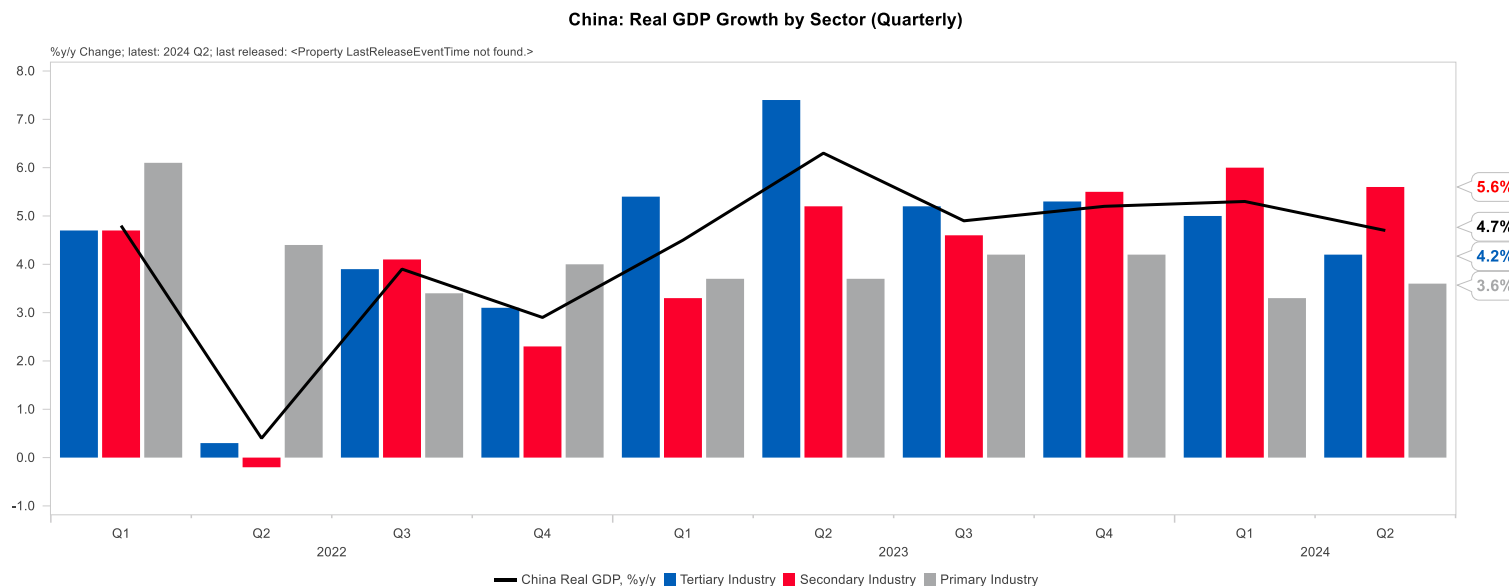


China: Property market a growth drag ...

China: loses steam in 2Q24; no ST measures from third plenum

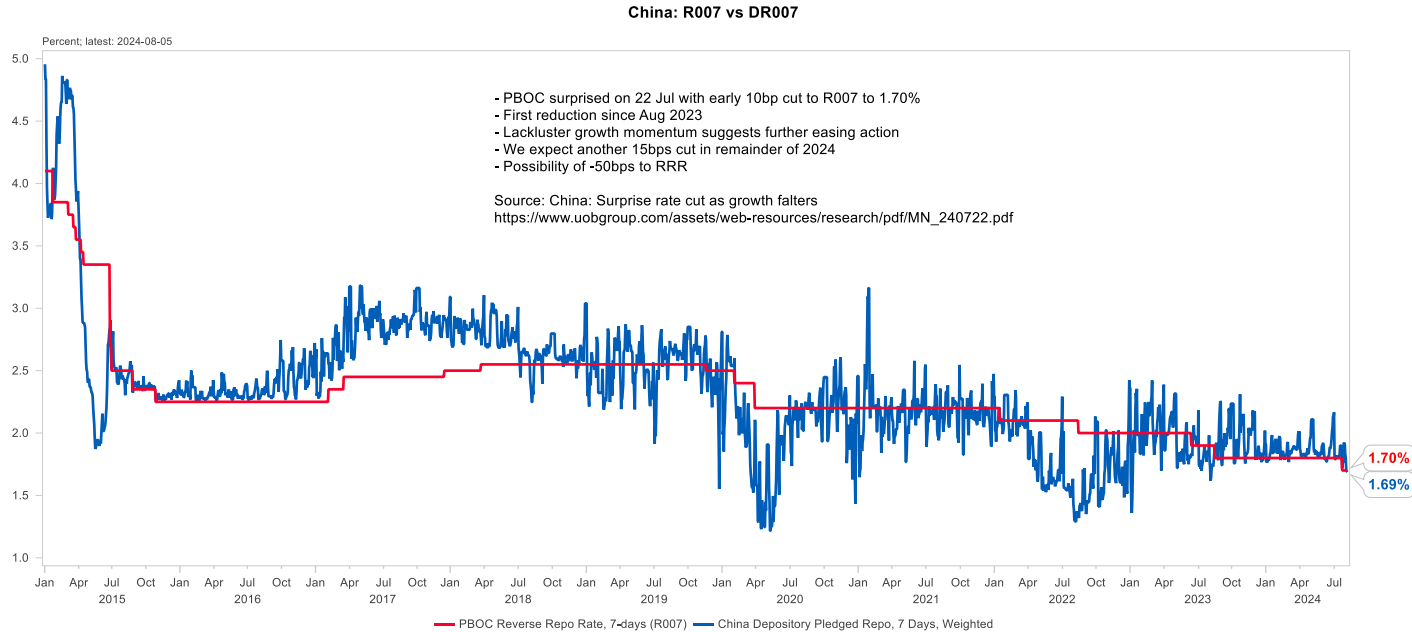


Source: Macrobond, UOB Global Economics & Markets Research

For further details: China: Economy loses steam in 2Q24 https://www.uobgroup.com/assets/web-resources/research/pdf/MN_240715A.pdf

China: Key takeaways from the third plenum https://www.uobgroup.com/assets/web-resources/research/pdf/MN_240724.pdf

China: PBOC taking on policy easing; 4.9% looks achievable in 2024



Source: Macrobond, UOB Global Economics & Markets Research

For further details: China: Economy loses steam in 2Q24 https://www.uobgroup.com/assets/web-resources/research/pdf/MN_240715A.pdf

China: Key takeaways from the third plenum https://www.uobgroup.com/assets/web-resources/research/pdf/MN_240724.pdf

