

China Monthly Chart Pack

A bright spot in the global economy

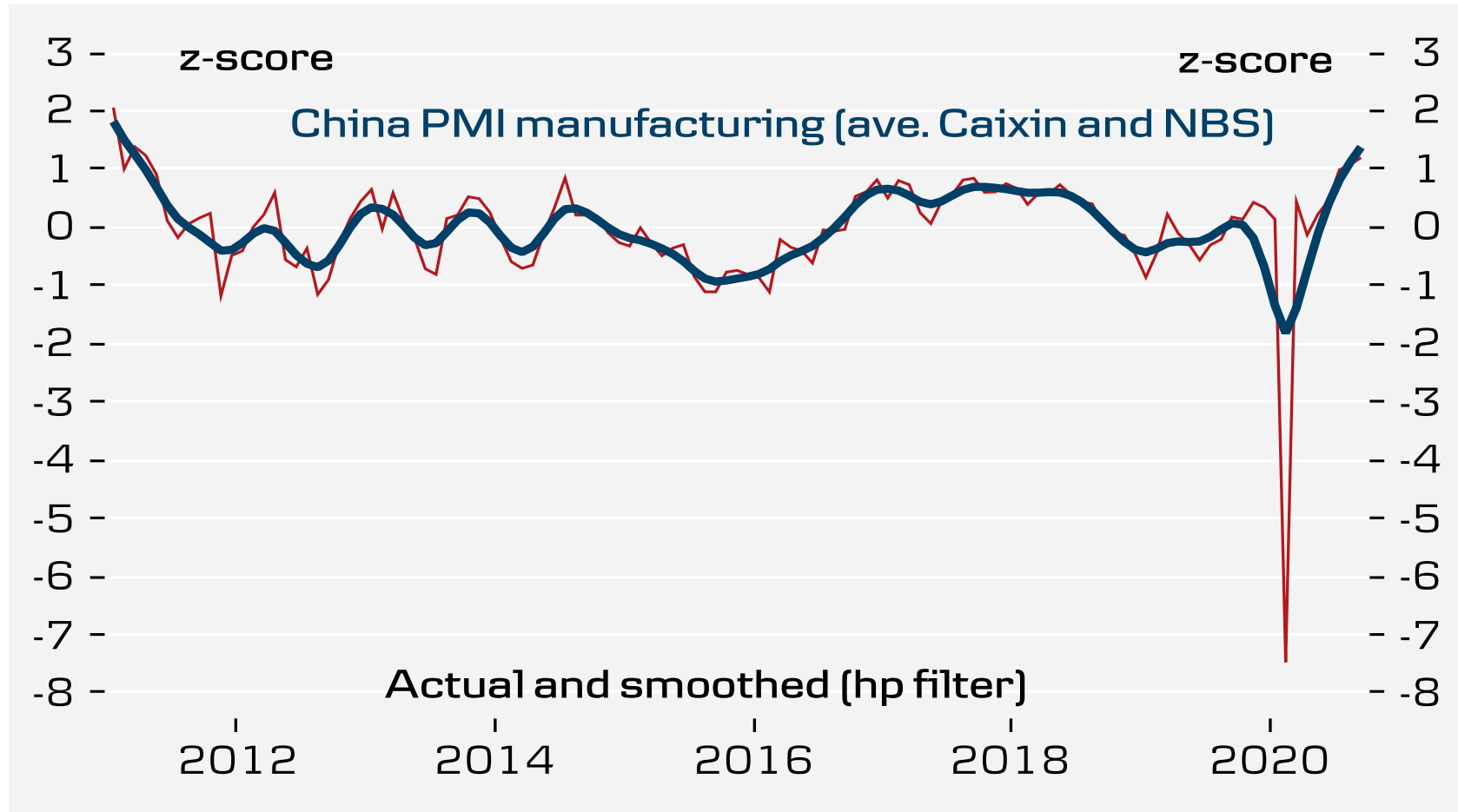
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6 October 2020

Key takeaways

- **Growth.** While both the US and Europe are struggling to find their feet after the COVID-19 shock, China is seeing a solid rebound in its economy with the coronavirus almost absent domestically. *PMI* has stayed robust and *copper prices* are still hovering at high levels, signalling decent demand. *Money growth*, the *credit impulse* and *electricity generation* point to similar development. *Home sales* are also growing above trend. *Retail sales* are recovering more slowly while *car sales* are surging. External demand is also strengthening as our *export model* based on G3 PMI and *effective CNY* is pointing to decent upside for Chinese exports.
- **Inflation.** Headline *CPI* increased slightly to 2.7% in July (possibly due to higher energy prices) but *excluding food prices* CPI fell further to 0.0%, in July providing ample space to ease monetary policy if needed. *PPI* shows signs of recovering, which is helping *industrial profits*.
- **Monetary policy.** The *Loan Prime Rate* (LPR) has been reduced to 3.85% but has been unchanged for months now, signalling an easing pause on the rates side. The central bank is providing liquidity through short- and medium-term funding facilities. Overall, there are some signs that the central bank has taken the foot off the speeder amid the solid economic rebound as the growth in the *total social financing* is abating.
- **CNY: USD/CNY** has fallen in line with our expectations as the interest rate differential has increased and the USD has weakened more broadly. We see a bit more downside for the cross as the global recovery continues and the Chinese economy performs relatively strongly. As a result we see the USD/CNY trajectory as follows; 6.75 in 1M and 6.70 in 3-6 and further down to 6.60 on 12M. .

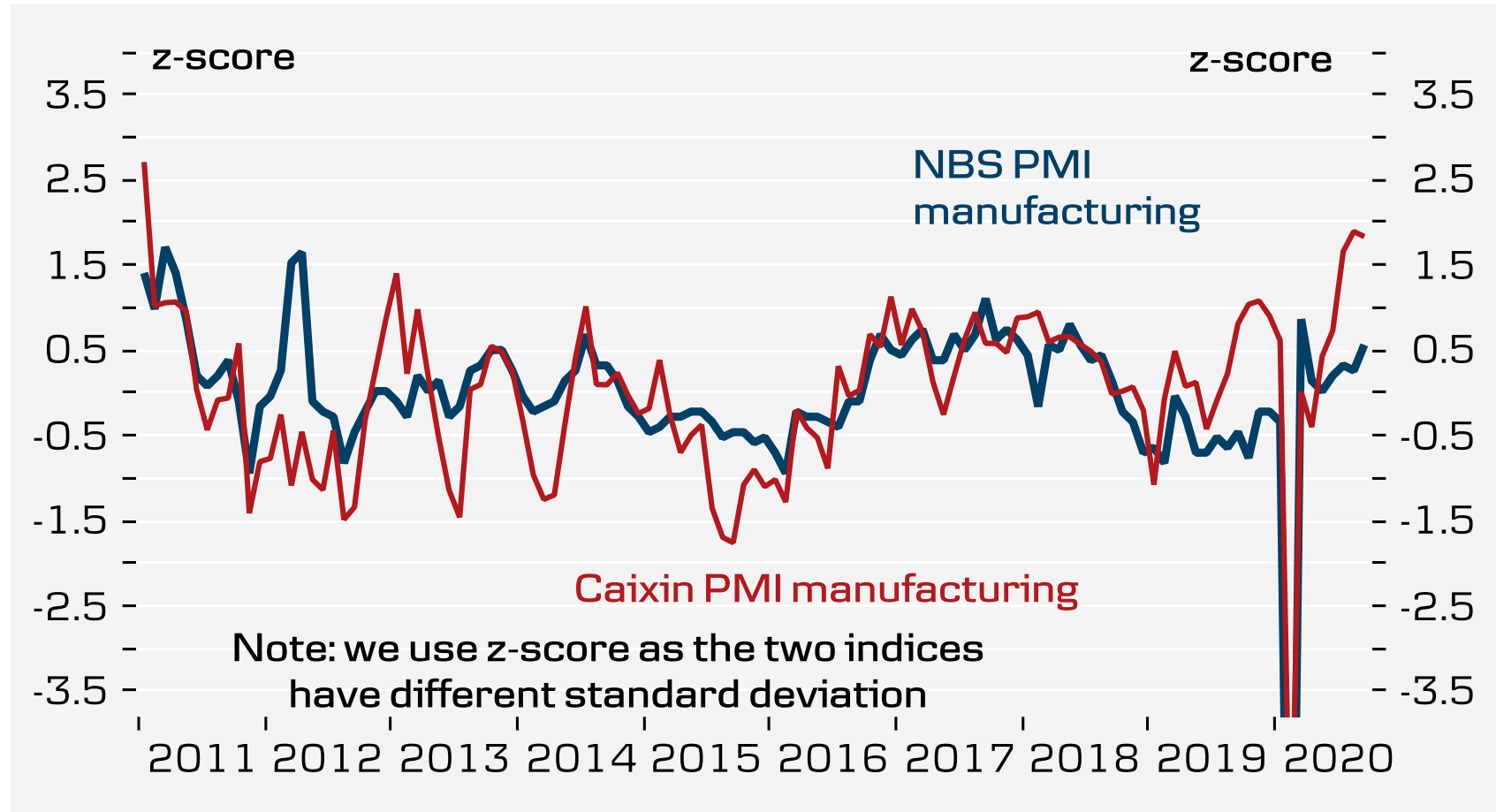
PMI indicator (average of Caixin and NBS)



Source: Macrobond Financial, Markit, NBS, Danske Bank

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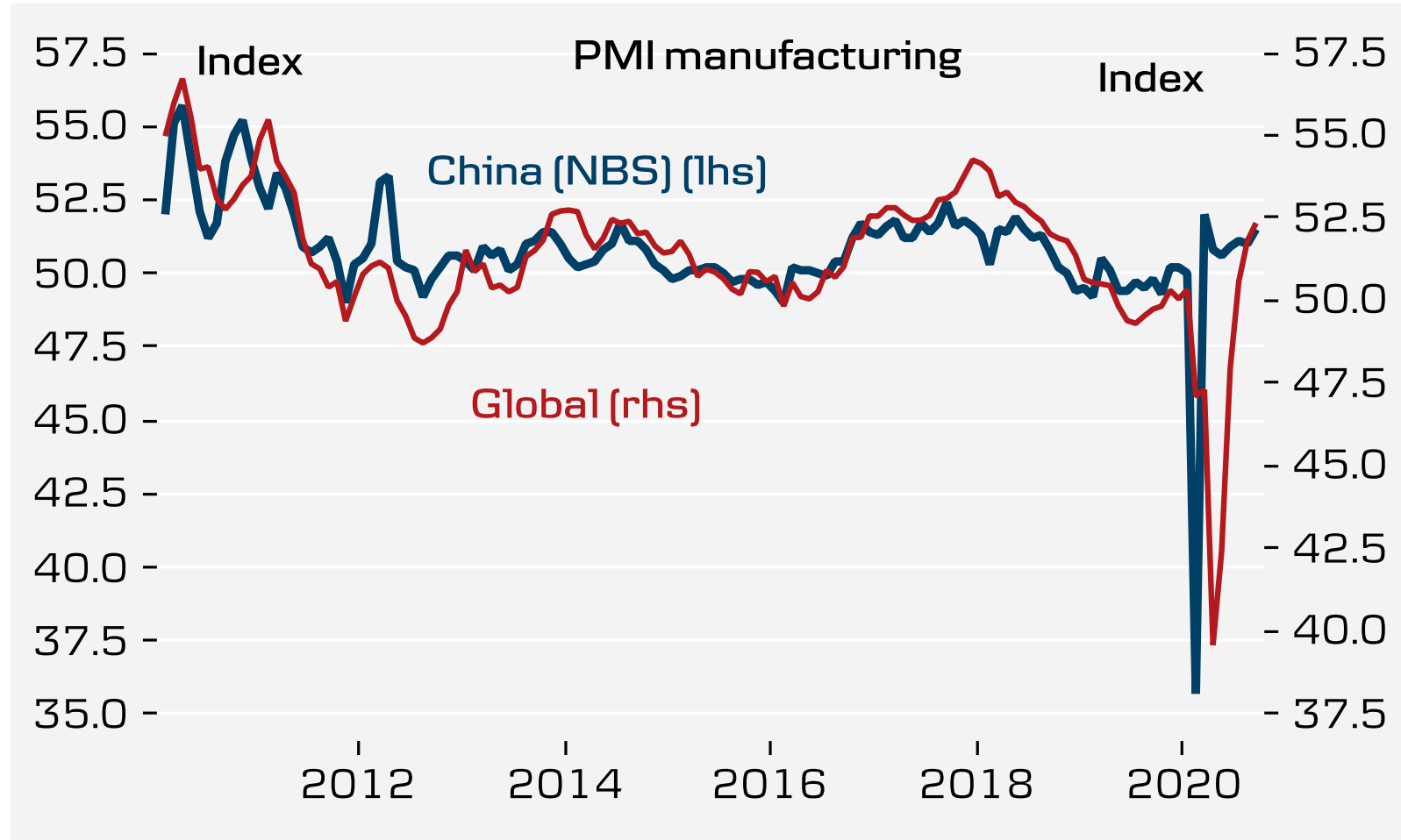
NBS vs Caixin PMI



