

Feb 8, 2018

Economic Acumen

Commentary by CEBI Research Team

In Brief

- China's external trade demonstrated a sound and steady upward momentum in January. Exports, in Yuan terms, rose 6.0% YoY, higher than consensus' 2.6% but lower than December's 7.4% while imports, in Yuan terms, grew 30.2% YoY, beating consensus' 5.3% and December's 0.9%.
- The acceleration of trading activities was mainly supported by buoyant global demand for goods from China, and surging imports driven by resilient domestic demand and massive imports of commodities due to the cold weather conditions in January. Looking ahead, a global economic recovery will continue to support China's external trade sector although rising protectionism and uncertainty in international demand could affect trade growth in 2018.
- The further stable pick-up in growth of trade to major trading partners such as the U.S., EU and ASEAN increases the likelihood that the current global trade improvement is sustainable. In our view, China's foreign trade growth is expected to remain on a positive track in 2018.

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A good start of 2018 China's trade

China's external trade demonstrated a sound and steady upward momentum in January. Exports, in Yuan terms, rose 6.0% YoY, higher than consensus' 2.6% but lower than December's 7.4% while imports, in Yuan terms, grew 30.2% YoY, beating consensus' 5.3% and December's 0.9%. The acceleration of trading activities was mainly supported by buoyant global demand for goods from China, and surging imports driven by resilient domestic demand and massive imports of commodities due to the cold weather conditions in January. Looking ahead, a global economic recovery will continue to support China's external trade sector although rising protectionism and uncertainty in international demand could affect trade growth in 2018. In sum, the further stable pick-up in growth of trade to major trading partners such as the U.S., EU and ASEAN increases the likelihood that the current global trade improvement is sustainable. In our view, China's foreign trade growth is expected to remain on a positive track in 2018.

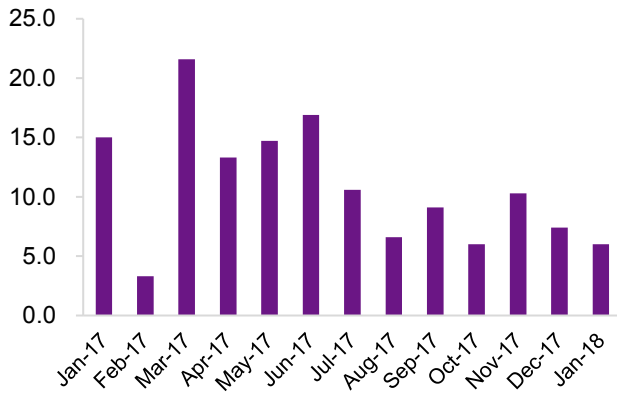
Export growth remained stable in January. The better-than-expected export growth of 6.0%, in Yuan terms, for January reflects that external demand for shipment of goods remains stable on an improved economic outlook of major trading partners of China. China's exports to its major trading partners (include the U.S., EU and ASEAN) have surged between 6.4% and 14.8% during January, signaling a healthy recovery in these foreign markets. In particular, exports of 'Hi-tech products' and 'Mechanical and electric products', which occupied a larger portion of total exports, have surged 9.4% and 18.2%. Looking ahead, continued global economic recovery will support China's exports sector although rising protectionism, uncertainty in international demand and renminbi appreciation could affect the growth in 2018. In our view, with developed nations' economic fundamentals demonstrating resilient improvement, we expect overseas demand for China's goods will continue to rise, which in turn will keep the upward trend of China's exports in 2018.

China's imports surged in January due to massive commodity imports. Imports, in Yuan terms, grew 30.2% YoY in January, the fastest pace since February 2017. Imports of crude oil, coal and iron ore surged substantially amid winter heating season with which

China's crude oil imports hit a record and iron ore imports reached the second highest on record. Strong import data indicates that domestic demand momentum remains healthy going into 2018. We believe that imports will retain a healthy growth path in 2018.

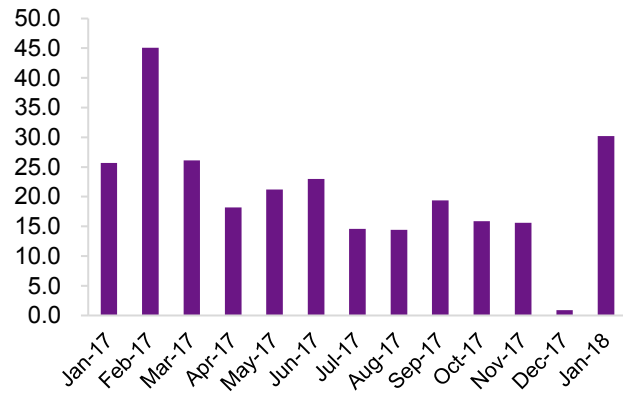
External trade PMI softened in January. New export order PMI (a sub-index of official China manufacturing PMI) and import PMI for January showed softening trend at 49.5 and 50.4 (December 2017 at 51.9 and 51.2), indicating that enterprises are more cautious regarding external trade environment after experiencing a robust recovery of trading activities in 2017. Looking into 2018, China still faces both favorable factors and uncertainties over trading activities. China's trade growth will be affected by high-based effect, strong renminbi and rising trade protectionism but external trade sector's fundamentals remain solid. Nevertheless, sound development of China's economy and global growth upsurge would lend support to China's external trade. Overall, we believe that barring unforeseen events, China's foreign trade would continue to increase and a stable growth of total trade is expected to achieve in 2018.