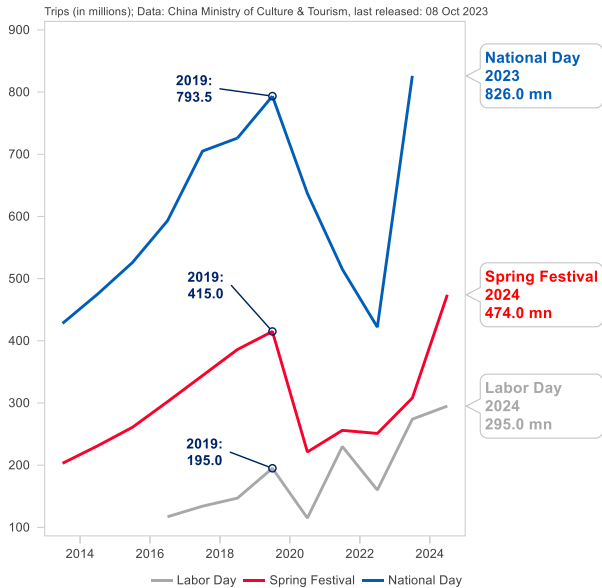


China: Labour day holiday shows signs of further improvement



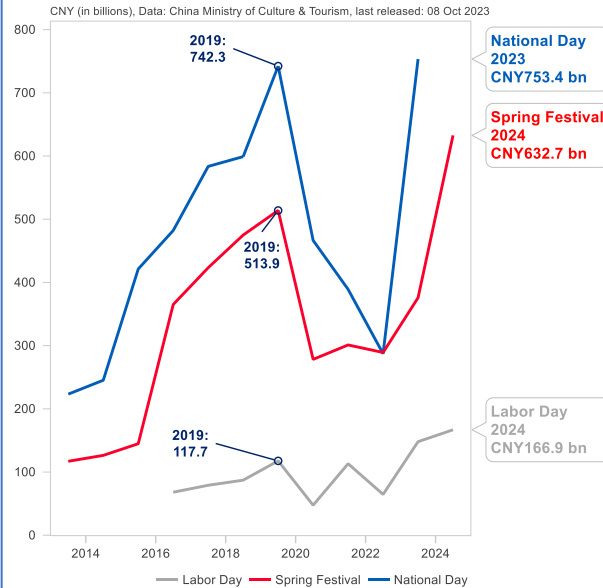
Domestic holiday spending normalized to pre-pandemic level – next to watch is October Golden Week

China: Domestic Tourism during Major Holidays - Number of trips made



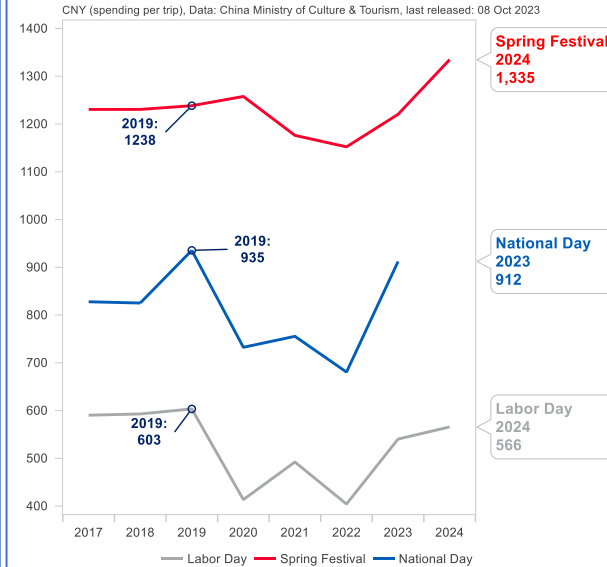
Source: Macrobond, UOB Global Economics & Markets Research

China: Domestic Tourism during Major Holidays - Revenues (CNY)



Source: Macrobond, UOB Global Economics & Markets Research

China: Domestic Tourism during Major Holidays - Spending per trip (CNY)



