Mizuho China Weekly

Economics & Strategy | Asia ex-Japan

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China Weekly Outlook

Disappointing October Activity

China's October activity indicators fell short of market expectations across the board. **The most striking weakness was in fixed-asset investment**, which contracted 16.8% YoY in October by our estimate, sharply worse than September's 7.2% decline and the steepest fall since 2020. The deterioration was broad-based. Private investment plunged 21.7% YoY, likely reflecting persistent property-market weakness and compressed margins among downstream manufacturers. More notably, public investment fell 11.2%, after declining just 0.3% in September. **This suggests Beijing may need additional fiscal instruments** as local governments struggle to resolve hidden debt while supporting domestic demand. The contraction in public investment also contrasts with robust government bond issuance, indicating that fiscal resources remain tilted toward debt refinancing rather than new investment.

Similarly, the property market showed little sign of stabilisation. We estimate that real-estate investment fell 33.2% YoY in October, its deepest contraction this year, while property sales declined by nearly one-fifth in both volume and value terms.

Retail sales also slowed more sharply than expected, led by declines of more than 20% in both jewellery and automobile sales. By contrast, petroleum-related sales rose 4.4% YoY, the first increase in more than two years, as fuel prices jumped around 20%. **Monthly growth was likely distorted by several factors**, including a shorter National Day holiday, the earlier start of Double 11 promotions and a high base created by last year's consumer trade-in subsidies. Even so, **the weak headline reading remains consistent with subdued consumer sentiment.**

On the supply side, **industrial production** growth moderated to a three-month low of 4.8% YoY, although high-tech manufacturing accelerated to its fastest pace in several years. The divergence underscores a familiar imbalance: advanced manufacturing remains resilient, but domestic demand and property-related activity continue to lag.

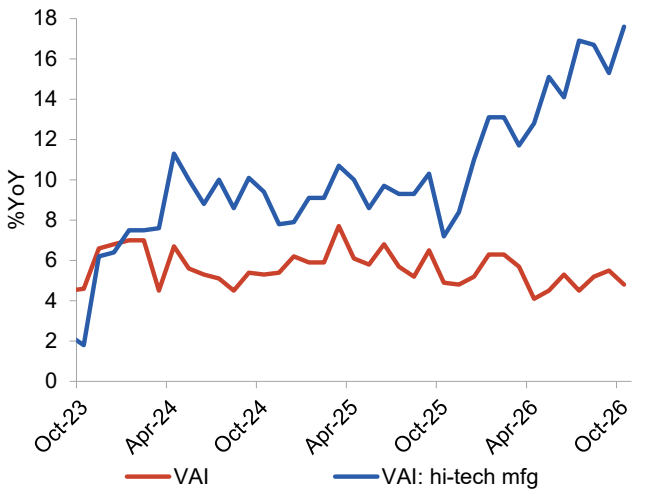
Upcoming Trilateral Summit

Attention now turns to **Thursday's trilateral summit** between Presidents Xi, Trump and Putin in Shenzhen, on the sidelines of the APEC summit. Nuclear arms control and Iran are expected to feature prominently in the talks. However, with expectations for substantive agreements relatively low, the meeting is unlikely to have a major near-term market impact unless it produces an unexpected breakthrough or a material shift in geopolitical signalling.

< Striking weakness in fixed asset investment >



< Continued divergence in industrial value-added growth >



Source: CEIC, Mizuho

CNH Outlook

Weekly Price Change#	Week Open	Week High	Week Low	Week Close	Weekly Change*
USD/CNH	6.6705	6.6794	6.6649	6.6749	19
USD/CNY	6.6752	6.6794	6.6672	6.6718	-26
CNY PBoC Fixing	6.7188	6.7191	6.7152	6.7152	-16
Shanghai Composite Index	3659.02	3699.58	3623.84	3634.35	-14.82

#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)	-2051	-150	CNH HIBOR (3mth)	1.650	-0.001
CNH Currency Swap (3yr)	1.385	0.075	CNH Implied yield (1Y)	1.441	0.053

Recap

The offshore renminbi (CNH) traded largely sideways last week, with USD/CNH stabilising around 6.67 despite nearly 2% gain in the dollar index. The dollar's strength followed a hotter-than-expected US CPI print and a marked hawkish shift in Fed communication. Futures markets are now pricing for more than three additional rate hikes by mid-2027, compared with nearly two a week earlier.

The renminbi's resilience was particularly notable given stronger policy resistance to further appreciation. The increase in the FX reserve requirement ratio to 6% took effect on Sunday, while the PBoC continued to lean against renminbi strength through its daily fixing. On average, last week's fixings were set more than 0.6% weaker than levels implied by the CFETS model (Fig. 27).

The CNH therefore outperformed most regional currencies, trailing only the Korean won. The won gained 2% against the dollar, supported by foreign equity inflows and improving risk sentiment. At the other end of the spectrum, the Philippine peso and Thai baht were the region's worst performers, weakening 1.1% and 1.0%, respectively. The peso was weighed down by a disappointing Q3 GDP print, while the baht came under pressure from falling gold prices as US Treasury yields rose.

Outlook

With China's major data releases now behind us, attention will turn to Thursday's trilateral summit between the presidents of China, the US and Russia. Expectations for substantive agreements remain low, particularly following reports that China prefers a tightly scripted meeting with limited scope for open-ended discussion. Externally, developments in the US-Iran conflict will remain an important source of event risk.

