

China's Economic & Market

Regulator tightening market oversight

This was triggered after the Shanghai Composite Index dropped by more than 30 percent from a seven-year high of 5,178.19 points in early June. More than \$4.5 trillion has been wiped off the value of shares since then. In a bid to restore confidence, the China Securities Regulatory Commission has fined at least eight securities firms as well as fund managers, tech businesses and major shareholders of listed companies for market irregularities. "The action has signaled the regulator's intention to restore market order and fair play, and to protect investors' interest," Xu Hongcai, director of economic research department of the China International Economic Exchange Center in Beijing, said.

Chinese, foreign executives expect RMB to become fully convertible in five years

Global financial services providers expect the Chinese currency can achieve full convertibility in about five years, a report from the Economist Intelligence Unit said on Friday. The report, titled "A delicate stage: The future of the RMB as a global investment currency", surveyed more than 200 senior executives from financial institutions both in China and abroad about the long-term future of the RMB as an investment currency. Around 63 percent of respondents in China and 78 percent from overseas think that the RMB will become fully convertible and tradable without restrictions in five years' time. Majorities of both groups believe it will take slightly longer, seven to 10 years, for the RMB to become a global investment currency, said the report. According to the British think tank, 60 percent of respondents in China believe the RMB will surpass the US dollar as the world's most commonly used currency within the next decade.

China's first green bond A-rated by Fitch

The Chinese mainland's first green bond, issued by Agricultural Bank of China (ABC) and listed on the London Stock Exchange, was assigned a long-term A ratings by Fitch, the rating agency on Friday. The \$1 billion equivalent climate bond is the first green bond issued by a Chinese mainland financial institution and the first green bond denominated in RMB issued by an Asian issuer. A green bond is an innovative financing method used around the world, directing financial resources to environmental protection. The proceeds from the bonds will be used by ABC for lending to support environmental protection, energy conservation and greenhouse gas emission reduction, and to fund eligible green projects. The proceeds may be invested in China or overseas. Failure to comply with the use of proceeds' obligations will not constitute a default event, Fitch said. The green bonds represent direct, unconditional, unsecured and unsubordinated obligations of the

bank, and are rated in line with ABC's long-term issuer default rating (IDR) of "A", Fitch said in a statement.

Silk Road Fund to invest \$100m in Chinese company's IPO

Silk Road Fund is set to invest \$100 million in China International Capital Corp's initial public offering in Hong Kong. The first Sino-foreign investment bank and its existing shareholder National Council for Social Security Fund are offering a combined 611.4 million shares at HK\$9.12 to HK\$10.28 apiece, raising as much as \$811 million, according to the company's prospectus. It is the first time that the Silk Road Fund invested in an initial public offering. Founded in 2014, the fund aims to provide investment and financing support to infrastructure, resources, industrial cooperation and other projects related to connectivity for countries along the "Belt and Road".

Yuan's internalization relies on market force

The internationalization of renminbi relies on market force, and will see an increasing trend for renminbi loans and China's outbound direct investment (ODI), said a central bank official on Monday. As the country has entered the stage of investing outward, renminbi-denominated loans and investments serve well to facilitate such demands, Yao Yudong, dean of Financial Research Institute at People's Bank of China, said at the 2015 Beijing Forum for Emerging Markets. In the first eight months this year, China's capital account saw a 59 percent increase in transactions to 3.25 trillion yuan. Renminbi investments will play a significant role in China's economic cooperation with emerging markets, especially in infrastructure, said Yao.

Historical macro economy data and projections

% change, unless otherwise stated

		4Q2015E	1Q2016E	2Q2016E	3Q2016E	4Q2016E
Real GDP	yoy	6.9	6.9	6.8	6.8	6.9
	qoq, ann.	6.6	6.0	7.3	7.2	7.0
Nominal GDP	yoy	6.4	7.1	6.9	7.0	7.1
IP	yoy	6.0	6.2	6.6	6.6	6.1
Nominal urban FAI	yoy	9.4	8.8	9.5	11.2	10.3
Nominal Retail Sales	yoy	10.9	10.5	10.2	11.4	11.4
Customs Exports	yoy	-5.3	-0.8	2.9	2.0	1.0
Customs Imports	yoy	-12.9	3.4	-0.9	-0.2	-1.4
M2 Supply	yoy	13.1	13.5	12.8	12.2	13.0
RMB New Loans	RMB bn	2.1	5.1	4.2	3.1	2.7
CPI	yoy	1.6	1.8	1.4	1.0	1.0
PPI	yoy	-4.4	-2.0	-1.5	-0.8	-0.7
GDP Deflator	yoy	-0.4	0.2	0.2	0.2	0.2
1Yr Benchmark Lending	%p.a.	4.60	4.35	4.35	4.35	4.35
1Yr Benchmark Deposit	%p.a.	1.50	1.25	1.25	1.25	1.25
USD/CNY	Market	6.40	6.45	6.47	6.48	6.50

Source: CEIC, CICC Research

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