

## China Weekly Outlook

### Mixed PMI Readings

China's official April PMI readings highlight a resilient manufacturing sector despite heightened external uncertainty, while also revealing growing softness in consumer-facing and construction segments.

The manufacturing PMI came in at 50.3, exceeding most market expectations and easing only marginally from March. Notably, the production sub-index edged up to 51.5 in April despite disruptions linked to the blockage of oil flows through the Strait of Hormuz, underscoring the resilience of China's supply chains. That said, sectors closely tied to crude oil, namely petroleum and coal processing, as well as chemical raw materials and products, saw notable weakness.

On the demand side, conditions remained broadly stable despite adverse seasonal factors. The new orders index moderated slightly to 50.6, while new export orders climbed to a two-year high, pointing to solid external demand. Meanwhile, cost pressures persisted: both the raw material purchasing price index (63.7) and the producer price index (55.1) eased from their March peaks but remained elevated.

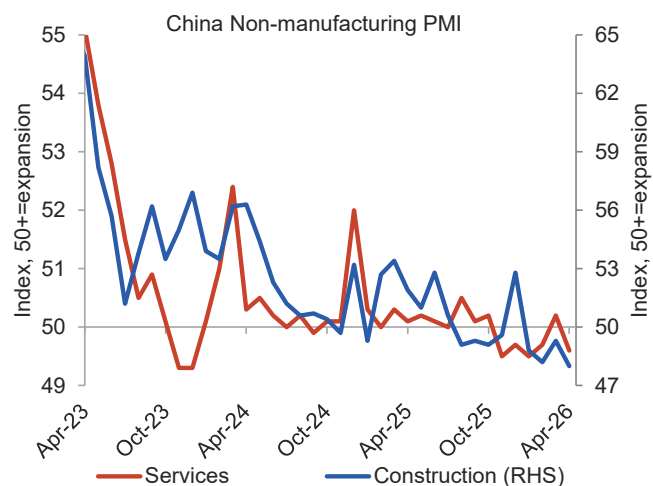
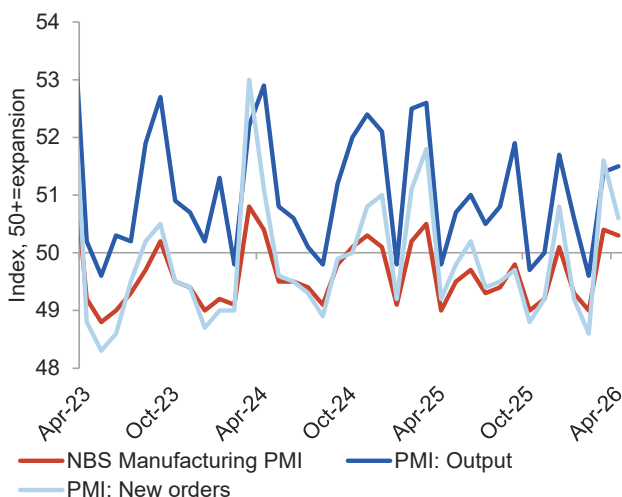
In contrast, the non-manufacturing sector showed renewed weakness, led by a sharp deterioration in construction activity. The construction PMI dropped to 48.0 in April, its lowest level since the pandemic, with ongoing contraction in private investment continuing to weigh on the sector. The services PMI also slipped below the expansion threshold to 49.6, dragged down by softness in wholesale and retail trade as well as consumer services.

### More Targeted Support

Looking ahead, we expect policymakers to accelerate the rollout of infrastructure projects under the current Five-Year Plan as part of broader efforts to stabilize investment demand and support employment. At the same time, monetary policy is becoming more targeted. Following the latest Politburo meeting, which noted that year-to-date economic indicators have exceeded expectations, the PBoC has opted for calibrated monetary support rather than broad-based easing. On 30 April, the central bank issued guidance encouraging financial institutions to further strengthen support for technological innovation and large-scale equipment upgrades, covering sectors such as electronic information, AI, and consumer commercial facilities.

< Resilient manufacturing sentiment amid external uncertainty >

< Construction PMI dropped to its lowest level since the pandemic >



Source: CEIC, Mizuho

## CNH Outlook

Weekly Price Change#	Week Open	Week High	Week Low	Week Close	Weekly Change*
USD/CNH	6.8337	6.8493	6.8193	6.8310	-36
USD/CNY	6.8308	6.8427	6.8216	6.8281	-39
CNY PBoC Fixing	6.8579	6.8628	6.8579	6.8628	-46
Shanghai Composite Index	4074.81	4118.76	4061.82	4112.16	32.26

#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)	-1659	-31	CNH HIBOR (3mth)	1.528
CNH Currency Swap (3yr)	1.280	0.020	CNH Implied yield (1Y)	1.239

### Recap

The offshore renminbi (CNH) traded within a tight range of 6.82–6.85 per dollar last week, ending slightly stronger despite headwinds from a persistent US-Iran impasse and a hawkish hold by the FOMC. At the start of this week, the currency briefly strengthened beyond the 6.82 level, supported by weekend reports that the US and Iran have exchanged responses regarding a potential peace proposal, alongside indications that President Trump may facilitate the passage of neutral ships through the Strait of Hormuz.

During the four trading days of last week, the PBoC tuned down its resistance to RMB appreciation, setting daily fixings at around 0.4% weaker than levels implied by the CFETS model, compared to 0.6% in the previous week. Relative to its Asian peers, the renminbi ranked third in performance, trailing only an intervention-driven rally in the Japanese yen (+1.5%) and corrections in the Singapore dollar (+0.2%) supported by the MAS's hawkish pivot.

