

China Weekly Outlook

Slower Q4 growth

China's full-year GDP growth reaching the government's 5% target comes as no surprise. Nevertheless, GDP growth in Q4 slowed to 4.5% YoY, the weakest pace since late 2022. The deceleration was primarily driven by softer industrial output, which rose 3.4% YoY in Q4, down from 4.2% in Q3. That said, industrial value-added growth in December alone improved to a three-month high of 5.2% YoY, largely supported by high-tech manufacturing.

Subdued demand

From a demand perspective, both retail sales and fixed asset investment weakened further in December. Retail sales growth slipped to a three-year low of 0.9% YoY, as sales of home appliances, furniture, and automobiles normalized following the depletion of government trade-in subsidies. Fixed asset investment fell 3.8% YoY in 2025, with an estimated monthly drop of 15.1% in December. The deterioration was broad-based across sectors, and public investment recorded its first annual decline on record. The property sector also remained under significant pressure, with property investment and sales plunging 35.8% and 23.6% YoY, respectively, in December.

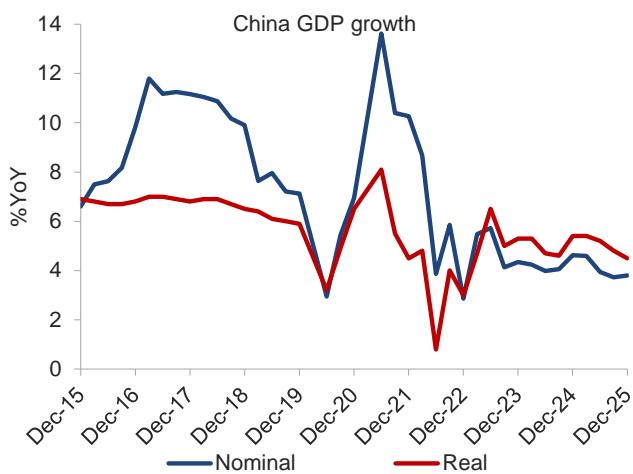
Credit data showed a modest upside surprise in December, though the uptick may be transitory. Corporate loans increased by RMB 1,070 billion, versus RMB 490 billion in December 2024, with short-term lending accounting for nearly 70% of the gain. In contrast, household demand remained subdued: short-term loans declined for the third consecutive month, while long-term lending saw only a muted increase, underscoring weak household sentiment.

Targeted monetary support

In response to persistent weakness, the PBoC reduced the minimum downpayment ratio for commercial property purchases to 30%, from the previous 50%, aiming to help clear excess office and commercial property inventory. Additionally, the PBoC stepped up targeted policy support. It cut interest rates on various structural monetary tools—including relending facilities—by 25bp and expanded relending quotas for agriculture and small private enterprises. While the central bank has also signaled scope for further broad-based easing, we believe the latest targeted measures may delay any policy rate or RRR cuts until after the "Two Sessions" in early March.

< GDP growth hit a three-year low in Q4 >

< The property sector remains under significant pressure >



Source: CEIC, Mizuho

CNH Outlook

Weekly Price Change#	Week Open	Week High	Week Low	Week Close	Weekly Change*
USD/CNH	6.9757	6.9783	6.9611	6.9678	-82
USD/CNY	6.9758	6.9798	6.9658	6.9703	-80
CNY PBoC Fixing	7.0108	7.012	7.0064	7.0078	-50
Shanghai Composite Index	4134.89	4190.87	4091.81	4101.91	-18.51

#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)	-1273	-9	CNH HIBOR (3mth)	1.891	0.125
CNH Currency Swap (3yr)	1.655	0.055	CNH Implied yield (1Y)	1.657	0.018

Recap

The renminbi traded within a narrow range between 6.96 and 6.98 for most of last week and ultimately closed 0.12% stronger. **This is impressive considering gains in the US dollar**, as heightened geopolitical tensions boosted demand for both the dollar and gold prices. This resilience came even as the PBoC continued guiding the currency weaker, setting the daily CNY fixing roughly 0.5% below the level implied by the CFETS model. **Increasingly, the renminbi appears to be trading with safe-haven characteristics** amid uncertainty associated with the Trump administration.

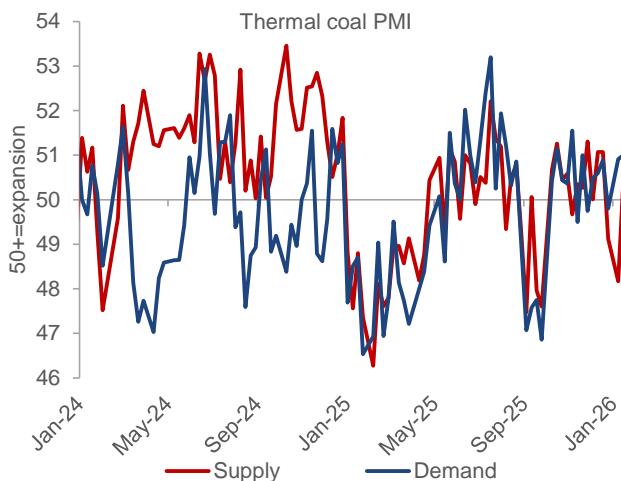
Across Asia, only the MYR and TWD managed to outperform the renminbi, rising 0.37% and 0.13%, respectively, supported by stronger global oil prices and a positive US–Taiwan trade development. The rest of the region underperformed, with the KRW weakening the most (-1.0%) under pressure from equity outflows and rising front-end US Treasury yields.

