

China Covid overview

- China decided on the 'good scenario'

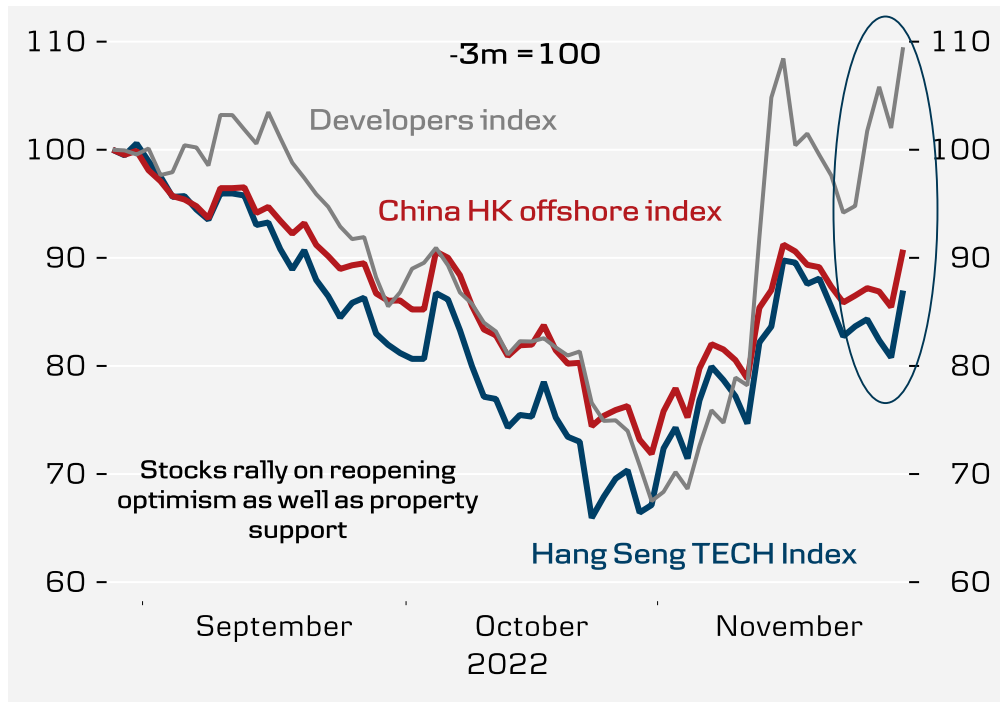
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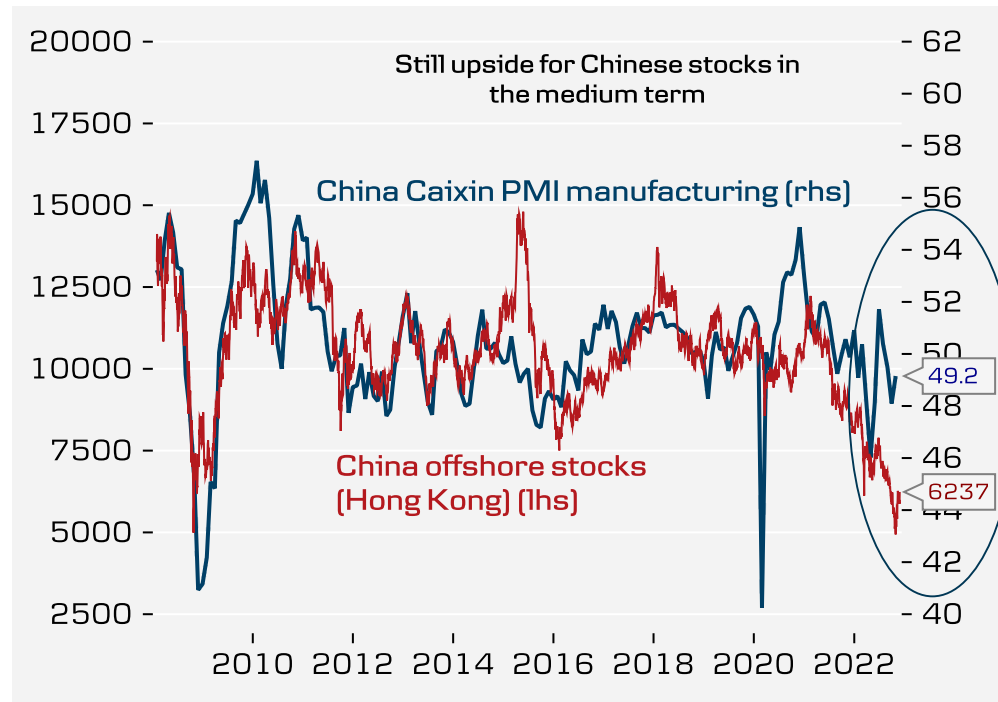
China made a choice – to move towards reopening instead of cracking down hard

