ALPINEMACRO
A Unique Mind On The Markets

IMAP Thought Leadership Conference
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China: Sleep-Walking Into Japan?

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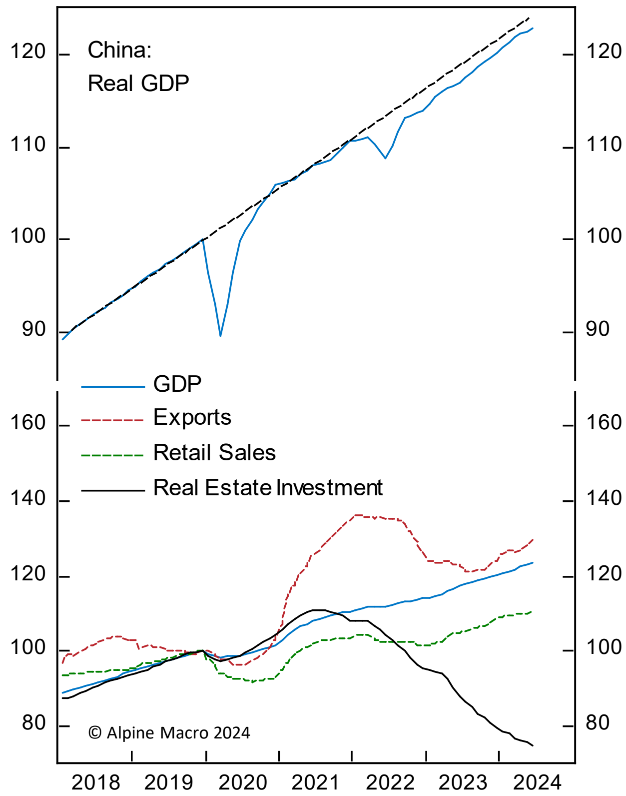
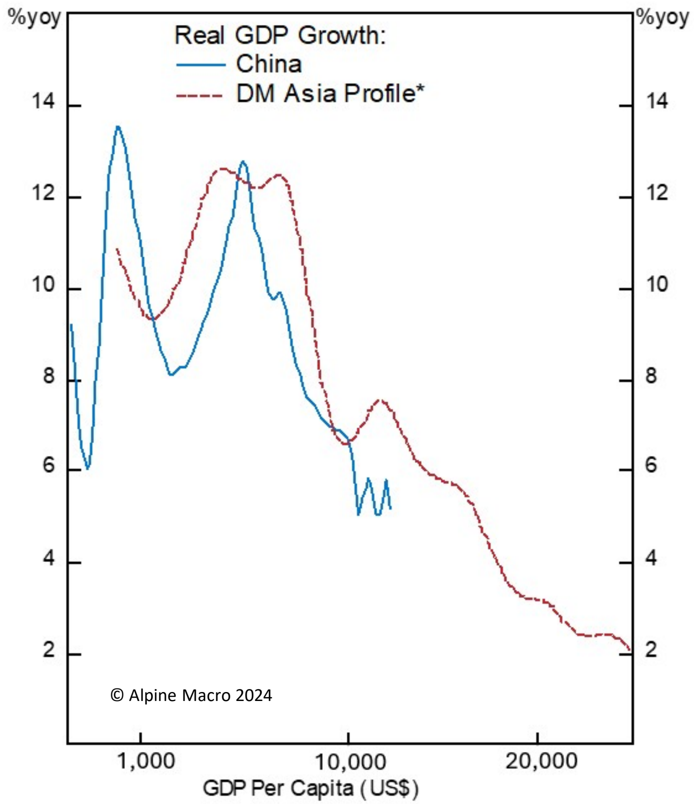
China's Growth Slowdown: What Went Wrong?



Note: All series are shown in real terms and rebased to Dec 2019 =100; series in bottom panel are shown as 12-month moving sum



