

China Weekly Outlook

Activity data exceeding expectations

China's activity data for January to February all exceeded market expectations, partly supported by a later-than-usual Lunar New Year and improved sentiment leading into the holiday. Industrial value-added rose 6.3% YoY year-to-date (YTD), the fastest pace since September. The improvement was broad-based, led by a 13.1% expansion in high-tech manufacturing. Retail sales also delivered a solid 2.8% YoY increase, up from 0.9% in December, despite the unemployment rate rising to 5.3% in February. Notably, sales of home appliances (3.3%) and furniture (8.8%) benefited from renewed government subsidies, while purchases of garments (10.4%) and jewelry (13.0%) surged during the holiday period, indicating improved consumer sentiment.

Fixed asset investment also surprised to the upside, increasing 1.8% YoY YTD. This turnaround was driven by strong public-sector investment, which grew 7.7% YoY compared with an estimated 12% contraction in 4Q25. The improvement was further supported by a slower decline in raw material prices, especially for ferrous and non-ferrous metals. Private investment continued to contract but at a significantly milder pace of -2.6%, versus a double-digit decline in 4Q25. In contrast, weakness in the property market persisted, with related investment and sales down 11.1% and 20.2% YoY in value terms, respectively. In volume terms, property sales declined 13.5% YoY, with little sign of meaningful stabilization.

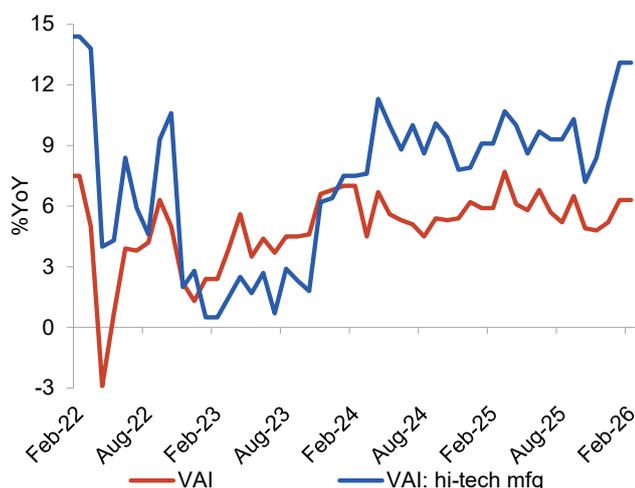
Rising ultra-long CGB yields

These upbeat data reduce the likelihood of imminent monetary easing by the PBoC. Coupled with concerns over rising energy costs and an acceleration in government bond issuance, China Government Bond (CGB) yields have risen, particularly at the ultra-long end (Fig. 20), given banks' relatively limited appetite for such duration. In response, the PBoC is expected to expand its secondary-market CGB net repurchases beyond February's RMB500b.

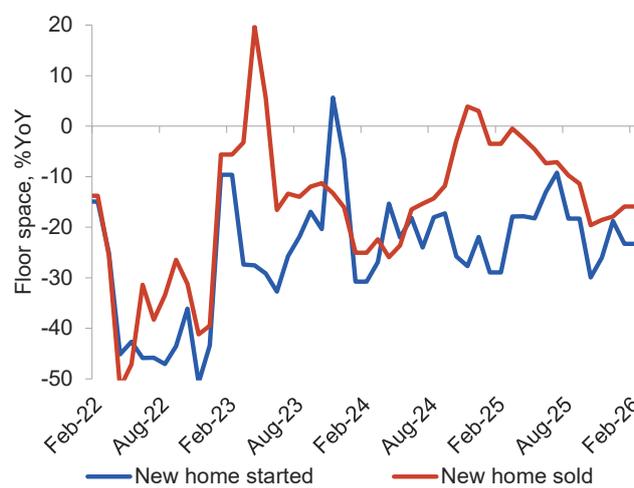
Pending Trump-Xi summit

Comments from President Trump suggesting that his planned visit to China at the end of the month may be delayed have had minimal impact on the renminbi. Senior US and Chinese officials are currently meeting in Paris on potential agricultural purchases, critical minerals, and trade agreements as they work to finalize an upcoming Trump-Xi summit. Further details are likely to emerge after the meetings conclude on Tuesday, 17 March.

<Growth in hi-tech manufacturing reach a four-year high>



<Weakness in the property market continued>



Source: CEIC, Mizuho

CNH Outlook

Weekly Price Change#	Week Open	Week High	Week Low	Week Close	Weekly Change*
USD/CNH	6.9101	6.9341	6.8601	6.9065	35
USD/CNY	6.9284	6.9284	6.8612	6.9037	-10
CNY PBoC Fixing	6.9158	6.9158	6.8917	6.9007	-18
Shanghai Composite Index	4098.70	4141.65	4052.55	4095.45	-28.75

#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)	-1521	-87	CNH HIBOR (3mth)	1.725	0.060
CNH Currency Swap (3yr)	1.380	-0.045	CNH Implied yield (1Y)	1.375	-0.019

Recap

The renminbi has proven relatively resilient despite escalating tensions in the Middle East and a stronger US dollar. Offshore renminbi (CNH) traded within a moderate range around the 6.9 handle throughout the week and closed broadly unchanged, even as the dollar index gained 1.4%. A key reason for this stability is China's relatively low energy dependence on oil shipments passing through the Strait of Hormuz, especially compared with Asian peers such as South Korea and Japan. Their currencies have weakened 3.9% and 2.3%, respectively, since the onset of the conflict.