Source: Macrobond, UOB Global Economics & Markets Research

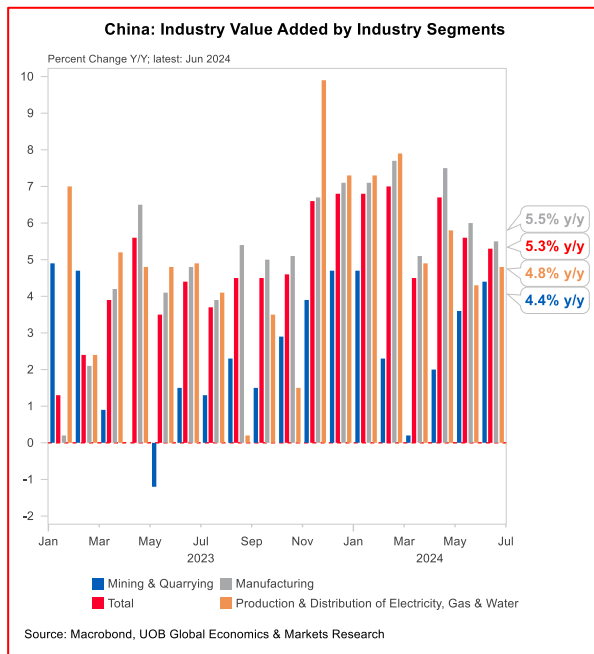


China: Data show signs of weakness; 4.9% growth for 2024

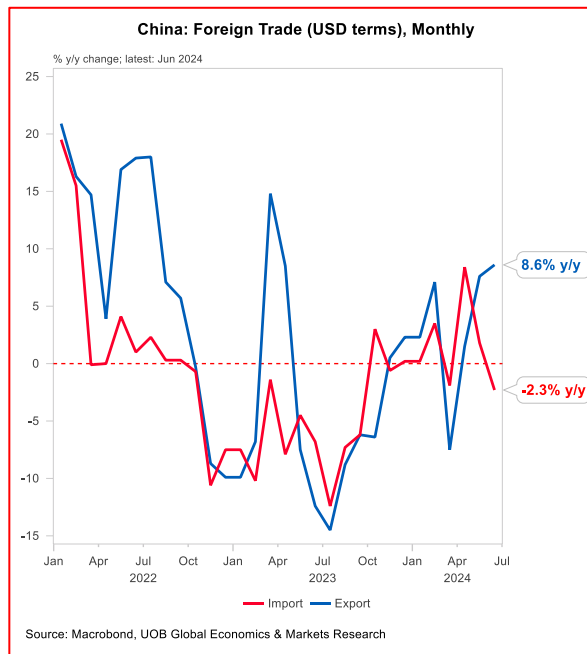


The positives

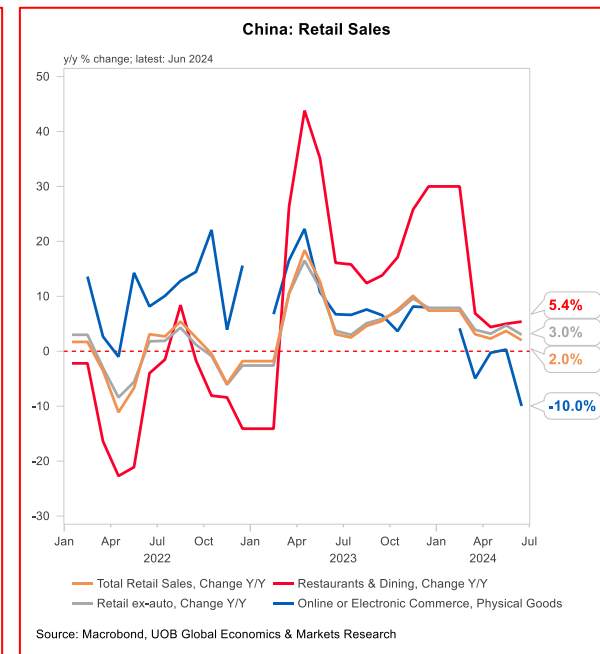
Production: Strengthening



External trade: Rebound



Retail: Base effect fades out



China: Downside risks are still present



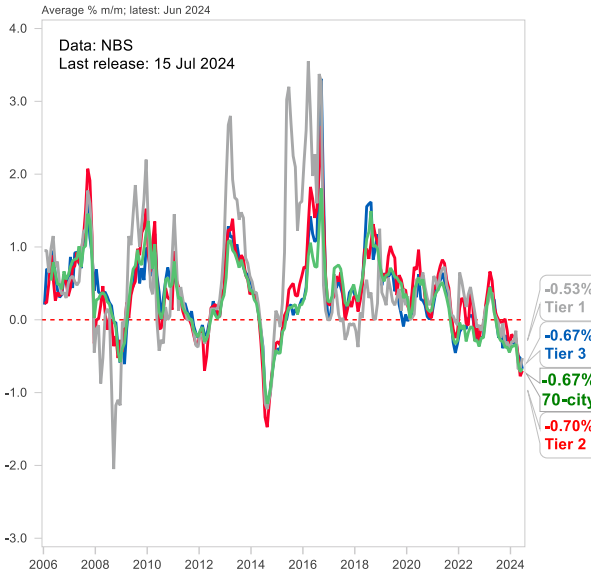
The negatives

Property: Under pressure

PMI: Hovering around 50

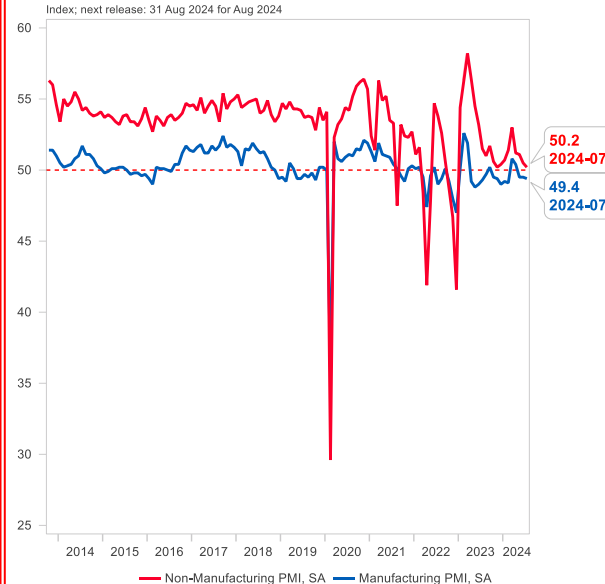
Labour: The young & jobless

China: Primary Market, Commercial Residential, Price Index
70个大中城市住宅销售价格变动情况



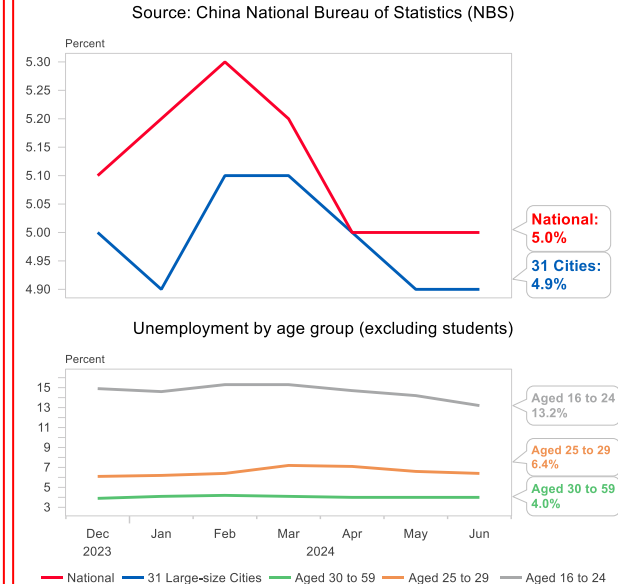
Source: Macrobond, UOB Global Economics & Markets Research

China: NBS Manufacturing PMI, NBS Non-Manufacturing PMI



Source: Macrobond, UOB Global Economics & Markets Research

China unemployment rate: Top 31 largest cities vs national avg



Source: Macrobond, UOB Global Economics & Markets Research

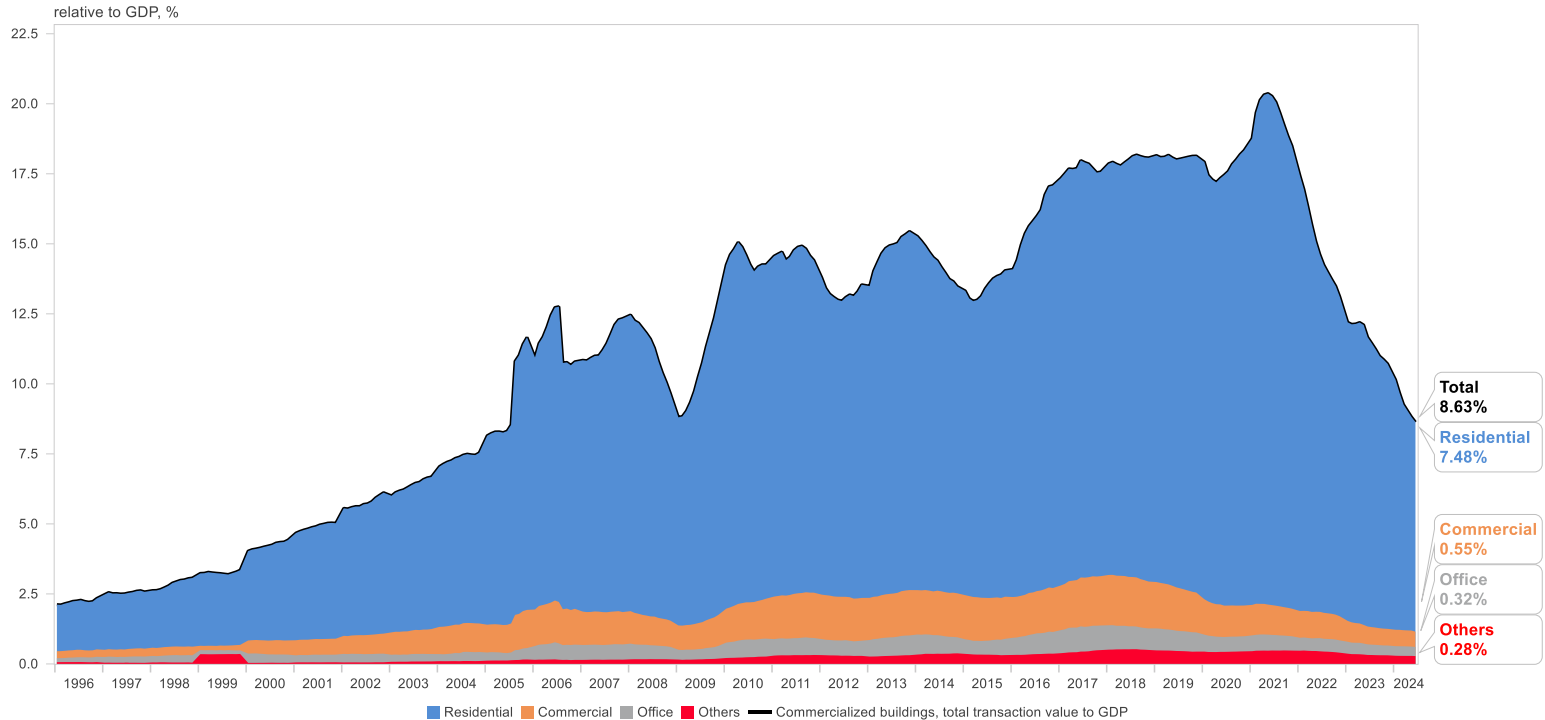


State of China property market

Residential property slump cascades through the entire economy



China: Real estate transaction values to GDP (latest: Jun 2024)



