

Market Outlook and Updated Investment Landscape



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SAC Reg. No.: S0080511030004

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Key views

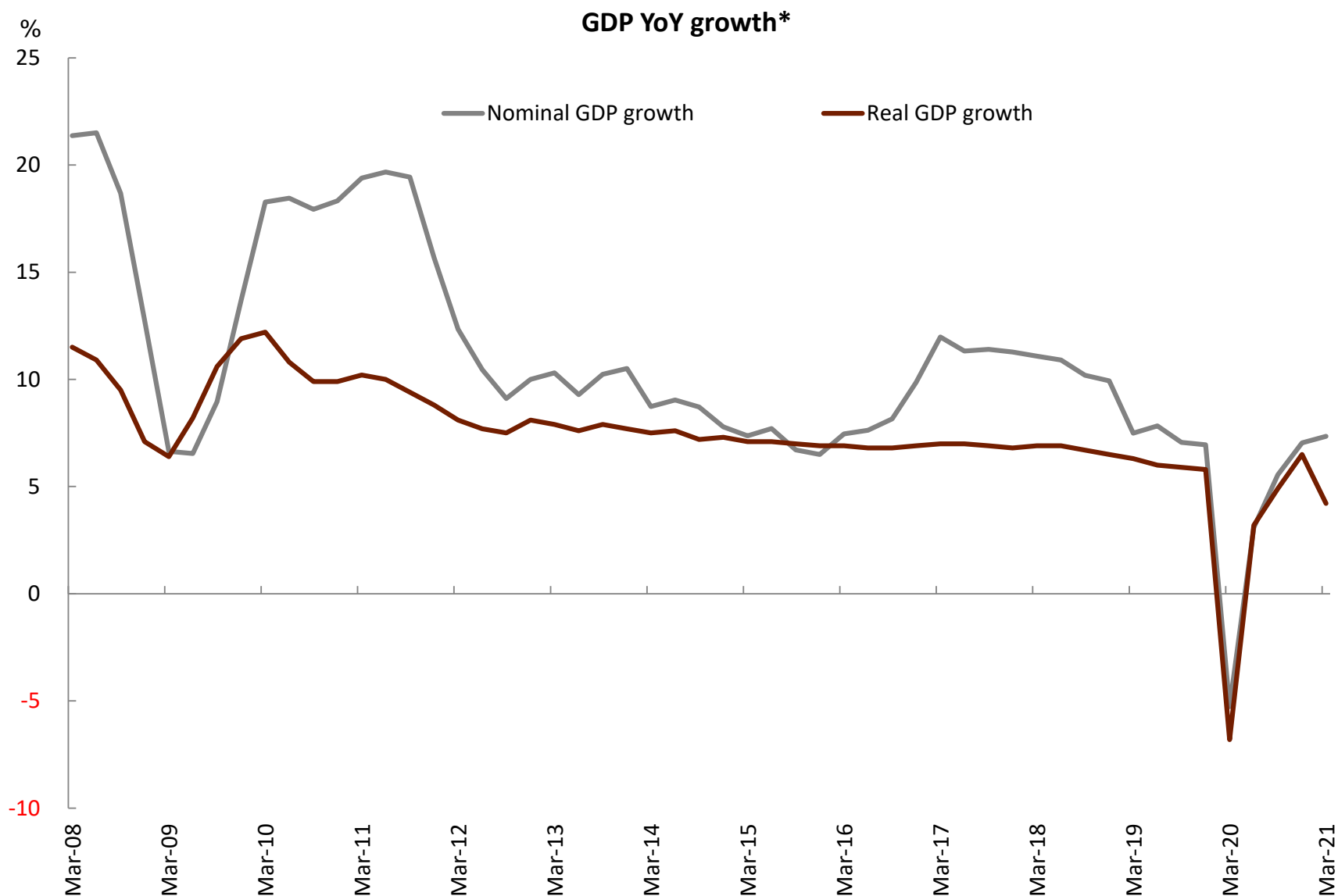
► Market outlook

- **China's economic growth may remain robust in 2Q.** With vaccination roll-out and accumulation of pandemic containment experience, labor-intensive service sector may recover as concerns towards COVID-19 ease. Meanwhile, financial conditions have stabilized and corporate profit shave improved, both of which will support manufacturing investment.
- **However, the restrictions on supply side resulted from the pandemic are far from being eased.** The ongoing pandemic and imbalance of vaccine distribution continue to disturb global supply chain and off-line service sector.
- **In addition, the imbalance may deteriorate the sustainability of the ongoing recovery.** Despite robust headline GDP growth in China, the imbalance of economic recovery is notable, reflected in the divergence between large and small enterprises, upstream and downstream prices, and we also see financial conditions tightening in selected areas.

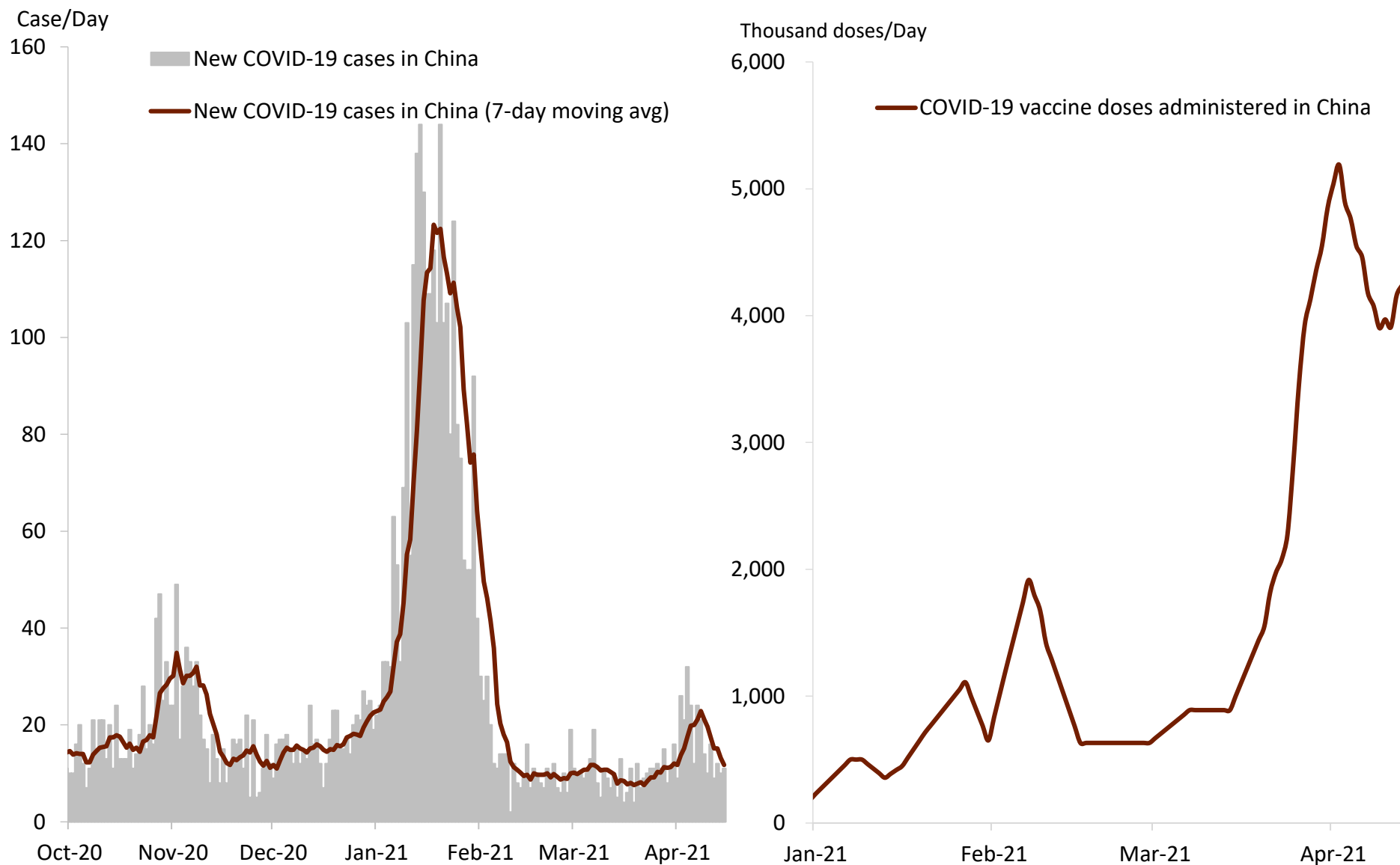
► Green finance and carbon neutral opportunity

- **According to the CICC estimate, the future 40 years of the China green investment demand could reach to about Rmb140trn.** In particular, annual amount is about Rmb2.2trn in the first 10 years to reach carbon peak and Rmb3.9trn in the next three decades to achieve carbon neutrality.

China's economic recovery may continue in 2Q2021



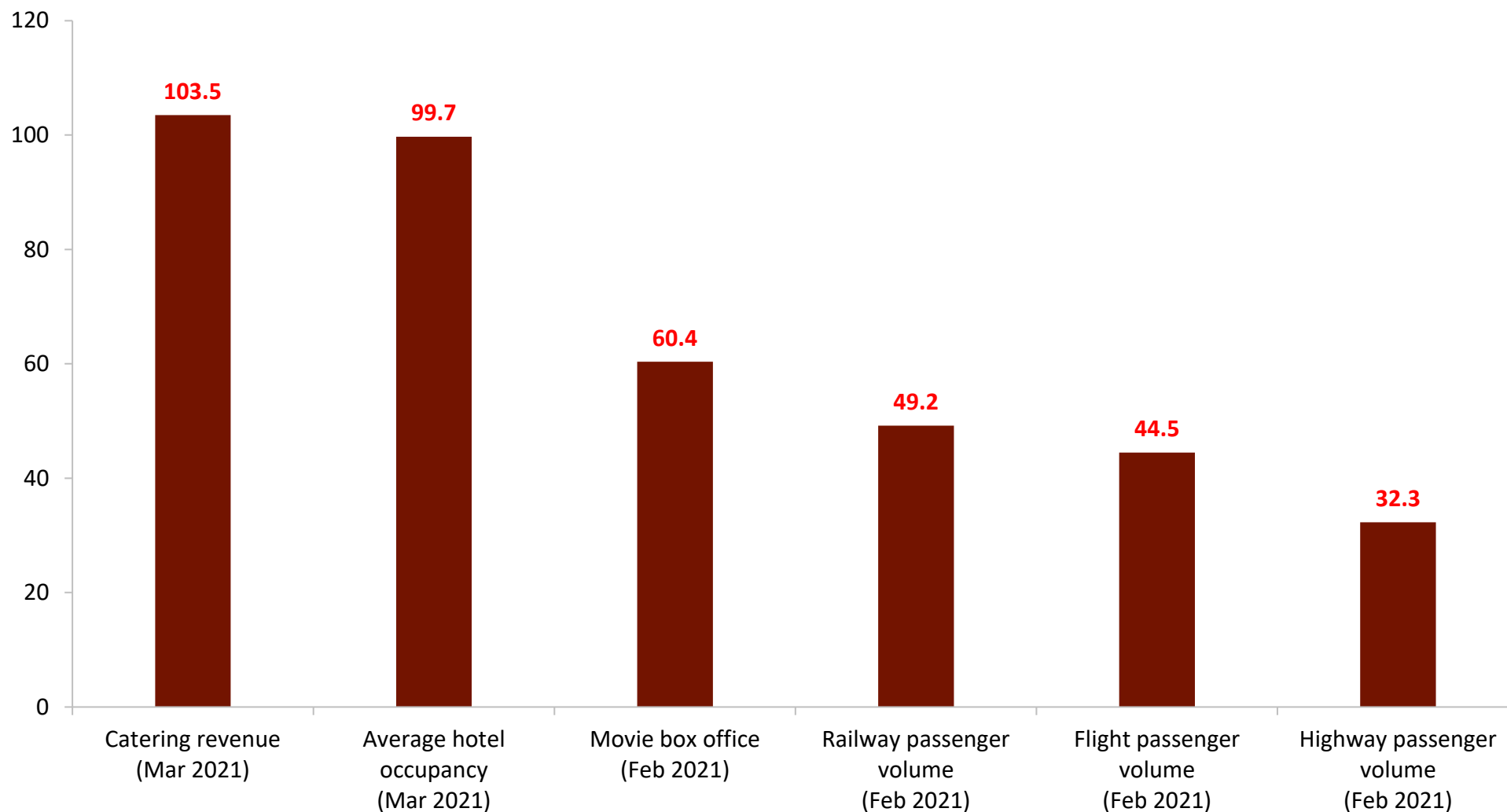
Impact from COVID-19 subsides thanks to accelerated vaccination



