

Article

Plate Rotation and Risk Control in A-Share Bull Market

Dongming Yang ^{1,*}¹ Geely University of China, Chengdu, China

* Correspondence: Dongming Yang, Geely University of China, Chengdu, China

Abstract: Since its establishment in 1990, China's A-share market has experienced many bull market cycles, and each bull market has shown significant plate rotation characteristics. Based on the four major bull markets from 1990 to 2021 (1996-2001, 2005-2007, 2014-2015, 2019-2021), this paper has obvious common characteristics from the first three bull markets. The fourth bull market is a structural bull market. The reason why it is included in the analysis with the first three bull markets is mainly for readers to clarify the differences in plate rotation in the interpretation of different bull markets, and to provide reference for the analysis of the bull market in 2025. This paper systematically analyzes the driving factors, market performance and risk characteristics of plate rotation. The study found that the bull market usually goes through three stages: low valuation repair (finance, cycle), growth premium (technology, consumption), and bubble (stock). In addition, the risk signals of sector rotation include policy shifts (such as deleveraging in 2015), valuation bubbles (PE up to 53 times in 2007) and abnormal capital flows (the balance of the two loans exceeded 2 trillion). The study suggests that investors should optimize the allocation strategy based on policy orientation, industrial trends and global liquidity changes, and establish a dynamic risk control system to deal with the risks of different stages of the bull market. The empirical analysis of this paper provides a theoretical basis and practical reference for understanding the operation rules of the A-share market and formulating investment strategies.

Keywords: A-share bull market; plate rotation; policy-driven; valuation rotation; risk control

1. Introduction

1.1. The Definition and Characteristics of A-Share Bull Market

As an important stage of the cyclical operation of the capital market, the A-share bull market is usually defined as a period when stock prices continue to rise, market sentiment is optimistic, and investor confidence is enhanced. Based on the theoretical consensus of the industry and the trend of market development, this paper introduces the concept of bull market from three aspects: technical level, structural level and special requirements in the new era, and strives to have a clear understanding of the concept of A-share bull market.

From the technical level, the traditional bull market needs to meet three core conditions: the main stock index (such as the Shanghai Composite Index, Shanghai and Shenzhen 300) rose from a low point of more than 20%; the upward trend continued for at least 6 months; the market breadth is good, and most individual stocks participate in the rise.

From the structural level, the bull market is usually divided into the following : a comprehensive bull market, the main stock index rose by more than 100 %, covering more than 90% of the industry sectors (as in 2005–2007 and 2014–2015), for at least 6 months ; the index rose by 20 % -100 %, and only a few high-prosperity industries led the rise (such as the bull market of core assets in 2019-2021) for at least six months ; the theme bull market, the index fluctuation is small, but the specific theme (such as AI, new energy) rose by more than 50 % (such as AI in 2023), lasting at least 6 months [1].

Published: 28 August 2025



Copyright: © 2025 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

Under the background of the new era, the connotation of the A-share bull market has expanded from a simple price increase to a multi-dimensional standard of "high-quality development." The promulgation of new regulatory guidelines in 2024 has given a richer connotation to the bull market, including indicators such as the improvement of the quality of listed companies (ROE median > 8 %), the optimization of investor structure (institutional proportion > 60 %) and the enhancement of market resilience (annualized volatility < 20 %). This transformation reflects the development stage of China's capital market from scale expansion to quality improvement, which aligns with the overall goal of improving financial market competitiveness (Table 1).

Table 1. Multi-dimensional reference to the definition of A-share bull market.

Dimension	technical standard	structure level	New era standard	policy basis
price target	The main stock index rose > 20 %.	The overall bull market, the Shanghai Composite Index or GEM index rose more than 100 %; structural bull market, the index rose by 20 % -100 %; the theme bull market, the index fluctuation is small	Index increase and quality are equally important	The new 'national nine'
time standard	Lasts for at least 6 months	Lasts for at least 6 months	Focus on sustainability	Opinions on high-quality development of capital market
market breadth	> 60 % stocks rose.	A comprehensive bull market, covering more than 90 % of the industry sector; structural bull market, only a few high-prosperity industries led the rise; theme bull market Specific topics (such as AI, new energy) rose by more than 50 %.	Leading effect and the balance of inclusiveness	Investor protection policy
quality requirement	-		ROE of listed companies > 8 %	New regulations on the supervision of listed companies
structural optimization	-		The proportion of institutional investors is more than 60 %.	Medium and long-term capital market policy
stability	-		Annualized volatility < 20 %	Strengthening measures for transaction supervision

1.2. Research Significance and Necessity

As the core financial platform of China's economic development, the A-share market has the important value of multi-dimensional research on the patterns of sector rotation in the bull market cycle.

