

China Weekly Outlook

Export growth driven by non-USD market

China's exports exceeded market expectations, rising 5.9% YoY in November, reversing October's decline. This improvement was largely driven by market diversification rather than a recovery in trade relations with the US. Exports to the US continued its low double-digit decline, down 28.6% YoY, while shipments to the EU, Latam, and Africa all recorded double-digit increases. By product category, the acceleration was led by electronics, automobiles, and ships. Notably, exports of rare earth minerals surged 24.4% YoY, the fastest pace in five months, reflecting progress in China's trade deal execution following the Trump-Xi meeting. Imports were slightly disappointing, rising only 1.9% YoY in November. Consequently, the trade surplus widened to a five-month high of USD 111.7 billion.

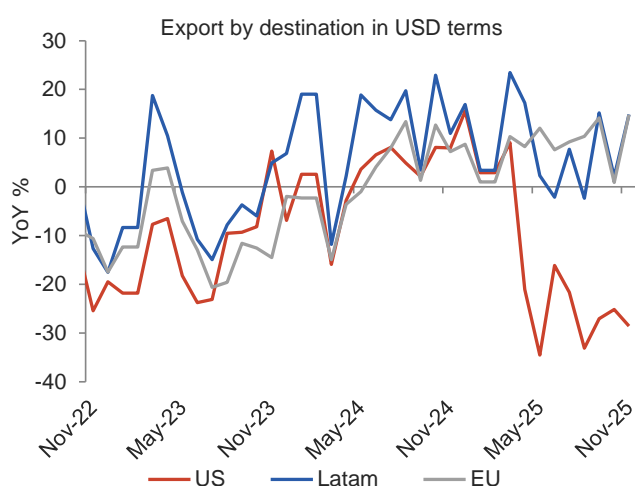
Much faster inflation on food prices

Looking ahead to inflation data due later this week, we expect consumer inflation to rebound to 0.9% YoY in November (Oct: 0.2%), driven primarily by food prices, especially vegetables (Fig 13 & 14). Based on weekly wholesale agricultural data, fresh vegetable prices jumped 16% YoY at the end of November, compared to a 5% decline in October. Additionally, non-food inflation is likely to remain supported by gains in precious metals, including gold and silver. On the producer side, PPI is expected to show a muted sequential change, with the PMI producer price index edging up by 0.7ppt, to 48.2 in November.

Upcoming CEWC

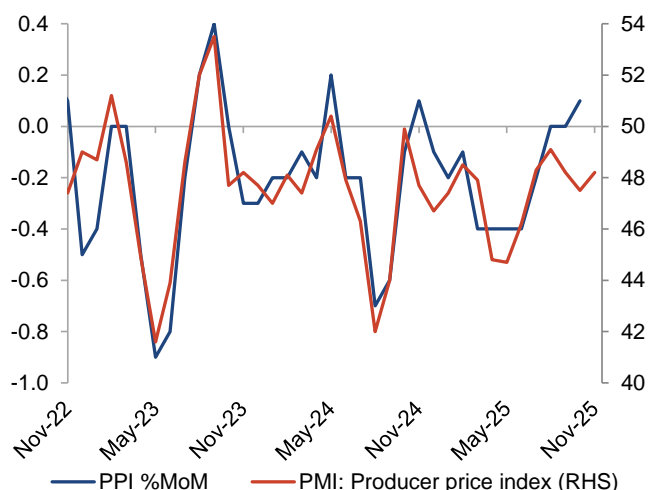
China's December Politburo meeting, held this Monday, set the tone for the upcoming Central Economic Work Conference (CEWC). The CEWC, where authorities outline growth targets and policy priorities for the coming year, traditionally takes place within the same week as the Politburo meeting. Officials reiterated the stance of moderately loose monetary policy and more proactive fiscal policy for 2026. We expect Beijing to maintain its growth target at "around 5%" for 2026, signalling flexibility through the use of "around." Our forecast sees GDP growth easing to 4.6% in 2026 from 4.8% in 2025, reflecting growing headwinds from faster deleveraging by local governments and a lack of private investment.

<Export growth led by shipments to the non-USD market >



Source: CEIC, Mizuho

<PMI producer price index hints at a muted November decline>



CNH Outlook

Forex – CNH premium persisted as PBoC was leaning against the rally

Rates – Offshore rates moved higher towards the year end

Equities – SHCOMP closed above 3900 for the first time in three weeks

Weekly Price Change#	Week Open	Week High	Week Low	Week Close	Weekly Change*
USD/CNH	7.0723	7.0768	7.054	7.0692	-16
USD/CNY	7.0721	7.0778	7.0617	7.0711	-34
CNY PBoC Fixing	7.0759	7.0794	7.0733	7.0749	-40
Shanghai Composite Index	3894.21	3914.46	3859.05	3902.81	14.21

#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)	-1326	25	CNH HIBOR (3mth)	1.817	0.025
CNH Currency Swap (3yr)	1.570	0.025	CNH Implied yield (1Y)	1.609	0.046

Recap

The offshore renminbi (CNH) ended last week near 7.07 against the dollar, almost unchanged from its opening level. Midweek, CNH briefly strengthened past 7.055, but the rally quickly lost steam as the PBoC stepped in to cool the momentum. In an uncommon move since introducing the counter-cyclical factor in 2017, the central bank set the daily CNY reference rate about 0.1–0.2% weaker than the CFETS model implied (Fig 27). This intervention also led to a slight premium for CNH over onshore CNY last week (Fig 30).