Source: Macrobond Financial, Markit, NBS, Danske Bank

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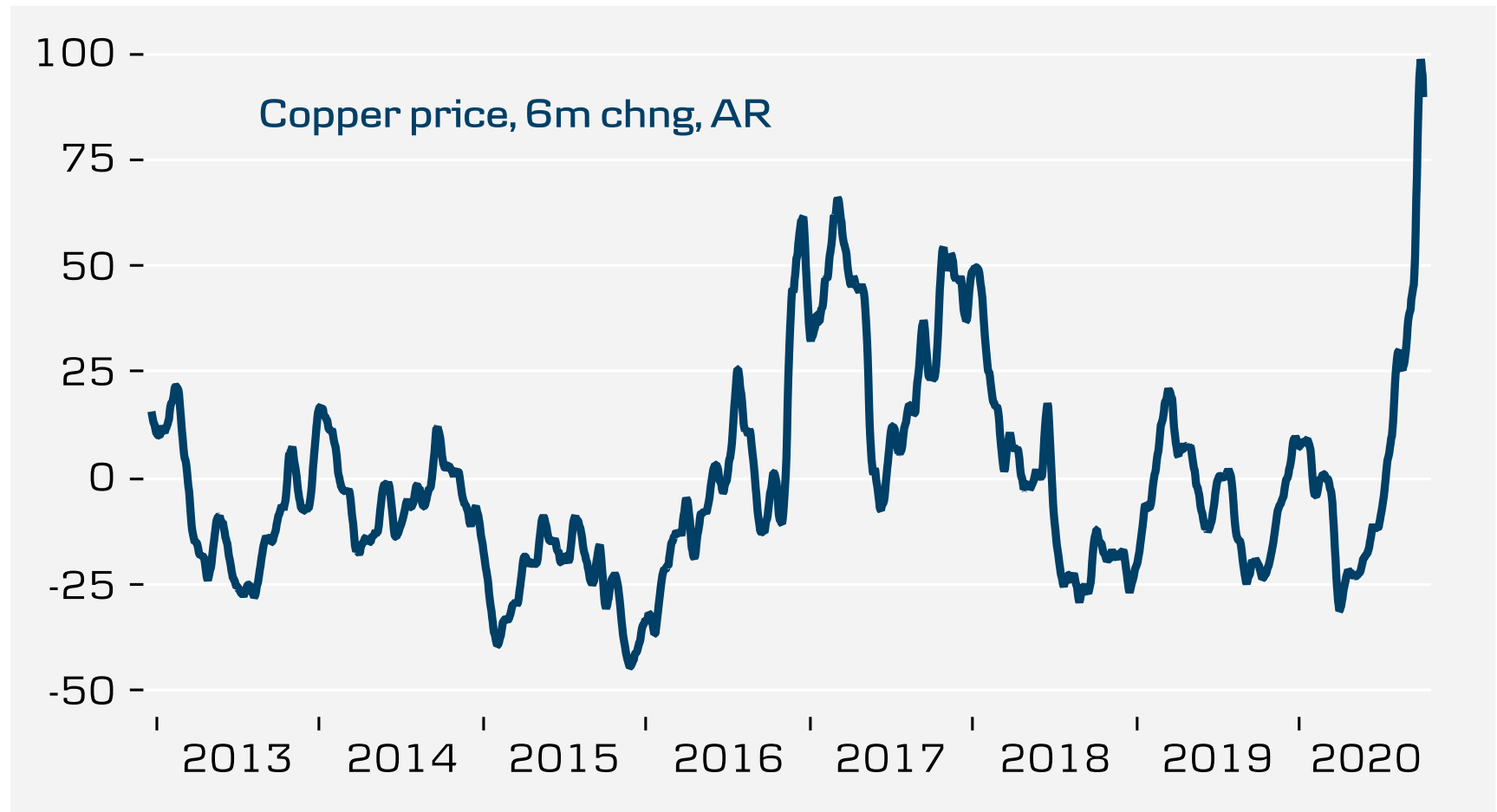
Domestic vs global cycle



Source: Macrobond Financial, Markit, Danske Bank

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Copper prices

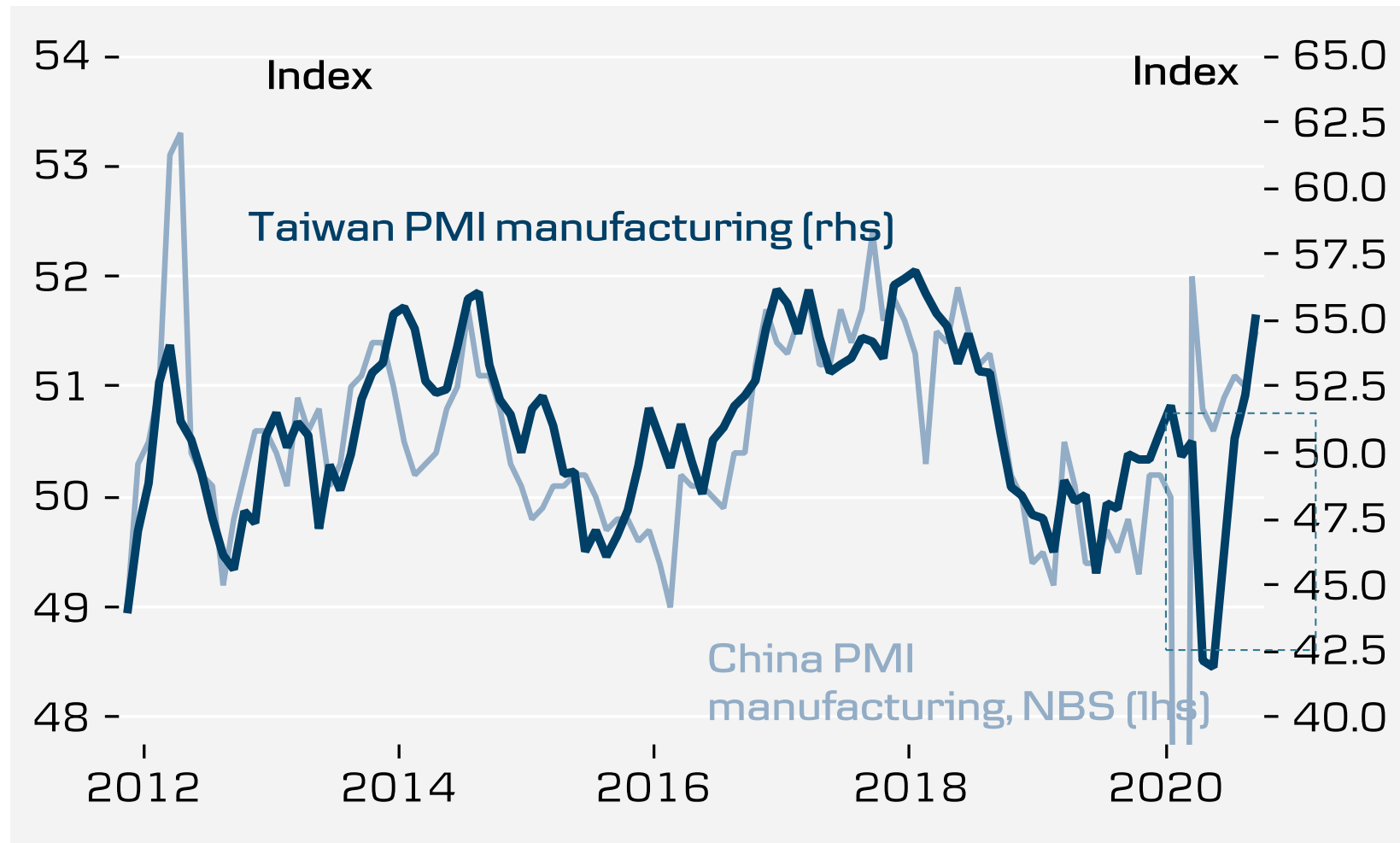


Note: Past performance is not a reliable indicator of current or future results

Source: Macrobond Financial, Markit, Danske Bank

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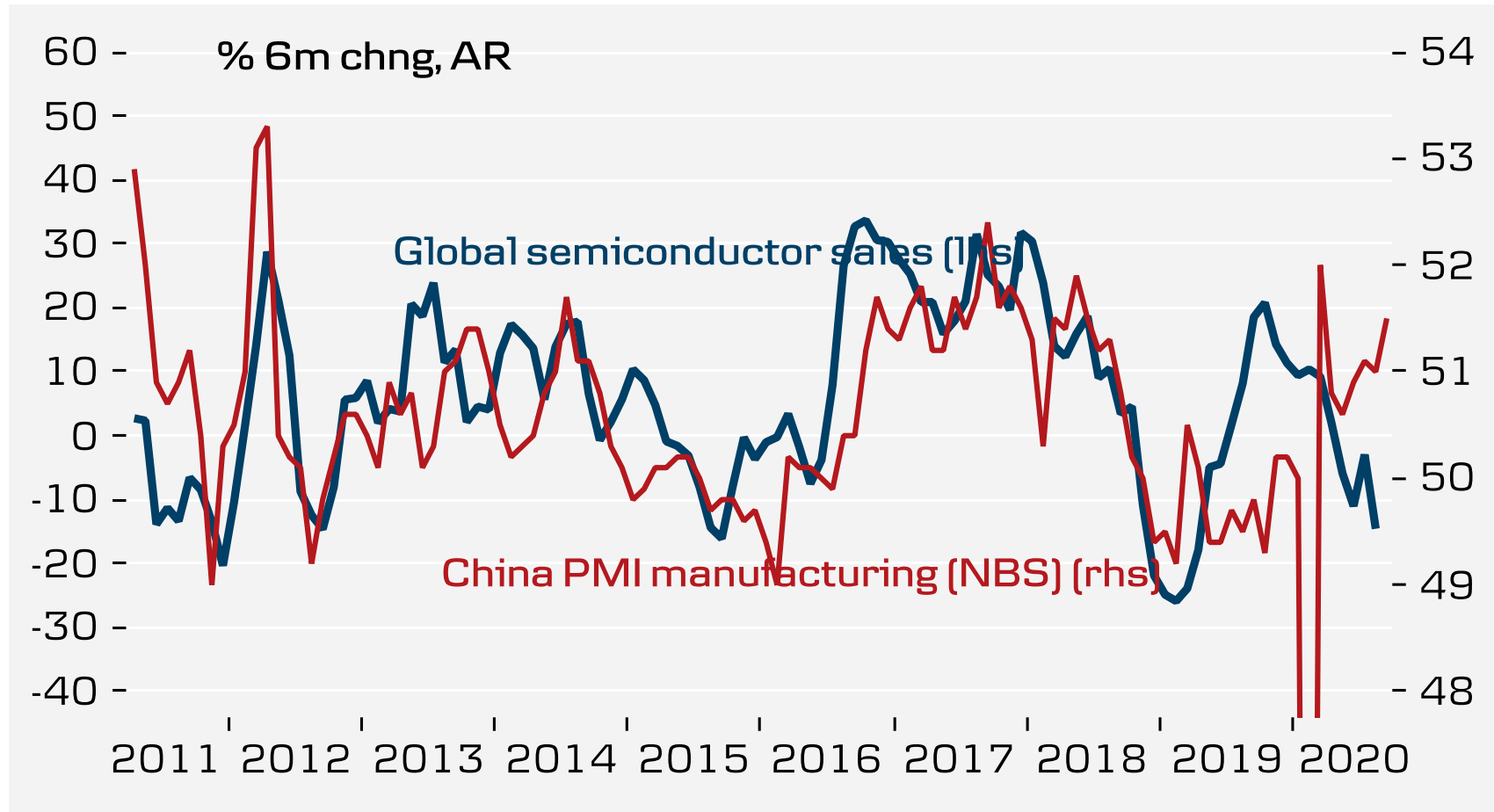
Taiwan PMI vs China PMI



Source: Macrobond Financial, Markit, Danske Bank

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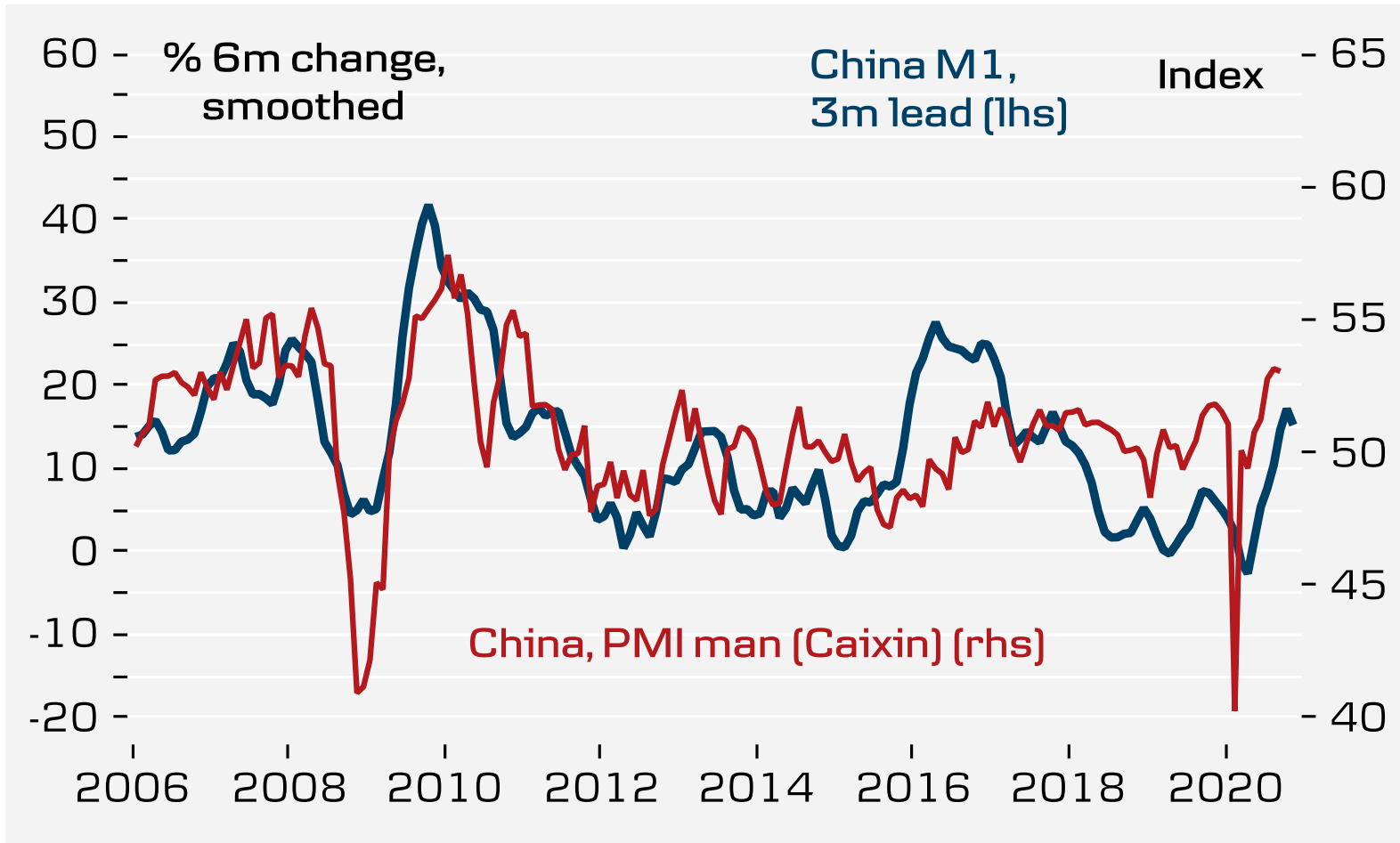
Global semiconductor sales vs Chinese PMI



