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Economic Acumen

Commentary by CEBI Research Team

In Brief

- China's financial regulators announced the official launch of WMC, the cross-border investment channel for wealth management products between cities in the GBA, HK and Macao.
- The WMC is the first investment connect scheme specifically designed for individual investors, allowing GBA residents to make use of the convenient investment channel to invest in more diversified wealth management products across the boundary.
- The scheme not only generates new business opportunities for the banking and wealth management industry, but also promotes the cross-boundary circulation and use of RMB, thereby further consolidating HK's role as the global hub for offshore RMB.
- The WMC further facilitates investment and financing, expand the opening-up of the financial sector, enhance the connectivity of financial markets and financial infrastructure as well as boost innovation of the financial services, thus further deepening financial cooperation in the GBA and strengthening HK's standing as an international financial center.

Banny Lam
Head of Research
Banny.lam@cebi.com.hk
(852)2916-9630

Mainland financial regulators kicking off “Cross-boundary Wealth Management Connect”

China's financial regulators announced the official launch of Cross-boundary Wealth Management Connect (WMC), the cross-border investment channel for wealth management products between cities in the Guangdong-Hong Kong (HK)-Macao Greater Bay Area (GBA), HK and Macao. The WMC is the first investment connect scheme specifically designed for individual investors, allowing GBA residents to make use of the convenient investment channel to invest in more diversified wealth management products across the boundary with which net capital flows under both the northbound and southbound schemes are capped at renminbi (RMB) 150 billion, and the cap on an individual's investment is set at RMB 1 million. In sum, the scheme not only generates new business opportunities for the banking and wealth management industry, but also promotes the cross-boundary circulation and use of RMB, thereby further consolidating HK's role as the global hub for offshore RMB. In sum, the WMC further facilitates investment and financing, expand the opening-up of the financial sector, enhance the connectivity of financial markets and financial infrastructure as well as boost innovation of the financial services, thus further deepening financial cooperation in the GBA and strengthening HK's standing as an international financial center.

The WMC accelerating the flows of finance, skills and technology to enhance economic connectivity. The GBA is one of the richest areas of China but the range of wealth management options available to investors is limited by the patchwork of different regulatory requirements needed to market products in mainland China, HK and Macau. The latest launch of the WMC eases the flows of finance, skills and technology between the different cities to maximize the potential synergies. The WMC would enable residents of HK and mainland cities in the GBA to carry out investment in wealth management products in different markets through the banking systems. The establishment of the WMC will create new business opportunities for

the financial sector, and provide more options of financial products for residents within the GBA, thus generating a new era of China's economic development.

HK aiming to elevate its strengths in financial services. The imminent launch of the WMC becomes a major driver of cross-border investment in wealth management products and mutual funds in the GBA. The WMC will expand the investor base for financial institutions in the GBA as mainland residents' wealth continues to grow and their demand for diversified offshore asset investments will increase accordingly. With a wealth of talent and professionals in financial, legal and professional services, HK will play a prime role in taking forward the WMC to link the cities by leveraging their collective strengths through coordinated efforts for economic and financial cooperation. The banking sector in HK will be one of the sectors to benefit directly from the WMC as the WMC opens up a wider market for non-interest businesses such as wealth management and asset management. With their cross-boundary service capability, banks with branches or subsidiaries in the GBA have competitive advantages in the operation of the WMC. In sum, HK's financial sector will further enhance its strengths in offering high-end financial services and asset management products, thus strengthening HK's status as an international financial center.

