



Revising current account forecast to deficit

China's current account is on a structural downward trend owing to strong consumption and competition from peer exporting countries. We had expected the current account surplus to disappear by 2020 (see our report [here](#)). But a number of recent events have led us to believe that the current account may shrink faster than expected.

1. Goods imports remained strong in July and August, while exports moderated slightly ([Figure 1](#)). Services trade continued to be in deficit. As a result goods and services surplus was only USD12bn in July and August, a 70% reduction from the same months last year ([Figure 2](#)).
2. Trade war escalated with the US imposing 10% additional tariff on almost \$200bn of Chinese exports in September. This will reduce China's exports to the US in Q4 2018, and even more so in 2019 when the tariff rate rises to 25%.
3. The government loosened monetary and fiscal policies since mid-year to boost domestic demand. Last week the government further announced to cut import tariff rates for a wide range of products. The cut will reduce China's overall tariff rate to 7.5% from 9.8% last year. These measures will boost imports and further shrink the trade surplus.

We now expect exports growth to drop to 5% in 2019 from 11% in 2018, before rebounding slightly to 7% in 2020 ([Figure 3](#)). Imports growth will also slow but at a more gradual pace. As a result, we expect the current account to turn into a small 0.2% of GDP deficit in 2019 and 0.4% deficit in 2020 (previous forecasts: 0.3% surplus in 2019 and 0% in 2020) ([Figure 4](#)). China will likely allow the RMB to depreciate. We maintain our USDCNY forecast of 7.4 by end-2019.

Inflation pressures are building

Food prices continued to rise in recent months. While price increases in July and August were largely seasonal, recent price hikes in September looked more alarming ([Figure 5](#)). Extreme weather arguably played a role as typhoons and heavy rainfall hit the east coast. Nevertheless we are becoming more vigilant about inflation risks. With policy loosening and the RMB depreciating, inflation pressures are building up for the coming months. Our inflation forecasting model now shows 25% probability of CPI inflation rising above 3% 12 months ahead, up from 22% last month ([Figure 6](#)).

Zhiwei Zhang, Ph.D.

Chief Economist
+852-2203 8308

Yi Xiong, Ph.D.

Economist
+852-2203 6139

China Macro in Charts (CMiC) is a comprehensive chart pack that highlights key macro economic developments. It covers four broad themes: (1) economic activities and price development; (2) monetary and capital market development; (3) trade, capital flows, and RMB exchange rate; and (4) fiscal development.

It also provides regular updates on in-depth research in our previous publications.

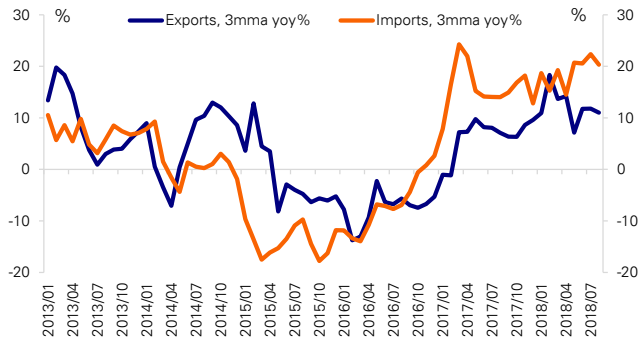
Other China Macro publications in September:

- [How will China handle the trade war](#), 4 Sept
- [Growth stable while inflation rose in August](#), 14 Sept
- [Trade war may be put on hold?](#) 14 Sept
- [Here comes the real trade war](#), 18 Sept
- [When will the trade war affect China's exports?](#) 19 Sept
- [Trade war and supply chains, part I](#), 27 Sept



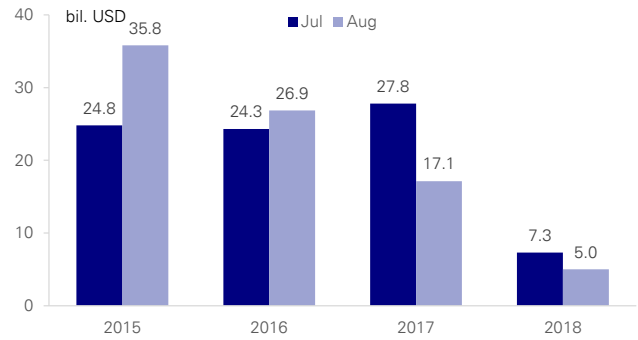
Featured charts

Figure 1: Imports growth remained strong



Source: Deutsche Bank, China customs, WIND

Figure 2: Goods and services surplus narrowed



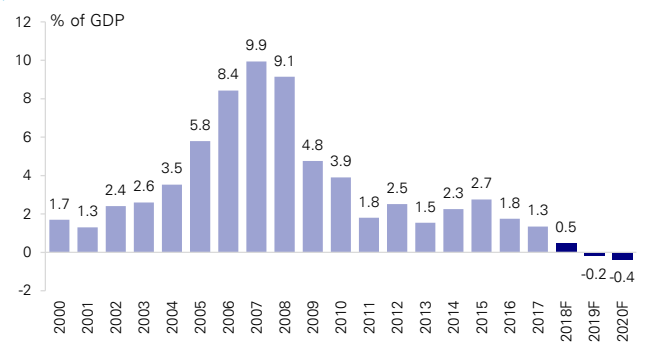
Source: Deutsche Bank, China customs, WIND

Figure 3: We expect exports growth to fall in 2019...



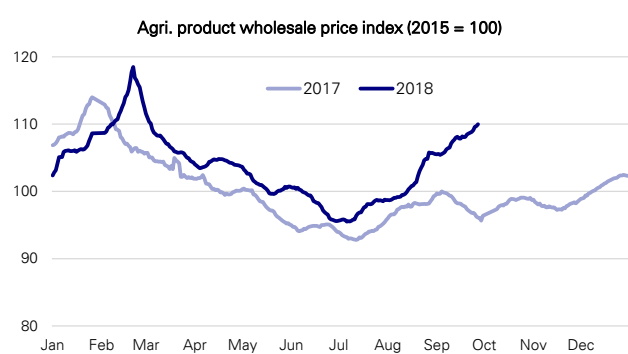
Source: Deutsche Bank, China customs, WIND

Figure 4: ...Resulting in a current account deficit



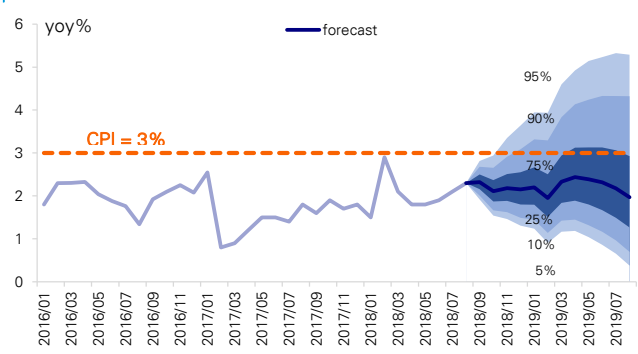
Source: Deutsche Bank, SAFE, WIND

Figure 5: Food prices continued to rise in September



Source: Deutsche Banks, Ministry of Agriculture, WIND

Figure 6: CPI inflation, model forecast



Source: Deutsche Bank, NBS, WIND
 Note: Please refer to [Forecasting the risks of CPI inflation](#) (12 February 2018) for detailed background discussion.



Table of Contents

[1. Economic activities and price development](#)

- [1.1 High frequency leading indicators](#)
- [1.2 Headline activity indicators](#)
- [1.3 Property market](#)
- [1.4 Land market](#)
- [1.5 Price development](#)

[2. Monetary and capital market indicators](#)

- [2.1 Headline monetary indicators](#)
- [2.2 Shadow banking indicators](#)
- [2.3 Interest rates](#)
- [2.4 Bond market](#)

[3. Trade, capital flows and RMB exchange rate](#)

- [3.1 Goods and services trade](#)
- [3.2 RMB exchange rate](#)
- [3.3 Capital flow monitor](#)

[4. Fiscal indicators](#)

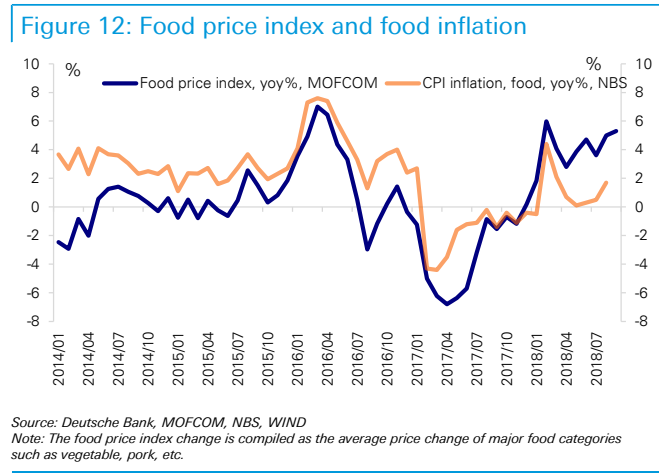
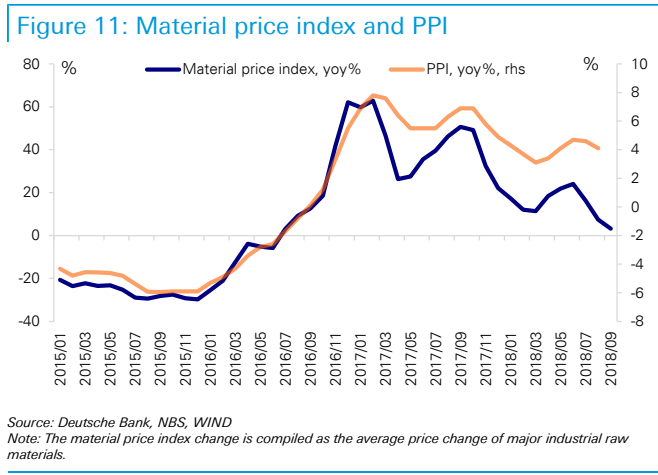
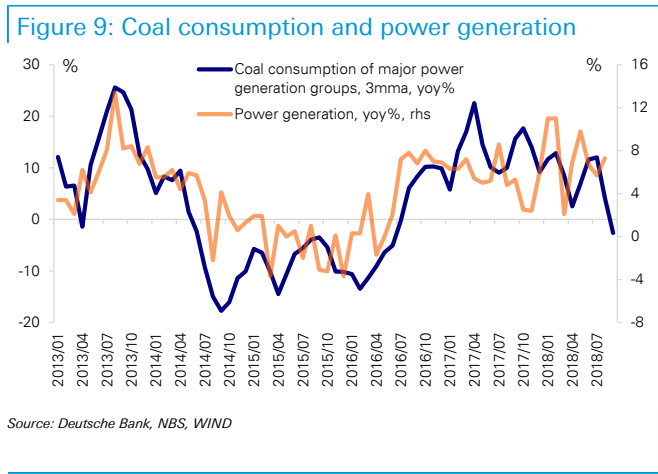
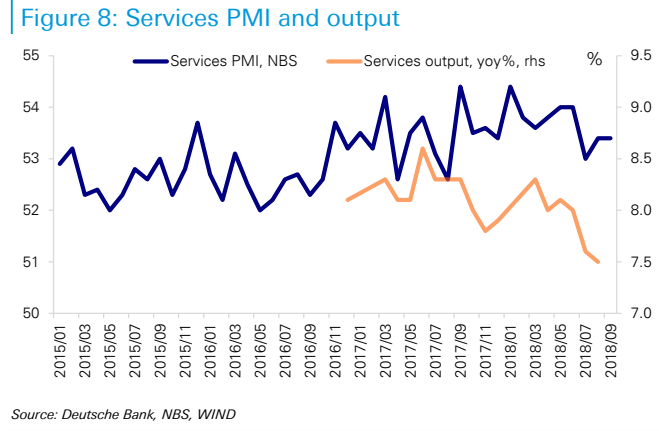
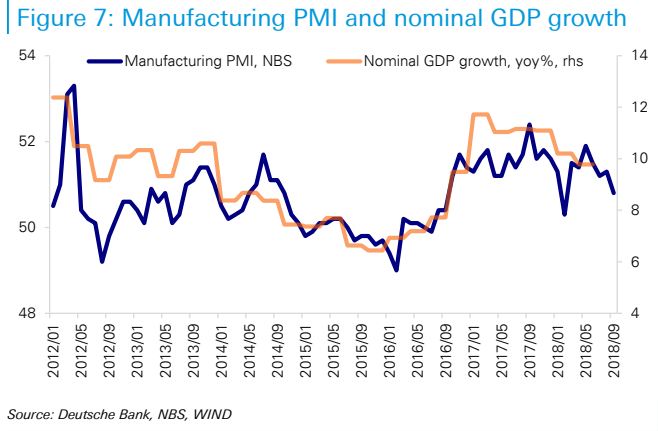
[5. Key macro economic forecasts](#)