Still, domestic pressures have not been absent. China's benchmark gasoline prices have risen 8.6% since the strikes on Iran. The CNH is no longer trading at a persistent premium to onshore CNY (Fig. 30), prompting the PBoC to adopt a more neutral approach in setting the daily reference rate (Fig. 27). At the moment, further downside for the renminbi seems limited. Notably, both CNH and CNY are holding steady even after President Trump indicated that his planned visit to China would likely be delayed.

Across Asia, the renminbi stood out as a top performer. Both CNY (+0.01%) and CNH (-0.05%) saw mild depreciation that is more contained than the pegged currency HKD (-0.08%). By contrast, PHP, JPY and THB were among the weakest performers, each falling more than 1% against the dollar.

Outlook

Looking forward, visibility remains low on a ceasefire involving the US, Israel, and Iran. The reopening of oil routes through the Strait of Hormuz appears even more unlikely in the near term, with a dozen or more sea mines laid in surrounding waters. As such, RMB volatility is likely to persist. With January-February data now behind us, **we expect CNH to stay broadly range-bound around 6.90 in the coming weeks**, supported in part by relatively firm long-end CGB yields.

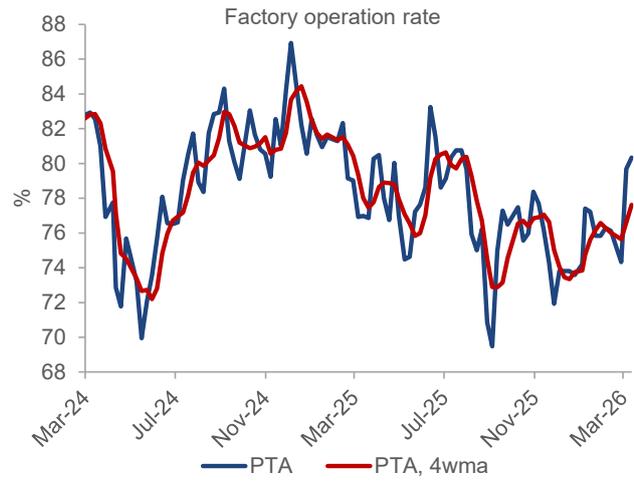
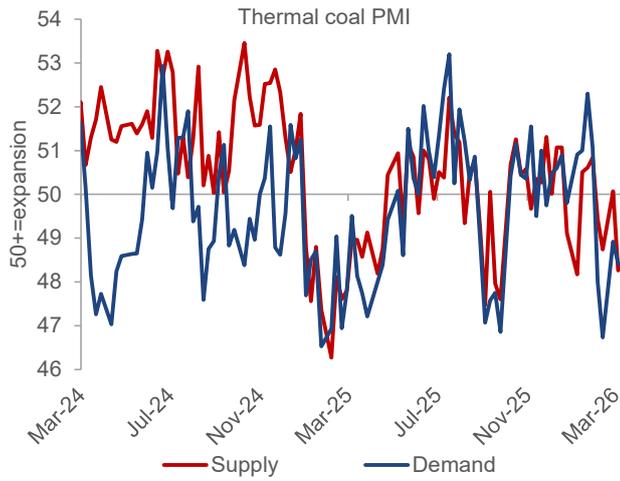
That said, **our medium-term stance remains constructive. We forecast a year-end rate of 6.80 for the CNH.** Policymakers in Beijing have shifted their strategic focus toward strengthening domestic demand rather than relying on an undervalued currency to boost exports. At the same time, the government has been encouraging imports by lowering or eliminating taxes on selected commodities, including agricultural products, raw materials, advanced equipment, and premium consumer goods, as part of a broader effort to build more balanced and sustainable trade relationships.

<FX Charts on Page 8>

Activity monitor (1/2)