*Weighted average of Japan, South Korea and Taiwan; Alpine Macro calculation

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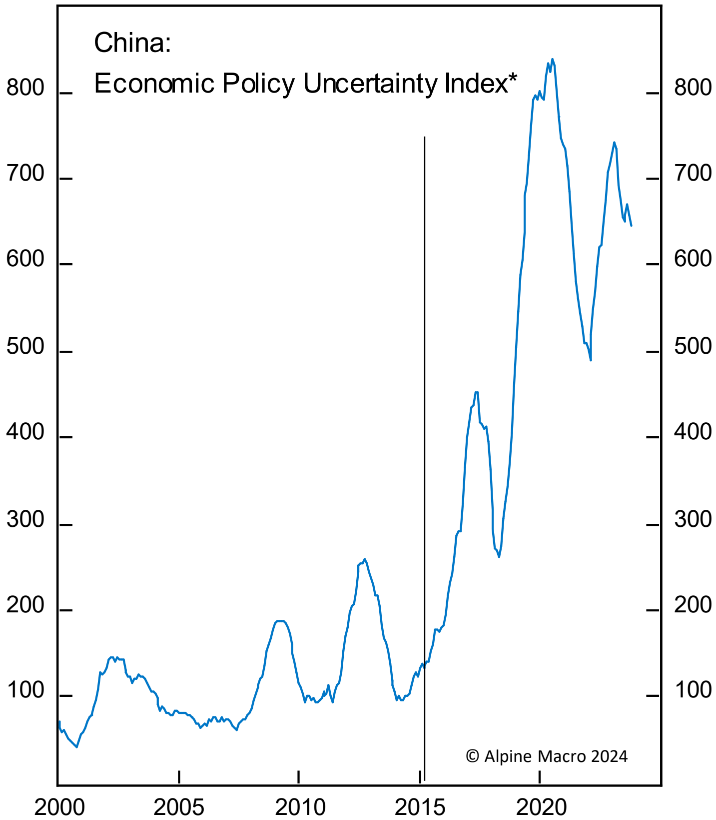
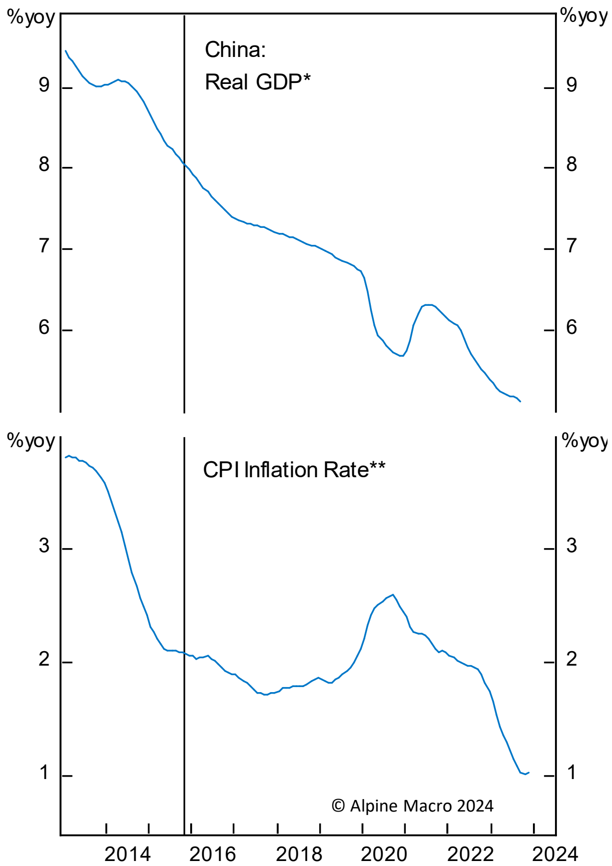
A Sharp Spike In Policy Uncertainty …