Source: Semiconductor Industry Association, IHS Markit, Macrobond Financials, Danske Bank

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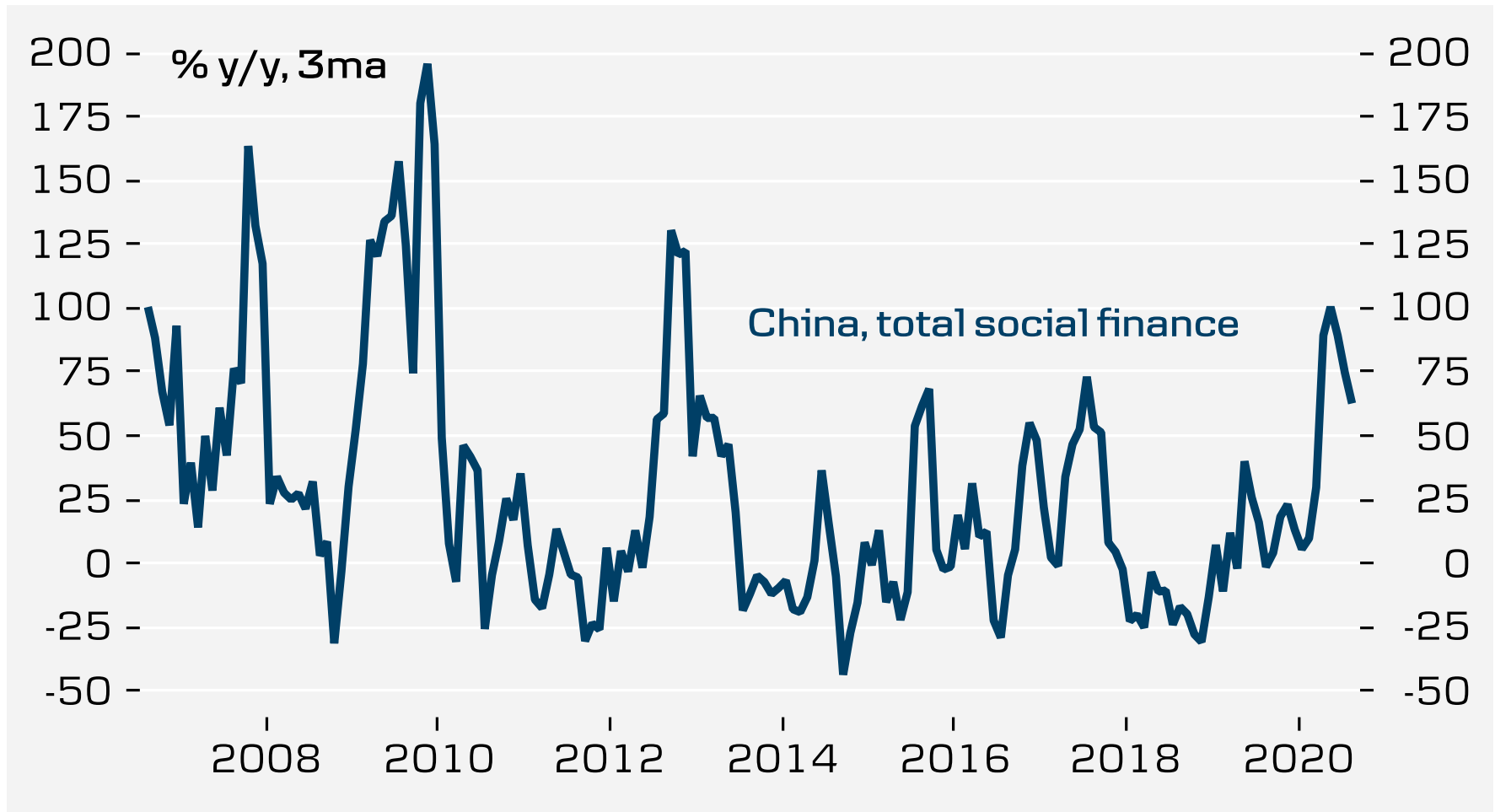
Money growth and PMI



Source: Macrobond Financial, Markit, People's Bank of China

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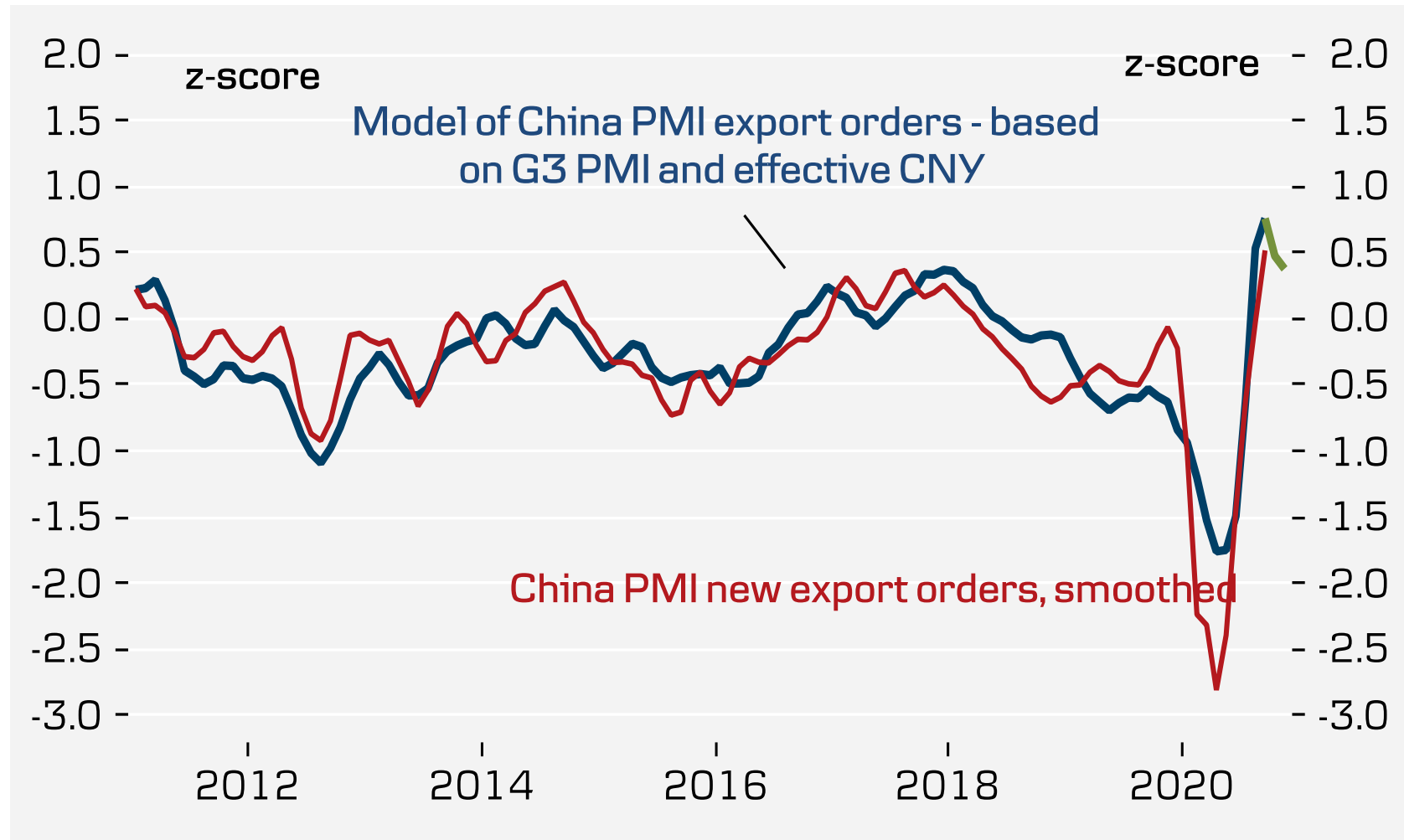
Credit growth



Source: Bloomberg, People's Bank of China, Danske Bank

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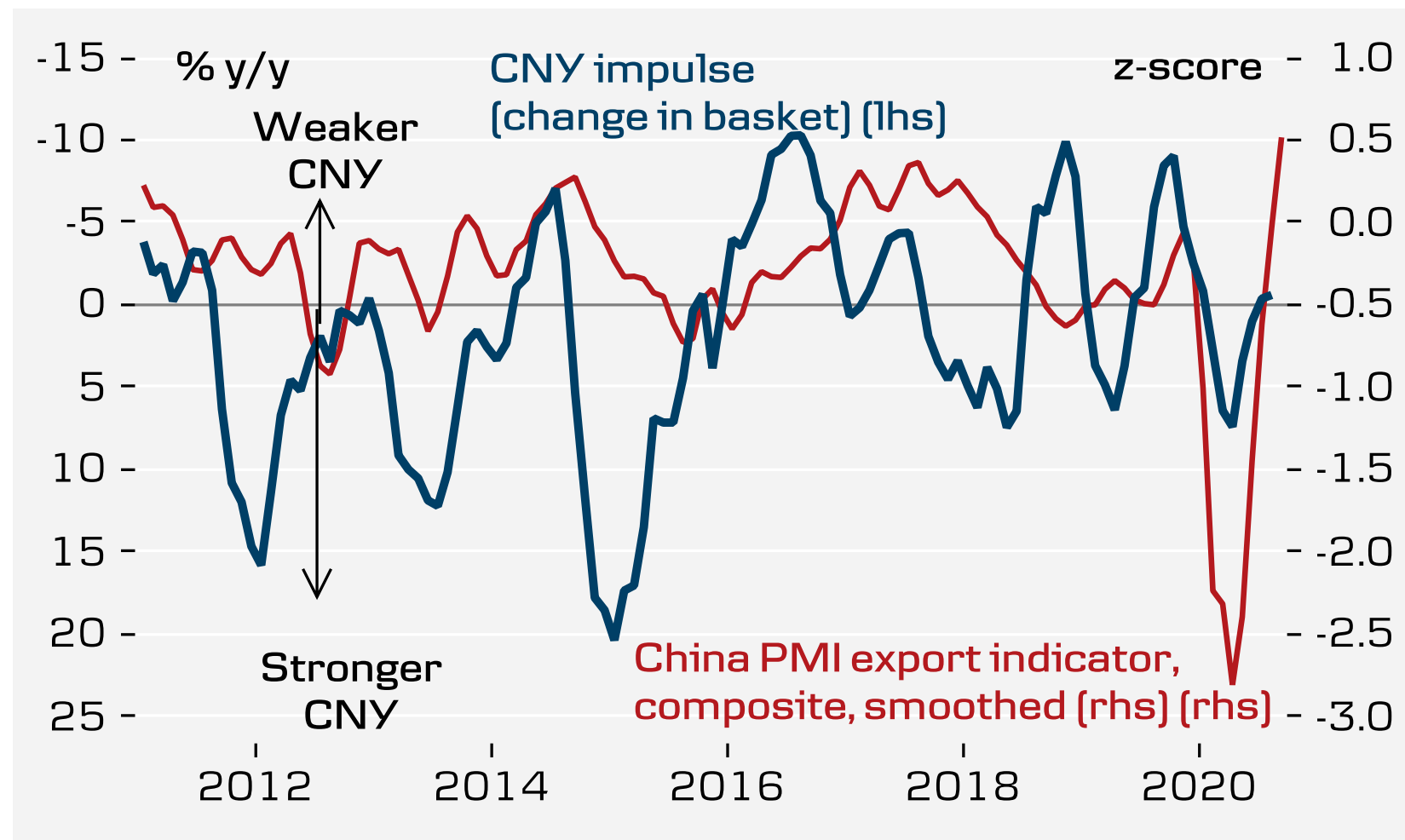
Exports - model



Source: Macrobond Financial, NBS, Markit, Danske Bank

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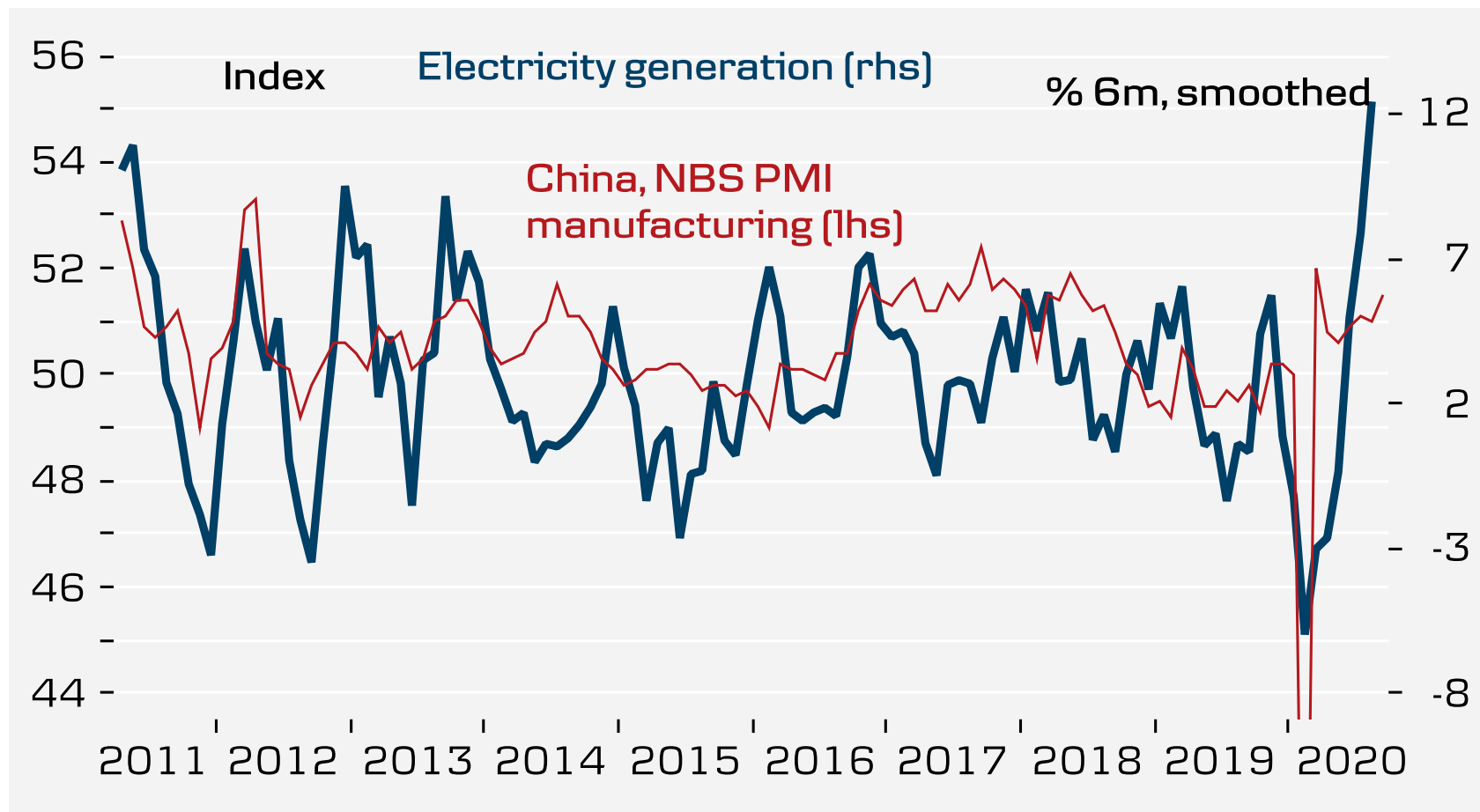
Exports - currency impulse