Outlook

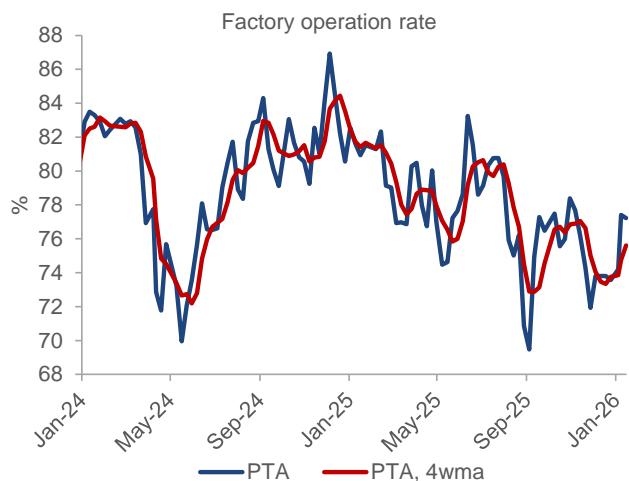
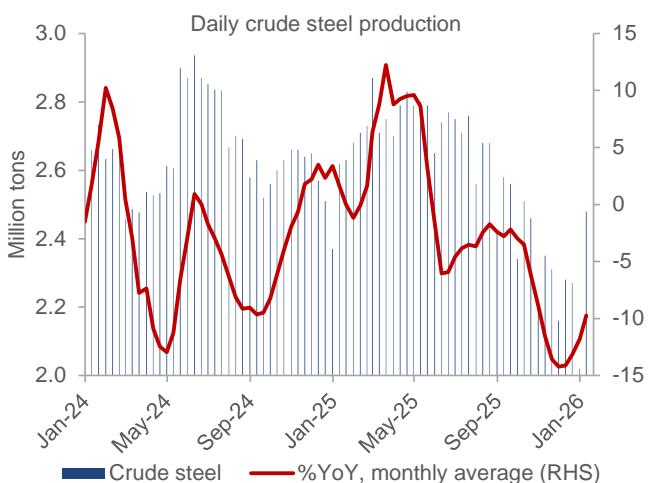
While we maintain [a constructive view on CNH for 2026](#), **near-term risks skew to the downside**. The latest economic data indicates that China's growth momentum is waning: the property market continues to cool, local government investment remains sluggish, and retail sales face a high base comparison. This softer macro backdrop is likely to temper the optimism priced into renminbi assets and inject more volatility into CNH spot.

In the coming weeks, **CNH is likely to remain directionless and range-bounding between 6.9 and 7.0**. Potential game changers to monitor include President Trump's pick of US Fed Chair and involvements around geopolitical tensions related to Venezuela and Iran. Meanwhile, we expect the PBoC to stick to its familiar playbook: discouraging one-way bets in the renminbi and smoothing excessive currency strength when needed.

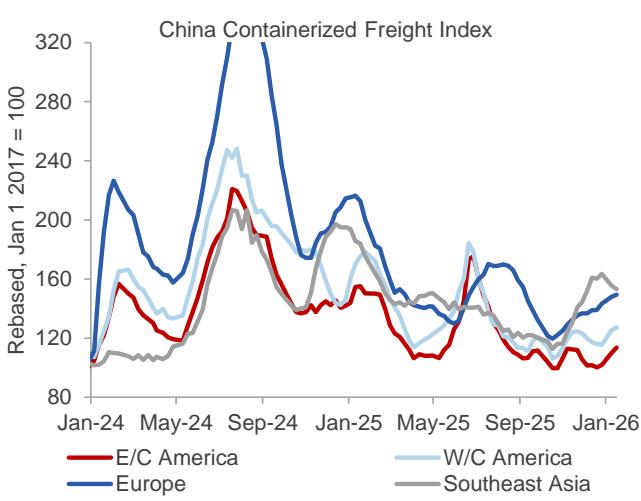
< FX Charts on Page 8>

Fig 1 Thermal coal: Improved demand and supply last week

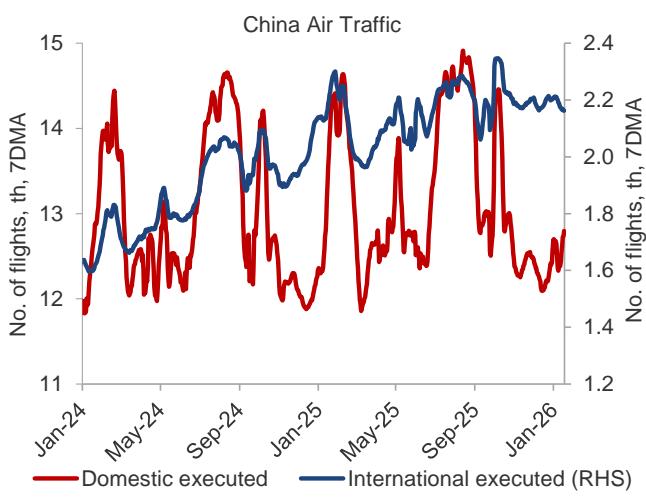
Source: Wind, Mizuho

Fig 2 PTA production restored quickly in early January**Fig 3 Steel production rebounded in early January**