Furthermore, media reports are that state-owned banks were actively selling CNY in the spot market while using swaps to hedge positions—an effort aimed at slowing the yuan's appreciation.

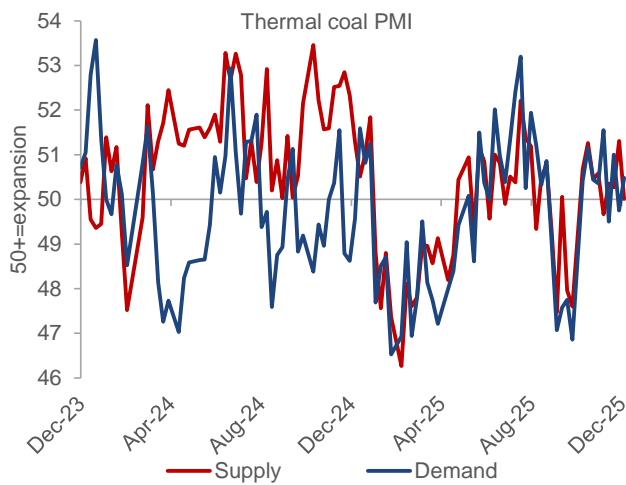
Against this backdrop, it's no surprise that both CNH and CNY underperformed their Asian peers. The JPY led the pack, gaining 0.55% on the back of comments from the BoJ governor signaling a potential rate hike in December. Meanwhile, the TWD and THB also posted solid gains of around 0.5% amid weakening USD.

Outlook

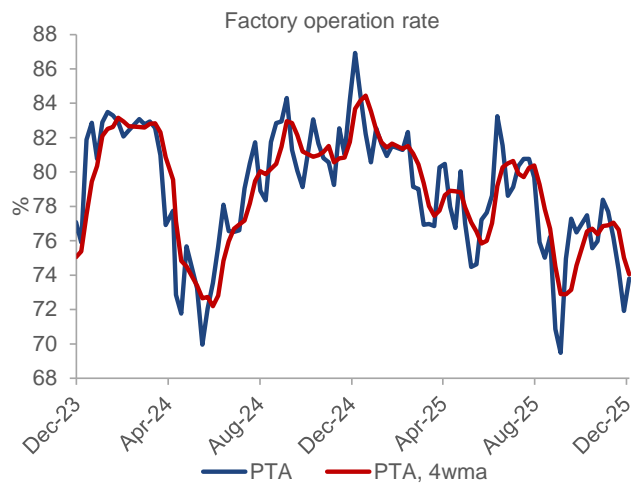
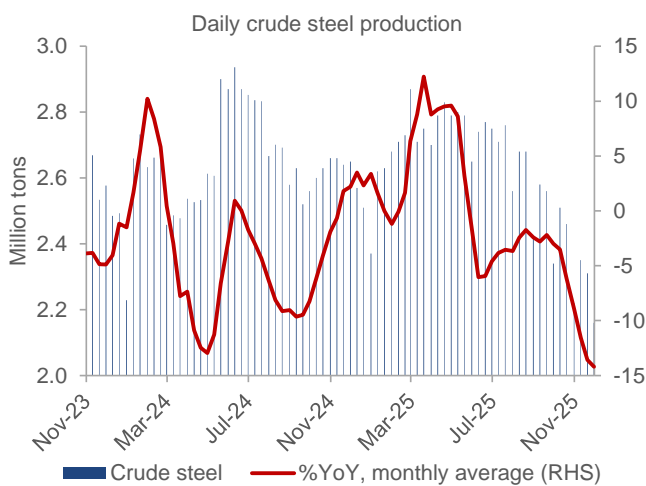
Looking ahead, we expect the PBoC to maintain its strategy of curbing one-way bets and smoothing excessive strength when needed. We believe CNH's recent momentum is likely to cool in the near term and forecast the spot rate at around 7.12 by year-end as a slowing growth outlook weighs on investor sentiment toward Chinese assets, including the yuan.

< FX Charts on Page 8 >

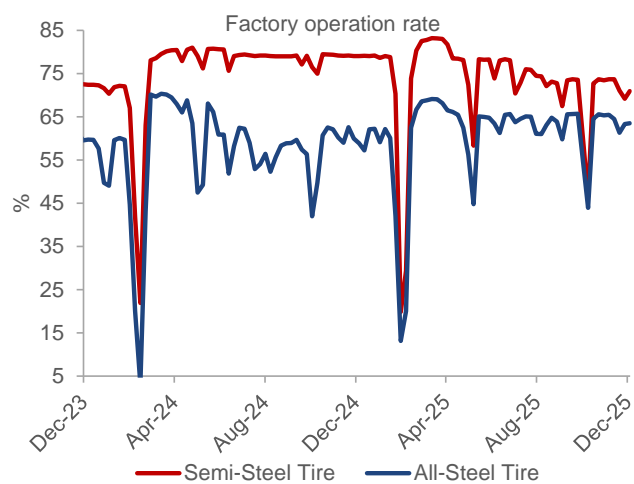
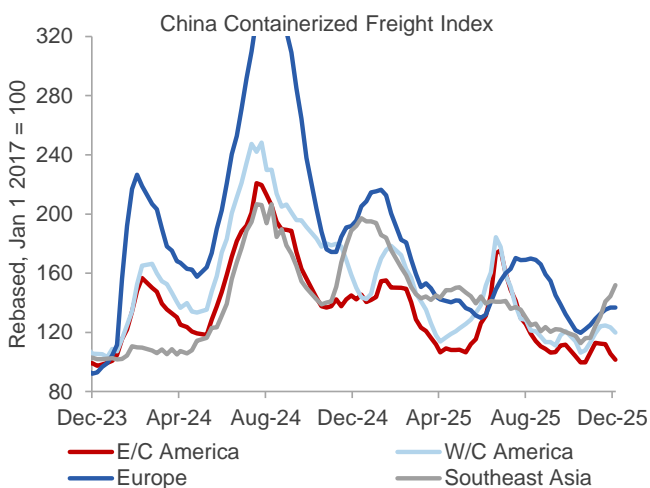
Activity monitor (1/2)