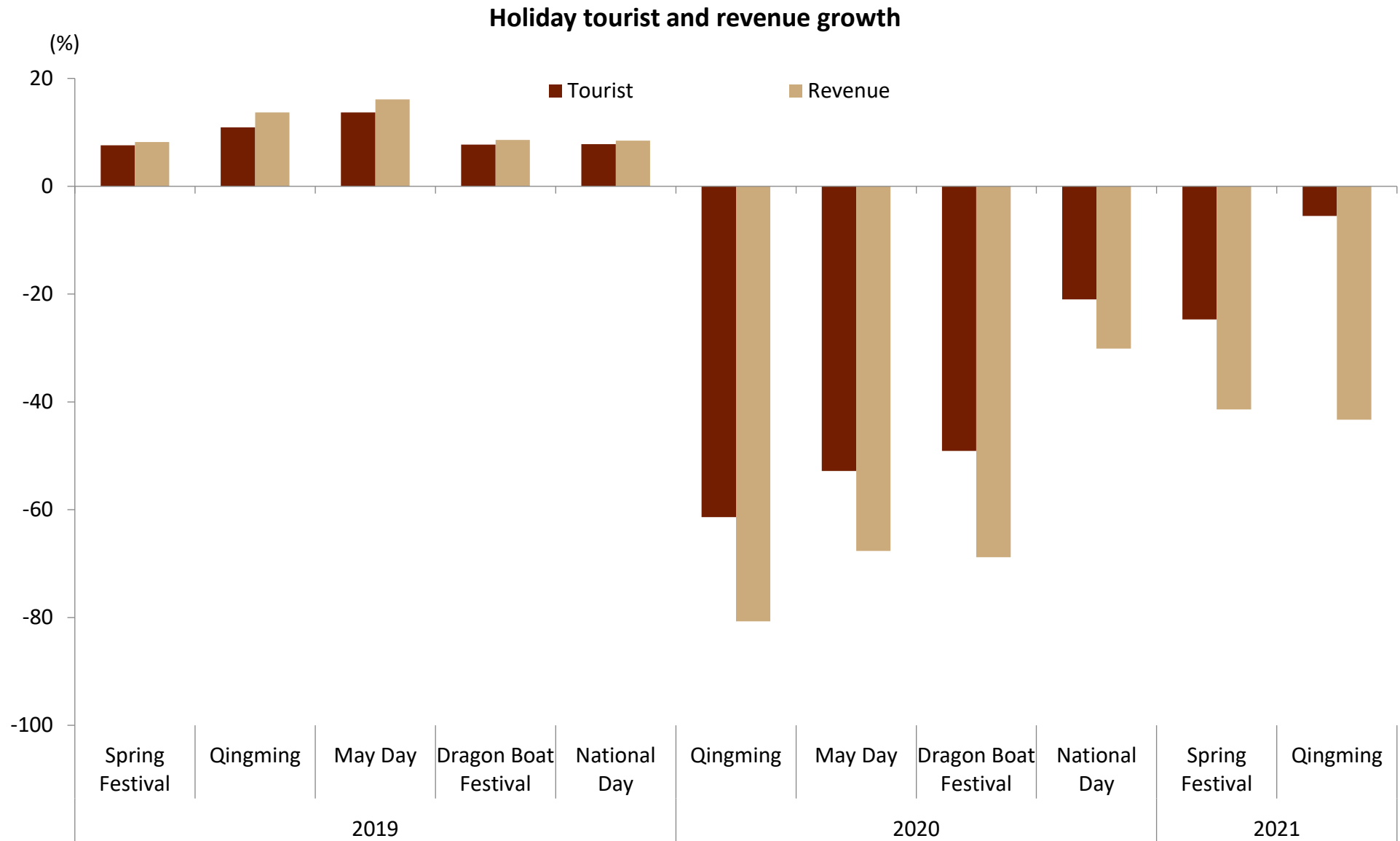
Service consumption has yet to return to 2019 levels

The same period of
2019 = 100

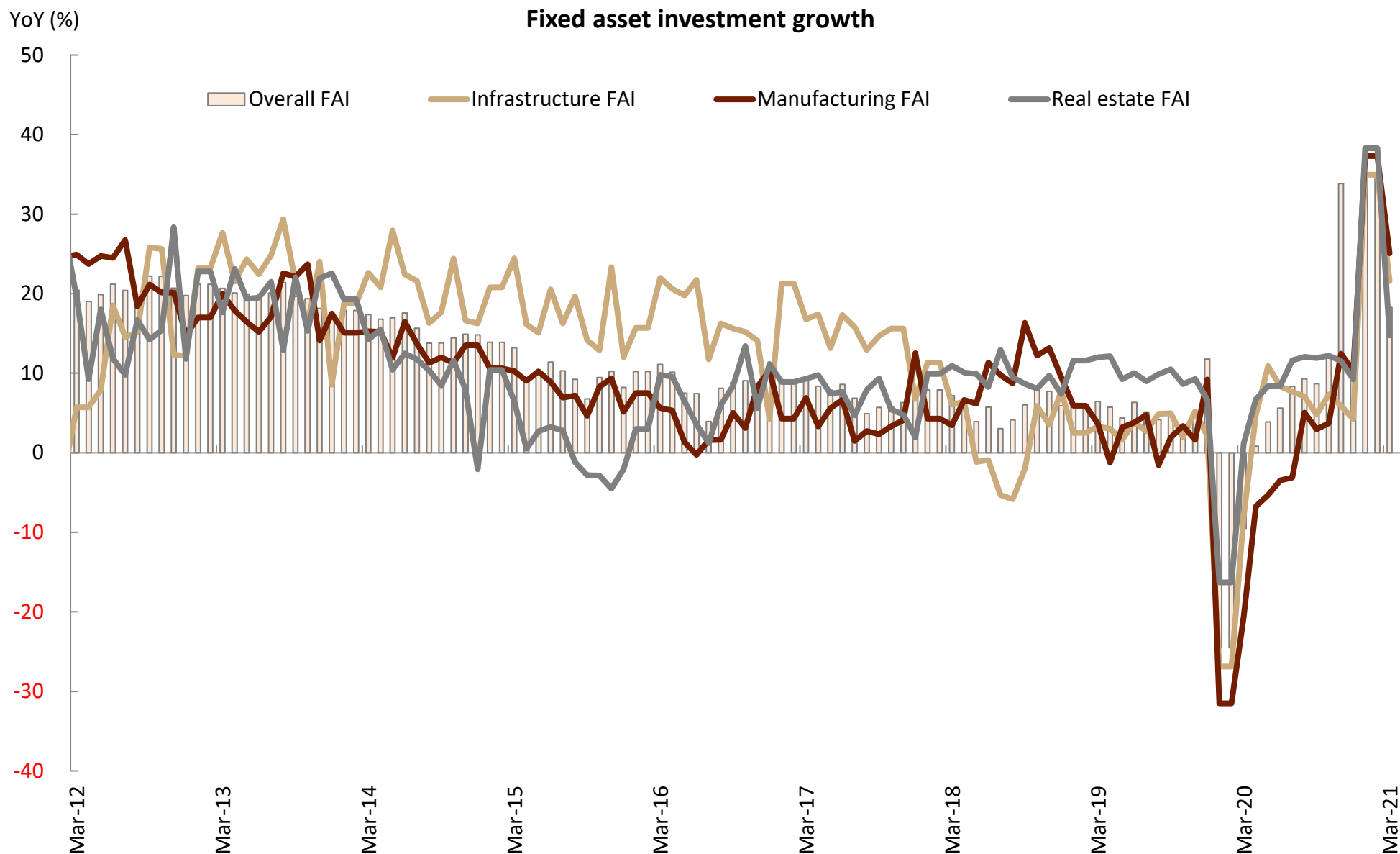
The overview of domestic service consumption