Source: Wind, Mizuho

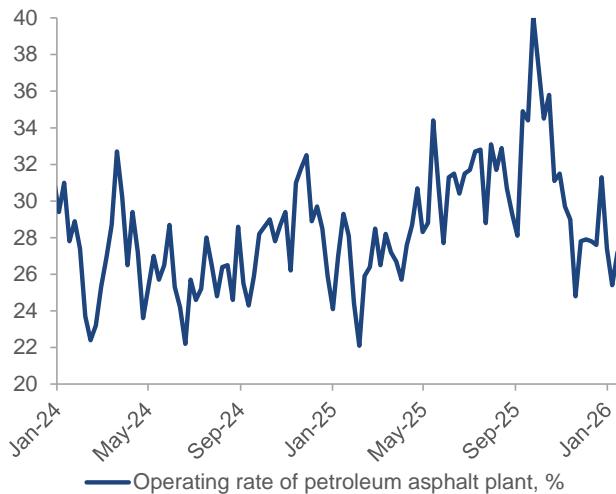
Fig 4 Steel tire production continued to recover**Fig 5 CCFI: shipping prices rose for routes to Europe and the US**

Source: Wind, Mizuho

Fig 6 Air traffic: travelling demand barely improved during the holiday

Activity monitor (2/2)

Fig 7 Road construction activity slowed in early January



Source: Wind, Mizuho

Fig 8 Construction material prices: rebar prices edged up

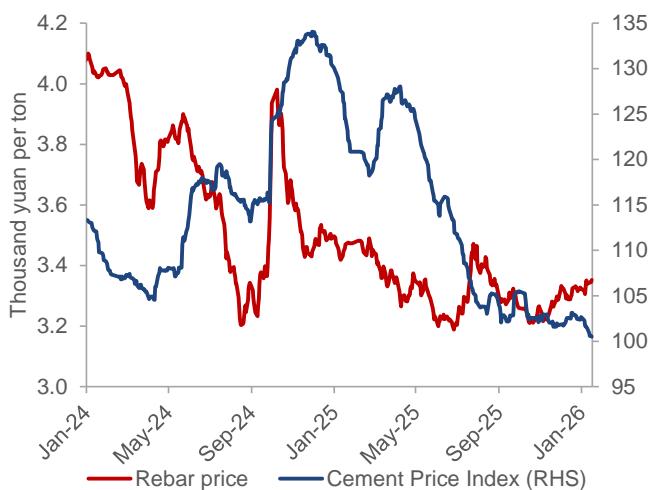
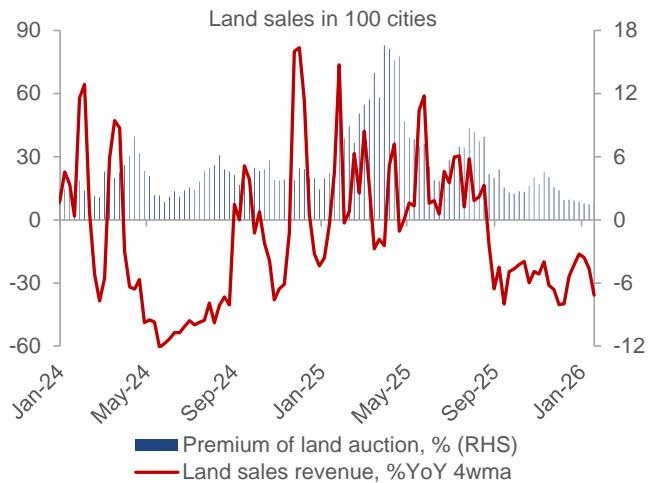