Source: Macrobond Financial, NBS, Markit, Danske Bank

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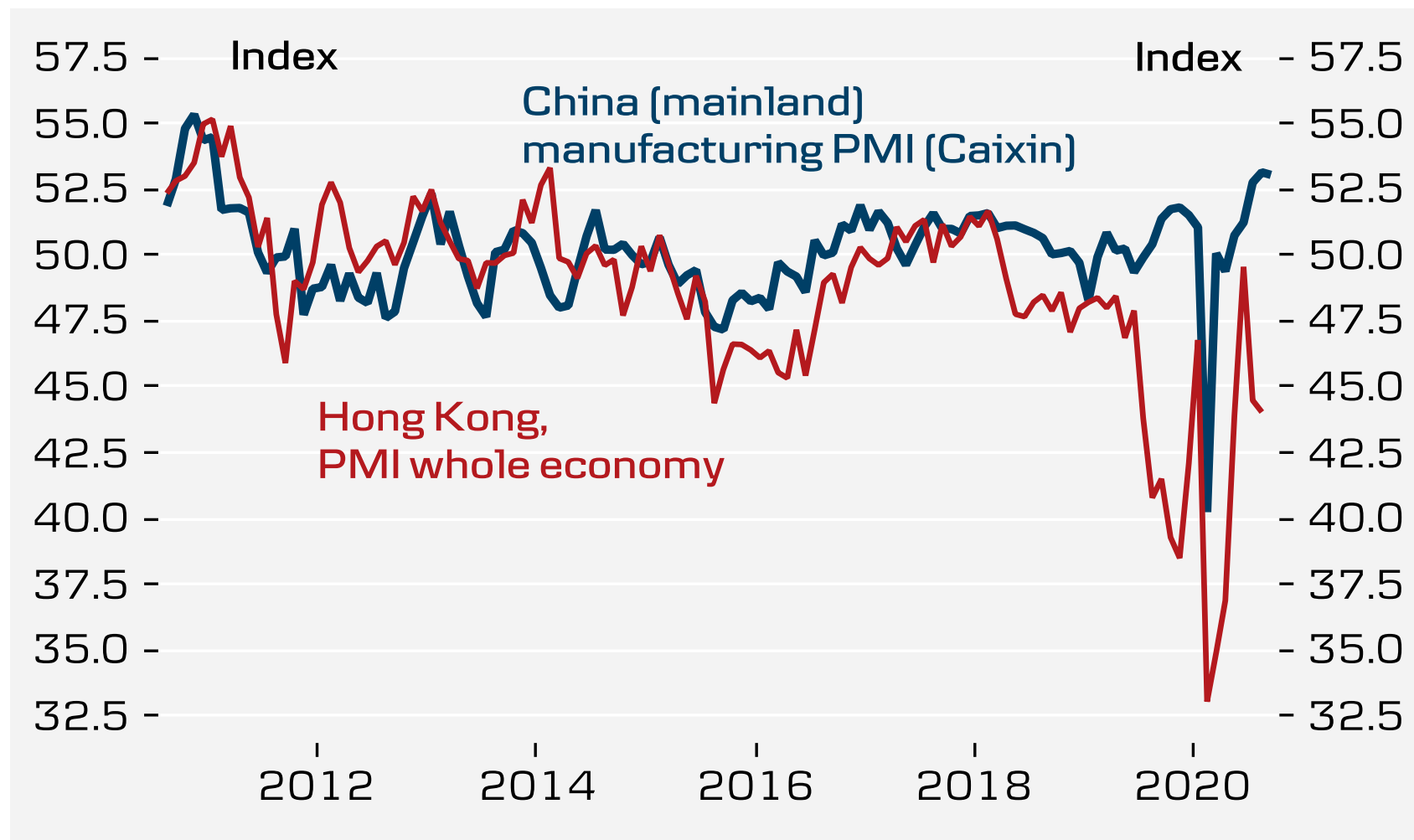
Electricity generation vs PMI



Source: Macrobond Financial, Markit, NBS, Danske Bank

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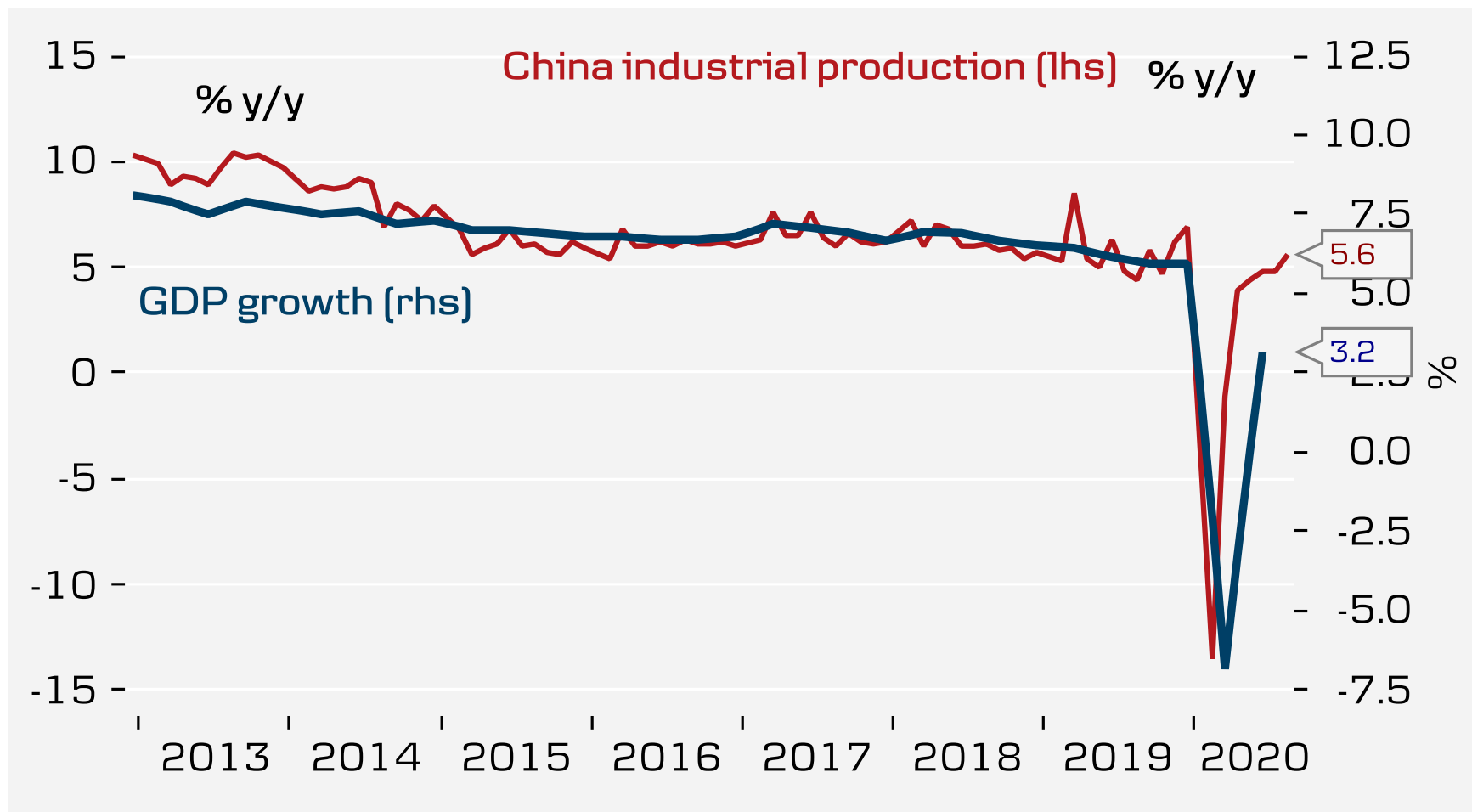
Hong Kong PMI vs China PMI



Source: Macrobond Financial, Markit, Danske Bank

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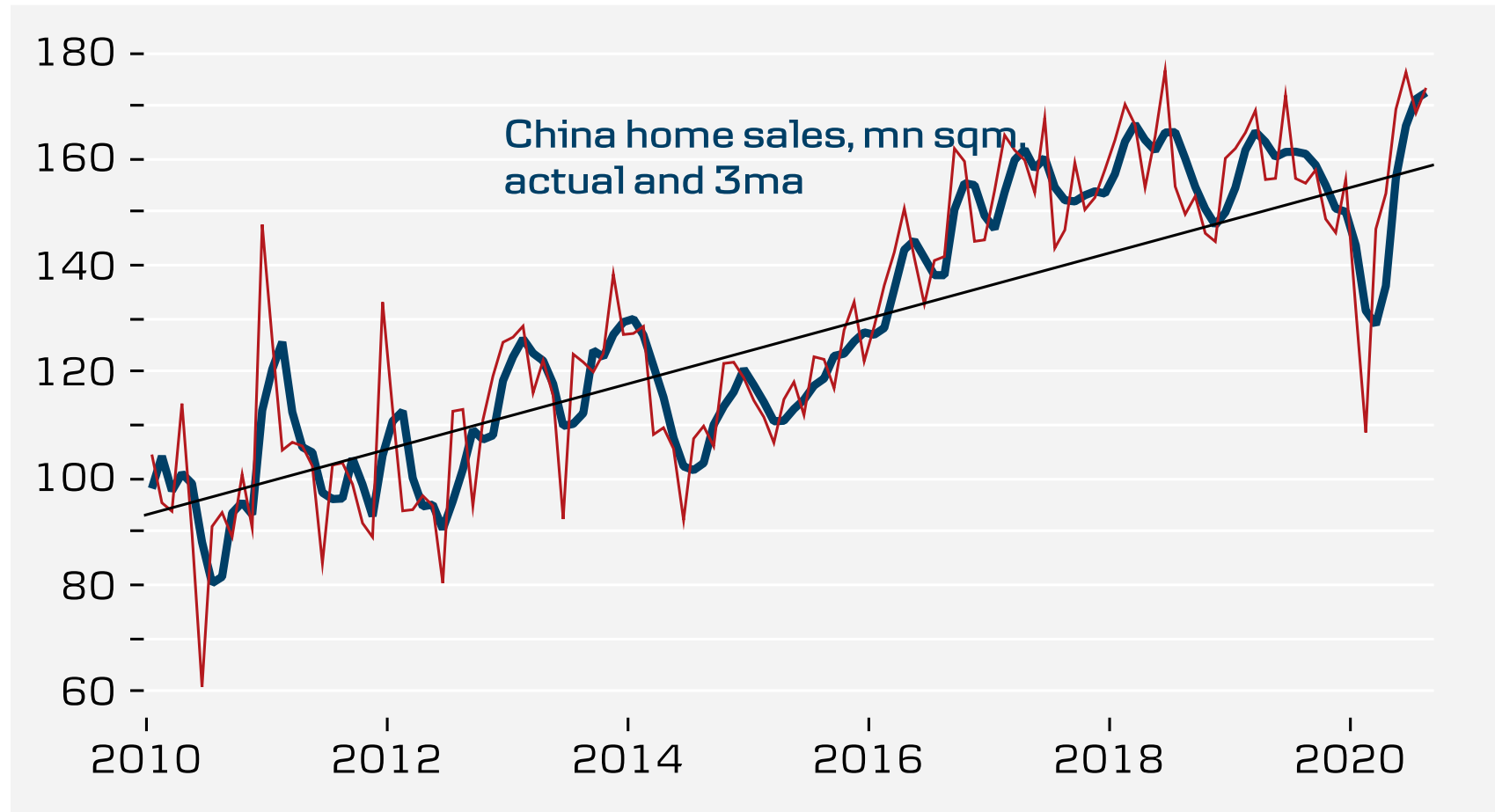
Industrial production vs GDP



