Highlights:

"Reciprocal and fairness" were probably the two most important messages from President Trump during his visit to East Asia. We think he probably got it in China. President Trump got a "state visit plus" in China and found many more new fans there, partially with the help of his granddaughter Arabella, who is deeply loved by Chinese netizen. Trump's change of twitter banner to the photos with President Xi as well as his comments on blaming huge trade deficit on past US administration rather than China made Chinese people feel being respected. In return, the more than US$250 billion purchasing deal signed in Beijing will give President Trump enough talking points when he returns to Washington. In general, we think Trump's visit was a big success for both countries.

China is ready for further openness under the new leadership. In addition to the article published in People's Daily written by Vice Premier Wang Yang to advocate further opening, China announced to lower the investment barrier for foreign investors in China's financial sector. For banks like us, the maximum 20% equity stake cap in a Chinese bank for a single foreign investor and 25% for all for foreign investors will be scrapped. Please find details below.

China officially set up Financial Stability and Development Committee under State Council last week to oversee financial stability and prevent systemic financial risk. As Chinese financial institutions are moving towards mixed operation model, a more efficient supervision body with bird view will be important to close the potential loophole, which led to financial arbitrage. We think the setup of the new committee will be the first step towards a holistic supervisory model, which will help China address shadow banking as well as high leverage risk.

In Hong Kong, after China Literature's IPO, Razer and Yixin IPOs continued to lock up money. As a result, concerns about tighter liquidity led to a sharp fall of USD/HKD. Nevertheless, in absence of any signs of capital outflows, liquidity condition is likely to improve after IPOs. If this is the case, USD/HKD is likely to rally albeit finding resistance at 7.8100. On the other hand, Hang Seng Index broke 29,000 and reached its highest level since Dec 2007. The rosy performance could be attributed to continuous capital inflows from Mainland China and developed countries as well as optimism about Trump's tax reform. Moving forward, should Hong Kong stock market remain supported, wealth effect from stock market may continue to boost domestic consumption and cap the correction in secondary housing market. Finally, HK's GDP surprised on the upside by expanding 3.6% yoy in 3Q 2017, thanks to robust exports, strong private consumption and improved tourism activities on China's resilient growth. These factors may allow HK to remain solid growth in the fourth quarter despite a fading base effect. Therefore, we revise our GDP growth forecast to 3.6% for 2017.

Key Events and Market Talk	
Facts	**OCBC Opinions**
▪ China is ready for further openness under the new leadership.	▪ In addition to the article published in People's Daily written by Vice Premier Wang Yang to advocate further opening, China is ready to lower the investment barrier for foreign investors. ▪ China's Vice Finance Minister Zhu Guangyao announced details to gradually remove the cap for foreign investment in China's financial sector. ▪ First, the investment cap in onshore securities ventures for foreign firms will be increased to 51% from previously 49%. And the cap will be abolished three years after the new rules become effective. ▪ Second, the maximum 20% equity stake cap in a Chinese bank for a single foreign investor and 25% for all for foreign investors will be scrapped. ▪ Third, foreign ownership cap in insurance companies will be increased to 51% in three years and will be removed in five years. ▪ The latest announcement shows that China's financial sector has been ready for more competition.
▪ Trump's visit to China is a big success for both countries.	▪ Trump found many new fans in China with the help of his granddaughter Arabella, who is deeply loved by Chinese netizens, though his approval rating at home continued to slip. ▪ Trump's change of twitter banner to the photos with President Xi as well as his comments on blaming huge trade

