

China Weekly Outlook

Policy-driven reflation

China's CPI defied expectations of a mild decline, instead rising 0.2% YoY in October. This upside surprise was largely attributed to a stronger pickup in core inflation, which accelerated to 1.2% YoY, the fastest pace since 2021 when adjusted for distortions from the Chinese New Year holiday.

Notably, government-subsidized consumer goods, such as home appliances and mobile phones, continued to see robust price increases. Service prices also rose at a faster rate of 0.8% YoY, supported by resilient travel demand during the Mid-Autumn Festival and National Day holiday. Additionally, prices of gold and platinum jewelry surged by around 50% YoY in October. Meanwhile, food prices were less of a drag on headline inflation as fresh vegetable and fruit prices normalized.

On the producer front, the PPI recorded a modest MoM increase of 0.1%, reflecting improving upstream manufacturing prices. This was largely driven by government efforts to rein in excess capacity. Specifically, prices for non-ferrous metal mining and pressing rose sharply by 5.3% and 2.4% MoM, respectively.

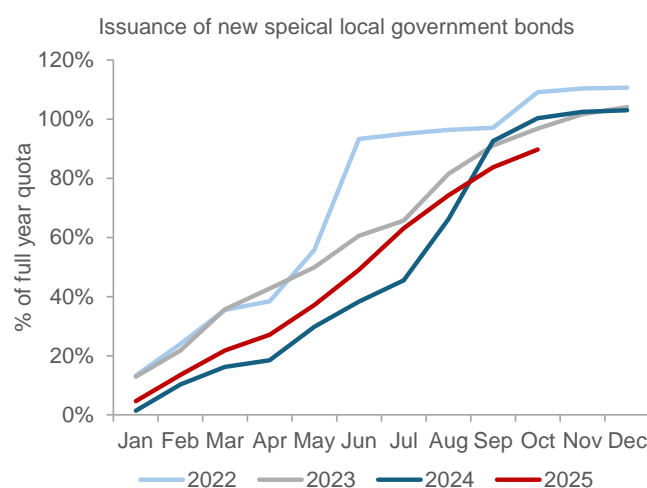
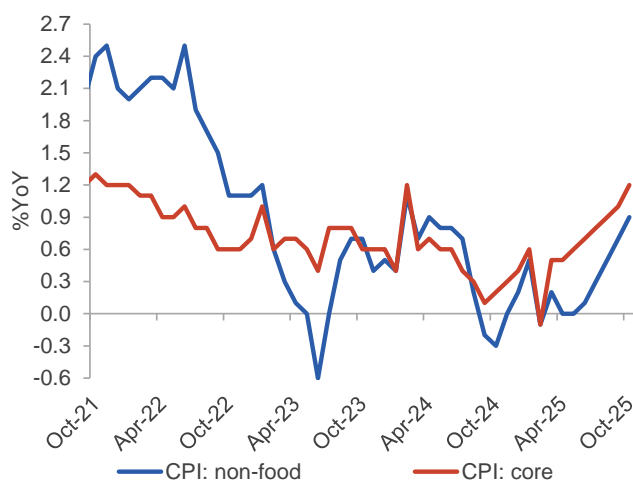
The recent inflation uptick, largely policy-driven, could temper expectations for further monetary easing before year-end, despite ongoing weakness in domestic demand.

Fading momentum for October activity

Looking ahead to October activity indicators due this Friday, retail sales growth is expected to moderate due to a high base effect from last year, when government trade-in subsidies were rolled out. Industrial production may also lose steam, as suggested by soft PMI readings. Fixed asset investment (FAI) is likely to decline at a faster pace. Although local government bond issuance has been strong YTD, much of the funding has gone toward repaying hidden debt rather than financing new projects. Progress on issuing new special bonds, which is closely linked to public FAI, has lagged behind previous years (see Mizuho China Data Preview: Fading momentum urging for policy attention, 6 November 2025).

<Core inflation at a four-year high>

< Delayed issuance of new special LGBs this year>



Source: CEIC, Wind, Mizuho

CNH Outlook

Forex – CNH edged lower on unexpectedly declining exports

Rates – Offshore rates picked up despite lower onshore rates

Equities – SHCOMP ended the week a shred shy of the 4000 mark

Weekly Price Change#	Week Open	Week High	Week Low	Week Close	Weekly Change*
USD/CNH	7.1196	7.1383	7.1144	7.1262	37
USD/CNY	7.1197	7.1333	7.1139	7.1221	27
CNY PBoC Fixing	7.0867	7.0901	7.0836	7.0836	-44
Shanghai Composite Index	3954.08	4012.01	3922.58	3997.56	42.77

#Last week, from Monday to Friday
*pips in USD/CNY, USD/CNH row

Weekly Price Change#	HK Close	Weekly Change	HK Close	Weekly Change	
CNH Forward (1yr)	-1409	40	CNH HIBOR (3mth)	1.782	0.073
CNH Currency Swap (3yr)	1.540	0.020	CNH Implied yield (1Y)	1.549	0.029

Recap

Last week, the offshore renminbi (CNH) struggled for directions, trading within a narrow range of 7.11 to 7.14 before closing 0.05% weaker against the USD. The softness came amid a surprising contraction in China's exports, which fell 1.1% YoY, leaving the trade surplus at an 8-month low.

Meanwhile, in the US, the prolonged government shutdown has clouded the outlook for the December FOMC rate decision. With key inflation and employment data unavailable, the market is becoming increasingly divided. The futures market now sees a 60% probability of a 25bp rate cut, down from earlier expectations of a near-certain move.

As for the onshore market, the PBoC confirmed a net purchase of RMB20b in CGBs from the secondary market in October. This marks the first such operation since the sharp decline in CGB yields across the curve last December. However, the injection size is modest—just one-tenth the size during the same period last year—with the impact most notable on 1Y and 3Y yields (Fig 19 & 20).

