



Economic Insight

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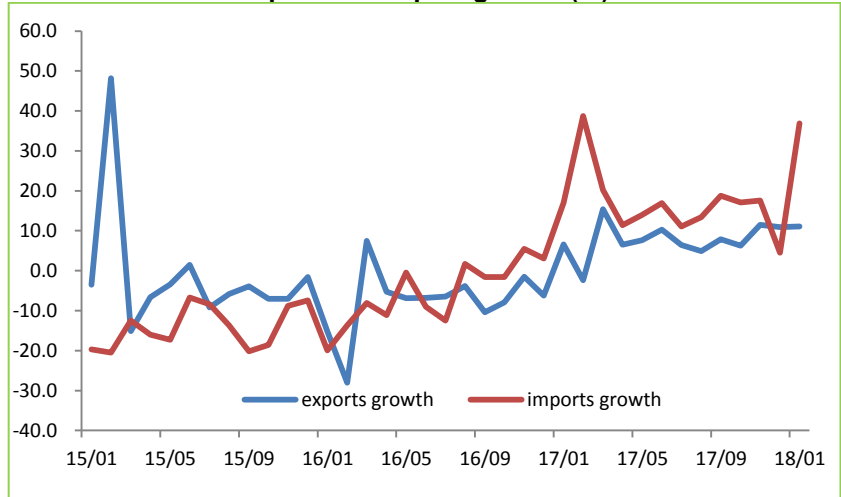
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China's trade growth rebounded in January

- China's January export growth was 11.1% in USD terms, stronger than the 10.9% in December 2017 and the consensus forecast of 10.8%. Acceleration in exports growth was largely due to the continuous recovery in global demand
- Imports surged 36.9% in January, compared with 4.5% in December 2017. The significant growth can be partially attributed to increased commodity imports and solid domestic demand. We believe the Lunar New Year holiday, which fell in late January 2017 but start in mid-February this year, may have inflated the import growth
- Trade balance narrowed to US\$ 20.3bn in January from US\$ 54.7bn in December 2017 on significant acceleration in imports
- Looking ahead, with the Sino-U.S. trade tension ratcheting up and strong RMB appreciation, trade growth is expected to moderate in coming months despite continuous global recovery and steady growth in China's economy. We maintain our forecasts that China's exports and imports would expand by 3.0% and 5.0% for 2018E, partially attributable to high-base effect.

China's January export growth was 11.1%¹ in USD terms, stronger than the 10.9% in December 2017 and the consensus forecast of 10.8% (Exhibit 1). Acceleration in export growth was largely due to the continuous recovery in global demand.

Exhibit 1: China's export and import growth (%)



Source(s): NBS, ABCI Securities

China's export shipment to five major destinations – the U.S., EU, ASEAN, Hong Kong, and Japan, grew by 11.1%, 10.3%, 18.4%, 18.9% and 1.4%, respectively, in January, compared with 12.7%, 12.7%, 8.4%, 7.4%, and 14.9% in December.

Imports surged by 36.9% in January, compared with 4.5% in December 2017. The significant growth can be partially attributed to

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



increased commodity imports and solid domestic demand. January imports for coal, crude oil, and iron ore grew by 11.5%, 19.6%, and 9.3%, respectively, in volume terms. We believe the Lunar New Year holiday, which fell in late January 2017 but start in mid-February this year, may have inflated the import growth, however.

With significant acceleration in imports, trade balance narrowed to US\$ 20.3bn in January from US\$ 54.7bn in December 2017.

Looking ahead, with the Sino-U.S. trade tension ratcheting up and strong RMB appreciation, trade growth is expected to moderate in coming months despite the continuation of global recovery and steady growth in China's economy. We maintain our forecasts that China's exports and imports would expand by 3.0% and 5.0% for 2018E, partially attributable to high-base effect.



