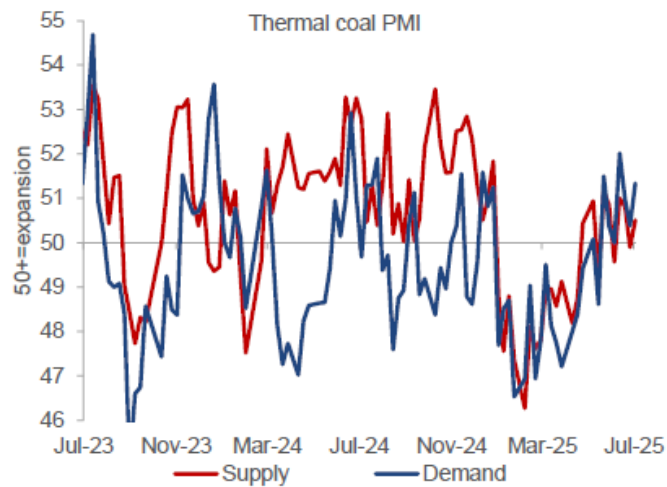


## China Weekly Outlook

- China's CPI and PPI for June are scheduled for release this Wednesday. **We anticipate a modest uptick of 0.1% YoY in consumer prices, driven by higher food and fuel costs.** High-frequency data suggests wholesale agricultural prices have been rising YoY since early June, led by fruit and fresh vegetable prices (Fig 13). Additionally, fuel prices increased 4% MoM due to higher crude oil prices amid military tensions in the Middle East. Although global oil prices have partially reversed on a tentative ceasefire, the decline has yet to be reflected in domestic fuel prices in June (Fig 16).
- **Meanwhile, deflationary pressure persisted in producer prices,** though the sequential decline is expected to moderate from the previous months. The producer price index in the Manufacturing PMI survey improved slightly to 46.2 in June, recovering from lows in April and May.
- Monetary data may also come as early as later this week. **Loan growth is likely to remain weak in June, as local governments continue issuing special refinancing bonds to repay their hidden debt.** According to Wind, government bond financing reached RMB1.4trn in June, with around 10% allocated for special refinancing. The large volume of bond issuance, along with the typical quarter-end squeeze, contributed to moderate tightening in market liquidity. Looking ahead, we expect the PBoC to deploy a mix of targeted short- and medium-term policy tools, such as MLFs and outright reverse repos, to replenish liquidity and guide interbank repo rates back toward target levels.
- **The most significant uncertainty this week stems from President Trump's "either a letter or a deal" for US trading partners by 9 July.** Trump claimed to start sending out tariff letters to over a dozen of trading partners on Monday noon, with potentially some agreements as well. There will still be three weeks for further negotiations before new tariff rates take effect on 1 August.
- From China's perspective, **while it is likely to be excluded from this round of tariffs, any agreements that diminish China's role in global supply chains warrant close attention.** The US and Vietnam have reached a preliminary agreement on a 40% tariff on transshipments from third countries via Vietnam, though details re how transshipments will be defined and how this policy will be enforced remain pending. Note that China is Vietnam's top import sources.