Fig 1 Thermal coal: the PMI dropped after a short-lived recovery

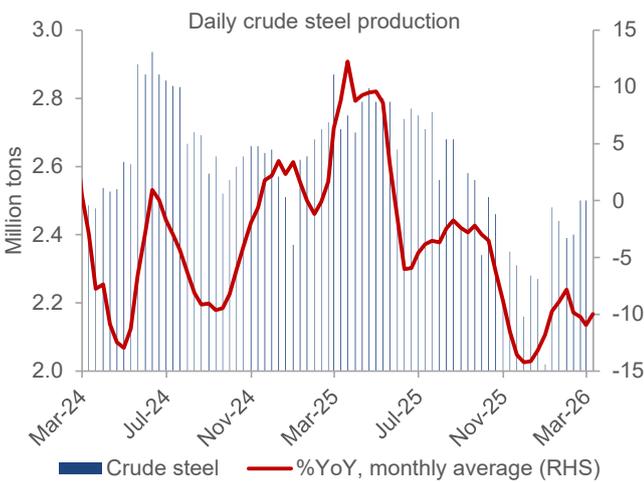
Fig 2 PTA production picked up notably



Source: Wind, Mizuho

Fig 3 Steel production continued its YoY decline

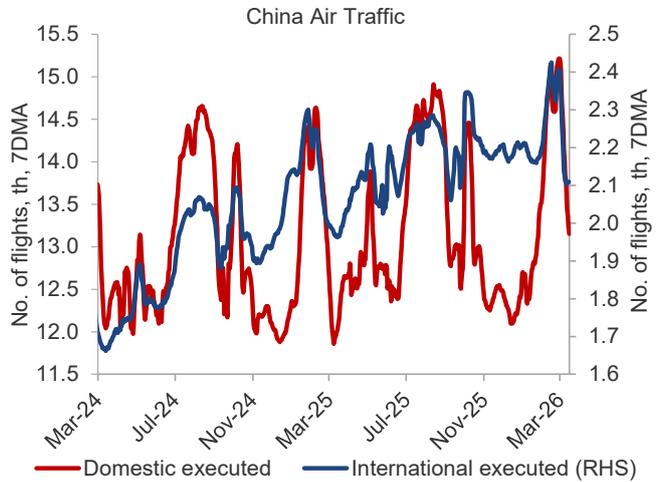
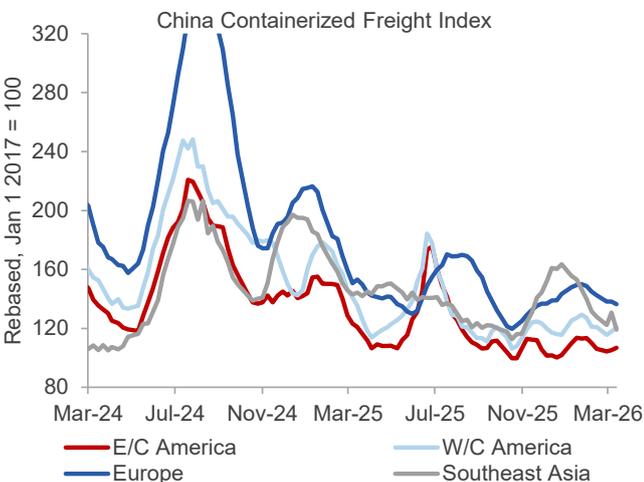
Fig 4 Steel tire production saw a notably rebound after the holiday



Source: Wind, Mizuho

Fig 5 CCFI: prices for outward shipments remain stable

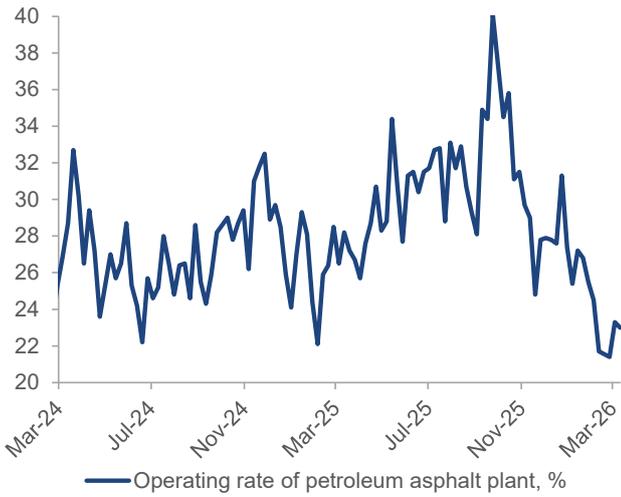
Fig 6 Air traffic: an expected drop post the holiday



Source: Wind, Mizuho

Activity monitor (2/2)