From the perspective of investment strategy, accurately grasping the rhythm of sector rotation can help investors optimize asset allocation, focus on the most promising industries at different market stages, and thus improve the return on investment [2]. Historical data show that investors who correctly arrange the leading sector at different stages of the bull market can significantly exceed the market average. For example, in the 2005-2007 bull market, investors with early layout of the brokerage sector and medium-term holding of resource stocks received excess returns [3].

From the perspective of risk management, understanding the law of plate rotation helps to identify market overheating signals, adjust the position structure in time, and avoid the common drastic adjustments in the later stage of the bull market. In the later period of the bull market in 2015, investors who failed to shift from high-valuation growth stocks to defensive assets in time suffered heavy losses.

From the perspective of regulatory research, the study of plate rotation can evaluate the effect of market-oriented measures and provide reference for capital market improvement. Plate rotation reflects the changes in the allocation of funds in different industries and is an important window to observe the policy transmission mechanism and market operation efficiency [4].

From the perspective of market construction, the analysis of plate rotation helps to optimize the market structure and promote the effective allocation of resources. Healthy plate rotation is an important symbol of market maturity. Studying its laws can provide a basis for improving the basic market system.

2. The Characteristics of A-Share Bull Market Cycle

Historical retrospect shows that the bull market in China's A-share market has shown certain cyclical characteristics since its establishment in 1990. In combination with the concept of bull market cycle, excluding the initial cycle of the A-share market is not obvious and the interval is short, the A-share market is mainly divided into the following four rounds.

2.1. Reform Exploration and the First Systemic Bull Market (1996-2001)

China's A-share market experienced the first systematic bull market from 1996 to 2001, and the market operation characteristics at this stage showed a complex dynamic under the dual role of policy guidance and market rules [5]. The bull market in 1996-1997 is the first time that China's stock market presents a relatively complete plate rotation characteristics. In the context of the central bank's interest rate cuts (three times in a year from May 1996, with the deposit rate falling from 10.98% to 5.67%) and overall macroeconomic stabilization, the Shanghai Composite Index rose from 512 points to 1510 points, an increase of 195%. The leading sector in this stage is concentrated in home appliances (Sichuan Changhong), finance (deep development) and other industries directly related to the upgrading of residents' consumption, reflecting the optimistic expectation of the market for the penetration rate of durable consumer goods in the early stage of economic transformation. At the regulatory level, the introduction of a securities regulatory framework in 1998 marked the beginning of the legal construction of the capital market and laid the foundation for subsequent development [6]. The '5·19 market' in 1999 was jointly influenced by supportive measures for high-tech industries and the global Internet bubble (such as certain concept stocks like Shanghai Meilin) led to a remarkable short-term rise, but the lack of fundamental support eventually caused the bubble to burst.

2.2. Institutional Change and the Largest Bull Market (2005-2007)

Driven by major institutional changes such as the split share structure reform, the A-share market ushered in the largest bull market cycle in history from 2005 to 2007. It is a classic case of resonance between institutional changes and economic take-off in the history of China's stock market. The equity structure adjustment reform launched in April

2005 solved the historical problem of "different rights with the same share" and was basically completed by the end of 2006, which greatly improved corporate governance and market efficiency. This institutional change, combined with the globalization momentum after WTO accession, pushed the Shanghai Composite Index up from 998 points to 6124 points, up 513 %.

The end of this bull market is due to multiple factors: valuation bubbles (the price-earnings ratio of the Shanghai and Shenzhen 300 is up to 53 times), the impact of the global financial crisis and the tightening of domestic monetary policy (the central bank raised interest rates 6 times and raised the deposit reserve ratio 10 times in 2007) [7]. Its important enlightenment is that even under the dividend of high economic growth and institutional change, excessive speculation out of fundamentals will inevitably lead to drastic adjustments. The surge in the number of investment accounts from 1993 to 2007 shows the degree of bubble.

