



Economics Weekly
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Exhibit 1: April economic indicators

YoY% or otherwise specified	Apr'15	Mar'15	1Q'15
Manufacturing PMI(%)	50.1	50.1	50.1
Non-Manufacturing PMI (%)	53.4	53.7	53.7
CPI	1.5	1.4	1.2
PPI	(4.6)	(4.6)	(4.6)
Exports	(6.4)	(15.0)	4.7
Imports	(16.2)	(12.7)	(17.6)
Trade Balance (US\$/bn)	34.13	3.08	123.7
FAI (YTD%)	12.0	13.5	13.6
Industrial production	5.9	5.6	6.4
Retail Sales	10.0	10.2	10.6
M2	10.1	11.6	10.52
New loans (RMB/bn)	707.9	1,180	3,670.7
Aggregate financing (RMB/bn)	1,050	1,181	4,602.2

Source(s): NBS, PBOC, Bloomberg, ABCI Securities

Anemic growth suggests more stimulus ahead

China's major economic data in 1Q15 have unequivocally pointed to a softening growth. In 2Q15, China faced a sluggish start in April with growth in FAI and retail sales moderating in varying degrees. Continued stagnation observed in April has already prompted policymakers to launch more stimulus measures to reverse the weakening trend. Further monetary easing, such as RRR cut, rate cut, and expansionary fiscal measures will be deployed to alleviate the downward pressure in the economy.

FAI growth continues to shrink. FAI grew 12.0% YoY in 4M15 (vs. 13.5% YoY in 3M15), mainly due to continued weakness in real estate investment. Sluggishness in the real estate sector, whose YTD growth in FAI only reached 6.0% YoY for 4M15 (vs. 8.5 % YoY in 3M15), suggests a rebalancing process is still in motion. Declining FAI growth in 4M15 indicates investors have remained vigilant over capital spending. The government's recent effort to launch certain infrastructure projects, however, should help reduce the possibility of a severe downturn in FAI. We reassert that infrastructure investment, which grew rapidly by 20.4% YoY in 4M15, will become the major growth driver this year.

Industrial production is gaining momentum. In April, industrial production expanded by 5.9% YoY, up from the 5.6% YoY in March. Overall manufacturing activities were recovering only slowly, but some product categories managed to record a double-digit growth on a YoY basis. In particular, value-added growth of "Computer, Communication Equipment and Other Electronic Equipment" rose 10.2% YoY while "Medicines" increased 11.4% YoY. We believe industrial production would recover further as the economic conditions improve.

Retail sales in deceleration. April retail sales grew 10.0% YoY, lower than the 10.2% YoY increase in March. The growth was mainly dented by the "Petroleum and Related Products" category that fell 7.4% YoY as well as the "Automobile" category that posted a tepid expansion of 1.6%YoY. Going forward, retail sales is likely to trend up on the government's persistent efforts to encourage private consumption and positive wealth impacts induced by an ebullient stock market.

Decline in external trade narrowed. Exports and imports fell 6.4% YoY (6.2% YoY in RMB) and 16.2% YoY (16.1% in RMB) in April while trade balance reached US\$ 34.13bn (210.21bn in RMB). For 4M15, exports rose 1.6% (1.8% in RMB) while imports fell by 17.3% YoY (17.0% in RMB). The decline in April's external trade was partly caused by the high base in 2014 although it also reflects softening external demand, especially from the Eurozone. Yet, we believe the absolute values of exports and imports would continue to increase MoM as domestic demand rebounds on improved economic outlook and demand for China's exports from the U.S, Eurozone and emerging economies rises.

Disinflation stabilized in April. CPI increased by 1.5% YoY in April, slightly higher than March's 1.4%. The higher inflation was primarily driven by food prices that rose 2.7% YoY, versus March's 2.3%. A YTD CPI inflation low at 1.3% would leave room for PBOC to



maneuver further monetary easing when necessary. Decline in PPI remained at 4.6% YoY in April, the same as that of March. Stagnant growth of manufacturing activities and low input prices have resulted in the continuous decline in producers' prices. While a major turnaround in PPI is unlikely in the short term, we expect the index to improve gradually over time.

Monetary growth, new loans and aggregate financing moderated further in April. M2 growth and new loans edged down to 10.1% (vs. 11.6% in March) and RMB 707.9bn (vs. 1.18 tr.in March) in April despite PBOC's credit loosening measures, signifying further slowdown in monetary growth. Aggregate financing for April also fell to RMB 1.05tr, down 31.2% YoY. In our view, previous credit loosening measures have not been fully utilized and their lagged impacts on liquidity should be seen in the coming months. Overall, increased liquidity will help accommodate capital demand in 2015.