1. Economic activities and price development

1.1 High frequency leading indicators

PMI weakened, financial conditions eased substantially





1.2 Headline activity indicators

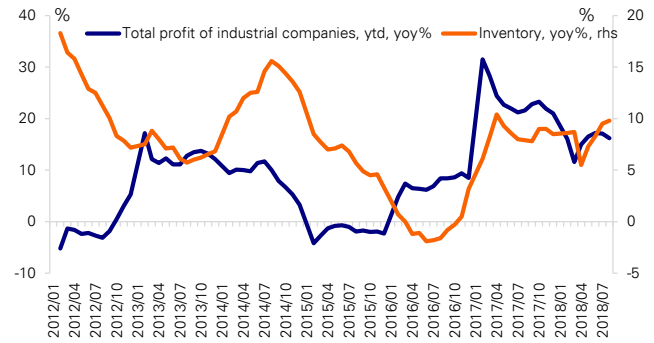
Investment growth declined further, retail sales stabilized

Figure 13: Growth of industrial production



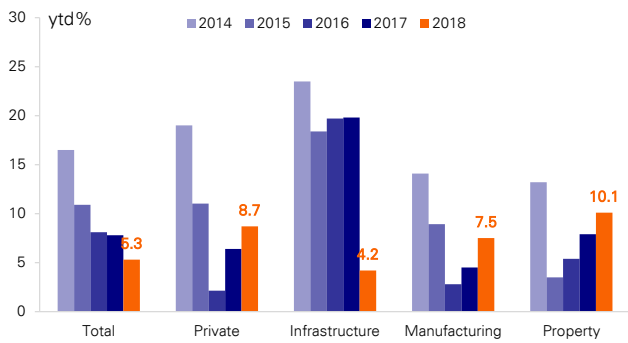
Source: Deutsche Bank, NBS, WIND

Figure 14: Industrial profits and inventory



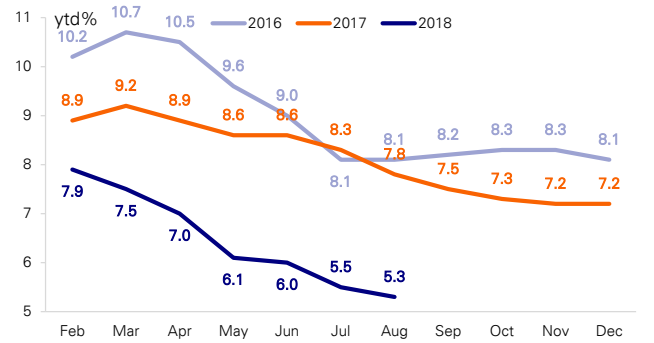
Source: Deutsche Bank, NBS, WIND

Figure 15: Growth of fixed asset investment, August



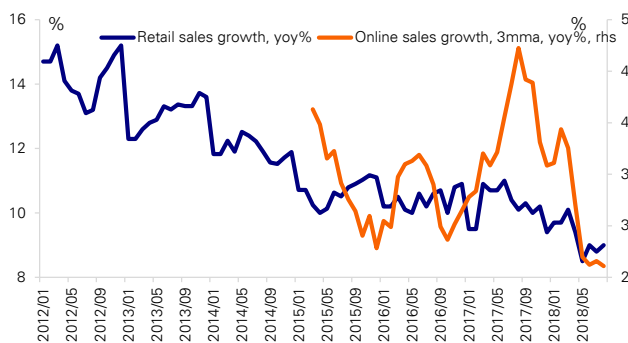
Source: Deutsche Bank, NBS, WIND

Figure 16: FAI growth path



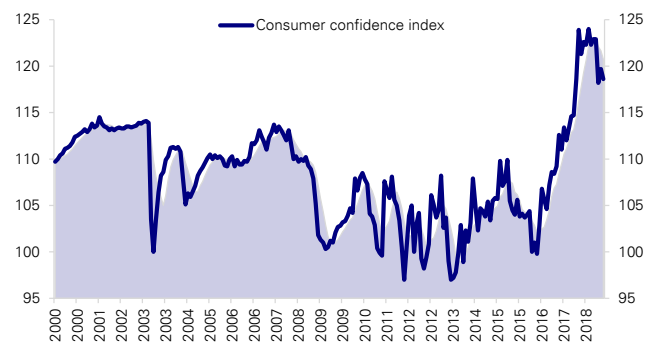
Source: Deutsche Bank, NBS, WIND

Figure 17: Growth of retail sales and online sales



Source: Deutsche Bank, NBS, WIND

Figure 18: Consumer confidence index



Source: Deutsche Bank, NBS, WIND

1 October 2018

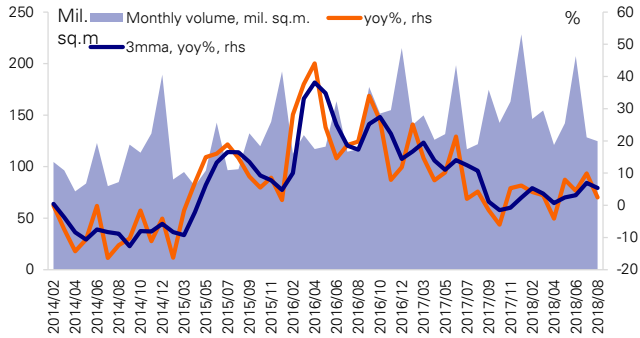
China Macro in Charts



1.3 Property market

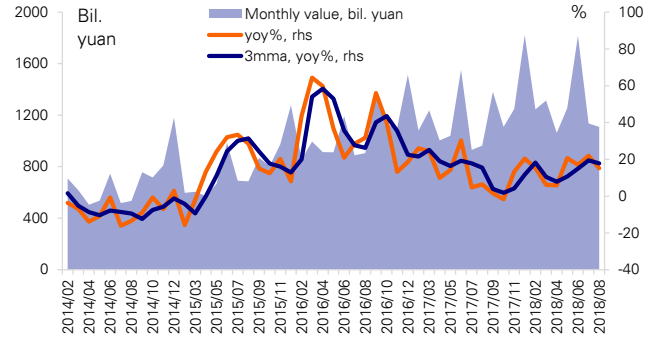
property market remained strong, new housing starts surged

