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Economic Acumen

Commentary by CEBI Research Team

In Brief

- President Xi Jinping delivers a keynote speech at the opening ceremony of the Boao Forum for Asia Annual Conference 2018, pledging 'new phase of opening up' for China.
- He stresses opening-up, inclusive development for global prosperity, laying out plans to broaden market access to China's economy, including broader market access for foreign investors in the services industry, especially in the financial and manufacturing sectors, creation of an attractive investment environment for foreign enterprises, enforcement of intellectual property rights (IPR) law and expansion of imports.
- As China's economy grows with more emphasis on quality and efficiency amid making great progress in structural reforms, President Xi's commitment to further widen the economic openness helps China maintain a medium-high growth rate.
- In general, the overall China's macroeconomic conditions maintain a stable momentum and we believe the economy will expand by 6.6% YoY in 2018.

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'New phase of opening up' for China

President Xi Jinping delivers a keynote speech at the opening ceremony of the Boao Forum for Asia Annual Conference 2018, pledging 'new phase of opening up' for China. He stresses opening-up, inclusive development for global prosperity, laying out plans to broaden market access to China's economy, including broader market access for foreign investors in the services industry, especially in the financial and manufacturing sectors, creation of an attractive investment environment for foreign enterprises, enforcement of intellectual property rights (IPR) law and expansion of imports. As China's economy grows with more emphasis on quality and efficiency amid making great progress in structural reforms, President Xi's commitment to further widen the economic openness helps China maintain a medium-high growth rate. In general, the overall China's macroeconomic conditions maintain a stable momentum and we believe the economy will expand by 6.6% YoY in 2018.

China to achieve sustainable growth in the new era. President Xi stresses that over the past 40 years, China's GDP has averaged an annual growth rate of around 9.5% in comparable prices and the country's foreign trade has registered an annual growth of 14.5% in US dollar. The Chinese people have emerged from a life of shortages and poverty and are now enjoying abundant supply and a moderately prosperous life. Economic reforms and widening of market access are the key

China to support for opening up markets. President Xi aims to push ahead with efforts to open China's financial industry this year. China will ensure that policies announced last November to remove foreign ownership limits on banks, brokerages and insurers will be implemented in 2018. China will also accelerate opening of its insurance industry as well as ease requirements for foreign financial institutions to set up operations and expand their business scope. In addition, China's manufacturing industries have been basically opened to foreign investors excepting some restrictions in auto, ship and plane-building sectors. These sectors now have the basic foundation to open to foreign investors as China will take steps to reduce the capital ratio restriction, especially in the auto manufacturing sector.

China to create an attractive investment environment for foreign investors. President Xi stresses that it is of paramount importance to improve the investment environment for foreign investors. China will complete the revision of the negative list on foreign investment in the first half of 2018 and implement across the board the management system based on pre-establishment national treatment and negative list. In addition, China will enhance alignment with international economic and trading rules, increase transparency, strengthen property right protection, uphold the rule of law, encourage competition and oppose monopoly.

China to strengthen the protection of intellectual property rights (IPR). President Xi stresses that IPR protection is the centerpiece of the system for improving property rights protection, and it would enhance the competitiveness of the Chinese economy. China will re-institute the State Intellectual Property Office this year to step up law enforcement. In addition, China encourages normal technological exchanges and cooperation between Chinese and foreign enterprises, and protect the lawful IPR owned by foreign enterprises in China. Meanwhile, China hopes foreign governments will also improve protection of Chinese IPR.

China to take initiative to expand imports. President Xi stresses that China does not seek trade surplus. China will step up efforts to import more products and achieve greater balance under the current account. China will significantly lower the import tariffs for vehicles and reduce import tariffs for some other products this year. Meanwhile, China hopes that developed countries will stop imposing restrictions on normal and reasonable trade of high-tech products and relax export controls on such trade with China.