2.3. Leveraged Funds and the Bull Market Driven by Reform Expectations (2014-2015)

The 2013-2015 bull market is a special market driven by 'leveraged funds' and 'reform expectations' in the context of slowing economic growth. Unlike before, this round of the market shows a significant small and medium-sized enterprise innovation feature. The GEM index rose from 585 points to 4037 points, an increase of 590 %, far exceeding the 159 % of the Shanghai Composite Index. At the policy level, in 2013, major reform discussions proposed a comprehensive deepening of reform, and 'Internet + ' became a key development initiative; at the liquidity level, the margin trading business surged from less than 400 billion yuan in 2013 to 2.27 trillion yuan in June 2015, and leveraged funds became the main force driving the market to rise [8].

After June 2015, supervisory tightening (cleaning up over-the-counter allocations) triggered drastic adjustments, and thousands of shares fell. The lesson of this round of market is that the fund-driven bull market out of fundamentals often ends up with drastic adjustments, which also directly led to stricter supervisory measures after 2016.

2.4. High-Quality Development and Core Asset Bull Market (2019-2021)

As China's economy entered a stage emphasizing sustainable and efficient growth, the capital market has gradually shifted to value investment orientation, and core assets have become the focus of market attention due to their stable growth and high barriers. From 2019 to 2021, driven by loose monetary policy and industrial upgrading, the GEM index rose from 1184 points to 3576 points, an increase of 202 %. The main institutional arrangements at this stage include:

- 1) Establishment of Science and Technology Innovation Board (July 2019): support the listing of hard technology enterprises, and the landing of representative enterprises such as SMIC International and Cambrian;
- 2) "Carbon neutrality and emission peak goals (September 2020): to promote the long-term strength of the new energy industry chain (CATL (Contemporary Amperex Technology) increased by 15 times);
- 3) The pilot expansion of the registration system: from the Science and Technology Innovation Board to the Growth Enterprise Market (August 2020) and the Beijing Stock Exchange (November 2021) to enhance market inclusiveness.

The market began to adjust under the influence of factors such as repeated epidemics, Federal Reserve interest rate hikes, and geopolitical tensions. However, structural opportunities continue, such as AI, semiconductors, military industries and other directions in line with industrial development trends, highlighted by supportive measures. During this period, the market paid more attention to fundamentals, and industries with strong performance certainty and industrial policy orientation continued to receive funding [9]. The characteristics of the four major bull market cycles of A shares are summarized as follows (Table 2).

Table 2. The main bull market cycle characteristics of A shares.

Bull market cycle	time range	core drivers	Official policy support	Rise and duration
'5-19 quotation'	1996.5-2001.6	Internet technology boom, state-owned enterprise reform policy	Authorities issued several opinions on further standardizing and promoting the reform and development of state-owned enterprises. Regulators promoted the reform of non-tradable shares, and relevant authorities issued 'on the promotion of capital market reform and opening up and stable development of a number of opinions'.	Shanghai Composite Index + 114.25 % (1047 → 2245)
Split share reform bull market	2005.6-2007.10	Split share structure reform, RMB appreciation	Financial regulators revised rules on margin trading, and monetary authorities lowered interest rates.	Shanghai Composite Index + 513.49 % (998 → 6124 points)
Leveraged bull market	2014.7-2015.6	Over-the-counter capital expansion, margin expansion	Regulators promoted registration system reform, and relevant authorities issued opinions on improving the market-oriented allocation of factors.	Shanghai Composite Index + 152 % (2050 → 5178 points)
Registration system reform Structural bull market	2019.1-2021.12	Registration system pilot, technological autonomy and consumption upgrading		GEM index + 173.38 % (1184 → 3320 points)

3. The Characteristics of Plate Rotation in A-Share Bull Market

This part will systematically sort out the path of plate rotation in the four major bull markets from 1990 to 2021, and analyze the driving logic behind it, so as to find the common rules and personality characteristics of plate rotation in the bull market.

