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Co-head of Research

Banny Lam

Tel: 852-21478863

Email: bannylam@abci.com.hk

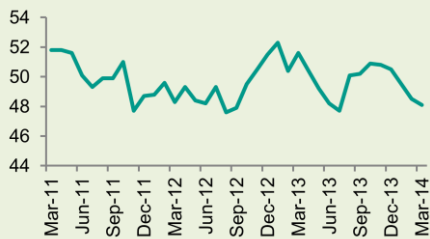
Analyst

Paul Pan

Tel: 852-21478829

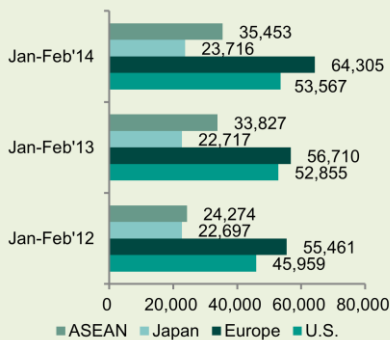
Email: paulpan@abci.com.hk

Exhibit 1: HSBC China Manufacturing PMI



Source(s): Bloomberg, ABCI Securities

Exhibit 2: China's export to major trade partners in Jan & Feb (US\$ mn)



Source(s): Bloomberg, ABCI Securities

Reforms may quicken on slowing economy

The flash HSBC China manufacturing PMI for March recorded an eight-month low of 48.1, exacerbating the concern of a faltering economic momentum. While the Chinese leaders are determined to sustain growth, they are also tackling environmental issues, reducing the built-up of leverage, and restructuring the economic model. With the slew of domestic challenges on hand and the global economy still in recovery, the Chinese economy will inevitably go through a transitory period of slower growth. In our view, China's expansion in 1Q14 will be below expectation due to the lackluster economic activities after Spring Festival and the declining domestic demand. Nonetheless, we expect the government will deploy all reform measures necessary to sustain growth.

Slowdown in manufacturing activities. China's March HSBC flash PMI reveals a slowdown in manufacturing activity, indicating the recent slowdown of economic activities is caused not only by the seasonal factors, but also by the genuine decline in domestic demand. The recent cut in government spending has dented domestic demand and increases in private consumption have been unable to offset the decline. The transformation of the Chinese economy to a consumption-led one will not be completed anytime soon, but we believe as the new initiatives commence, new growth drivers would alleviate some of the negative transitory impacts.

External environment to support domestic economy. Although the latest data may suggest a slowdown, the New Export Business Index of March HSBC China manufacturing PMI increased to exceed 50, indicating a rebound in export activities. China's export to its major trade partners, namely the U.S., Europe, Japan, and ASEAN, in January and February confirmed sustainability of the uptrend observed in the past 3 years, signaling a continuous improvement in the global economic landscape. Despite ongoing uncertainties casted by the Fed's tapering and geopolitical issues, we believe fundamentals of the global economy would continue to strengthen at various paces, providing essential support to the Chinese economy.

More reforms down the road. Facing an anemic growth, China's policymakers are accelerating the pace of economic restructuring. To ensure growth will be maintained for 2014, we believe the PBOC will exert greater efforts to accommodate capital demand in different sectors, while pace of fiscal expansion will gather speed to boost domestic consumption and investment.



China Economic Indicators

	2013												2014	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Real GDP (YoY%)	---	---	7.7	---	---	7.5	---	---	7.8	---	---	7.7	---	---
Export Growth (YoY%)	25.0	21.8	10.0	14.7	1.0	(3.1)	5.1	7.2	(0.3)	5.6	12.7	5.8	10.6	(18.1)
Import Growth (YoY%)	28.8	(15.2)	14.1	16.8	(0.3)	(0.7)	10.9	7.0	7.4	7.6	5.3	6.5	10.0	10.1
Trade Balance (USD/bn)	29.2	15.3	(0.9)	18.2	20.4	27.1	17.8	28.5	15.2	31.1	33.8	32.3	31.9	(22.99)
Retail Sales Growth (YoY%)	12.3		12.6	12.8	12.9	13.3	13.2	13.4	13.3	13.3	13.7	13.6		11.8
Industrial Production (YoY%)	9.9		8.9	9.3	9.2	8.9	9.7	10.4	10.2	10.3	10.0	9.7		8.6
PMI - Manufacturing (%)	50.4	50.1	50.9	50.6	50.8	50.1	50.3	51.0	51.1	51.4	51.4	51.0	50.5	50.2
PMI - Non-manufacturing (%)	56.2	54.5	55.6	54.5	54.3	53.9	54.1	53.9	55.4	56.3	56.0	54.6	53.4	55.0
FAI(YTD) (YoY%)	21.2		20.9	20.6	20.4	20.1	20.1	20.3	20.2	20.1	19.9	19.6		17.9
CPI (YoY%)	2.0	3.2	2.1	2.4	2.1	2.7	2.7	2.6	3.1	3.2	3.0	2.5	2.5	2.0
PPI (YoY%)	(1.6)	(1.6)	(1.9)	(2.6)	(2.9)	(2.7)	(2.3)	(1.6)	(1.3)	(1.5)	(1.4)	(1.4)	(1.6)	(2.0)
M2(YoY%)	15.9	15.2	15.7	16.1	15.8	14.0	14.5	14.7	14.2	14.3	14.2	13.6	13.2	13.3
New Lending (RMB/bn)	1070.0	620.0	1060.0	792.9	667.4	860.5	699.9	711.3	787.0	506.1	624.6	482.5	1320	644.5