Source: Macrobond, UOB Global Economics & Markets Research

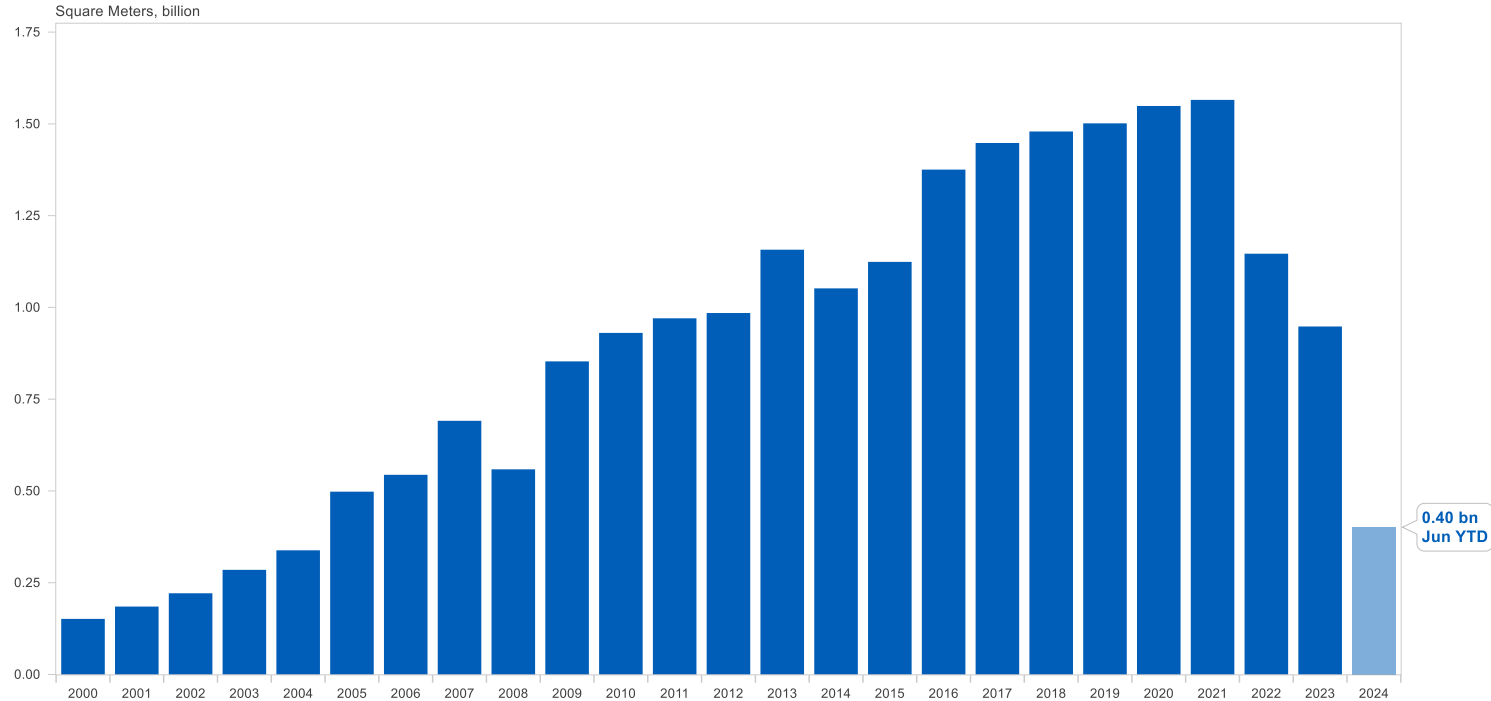


State of China property market



Residential sale volumes down the third year, to levels 20 years ago...

China: Real Estate Transactions, Commercialized Buildings (Residential), Floor Space Sold, Aggregate



Source: Macrobond, UOB Global Economics & Markets Research

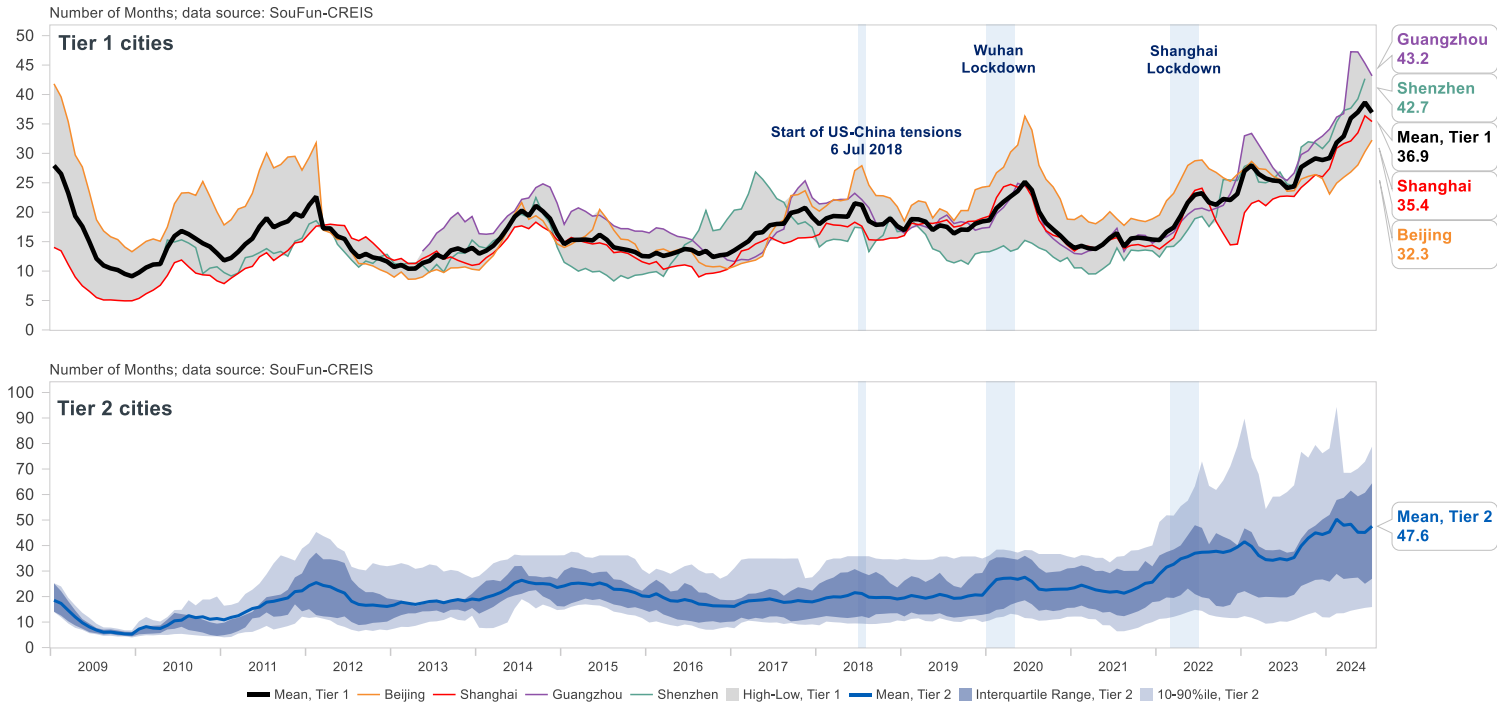


State of China property market

Congestion even in T1 cities, as sales slow and inventories back up ...



China: Real estate clearance time, # of months (As of Jun 2024)



Source: Macrobond, UOB Global Economics & Markets Research



State of China property market

It's a growth drag, but unlikely to rupture ...

Property market to drag on for years ... capping GDP growth at 4-5% per year

- Sector accounts for **25% of GDP**: broad based supply chains from cement, steel, to interior design, furnishings, appliances
- Residential prices are weighed down but unlikely to “crash”, as **some cities limit price declines through various support measures**.
- **IMF estimates that real estate investment in the decade ahead to fall 30%-60% below its 2022 level** (CNY11.8 tn, ~20% of China's total fixed asset investment)
- Increases in public spending on affordable housing and urban redevelopment could only partially offset some of the investment declines.



