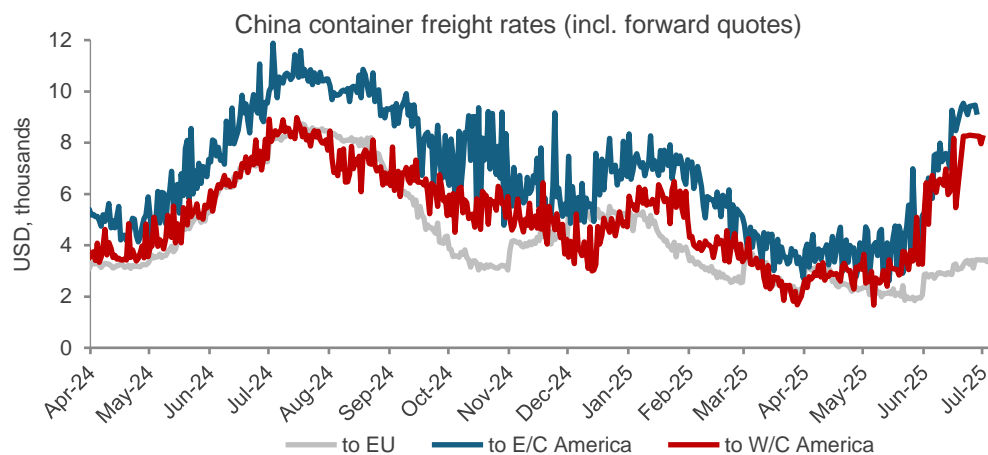


## China Weekly Outlook

- Two weeks after the China-US trade truce, high-frequency indicators suggest a notable rebound in China's trade activity. Container freight rates from China to the US for June and July have surged by over 150% compared to their April averages, while rates to the EU have experienced only a mild increase over the same period (Fig i). Meanwhile, the thermal coal demand index, a proxy for electricity generation, climbed above the expansion threshold of 50 last week, reaching its highest level since December (Fig 1).
- The export price index for small commodities in Yiwu, a global hub for trade of light manufacturing goods, rose to its highest YTD level last week (Fig 14). This suggests a swift recovery in external demand for consumer goods such as toys and garments following the truce. Looking ahead to China's official Manufacturing PMI release on 31 May (Saturday), we expect a solid improvement to 50.0 in May, up from 49.0 in April.
- Despite eased tension between China and the US, we remain cautious about the likelihood of a comprehensive trade agreement being reached within the 90-day truce window. The Trump administration may adopt a more hawkish stance toward China, particularly if it secures agreements with other trading partners and resolves the debt ceiling issue in July. Nevertheless, we anticipate continued strength in China's trade and industrial activity as US importers front-load orders to stockpile inventory ahead of the truce expiration. In light of this momentum, we have revised up our 2025 GDP growth forecast for China to 4.8%. We also expect the PBoC to implement a 10bp rate cut in Q3, followed by a 20bp cut in Q4, as it seeks to support domestic demand while maintaining stability in the RMB exchange rate.

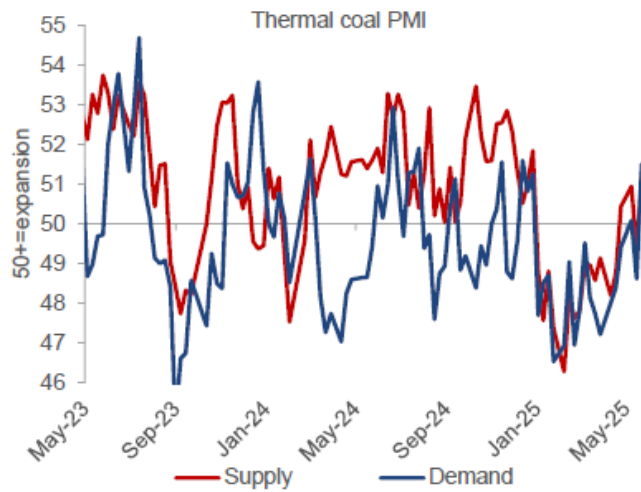
**Fig i** Demand for shipping containers from China to the US jumped after the trade truce