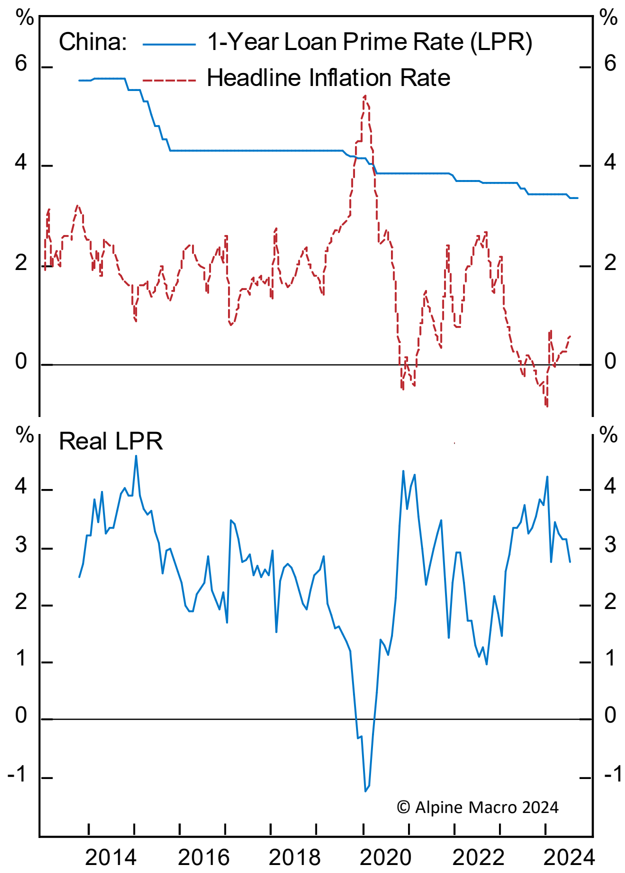


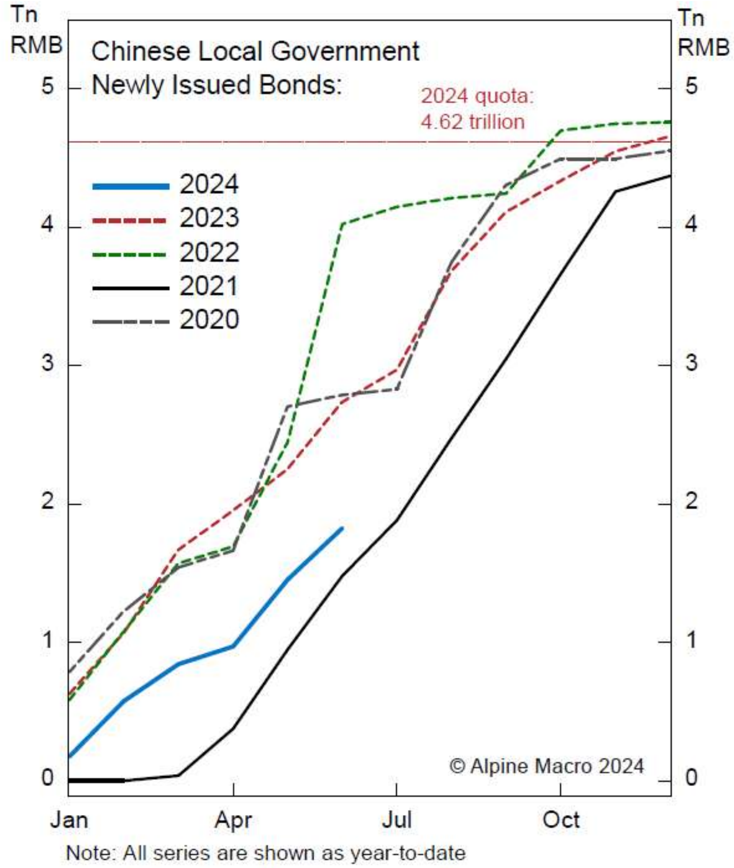
*Shown as 12-month moving average;
source: South China Morning Post



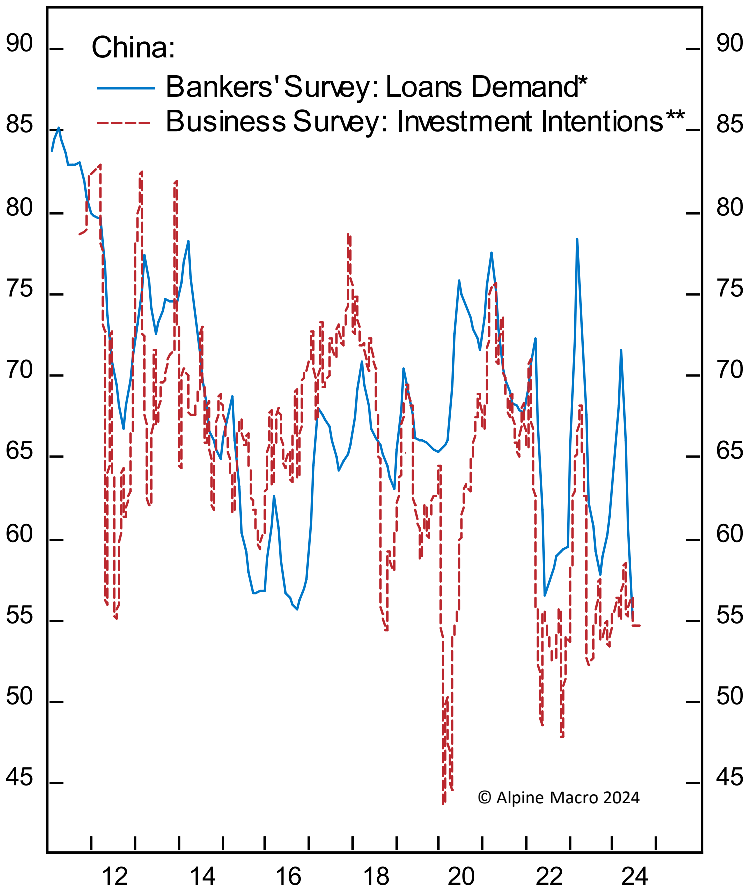
"*Shown as 5-year moving average
**Shown as 3-year moving average
Note: Vertical line represents the kick-off of Chinese "supply-side reforms"

