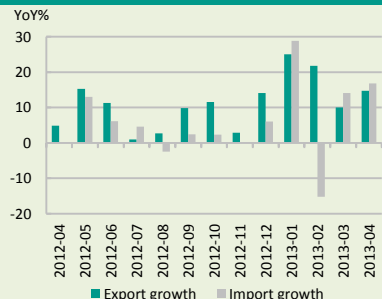


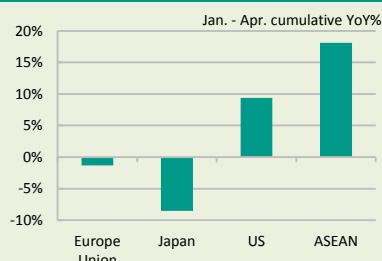
Economics Weekly

Growth of exports and imports



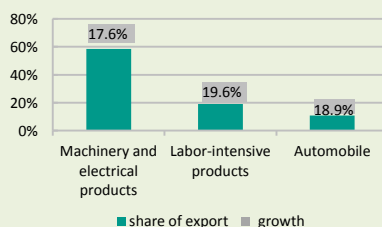
Source: Bloomberg, ABCIS

Total trade growth by region



Source: General Administration of Customs of PRC, ABCIS

Export products in the first 4 months



Source: General Administration of Customs of PRC, ABCIS

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Moderation in export growth ahead

China posted April external trade data with the YoY growth of exports and imports at 14.7% and 16.8% respectively, beating the consensus. Growth of total exports YTD reached 17.4%, slowing than that of 1Q13 at 18.4% while total imports picked up the momentum at 10.6% YoY, exceeding 1Q13 figure at 8.4%. Although the strength of US and ASEAN countries demand is able to partly offset the stagnation in Europe, the visibility of trade outlook remains uncertain as reflected by contraction of new export orders in April PMI figure. We expect China's export growth to slow moderately in May and June and should be able to maintain at low double-digit growth in 2Q13.

- **Trade recovery in selected areas only.** From January to April, China's trade with the US and ASEAN countries maintained strong growth momentum while Japan and EU still experienced negative trade growth with China. The data confirms that trade recovery process remains intact with momentum of growth depending on pace of global economic recovery. With Japan's new QE pledge and EU's monetary easing, we expect the trade growth between China and major trading partners will gradually improve in coming months.
- **Weakening new orders, major drag on exports.** The new export order PMI index returned to below 50 in April, signaling the decrease in new orders from overseas in next two months. Amid slower-than-expected global economic recovery, we expect overall external demand for China's exports is stagnant in 2Q13.
- **Import strength to pick up.** Chinese imports rose, from 14.1% YoY in March 2013 to 16.8% YoY in April, bringing smiles to exporters of iron ore, crude oil and other commodities, as well as Asian suppliers of industrial components and western producers of factory equipment and consumer goods. Current lower import prices resulted from continued falling commodity prices should be able to attract consumption demand, in our view. We expect import growth will accelerate in May and June.
- **Hopes of driving imports to sustain structural rebalancing of the economy.** Given the negative impact of renminbi appreciation on Chinese shipments and slow global economic recovery, China's export growth may turn out to miss the target. In order to meet 8% total trade growth target in 2013, China is now turning to emphasize more on the expansion of imports. To achieve this, the government can opt to implement preferential charging policies, scrutinize import charges and encourage domestic corporates to participate in import-related businesses. Enterprises can make use of better hi-tech equipment imports from the developed countries to upgrade industrial structures. All these are the effective policies that China may assume in the future to boost domestic demand and strengthen economic rebalancing.



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

China Economic Indicators

	2012									2013			
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Real GDP (YoY%)	---	---	7.6	---	---	7.4	---	---	7.9	---	---	7.7	---
Export Growth (YoY%)	4.9	15.3	11.1	1	2.7	9.9	11.6	2.9	14.1	25.0	21.8	10.0	14.7
Import Growth (YoY%)	0.3	12.7	6.3	4.7	-2.6	2.4	2.4	0	6	28.8	-15.2	14.1	16.8
Trade Balance (USD/Bn)	18.53	18.13	31.91	25.28	26.43	27.45	32.11	19.63	31.6	29.2	15.3	-0.9	18.2
Retail Sales Growth (YoY%)	14.1	13.8	13.7	13.1	13.2	14.2	14.5	14.9	15.2	12.3	12.6	12.9*	
Industrial Production (YoY%)	9.3	9.6	9.5	9.2	8.9	9.2	9.6	10.1	10.3	9.9	8.9	9.0*	
PMI - Manufacturing (%)	53.3	50.4	50.2	50.1	49.2	49.8	50.2	50.6	50.6	50.4	50.1	50.9	50.6
PMI - Non-manufacturing (%)	56.1	55.2	56.7	55.6	56.3	53.7	55.5	55.6	56.1	56.2	54.5	55.6	54.5
FAI(YTD) (YoY%)	20.2	20.1	20.4	20.4	20.2	20.5	20.7	20.7	20.6	21.2	20.9	20.9	21.5*
CPI (YoY%)	3.4	3	2.2	1.8	2	1.9	1.7	2	2.4	2.0	3.2	2.1	2.4
PPI (YoY%)	-0.7	-1.4	-2.1	-2.9	-3.5	-3.6	-2.8	-2.2	-1.9	-1.6	-1.6	-1.9	-2.6
M2 (YoY%)	12.8	13.2	13.6	13.9	13.5	14.8	14.1	13.9	13.8	15.9	15.2	15.7	15.3*
New Lending (RMB/Bn)	681.8	793.23	919.83	540.1	703.9	623.2	505.2	522.9	454.3	1070.0	620.0	1060.0	900*