Source: Macrobond Financial, NBS, Danske Bank

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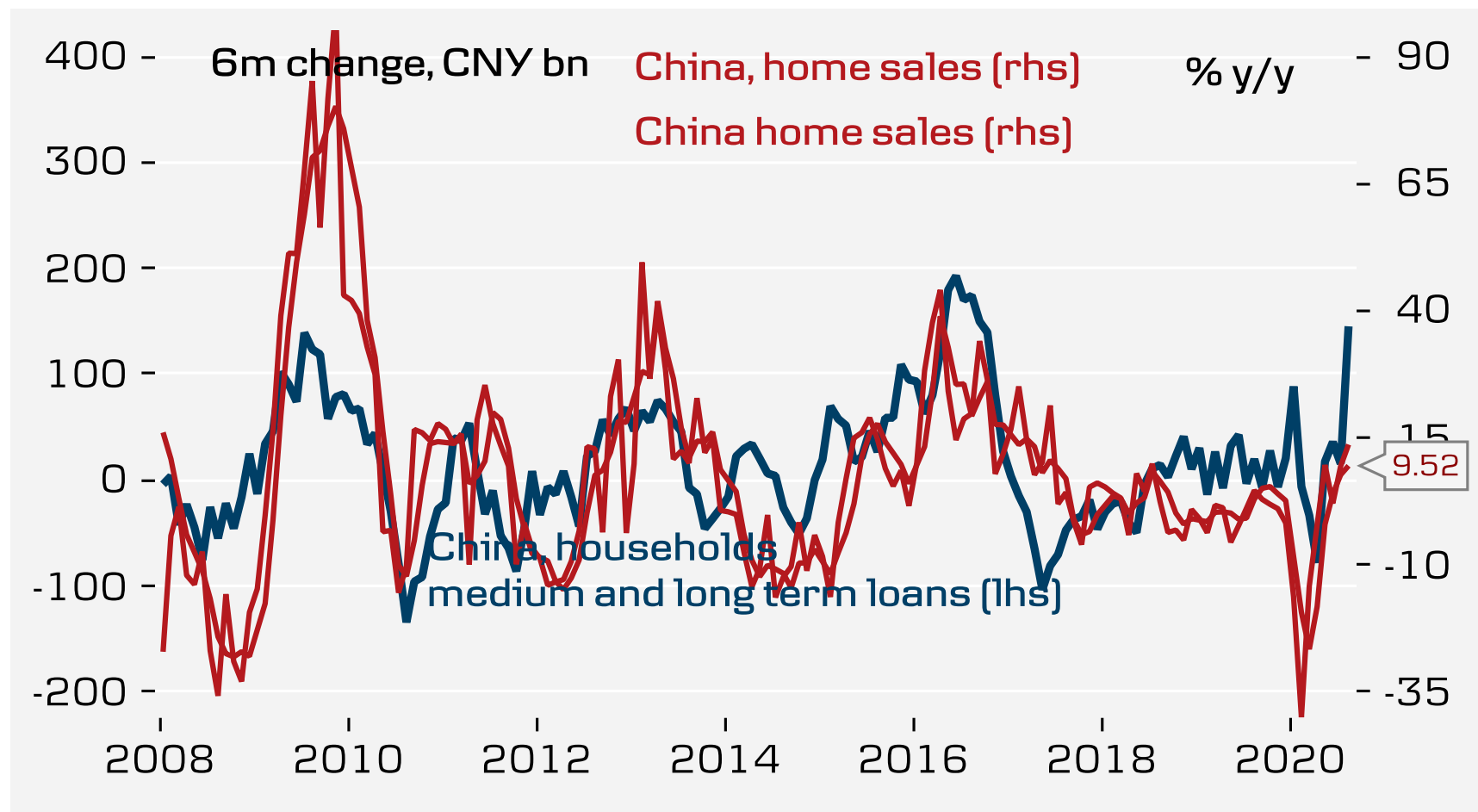
Housing – home sales level



Source: Macrobond Financial, NBS, Danske Bank

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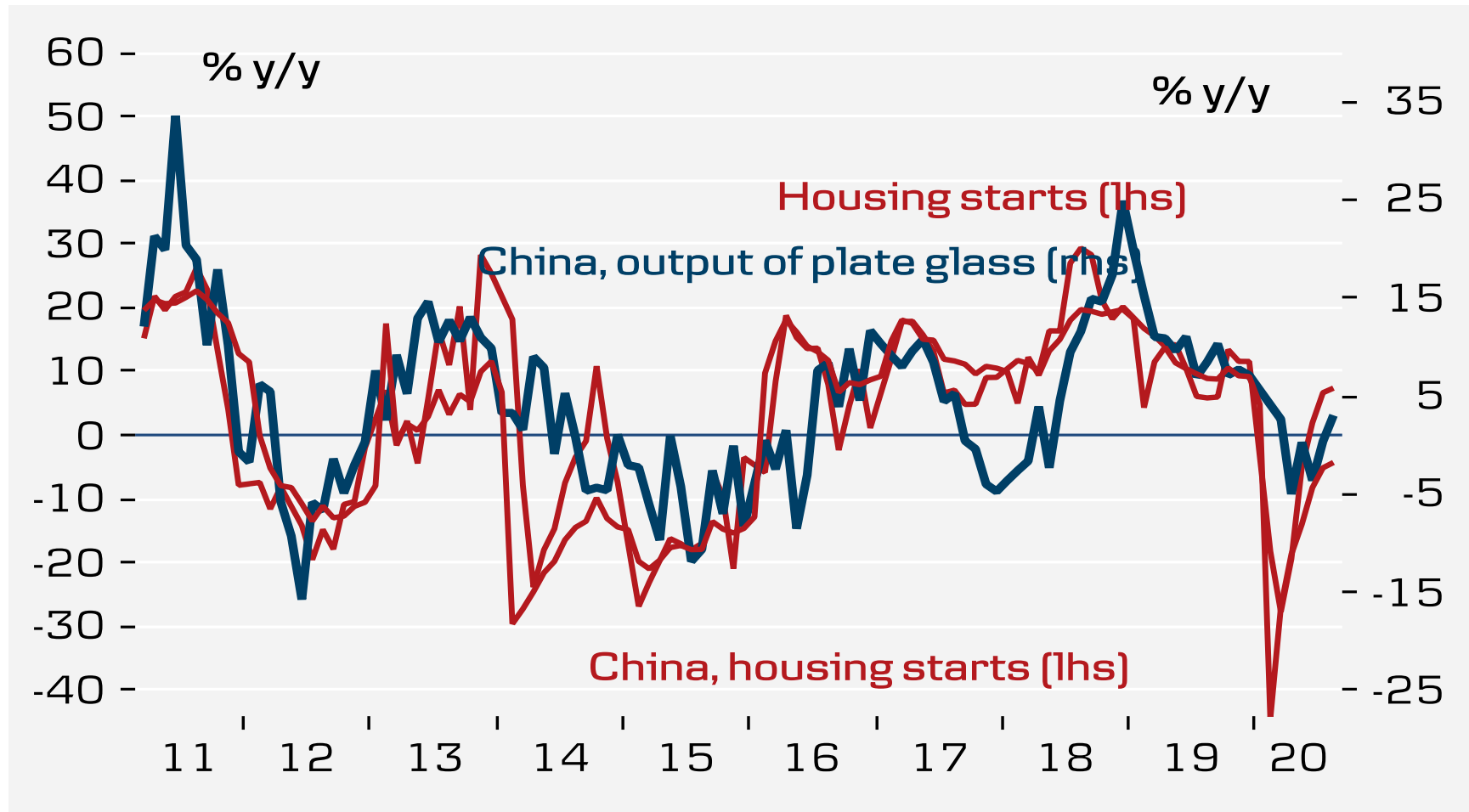
Housing – home sales and household credit



Source: Macrobond Financial, Markit, NBS, People's Bank of China, Danske Bank

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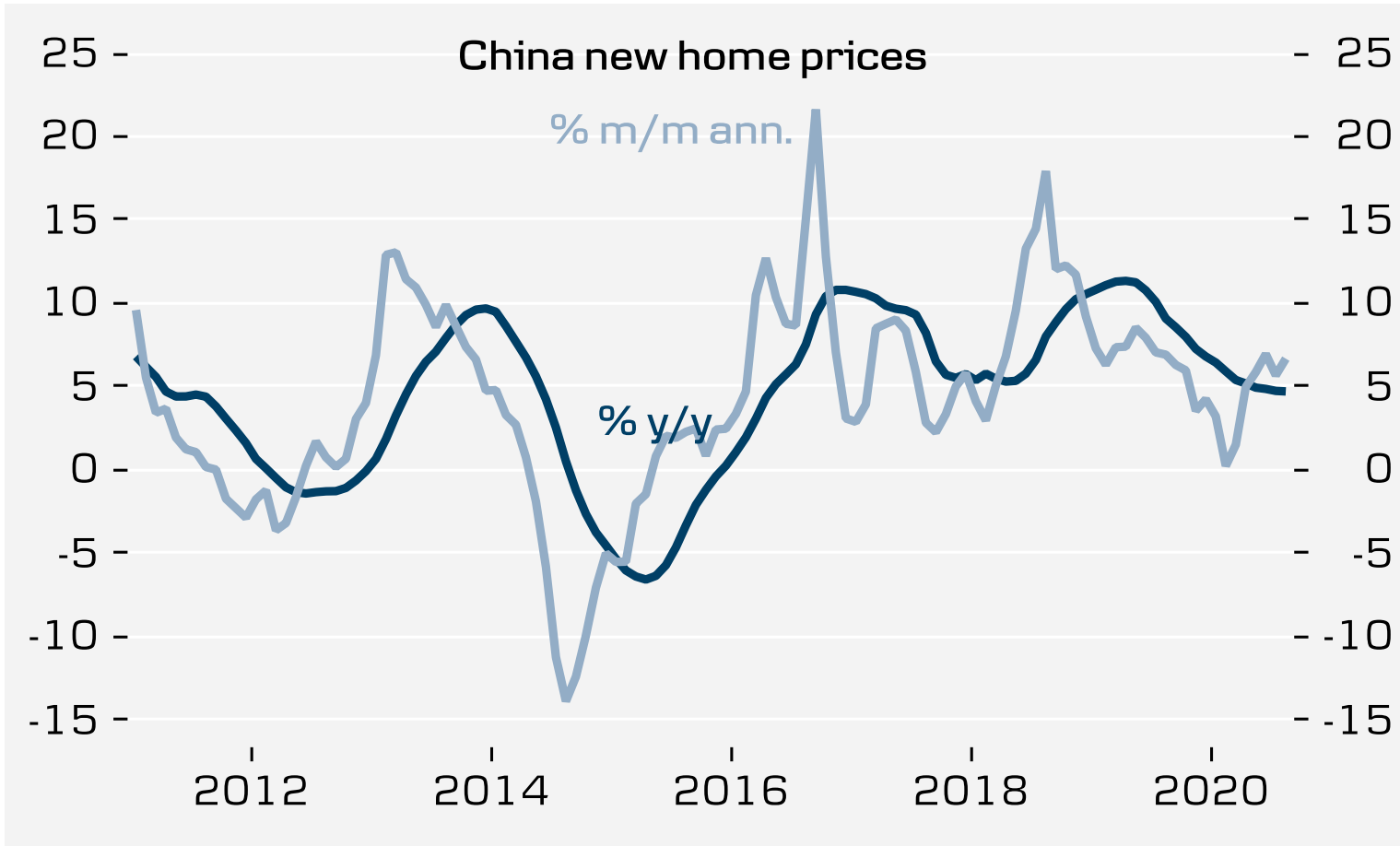
Housing – housing starts and plate glass



Source: Macrobond Financial, NBS, Danske Bank

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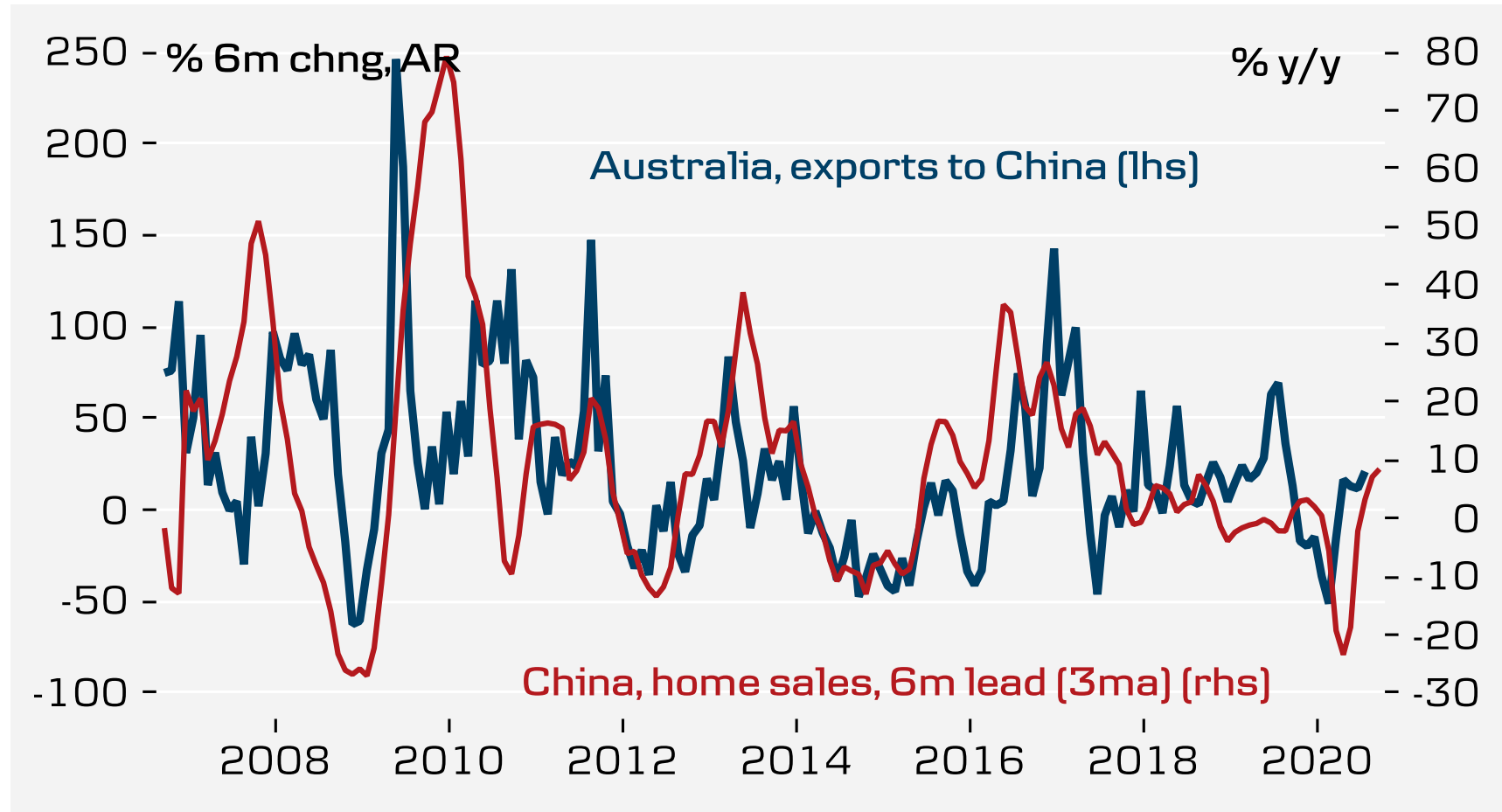
Inflation – house prices