Barring a major surprise, **we expect USD/CNH to edge back toward 6.65 in the near term**. **We also maintain our call for modest renminbi appreciation into year-end, with USD/CNH reaching 6.58**. Seasonal FX conversion by Chinese exporters should provide additional support in Q4, particularly as the country's full-year trade surplus remains on course to exceed USD1.2trn, setting another annual record.

<FX Charts on Page 8>

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Activity monitor (1/2)

Fig 1 **Thermal coal**: sentiment stays positive

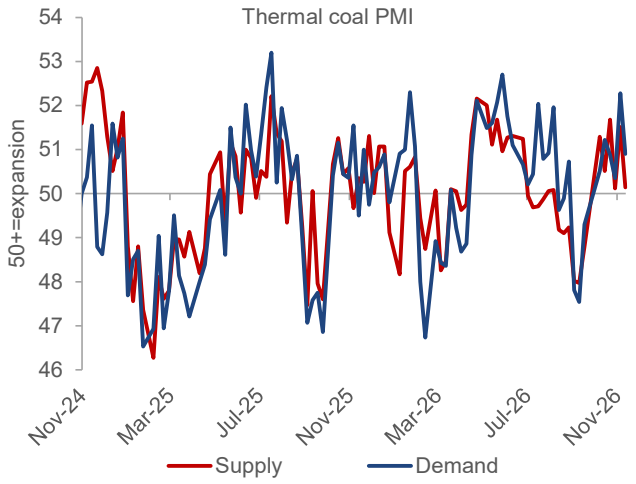
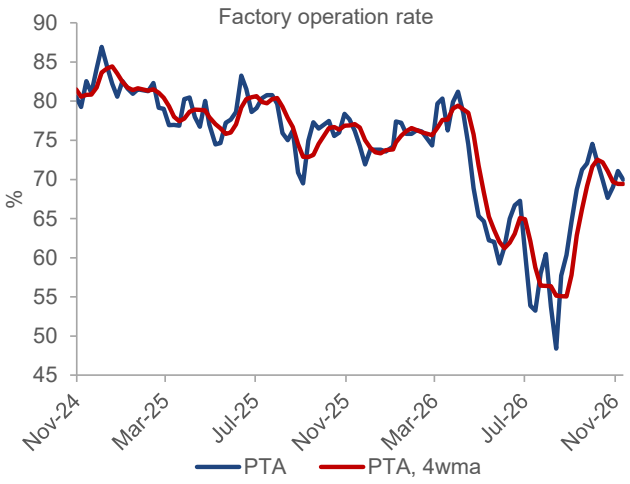


Fig 2 **PTA production** has improved since late August



Source: Wind, Mizuho

Fig 3 **Steel production** improved further in early November

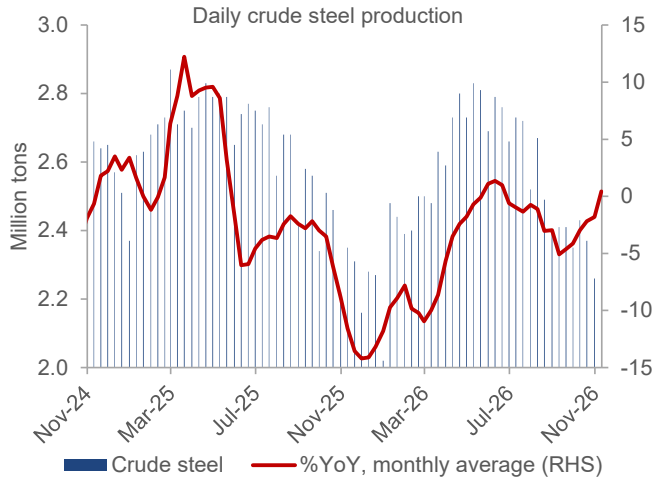


Fig 4 **Steel tire production** stays subdued amid sluggish auto sales



Source: Wind, Mizuho

Fig 5 **CCFI:** a notable weakening in shipments to the Europe

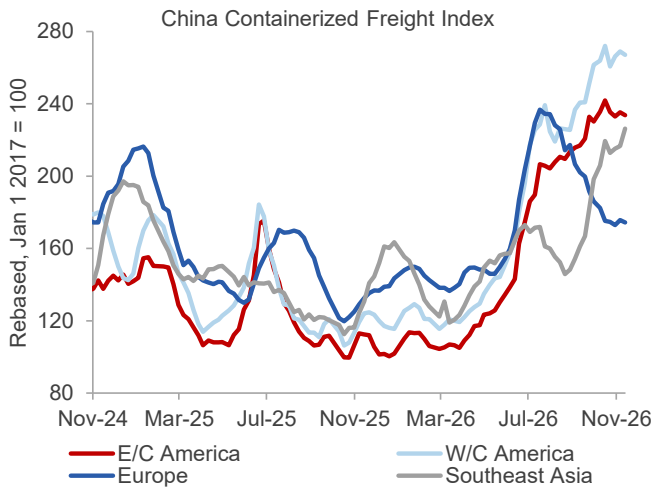
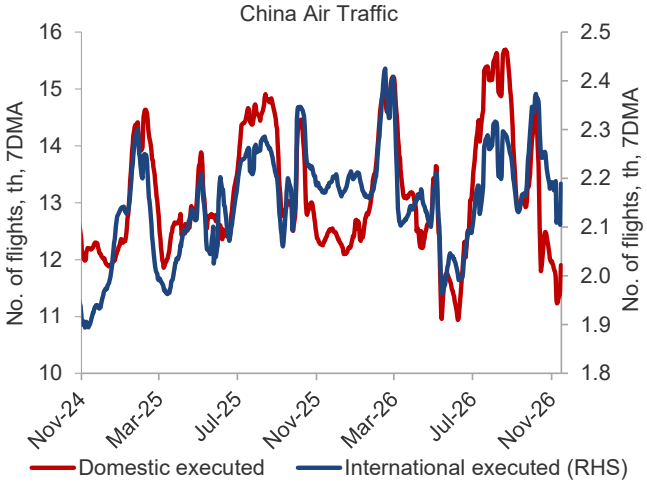