### Outlook

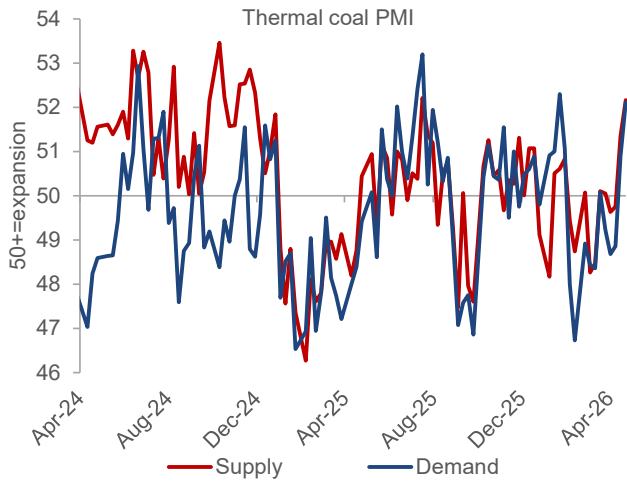
With the onshore market closed on Monday and Tuesday, CNH volatility is likely to pick up in the early part of the week. As President Trump's upcoming visit to China (14–15 May) approaches, sentiment toward the currency is expected to remain relatively supported against the backdrop of ongoing tensions in the Middle East. With the PBoC continuing to maintain firm control over the currency, **we expect CNH to trade within a 6.80–6.85 range in the next couple of weeks.**

Further out, **we anticipate the structural increase in renminbi demand to persist over the medium term.** Supportive factors include elevated policy uncertainty emanating from the White House and heightened geopolitical risks in the Middle East. In addition, the PBoC's ongoing efforts to smooth excessive FX volatility suggest the current appreciation cycle may proceed at a measured pace but with greater durability. **We continue to look for modest RMB appreciation and forecast USD/CNH at 6.65 by year-end, implying full-year gains approaching 5%.**

<FX Charts on Page 8>

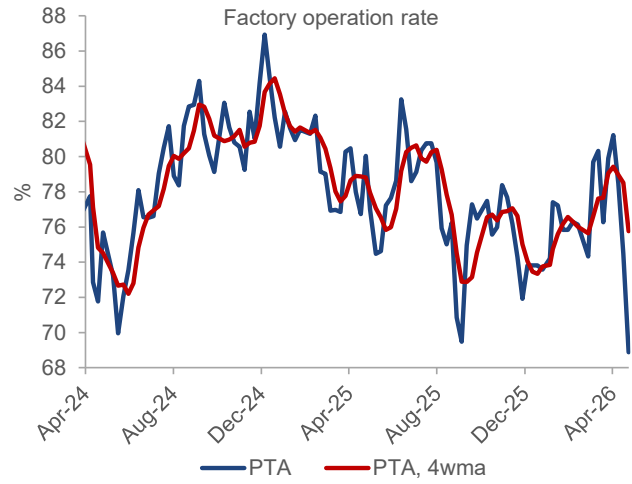
# Activity monitor (1/2)

