

# CHINA A LOOK AHEAD

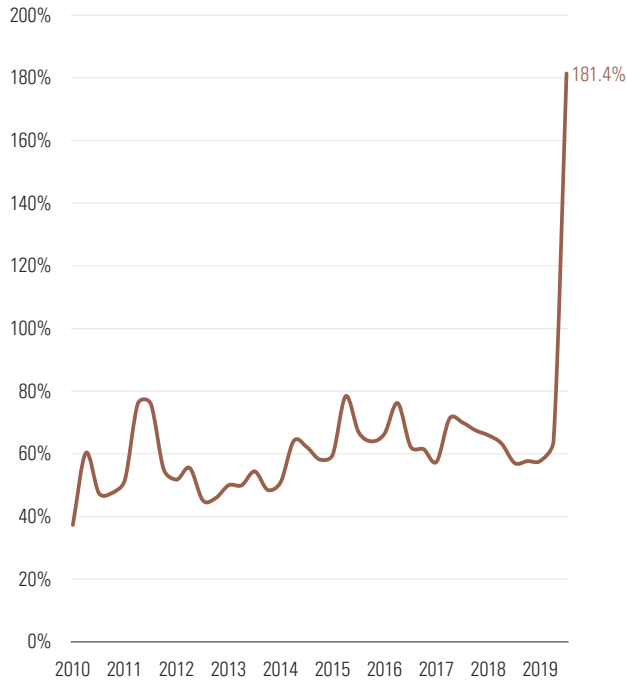
## Q4 2020

# DISCLAIMER

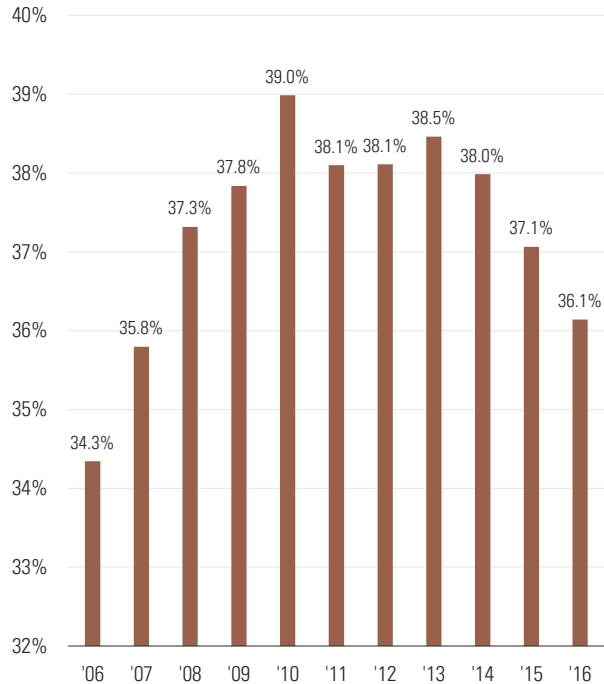
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# Chinese Consumer

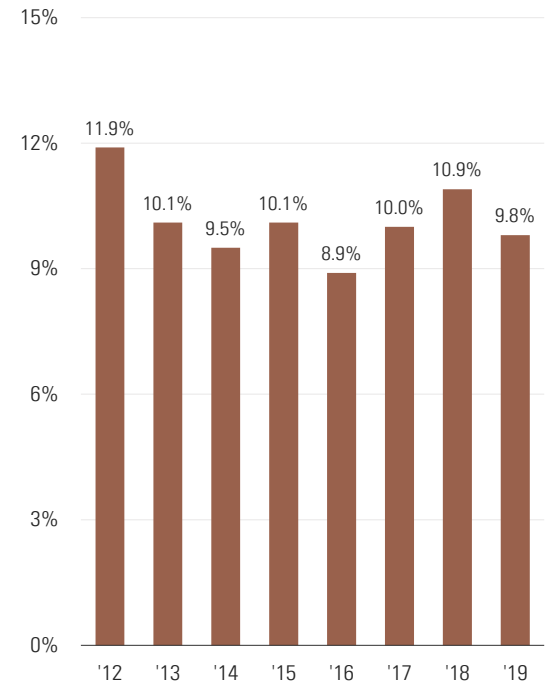
### Consumption Contribution to China's GDP Growth