Figure 19: Property sales volume



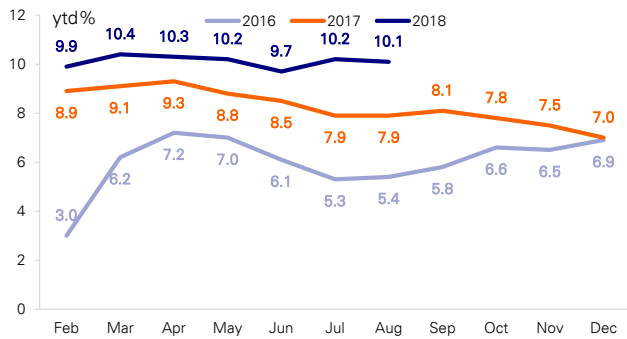
Source: Deutsche Bank, NBS, WIND

Figure 20: Property sales value



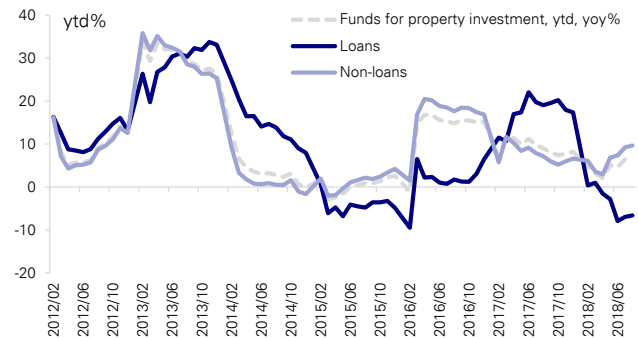
Source: Deutsche Bank, NBS, WIND

Figure 21: Property investment growth, ytd, yoy%



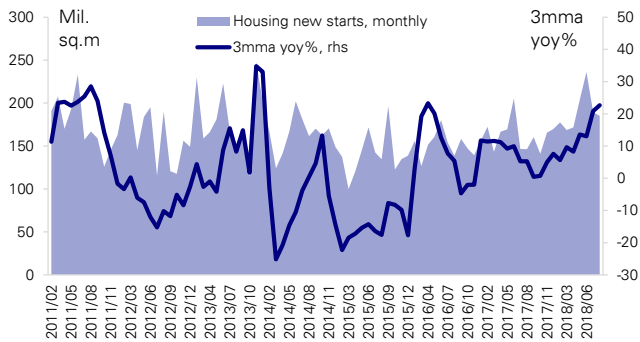
Source: Deutsche Bank, NBS, WIND

Figure 22: Funds for property investment, ytd, yoy%



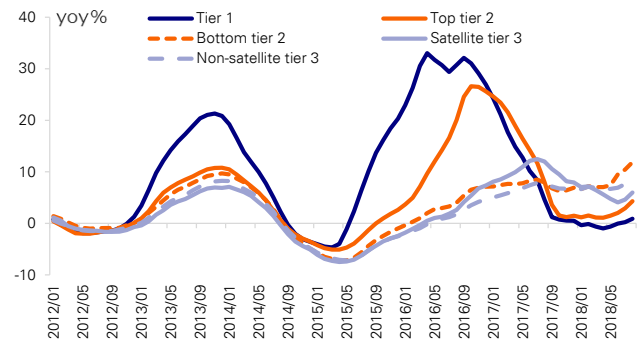
Source: Deutsche Bank, NBS, WIND

Figure 23: Housing new starts



Source: Deutsche Bank, NBS, WIND

Figure 24: Property price index, yoy%



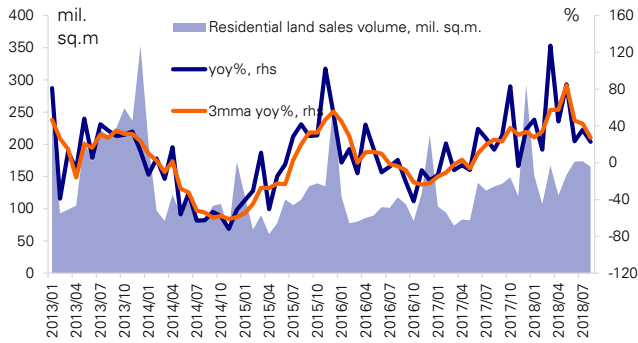
Source: Deutsche Bank, NBS, WIND



1.4 Land market

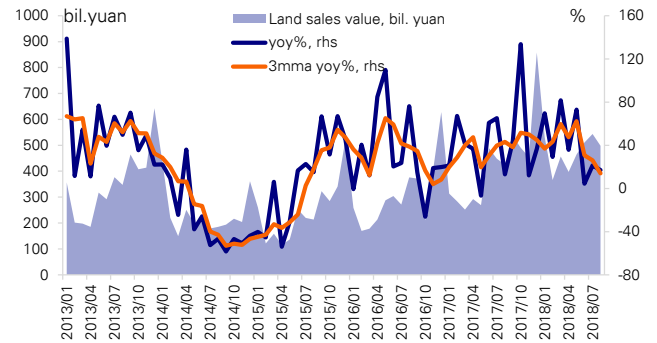
Land sales growth declined

Figure 25: Residential land sales volume



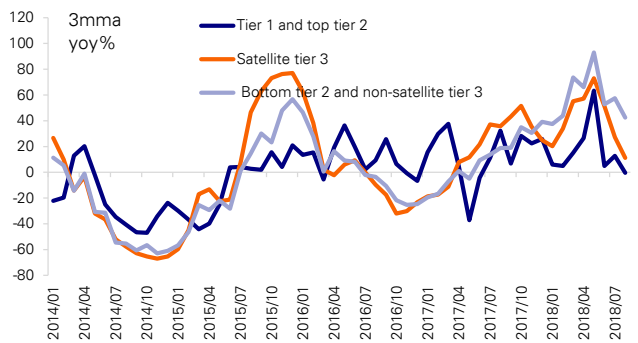
Source: Deutsche Bank, CREIS

Figure 26: Land sales value



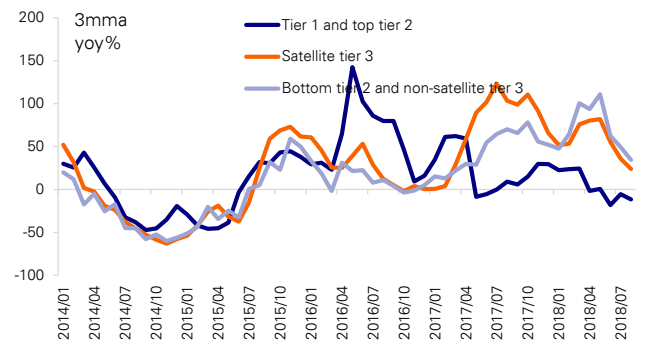
Source: Deutsche Bank, CREIS

Figure 27: Residential land sales volume by city tiers



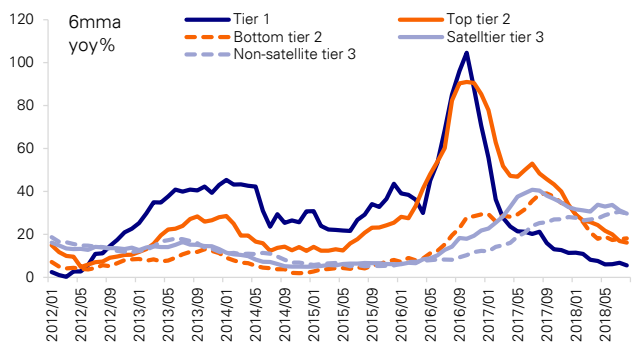
Source: Deutsche Bank, CREIS

Figure 28: Land sales value by city tiers



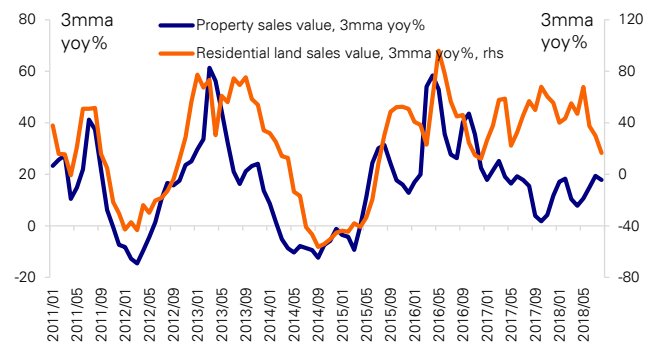
Source: Deutsche Bank, CREIS

Figure 29: Residential land sales premium



Source: Deutsche Bank, CREIS

Figure 30: Property and land sales growth



Source: Deutsche Bank, CREIS, NBS, WIND

1 October 2018

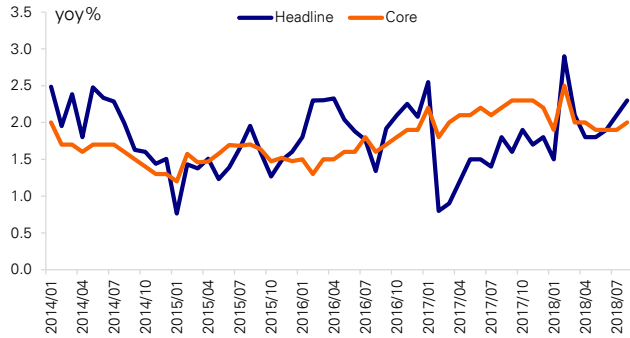
China Macro in Charts



1.5 Price development

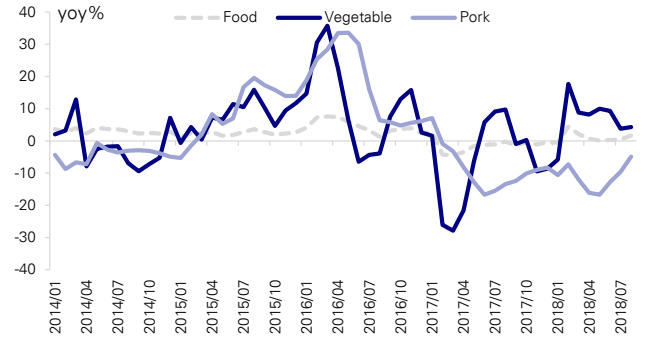
CPI Inflation rose in recent months

Figure 31: CPI inflation, headline and core



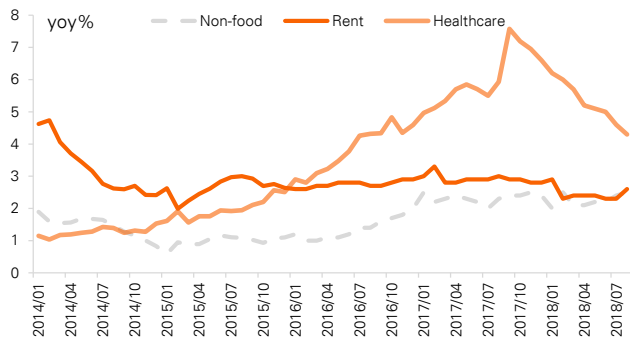
Source: Deutsche Bank, NBS, WIND

Figure 32: Food inflation



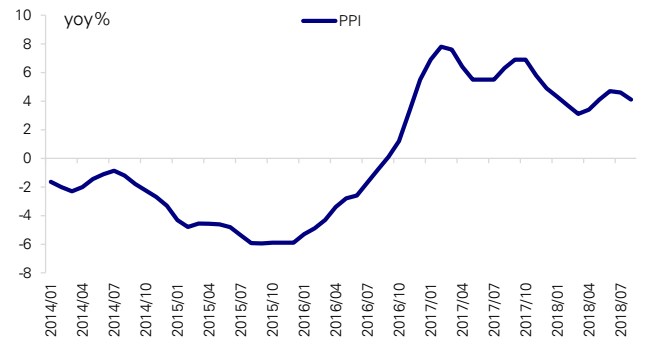
Source: Deutsche Bank, NBS, WIND

Figure 33: Nonfood inflation



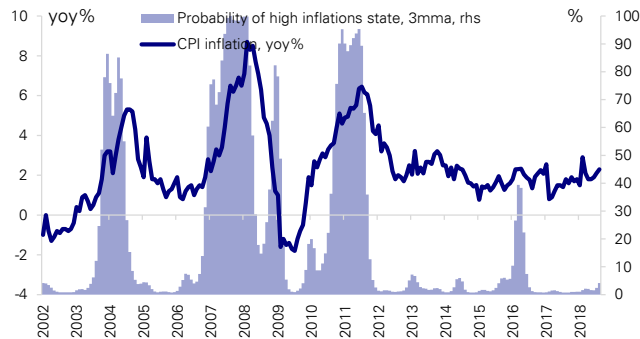
Source: Deutsche Bank, NBS, WIND

Figure 34: PPI inflation



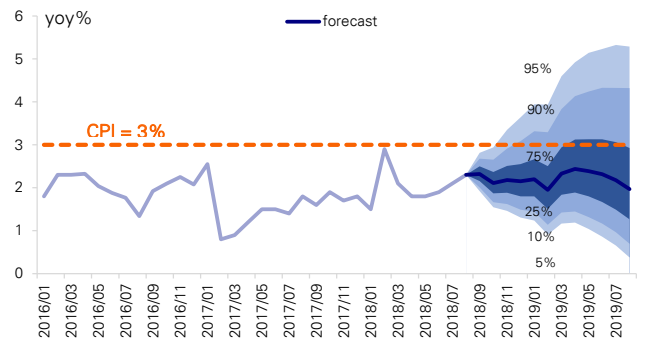
Source: Deutsche Bank, NBS, WIND

Figure 35: Estimated probability of CPI entering high inflation state



Source: Deutsche Bank, NBS, WIND
 Note: Please refer to [Forecasting the risks of CPI inflation](#) (12 February 2018) for detailed background discussion.

Figure 36: CPI fan chart forecast, 12 months ahead



Source: Deutsche Bank, NBS, WIND
 Note: Please refer to [Forecasting the risks of CPI inflation](#) (12 February 2018) for detailed background discussion.

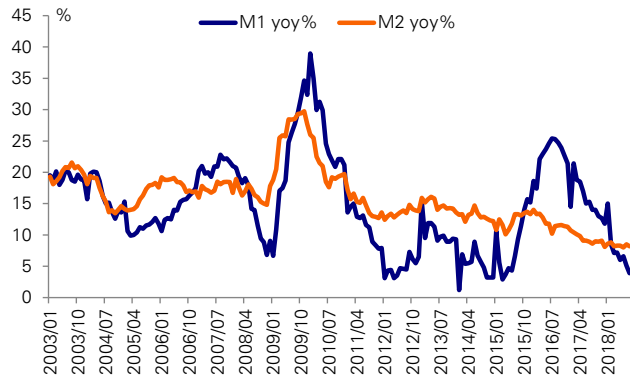


2. Monetary and capital market indicators

2.1 Headline monetary indicators

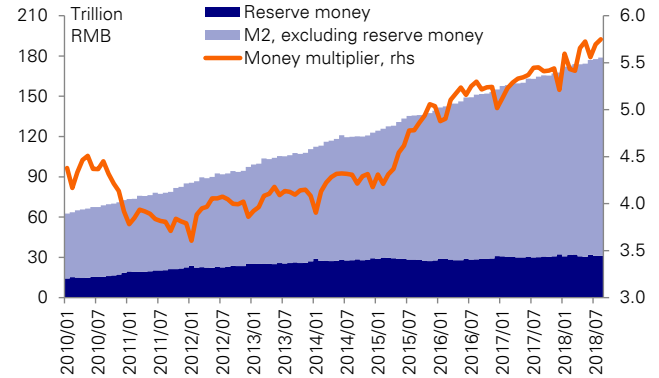
New loans and TSF increased

Figure 37: Growth of M1 and M2



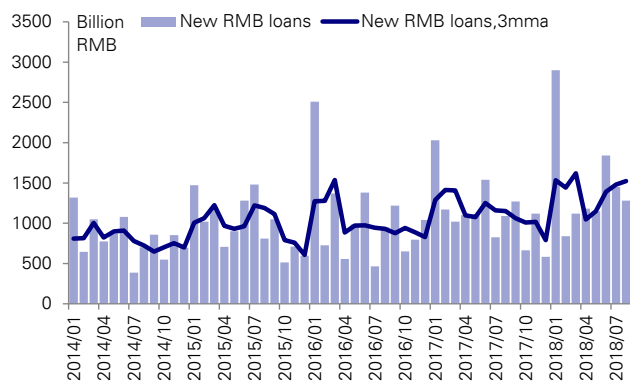
Source: Deutsche Bank, PBoC, WIND

Figure 38: Reserve money, M2 and money multiplier



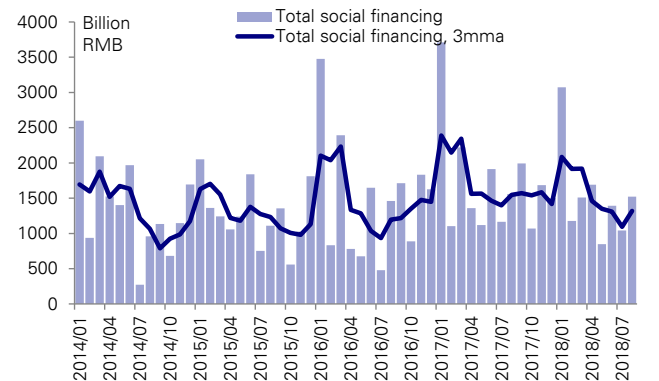
Source: Deutsche Bank, PBoC, WIND

Figure 39: New RMB loans



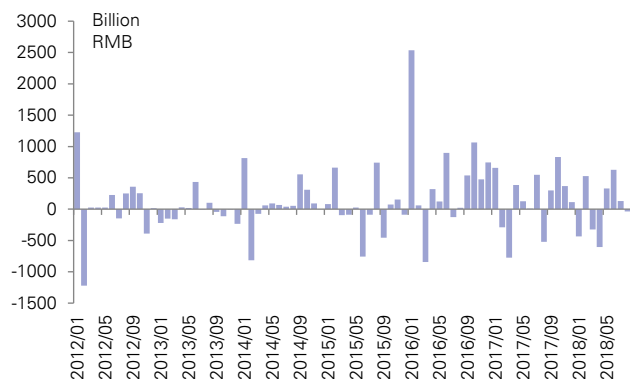
Source: Deutsche Bank, PBoC, WIND

Figure 40: New total social financing (TSF)



