

Asia Morning Bites

China boosts lending to the property sector as rising Covid cases take their toll on the CNY



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Macro outlook

- **Global Markets:** After treading water on Friday last week, US stocks resumed their decline on Monday. In terms of catalysts for the down move – possibly Dell's projections of weak earnings in the current quarter may have played a part. The S&P500 drifted 0.39% lower, while the NASDAQ fell 1.09%. Recent increases in bond yields may also be beginning to take their toll, though Monday saw only a further small rise in the 2Y US Treasury (+1.9bp) and the 10Y yield was virtually unchanged (-0.2bp) at 3.827%. EURUSD has dropped to 1.0241 from about 1.0330 yesterday, which you could put down to a slight increase in benchmark natural gas prices in Europe, though it was also spread widely across the G-10 FX space, so more likely just reflects a swing back behind the USD. The AUD has dropped back to just over 66 cents, Cable is back down to the low 1.18s and the JPY has increased to over 142. Asian FX has tumbled across the board, led as usual by the region's high-beta currencies, the THB and KRW. The CNY has moved back up to 7.1653 up from 7.12. Fed comments remained in line with the recent slant of rhetoric, with Mary Daly's the most notable, talking about being mindful of the lags of policy, the possibility of a slowdown in the pace of tightening, and 5% as a good place to start thinking about peak Fed funds, though with upside risk.

- **G-7 Macro:** Yesterday was slim pickings in terms of G-7 Macro releases. The US Chicago Fed national activity index recorded a figure consistent with slightly sub-trend US growth, though to be fair, the index was weaker in May and June of this year. The OECD Economic Outlook is published today, which will probably get some headlines for their latest, and presumably downgraded growth forecasts. The US releases the November Richmond Fed manufacturing survey. Nothing to get excited about. A good day to update charts and finish off reports.
- **China:** Mainland China's Central Bank, the PBoC, is going to provide interest-free matching loans to commercial bank lending for the purpose of finishing uncompleted residential property projects. The amount could be around CNY200 billion. The main point is that this is a matching loan for a specific purpose. This is a follow-up policy after PBoC allowed banks to lend to "good quality" property developers recently, and should provide funding for construction activity on uncompleted residential property projects. Another similar policy is that on 8th Nov, the government allowed credit-enhancing tools (standby letter of credit is one of the tools) for privately owned property developers to raise funds in the bond market. The market expects that this policy will help property developers to raise CNY250bn. The sum of both policies is small relative to the remaining construction of the uncompleted projects. The main purpose of these policies is to stabilize confidence by finishing some key projects. Then credit risk should fall, and the industry could begin to operate without depending on such supportive measures. Nevertheless, we expect that the turnaround of credit risks in the industry will only happen around 2H23 to 1H24.
- **China:** Beijing's Covid cases have climbed, although the government still labels Chaoyang district, the business centre, a low-risk area. Most Beijing residents have apparently still been staying at home. The central government will be closely monitoring how much pressure the relaxed Covid measures are putting on the healthcare system before responding. The mortality figures are another indicator that the central government is concerned about. We expect that the economic impact of the current situation will still reflect the higher Covid cases even under the new "relaxed" Covid measures.

What to look out for: Fed speakers

- South Korea consumer confidence (22 November)
- Taiwan unemployment (22 November)
- US Richmond Fed manufacturing index (22 November)
- Fed's Mester, George and Bullard speak (23 November)
- RBNZ cash rate (23 November)
- Singapore 3Q GDP final and core inflation (23 November)
- Thailand trade balance (23 November)

- US durables goods orders, new home sales, University of Michigan sentiment and initial jobless claims (23 November)
- Fed meeting minutes (24 November)
- Japan PMI (24 November)
- Korea BoK policy meeting (24 November)
- Japan Tokyo CPI inflation (25 November)
- Malaysia CPI inflation (25 November)

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