Fig 7 Road construction activity rose from the trough

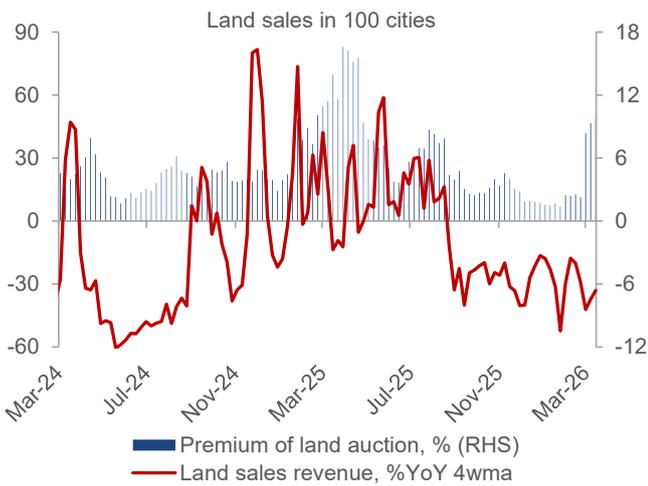


Source: Wind, Mizuho

Fig 8 Construction material prices: cement prices dropped further



Fig 9 Land sales continued to see YoY declines



Source: Wind, Mizuho

Fig 10 New home sales remained sluggish

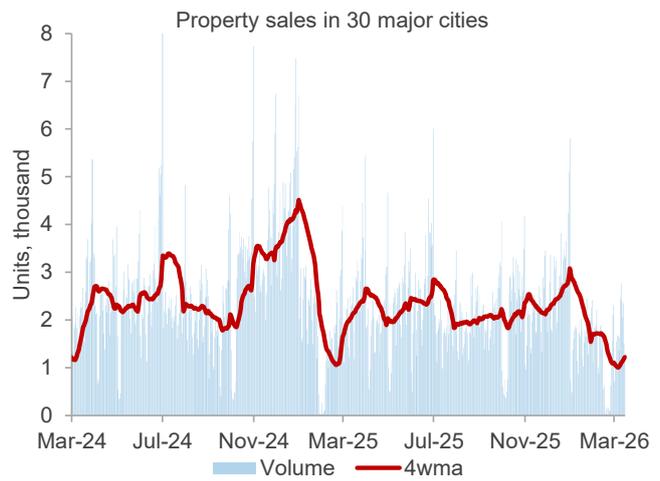
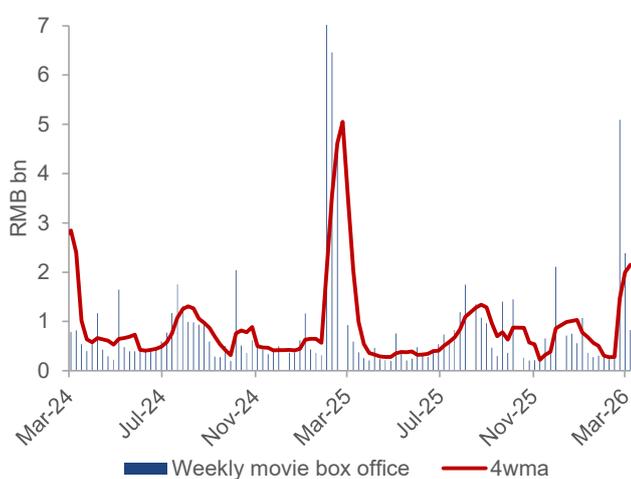
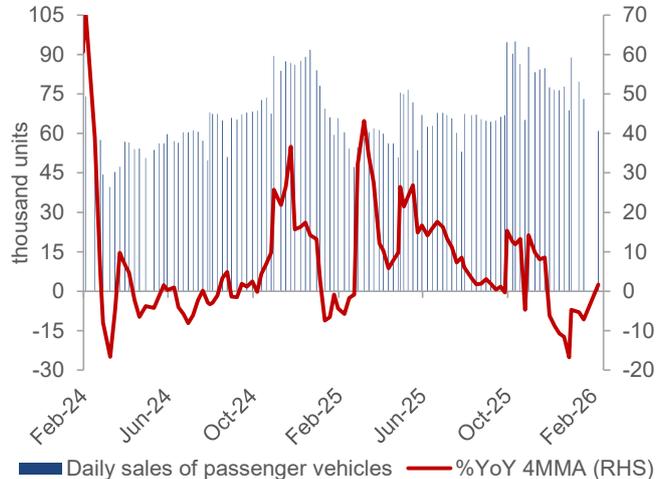