3.1. Reform Exploration and Economic Soft Landing (1996-2001)

Division of stages:

1.Start-up period (1996.7-1997.1): home appliances, finance.

2.Main Rising Wave (1999.4-2000.12): Network, technology stocks broke out.

3.Diffusion period (2000.12-2001.6): crazy problem stocks.

Rotary path:

The first stage (1996-1997):

Leading the rise plate: household appliances (Sichuan Changhong rose by 1067 %), finance (Shenzhen Development Bank rose by 800 %).

Driving factors: the central bank cut interest rates (three times in a year, the deposit rate fell from 10.98 % to 5.67 %), the national economic plan of the period to promote the popularization of durable consumer goods.

Market characteristics: the concept of value investment is emerging, and performance stocks are sought after.

The second stage (1999-2000):

Leading the rise plate: network technology stocks (580 % increase in variety shares), high-performance technology stocks (173 % increase in Tsinghua Tongfang).

Policy-driven: regulators emphasized scientific and technological innovation, and mainstream media published an editorial on "firm confidence and standardized development".

Market characteristics: theme hype prevails, valuation bubble is obvious, and performance correlation is low.

The third stage (2000-2001): Davis double-click bubble.

Characteristics: economic recovery (real estate + export recovery), performance and valuation resonance, the Shanghai Composite Index rose by 64 %, the conclusion of the state shareholding reduction arrangement and the global Internet bubble burst [10].

Leading plate: building materials, machinery and equipment, textile and apparel (performance cash), coal (theme market).

Funding behavior:

Retailers dominate the market, and follow the trend of speculation is common.

Manipulated stocks were rampant, and price manipulation was widespread.

Adjust the signal:

In 2001, the plan for reducing state shareholdings triggered market panic.

The tech bubble burst, and variety shares fell from 126 yuan to 10 yuan (Table 3).

Table 3. Rotational characteristics of bull market plate from 1996 to 2001.

Stage	The leading plate	Represents the rise of individual stocks	core driver
Start-up period	Home appliances, finance	Sichuan Changhong + 1067 %	Interest rate reduction cycle, consumption upgrade
The main rising period	Network technology, excellent technology	Variety Shares + 580 %	The strategy of rejuvenating the country through science and technology, the Internet bubble
Diffusion period	Building materials, machinery and equipment, textiles, etc.	Fly music sound increased by more than 10 times.	Performance cashing

3.2. Market Expansion and Capital-Driven Rally (2005-2007)

Division of stages:

1.Starting period (2005-2006): financial and real estate sectors led the rise.

2.The main rise period (2006-2007): the outbreak of resource-based cyclical stocks.

3.Diffusion period (2007): full expansion and foaming.

Rotary details:

Finance first:

Securities companies benefited from the split share structure reform and trading volume surge, CITIC Securities rose 1900 %.

Shares of China Merchants Bank rose 800 % after strong performance under asset revaluation.

Periodic relay:

The global commodity bull market promoted the non-ferrous plate, Yunnan Copper rose by 2300 %.

Vanke A 's market value increased by 800 %

Full diffusion:

Luzhou Laojiao rose 3 times, Suning Tesco rose more than 5 times.

The average increase of ST plate is 200 %, and the phenomenon of 'eliminating low-price stocks' appears in the market.

Financial flows:

QFII quota was expanded, bringing in more foreign capital.

The scale of public funds has exceeded 1 trillion yuan, and the influence of institutions has increased.

Policy nodes:

In April 2005, the split share structure reform was launched.

Discussions on potential inclusion in global indices started around 2006.

Changes in valuation:

The price-earnings ratio of Shanghai and Shenzhen 300 rose from 15 times to 53 times.

The PE of colored plate increased from 20 times to 80 times (Table 4).

Table 4. 2005-2007 bull market plate rotation path.

Stage	Leading Up Plate	driving factors	market characteristics
Start-up pe- riod	Securities firms, banks	Share reform dividends, trading volume surge	Value revaluation, in- stitutional leadership
The main ris- ing period	Color, coal, real estate	Commodity bull market, accelerated urbanization	Fundamentals drive, foreign capital influx
Diffusion pe- riod	Consumption, small and medium market value	Overflow of funds, retail investors to enter the venue	Foaming and specula- tion prevailed.

