

Flash Note 09/07/2018

Alex Fusté
@AlexFusteAlex
alex.fuste@andbank.com

Chinese market sharply higher. Latest news

Chinese markets higher again

- Greater China benchmarks closed sharply higher Monday with Shanghai up 2.47%, Shenzhen up 2.51% and Hang Seng up 1.32%. Large caps, CSI 300 and ChiNext outperformed.
- The yuan appreciated even though the PBOC set the yuan midpoint 0.09% weaker against the dollar.
- An expected rise in China's FX reserves allayed worries about capital flight. June FX reserves ticked up to \$3.112T vs and \$3.100T consensus.
- Additionally, China's Securities Regulatory Commission (CSRC) said it plans to allow foreign individual investors to trade domestic A shares through local brokers, reflecting the latest step in widening foreign access to the local stock market, and helping to boost share prices.

How is the investment environment? What steps are being taken?

- Chinese media noted ebbing concerns about US-China trade tensions in the absence of escalations since the US tariffs were implemented Friday.
- Nevertheless, the FT reported today that China is looking to ally with the EU in forming a coalition against the Trump administration's trade policies. To overcome EU wariness, China is offering preferential treatment and faster investment negotiations.
- On the European side, EU officials said on Monday that **Brussels is determined to avoid a situation where it is seen siding with China against the US on trade.**

Outlook

- If this scenario of contention in the Chinese responses ends up materializing, then we could see markets trading in a normal environment again.
- While the tensions will not disappear completely, we could recover our proposed scenario of "two steps forward, one backward".

Best