Source: NBS

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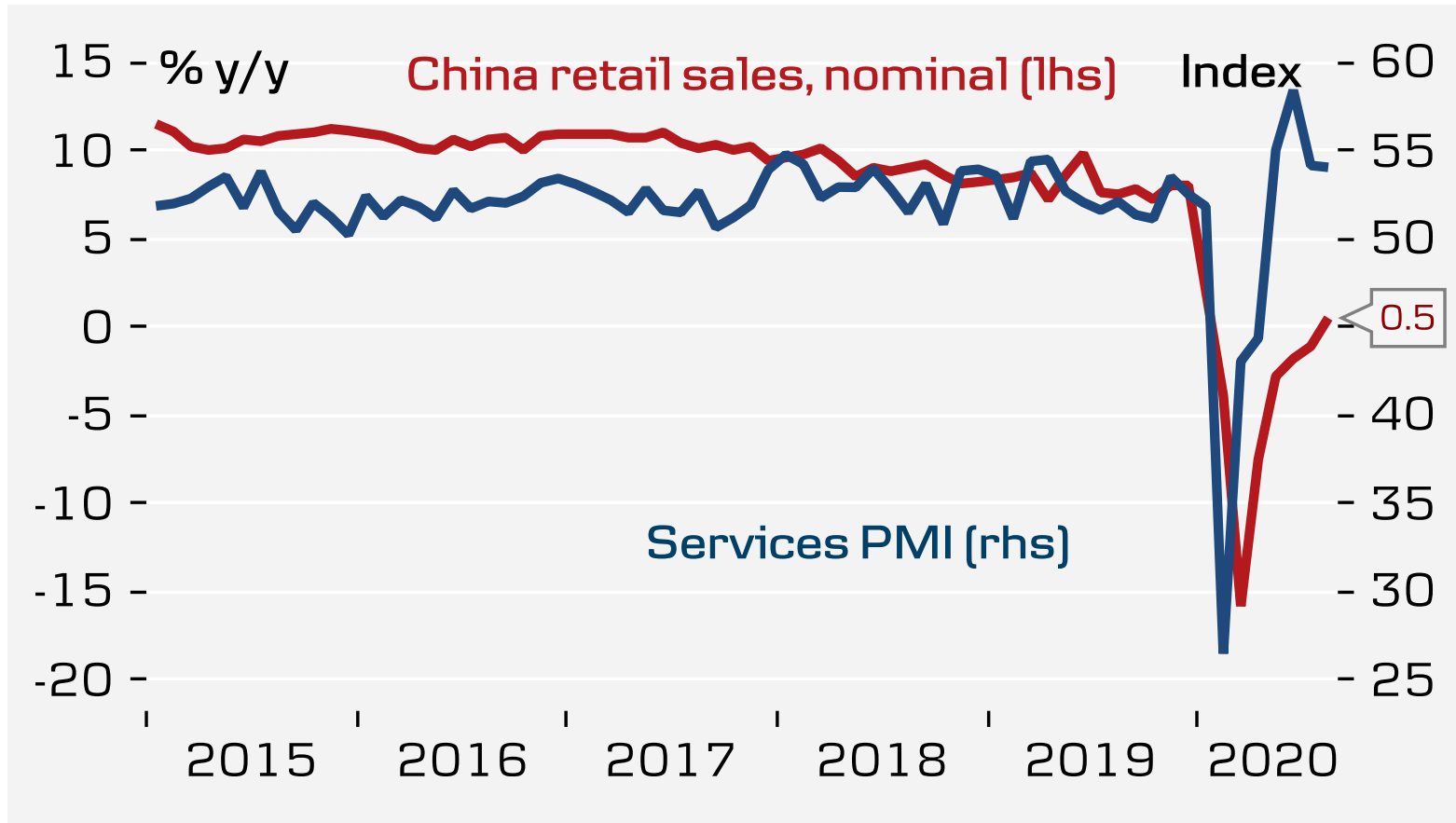
Housing – Australia exports to China vs home sales



Source: Macrobond Financial, NBS, Danske Bank

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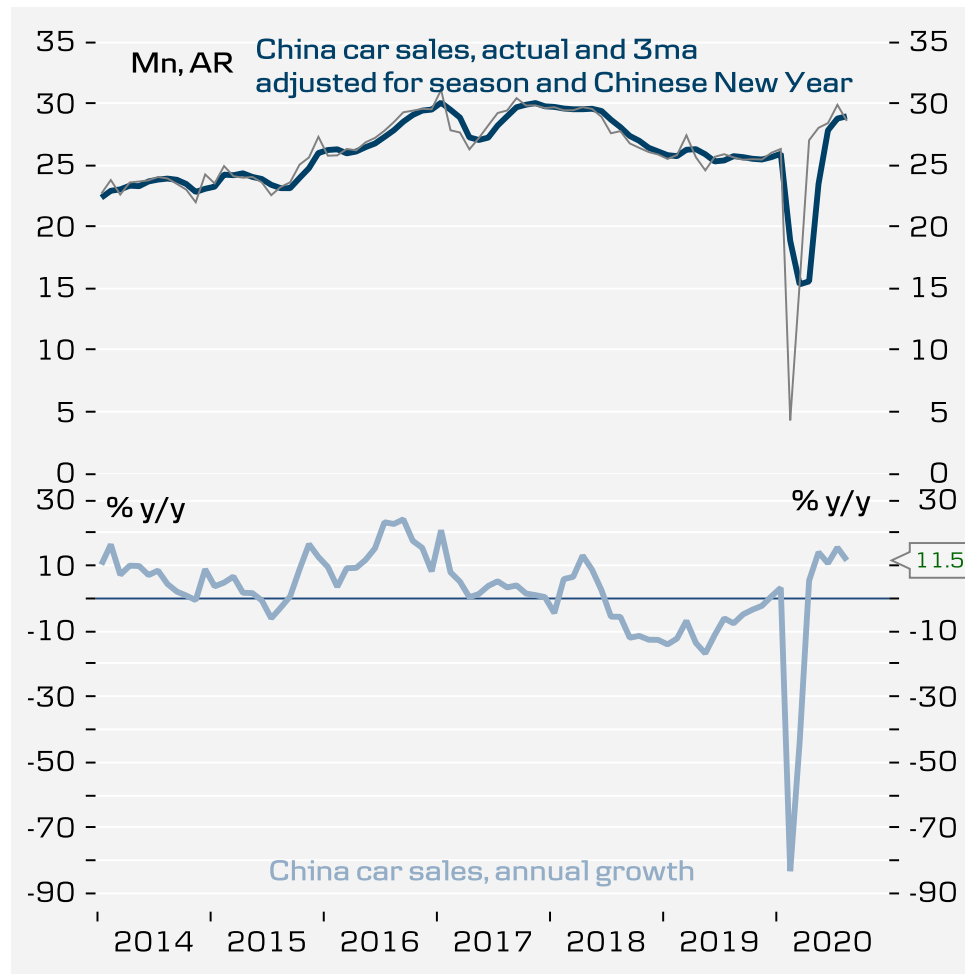
Consumer – retail sales (short term)



Source: Macrobond Financial, NBS, Danske Bank

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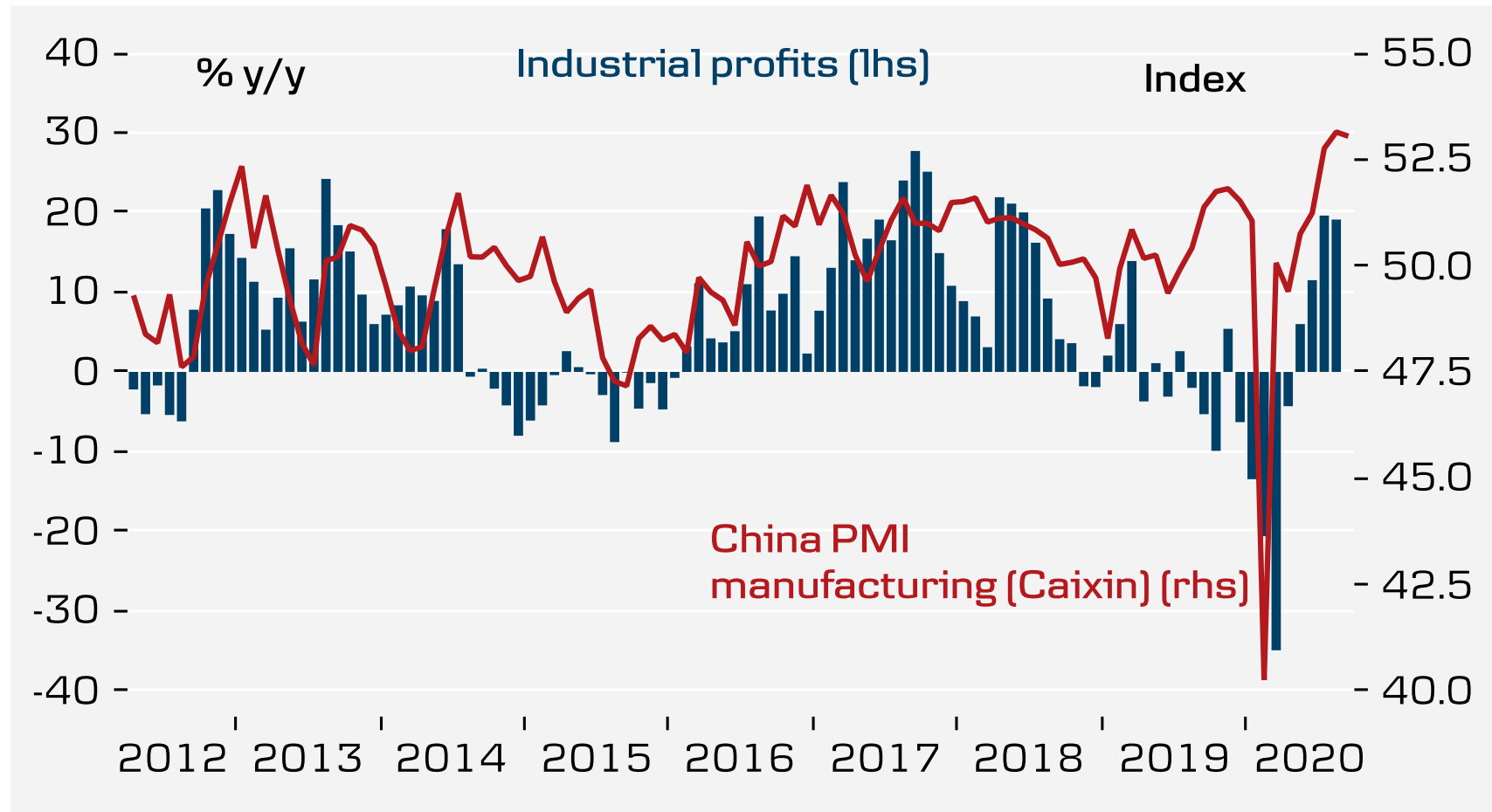
Consumer – car sales



Source: Macrobond Financial, CAAM, Danske Bank

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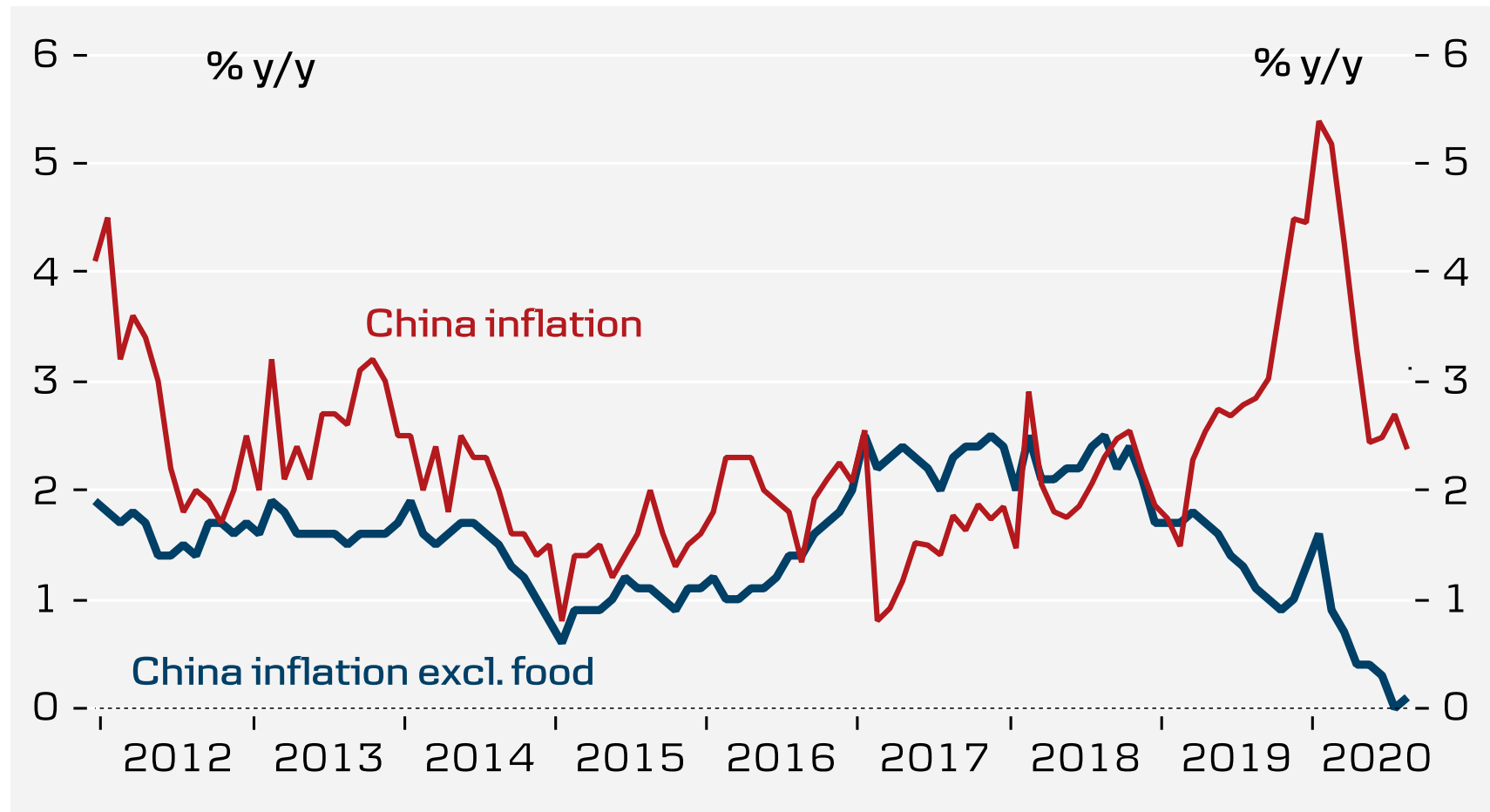
Profits vs PMI