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	
U.S.				Energy				US Fed Fund Rate			
DJIA	16,276.69	(0.16)	15.26	NYMEX WTI	USD/bbl	99.83	0.37	135,941		0.25	0.00
S&P 500	1,857.44	(0.49)	17.14	ICE Brent Oil	USD/bbl	106.94	0.02	174,970	US Prime Rate	3.25	0.00
NASDAQ	4,226.39	(1.18)	30.21	NYMEX Natural Gas	USD/MMBtu	4.31	(0.14)	76,301	US Discount Window	0.75	0.00
MSCI US	1,777.80	(0.51)	17.36	Australia Newcastle Steam Coal Spot fob ²	USD/Metric Tonne	72.90	N/A	N/A	US Treasury (1 Mth)	0.0355	(0.51)
Europe				Basic Metals				US Treasury (5 Yr)			
FTSE 100	6,594.97	0.58	17.14	LME Aluminum Cash	USD/MT	1,687.50	0.36	24,379	US Treasury (10 Yr)	2.7263	(1.63)
DAX	9,298.71	(0.47)	17.74	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,731.00	0.46	42,146	Japan 10-Yr Gov. Bond	0.6110	1.00
CAC40	4,324.34	(0.25)	25.83	CMX Copper Active	USD/lb.	299.25	(0.05)	308	China 10-Yr Gov. Bond	4.4900	(1.00)
IBEX 35	9,950.10	(1.02)	17.65	LME Copper 3- mth Rolling Fwd.	USD/MT	6,473.00	(0.11)	65,455	ECB Rate (Refinancing)	0.25	0.00
FTSE MIB	20,792.07	(0.86)	N/A	TSI CFR China Iron Ore Fines Index ³	USD	110.50	(0.18)	N/A	1-Month LIBOR	0.1543	0.00
Stoxx 600	327.48	(0.13)	19.35	Precious Metals				3 Month LIBOR			
MSCI UK	1,921.21	(0.55)	16.79	CMX Gold	USD/T. oz	1,315.00	(1.57)	30,911	O/N SHIBOR	2.5000	0.00
MSCI France	120.06	(1.30)	25.05	CMX Silver	USD/T. oz	20.12	(0.96)	43,495	1-mth SHIBOR	5.1250	23.00
MSCI Germany	125.55	(1.58)	17.60	NYMEX Platinum	USD/T. oz	1,435.00	(0.07)	13,740	3-mth HIBOR	0.3707	(0.29)
MSCI Italy	59.32	(1.59)	N/A	Agricultural Products				Corporate Bonds (Moody's)			
Asia				CBOT Corn	USD/bu	488.00	1.88	100,734	Aaa	4.39	2.00
NIKKEI 225	14,423.19	1.40	19.66	CBOT Wheat	USD/bu	709.25	2.31	69,709	Baa	5.07	2.00
S&P/ASX 200	5,336.63	(0.03)	19.46	NYB-ICE Sugar	USD/lb.	16.79	(0.24)	44,338			
HSI	21,732.32	1.38	9.92	CBOT Soybeans	USD/bu.	1,420.00	0.80	88,466			
HSCEI	9,690.86	2.80	6.88								
CSI300	2,174.44	0.72	10.09								
SSE Composite	2,067.31	0.96	10.01								
SZSE Composite	1,083.31	(0.11)	28.86								
MSCI China	58.30	2.24	8.99								
MSCI Hong Kong	11,635.39	0.76	11.29								
MSCI Japan	715.74	1.30	14.24								

Note:

- Data sources: Bloomberg Finance LP, National Bureau of Statistics of China, ABCIS (updated on date of report)
- Australia Newcastle Steam Coal Spot fob is the Australia Newcastle 6700 kc GAD fob Steam Coal Spot price published by McCloskey
- TSI CFR China Iron Ore Fines Index is calculated with the 62% Fe specification, spot price

Currency

	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-Mth
Spot Rate	1.3809	1.6492	0.9145	102.21	0.8829	6.2009	7.7571	6.2050
Chg. WTD (%)	0.11	0.04	0.70	0.04	0.00	0.40	0.01	0.28



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