Mizuho China Weekly

Economics & Strategy | Asia ex-Japan

20 April 2026

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China Weekly Outlook

Rate Hold as Expected

China's 1-year and 5-year Loan Prime Rates were left unchanged in April, in line with market expectations. The resilient Q1 GDP growth of 5.0% YoY has likely prompted banks to adopt a wait-and-see approach for now.

On the inflation front, core CPI growth stabilized at 1.2% YoY in Q1, broadly unchanged from the previous quarter, despite higher fuel prices, which contributed 0.1ppt to March's headline inflation. At the same time, supported by rising raw material prices amid government-led supply curbs, the GDP deflator recorded only a marginal decline in Q1 (-0.06% YoY), while nominal GDP growth reached a near three-year high.

Softer Momentum into March

That said, March data pointed to some softening in domestic demand. Retail sales growth slowed to a three-month low of 1.7% YoY, while the unemployment rate unexpectedly rose to 5.4%. Notably, excluding this year, increases in the March unemployment rate have occurred only twice in the past decade: once in 2018 amid the onset of the US-China "trade war 1.0," and again in 2022 during Shanghai's city-wide COVID lockdown.

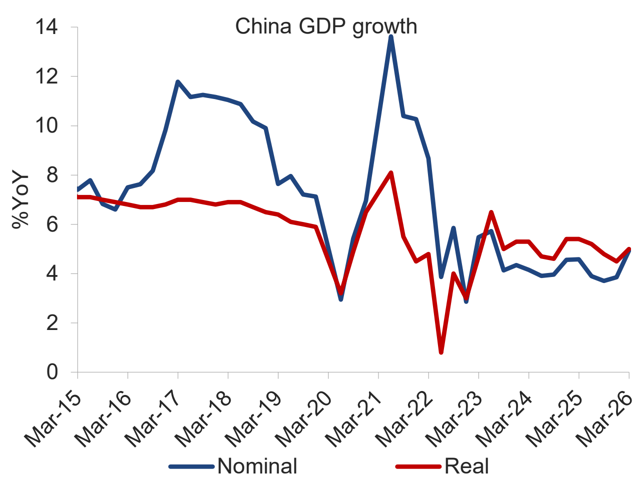
Meanwhile, private investment continues to weigh on overall fixed asset investment. Beyond the ongoing contraction in property investment, several service sectors closely linked to private capital, including entertainment, healthcare, and education, all experienced sharper declines in Q1.

Hope of Further Easing

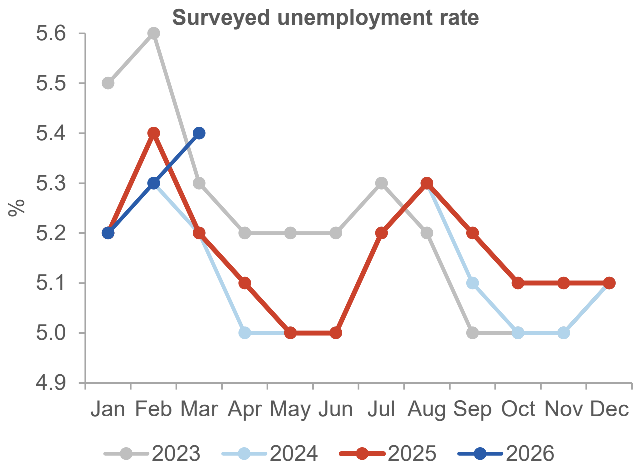
With growth momentum waning toward the end of the quarter, **we maintain our full-year GDP forecast at 4.6% and continue to expect further policy easing** this year. According to the Ministry of Finance's plan, China will begin issuing 20-year and 30-year special CGBs this week (24 April), followed by more issuance in each of the subsequent months through October. Given that the spread between 30-year and 10-year CGBs once widened to a four-year high of 56bp in mid-March (Fig. 21), the increased supply may renew upward pressure on ultra-long yields.

Against this backdrop, we anticipate further liquidity support from the PBoC in the coming months, potentially through RRR cuts and expanded secondary-market bond purchases, to help stabilize interbank liquidity conditions.

< Nominal GDP growth nearly a three-year high >



< A rare pickup in March unemployment rate >



Source: CEIC, Mizuho

CNH Outlook

Weekly Price Change#	Week Open	Week High	Week Low	Week Close	Weekly Change*
USD/CNH	6.8328	6.8437	6.8059	6.8160	-98
USD/CNY	6.8363	6.8375	6.8156	6.8182	-110
CNY PBoC Fixing	6.8657	6.8657	6.8582	6.8622	-32
Shanghai Composite Index	3971.20	4058.60	3966.20	4051.43	65.20

#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)	-1575	38	CNH HIBOR (3mth)	1.602	-0.034
CNH Currency Swap (3yr)	1.275	-0.025	CNH Implied yield (1Y)	1.279	-0.007

Recap

Following a volatile start to last week, the offshore renminbi (CNH) settled into a narrow range around 6.82 and finished 0.14% stronger versus the US dollar. These muted movements happened as the result of the PBoC leaning against rapid RMB appreciation, setting daily fixings roughly 0.6% weaker than levels implied by the CFETS model (Fig. 27). In our view, this underscores resilient market confidence in the renminbi, as investors sought an anchor of stability amid ongoing, fast-changing developments in the Middle East.

Against this backdrop, the performance in CNH lagged several regional peers last week—most notably KRW (+1.6%)—but outperformed the pegged HKD (0.0%) and held up better than INR (-0.2%) and IDR (-0.5%). On a trade-weighted basis, the renminbi index softened 0.4% week-on-week, marking its weakest level in six weeks.

