

Greater China – Week in Review

Highlights: G2 interface not G2 order

Chinese equities gave back their early-week gains to finish last week broadly lower, with the week was dominated by the Trump–Xi Summit, which extended the US–China trade truce by two months to 10 January 2027. The summit was high on symbolism but relatively light on substantive breakthroughs. President Trump personally welcomed President Xi at Joint Base Andrews, becoming the first US president in around six decades to receive a foreign counterpart at the base, excluding papal visits.

The optics inevitably revived discussion in China’s social media around the idea of a “G2”. President Xi’s decision to make Washington, rather than the UN General Assembly in New York, the centrepiece of his US trip reinforced the symbolism of direct great-power diplomacy. More importantly, there were also some substantive signs of increasingly bilateral management of global risks. The two leaders jointly stated that Iran should not develop nuclear weapons and that no country or institution should be allowed to impose tolls on international waterways — effectively pronouncing together on the conduct of a third party in a global commons.

AI provided an even clearer example. The two governments agreed to establish a US–China Super Intelligence Dialogue to exchange views on the risks and benefits of AI, alongside a bilateral communication channel for AI-related incidents, with the next exchange scheduled by November. This is notable because governance of one of the defining technologies of the coming decade is beginning to acquire a dedicated Washington–Beijing crisis-management channel even as the two countries remain fierce competitors in AI capabilities and rule-setting.

This does not mean the world is moving towards a G2 political order. The US and China remain divided across technology, security, trade and the broader architecture of international governance. But something narrower may be emerging: a G2 crisis-management architecture. What Washington and Beijing appear to be building is a “G2 interface” — a bilateral layer of risk management sitting on top of an undiminished contest over technology, influence and rule-setting.

China property returned to the centre stage after China Vanke issued a stock-trading abnormal volatility announcement after market close on 22 September — its first such announcement in nine years.

The stock surged 29.8% from 17 September to its 23 September peak before paring some of the gains. The rally was widely seen as being driven by expectations of regulatory intervention. On 22 September 2026, Reuters reported that Chinese financial regulators had provided informal “window guidance” to lenders, primarily large state-owned banks, regarding their Vanke exposures. Banks were reportedly asked not to classify overdue Vanke loans as non-performing, to extend repayment deadlines, and to temporarily refrain

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from collecting interest payments.

This is not a bailout in the capital-injection sensChinade, but rather an attempt to buy Vanke more breathing room and reduce near-term refinancing pressure. Importantly, the broader property sector barely participated in the rally over the same period. **This is therefore not a sector re-rating; it is better understood as a single-name repricing of default risk.** The market is effectively assigning a lower probability to a disorderly Vanke credit event rather than pricing in a meaningful improvement in China's underlying property fundamentals.

What does this mean for China's property market? The intervention puts a ceiling on tail risk without putting a floor under demand. In effect, **bank balance sheets are increasingly being used as the designated shock absorber.** Rather than allowing financial stress at large developers to crystallise rapidly through defaults and asset disposals, policymakers appear to favour extending the adjustment process through loan rollovers, maturity extensions and payment forbearance. The property downturn is therefore gradually being transformed from an acute developer credit event into a slower, more manageable drag on bank earnings, asset quality and potentially capital consumption.

The more fundamental challenge remains on the demand side, where the policy toolkit is increasingly constrained. After several years of easing purchase restrictions, lowering mortgage rates and reducing down-payment requirements, there is limited scope for conventional measures alone to recreate the structural housing demand of the previous cycle. At the same time, China's property market has effectively entered an "existing-home era": second-hand homes accounted for around 27% of transactions in 2020, rising to 46% in 2025 and 52% in the first eight months of 2026, crossing the 50% threshold for the first time.

This shift has important implications for developers. A growing share of housing demand is now being absorbed by the secondary market rather than translating into new-home sales and developer cash flow. Developers will therefore need time to find a new equilibrium — one characterised by structurally lower new-home demand, smaller balance sheets, tighter margins and a greater focus on inventory digestion and cash-flow discipline. Policy can reduce the probability of a disorderly adjustment, but it is unlikely to restore the old property growth model.

Key Events	
Facts	OCBC Opinions
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