Source: Wind, Mizuho

## Activity monitor (1/2)

Fig 1 Thermal coal: both supply and demand surged last week



Source: Wind, Mizuho

Fig 2 PTA production picked up from a recent low

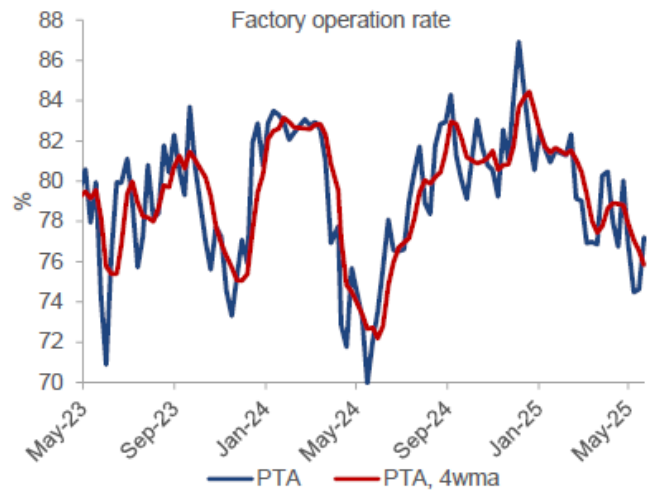
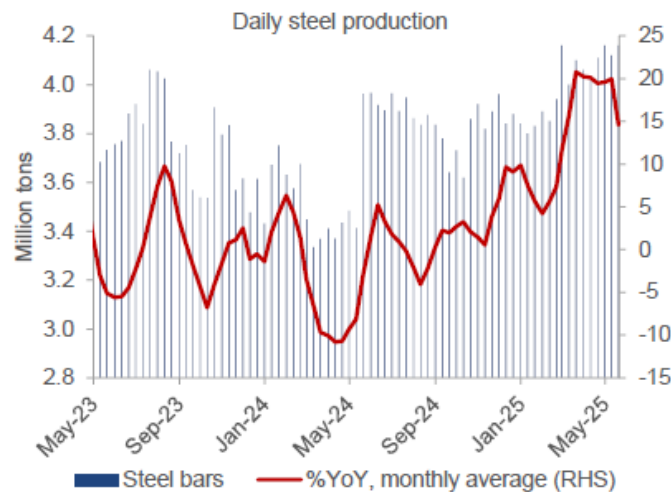