Outlook

Looking ahead, while geopolitical uncertainty remains elevated, markets appear increasingly desensitized to negative headlines. Brent crude has stayed below US$100/bbl for most of the past two weeks, suggesting risk premiums have been relatively contained. Importantly, investors have shown limited concern over spillovers into China's inflation trajectory, reflecting confidence in the authorities' capacity and willingness to smooth domestic fuel-price pressures.

With the PBoC maintaining a firm grip on the currency, **we expect CNH to trade within the range of 6.80-6.85 in the near term**, as the US-Iran impasse continues to cloud the outlook for the Strait of Hormuz. Overall, we see the renminbi balancing residual Middle East risks against gradually improving investor confidence in the yuan.

<FX Charts on Page 8>

Activity monitor (1/2)

Fig 1 Thermal coal: A notable pickup seen in early April

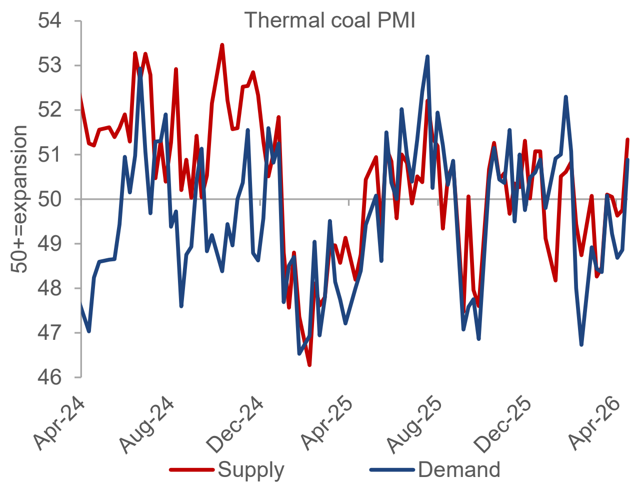
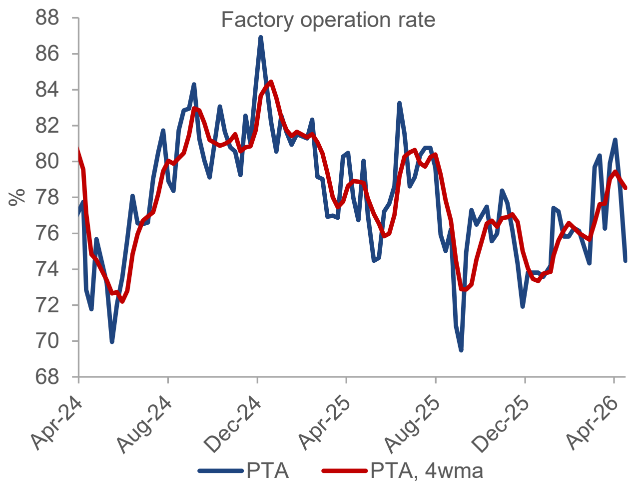


Fig 2 PTA production saw a renewed decline last week



Source: Wind, Mizuho

Fig 3 Steel production posted a slower YoY contraction

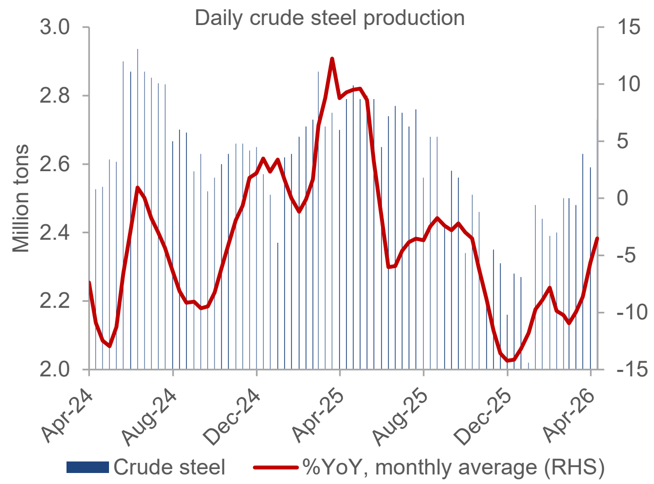


Fig 4 Steel tire production rebounded notably after the LNY

Source: Wind, Mizuho

Fig 5 CCFI: prices for outward shipments are picking up

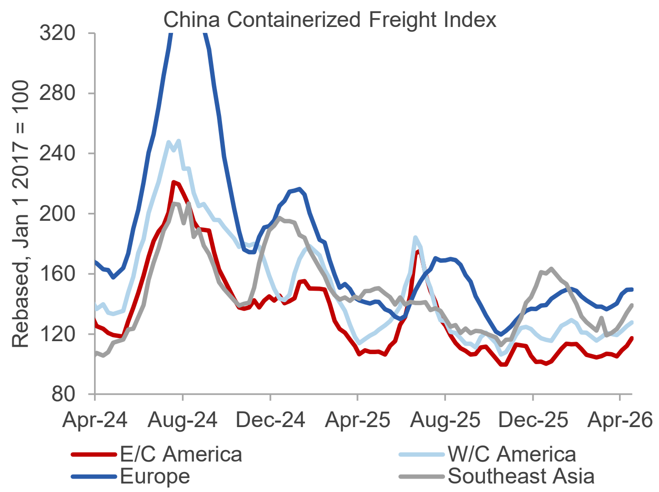
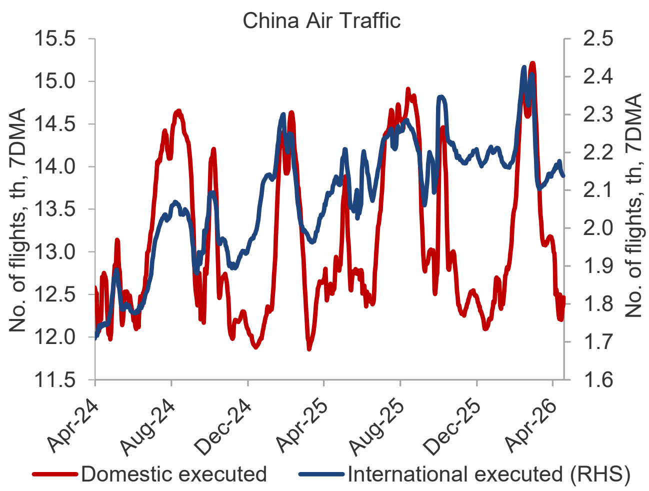


