



Economic Insight

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China\$ trade growth slowed in July

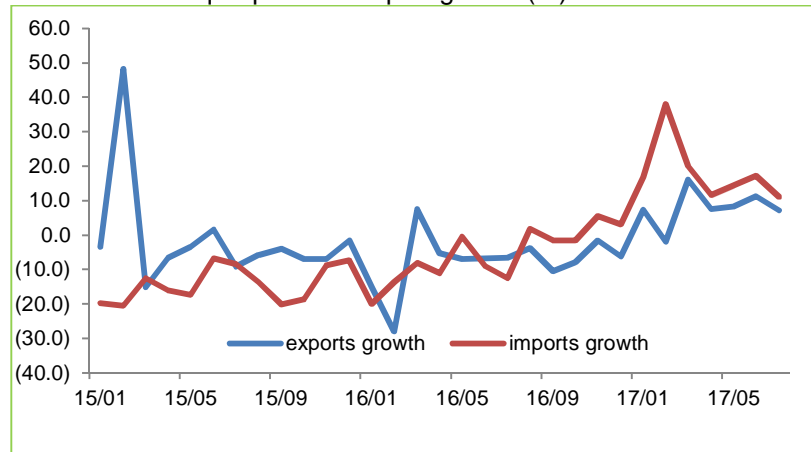
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- China\$ July export growth was 7.2% in USD terms, weaker than the 11.3% in June and the consensus forecast of 11.0%. Moderation in export growth was largely due to the appreciation of RMB against USD.
- Import growth also decelerated to 11.0% in July, compared with 17.2% in June. This decline in imports growth can be attributed to the bad weather, with high temperature in many areas and heavy floods in some weighing on manufacturing activities.
- With the significant deceleration in import growth, trade balance widened to US\$ 46.7bn in July from US\$ 42.8bn in June. We believe the higher-than-expected trade surplus in July, coupled with the FX reserves that recorded a sixth straight monthly increase, would provide support to RMB in the near term.
- Looking ahead, with the continuation of global economic recovery and a steady growth in China\$ economy, trade growth is expected to remain stable in the coming months despite the potential Sino-U.S. trade dispute. We maintain our forecasts that China\$ exports and imports would expand by 8.0% and 14.0% for 2017E.

China\$ July export growth was 7.2%¹ in USD terms, weaker than the 11.3% in June and the consensus forecast of 11.0% (Exhibit 1). The moderating export growth was in line with the slowdown observed in the new export orders index within the official manufacturing PMI. The deceleration in export growth was largely due to the appreciation of RMB against USD. The spot CNY against USD appreciated by 0.8% in July and 3.3% in 7M17.

Exhibit 1: China\$ export and import growth (%)



Source(s): China Customs, ABCI Securities

China\$ export shipment to five major destinations . the U.S., EU, ASEAN, Hong Kong, and Japan, grew by 8.9%, 10.1%, 4.1%, -3.6% and 6.6%, respectively, in July, compared with 19.8%, 15.2%, -0.4%, -7.3%, and 5.5% in June.

Imports also decelerated in July, rising by 11.0%, compared with 17.2% in June. Decline in import growth can be attributed to the bad weather,

¹ All growth rates are year-on-year except specified otherwise



with high temperature in many areas and heavy floods in some weighing on manufacturing activities. It is noted that import growth from the U.S. climbed to 24.2% in July from 14.8% in June.

With a significant deceleration in imports, trade balance widened to US\$ 46.7bn in July from US\$ 42.8bn in June. We believe the higher -than-expected trade surplus in July, coupled with the FX reserves that recorded a sixth straight monthly increase, would provide support to RMB in the near term.

Looking ahead, with the continuation of global economic recovery and a steady growth in China's economy, trade growth is expected to remain stable in the coming months despite the potential Sino-U.S. trade dispute. According to the WTO, the World Trade Outlook Indicator was 102.6 in August, the highest since April 2011, suggesting the global trade would continue to expand moderately in 3Q17. We maintain our forecasts that China's exports and imports would expand by 8.0% and 14.0% for 2017E.