Fig 3 Steel production has remained solid in May

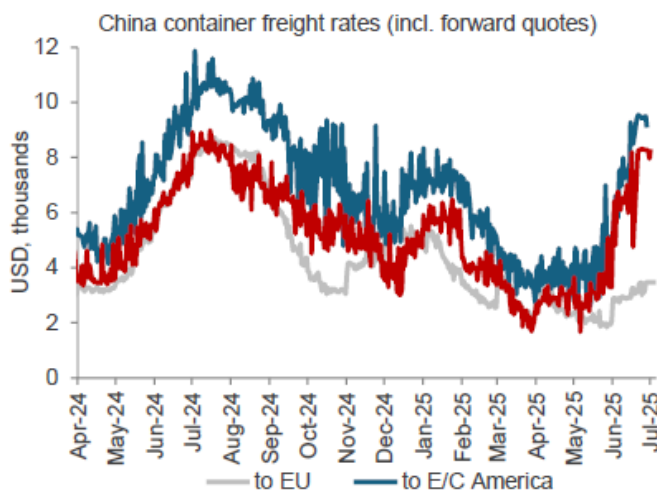


Source: Wind, Mizuho

Fig 4 Steel tire production has recovered after the Labor Day

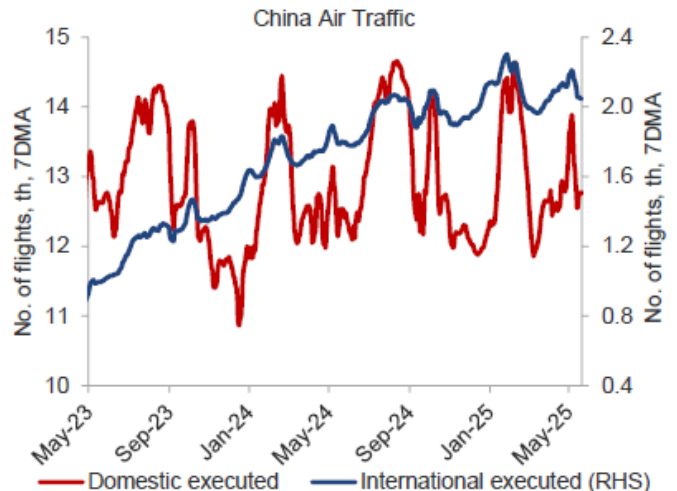


Fig 5 China container freight rates soared in the past few weeks



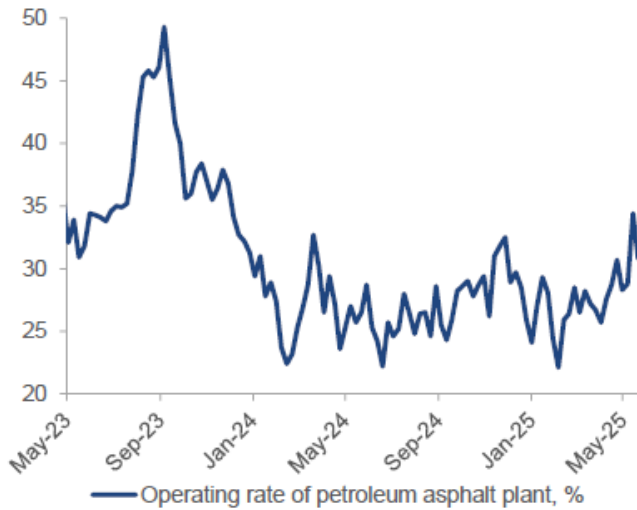
Source: Wind, Mizuho

Fig 6 Air traffic fell notably after the Labor Day holiday



## Activity monitor (2/2)

Fig 7 Road construction became busier in recent weeks



Source: Wind, Mizuho

Fig 8 Construction material prices have been subdued

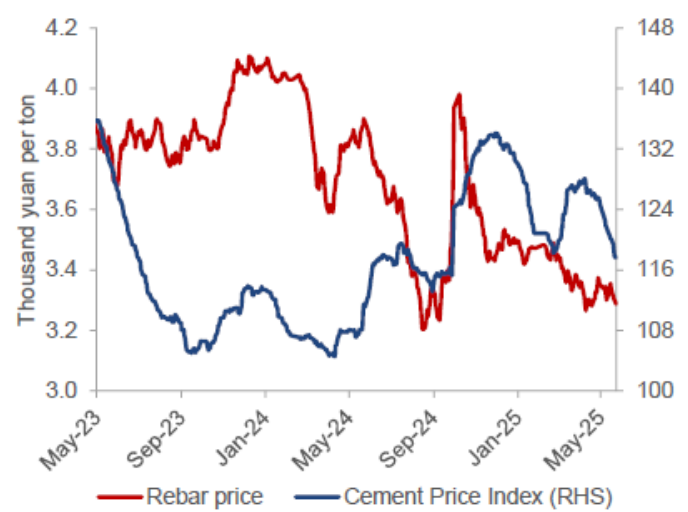
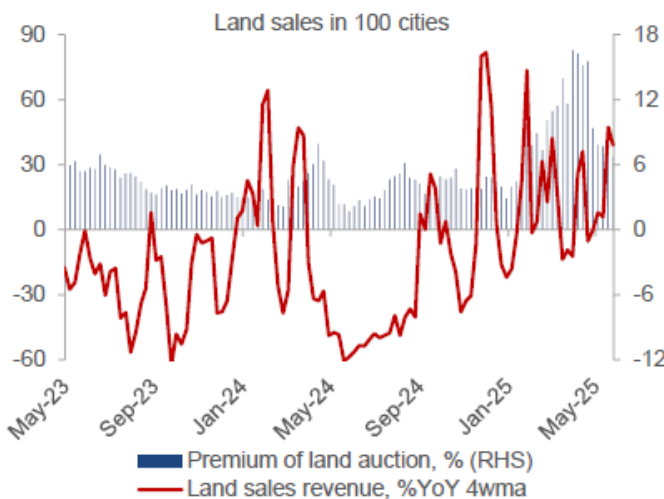


Fig 9 Land sales improved again in the past few weeks



Source: Wind, Mizuho

Fig 10 New home sales have slightly picked up in May

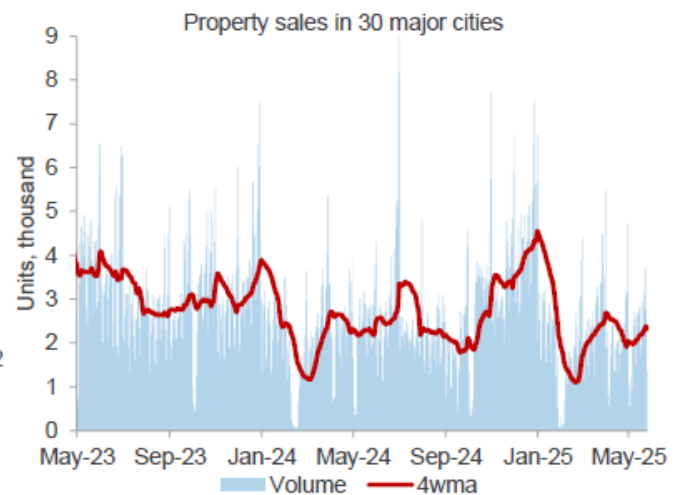
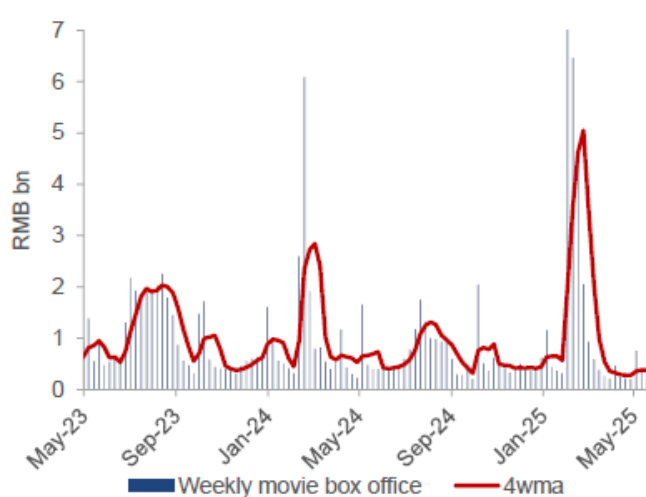
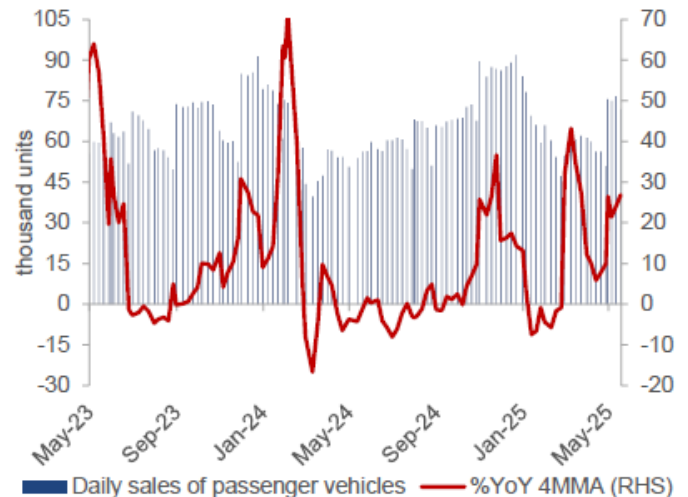


