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# CHINA IN 2019

# Agenda

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1. China Deleveraging
2. The Trilemma
3. The Trade War
4. Conclusions and Implications

David Llewellyn Smith  
Tim Fuller  
Damien Klassen



# Deleveraging

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## China broad credit (TSF + bonds)

MACRO  
BUSINESS



[www.macrobusiness.com.au](http://www.macrobusiness.com.au)



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Tim Fuller  
Damien Klassen



# Deleveraging

## Household loans

MACRO  
BUSINESS



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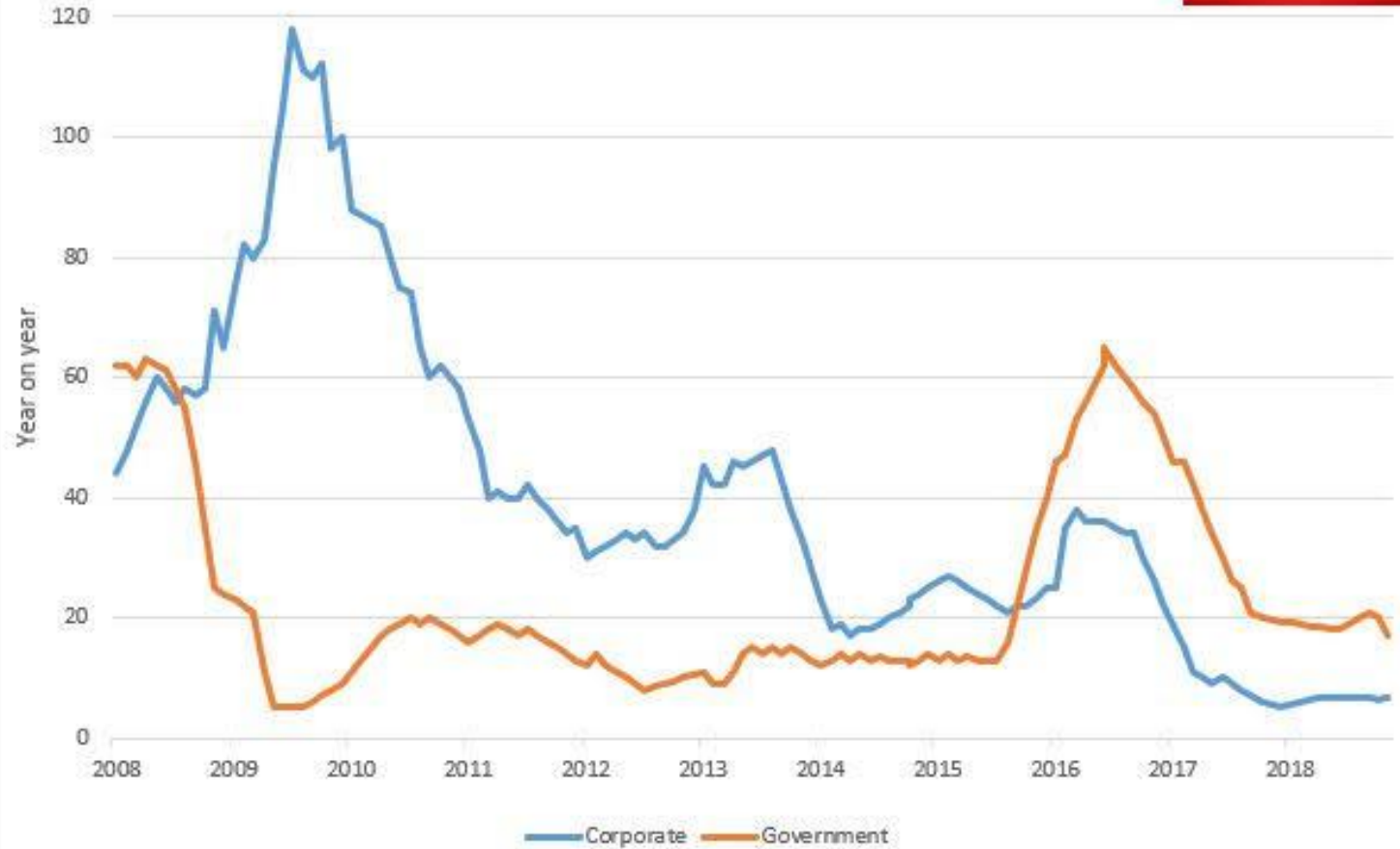
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# Deleveraging

