macroeconomic factors are beginning to shift, and companies are also expected to improve the collection level of acquisition targets with generally low collection rates through quality improvement and large-scale collection. Therefore, the payment rate of property management companies may reach a bottom in 2022. In terms of profitability, the profitability of property management companies is beginning to converge at both ends, and we expect this convergence trend to persist for a long time. We expect that from 2022 to 2025, the comprehensive gross profit margin of top state-owned property management enterprises will be 17.9%/18.5%/18.8%/19.5%, while the comprehensive gross profit margin of top private property management enterprises will continue to decline to 23.9%/21.8%/20.9%/20.3%.

4. The Inflow of Funds into Various Sectors of the Chinese Securities and Stock Market

4.1. Daily analysis of capital inflows

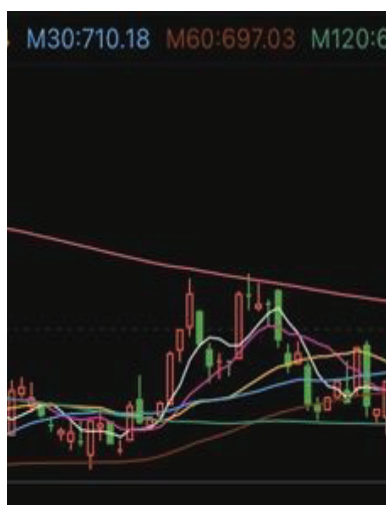


Figure 2. Top 10 Capital Inflows from November 2022 to July 2023

Taking the top ten daily inflows of funds into the Chinese stock market as an indicator, it can be seen that in December 2022, the inflow of funds into the stock market reached a short-term bottom, and then slowly rose to a downward trend in March 2023. After the Two Sessions, there is a significant inflow of funds and a strong growth trend.

4.2. The recovery and promotion of state-owned and central enterprises

According to Wind data statistics, as of November 22, 2022, the P/E valuations of listed state-owned enterprises and non-state-owned enterprises were 11.0 times and 34.3 times respectively; From an absolute valuation perspective, the PE valuation of China Securities Central Enterprises is currently 8.35 times lower than that of Wandaquan A (13.82 times). From a relative valuation perspective, although the China

Securities Central Enterprises Index has recently risen, it is still in an undervalued range, at a valuation percentile of 16.34% in the past three years. The profitability of central and state-owned enterprises is better than the market average. According to data from the State owned Assets Supervision and Administration Commission, central enterprises achieved a cumulative operating revenue of 29.0 trillion yuan in the first three quarters, a year-on-year increase of 10.9%. The cumulative total profit achieved was 2.1 trillion yuan, a year-on-year increase of 5.7%. Far higher than the revenue and profit growth of industrial enterprises, demonstrating strong resilience.

4.3. Analysis of the Rise and Fall of China's Stock Market in the First Half of the Year and the Total Transaction Volume

Table 6. A-share Industry Performance in the First Half of 2023

ZTE	208	Longji Green Energy	-166
Wave of information	196	Oriental Fortune	-144
iFlytek	123	Zhongtian Technology	-116
SMIC International	105	China's exemption	-114
The Dawn of Chinese Science and Technology	100	Ziguang Guowei	-107
Ziguang Shares	96	Tuowei Information	-105
Xinyisheng	92	Vanke A	-103
Kunlun Wanwei	87	Tongwei Shares	-92
Agricultural bank	81	Hongbo Shares	-90
Hengrui Pharmaceutical	79	Guizhou Maotai	-87

As of June 30, 2023, software and services, telecommunications services, mainly digital economy, autonomous driving, artificial intelligence, operators, and panel enterprises, have seen higher growth in the domestic

stock market.

4.4. Technology sector analysis

Table 7. Ranking List of A-share Capital Flows in the First Half of 2023

Level 2	Rise and Fall(%)	Total turnover(0.1 billion yuan)
Software and Services	32.88	150,770
Telecommunications services	26.98	10,148
Technical hardware gas equipment	25.44	150,084
Medium	20.76	35,097
Durable consumer goods and clothing	10.91	30,505
Sources of Energy	7.68	17,706
Public affairs	7.29	21,672
Automobiles and auto parts	6.37	35,085
Capital goods index	6.37	182,287
Business and professional services	5.77	15,612
Insurance	3.26	6,548
Diversified finance	2.62	34,219
Semiconductor and Semiconductor Shengdi Equipment	0.93	82,930
Bank	0.37	19,350
Healthcare equipment and services	-3.98	18,490
Pharmaceuticals, biotechnology and Life Science	-4.93	61,272
Material	-5.19	119,621
Transport	-6.60	17,942
Food, beverage and tobacco	-7.78	50,361
Retail of food and main supplies	-9.23	4,052
Household and personal goods	-10.70	2,534
Retailing	-14.08	7,106
House hemp	-14.49	16,123
Consumer services	-29.36	15,160

