

What You Should Know This Week: CSOP's Weekly China Wrap Up

China announces all-important, semi-decennial National Congress date

China announced that the 19th National Congress will be held from October 18, 2017. The National Congress is a semi-decennial congressional meeting that is considered the most important political event in China. The date was set by the Communist Party's decision-making Politburo, according to the state media.

Why is it significant and what to look out for?

Around 2,300 congress delegates will vote on a new Central Committee, which in turn will endorse leadership appointments and constitutional changes. The actual voting process is questionable however; as most believe the general delegates will vote in favor of any proposals from the top. Presumably, most important decisions and appointments have been agreed upon prior to the meeting. Regardless, all eyes will be on whether President Xi's political philosophy will be enshrined into the party's constitution. If so, Xi will be elevated in status that is comparable to previous *paramount* leaders Mao Zedong and Deng Xiaoping. Another point of focus will be what important positions will be bestowed on Xi's closest allies. If they are placed in key positions, it is expected that Xi's reforms will get stronger support in the next five years or even longer.

	Opening	Announcement
19th National Congress	Oct 18, 2017	Aug 31, 2017
18th National Congress	Nov 8, 2012	Sep 28, 2012
17th National Congress	Oct 15, 2007	Aug 28, 2007
16th National Congress	Nov 8, 2002	Aug 25, 2002
15th National Congress	Sep 12, 1997	Aug 27, 1997

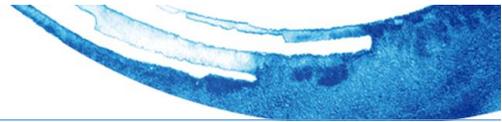
India and China resolve two-month long territorial dispute ahead of BRICS summit

India has reported retracted its troops from a disputed territory with China, after more than a two month long stand-off. The news was later confirmed by China's Ministry of Foreign Affairs. The announcement came ahead of the BRICS annual summit happening this weekend in Xiamen, China.

Concerns surrounding regional disputes

With geopolitical risk considered to be among top concerns for China equity investors as a possible regional war could rattle the local markets, seeing the dispute being resolved after months of intense arguments between the two nations was very good news. China has thus far had a good year, with buoyant macro data spurring local equities to year-highs, as tighter monetary policy and supply side reforms gradually relieving investor concerns such as zombie companies and shadow banking.

In recent years, China has increasingly relied on economic muscle rather than military solutions to resolve regional disputes, from persuading Philippine to stand on its side on South China Sea issue, to retaliating against South Korea on deployment of a US missile system. Risks remain however, with China seemingly preparing for a regional war if economic and diplomatic solutions turn ineffective. A Sino-Vietnamese war veteran was reported promoted recently to a top job in the People's Liberation Army. The commander was well-regarded as a seasoned leader with real combat experience.



Hong Kong Stock Exchange considers releasing investor identity information

Hong Kong Stock Exchange is exploring a mechanism that requires certain investors to register with their real name, according to the exchange's spokesperson. The new mechanism is expected to be applied to the participants of Stock Connect schemes between Hong Kong and Shanghai/Shenzhen.

What is the reason for the consideration?

Under the current arrangement of Hong Kong Stock Exchange, only broker names are disclosed as public information rather than real names of investors. Thus, outsiders generally have no information on the real beneficiary behind a brokered trade. This arrangement helps to protect privacy of investors, but poses certain challenges for regulators. Comparatively, on the stock markets of China (Shanghai/Shenzhen), each investor has a unique investor ID which provides full visibility on who is buying and selling. Some view the announced change by the Hong Kong Stock Exchange as an initiative to better connect with onshore A-share market facilities.

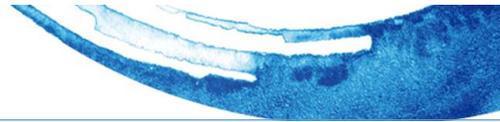
Farmers granted right to develop land into residential rental properties

Farmers in thirteen large Chinese cities were granted ability to development of collectively-owned land into residential rental properties, the first of such allowances in the country's history. The pilot scheme was announced jointly by the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development, and covers major cities including Beijing, Shanghai, Hangzhou and Guangzhou. The central government introduced the new policy to stabilize housing markets in megacities, which have seen surging property prices due to massive influx of immigrants.

What are the implications?