## Chinese bond issuance

MACRO  
BUSINESS



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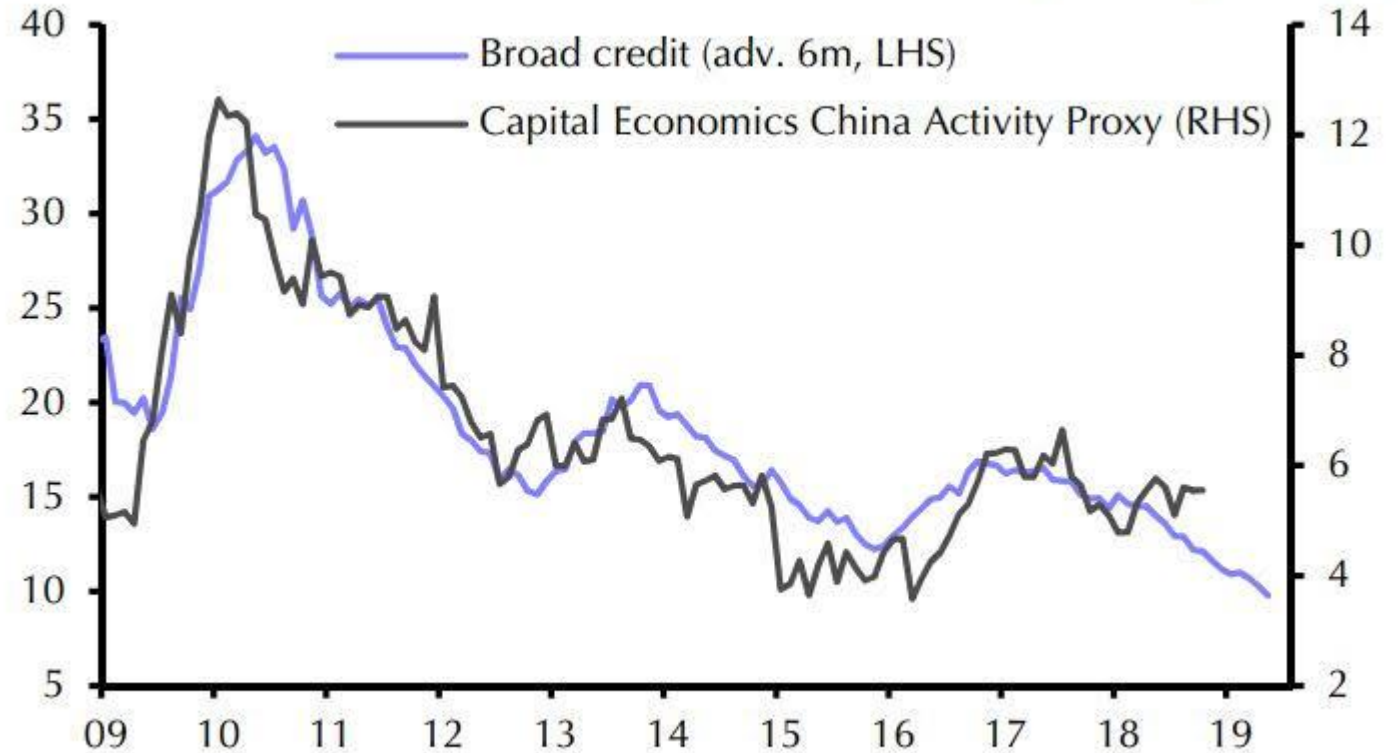


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# Deleveraging

Chart 4: Broad Credit & CE China Activity Proxy (% y/y)