## Activity monitor (1/2)

Fig 1 Thermal coal: both supply and demand trended up

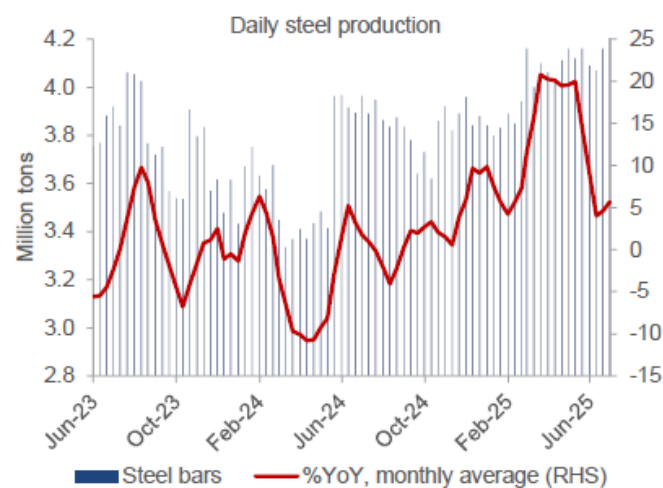


Source: Wind, Mizuho

Fig 2 PTA production slowed from its previous peak



Fig 3 Steel production: the increase has slowed in June



Source: Wind, Mizuho

Fig 4 Steel tire production weakened last week

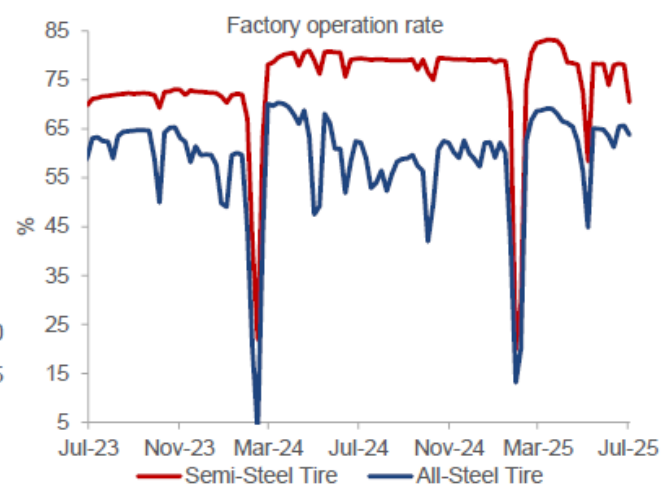
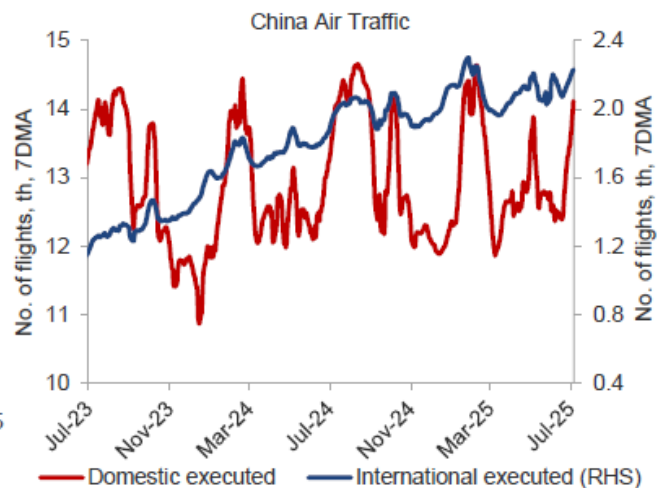


Fig 5 CCFI: shipping prices to the US picked up significantly



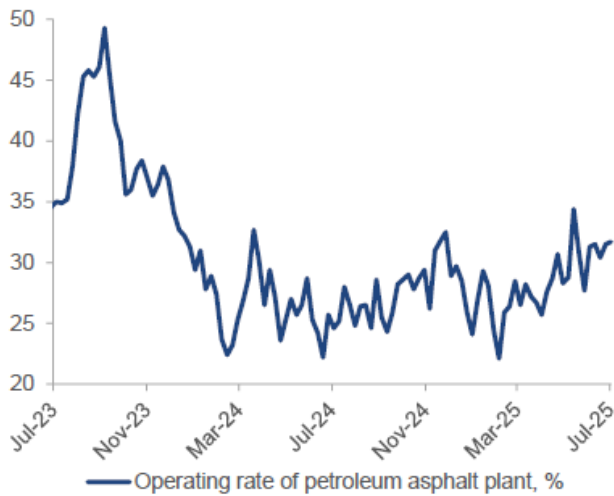
Source: Wind, Mizuho

Fig 6 Air traffic started to climb in late June



## Activity monitor (2/2)

Fig 7 Road construction slightly improved



Source: Wind, Mizuho

Fig 8 Construction material prices fell further last week

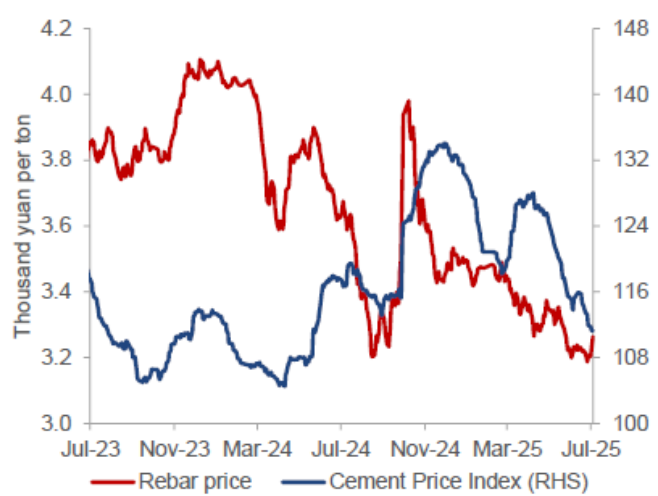
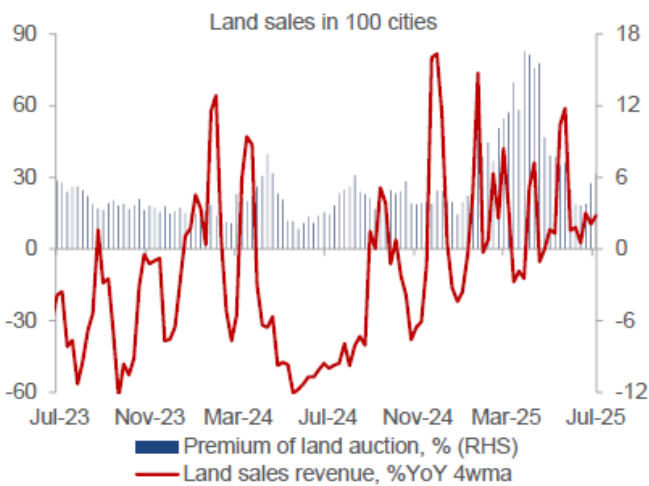