Fig 1 Thermal coal: mixed demand and supply in early Dec

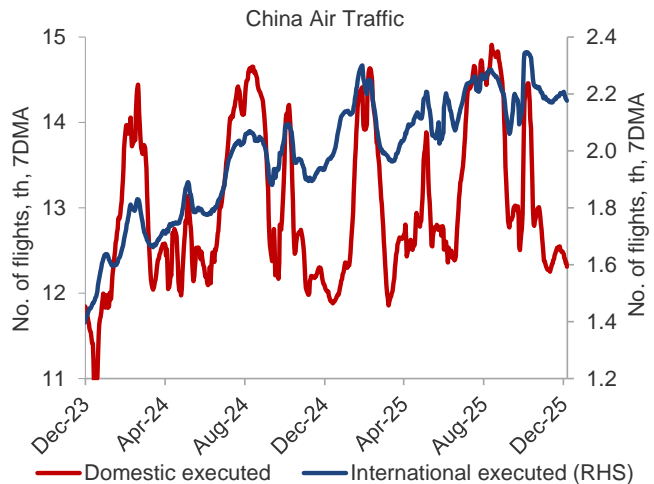
Source: Wind, Mizuho

Fig 2 PTA production continued to trend down**Fig 3 Steel production: the decline accelerated in Nov**

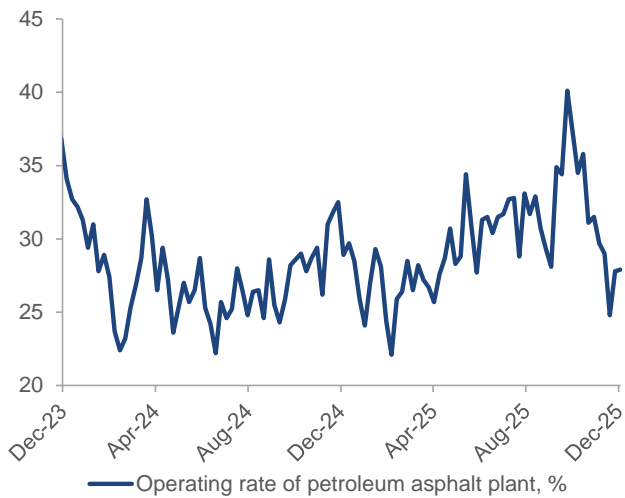
Source: Wind, Mizuho

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

Source: Wind, Mizuho

Fig 6 Air traffic: travelling demand remained soft

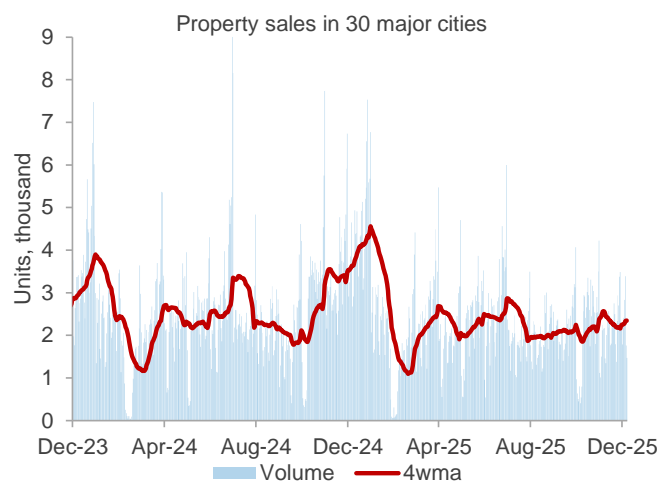
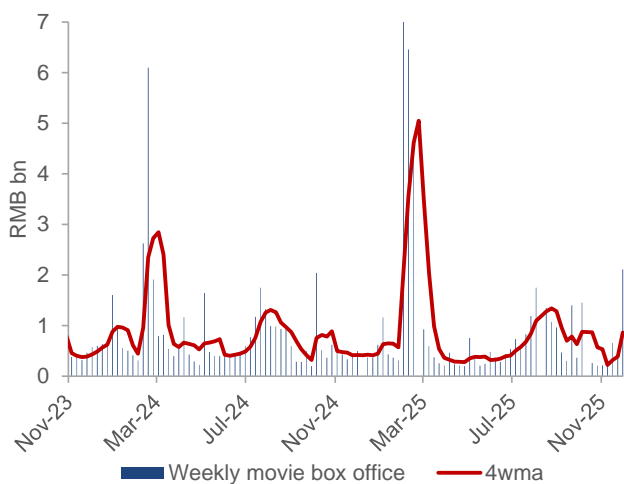
Activity monitor (2/2)