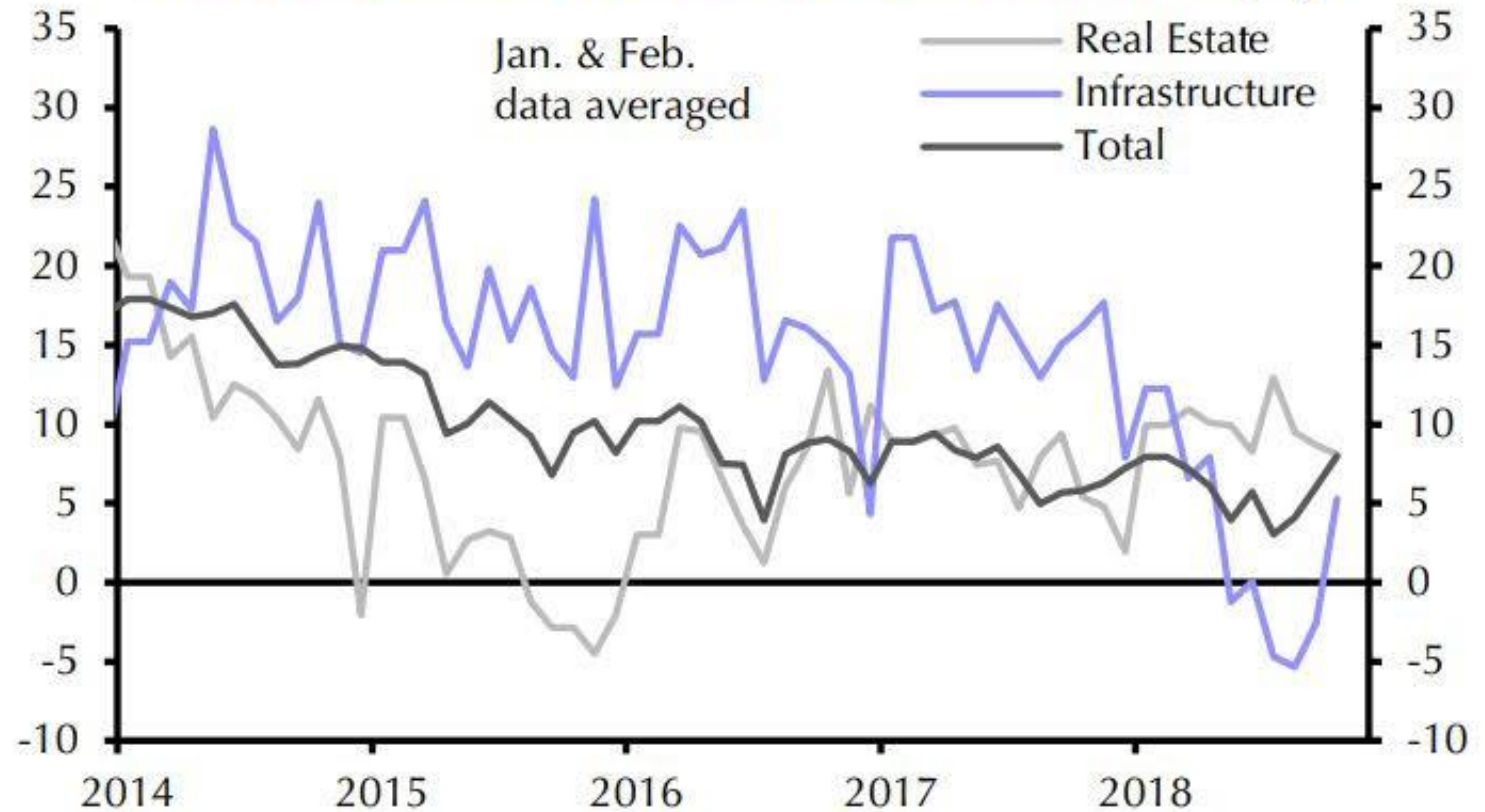
Sources: CEIC, Capital Economics

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# Deleveraging

## Chart 2: Fixed Investment (nominal, % y/y)



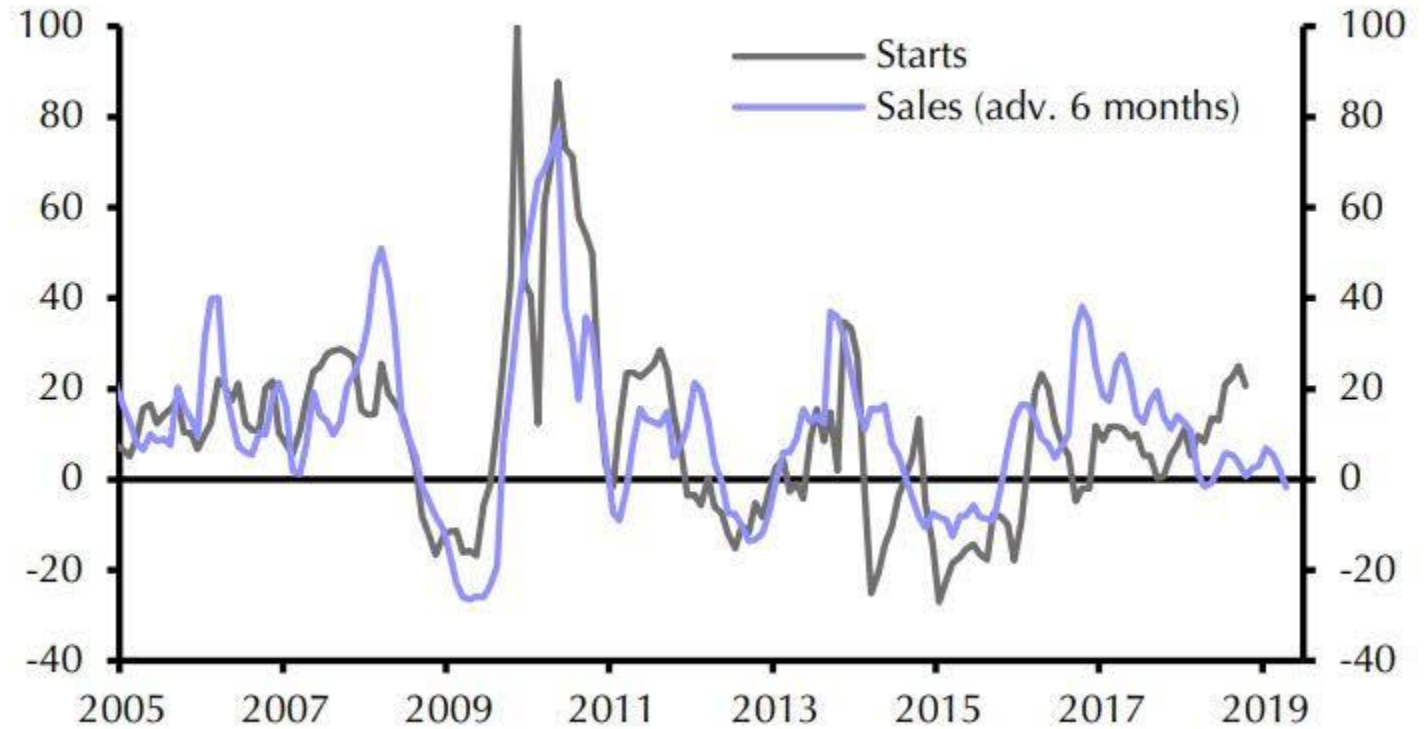