China Economic Indicators

	2016	1Q2017	2Q2017	3Q2017	4Q2017	2017	1Q2018
Real GDP	6.7	6.9	6.9	6.8	6.8	6.9	-
PMI							
Manufacturing (%)	51.4	51.8	51.7	52.4	51.6	51.6	51.5
Non-Manufacturing (%)	54.5	55.1	54.9	55.4	55.5	55.5	54.6
Exports (RMB YoY %)	(2.1)	10.5	12.5	7.7	7.1	10.8	-
Imports (RMB YoY %)	0.4	30.3	20.8	16.4	9.7	18.7	-
Trade Balance (RMB/bn)	3347.3	458.5	838.2	800.7	881.4	2871.6	-
Exports (USD YoY %)	(7.7)	7.6	8.7	6.6	10.1	7.9	-
Imports (USD YoY %)	(5.5)	24.2	14.2	14.4	12.6	15.9	-
Trade Balance (USD/bn)	509.7	62.3	119.7	115.8	133.0	422.5	-
CPI (YoY %)	2.0	1.4	1.4	1.6	1.8	1.6	2.2
PPI (YoY %)	(1.4)	7.4	5.8	6.2	5.9	6.3	3.1
FAI (YTD/ YOY %)	8.1	9.2	8.6	7.5	7.2	7.2	-
Real Estate Investment (YTD YoY %)	6.9	9.1	8.5	8.1	7.0	7.0	-
Industrial Production (YoY %)	6.0	6.8	6.9	6.3	6.2	6.6	-
Retail Sales (YoY%)	10.4	10.0	10.8	10.3	9.9	10.2	-
New Lending (RMB/bn)	12645.9	4220.0	3750.0	3785.5	2367.6	13523.1	-
M2 (YoY %)	11.3	10.6	9.4	9.2	8.2	8.2	-
Aggregate Financing (RMB bn)	17802.2	6906.4	4222.9	4518.6	3795.1	19443.0	-

	Mar 17	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Real GDP	6.9	-	-	6.9	-	-	6.8	-	-	6.8	-	-	-
PMI – Manufacturing %	51.8	51.2	51.2	51.7	51.4	51.7	52.4	51.6	51.8	51.6	51.3	50.3	51.5
PMI- Non-manufacturing%	55.1	54.0	54.5	54.9	54.5	53.4	55.4	54.3	54.8	55.5	55.3	54.4	54.6
Exports (RMB YoY %)	21.6	13.3	14.7	16.9	10.6	6.6	9.1	6.0	10.3	7.4	6.0	36.2	-
Imports (RMB YoY %)	26.1	18.2	21.2	23.0	14.6	14.4	19.4	15.9	15.6	0.9	30.2	(0.2)	-
Trade Balance (RMB/bn)	164.3	262.3	281.6	294.3	321.2	286.5	193.0	254.5	263.6	362.0	135.8	224.9	-
Export (USD YoY %)	15.7	7.0	8.0	10.9	6.6	5.2	8.1	6.8	12.3	10.9	11.1	44.5	-
Import (USD YoY %)	20.1	11.5	14.0	17.0	11.0	13.3	18.7	17.2	17.7	4.5	36.9	6.3	-
Trade Balance (USD/bn)	23.1	36.9	40.5	42.2	45.7	41.4	28.7	38.1	40.2	54.7	20.3	33.7	-
CPI (YoY %)	0.9	1.2	1.5	1.5	1.4	1.8	1.6	1.9	1.7	1.8	1.5	2.9	2.1
PPI (YoY %)	7.6	6.4	5.5	5.5	5.5	6.3	6.9	6.9	5.8	4.9	4.3	3.7	3.1
FAI (YTD/ YOY %)	9.2	8.9	8.6	8.6	8.3	7.8	7.5	7.3	7.2	7.2	-	7.9	-
Real Estate Investment (YTD/ YoY %)	9.1	9.3	8.8	8.5	7.9	7.9	8.1	7.8	7.5	7.0	-	9.9	-
Industrial Production (YoY %)	7.6	6.5	6.5	7.6	6.4	6.0	6.6	6.2	6.1	6.2	-	7.2	-
Retail Sales (YoY%)	10.9	10.7	10.7	11.0	10.4	10.1	10.3	10.0	10.2	9.4	-	9.7	-
New Lending (RMB/bn)	1020.0	1100.0	1110.0	1540.0	825.5	1090.0	1270.0	663.2	1120.0	584.4	2900.0	839.3	-
M2 (YoY %)	10.6	10.5	9.6	9.4	9.2	8.9	9.2	8.8	9.1	8.2	8.6	8.8	-
Aggregate Financing (RMB bn)	2118.6	1388.0	1063.1	1771.8	1195.6	1489.5	1833.5	1035.7	1619.6	1139.8	3060.0	1170.0	-