- Yesterday, we wrote that China was facing a choice between reverting to harsher lockdowns to stem the current growing outbreak (see pages 4-6) – with the risk of rising protests - or allow the virus to spread further as a consequence of the latest easing of Covid rules, see [China Covid Overview – Looks like a chaotic winter coming](#), 28 November. China seems to have decided on the latter and thus sends a signal that **a path towards full reopening is taking place**, albeit at a gradual pace.
- This morning China's National Health Commission held a press briefing with some important messages (source Bloomberg):
 - China will **accelerate vaccinations of people above 80**.
 - China will **hold officials doing excessive curbs responsible**.
 - China is **constantly adjusting Covid policies**.
 - Officials must **resolve public requests quickly**.
- China has reached a point, where the **economic and social costs have become too big and now outweigh the health costs from a gradual opening**, which *will* lead to a rise in deaths. It is now up to the elderly to take the vaccines offered to them. China also worked on [building makeshift hospitals](#) in a sign they are preparing for more spread and pressure on health resources. The development is also a signal to the population that the government does listen to the frustrations, which could dampen protests. According to some sources Tsinghua University engaged with students and promised not to hold protesters accountable, in a sign that Beijing is not cracking down hard on protesters.
- **We expect to see a gradual adjustment in Covid measures, but also that China will still aim to dampen the spread** of the virus, while running the vaccination campaign for the elderly, so that the virus does not explode and overwhelm the health system completely. By allowing the virus to spread, the incentive for elders to take the vaccine also goes up significantly.
- **For markets, households and companies, what is important is that you can now see an end to the zero-Covid policy** and an improvement of the economy on the other side of the short-term chaos that could arise from a sharp rise in the virus spreading. We still do not think we will see a full reopening until we hit the warmer season over the summer and the elderly are fully vaccinated. But the conviction that China *will* leave the zero-Covid policy and pave the way for an economic rebound in H2 2023 has gone up. A rebound where pent-up demand in consumption and the property sector is unleashed. We look for growth in 2024 to rebound to 5.3%.
- **Stock markets rallied more than 6% overnight**, also helped by rising support to the property sector unveiled overnight. As levels are still low, there should be more upside in the long-term. CNH gained somewhat, with USD/CNH falling to 7.16 from 7.21 yesterday.