Source: Macrobond Financial, NBS, Markit, Danske Bank

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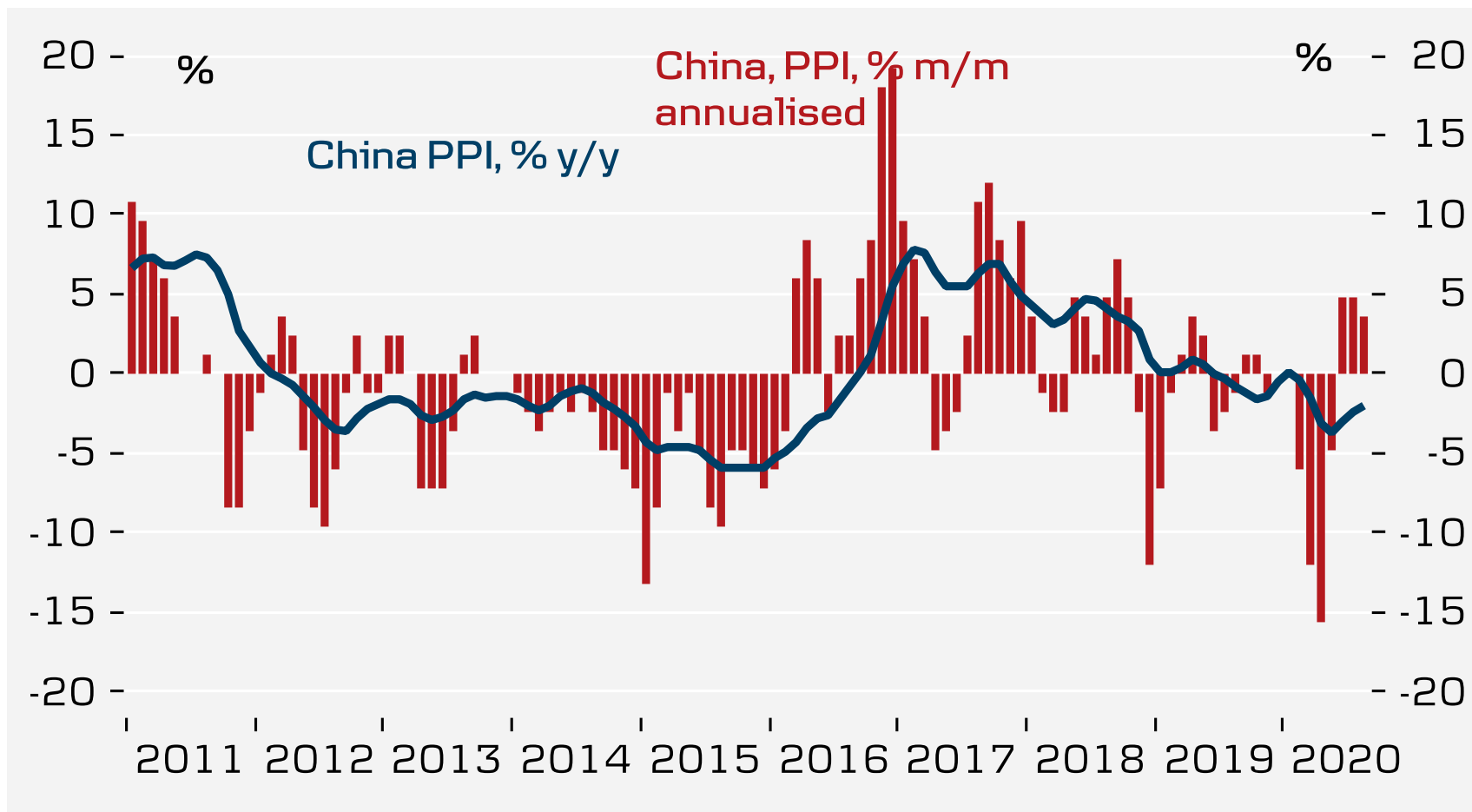
Inflation - CPI



Source: Macrobond Financial, NBS, Danske Bank

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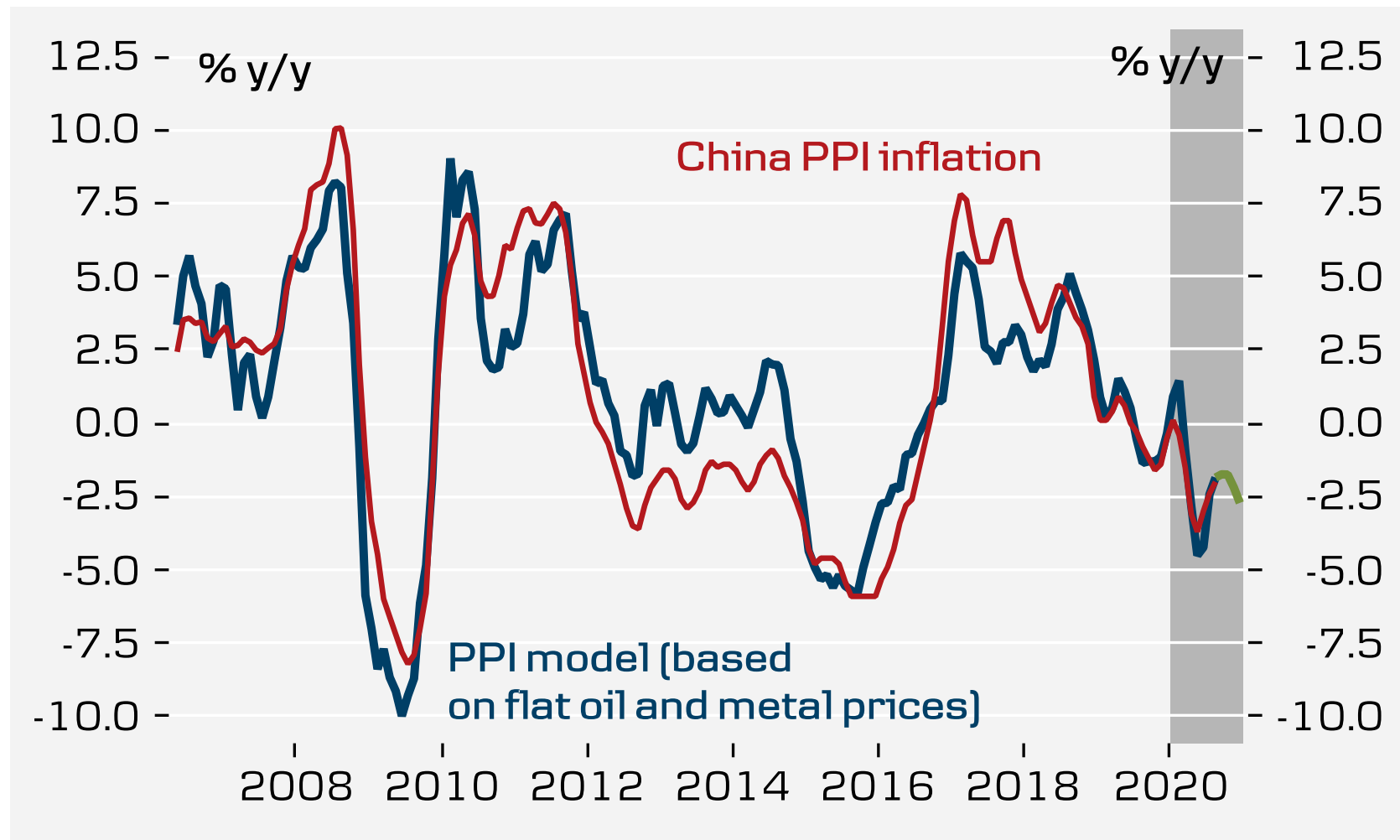
Inflation - PPI



Source: Macrobond Financial, NBS, Danske Bank

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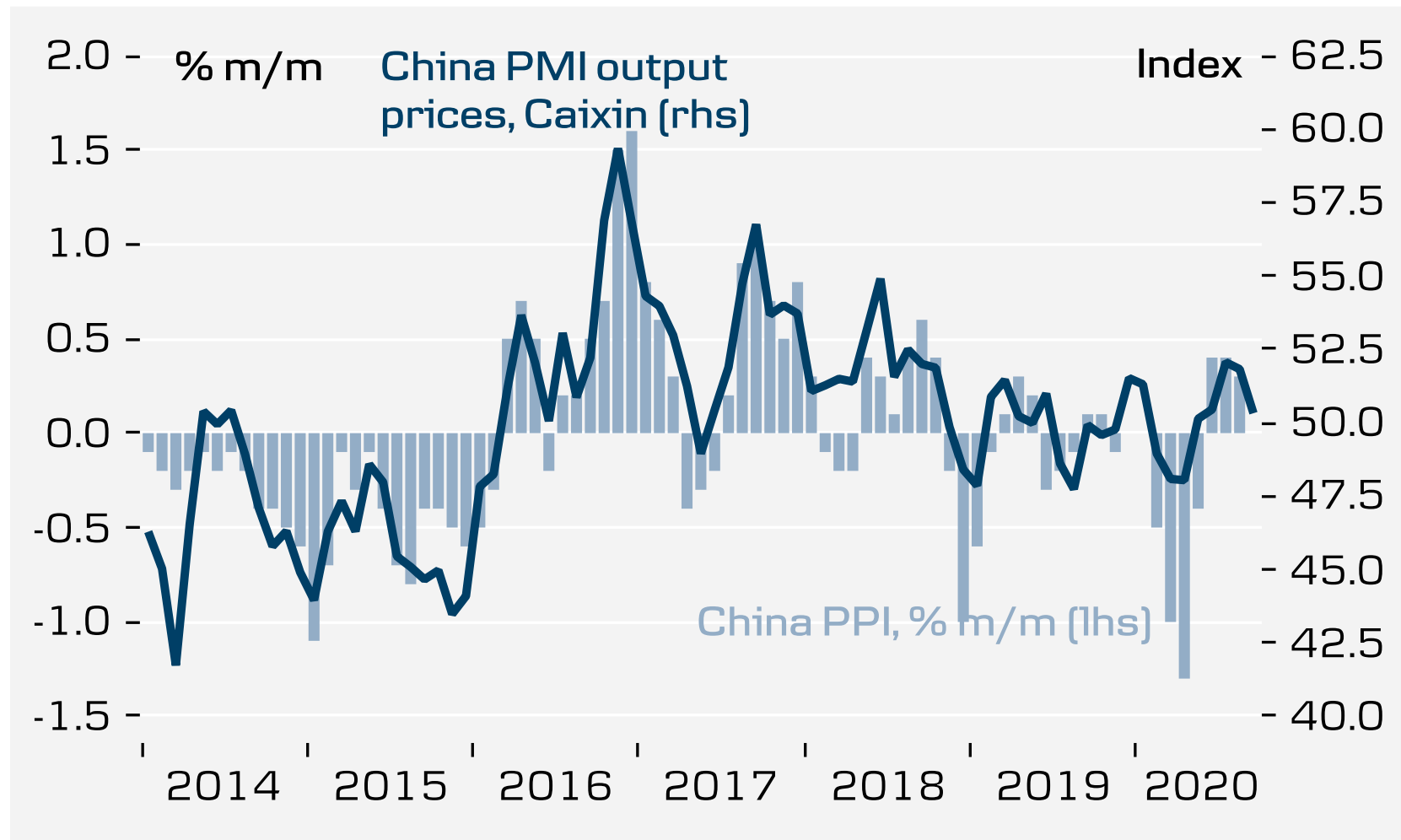
Inflation - PPI model



Source: Macrobond Financial, NBS, Danske Bank

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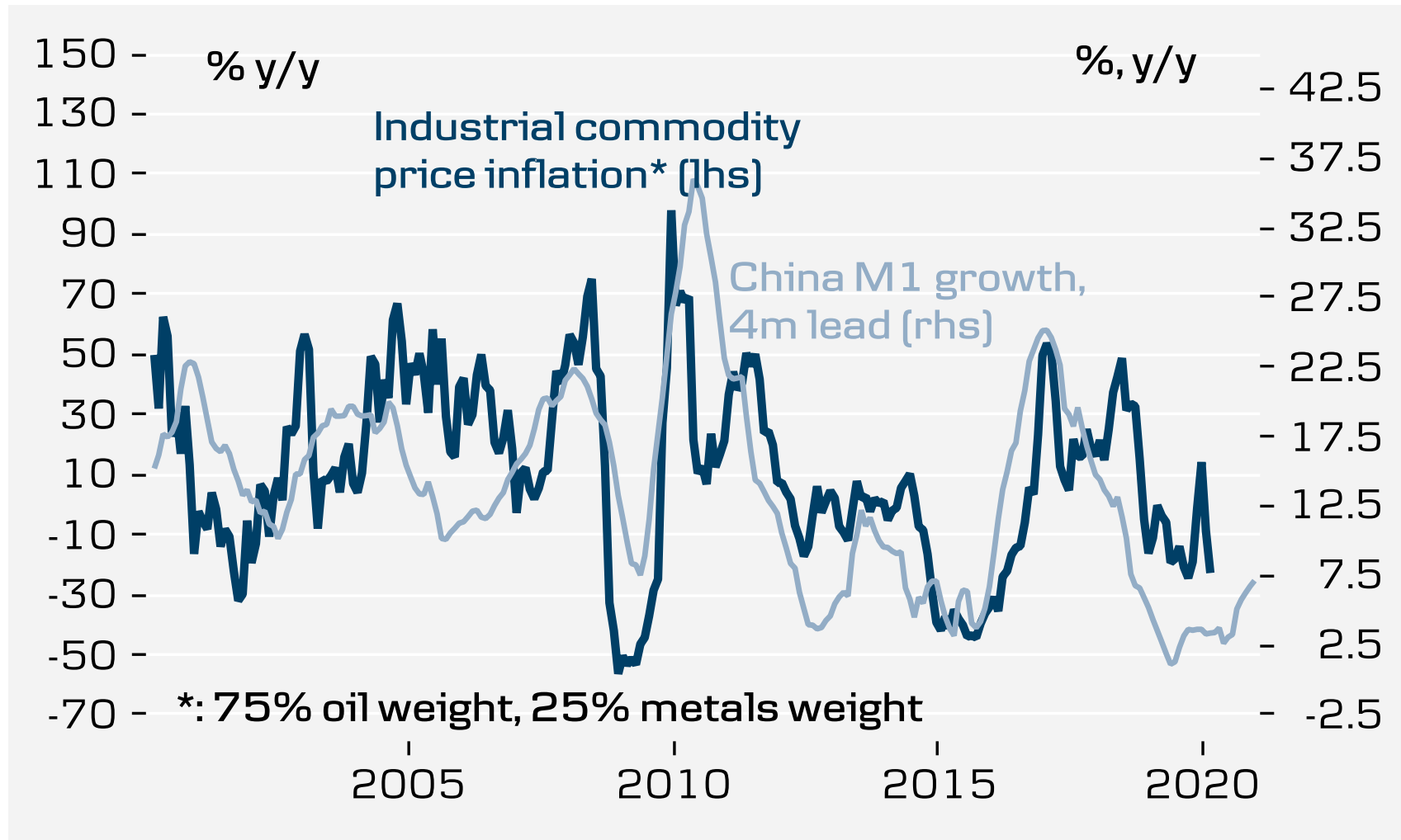
Inflation - PMI output prices and PPI m/m



