農銀國際
ABC INTERNATIONAL
ABCI SECURITIES COMPANY LIMITED

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Exhibit 1: 3Q15 economic indicators preview

YoY% or otherwise specified	3Q'15F*	2Q'15	1Q'15
GDP	6.9	7.0	7.0
CPI	1.9	1.4	1.2
PPI	(5.7)	(4.7)	(4.6)
Exports	(5.8)	(2.0)	4.7
Imports	(10.1)	(13.6)	(17.6)
Trade Balance (US$/bn)	142.3	139.4	123.7
FAI (YTD%)	10.8	11.4	13.6
Industrial production	6.1	6.3	6.4
Retail Sales	10.8	10.2	10.6
M2	13.3	11.8	10.52
New loans (RMB/bn)	3,139.6	2,889.3	3,670.7
Aggregate financing (RMB/bn)	3,025.1	4,166.0	4,596.3

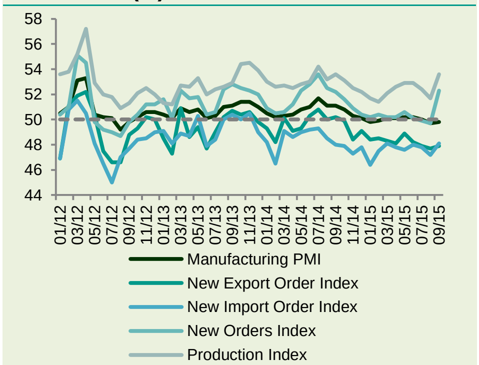
* Forecast
Source(s): Bloomberg, ABCI Securities estimates

Exhibit 2: Sep economic indicators preview

YoY% or otherwise specified	Sept'15F*	Aug'15
PMI - Manufacturing	49.8	49.7
PMI – Non-manufacturing	53.4	53.4
CPI	2.2	2.0
PPI	(5.9)	(5.9)
Exports	(3.5)	(5.5)
Imports	(8.5)	(13.8)
Trade Balance (US$/bn)	39.0	60.2
FAI (YTD%)	10.8	10.9
Industrial production	6.2	6.1
Retail Sales	11.0	10.8
M2	13.3	13.3
New loans (RMB/bn)	850.0	809.6
Aggregate financing (RMB/bn)	1226.3	1,080.0

* Forecast, excluding PMI – Manufacturing and Non-manufacturing
Source(s): Bloomberg, ABCI Securities estimates

Exhibit 3: China's manufacturing PMI and sub-indices (%)



Source(s): Bloomberg, ABCI Securities

3Q GDP to slow on lethargic data

China's newly released manufacturing PMI for September reached 49.8%, slightly higher than August's 49.7%. Two straight months of contraction in the manufacturing sector pointed to an economic slowdown. Aided by the government's modest loosening measures, China's economy may have bottomed out in 3Q15, and we believe lagged impacts of the stimulus measures will be reflected by stronger growth in 4Q15. In our view, some key economic indicators in September will improve slightly against the weak figures in July and August, but China's economic growth in 3Q15 is likely to edge down to 6.9% YoY from 7.0% in 2Q14.

Manufacturing activities contracted at a modest pace. The improvement of PMI was mainly driven by rebound of New Order Index (September: 50.2%, up 0.5% MoM), reflecting the slight increase in demand for manufacturing goods. We believe the new orders were largely for large-sized enterprises whose PMI rebounded to 51.1% in Septemeber (vs. August's 49.9%). Nonetheless, poor economic figures in July and August as well as the turbulent stock market have deterred demand and driven down overall manufacturing activities.

External trade shows signs of stabilization. The New Export Order Index and Import Index advanced to 47.9% and 48.1% in September, as opposed to 47.7% and 47.2% in August. Despite the contraction, we believe external trade has started to stabilize. With holiday deliveries for major trading partners coming up, we anticipate that decline in export growth will narrow to 3.5% in September while import will fall by 8.5% YoY. Trade balance will reach US$ 39bn.

Pricing pressure to edge up. As food prices continue to surge, we believe CPI inflation for September would widen to 2.2% YoY. The rebound in Purchasing Price Index from 44.9% in August to 45.8% in September signaled improving pricing power among manufacturers. Hence, decline in PPI is expected to stay flat at 5.9% YoY.

