The China Rambler

An Occasional Letter On Topics Of Interest To China Investors

Issue #22 | *"Seek Truth From Facts"* | **August 3rd, 2026**

In this edition: Untrustworthy sell-side research, how to win approbation without really trying, useful tech, Shein's meh HK-IPO and why China-exporter stocks are an avoid. In addition: the price at which I'd like to buy Trip.com (#09961), how value mitigates risk, PEs, Zombie-Apocalypse harbingers (or not?), and the need for precautionary cash.

Sell-Side Single-Stock Recommendations

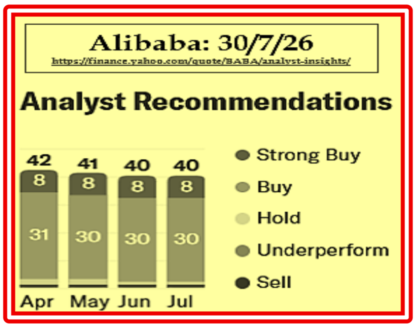
Initiations last month (right) after the IPO of Space Exploration Technologies or SpaceX (SPCX. IPO @ U$135, last U$107.77) by Wall Street's top seers provided a useful lesson. Videlicet? Any notion sell-side 'research' provides a reliably fair view of a stock's prospects is misplaced.

July 7th Space Exploration Technologies (SPCX): Coverage Initiations

Firm	Rating	Target
M. Stanley	O/weight/Buy	$300
Bernstein	Outperform	$239
Macquarie	Outperform	$250
BofA Secs.	Buy	$235
Wells Fargo	Overweight	$230
JPMorgan	Overweight	$225
RBC Capital	Outperform	$225
Clear Street	Buy	$217
UBS	Buy	$210
G. Sachs	Buy	$205
Citi	Buy	$200
Mizuho	Outperform	$200
Needham	Buy	$200
Stifel	Buy	$190
Mft. Nthson.	Neutral	$131
William Blair	Outperform	------

Investors need reminding, we're not important clients of the sell-side. The 'whales' are the people who pay the most and with total fees from the listing of SpaceX estimated at U$650m, just from the initial float, it's in no doubt where sell-side bread is most generously buttered.

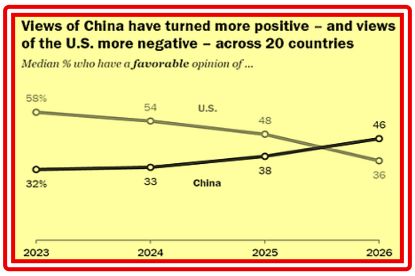
In our Hong Kong, China world we see the same pattern. No analyst who values their career and no firm seeking favour in the China-space will put a 'SELL' on larger stocks in that universe. A good example, Alibaba (BABA, HK #09988). Listed in HK in November 2019 at H$176 the sell-side then pocketed fees of around U$30m (lowish, it was a secondary listing) and have since consistently recommended 'BUY'. Total return? Around minus-37% (last H$117.00). I guess we're just supposed to BUY more?



Stock-specific research is often produced by sell-side firms as a 'thank you' for fees paid by the company covered or in anticipation of future largesse; but sometimes it's not. This produces a 'turds and raisins*' mix and as investors can't be expected to know which is which it's safer to avoid the whole dish. I'm obliged to Mr. Musk and his enablers for the refresher of this harsh reality last month, with worked examples. [*Munger from 2:55]

无为 – Wúwéi, Or 'To Succeed Via Inaction'

For me wúwéi is a key investing mantra. You often get better results by doing nothing than by frantically-thrashing around. China seems to be picking up global approbation in the same way. Especially versus the world's #1 frantic-thrasher, the United States. A new poll from the Pew Research Center last month (here) has more.



Tech, That Works, Is Widely Adopted And Fast

Investors vex-much about whether this or that tech will progress to ubiquity. The first time I saw an Excel spreadsheet I wanted it, immediately. Ditto an iPod, a PDA and a personal email account; and in all cases I paid myself. My point? If there's discussion about the likely uptake or use-case for a new-new thing there's a problem. It should be obvious.


DJI say, don't try this, at all..

Southern China was badly affected by floods last month. Responders used heavy-lift drones, including some farmers have been using, for rescue and support efforts. There's a technology with a great future. The purpose of my preamble is to get to AI; where we're back to turds 'n' raisins. As long as argument continues about the viability of many businesses in that area the jury on broad investability stays out. [BTW, DJI discourage use of their kit in this way.]