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# Deleveraging

### Chart 4: Real Estate Activity (3m % y/y)



Sources: CEIC, Capital Economics

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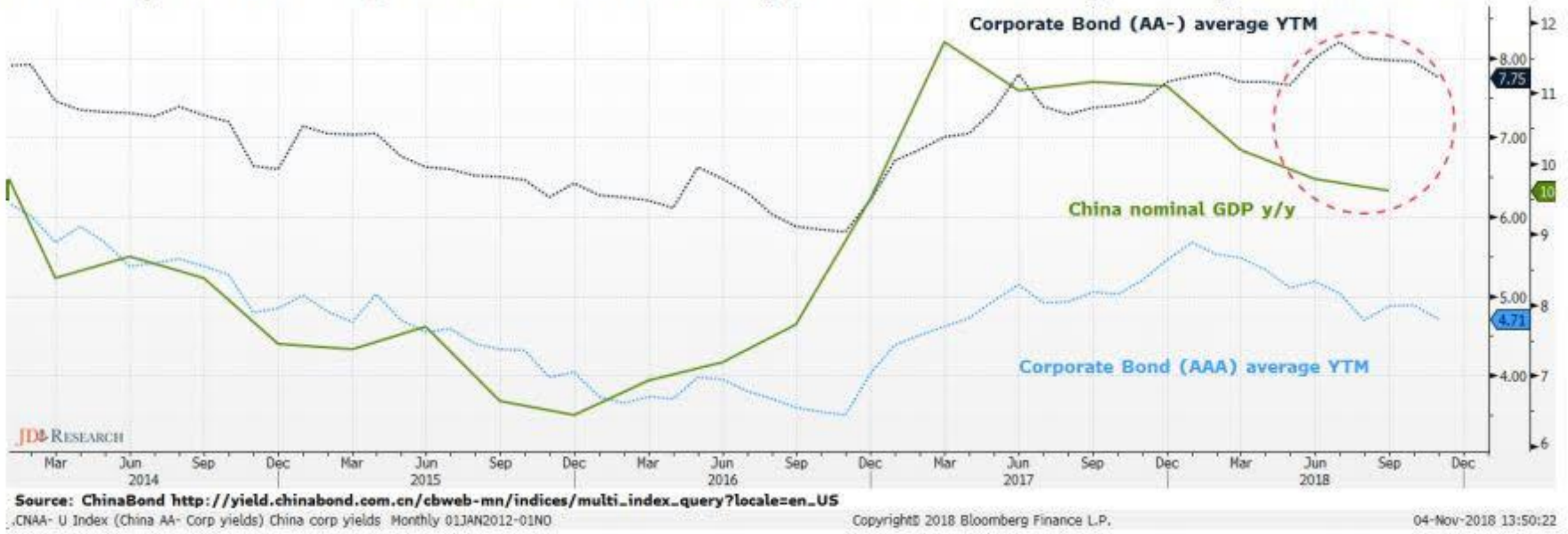