**Fig 1 Thermal coal: A notable pickup has been seen in April**

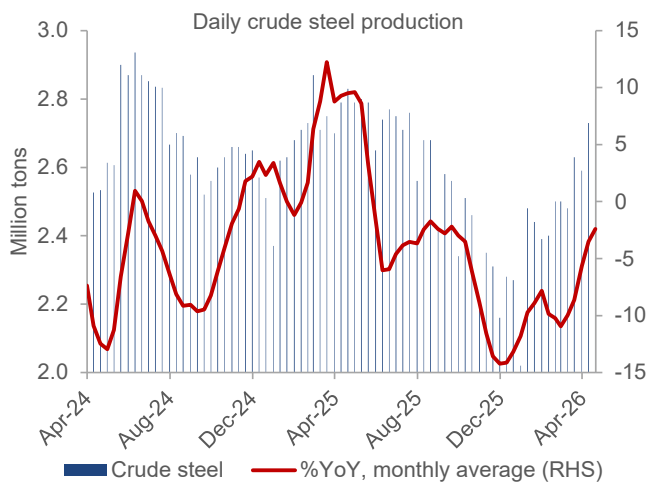


Source: Wind, Mizuho

**Fig 2 PTA production saw a remarked decline last week**

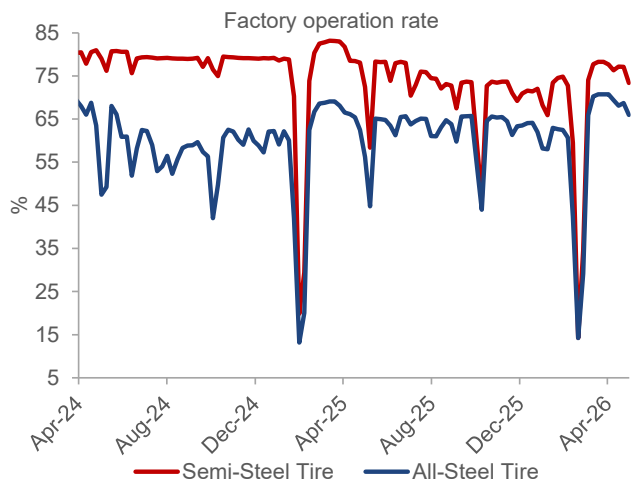


**Fig 3 Steel production posted a slower YoY contraction**

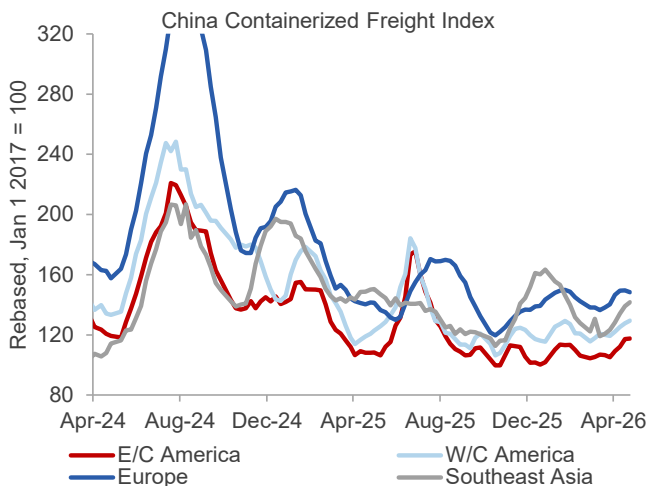


Source: Wind, Mizuho

**Fig 4 Steel tire production saw a mild slowdown ahead of holiday**

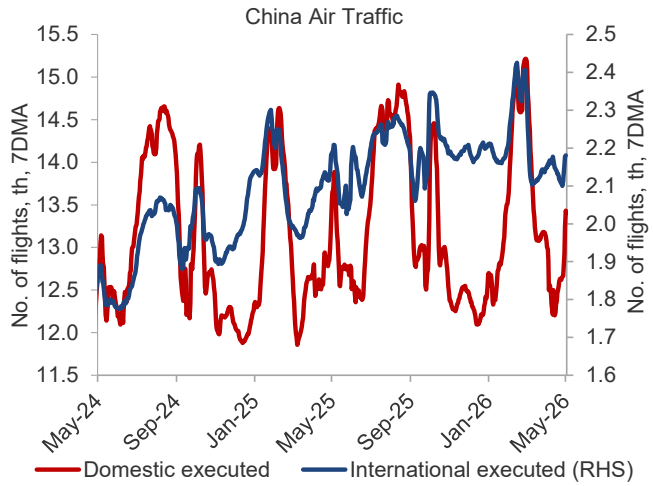


**Fig 5 CCFI: prices for outward shipments are picking up**



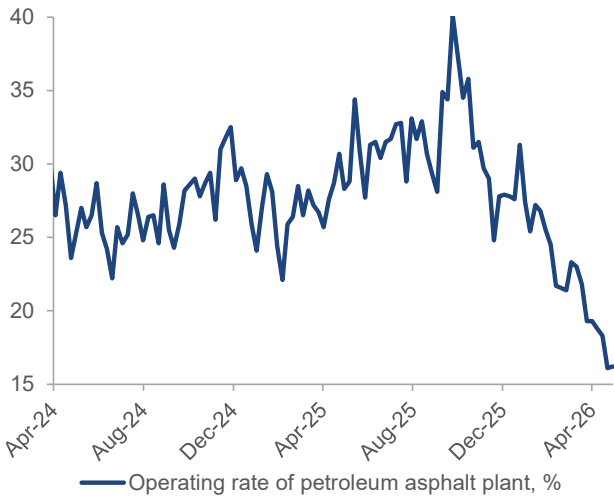
Source: Wind, Mizuho

**Fig 6 Air traffic picked up during the holiday despite higher fuel prices**



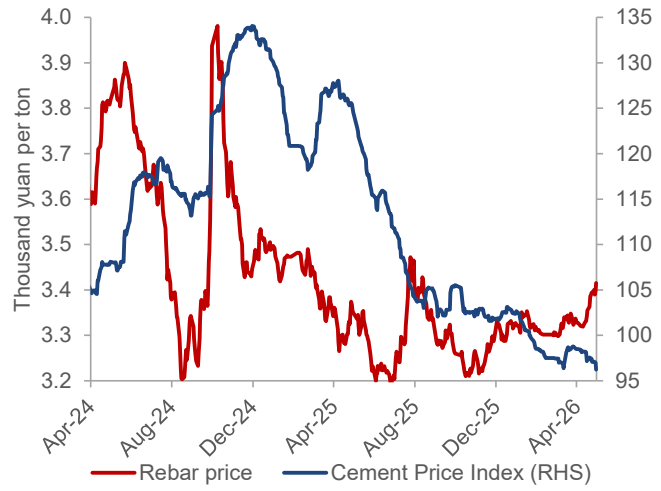
# Activity monitor (2/2)