Fig. 1: China's exports (RMB value) (YoY%)



Source: Wind, Bloomberg and CEBI

Fig. 2: China's imports (RMB value) (YoY%)



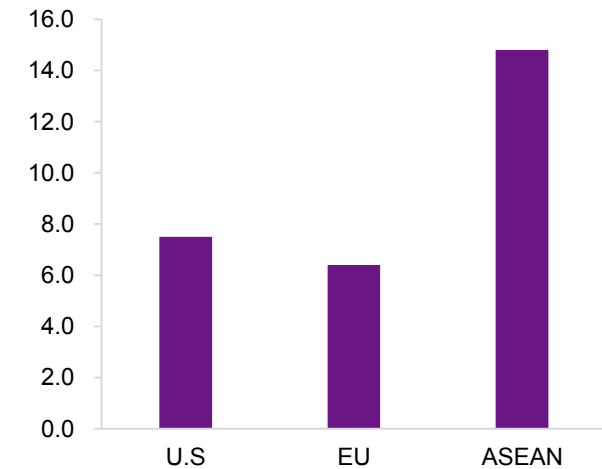
Source: Wind, Bloomberg and CEBI

Fig. 3: China's trade balance (USD bn)



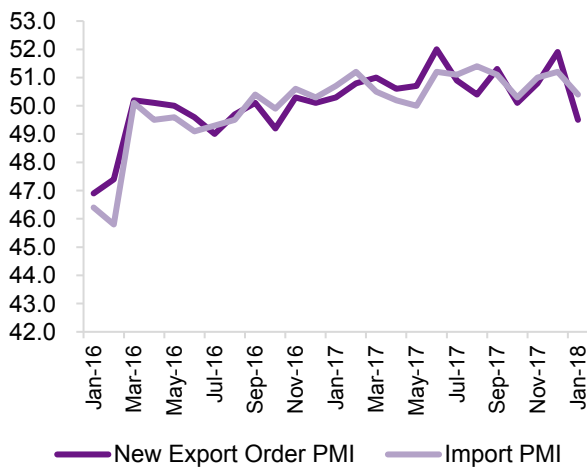
Source: Wind, Bloomberg and CEBI

Fig. 4: China's exports (RMB value) by major country (region) (%)