Fig 9 Land sales continued to decline

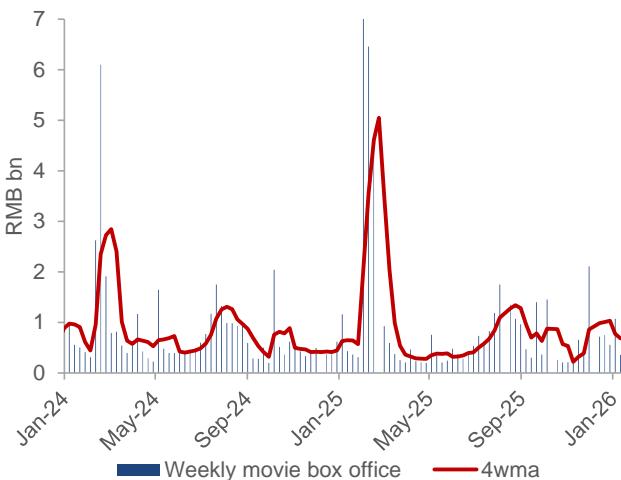


Source: Wind, Mizuho

Fig 10 New home sales saw limited improvement

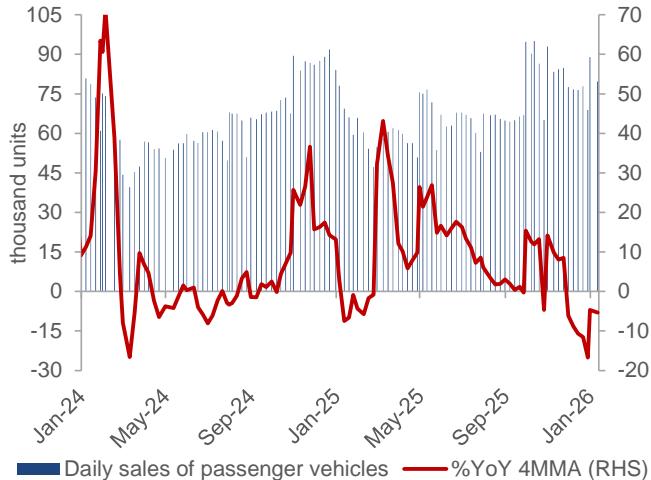


Fig 11 Movie box office revenue weakened in January



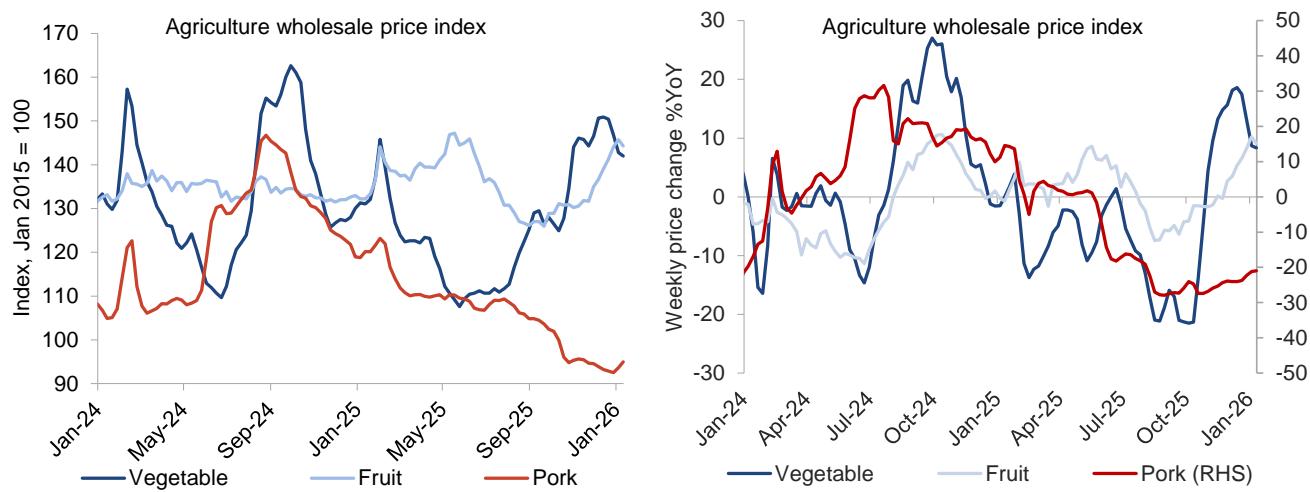
Source: Wind, Mizuho

Fig 12 PV sales declined on depleted government subsidies



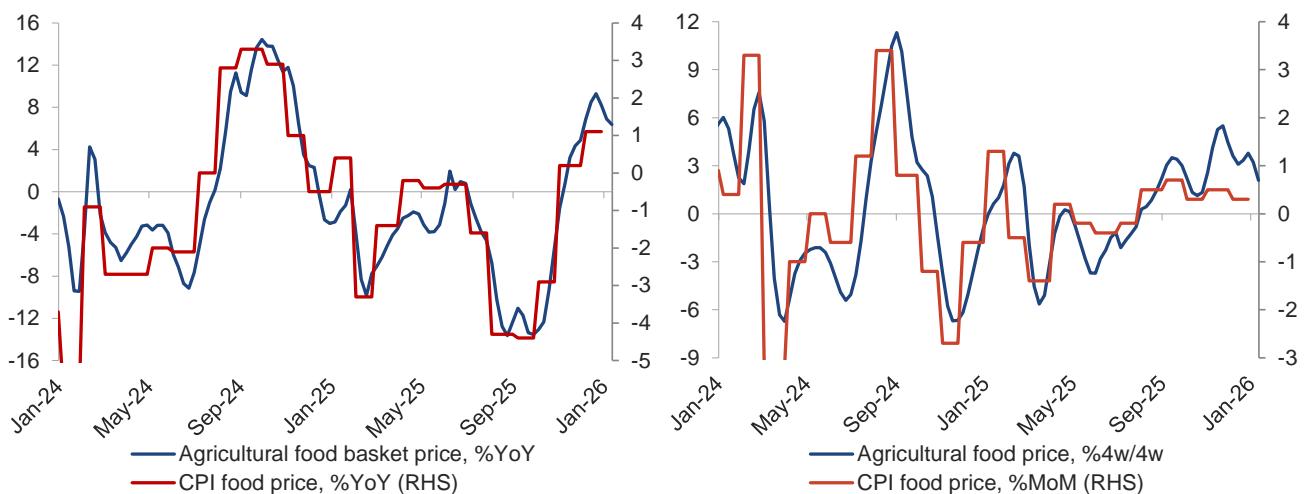
Price monitor

Fig 13 Major food items: pork prices remain subdued while vegetable prices have peaked