China: Recession pressure @ 64%, well below 2022 peak



Growth projection at 4.9% for 2024; GDP growth capped around 4-5% per year

- Credit supply to corporate sector has been ramped up to support activities... effect is trailing off
- Labour market (and real estate) will be key to watch
- Weak consumer and business sentiment shows no signs of improvements

China Recession Pressure Dashboard

Indicators marked with an asterisk (*) have the opposite formatting condition applied to them.
Unless stated otherwise, the figures represent their z-scores across the entire historical period.

Theme	Indicators	8/2022	9/2022	10/2022	11/2022	12/2022	1/2023	2/2023	3/2023	4/2023	5/2023	6/2023	7/2023	8/2023	9/2023	10/2023	11/2023	12/2023	1/2024	2/2024	3/2024	4/2024	5/2024	6/2024	7/2024
Labour Market	Unemployment*	0.22	0.92	0.92	1.61	0.92	0.92	1.26	0.22	-0.12	-0.12	-0.12	0.22	-0.12	-0.81	-0.81	-0.81	-0.47	-0.12	0.22	-0.12	-0.81	-0.81	-0.81	
	Mfg Employment Index (3m MA)	-0.28	-0.22	-0.28	-0.58	-1.42	-1.55	-0.98	0.00	0.22	-0.14	-0.44	-0.58	-0.66	-0.68	-0.70	-0.68	-0.72	-0.80	-0.92	-0.88	-0.80	-0.68	-0.68	-0.62
Economic Growth	New Orders (3m MA)	-0.79	-0.84	-0.87	-1.09	-1.57	-1.35	-0.72	0.07	-0.10	-0.58	-0.98	-0.92	-0.77	-0.62	-0.62	-0.68	-0.83	-0.87	-0.90	-0.55	-0.38	-0.33	-0.62	-0.76
	OECD Leading Indicator	-1.69	-1.67	-1.57	-1.40	-1.15	-0.87	-0.56	-0.26	-0.01	0.21	0.39	0.53	0.61	0.65	0.64	0.61	0.56	0.49	0.42	0.36	0.32	0.28	0.26	
	Economic Surprise Index (3m MA)	-0.71	-0.38	-0.20	-0.08	-0.17	-0.29	0.06	1.26	2.54	2.54	1.34	-0.45	-1.44	-1.35	-0.71	-0.16	-0.02	-0.11	-0.18	-0.03	0.27	0.28	0.13	-0.24
	Production (3m MA)	-0.79	-0.91	-0.93	-1.11	-1.75	-1.73	-0.91	0.01	0.05	-0.60	-1.00	-1.00	-0.79	-0.57	-0.50	-0.61	-0.84	-0.81	-0.89	-0.71	-0.56	-0.47	-0.61	-0.87
Credit Growth	Passenger Cars Sales (3m MA)	0.71	0.89	0.95	1.31	1.42	0.88	0.08	-0.73	-0.38	0.30	0.64	0.68	0.79	1.14	1.42	1.73	1.99	2.25	1.07	0.23	-0.53	0.02	0.15	0.59
	Household Credit y/y	-1.15	-1.20	-1.32	-1.44	-1.50	-1.63	-1.51	-1.41	-1.43	-1.43	-1.43	-1.50	-1.53	-1.50	-1.50	-1.51	-1.50	-1.35	-1.51	-1.59	-1.64	-1.69	-1.78	
Housing Market	Non-Financial Enterprises & Govt Credit y/y	0.89	1.24	1.28	1.37	1.54	1.86	1.97	1.89	1.88	1.52	1.43	1.42	1.41	1.19	1.22	1.16	1.04	0.59	0.47	0.24	0.27	0.17	-0.18	
	Residential Price Index y/y	-0.21	-0.17	-0.19	-0.22	-0.21	-0.28	-0.35	-0.36	-0.37	-0.40	-0.50	-0.50	-0.60	-0.58	-0.69	-0.71	-0.74	-0.79	-0.83	-0.86	-1.03	-1.19	-1.27	
Confidence	SME Confidence Conditions	-0.99	-1.14	-1.46	-1.72	-1.67	-1.47	-0.94	-0.16	-0.30	-0.51	-0.92	-1.21	-1.17	-1.00	-1.10	-1.13	-1.31	-1.01	-1.13	-0.90	-0.76	-0.99	-1.46	-1.31
	Consumer Conf: Present Situation	-2.59	-2.57	-2.61	-2.76	-2.44	-2.11	-1.71	-1.69	-2.58	-2.45	-2.66	-2.66	-2.65	-2.57	-2.49	-2.59	-2.52	-2.37	-2.35	-2.31	-2.45	-2.66	-2.68	
Financial Market	10y3m Spread (%)	0.53	0.58	0.62	0.52	0.48	0.50	0.45	0.44	0.43	0.44	0.50	0.50	0.46	0.39	0.33	0.27	0.26	0.28	0.29	0.28	0.41	0.45	0.52	0.64
	Northbound Net Buying (3m MA)	0.16	-0.96	-1.63	-1.05	-0.42	2.89	2.29	2.21	-0.22	-0.52	-0.74	-0.04	-0.91	-1.65	-3.02	-2.00	-1.63	-1.06	0.04	0.52	0.78	-0.18	-1.10	-1.38
Recession Pressure (%)		71.43	78.57	78.57	78.57	78.57	71.43	64.29	50.00	57.14	57.14	57.14	71.43	64.29	64.29	64.29	64.29	64.29	64.29	64.29	57.14	57.14	57.14	64.29	

