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China to push for “New Silk Road” vision

The Boao Forum for Asia 2015 will be held in Boao, Hainan, between March 26-29. The forum will center on building a better Asia through regional cooperation. By promoting prosperity in both Asia and the world, China plays a crucial role in enhancing closer economic integration in the Asia-Pacific region. China's call for Asian nations to build a community of shared interests and responsibilities in both economic development and security is vital for the long-term development of Asia. One of the initiatives for promoting economic cooperation across Asia, Europe and Africa is China's trans-Eurasia and across-ocean trade strategy to build the Silk Road Economic Belt and 21st century Maritime Silk Road. Meanwhile, the goal of the Asian Infrastructure Investment bank (AIIB) is to provide funding for infrastructure projects in Asia. We expect China will release more implementation details concerning the Silk Road Economic Belt at the Forum while encouraging Asian and western nations to join the AIIB.

China's “New Silk Road” vision. The Silk Road Economic Belt and 21st Century Maritime Silk Road are the major infrastructure and investment schemes to widen China's economic connections around the world. Major infrastructure projects in railways, roads, energy, information technology, and industrial parks will be started in the coming years. The “New Silk Road” envisions an economic cooperation area stretching from the East to the West and formation of closer economic ties with countries along the Road. China's three new free trade zones (FTZ) to be established in Guangdong, Fujian and Tianjin, together with the existing one in Shanghai, would also enhance trading relationships and promote facilitate economic cooperation in the Asia-Pacific region. We believe more specific details concerning the “New Silk Road” initiative will be released at the Forum.

Asian Infrastructure Investment Bank (AIIB) to facilitate funding for infrastructure projects in Asia. Emerging Asian countries need infrastructure facilities such as new ports, railways, bridges, airports, and roads to support faster growth. The Asian Development Bank (ADB), a regional development bank designed to facilitate economic development in Asia, estimated in 2010 that developing Asian countries would have an infrastructure demand of about US\$ 8 trillion over the ten years to 2020. Despite China's recent ramp-up in infrastructure and social welfare investments, there remains a structural financing gap for infrastructure in developing Asian countries. The China-led AIIB will help provide new capital for regional infrastructure, which is in line with the country's “New Silk Road” strategy to integrate the Eurasian continent via improved infrastructure.

Beneficiaries of the Silk Road Economic Belt. The “New Silk Road” vision will unleash the potential of large-scale investments in the infrastructure and railway sectors, benefiting companies such as beneficiaries will include **China Communications Construction Co Ltd (1800 HK)**, **China Railway Construction Corporation (1186 HK)**, **China Railway Group (390 HK)** and **China Machinery Engineering Corp (1829 HK)**.



China Economic Indicators

| | 2013 | 2014 | | | | | | | | | | | | 2015 | |
|------------------------------|---------|-------|--------|---------|-------|-------|-------|-------|-------|---------|-------|---------|---------|---------|--------|
| | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| Real GDP (YoY%) | 7.7 | --- | --- | 7.4 | --- | --- | 7.5 | --- | --- | 7.3 | --- | --- | 7.3 | --- | --- |
| Export Growth (YoY%) | 5.8 | 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 |
| Import Growth (YoY%) | 6.5 | 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) |
| Trade Balance (USD/bn) | 32.3 | 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 |
| Retail Sales Growth (YoY%) | 13.6 | 11.8 | | 12.2 | 11.9 | 12.5 | 12.4 | 12.2 | 11.9 | 11.6 | 11.5 | 11.7 | 11.9 | 10.7 | |
| Industrial Production (YoY%) | 9.7 | 8.6 | | 8.8 | 8.7 | 8.8 | 9.2 | 9.0 | 6.9 | 8.0 | 7.7 | 7.2 | 7.9 | 6.8 | |
| PMI - Manufacturing (%) | 51.0 | 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 |
| PMI - Non-manufacturing (%) | 54.6 | 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 |
| FAI(YTD) (YoY%) | 19.6 | 17.9 | | 17.6 | 17.3 | 17.2 | 17.3 | 17.0 | 16.5 | 16.1 | 15.9 | 15.8 | 15.7 | 13.9 | |
| CPI (YoY%) | 2.5 | 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 |
| PPI (YoY%) | (1.4) | (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) |
| M2(YoY%) | 13.6 | 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 |
| New Lending (RMB/bn) | 482.5 | 1,320 | 644.5 | 1,050 | 774.7 | 870.8 | 1,080 | 385.2 | 702.5 | 857.2 | 548.3 | 852.7 | 697.3 | 1,470.0 | 1,020 |
| Aggregate Financing (RMB bn) | 1,232.2 | 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 | 1,690.0 | 2,050.0 | 1,350 |