Chinese stocks rally

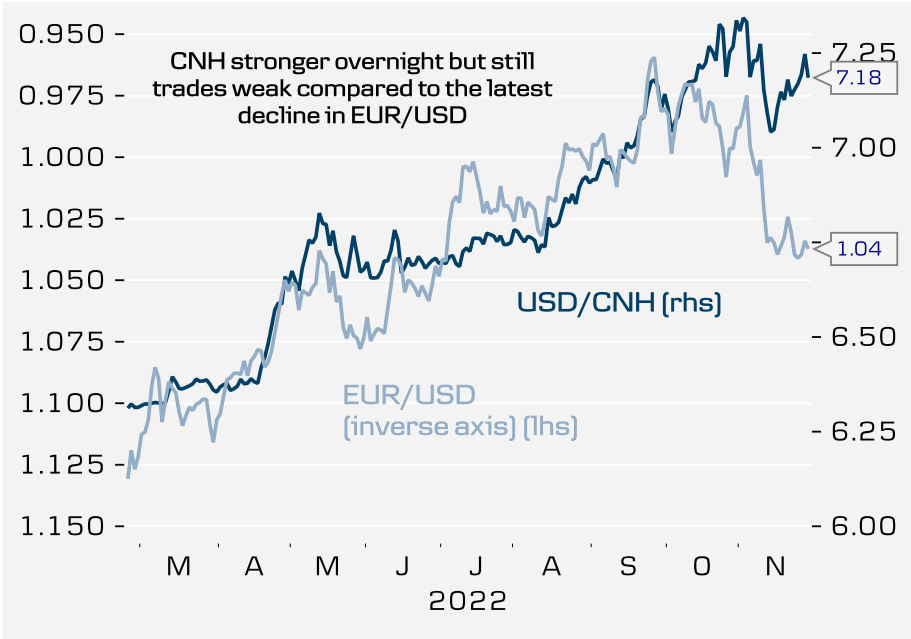


Note: Past performance is not a reliable indicator of current or future results
Source: Macrobond Financial, People's Bank of China

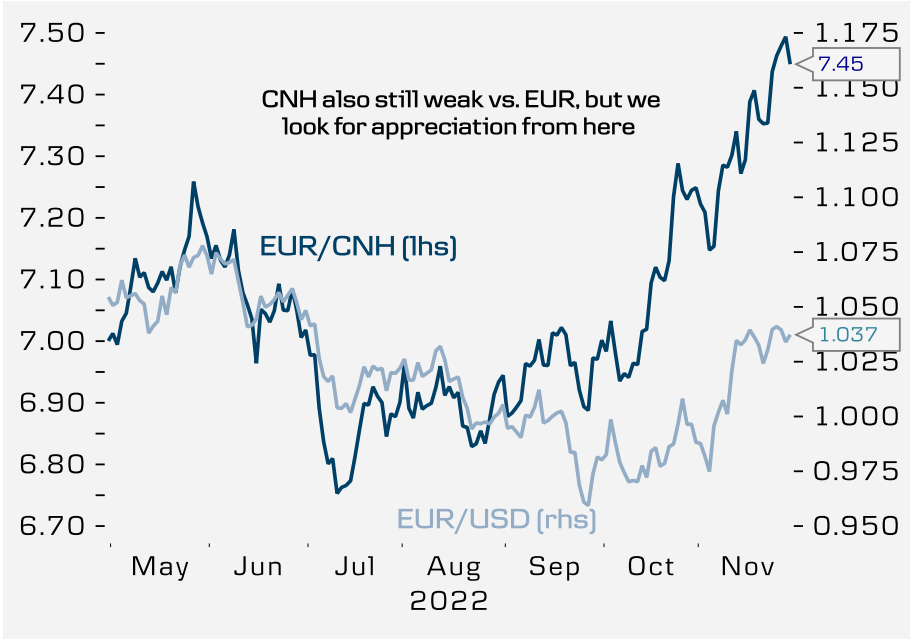


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Source: Macrobond Financial, Bloomberg, Markit

CNH stronger overnight, but still trading with a 'risk premium'