0-25th Percentile 25-50th Percentile 50-75th Percentile 75-100th Percentile

Sources: Macrobond, Citi, NBS, PBoC, CEMAC, CPCA, SC, HKEEX, OECD

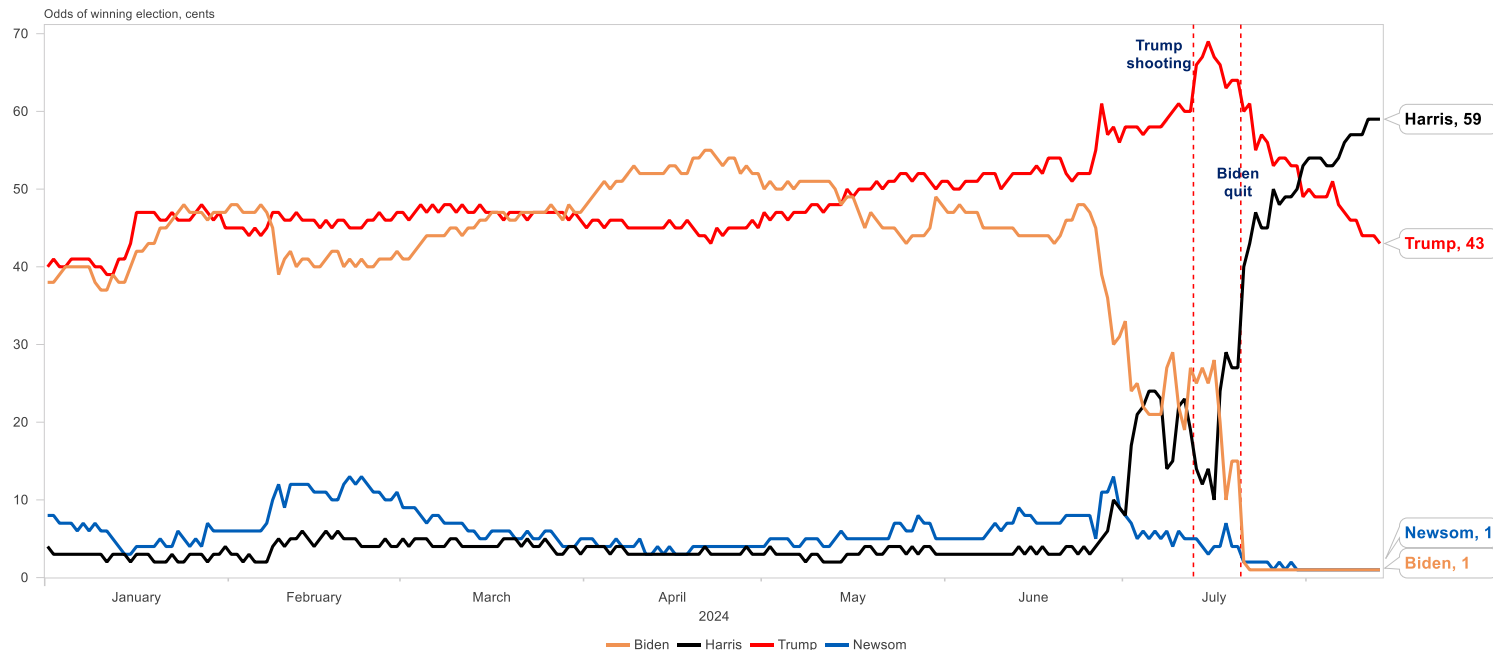


US: Election; De-dollarization

Potential Trump Presidency 2.0? Not as clear cut ...

PredictIt: 2024 presidential election winner (latest: 2024-08-13)

Data reflects betting prices, not exact probabilities. Thus, they will not add to 100%.



Source: Macrobond, UOB Global Economics & Markets Research

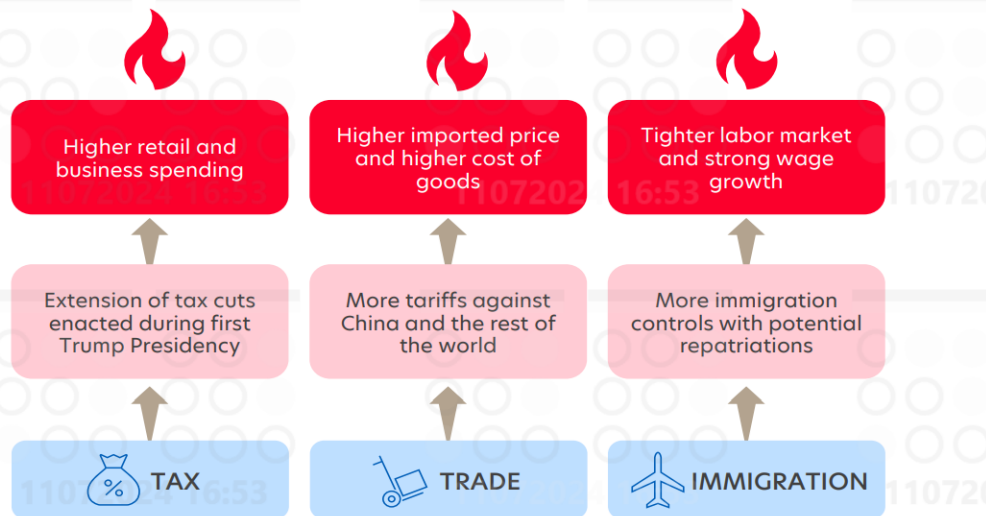
Potential Trump Presidency 2.0? Not as clear cut ...

Implications for inflation, interest rate and FX

Risk 3: Potential disruptive implications for Trump 2.0 policies

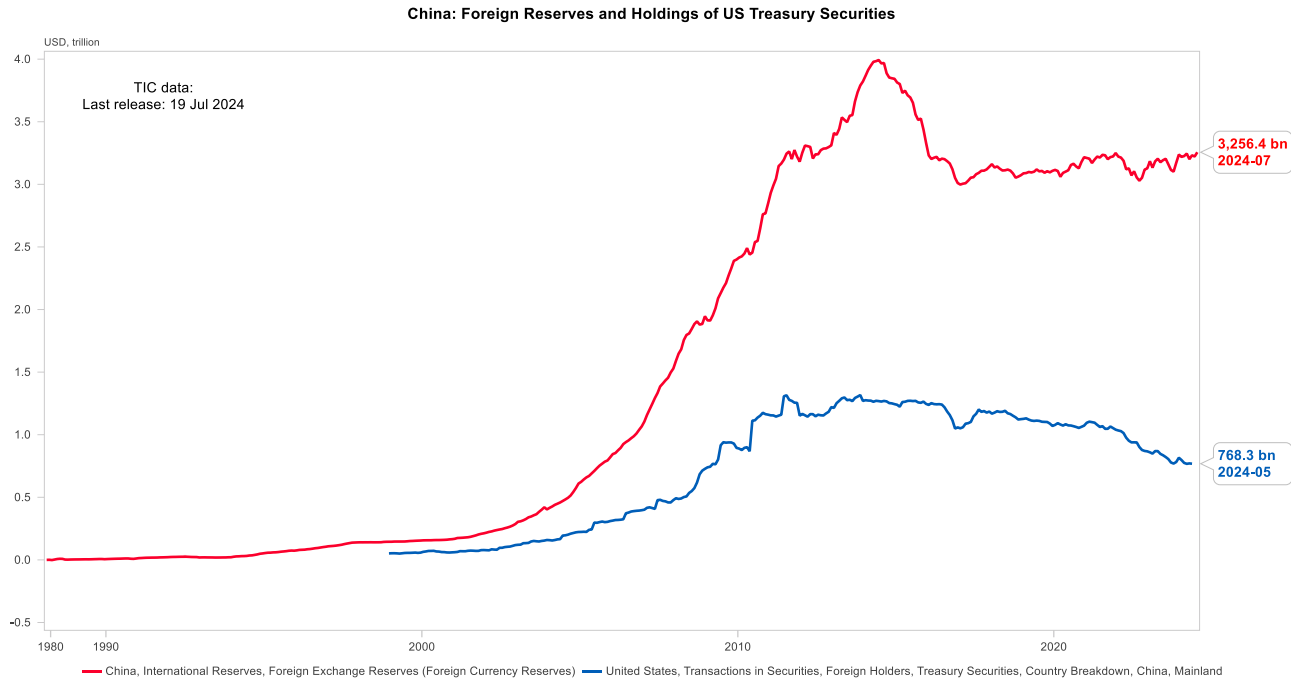
Risk 3: Potential Trump Presidency 2.0 policies are mostly inflationary

Source: UOB Global Economics & Markets Research



For further details: Monthly FX and Rates Strategy - Key risks for second half of 2024, 5 July 2024
https://www.uobgroup.com/assets/web-resources/research/pdf/FXRM_240705.pdf