**Fig 7 Road construction activity fell to a record low**

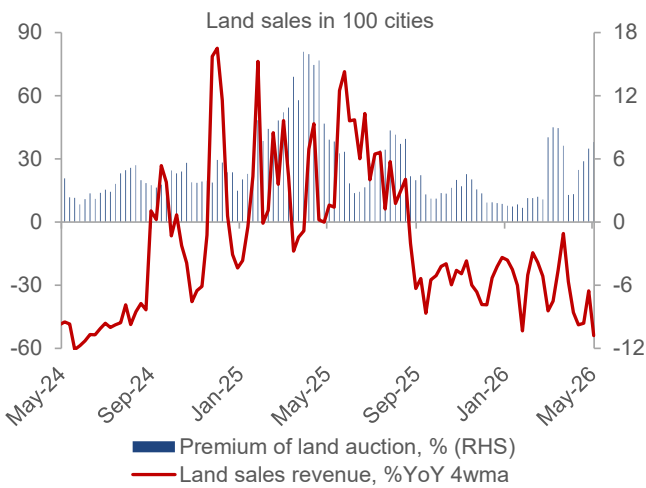


Source: Wind, Mizuho

**Fig 8 Construction material prices: rebar prices on the rise**

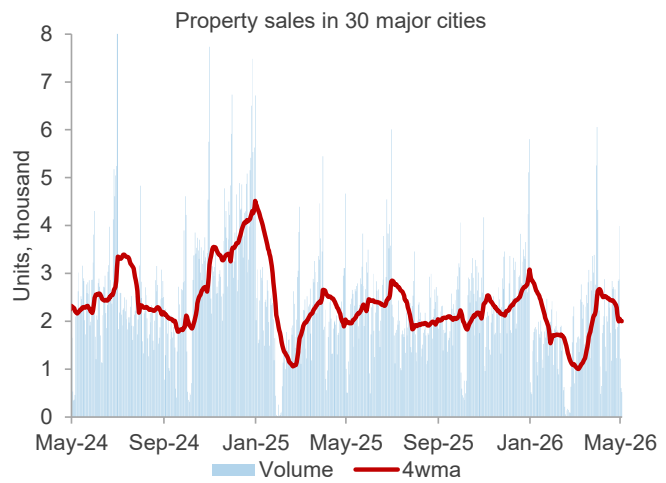


**Fig 9 Land sales continued to see notable YoY declines**

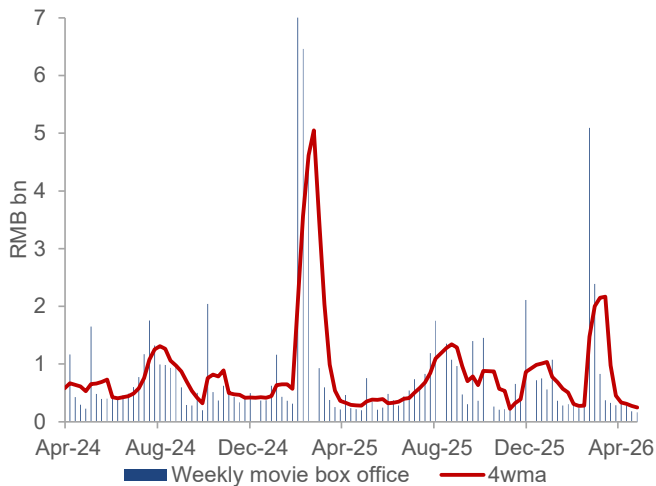


Source: Wind, Mizuho

**Fig 10 New home sales: a lack of pickup at the national level**

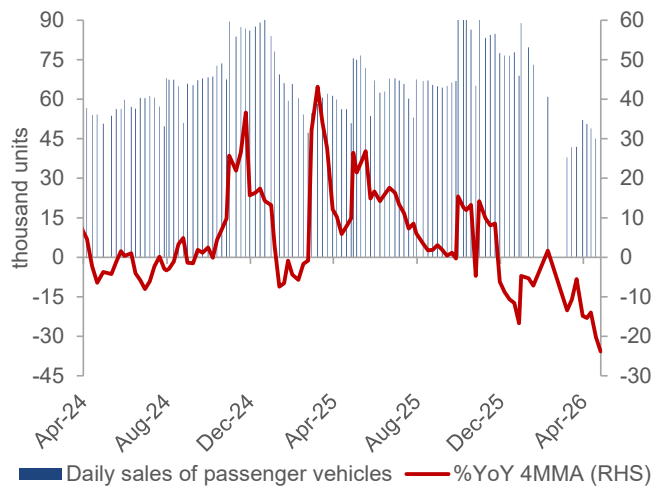


**Fig 11 Movie box office revenue remains relatively subdued**



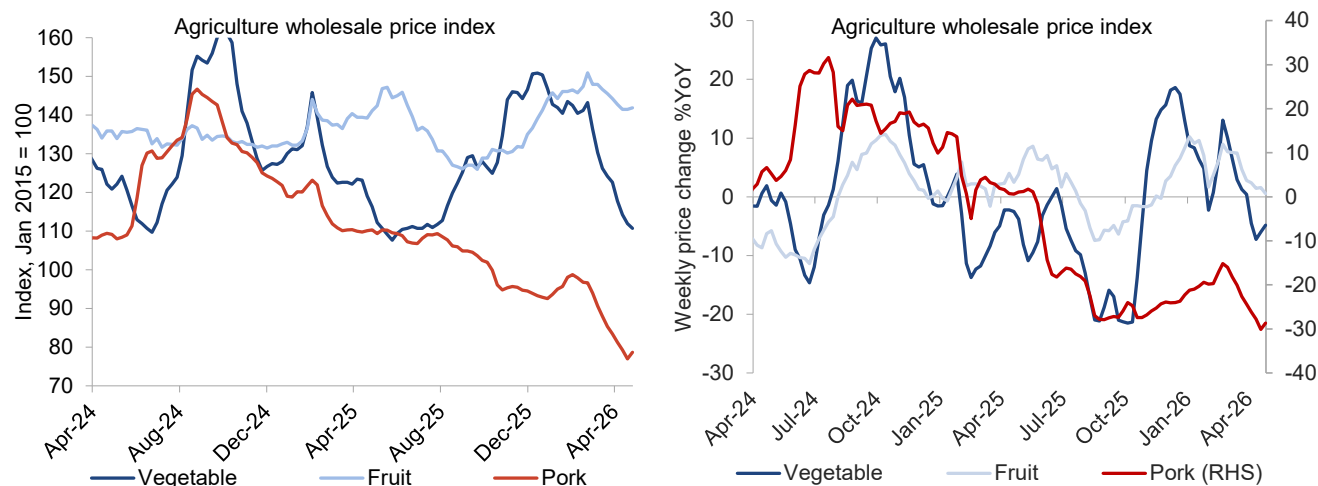
