WEEKLY BULLETIN

June 2023: Issue #3

Thought of the Week.

While the 'high-tech Dragon' flies on the night sky in Shanghai, several 'animal spirits' drive the markets in the West.

Gradually, China becomes more like the West, economically at least, and the impetus to trade with the West fades with it as it becomes technologically capable of producing more high-end goods itself. China may become a more independent economic force where the economic ties with the rest of the Asian region, and perhaps Latin America and Africa too, strengthen, as ties with the West become less important. The tension between the U.S. and China may further encourage the economic world separation.

For now, China has good reason to hold back on unleashing big stimulus. The central bank has made small cuts to interest rates as everything from credit growth to exports disappoint. Cutting aggressively as global interest rates rise would put a lot of pressure on the yuan although the policymakers are evidently uncomfortable with this year's underwhelming 5% growth target (a modest target but explainable after missing its 2022 goal).

Central government is considering is to issue $140 billion of special treasury bonds outside the annual budget to help crank up investment in infrastructure, especially since its leverage is just 21% of GDP as of March (National Institution for Finance and Development). The issuance can be overzealous since there are no significant signs of a strong crisis yet.

Another way to rebalance the economy is to basically handout cash and help households, but this may also burden the local governments (which are still pressured by current loan rates) and cost the property sector (large driver of GDP).

China 's housing crisis and aging population may render such stimulus efforts useless. Investors fear of a double whammy developing from depressed consumption and investment, pointing to a long-term stagnation that resembles Japan's "lost decade".

Last Week 's Notable Events.

US Economy/Politics

- Blinken tells Xi, US does not support Taiwanese Independence – 20th Jun.
- Meta Platforms return to growth index highlights annual Russell refresh – 21st Jun.
- Lockheed Martin and GlobalFoundries team up to make chips – 22nd June.

Europe and UK Economy/Equity

- Deutsche Telekom boss prepared to defy EU and stick with Huawei – 21st Jun.
- Eni close to $5 billion deal t buy Neptune Energy – 21st Jun.
- Italy blocks Chinese control of tyre giant Pirelli – 19th Jun.

Asia Pacific Economy/Equity

- China cuts benchmark lending rates as policy easing picks – 20th Jun.
- Abu Dhabi to take 7% stake in Chinese Electric Vehicle maker NIO – 20th Jun.
- US chip maker Micron is eyeing expansion into China and India – 20th Jun.

Other News and Quotes.

- BOJ policymaker calls for keeping low rates, focus on wages – 22nd June.
- BOE hikes rates to 5% in surprise move, Turkey raises interest rate to 15% from 8.5% - 22nd June.

Weekly Data Monitor.

Performance

- Reversal from last week, broad weakness.
- Real Estate a laggard for the week.
- Bonds weaker, despite the weak equity.

INDEX	Weekly %	MTD %	YTD %	1YR %	3Y %	5Y %
Global Equity	-1.26	4.73	12.78	15.37	33.26	44.36
Global Real Estate	-3.21	1.04	-1.34	-9.08	8.06	14.53
US Real Estate	-2.97	1.83	0.18	-6.36	13.96	21.31
APAC Real Estate	-2.65	2.16	-4.51	-7.40	-13.83	-21.49
Investment Grade	-0.52	1.08	4.76	7.08	7.37	16.63
High Yield Bonds	-0.32	0.20	1.64	-1.19	-14.30	-4.97
Global HF Real Estate	-0.15	0.62	0.49	0.69	7.68	8.63
Global HY ETF	-1.52	0.75	5.59	7.95	25.26	21.64
ASIA Real Estate ETF	-2.76	-0.80	-5.14	-15.65	-11.64	-2.90
USD Index	0.43	-1.58	-0.82	-1.68	6.24	8.63

Weekly chart:

- Equities and credit issues sold for the week.
- US$ stronger, backed by Fed hawkishness.
- Gold and Brent crude closed near lows.

Note: The chart shows normalised weekly highs and lows for the Indicator, BLUE being the LATEST.

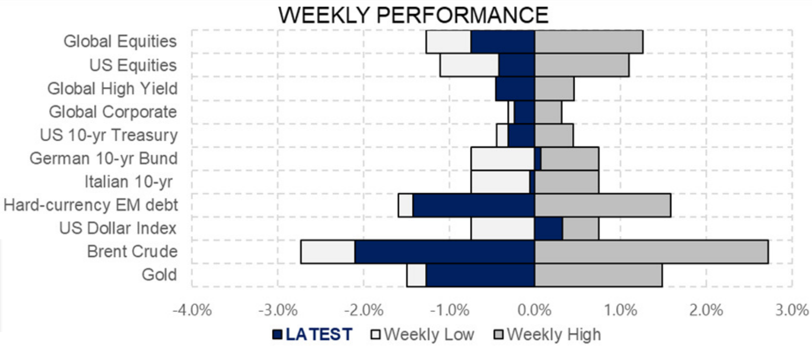
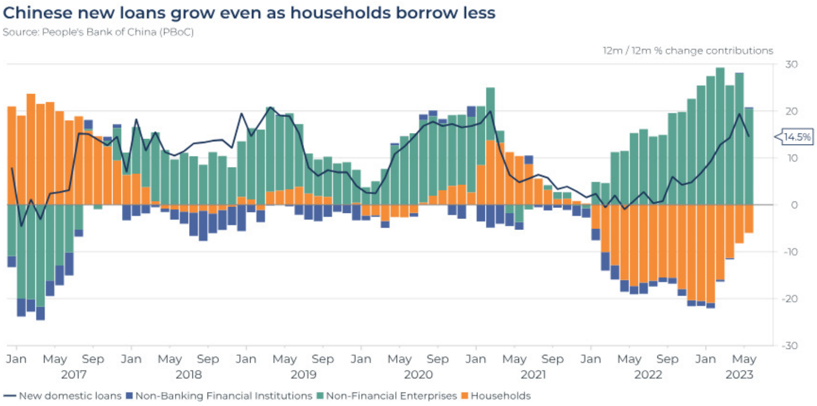


Chart of the Week.

We will dedicate the analysis for the Chart of the Week, also to China. There is a fair amount of concern about the "China reopening" process, and although we have the Central Bank acting on reviving the process, the outcomes are still slow to develop on the desired direction.

New lending keeps growing year-on-year, but the demand is coming from the non-financial enterprises while credit growth from bank lending is fading.



The reason for the Central Bank acting three times this month on cutting rates and improve credit environment is the desire to boost recovery, especially providing support to the shrinking household loans, (the orange bars).

Property investment declined 7.2% in the first five months of 2023, worse than the 6.2% drop recorded in the January-to-April period, according to official data released last week. Factory activity slumped in May to its weakest level since the end of zero-Covid policy in December, according to a government survey released last month. Customs statistics showed that exports fell 7.5% in May from a year ago, the biggest decline since January, as manufacturers struggled to find demand abroad amid slowing global growth.

Most worrying sign is the jobless rate for 16 to 24-year-olds that increased to 20.8% last month, shattering the previous record set in April.

We now have some indicators to monitor China's recovery process. The signs are for a temporary slowdown especially in trade for the rest of the year, but the good news is that the Central Bank is signaling its awareness and willingness to support the economy while continuing to help internal consumption (to a certain extent, employment).