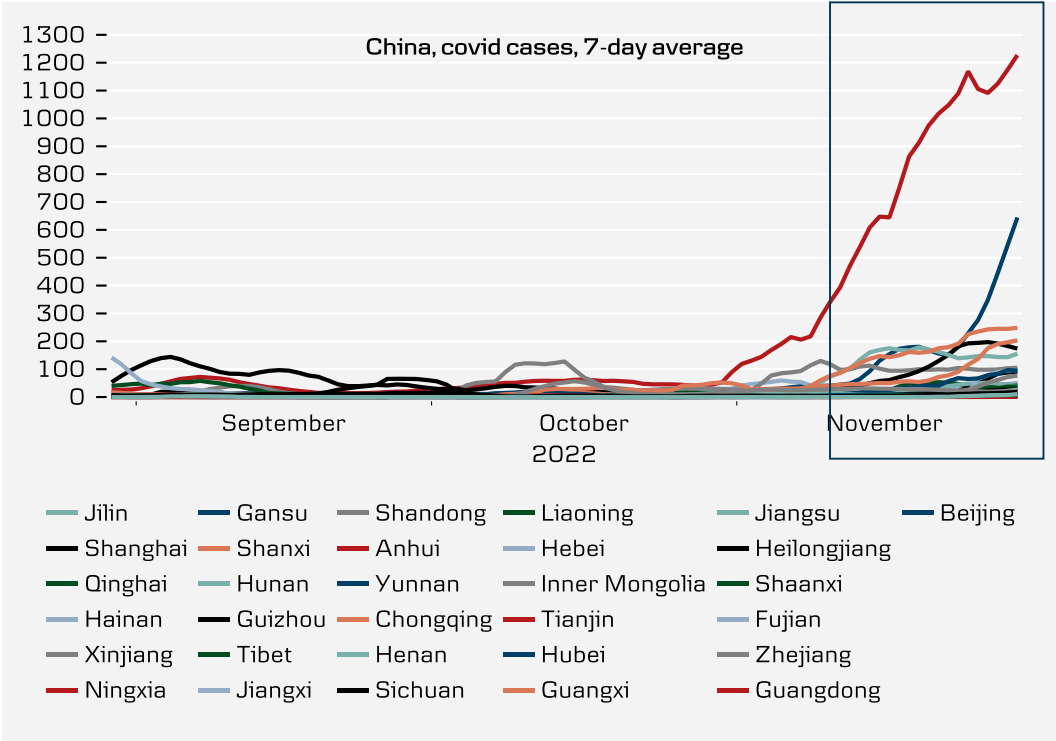
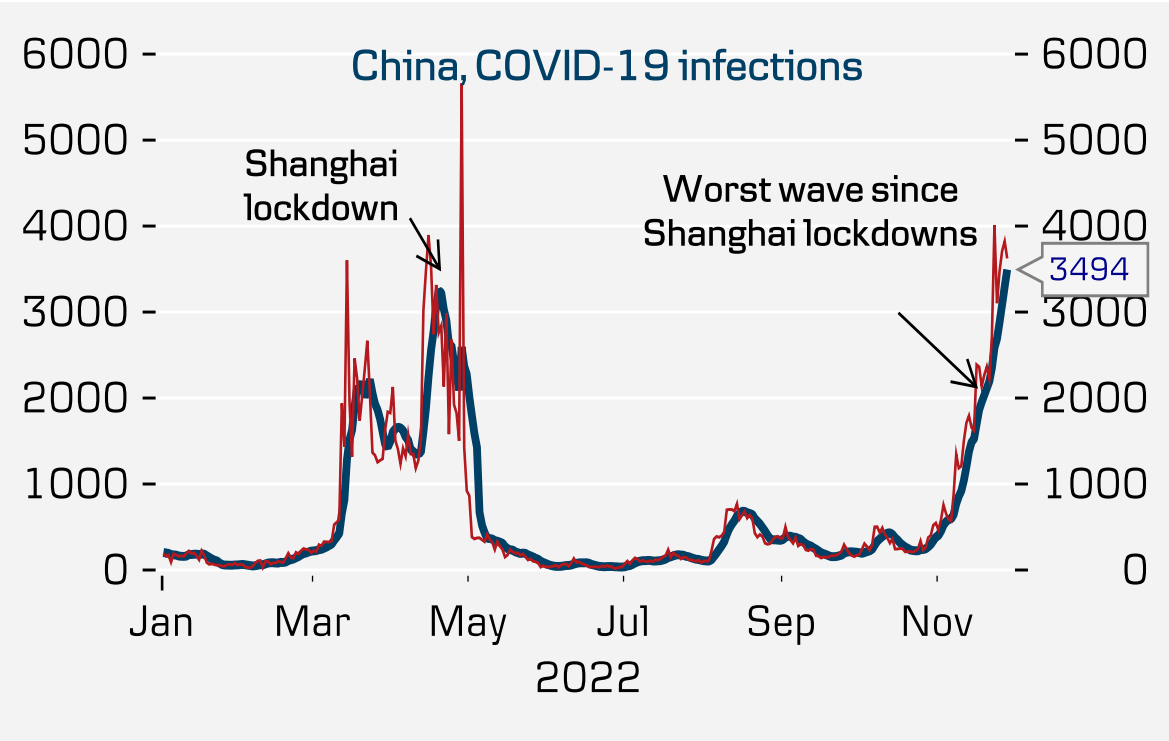


