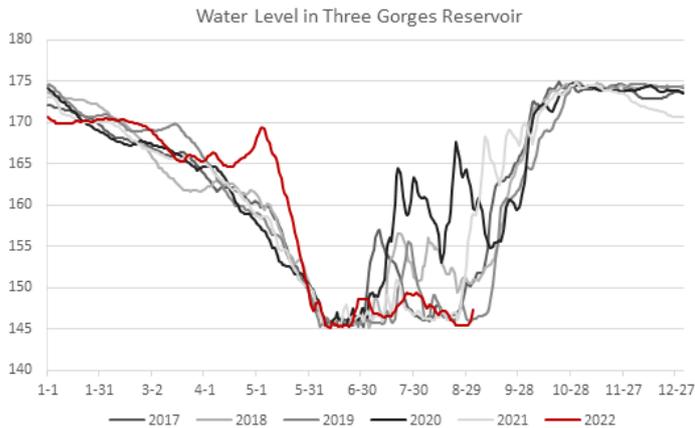


China Bulletin: Market View



Policy makers recognise the necessity to boost credit growth and are set to achieve this without spurring a housing market bubble. Following the PBoC's surprise rate cut, the long-term loan benchmark rate, 5-year LPR, is quoted 15 bps lower than the previous month. Considering the structural reform to revive growth, it is crucial to divert the majority of credit creation from the housing market to other parts of the economy without inducing any systematic risk. Local authorities have requested to complete the construction of halted projects, and policy banks are directed to issue loans to facilitate, greatly relieving concern about contagion to the banking system. The proportion of the economy represented by housing and related sectors makes it very painful to reduce the reliance of growth on these areas. The drag on growth from this reduction may bottom out as early as 23Q1.

The temporary power outage in southwestern China, caused by a severe drought hitting hydropower generation, largely abated in the last week of August. The balance of supply versus demand remains extremely tight.

Throughout the summer the Yangtze River, the most important source of hydroelectricity in southwest China, has seen the most severe drought since records began more than half a century ago. Water levels in major reservoirs along the Yangtze are at their lowest in recent years. This has caused concern about the power supply in the winter. In response, policy makers have directed central-owned thermal power generators to issue bonds to bolster power supply in the short-term, and to accelerate new energy investment, including nuclear power, as a long-term solution.

China's equity market is trading lower amid hawkish rhetoric by the Fed and Covid lockdowns in certain Chinese megacities. It is highly unlikely to see similar disruption as that caused by the lockdown in Shanghai, though the uncertainty makes it increasingly difficult for the service sector to cope. Growth stocks have generally been hit by disappointing interim results, while value stocks have outperformed. Despite the underperformance of growth style, we expect it will benefit from the accommodative domestic monetary policy and continuing low valuations, provided concerns about the power shortage and the pandemic wane.

This document is issued by China Post Global (UK) Limited ("China Post Global") acting through its offices at 75 King William Street, London EC4N 7BE and for the purposes of Directive 2014/65/EU has not been prepared in accordance with the legal and regulatory requirements to promote the independence of research. This document has been prepared for information purposes only. It shall not be construed as, and does not form part of an offer, nor invitation to offer, nor a solicitation or recommendation to enter into any transaction or an offer to sell or a solicitation to buy any security or other financial instrument. No representation, warranty or assurance of any kind, express or implied, is made as to the accuracy or completeness of the information contained herein and China Post Global and each of its affiliates disclaim all liability for any use you or any other party may make of the contents of this document. The contents of this document are subject to change without notice and China Post Global does not accept any obligation to any recipient to update or correct any such information. China Post Global (UK) Limited is authorised and regulated by the Financial Conduct Authority. This document is not for distribution in the U.S. or to U.S. persons. This document is directed at Institutional Investors only. This communication is exclusively directed and available to Institutional Investors as defined by the 2014/65/EU Directive on markets in financial instruments acting for their own account and categorised as eligible counterparties or professional clients. This communication is not directed at retail clients. It should not be distributed to or be relied on by retail clients in any circumstances. For the UK, institutional investors ("Institutional Investors") are Professional Clients as defined by the FCA. Calls may be recorded. This document is confidential and not to be communicated to any third party or copied in whole or in part, without the prior written consent of China Post Global. This communication contains the views, opinions and recommendations of China Post Global. This material is based on current public information that we consider reliable, but we do not represent it as accurate or complete, and it should not be relied on as such. The information, opinions, estimates and forecasts contained herein are as of the date hereof and are subject to change without prior notification. There can be no assurance that future results or events will be consistent with any opinions, forecasts or estimates contained in this document. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance.

 2nd Floor | 75 King William Street
London EC4N 7BE

 +44 203 617 5260

 marketaccess@chinapostglobal.co.uk

 www.chinapostglobal.com



China Post Global



Market Access
Exchange Traded Funds