### China Household Savings Rate



### China Average Annual Wage Growth

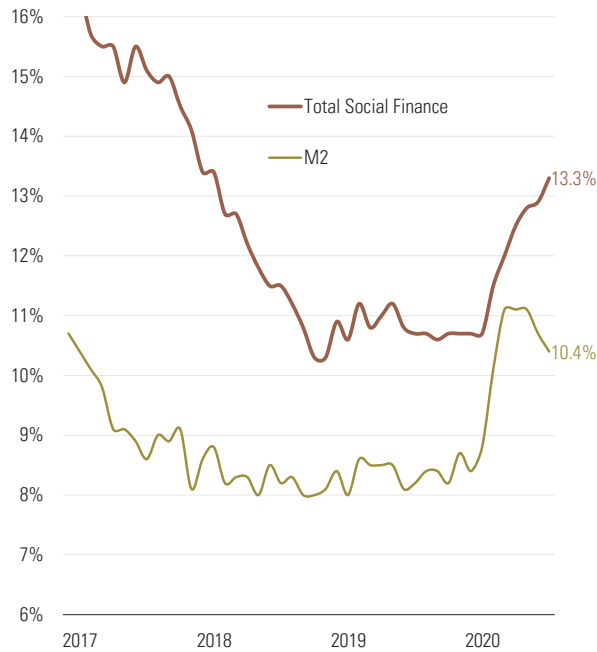


- Post the Great Financial Crisis, China has adopted a consumption-oriented economy to protect it from the vagaries of foreign exports.
- Consumption represents 36% of China's GDP and contributes 181% to GDP growth.
- As the Chinese consumer gains more confidence in their new economy, they could spend down their savings which are extraordinarily high.

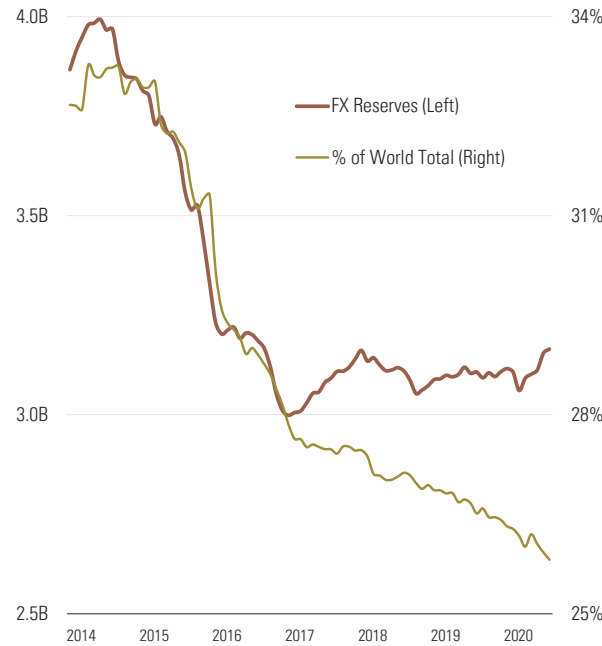
# Monetary Policy

China's monetary policy continues to look accommodative, with continued global investor interest.

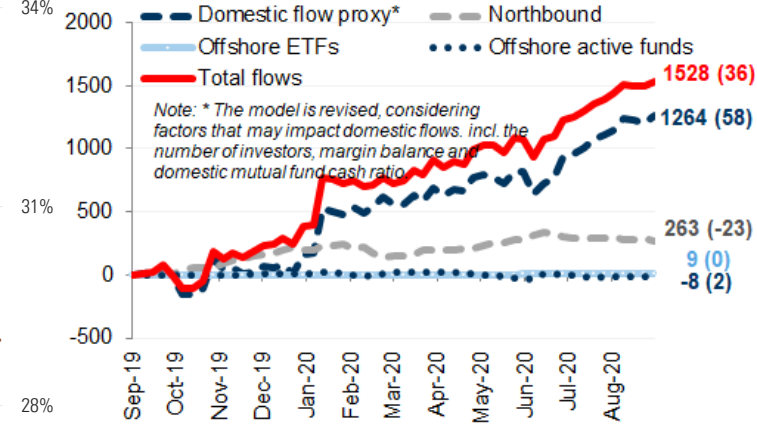
**Total Social Finance & M2 Money Supply** Year-over-Year