Source: Wind, Mizuho

**Fig 12 PV sales: April saw the fastest decline since 2023**



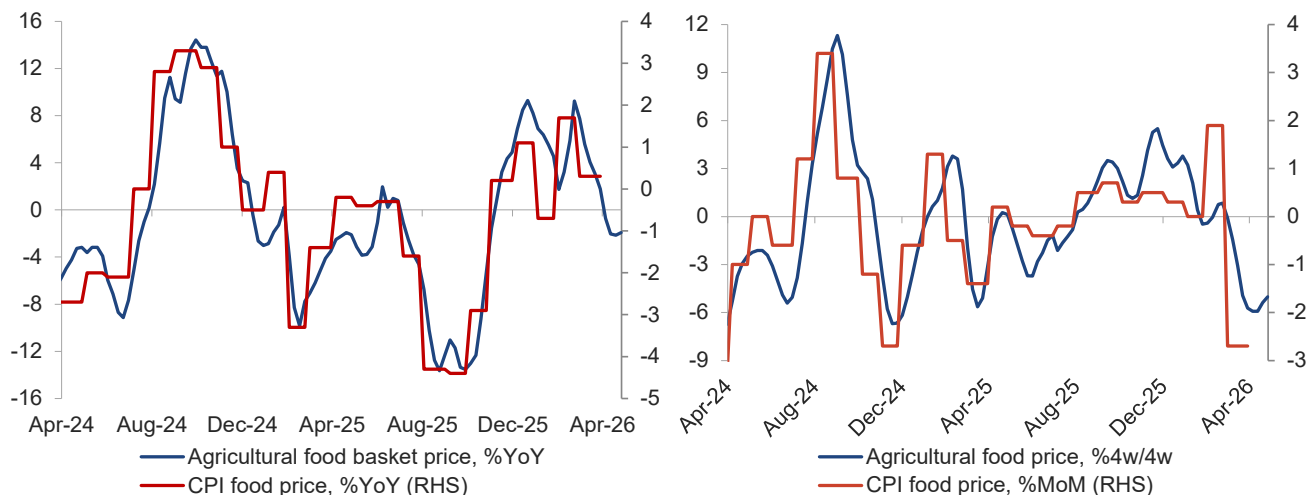
## Price monitor

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



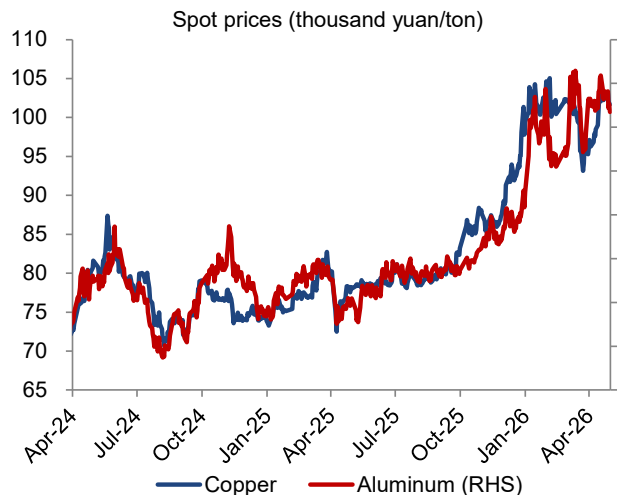
Source: Wind, Mizuho

**Fig 14 Wholesale food prices** dropped notably during April

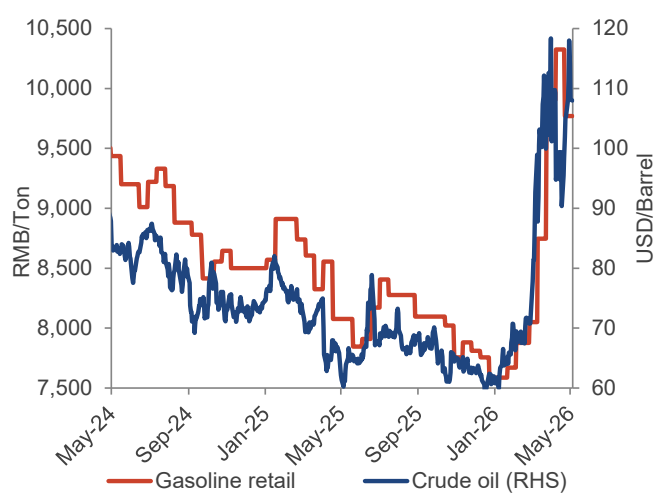


Source: CEIC, Mizuho

**Fig 15 Non-ferrous metal prices** remain relatively elevated



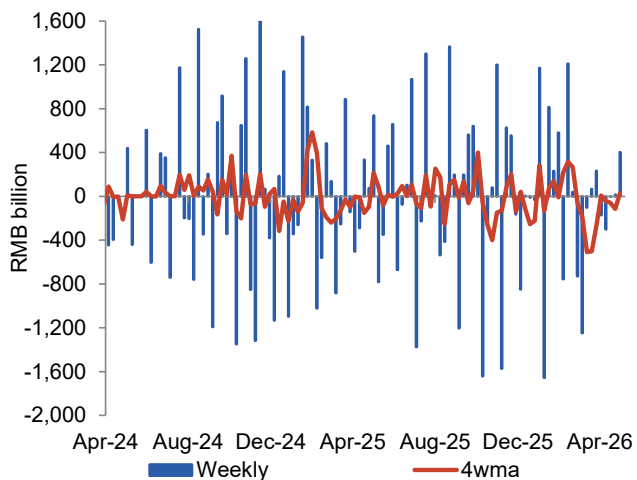
**Fig 16 Oil prices:** domestic fuel prices down by 5.4% from the peak