Compared to its regional peers, CNH's movement was relatively muted. The KRW depreciated 2.2% amid delays in releasing the factsheet pertaining the US-Korea trade deal formed at the APEC summit. The Taiwan dollar (TWD) weakened by 1.0%, while the Japanese yen (JPY) gained 0.4% against the greenback.

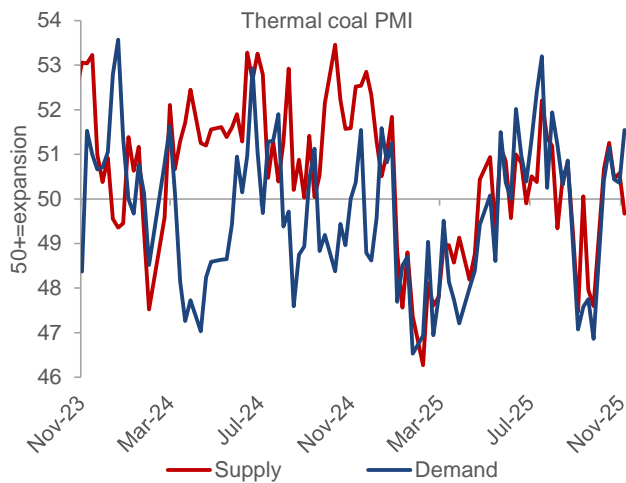
Outlook

With trade tensions easing—at least for the next couple of months—we expect the CNH to remain relatively steady against the USD over the next couple of weeks, likely oscillating within a narrow band around 7.12.

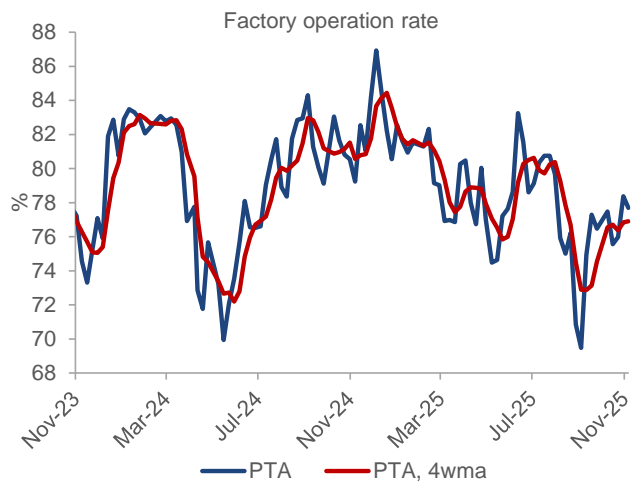
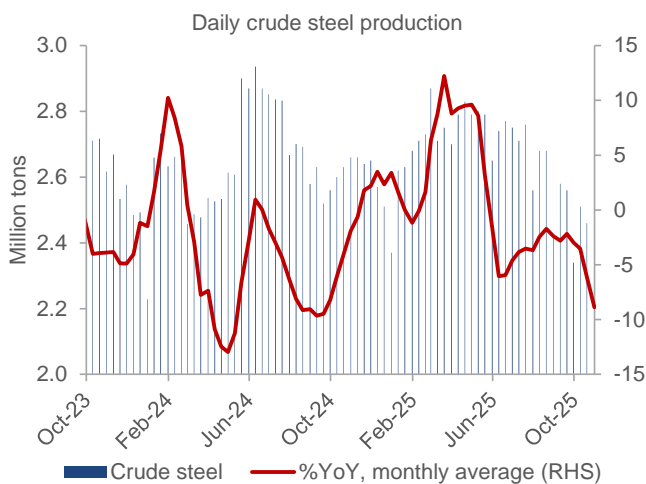
Looking further ahead, market attention is set to return to domestic growth challenges. We anticipate additional supportive measures as policymakers strive to revive consumption and investment. However, until any significant stimulus is announced, the CNH may gradually soften amid renewed growth concerns. Our forecast sees GDP growth slowing to 4.0% YoY in Q4, down from 4.8% in Q3. Such deceleration could weigh on investor sentiment toward Chinese assets and nudge the CNH towards 7.15 later this quarter.

< FX Charts on Page 8 >

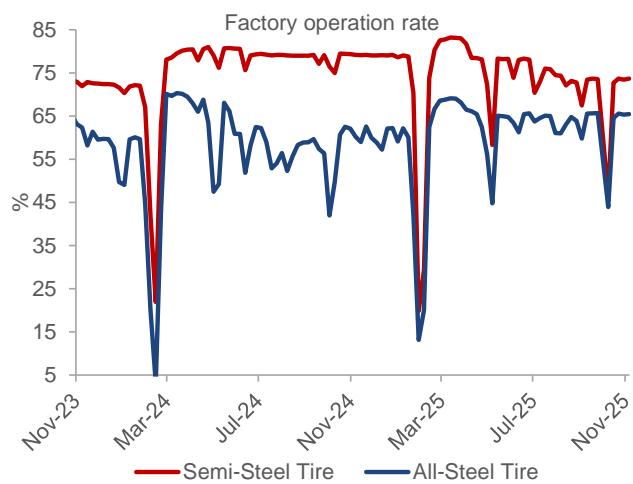
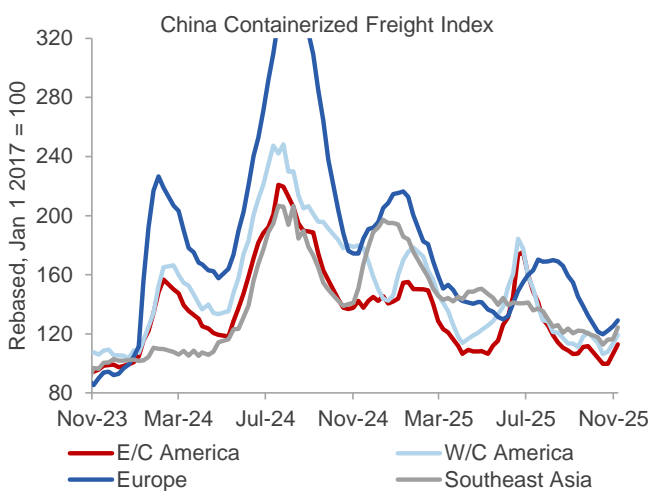
Activity monitor (1/2)