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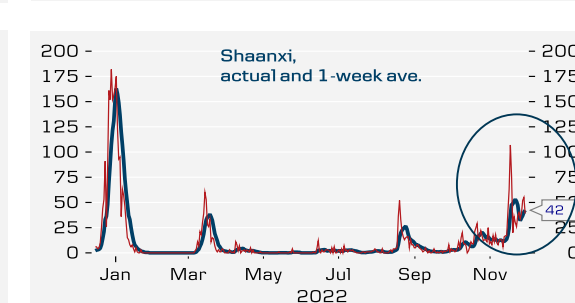
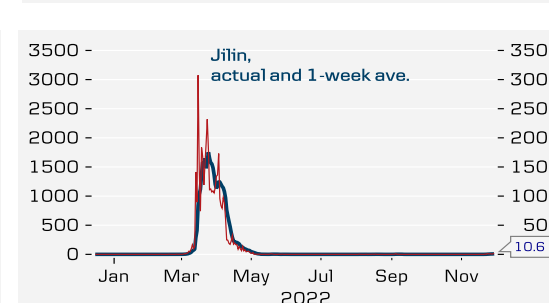
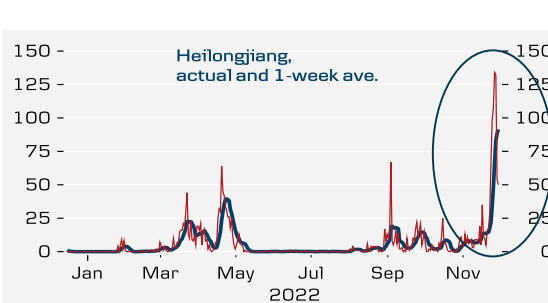
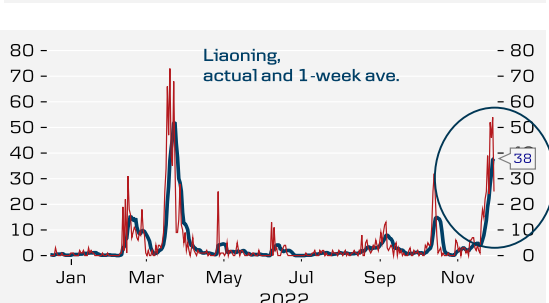
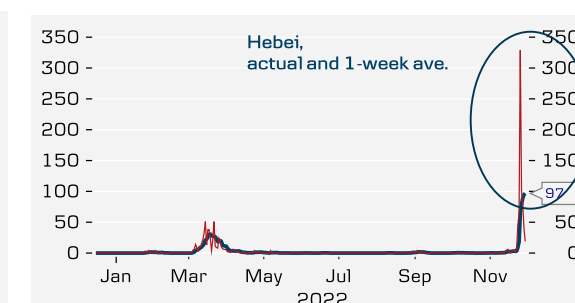
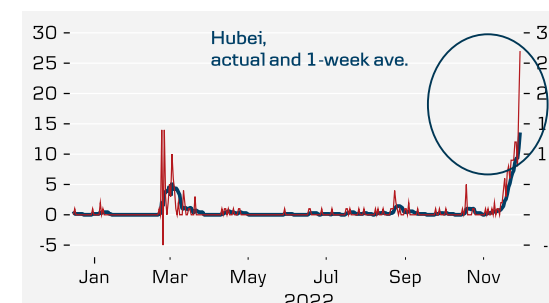
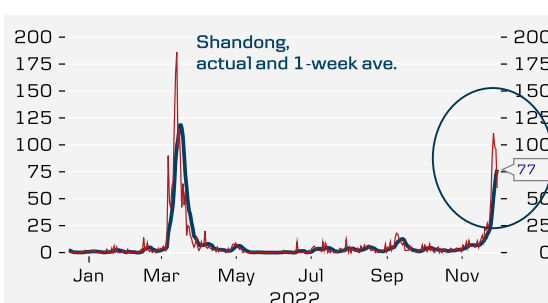