FAI to show stabilizing growth. Surging investment in infrastructure and railways are expected to lift growth in FAI, reversing the downtrend of FAI caused by deceleration in real estate investment. We expect FAI for September to hit 10.8% YoY.

Expansion of industrial production in sight. The Production Index rose to 52.3% in September from 51.7% in August. We believe the stabilization of decline in producer prices signals that industrial output is likely to rebound. We expect industrial production for September to grow by 6.2% YoY.

Retail sales to improve steadily. Improvement in retail sales are expected to broaden as employment and income show stable growth. Consumption is likely to trend up, and demand for consumer discretionary and staples will continue to rise. We expect retail sales in September to increase by 11.0% YoY.

Growth in monetary indicators remains stable. The continued injection of liquidity into the banking system helps stimulate economic activities, which in turn should provide support for monetary indicators for September. We expect new bank loans will rise to RMB 850bn; aggregate financing will reach RMB 1.22tr and M2 growth will reach 13.3% YoY.

China Economic Indicators

	2014							2015								
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep*
Real GDP (YoY%)	7.5	--	---	7.3	---	---	7.3	---	---	7.0	---	---	7.0	---	---	6.9
Export Growth (YoY%)	7.2	14.5	9.4	15.3	11.6	4.7	9.7	(3.2)	48.3	(15.0)	(6.4)	(2.5)	2.8	(8.3)	(5.5)	(3.5)
Import Growth (YoY%)	5.5	(1.6)	(2.4)	7.0	4.6	(6.7)	(2.4)	(19.7)	(20.5)	(12.7)	(16.2)	(17.6)	(6.1)	(8.1)	(13.8)	(8.5)
Trade Balance (USD/bn)	31.6	47.3	49.8	30.9	45.4	54.5	49.6	60.0	60.6	3.1	34.1	59.49	46.6	43.0	60.2	39.0
Retail Sales Growth (YoY%)	12.4	12.2	11.9	11.6	11.5	11.7	11.9	10.7		10.2	10.0	10.1	10.6	10.5	10.8	11.0
Industrial Production (YoY%)	9.2	9.0	6.9	8.0	7.7	7.2	7.9	6.8		5.6	5.9	6.1	6.8	6.0	6.1	6.2
PMI - Manufacturing (%)	51.0	51.7	51.1	51.1	50.8	50.3	50.1	49.8	49.9	50.1	50.1	50.2	50.2	50.0	49.7	49.8
PMI - Non-manufacturing (%)	55.0	54.2	54.4	54.0	53.8	53.9	54.1	53.7	53.9	53.7	53.4	53.2	53.8	53.9	53.4	53.4
FAI(YTD) (YoY%)	17.3	17.0	16.5	16.1	15.9	15.8	15.7	13.9		13.5	12.0	11.4	11.4	11.2	10.9	10.8
CPI (YoY%)	2.3	2.3	2.0	1.6	1.6	1.4	1.5	0.8	1.4	1.4	1.5	1.2	1.4	1.6	2.0	2.2
PPI (YoY%)	(1.1)	(0.9)	(1.2)	(1.8)	(2.2)	(2.7)	(3.3)	(4.3)	(4.8)	(4.6)	(4.6)	(4.6)	(4.8)	(5.4)	(5.9)	(5.9)
M2(YoY%)	14.7	13.5	12.8	12.9	12.6	12.3	12.2	10.8	12.5	11.6	10.1	10.8	11.8	13.3	13.3	13.3
New Lending (RMB/bn)	1,080	385.2	702.5	857.2	548.3	852.7	697.3	1,470	1,020	1,180	707.9	900.8	1,280.6	1,480	809.6	850.0
Aggregate Financing (RMB bn)	1,970	273.7	957.7	1,135.5	662.7	1,146.3	1,690	2,050	1,350	1,181	1,050	1,220	1,860	718.8	1,080	1226.3