# The Trilemma

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 Tim Fuller  
 Damien Klassen



# It is the price of credit (rather than its availability) that is undermining credit growth in China:



## The Trilemma

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## The Chinese credit channel is clogged due to Yuan's stability constraints:

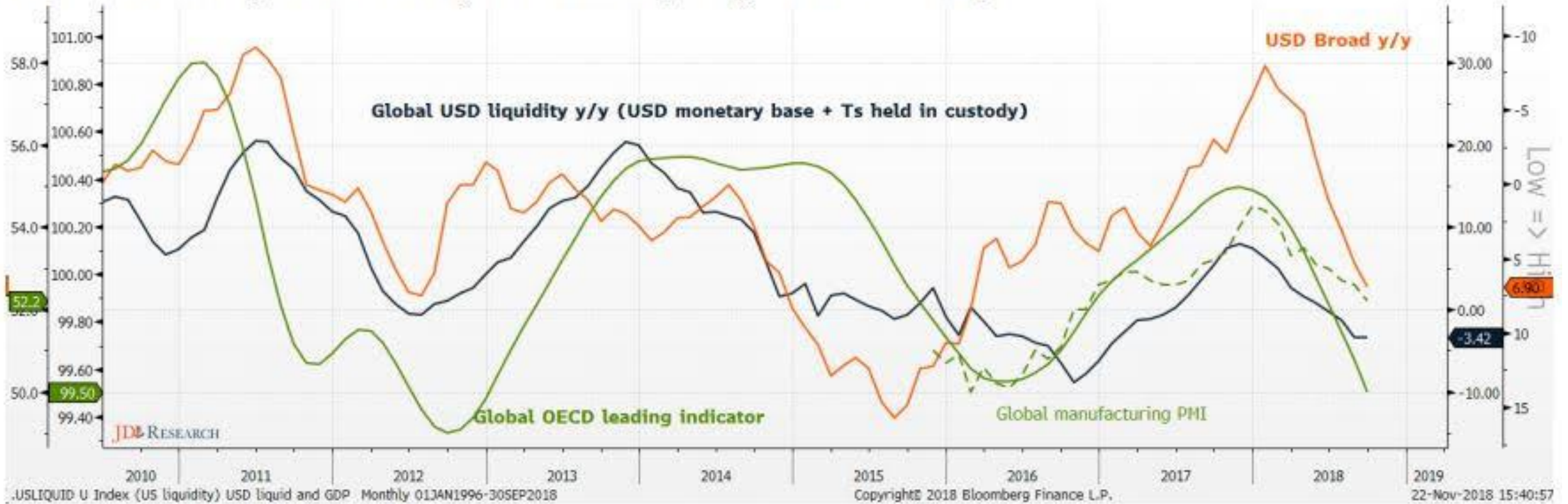


# The Trilemma

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Tim Fuller  
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# There is one way to stabilize global USD liquidity: a weaker US\$!