… And Insufficient Policy Support: Macro Policies Are Far Too Tight



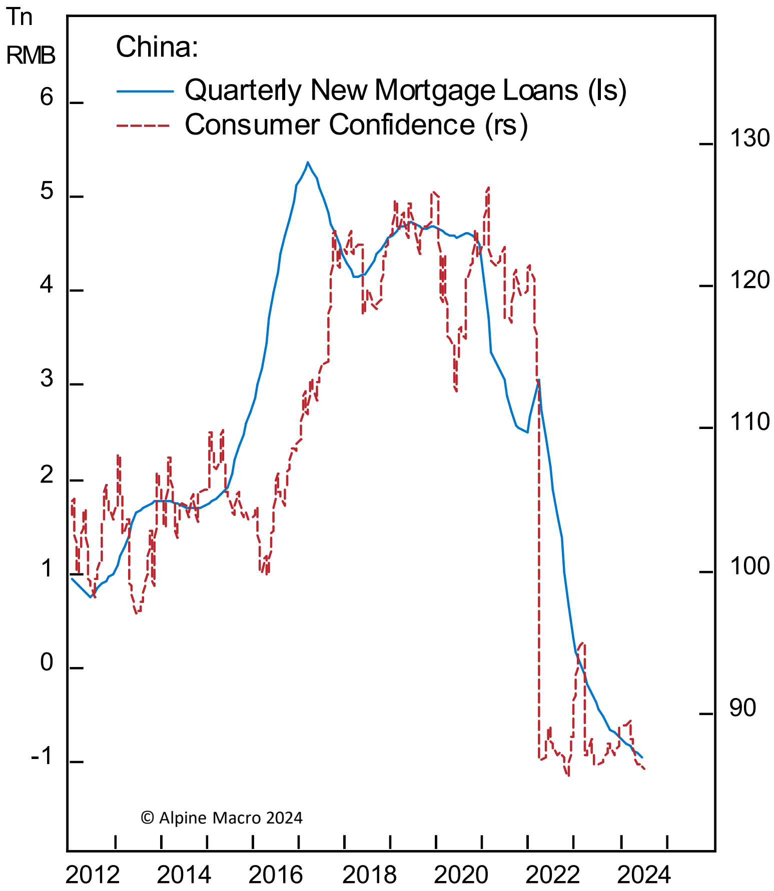


Domestic Demand Has Become Extremely Weak



*Source: PBoC

**Source: Cheung Kong Graduate School of Business



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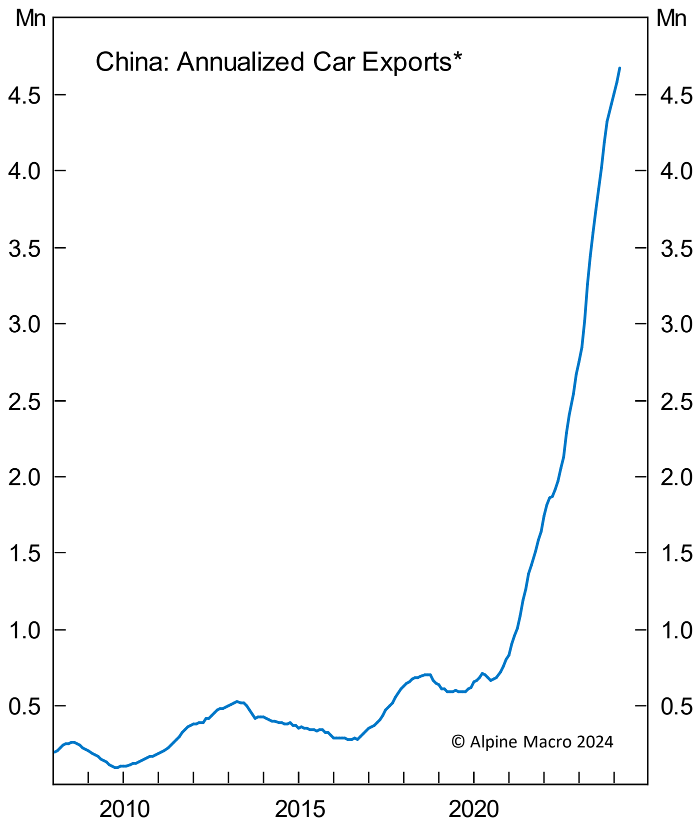
Reforms Against Stimulus