Fig 9 Land sales fell at a faster pace YoY



Source: Wind, Mizuho

Fig 10 New home sales held up in higher-tier cities

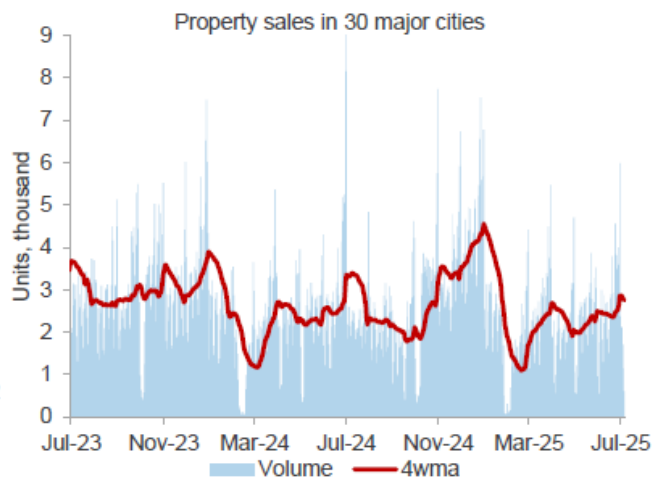
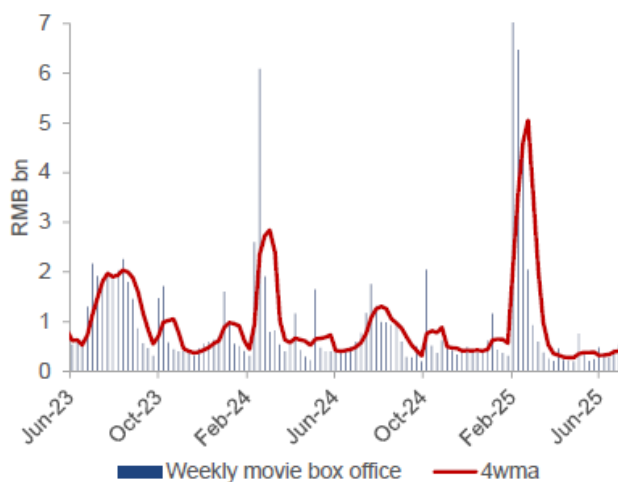
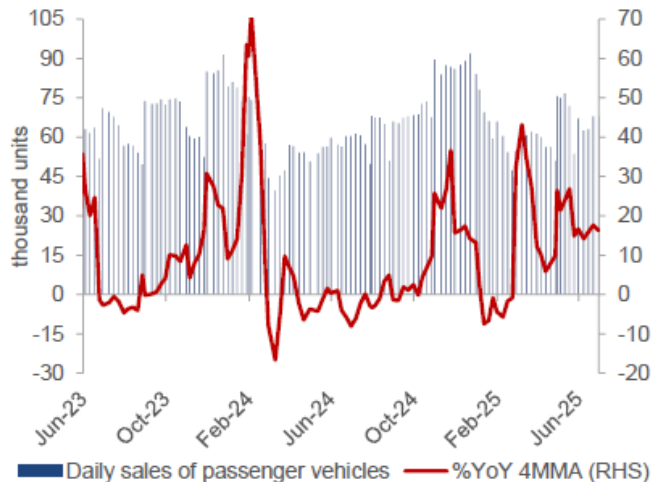