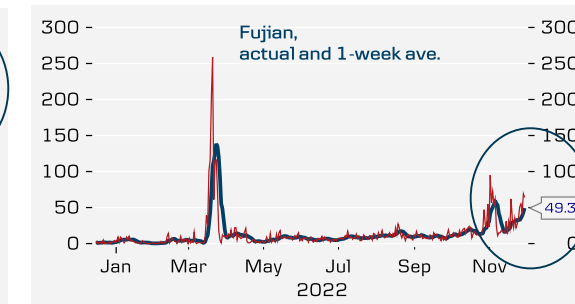
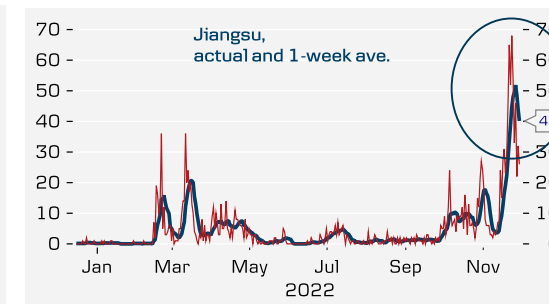
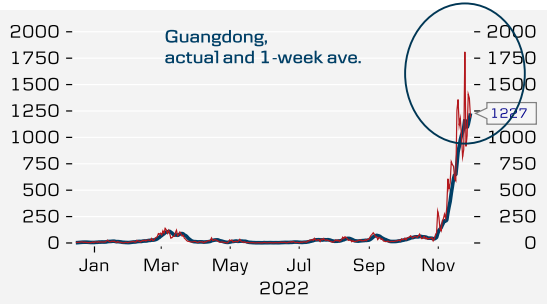
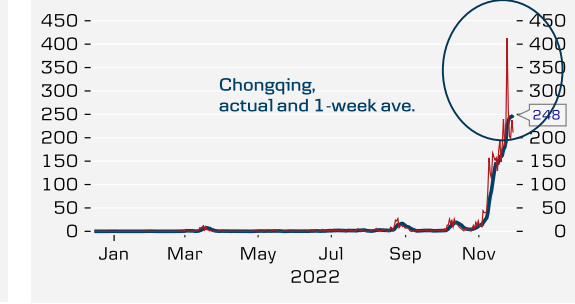
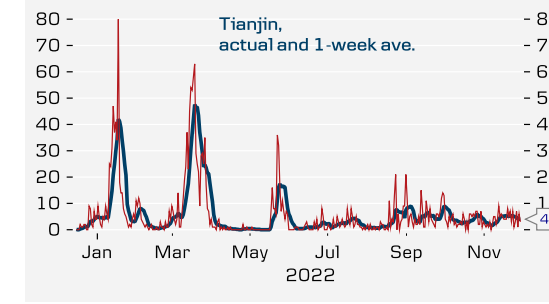
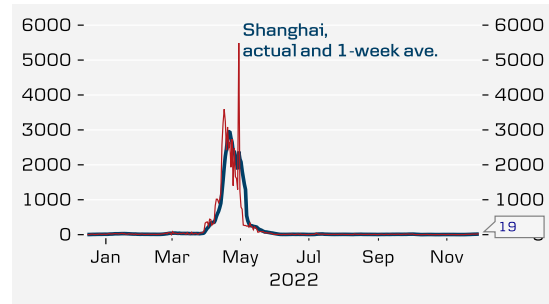
Overview: Covid cases continue to rise as China allows more spread