**China FX Reserves**



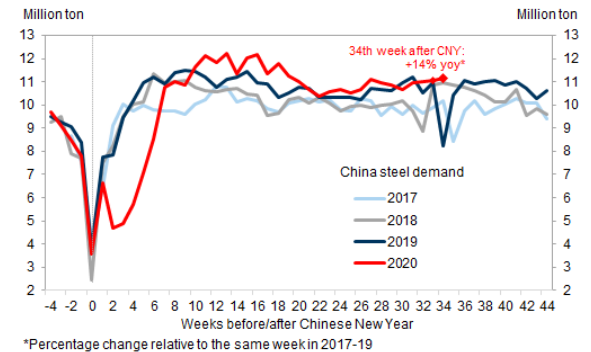
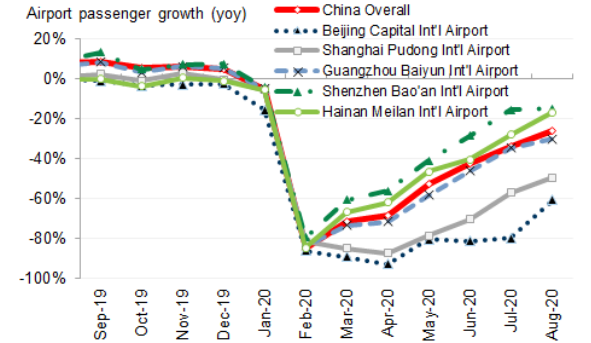
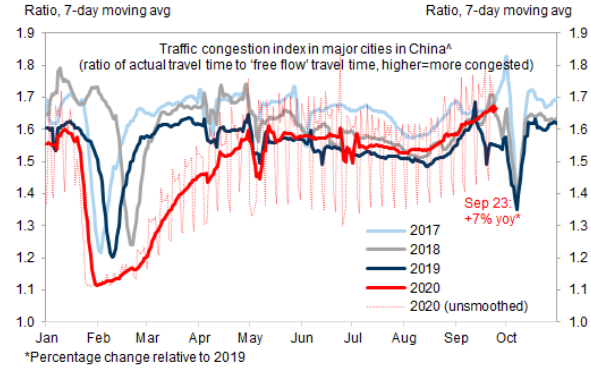
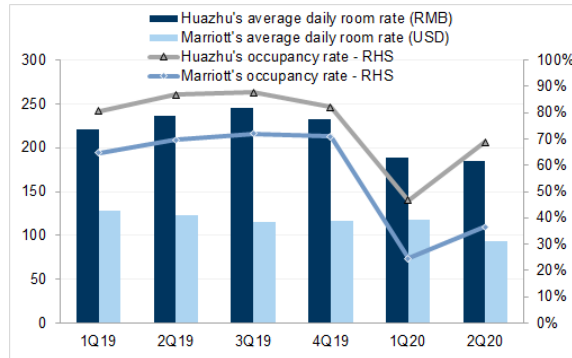
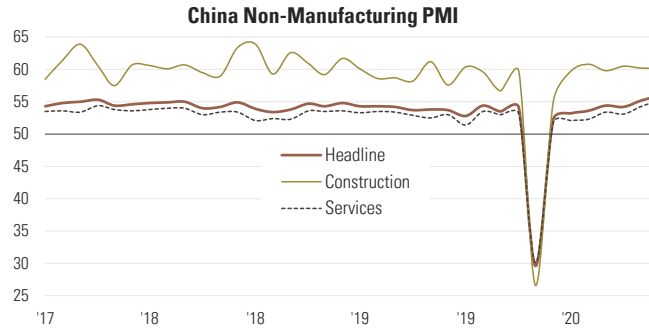
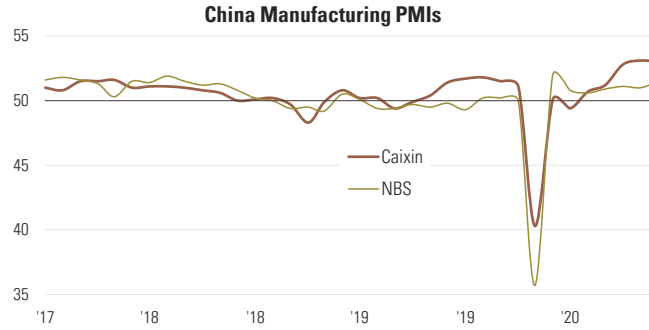
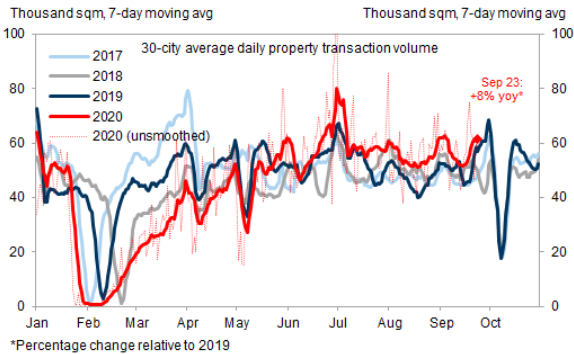
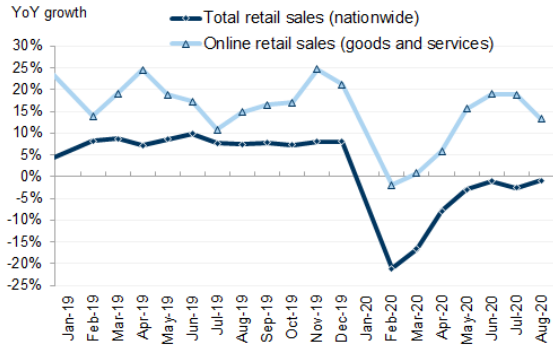
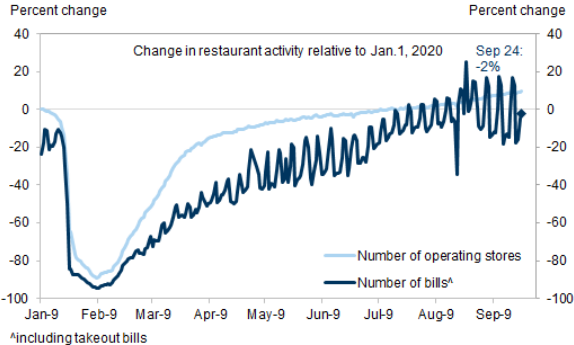
**Cumulative capital flows to A shares in past 52 weeks (RMB bn)**