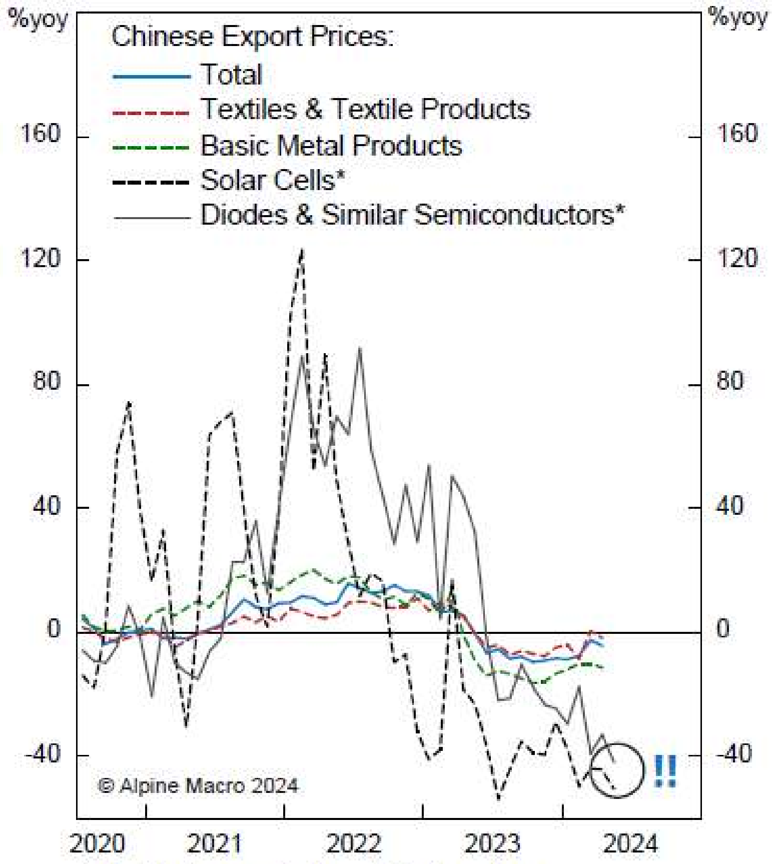
"In promoting economic development, we did not resort to massive stimulus. We did not seek short-term growth while accumulating long-term risks. Rather, we focused on strengthening the internal drivers."

---- Li Keqiang (Chinese Premier)

Focusing On The Supply Side Is Deflationary



*Shown as 12-month moving average



*Calculated as export values divided by volumes

Reforms Against Stimulus: Echoes From Japan's Policy Mistakes

"In promoting economic development, we did not resort to massive stimulus. We did not seek short-term growth while accumulating long-term risks. Rather, we focused on strengthening the internal drivers."

---- Li Keqiang (Chinese Premier)

"Monetary policy should focus on ensuring long-term stability rather than short-term gains."

---- Yasushi Mieno (Governor of the Bank of Japan, 1989–1994)

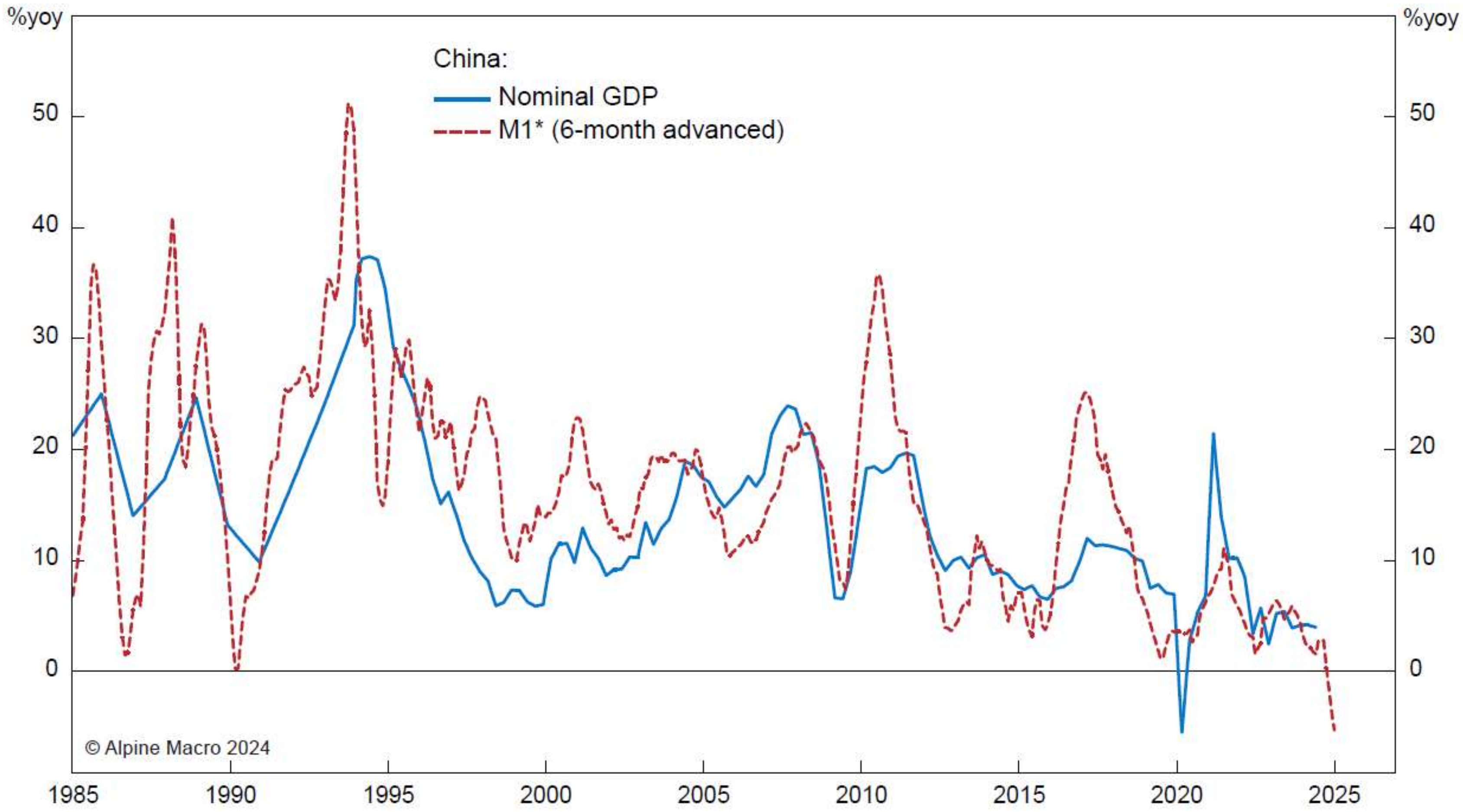
"Without deep reform, any amount of stimulus will only provide temporary relief."