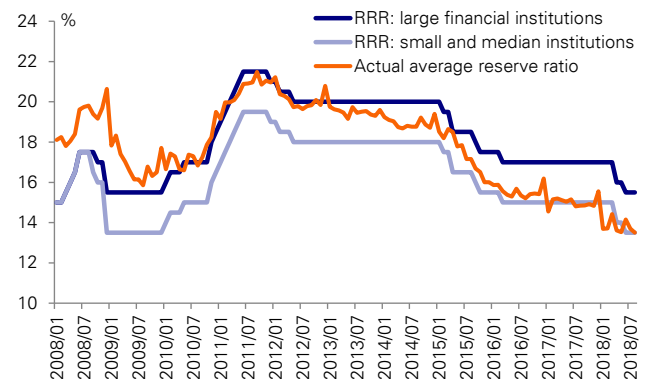
Source: Deutsche Bank, PBoC, WIND

Figure 41: PBoC's liquidity operations versus ODCs



Source: Deutsche Bank, PBoC, WIND
Note: Changes in PBoC's claims on other depository corporations.

Figure 42: RRR and actual reserve ratio



Source: Deutsche Bank, PBoC, WIND
Note: Actual reserve ratio = ODC's reserve deposits are the PBoC / ODC's total deposits.

1 October 2018

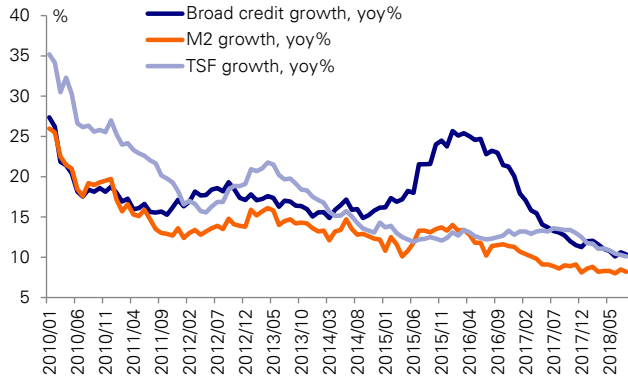
China Macro in Charts



2.2 Shadow banking indicators

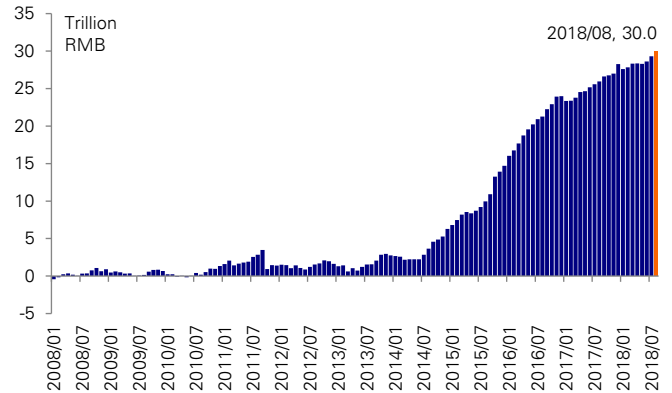
Shadow banking sector continued to deleverage

Figure 43: Broad credit, M2 and TSF growth



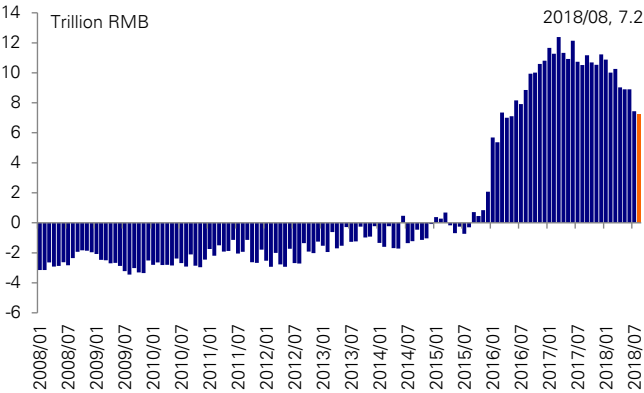
Source: Deutsche Bank, PBoC, WIND

Figure 44: Cumulative gap between new credit and M2



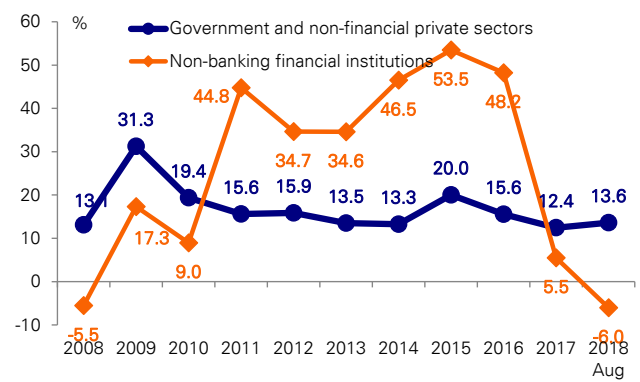
Source: Deutsche Bank, PBoC, WIND

Figure 45: ODC's net claims on NBFIs



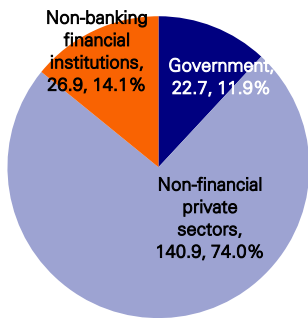
Source: Deutsche Bank, PBoC, WIND

Figure 46: Broad credit stock, by borrowers, yoy%



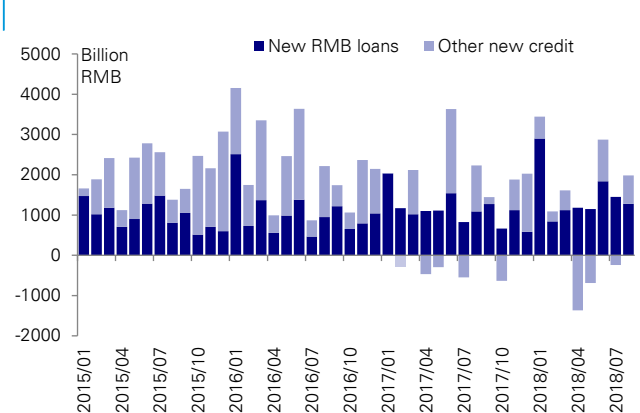
Source: Deutsche Bank, PBoC, WIND

Figure 47: Broad credit decomposition, tri. yuan, August 2018



Source: Deutsche Bank, PBoC, WIND

Figure 48: New broad credits, loans and others



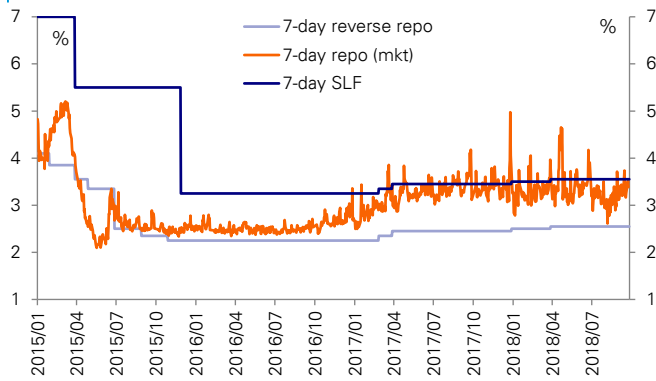
Source: Deutsche Bank, PBoC, WIND



2.3 Policy and market rates

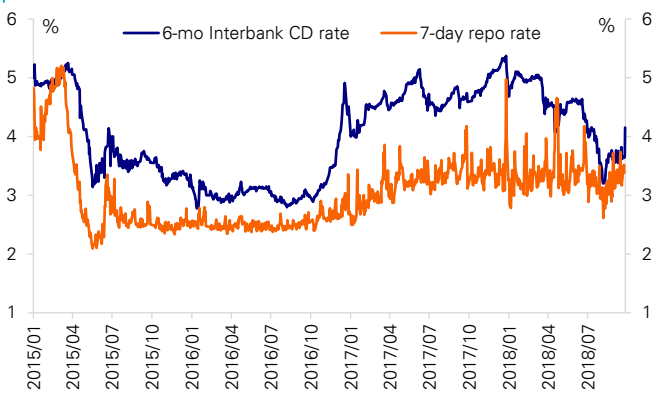
Interest rates edged up in September

Figure 49: Short-term policy and market rates



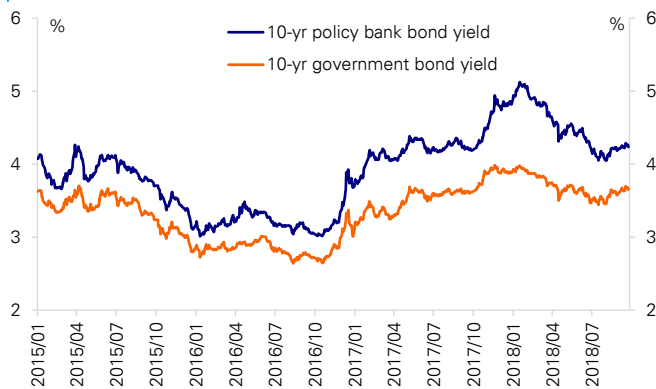
Source: Deutsche Bank, PBoC, Chinamoney, WIND

Figure 50: Short-term liquidity conditions: interbank CD and 7d repo rates



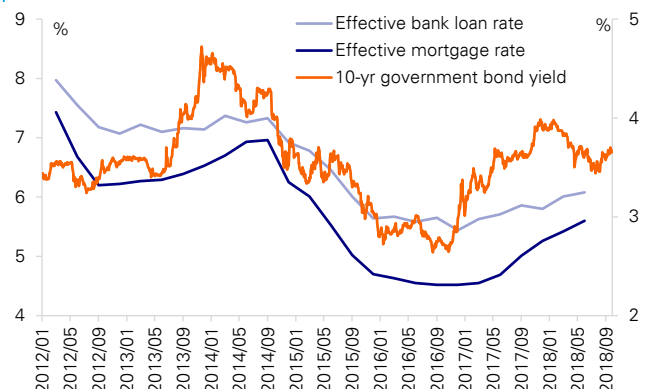
Source: Deutsche Bank, Chinamoney, WIND

Figure 51: Long-term rates: 10y CGB and CDB yields



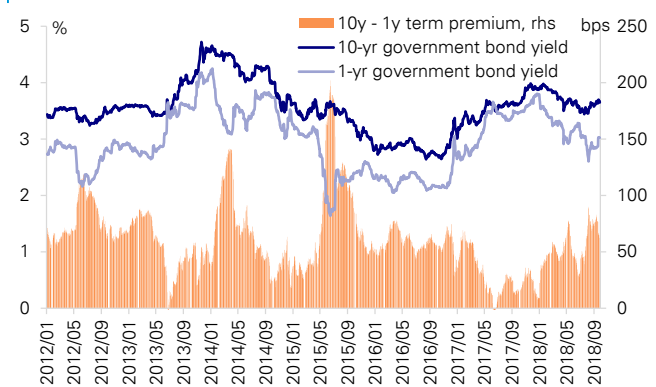
Source: Deutsche Bank, Chinabond, WIND

Figure 52: Effective loan rates and long term rates



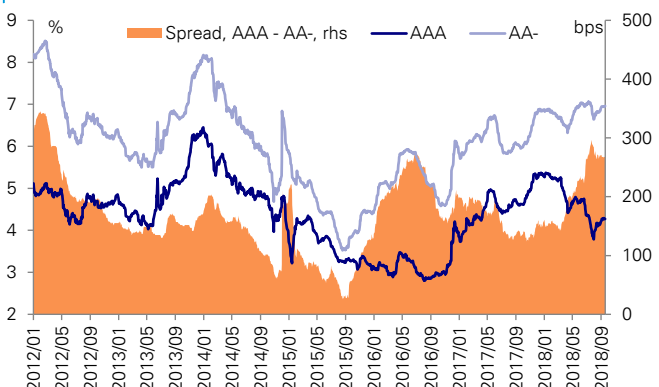
Source: Deutsche Bank, Chinabond, PBoC, WIND