Fig 11 Movie box office revenue continued to normalize



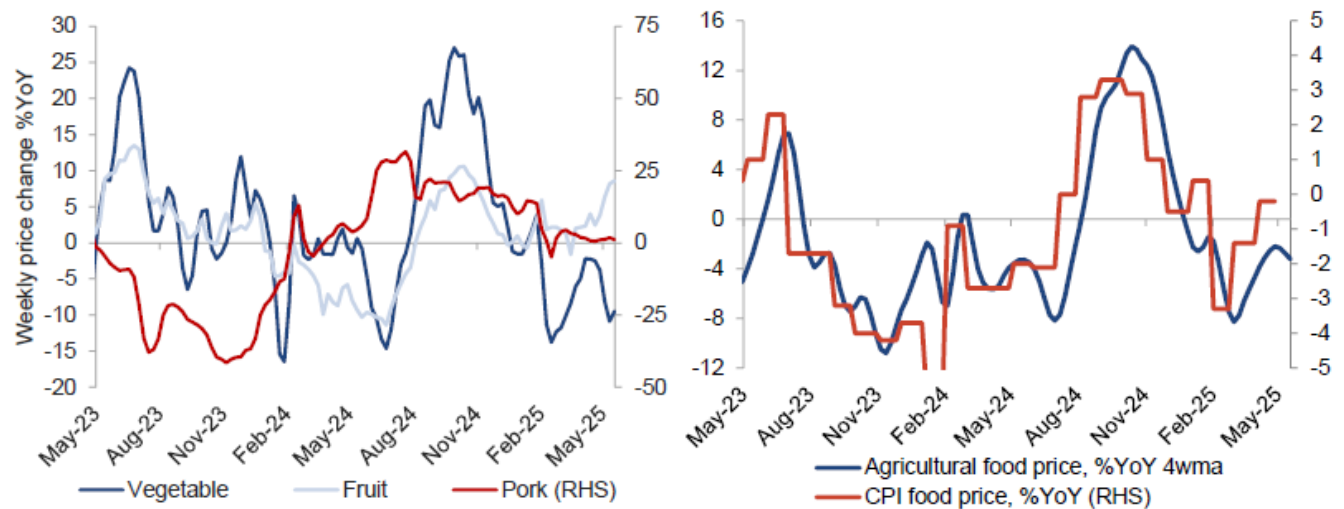
Source: Wind, Mizuho

Fig 12 PV sales: YoY growth remained positive



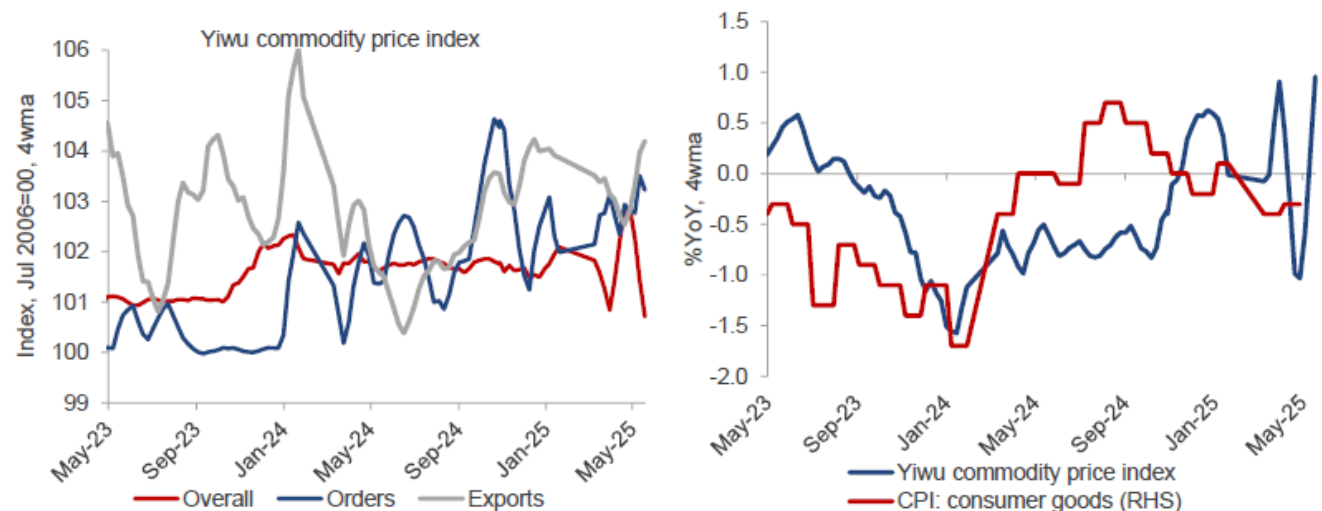
## Price monitor

Fig 13 Agricultural prices continued to decline in May on lower vegetables prices