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 | 18,011.14 | (0.64) | 15.79 | NYMEX WTI | USD/bbl | 47.18 | 3.19 | 191,257 | 0.25 | 0.00 | |
| S&P 500 | 2,091.50 | (0.79) | 18.63 | ICE Brent Oil | USD/bbl | 55.09 | (0.42) | 209,573 | 3.25 | 0.00 | |
| NASDAQ | 4,994.73 | (0.63) | 30.19 | NYMEX Natural Gas | USD/MMBtu | 2.73 | (2.08) | 127,789 | 0.75 | 0.00 | |
| MSCI US | 2,003.75 | (0.79) | 19.16 | Australia Newcastle Steam Coal Spot fob ² | USD/Metric Tonne | 61.80 | N/A | N/A | 0.2138 | 0.00 | |
| Europe | | | | Basic Metals | | | | US Treasury (1 Yr) | | | |
| FTSE 100 | 7,030.52 | 0.11 | 24.15 | LME Aluminum Cash | USD/MT | 1,781.75 | (0.56) | 17,633 | 1.3585 | (5.59) | |
| DAX | 12,014.17 | (0.21) | 20.07 | LME Aluminum 3 -mth. Rolling Fwd. | USD/MT | 1,791.00 | (0.28) | 34,108 | 1.8713 | (5.90) | |
| CAC40 | 5,083.18 | (0.08) | 26.33 | CMX Copper Active | USD/lb. | 6,172.00 | 1.67 | 8,776 | 0.3300 | 0.10 | |
| IBEX 35 | 11,578.70 | 1.39 | 21.89 | LME Copper 3- mth Rolling Fwd. | USD/MT | 6,145.00 | 1.65 | 75,795 | 3.5300 | (2.00) | |
| FTSE MIB | 23,321.08 | 0.62 | 85.70 | Precious Metals | | | | China 10-Yr Gov. Bond | | | |
| Stoxx 600 | 401.83 | (0.54) | 24.97 | CMX Gold | USD/T. oz | 1,192.30 | 0.65 | 167,704 | 0.05 | 0.00 | |
| MSCI UK | 2,061.29 | (0.06) | 24.49 | CMX Silver | USD/T. oz | 16.96 | 0.46 | 43,783 | 0.1738 | (0.03) | |
| MSCI France | 143.32 | 0.01 | 30.00 | NYMEX Platinum | USD/T. oz | 1,144.60 | 0.15 | 5,880 | 0.2668 | 0.00 | |
| Asia | | | | Agricultural Products | | | | O/N SHIBOR | | | |
| NIKKEI 225 | 19,746.20 | 0.95 | 22.40 | CBOT Corn | USD/bu | 394.50 | 2.47 | 161,233 | 3.2100 | (8.40) | |
| S&P/ASX 200 | 5,973.32 | (0.04) | 21.12 | CBOT Wheat | USD/bu | 527.50 | (0.47) | 57,299 | 5.0180 | (1.30) | |
| HSI | 24,528.23 | 0.63 | 10.33 | NYB-ICE Sugar | USD/lb. | 12.33 | (2.76) | 56,369 | 0.3893 | 0.09 | |
| HSCEI | 11,968.91 | (1.54) | 8.55 | CBOT Soybeans | USD/bu. | 981.25 | 0.77 | 106,011 | Corporate Bonds (Moody's) | | |
| CSI300 | 3,940.41 | 1.23 | 17.07 | | | | | Aaa | | 3.54 | (1.00) |
| SSE Composite | 3,660.73 | 1.20 | 17.85 | | | | | Baa | | 4.46 | 2.00 |
| SZSE Composite | 1,943.69 | 4.90 | 45.84 | | | | | | | | |
| MSCI China | 69.49 | (0.22) | 10.70 | | | | | | | | |
| MSCI Hong Kong | 12,861.27 | 0.28 | 9.63 | | | | | | | | |
| MSCI Japan | 979.23 | 0.48 | 17.96 | | | | | | | | |

Currency

| | Euro/USD | GBP/USD | AUD/USD | USD/JPY | USD/CHF | USD/CNY | USD/HKD | USD/CNY NDF 12-mth Spot pr. |
|--------------|----------|---------|---------|---------|---------|---------|---------|-----------------------------|
| Spot Rate | 1.0963 | 1.4872 | 0.7878 | 119.61 | 0.9578 | 6.2129 | 7.7540 | 6.3703 |
| Chg. WTD (%) | 1.31 | (0.52) | 1.32 | 0.36 | 1.82 | (0.13) | 0.05 | 0.19 |

Note:

- Data sources: Bloomberg, 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



Disclosures

Analyst Certification

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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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