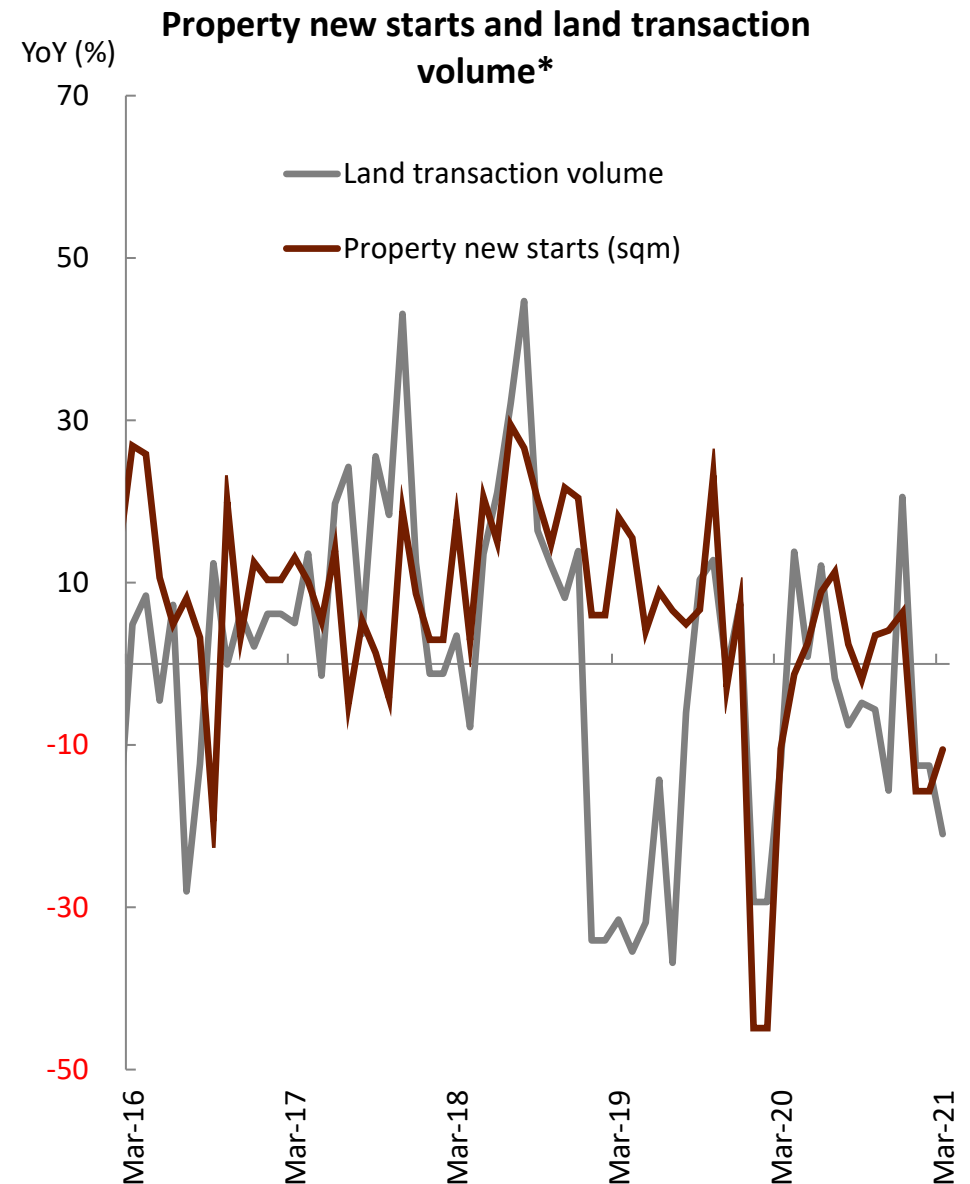
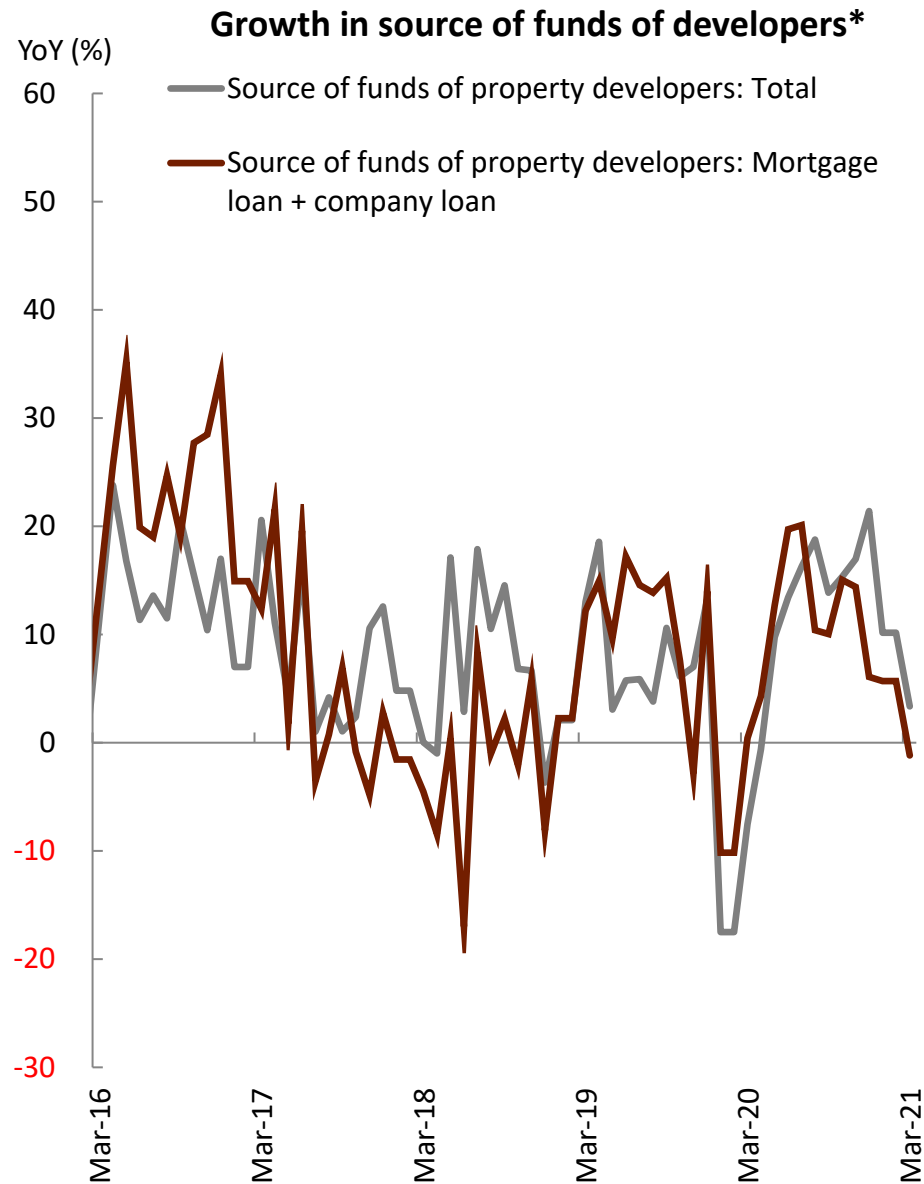
Tourism revenue was still dragged by COVID-19



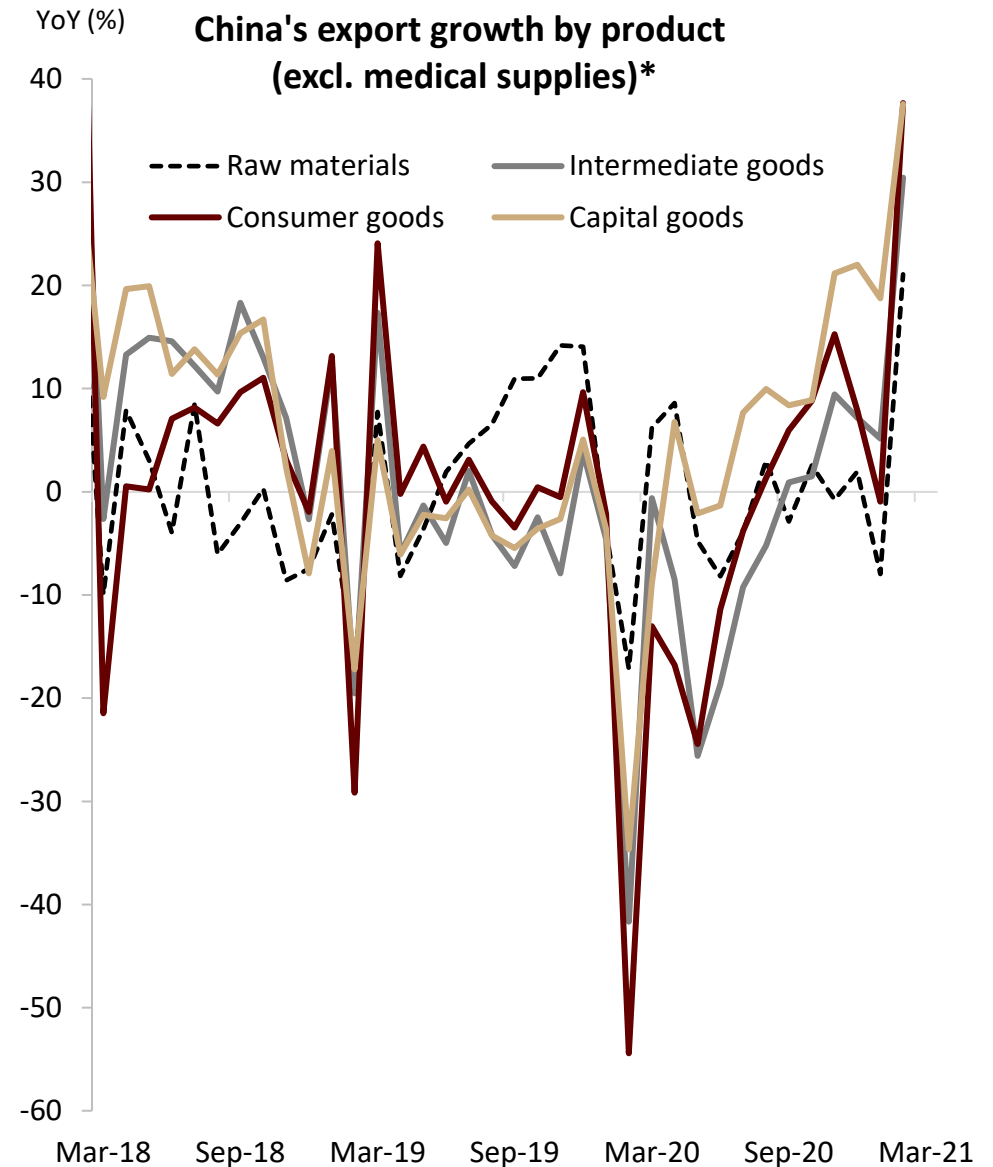
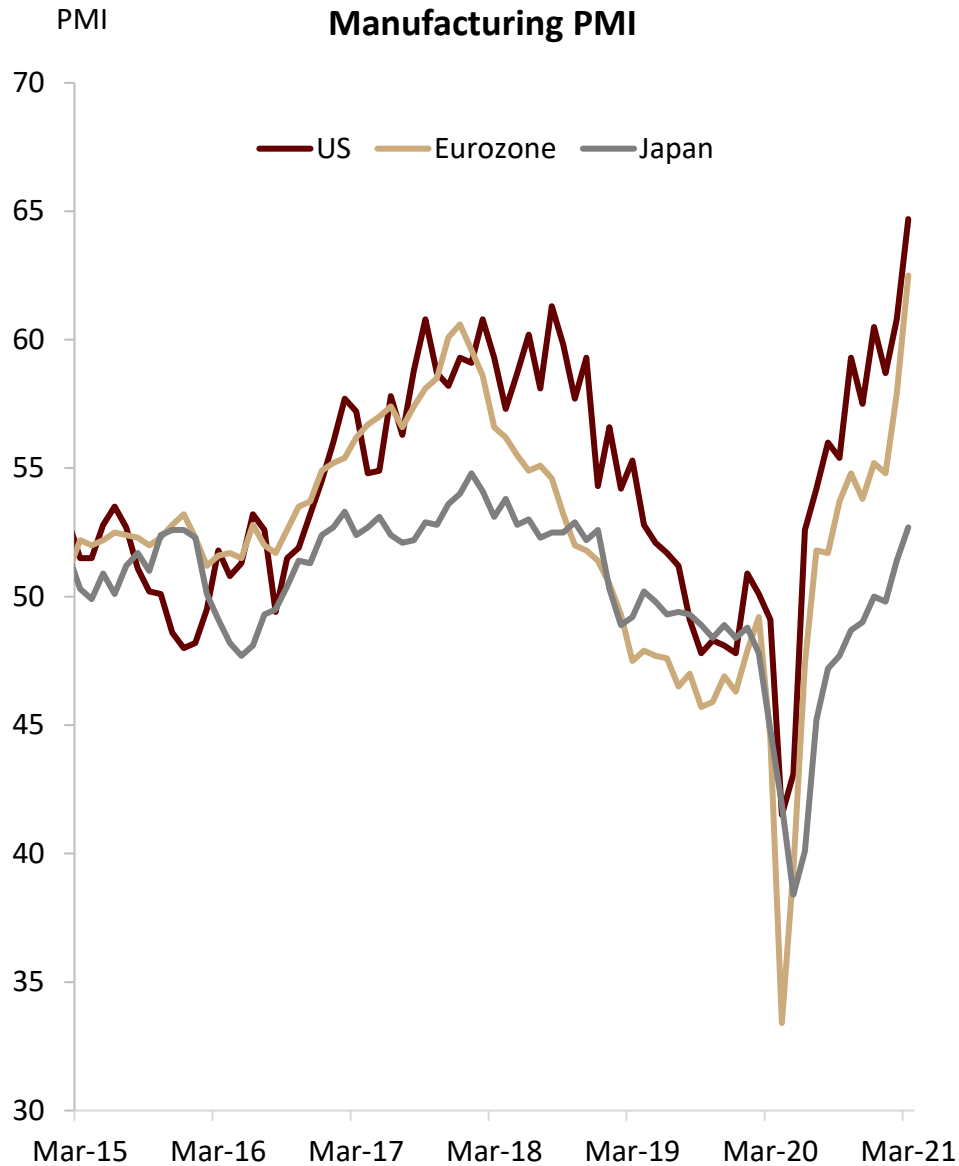
FAI recovery continued; manufacturing outperformed



