

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

China holds annual economic conference, as Trump labels China as a “strategic competitor”

China's top leadership held a closed-door meeting for its annual economic conference, regarded as the most important economic event in the country. While the meeting agenda is kept confidential, economic performance and policy reviews are expected to occur at the annual event. This meeting will likely review China's economic performance in 2017 and build policies to direct the economy for 2018. The meeting also coincidentally falls just ahead of President Trump's move to officially label China as a strategic competitor in the national security strategy, according to the Financial Times.

What are the implications?

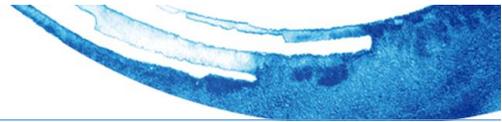
The annual economic conference is generally considered the most economic event in the country, in which the members the Central Committee set performance indicators for government bodies and provinces, as well as discuss internal/external, domestic/international considerations. Trump labelling China as a strategic competitor will likely be discussed at the meeting, although any conclusions will likely not mention Trump by name. Otherwise, with President Xi yielding unmatched power and influence over all policies, detailed assignments and strategies are likely to be delivered to relevant agencies to execute on his ideas. Conclusions from the meeting are likely to be announced as policies in the congress meeting happening next March.

China's largest property developers spends a whopping US\$1.3 billion for 3 hectares of land

Two of China's largest property developers, China Evergrande and China Vanke, have purchased just around 3 hectares of land in Shenzhen for a total of US\$1.3 billion, according to Shenzhen Land and Real Estate Exchange Centre. The area is located close to the Shenzhen-Hong Kong border, and is referred to as the “super headquarters” of Shenzhen, where many of the country's top technology firms are based. The respective headquarters are potential plans for the plots of land, among other potential uses. Both firms are household names in China, and are well-known for building residential estates for middle-class market.

What are the implications?

Both stocks fell on the news in Hong Kong today, although a very small drop compared to Evergrande's nearly 300% and Vanke's nearly 60% increase this year respectively. In comparison, the Hang Seng China Enterprise Index benchmark has risen around 23% in the same time frame. The outperformance comes despite concerns of overleverage. Evergrande had made waves in the credit market earlier this year, with bonds trading down after an oversized issuance forced investors to sell off and prompted a negative outlook from Moody's. Meanwhile, Vanke reportedly set up a distressed asset fund with ICBC recently and looking to divest away from its traditional property development business, using leverage to finance transactions. It remains to see how the developers' decisions will play out in the face of stronger crackdown on financial leverage.



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

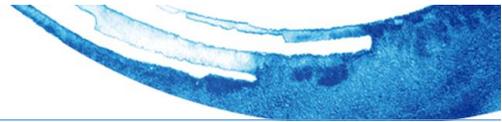
Institutions:

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