

What’s Hot Today:

► China Auto: 2026 Trade-in Subsidy Renewed

On December 30, 2025, China’s National Development and Reform Commission (NDRC) and the Ministry of Finance (MOF), together with relevant ministries, jointly issued the “Implementation Rules for the 2026 Vehicle Trade-in Subsidy Program”, which will take effect on January 1, 2026. Compared with the 2025 scheme, the 2026 program refines eligibility coverage, subsidy rates and caps, and implementation and oversight. The table below summarizes the key differences between the two policy frameworks.:

Item	2025	2026	Policy Orientation
Scrappage & Replacement			
Subsidy mechanism	Fixed-amount subsidy (flat payment)	Percentage-based subsidy + cap	
Eligible new vehicle types	NEV passenger vehicles (must be listed in the NEV purchase tax exemption catalogue); gasoline passenger vehicles ≤2.0L	Same as 2025	
NEV subsidy	RMB 20,000	12% of vehicle price, capped at RMB 20,000	VAT-inclusive price ≥ RMB 166,700 to receive the full RMB 20,000
Gasoline subsidy	RMB 15,000	10% of vehicle price, capped at RMB 15,000	VAT-inclusive price ≥ RMB 150,000 to receive the full RMB 15,000
Trade-in / Replacement			
Subsidy mechanism	Fixed-amount subsidy (flat payment)	Percentage-based subsidy + cap	
Eligible new vehicle types	NEV passenger vehicles; gasoline passenger vehicles	NEV passenger vehicles (must be listed in the NEV purchase tax exemption catalogue); gasoline passenger vehicles ≤2.0L	
NEV subsidy	RMB 15,000	8% of vehicle price, capped at RMB 15,000	VAT-inclusive price ≥ RMB 187,500 to receive the full RMB 15,000
Gasoline subsidy	RMB 13,000	6% of vehicle price, capped at RMB 13,000	VAT-inclusive price ≥ RMB 216,700 to receive the full RMB 13,000
General Rules			
Old-vehicle ownership requirement	Old vehicle registered under the applicant’s name before Jan 1, 2025	Old vehicle held under the applicant’s name for at least one year	Raises eligibility thresholds, curbs short-term transfer arbitrage, and channels subsidies to genuine end-users
Implementation	Implemented by local governments	Unified national implementation	Standardizes rules nationwide, reduces loopholes, and improves policy predictability

Source: Sunwah Kingsway Research

The table below illustrates the total costs difference, under the scrappage-and-replacement route, by price tier. It is estimated that car buyers will have to face an incremental cost of ranging from RMB7,500 to RMB15,720, where cars priced at RMB50k will see the highest increment while those between RMB150k to 200k will be least affected. However, it is also noted that the subsidy cap will be reached for vehicles priced at RMB150k and above.

China & HK Indices		CLOSE	1D	YTD		
HSI		25,630	-0.9%	0.0%		
HSCEI		8,913	-0.9%	0.0%		
HSCCI		4,015	-0.8%	0.0%		
CSI300		4,629	-0.5%	-0.0%		
Shanghai A		4,161	0.1%	0.0%		
Shanghai B		253	-0.1%	0.0%		
Shenzhen A		2,648	-0.3%	0.0%		
Shenzhen B		1,264	0.1%	0.0%		
Key Int'l Indices		CLOSE	1D	YTD		
Dow Jones		48,063	-0.6%	0.0%		
S&P 500		6,845	-0.7%	0.0%		
Nasdaq		23,241	-0.8%	0.0%		
NIKKEI Index		50,339	-0.4%	0.0%		
FTSE Index		9,931	-0.1%	0.0%		
CAC Index		8,149	-0.2%	0.0%		
DAX Index		24,490	0.6%	0.0%		
Commodities		CLOSE	1D	YTD		
GOLD	(US\$/oz.)	4,319	0.0%	0.6%		
STEEL	(US\$/oz.)	2,543	-0.9%	0.0%		
SILVER	(US\$/oz.)	71	-0.0%	1.4%		
CRUDE OIL	(US\$/bbl)	57	-0.9%	0.1%		
COPPER	(US\$/oz.)	12,423	1.6%	41.7%		
ALUMINIUM	(US\$/oz.)	2,995	1.5%	17.4%		
PLATINUM	(US\$/oz.)	2,060	0.0%	1.9%		
ZINC	(US\$/oz.)	3,117	0.9%	4.7%		
WHEAT	(US\$/bu)	507	-1.2%	-8.1%		
CORN	(US\$/bu)	440	-0.5%	-3.3%		
SUGAR	(US\$/lb)	65	-0.5%	-28.7%		
SOY BEAN	(US\$/bu)	1,047	-1.5%	1.3%		
PVC	(US\$/t.)	4,796	-0.4%	-18.9%		
CRB		298	-0.8%	3.0%		
BDI			-5.2%	0.0%		
Exchange Rates						
	USD	HKD	EUR	JPY	CHF	RMB
USD		7.784	0.851	156.750	0.793	6.989
HKD	0.128		0.109	20.137	10.186	0.898
EUR	1.175	9.144		184.080	1.074	8.202
JPY	0.006	4.966	0.543		0.506	0.045
CHF	1.261	9.817	1.074	197.714		8.818
RMB	0.143	1.114	0.122	22.385	0.113	
Market Sentiment					CURRENT	5D
CDS Monitor - USD SR 5Y						
Greece					N/A	N/A
Ireland					83	-2.4%
Italy					139	-0.6%
Portugal					207	-0.0%
Spain					108	0.3%
VIX					14	6.8%
Source: Bloomberg						