	deficit on past US administration rather than China made Chinese people feel being respected. ▪ In return, the more than US$250 billion purchasing deal signed in Beijing will give President Trump enough talking points when he returns to Washington.
▪ China officially set up Financial Stability and Development Committee under State Council last week to oversee financial stability and prevent systemic financial risk.	▪ As Chinese financial institutions are moving towards mixed operation model, a more efficient supervision body with bird view will be important to close the potential loophole, which led to financial arbitrage. The new committee will carry multi-tasks including setting the grand development plan for the financial sector, coordinating among different financial regulators such as PBoC, SAFE, CBRC, CSRC and CIRC etc to develop a holistic supervision model. ▪ In addition, it may also be empowered to supervise local government financing, which will help to curb shadow banking risk. ▪ We think the setup of the new committee will be the first step towards a holistic supervisory model, which will help China address shadow banking as well as high leverage risk.
▪ Jamaica central bank said it has opened an account with PBoC to settle transactions in RMB and will add RMB into its reserve currencies.	▪ The demand for RMB transactions has increased as a result of increasing investment flows from China to Jamaica.
▪ China's Commerce Minister Zhong Shan said China will lay out a list of measures to help narrow the trade surplus with the US via import push.	▪ China will host its first import expo in November 2018 to promote imports as a way to narrow China's trade surplus.
▪ USD/HKD fell sharply below 7.80 due to concerns about tighter liquidity.	▪ China Literature's IPO money was back to the market on Nov 8. However, Razer and Yixin IPOs still locked up a large amount of money. Therefore, HIBOR remained elevated. As a result, concerns about tighter liquidity led to a sharp fall of USD/HKD. Nevertheless, we do not see much upside on the HKD. After IPOs, we expect HIBOR to come off as liquidity remains relatively flush without HKMA's further moves or any signs of capital outflows. If this is the case, USD/HKD may rally albeit finding strong resistance at 7.8100, as year-end effect and rising expectations on Fed's Dec rate hike are likely to cap the correction in HIBOR.
▪ Hang Seng Index broke 29,000 and reached its highest level since Dec 2007. The rosy performance could be attributed to three major factors.	▪ First, capital continued to flow to emerging markets (including HK market) after the major central banks including ECB, BOE, BOC and BOJ turned out to be relatively dovish in terms of tapering. Second, Mainland investors showed increased interests in HK stock market with daily southbound flows under the two stock connects reached RMB3.64 billion during the first eight trading days of November 2017, the highest level since the launch of Shenzhen-Hong Kong stock connect in last December. Third, optimism about Trump's tax reform also helped to boost risk appetite. Moving forward, should these three factors continue to support Hong Kong stock market, wealth effect from stock market may continue to boost domestic consumption and cap the correction in secondary housing market.

Key Economic News	
Facts	**OCBC Opinions**
▪ China's current account surplus shrank in 3Q to US$37.1 billion from US$50.9 billion in 2Q while	▪ The shrink of current account surplus in 3Q was mainly the result of the narrower surplus of goods trade. Although serve

