



# Economics Weekly May 9, 2014

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### Exhibit 1: April economic indicators

YoY% or otherwise specified	Apr'14*	Mar'14
CPI	1.8	2.4
PPI	(2.0)	(2.3)
Exports	0.9	(6.6)
Imports	0.8	(11.3)
Trade Balance (US\$/bn)	18.5	7.7
FAI (YTD%)	18.0	17.6
Industrial production	8.9	8.8
Retail Sales	12.3	12.2
M2	12.3	12.1
New loans (RMB/bn)	850	1,050
Aggregate financing (RMB/bn)	1,500	2,070

\* Forecast (excluding CPI, PPI, exports, imports and trade balance)

Source(s): Bloomberg, ABCI Securities

## April CPI stayed subdued

China's CPI fell to 1.8% YoY in April, the lowest since 4Q12. The figure was below March's reading of 2.4% YoY and the market expectation of 2.0% YoY. The deceleration in inflation was primarily driven by stabilizing food prices, as indicated by the food CPI that slowed to 2.3% YoY in April from 4.1% YoY in March. Although producer prices slid more slowly at 2.0% YoY in April, the continuation of wholesale price deflation highlighted sluggish consumer demand and industry overcapacity, reinforcing fears of further slowdown in the world's second-largest economy. Amid a stable price environment, we believe the PBOC will continue to pursue monetary accommodation through targeted easing to support the economic recovery.

### April CPI dipped to 1.8% YoY as agricultural products prices slid.

As expected, declining food and input prices dragged down the CPI to 2.0% YoY in April, while pork and vegetable prices remained weak. We believe inflation will continue to be contained amid lower output cost and sluggish domestic consumption.

**Deflation in producer prices moderated marginally.** PPI narrowed to -2.0% from -2.3% in March. Manufacturing PMI in April advanced, indicating that a lessening deflation in industrial wholesale price could be in sight. Although April's PPI has been on a downtrend for 26 months, rebound in exports and improving economic conditions will further moderate the pace of price deflation in coming months.

**External trade returned to positive growth.** April's trade data made strides, with exports and imports edging up by 0.9% and 0.8% YoY (versus -6.6% and -11.3% YoY in March). Continuous economic progress among China's major trading partners and the surge in consumer goods exports have supported the overall exports growth. Imports of commodities rebounded strongly, reflecting seasonal restocking demand for raw materials. Overall, we believe China's external trade would remain resilient for the rest of the year.

**Other major economic indicators would fare well in April.** Domestic demand economic indicators will be released next week. We expect FAI to rebound to 18.0% YoY YTD in April, up from 17.6% YoY in the first quarter on rising infrastructure investment. Retail sales is expected to grow by 12.3% YoY in April, driven by the government's efforts to bolster private consumption and normalization of consumption after the holiday. For industrial production, we expect the figure to grow by a meager 8.9% YoY as the government continues to slash industry overcapacity and tackle environmental issues. Nonetheless, we expect industrial production to gradually improve later this year.

**Monetary data to turn stable.** New loans are expected to reach RMB 850bn in April, with M2 growth improving from 12.1% YoY in March to 12.3% YoY in April on increased borrowing by corporates following NPC and more lending by the big four banks. Looking forward, PBOC's flexible approaches and the government's policy to restore a healthy credit growth would create a new economic dynamic.



China Economic Indicators

	2013										2014			
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr*
Real GDP (YoY%)	7.7	---	---	7.5	---	---	7.8	---	---	7.7	---	---	7.4	---
Export Growth (YoY%)	10.0	14.7	1.0	(3.1)	5.1	7.2	(0.3)	5.6	12.7	5.8	10.6	(18.1)	(6.6)	0.9
Import Growth (YoY%)	14.1	16.8	(0.3)	(0.7)	10.9	7.0	7.4	7.6	5.3	6.5	10.0	10.1	(11.3)	0.8
Trade Balance (USD/bn)	(0.9)	18.2	20.4	27.1	17.8	28.5	15.2	31.1	33.8	32.3	31.9	(23.0)	7.7	18.5
Retail Sales Growth (YoY%)	12.6	12.8	12.9	13.3	13.2	13.4	13.3	13.3	13.7	13.6	11.8	---	12.2	12.3
Industrial Production (YoY%)	8.9	9.3	9.2	8.9	9.7	10.4	10.2	10.3	10.0	9.7	8.6	---	8.8	8.9
PMI - Manufacturing (%)	50.9	50.6	50.8	50.1	50.3	51.0	51.1	51.4	51.4	51.0	50.5	50.2	50.3	50.4
PMI - Non-manufacturing (%)	55.6	54.5	54.3	53.9	54.1	53.9	55.4	56.3	56.0	54.6	53.4	55.0	54.5	54.8
FAI(YTD) (YoY%)	20.9	20.6	20.4	20.1	20.1	20.3	20.2	20.1	19.9	19.6	17.9	---	17.6	18.0
CPI (YoY%)	2.1	2.4	2.1	2.7	2.7	2.6	3.1	3.2	3.0	2.5	2.5	2.0	2.4	1.8
PPI (YoY%)	(1.9)	(2.6)	(2.9)	(2.7)	(2.3)	(1.6)	(1.3)	(1.5)	(1.4)	(1.4)	(1.6)	(2.0)	(2.3)	(2.0)
M2(YoY%)	15.7	16.1	15.8	14.0	14.5	14.7	14.2	14.3	14.2	13.6	13.2	13.3	12.1	12.3
New Lending (RMB/bn)	1060.0	792.9	667.4	860.5	699.9	711.3	787.0	506.1	624.6	482.5	1320	644.5	1050	850