Fig 6 Air traffic: an expected dip after the holiday



Source: Wind, Mizuho

Activity monitor (2/2)

Fig 7 Road construction activity fell to a new low

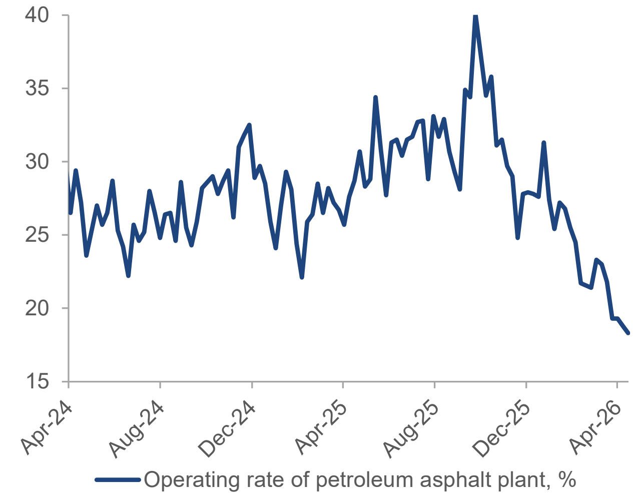
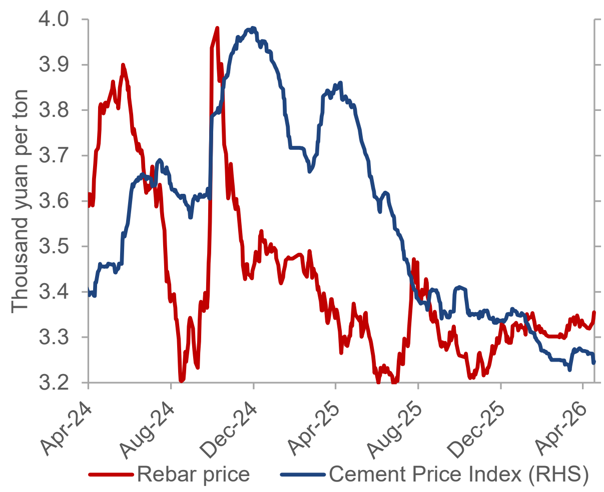


Fig 8 Construction material prices: cement prices remained subdued



Source: Wind, Mizuho

Fig 9 Land sales continued to see notable YoY declines

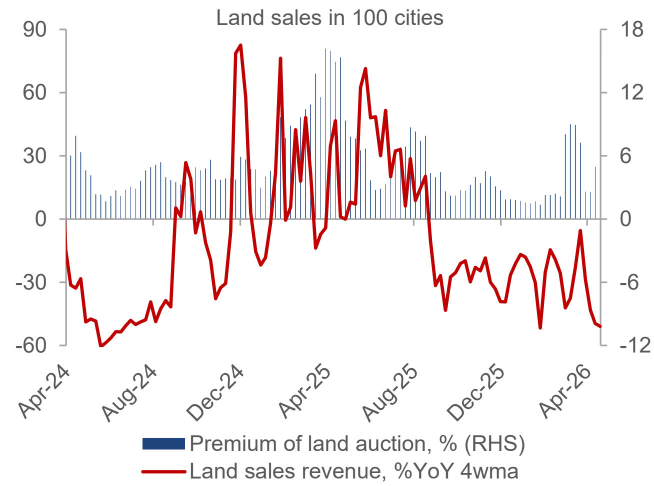
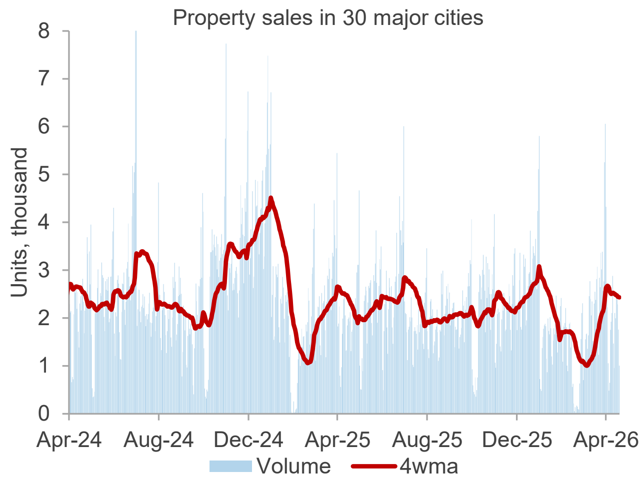


