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Co-head of Research

Banny Lam

Tel: 852-21478863

Email: bannylam@abci.com.hk

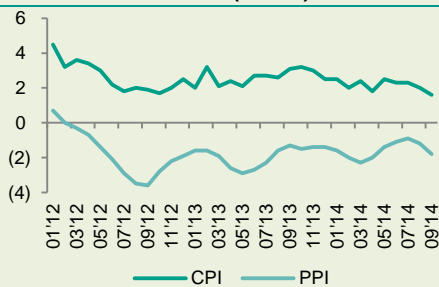
Analyst

Paul Pan

Tel: 852-21478829

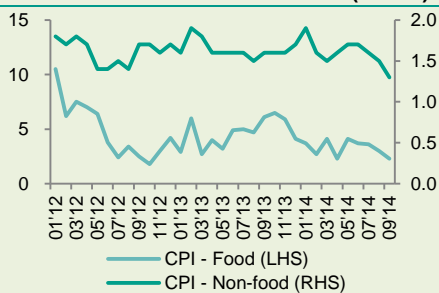
Email: paulpan@abci.com.hk

Exhibit 1: CPI and PPI (YoY %)



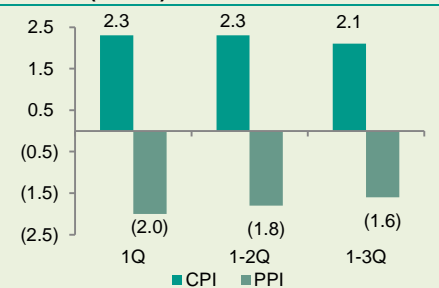
Source(s): Bloomberg, NBS, ABCI Securities

Exhibit 2: Food and Non-food CPI (YoY %)



Source(s): Bloomberg, NBS, ABCI Securities

Exhibit 3: Aggregate CPI and PPI in 1Q14 to 3Q14 (YoY %)



Source(s): Bloomberg, NBS, ABCI Securities

China's inflation nears 5-year low

China's economy shows sluggish domestic demand as September consumer inflation slowed more than expected to 1.6%, the lowest since January 2010. The weak CPI was mainly driven by decelerating food prices. Deflationary pressure for producers persists, with declines widening to 1.8%. CPI for first three quarters of 2014 reached 2.1%, much lower than government's target of 3.5%. To mitigate the risk of declining prices triggered by weak domestic demand and overcapacity, more efforts to roll out stimulus measures will be required to promote growth and stabilize consumer and producer prices.

September CPI eases amid waning economic momentum. China's September CPI figure decelerated to 1.6% YoY from August's 2%, lagging behind market consensus and our forecasts. Contributing to the decline was the slowing food CPI, which rose by a meager 2.3% YoY, compared to 3% YoY in August. Non-food CPI moderated to 1.3% YoY in September from 1.5% YoY in August. Moderating agricultural prices pose the biggest downside risk to CPI. In particular, pork and vegetables prices posted YoY decline of 2.9% and 9.4%.

PPI deflation is worsening. China's PPI, a gauge of factory-gate prices, dropped 1.8% in September from a year earlier, deeper than the 1.2% YoY decline in August and market consensus of a 1.6% YoY decline. PPI has been falling for 31 months in a row, signaling overcapacity in China's factories and flagging commodities prices. Also, oversupply in the property sector has impacted its upstream industries and undermined demand for industrial output. We believe factory-gate prices will remain subdued in coming months on weakening global commodities prices. Deflationary spiral will continue, and China's producer prices will likely experience the third year of deflation after 2012 and 2013.

Evidence of weakening economic momentum. Price movement in September further confirmed the dwindling trend in economic growth. Easing food and non-food prices reflect faltering demand for consumer goods and softening consumption in general. The worsening trend of PPI since the beginning of 3Q14 indicates the economy is losing momentum, while lackluster demand for industrial products and overcapacity have resulted in significant downside pressure on producers' prices. The widening decline in factory-gate prices will squeeze corporate profits, which in turn would reduce investment and consumption.

Softening inflation gives room for more stimulus. Recent economic data has painted a bleak picture of the manufacturing and the real estate markets. For policymakers, the moderating consumer inflation and continued producers' deflation would give room to loosen up credits to promote growth in the broader economy. To meet its full-year growth target of 7.5%, we believe China will intensify efforts to deploy stimulus and escalate some of its pro-growth measures in 4Q14.



China Economic Indicators

	2013					2014								
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep*
Real GDP (YoY%)	---	7.8	---	---	7.7	---	---	7.4	---	--	7.5	--	---	7.2
Export Growth (YoY%)	7.2	(0.3)	5.6	12.7	5.8	10.6	(18.1)	(6.6)	0.9	7.0	7.2	14.5	9.4	15.3
Import Growth (YoY%)	7.0	7.4	7.6	5.3	6.5	10.0	10.1	(11.3)	0.8	(1.6)	5.5	(1.6)	(2.4)	7.0
Trade Balance (USD/bn)	28.5	15.2	31.1	33.8	32.3	31.9	(23.0)	7.7	18.5	35.9	31.6	47.3	49.8	30.9
Retail Sales Growth (YoY%)	13.4	13.3	13.3	13.7	13.6	11.8		12.2	11.9	12.5	12.4	12.2	11.9	12.1
Industrial Production (YoY%)	10.4	10.2	10.3	10.0	9.7	8.6		8.8	8.7	8.8	9.2	9.0	6.9	8.0
PMI - Manufacturing (%)	51.0	51.1	51.4	51.4	51.0	50.5	50.2	50.3	50.4	50.8	51.0	51.7	51.1	51.1
PMI - Non-manufacturing (%)	53.9	55.4	56.3	56.0	54.6	53.4	55.0	54.5	54.8	55.5	55.0	54.2	54.4	54.0
FAI(YTD) (YoY%)	20.3	20.2	20.1	19.9	19.6	17.9		17.6	17.3	17.2	17.3	17.0	16.5	16.8
CPI (YoY%)	2.6	3.1	3.2	3.0	2.5	2.5	2.0	2.4	1.8	2.5	2.3	2.3	2.0	1.6
PPI (YoY%)	(1.6)	(1.3)	(1.5)	(1.4)	(1.4)	(1.6)	(2.0)	(2.3)	(2.0)	(1.4)	(1.1)	(0.9)	(1.2)	(1.8)
M2(YoY%)	14.7	14.2	14.3	14.2	13.6	13.2	13.3	12.1	13.2	13.4	14.7	13.5	12.8	13.3
New Lending (RMB/bn)	711.3	787.0	506.1	624.6	482.5	1,320	644.5	1,050	774.7	870.8	1080	385.2	702.5	850
Aggregate Financing (RMB bn)	1,584	1,411.3	864	1,226.9	1,232.2	2,580	938.7	2,081.3	1,550	1,400	1,970	273.7	957.4	1155.2