Source: CEIC, Wind, Mizuho

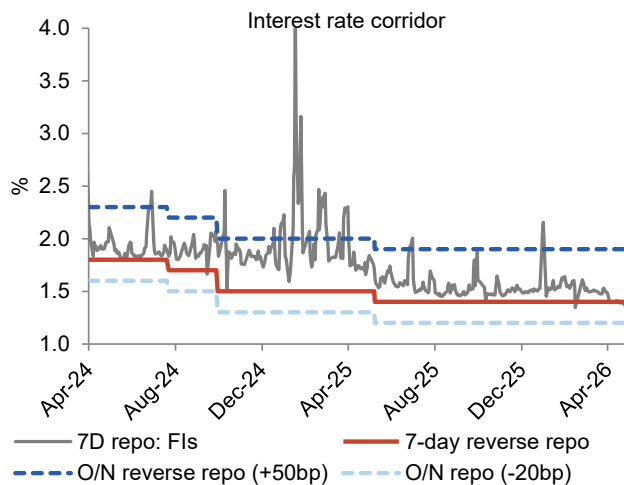
# Liquidity monitor

**Fig 17 OMOs: net injection of RMB402b during 27 – 30 Apr**

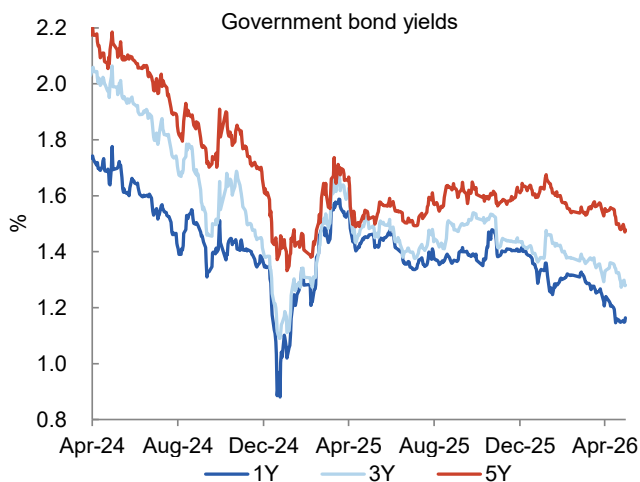


Source: CEIC, Wind, Mizuho

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

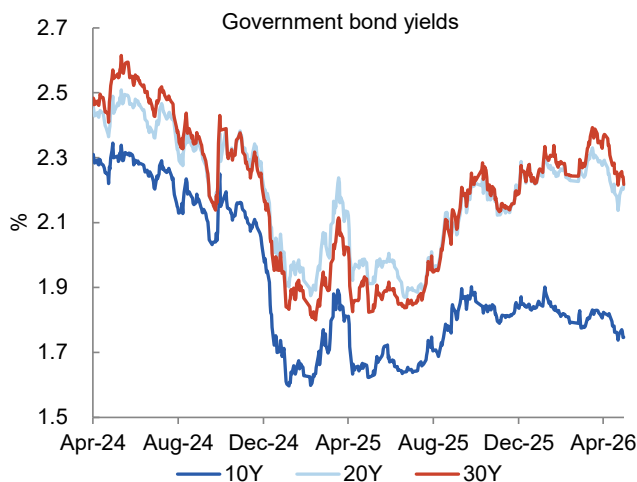


**Fig 19 Short-end CGB yields stayed much flat last week**

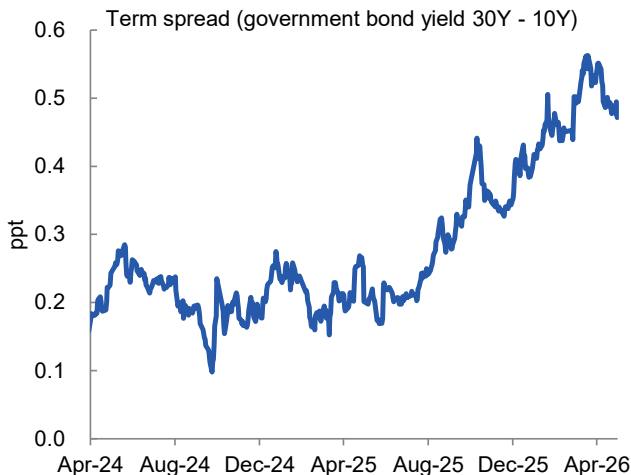


Source: CEIC, Mizuho

**Fig 20 Long-end CGB yields saw mixed movements**



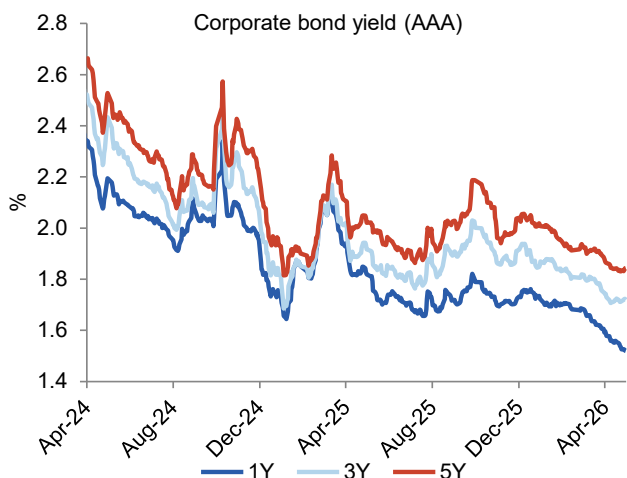
**Fig 21 CGB term spreads: a flattening was seen across the curve last week**