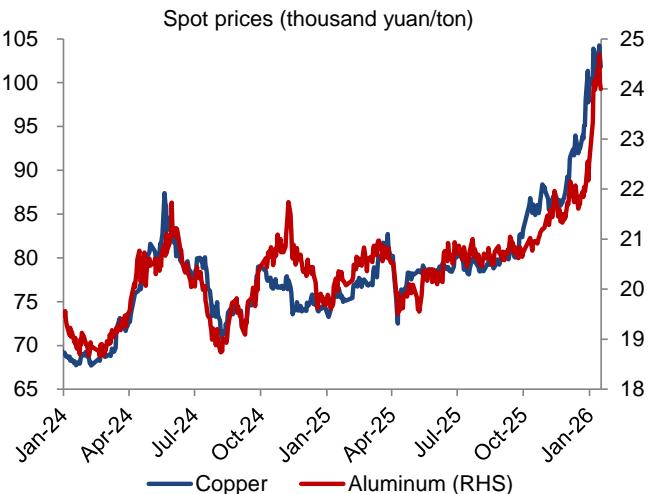
Source: Wind, Mizuho

Fig 14 Wholesale food prices: YoY growth stayed positive but slightly moderated in early January



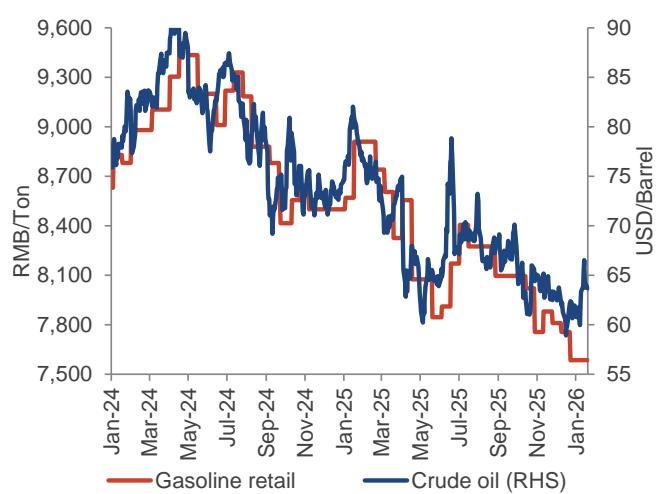
Source: CEIC, Mizuho

Fig 15 Non-ferrous metal prices continued to trend up



Source: CEIC, Wind, Mizuho

Fig 16 Oil prices picked up on escalated geopolitical tensions



Liquidity monitor

Fig 17 OMOs: net injection of RMB813b during 12 - 16 Jan