Fig 6 **Air traffic:** is moderating at a faster pace in November



Source: Wind, Mizuho

Activity monitor (2/2)

Fig 7 **Road construction activity** improved in general

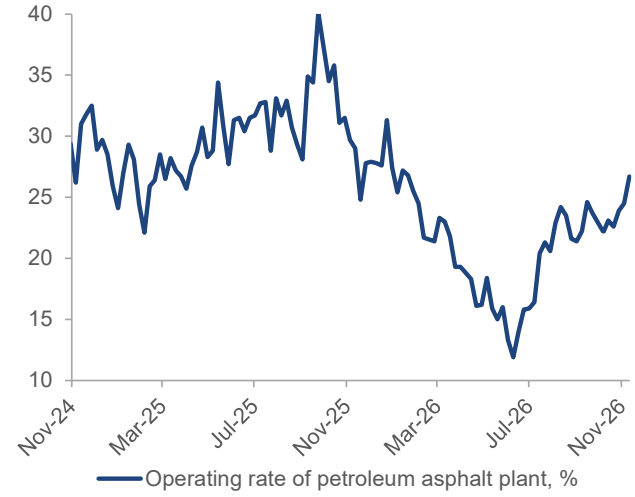


Fig 8 **Construction material prices:** cement prices rose to a YTD high



Source: Wind, Mizuho

Fig 9 **Land sales:** an unusual surge toward the year end

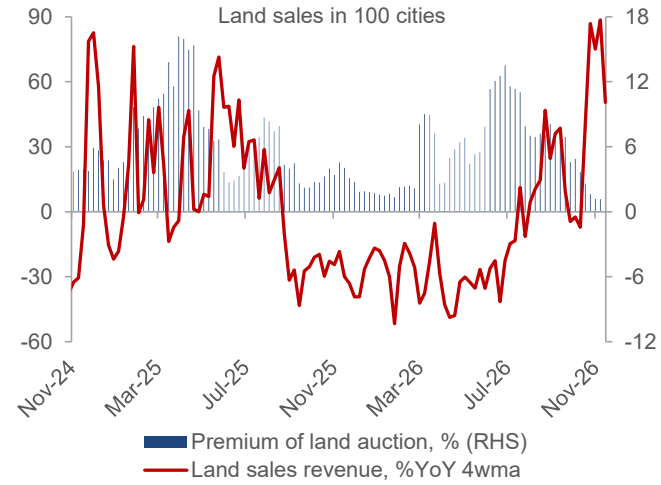
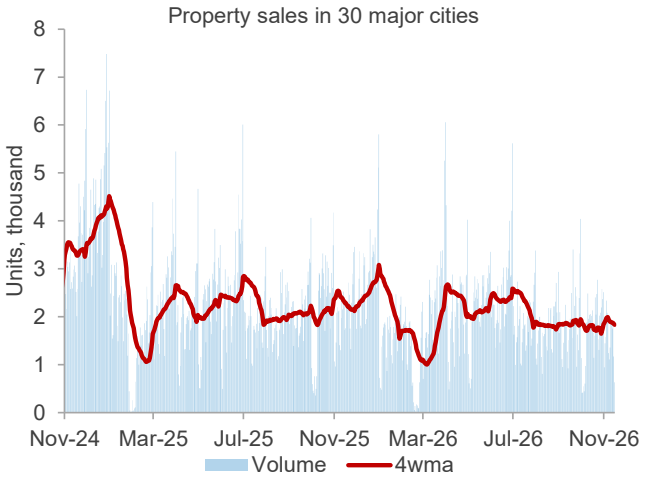