Fig 11 Movie box office revenue saw a limited pickup in holiday



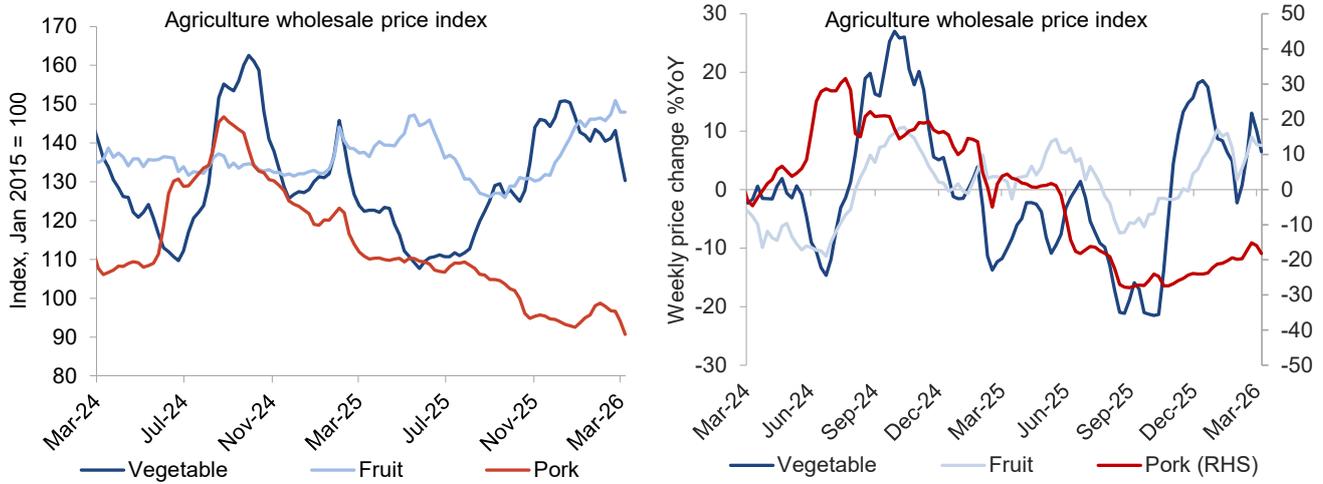
Source: Wind, Mizuho

Fig 12 PV sales: growth turned slightly positive in February



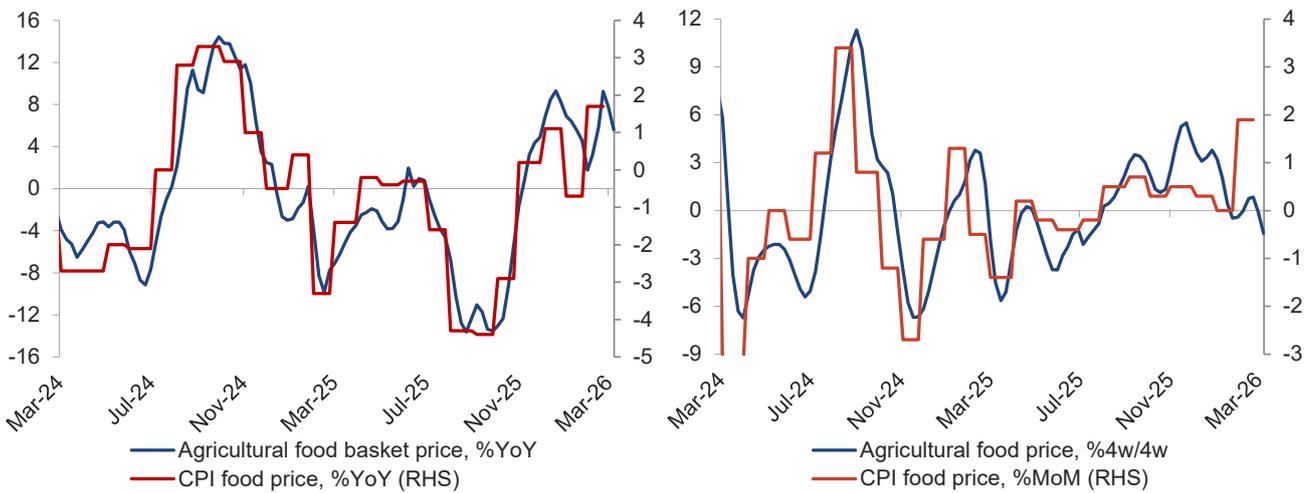
Price monitor

Fig 13 Major food items: prices started to normalize after the holiday



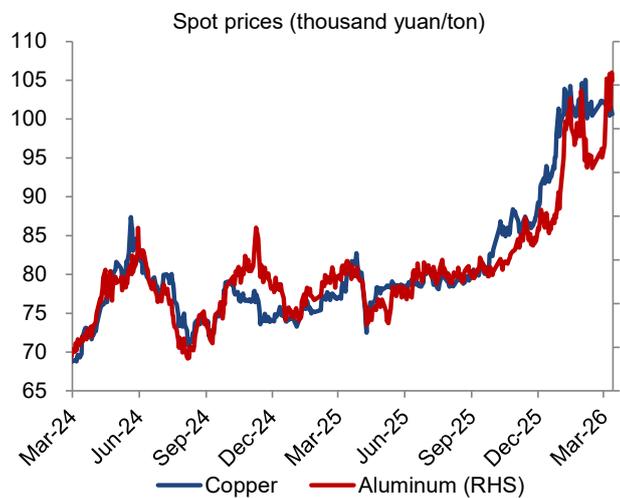
Source: Wind, Mizuho

Fig 14 Wholesale food prices: growth picked up notably during the holiday period



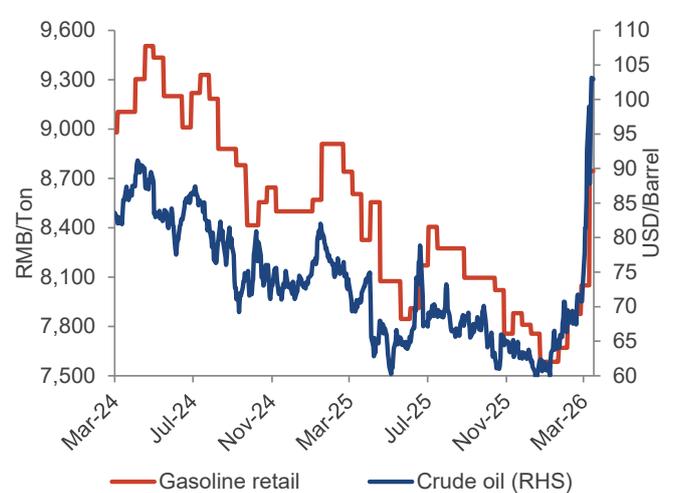
Source: CEIC, Mizuho

Fig 15 Non-ferrous metal prices returned to previous highs



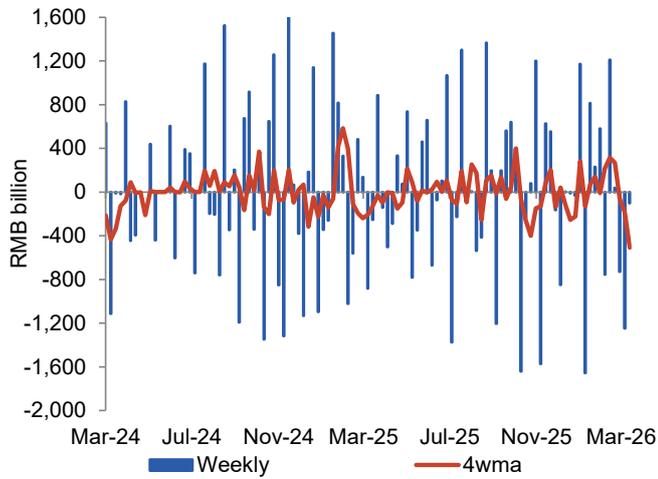
