

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

### China sees record breaking travels during eight day Golden Week

Chinese domestic tourist volumes reached 705 million during this year's Golden Week while bringing in RMB 583.6 billion in revenue, representing an increase of 11.9% and 13.9% YoY respectively. The figures were in-line with expectations of 710 million travelers and RMB 590 billion in tourist revenues. Nearly half of the travelers chose to travel by car, while 105 million travelers avoided the jam-packed roads by taking the trains, 40% of which were accounted for by the high speed railway. Cinemas also saw significant traffic during this holiday, with box office sales skyrocketing 68% YoY to RMB 2.64 billion.

#### *What are the implications?*

A period of major boost to tourism and consumption, this year's Golden Week was a day longer than the usual seven days due to overlapping with Mid-Autumn Festival. Ever more affluent and mobile, Chinese domestic travelers during National Day holidays have quadrupled in volume while revenues increased 7-folds since 2008. Traffic was not limited to domestic travelling however, with an estimated 6 million Chinese tourists taking advantage of longer holidays to go overseas, of which long-haul travel grew in proportion.

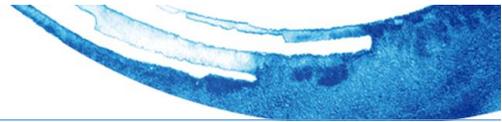
### Contentious Chinese conglomerate HNA under scrutiny again, this time on shadow banking

The China Insurance Regulatory Commission (CIRC) banned Bosai Life Insurance Corp, owned by recently contentious HNA Group, from conducting direct and indirect transactions with the parent group including loans and financial aids for six months. This is just one of the recent setbacks seen by the conglomerate, which has been under both domestic and international regulatory scrutiny after spending almost \$50 billion in an aggressive and debt-fueled acquisition spree, since 2015. The ban serves to block a source of financing for HNA Group, which has raised billions of dollars through shadow banking products via the insurance arm. The CIRC quoted failure to report some related-party transactions as well as failure to make timely disclosures as some of the reasons for the ban.

#### *What are the implications?*

HNA Group has been a sore thumb for the Chinese government, with its zealous global asset acquisitions amidst the government's efforts to curb capital outflows. The conglomerate, along with a few of the most aggressive overseas acquirers in the country, has been under government crack downs since earlier this year. The concern for China in light of these overseas acquirers is increased systematic risk, with most of the financing sourced from the domestic market. The concerns are not unwarranted – the company has the largest financing costs in China and among the largest in the world. The headline acquisitions have caught the attention of overseas regulators as well, particularly in regards to ownership, with allegations of ties to top Communist Party officials, which the company denies.

Meanwhile, the ban shows China's continued efforts to curb shadow banking practices and regulate the insurance industry, both of which are areas of focus for the government to improve financial stability and reduce systematic risk. The CIRC also disclosed temporary bans to four of Bohai Life's peers also found to be providing financing to their parent groups.



## 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 combines 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 combines 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

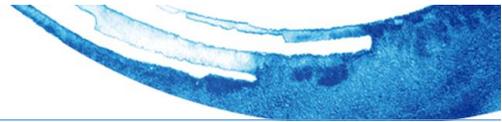
## Institutions:

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. G7: An international forum for the governments and central bank governors from 7 major economies
12. UAE: United Arab Emirates
13. SSE: Shanghai Stock Exchange
14. LSE: London Stock Exchange
15. AIIB: Asian Infrastructure Investment Bank
16. WTO: World Trade Organization

## Currencies:

1. RMB: Renminbi, the national currency of China

*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.*



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
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