Fig 10 New home sales saw seasonal improvement after the LNY



Source: Wind, Mizuho

Fig 11 Movie box office revenue remains relatively subdued

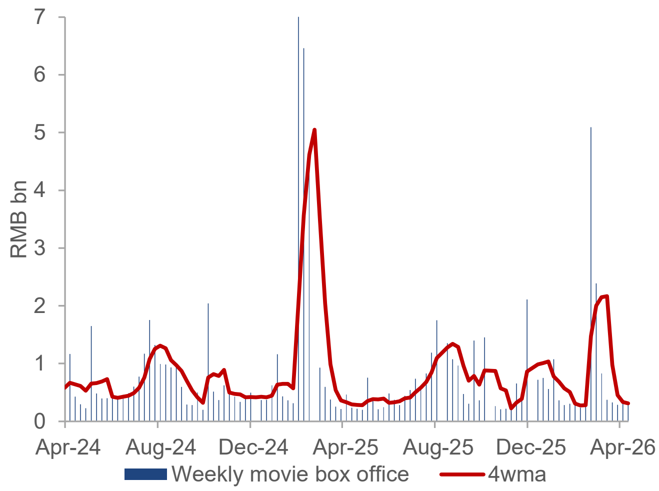
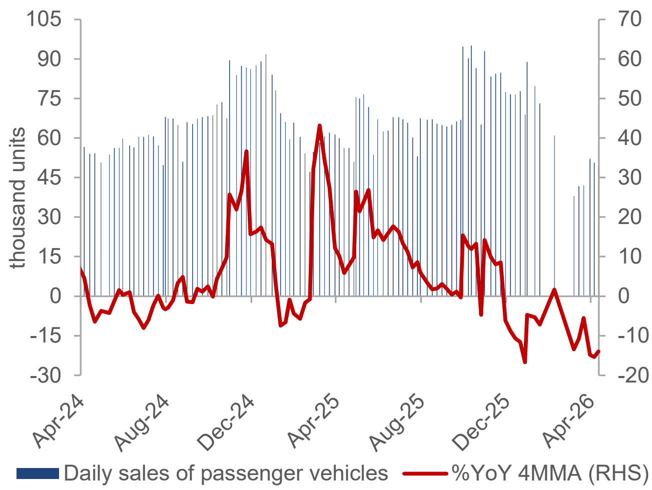


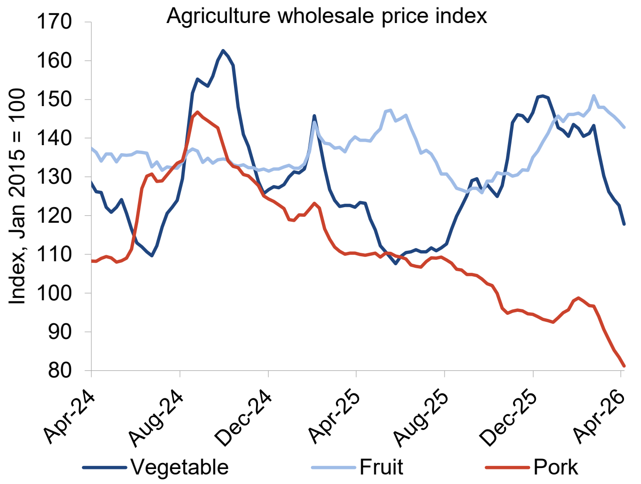
Fig 12 PV sales: growth turned negative again

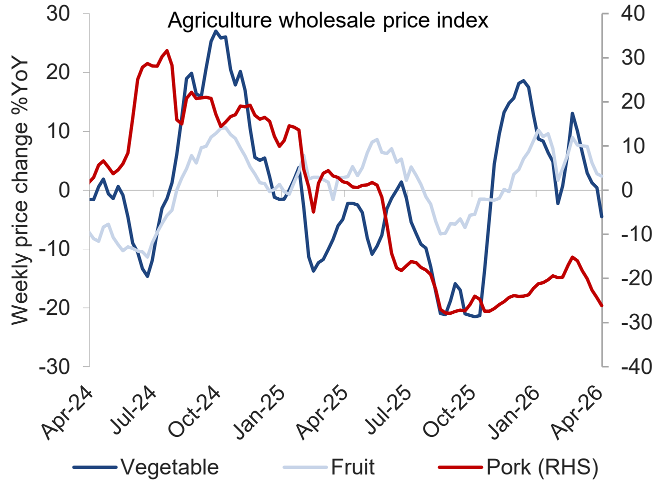


Source: Wind, Mizuho

Price monitor

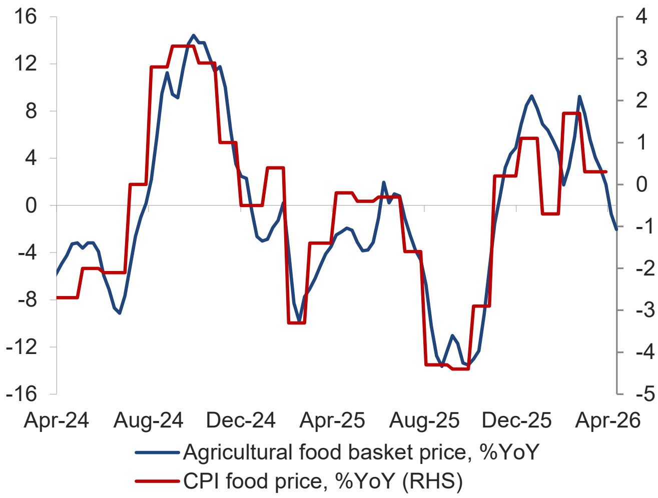
Fig 13 Major food items: the decline in pork prices continued, with levels hitting a 10Y low