Surged cross-boundary use of RMB under the WMC strengthening HK's status as the leading offshore RMB center. In recent years, HK has developed itself into the leading RMB offshore center. In terms of offshore RMB liquidity pool, HK has the largest amount of RMB deposits, with pool of liquidity around RMB 800bn. In terms of infrastructure, HK offers the Connect schemes with Mainland China covering equities and bonds, supported by globally integrated financial infrastructure for cross-border RMB payment and settlement. As the northbound and southbound remittances of the WMC are conducted in RMB, RMB will be used for cross-boundary settlement of fund transfers and exchange of funds will be completed in the offshore market, which will not only expand the scale and scope of cross-boundary use of RMB, but also help promote capital account reform on the Mainland, thereby diversifying HK's offshore RMB investment channels and boosting transaction volumes. In sum, the WMC could facilitate the efficient usage of offshore RMB pool and the surging cross-boundary circulation of RMB further consolidates HK's role as the global hub for offshore RMB. A deep and well-developed offshore RMB market.

China economic indicators

	2019	1Q2020	2Q2020	3Q2020	4Q2020	2020	1Q2021	2Q2021
Real GDP (YoY%)	6.0	(6.8)	3.2	4.9	6.5	2.3	18.3	7.9
PMI Manufacturing (%)	50.2	45.9	50.8	51.2	51.8	51.9	51.3	51.0
PMI Non-Manufacturing (%)	53.5	45.3	53.7	55.1	56.1	55.7	53.4	54.5
Exports (RMB YoY %)	5.0	(11.7)	4.2	9.8	10.9	4.0	38.6	20.1
Imports (RMB YoY %)	1.7	(1.0)	(5.6)	4.7	0.04	(0.4)	20.0	31.6
Trade Balance (RMB/bn)	2912.0	95.9	1068.5	1082.1	1407.7	3654.1	733.4	900.3
Exports (USD YoY %)	0.5	(13.6)	(0.2)	8.4	16.6	3.6	48.9	30.7
Imports (USD YoY %)	(2.7)	(3.1)	(9.5)	3.6	5.4	(0.7)	28.7	43.3
Trade Balance (USD/bn)	421.1	12.7	151.7	153.7	209.3	526.9	112.4	139.2
CPI (YoY %)	2.9	4.9	2.7	2.3	0.1	2.5	0.0	1.1
PPI (YoY %)	(0.3)	(0.6)	(3.3)	(2.2)	(1.3)	(1.8)	2.1	8.2
FAI (YTD/ YOY %)	5.4	(16.1)	(3.1)	0.8	2.9	2.9	25.6	12.6
Real Estate Investment (YTD YoY %)	9.9	(7.7)	1.9	5.6	7.0	7.0	25.6	15.0
Industrial Production (YoY %)	5.7	(8.4)	4.4	5.8	7.1	2.8	24.5	9.0
Retail Sales (YoY%)	8.0	(19.0)	(3.9)	(0.4)	3.2	(3.9)	33.9	13.9
New Lending (RMB/bn)	16817.5	7096.6	4990.9	4166.7	3378.7	19632.9	7667.9	5090.0
M2 (YoY %)	8.7	10.1	11.1	10.9	10.1	10.1	9.4	8.6
Aggregate Financing (RMB bn)	25673.5	11111.0	9757.4	8747.4	5176.0	34791.8	10266.2	7440.7