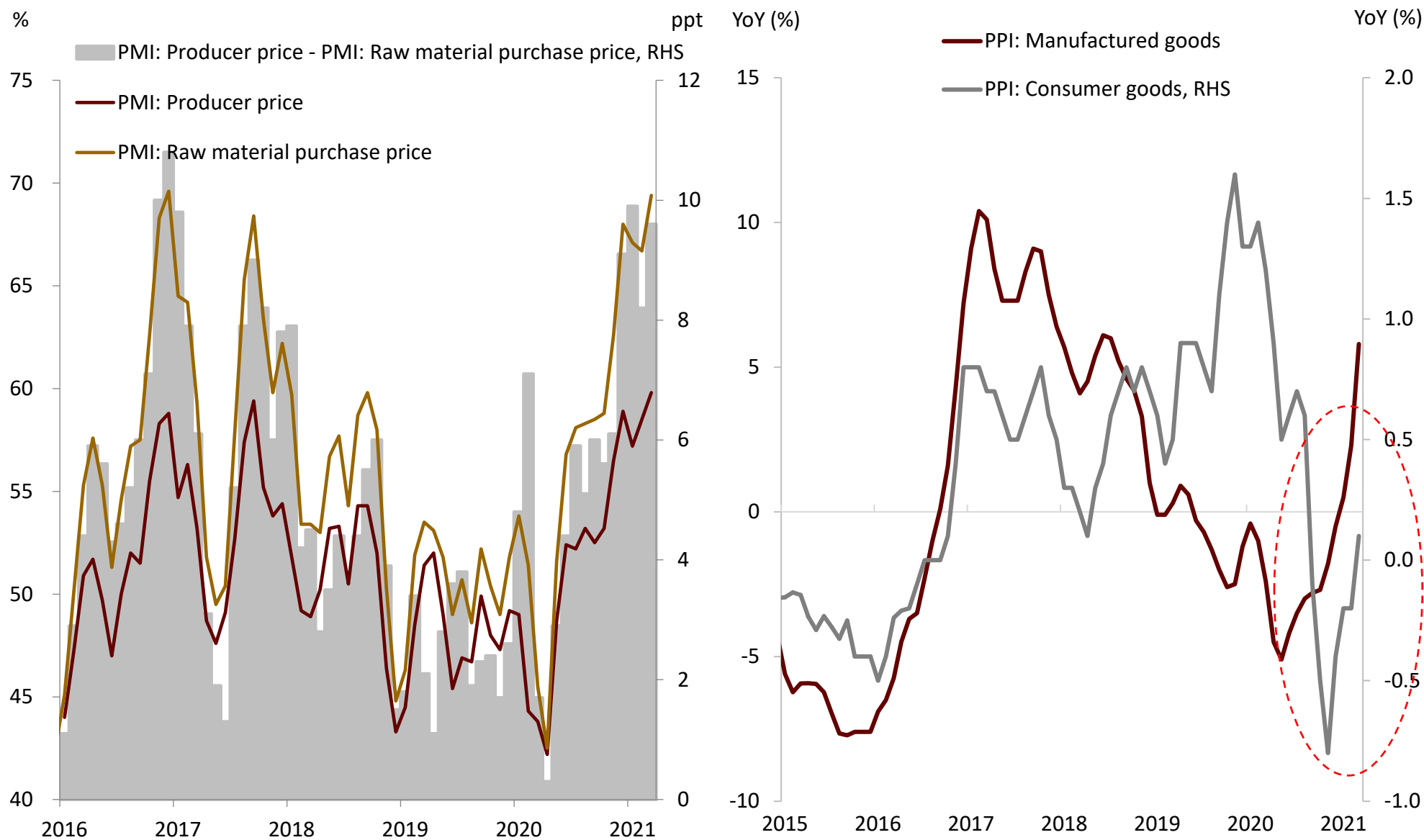
Loan financing of property developers was tightened



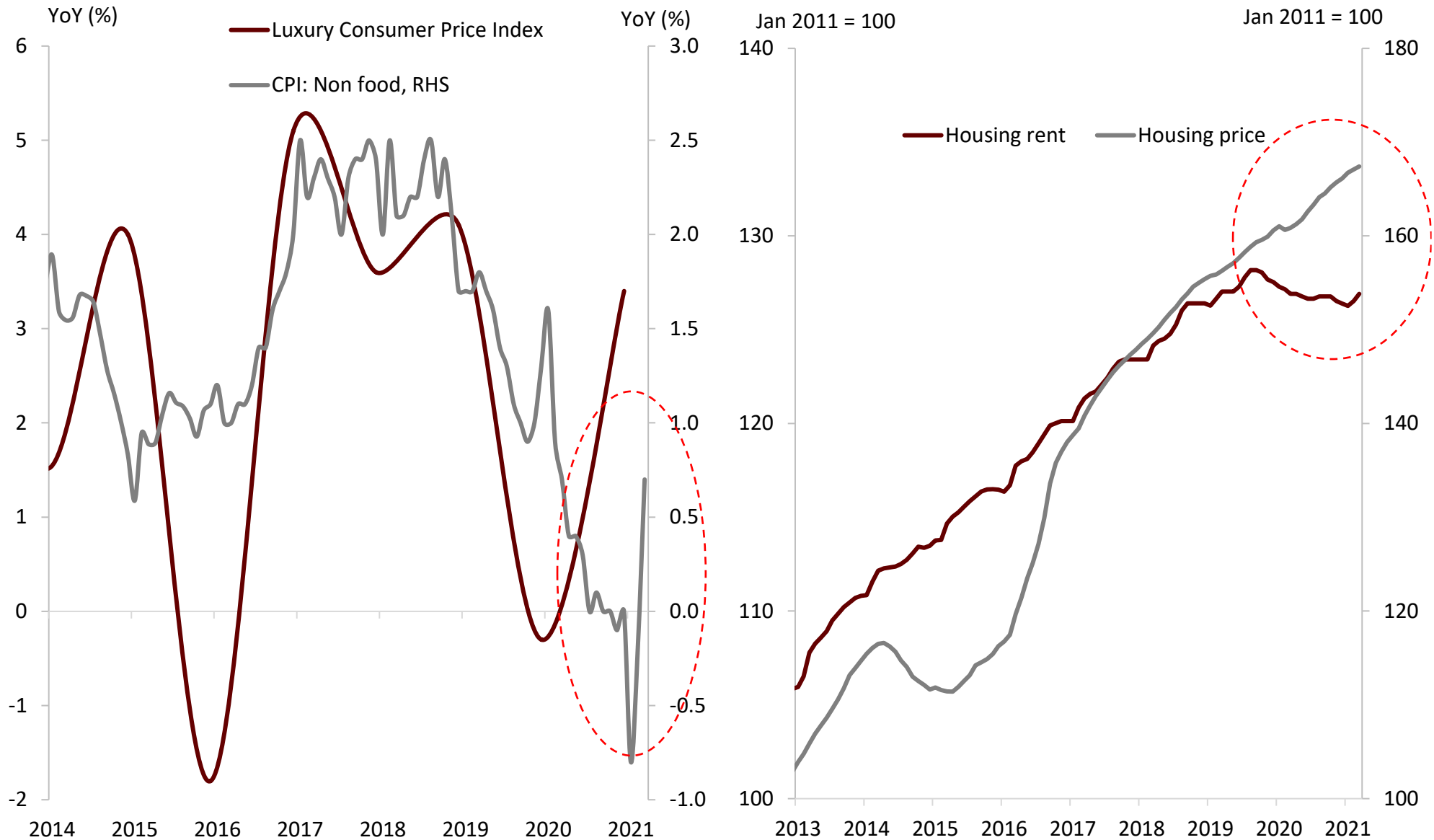
Export growth supported by accelerated global recovery



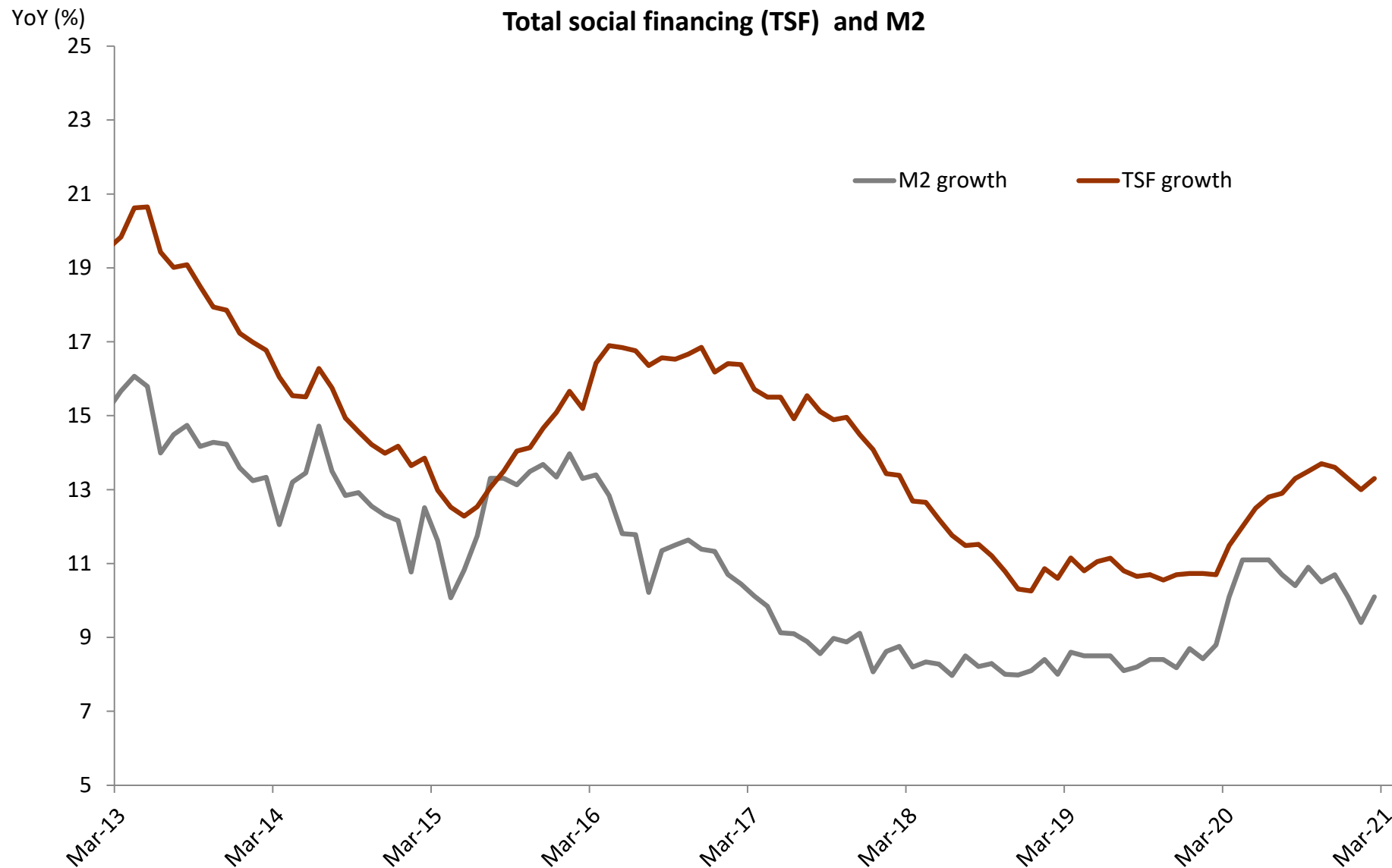
Up & downstream price divergence suppressed the profit growth