Fig 7 Road construction activity remained subdued

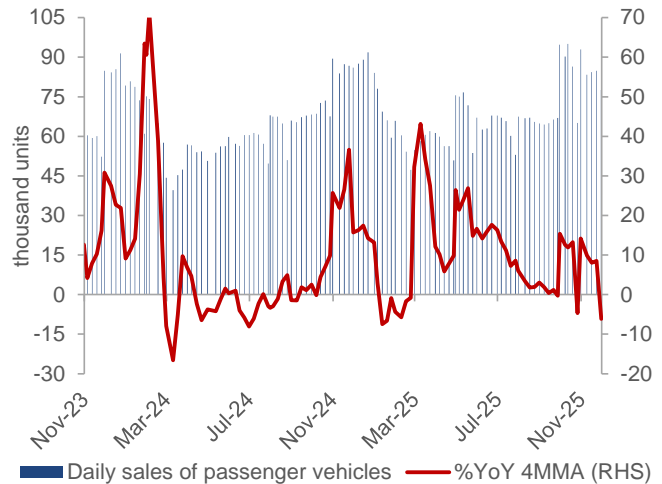
Source: Wind, Mizuho

Fig 8 Construction material prices: rebar prices picked up**Fig 9 Land sales** fell at a faster pace in December

Source: Wind, Mizuho

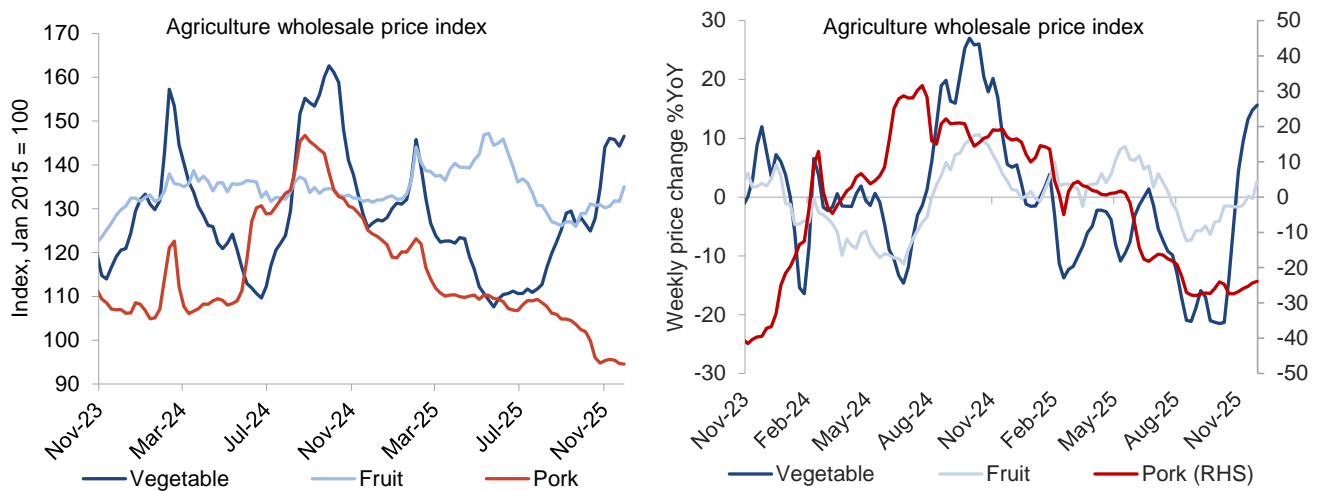
Fig 10 New home sales saw limited improvement recently**Fig 11 Movie box office revenue** picked up notably at end-Nov

Source: Wind, Mizuho

Fig 12 PV sales stayed relatively supported

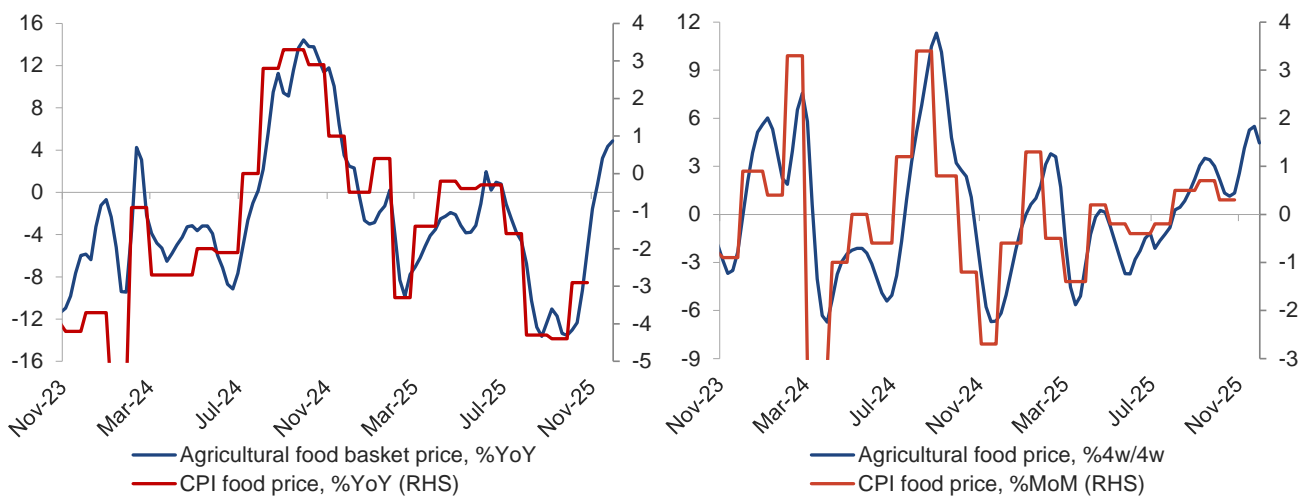
Price monitor

Fig 13 Major food items: pork prices remain subdued while vegetable prices rose to one-year high