Fig 10 **New home sales:** a lack of widespread improvement



Source: Wind, Mizuho

Fig 11 **Movie box office revenue** remained subdued

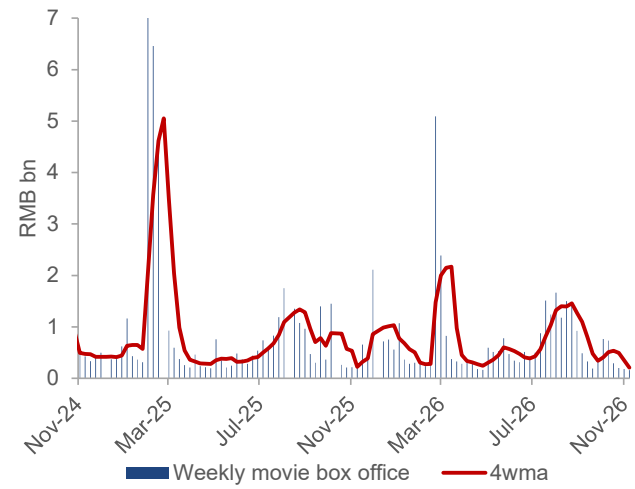
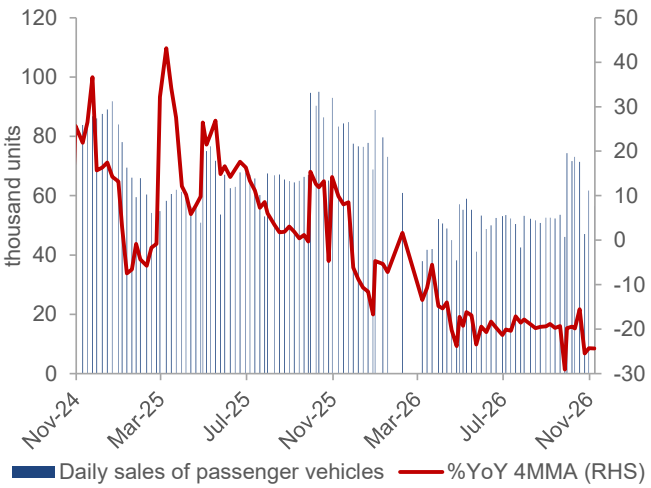


Fig 12 **PV sales**: the YoY decline accelerated in October



Source: Wind, Mizuho

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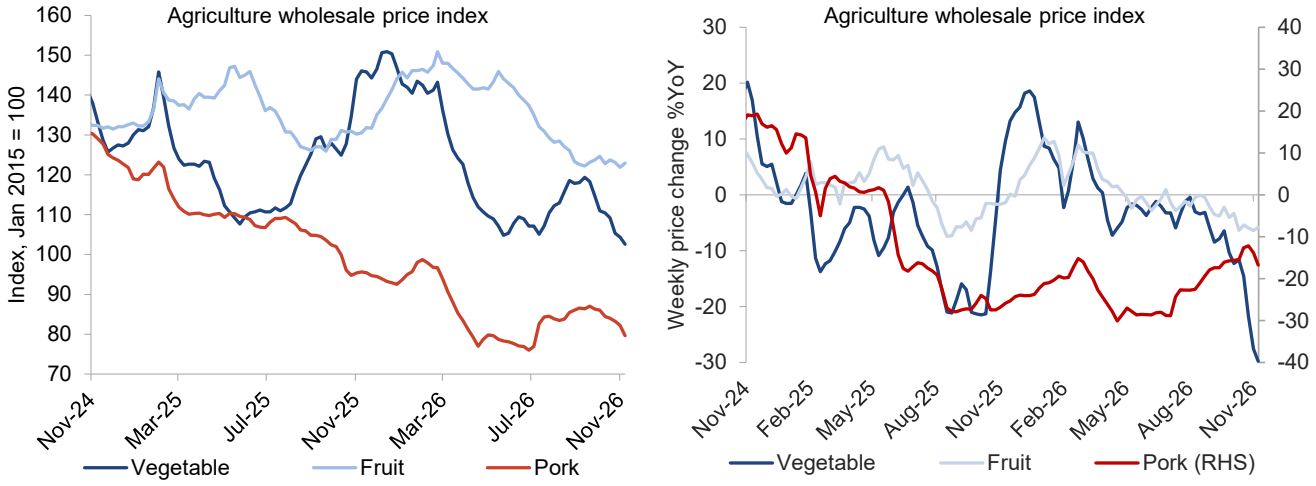
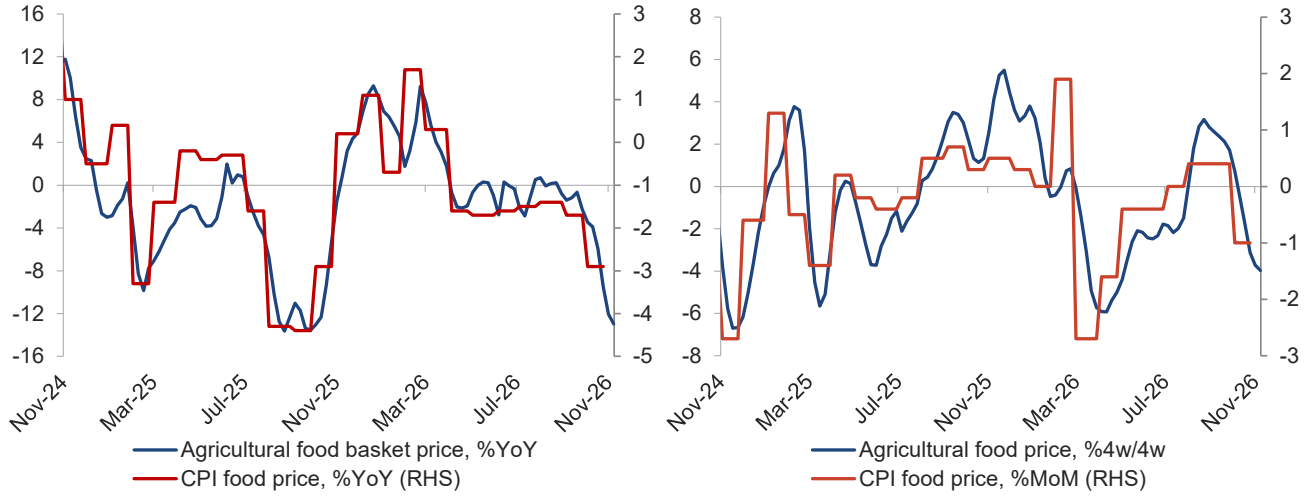
Price monitor