China Economic Indicators

	2014												2015			
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Real GDP (YoY%)	---	---	7.4	---	--	7.5	--	---	7.3	---	---	7.3	---	---	7.0	---
Export Growth (YoY%)	10.6	(18.1)	(6.6)	0.9	7.0	7.2	14.5	9.4	15.3	11.6	4.7	9.7	(3.2)	48.3	(15.0)	(6.4)
Import Growth (YoY%)	10.0	10.1	(11.3)	0.8	(1.6)	5.5	(1.6)	(2.4)	7.0	4.6	(6.7)	(2.4)	(19.7)	(20.5)	(12.7)	(16.2)
Trade Balance (USD/bn)	31.9	(23.0)	7.7	18.5	35.9	31.6	47.3	49.8	30.9	45.4	54.5	49.6	60.0	60.6	3.1	34.1
Retail Sales Growth (YoY%)	11.8		12.2	11.9	12.5	12.4	12.2	11.9	11.6	11.5	11.7	11.9	10.7		10.2	10.0
Industrial Production (YoY%)	8.6		8.8	8.7	8.8	9.2	9.0	6.9	8.0	7.7	7.2	7.9	6.8		5.6	5.9
PMI - Manufacturing (%)	50.5	50.2	50.3	50.4	50.8	51.0	51.7	51.1	51.1	50.8	50.3	50.1	49.8	49.9	50.1	50.1
PMI - Non-manufacturing (%)	53.4	55.0	54.5	54.8	55.5	55.0	54.2	54.4	54.0	53.8	53.9	54.1	53.7	53.9	53.7	53.4
FAI(YTD) (YoY%)	17.9		17.6	17.3	17.2	17.3	17.0	16.5	16.1	15.9	15.8	15.7	13.9		13.5	12.0
CPI (YoY%)	2.5	2.0	2.4	1.8	2.5	2.3	2.3	2.0	1.6	1.6	1.4	1.5	0.8	1.4	1.4	1.5
PPI (YoY%)	(1.6)	(2.0)	(2.3)	(2.0)	(1.4)	(1.1)	(0.9)	(1.2)	(1.8)	(2.2)	(2.7)	(3.3)	(4.3)	(4.8)	(4.6)	(4.6)
M2(YoY%)	13.2	13.3	12.1	13.2	13.4	14.7	13.5	12.8	12.9	12.6	12.3	12.2	10.8	12.5	11.6	10.1
New Lending (RMB/bn)	1,320	644.5	1,050	774.7	870.8	1,080	385.2	702.5	857.2	548.3	852.7	697.3	1,470	1,020	1,180	707.9
Aggregate Financing (RMB bn)	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	1,690	2,050	1,350	1,181	1,050

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	0.25	0.00
DJIA	18,068.23	(0.68)	15.67	NYMEX WTI	USD/bbl	61.54	405,044	US Prime Rate	3.25	0.00
S&P 500	2,099.12	(0.80)	18.55	ICE Brent Oil	USD/bbl	67.47	244,800	US Discount Window	0.75	0.00
NASDAQ	4,976.19	(0.55)	29.07	NYMEX Natural Gas	USD/MMBtu	2.89	148,067	US Treasury (1 Yr)	0.0000	0.00
MSCI US	2,009.75	(0.79)	19.06	Australia Newcastle Steam Coal Spot fob ²	USD/Metric Tonne	61.80	N/A	US Treasury (5Yr)	1.5408	5.29
Europe				Basic Metals				US Treasury (10 Yr)	2.2272	7.94
FTSE 100	6,979.07	(0.96)	23.75	LME Aluminum Cash	USD/MT	1,861.00	16,040	Japan 10-Yr Gov. Bond	0.4550	3.40
DAX	11,540.02	(1.45)	18.31	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,895.50	44,837	China 10-Yr Gov. Bond	3.4000	(5.00)
CAC40	5,030.20	(1.18)	25.72	CMX Copper Active	USD/lb.	6,446.00	10,908	ECB Rate (Refinancing)	0.05	0.00
IBEX 35	11,403.20	(0.19)	20.66	LME Copper 3- mth Rolling Fwd.	USD/MT	6,440.00	38,956	1-Month LIBOR	0.1856	0.09
FTSE MIB	23,348.96	0.16	74.08	Precious Metals				3 Month LIBOR	0.2766	(0.33)
Stoxx 600	399.11	(0.26)	23.73	CMX Gold	USD/T. oz	1,193.00	130,371	O/N SHIBOR	1.2470	(19.6)
MSCI UK	2,036.19	(1.57)	24.04	CMX Silver	USD/T. oz	16.67	34,777	1-mth SHIBOR	3.0420	(16.9)
MSCI France	140.19	(2.14)	26.50	NYMEX Platinum	USD/T. oz	1,134.80	9,215	3-mth HIBOR	0.3881	0.14
Asia				Agricultural Products				Corporate Bonds (Moody's)		
NIKKEI 225	19,764.72	1.99	21.66	CBOT Corn	USD/bu	360.00	154,624	Aaa	4.03	12.00
S&P/ASX 200	5,715.15	1.43	20.57	CBOT Wheat	USD/bu	483.25	65,209	Baa	4.94	13.00
HSI	27,249.28	(1.19)	11.55	NYB-ICE Sugar	USD/lb.	13.52	65,493			
HSCEI	13,859.55	(1.35)	9.99	CBOT Soybeans	USD/bu.	959.00	101,777			
CSI300	4,719.04	3.52	19.88							
SSE Composite	4,375.76	4.04	21.72							
SZSE Composite	2,445.87	7.64	60.14							
MSCI China	80.87	(0.20)	12.50							
MSCI Hong Kong	14,097.05	(0.88)	10.61							
MSCI Japan	986.00	0.80	17.45							

Currency

	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-mth Spot pr.
Spot Rate	1.1233	1.5663	0.8030	119.78	0.9272	6.2046	7.7529	6.2520
Chg. WTD (%)	0.30	1.35	1.24	(0.02)	0.33	0.08	0.01	0.30

Note:

1. Data sources: Bloomberg, National Bureau of Statistics of China, ABCIS (updated on date of report)
2. Australia Newcastle Steam Coal Spot fob is the Australia Newcastle 6700 kc GAD fob Steam Coal Spot price published by McCloskey



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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