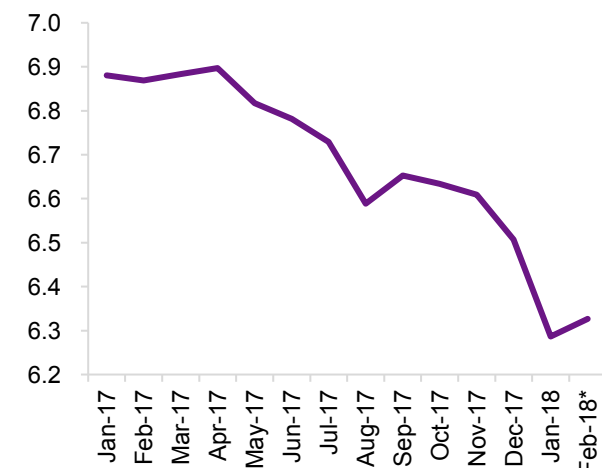
Source: Wind, Bloomberg and CEBI

Fig. 5: China's manufacturing PMI - New Export order and Import



Source: Wind, Bloomberg and CEBI

Fig. 6 USD/CNY



Source: Wind, Bloomberg and CEBI

* 8 February 2018

China Economic Indicators

	2015	2016	1Q2017	2Q2017	3Q2017	4Q2017	2017
Real GDP	6.9	6.7	6.9	6.9	6.8	6.8	6.9
PMI							
Manufacturing (%)	49.7	51.4	51.8	51.7	52.4	51.6	51.6
Non-Manufacturing (%)	54.4	54.5	55.1	54.9	55.4	55.5	55.5
Exports (RMB YoY %)	(1.8)	(2.1)	10.5	12.5	7.7	7.1	10.8
Imports (RMB YoY %)	(13.2)	0.4	30.3	20.8	16.4	9.7	18.7
Trade Balance (RMB/bn)	3686.5	3347.3	458.5	838.2	800.7	881.4	2871.6
Exports (USD YoY %)	(2.9)	(7.7)	7.6	8.7	6.6	10.1	7.9
Imports (USD YoY %)	(14.1)	(5.5)	24.2	14.2	14.4	12.6	15.9
Trade Balance (USD/bn)	593.9	509.7	62.3	119.7	115.8	133.0	422.5
CPI (YoY %)	1.4	2.0	1.4	1.4	1.6	1.8	1.6
PPI (YoY %)	(5.2)	(1.4)	7.4	5.8	6.2	5.9	6.3
FAI (YTD/ YOY %)	10.0	8.1	9.2	8.6	7.5	7.2	7.2
Real Estate Investment (YTD YoY %)	1.0	6.9	9.1	8.5	8.1	7.0	7.0
Industrial Production (YoY %)	6.1	6.0	6.8	6.9	6.3	6.2	6.6
Retail Sales (YoY%)	10.7	10.4	10.0	10.8	10.3	9.9	10.2
New Lending (RMB/bn)	11719.9	12645.9	4220.0	3750.0	3785.5	2367.6	13523.1
M2 (YoY %)	13.3	11.3	10.6	9.4	9.2	8.2	8.2
Aggregate Financing (RMB bn)	15408.6	17802.2	6906.4	4222.9	4518.6	3795.1	19443.0

	Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18
Real GDP	-	-	6.9	-	-	6.9	-	-	6.8	-	-	6.8	-
PMI – Manufacturing %	51.3	51.6	51.8	51.2	51.2	51.7	51.4	51.7	52.4	51.6	51.8	51.6	51.3
PMI- Non-manufacturing%	54.6	54.2	55.1	54.0	54.5	54.9	54.5	53.4	55.4	54.3	54.8	55.5	55.3
Exports (RMB YoY %)	15.0	3.3	21.6	13.3	14.7	16.9	10.6	6.6	9.1	6.0	10.3	7.4	6.0
Imports (RMB YoY %)	25.7	45.1	26.1	18.2	21.2	23.0	14.6	14.4	19.4	15.9	15.6	0.9	30.2
Trade Balance (RMB/bn)	354.5	(60.4)	164.3	262.3	281.6	294.3	321.2	286.5	193.0	254.5	263.6	362.0	135.8
Export (USD YoY %)	7.0	(2.1)	15.7	7.0	8.0	10.9	6.6	5.2	8.1	6.8	12.3	10.9	11.1
Import (USD YoY %)	17.1	38.4	20.1	11.5	14.0	17.0	11.0	13.3	18.7	17.2	17.7	4.5	36.9
Trade Balance (USD/bn)	49.5	(10.4)	23.1	36.9	40.5	42.2	45.7	41.4	28.7	38.1	40.2	54.7	20.3
CPI (YoY %)	2.5	0.8	0.9	1.2	1.5	1.5	1.4	1.8	1.6	1.9	1.7	1.8	-
PPI (YoY %)	6.9	7.8	7.6	6.4	5.5	5.5	5.5	6.3	6.9	6.9	5.8	4.9	-
FAI (YTD/ YOY %)	-	8.9	9.2	8.9	8.6	8.6	8.3	7.8	7.5	7.3	7.2	7.2	-
Real Estate Investment (YTD/ YoY %)	-	8.9	9.1	9.3	8.8	8.5	7.9	7.9	8.1	7.8	7.5	7.0	-
Industrial Production (YoY %)	-	6.3	7.6	6.5	6.5	7.6	6.4	6.0	6.6	6.2	6.1	6.2	-
Retail Sales (YoY%)	-	9.5	10.9	10.7	10.7	11.0	10.4	10.1	10.3	10.0	10.2	9.4	-
New Lending (RMB/bn)	2030.0	1170.0	1020.0	1100.0	1110.0	1540.0	825.5	1090.0	1270.0	663.2	1120.0	584.4	-
M2 (YoY %)	11.3	11.1	10.6	10.5	9.6	9.4	9.2	8.9	9.2	8.8	9.1	8.2	-
Aggregate Financing (RMB bn)	3697.0	1090.8	2118.6	1388.0	1063.1	1771.8	1195.6	1489.5	1833.5	1035.7	1619.6	1139.8	-