Divergence: Rich and poor, real economy and finance



Stable TSF growth



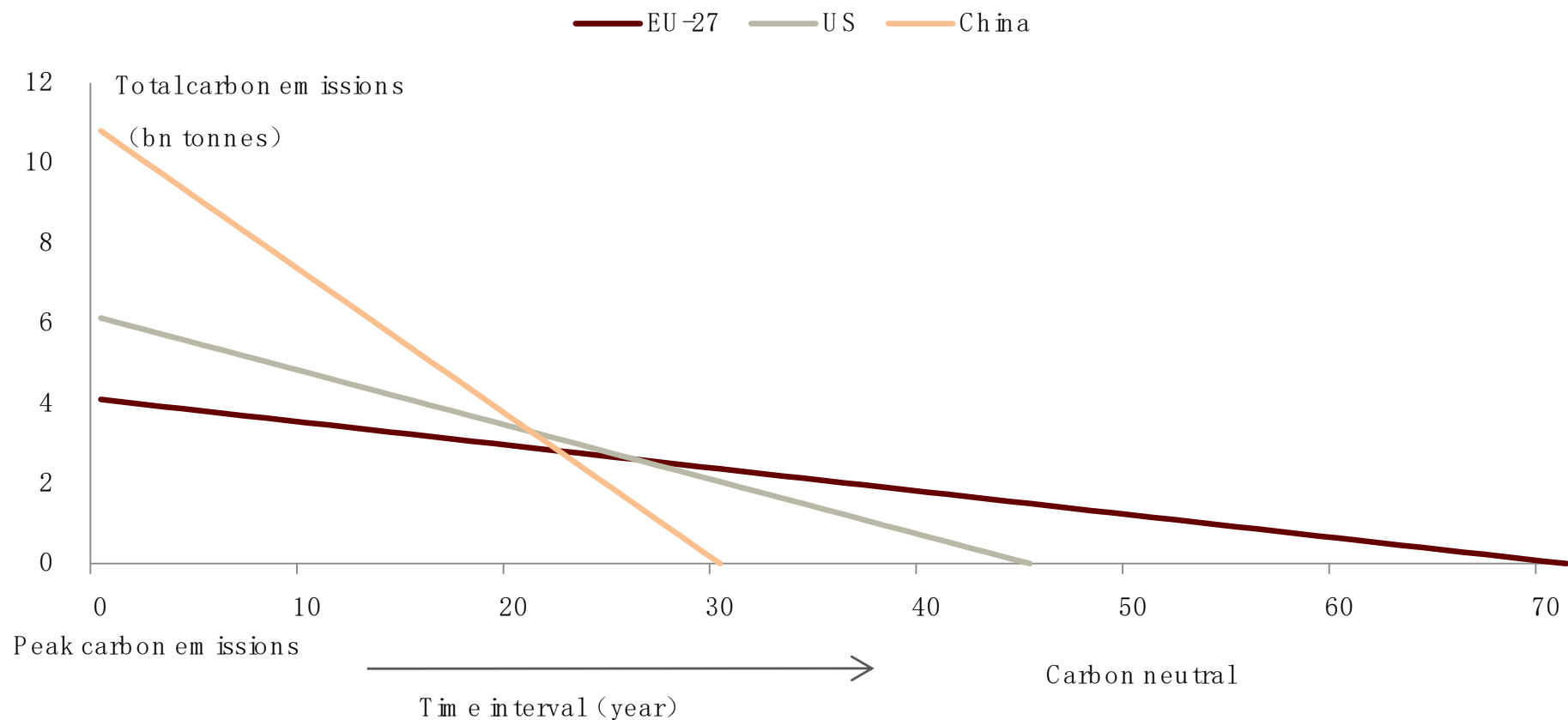
Calculation of peak carbon emissions in 2030

Peak value calculation in 2030 (net emissions, bn tonnes)		
	Carbon intensity in 2030 is 65% lower than that in 2005	Reduce carbon intensity by 18% in each 5-year period
CEADs (9.3bn tonnes in 2017)	10.8	9.9
BP (9.8bn tonnes in 2019)	10.4	10
Official (10.3bn tonnes in 2014)	11.9	12

Source: CEADs, BP, MoEE, Institute of Climate Change and Sustainable Development of Tsinghua University, CICC Research

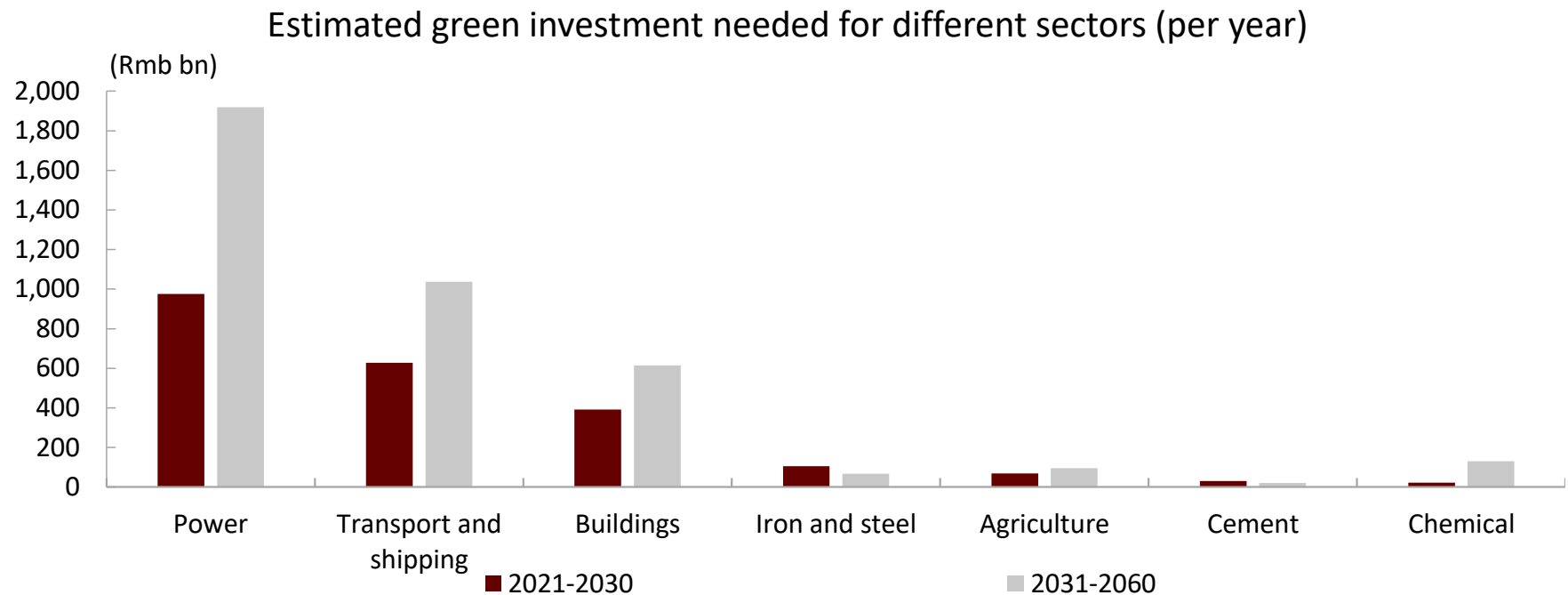
A clear goal: tighter schedule for China

- ▶ China: reach peak carbon emissions by 2030 and achieve carbon neutrality by 2060
- ▶ Europe and America: achieve carbon neutrality by 2050



How much investment is needed to achieve carbon neutrality?

- ▶ Green investment area: expand the existing low-carbon technologies and equipment, renovate older technologies and equipment, implement the innovative facilities
- ▶ According to the CICC estimate, the future 40 years of the China green investment demand could reach to about Rmb140trn. Annual amount is about Rmb2.2trn in the first 10 years to reach carbon peak and Rmb3.9trn in the next three decades to achieve carbon neutrality.



Global carbon neutrality: challenge and opportunity

► Challenge

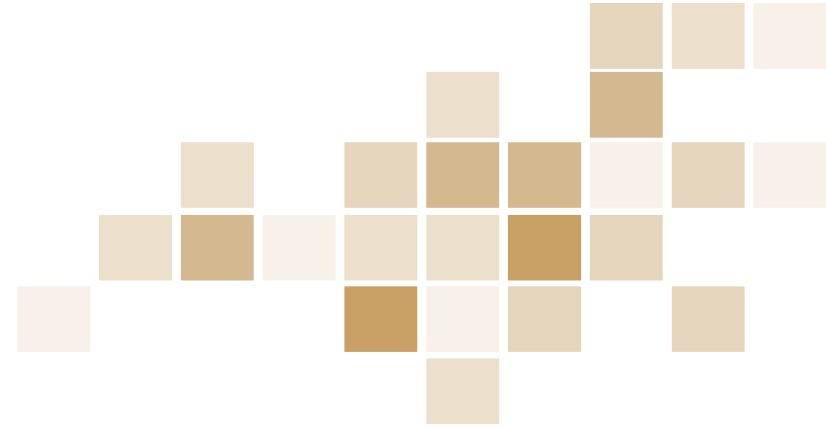
- The largest global carbon emitter

► Opportunity

- Superior strength in manufacturing and the digital economy gives it a potential competitive edge in clean energy

► Key questions

- How to implement “30·60” goals, demonstration the climate policy to the world
- Propel the negotiation of the global climate policy under the multilateral framework
- Participate in the setting of global climate governance standards, improve the information disclosure and evaluation mechanisms
- Cooperate with “Belt and Road” countries on climate issues



Thanks for your attention!



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2021 CHINA ECONOMIC OUTLOOK

May 2021



WesternUnion WU

**Business
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AGENDA

Market Currency Outlook	3
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A stylized world map with a 3D effect, rendered in shades of gray and white. The map is tilted and has long, dark shadows cast from the landmasses, giving it a sense of depth. It is set against a background that transitions from a dark blue-gray at the top to a lighter gray at the bottom.

01 - MARKET CURRENCY OUTLOOK

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What's driving currency markets?

Unprecedented Stimulus Measures

Buoyant Equity Markets

COVID Vaccine Rollout

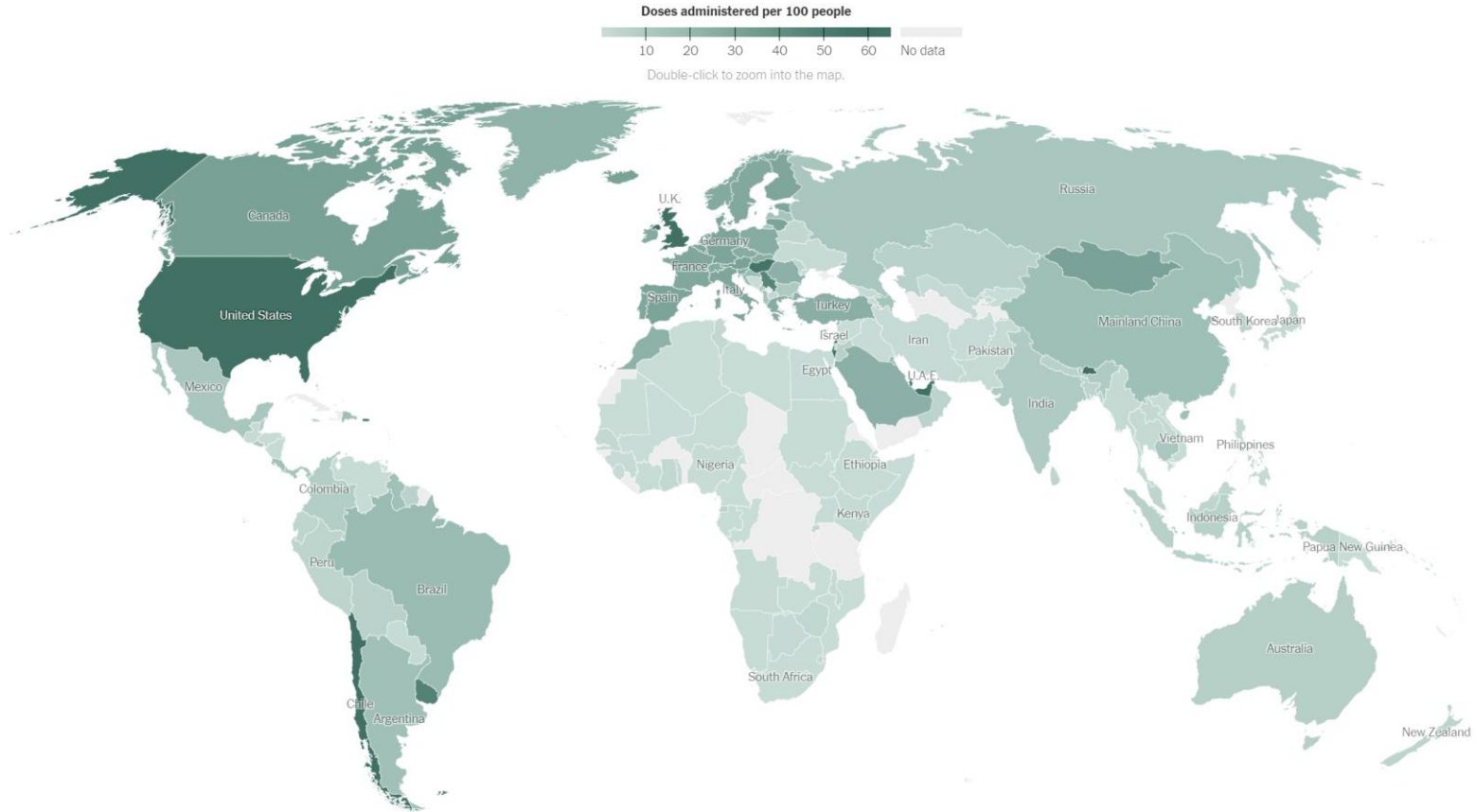
Chinese Economic Recovery

Equities supported by stimulus



Source: CNBC (April 2021)