3.3. Leveraged Funds and Innovation-Driven (2014-2015)

Division of stages:

1.Starting period (2014.7-2015.1): weight, finance.

2. Main Rising Wave (2015.1-April): Periodic, Growth Unit Outbreaks.

3.Diffusion Period (2015.4-June): Speculative thematic stocks frenzy.

Wheeling characteristics:

Financial lead:

Brokerage stocks first doubled due to the expansion of the two financial services (Oriental Wealth + 700 %).

Infrastructure stocks promoted by overseas expansion initiatives (CRRC +600%).

Growing up singing:

" Internet + " concept detonated TMT sector (Letv + 450 %).

The GEM index rose by 170 %, significantly outperformed the main board.

Leverage boosts:

The balance of the two financings soared from \$ 400 billion to \$ 2.27 trillion.

Over-the-counter funding is estimated to exceed 2 trillion yuan.

Policy context:

In November 2014, the central bank started the interest rate reduction cycle.

In 2015, the Internet+ initiative became a nationwide development theme.

Adjustment triggers:

June 2015 Regulatory clean-up over-the-counter funding.

Thousands of stock drop stop scenes appear many times (Table 5).

Table 5. The performance of each stage of the bull market in 2014-2015.

Stage	Shanghai Stock Exchange Rise	Leading Up Plate	style characteristics
Start-up pe- riod	+18%	Finance, oil	Low valuation repair
The main rising pe- riod	+38.3%	TMT, military in- dustry	Growth stock carnival, leveraged funds entry

Diffusion period	+16.3%	Title stocks, sub-new stocks	Foaming, risk accumulation, two melt forced liquidation tide
------------------	--------	------------------------------	--

3.4. Structural Bull Market of Core Assets (2019-2021)

Stage characteristics:

1.Phase 1 (2019-2020): consumer medicine leading.

2. Second stage (2020-2021): science and technology growth relay.

3.Phase 3 (2021): full-scale outbreak of new energy.

Track differentiation:

Consumption upgrade:

Liquor (Guizhou Maotai from 314 yuan to 2437 yuan).

Pharmaceutical (Hengrui Pharmaceutical rose 150 %).

Technological innovation:

Semiconductor (Weir shares rose 600 %).

Consumer Electronics (Lixun Precision up 400 %).

Energy revolution:

Photovoltaic (Longji Green Energy rose by 400 %).

Electric vehicles (Ningde era increased by 800 %).

Financial structure:

The cumulative net inflow of funds to the north exceeded 1.5 trillion yuan.

The size of the public fund has increased from 13 trillion to 25 trillion.

Main policy lines:

Registration system pilot (Science and Technology Innovation Board opened in 2019).

The 'double carbon' goal (proposed in 2020) (Table 6).

Table 6. Rotational characteristics of structural bull market plate from 2019 to 2021.

phase	Leading the Race Track	kernel driver	capital property
2019-2020	Consumption, medicine	Deterministic premium, foreign investment preference	Long-term allocation of funds
2020-2021	Semiconductor, new energy	Domestic substitution, 'double carbon' policy	Industrial capital, public funds
2021	Photovoltaic, lithium battery	Global energy transformation and high performance growth	Leveraged funds, retail follow suit

4. A-Share Bull Market Plate Rotation Law and Enlightenment

In the previous chapter, through the systematic analysis of four typical bull markets from 1990 to 2021, the stage characteristics and transmission mechanism of plate rotation in A-share market are revealed. This chapter studies the common laws behind these personality differences, which are mainly reflected in the following aspects:

Policy dominance:

Each round of the strongest sector of the bull market reflects the focus of policy at that time.

For example, in 2005, the stock reform gave birth to the securities market, and in 2019, carbon neutrality and emission peak targets promoted new energy development.

Stage regularity:

The duration of each stage often ranges from several months to about a year, depending on market conditions.

Valuation rotation:

Initial undervaluation repair (finance, cycle).

Medium-term growth premium (technology, consumption).

Late bubble risk (theme, concept).

Funding behavior:

Institutional funds prefer leading, and foreign capital prefers consumption.

Leverage funds chase high-elastic varieties.

