

## Flash Note 02/01/2018

Alex Fusté

[@AlexfusteAlex](#)

[alex.fuste@andbank.com](mailto:alex.fuste@andbank.com)

### First figures in China seem encouraging

#### Markets

China markets higher: Greater China markets closed sharply higher Tuesday with Shanghai up 1.24%, Shenzhen up 1.05% and Hang Seng up 1.99%. Large caps and CSI 300 outperformed, while ChiNext was more in line. Hong Kong was driven by a rally in H-shares, while property stocks surged after Citibank reportedly raised their target prices. These overshadowed broad weakness in gaming sector on the back of disappointing Macau gaming revenues. PBoC skipped open market operations for the seventh straight session, leading to a net drain of CNY290B in liquidity.

Shadow banks' cash premium at record: Bloomberg noted that as interbank lending rates climbed on Friday due to banks hoarding cash for year-end regulatory checks, the increase was especially significant for non-bank financial institutions, such as securities and insurance companies. The spread between the seven-day repo rate fixing and the weighted average widened to almost 3-ppt, a record going back to 2006.

#### Data

December Caixin manufacturing PMI 51.5 vs consensus 50.7 and 50.8 in prior month

December official manufacturing PMI 51.6 vs consensus 51.6 and 51.8 in prior month (31-Dec)

Non-manufacturing PMI 55.0 vs 54.8 in prior month

#### Central bank

Governor Zhou reiterates prudent monetary policy for 2018: Reuters cited PBoC Governor Zhou Xiaochuan in comments published on Sunday stating China will maintain prudent monetary policy and reasonable loan growth in 2018.

Analysts expect the central bank to keep policy slightly tight in 2018 to support a broader deleveraging drive to contain risks.

### **Economy**

China meets annual railway investment: Railway investment totaled CNY801B (\$123B) and laid 3,038 km of new tracks in 2017, meeting the targets of CNY800B and 2,100km.

China will invest steadily in transport development this year, flat with 2017, Minister of Transport Li Xiaopeng said in late

Tourism booming during New Year's holiday: Xinhua cited China National Tourism Administration data showing domestic tourism totaled 133M during the three-day holiday, generating CNY75.5B (\$11.6B) of revenue. The two figures represented increase of 11.08% and 11.22% y/y respectively. The market remained stable as rural tourism and snow and ice-related tourism were popular among tourists.

Best Regards