Fig 11 Movie box office revenue stayed subdued



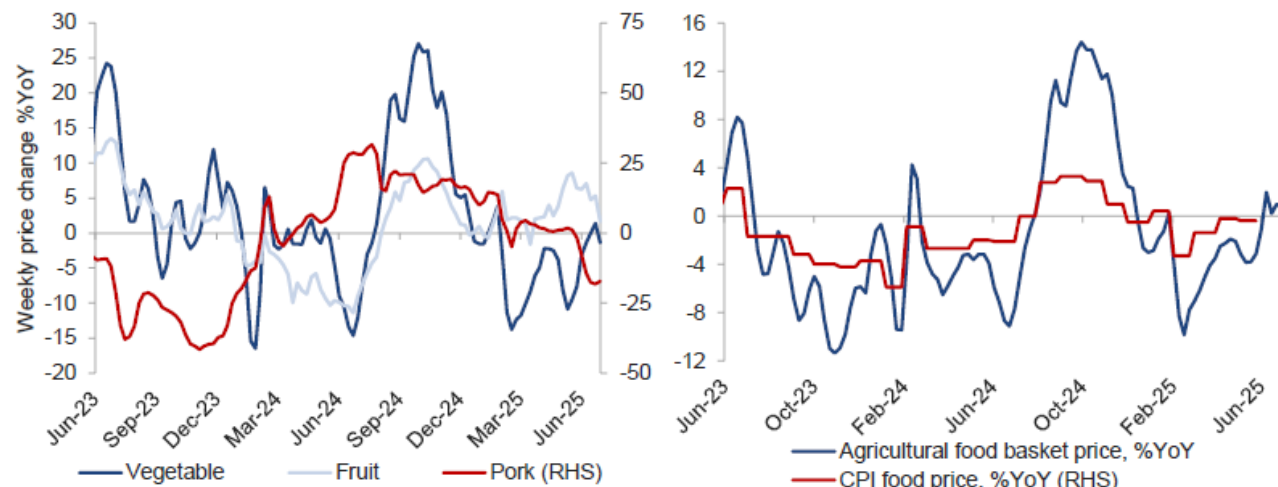
Source: Wind, Mizuho

Fig 12 PV sales: YoY growth remained supported



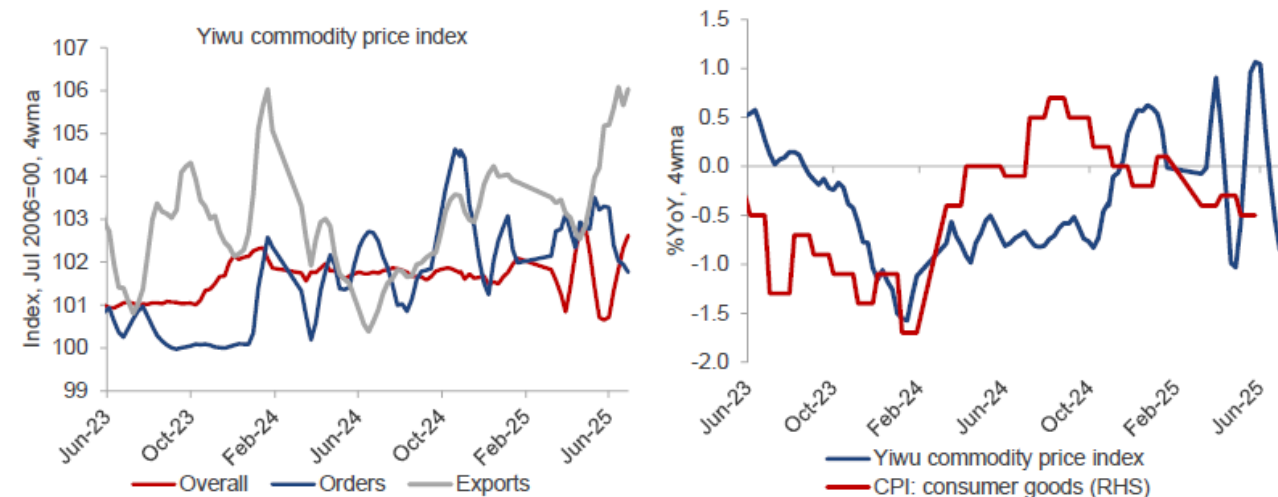
## Price monitor

Fig 13 Agricultural prices saw another positive increase last week driven by higher fruit and vegetable prices