Base Price	Price (13% VAT)	Vehicle Purchase Tax	2025 Actual Vehicle Purchase Tax Paid	2025 Subsidy	2025 Total Cost	2026 Actual Vehicle Purchase Tax Paid	2026 Subsidy	2026 Total Cost	Incremental Cost (2026 vs 2025)
¥ 50,000	¥ 56,500	¥ 5,000	¥ 0	¥ 20,000	¥ 36,500	¥ 2,500	¥ 6,780	¥ 52,220	¥ 15,720
¥ 100,000	¥ 113,000	¥ 10,000	¥ 0	¥ 20,000	¥ 93,000	¥ 5,000	¥ 13,560	¥ 104,440	¥ 11,440
¥ 150,000	¥ 169,500	¥ 15,000	¥ 0	¥ 20,000	¥ 149,500	¥ 7,500	¥ 20,000	¥ 157,000	¥ 7,500
¥ 200,000	¥ 226,000	¥ 20,000	¥ 0	¥ 20,000	¥ 206,000	¥ 10,000	¥ 20,000	¥ 216,000	¥ 10,000
¥ 250,000	¥ 282,500	¥ 25,000	¥ 0	¥ 20,000	¥ 262,500	¥ 12,500	¥ 20,000	¥ 275,000	¥ 12,500
¥ 300,000	¥ 339,000	¥ 30,000	¥ 0	¥ 20,000	¥ 319,000	¥ 15,000	¥ 20,000	¥ 334,000	¥ 15,000
¥ 350,000	¥ 395,500	¥ 35,000	¥ 5,000	¥ 20,000	¥ 380,500	¥ 20,000	¥ 20,000	¥ 395,500	¥ 15,000
¥ 400,000	¥ 452,000	¥ 40,000	¥ 10,000	¥ 20,000	¥ 442,000	¥ 25,000	¥ 20,000	¥ 457,000	¥ 15,000
¥ 450,000	¥ 508,500	¥ 45,000	¥ 15,000	¥ 20,000	¥ 503,500	¥ 30,000	¥ 20,000	¥ 518,500	¥ 15,000
¥ 500,000	¥ 565,000	¥ 50,000	¥ 20,000	¥ 20,000	¥ 565,000	¥ 35,000	¥ 20,000	¥ 580,000	¥ 15,000

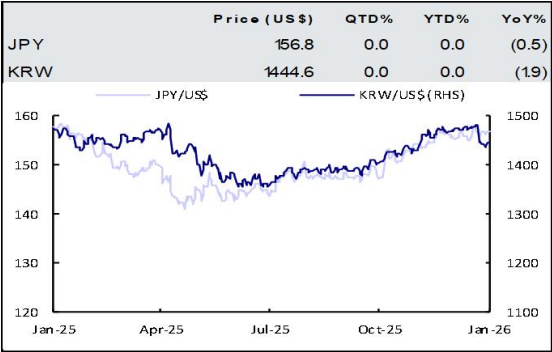
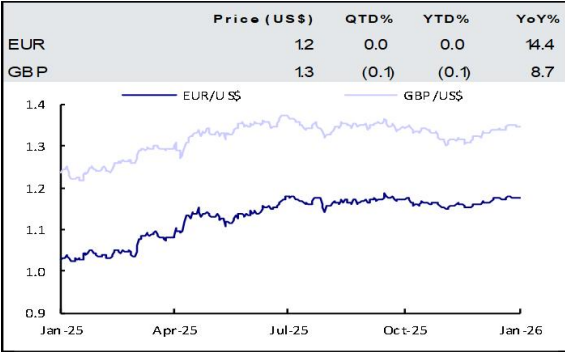
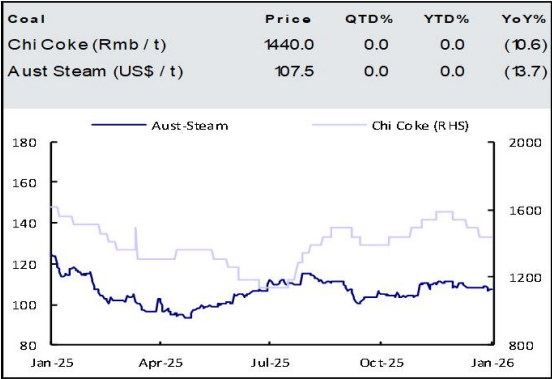
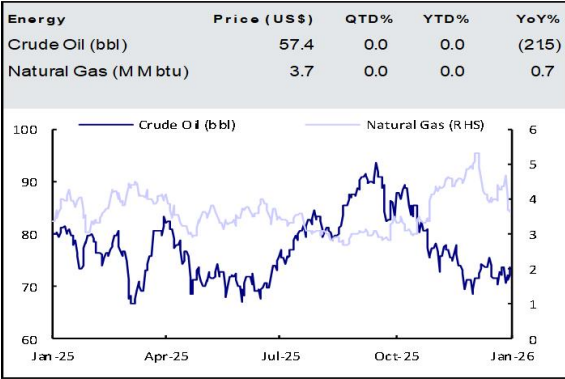
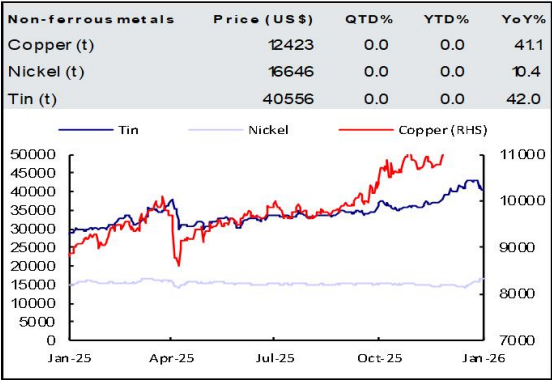
Source: Sunwah Kingsway Research