Figure 53: Term premium: 1y and 10y CGB yield



Source: Deutsche Bank, Chinabond, WIND

Figure 54: Risk premium: corporate bond yields



Source: Deutsche Bank, CSIndex, WIND

1 October 2018

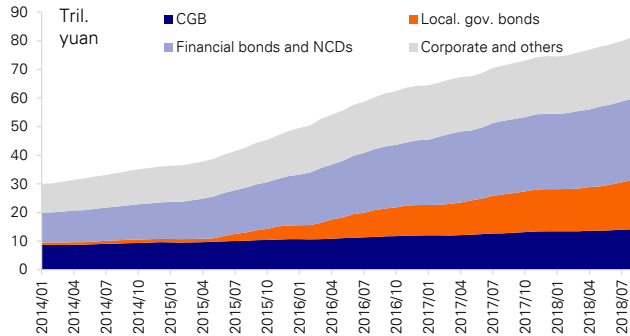
China Macro in Charts



2.4 Bond market development

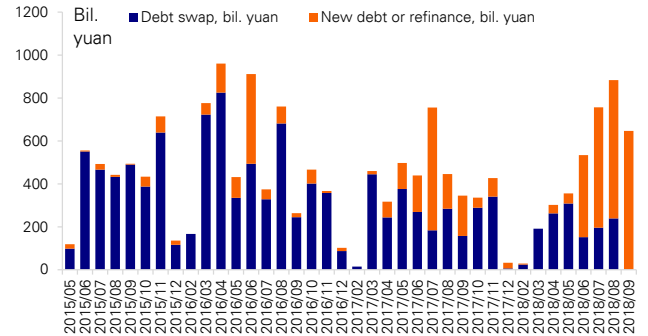
Local governments speeded up bond issuance

Figure 55: Outstanding domestic RMB bonds stock



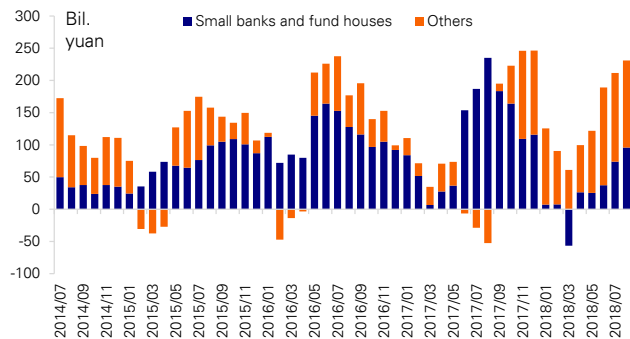
Source: Deutsche Bank, WIND

Figure 56: Local government bond issuance



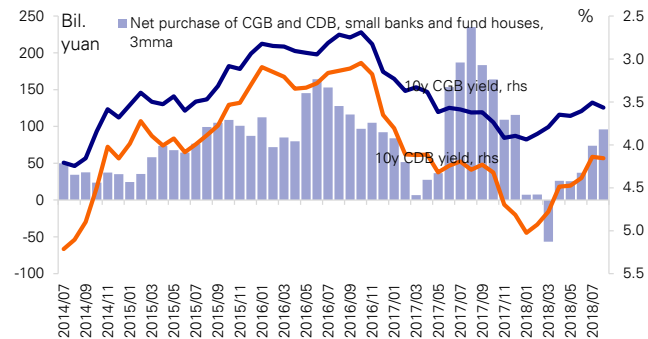
Source: Deutsche Bank, WIND

Figure 57: Net purchase of CGB and CDB, by investors, 3mma



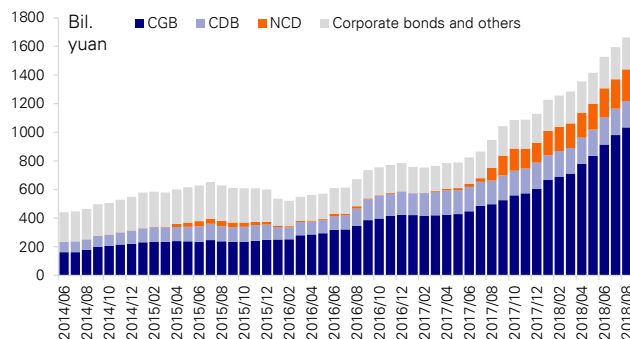
Source: Deutsche Bank, Chinabond, WIND

Figure 58: Bond purchase and yields, CGB and CDB



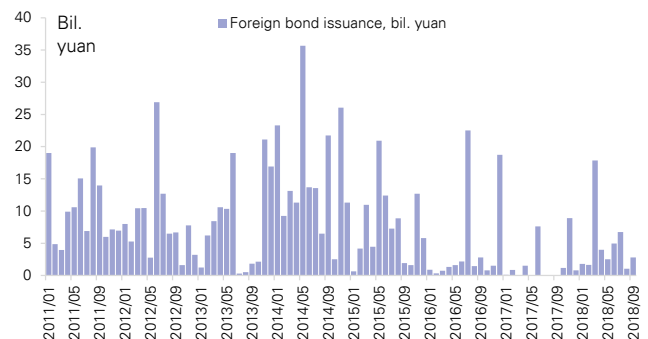
Source: Deutsche Bank, Chinabond, WIND

Figure 59: Foreign bond holdings of domestic RMB bonds



Source: Deutsche Bank, Chinabond, WIND

Figure 60: International bond issuance



Source: Deutsche Bank, WIND

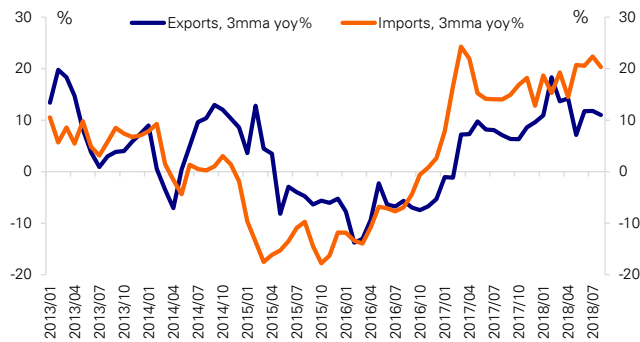


3. Trade, capital flows and RMB exchange rate

3.1 Goods and services trade

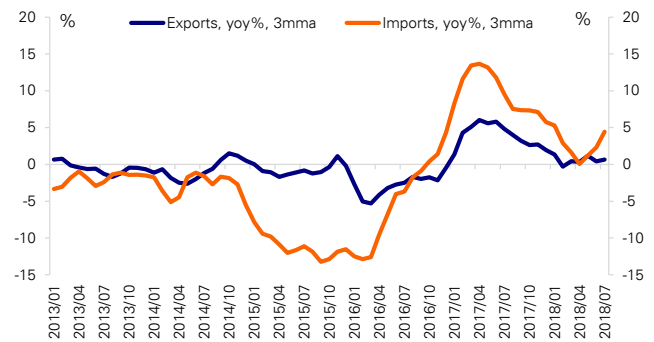
trade surplus narrowed upon strong imports growth

Figure 61: Goods exports and imports growth



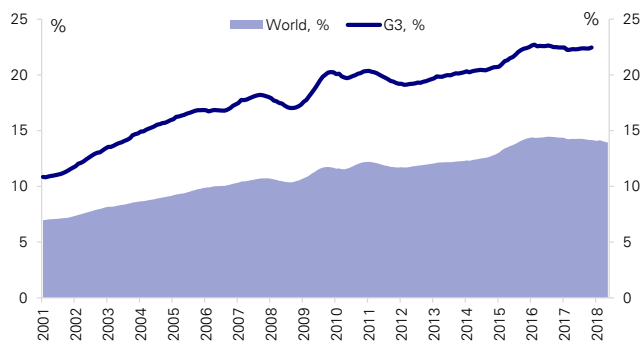
Source: Deutsche Bank, China customs, WIND

Figure 62: Goods exports and imports price indices



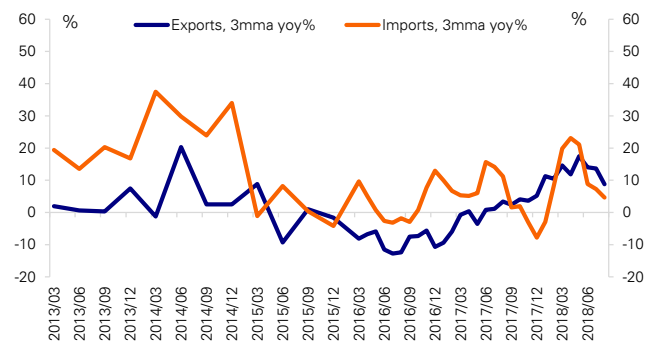
Source: Deutsche Bank, China customs, WIND

Figure 63: Goods exports market share



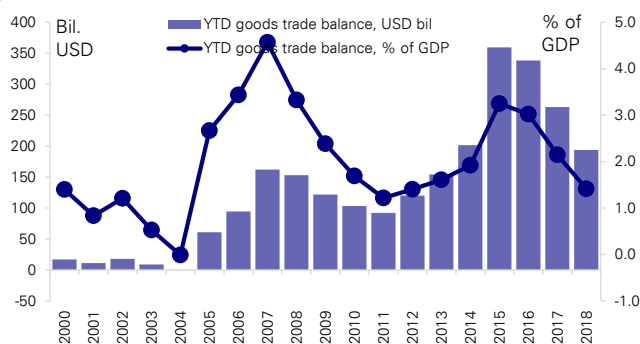
Source: Deutsche Bank, IMF DOTS, Haver Analytics

Figure 64: Services exports and imports growth



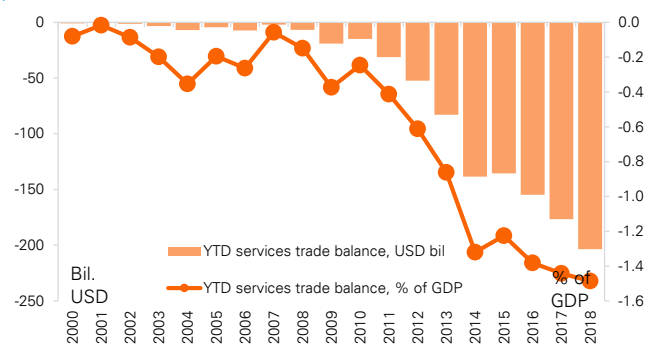
Source: Deutsche Bank, SAFE, WIND

Figure 65: YTD goods trade balance, August



Source: Deutsche Bank, China customs, NBS, WIND

Figure 66: YTD services trade balance, August



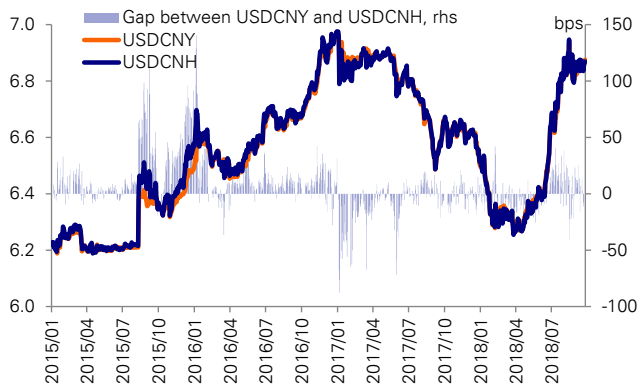
Source: Deutsche Bank, NBS, SAFE, WIND



3.2 RMB exchange rate

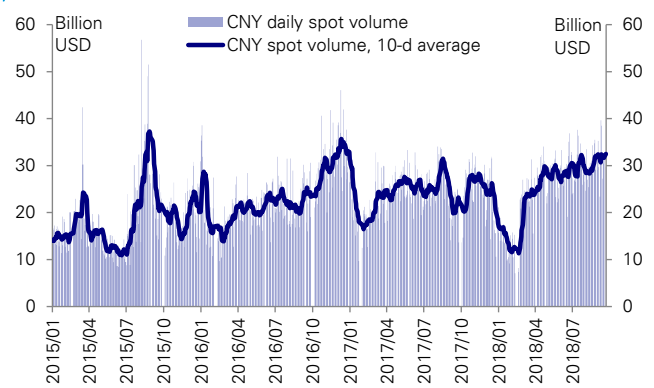
USDCNY stabilized from sharp depreciation