China Economic Indicators

	2016		2017										2018	
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Real GDP (YoY %)	6.8	---	---	6.9	---	---	6.9	---	---	6.8	---	---	6.8	---
Export Growth (USD, YoY %)	(6.1)	7.9	(1.3)	16.4	8.0	8.7	11.3	7.2	5.5	8.1	6.9	12.3	10.9	11.1
Import Growth (USD, YoY %)	3.1	16.7	38.1	20.3	11.9	14.8	17.2	11.0	13.3	18.7	17.2	17.7	4.5	36.9
Trade Balance (USD bn)	40.8	51.3	(9.1)	23.9	38.0	40.8	42.8	46.7	42.0	28.5	38.2	40.2	54.7	20.3
Retail Sales Growth (YoY %)	10.9	9.5	9.5	10.9	10.7	10.7	11.0	10.4	10.1	10.3	10.0	10.2	9.4	---
---Industrial Production (YoY %)	6.0	6.3	6.3	7.6	6.5	6.5	7.6	6.4	6.0	6.6	6.2	6.1	6.2	---
PMI - Manufacturing (%)	51.4	51.3	51.6	51.8	51.2	51.2	51.7	51.4	51.7	52.4	51.6	51.8	51.6	51.3
PMI - Non-manufacturing (%)	51.9	54.6	54.2	55.1	54.0	54.5	54.9	54.5	53.4	55.4	54.3	54.8	55.0	55.3
FAI (YTD) (YoY %)	8.1	8.9	8.9	9.2	8.9	8.6	8.6	8.3	7.8	7.5	7.3	7.2	7.2	---
CPI (YoY %)	2.1	2.5	0.8	0.9	1.2	1.5	1.5	1.4	1.8	1.6	1.9	1.7	1.8	---
PPI (YoY %)	5.5	6.9	7.8	7.6	6.4	5.5	5.5	5.5	6.3	6.9	6.9	5.8	4.9	---
M2 (YoY %)	11.3	11.3	11.1	10.6	10.5	9.6	9.4	9.2	8.9	9.2	8.8	9.1	8.2	---
New Lending (RMB bn)	1040	2030	1170	1020	1100	1110	1540	826	1090	1270	663	1120	584	---
Aggregate Financing (RMB bn)	1630	3740	1150	2120	1390	1060	1780	1220	1480	1820	1040	1600	1140	---

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	24,893.35	(2.46)	20.06	NYMEX WTI	USD/bbl.	61.77	(5.62)	852,321	1.50	0.00	
S&P 500	2,681.66	(2.91)	21.81	ICE Brent Oil	USD/bbl	65.54	(4.43)	375,260	4.50	0.00	
NASDAQ	7,051.98	(2.61)	37.41	NYMEX Natural Gas	USD/MMBtu	2.70	(5.17)	229,852	2.00	0.00	
MSCI US	2,554.44	(2.88)	22.20	China Qinhuangdao Port Thermal Coal ²	USD/Metric Tonne	61.80	N/A	N/A	1.3346	(5.06)	
Europe				Basic Metals				US Treasury (1 Yr)			
FTSE 100	7,279.42	(2.20)	21.21	LME Aluminum Cash	USD/MT	2,161.50	(2.17)	13,440	2.5532	(3.51)	
DAX	12,590.43	(1.52)	17.83	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	2,158.00	(2.35)	38,431	2.8240	(1.71)	
CAC40	5,255.90	(2.03)	18.03	CMX Copper Active	USD/lb.	6,845.00	(2.43)	8,428	0.0820	(0.40)	
IBEX 35	9,976.90	(2.29)	15.31	LME Copper 3- mth Rolling Fwd.	USD/MT	6,880.00	(2.34)	54,977	3.8910	(2.80)	
FTSE MIB	22,986.18	(0.93)	107.1	Precious Metals				China 10-Yr Gov. Bond			
Stoxx 600	380.13	(2.05)	20.18	CMX Gold	USD/T. oz	1,315.40	(1.64)	374,435	0.00	0.00	
MSCI UK	2,110.65	(2.11)	21.72	CMX Silver	USD/T. oz	16.32	(2.33)	107,287	1.5793	(0.03)	
MSCI France	151.30	(1.98)	18.25	NYMEX Platinum	USD/T. oz	982.30	(1.71)	19,065	1.7907	0.17	
Asia				Agricultural Products				O/N SHIBOR			
NIKKEI 225	21,890.86	(5.94)	17.76	CBOT Corn	USD/bu	364.75	0.90	285,747	2.5720	5.47	
S&P/ASX 200	5,890.70	(3.77)	17.35	CBOT Wheat	USD/bu	458.50	2.63	102,377	4.0780	(5.13)	
HSI	30,333.27	(6.96)	14.12	NYB-ICE Sugar	USD/lb.	14.00	2.71	89,506	1.1775	(4.01)	
HSCEI	12,314.22	(9.04)	9.63	CBOT Soybeans	USD/bu.	982.75	0.41	146,897	Corporate Bonds (Moody's)		
CSI300	4,012.05	(6.07)	16.46					Aaa		3.70	(3.00)
SSE Composite	3,262.05	(5.78)	16.61					Baa		4.40	(2.00)
SZSE Composite	1,734.57	(4.77)	26.37								
MSCI China	91.55	(7.01)	17.85								
MSCI Hong Kong	15,548.11	(5.57)	13.05								
MSCI Japan	1,040.55	(5.81)	14.41								

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	1.2279	1.3902	0.7837	109.56	0.9438	6.3257	7.8188	6.4790
Chg. WTD (%)	(1.48)	(1.53)	(1.19)	0.56	(1.31)	(0.39)	0.02	(0.59)



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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