---- Ryutaro Hashimoto (Japanese Prime Minister 1996-1998)

"Without reform, there is no growth. We must cut spending, reduce debt, and revitalize our economic structure."

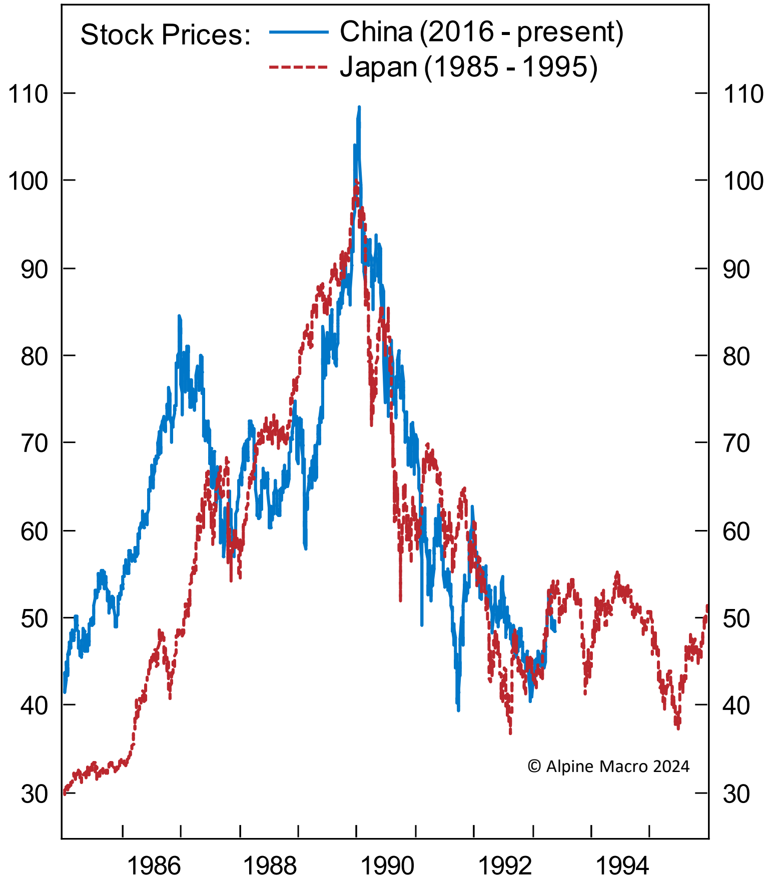
---- Junichiro Koizumi (Japanese Prime Minister, 2001-2006)