- China has various policy tools to stimulate their economy. They have easy fiscal policy control as well as monetary control.
- Total Social Finance, which measures the volume of funds provided by China's domestic financial system to the private sector within a given timeframe, has been expanding along with M2.
- China's currency is showing great resilience as reserves have been expanding, even during the COVID-19 pandemic.
- Flows into their domestic equity markets have been growing, except for offshore flows which have contracted slightly. The local investor is showing confidence to invest in their domestic companies.

# China – A Return to Normal

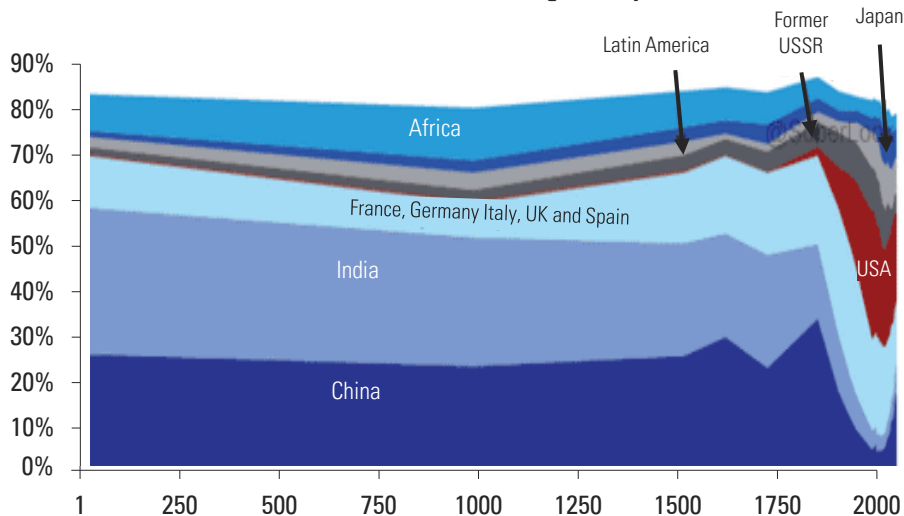
Across a host of high frequency indicators, China is returning to a pre-COVID 19 normal