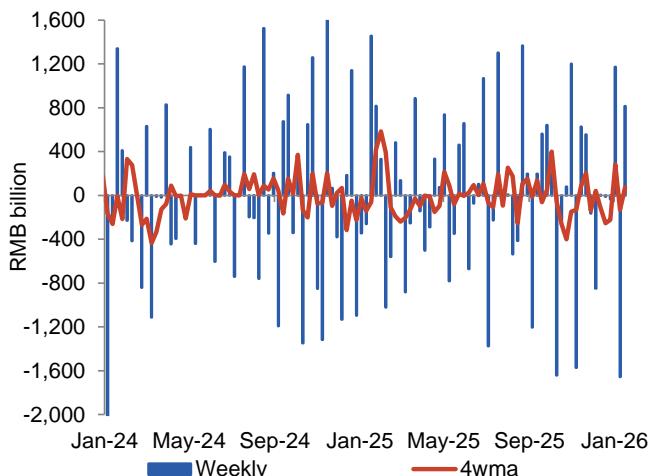


Fig 18 7D repo for FIs returned to near their benchmark levels

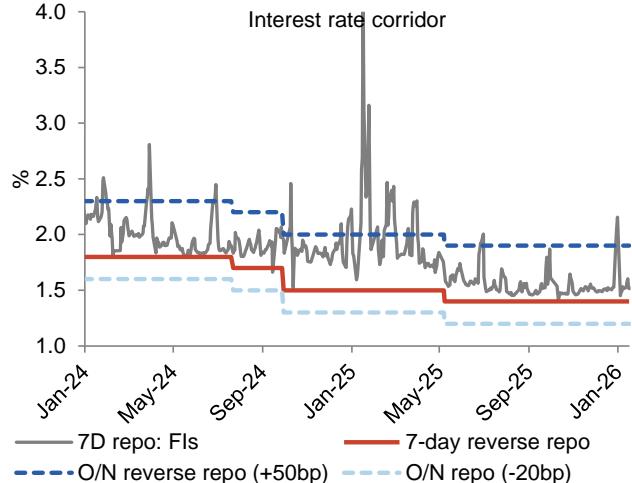


Fig 19 Short-end CGB yields: 1Y yields declined notably

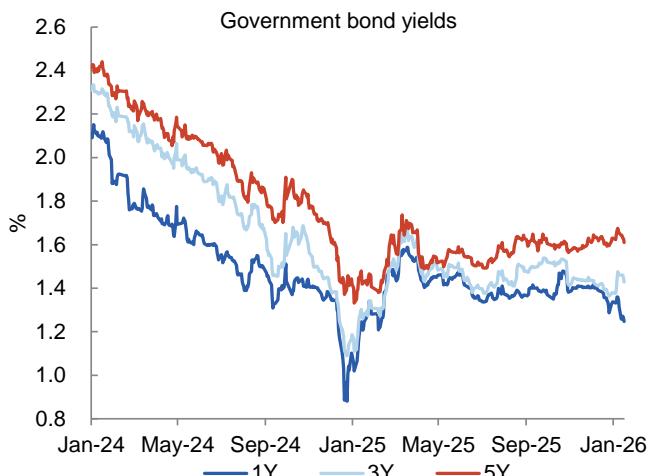


Fig 20 Long-end CGB yields edged up at the ultra-long end

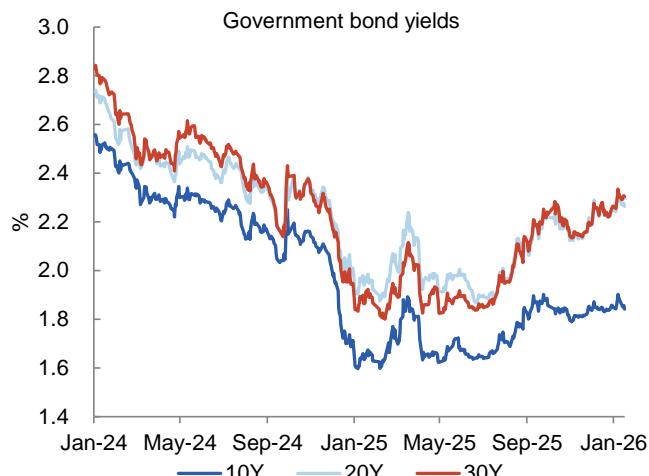
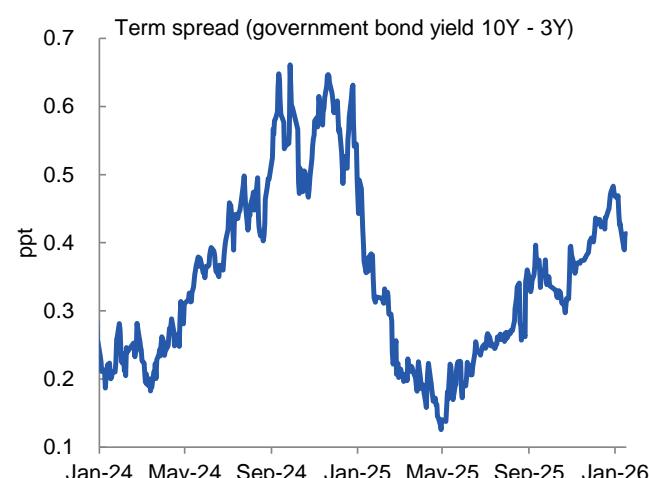
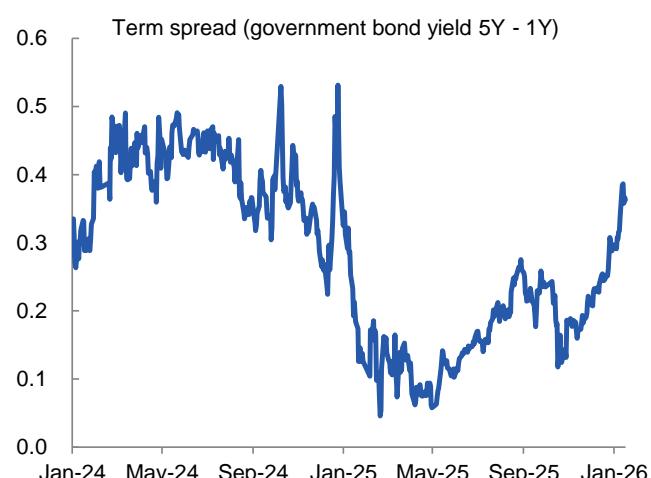
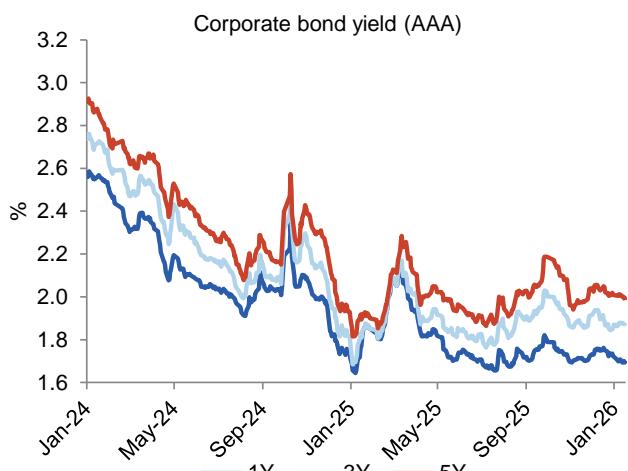