Sharp Slowdown In Money Supply Is A Bad Omen For Growth

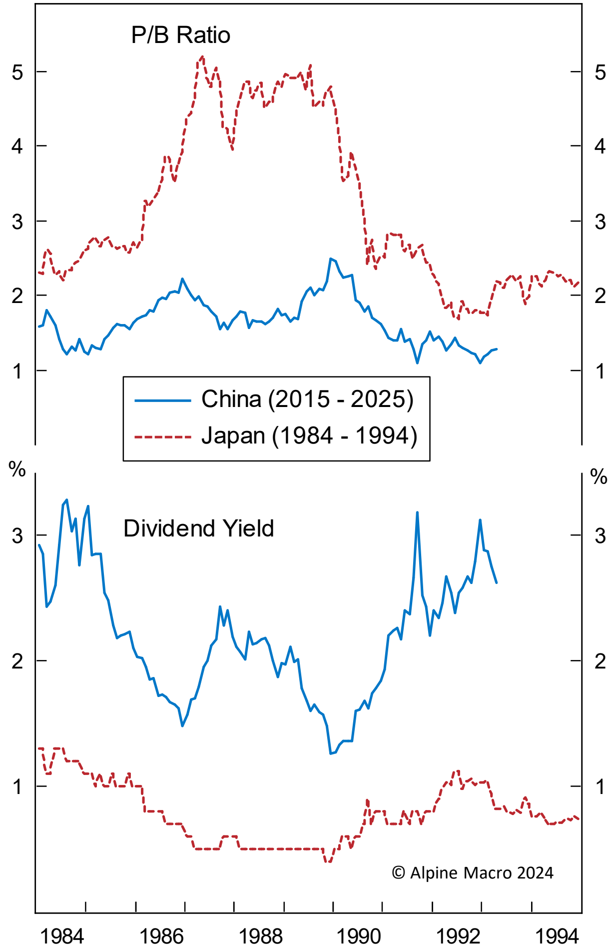


*Shown as 3-month moving average

Chinese Stocks Have Priced In A Lot Of Bad News...

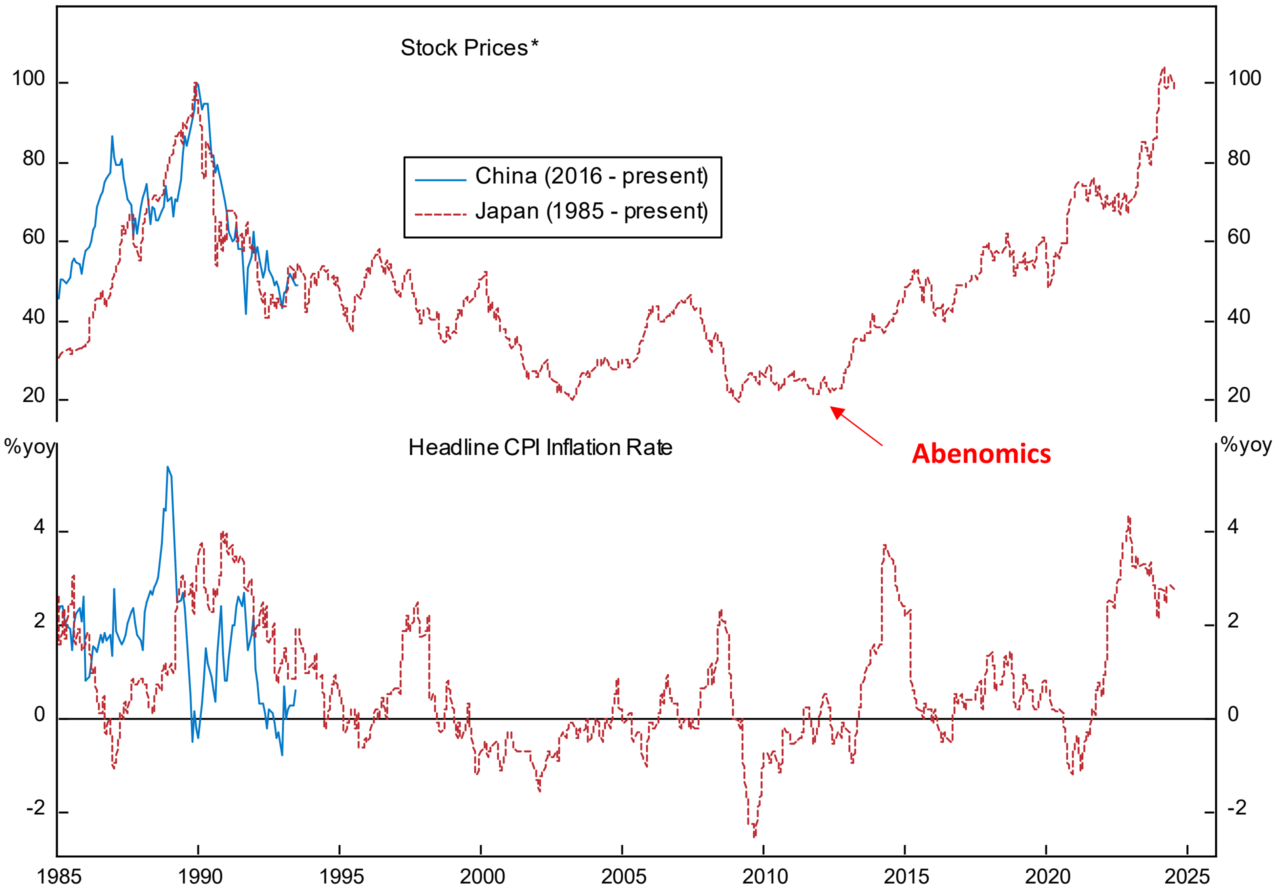


Note: Both series are shown in local currency terms; rebased to peak = 100



Source: MSCI

… But A Sustained Breakout Needs Aggressive Policy Stimulus



*Both series are shown in local currency terms; rebased to peak = 100

Beijing Needs Its Own “Three Arrows”