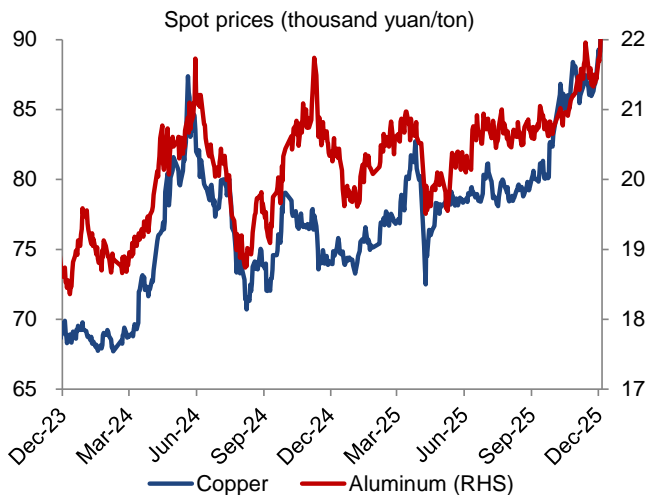
Source: Wind, Mizuho

Fig 14 Wholesale food prices: YOY growth has turned positive since November



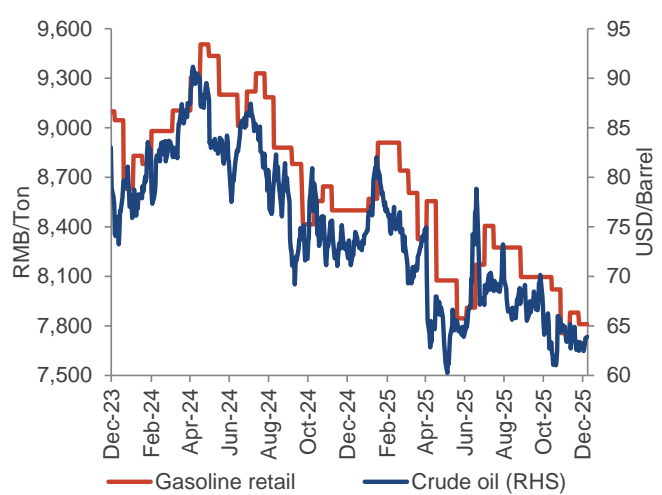
Source: CEIC, Mizuho

Fig 15 Non-ferrous metal prices continued to trend up



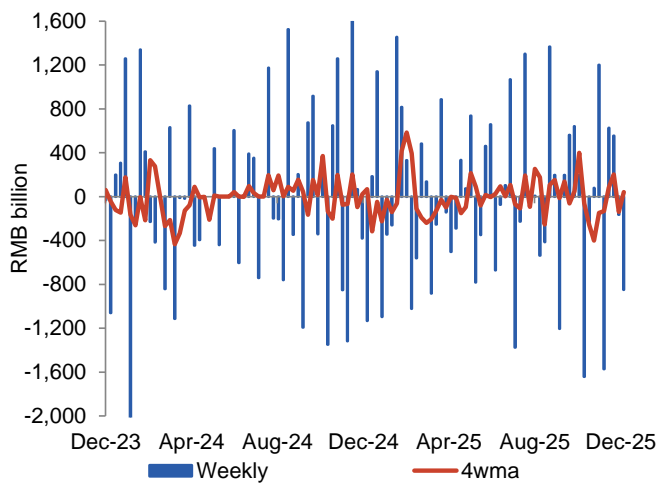
Source: CEIC, Wind, Mizuho

Fig 16 Oil prices remained subdued in early December



Liquidity monitor

Fig 17 OMOs: net withdrawal of RMB848b during 1 - 5 Dec



