

Quick Take: Retail Surges and Factor Inversions in China A-Shares

June 2026

Recurring Retail Waves

- Retail investors remain an influential force in China's onshore equity markets. The top figure highlights repeated bursts of retail activity, occurring roughly twice a year on average and linked to disparate catalysts ranging from COVID recovery and policy announcements to the DeepSeek rally and, more recently, AI-driven optimism.
- While the triggers vary, the resulting pattern is familiar. Retail participation often surges as thematic trades draw investors into the market, fueling sharp rallies decoupled from fundamentals.
- These retail-driven episodes continue to be a recurring feature of the A-shares market, creating short-lived yet substantial distortions in return patterns.

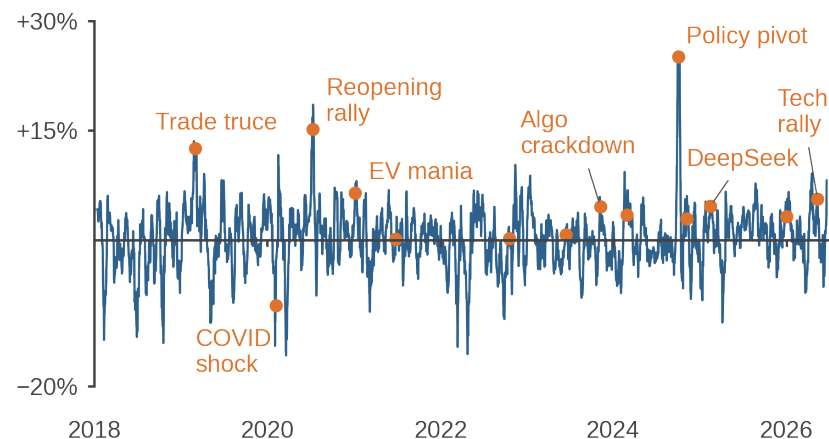
Frenzies Ignore Fundamentals

- Viewed through a systematic lens, retail surges temporarily invert long-run patterns. The dark-blue bars in the bottom figure show the scale of the shift: cheap stocks (value), on average, lose roughly a quarter of their historical edge, while the pattern flips positively for riskier, smaller, and higher-volatility stocks.
- The light-blue bars show that, in periods excluding retail surges, cheaper stocks, higher-quality companies, and those with stronger price momentum retain their historical advantage.
- As we have previously noted, onshore China's uniquely retail-driven environment can alter the behavior of even familiar signals, often requiring nuanced adaptation. Recurring retail surges and the inversions they induce further bolster the case for market-specific adaptations.

➔ For further discussion, please see [China A-Shares: The More Things Change, the Stronger the Case for Active](#), Acadian, May 2026.

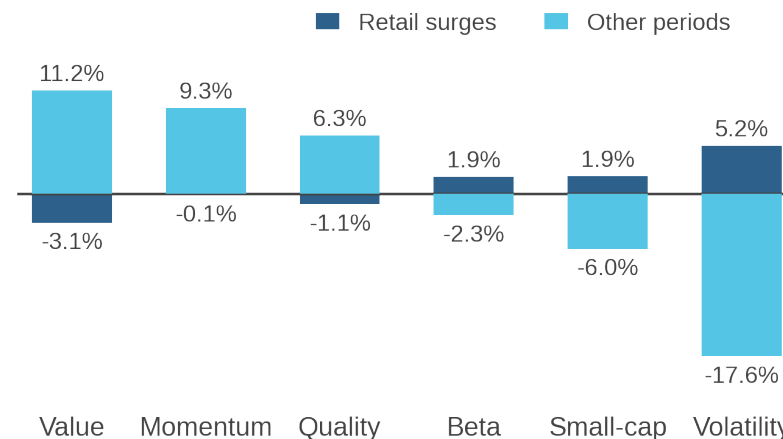
Episodes of Elevated Retail Activity

Retail surges (orange) plotted on rolling 10-day market returns (blue)



Temporary Inversions

Long-short returns during and outside retail surges



Both charts: January 2018 – May 2026 based on stocks in the Acadian universe of onshore China equities. Top chart: Retail surges identified using a proprietary measure of retail order flows plotted on capitalization-weighted USD total returns. Bottom chart: Median long-short returns during retail surges and annualized long-short returns in other periods, based on equal-capitalization best-minus-worst quintile portfolios formed on generic factors using a proprietary risk model. For illustrative purposes only. Past performance is no guarantee of future results. Sources: Acadian, UBS.



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