Fig 21 CGB term spreads: saw mixed movements



Credit monitor

Fig 22 Onshore IG credit yields fell at the front end



Source: Wind, Mizuho

Fig 23 IG corporate risk premium narrowed in early Jan

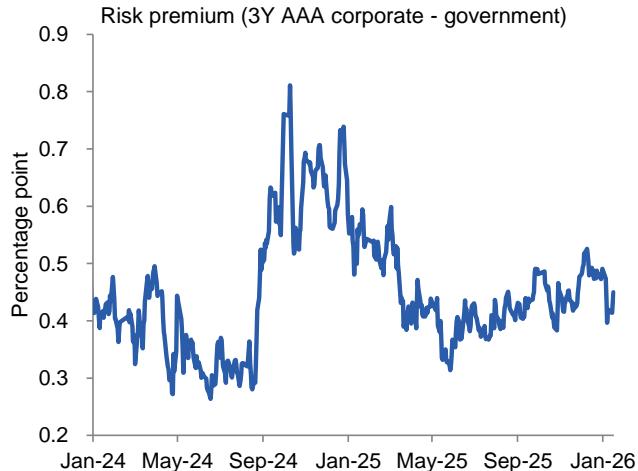
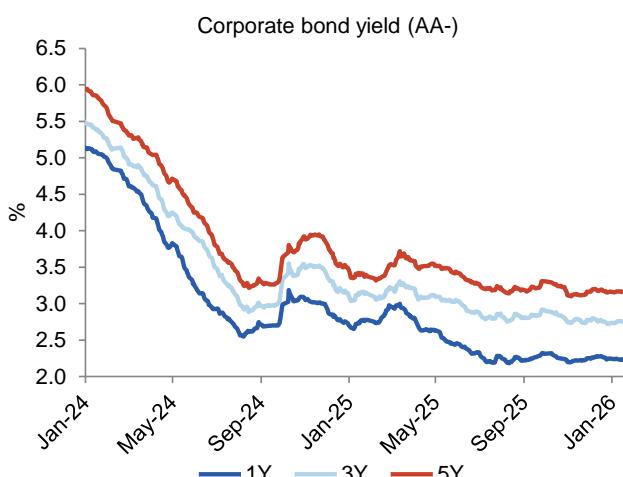


Fig 24 Onshore HY credit yields stayed much flat



Source: Wind, Mizuho

Fig 25 HY corporate risk premium ground tight

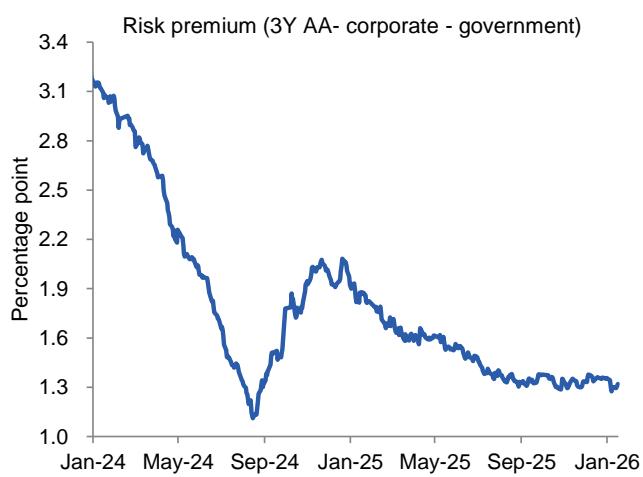
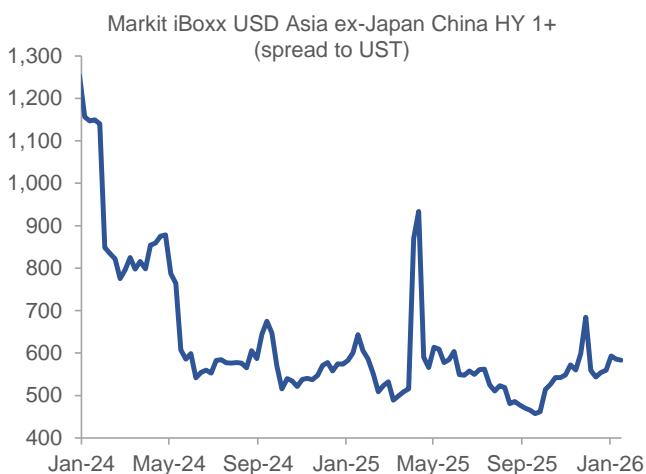