Source: Macrobond Financial, Markit, NBS, Danske Bank

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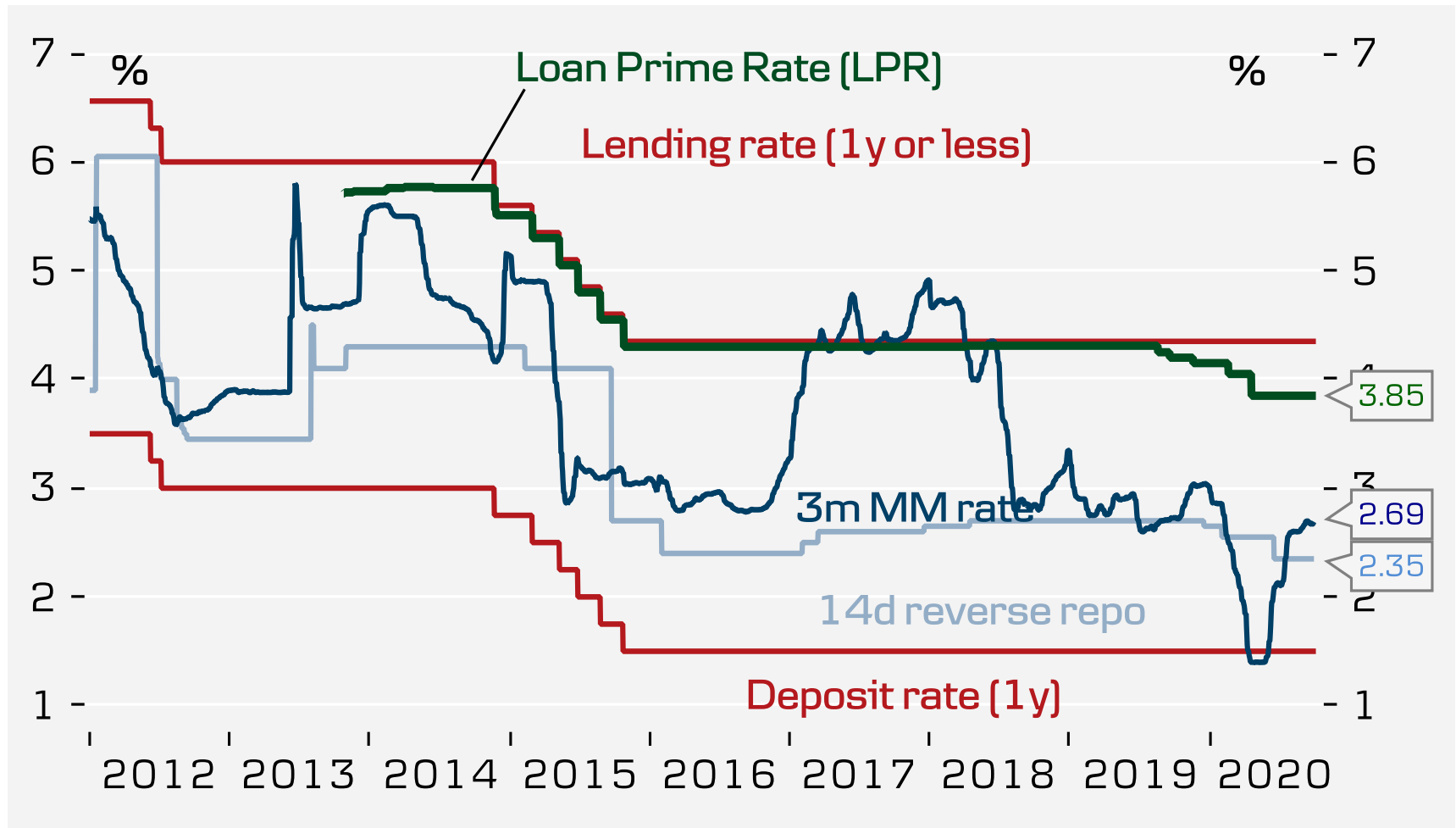
M1 and industrial commodity prices



Source: Macrobond Financial, Markit, People's Bank of China, Danske Bank

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Monetary policy – rates

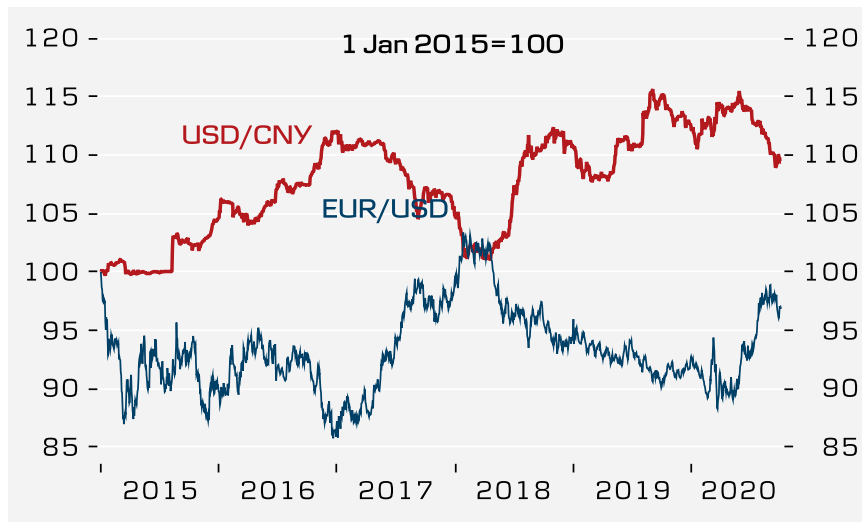


Source: Macrobond Financial, Markit, People's Bank of China

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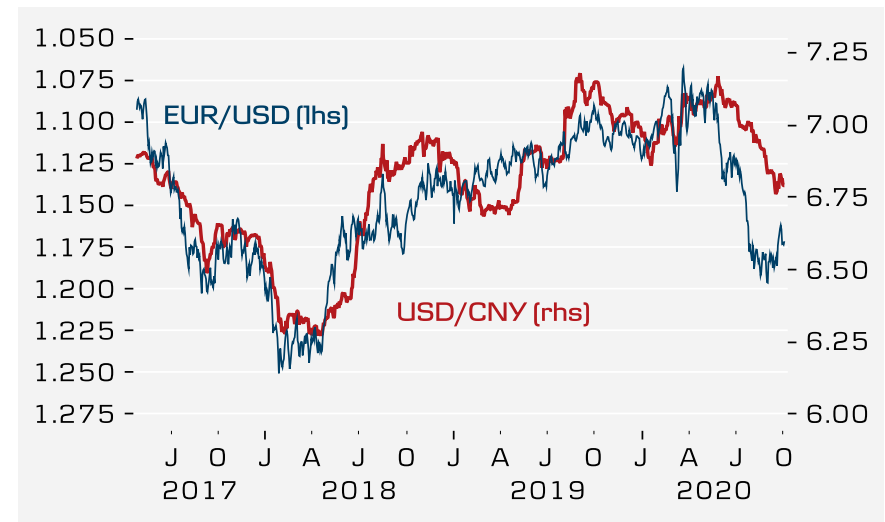
CNY: overall USD development important for USD/CNY

Longer term development



Source: Bloomberg, Macrobond Financials and Danske Bank

EUR/USD vs USD/CNY



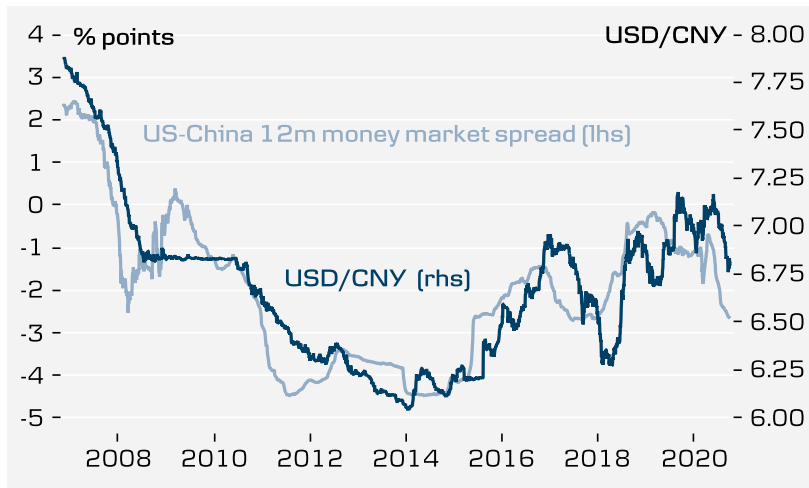
Note: EUR/USD on reverse axis in this chart

Source: Bloomberg, Macrobond Financials and Danske Bank

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CNY

Relative rates vs USD/CNY



Source: Bloomberg, Macrobond Financial

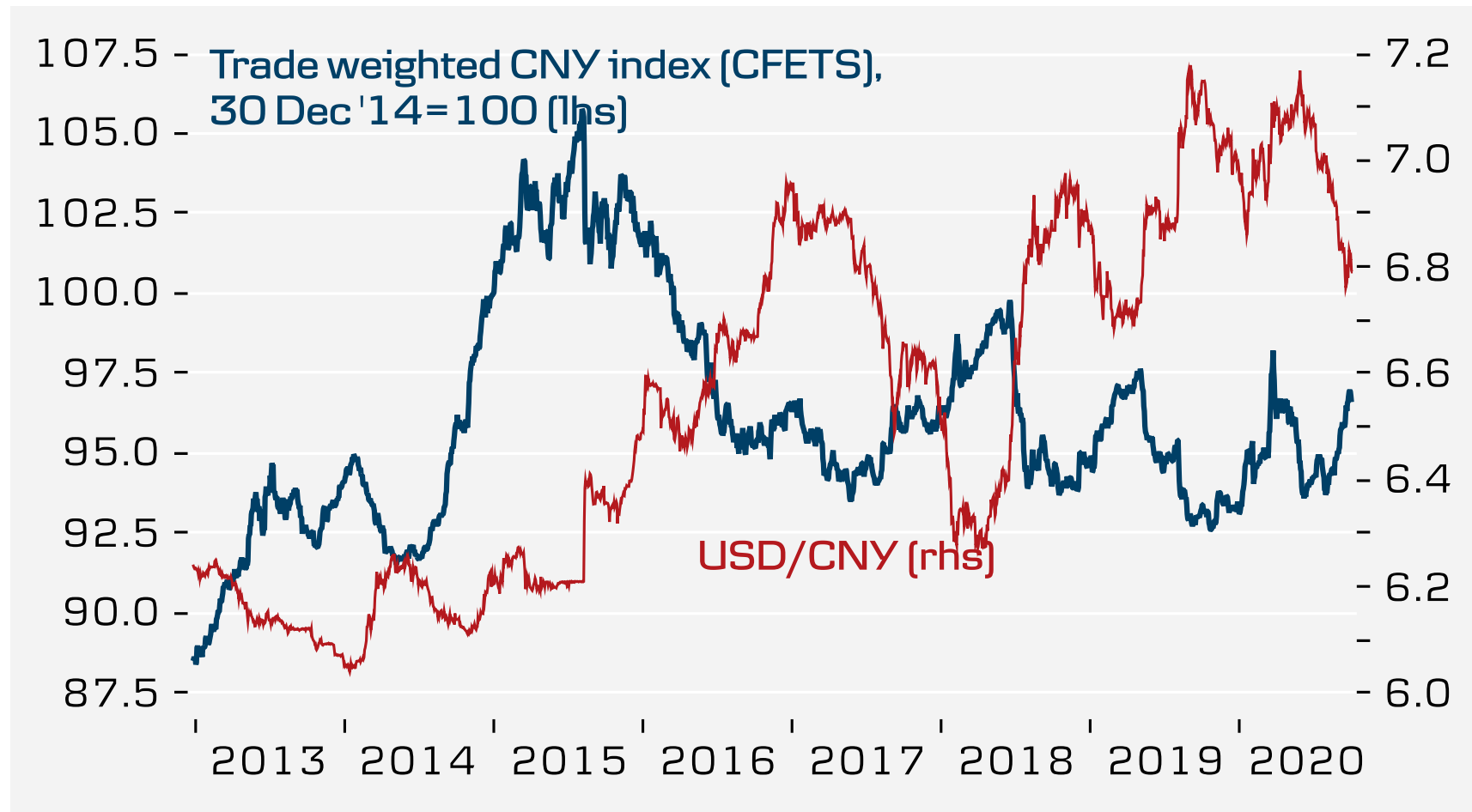
US and China money 12M rates



Source: Bloomberg, Macrobond Financial

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USD/CNY and CNY basket



Source: Macrobond Financial, People's Bank of China, Danske Bank

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Report completed: 5 October 2020, 21:42 CEST

Report first disseminated: 6 October 2020, 08:15 CEST