Taking A Shein To Hong Kong – I Wish They Weren't

Having unsuccessfully pursued listing in New York and London, Shein will soon be listing in Hong Kong. I haven't read their prospectus so I can't have an opinion on investment merits (but I suspect they're a quality outfit from anecdotal reports). I can be allowed a heavy sigh though about more paper being tipped into an already fragile market. Moreover, to imagine a company less exciting than a sock, smock and frock seller (albeit a very accomplished one), would be hard. Sponsors' analysts are now no-doubt at work on supporting research; I look forward to the flurry of 'BUY' recommendations in due course.

China-EU Trade Tension

The China-EU trade relationship is deteriorating, to China's disadvantage; but as U.S. tariffs ended up strengthening China's exporters should we be overly concerned? Yes, because a lot of that strength-gain was the result of refocusing on and into other markets, like the EU. China exporter-stocks are therefore an 'avoid' until this dust settles, which it won't anytime soon.

Stockwatch: #09961 Trip.com Group

Summary of a recent closer look

Basically: Market cap.: c. U$30bn, PE 6.5x, Yield 0%, PB 1.3x. Avg. daily TO (3m) U$138m. Business: the company is China's largest online travel agent. Listed in the U.S. in Dec. '03 @ U$18 (last U$46.86) it had a secondary listing in HK in Apr. '21 @ H$268.

The stock was crushed earlier this year in response to an investigation launched by the government (co. announced Jan. 14th) into predatory tactics and quasi-monopoly abuse.

The investigation concluded with fines of Rmb5.2bn (U$720m) or c. 15% of 2025 NPAT of Rmb33.3bn. It's to be hoped they've learned a lesson, but future profitability will be affected.

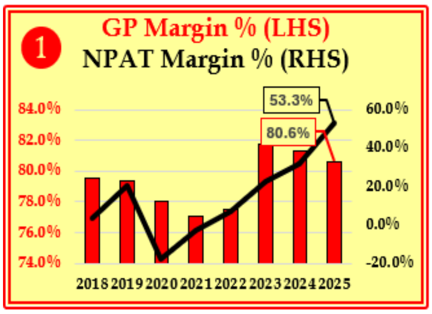
The company has enjoyed regularly fabulous margins 1. In China such conspicuous success is often both a beacon to competitors and, as we've just seen, closer official scrutiny.

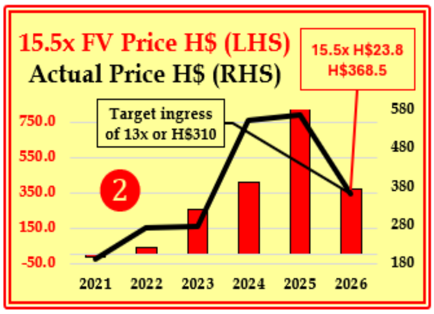
A fair-value range would a PE of between 13x and 18x with the mid-point 15.5x 2. Reduce last year's NPAT by a disposal gain of Rmb15.4bn then take 80% of what's left to reflect the loss of earnings due to the new business model. A 'fair' e2026 EPS comes out at c. **H$23.80**.

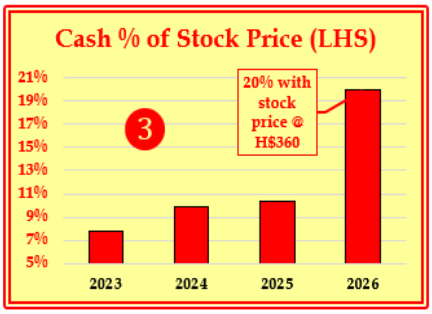
Not to like: Although the company has no Weighted Voting Rights shares it has an ugly poison-pill rights-issue device to prevent hostile takeover. They've issued CBs before and a 'Sustainability Linked' loan in 2022, both pointless financial transactions. They were warned about monopoly abuse but ignored the memos; that's turned into an Rmb5.2bn mistake.

To like: Despite the short HK-listed track record they have a long history of successful operation and growth (N.B. Stock price CAGR from '03 c. +4.3%). They're important to China Inc. and the government may yank their chain from time to time but are unlikely to seriously upend their business (like they did with Ant Financial or for-profit education).