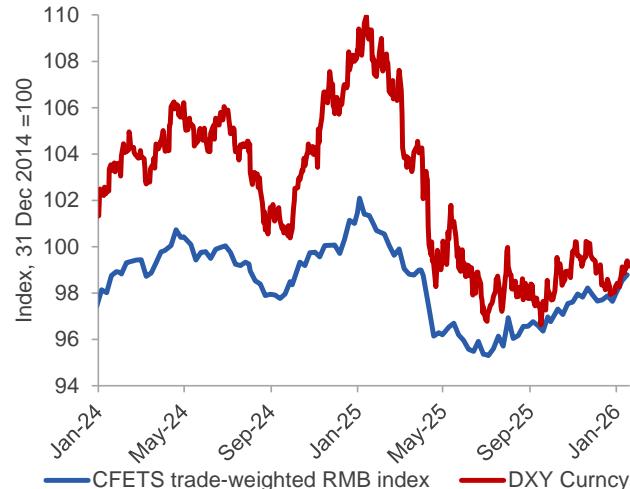
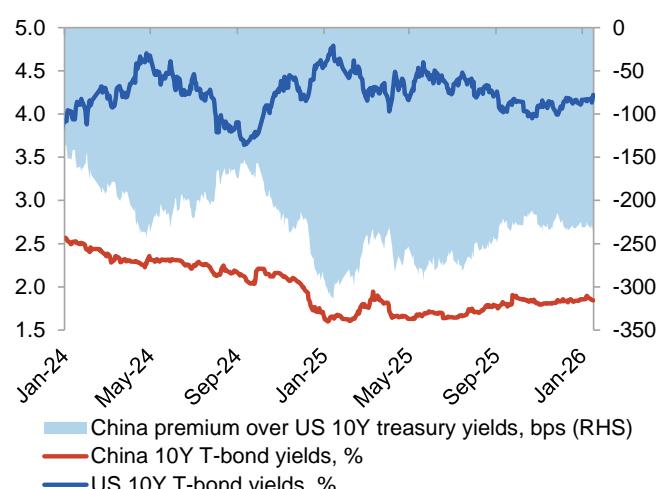
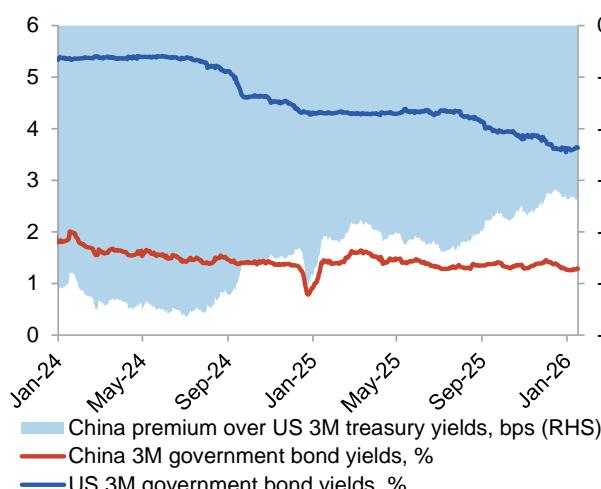
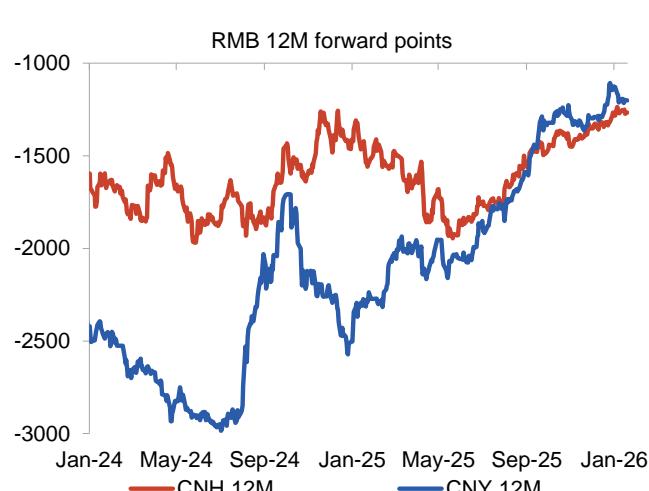
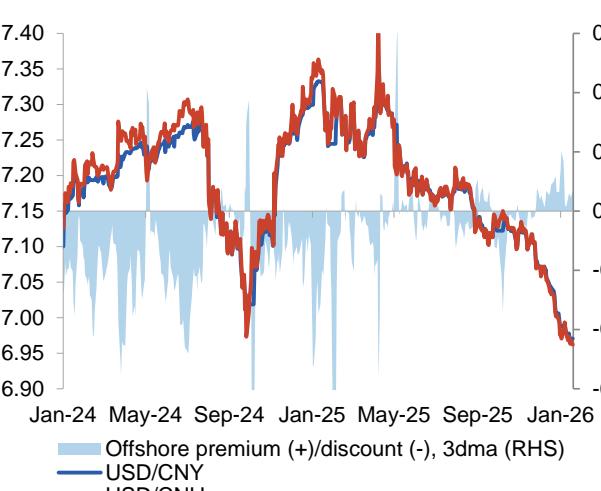
Fig 26 China USD credit spreads tightened last week despite escalated geopolitical tensions and renewed concerns over Fed independence



Source: IHS Markit, Mizuho



FX monitor

Fig 27 RMB fixing rate: a notable weak bias imposed by PBoC**Fig 28 RMB trade-weighted index rose alongside stronger USD****Fig 29 China-US interest rate spreads remained much unchanged in recent weeks****Fig 30 Offshore RMB (CNH) trading at a notable premium to onshore rates**

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