Fig 13 Major food items: renewed declines seen in both fresh vegetable and pork prices



Source: Wind, Mizuho

Fig 14 Wholesale food prices declined notably in recent weeks



Source: CEIC, Mizuho

Fig 15 Non-ferrous metal prices softened further

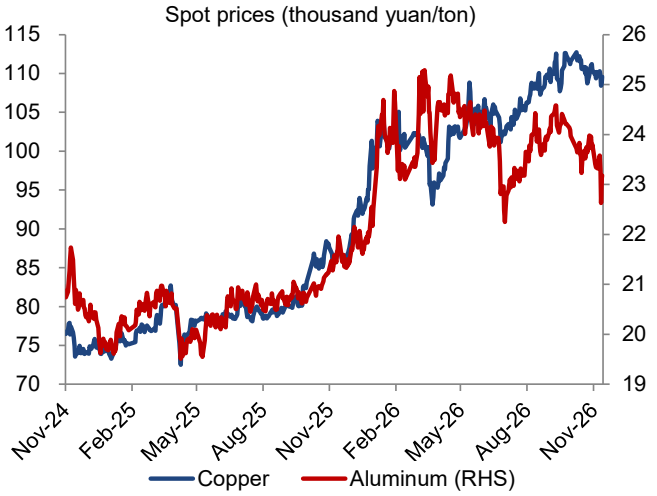
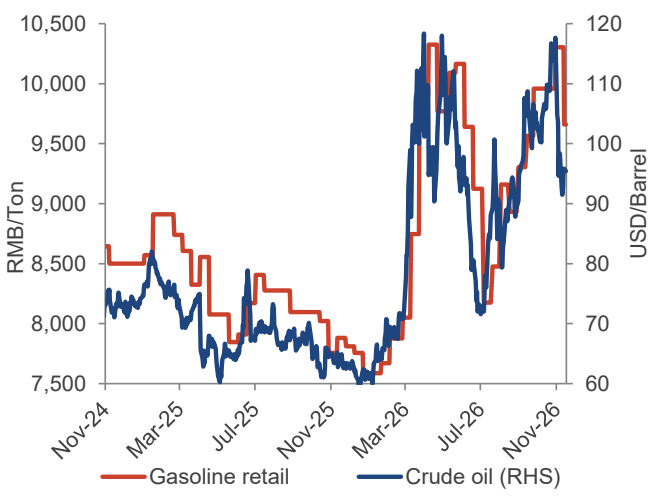


Fig 16 Oil prices: came off on hopeful progress in US-Iran talks



Source: CEIC, Wind, Mizuho

Liquidity monitor

Fig 17 **OMOs:** net injection of RMB438b during 9 – 13 Nov

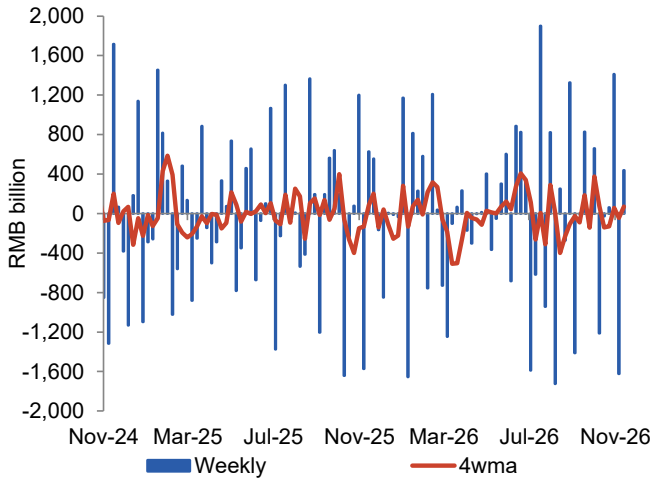
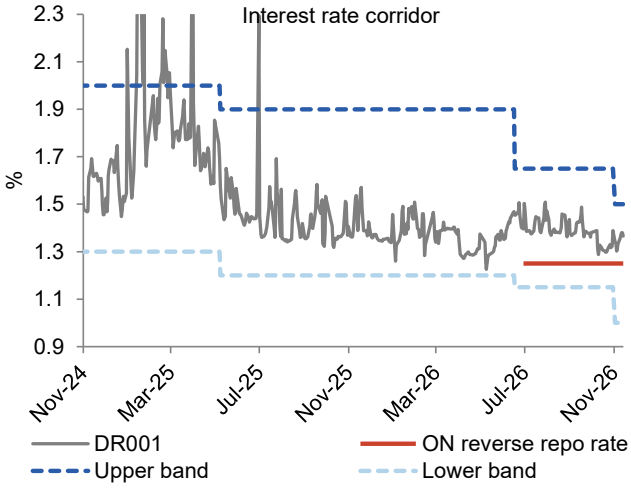