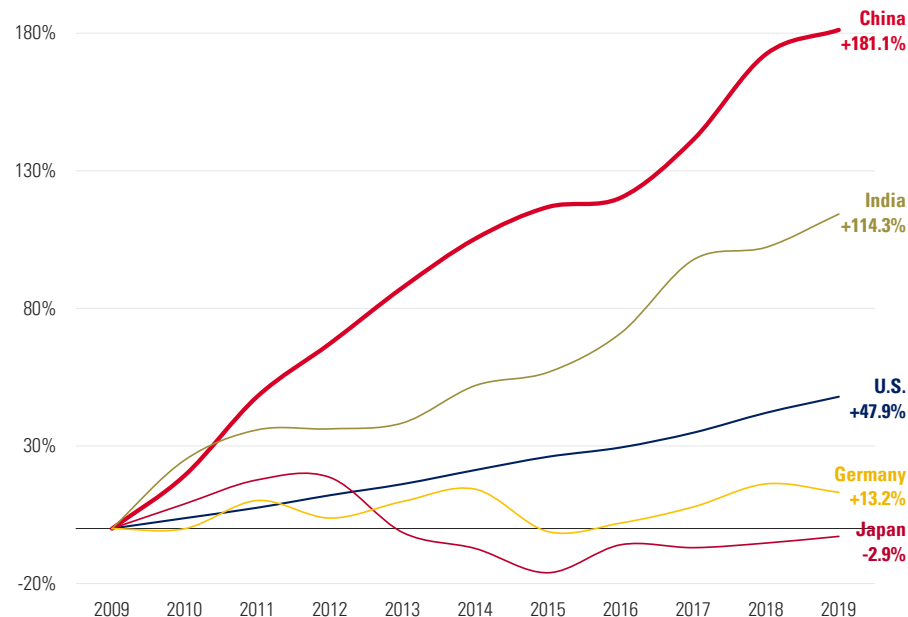
# China Mean Reverting

## China's Long Road Back to Global Dominance

Share of Global GDP through history



10-Year GDP Growth of China & Other Major Economies



- Economies, like stocks, can mean revert.
- China once dominated global economic output. It's only in the last 250 years that the United States has been the global economic heavyweight.
- What we may be experiencing at this moment in history is China ascending back to a position of global leadership and as a strong competitor to the United States.
- Click [here](https://www.youtube.com/channel/UCAF_kYqr495c2BqVULw6Vmw) for our discussion with China tech expert Kevin Xu on the dispute between China and the U.S. in the Technology sector.

Data Sources: Bloomberg, Maddison

Link to discussion with China tech expert Kevin Xu: [https://www.youtube.com/channel/UCAF\\_kYqr495c2BqVULw6Vmw](https://www.youtube.com/channel/UCAF_kYqr495c2BqVULw6Vmw)

# Recommendations

## Recommendations

- Continue to focus on the domestic consumption upgrade cycle
- Telecom, Media, and Technology
- Avoid overleveraged property names
- Focus on overall growth with reasonable forward P/E valuations
- Monitor the impact of the U.S.-China Tech war (rhetoric or reality?)

## Strategy Update

- Review [our discussion with China tech expert Kevin Xu](#) on the dispute between China and the U.S. in the Technology sector.

# THANK YOU

✉ [tphillips@phillipsandco.com](mailto:tphillips@phillipsandco.com)

🌐 [www.phillipsandco.com](http://www.phillipsandco.com)



# Data Sources

Slide 3 Chinese Consumer  
Bloomberg terminal

Slide 4 Monetary Policy  
Bloomberg terminal  
<https://research.gs.com/>

Slide 5 China – A Return to Normal  
Bloomberg terminal  
<https://research.gs.com/>

Slide 6 China Mean Reverting  
Bloomberg terminal  
<https://www.rug.nl/ggdc/historicaldevelopment/maddison/?lang=en>