Source: CEIC, Mizuho

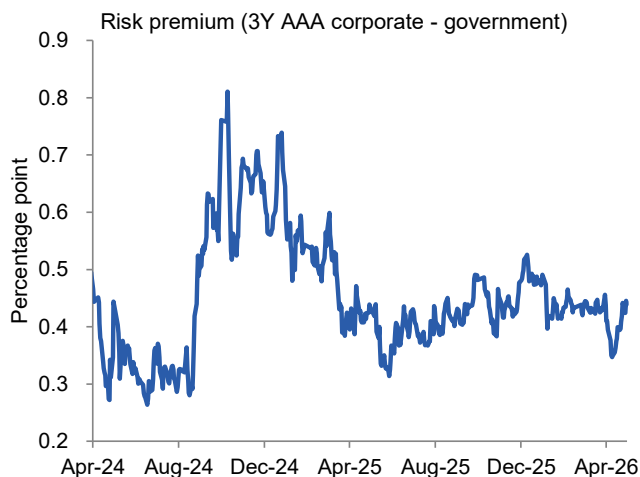
# Credit monitor

**Fig 22 Onshore IG credit yields** declined along CGB yields

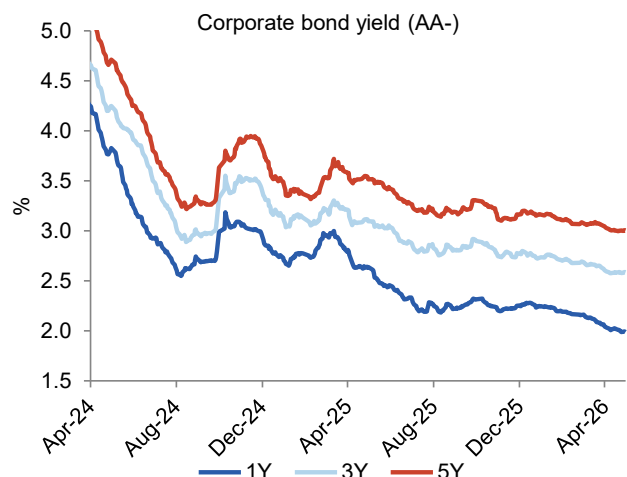


Source: Wind, Mizuho

**Fig 23 IG corporate risk premium** resumed to its average level

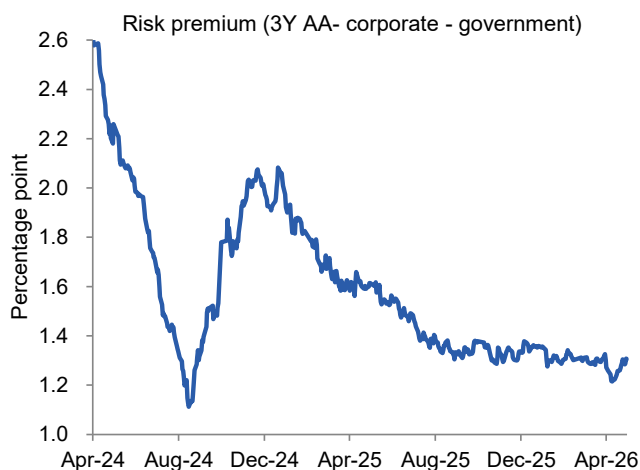


**Fig 24 Onshore HY credit yields** declined gradually

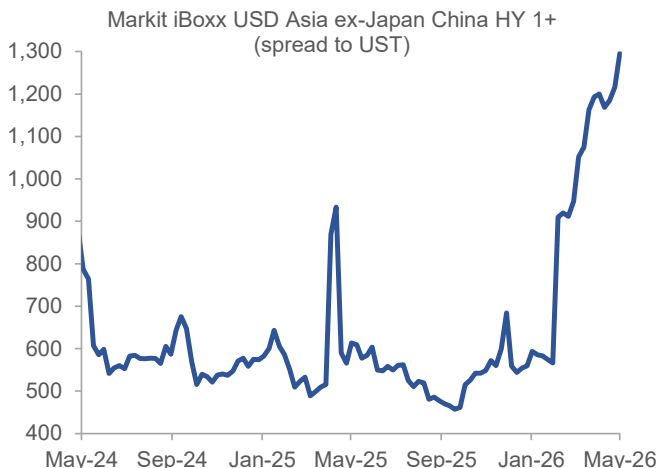


Source: Wind, Mizuho

**Fig 25 HY corporate risk premium** remained relatively tight



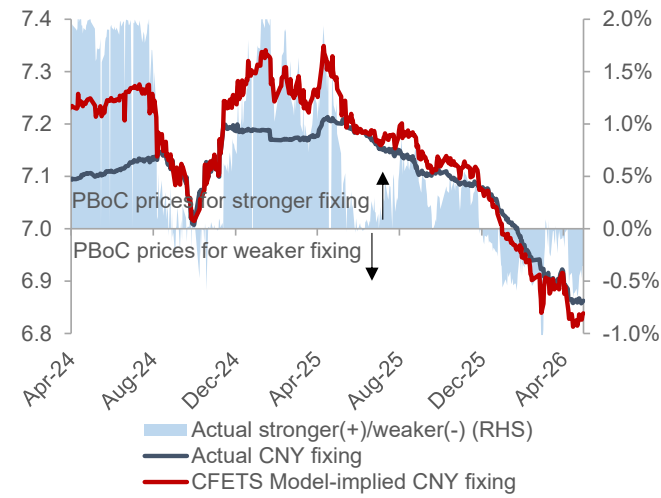
**Fig 26 China USD credit spreads** were mixed amid ongoing blockage of the Strait of Hormuz and a hawkish hold from the FOMC