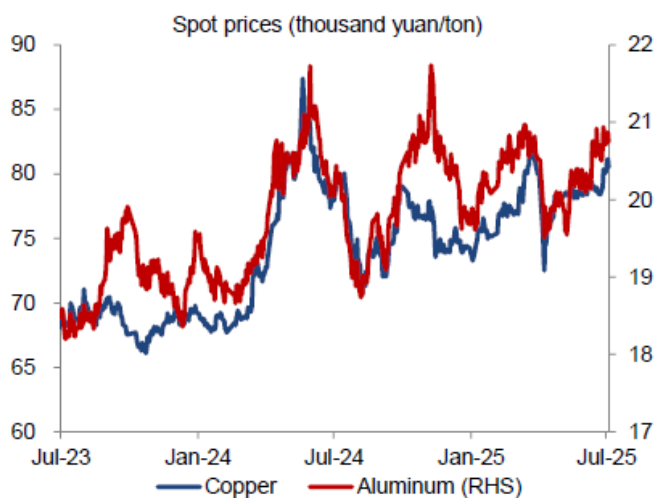
Source: CEIC, Mizuho

Fig 14 Yiwu Commodity Prices: export prices remained elevated



Source: Wind, Mizuho

Fig 15 Non-ferrous metal prices picked up in recent weeks



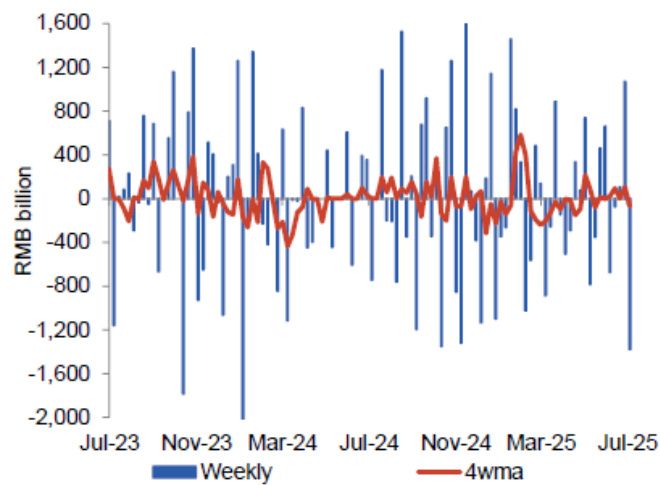
Source: CEIC, Wind, Mizuho

Fig 16 Oil prices fell on eased on the tentative ceasefire deal



## Liquidity monitor

Fig 17 OMOs: net withdrawal of RMB1375b during 30 Jun – 4 Jul



Source: CEIC, Wind, Mizuho

Fig 18 7D repo for FIs moved toward the target level

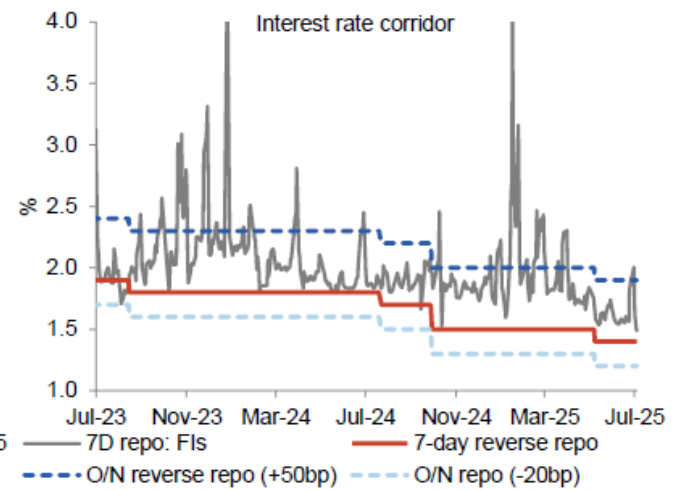
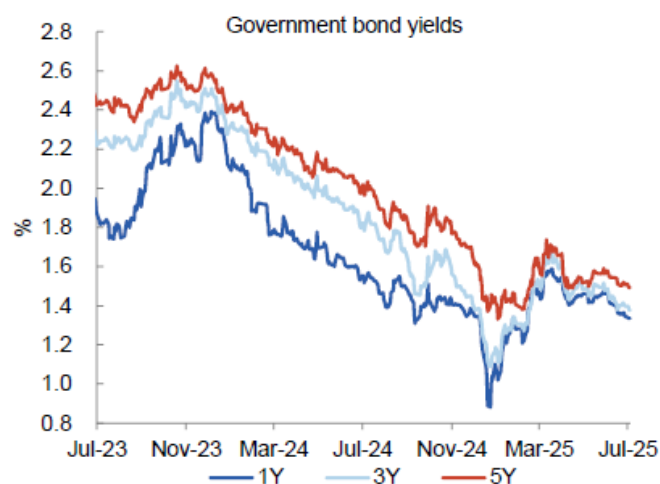