Fig 1 Thermal coal: Demand further improved last week

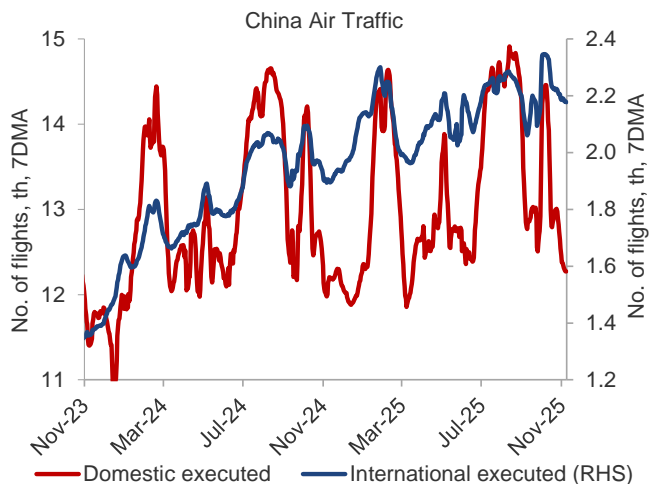
Source: Wind, Mizuho

Fig 2 PTA production picked up in early November**Fig 3 Steel production: the decline worsened towards Oct-end**

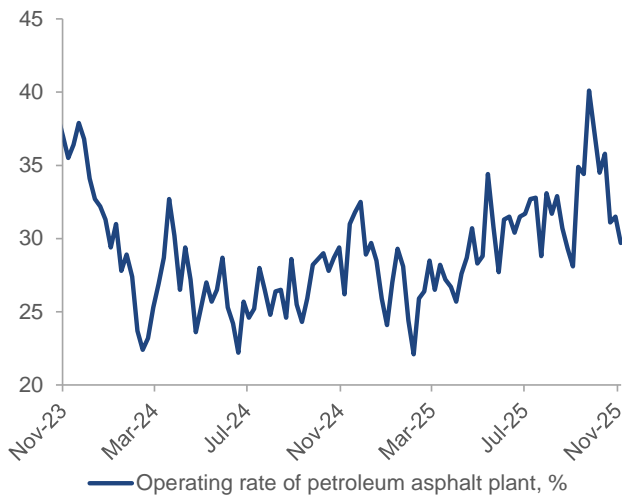
Source: Wind, Mizuho

Fig 4 Steel tire production hints at moderating PV production**Fig 5 CCFI: shipping prices picked up on trade progress**

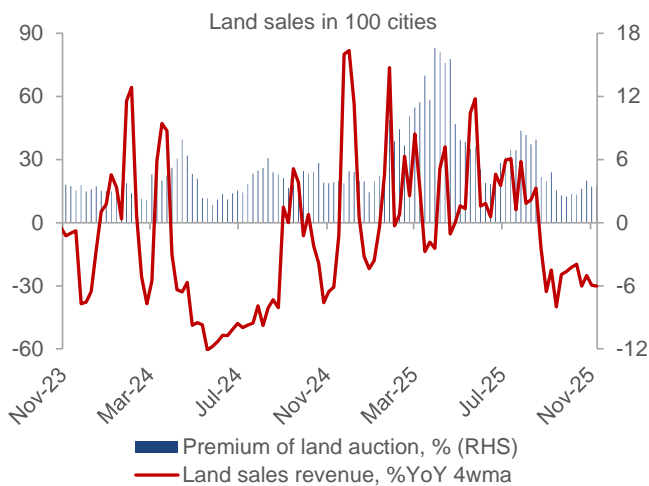
Source: Wind, Mizuho

Fig 6 Air traffic: travelling demand declined after October holidays

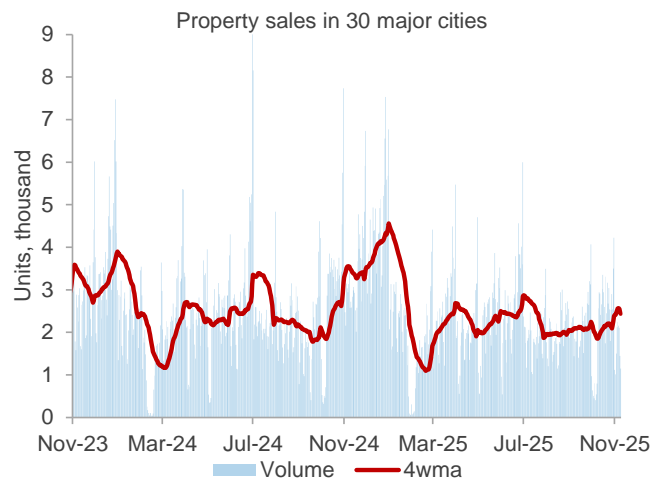
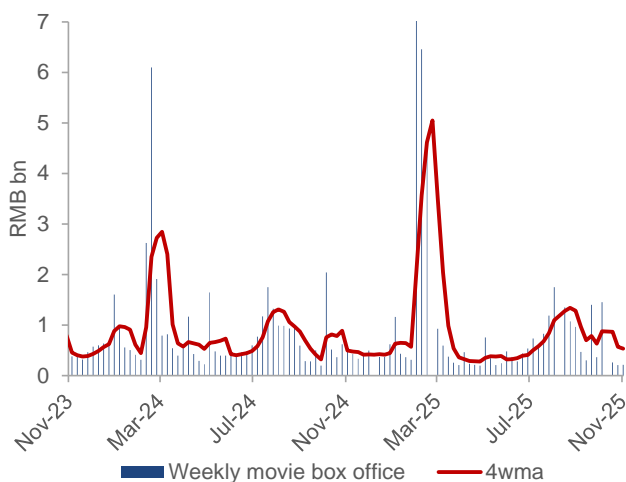
Activity monitor (2/2)