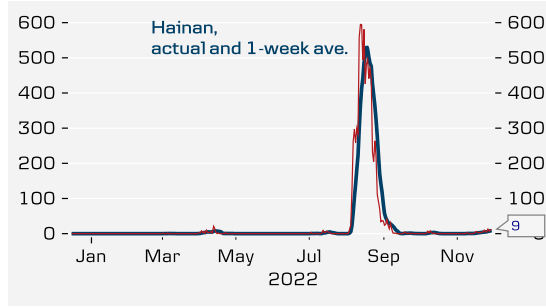
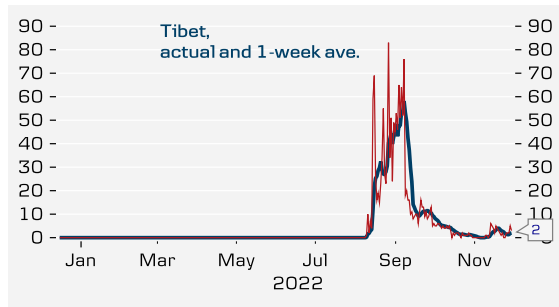
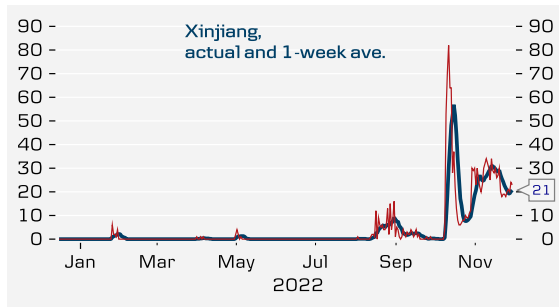
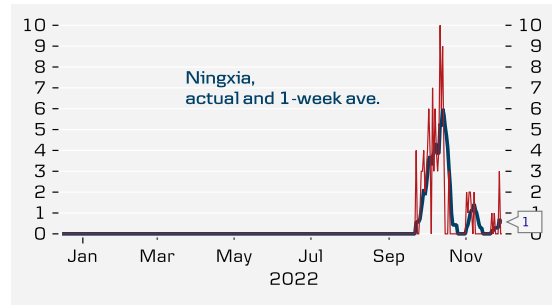
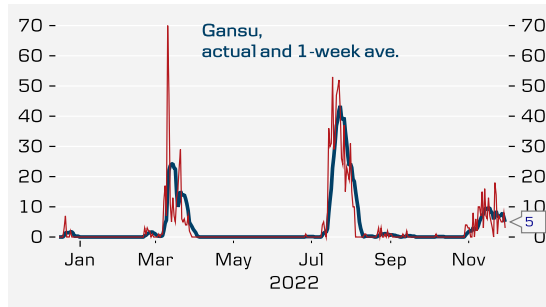
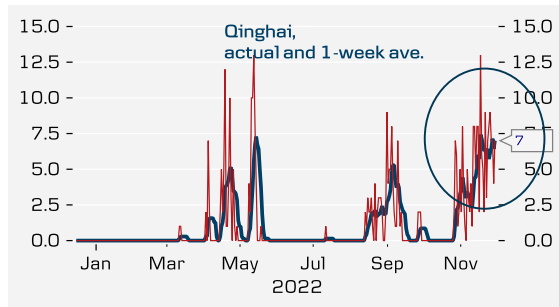
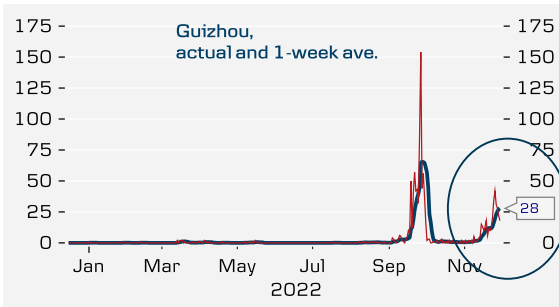
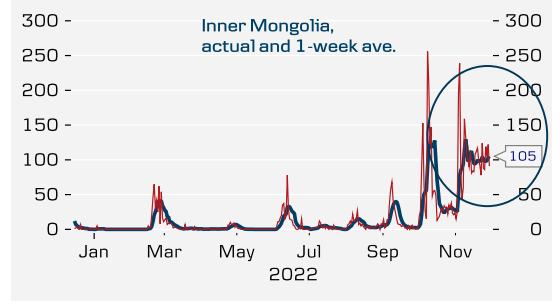
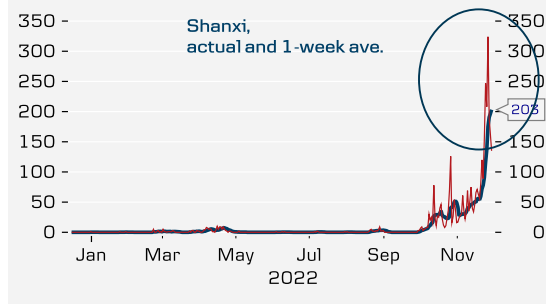
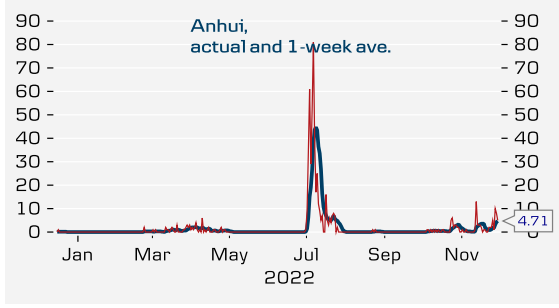
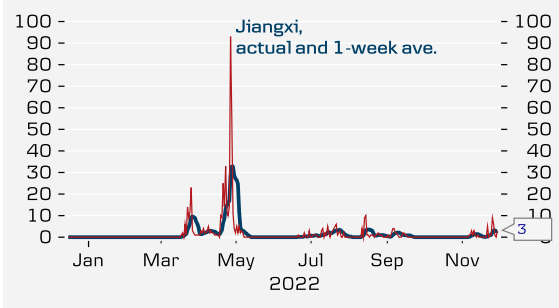