Retail funds lead the rise in the market.

Global linkage:

Commodity bull market favorable resource stocks (2005-2007).

Fed Policy Affects Foreign Capital Flows (2019-2021).

Risk conduction:

Low-priced stocks and underperforming stocks often indicate the end of the market.

The sharp amplification of trading volume is an important warning signal (Table 7).

Table 7. A-share bull market plate rotation common law.

Laws Dimensions	embodiment	typical case
policy leading	The leading plate is highly compatible with the national strategy.	In 2013, the Internet+ initiative boosted the TMT sector
progressive guidance	Financial stage → cycle growth singing → defense and theme ending	Three-stage rotation, 2005-2007
Valuation rotation	Low valuation → reasonable valuation → high valuation → bubble valuation	The PE ratio of GEM peaked above 120 times in 2015.
Funding stratification	Institutions lead → foreign capital follow-up → leverage influx → retail investors take over	From 2019 to 2021, public funds dominated
Global resonance	Commodity cycle affects resource stocks, and Fed policy affects foreign capital.	Copper prices rose in 2006 led to non-ferrous plate
risk accumulation	The rise of low-price stocks and the surge in trading volume indicate adjustment.	In June 2015, the balance amounted to 2.27 trillion yuan

Historical experience shows that there are rules to follow in the rotation of A-share plate, and the rules evolve with the change of market structure. On the basis of grasping the commonality, investors should dynamically adjust their strategies in combination with the characteristics of the new era in order to obtain excess returns in the bull market.

5. Bull Market Risk Control

The bull market in China's A-share market is often accompanied by high volatility and structural risks. Historical experience shows that most investors' losses are not due to the bear market, but the blind pursuit and risk out of control in the bull market. This chapter will combine the internal and external risk factors such as policy implementation, economic recovery, and global situation to systematically elaborate the risk identification and control strategies in the bull market, and provide investors with reference to cross-cycle fluctuations.

5.1. The Main Risks and Countermeasures in the Bull Market

5.1.1. Policy Risk: The Balance between Reform Expectation and Repeated Regulation

Policy-driven is the core feature of the A-share bull market, but the uncertainty of policy implementation may also be the trigger of the market turning point. Historical data show that the end of the leverage bull market in 2015 was directly due to the clean-up of over-the-counter funding by regulators, while the 2021 regulatory adjustments in the education sector triggered a repricing of policy risks by foreign investors. Three types of policy risks need to be focused on:

The implementation of the policy is not as expected: for example, in the early stage of the 'Internet + ' policy in 2013, due to the lack of supporting measures, the relevant

sectors experienced more than 20 % of the phased withdrawal; regulatory scale mutation: the clean-up and rectification of OTC funds in 2015 showed the impact of regulatory scale mutation on the development of the market; policy hedging effect: loose monetary policy and tight industrial policy may exist at the same time. For example, during periods of monetary easing, continued financing restrictions on the real estate sector may lead to increased market differentiation (Table 8).

Table 8. A-share market adjustment cases caused by policy risks in history.

time	policy events	market reaction	Plate influence
2015.6	Clean up off-site funding	The Shanghai Composite Index fell 28 % in two weeks	The small and medium-sized plate fell by more than 40 %
2021.7	Regulatory adjustments in the education sector (2021)	China education stocks fell by an average of 70 %	Foreign capital greatly reduced its holdings of consumer stocks

Coping strategies: establish a policy tracking matrix and conduct sensitivity analysis on fiscal, monetary and industrial policies. When the policy signal appears 'green light to yellow light' (such as the central bank will delete the expression 'reasonable liquidity'), it is necessary to start the position defense mechanism.

5.1.2. Economic Fundamental Risk: Recovery Momentum and Structural Contradiction

The fundamental support for the sustainability of the bull market lies in the economic fundamentals, but the deviation of "weak economic recovery + strong stock market rise" has occurred many times in the history of A-shares, and finally converged through drastic adjustment. At present, we need to be alert to three major economic risk points:

1) Real estate drag exceeds expectations, and domestic demand repair is weak

Real estate investment continued to decline: in 2024, real estate development investment fell by 10.1 % year-on-year, dragging down the performance of industrial chains such as building materials and home appliances. Despite the easing of policies (such as the reduction of down payment ratio to 15 % and the cancellation of the lower limit of mortgage interest rate), the housing prices in 70 cities in May still fell year-on-year, and the trading volume did not rise significantly except overseas.