Fig 18 **O/N repo for banks** remained above its new benchmark



*Effective 17 June 2026. Source: CEIC, Wind, Mizuho

Fig 19 **Short-end CGB yields:** edged up on the tax talk

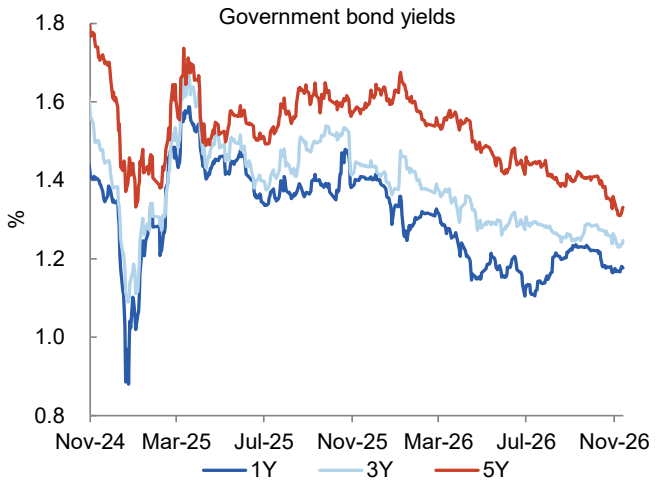
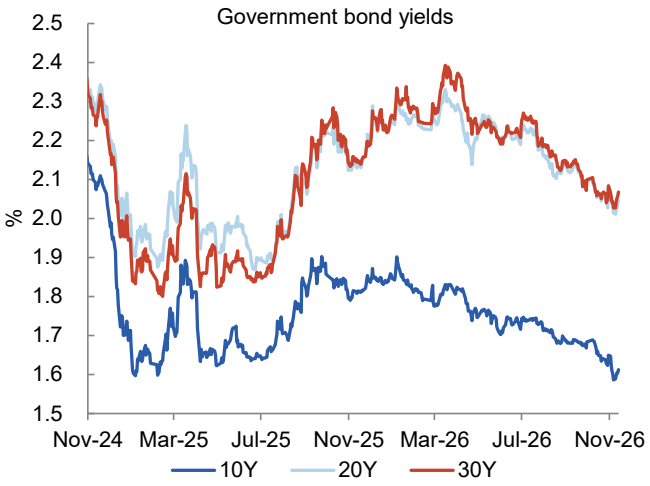
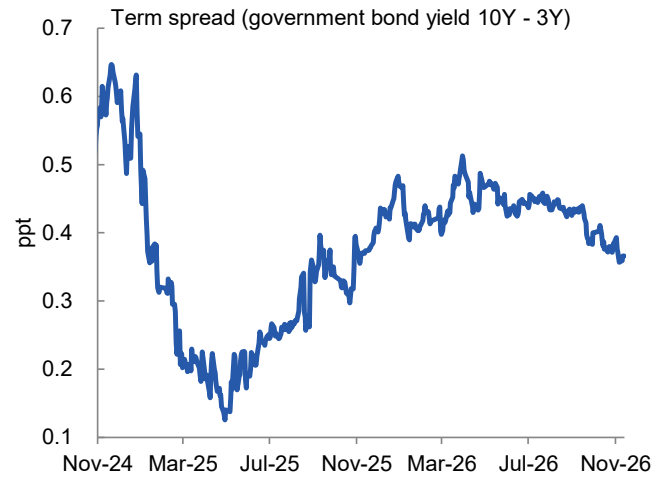


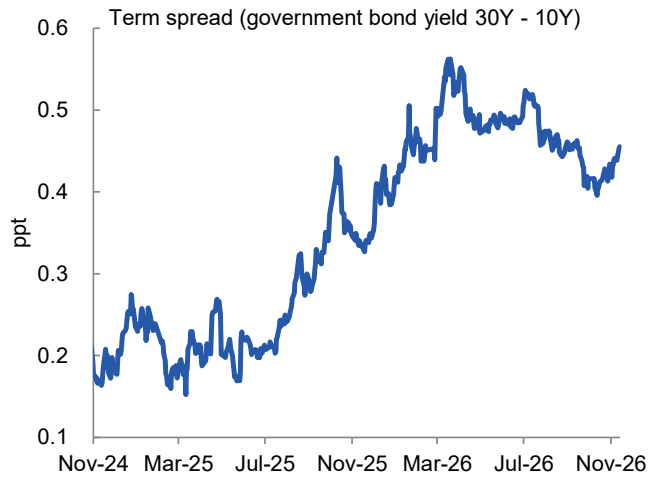
Fig 20 **Long-end CGB yields:** also moved higher



Source: CEIC, Mizuho

Fig 21 **CGB yield curve** steepened across the curve on worries of potential income-tax on government bonds