Our views: The government continues its long-standing approach of supporting auto industry through policies and subsidies to end-users. Compared with 2025’s scheme, the renewed scheme provide largely fixed-amount subsidies, and the new program shifts to percentage-based subsidies with caps, which structurally tilts support toward mid-to-high priced models. Higher-priced vehicles will easily reach the subsidy cap, while lower-priced models receive smaller benefits in absolute terms. Our analysis suggests that RMB 120k–250k segment sees the lowest incremental out-of-pocket cost in 2026 versus 2025, implying that the policy may also be designed to discourage low-end price wars.

However, the incremental boost to demand may be modest. Market commentary suggests that overall subsidy by government could be smaller than in 2025, potentially by around 20%. Meanwhile, although many expected the shift in NEV purchase tax treatment to trigger year-end purchase rush but recent sales data remained soft. According to CPCA, November 2025 passenger vehicle sales stood at 2.225mn units (-8.1% YoY / -1.1% MoM). Overall, we see the policy as more “stabilizing than stimulating”. It cushions the demand downshift, smoothing the replacement cycle, and shifting competition from price to better product and higher technology, with clearer marginal benefits for mid-to-high priced models.

We are of the view that domestic sales in 1H26 could be tough to grow and thus automakers with strong product competitiveness and scalable overseas expansion (capacity and channels) are more likely to outperform the peers, for instance, BYD (1211 HK, HK\$95.35, HK\$351bn), GWM (2333 HK, HK\$15.30, HK\$35.4bn), and Xpeng (9868 HK, HK\$79.35, HK\$152bn). They are trading at a PE of 17x, 7x and 52x, respectively. (Research Department)

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
ISM Manufacturing PMI	MoM		5-Jan-26
Personal Income & Spending	MoM		5-Jan-26
Durable Goods Orders	MoM		7-Jan-26
Factory Orders	MoM		7-Jan-26
Initial Jobless Claims	WoW		8-Jan-26
Trade Balance	MoM		8-Jan-26
Wholesale Inventories	MoM		8-Jan-26
Housing Starts / Building Permits	MoM		9-Jan-26
Employment Report	MoM		9-Jan-26
CPI	MoM		13-Jan-26
Retail Sales	MoM		14-Jan-26
PPI	MoM		14-Jan-26
Existing Home Sales	MoM		14-Jan-26
Industrial Production	MoM		16-Jan-26
GDP	QoQ		22-Jan-26
Consumer Confidence	MoM		27-Jan-26
New home Sales	MoM		
Business Inventories	MoM		
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Foreign Exchange Reserves	QoQ		
Money Supply - M2	MoM		9-Jan-26
PPI	MoM		
CPI	MoM		9-Jan-26
Trade Balance	MoM		
Retail Sales	MoM		19-Jan-26
Industrial Production	MoM		19-Jan-26
GDP	YoY		
PMI Manufacturing	MoM		31-Jan-26

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Retail Sales	MoM		2-Jan-26
PMI	MoM		6-Jan-26
Foreign Currency Reserve	MoM		7-Jan-26
Unemployment Rate	MoM		
CPI	MoM		22-Jan-26
Trade Balance	MoM		27-Jan-26
Money Supply - M2	MoM		30-Jan-26
GDP	QoQ		
Producer Prices Index	QoQ		13-Mar-26
Industrial Production	QoQ		13-Mar-26
Composite Interest Rate	MoM		

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