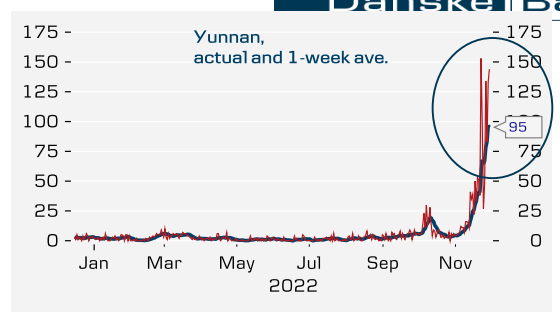
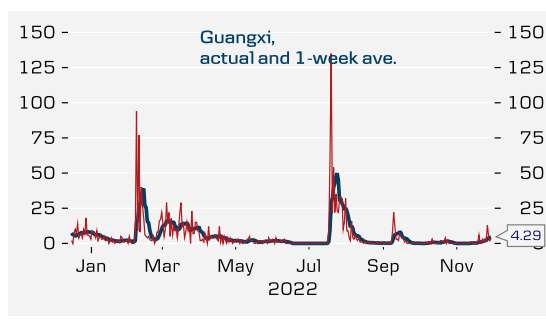
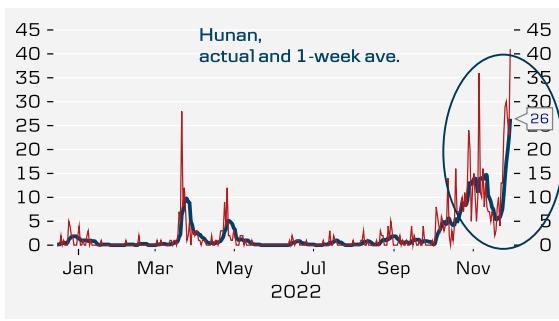
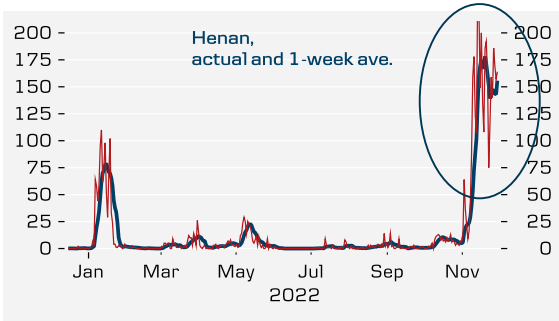
Sources all charts: Macrobond Financial, DXY (Lilac Garden Family Clinics)

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Covid cases across Chinese regions (note: scales differ). Circles highlight rising trend in 7-day average.



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