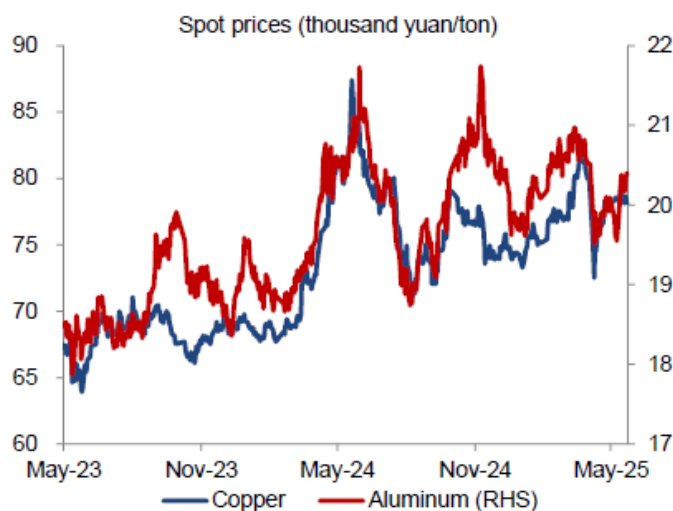
Source: CEIC, Mizuho

Fig 14 Yiwu Commodity Prices: YoY growth turned positive during the past two weeks



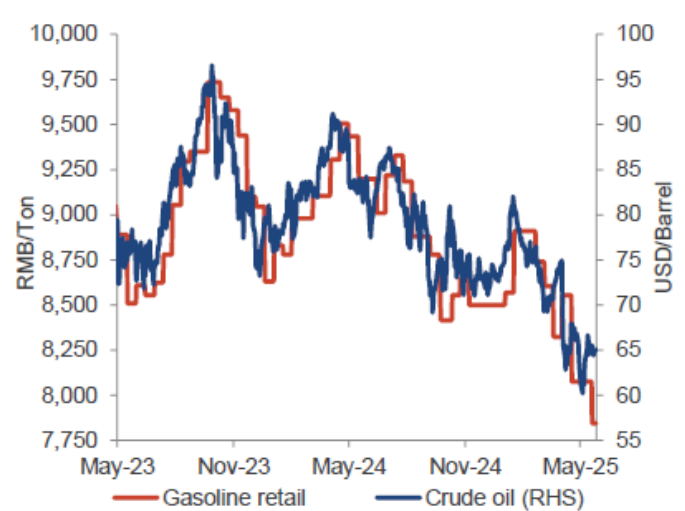
Source: Wind, Mizuho

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



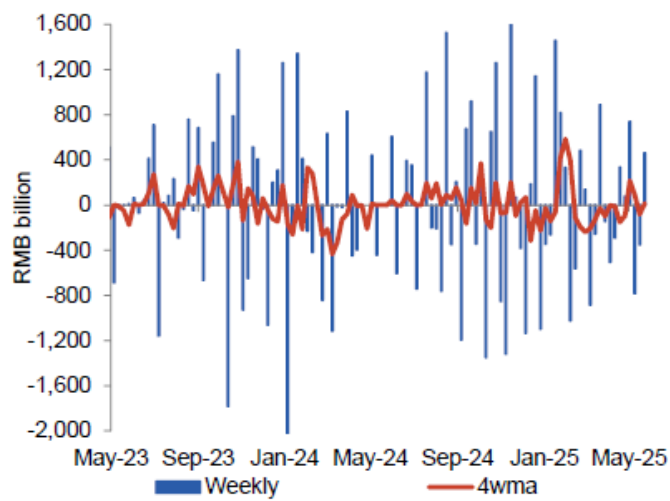
Source: CEIC, Wind, Mizuho

Fig 16 Oil prices have slumped further in May



## Liquidity monitor

Fig 17 OMOs: net injection of RMB460b during 19 - 23 May



Source: CEIC, Wind, Mizuho

Fig 18 7D repo for FIs moved slightly lower on the latest rate cut

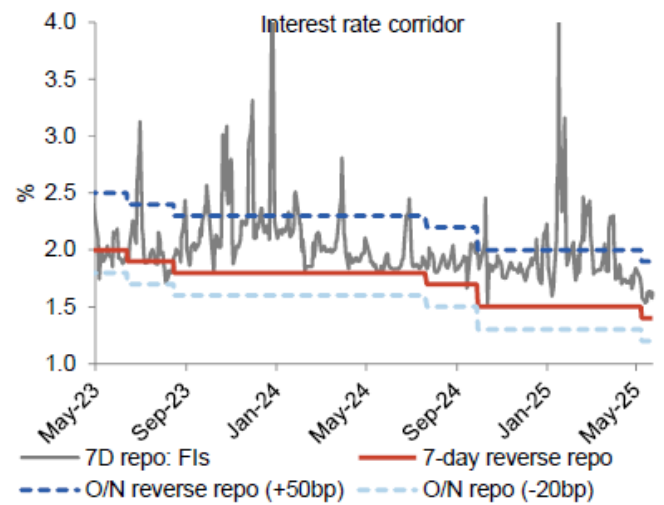
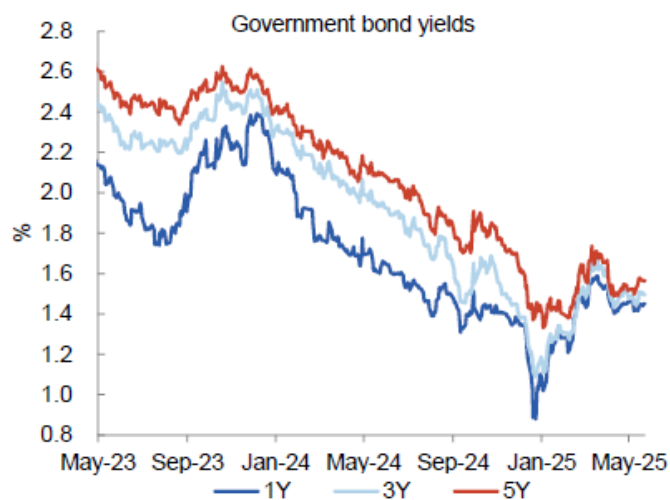