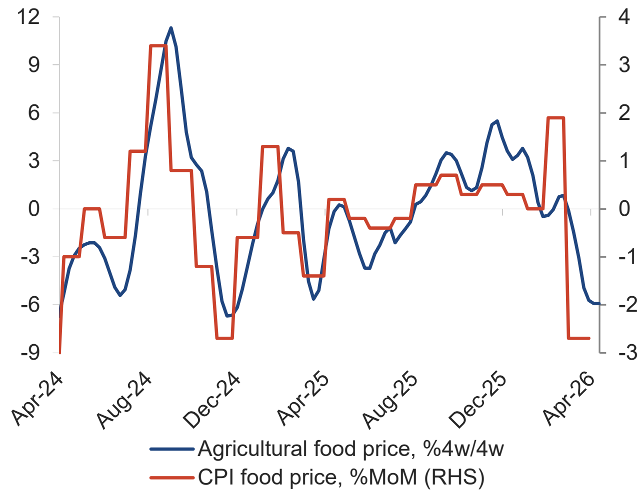




Source: Wind, Mizuho

Fig 14 Wholesale food prices dropped notably into early April





Source: CEIC, Mizuho

Fig 15 Non-ferrous metal prices remain relatively elevated

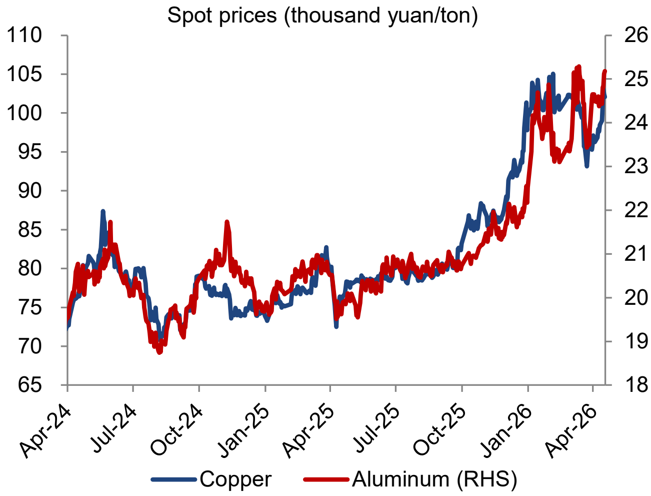
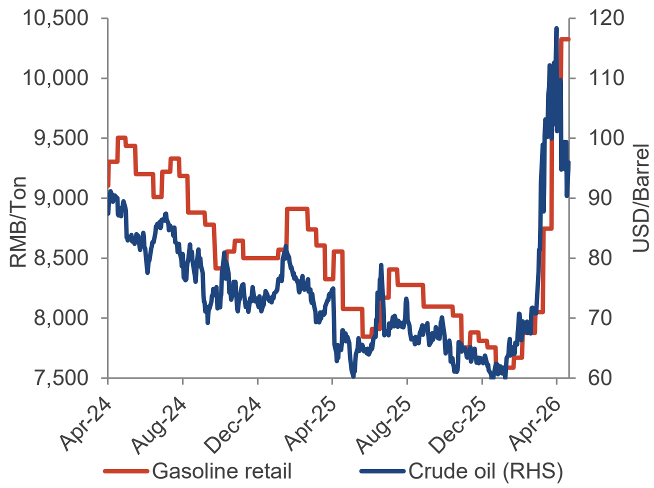


Fig 16 Oil prices soared further amid extended Middle East conflict



Source: CEIC, Wind, Mizuho

Liquidity monitor

Fig 17 OMOs: net withdrawal of RMB0.5b during 13 – 17 Apr

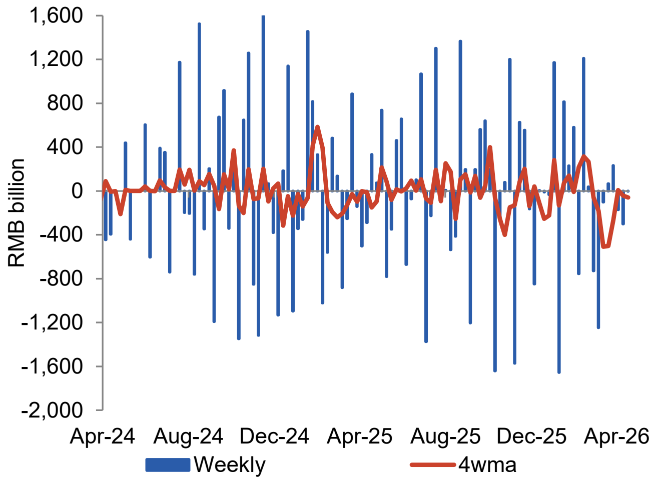
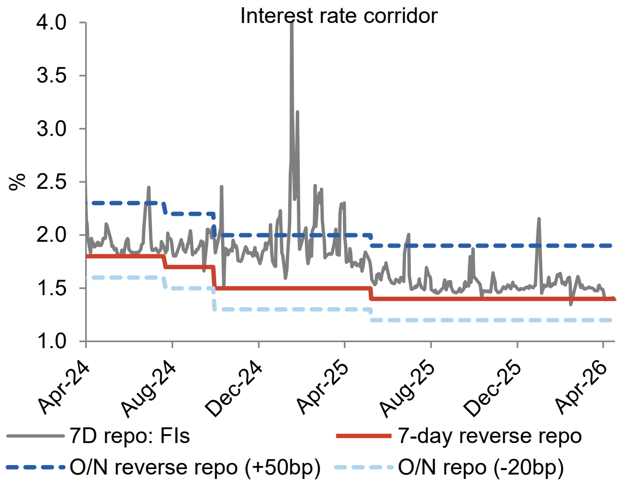