Figure 67: USDCNY and USDCNH



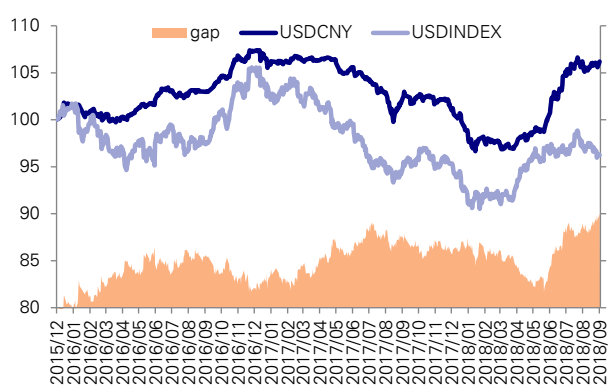
Source: Deutsche Bank, Bloomberg Finance LP

Figure 68: CNY spot transaction volume



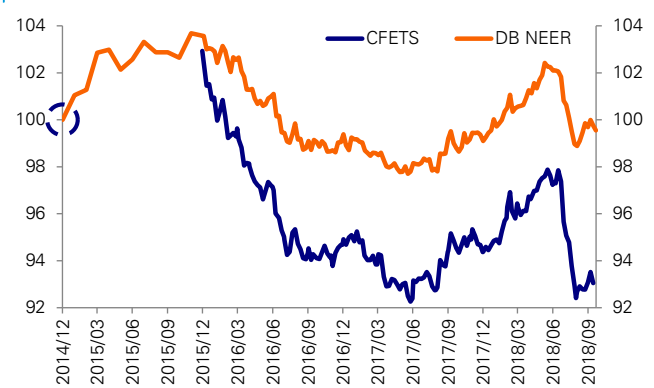
Source: Deutsche Bank, Bloomberg Finance LP

Figure 69: Dollar index and USDCNY



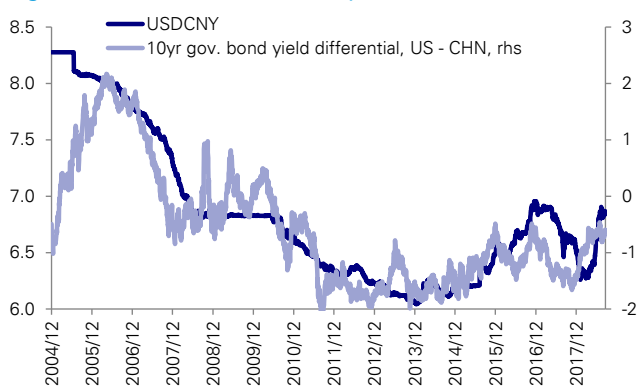
Source: Deutsche Bank, Bloomberg Finance LP, WIND

Figure 70: RMB indices, CFETS and DB NEER



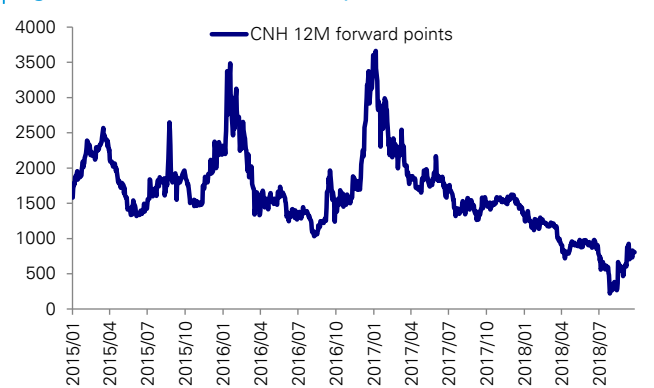
Source: Deutsche Bank, Bloomberg Finance LP, China customs, Haver Analytics, PBoC

Figure 71: USDCNY and bond yields differential



Source: Deutsche Bank, WIND

Figure 72: CNH 12M forward points



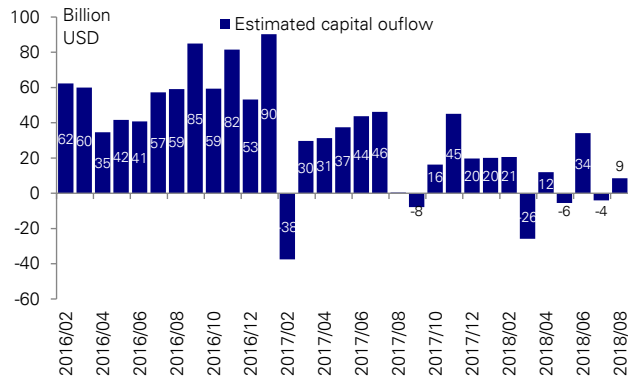
Source: Deutsche Bank, Bloomberg Finance LP



3.3 Capital flow monitor

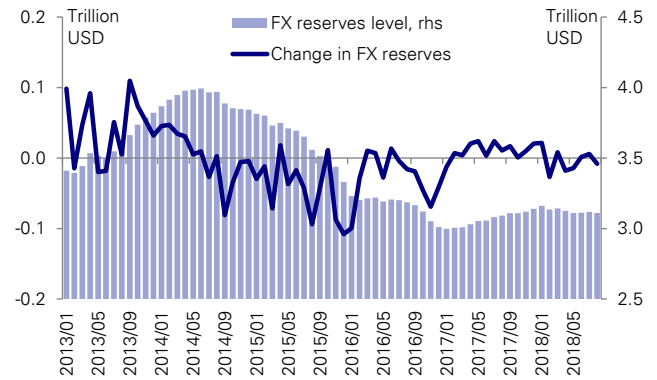
Capital flow was stable despite RMB depreciation

Figure 73: Monthly capital outflow estimates



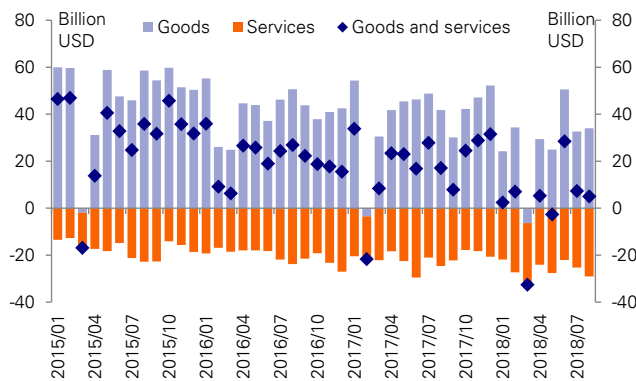
Source: Deutsche Bank, PBoC, SAFE, MOFCOM, WIND
 Note: It is estimated as changes in FX reserves, adjusted for goods and services trade balance, net FDI flows, revaluation effects and cross-border RMB settlement.