Source: CEIC, Wind, Mizuho

Fig 16 Oil prices soared post the shutdown of the Hormuz Strait



Liquidity monitor

Fig 17 OMOs: net withdrawal of RMB101.1b during 9 – 13 Mar



Source: CEIC, Wind, Mizuho

Fig 18 7D repo for FIs remained relatively stable

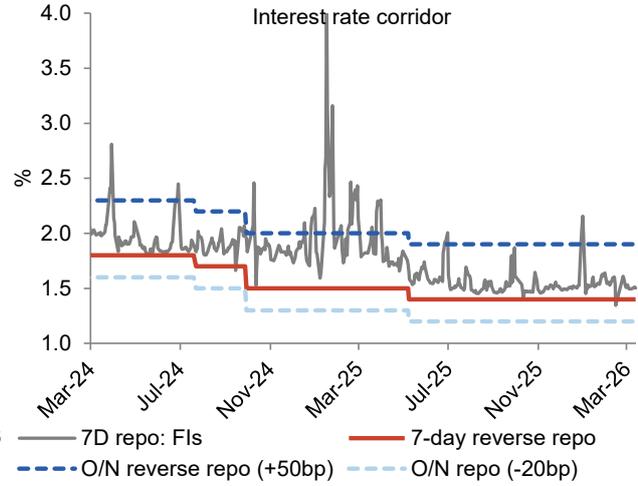
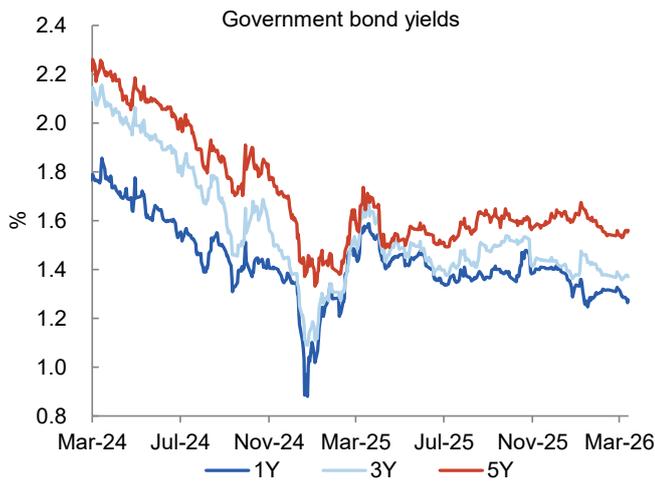


Fig 19 Short-end CGB yields dropped at the front end



Source: Wind, CEIC, Mizuho

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

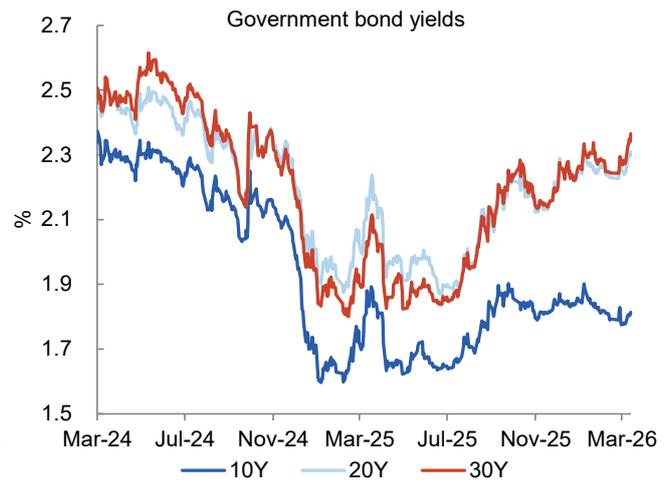
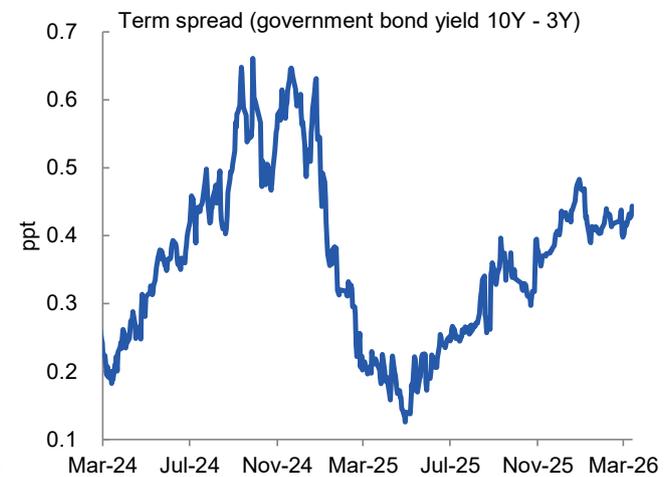
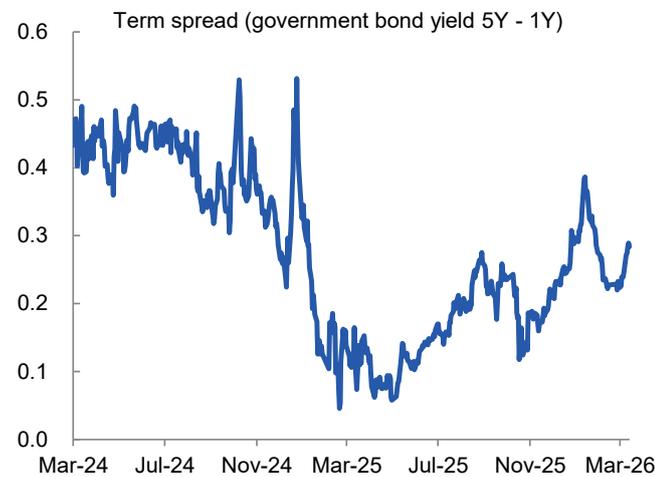