Fig 18 7D repo for FIs dropped to the target level



Source: CEIC, Wind, Mizuho

Fig 19 Short-end CGB yields see further declines last week

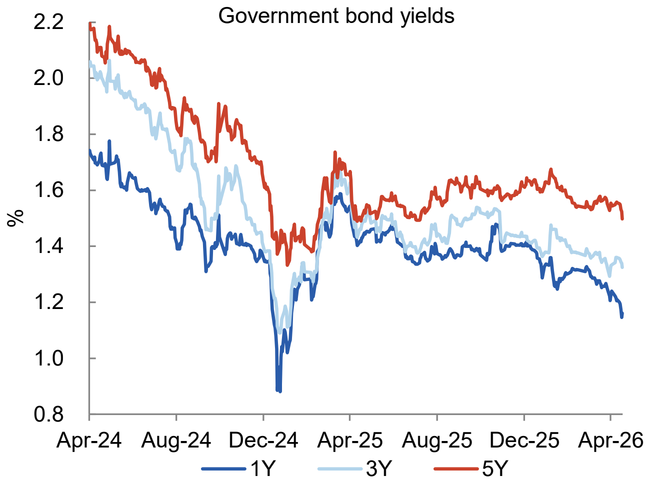
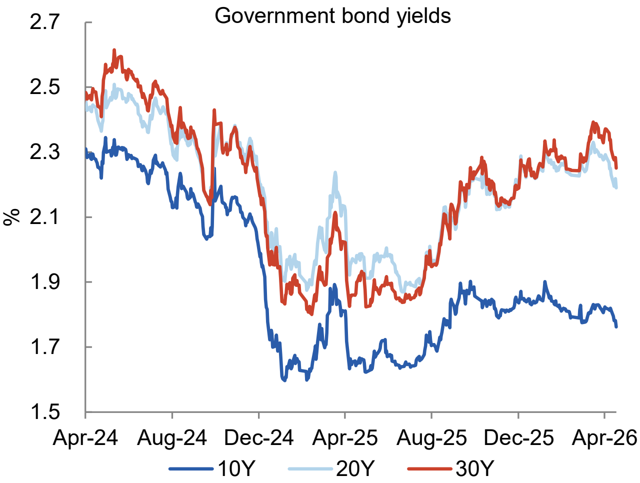
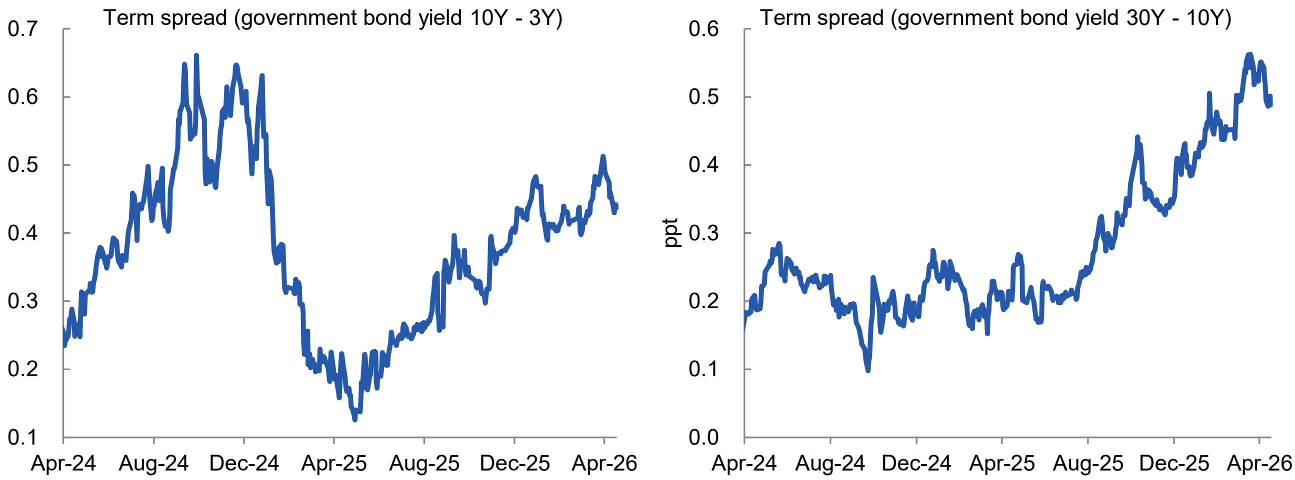