Source: CEIC, Mizuho

Credit monitor

Fig 22 **Onshore IG credit yields** continued to trade higher

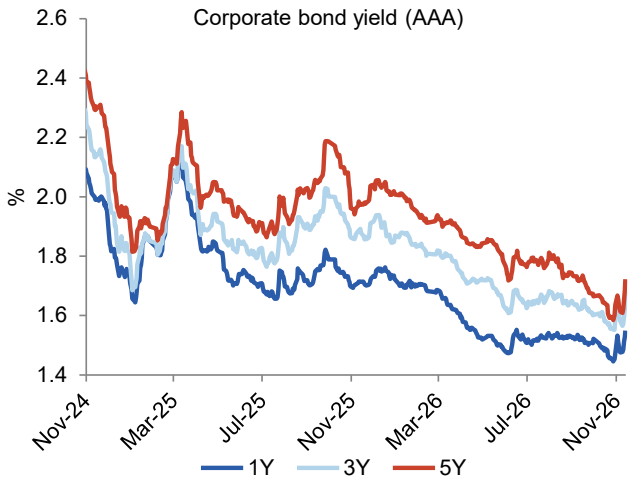
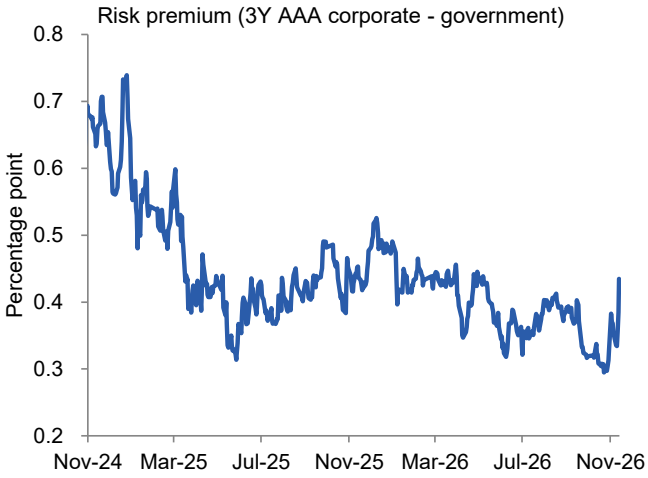


Fig 23 **IG corporate risk premium** widened significantly



Source: Wind, Mizuho

Fig 24 **Onshore HY credit yields** also picked up across maturities

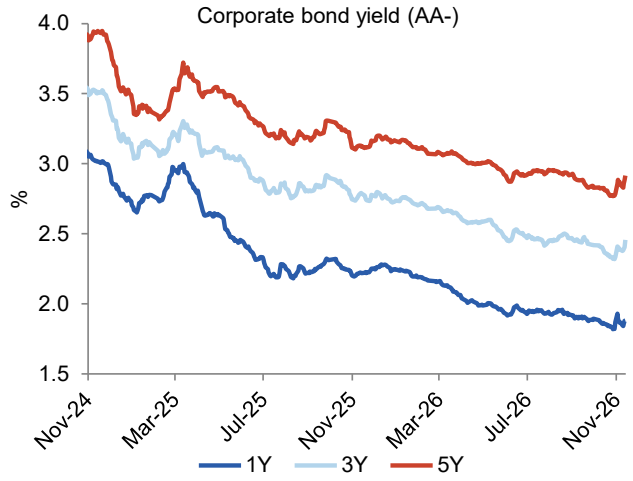
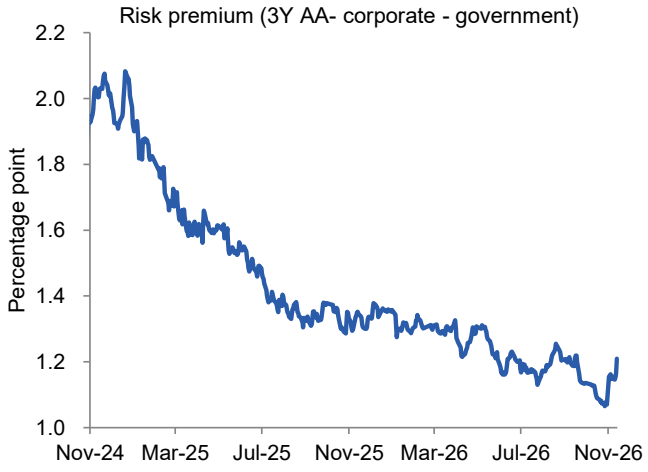


Fig 25 **HY corporate risk premium** widened to its previous levels



Source: Wind, Mizuho

Fig 26 **China USD credit spreads** were mixed last week amid a spike in treasury yields