Fig 7 Road construction activity continued to drop

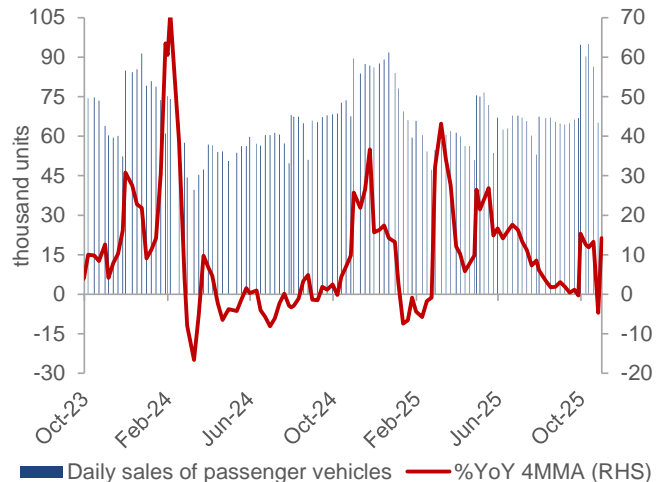
Source: Wind, Mizuho

Fig 8 Construction material prices remained subdued**Fig 9 Land sales** weakened notably since August

Source: Wind, Mizuho

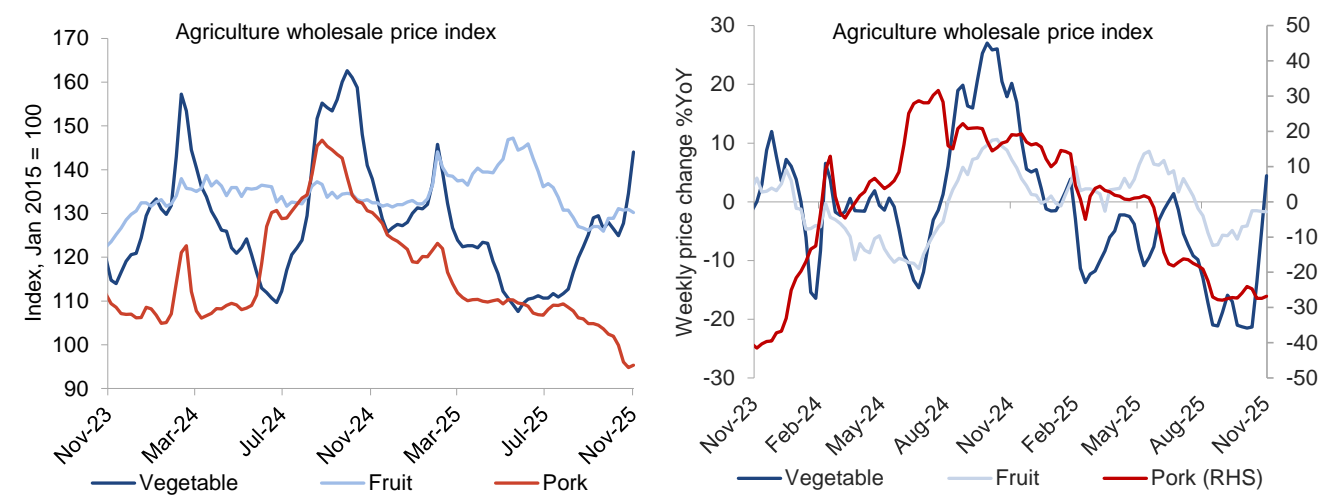
Fig 10 New home sales ticked up in early November**Fig 11 Movie box office revenue** has been tepid

