

THE FULLERTON WEEKLY

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China Growth and Indonesia Elections

China growth shows stabilization

China's manufacturing activity rose to an 18-month high in July, an indication that the government's efforts to stimulate the economy is bearing fruit. The HSBC flash Purchasing Managers Index (PMI) rose to 52.0 in July compared to 50.7 in the previous month and against expectations for 51.0. The sub-indices also showed encouraging growth across the board.

China's policymakers are trying to stabilise growth with targeted credit easing and faster fiscal spending. Aggregate financing, China's broadest measure of new credit, was the highest for June (CNY1.97 tn) since 2009. Meanwhile, China Development Bank (CDB) reportedly received a three-year loan of c.RMB1 trn through the People's Bank of China's (PBOC) pledged supplementary lending (PSL) scheme.

The PSL, which appears to be a new monetary tool for the PBOC, offers medium-term funding to banks backed by collateral. Its introduction is likely to have a positive impact in the near-term on economic growth and banks' stock performance, as it increases liquidity and implies a selective loosening bias on the part of policymakers.

However, the long-term impact remains to be seen as details are largely lacking. The growth recovery in the short term may come at the expense of delayed structural reforms to reduce financial imbalances if broad monetary growth re-accelerates.

Indonesia election results

Indonesia's election commission declared Joko Widodo the official winner of the presidential elections held on 9 July. He leads with 53.1% of votes versus opponent Prabowo Subianto's 46.9%. The result is line with what most quick counts had indicated earlier. However, any positive market sentiment could prove short-lived with Prabowo lodging complaints about voting irregularities. This may prolong uncertainty until the Constitutional Court renders its judgement on 22 August.

EQUITIES

	Value	% w/w Change
Dow Jones Ind. Avg	16,960.6	-0.8
S&P 500	1,978.3	0.0
MSCI Asia Pac	148.8	+1.4
ASX 200 Index	5,583.5	+0.9
Hang Seng Index	24,216.0	+3.2
Ho Chi Minh Stock Index	600.1	+0.7
Jakarta Comp Index	5,088.8	0.0
KL Comp Index	1,877.3	+0.2
KOSPI Index	2,033.9	+0.7
Karachi 100 Index ¹	30,474.8	+1.0
Sensex 30 Index	26,126.8	+1.9
Shanghai SE Comp Index	2,126.6	+3.3
Stock Exch of Thai Index	1,543.9	+0.7
Straits Times Index	3,350.2	+1.2
Taiwan TAIEX Index	9,439.3	+0.4
TOPIX Index	1,281.4	+1.4

BONDS/CURRENCIES

	Value	% w/w Change
US 10YR Treasuries	2.4655	-2bps
EUR – USD	1.3430	-0.7
USD - JPY	101.84	+0.5
GBP - USD	1.6975	-0.7

COMMODITIES

	Value	% w/w Change
Gold (Spot)	1,307.2	-0.3
Crude Oil (WTI)	102.1	-1.0
RJ/CRB Commodity Index	298.3	+0.3

¹: Last trading price for week ended 24 July

Source: Bloomberg (last trading price for week ended 25 July)

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