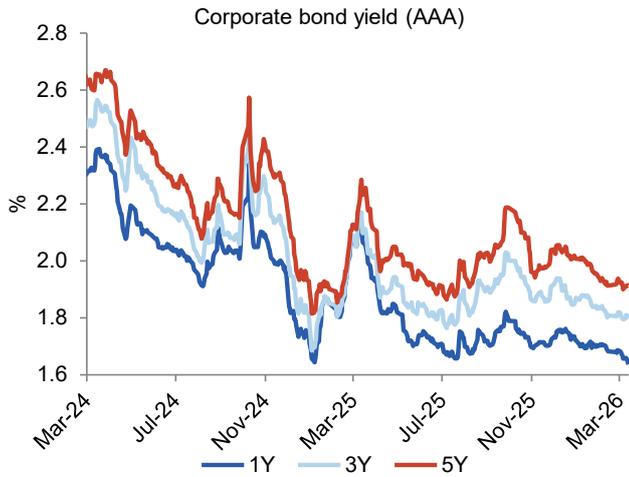
Fig 21 CGB term spreads widened at the front-end of the curve



Source: CEIC, Mizuho

Credit monitor

Fig 22 Onshore IG credit yields edged lower at the front end

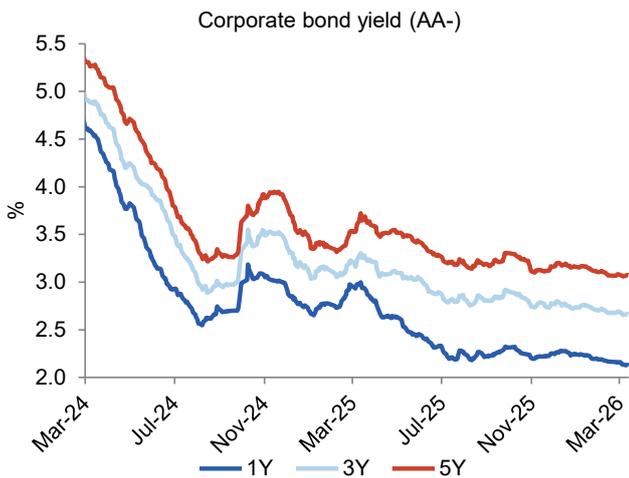


Source: Wind, Mizuho

Fig 23 IG corporate risk premium remains relatively stable



Fig 24 Onshore HY credit yields stayed much flat



Source: Wind, Mizuho

Fig 25 HY corporate risk premium remained relatively tight



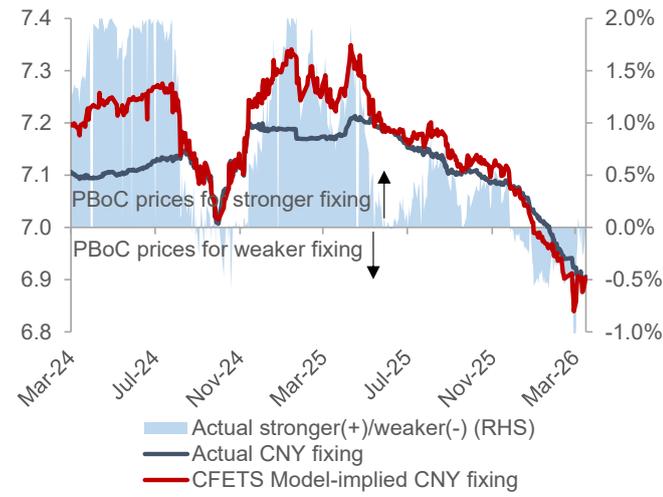
Fig 26 China USD credit spreads: China IG spreads proved remarkably resilient amid the ongoing Middle East war