Source: Wind, Mizuho

Fig 12 PV sales generally improved in October

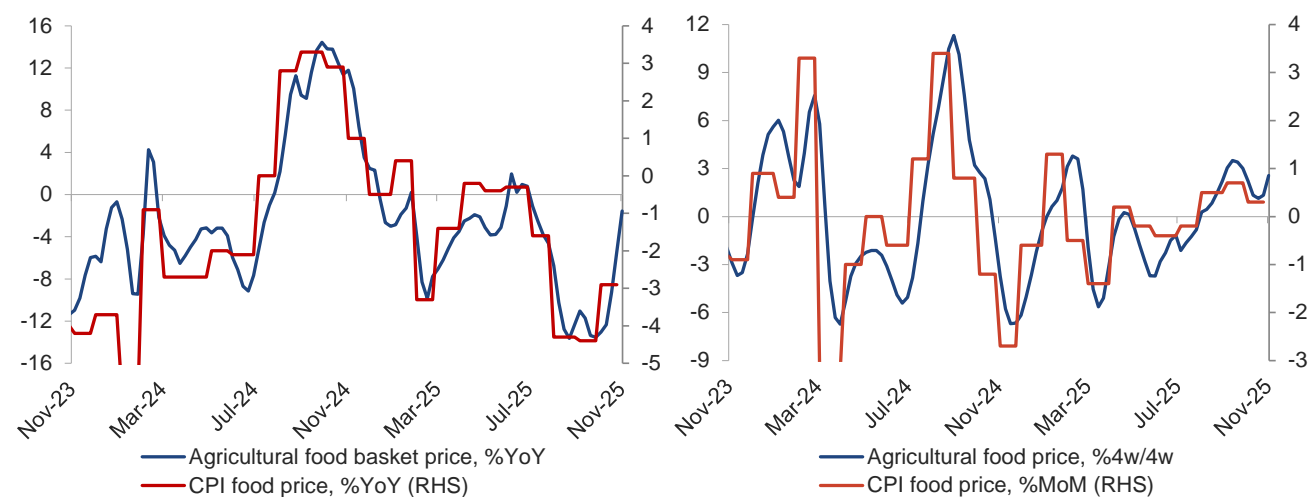
Price monitor

Fig 13 Major food items: pork prices saw further declines while vegetable prices rebounded