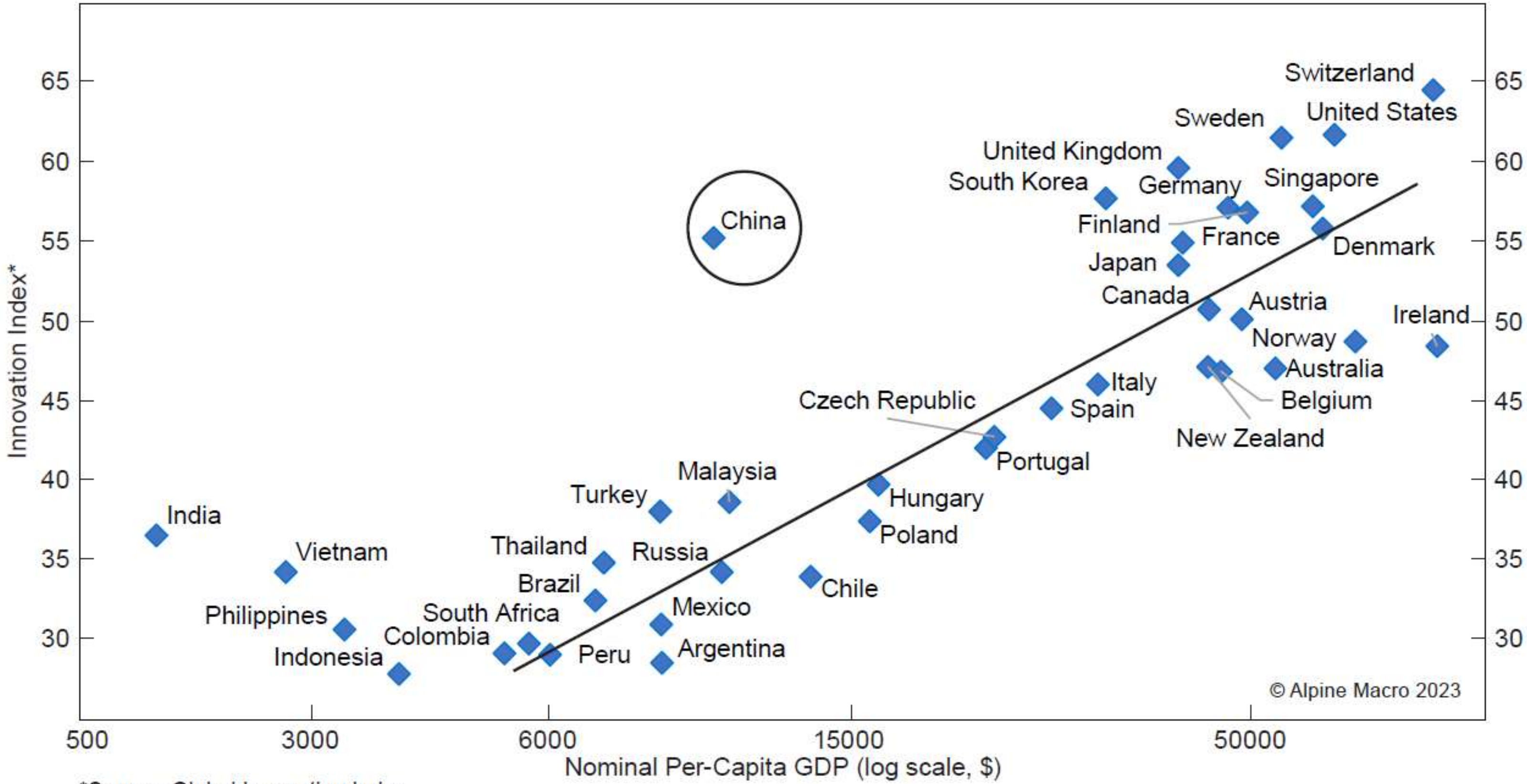
Abenomics: Three Arrows

- Aggressive Monetary Easing
- Aggressive Fiscal Easing
- Structural Reforms

Beijing also needs **Three Arrows**

- Flood the system with stimulus
- Local government debt relief, and new incentive mechanism to mobilize local officials/technocrats/civil servants
- Credible commitment to private enterprises and international community on continued liberal reforms

Chinese Economy Remains Very Competitive



*Source: Global Innovation Index

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For more information on Alpine Macro's research and service visit us at: alpinemacro.com
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