Would I buy them? I would like to. The absence of a dividend is compensated for by a large cash pile 3 which I expect will lead to one in future, or meaningful stock buy backs. There are some more not-to-likes: they're poor communicators, founder shareholders and managers might unkindly be called 'operators' (definition 2b) and their business is directly in the cross-hairs of agentic-AI evolution. Having noted that, travel will persist as a growth business in China, problems with government will pass and if there's an agentic-AI threat I trust them to deal with it. I'd be happy to buy in at the bottom end of my FV range or 13x the eEPS for 2026 (excluding the fines) which'd be a price around **H$310** (last H$366.40).







How's My Investing?

Performance summary, review of recent trading etcetera

July — YTD, Performance:	**+10.6% — +5.8%**
Performance Since Inception (Nov. '24):	**+32.3%**
Cash Percentage of Portfolio:	**20%**

Value - The Great Risk Mitigator

As with Trip.com I calculate a fair-value range for every stock in my portfolio. For example, for leasing company Far East Horizon #03360 that'd be BVs of between 0.9x and 1.4x. From that I plug the middle value, 1.15x in this case or a price of H$14.18 (last H$6.88), into a spreadsheet. From the difference between these numbers and the market price for each I arrive at portfolio cheapness. This was c. 60% at the end of last month i.e. the aggregate value of my holdings could rise by that amount, and they'd arrive at just fair. The portfolio yield is around 5.5%-net with an overall PE under 9x; and there's a handy cash balance too.

This is a nice place to be. Not just from the effect a recurrent 5.5%, and most likely rising, yield provides (at least 30% over the next 5-years) but in addition in terms of being able to ride out the next major external shock. A portfolio on 9x will have difficulty halving. One on, say 26x, is a more vulnerable proposition (below).

Enough Said

A Not-So Fantastic Four

	Country	P/E Ratio
ENZL	New Zealand	27.44
EWT	Taiwan	26.02
VTI	United States	25.76
EWL	Switzerland	24.47

At the end of July worldperatio.com, that tracks representative proxy ETF valuations, highlighted the U.S. among the least attractive global markets. The best included China. Buy low–sell high, right?

The Four Tops

	Country	P/E Ratio
EPHE	Philippines	8.58
EIDO	Indonesia	8.97
EZA	South Africa	9.07
FXI	China	9.46

No Zombies – No Apocalypse (Yet)

Global stock markets were wobbly towards the end of last month, as well they might be. In July interest rates rose, Middle East conflict took on a forever-hue, and U.S. hyperscalers' fresh capex plans made Dr. Evil's second-thought request in Goldmember look like lunch-money. Crypto appeared tired, Open AI delayed their IPO, Team-Trump were revisiting tariffs, and oil prices stuck firm. Moreover, there was news China is on the cusp of breaking through on DUV lithography which sent chills through ASML (ASML) and the non-China semiconductor complex. This is all someway off the Zombie-Apocalypse I'm expecting, but I'm sure that's on its way. Whether or not July's events prove to be harbingers, time will tell; in these circumstances, I don't believe a large precautionary cash balance requires further explanation.

Datawatch

Key Releases In The Last Month

Three 🙁 Three 😐 Two 😊

Trade 😊: June exports +27% (May +19.4%), imports +36% (May +27.4%). Biggest jumps since Oct. '21 and Jun. '21. What is going on?

Prices 😐: June CPI 1.0% (May +1.2%), PPI +4.1% (May +3.9%). PPI biggest jump since July 2022. The implication for margins isn't good.

Credit 🙁: June M2 +8.0% (May +8.6%), Outstanding Loan Growth +5.3% (Apr. +5.5%). O/S loan growth yet another new low.

Consumption 😐: June retail sales +1.0% (May -0.6%). A recovery from last month's alarming negative print, but still, a feeble read.

Industrial Activity 😊: June +5.3% (May +4.5%). Ahead of expectations and indicative of acceleration? We'll see.

New Home Prices 😐: June -3.3% (May -3.5%).This was a good, but still far from great result. Check out the series in more detail here.

Business Confidence 🙁: July Mfg. PMI 49.2, down from 50.3, non-mfg. 49.0, down from 50.2. Both series back to the wrong side of 50.

Q2 GDP 🙁: At +4.3% it was a disappointment and at odds with the some of the numbers above. A miss of the full year target of between 4.5% and 5% is unlikely as H1 growth was +4.7%. The Politbureau has, for now, ruled out new stimulus measures.

That wraps it up for July. What's here isn't advice or recommendation, it's what I've been up to, how I'm looking at the world and a small piece of the market puzzle which, combined with yours, I hope may be of some use.

"He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine, receives light without darkening me". Thomas Jefferson.

Good Luck with ***your*** investing. Feedback please to me at nial@nialgooding.com