Source: IHS Markit, Mizuho

FX monitor

Fig 27 RMB fixing rate: the PBoC returned to relatively neutral



Source: CEIC, Bloomberg, Mizuho

Fig 28 RMB trade-weighted index picked up to over-a-year high

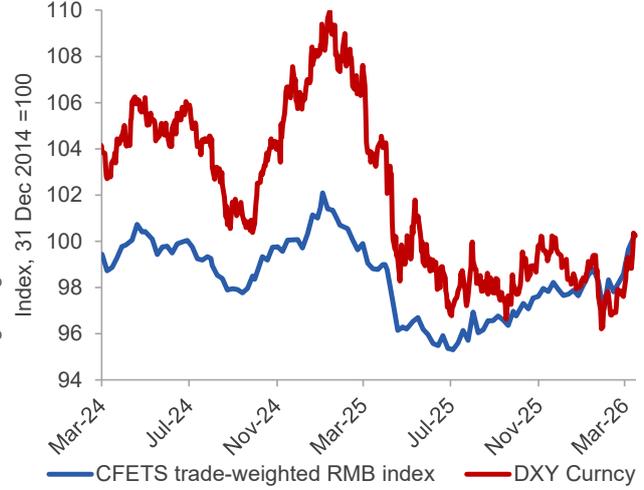
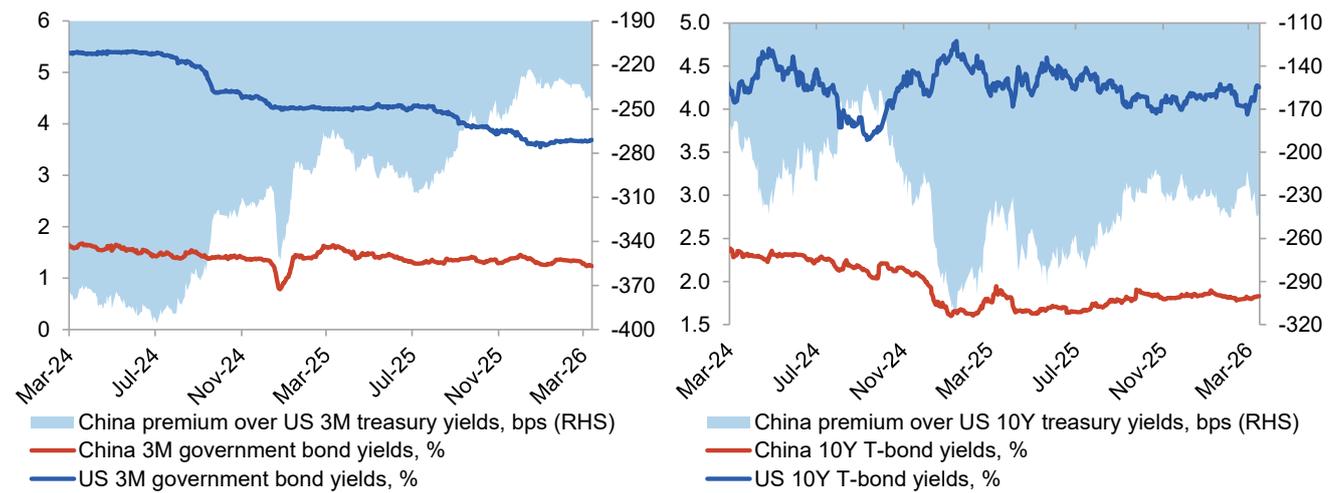
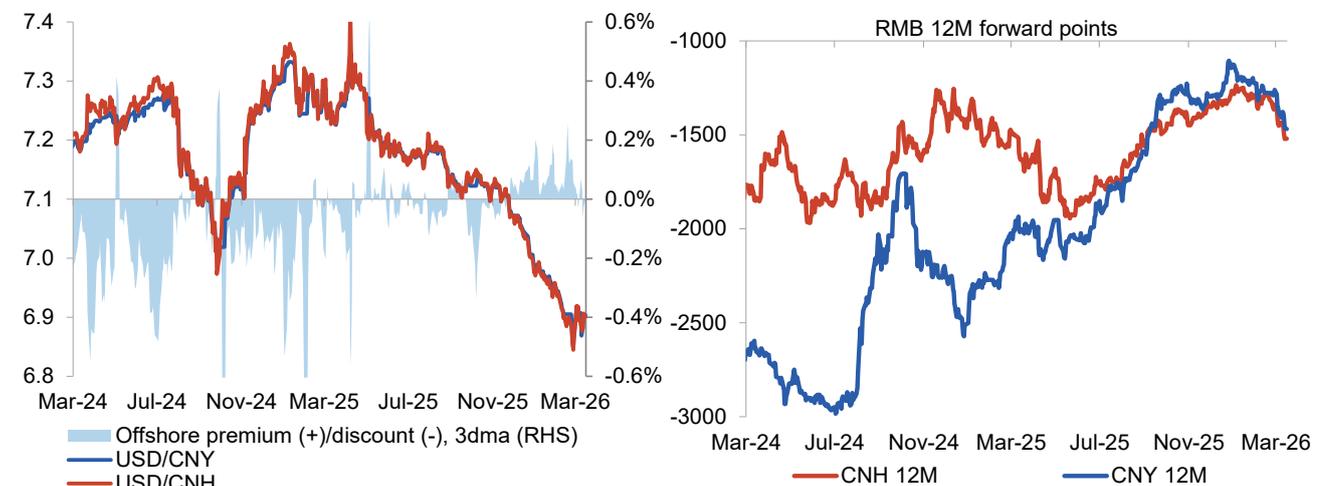


Fig 29 China-US interest rate spreads moved slight wider at both the front end and back end



Source: CEIC, Bloomberg, Mizuho

Fig 30 Offshore RMB (CNH) is trading on par with the CNY amid renewed dollar strength



Source: Bloomberg, Mizuho

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