

## Greater China — Week in Review

19 May 2025

### Highlights: Frontloading

Markets responded positively to signs of de-escalation in the U.S.-China trade conflict. Chinese equities rose, with onshore and offshore indices posting gains of 3–6% month-to-date. Meanwhile, the RMB stabilized around the 7.20 level against the U.S. dollar, even as the dollar index rebounded.

In the fixed income space, Chinese government bond yields edged higher despite the implementation of the reserve requirement ratio (RRR) and 7-day reverse repo rate cuts last week. The modest uptick in yields was largely driven by tighter interbank liquidity conditions due to corporate tax payment flows.

Adding to the optimism, the U.S. announced it will lower the "de minimis" tariff rate on low-value Chinese shipments to 54% from 120% for items valued under USD 800. A planned increase in the flat postal fee—from USD 100 to USD 200—has also been canceled, providing partial relief to cross-border e-commerce. Although not mentioned in the Geneva joint statement, the announcement signals continued tactical flexibility in tariff implementation.

According to data from container tracking software provider Vizion, the seven-day average booking volume as of May 14 surged by 277% compared to the average for the week ending May 5, rising from 5,709 TEUs (twenty-foot equivalent units).

Multiple sources also point to a sharp rebound in China–U.S. shipping rates. On the spot market, Maersk's sailing from Shanghai to Los Angeles scheduled for May 26 is quoted at USD 3,705 per FEU (forty-foot equivalent unit), nearly double the May 12 rate, representing a 96% increase.

These developments suggest that frontloading activity is likely to dominate shipping flows over the next 2–3 months. This dynamic may help mitigate downside risks to China's near-term growth outlook. We now expect China's Q2 GDP to remain above 5% YoY.

China's outstanding aggregate social financing (AFS) growth accelerated to 8.7% YoY in April, up from 8.4% YoY in March, while M2 growth jumped to 8.0% YoY from 7.0% YoY. However, new yuan loans underperformed expectations, reflecting subdued credit demand from both households and corporates amid persistent external uncertainties. Short-term household loans contracted by CNY402 billion, while medium- to long-term household loans also declined by CNY123.1 billion, underscoring continued weakness in consumption-related credit demand.

For this week, market will watch for China's April economic indicators as well as any sign of trade negotiations between US and China. China's 1-year and 5-year loan prime rates are expected to be lowered this week following the recent rate cuts.

**Tommy Xie Dongming**  
Head of Asia Macro Research  
[xied@ocbc.com](mailto:xied@ocbc.com)

**Keung Ching (Cindy)**  
Greater China Economist  
[cindyckeung@ocbc.com](mailto:cindyckeung@ocbc.com)

HKD liquidity situation stays very flush, especially in the front-end, as the liquidity injected earlier will stay within the system in the absence of weak-side Convertibility Undertaking triggering. Meanwhile, the moderation of southbound inflow and the smaller-than-expected scale of IPO activities left HKD liquidity at the loose side.

Moving to late May and June, listed Chinese firms are expected to distribute dividend totaling around HK\$100 billion (60% of aggregate balance). We are looking for liquidity to tighten somewhat closer to the time, with the impact amplified by the half-yearly settlement.

HIBORs showed early signs of bottoming out, while HKD IRS also showed some stabilization. Further ahead, we expect HIBORs to adjust back higher, and maintain an upward bias to short-end HKD-USD rates spreads (i.e. for the spreads to turn less negative).

Spot USDHKD rose to above the mid-point of currency band at 7.8, after almost un-interrupted rally in the past few sessions. Rally of spot USDHKD appeared to be stalled for now, though the pair remains sensitive to HKD liquidity situation in the near term.

## Key Development

Facts	OCBC Opinions
<ul style="list-style-type: none"> <li>HKD liquidity situation stays very flush, especially in the front-end, as the liquidity injected earlier will stay within the system in the absence of weak-side Convertibility Undertaking triggering. Meanwhile, the moderation of southbound inflow and the smaller-than-expected scale of IPO activities left HKD liquidity at the loose side.</li> </ul>	<ul style="list-style-type: none"> <li>Moving to late May and June, listed Chinese firms are expected to distribute dividend totaling around HK\$100 billion (60% of aggregate balance). We are looking for liquidity to tighten somewhat closer to the time, with the impact amplified by the half-yearly settlement.</li> <li>HIBORs showed early signs of bottoming out, while HKD IRS also showed some stabilization. Further ahead, we expect HIBORs to adjust back higher, and maintain an upward bias to short-end HKD-USD rates spreads (i.e. for the spreads to turn less negative).</li> <li>Spot US\$HKD rose to above the mid-point of currency band at 7.8, after almost un-interrupted rally in the past few sessions. Rally of spot US\$HKD appeared to be stalled for now, though the pair remains sensitive to HKD liquidity situation in the near term.</li> </ul>