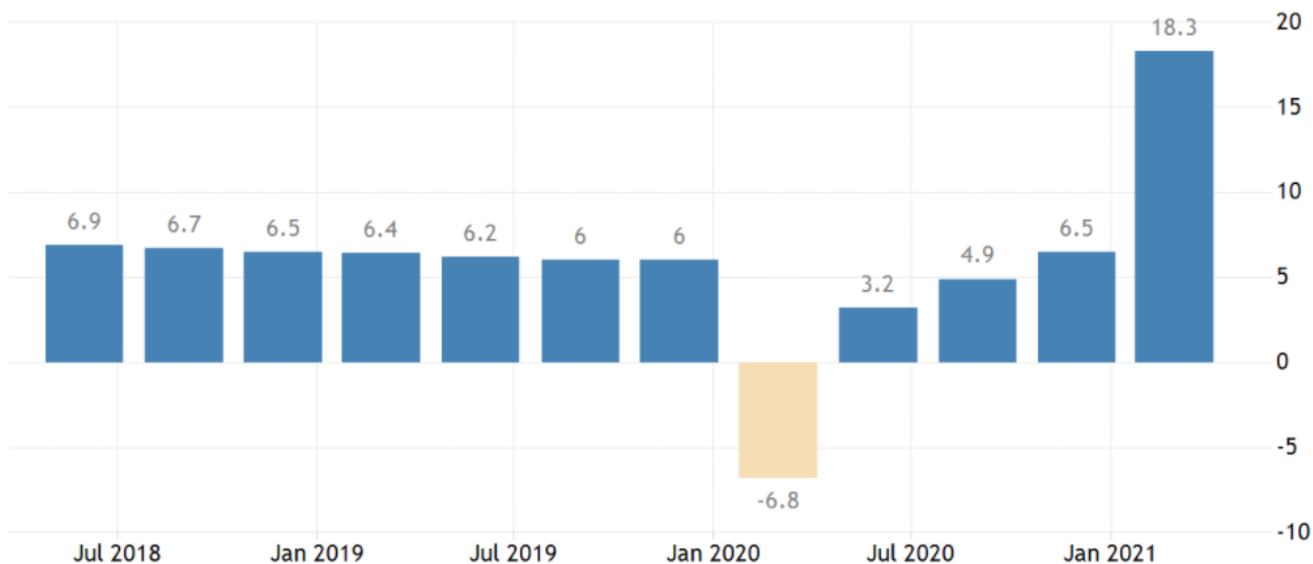
Vaccine rollout by country



Source: New York Times (April 2021)

Chinese Economy – Growth back on track?

China GDP (year-on-year)

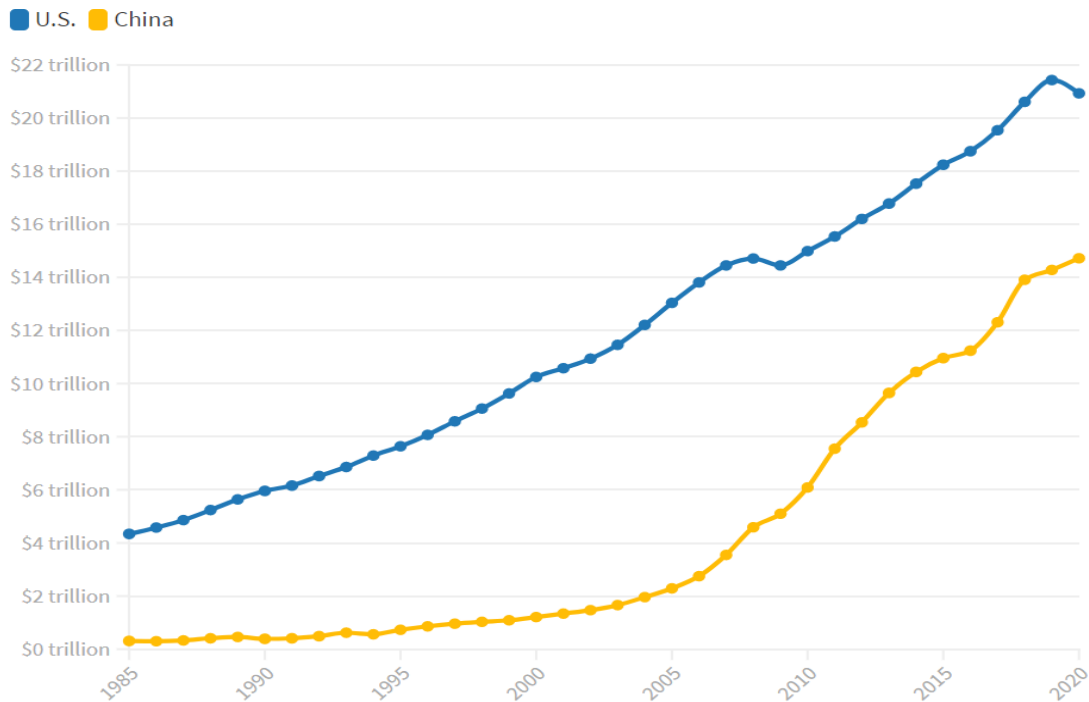


Source: National Bureau of Statistics of China (April 2021)

China closing the gap on the US...

Economic growth in the U.S. and China

GDP in current U.S. dollars

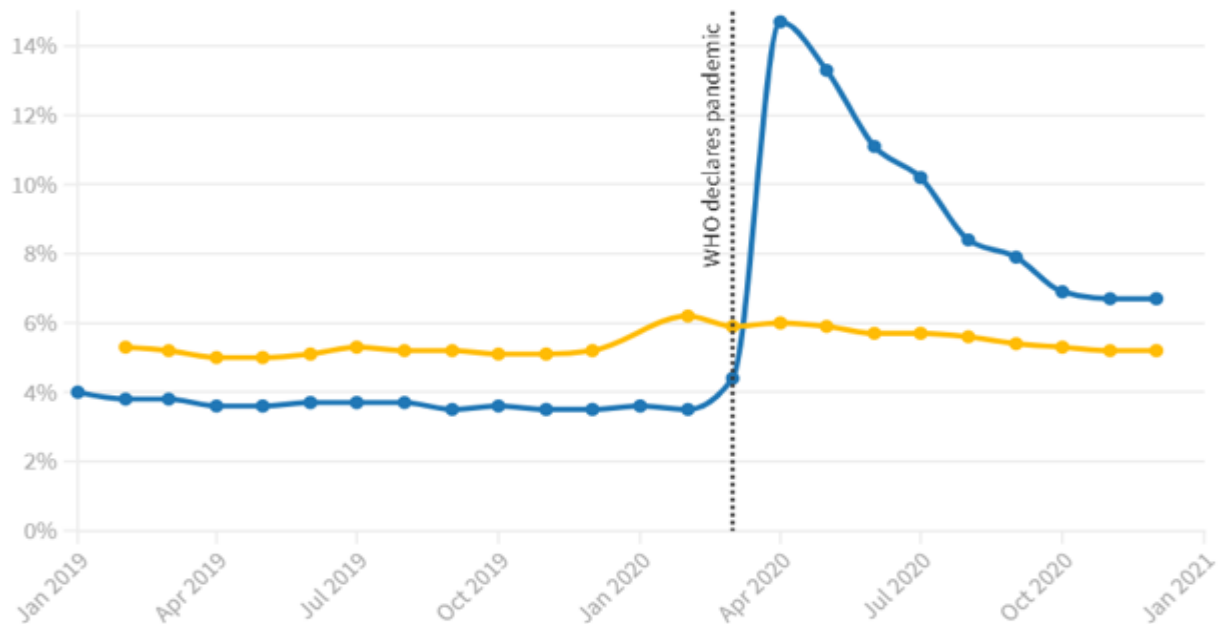


Source: CNBC (April 2021)

Impact of COVID on China vs US

Official unemployment rate

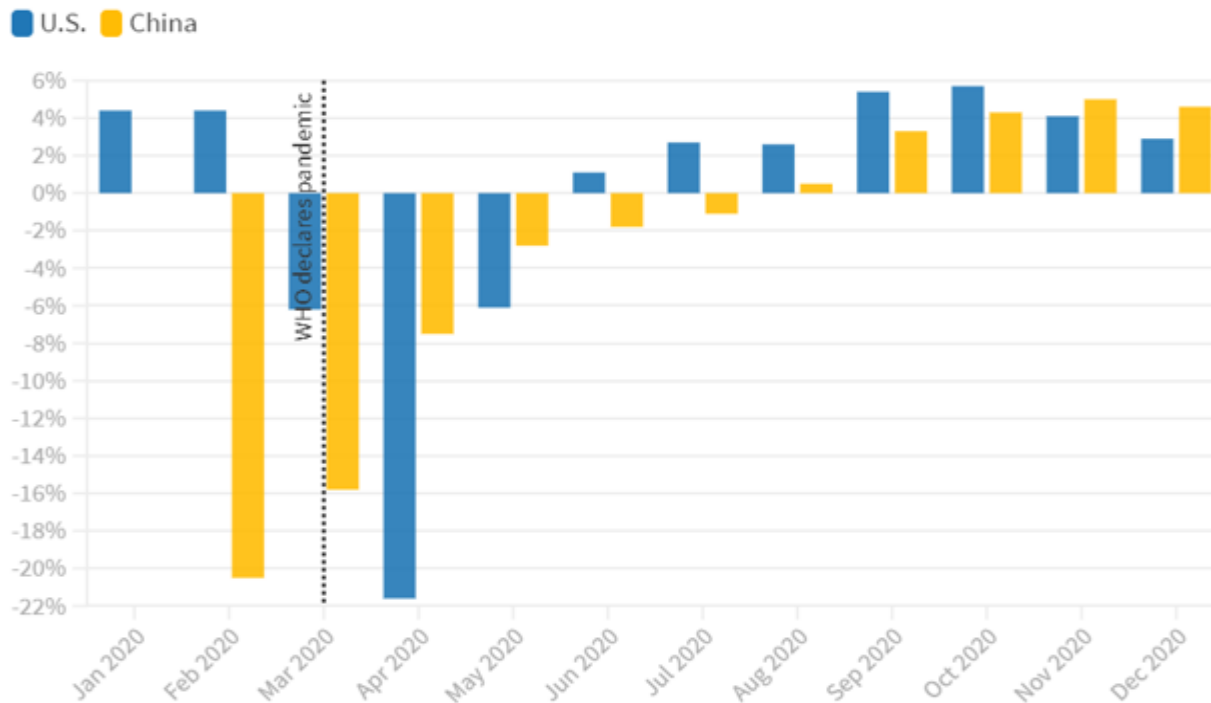
■ U.S. ■ China



Source: CNBC (April 2021)

Impact of COVID on China vs US

Retail sales, percentage change from a year ago



Source: CNBC (April 2021)



02 - RISK MANAGEMENT

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HEDGING ... Markets should help decide product



SGD/CNH is now close to 12-month lows

CNH sellers may be relieved to lock in at current rates

CNH buyers need to be aware that the potential downside is still significant

HEDGING ... INTEREST RATES

SGD/CNH spot rate:	4.9000
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	SGD	CNH
Amount:	\$100,000	¥490,000
1-year interest rate:	0.25%	2.25%
Amount after 1 year:	\$100,250	¥501,025

FX rate after 1 year:	4.9978
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Forward Points:	978
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FORWARD POINTS

Forward points do **not imply market direction** for currency pairs.