Figure 74: FX reserves, level and monthly change



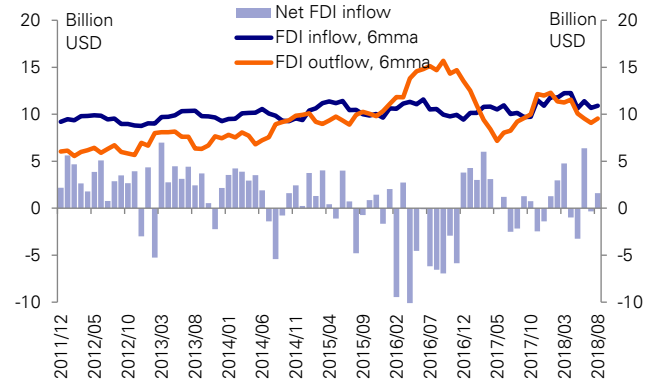
Source: Deutsche Bank, PBoC, WIND

Figure 75: Goods and services trade balance



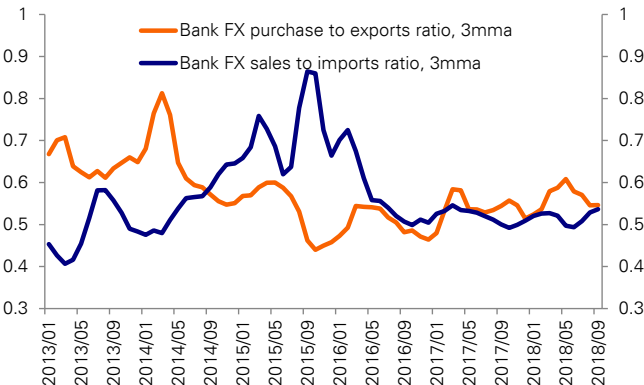
Source: Deutsche Bank, SAFE, WIND

Figure 76: Monthly FDI



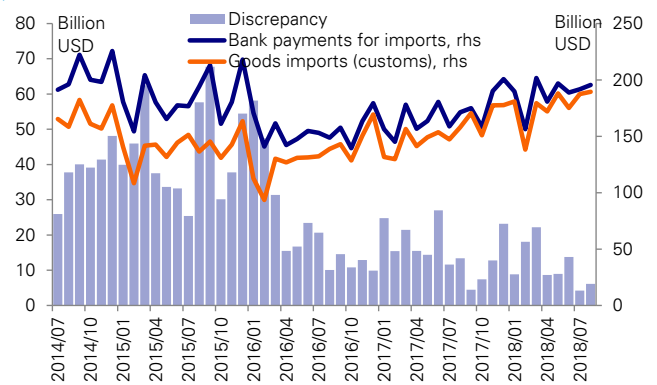
Source: Deutsche Bank, MOFCOM, WIND

Figure 77: Banks' FX transactions



Source: Deutsche Bank, China customs, SAFE, WIND

Figure 78: Imports discrepancy

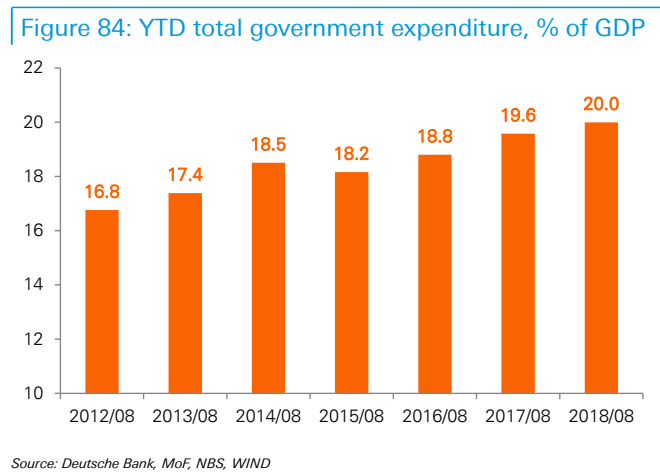
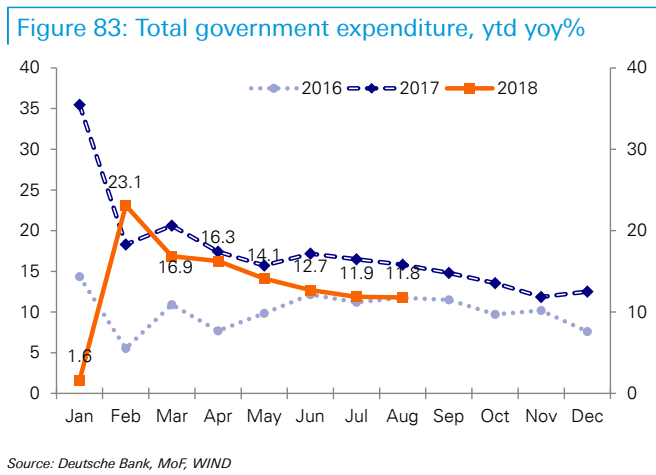
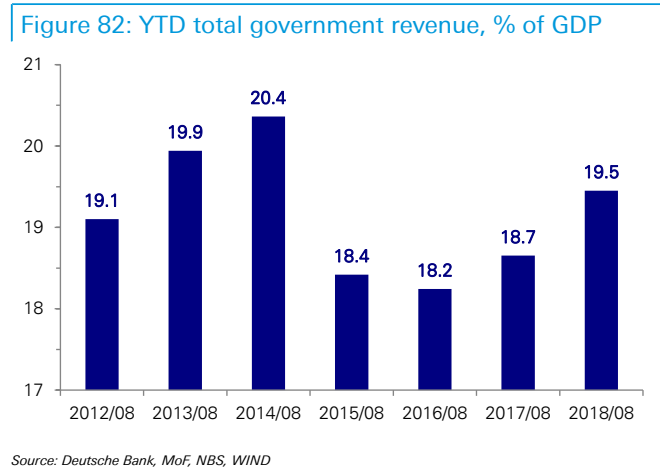
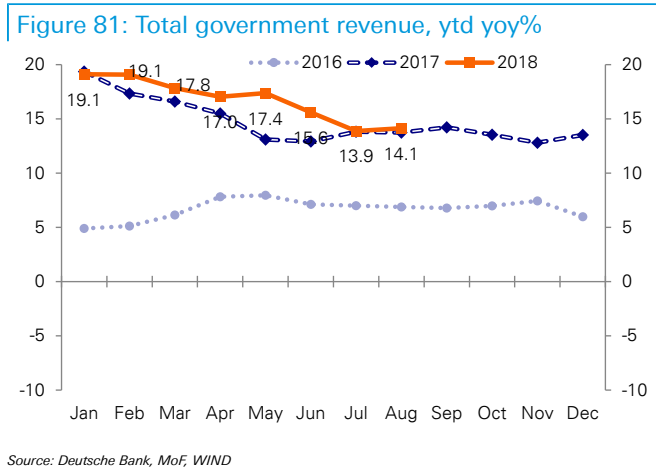
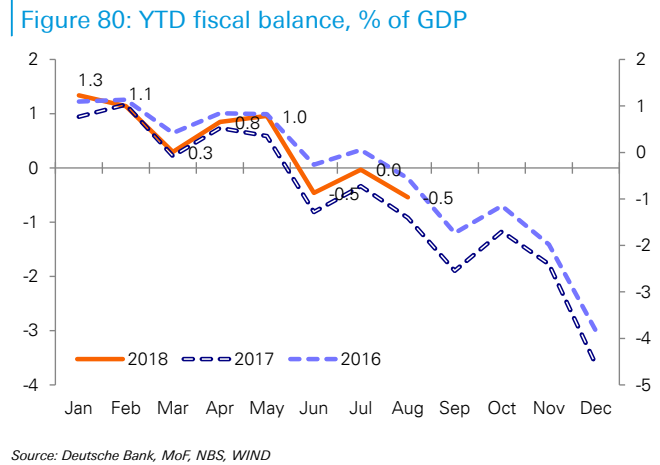
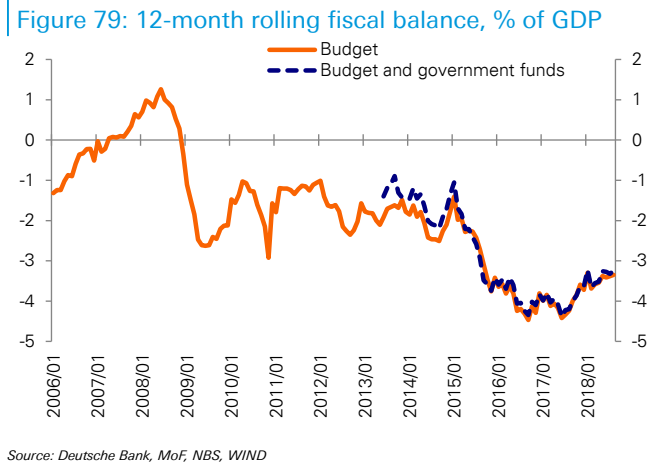


Source: Deutsche Bank, China customs, SAFE, WIND



4. Fiscal indicators

YTD fiscal balance remained on track towards a smaller deficit





5. Key macro economic forecasts

Figure 85: Key macro economic indicators

	2015	2016	2017					2018F					2019F
			Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3 F	Q4 F	Annual	
Real GDP growth, yoy%	6.9	6.7	6.9	6.9	6.8	6.8	6.9	6.8	6.7	6.5	6.5	6.6	6.3
Economic Activities and Price development													
FAI growth, ytd yoy%	10.0	8.1	9.2	8.6	7.5	7.2	7.2	7.5	6.0	--	--	7.0	6.5
Industrial production growth, ytd yoy%	6.1	6.0	6.8	6.9	6.7	6.6	6.6	6.8	6.7	--	--	6.2	6.2
Retail sales growth, ytd yoy%	10.7	10.4	10.0	10.4	10.4	10.2	10.2	9.8	9.4	--	--	10.5	10.5
CPI, period average %	1.4	2.0	1.4	1.4	1.6	1.8	1.6	2.2	1.8	--	--	2.1	2.4
PPI, period average %	-5.2	-1.3	7.4	5.8	6.2	5.9	6.3	3.7	4.1	--	--	3.5	1.7
Monetary													
M2 growth, end of period, %	13.3	11.3	10.6	9.4	9.2	8.2	8.2	8.2	8.0	--	--	9.0	8.8
Credit growth, end of period, %	16.5	10.9	10.4	10.4	11.1	10.6	10.6	11.6	11.3	--	--	11.0	10.8
1yr deposit rate, end of period, %	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	--	--	1.5	1.5
Trade, capital flows and RMB exchange rate													
Goods exports, billion USD	2273	2098	480	564	591	636	2264	544	630	--	--	2501	2626
Goods imports, billion USD	1680	1587	417	444	474	505	1841	498	535	--	--	2122	2335
Goods trade balance, billion USD	594	511	63	120	117	131	423	46	95	--	--	379	292
Goods trade balance, ytd % of GDP	5.4	4.6	0.5	1.5	2.5	3.5	3.5	0.3	1.0	--	--	2.8	2.1
Current account balance, billion USD	331	196	18.4	50.9	40.5	164.9	164.9	-34.1	--	--	--	68	-27
Current account balance, ytd % of GDP	3.0	1.8	0.2	0.6	1.3	1.3	1.3	0.0	--	--	--	0.5	-0.2
FDI, net inflow, billion USD	62	-59	13	4	-3	-3	11	9	2	--	--	50	50
FX reserves, trillion USD, end of period	3.33	3.01	3.01	3.06	3.11	3.14	3.14	3.14	3.11	--	--	3.00	2.80
USDCNY, end of period	6.49	6.94	6.89	6.78	6.65	6.51	6.51	6.3	6.6	--	--	6.95	7.40
Fiscal													
Fiscal balance, ytd % of GDP	-3.4	-3.8	0.2	-0.8	-1.9	-3.6	-3.6	0.3	-0.5	--	--	-3.5	-3.5

Source: Deutsche Bank, NBS, PBoC, China customs, SAFE, MoF, WIND

1 October 2018

China Macro in Charts



Appendix 1

Important Disclosures

*Other information available upon request

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors . Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <https://research.db.com/Research/Disclosures/CompanySearch>. Aside from within this report, important risk and conflict disclosures can also be found at <https://research.db.com/Research/Topics/Equities?topicId=RB0002>. Investors are strongly encouraged to review this information before investing.

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s). In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Zhiwei Zhang, Yi Xiong



Additional Information

The information and opinions in this report were prepared by Deutsche Bank AG or one of its affiliates (collectively "Deutsche Bank"). Though the information herein is believed to be reliable and has been obtained from public sources believed to be reliable, Deutsche Bank makes no representation as to its accuracy or completeness. Hyperlinks to third-party websites in this report are provided for reader convenience only. Deutsche Bank neither endorses the content nor is responsible for the accuracy or security controls of those websites.

If you use the services of Deutsche Bank in connection with a purchase or sale of a security that is discussed in this report, or is included or discussed in another communication (oral or written) from a Deutsche Bank analyst, Deutsche Bank may act as principal for its own account or as agent for another person.

Deutsche Bank may consider this report in deciding to trade as principal. It may also engage in transactions, for its own account or with customers, in a manner inconsistent with the views taken in this research report. Others within Deutsche Bank, including strategists, sales staff and other analysts, may take views that are inconsistent with those taken in this research report. Deutsche Bank issues a variety of research products, including fundamental analysis, equity-linked analysis, quantitative analysis and trade ideas. Recommendations contained in one type of communication may differ from recommendations contained in others, whether as a result of differing time horizons, methodologies, perspectives or otherwise. Deutsche Bank and/or its affiliates may also be holding debt or equity securities of the issuers it writes on. Analysts are paid in part based on the profitability of Deutsche Bank AG and its affiliates, which includes investment banking, trading and principal trading revenues.

Opinions, estimates and projections constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinions of Deutsche Bank and are subject to change without notice. Deutsche Bank provides liquidity for buyers and sellers of securities issued by the companies it covers. Deutsche Bank research analysts sometimes have shorter-term trade ideas that may be inconsistent with Deutsche Bank's existing longer-term ratings. Some trade ideas for equities are listed as Catalyst Calls on the Research Website (<https://research.db.com/Research/>), and can be found on the general coverage list and also on the covered company ' s page. A Catalyst Call represents a high-conviction belief by an analyst that a stock will outperform or underperform the market and/or a specified sector over a time frame of no less than two weeks and no more than three months. In addition to Catalyst Calls, analysts may occasionally discuss with our clients, and with Deutsche Bank salespersons and traders, trading strategies or ideas that reference catalysts or events that may have a near-term or medium-term impact on the market price of the securities discussed in this report, which impact may be directionally counter to the analysts' current 12-month view of total return or investment return as described herein. Deutsche Bank has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof if an opinion, forecast or estimate changes or becomes inaccurate. Coverage and the frequency of changes in market conditions and in both general and company-specific economic prospects make it difficult to update research at defined intervals. Updates are at the sole discretion of the coverage analyst or of the Research Department Management, and the majority of reports are published at irregular intervals. This report is provided for informational purposes only and does not take into account the particular investment objectives, financial situations, or needs of individual clients. It is not an offer or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Target prices are inherently imprecise and a product of the analyst ' s judgment. The financial instruments discussed in this report may not be suitable for all investors, and investors must make their own informed investment decisions. Prices and availability of financial instruments are subject to change without notice, and investment transactions can lead to losses as a result of price fluctuations and other factors. If a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the investment. Past performance is not necessarily indicative of future results. Performance calculations exclude transaction costs, unless otherwise indicated. Unless otherwise indicated, prices are current as of the end of the previous trading session and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is also sourced from Deutsche Bank, subject companies, and other parties.

The Deutsche Bank Research Department is independent of other business divisions of the Bank. Details regarding our organizational arrangements and information barriers we have to prevent and avoid conflicts of interest with respect to our research are available on our website (<https://research.db.com/Research/>) under Disclaimer.

