

Flash Note:
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China - What's new? Beijing takes stakes in private firms to keep them afloat.

Economics

- September official Composite PMI slightly better at 53.1 vs 53.0 in prior month. Manufacturing PMI improves at 49.8 (vs 49.5 in prior month). Non-manufacturing PMI declines at 53.7 vs 53.8 in prior month.
- WSJ discussed how the government is snapping up stakes in private companies at a record rate, as the trade war, economic slowdown and credit squeeze heap pressure on entrepreneurs. The public injections investments mark a reversal after decades in which state-owned enterprises have shrunk in importance, as reflected in measures such as their share of the workforce or asset ownership.

US-China spat

- **US Treasury official says no plans to stop Chinese firms from listing in US 'at this time'.** Treasury spokeswoman Monica Crowley said in a statement on Sunday that the administration is not contemplating plans to block Chinese companies from listing in the US. Crowley was responding to reports on various measures the administration is considering, including delisting Chinese firms from US stock exchanges, limiting American exposure to China's markets through government pension funds, and putting caps on Chinese companies included in stock indexes managed by US firms. Crowley's response didn't rule out any of those options.
- China trade talks set to resume 10-Oct, though Liu He won't be empowered to negotiate: CNBC reported trade talks between the US and China are set to resume Oct. 10-11 in Washington DC. Chinese Vice Premier Liu He will be representing the delegation from Beijing, though the story noted he had been stripped of his special envoy title that empowered him to negotiate on behalf of President Xi Jinping.

- China expected to boost US soy purchases during trade talks: Li Qiang, chairman of Shanghai JC Intelligence, said China is likely to increase American soybean purchases during high-level trade talks in the US in October, totaling another 1-2M tons. If the talks are successful, China could boost shipments to between 30 million and 35 million tons next year.
- Nasdaq is cracking down on IPOs of small Chinese companies by tightening restrictions and slowing down their approval. Nasdaq's attempt to limit these stock market flotations comes as a growing number of them end up raising most of the capital in their IPO from Chinese sources, rather than from US investors. Their low liquidity makes them unattractive to many large institutional investors, to whom Nasdaq is seeking to cater.

Finance-PBOC (stimulus)

- China proposes cap on loan loss reserves: The Finance Ministry has proposed a new rule that would cap loan loss provisions (that currently double the minimum regulatory requirement of 150%). Virtually all Chinese banks already set aside more money than the required minimum to project an image of trustworthiness. At the end of June, at least seven listed Chinese banks had loan loss provisions of more than double the amount regulators required. This means more liquidity channeled to financial market.
- FTSE Russell keeps China on watch list for potential upgrade: FTSE's country classification review announced China will remain on the Watch List for potential upgrade to Market Accessibility Level 2 based on feedback from index users that the Chinese government bond market continues to make demonstrable progress towards meeting the criteria for the highest accessibility level. Further updates will be provided as appropriate after the interim review in March 2020.