Fig 19 Short-end CGB yields picked up on the China-US truce



Source: Wind, CEIC, Mizuho

Fig 20 Long-end CGB yields also rose slightly

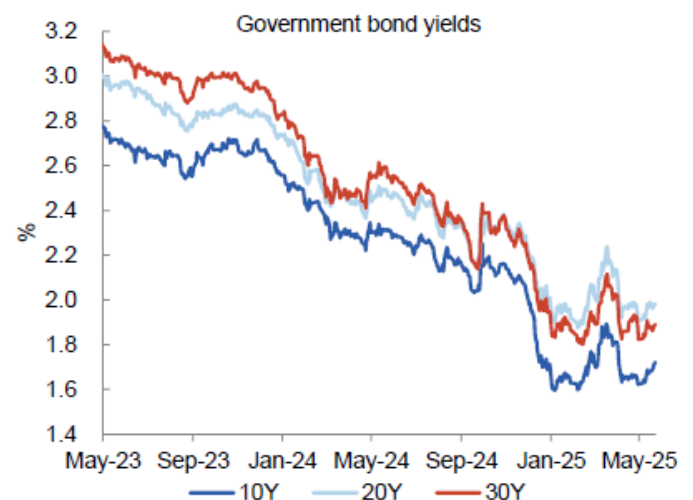
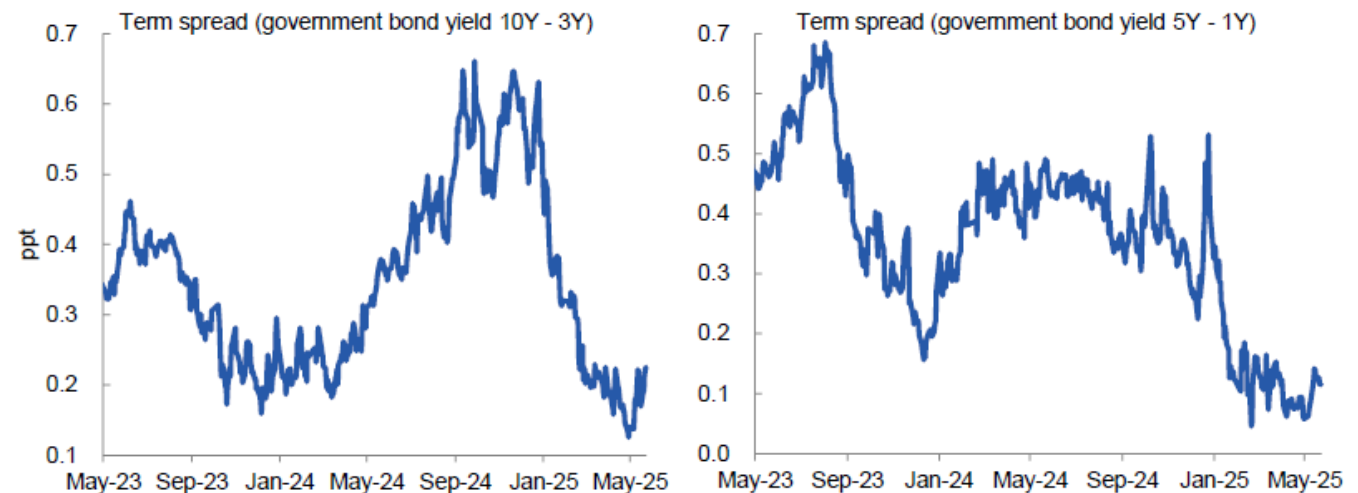