Source: IHS Markit, Mizuho

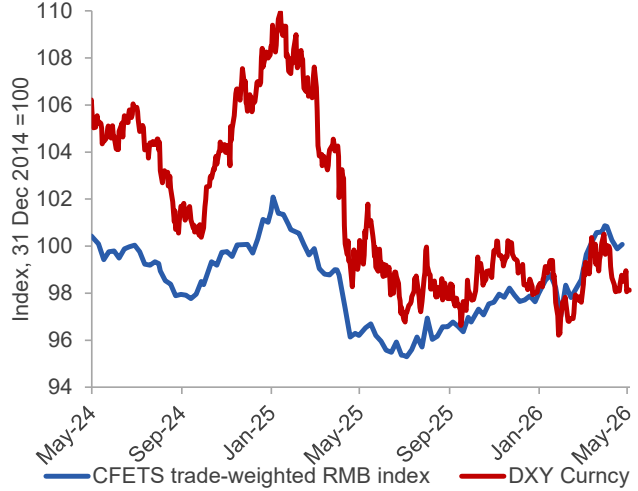
# FX monitor

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

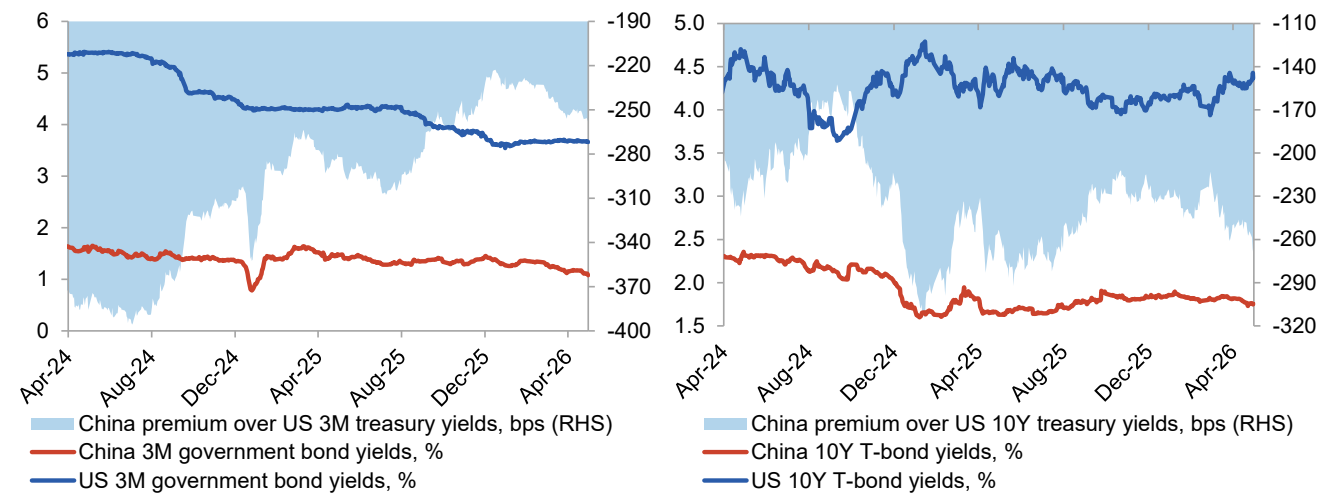


Source: CEIC, Bloomberg, Mizuho

**Fig 28 RMB trade-weighted index: no date during the holiday**

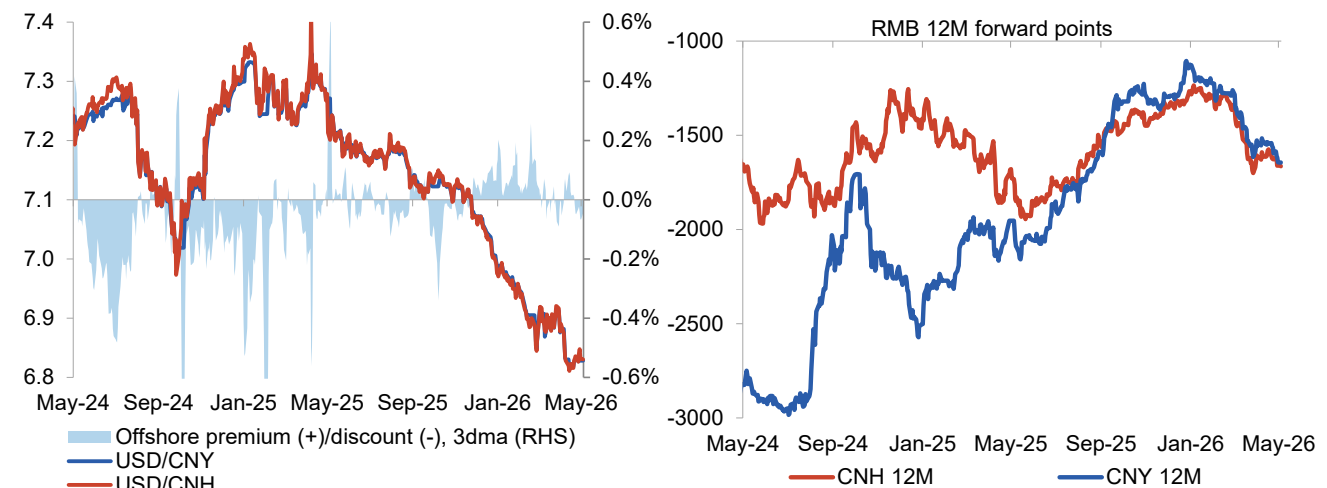


**Fig 29 China-US interest rate spreads have moved a touch wider at both the front end and back end**



Source: CEIC, Bloomberg, Mizuho

**Fig 30 Offshore RMB (CNH) is trading almost on par to the CNY again**



Source: Bloomberg, Mizuho

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