However, if forward points in your favour they can be **utilized to achieve a better rate** than current market.

This is particularly **favourable for CNH buyers** due to “currently” higher interest rates in China.

Interest rates are **subject to change** and forward points may not always be in your favour.

HEDGING Forward Exchange Contract (FEC)

A Forward Exchange Contract (FEC) is a binding agreement between you and WUBS in which one currency is bought or sold against another at an agreed exchange rate at a specified date in the future

FORWARD EXCHANGE CONTRACT (FEC) SGD/CNH

Expiry Date	Protection Amount CNH	FEC Rate
6 months	1,000,000	4.9200

Outcome at Expiry

Buy CNH 1,000,000 @ 4.9200

***FX rates quoted above are indicative only and subject to change. You should confirm the latest rates with your Western Union Business Solutions representative prior to initiating any transactions.**

Benefits

- Allows you to fix your exchange rate to protect against unfavourable moves in the market between trade date and the day when payment is made

Risk

- Due to the exchange rate being fixed, there is no ability to participate in favourable moves of the market if this was to occur.

HEDGING Collar

A Collar is a Structured Option which allows you to protect against the risk that the Spot Rate will be less favourable than a nominated Exchange Rate (the "Protection Rate"). It also gives you the ability to participate in favourable movements in the Spot Rate to the extent of the Participation Rate.

COLLAR SGD/CNH

Expiry Date (3pm Tokyo)	Protection Amount CNH	Protection Rate	Participation Rate
6 months	1,000,000	4.8800	5.0000

Outcome at Expiry

Spot finishes BELOW 4.8800 - Buy CNH 1,000,000 @ 4.8800

Spot finishes BETWEEN 4.8800 and 5.0000 - Buy CNH 1,000,000 @ SPOT (Not Obligated)

Spot finishes ABOVE 5.0000 - Buy CNH 1,000,000 @ 5.0000

***FX rates quoted above are indicative only and subject to change. You should confirm the latest rates with your Western Union Business Solutions representative prior to initiating any transactions.**

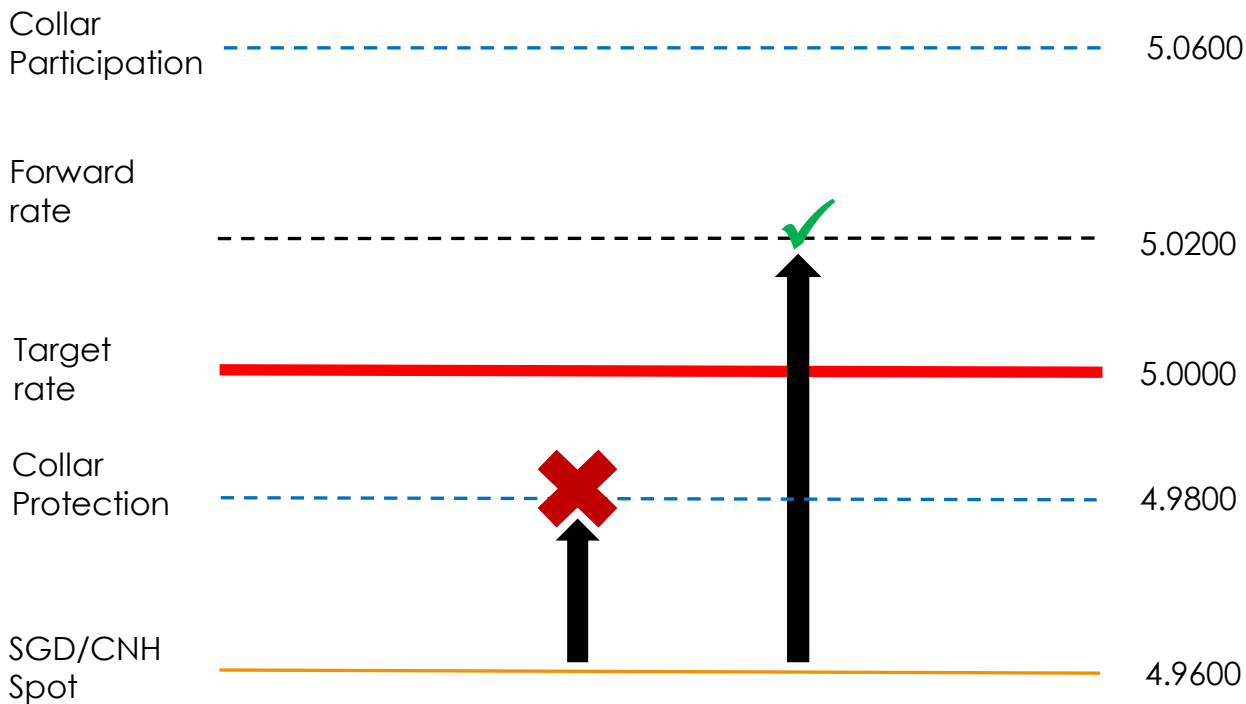
Benefits

- There is protection at all times with a known worst case Protection Rate.
- An ability to participate in favourable Exchange Rate movements to the level of Participation Rate.

Risk

- Participation in favourable Exchange Rate movements is capped at the Participation Rate.
- If the Spot Rate at Expiry is more favourable than the Participation Rate you will be obligated to trade at the Participation Rate.

CASE STUDY - Using the market to determine product



Numbers used are for illustrative purposes only

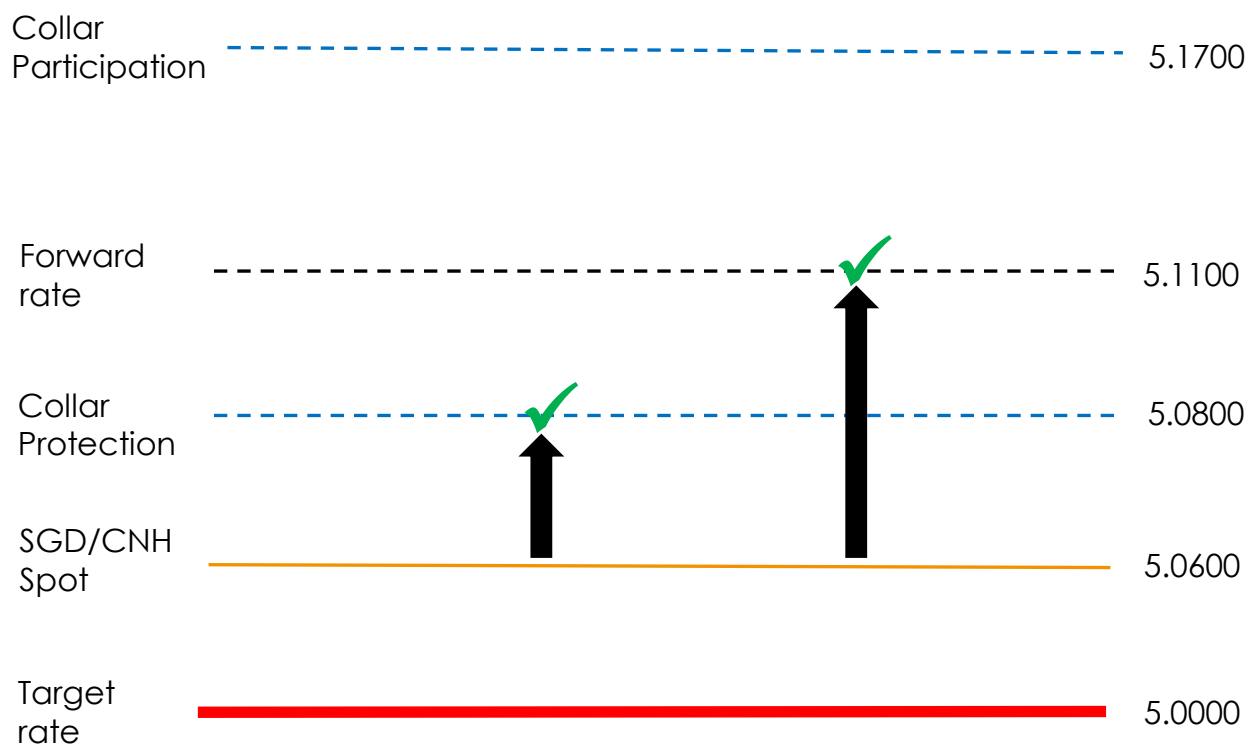
Client requirements

- CNH buyer (selling SGD)
- Needed to buy 1 million CNH in 6 months' time for project supplies
- Spot Market in at the time of hedge (April 2020) was 4.96
- Client interested in participation if target rate could be protected
- Two solutions proposed

Outcome

- Forward rate could protect at 5.02
- Collar could protect at 4.98 only
- Client entered forward contract for 6 months to sell SGD (buy CNH) in Oct 2020

CASE STUDY - Using the market to determine product (cont.)



Numbers used are for illustrative purposes only

Client requirements

- Client wanted to enter new hedge in Jul 2020 to buy CNH 1.5 million in Feb 2021
- Spot Market in at the time of hedge (Jul 2020) was 5.06
- Client interested in participation if target rate could be protected
- Two solutions for a 7-month hedge

Outcome

- Forward rate could protect at 5.11
- Collar could protect at 5.08
- Client entered Collar contract for 7 months to buy CNH in Feb 2021



03 - SUMMARY

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Where to from here



The Summary

- Stimulus is working in keeping optimism in equity markets, which is weighing on 'safe haven' currencies.
- Markets are pricing in a smooth vaccine rollout – risks remain if there are any issues with side effects, effectiveness against new strains.
- China is catching up to the US in terms of GDP, closing the gap on the world's largest economy.
- Chinese economy not impacted as adversely as the US economy, which has fed through to currency markets.
- Many appropriate solutions for hedging CNH exposure via an appropriate risk management strategy

Our Final Thoughts

- Run all possible scenarios
- Utilize forward points if they are in your favour
- Have a plan in place to mitigate FX risk

Thank You



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Business Opportunities in Guangdong-Hong Kong-Macao Greater Bay Area

Nicholas Kwan
Director of Research

May 2021



From PRD to GBA



The Greater Bay Area is strategically positioned to be

- (i) a vibrant world-class city cluster;
- (ii) a globally influential international innovation and technology hub;
- (iii) an important support pillar for the Belt and Road Initiative
- (iv) a showcase for in-depth cooperation between the Mainland and Hong Kong and Macao; and
- (v) a quality living circle for living, working and travelling.

Metropolitan Regions Compared

	Guangdong-Hong Kong-Macao Greater Bay Area	San Francisco Bay Area	New York Metropolitan Area	Tokyo Bay Area
Land area (sq. km)	56,904	17,887	21,479	36,899
Population (mn)	72.65	7.75	19.3	44.28
GDP ¹ (US\$ bn ²)	1,679.3	946.6 ³	1,772.3 ³	1,976.8 ⁴
Real GDP growth (%)	4.4	6.8 ³	1.6 ³	2.7 ⁴
Per-capita GDP (US\$)	23,116	122,093 ³	91,812 ³	44,855 ⁴
Air passenger throughput (mn passenger-times)	223.2	86.0	140.0	127.8
Air cargo and airmail throughput (mn tonnes)	8.11	1.22	2.33	3.28
Port container throughput (mn TEUs)	67.89	2.55	7.47	7.49 ³
GDP share of tertiary industry (%)	66.2	71.6 ³	82.9 ³	74.5 ⁴

Note: ¹ At current market prices; ² Converted with the yearly average exchange rates; ³ 2018 figure; ⁴ 2017 figure

The San Francisco Bay Area covers nine counties bordering the San Francisco Bay. The New York Metropolitan Area covers the three cities of New York, Newark and Jersey and 25 surrounding counties. The Tokyo Bay Area covers Tokyo and its seven surrounding prefectures.