De-dollarization? Multi-currency world is (still) a long road ahead

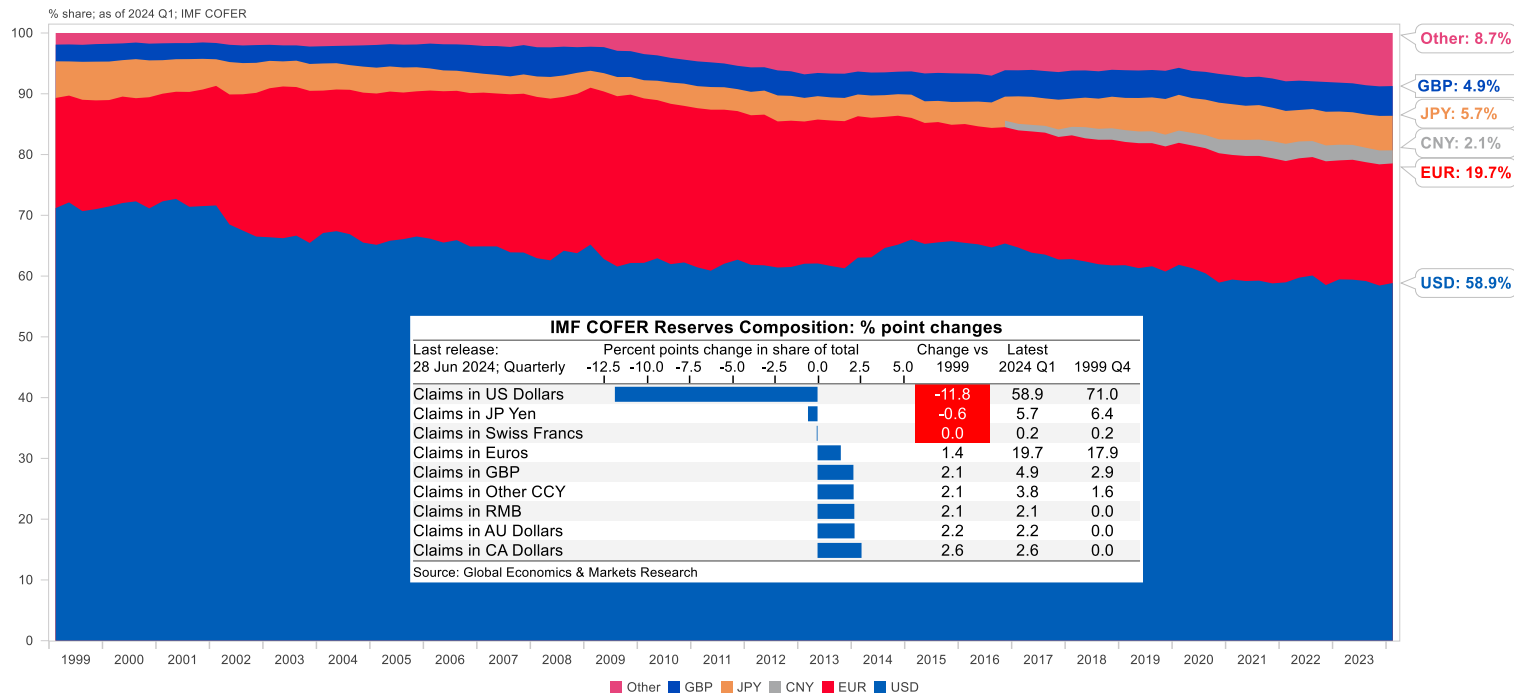


Source: Macrobond, UOB Global Economics & Markets Research

For further details: De-dollarization: A Reality Check, 15 May 2023 https://www.uobgroup.com/web-resources/uobgroup/pdf/research/MSN_230515.pdf

FX: After peaking >70% , USD still dominates in global FX reserves ...

Currency composition of world international reserves



Source: Macrobond, UOB Global Economics & Markets Research

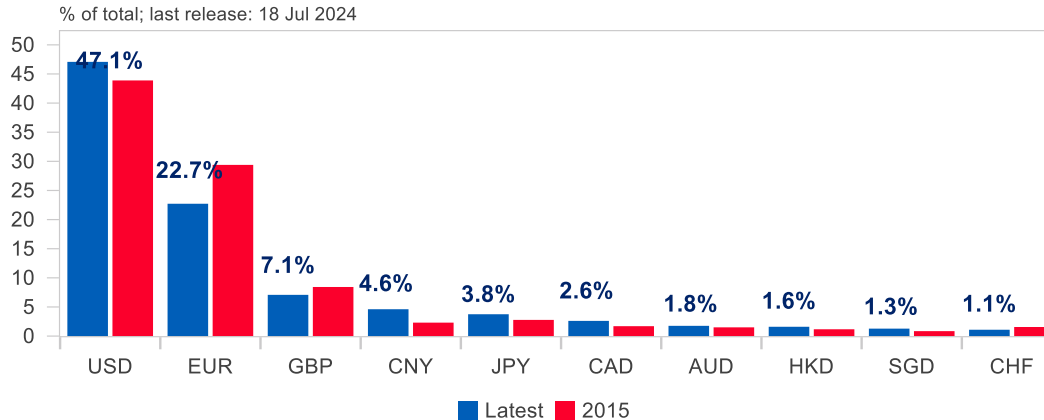
FX: De-dollarization? Multi-currency world is (still) a long road ahead



SWIFT: USD Is The Dominant Currency For Payments

Source: Macrobond, UOB Global Economics & Markets Research

SWIFT: Top 10 Payment Currencies



Source: Macrobond, UOB Global Economics & Markets Research

Annual transactions:

SWIFT

11,000 Fis in 200 countries/regions
~USD150 tn

China's CIPS:

1,280 users in 103 countries/regions
~CNY96.7 tn in 2022
(≈USD14 tn)

For further details: De-dollarization: A Reality Check, 15 May 2023 https://www.uobgroup.com/web-resources/uobgroup/pdf/research/MSN_230515.pdf



Action 1: Close correlation of CNY with some currencies, e.g. MYR



Volatility with USD is higher, and can be reduced by using **bilateral currency settlement (LCS)**

