

China's Economic & Market

Green bonds issued for renewable energy

The issue of green bonds last month by two Chinese financial institutions showed that local investment organizations are actively looking for opportunities in sectors focused on sustainable development. Industrial Bank Co Ltd, a leading commercial lender in green finance based in Southeast China's Fujian province, issued a three-year green bond worth 10 billion yuan (\$1.52 billion) at a coupon rate of 2.95 percent annually. It followed Shanghai Pudong Development Bank Co Ltd, a mid-sized lender, raising 20 billion yuan in China's first domestic green bond offer at the same coupon rate to support clean energy and environmental protection. The sale of the three-year bond attracted orders that were twice the size of the offer. In December, the People's Bank of China, the central bank, posted a notice on its website, establishing an institutional framework for green bond issuance in the interbank bond market.

China launches online platform to register fund-raising victims

The Ministry of Public Security (MPS) has launched an online platform to record investors and investments in illegal fund-raising cases. The website will be used to help with investigation in such cases and will be the basis for investors who were swindled out of money to receive compensation for their loss, the MPS said. Investors in online peer-to-peer broker ezubao and its related companies, which are under investigation for alleged illegal fund-raising, will be given priority when registering their loss (ecidwc.mps.gov.cn). Police investigations found substantial evidence that ezubao cheated about 900,000 investors out of more than 50 billion yuan (\$7.6 billion). The P2P platform had been in operation for 18 months when it was shut down by police in December after conducting transactions involving 70 billion yuan. Most investment projects featured on the company website were fake, police said.

China opens bond market to individual investors

China's central bank on Sunday allowed individual investors to purchase all types of bonds over bank counters. Individuals with annual income of more than 500,000 yuan (around \$76,500), 3 million yuan of financial assets and over two years of securities investment experience can now buy any bonds they like over the counter, according to a regulation released by the People's Bank of China (PBOC). Previously, only certificate treasury bonds were available to individuals. The new policy aims to boost the bond market and direct financing, the PBOC said.

China central bank pumps more funds into financial system

China's central bank on Friday pumped 163 billion yuan (\$25 billion) into the financial system in open market operations via medium-term lending facility (MLF). The MLF is a liquidity tools the bank introduced in 2014 to help commercial and policy banks maintain liquidity by allowing them to borrow from the central bank by using securities as collateral. The fresh funds were injected into 20 financial institutions, according to the People's Bank of China (PBOC). MLF worth 110 billion yuan had been due on the same day.

Reserve ratio cut aimed at shoring up economic growth

China's central bank reduced the amount of cash that commercial banks must put aside as reserves, a move that analysts said is aimed to shore up economic growth and could be followed by more monetary measures to address any further downturn. The People's Bank of China said in a statement that the reserve requirement ratio, known as RRR, will be cut by 50 basis points for all banks beginning on Tuesday, taking the ratio to 17 percent for the country's biggest lenders. It is aimed to help keep market liquidity at reasonable levels and guide stable and appropriate credit growth, according to the statement. China's foreign exchange reserves hit \$3.3 trillion by the end of last year, over \$500 billion less than a year ago, sparking concerns over liquidity shortage that have spread to the capital market. Major stock indexes have tumbled continually since the start of this year, with the benchmark Shanghai Composite Index shedding nearly 30 percent at the worst.

Historical macro economy data and projections

% change, unless otherwise stated

% chg, unless otherwise stated		1Q 2015	2Q2015	3Q2015	4Q2015	Jan-16	Feb-16
IP	yoy	6.4	6.3	5.9	5.9	6.0	
	qoq sequential annualized	3.4	7.6	4.9	7.6	4.0	
Nominal FAI	yoy (ytd)	13.5	11.4	10.3	10.0	7.9	
	yoy (monthly)	13.7	10.3	8.8	9.3	7.9	
Nominal retail sales	yoy	10.5	10.2	10.7	11.1	10.8	
Exports	yoy	4.6	-2.2	-5.9	-5.2	-11.5	-16.2
Imports	yoy	-17.8	-13.6	-14.4	-11.8	-18.8	-5.6
Trade balance	USD bn	124	140	164	175	63	39
CPI	yoy	1.2	1.4	1.7	1.5	1.8	2.0
	qoq sequential annualized	0.4	2.5	3.2	0.0	0.8	1.8
PPI	yoy	-4.6	-4.7	-5.7	-5.9	-5.3	-4.6
	qoq sequential annualized	-8.4	-2.8	-5.7	-6.8	-6.2	-5.5
M2	yoy	11.6	11.8	13.1	13.3	14.0	13.4
New Loans	RMB bn	3,670	2,880	3,340	1,820	2,510	1,500
TSF	RMB bn	4,644	4,125	3,156	3,368	3,417	1,900

Source: CEIC, CICC Research

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