Fig 19 Short-end CGB yields edged lower last week



Source: Wind, CEIC, Mizuho

Fig 20 Long-end CGB yields remained much flat

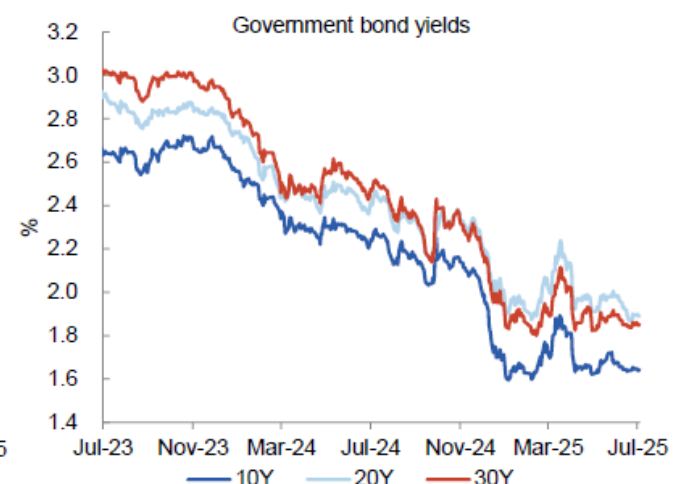
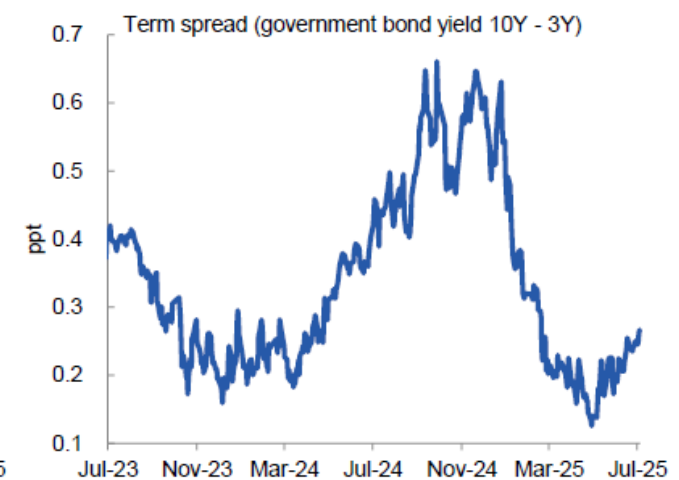
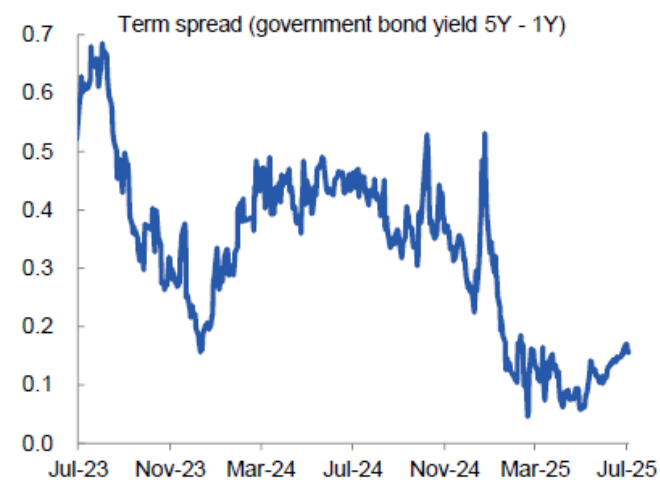


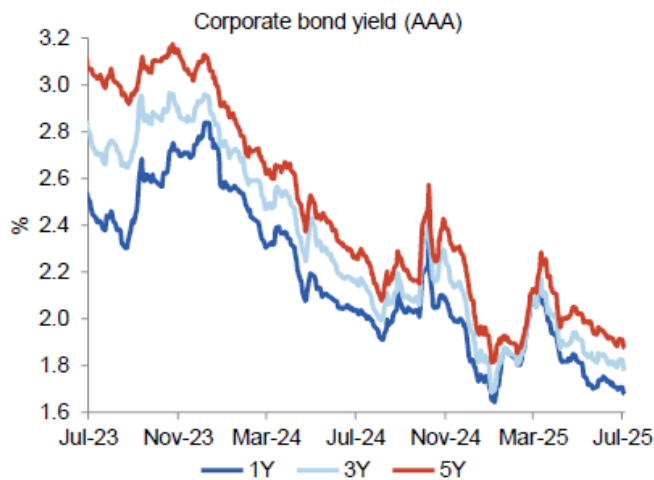
Fig 21 CGB term spreads continued to move wider



