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Flash Note
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China - GDP growth slowed last quarter. Policy support gains traction

- GDP growth slowed for a second consecutive quarter in Q3, from 6.7% y/y to 6.5%.
- The high frequency data (monthly figures) paint a more positive picture heading into Q4:
    - Factory output still holding up fairly well in September (+5.8% yoy). Indexes based on the output volumes (real terms) held steady in September.
    - Fixed investment accelerated and growth in infrastructure spending appears to be bottoming (thanks to the recent step up in local government borrowing).
    - However, real consumption growth is still slowing (the pick-up in nominal retail sales was entirely driven by higher inflation)
- Foreign institutions still optimistic on Chinese assets despite recent volatility. China Securities Journal reported that foreign institutions have raised their holdings in Chinese bonds for the nineteenth straight month. Many of these foreign institutions are looking to set up Chinese bond funds.
    - Overseas institutions hold CNY 1.44T in Chinese bonds as of the end of September.
- Outlook:
    - The economy is cooling but there are some early signs that policy support (fiscal and monetary easing) is starting to gain traction.
    - We see the recent fiscal easing (and likely further loosening in monetary policy) as factors that should put a floor under growth in 2019.
        - Total social financing rose to CNY 2.21T vs 1.52T in prior month
    - On Trade: The US Treasury has declined to label China as a currency manipulator in its last report but still keeps China, Germany, India, Japan, South Korea and Switzerland on the currency "monitoring list". On the other hand, the US Commerce Secretary Wilbur Ross told that US-China talks are in the hiatus.

Best regards