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Co-head of Research

Banny Lam

Tel: 852-21478863

Email: bannylam@abci.com.hk

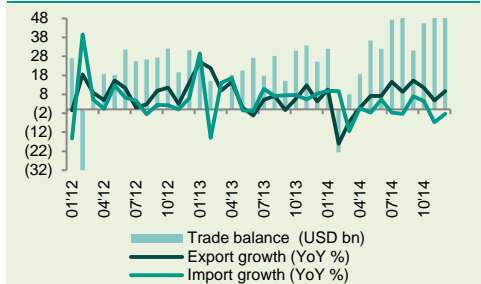
Analyst

Paul Pan

Tel: 852-21478829

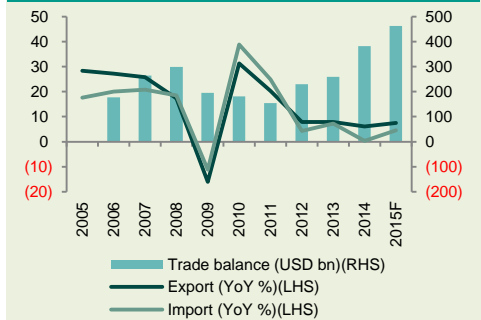
Email: paulpan@abci.com.hk

Exhibit 1: Export/import growth and trade balance in China



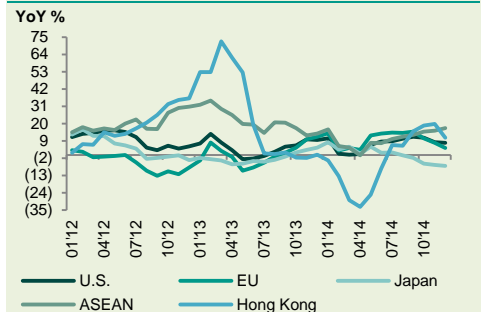
Source(s): Bloomberg, ABCI Securities

Exhibit 2: Annual export/import growth and trade balance in China



Source(s): Wind, ABCI Securities forecast

Exhibit 3: China's exports to major trading partners



Source(s): Bloomberg, ABCI Securities

China's exports show strength

In December, China's trade balance reached US\$ 49.6bn, with exports growing stronger than expected at 9.7% YoY and decline in imports narrowing to 2.4% YoY. Although the monthly trade data exceeded consensus, total trade for 2014 was much lower than the government's growth target of 7.5% YoY, increasing by only 3.4% YoY. Overall, the recovering exports point to a healthy rebound in China's external trade and revival of economic momentum. We expect overseas demand to strengthen on recovery in the U.S. as well as ECB's stimulus measures, which in turn will support China's exports in the short term. Provided that developed markets could maintain their current pace of growth and China would deploy policy tools effectively, external trade should benefit from the reinvigorating domestic and global economies. We forecast exports and imports will expand by 7.5% and 4.5% YoY, respectively, in 2015F.

Exports retained vigor in December. Exports rebounded by 9.7% YoY, compared to November's growth at 4.7%. For 2014, exports rose 6.1% YoY, lower than 7.9% in 2013, reflecting that the global economy has been struggling with lackluster momentum. Supported by the post-holiday restocking demand from overseas buyers, we expect the uptrend in China's exports to persist in the next two months.

Fallen commodity prices weighed on imports. Imports in December showed a less-than-expected decline of 2.4% YoY, as opposed to a drop of 6.7% YoY in November. Weakening commodity prices and cooling domestic investment have dampened demand for commodities. For 2014, imports grew marginally by 0.4% YoY, substantially lower than the 7.3% YoY expansion in 2013, indicating that the more-than-40% drop in crude oil price and moderating domestic demand have curbed value of imports. Nonetheless, we expect global commodity prices will stabilize amid the launch of QE in Europe and continued recovery in the U.S; moreover, targeted easing measures in China will boost investment and consumption, raising demand for commodity and consumer goods imports in the coming months.

Record-high trade surplus bodes well for RMB rebound. Trade surplus reached US\$ 49.6 bn in December and a record-high of US\$ 382.5 bn for 2014, representing a YoY growth of 47.2%. Widening trade surplus helps counteract RMB's weakness in the face of a strong USD elevated by flagging oil price. Given the reviving demand for China's exports, trade surplus in China is likely to stay at high levels, placing further upward pressure on RMB. We expect the currency will appreciate 1% by end- 2015F.

Global economic environment remains favorable for China's exports. For 2014, China's exports to its major trading partners, namely, the U.S., E.U., and ASEAN, increased 7.5%, 9.4%, and 11.5% YoY, respectively. For 2015F, we expect the U.S. and E.U. markets will contribute the most to China's export growth while ASEAN's share in China's total exports will increase speedily.