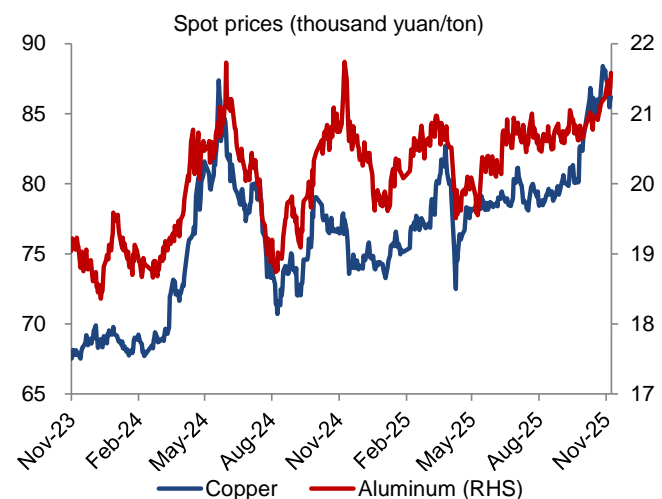
Source: Wind, Mizuho

Fig 14 Wholesale food prices saw a much slower YoY decline



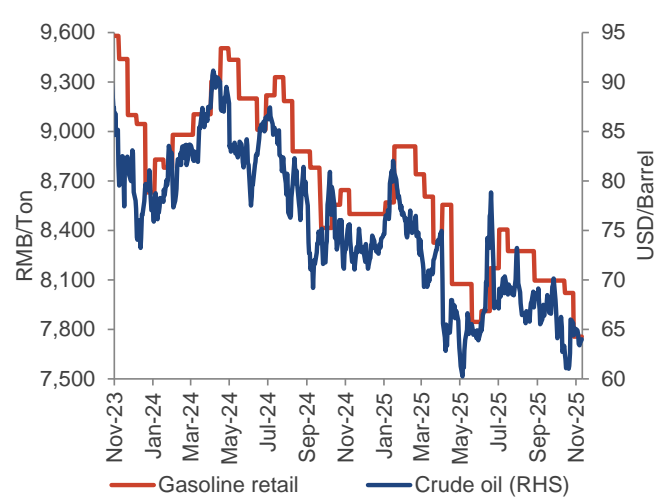
Source: CEIC, Mizuho

Fig 15 Non-ferrous metal prices saw a notable pickup



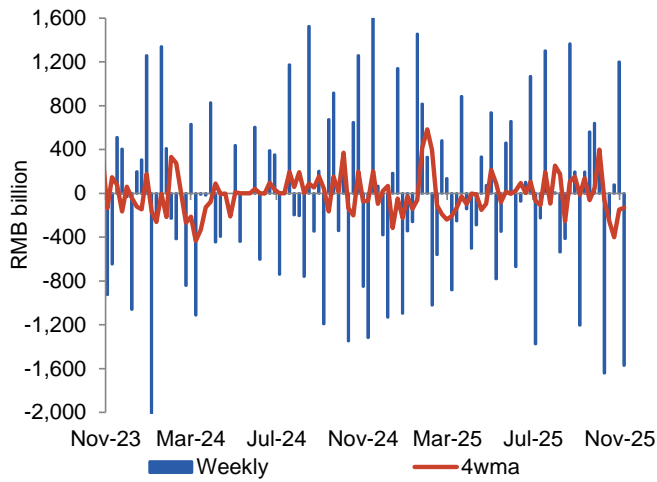
Source: CEIC, Wind, Mizuho

Fig 16 Oil prices fell further in recent weeks



Liquidity monitor

Fig 17 OMOs: net withdrawal of RMB1572b during 3 - 7 Nov



Source: CEIC, Wind, Mizuho

Fig 18 7D repo for FIs back to their benchmark levels

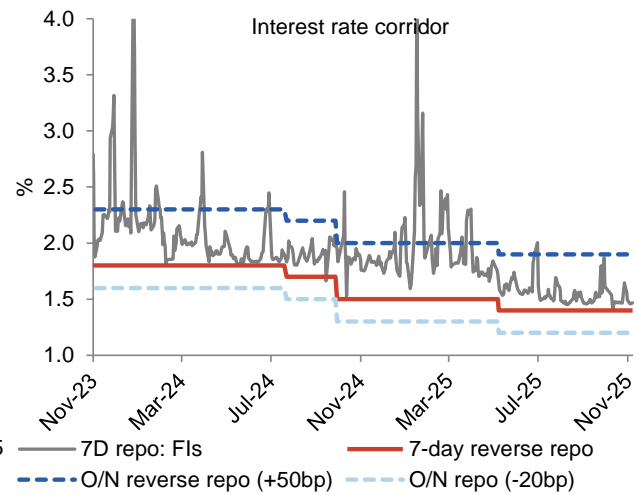
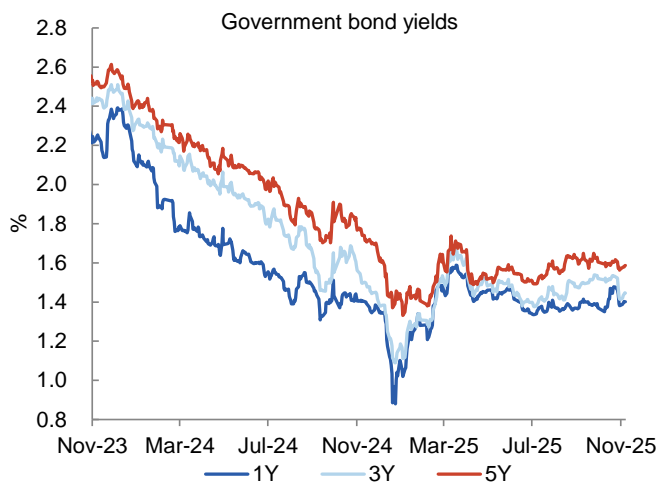


Fig 19 Short-end CGB yields: 1Y & 3Y yields dropped



Source: Wind, CEIC, Mizuho

Fig 20 Long-end CGB yields continued to trend lower

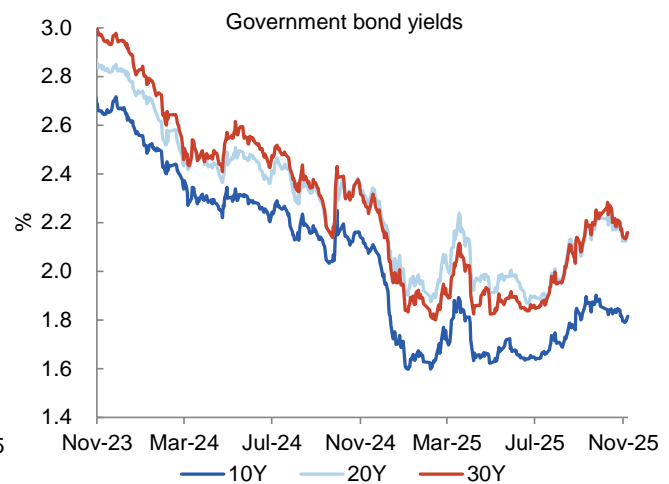
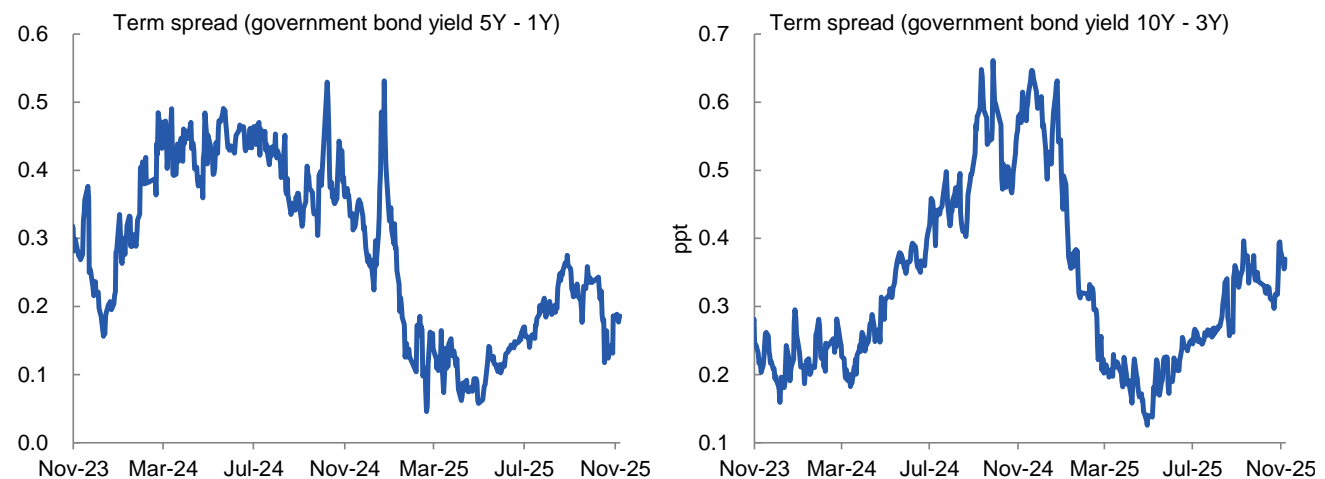
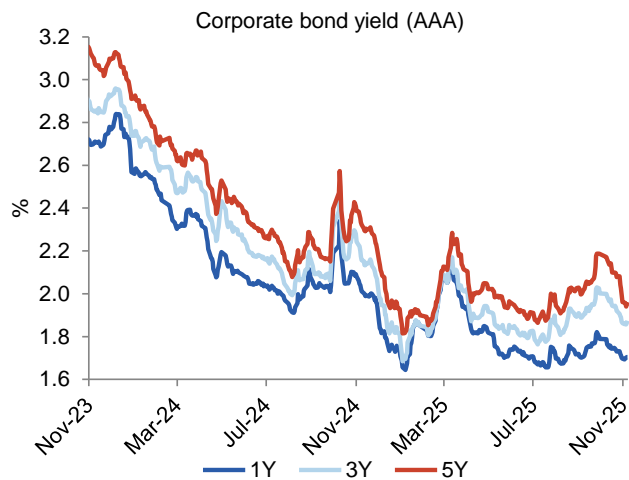