Source: IHS Markit, Mizuho

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FX monitor

Fig 27 **RMB fixing rate**: continued to tilt towards the weak side

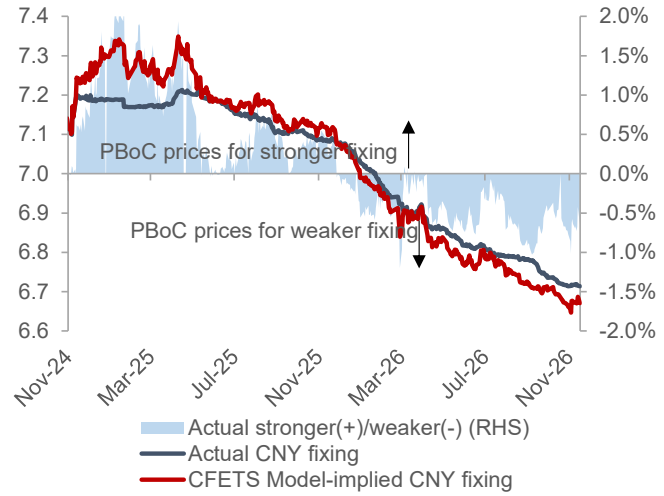
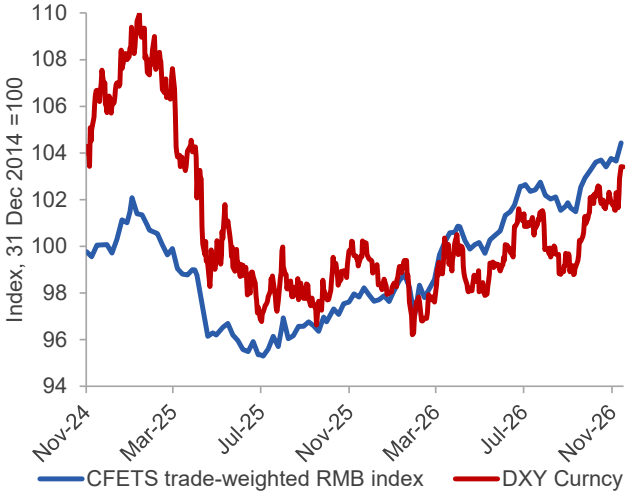
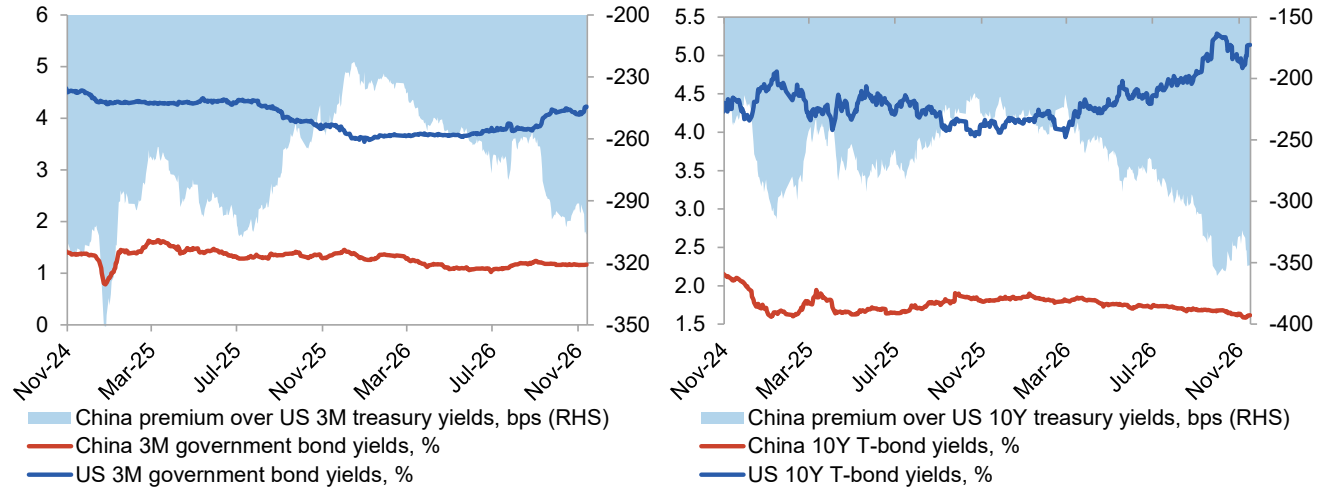


Fig 28 **RMB trade-weighted index** strengthened more than the dollar



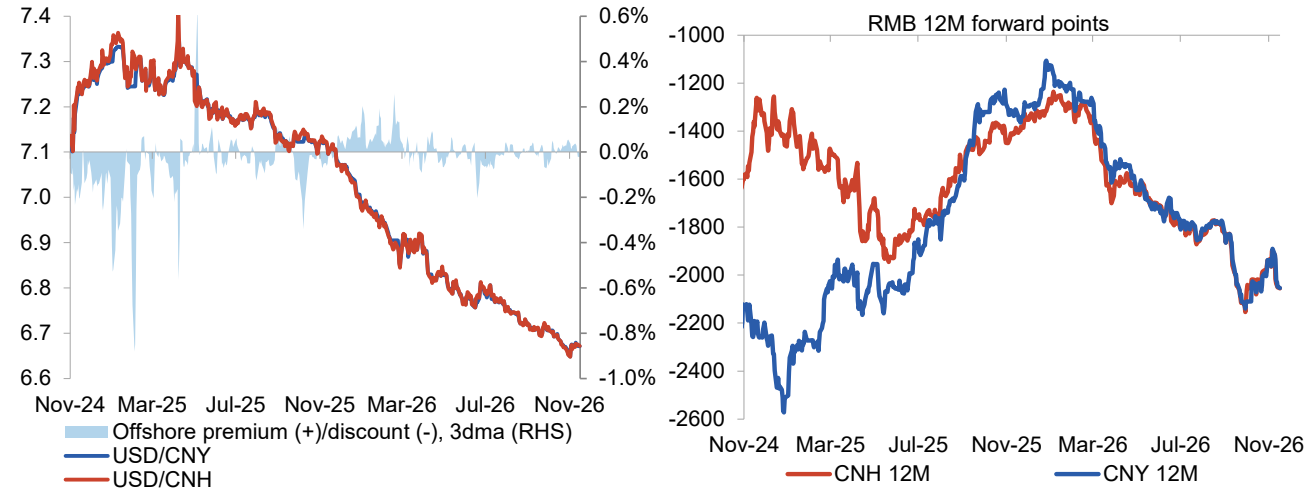
Source: CEIC, Bloomberg, Mizuho

Fig 29 **China-US interest rate spreads** moved wider again in recent weeks amid declining US treasury yields



Source: CEIC, Bloomberg, Mizuho

Fig 30 **Offshore RMB (CNH):** the forward premium widened again last week



Source: Bloomberg, Mizuho

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