	Aug 20	Sept 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	July 21	Aug 21
Real GDP (YoY%)	-	4.9	-	-	6.5	-	-	18.3	-	-	7.9	-	-
PMI - Manufacturing %	51.0	51.5	51.4	52.1	51.9	51.3	50.6	51.9	51.1	51.0	50.9	50.4	50.1
PMI - Non-manufacturing%	55.2	55.9	56.2	56.4	55.7	52.4	51.4	56.3	54.9	55.2	53.5	53.3	47.5
Exports (RMB YoY %)	11.2	8.2	7.2	14.5	10.9	16.5	139.3	20.6	22.1	18.0	20.2	8.1	15.7
Imports (RMB YoY %)	(0.8)	11.2	0.6	(1.4)	(0.2)	19.6	11.2	28.1	32.4	39.3	24.2	16.1	23.1
Trade Balance (RMB/bn)	405.0	248.0	395.7	502.8	509.2	412.4	238.3	82.7	272.3	295.2	332.7	362.7	376.3
Export (USD YoY %)	9.1	9.4	10.9	20.6	18.1	24.7	154.7	30.5	32.2	27.8	32.2	19.3	25.6
Import (USD YoY %)	(2.3)	12.7	4.4	3.9	6.5	28.0	18.2	38.5	43.3	50.8	36.7	28.1	33.1
Trade Balance (USD/bn)	57.3	35.6	57.5	74.8	77.0	62.9	36.5	13.0	42.2	45.4	51.5	56.6	58.3
CPI (YoY %)	2.4	1.7	0.5	(0.5)	0.2	(0.3)	(0.2)	0.4	0.9	1.3	1.1	1.0	0.8
PPI (YoY %)	(2.0)	(2.1)	(2.1)	(1.5)	(0.4)	0.3	1.7	4.4	6.8	9.0	8.8	9.0	9.5
FAI (YTD/ YOY %)	(0.3)	0.8	1.8	2.6	2.9	-	35.0	25.6	19.9	15.4	12.6	10.3	-
Real Estate Investment (YTD/ YoY %)	4.6	5.6	6.3	6.8	7.0	-	38.3	25.6	21.6	18.3	15.0	12.7	-
Industrial Production (YoY %)	5.6	6.9	6.9	7.0	7.3	-	35.1	14.1	9.8	8.8	8.3	6.4	-
Retail Sales (YoY%)	0.5	3.3	4.3	5.0	4.6	-	33.8	34.2	17.7	12.4	12.1	8.5	-
New Lending (RMB/bn)	1278.3	1895.7	689.8	1433.7	1255.2	3578.3	1359.4	2730.3	1470.0	1500.0	2120.0	1083.2	1220.0
M2 (YoY %)	10.4	10.9	10.5	10.7	10.1	9.4	10.1	9.4	8.1	8.3	8.6	8.3	8.2
Aggregate Financing (RMB bn)	3585.3	3469.3	1392.9	2135.5	1647.6	5193.6	1724.5	3372.1	1850.3	1926.3	3668.9	1056.6	2960.0
Urban Unemployment Rate (%)	5.6	5.4	5.3	5.2	5.2	5.4	5.5	5.3	5.1	5.0	5.0	5.1	-
Urban Unemployment Rate in 31 major cities (%)	5.8	5.7	5.5	5.3	5.2	5.1	-	5.5	5.3	5.2	5.2	5.2	-

World Economic/Financial Indicators

Global Indices			
Index	Closing Price	P/E	One Week chg(%)
U.S.			
DJIA	34,869.63	21.09	(1.41)
S&P 500	4,468.73	26.76	(1.50)
NASDAQ	15,105.58	123.79	(1.68)
EUR			
FTSE 100	7,068.43	18.71	(1.65)
DAX	15,701.42	17.97	(1.45)
CAC40S	6,676.93	22.99	(0.99)
STOXX EUR 600	467.69	24.47	(1.58)
Asia			
HSI	25,813.81	10.65	(1.34)
HSCEI	9,238.99	9.94	(1.41)
CSI300	4,991.66	17.12	1.17
SSE Composite	3,715.37	15.84	2.58
SZSE Composite	2,500.83	35.91	1.52
NIKKEI 225	30,447.37	17.56	2.66
KOSPI	3,127.86	16.33	(2.36)
TWSE	17,446.31	16.00	(0.28)
S&P/ASX 200	7,425.21	24.56	(1.37)
MSCI Index			
MSCI WORLD	3,126.10	24.31	(1.37)
MSCI DEVELOPED	737.62	22.95	(1.42)
MSCI EMERGING	1,301.54	16.26	(1.72)
MSCI US	4,346.42	27.49	(1.56)
MSCI UK	1,980.90	17.76	(1.62)
MSCI France	191.72	23.77	(0.97)
MSCI Germany	171.61	18.74	(1.35)
MSCI China	94.76	16.98	(1.76)
MSCI Hong Kong	16,247.58	25.06	(0.31)
MSCI Japan	1,284.60	17.38	2.48

* As of 2021/09/13 closing for all markets.