Fig 21 CGB term spreads moved wider across the curve

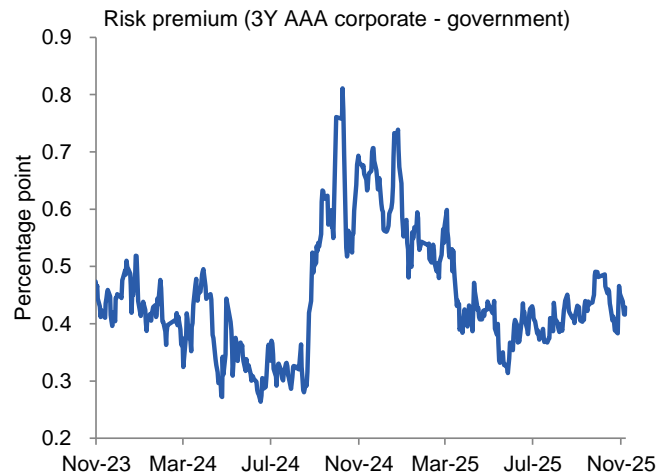
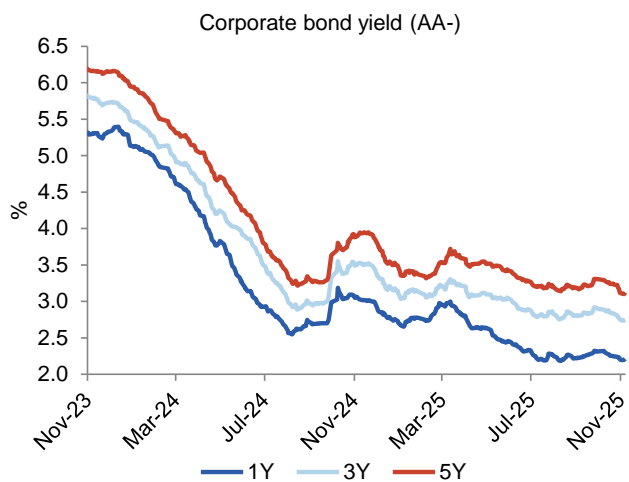


Source: CEIC, Mizuho

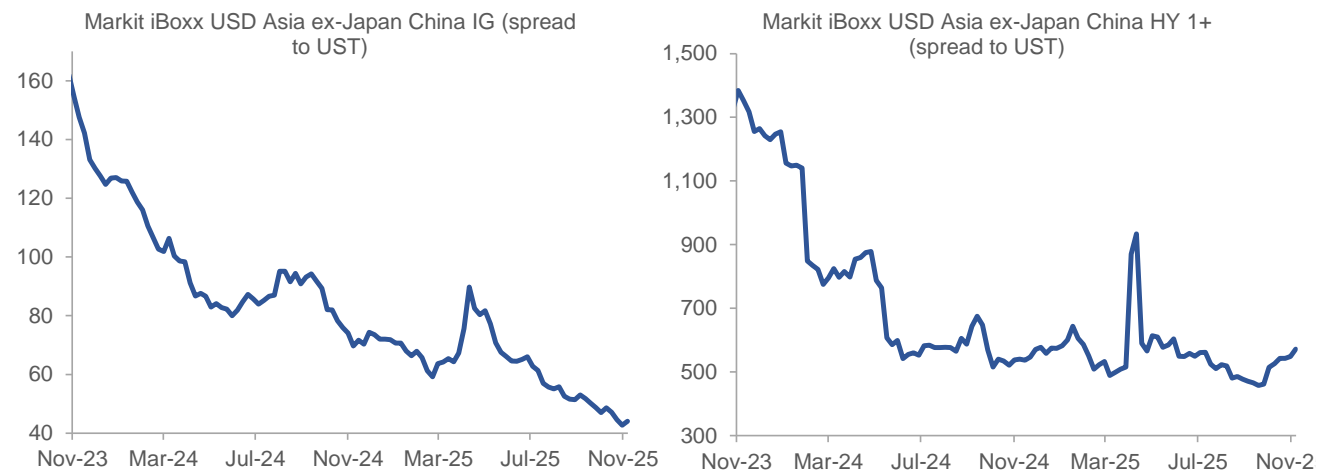
Credit monitor

Fig 22 IG Corporate bond yields fell across maturities

Source: Wind, Mizuho

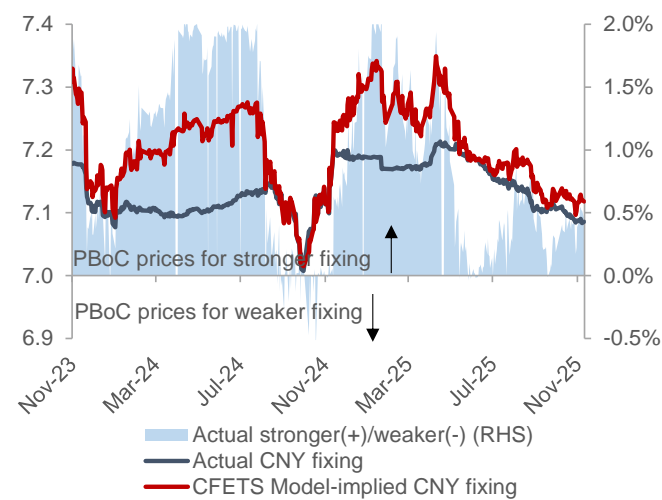
Fig 23 IG corporate risk premium got squeezed last week**Fig 24 HY Corporate bond yields edged lower**