World Economic/Financial Indicators

Global Indices			
Index	Closing Price	P/E	One Week chg(%)
U.S.			
DJIA	24,408.00	19.72	1.56
S&P 500	2,656.87	21.43	1.62
NASDAQ	7,094.30	26.93	2.20
EUR			
FTSE 100	7,266.75	13.46	3.36
DAX	12,397.32	14.08	3.29
CAC40S	5,307.56	16.49	3.02
STOXX EUR 600	378.42	15.90	2.53
Asia			
HSI	30,897.71	12.90	2.38
HSCEI	12,324.68	9.82	1.55
CSI300	3,938.34	15.54	1.32
SSE Composite	3,208.08	16.06	1.42
SZSE Composite	1,850.97	30.17	-0.31
NIKKEI 225	21,687.10	16.00	1.72
KOSPI	2,444.22	14.80	1.50
TWSE	10,974.02	15.46	0.50
S&P/ASX 200	5,828.68	17.19	1.17
MSCI Index			
MSCI WORLD	2,090.11	19.22	2.02
MSCI DEVELOPED	511.04	18.65	1.82
MSCI EMERGING	1,175.32	15.36	0.44
MSCI US	2,532.44	21.89	1.65
MSCI UK	2,103.92	13.56	3.39
MSCI France	153.20	16.44	2.89
MSCI Germany	153.13	14.61	2.73
MSCI China	93.13	16.60	2.48
MSCI Hong Kong	15,948.68	11.58	1.25
MSCI Japan	1,023.66	13.43	1.66

* As of 10/4/2018 closing for U.S and EUR market

Global Commodities			
	Unit	Price	One Week chg(%)
Energy			
NYMEX WTI	USD/bbl	65.26	2.98
ICE Brent Oil	USD/bbl	70.68	3.91
NYMEX NatGas	USD/MMBtu	2.67	-1.95
Basic Metals			
LME Alum.Cash	USD/MT	2,206.25	12.55
CMX Cop.Active	USD/lb.	312.35	3.75
LME Steel Rebar	USD/MT	550.50	0.09
LME Lead Cash	USD/MT	2,390.75	-0.11
Precious Metals			
CMX Gold	USD/KRW	1,343.43	0.03
Gold Futures	USD/KRW	1,346.90	0.50
CMX Silverbn	USD/KRW	16.55	0.66
NYMEX Platinum	USD/T. oz	930.89	1.16
Agri. Products			
CBOT Corn	USD/bu	398.75	2.31
CBOT Wheat	USD/bu	506.25	7.03
NYB-ICE Sugar	USD/lb.	12.15	-2.25
CBOT Soybeans	USD/bu.	1,068.25	4.07

Money market		
	Yield (%)	One Week chg(%)
US Fed Fund Rate	1.75	0.00
US Prime Rate	4.75	0.00
US Discount Window	2.25	0.00
ECB Rate (Refinancing)	0.00	0.00
BOJ Policy Rate	-0.10	0.00
US Treasury (1 Mth)	1.63	-0.04
US Treasury (1 Yr)	2.06	0.00
US Treasury (5 Yr)	2.62	0.00
US Treasury (10 Yr)	2.79	-0.01
US Treasury (30 Yr)	3.01	-0.03
1-Month LIBOR	1.90	0.01
3 Month LIBOR	2.34	0.03
Japan 1-Yr Gov. Bond	-0.15	-0.02
Japan 10-Yr Gov. Bond	0.04	0.00
German 1-Yr Gov. Bond	-0.63	0.02
German 10-Yr Gov. Bond	0.51	0.01
China Benchmark Interest	4.35	0.00
China 1-Yr Gov. Bond	3.27	-0.06
China 5-Yr Gov. Bond	3.59	-0.08
China 10-Yr Gov. Bond	3.73	-0.02
O/N SHIBOR	2.56	-0.01
1-mth SHIBOR	3.87	-0.26
HK Base rate	0.06	-0.17
O/N HIBOR	0.06	-0.17
1-mth HIBOR	0.81	-0.16
O/N CNH HIBOR	2.31	-0.74
1-mth CNH HIBOR	3.59	-0.60
Corporate Bonds (Moody's)		
Aaa	3.76	-0.02
Baa	4.61	0.02

Currency market		
	Spot Rate	One Week chg(%)
US Dollar Index	89.55	-0.66
Euro/USD	1.2369	0.68
GBP/USD	1.4196	1.13
AUD/USD	0.7748	0.96
USD/CAD	1.2614	-1.68
USD/JPY	106.97	0.78
USD/CHF	0.9588	0.03
USD/CNY Midpoint	6.2911	0.23
USD/CNY	6.2860	0.09
USD/CNY NDF		
12-mth Spot pr.	6.3785	-0.42
USD/CNH	6.2832	-0.40
USD/HKD	7.8497	0.01
CNY/HKD	1.2488	0.30
CNH/HKD	1.2493	0.42
USD/KRW	1,066.40	0.63
USD/TWD	29.198	0.28
USD/SGD	1.3094	-0.44
USD/INR	65.240	0.14

All data sources: Bloomberg, CEBI, NBS

Disclosures

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