Consumption upgrade fault: residents leverage ratio rose to 63 %, inhibiting consumption potential. In May 2024, the total retail sales of social consumer goods increased by only 3.7 % year-on-year, and the difference between the growth rate of necessary consumption and optional consumption expanded to 8 percentage points, and high-end consumption such as liquor was under pressure (the wholesale price of Feitianmaotai fell by 16 % to 2140 yuan within the year).

2) Export competitiveness attenuation and external demand uncertainty

Photovoltaic and lithium batteries face trade barriers: The European Union's carbon border adjustment mechanism (CBAM) will cover lithium batteries in 2024, expand to photovoltaic modules in 2025, and is expected to increase the export cost of China's related products by 15 % -25 %.

Vietnam, India and other emerging manufacturing countries accelerated substitution: Vietnam's exports increased by 15.2 % year-on-year in the first five months of 2024, among which the proportion of labor-intensive products such as electronic components and textiles and clothing increased.

External demand differentiation and base effect: There is a risk of recession in the US economy. In July 2025, only 73,000 people were added to non-agricultural employment, far lower than the expected 110,000 people, and the data from May to June were revised by 258,000 people (19,000 in May and 14,000 in June after revision). The US economic recession may suppress demand.

3) Structural contradiction: the pain of new and old kinetic energy conversion

Overcapacity in traditional industries: Steel, cement and other industries are still facing oversupply. In 2024, the growth rate of industrial enterprises' inventory will bottom out, capital expenditure will fall back, and the profit repair of some cyclical stocks will be limited.

The new economic momentum has not yet fully taken over: although the added value of high-tech manufacturing has increased by 8.9 %, the valuation of science and technology sectors such as AI and semiconductors has overdrawn (e.g., Cambrian PE has reached 200 times, and net profit growth is only 25 %).

5.1.3. Global Situation and External Shocks: Potential Black Swan Risks

External shocks to A-shares are often characterized by multi-dimensional interweaving factors and it is necessary to be alert to the triple pressures of repeated Fed policies, escalating geopolitical conflicts and weakening global demand. Policy underpinnings (such as stabilization funds) and industrial upgrading (hard technology) are core hedging forces.

In general, to do a good job in risk control in the bull market, we must understand the main driving force of this round of market, and the turning point of the driving force is the key point of our risk control. Combined with the law of the development of the A-share market, if the driving factors are policy orientation, industrial trends, global liquidity and other major factors, the weight is roughly as follows. As illustrated in Fig.5.1, policy orientation and liquidity dominate the driving forces, while industrial trends and global conditions act as secondary factors (Figure 1).

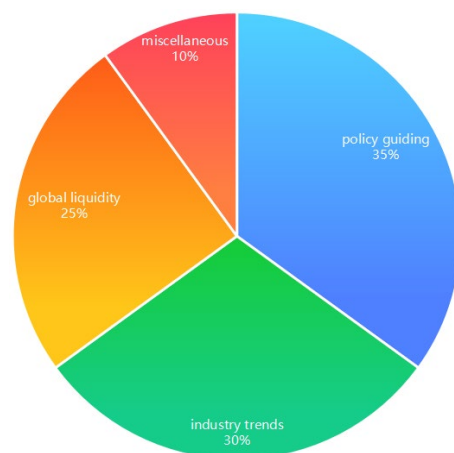


Figure 1. Weight distribution of bull market driving factors.

5.2. Risk Control System Construction: From Identification to Implementation

Through the previous analysis, we can see that a round of bull market is basically divided into start-up period, main rising period and diffusion period. In order to better grasp the risk control node, we further refine the diffusion period into bubble period and turning period. The risk accumulation and transmission in different periods are different, as shown in Figure 2:

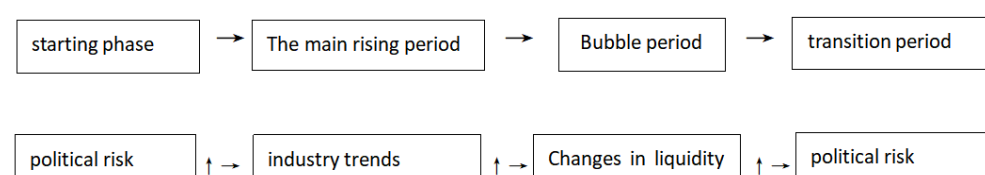


Figure 2. The evolution of risk characteristics in each stage of A-share bull market.

