GF Macro Views

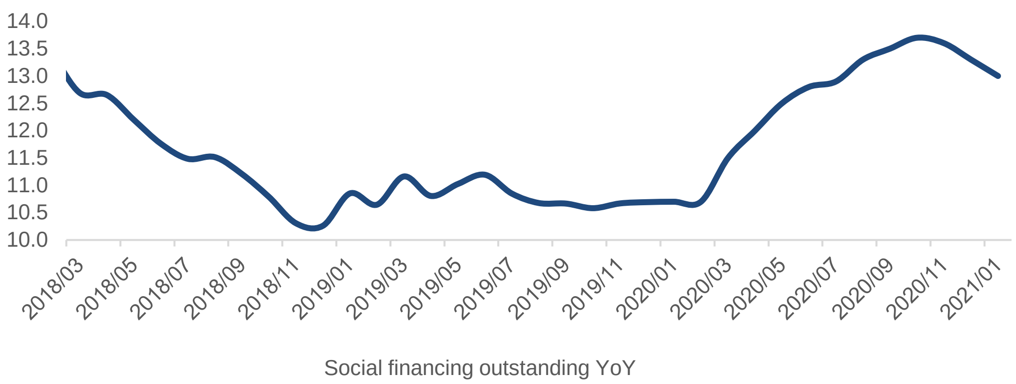
Weekly views from GF Securities' macro research team

January social financing reflects strong demand, but not monetary supply direction

Strong financing demand from the real economy led to higher-than-expected credit and social financing growth in January, but we should not be too bullish on full-year credit supply New social financing came in much higher than market expectation in January, thanks to strong financing demand from the real economy and a well-performing economy. In particular, the increase in renminbi loans was due to intensive granting of loans by banks, strong financing demand from the manufacturing sector, and more working days during the month. The increase in off-balance sheet bills was related to companies' settlement of accounts payable before Chinese New Year (CNY), the spillover of on-balance sheet financing needs and the tightening of bill financing. In terms of money supply, January saw the highest M1 growth since January 2018, and the M1-M2 gap was much wider than in December 2020. This reflects not only an increase in economic activity, but also factors such as a low comparable base, the timing of CNY and strong property sales. Therefore, we do not suggest being overly positive about the full-year credit supply. Looking forward, if social financing and credit continue to grow faster than estimates, and the macro leverage ratio rises again, the central bank may tighten the money supply further.

Guo Lei, Zhong Linnan, Feb 11, 2021

Social financing growth slowed by 0.3pp MoM to 13% in January, but was still at a high level



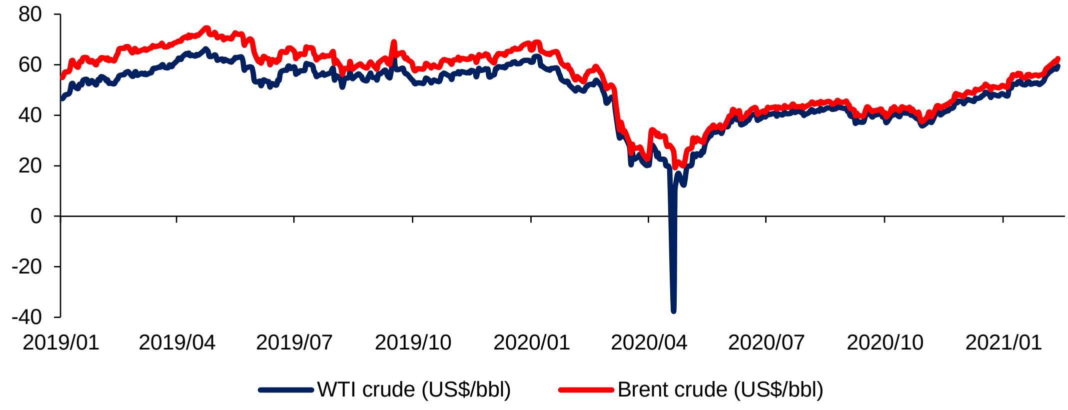
Source: Wind, GF Securities Development & Research Center