Fig 20 Long-end CGB yields: reversed gains in March



Source: CEIC, Mizuho

Fig 21 CGB term spreads: a bull-flattening was seen across the curve



Source: CEIC, Mizuho

Credit monitor

Fig 22 Onshore IG credit yields declined along CGB yields

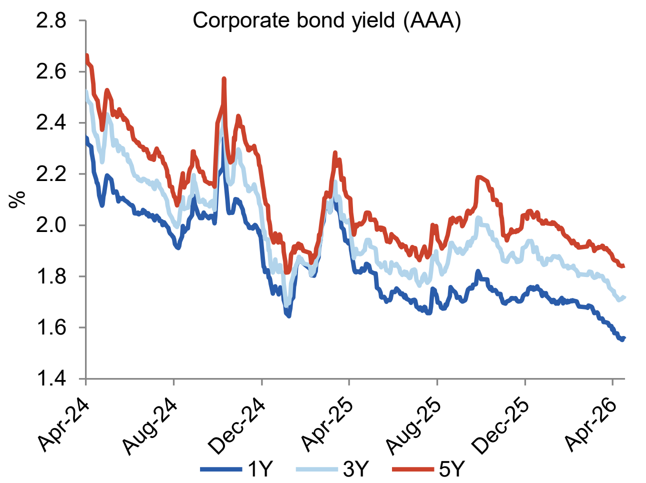
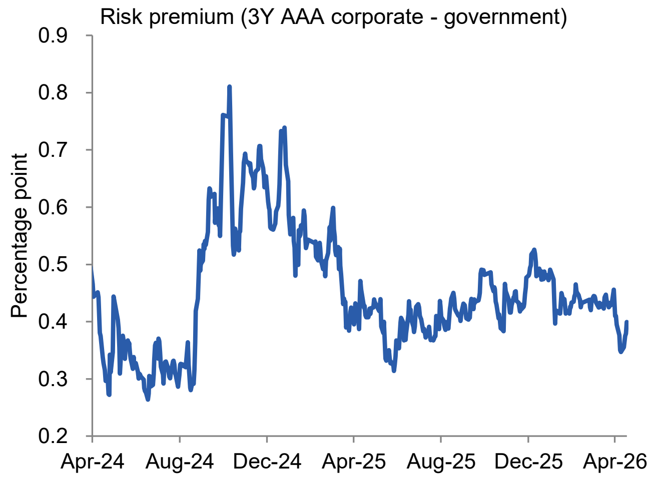


Fig 23 IG corporate risk premium stayed relatively tight



Source: Wind, Mizuho

Fig 24 Onshore HY credit yields declined gradually

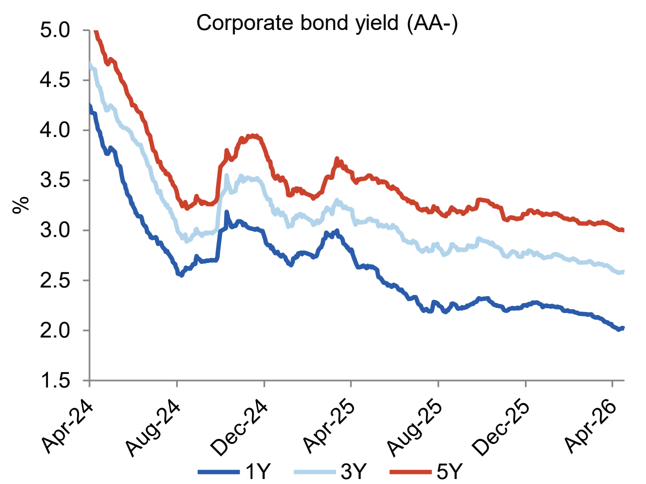
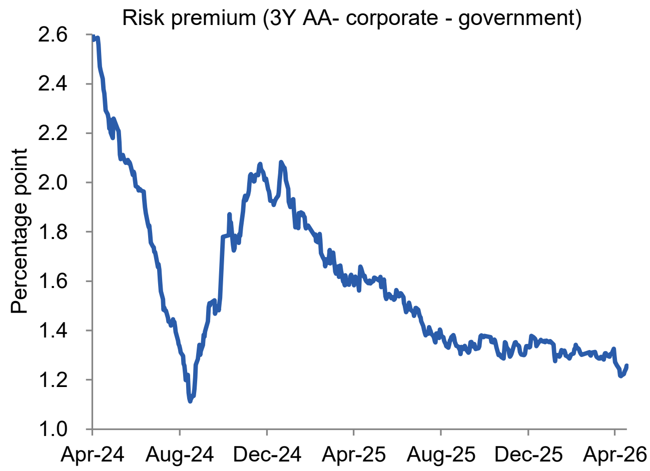


Fig 25 HY corporate risk premium tightened further



Source: Wind, Mizuho

Fig 26 China USD credit spreads pushed slightly wider as treasuries rallied on hopes for peace in the Middle East