History will not be simply repeated, but there are always similar rhymes. The collapse of the 'million-point theory' in 2007, the 'Liquidity loose cattle' in 2015, and the 'core asset perpetual motion machine' in 2021 all confirmed the famous quote of Howard Marks: 'The bull market is born in pessimism, grows in doubt, and dies in optimism. When the following phenomena occur at the same time, it often indicates that the bull market enters the dangerous area: the securities business department queues to open an account again; the announcement of cross-border mergers and acquisitions of listed companies has surged; the media began to discuss the 'golden decade'; people who never care about the stock market also began to discuss the market.

Therefore, in the last part of the article, the signal monitoring of risk control is given, so as to strive for 'success and retreat'. The detection signal is divided into the following three levels:

Policy aspect: tracking changes in the frequency of key regulatory terms in official policy communications (such as the increase of the mention rate of 'risk prevention' indicates the shift of supervision); capital side: When the balance of the two financial balances / GDP exceeds 3.5 %, or the net outflow of capital from the north exceeds 30 billion for three consecutive weeks, an early warning is triggered; emotional side: the number of ups / downs > 20: 1, the stock fund position > 88 % is an extreme overheating signal.

References

1. Y. Chi and X. Qiao, "Mutual fund investing in the Chinese A-share market," in *Handbook of Banking and Finance in Emerging Markets*, pp. 32–50, Edward Elgar Publishing, 2022, doi: 10.4337/9781800880900.00008.
2. X. Zhang and Y. Pan, "Annual developments in securities regulation," in *Development of China's Financial Supervision and Regulation*, pp. 101–152, New York: Palgrave Macmillan US, 2016.
3. C. Munk and C. Sørensen, "Dynamic asset allocation with stochastic income and interest rates," *J. Financ. Econ.*, vol. 96, no. 3, pp. 433–462, 2010, doi: 10.1016/j.jfineco.2010.01.004.
4. A. Milne and O. Ransome, "Payment 'Tokens': A Route to Optimizing Liquidity Management?," 2024, doi: 10.2139/ssrn.4823807.
5. B. Qi, *China Capital Markets Development Report: China Securities Regulation Commission*, 2008, doi: 10.1596/12643.
6. S. Yao and D. Luo, "The economic psychology of stock market bubbles in China," *World Econ.*, vol. 32, no. 5, pp. 667–691, 2009, doi: 10.1111/j.1467-9701.2009.01176.x.
7. F. J. Howie, *Privatizing China: Inside China's Stock Markets*. John Wiley & Sons, 2011. ISBN: 9780470822142.
8. W. N. Goetzmann and M. Massa, "Index funds and stock market growth," 1999, doi: 10.3386/w7033.
9. H. Zhao, "The impact of retail investor mindset and investor behavior on investment returns in China A-Share market," *Fin. Eng. Risk Manag.*, vol. 7, no. 2, pp. 89–98, 2024, doi: 10.23977/ferm.2024.070213.
10. X. Shi, Z. He, and X. Lu, "The effect of home equity on the risky financial portfolio choice of Chinese households," *Emerg. Mark. Finance Trade*, vol. 56, no. 3, pp. 543–561, 2020, doi: 10.1080/1540496X.2018.1505610.
11. C. Li, "Stock Market Reactions to Financial Statement Announcement: An Empirical Investigation based on Chinese A-Shares," *SSRN*, 2025. Available, doi: 10.2139/ssrn.5235276.

Disclaimer/Publisher's Note: The statements, opinions and data contained in all publications are solely those of the individual author(s) and contributor(s) and not of SOAP and/or the editor(s). SOAP and/or the editor(s) disclaim responsibility for any injury to people or property resulting from any ideas, methods, instructions or products referred to in the content.