China Economic Indicators

	2016							2017						
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Real GDP (YoY %)	6.7	---	---	6.7	---	---	6.8	---	---	6.9	---	---	6.9	---
Export Growth (USD, YoY %)	(4.8)	(4.4)	(2.8)	(10.0)	(7.3)	0.1	(6.1)	7.9	(1.3)	16.4	8.0	8.7	11.3	7.2
Import Growth (USD, YoY %)	(8.4)	(12.5)	1.5	(1.9)	(1.4)	6.7	3.1	16.7	38.1	20.3	11.9	14.8	17.2	11.0
Trade Balance (USD bn)	48.1	52.3	52.1	42.0	49.1	44.6	40.8	51.3	(9.1)	23.9	38.0	40.8	42.8	46.7
Retail Sales Growth (YoY %)	10.6	10.2	10.6	10.7	10.0	10.8	10.9	9.5	9.5	10.9	10.7	10.7	11.0	---
Industrial Production (YoY %)	6.2	6.0	6.3	6.1	6.1	6.2	6.0	6.3	6.3	7.6	6.5	6.5	7.6	---
PMI - Manufacturing (%)	49.9	50.4	50.4	50.4	51.2	51.7	51.4	51.3	51.6	51.8	51.2	51.2	51.7	51.4
PMI - Non-manufacturing (%)	53.9	53.5	53.7	53.7	51.2	50.9	51.9	54.6	54.2	55.1	54.0	54.5	54.9	54.5
FAI (YTD) (YoY %)	9.0	8.1	8.1	8.2	8.3	8.3	8.1	8.9	8.9	9.2	8.9	8.6	8.6	---
CPI (YoY %)	1.8	1.3	1.9	1.9	2.1	2.3	2.1	2.5	0.8	0.9	1.2	1.5	1.5	---
PPI (YoY %)	(1.7)	(0.8)	0.1	0.1	1.2	3.3	5.5	6.9	7.8	7.6	6.4	5.5	5.5	---
M2 (YoY %)	10.2	11.4	11.5	11.5	11.6	11.4	11.3	11.3	11.1	10.6	10.5	9.6	9.4	---
New Lending (RMB bn)	1380	464	949	1220	651	795	1040	2030	1170	1020	1100	1110	1540	---
Aggregate Financing (RMB bn)	1629	488	1470	1720	896	1740	1630	3740	1150	2120	1390	1060	1780	---

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	22,118.42	0.12	18.96	NYMEX WTI	USD/bbl.	49.55	(0.06)	854,221		1.25	0.00		
S&P 500	2,480.91	0.16	21.29	ICE Brent Oil	USD/bbl	52.50	0.15	348,287	US Prime Rate				
NASDAQ	6,383.77	0.51	33.77	NYMEX Natural Gas	USD/MMBtu	2.82	1.77	126,743	US Discount Window				
MSCI US	2,362.47	0.16	21.70	China Qinhuangdao Port Thermal Coal ²	USD/Metric Tonne	61.80	N/A	N/A	US Treasury (1 Yr)				
Europe				Basic Metals				US Treasury (5Yr)					
FTSE 100	7,521.62	0.13	27.37	LME Aluminum Cash	USD/MT	1,945.75	3.00	10,648	US Treasury (10 Yr)				
DAX	12,241.13	(0.46)	18.57	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,964.00	2.80	31,496	Japan 10-Yr Gov. Bond				
CAC40	5,195.25	(0.16)	18.54	CMX Copper Active	USD/lb.	6,388.25	0.57	7,935	China 10-Yr Gov. Bond				
IBEX 35	10,673.70	0.14	16.34	LME Copper 3- mth Rolling Fwd.	USD/MT	6,414.00	0.66	37,456	ECB Rate (Refinancing)				
FTSE MIB	22,001.64	0.30	N/A	Precious Metals				1-Month LIBOR					
Stoxx 600	381.40	(0.30)	21.75	CMX Gold	USD/T. oz	1,265.20	0.05	205,120	3 Month LIBOR				
MSCI UK	2,190.49	0.28	28.01	CMX Silver	USD/T. oz	16.23	(0.14)	70,660	O/N SHIBOR				
MSCI France	149.05	0.09	18.33	NYMEX Platinum	USD/T. oz	972.00	0.31	18,540	1-mth SHIBOR				
Asia				Agricultural Products				3-mth HIBOR					
NIKKEI 225	19,996.01	0.22	18.35	CBOT Corn	USD/bu	388.50	1.97	168,132	Corporate Bonds (Moody's)				
S&P/ASX 200	5,743.75	0.41	19.25	CBOT Wheat	USD/bu	466.50	2.58	71,300	Aaa 3.65 (3.00)				
HSI	27,806.15	0.88	14.50	NYB-ICE Sugar	USD/lb.	13.87	(1.91)	45,207	Baa 4.52 (10.0)				
HSCEI	11,078.75	0.69	9.16	CBOT Soybeans	USD/bu.	978.25	2.25	133,592					
CSI300	3,732.21	0.66	16.35										
SSE Composite	3,281.87	0.61	17.64										
SZSE Composite	1,879.17	1.11	34.69										
MSCI China	80.44	1.44	17.25										
MSCI Hong Kong	15,084.36	0.06	13.68										
MSCI Japan	972.44	0.46	15.91										

Note:

1. Data sources: Bloomberg, National Bureau of Statistics of China, ABCIS (updated on date of report)
2. The price is Coal 5500 kcal/kg FOB Spot Price

Currency

	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-mth Spot pr.
Spot Rate	1.1805	1.3036	0.7921	110.58	0.9733	6.7036	7.8232	6.8500
Chg. WTD (%)	0.27	(0.03)	(0.01)	0.10	(0.06)	0.38	(0.05)	0.42



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

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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