* Forecast (Excluding PMI - Manufacturing, PMI - Non-manufacturing, Export growth, Import growth, Trade balance, CPI, and PPI)

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 (Bps)		
U.S.				Energy				US Fed Fund Rate	0.25	0.00		
DJIA	16,315.19	(1.38)	14.91	NYMEX WTI	USD/bbl	80.80	(5.85)	376,695	US Prime Rate	3.25	0.00	
S&P 500	1,877.70	(1.49)	16.98	ICE Brent Oil	USD/bbl	84.04	(6.84)	181,994	US Discount Window	0.75	0.00	
NASDAQ	4,227.17	(1.15)	55.68	NYMEX Natural Gas	USD/MMBtu	3.84	(0.41)	127,381	US Treasury (1 Mth)	0.0152	1.01	
MSCI US	1,792.09	(1.51)	17.38	Australia Newcastle Steam Coal Spot fob ²	USD/Metric Tonne	64.55	N/A	N/A	US Treasury (5Yr)	1.4499	(8.18)	
Europe				Basic Metals				US Treasury (10 Yr)	2.2078	(7.26)		
FTSE 100	6,321.28	(0.29)	15.82	LME Aluminum Cash	USD/MT	1,920.75	1.00	29,170	Japan 10-Yr Gov. Bond	0.4910	(1.40)	
DAX	8,786.50	(0.03)	16.38	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,950.00	1.04	26,158	China 10-Yr Gov. Bond	4.0300	(1.00)	
CAC40	4,067.91	(0.14)	24.96	CMX Copper Active	USD/lb.	6,827.00	2.28	20,578	ECB Rate (Refinancing)	0.05	0.00	
IBEX 35	10,171.10	0.20	20.10	LME Copper 3- mth Rolling Fwd.	USD/MT	6,800.00	2.33	49,926	1-Month LIBOR	0.1533	0.05	
FTSE MIB	19,029.82	(0.89)	220.5	Precious Metals				3 Month LIBOR	0.2306	0.06		
Stoxx 600	319.40	(0.69)	19.33	CMX Gold	USD/T. oz	1,224.30	0.21	142,438	O/N SHIBOR	2.4980	(6.85)	
MSCI UK	1,886.17	0.80	16.00	CMX Silver	USD/T. oz	17.14	(0.94)	37,041	1-mth SHIBOR	3.8648	(6.52)	
MSCI France	114.14	0.34	26.03	NYMEX Platinum	USD/T. oz	1,253.90	(0.61)	9,212	3-mth HIBOR	0.3757	0.20	
MSCI Germany	117.73	0.36	16.47	Agricultural Products				Corporate Bonds (Moody's)				
MSCI Italy	55.68	(0.14)	164.8	CBOT Corn	USD/bu	353.00	5.69	174,737	Aaa	3.89	(9.00)	
Asia				CBOT Wheat	USD/bu	504.25	1.15	49,031	Baa	4.67	(7.00)	
NIKKEI 225	15,073.52	(1.48)	19.67	NYB-ICE Sugar	USD/lb.	16.90	2.11	37,714	Note:			
S&P/ASX 200	5,245.61	1.11	18.15	CBOT Soybeans	USD/bu.	957.25	3.77	176,682	1. Data sources: Bloomberg Finance LP, National Bureau of Statistics of China, ABCIS (updated on date of report)			
HSI	23,140.05	0.22	10.08									2. Australia Newcastle Steam Coal Spot fob is the Australia Newcastle 6700 kc GAD fob Steam Coal Spot price published by McCloskey
HSCEI	10,284.88	(0.16)	7.17									3. TSI CFR China Iron Ore Fines Index is calculated with the 62% Fe specification, spot price
CSI300	2,463.87	(0.12)	10.96									
SSE Composite	2,373.67	(0.04)	11.44									
SZSE Composite	1,351.13	0.04	32.62									
MSCI China	61.67	(0.80)	9.25									
MSCI Hong Kong	12,467.82	0.29	10.69									
MSCI Japan	747.14	(2.35)	14.58									

Currency

	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-mth	Spot pr.
Spot Rate	1.2653	1.5909	0.8724	107.26	0.9543	6.1263	7.7560		6.2460
Chg. WTD (%)	0.20	(1.04)	0.44	0.37	0.29	0.08	0.03		(0.10)



Disclosures

Analyst Certification

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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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**Office address: ABCI Securities Company Limited, 13/F Fairmont House,
8 Cotton Tree Drive, Central, Hong Kong.**

Tel: (852) 2868 2183