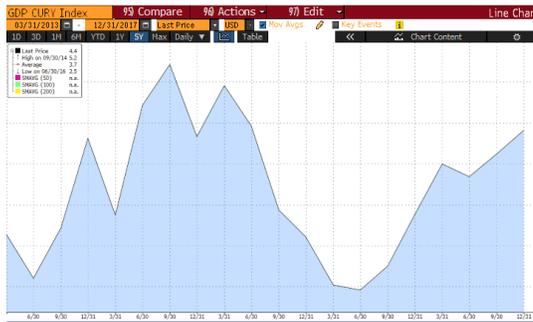




Feb 9 2018 – Mar 2 2018

ECONOMY – PMI Declined on LNY Distortion



Date	Data	Number
06 Mar	Factory Order	-1.4% F
07 Mar	Trade Balance	-\$55.0b F
09 Mar	Unemployment Rate	4.0% F

*P: Previous F: Forecast R: Revision(From Bloomberg)

February NBS manufacturing PMI in China declined to 50.3% from 51.3% in January, lower than the market consensus of 51.1% but remained in the expansionary territory. The decline in manufacturing PMI was largely due to the Lunar New Year effect, but also driven by the tightened financial conditions recently. PMI breakdown showed that most sub-indices weakened in February, especially the production and price indices. Overall production growth softened in February, mainly due to the holiday effect and the continued production cut. Production Index declined to 50.7% in February from 53.5% in January, echoing slower IPP coal consumption growth and lower capacity utilization rates of steel, coal & cement in February. On the other hand, manufacturing-upgrading industries maintained robust growth, as the PMI for high-tech manufacturing picked up further to 54.0% from 53.2% in January, and the PMI for equipment manufacturing rose by 1.0ppt to 51.0% in February. The PMI for large enterprises fell to 52.2% in February from 52.6% in January.

STOCKS & COMMODITIES – Cautious on China Telco

US stock markets rose over the past three weeks. The Dow and S&P 500 were +1.44% and +2.74% respectively. NASDAQ was up by 5.58%.

The National Development and Reform Commission (NDRC) of China stated on that it would continue pushing carriers to boost internet speeds and cut charges in 2018. Competition in the data market may intensify. The waiver of data roaming charges will increase competition between the major three carriers. Regulating data charges and refraining from competition between branches will be crucial for carriers. CM to have the largest exposure to the waiver of data roaming charges due to its large client base and high network utilization rate. The firm may become cautious, as it improving networks amid explosive data growth and increased data mobility requires capex.

Crude oil future traded in NYME increased 3.46% to close at US\$61.25 per barrel during the period. Gold price was up 0.50% to US\$1,322.75 per oz.



Market Mover	Commodity	Change (+/-)
	Oil Futures	US +2.05
	DJIA	+347.16 points

FOREIGN EXCHANGE – Less Important on M2 Growth



Market Mover	Currency Pair	Change (+/-)
	DXD	-0.507
	EURUSD	+0.0065

M2 growth target will be less important in China, growth target for total social financing to stay around 12%. China will continue to implement a prudent monetary policy in 2018. The country's actual 2017 M2 growth was only 8.2%, well below the target (12%). In its 4Q17 Monetary Policy Report, the PBoC noted that slower growth of money supply is not only sufficient to support high-quality economic growth thanks to improving economic structures, but also helpful to the deleveraging of the economy. The PBoC also pointed out that increasingly complex financial products and markets make M2 less measurable, less controllable, and less relevant to the real economy, implying that M2 growth is less important to its monetary policy.

The Euro appreciated against US dollar by 0.53% over the period.