Source: CEIC, Wind, Mizuho

Fig 18 7D repo for FIs slightly above their benchmark levels

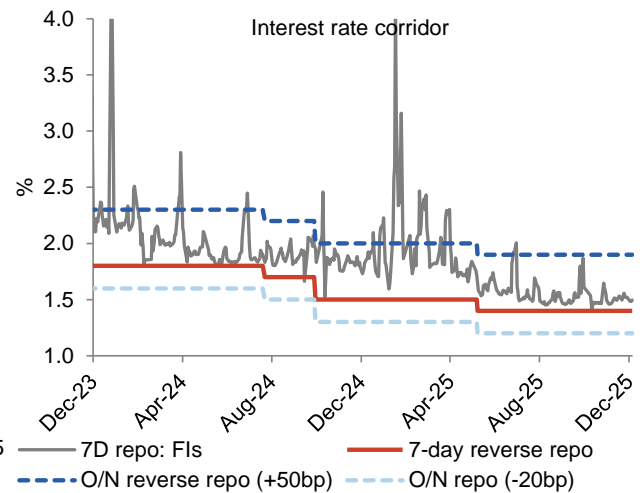
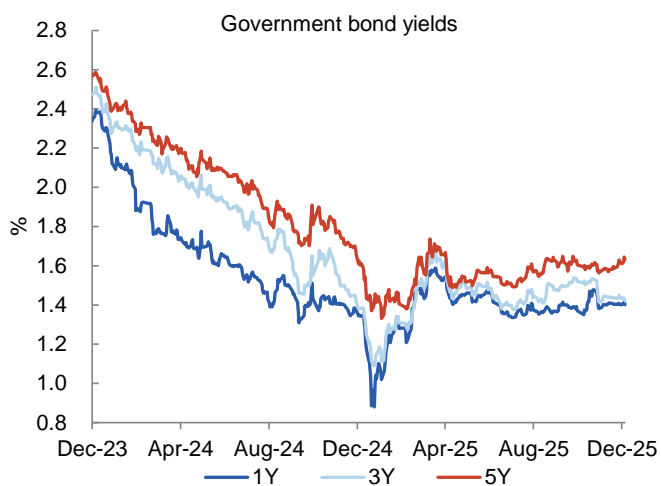


Fig 19 Short-end CGB yields: 1Y & 3Y yields remain contained



Source: Wind, CEIC, Mizuho

Fig 20 Long-end CGB yields: notably rose at the ultra-long end

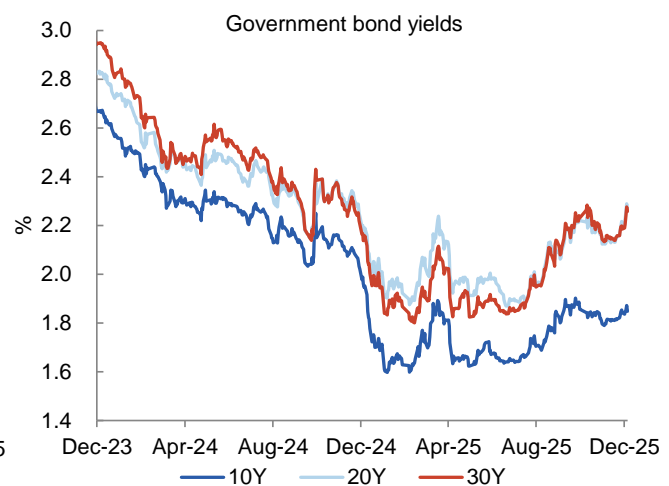
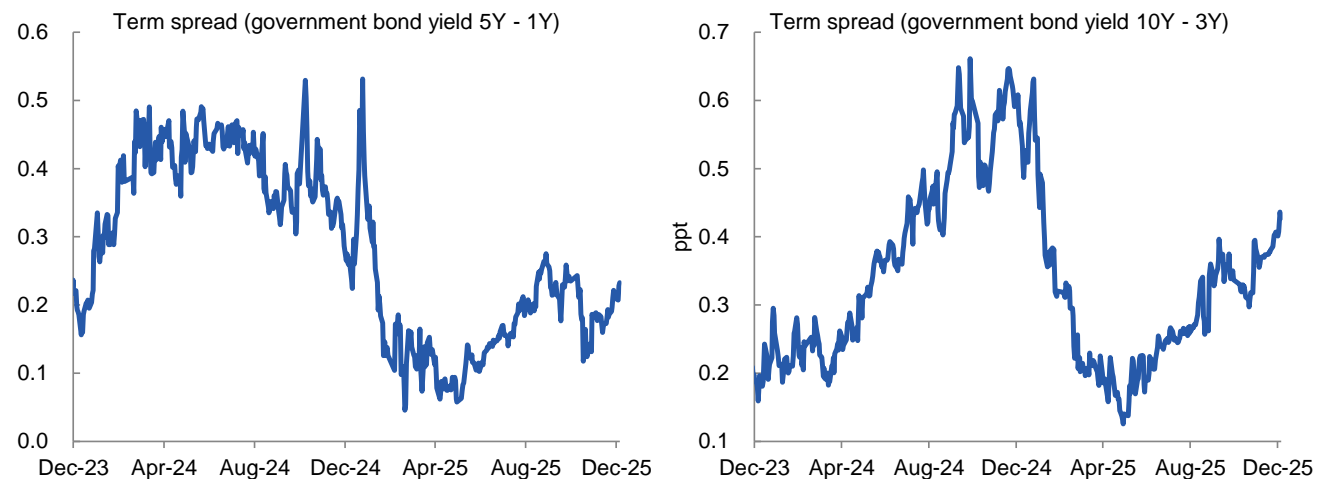
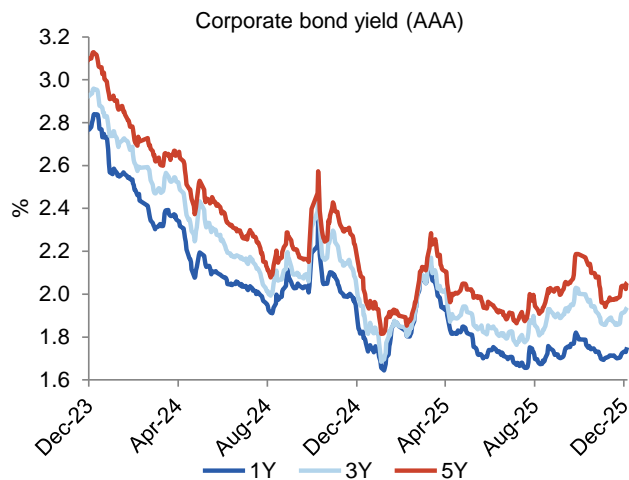


