

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

China's public toilet revolution goes nationwide, beyond just tourist spots

President Xi announced an expansion of the three-year long initiative announced in 2015 to improve public toilets in tourist sites to general rural and urban areas. The initiative comes as part of the administration's efforts to improve living conditions for the world's largest population. Through the program, more than 68,000 toilets have been upgraded, backed by more than RMB 21 billion of local and federal government funds. The expansion announcement commemorates World Toilet Day on November 19th, and comes from the National Tourism Administration, which pledged another 17,000 toilets to be upgraded and 47,000 toilets to be built.

What are the implications?

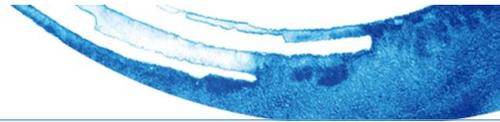
Despite the spectacular economic growth China has seen in the last two decades, infrastructure, especially in rural areas, have not kept up. With public toilets in China notorious for being filthy, the original initiative was to improve tourism through toilet enhancements. While difficult to pinpoint exactly how much effect toilet upgrades has had, the tourism industry did grow by nearly RMB 1 trillion in the last 2 years. Expanding the program nationwide will presumably improve quality of life for around 700 million people living in China's rural areas, many of which do not have access to clean toilets. The initiative is the latest movement to realize the "Chinese Dream" – a theme central to Xi's vision for the populous country, which depicts a modern, clean China in which its citizens can enjoy not only economic prosperity, but also a higher quality of life.

China cuts import taxes for some of the country's most popular foreign consumption goods

China's Ministry of Finance (MoF) announced import tax cuts for 187 consumption goods, effective on December 1, 2017. The tax cuts will benefit eight categories of consumer items; food, medicine, medical care products, household chemicals, clothes, home appliances, entertainment and groceries. Average tax rate are expected to be reduced from the current 17.3% to 7.7%.

What are the implications?

Compared to the previous three import tax cuts, this round not only delivers steeper cuts, but also covers a greater scope of products. Furthermore, most of the 187 goods eligible for tax cuts are among the most consumed goods, according to domestic e-commerce platforms. Healthcare related products are also expected to see import tax cuts, benefiting some of society's most vulnerable, including the elderly and children. A spokesperson for the MoF asserted the purpose of the new tax cuts were to better meet emerging demands from rising consumption levels and change in lifestyle. Moreover, the import tax cuts are expected to create a fairer and more competitive environment for both domestic and international brands in China.



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

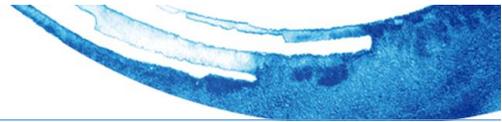
Institutions:

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