In the first half of 2023, with the progress of artificial intelligence and the emergence of chatgpt, the technology sector underwent a transformation. Including Science and Technology Innovation 50 ETF, Hongbo Shares, etc. In the first half of 2023, the fundraising amounts for A-share IPOs of SMIC Integrated, Crystal Integrated, and Atlas were 110.72 billion yuan, 99.60 billion yuan, and 6.907 billion yuan,

respectively. The abnormal changes in A-shares are considered as a characteristic or reflection of high turnover rate, more favored by the market, funds, and active stock activity. Among them, there were 58 instances of abnormal storage in Bowei, 50 instances in Hongbo, and 43 instances in Cambridge Technology. In terms of institutional research, Eston has been surveyed 92 times and Oukeyi 74 times.

Table 8. Ranking of First Day Gains of A-share Listing in the First Half of 2023

Giant Energy Shares	227.27
Zhongdian Port	221.55
Zhongke Flight Test-U	189.62
British Software	176.77
Maolai Optics	175.39
Dengkang Oral Cavity	173.89
Yu Taiwei-U	152.79
Huafeng Technology	149.57
Yuntian Lifei-U	137.04
Aerospace Software	125.55

Among the newly issued A-share stocks, there are nine of the top ten technology stocks with first-day gains in the first half of 2023. According to data from Tonghuashun, technology stocks such as ZTE, Inspur Information, iFlytek, and SMIC International accounted for the top four in the A-share capital flow ranking in the first half of 2023.

4.5. Analysis of state-owned enterprises and operator sectors

(1) Operators are entering a period of transformation and development, and emerging businesses are growing rapidly. In the era of digital economy, businesses such as cloud computing, big data, and government enterprise informatization have shown high momentum. In recent years, operators have focused on the digital transformation of industries, and related emerging businesses have shown rapid growth. The three major operators' revenue from emerging businesses in 2022 is 307.2 billion yuan (+32.4% year-on-year).

(2) The growth of capital expenditure is slowing down, and there is strong certainty of profit growth for operators. Taking China Mobile as an example, the company plans to no longer increase capital expenditure from 2023 and gradually show a downward trend. After three years, the proportion of capital expenditure to revenue will decrease to within 20% (compared to 24% in 2021). Against the backdrop of controllable costs, the certainty of profit growth is strong.

(3) In the era of digital economy, the valuation of operators urgently needs to be restructured. Policies related to the construction of digital China and data elements have emerged frequently, and the industry's prosperity continues to rise. As the main participant in the construction of digital China, the value of operators needs to be reassessed.

5. Conclusion and Suggestions

This paper uses the real estate data in the National Bureau of Statistics of China, the wind software, the valuation in the flush software, financial reports and other indicators to study the overall domestic capital flow after the COVID-19, and further compares the changes in the impact of relevant indicators on the stock market before and during the outbreak of the COVID-19 in combination with the emergencies of the epidemic. The main conclusion is as follows. After the epidemic, the overall domestic economy has been fluctuating, and the real estate industry has started to rebound from its low point at the end of 2022. With the development of artificial intelligence, the information industry has begun to rise. At the same time, the state-owned and central enterprise sectors are at low valuations, and after the Two Sessions, policy incentives have led to market funds flowing into state-owned enterprises and operators. In terms of securities firms, their profitability is strong. The stock prices of securities firms are a barometer of the stock market, and Bank of China has also raised its limit for the first time in nearly 8 years, indicating a clear overall economic recovery. The frequency and amplitude of abnormal movements in A-shares are relatively large, and investors tend to track short-term high yield, hot sectors and concepts. The COVID-19 emergency has increased the impact of a series of indicators on the stock market.

Based on the above analysis, this paper proposes the following suggestions. Firstly, try to avoid hype in the hot sector and be cautious of income risks. [3] Secondly, regulatory agencies should improve their regulatory policies on media news reporting to prevent listed companies from using media news and policies to affect stock prices. Finally, state-owned and central enterprises are undervalued, with strong upward potential and good profitability. It is necessary

to combine the China Special Valuation System to strengthen the quality improvement, value mining, and enhancement of central enterprise listed companies.

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