*Data forecast

World Economic/Financial Indicators

Equity Index				Global Commodities						Bond Yields & Key Interest Rates		
	Closing price	Chng. WTD (%)	P/E		Unit	Price	Chng. WTD (%)	Volume (5-day average)		Yield (%)	Chng. WTD (%)	
US				Energy	NYMEX WTI	USD/bbl	96.20	0.62	283158.00	US Fed Fund Rate	0.25	0.00
DJIA	15105.12	0.88	14.60		ICE Brent	USD/bbl	103.86	-0.32	234760.80	US Prime Rate	3.25	0.00
S&P 500	1632.69	1.13	15.94		NYMEX Natural Gas	USD/MM Btu	3.93	-2.70	136694.40	US Discount Window	0.75	0.00
NASDAQ	3413.27	1.03	27.66		Australia Newcastle Steam Coal Spot fob	USD/Metric Tonne	86.65	N/A	N/A	US Treasury (1 Month)	0.0203	100.99
MSCI US	1559.92	1.13	16.23		LME Aluminum Cash	USD/MT	1876.25	1.58	18110.80	US Treasury (10 Yr)	1.7911	3.04
Europe				Basic Metals	LME Primary Aluminum 3 Month Rolling Forward	USD/MT	1908.00	1.38	51904.60	US Treasury (30 Yr)	2.97	0.55
FTSE 100	6583.95	0.96	16.96		CMX Copper Active Contract	USD/lb.	334.65	0.97	78789.40	Japan 10-Yr Government Bond	0.6	6.20
DAX	8234.42	1.38	15.46		LME Copper 3 Month Rolling Forward	USD/MT	7419.00	2.05	81629.40	China 10-Yr Government Bond	3.42	-0.58
CAC40	3915.99	0.08	16.67		TSI CFR China Iron Ore Fines Index	USD	130.20	1.64	N/A	ECB Interest Rate (Refinancing)	0.5	-33.33
IBEX 35	8565.10	0.24	80.10		CMX Gold	USD/T. oz	1469.60	0.37	152024.00	1-Month LIBOR	0.1992	0.50
FTSE MIB	17055.40	0.79	76.14	CMX Silver	USD/T. oz	23.99	-0.10	40470.20	3 Month LIBOR	0.2751	0.00	
Stoxx 600	302.98	0.64	20.07	NYMEX Platinum	USD/T. oz	1502.10	0.06	8278.60	3-Month SHIBOR	3.8803	-0.03	
MSCI UK	1947.67	0.97	17.13	CBOT Corn	USD/bu	630.50	-4.65	86066.00	3-Month HIBOR	0.3771	0.19	
MSCI France	110.33	0.99	21.33	CBOT Wheat	USD/bu	705.75	-2.12	47196.60	Corporate Bonds (Moody's Seasoned)			
MSCI Germany	113.68	0.93	14.54	NYB-ICE Sugar	USD/lb.	17.46	-0.40	52664.60	Aaa	3.79	0.53	
MSCI Italy	50.19	1.60	58.03	CBOT Soybeans	USD/bu.	1393.25	0.43	74569.80	Baa	4.64	0.87	
Asia				Agricultural Products								
NIKKEI 225	14191.48	3.63	28.46									
S&P/ASX 200	5198.38	1.34	21.33									
HSI	23211.48	2.30	10.56									
HSCEI	11266.89	3.88	8.98									
CSI300	2527.79	1.40	12.53									
SSE Composite	2232.97	1.25	11.98									
SZSE Composite	967.69	3.32	28.25									
MSCI China	62.43	2.88	10.32									
MSCI Hong Kong	12214.73	2.01	11.22									
MSCI Japan	737.83	3.64	26.47									
Currency												
										USD/ CNY		
										NDF 12 Month		
Spot Exchange Rate	1.3169	1.5553	1.0233	98.7600	0.9344	1.0016	6.1314	7.7603	6.2005			
Chng. WTD (%)	0.42	-0.13	-0.83	0.23	0.11	0.64	0.40	-0.02	0.37			

Note:

1. Data source: Bloomberg Finance LP, National Bureau of Statistics of China, ABCIS
2. Australia Newcastle Steam Coal Spot fob is the Australia Newcastle 6700 kcal GAD fob Steam Coal Spot price published by McCloskey
3. TSI CFR China Iron Ore Fines Index is calculated with the 62% Fe specification, spot price
4. Certain data is not reported as of the date of this report

**Disclosures**

We, Lam Chiu Kei, Banny, and PAN Hongxing, Paul, being the persons primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect our personal view about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. We and/or our associates have no financial interests in relation to any listed company (ies) covered in this report, and we and/or our associates do not serve as officer(s) of any listed company (ies) covered in this report.

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 2007-2011

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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