Fig 21 CGB term spreads: the yield curve steepened, especially at the right part of the curve

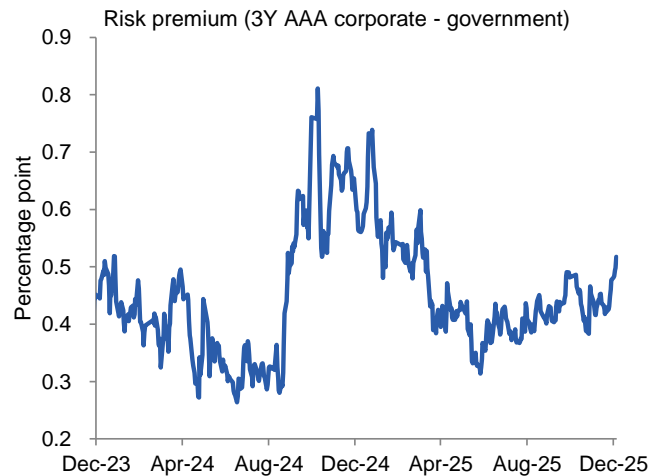
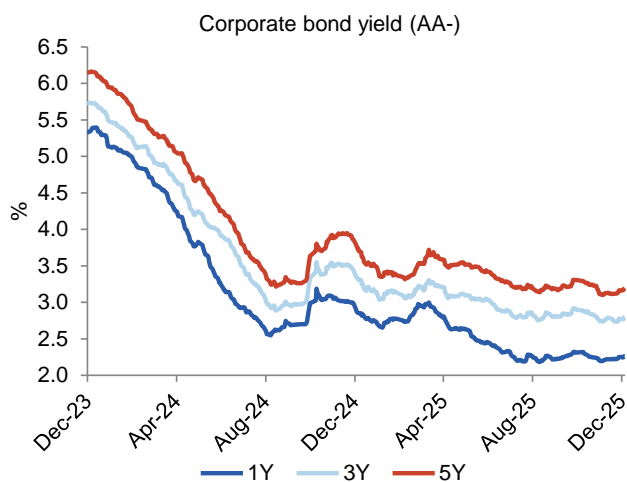


Source: CEIC, Mizuho

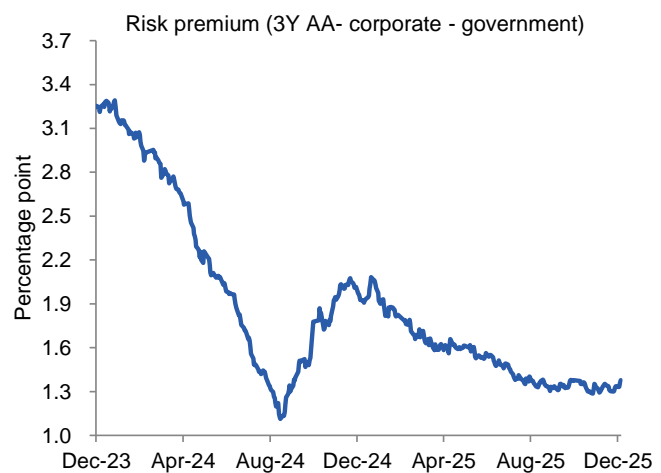
Credit monitor

Fig 22 Onshore IG credit yields rose across maturities

Source: Wind, Mizuho

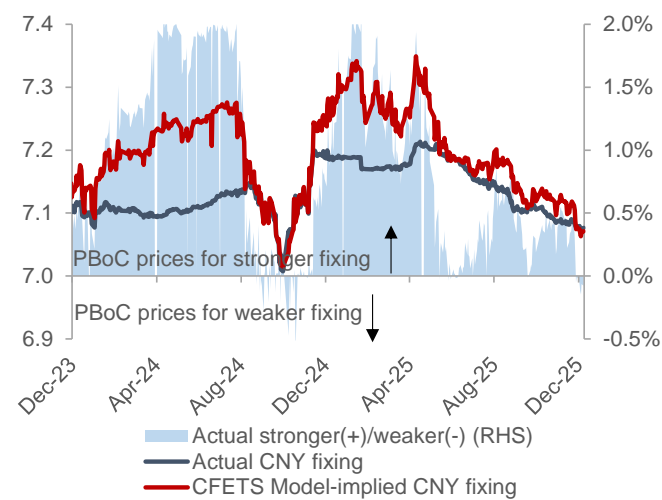
Fig 23 IG corporate risk premium picked up notably**Fig 24 Onshore HY credit yields stayed much flat**

