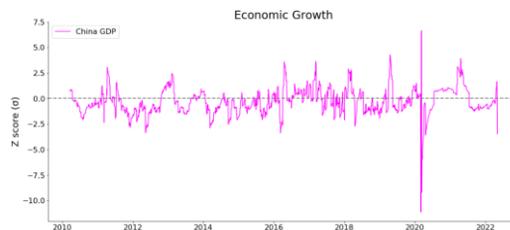




03.05.2022

China

- China's stock exchanges remain closed for Labour Day but optimists point to a shift in rhetoric from Beijing as reason to hope policy stimulus can prompt a bounce when they re-open.
- The majority of Qi's China-related models are not in macro regimes currently. Some, like [FXI](#) (large cap China ETF) & [KWEB](#) (China internet ETF) were in regime but macro lost its explanatory power in March – presumably as politics (strict lockdowns) assumed greater importance.
- Others, like [Shanghai Comp](#) & [Alibaba](#) are either close to our 65% threshold or have model confidence trending higher.
- But while that means Qi valuation signals comes with a health warning, that doesn't stop us from putting the recent moves in some critical factors into some historical context.



- On [Now-Casting](#), weak PMI data has reduced tracking Chinese GDP growth by around 3% (from 7.4% YoY to 4.3% YoY). In Qi z-score terms **this has taken growth 3.5 standard deviations below trend**. Levels only surpassed during the initial Covid lockdowns & the Yuan devaluation episode.
- Talking of 2015-16, the rally in USDCNH has now taken the cross 4 standard deviations above trend. Levels consistent with the Yuan devaluation. Not new news, but essential context. Policy stimulus can only help but it is worth noting the starting point.

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