Source: IHS Markit, Mizuho

FX monitor

Fig 27 RMB fixing rate: the PBoC leaning against stronger RMB

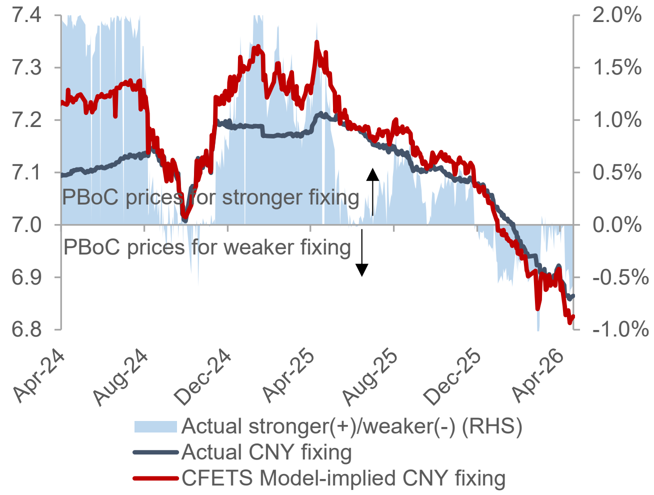
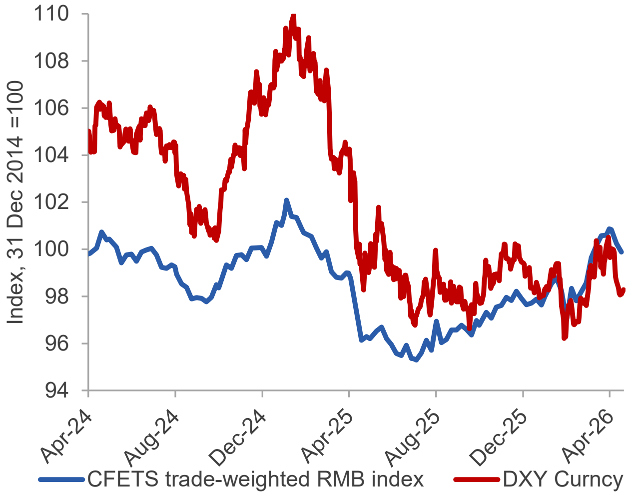
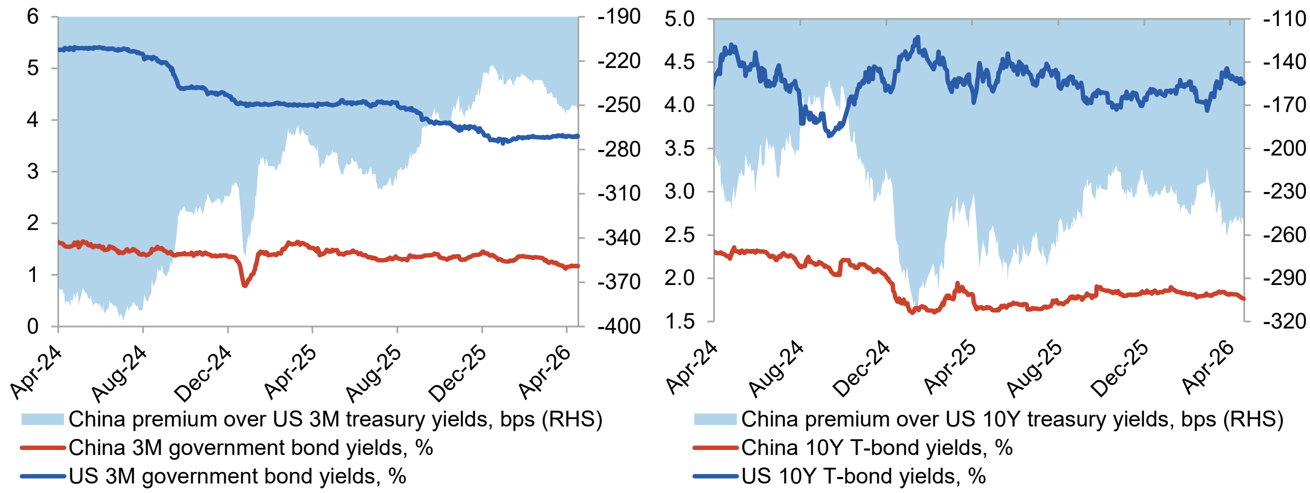


Fig 28 RMB trade-weighted index weakened amid such interventions



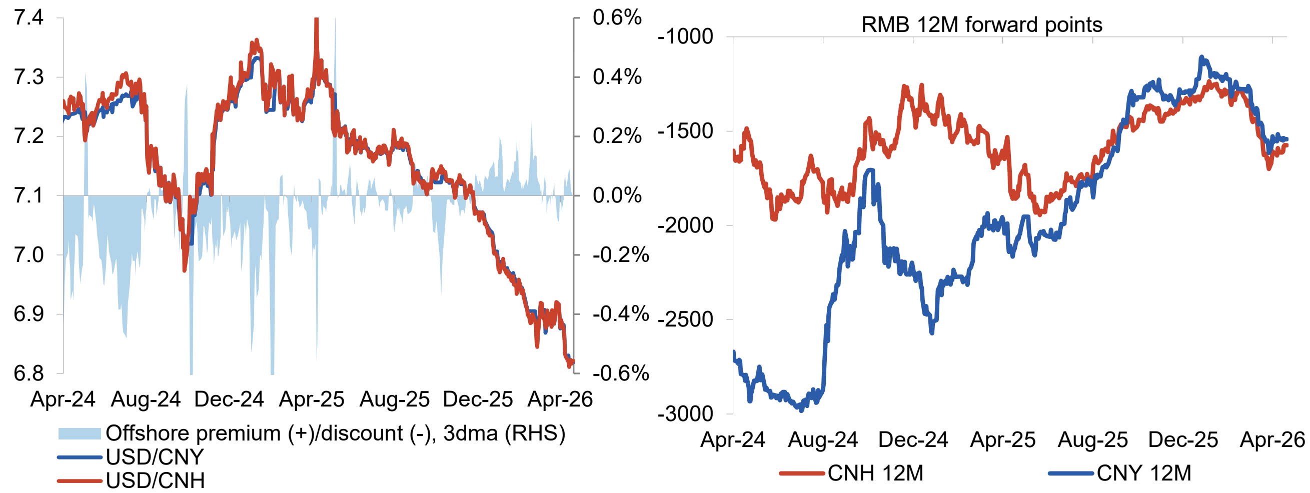
Source: CEIC, Bloomberg, Mizuho

Fig 29 China-US interest rate spreads have moved wider at both the front end and back end since late March



Source: CEIC, Bloomberg, Mizuho

Fig 30 Offshore RMB (CNH) is trading at a small premium to the CNY again



Source: Bloomberg, Mizuho

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