Source: Wind, Mizuho

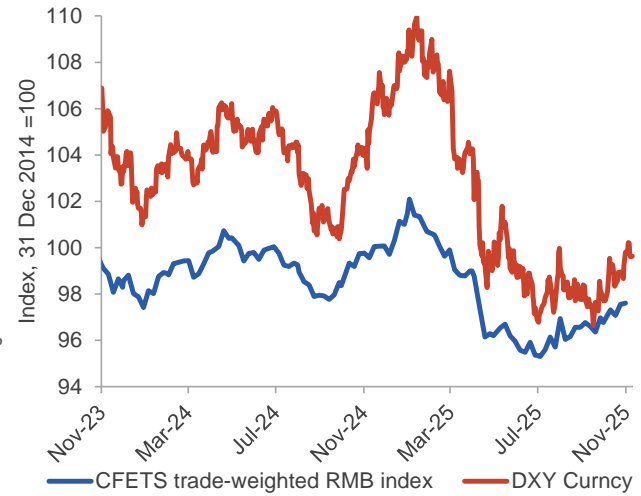
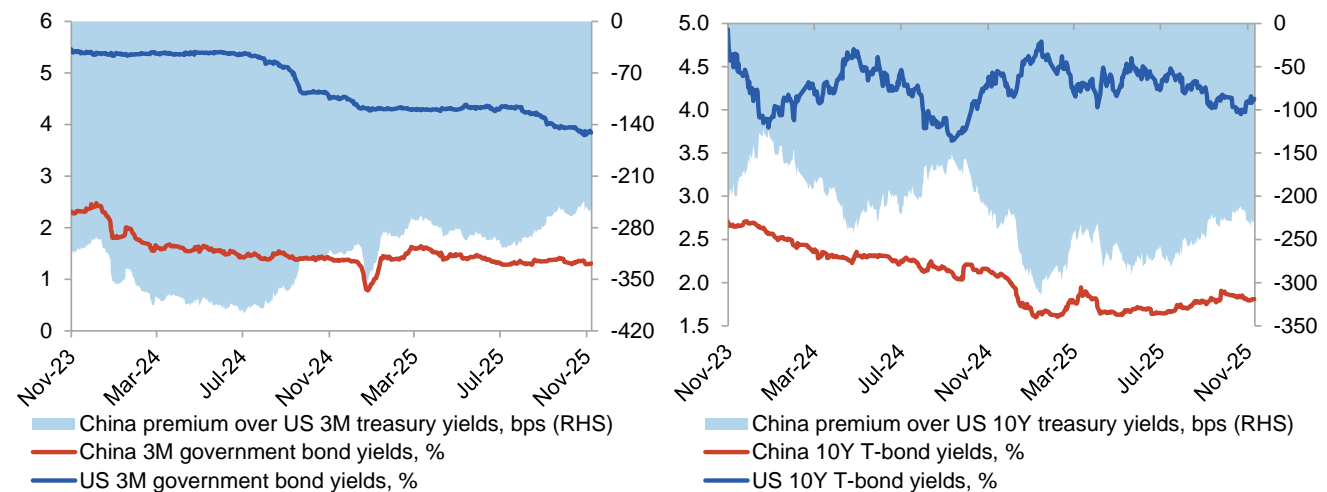
Fig 25 HY corporate risk premium remained relatively tight**Fig 26 China USD credit spreads pushed wider last week amid market volatility triggered by global AI/tech sector valuation concerns**

Source: IHS Markit, Mizuho

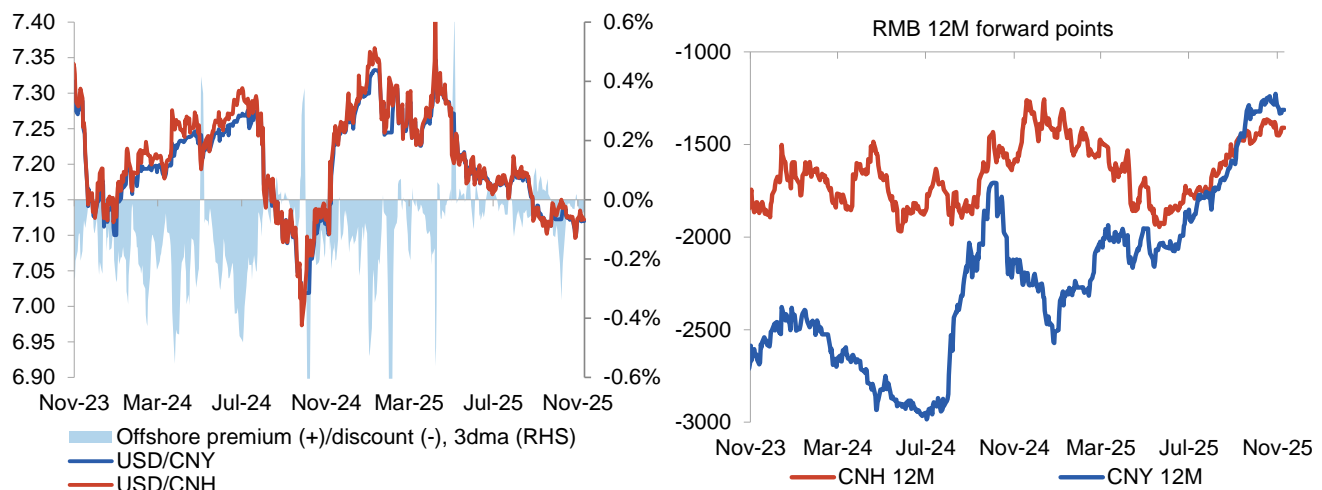
FX monitor

Fig 27 RMB fixing rate continued to see a stronger bias by 0.5%

Source: CEIC, Bloomberg, Mizuho

Fig 28 RMB trade-weighted index picked up alongside stronger dollar**Fig 29 China-US interest rate spreads** slightly widened at both the front- and back-ends

Source: CEIC, Bloomberg, Mizuho

Fig 30 Offshore RMB (CNH) is trading on par with the CNY recently

Source: Bloomberg, Mizuho

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