The sustainability and impacts of oil price hikes

Oil could rise further in the next 1-2 months, which may push up US CPI and the gold price in the near term The WTI oil price has undergone a V-shaped rebound since the outbreak of COVID-19 in January 2020 to over US$60 per barrel recently. The key drivers of the rebound are the strategic production cuts by OPEC, stronger expectation of herd immunity around the globe and the risk-on sentiment fueled by the third round of stimulus in the US. We believe international oil prices will continue to rise in the next one to two months, and then flatten in 2Q21, followed by corrections around when herd immunity in developed economies is achieved. Due to a low comparable base, oil price hikes may push up YoY growth in US CPI, which may rise over 6% in May. When the stimulus package is launched, the Fed should continue to suppress nominal interest rates; as such, the drop in real interest rates may boost the gold price between March and May.

Zhang Jingjing, Feb 16, 2021

WTI and Brent crude oil prices since 2019



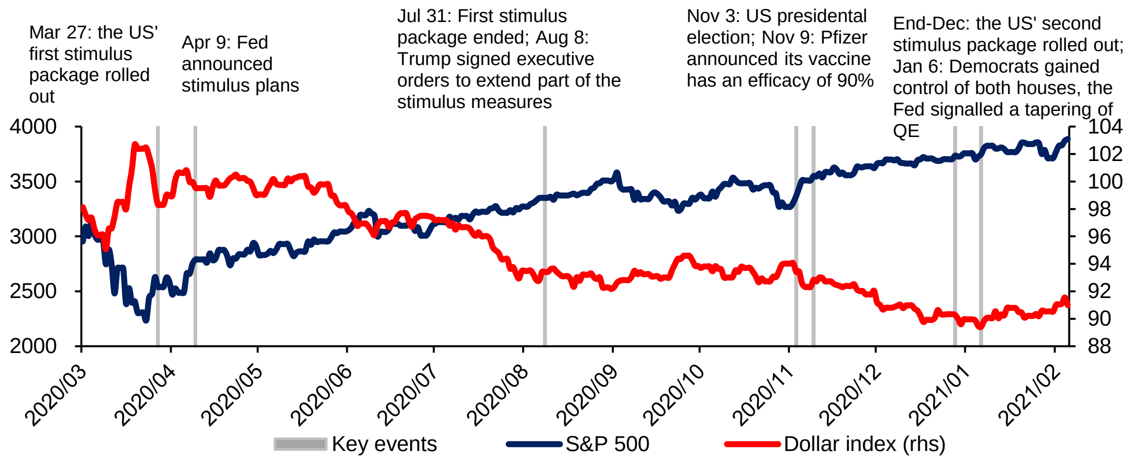
Source: Wind, GF Securities Development & Research Center

Biden's stimulus plan to fuel risk-on sentiment in US stocks

Third round of pandemic relief may led to risk-on sentiment in overseas markets, but US stocks and bonds are likely to face sell-off risk from 3Q21 The US House and Senate passed a budget resolution for 2021 recently, making room for Joe Biden's US$1.9trn pandemic relief package. With the impact of the pandemic subsiding and the economy recovering, this round of stimulus package may mark the end of Biden's pandemic relief policies. We believe he will shift focus to income distribution (mainly through tax hikes) to narrow the wealth gap. Expectation of the fiscal stimulus rollout should spur risk-on sentiment in overseas markets in 2Q21, which should be favorable for US stocks and commodities, while rising inflation and declines in real interest rates may boost the gold price. However, when the impact of the third round of fiscal stimulus diminishes and the US administration takes a soft turn in domestic policies, a steepening of the US treasury yield curve may result in corrections in US stocks and bonds and put an end to the gold rally. Following corrections in US stocks, the tech bull-run may come to an end and the consumer sector may outperform.

Zhang Jingjing, Feb 9, 2021

S&P 500 and the dollar index since March 2020



Source: Wind, GF Securities Development & Research Center

Compiled and summarized by: Cai Juntao (email: caijuntao@gf.com.cn)