China Economic Indicators

	2013			2014											
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec*
Real GDP (YoY%)	---	---	7.7	---	---	7.4	---	--	7.5	--	---	7.3	---	---	7.3
Export Growth (YoY%)	5.6	12.7	5.8	10.6	(18.1)	(6.6)	0.9	7.0	7.2	14.5	9.4	15.3	11.6	4.7	9.7
Import Growth (YoY%)	7.6	5.3	6.5	10.0	10.1	(11.3)	0.8	(1.6)	5.5	(1.6)	(2.4)	7.0	4.6	(6.7)	(2.4)
Trade Balance (USD/bn)	31.1	33.8	32.3	31.9	(23.0)	7.7	18.5	35.9	31.6	47.3	49.8	30.9	45.4	54.5	49.6
Retail Sales Growth (YoY%)	13.3	13.7	13.6		11.8	12.2	11.9	12.5	12.4	12.2	11.9	11.6	11.5	11.7	12.5
Industrial Production (YoY%)	10.3	10.0	9.7		8.6	8.8	8.7	8.8	9.2	9.0	6.9	8.0	7.7	7.2	7.9
PMI - Manufacturing (%)	51.4	51.4	51.0	50.5	50.2	50.3	50.4	50.8	51.0	51.7	51.1	51.1	50.8	50.3	50.1
PMI - Non-manufacturing (%)	56.3	56.0	54.6	53.4	55.0	54.5	54.8	55.5	55.0	54.2	54.4	54.0	53.8	53.9	54.1
FAI(YTD) (YoY%)	20.1	19.9	19.6		17.9	17.6	17.3	17.2	17.3	17.0	16.5	16.1	15.9	15.8	16.0
CPI (YoY%)	3.2	3.0	2.5	2.5	2.0	2.4	1.8	2.5	2.3	2.3	2.0	1.6	1.6	1.4	1.5
PPI (YoY%)	(1.5)	(1.4)	(1.4)	(1.6)	(2.0)	(2.3)	(2.0)	(1.4)	(1.1)	(0.9)	(1.2)	(1.8)	(2.2)	(2.7)	(3.3)
M2(YoY%)	14.3	14.2	13.6	13.2	13.3	12.1	13.2	13.4	14.7	13.5	12.8	12.9	12.6	12.3	12.5
New Lending (RMB/bn)	506.1	624.6	482.5	1,320	644.5	1,050	774.7	870.8	1080	385.2	702.5	857.2	548.3	852.7	950.0
Aggregate Financing (RMB bn)	864	1,226.9	1,232.2	2,580	938.7	2,081.3	1,550	1,400	1,970	273.7	957.7	1,135.5	662.7	1,146.3	1,293.8

* Forecast (Excluding PMI - Manufacturing and PMI - Non-manufacturing, Export and 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				
DJIA	17,640.84	(0.54)	15.75	NYMEX WTI	USD/bbl	44.67	(7.63)	417,952	US Prime Rate	3.25	0.00	
S&P 500	2,028.26	(0.81)	17.95	ICE Brent Oil	USD/bbl	45.86	(8.48)	282,044	US Discount Window	0.75	0.00	
NASDAQ	4,664.71	(0.84)	40.86	NYMEX Natural Gas	USD/MMBtu	2.89	(1.93)	126,340	US Treasury (1 Yr)	0.1827	(1.02)	
MSCI US	1,936.24	(0.80)	18.34	Australia Newcastle Steam Coal Spot fob ²	USD/Metric Tonne	61.80	N/A	N/A	US Treasury (5Yr)	1.3441	(7.49)	
Europe				Basic Metals				US Treasury (10 Yr)				
FTSE 100	6,528.11	0.41	18.67	LME Aluminum Cash	USD/MT	1,791.00	0.07	13,434	US Treasury (5Yr)	1.8699	(7.50)	
DAX	9,792.70	1.49	17.20	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,810.00	0.00	49,754	Japan 10-Yr Gov. Bond	0.2680	(1.10)	
CAC40	4,227.02	1.15	25.27	CMX Copper Active	USD/lb.	6,085.00	(1.02)	10,768	China 10-Yr Gov. Bond	3.6500	0.00	
IBEX 35	9,807.00	0.91	20.61	LME Copper 3- mth Rolling Fwd.	USD/MT	6,017.00	(1.20)	45,526	ECB Rate (Refinancing)	0.05	0.00	
FTSE MIB	18,318.26	0.78	N/A	Precious Metals				1-Month LIBOR				
Stoxx 600	340.48	0.75	21.14	CMX Gold	USD/T. oz	1,240.10	1.97	144,888	3 Month LIBOR	0.2541	(0.15)	
MSCI UK	1,913.99	(0.02)	18.48	CMX Silver	USD/T. oz	16.92	3.05	33,120	O/N SHIBOR	2.6670	(13.8)	
MSCI France	119.43	1.12	26.63	NYMEX Platinum	USD/T. oz	1,246.40	1.33	8,809	1-mth SHIBOR	4.7870	0.60	
Asia				Agricultural Products				3-mth HIBOR				
NIKKEI 225	17,087.71	(0.64)	20.65	CBOT Corn	USD/bu	404.75	1.12	162,624	Corporate Bonds (Moody's)			
S&P/ASX 200	5,404.69	(1.11)	18.68	CBOT Wheat	USD/bu	560.50	(0.58)	55,423	Aaa	3.53	(14.0)	
HSI	24,215.97	1.24	10.24	NYB-ICE Sugar	USD/lb.	14.71	(1.34)	57,078	Baa	4.53	(10.0)	
HSCEI	12,063.02	(0.15)	8.43	CBOT Soybeans	USD/bu.	1,021.75	(2.90)	98,178	Note:			
CSI300	3,514.04	(0.92)	15.58	1. Data sources: Bloomberg, National Bureau of Statistics of China, ABCIS (updated on date of report)								
SSE Composite	3,235.30	(1.53)	15.48	2. Australia Newcastle Steam Coal Spot fob is the Australia Newcastle 6700 kc GAD fob Steam Coal Spot price published by McCloskey								
SZSE Composite	1,452.37	0.66	35.39									
MSCI China	67.82	(0.54)	10.22									
MSCI Hong Kong	12,650.31	1.91	10.47									
MSCI Japan	851.45	0.00	15.63									

Currency

	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-mth Spot pr.
Spot Rate	1.1824	1.5128	0.8170	118.30	1.0157	6.1996	7.7535	6.3012
Chg. WTD (%)	(0.15)	(0.21)	(0.41)	0.17	(0.14)	0.15	(0.01)	0.18



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

Tel: (852) 2868 2183