Global Commodities			
	Unit	Price	One Week chg(%)
Energy			
NYMEX WTI	USD/bbl	70.45	1.67
ICE Brent Oil	USD/bbl	73.51	1.79
NYMEX Natural	USD/MMBtu	5.23	11.01
Basic Metals			
LME Aluminum	USD/MT	2,883.50	4.58
CMX Copper	USD/lb.	436.70	0.76
LME Steel Rebar	USD/MT	679.00	1.12
LME Lead Cash	USD/MT	2,295.25	(2.62)
Precious Metals			
CMX Gold	USD/T. oz	1,788.08	(1.97)
Gold Futures	USD/T. oz	1,794.40	(2.14)
CMX Silver	USD/T. oz	23.62	(4.39)
NYMEX Platinum	USD/T. oz	954.99	(6.82)
Agricultural			
CBOT Corn	USD/bu	513.25	(2.05)
CBOT Wheat	USD/bu	687.00	(5.40)
NYB-ICE Sugar	USD/lb.	19.69	(3.10)
CBOT Soybeans	USD/bu.	1,284.75	(0.56)

All data sources: Bloomberg

Money market		
	Yield (%)	One Week chg(%)
US Fed Fund Rate	0.25	0.00
US Prime Rate	3.25	0.00
US Discount Window	0.25	0.00
ECB Rate (Refinancing)	0.00	0.00
BOJ Policy Rate	(0.10)	0.00
US Treasury (1 Mth)	0.04	0.01
US Treasury (1 Yr)	0.07	0.005
US Treasury (5 Yr)	0.80	0.02
US Treasury (10 Yr)	1.33	0.004
US Treasury (30 Yr)	1.90	(0.04)
1-Month LIBOR	0.0839	0.001
3 Month LIBOR	0.1158	0.0003
Japan 1-Yr Gov. Bond	(0.11)	(0.007)
Japan 10-Yr Gov. Bond	0.05	(0.00)
German 1-Yr Gov. Bond	(0.66)	0.01
German 10-Yr Gov. Bond	(0.33)	0.04
China LPR (1-year)	3.85	0.00
China 1-Yr Gov. Bond	2.29	0.05
China 5-Yr Gov. Bond	2.75	0.10
China 10-Yr Gov. Bond	2.89	0.06
O/N SHIBOR	2.17	0.05
1-mth SHIBOR	2.32	0.01
HK Base rate	0.50	0.00
O/N HIBOR	0.04	0.0019
1-mth HIBOR	0.06	(0.001)
O/N CNH HIBOR	2.50	0.87
1-mth CNH HIBOR	3.46	(0.049)
Corporate Bonds (Moody's)		
Aaa	2.51	(0.03)
Baa	3.23	(0.01)

Currency market		
	Spot Rate	One Week chg(%)
US Dollar Index	92.68	0.70
Euro/USD	1.1776	(0.75)
GBP/USD	1.3827	(0.07)
AUD/USD	0.7350	(1.13)
USD/CAD	1.2679	0.99
USD/JPY	110.11	0.22
USD/CHF	0.9236	0.81
USD/CNY Midpoint	6.4497	(0.05)
USD/CNY	6.4518	(0.10)
USD/CNY NDF-12-mth	6.6392	0.12
USD/CNH	6.4519	(0.01)
USD/HKD	7.7791	0.06
CNY/HKD	1.2059	0.17
CNH/HKD	1.2057	0.07
USD/KRW	1,175.95	1.68
USD/TWD	27.71	0.31
USD/SGD	1.3435	0.06
USD/INR	73.68	0.90

Disclosures

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**Office address: CEB International Capital Corporation Limited, 22/F AIA Central, 1 Connaught Road Central, Hong Kong.
Tel: (852) 2916 9600**