CKGSB Investor Sentiment Survey (CKISS) – Quarterly Report (Q4 2025)

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Key Findings

In 2025, major global equity markets recorded broad-based gains. The U.S. S&P 500 rose 16.4% for the year, the Nikkei 225 advanced 26.2%, Germany's DAX increased by 23%, and France's CAC 40 gained 10.4%. China's A-share and Hong Kong equity markets also posted notable gains, though these were largely concentrated in the third quarter, with momentum slowing markedly in the fourth quarter. Specifically, the Shanghai Composite Index rose by approximately 2.8% from January to June, surged 12.7% between July and September, and edged up only 2.2% from October to December, resulting in a full-year increase of 18.4%. The Shenzhen Composite Index gained about 6% in the first half of the year, rose 21.4% in the third quarter, and was nearly flat in the fourth quarter, increasing by only around 0.5%, for a full-year gain of 29.3%. The Hang Seng Index climbed 33.9% from January through September, before correcting by 4.6% in the fourth quarter, ending the year up 27.8%.

Despite the loss of momentum in the fourth quarter, retail investor sentiment remained resilient and, in some cases, even mildly optimistic. In contrast, institutional investors significantly revised down their short-term expectations for A-share and Hong Kong equities toward year-end. The proportion of retail investors holding a bullish view on A-shares rose further to 64.2%, an increase of 2.5 percentage points from September, while the corresponding figure among institutional investors declined to 59.8%, down 6.1 percentage points. A similar divergence was observed in expectations for Hong Kong equities. Retail investors' bullish proportion increased to 63.4%, up 1.3 percentage points from September, whereas institutional investors turned markedly more cautious, with the bullish proportion falling to approximately 58.1%, a decline of 7.3 percentage points.

The downward adjustment in expectations among institutional investors is consistent with prudent risk-management logic. We assess the overall valuation level of the A-share market by dividing the aggregate market capitalization of all A-share listed companies at the end of 2025 by the sum of their trailing twelve-month (TTM) net profits as of the end of the third quarter of 2025, ensuring that the sample coverage of both the numerator and denominator is fully aligned. The results indicate that this valuation metric increased by 21.5% compared with the end of 2024, while TTM net profits for the comparable sample rose by only 0.8% over the same period. This suggests that the 2025 rally in the A-share market was driven primarily by valuation expansion rather than by improvements in corporate earnings.

Against the backdrop of repeated escalations in U.S. trade policies and a pronounced rise in global uncertainty, China's economy faced substantial external pressure. Nevertheless, its real GDP growth reached 5.0% for the year, demonstrating considerable resilience. Notably, China's net exports continued to make a significant contribution to its economic growth. According to data from China's National Bureau of Statistics, in 2025 net exports of goods and services contributed 1.6 percentage points to GDP growth; final consumption expenditure (including household and government consumption) contributed 2.6 percentage points; while gross capital formation contributed only 0.8 percentage points.

Although the National Bureau of Statistics does not disclose the contribution of household consumption to GDP growth, overall consumption trends can be indirectly assessed through changes in the growth rates of total retail sales of consumer goods (goods consumption) and service retail sales (services consumption). In 2025, China's total retail sales of consumer goods reached RMB 50.0 trillion, representing a nominal increase of approximately 2.7% from RMB 48.7 trillion in 2024. Over the same period, service retail sales grew by 5.5% year on year. While this growth rate exceeded that of goods consumption, it nevertheless declined by 0.7 percentage points from the 6.2% growth recorded in 2024.

Weak domestic demand is closely linked to the rapid and sustained decline in both the birth rate and the real estate sector. In 2025, the number of newborns in China fell below 8 million, the lowest level since the founding of the country. The pace of decline has been striking, with the number of births falling by nearly 50% over an eight-year period. The reduction in births affects not only current demand but also expectations of future demand. At the same time, housing constitutes a major component of household wealth in China. The negative wealth effect associated with falling home prices inevitably suppresses both the willingness and capacity of households to consume. The real estate sector has strong upstream and downstream linkages, directly supporting industries such as construction, building materials (including steel and cement), furniture, home appliances, and home renovation. The prolonged downturn in the sector has not only weighed on corporate revenues, but has also transmitted pressure to employment and household incomes, further undermining the consumption base. By the end of 2025, year-on-year prices of newly built commercial housing and second-hand housing in 70 large and medium-sized cities had declined by 3.2% and 5.9%, respectively, while newly started commercial housing floor space fell by 20.5% for the year.

Against this macroeconomic backdrop, respondents of this survey continued to revise down their expectations for the real estate market. Notably, unlike the divergence observed in equity-market expectations, retail investors and institutional investors held highly aligned views on real estate. Approximately 36.7% of respondents expected housing prices to rise (about 37.7% among retail investors and 35.7% among institutional investors), representing a sharp decline of 9.7 percentage points from the previous survey period. This decline comprised reductions of 10.4 percentage points among retail investors and 8.2 percentage points among financial professionals, indicating broad-based caution regarding the prospects for a near-term recovery in the property market.

Expanding domestic demand is not only central to achieving sustainable economic development, but also imperative in responding to the current complex international environment. In 2025, the most striking development in global capital markets was the surge in gold prices, which rose by 62.7% over the year. The primary driver behind this rally was the increasingly confrontational shift in U.S. economic policy and diplomatic strategy, which significantly heightened global economic and geopolitical uncertainty and, in turn, boosted global investors' demand for gold as a safe-haven asset.

Entering 2026, global uncertainty led by the United States remains elevated. At the same time, another potential source of risk is emerging in East Asia. In 2025, yields on Japan's one-year and ten-year government bonds rose sharply, triggering a significant decline in Japanese government bond prices. Japanese financial institutions, particularly insurance companies, have long maintained substantial holdings of government bonds. Under conditions of sharply falling bond prices and expanding unrealized losses, these institutions face the risk of being forced to sell government bonds to limit losses or meet liquidity needs. Given the large scale of Japan's government bond market and its deep integration with the global financial system, such shocks could spill over internationally through channels including the unwinding of carry trades, reductions in U.S. treasury bond holdings, and fragile investor confidence.

At China's Central Economic Work Conference held in December 2025, "boosting domestic demand as a priority and building a strong domestic market" was ranked first among eight key policy priorities of the country. This positioning underscores the strategic intention to enhance development autonomy by relying on a robust domestic market amid a challenging and complex external environment.

Stimulating domestic demand among Chinese people cannot rely solely on consumption subsidies. More fundamentally, it requires stabilizing the real estate market and raising the birth rate. China's future economic growth will continue to depend on substantial investment, but the focus of such investment must shift from infrastructure toward people. A healthy economy requires the dynamic alignment of infrastructure, human capital, and advanced technology. While China's infrastructure is already world-class and its technological capabilities are advancing toward global leadership, human capital remains the most pressing structural shortfall that must be addressed.

**These findings were first published in Chinese and are provided here in English translation.*

**To learn more about the survey or to read its previous reports, please visit the survey's webpage of Cheung Kong Graduate School of Business via: https://english.ckgsb.edu.cn/knowledge/the-ckgsb-investor-sentiment-survey/*