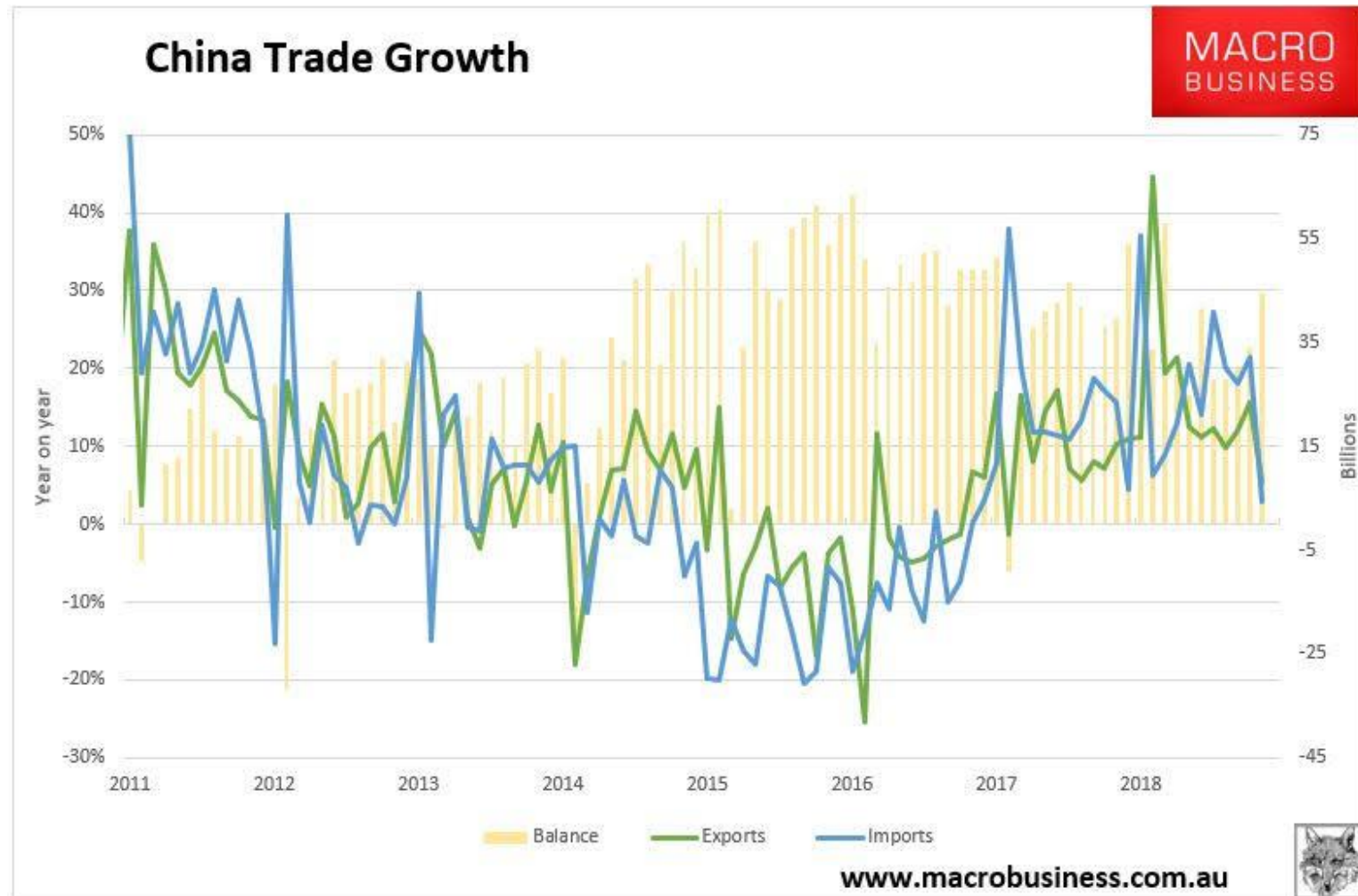


## The Trilemma

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Tim Fuller  
Damien Klassen



# The Trade War



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Tim Fuller  
Damien Klassen



# Conclusions

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1. Bulk Commodities
2. Wider markets
3. Trade War
4. Political Economy

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# Investment Implications

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- Tech sector
- Defense Stocks
- Exporters globally
- Oil & Gas
- Capex spend
- Resources

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Coming up

# Nucleus Investment Insights : Is Your Fund Manager Swimming Naked?

next

Thursday 20<sup>th</sup> December @  
12:30pm AEST



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