Fig 21 CGB term spreads slightly widened in recent weeks

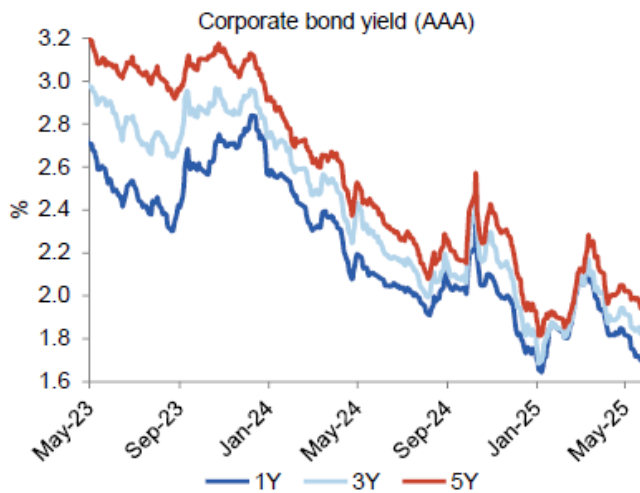


Source: CEIC, Mizuho



## Credit monitor

Fig 22 IG Corporate bond yields fell further last week



Source: Wind, Mizuho

Fig 23 IG corporate risk premium pushed notably tighter

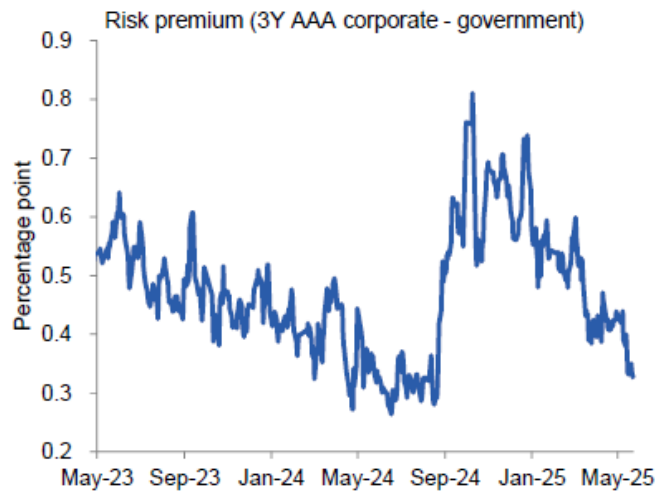
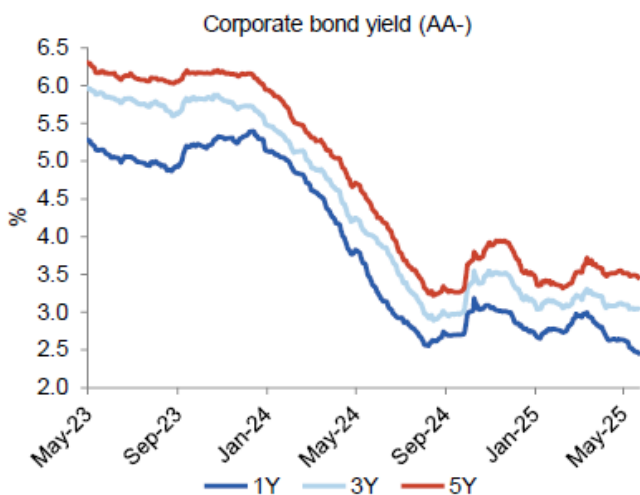


Fig 24 HY Corporate bond yields moved slightly lower



Source: Wind, Mizuho

Fig 25 HY corporate risk premium remained relatively stable

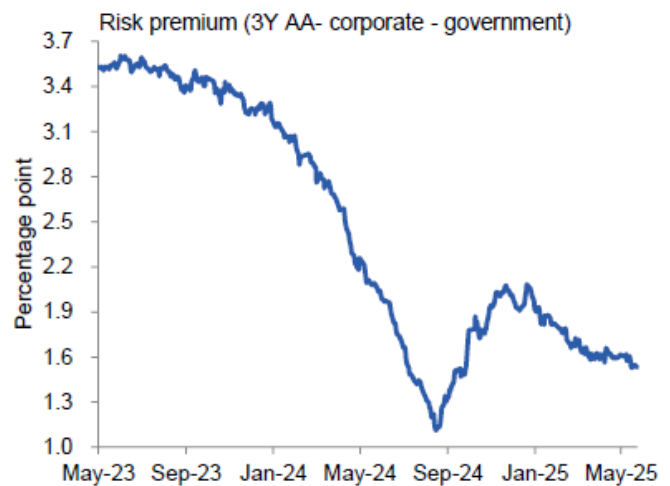


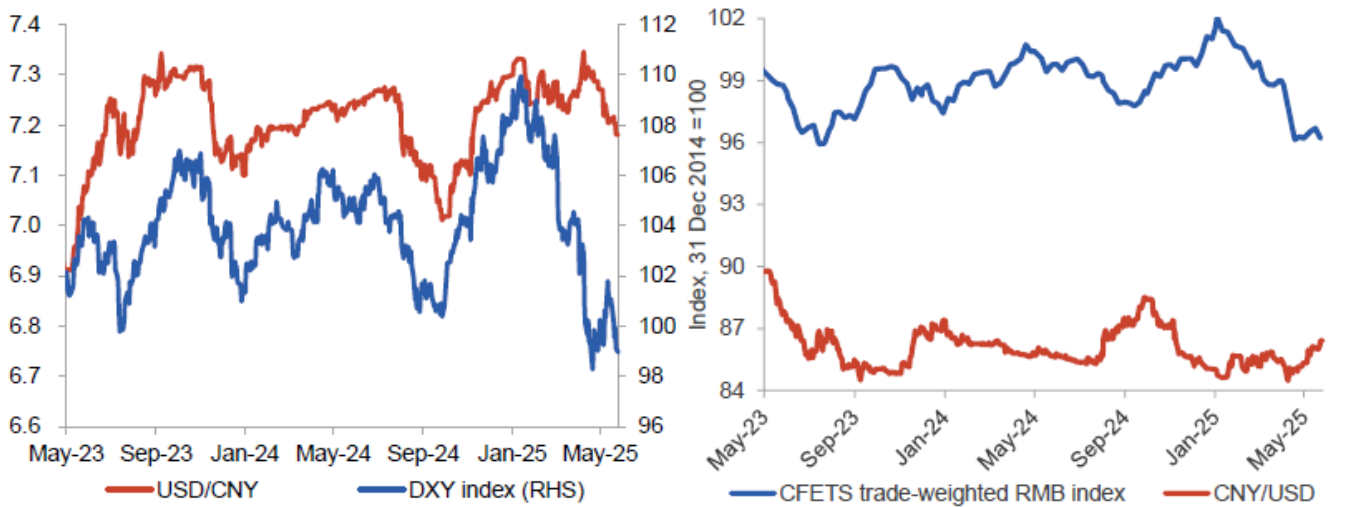
Fig 26 China USD credit spreads finished mixed last week as US budget deficit concerns pushed treasury yields higher