** Forecasts（excl. manufacturing and non-manufacturing PMI）*

World Economic/Financial Indicators

Equity Indices

	Closing price	Chg. WTD (%)	P/E
U.S.			
DJIA	16,272.01	(0.26)	14.19
S&P 500	1,923.82	(0.39)	17.02
NASDAQ	4,627.08	(1.27)	26.30
MSCI US	1,839.01	(0.49)	17.65
Europe			
FTSE 100	6,128.36	0.32	22.19
DAX	9,573.02	(1.19)	15.13
CAC40	4,465.50	(0.34)	19.55
IBEX 35	9,524.90	0.06	17.44
FTSE MIB	21,301.21	(0.18)	N/A
Stoxx 600	349.06	(0.06)	20.44
MSCI UK	1,773.31	(0.47)	22.53
MSCI France	124.92	(1.25)	19.76
MSCI Germany	125.20	(1.85)	15.15
MSCI Italy	60.54	(0.92)	N/A
Asia			
NIKKEI 225	17,725.13	(0.87)	18.40
S&P/ASX 200	5,052.02	0.20	18.54
HSI	21,506.09	1.51	9.16
HSCEI	9,686.64	1.83	6.92
CSI300	3,202.95	(0.90)	13.05
SSE Composite	3,052.78	(1.28)	15.26
SZSE Composite	1,716.78	1.16	39.13
MSCI China	57.20	(1.09)	8.70
MSCI Hong Kong	11,439.98	(1.56)	9.08
MSCI Japan	875.96	(0.98)	14.80

* As of 12:00 AM closing

Global Commodities

	Unit	Price	Chg. WTD (%)	Volume (5-day avg.)
Energy				
NYMEX WTI	USD/bbl	45.36	(0.74)	342,507
ICE Brent Oil	USD/bbl	48.05	(1.13)	203,660
NYMEX Natural Gas	USD/MMBtu	2.43	(5.38)	97,373
Australia Newcastle Steam Coal Spot fob[2]	USD/Metric Tonne	61.80	N/A	N/A
BasicMetals				
LME Aluminum Cash	USD/MT	1,554.50	(0.13)	18,912
LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,566.00	(0.06)	30,068
CMX Copper Active	USD/lb.	5,111.50	1.41	9,692
LME Copper 3- mth Rolling Fwd.	USD/MT	5,095.00	1.43	46,787
Precious Metals				
CMX Gold	USD/T. oz	1,108.20	(3.26)	125,845
CMX Silver	USD/T. oz	14.44	(4.47)	37,091
NYMEX Platinum	USD/T. oz	897.00	(5.71)	17,181
Agricultural Products				
CBOT Corn	USD/bu	388.50	(0.13)	164,130
CBOT Wheat	USD/bu	519.00	2.22	74,642
NYB-ICE Sugar	USD/lb.	13.30	7.17	94,028
CBOT Soybeans	USD/bu.	878.00	(1.27)	150,094

Bond Yields & Key Rates

	Yield (%)	Chg. WTD (Bps)
US Fed Fund Rate	0.25	0.00
US Prime Rate	3.25	0.00
US Discount Window	0.75	0.00
US Treasury (1 Yr)	0.2903	(3.07)
US Treasury (5Yr)	1.3766	(9.76)
US Treasury (10 Yr)	2.0509	(11.1)
Japan 10-Yr Gov. Bond	0.3170	(0.70)
China 10-Yr Gov. Bond	3.2700	(8.00)
ECB Rate (Refinancing)	0.05	0.00
1-Month LIBOR	0.1930	(0.13)
3 Month LIBOR	0.3250	(0.11)
O/N SHIBOR	1.9890	8.20
1-mth SHIBOR	3.0910	0.40
3-mth HIBOR	0.3984	(0.25)
Corporate Bonds (Moody's)		
Aaa	4.00	(5.00)
Baa	5.35	(1.00)

Currency

	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-mth Spot pr.
Spot Rate	1.1167	1.5145	0.7036	120.08	0.9773	6.3571	7.7501	6.5625
Chg. WTD (%)	(0.25)	(0.23)	0.17	0.42	0.23	0.27	0.01	0.62

Note:
1. Data sources: Bloomberg, National Bureau of Statistics of China, ABCIS (updated on date of report)
2. Australia Newcastle Steam Coal Spot fob is the Australia Newcastle 6700 kc GAD fob Steam Coal Spot price published by McCloskey

Disclosures

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Definition of equity rating

Rating	Definition
Buy	Stock return ≥ Market return rate
Hold	Market return – 6% ≤ Stock return < Market return rate
Sell	Stock return < Market return – 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months
Market return: 5-year average market return rate from 2009-2013
Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	2.6 ≤180 day volatility/180 day benchmark index volatility
High	1.5 ≤ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	1.0 ≤180 day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.
Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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