

FRIDAY, 11 OCTOBER 2024

The Week Ahead

China's stimulus package

China's recently launched stimulus package has given a strong boost to market expectations. Growth has recently been struggling to the point where the achievement of this year's growth target was under threat. It is against this backdrop that Beijing responded with a comprehensive stimulus package which aims at **boosting confidence, reflating the economy, and raising fiscal spending.**

The policy's first objective has been achieved: market confidence has experienced a strong uplift. The Politburo met for a rare discussion on the economy in September and vowed to "stop the decline and start stabilizing" the property sector. This is a forceful pledge to halt the multi-year decline in the property sector and the message resonated particularly strongly amongst the domestic audience.



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On **monetary policy**, we think the People's Bank of China's (PBoC, the Chinese central bank) strategy is to reflate the economy by lowering interest rates and rebalance saving-investment decisions among Chinese households and corporates. The purpose is to entice bank deposits to flow into domestic risky asset markets (equity and property) held within China's closed capital system. This is the reason why property-sector easing measures and equity-market supportive measures were also announced concurrently. We think the cuts to the policy rate and required reserve ratio made by the PBoC on 24 September are just the beginning: more monetary easing moves are likely to follow as the Federal Reserve (Fed) proceeds on its own easing path for monetary policy in the US.

On **fiscal policy**, no specific details have been announced yet. The market expects the central government to issue over RMB 2 trillion of new bonds to support consumption, recapitalize the state banks and refinance local governments, the details of which are expected to be disclosed by the Ministry of Finance. We think Beijing can afford this approach to "nationalizing" excess housing inventories, which is estimated to cost around RMB 4 – 5tn (3 – 4% of GDP), with more government bond issuance and collaboration from state banks and local authorities to be expected. Although the intent is admirable, it remains the case that effective policy implementation is key to providing a lasting resolution to the problem.

Publications

→ [House View Q4 2024](#)

The fact that the interest rate cut by the US Federal Reserve in September was anticipated makes it no less of a watershed moment for markets.

→ [Investing in China's State-Owned Enterprises](#)

A deep dive.

→ [India: A justifiable premium?](#)

While the fundamental case for investing in Indian equities remains strong questions around market valuations remain.

The stimulus package should help build confidence and expedite growth in the near-term, but how sustainable the effect proves to be remains contingent upon the delivery of evident improvement in the real economy and the property sector, in particular. Equity market sentiment is likely to stay buoyant in the near-term but will require swift implementation and tangible results to be sustained. It also remains the case that a relatively benign external environment would help the achievement of Beijing's objectives. Should President Trump be given a new mandate by the US electorate, the likelihood of a much less supportive external environment would increase materially.

The Week Ahead

Next week will mainly focus on the **European Central Bank's** (ECB) policy rate decision and **China's** third-quarter gross domestic product (GDP) report.

On **Monday, China** will release its September merchandise trade data. The market is expecting export growth to moderate to 6% year-on-year (yoy) and import growth to remain stable at 1% yoy.

On **Tuesday**, the **Eurozone** will release its August industrial production growth data, which will indicate whether manufacturing activities stayed contractionary from a year ago.

On **Wednesday**, the **US** will release its October New York Fed Manufacturing Survey results. **Japan** will also release its August machinery order data to shed light on its latest capital investment activities.

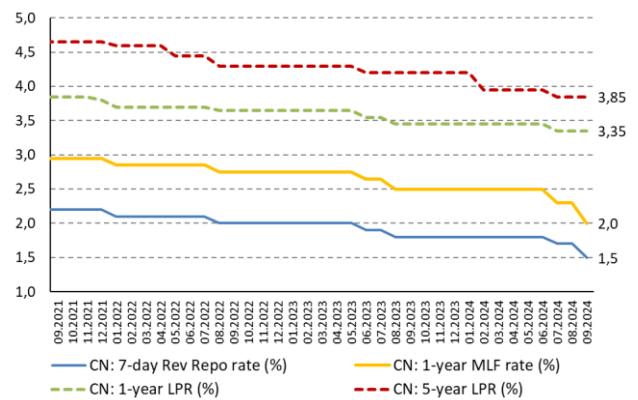
On **Thursday**, the **ECB** will announce its policy interest rate decision. Following evidence of weakening growth momentum and more encouraging signs of inflation slowing, the market is expecting a 25-basis point cut. The **US** will release its retail sales and industrial production growth data for September, coupled with the Philadelphia Fed Business Outlook Survey and National Association of Home Builders (NAHB) Market Index for October. **Japan** will also release its September merchandise trade data on that day.

On **Friday, China** will release its third-quarter GDP growth and September retail sales, industrial production and fixed asset investment growth numbers. **Japan** will also release its nationwide headline and core consumer price indices for September.

Wish you good returns amidst volatile market condition.

Christiaan Tuntono

China's interest rates



Note: MLF = Medium-term Lending Facility, LPR = Loan Prime Rate

Source: People's Bank of China, Bloomberg, CEIC, AllianzGI Global Economics & Strategy estimates, as of October 2024.