FX: MYR per USD Trends



Last updated: Tue 13 Aug 2024, 12:58 PM

Source: Macrobond, UOB Global Economics & Markets Research

FX: CNH per USD Trends



Last updated: Tue 13 Aug 2024, 12:58 PM

Source: Macrobond, UOB Global Economics & Markets Research

FX: CNH per MYR Trends

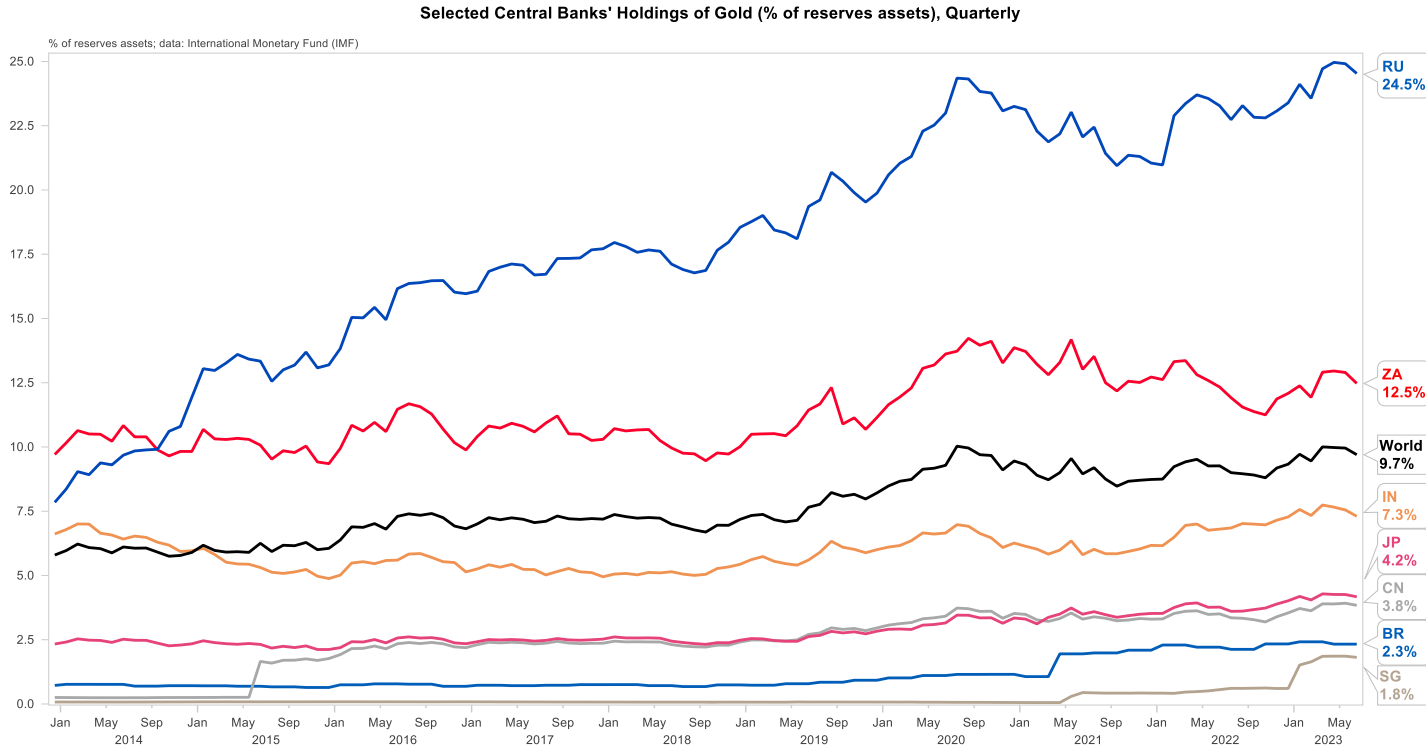


Last updated: Tue 13 Aug 2024, 12:58 PM

Source: Macrobond, UOB Global Economics & Markets Research



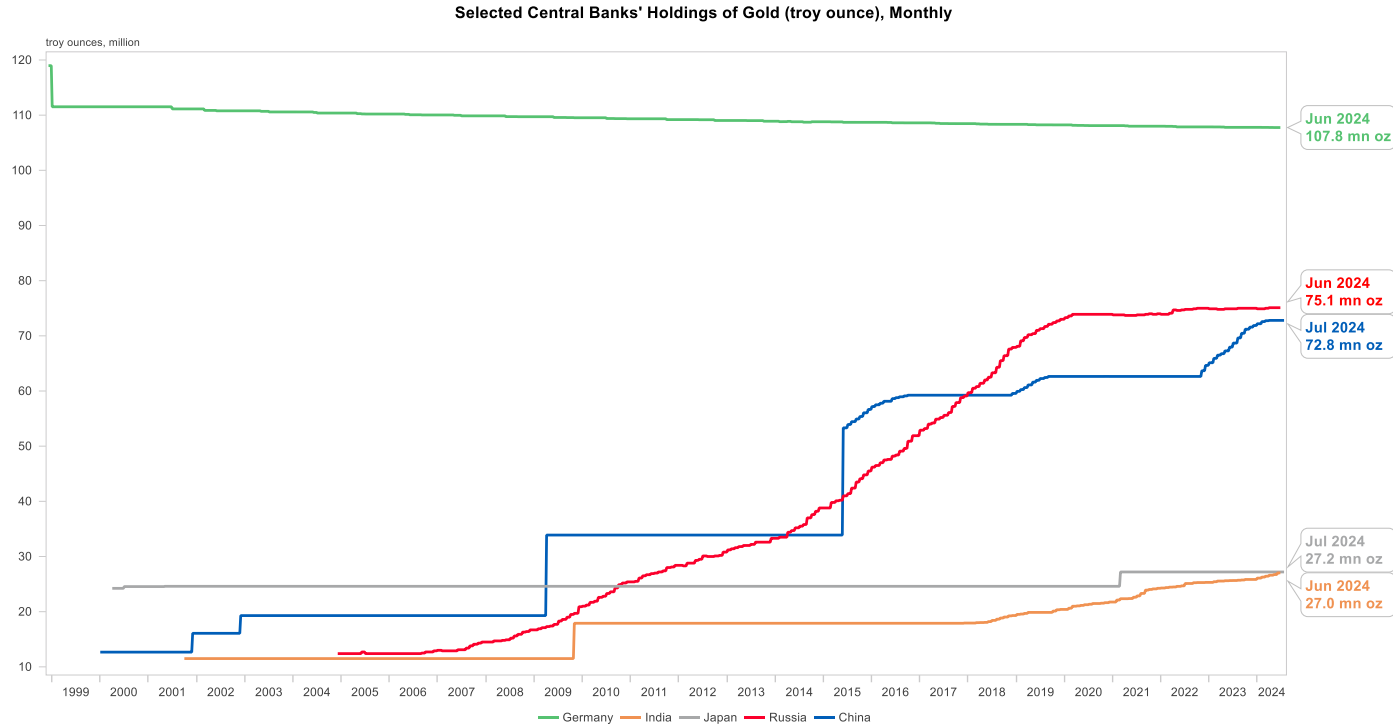
Action 2: Rising share of gold due to geopol events and cenbank buy



Source: Macrobond, UOB Global Economics & Markets Research



Central banks' holdings of gold increase significantly



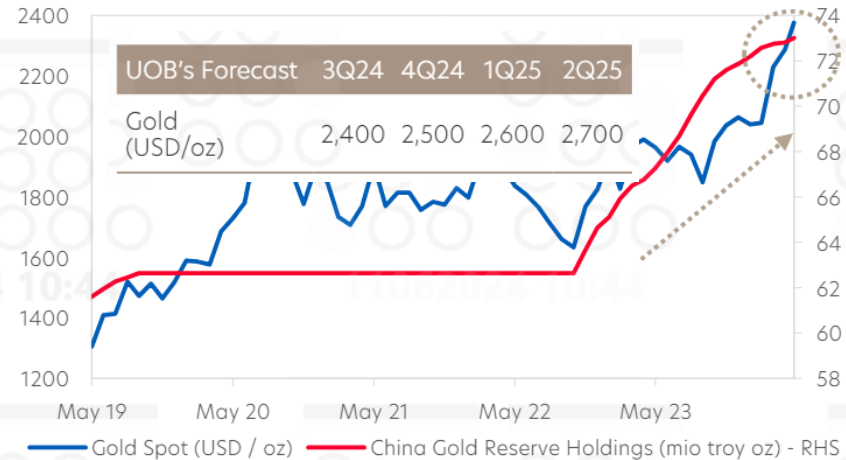
Source: Macrobond, UOB Global Economics & Markets Research

Gold: Lifting our positive forecast further to USD 2,700/oz by 2Q25



China's strong buying of gold for central bank reserves is a key positive driver

Source: Bloomberg, UOB Global Economics & Markets Research



Decline in gold ETF holdings imply that institutional investors have yet to join the gold rally

Source: Bloomberg, UOB Global Economics & Markets Research



Contributed by Heng Koon How heng.koonhow@uobgroup.com
 Gold: Lifting our positive forecast further to USD 2,700 / oz by 2Q25
https://www.uobgroup.com/assets/web-resources/research/pdf/QF-CS_3q24.pdf



Ernest Hemingway > Quotes > Quotable Quote ^(?)



“How did you go bankrupt?”
Two ways. Gradually, then suddenly.”

— Ernest Hemingway, *The Sun Also Rises*

Source:

<https://www.goodreads.com/quotes/102579-how-did-you-go-bankrupt-two-ways-gradually-then-suddenly>

For further details: De-dollarization: A Reality Check, 15 May 2023 https://www.uobgroup.com/web-resources/uobgroup/pdf/research/MSN_230515.pdf

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