

Flash Note 16/01/2018

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Chinese GDP was higher. Active deleveraging bears fruit. Cryptos are being punished by regulator

Activity pace underestimated: The [FT](#) suggested economic growth for 2017, due for release on Thursday, is unlikely to reflect a revival in economic activity. GDP expanded 6.9% last year, which is higher than the 6.7% reported in 2016 but the real recovery has been sharper. The main factor masking the recovery is a slump in northern China from 2012 to 2016 that was never fully recognized.

Good management of the deleveraging process: Ruan Jianhong, head of the PBoC statistics and analysis bureau, commented that sharp deceleration in M2 money supply reflects the gradual strengthening of deleveraging and financial regulation, adding that monetary and credit intermediation remains normal, with financial support to the real economy being strong. These provide a good opportunity for active deleveraging.

Corporate. Centrally administered state firms report double-digit profit growth: State-owned enterprises (SOE) supervised by the State-owned Assets Supervision and Administration Commission (SASAC) made a total of CNY1.4T (\$216.8B) in profit, up 15.2% on the year. The story noted China currently has 98 centrally administered SOEs, down from 117 five years ago as the central government has been restructuring to improve their efficiency and competitiveness. This, probably has to do with the structural supply reform we have been mentioning lately, that helps to keep at bay a hypothetical financial crisis with the epicenter in the big state owned enterprises.

Cryptocurrencies. China escalates crackdown on cryptocurrency trading: Citing people familiar with the matter, [Bloomberg](#) reported China is escalating its clampdown on cryptocurrency trading, targeting online platforms and mobile apps that offer exchange-like services. The government plans to block domestic access to homegrown and offshore platforms that enable centralized trading. Authorities will also target individuals and companies that provide market-making, settlement and clearing services for centralized trading.

Market implications. Still constructive in Chinese Equity indices, and currency. Neutral in bonds.

Best regards on my way to Merida. The Cenotes region where you can not leave without drinking a good glass of Xtabentún.