Source: CEIC, Mizuho

## Credit monitor

Fig 22 IG Corporate bond yields trended lower



Source: Wind, Mizuho

Fig 23 IG corporate risk premium widened again last week

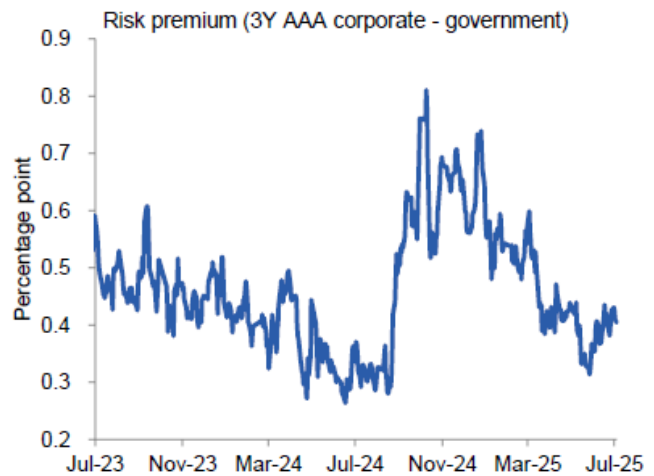
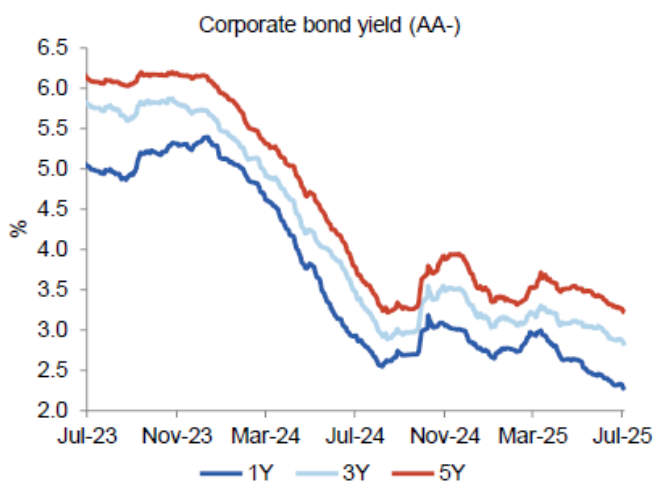


Fig 24 HY Corporate bond yields continued to move lower



Source: Wind, Mizuho

Fig 25 HY corporate risk premium edged lower last week

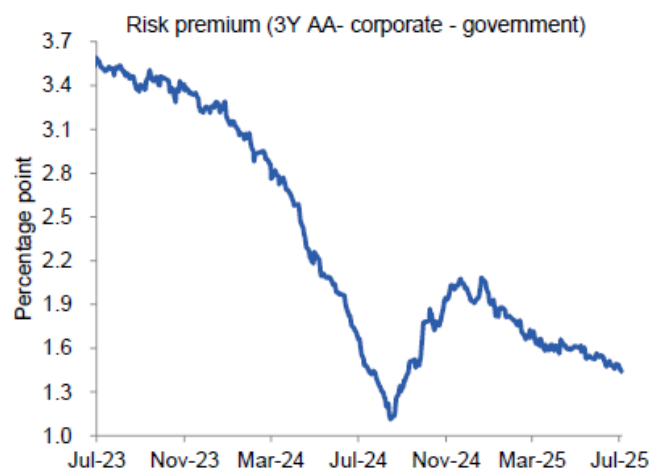


Fig 26 China USD credit spreads were mixed last week amid better-than-expected China PMI and renewed trade uncertainty