Source: Government statistical departments in the relevant jurisdictions, HKTDC

What's unique?

- Openness
- International connections
- Market-driven
- One country two systems

China's Window to the West

City	Land Area (sq. km)	Population (mn)	GDP ¹ (US\$ bn ²)	Per-capita GDP (US\$ ²)	GDP share of tertiary industry (%)	Export (US\$ bn ²)	Utilised FDI (US\$ bn ²)
Greater Bay Area	56,904	72.65	1,679.26	23,116	66.2	1,106.93	129.36
Hong Kong	1,107	7.50	365.70	48,713	93.1 ³	509.02	104.23 ³
Macao	33	0.68	53.86	79,977	95.8 ³	1.59	3.333 ³
Guangzhou	7,434	15.31	342.52	22,676	71.6	76.22	7.143
Shenzhen	1,997	13.44	390.33	29,498	60.9	242.21	7.809
Foshan	3,798	8.16	155.85	19,102	42.3	54.04	0.741
Dongguan	2,460	8.46	137.46	16,309	43.2	125.08	1.276
Huizhou	11,347	4.88	60.56	12,473	43.2	26.41	0.931
Zhongshan	1,784	3.38	44.95	13,439	48.9	27.97	0.552
Jiangmen	9,507	4.63	45.61	9,885	48.9	16.47	0.823
Zhuhai	1,736	2.02	49.81	25,400	53.8	23.98	2.424
Zhaoqing	14,891	4.19	32.60	7,819	41.7	3.94	0.136

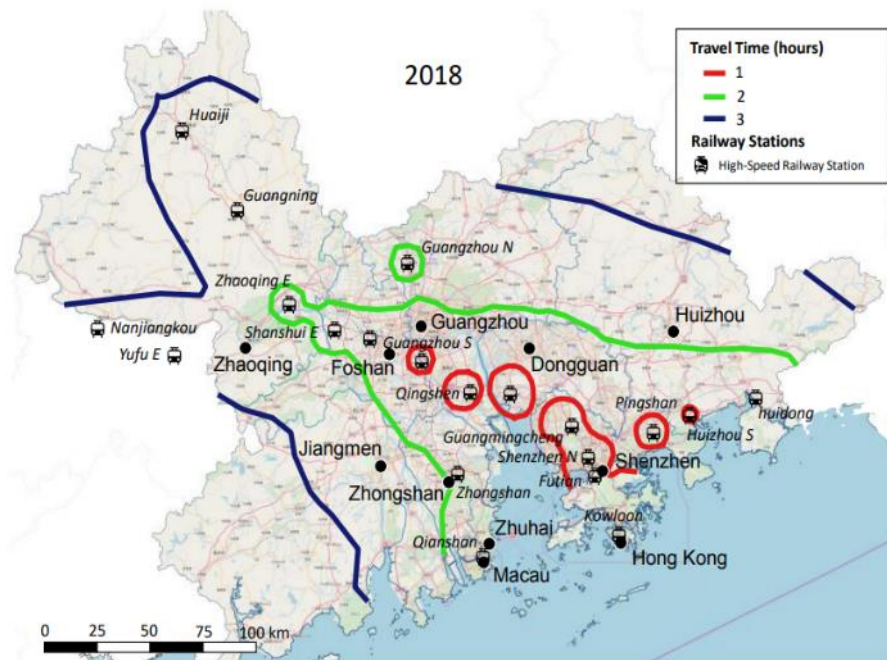
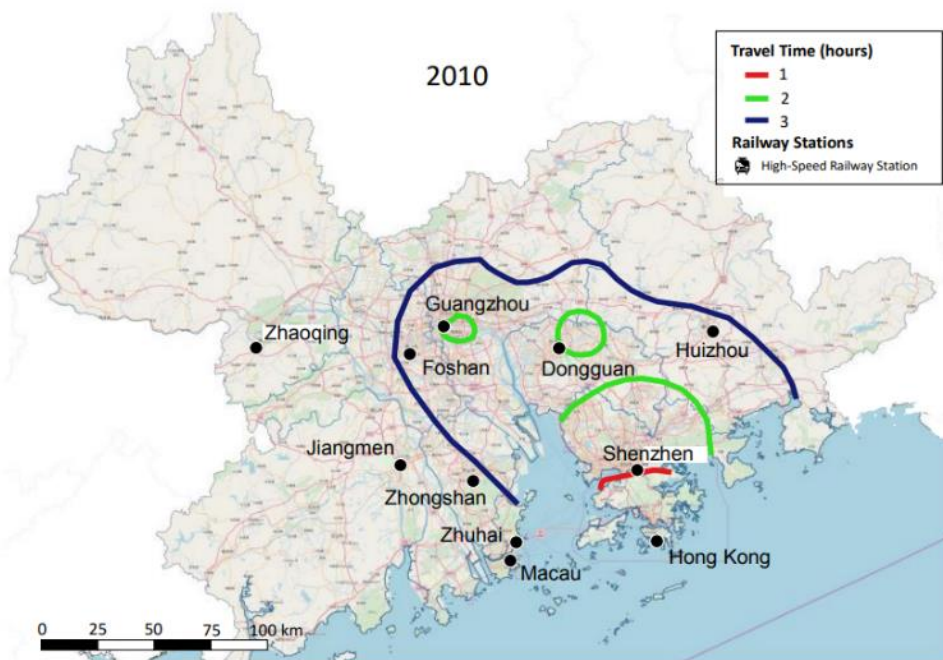
Note:

¹ At current market prices; ² Converted with the yearly average exchange rates; ³ 2017 figure

Source: Census and Statistics Department of Hong Kong, Statistics and Census Service of Macao, the statistics bureaux of the relevant PRD cities, HKTDC

Improved Land Transport Connectivity

GBA Land Transport Connectivity from Hong Kong Central, 2010 and 2018



Source: Enright, Scott & Associates

Measures to Facilitate People, Capital and Goods Flows

Some Latest Measures

1. Pledging to launch cross-border wealth management and insurance schemes
2. Facilitating non-Chinese Hong Kong residents to travel and reside within the GBA
3. Permitting the use of Hong Kong-registered drugs and medical devices in designated Hong Kong-owned healthcare institutions in the GBA
4. Hong Kong medical professionals allowed to short-term practice in GBA, Hong Kong elders allowed to use Hong Kong health care vouchers to pay for outpatient service fees provided by designated clinics/departments of the HKU-SZ Hospital in Shenzhen
5. Policies and measures supporting professional services (legal, construction, insurance)
6. Supporting Innovation and Technology development
7. Facilitating property purchases by Hong Kong residents in the Mainland cities of the GBA
8. Supporting the use of mobile electronic payment by Hong Kong residents on the Mainland
9. Allowing Hong Kong residents to open Mainland personal bank accounts in the GBA remotely

GBA – Trends and Opportunities



GBA as a production base

- Advanced Production
- Supply Chain Management



GBA as a consumer market

- Digital Retail
- Logistics and Warehousing
- F&B
- Millennial and Elderly Market



GBA as a quality living circle

- Green Industry
- Smart City
- Tourism



GBA as a supporting pillar for Belt and Road Initiative

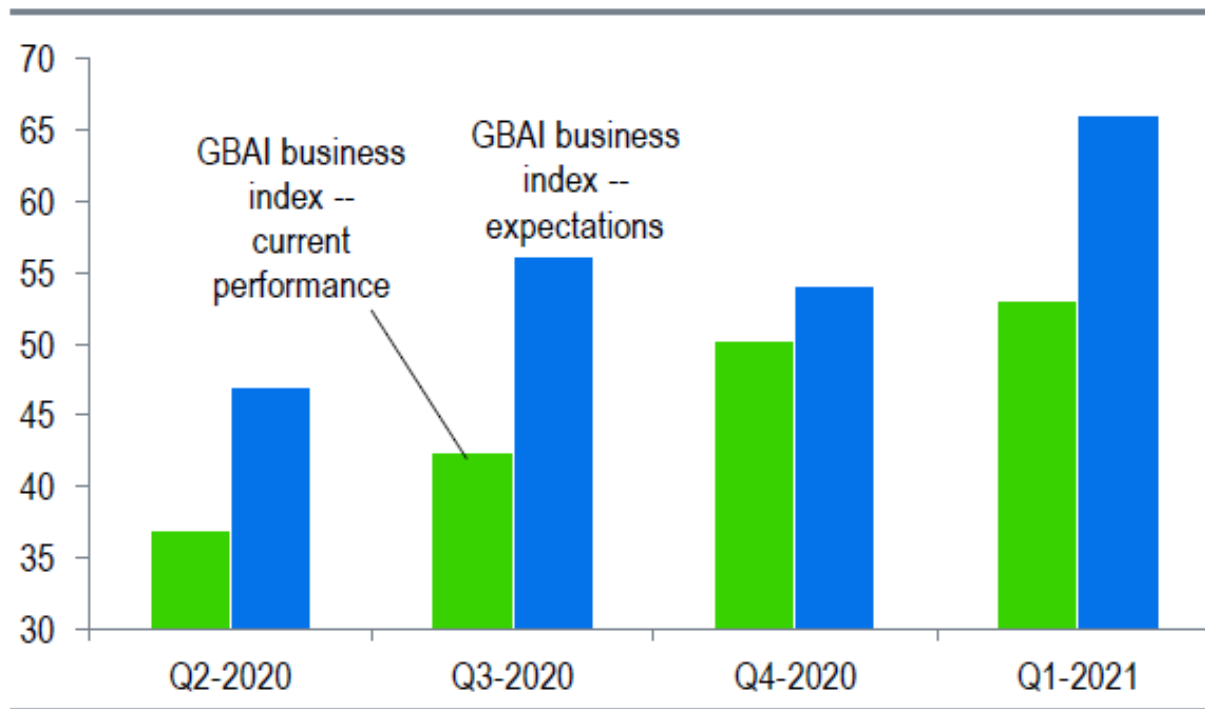
- Financing
- Projects



GBA as an Innovation and Technology hub

- R&D
- Start-up
- GBA as a sandbox

GBA Business Confidence Index



Sources: HKTDC, Standard Chartered Bank

Manufacturing leads

Business activity	Current performance			Expectations		
	Q1	Q4	Q3	Q1	Q4	Q3
Manufacturing and trading	54.0	51.6	43.3	63.9	55.4	57.2
Retail and wholesale	50.3	42.8	36.9	59.2	47.8	50.5
Financial services	46.4	40.8	38.9	58.7	48.7	46.5
Professional services	39.1	40.2	38.4	44.7	43.4	47.6
Innovation and technology	46.8	50.7	46.9	58.7	52.4	68.0

Sources: HKTDC, Standard Chartered Bank

Hong Kong lags

Business activity	Current performance			Expectations		
	Q1	Q4	Q3	Q1	Q4	Q3
Hong Kong	37.3	34.9	29.6	50.7	38.3	38.0
Guangzhou	55.6	48.7	44.3	66.0	51.1	56.2
Shenzhen	58.4	51.8	44.2	65.9	56.9	62.7
Foshan	49.2	59.3	43.7	60.8	60.2	58.8
Dongguan	52.6	56.4	42.6	64.1	59.6	59.5
Macao and other cities	55.1	55.8	49.3	64.5	61.1	55.0

Sources: HKTDC, Standard Chartered Bank

Support from HKTDC



Chic HK in Guangzhou in January 2020

HKTDC Design Gallery – 19 outlets in GBA



Thank you

Your business · Our mission |