Past performance, or any prediction, projection or forecast, is not indicative of future performance.

UPCOMING POLITICAL EVENTS 2024

17 Oct	EZ	ECB Governing Council meeting
21 – 27 Oct	IMF	IMF annual meetings
23 Oct	CA	Bank of Canada Meeting
25 27	IMF	IMF and World Bank annual meetings
31 Oct	JN	Bank of Japan meeting

→ [Overview political events 2024 \(click here\)](#)

Calendar Week 42

Monday			Consensus	Previous
CN	M2 Money Supply YY	Sep	6.4%	6.3%
CN	Exports YY	Sep	6.0%	8.7%
CN	Imports YY	Sep	1.0%	0.5%
Tuesday				
CN	Trade Balance USD	Sep	89.50B	91.02B
UK	Claimant Count Unem Chng	Sep	--	23.7k
UK	ILO Unemployment Rate	Aug	--	4.1%
UK	Employment Change	Aug	--	265k
UK	Avg Wk Earnings 3M YY	Aug	--	4.0%
UK	Avg Earnings (Ex-Bonus)	Aug	--	5.1%
UK	HMRC Payrolls Change	Sep	--	-59k
EC	Industrial Production MM	Aug	--	-0.3%
EC	Industrial Production YY	Aug	--	-2.2%
GE	ZEW Economic Sentiment	Oct	--	3.6
GE	ZEW Current Conditions	Oct	--	-84.5
EC	Reserve Assets Total	Sep	--	1,288.39B
Wednesday				
US	NY Fed Manufacturing	Oct	--	11.50
JN	Machinery Orders MM	Aug	--	-0.1%
JN	Machinery Orders YY	Aug	--	8.7%
GE	Retail Sales MM Real	May	0,1%	-1.2%
GE	Retail Sales YY Real	Jul	--	-1.7%
UK	Core CPI YY	Sep	--	3.6%
UK	CPI MM	Sep	--	0.3%
UK	CPI YY	Sep	--	2.2%
UK	RPI MM	Sep	--	0.6%
UK	RPI YY	Sep	--	3.5%
UK	RPIX YY	Sep	--	2.8%
UK	CPI Services MM	Sep	--	0.4%
UK	PPI Input Prices MM NSA	Sep	--	-0.5%
UK	PPI Input Prices YY NSA	Sep	--	-1.2%
UK	PPI Output Prices MM NSA	Sep	--	-0.3%
UK	PPI Output Prices YY NSA	Sep	--	0.2%
UK	PPI Core Output MM NSA	Sep	--	0.1%
UK	PPI Core Output YY NSA	Sep	--	1.3%
US	Import Prices MM	Sep	--	-0.3%
Thursday				
US	Import Prices YY	Sep	--	0.8%
JN	Exports YY	Sep	--	5.6%
JN	Imports YY	Sep	--	2.3%
JN	Trade Balance Total Yen	Sep	--	-695,3B
JN	Tertiary Ind Act NSA	Aug	--	2.5%
EC	Total Trade Balance SA	Aug	--	15,50B
EC	HICP Final MM	Sep	--	0.1%
EC	HICP Final YY	Sep	--	1.8%
EC	HICP-X F, E, A, T Final MM	Sep	--	0.1%
EC	HICP-X F,E,A&T Final YY	Sep	--	2.7%
EC	ECB Refinancing Rate	Oct	--	3.65%
EC	ECB Deposit Rate	Oct	--	3.50%
US	Initial Jobless Clm	7 Oct, w/e	--	--
US	Cont Jobless Clm	30 Sep, w/e	--	--
US	Philly Fed Business Indx	Oct	--	1.7
US	Retail Sales MM	Sep	--	0.1%
US	Retail Sales Ex-Autos MM	Sep	--	0.1%
US	Retail Control	Sep	--	0.3%
US	Industrial Production MM	Sep	--	0.8%
US	Capacity Utilization SA	Sep	--	78.0%
US	Business Inventories MM	Aug	--	0.4%
US	NAHB Housing Market Indx	Oct	--	41
Friday				
JN	CPI, Core Nationwide YY	Sep	--	2.8%
JN	CPI, Overall Nationwide	Sep	--	3.0%
CN	Retail Sales YY	Sep	2.4%	2.1%
CN	GDP YY	Q3	4.6%	4.7%
CN	GDP QQ SA	Q3	--	0.7%
UK	Retail Sales MM	Sep	--	1.0%
UK	Retail Sales Ex-Fuel MM	Sep	--	1.1%
UK	Retail Sales YY	Sep	--	2.5%
UK	Retail Sales Ex-Fuel YY	Sep	--	2.3%
US	Building Permits: Number	Sep	--	1.470M
US	Housing Starts Number	Sep	--	1.356M

The calendar data for the current week comes directly from Bloomberg. They are published in the week in which "The Week Ahead" appears. These are economic data that come from official sources. Where available, the previous figure is collected together with the consensus estimate. The consensus estimate is collected by Bloomberg through a survey of analysts and economists. It is the average of all estimates submitted.

If not mentioned otherwise data and information sources are from LSEG Datastream.

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