In the large Chinese cities where population is expected to increase by another 100 million by 2020, the scheme would increase supply and arguably relieve housing pressures for low-income families. Rental properties should provide accommodations for those who can't afford purchasing their own properties. Meanwhile, by converting collectively-owned lands to property projects, farmers can also earn a secondary source of income from collecting rent. As the first policy to include rural land in the mainstream property market historically dominated by the state, the policy was received warmly overall.

However, some critics were less optimistic with concerns that corrupt village heads could take advantage of farmers who may have no idea how much their land is worth. The village heads could partner with property developers to pocket most of the profits, rather than distributing to farmers. More detailed rules will be needed to regulate the conversion process and to protect the interest of farmers and related parties.



Index definition:

1. The FTSE China A50 Index is the benchmark for investors to access the China domestic market through A Shares – securities of companies incorporated in mainland China and traded by Chinese and institutional investors under the Qualified Foreign Institutional Investor and Renminbi Qualified Foreign Institutional Investor (QFII & RQFII) regulation. Note that one cannot invest directly in an index
2. The CHINEXT index is China's Nasdaq-like barometer of high-tech stocks. Note that one cannot invest directly in an index
3. The MSCI China Index captures large and mid-cap representation across China H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs). With 150 constituents, the index covers about 85% of this China equity universe. Note that one cannot invest directly in an index
4. Bloomberg's Global Aggregate + China Index combine the Global Aggregate Index with the treasury and policy bank component of the China Aggregate Index. The EM (Emerging Market) Local Currency Government + China Index combine the EM Local Currency Government Index and treasury component of the China Aggregate Index. Note that one cannot invest directly in an index
5. Citibank's World Government Bond Index (WGBI) measures the performance of fixed-rate, local currency, investment grade sovereign bonds. The JPMorgan Emerging Market Bond Index (EMBI) are a set of three bond indices that track bonds in emerging markets. Note that one cannot invest directly in an index
6. The Hang Seng China Enterprises Index is a free-float capitalization-weighted index comprised of H-Shares listed on the Hong Kong Stock Exchange and included in the Hang Seng Mainland Composite Index. Note that one cannot invest directly in an index

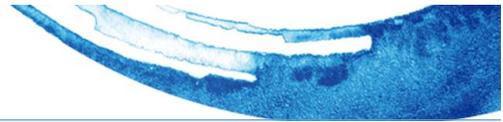
Institutions:

1. PBOC: People's Bank of China
2. SOE: State-owned enterprise
3. IMF: International Monetary Fund
4. CBRC: China Banking Regulatory Commission
5. CIRC: China Insurance Regulatory Commission
6. CSRC: China Securities Regulatory Commission
7. SAFE: State Administration for Foreign Exchange
8. ICBC: Industrial and Commercial Bank of China
9. EU: European Union
10. G20: An international forum for the governments and central bank governors from 20 major economies
11. UAE: United Arab Emirates
12. SSE: Shanghai Stock Exchange
13. LSE: London Stock Exchange
14. AIIB: Asian Infrastructure Investment Bank
15. WTO: World Trade Organization

Currencies:

1. RMB: Renminbi, the national currency of China
2. USD: US Dollar, the national currency of the United States
3. GBP: Pound Sterling/Great British Pound, the national currency of the United Kingdom
4. JPY: Japanese Yen, the national currency of Japan

The views expressed represent an assessment of market conditions at a specific point in time, are opinions only and should not be relied upon as investment advice regarding a particular investment or markets in general. Such information does not constitute a recommendation to buy or sell specific securities or investment vehicles.



5. EUR: Euro, the official currency of the Eurozone
6. HKD: Hong Kong Dollar, the national currency of Hong Kong
7. USDCNH: Abbreviation for the US offshore Dollar/RMB currency pair

Others:

1. IPO: Initial public offering
2. SPO: Secondary Public Offering
3. MoM: month over month
4. YoY: Year over year
5. GDP: Gross Domestic Product
6. EM: Emerging Market
7. Bps: Basis points
8. FX: Foreign Exchange
8. OTC: Over-the-counter
9. GDP: Gross domestic product
10. ETF: Exchange-traded fund
11. FATCA: Foreign Account Tax Compliance Act
12. TPP: Trans-Pacific Partnership
13. SDR: Special Drawing Right, an international reserve asset
14. OBOR: One Belt, One Road
15. RCEP: Regional Comprehensive Economic Partnership