中信建投國際
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Monetary easing to continue, capital control still likely

Takeaways from G20 summit and PBoC RRR cut

Company name	Ticker	Mkt cap (HKDmn)	Spot 29 Feb	Ccy	PT 2016E	Up/dn (%)	PBR 2015E	PBR 2016E	PER 2015E	PER 2016E	Yield 2015E	Yield 2016E
CQRC	3618 HK	33,852	3.64	HKD	NR	N/A	0.72	0.64	4.63	4.33	5.77	6.13
Shengjing	2066 HK	73,038	12.60	HKD	10.62	-15.71	1.73	1.50	10.46	9.06	2.54	2.78
Huishang	3698 HK	37,680	3.41	HKD	NR	N/A	0.93	0.84	6.43	6.01	4.75	5.10
Harbin	6138 HK	20,782	1.89	HKD	3.03	60.32	0.62	0.57	5.11	4.58	5.19	5.71
Jinzhou	416 HK	32,030	5.54	HKD	NR	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chongqing	1963 HK	19,325	6.18	HKD	NR	N/A	0.92	0.81	5.63	5.35	4.34	4.68
Zhengzhou	6196 HK	24,002	4.51	HKD	NR	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Qingdao	3866 HK	19,604	4.83	HKD	NR	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Company data, CSCI estimates, Bloomberg

- **China's monetary conditions will continue to be accommodative in the near term in our view.**
- **We expect the volitility of global currencies will reduce in the short term, but major central banks may use non-standard monetary tools to its limits given the lack of endogenous demand, both domestically and globally.**
- **In our view, capital control seems to be the only measure for China's retard capital outflows and to avoid severe RMB depreciation.**

Credit easing and money market operations to be PBoC's primary tools. In face of persistent capital outflows and RMB depreciation pressure, standard policy tools like reserve ratio and interest rates cuts will explicitly add to the pressure of RMB depreciation against the USD. Besides, rates cuts could further reduce the attraction of RMB and lower RMB borrowing costs may induce market speculators shorting RMB against the USD, in our view.

G20 summit: joint efforts on structural reforms and to avoid competitive currency devaluation. The communique of G20 stressed to use all policy tools – monetary, fiscal and structural – individually and collectively to achieve global growth, investment and financial stability, and reaffirmed to refrain from competitive currency devaluation. We think these claims can reduce market jitters in the short term. But, in the long run, we believe monetary easing policies are still the most feasible and inexpensive measures for most central banks facing stagnant domestic economic growth and rising financial risks.

Chinese banks will benefit from continuous credit easing and capital control, if any. Banks will have bigger dominance in the financial markets during the course of monetary easing and banks' asset quality risks will be mostly diluted. With huge A-H share discounts, we believe it's a good time to buy Hong Kong listed Chinese banks that may see a sector-wide re-rating if the aforementioned scenarios become true.

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Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index; Time Horizon: 12 months

Outperform	Relative Performance >10%
Neutral	Relative Performance is -10% to 10%
Underperform	Relative Performance <10%

Disclosure of Interests

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