non-reserve financial account returned to deficit of US$7.2 billion after two quarters surplus in the first half of 2017.	trade deficit narrowed slightly to US$68.1 billion in 3Q from US$74.4 billion in 2Q, we think the trend of widening service trade deficit in the longer run is irreversible as more Chinese are expected to go abroad to travel and study due to rising disposable income. As such, this will create pressure for current account surplus to shrink further. ▪ Although China's non-reserve financial account returned to deficit in 3Q, the surplus of direct investment actually widened to US$7.3 billion from US$1.4 billion thanks to return of foreign direct investment, which rose to US$31.1 billion. ▪ A shrinking current account surplus, together with volatile capital account balance, will build the foundation for RMB's two-way movement.
▪ China's FX reserve rose for the ninth consecutive month in October to US$3.109 trillion from US$3.1085 in September.	▪ The unfavourable valuation effect due to dollar appreciation in the global market in October was partially offset by the capital appreciation according to the SAFE. The stabilization of FX reserve shows balanced capital flow, which will continue to support RMB's two-way movement.
▪ China's trade growth decelerated slightly in October. Export in dollar term grew by 6.9% yoy while import in dollar term rose by 17.2% yoy.	▪ By destination, China's export to EU and Japan improved further while export to US slowed to 8.3% from 13.75%. China's export to ASEAN remained steady growing by 10.1%. ▪ Ahead of Trump's visit, China's trade surplus US shrank to US$26.6 billion in October after hitting record high of US$28.2 billion in September. ▪ China's imports of electronic integrated circuit remained strong up by 23.32% in October as Asia as a whole still benefited from global demand for electronic products. ▪ On commodity, China's demand for iron ore fell with imports of iron ore falling by 1.62% in volume. However, China's demand for crude oil remained strong with imports of crude oil in both value and volume increased by 29.1% and 7.8%.
▪ China's inflation surprised the market on the upside with CPI re-accelerating to 1.9% yoy in October from 1.6% yoy in September while China's PPI remained elevated at 6.9%.	▪ CPI rose by 0.1% month-on-month, in line with seasonal pattern, mainly driven by non-food prices although the rise of healthcare service price moderated. We expect CPI to test 2% in 4Q due to base effect. Nevertheless, we think the risk of sudden spike of CPI to above 2.5% is low. ▪ The 0.7% mom increase of PPI was a big surprise although input price component of PMI fell by 5 points in October. Nevertheless, due to recent correction of commodity prices as well as base effect, we expect PPI to moderate in the coming months to below 6%.
▪ HK's GDP expanded briskly by 3.6% yoy in 3Q 2017 while the previous quarter's growth revised up to 3.9% yoy from 3.8% yoy. ▪ The economy's rosy performance was mainly driven by robust exports, strong private consumption and improved tourism activities on China's resilient growth.	▪ Externally, improved external demand has continued to underpin Asia's exports, including HK's overseas shipments. Total exports of goods jumped by 5.5% yoy. Therefore, trade and cargo flows also sustained the vibrancy. In additional, recovery of tourism sector was buoyed by better-than-expected growth of China in 2H 2017. Growth in exports of services accelerated to 3.7% yoy in 3Q 2017 from 2.6% in 2Q 2017. ▪ Internally, sizeable fiscal reserve allowed the government to accelerate public investment (public investment in building and construction rose by 12.3% yoy) and government spending (+4.1% yoy). More importantly, domestic consumption growth strengthened further to 6.7% yoy given a solid labour market and stronger wealth effects from both stock market and property market. Moving forward, we expect external factors to continue supporting export of goods

	and tourism recovery. Tight labour market and fiscal stimulus will also keep private consumption as well as government spending and investment elevated. Therefore, despite unfavourable base effect in 4Q, we still expect GDP to expand by 3.6% yoy for 2017 (upwardly revised from 3.2%). According to the government, economic growth for 2017 as a whole is now forecast at 3.7%. This will be the strongest growth since 2011. ▪ In the coming years, economic growth is likely to sustain albeit at a slower pace due to high base effect. We will also continue to monitor external uncertainties including the rise of protectionism, which will hit trade activities, and global monetary tightening which may curb private investment.
▪ HK's retail sales growth accelerated to its strongest level since Feb 2015 at 5.6% yoy in September 2017. Sales of jewelry, watches and other luxurious goods increased at its fastest pace since August 2013 by 14.7% yoy. Meanwhile, sales of clothing, footwear and allied products rebounded by 1.7% yoy.	▪ Improved tourism activities (the number of visitor arrivals rebounded by 3.7% yoy) on China's resilient economic growth have contributed to the retail sector's recovery. Given the effect of golden week, we expect both tourism and retail sectors to remain supported in October 2017. On the other hand, sales of food, alcoholic drinks and tobacco rallied by 9.2% yoy. A solid labor market and wealth effect from stock market continued to underpin local consumer sentiment. All in all, we expect retail sales growth to print about 1.5% yoy for 2017.

RMB	
Facts	**OCBC Opinions**
▪ RMB weakened against the dollar last week despite broad weakness of the greenback. Therefore, RMB depreciated against its currency basket with the RMB index dipping to 95.05 on last Friday.	▪ Though RMB retreated during US President Trump's visit to China, we noted that RMB fixing remained largely in line with expectations. As the RMB embraces two-way volatility, the need of PBOC to intervene the FX market became less imminent. Latest movement of RMB has been driven more by corporates' purchase and sales of FX. Moving forward, should greenback refrain from surging significantly, we expect USD/CNY to remain two-way movement in the range of 6.5-6.7.

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