Source: IHS Markit, Mizuho

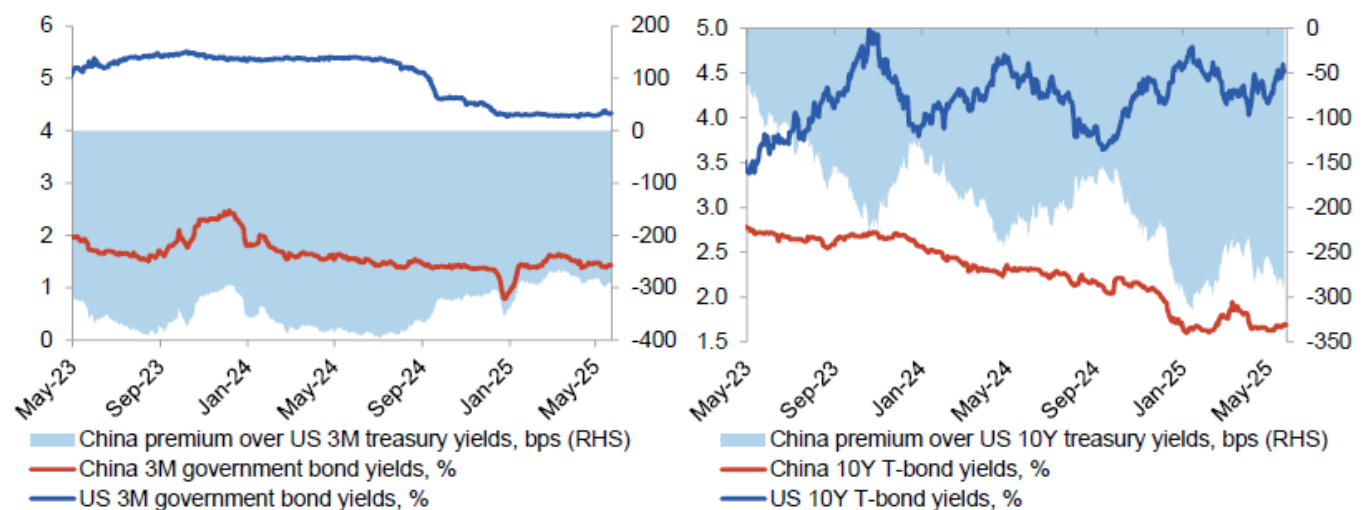
## FX monitor

Fig 27 RMB exchange rates continued to appreciate against the US dollar



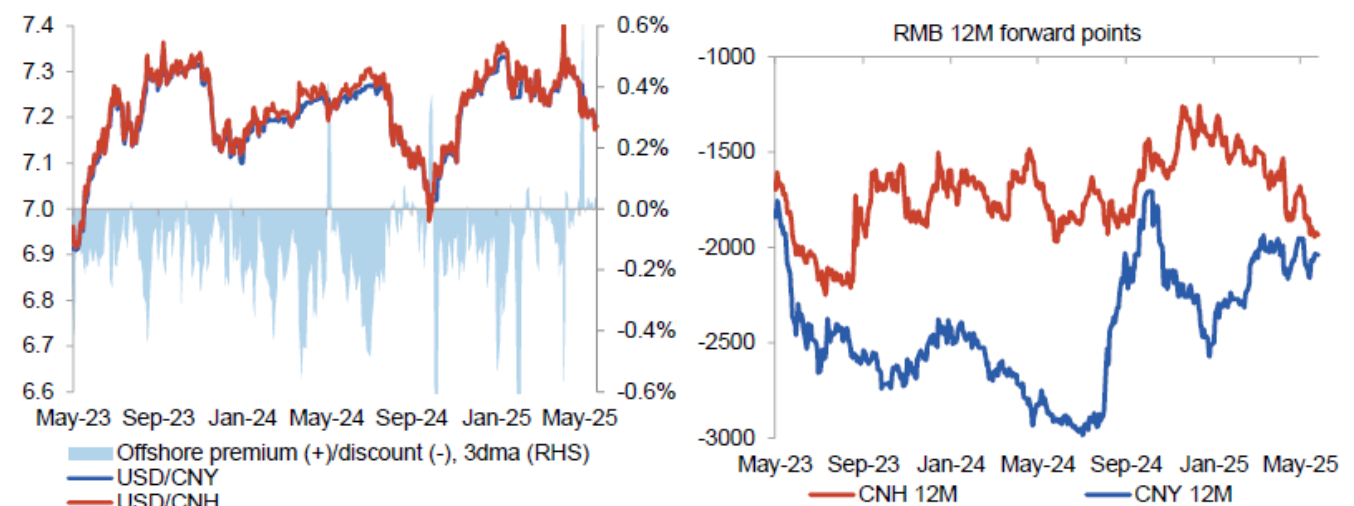
Source: CEIC, Bloomberg, Mizuho

Fig 28 China-US interest rate spreads moved slightly wider



Source: CEIC, Bloomberg, Mizuho

Fig 29 RMB onshore vs. offshore: the gap between CNH and CNY spots has almost disappeared



Source: Bloomberg, Mizuho

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