Source: Wind, Mizuho

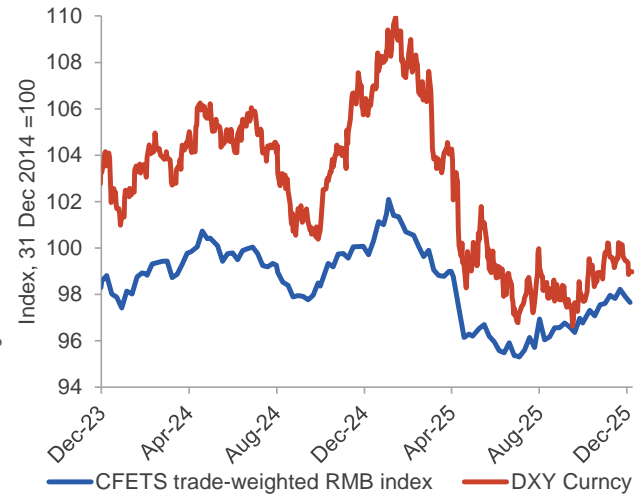
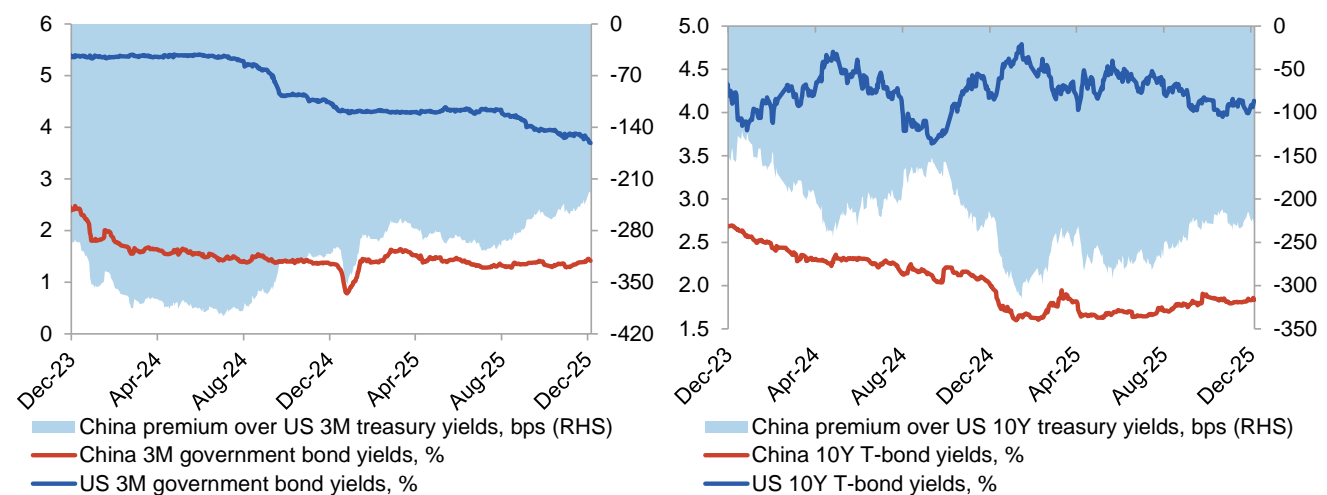
Fig 25 HY corporate risk premium remained relatively tight**Fig 26 China USD credit spreads were resilient last week as the risk-on backdrop and higher UST yields helped**

Source: IHS Markit, Mizuho

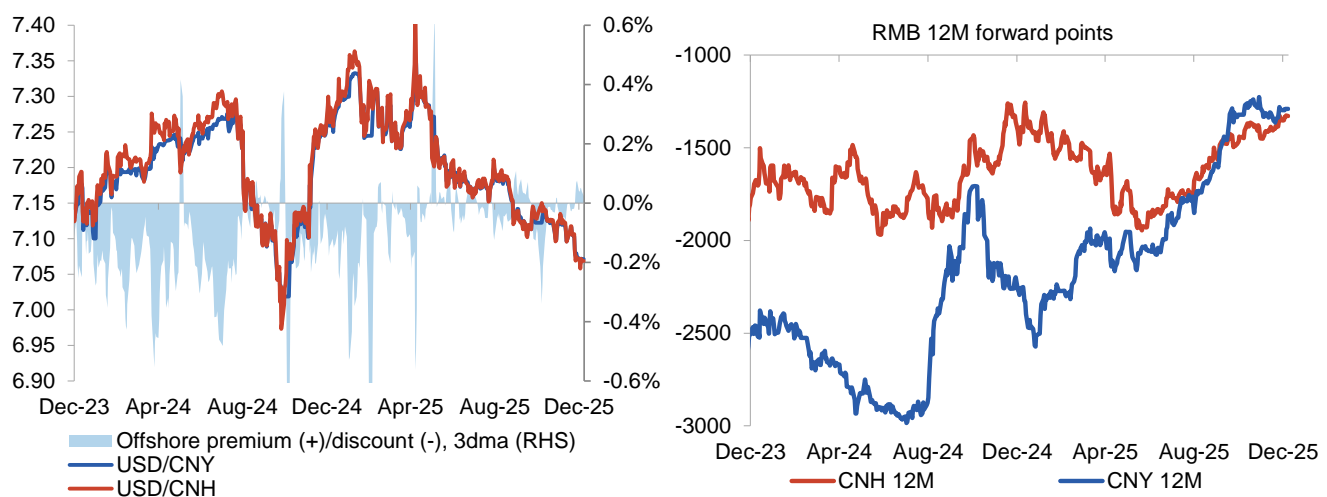
FX monitor

Fig 27 RMB fixing rate: a weak bias imposed by PBoC recently

Source: CEIC, Bloomberg, Mizuho

Fig 28 RMB trade-weighted index weakened slightly**Fig 29 China-US interest rate spreads continued to squeeze tighter at the front end**

Source: CEIC, Bloomberg, Mizuho

Fig 30 Offshore RMB (CNH) trading at a small premium to onshore rates

Source: Bloomberg, Mizuho

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