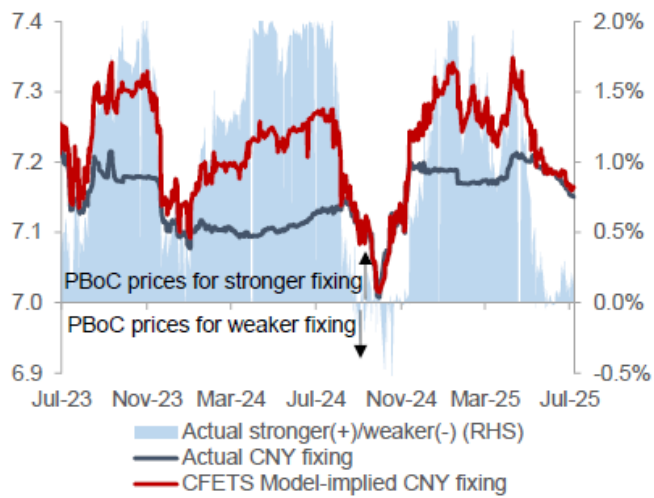


Source: IHS Markit, Mizuho



## FX monitor

Fig 27 RMB fixing rate: no major PBoC intervention in Jun

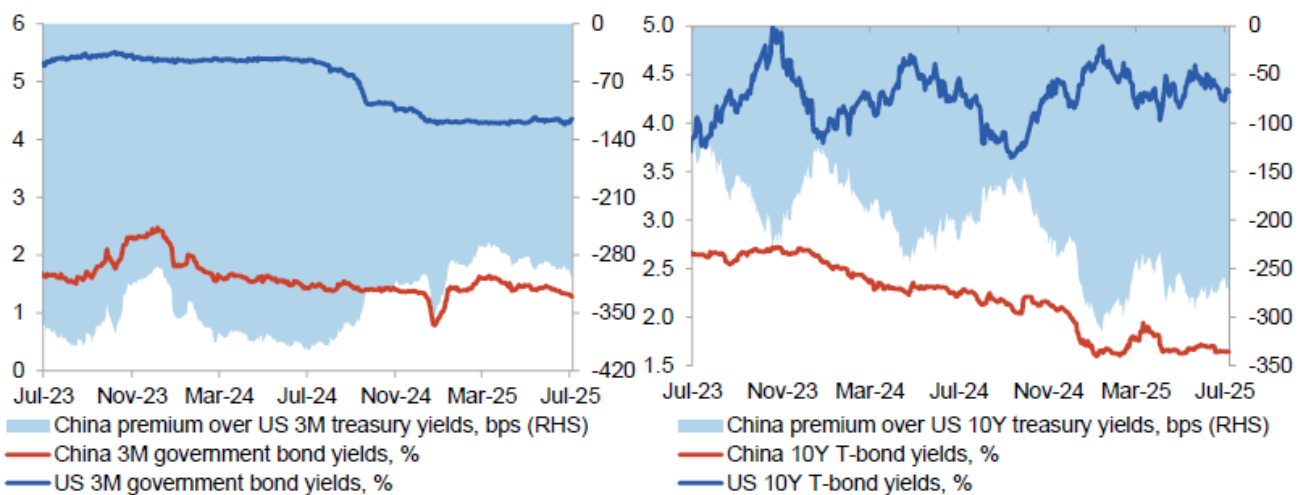


Source: CEIC, Bloomberg, Mizuho

Fig 28 RMB trade-weighted index moved lower alongside the USD

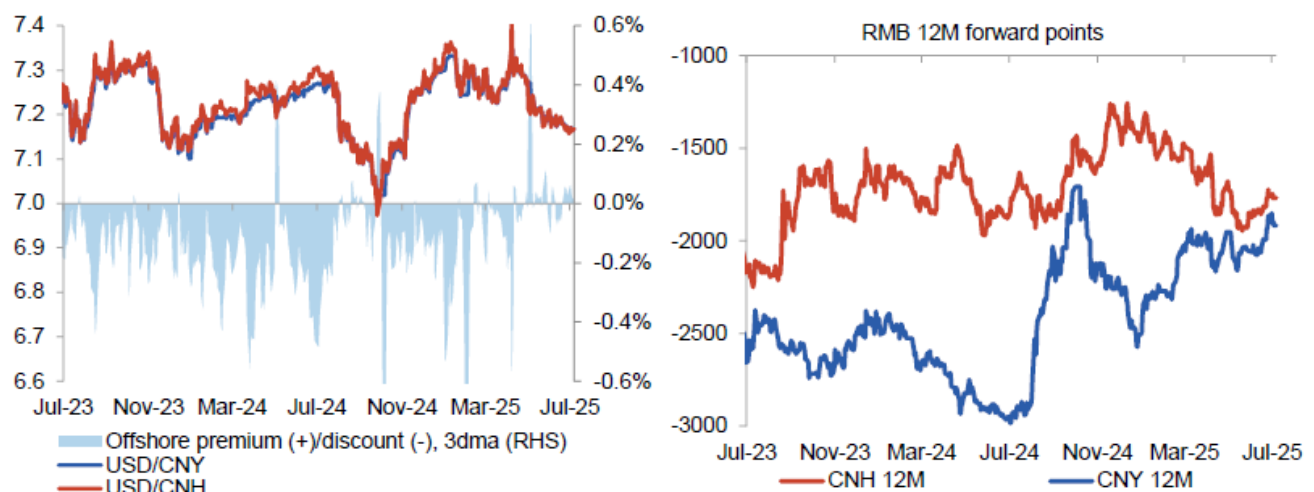


Fig 29 China-US interest rate spreads were slightly wider at the front-end



Source: CEIC, Bloomberg, Mizuho

Fig 30 Offshore RMB (CNH) is trading on par with the CNY, with a similar forward outlook



Source: Bloomberg, Mizuho

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