World Economic/Financial Indicators

Global Indices			
Index	Closing Price	P/E	One Week chg(%)
U.S.			
DJIA	24,893.35	20.06	-4.80
S&P 500	2,681.66	21.81	-5.03
NASDAQ	7,051.98	37.41	-4.85
EUR			
FTSE 100	7,279.42	21.21	-3.37
DAX	12,590.43	17.83	-4.54
CAC40S	5,255.90	18.03	-4.12
STOXX EUR 600	380.13	20.18	-3.88
Asia			
HSI	30,451.27	14.12	-6.71
HSCEI	12,380.38	9.72	-7.84
CSI300	4,012.05	16.62	-5.51
SSE Composite	3,262.05	16.85	-5.37
SZSE Composite	1,734.57	26.07	-4.75
NIKKEI 225	21,890.86	17.56	-6.79
KOSPI	2,407.62	12.48	-6.27
TWSE	10,528.52	15.42	-5.66
S&P/ASX 200	5,890.70	17.31	-3.27
MSCI Index			
MSCI WORLD	2,101.07	20.83	-5.07
MSCI DEVELOPED	513.30	20.12	-5.24
MSCI EMERGING	1,173.38	16.08	-6.47
MSCI US	2,554.44	22.20	-4.97
MSCI UK	2,110.65	21.72	-3.30
MSCI France	151.30	18.25	-3.94
MSCI Germany	155.79	17.89	-4.60
MSCI China	91.55	17.85	-8.96
MSCI Hong Kong	15,548.11	13.05	-6.84
MSCI Japan	1,040.55	14.41	-4.47

* As of 8/2/2018 closing for Asian markets, previous closing for others.

Global Commodities			
	Unit	Price	One Week chg(%)
Energy			
NYMEX WTI	USD/bbl	61.63	-6.35
ICE Brent Oil	USD/bbl	65.32	-6.20
NYMEX NatGas	USD/MMBtu	2.72	-4.76
Basic Metals			
LME Alum.Cash	USD/MT	2,161.50	-2.59
CMX Cop.Active	USD/lb.	308.15	-3.97
LME Steel Rebar	USD/MT	563.00	2.93
LME Lead Cash	USD/MT	2,513.00	-4.10
Precious Metals			
CMX Gold	USD/KRW	1,310.98	-2.12
Gold Futures	USD/KRW	1,314.70	-2.46
CMX Silverbn	USD/KRW	16.33	-5.19
NYMEX Platinum	USD/T. oz	975.40	-2.14
Agri, Products			
CBOT Corn	USD/bu	364.75	0.83
CBOT Wheat	USD/bu	457.75	1.50
NYB-ICE Sugar	USD/lb.	14.00	5.82
CBOT Soybeans	USD/bu.	982.50	-0.25

Money market		
	Yield (%)	One Week chg(%)
US Fed Fund Rate	1.50	0.00
US Prime Rate	4.50	0.00
US Discount Window	2.00	0.00
ECB Rate (Refinancing)	0.00	0.00
BOJ Policy Rate	-0.10	0.00
US Treasury (1 Mth)	1.34	-0.06
US Treasury (1 Yr)	1.87	-0.01
US Treasury (5 Yr)	2.55	-0.02
US Treasury (10 Yr)	2.82	0.03
US Treasury (30 Yr)	3.12	0.09
1-Month LIBOR	1.58	0.00
3 Month LIBOR	1.79	0.02
Japan 1-Yr Gov. Bond	-0.16	-0.03
Japan 10-Yr Gov. Bond	0.08	-0.02
German 1-Yr Gov. Bond	-0.60	-0.03
German 10-Yr Gov. Bond	0.74	0.02
China Benchmark Interest	4.35	0.00
China 1-Yr Gov. Bond	3.42	-0.08
China 5-Yr Gov. Bond	3.86	0.02
China 10-Yr Gov. Bond	3.89	-0.03
O/N SHIBOR	2.57	0.06
1-mth SHIBOR	4.08	-0.05
HK Base rate	0.13	-0.34
O/N HIBOR	0.13	-0.34
1-mth HIBOR	0.81	-0.10
O/N CNH HIBOR	2.17	-0.16
1-mth CNH HIBOR	4.26	-0.08
Corporate Bonds (Moody's)		
Aaa	3.70	0.07
Baa	4.40	0.08

Currency market		
	Spot Rate	One Week chg(%)
US Dollar Index	90.36	1.91
Euro/USD	1.2241	-1.50
GBP/USD	1.3861	-2.60
AUD/USD	0.7817	-2.26
USD/CAD	1.2593	2.22
USD/JPY	109.68	0.01
USD/CHF	0.9447	1.29
USD/CNY Midpoint	6.2822	-0.35
USD/CNY	6.3263	0.43
USD/CNY NDF		
12-mth Spot pr.	6.4845	0.83
USD/CNH	6.3486	0.69
USD/HKD	7.8189	-0.03
CNY/HKD	1.2359	-0.50
CNH/HKD	1.2316	-0.71
USD/KRW	1,087.90	1.48
USD/TWD	29.371	0.58
USD/SGD	1.3294	1.23
USD/INR	64.256	0.37

All data sources: Bloomberg, CEBI, NBS

Disclosures

Analyst Certification

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