1 October 2018

China Macro in Charts



Macroeconomic fluctuations often account for most of the risks associated with exposures to instruments that promise to pay fixed or variable interest rates. For an investor who is long fixed-rate instruments (thus receiving these cash flows), increases in interest rates naturally lift the discount factors applied to the expected cash flows and thus cause a loss. The longer the maturity of a certain cash flow and the higher the move in the discount factor, the higher will be the loss. Upside surprises in inflation, fiscal funding needs, and FX depreciation rates are among the most common adverse macroeconomic shocks to receivers. But counterparty exposure, issuer creditworthiness, client segmentation, regulation (including changes in assets holding limits for different types of investors), changes in tax policies, currency convertibility (which may constrain currency conversion, repatriation of profits and/or liquidation of positions), and settlement issues related to local clearing houses are also important risk factors. The sensitivity of fixed-income instruments to macroeconomic shocks may be mitigated by indexing the contracted cash flows to inflation, to FX depreciation, or to specified interest rates – these are common in emerging markets. The index fixings may – by construction – lag or mis-measure the actual move in the underlying variables they are intended to track. The choice of the proper fixing (or metric) is particularly important in swaps markets, where floating coupon rates (i.e., coupons indexed to a typically short-dated interest rate reference index) are exchanged for fixed coupons. Funding in a currency that differs from the currency in which coupons are denominated carries FX risk. Options on swaps (swaptions) the risks typical to options in addition to the risks related to rates movements.

Derivative transactions involve numerous risks including market, counterparty default and illiquidity risk. The appropriateness of these products for use by investors depends on the investors' own circumstances, including their tax position, their regulatory environment and the nature of their other assets and liabilities; as such, investors should take expert legal and financial advice before entering into any transaction similar to or inspired by the contents of this publication. The risk of loss in futures trading and options, foreign or domestic, can be substantial. As a result of the high degree of leverage obtainable in futures and options trading, losses may be incurred that are greater than the amount of funds initially deposited – up to theoretically unlimited losses. Trading in options involves risk and is not suitable for all investors. Prior to buying or selling an option, investors must review the "Characteristics and Risks of Standardized Options", at <http://www.optionsclearing.com/about/publications/character-risks.jsp> . If you are unable to access the website, please contact your Deutsche Bank representative for a copy of this important document.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government-imposed exchange controls, which could affect the value of the currency. Investors in securities such as ADRs, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Unless governing law provides otherwise, all transactions should be executed through the Deutsche Bank entity in the investor's home jurisdiction. Aside from within this report, important conflict disclosures can also be found at <https://research.db.com/Research/> on each company ' s research page. Investors are strongly encouraged to review this information before investing.

Deutsche Bank (which includes Deutsche Bank AG, its branches and affiliated companies) is not acting as a financial adviser, consultant or fiduciary to you or any of your agents (collectively, "You" or "Your") with respect to any information provided in this report. Deutsche Bank does not provide investment, legal, tax or accounting advice, Deutsche Bank is not acting as your impartial adviser, and does not express any opinion or recommendation whatsoever as to any strategies, products or any other information presented in the materials. Information contained herein is being provided solely on the basis that the recipient will make an independent assessment of the merits of any investment decision, and it does not constitute a recommendation of, or express an opinion on, any product or service or any trading strategy.

The information presented is general in nature and is not directed to retirement accounts or any specific person or account type, and is therefore provided to You on the express basis that it is not advice, and You may not rely upon it in making Your decision. The information we provide is being directed only to persons we believe to be financially sophisticated, who are capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, and who understand that Deutsche Bank has financial interests in the offering of its products



and services. If this is not the case, or if You are an IRA or other retail investor receiving this directly from us, we ask that you inform us immediately.

In July 2018, Deutsche Bank revised its rating system for short term ideas whereby the branding has been changed to Catalyst Calls ("CC") from SOLAR ideas; the rating categories for Catalyst Calls originated in the Americas region have been made consistent with the categories used by Analysts globally; and the effective time period for CCs has been reduced from a maximum of 180 days to 90 days.

United States: Approved and/or distributed by Deutsche Bank Securities Incorporated, a member of FINRA, NFA and SIPC. Analysts located outside of the United States are employed by non-US affiliates that are not subject to FINRA regulations.

Germany: Approved and/or distributed by Deutsche Bank AG, a joint stock corporation with limited liability incorporated in the Federal Republic of Germany with its principal office in Frankfurt am Main. Deutsche Bank AG is authorized under German Banking Law and is subject to supervision by the European Central Bank and by BaFin, Germany 's Federal Financial Supervisory Authority.

United Kingdom: Approved and/or distributed by Deutsche Bank AG acting through its London Branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Deutsche Bank AG in the United Kingdom is authorised by the Prudential Regulation Authority and is subject to limited regulation by the Prudential Regulation Authority and Financial Conduct Authority. Details about the extent of our authorisation and regulation are available on request.

Hong Kong: Distributed by Deutsche Bank AG, Hong Kong Branch or Deutsche Securities Asia Limited (save that any research relating to futures contracts within the meaning of the Hong Kong Securities and Futures Ordinance Cap. 571 shall be distributed solely by Deutsche Securities Asia Limited). The provisions set out above in the "Additional Information" section shall apply to the fullest extent permissible by local laws and regulations, including without limitation the Code of Conduct for Persons Licensed or Registered with the Securities and Futures Commission.

India: Prepared by Deutsche Equities India Private Limited (DEIPL) having CIN: U65990MH2002PTC137431 and registered office at 14th Floor, The Capital, C-70, G Block, Bandra Kurla Complex Mumbai (India) 400051. Tel: + 91 22 7180 4444. It is registered by the Securities and Exchange Board of India (SEBI) as a Stock broker bearing registration nos.: NSE (Capital Market Segment) - INB231196834, NSE (F&O Segment) INF231196834, NSE (Currency Derivatives Segment) INE231196834, BSE (Capital Market Segment) INB011196830; Merchant Banker bearing SEBI Registration no.: INM000010833 and Research Analyst bearing SEBI Registration no.: INH000001741. DEIPL may have received administrative warnings from the SEBI for breaches of Indian regulations. The transmission of research through DEIPL is Deutsche Bank's determination and will not make a recipient a client of DEIPL. Deutsche Bank and/or its affiliate(s) may have debt holdings or positions in the subject company. With regard to information on associates, please refer to the "Shareholdings" section in the Annual Report at: <https://www.db.com/ir/en/annual-reports.htm> .

Japan: Approved and/or distributed by Deutsche Securities Inc.(DSI). Registration number - Registered as a financial instruments dealer by the Head of the Kanto Local Finance Bureau (Kinsho) No. 117. Member of associations: JSDA, Type II Financial Instruments Firms Association and The Financial Futures Association of Japan. Commissions and risks involved in stock transactions - for stock transactions, we charge stock commissions and consumption tax by multiplying the transaction amount by the commission rate agreed with each customer. Stock transactions can lead to losses as a result of share price fluctuations and other factors. Transactions in foreign stocks can lead to additional losses stemming from foreign exchange fluctuations. We may also charge commissions and fees for certain categories of investment advice, products and services. Recommended investment strategies, products and services carry the risk of losses to principal and other losses as a result of changes in market and/or economic trends, and/or fluctuations in market value. Before deciding on the purchase of financial products and/or services, customers should carefully read the relevant disclosures, prospectuses and other documentation. "Moody's", "Standard & Poor's", and "Fitch" mentioned in this report are not registered credit rating agencies in Japan unless Japan or "Nippon" is specifically designated in the name of the entity. Reports on Japanese listed companies not written by analysts of DSI are written by Deutsche Bank Group's analysts with the coverage companies specified by DSI. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan. Target prices set by Deutsche Bank's equity analysts are based on a 12-month forecast period..

1 October 2018

China Macro in Charts



Korea: Distributed by Deutsche Securities Korea Co.

South Africa: Deutsche Bank AG Johannesburg is incorporated in the Federal Republic of Germany (Branch Register Number in South Africa: 1998/003298/10).

Singapore: This report is issued by Deutsche Bank AG, Singapore Branch or Deutsche Securities Asia Limited, Singapore Branch (One Raffles Quay #18-00 South Tower Singapore 048583, +65 6423 8001), which may be contacted in respect of any matters arising from, or in connection with, this report. Where this report is issued or promulgated by Deutsche Bank in Singapore to a person who is not an accredited investor, expert investor or institutional investor (as defined in the applicable Singapore laws and regulations), they accept legal responsibility to such person for its contents.

Taiwan: Information on securities/investments that trade in Taiwan is for your reference only. Readers should independently evaluate investment risks and are solely responsible for their investment decisions. Deutsche Bank research may not be distributed to the Taiwan public media or quoted or used by the Taiwan public media without written consent. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation to trade in such securities/instruments. Deutsche Securities Asia Limited, Taipei Branch may not execute transactions for clients in these securities/instruments.

Qatar: Deutsche Bank AG in the Qatar Financial Centre (registered no. 00032) is regulated by the Qatar Financial Centre Regulatory Authority. Deutsche Bank AG - QFC Branch may undertake only the financial services activities that fall within the scope of its existing QFCRA license. Its principal place of business in the QFC: Qatar Financial Centre, Tower, West Bay, Level 5, PO Box 14928, Doha, Qatar. This information has been distributed by Deutsche Bank AG. Related financial products or services are only available only to Business Customers, as defined by the Qatar Financial Centre Regulatory Authority.

Russia: The information, interpretation and opinions submitted herein are not in the context of, and do not constitute, any appraisal or evaluation activity requiring a license in the Russian Federation.

Kingdom of Saudi Arabia: Deutsche Securities Saudi Arabia LLC Company (registered no. 07073-37) is regulated by the Capital Market Authority. Deutsche Securities Saudi Arabia may undertake only the financial services activities that fall within the scope of its existing CMA license. Its principal place of business in Saudi Arabia: King Fahad Road, Al Olaya District, P.O. Box 301809, Faisaliah Tower - 17th Floor, 11372 Riyadh, Saudi Arabia.

United Arab Emirates: Deutsche Bank AG in the Dubai International Financial Centre (registered no. 00045) is regulated by the Dubai Financial Services Authority. Deutsche Bank AG - DIFC Branch may only undertake the financial services activities that fall within the scope of its existing DFSA license. Principal place of business in the DIFC: Dubai International Financial Centre, The Gate Village, Building 5, PO Box 504902, Dubai, U.A.E. This information has been distributed by Deutsche Bank AG. Related financial products or services are available only to Professional Clients, as defined by the Dubai Financial Services Authority.

Australia and New Zealand: This research is intended only for "wholesale clients" within the meaning of the Australian Corporations Act and New Zealand Financial Advisors Act, respectively. Please refer to Australia-specific research disclosures and related information at <https://australia.db.com/australia/content/research-information.html> Where research refers to any particular financial product recipients of the research should consider any product disclosure statement, prospectus or other applicable disclosure document before making any decision about whether to acquire the product. In preparing this report, the primary analyst or an individual who assisted in the preparation of this report has likely been in contact with the company that is the subject of this research for confirmation/clarification of data, facts, statements, permission to use company-sourced material in the report, and/or site-visit attendance. Without prior approval from Research Management, analysts may not accept from current or potential Banking clients the costs of travel, accommodations, or other expenses incurred by analysts attending site visits, conferences, social events, and the like. Similarly, without prior approval from Research Management and Anti-Bribery and Corruption ("ABC") team, analysts may not accept perks or other items of value for their personal use from issuers they cover.

1 October 2018

China Macro in Charts



Additional information relative to securities, other financial products or issuers discussed in this report is available upon request. This report may not be reproduced, distributed or published without Deutsche Bank's prior written consent.

Copyright © 2018 Deutsche Bank AG



David Folkerts-Landau

Group Chief Economist and Global Head of Research

Pam Finelli
Global Chief Operating Officer
Research

Michael Spencer
Head of APAC Research
Global Head of Economics

Steve Pollard
Head of Americas Research
Global Head of Equity Research

Anthony Klarman
Global Head of
Debt Research

Kinner Lakhani
Head of EMEA
Equity Research

Joe Liew
Head of APAC
Equity Research

Andreas Neubauer
Head of Research - Germany

Spyros Mesomeris
Global Head of Quantitative
and QIS Research

International Production Locations

Deutsche Bank AG

Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG

Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG

Filiale Hongkong
International Commerce Centre,
1 Austin Road West, Kowloon,
Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.

2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
Japan
Tel: (81) 3 5156 6770

Deutsche Bank AG London

1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank Securities Inc.

60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250 2500