## Key Economic News

Facts	OCBC Opinions
<ul style="list-style-type: none"> <li>China's outstanding aggregate social financing (AFS) growth accelerated to 8.7% YoY in April, up from 8.4% YoY in March, while M2 growth jumped to 8.0% YoY from 7.0% YoY.</li> </ul>	<ul style="list-style-type: none"> <li>However, new yuan loans underperformed expectations, reflecting subdued credit demand from both households and corporates amid persistent external uncertainties. Short-term household loans contracted by CNY402 billion, while medium- to long-term household loans also declined by CNY123.1 billion, underscoring continued weakness in consumption-related credit demand.</li> <li>On a more positive note, fiscal policy remained supportive of credit expansion, with frontloaded government bond issuance providing a key boost. Net issuance of local government special bonds reached CNY972.9 billion in April, contributing significantly to the CNY1.16 trillion increase in aggregate social financing.</li> <li>The sharp rise in M2 was partly driven by a low base effect, as deposit growth was suppressed in April last year due to regulatory crackdowns on interest subsidies offered by banks. In addition, in Q1 2025, the People's Bank of China (PBoC) suspended government bond purchases and actively withdrew liquidity in an effort to engineer a moderate rebound in government bond yields. This policy shift weighed on the net asset value (NAV) of certain wealth management products, reducing the attractiveness of non-deposit instruments and prompting funds to remain within the banking system. As a result, deposit balances increased, reinforcing the upward momentum in M2 growth.</li> </ul>

**Selena Ling**  
Head of Research & Strategy  
[lingssselena@ocbc.com](mailto:lingssselena@ocbc.com)

**Tommy Xie Dongming**  
Head of Asia Macro Research  
[xied@ocbc.com](mailto:xied@ocbc.com)

**Keung Ching (Cindy)**  
Hong Kong & Macau Economist  
[cindyckeung@ocbc.com](mailto:cindyckeung@ocbc.com)

**Herbert Wong**  
Hong Kong & Taiwan Economist  
[herberhtwong@ocbc.com](mailto:herberhtwong@ocbc.com)

**Lavanya Venkateswaran**  
Senior ASEAN Economist  
[lavyanavenkateswaran@ocbc.com](mailto:lavyanavenkateswaran@ocbc.com)

**Ahmad A Enver**  
ASEAN Economist  
[ahmad.enver@ocbc.com](mailto:ahmad.enver@ocbc.com)

**Jonathan Ng**  
ASEAN Economist  
[jonathannq4@ocbc.com](mailto:jonathannq4@ocbc.com)

**Ong Shu Yi**  
ESG Analyst  
[shuyiong1@ocbc.com](mailto:shuyiong1@ocbc.com)

## **FX/Rates Strategy**

**Frances Cheung, CFA**  
Head of FX & Rates Strategy  
[francescheung@ocbc.com](mailto:francescheung@ocbc.com)

**Christopher Wong**  
FX Strategist  
[christopherwong@ocbc.com](mailto:christopherwong@ocbc.com)

## **Credit Research**

**Andrew Wong**  
Head of Credit Research  
[wongvkam@ocbc.com](mailto:wongvkam@ocbc.com)

**Ezien Hoo, CFA**  
Credit Research Analyst  
[ezienhoo@ocbc.com](mailto:ezienhoo@ocbc.com)

**Wong Hong Wei, CFA**  
Credit Research Analyst  
[wonghongwei@ocbc.com](mailto:wonghongwei@ocbc.com)

**Chin Meng Tee, CFA**  
Credit Research Analyst  
[menqteechin@ocbc.com](mailto:menqteechin@ocbc.com)

This report is solely for information purposes and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein or to participate in any particular trading or investment strategy. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this report is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this report may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This report may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, it should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. In the event that you choose not to seek advice from a financial adviser, you should consider whether the investment product mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OCBC Investment Research Private Limited ("OIR"), OCBC Securities Private Limited ("OSPL") and their respective related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future, interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial or securities related services to such issuers as well as other parties generally. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, BOS, OIR, OSPL or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.



## GLOBAL MARKETS RESEARCH

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OIR, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

Co.Reg.no.: 193200032W