\* Forecast (Excluding CPI, PPI, exports, imports, trade balance, PMI - Manufacturing, and PMI - Non-manufacturing)

World Economic/Financial Indicators

Equity Indices				Global Commodities				Bond Yields & Key Rates					
	Closing price	Chg. WTD (%)	P/E	Unit	Price	Chg. WTD (%)	Volume (5-day avg.)		Yield (%)	Chg. WTD			
<b>U.S.</b>				<b>Energy</b>				US Fed Fund Rate					
DJIA	16,550.97	0.23	15.49	NYMEX WTI	USD/bbl	100.40	235,801	0.25	0.00				
S&P 500	1,875.63	(0.29)	17.22	ICE Brent Oil	USD/bbl	108.06	186,050	3.25	0.00				
NASDAQ	4,051.50	(1.76)	34.66	NYMEX Natural Gas	USD/MMBtu	4.56	94,611	0.75	0.00				
MSCI US	1,793.01	(0.33)	17.54	Australia Newcastle Steam Coal Spot fob <sup>2</sup>	USD/Metric Tonne	72.65	N/A	0.0152	0.51				
<b>Europe</b>				<b>Basic Metals</b>				US Treasury (1 Mth)					
FTSE 100	6,839.25	0.25	20.50	LME Aluminum Cash	USD/MT	1,722.75	15,323	1.6217	(4.10)				
DAX	9,607.40	0.54	17.38	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,766.50	36,385	2.6071	2.28				
CAC40	4,507.24	1.10	26.06	CMX Copper Active	USD/lb.	6,772.00	7,857	0.6090	(0.20)				
IBEX 35	10,591.20	1.11	22.80	LME Copper 3- mth Rolling Fwd.	USD/MT	6,729.00	38,749	4.3200	(6.00)				
FTSE MIB	21,729.64	(0.24)	N/A	TSI CFR China Iron Ore Fines Index <sup>3</sup>	USD	103.70	N/A	0.25	0.00				
Stoxx 600	339.56	0.53	21.43	<b>Precious Metals</b>				ECB Rate (Refinancing)					
MSCI UK	2,016.32	0.25	20.27	CMX Gold	USD/T. oz	1,291.00	135,700	0.1503	(0.13)				
MSCI France	126.01	0.88	27.08	CMX Silver	USD/T. oz	19.17	37,275	0.2234	0.05				
MSCI Germany	129.17	(0.05)	17.67	NYMEX Platinum	USD/T. oz	1,435.00	9,675	2.2205	(27.9)				
MSCI Italy	62.72	(0.11)	N/A	<b>Agricultural Products</b>				1-mth SHIBOR					
<b>Asia</b>				CBOT Corn	USD/bu	514.75	114,966	3.7730	(83.1)				
NIKKEI 225	14,208.79	(1.72)	18.67	CBOT Wheat	USD/bu	733.75	51,529	0.3707	0.14				
S&P/ASX 200	5,464.90	0.13	17.20	NYB-ICE Sugar	USD/lb.	17.24	43,877	Corporate Bonds (Moody's)					
HSI	21,843.13	(1.88)	10.26	CBOT Soybeans	USD/bu.	1,466.75	80,287	Aaa	4.16	4.00			
HSCEI	9,687.37	(1.17)	7.01								Baa	4.78	4.00
CSI300	2,128.94	(1.38)	9.54								Note:		
SSE Composite	2,008.39	(0.89)	9.80								1. Data sources: Bloomberg Finance LP, National Bureau of Statistics of China, ABCIS (updated on date of report)		
SZSE Composite	1,014.35	(1.29)	26.09								2. Australia Newcastle Steam Coal Spot fob is the Australia Newcastle 6700 kc GAD fob Steam Coal Spot price published by McCloskey		
MSCI China	57.56	(1.37)	8.81								3. TSI CFR China Iron Ore Fines Index is calculated with the 62% Fe specification, spot price		
MSCI Hong Kong	11,819.89	(3.11)	11.71										
MSCI Japan	714.23	(1.81)	13.40										

Currency

	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-Mth
Spot Rate	1.3840	1.6926	0.9360	101.67	0.8806	6.2292	7.7518	6.2130
Chg. WTD (%)	(0.21)	0.33	0.89	0.52	(0.30)	0.48	0.01	0.63



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## Disclosures

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### Definition of equity rating

Rating	Definition
Buy	Stock return $\geq$ Market return rate
Hold	Market return – 6% $\leq$ 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	$2.6 \leq 180$ day volatility/180 day benchmark index volatility
High	$1.5 \leq 180$ day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq 180$ 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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