



## Flash Note: Banking Sector

快讯：银行业

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# August M2 YoY Growth Slightly Beat Expectations; Liquidity Conditions for the Rest of 2019 Expected to Remain Slightly Loose

8月M2同比增速略好于预期，2019年余下时间流动性预计维持偏宽松

- August M2 YoY growth slightly beat expectations.** The 8.2% YoY growth rate of M2 in August 2019 slightly beat expectations, up 0.1 pts MoM. The M1 YoY growth rate increased by 0.3 pts MoM. Overall, M2 YoY growth increased slightly compared with that in July, which showed liquidity conditions to be slightly loose. Given that liquidity conditions are expected to remain slightly loose, we project YoY growth of M2 to be around 8.6% in 2019.
- New RMB loans beat expectations slightly in August.** The 2.1% YoY increase in new TSF in August 2019 was mainly due to the increase of new foreign currency loans, new entrusted loans, new trust loans, new undiscounted bills and new equity financing. RMB loans remain as the main channel through which the government supports financing of the real economy. New RMB loans beat expectations slightly in August. New RMB loans decreased by 5.5% YoY, up 14.2% MoM. Medium-term and long-term RMB loans increased by 12.6% YoY and 9.0% MoM, of which personal medium-term and long-term RMB loans increased by 2.8% YoY and 2.8% MoM, and non-financial corporate medium-term and long-term RMB loans increased by 25.1% YoY and 16.5% MoM. We think the growth rate of medium-term and long-term RMB loans showed that financing demand of the real economy turned good to a certain extent. The proportion of new RMB loans to real economy in new TSF was 65.7% in August 2019.
- Our views on liquidity:** In August 2019, the PBOC extended RMB22.4 bn in loans via standing lending facility and RMB550.0 bn in loans via medium-term lending facility. The CPI for August 2019 was 2.8%. In August 2019, the PBOC decided to reform and improve the mechanism for setting LPR, which aims to enhance the efficiency of interest rate transmission and push to lower the financing cost of the real economy. In September, the PBOC cut the RRR, which is expected to release about RMB 900 bn long-term funds. In the "China Monetary Policy Report, the Second Quarter 2019", the PBOC put forward prudent monetary policies which aim not be too loose or too tight, but to maintain reasonably ample liquidity, implement counter-cyclical adjustments in a timely and appropriate manner, and guide the growth rate of M2 and TSF to match the growth rate of nominal GDP. Given that the US Federal Reserve decreased the interest rate and U.S. trade relations with China have deteriorated in order to stabilize economic growth, support the financing of small and micro enterprises and private enterprises, and control economic exposure, we expect that the PBOC will maintain slightly loose monetary policies and that China's liquidity conditions will remain slightly loose during the rest of 2019.
- Sector views:** We expect that projected stable earnings growth and asset quality of mainland Chinese banks in 2019 will boost the valuations of Chinese banks. We maintain "Outperform" rating for the banking sector. Our top pick is CMB (03968 HK) with "Buy" rating and TP of HK\$47.25.
- 8月M2同比增速略好于预期。**2019年8月8.2% M2同比增速略好于预期，环比上升0.1个百分点。M1同比增速环比上升0.3个百分点。整体上，M2同比增速与7月份相比略增长，显示了流动性环境偏宽松。在流动性环境预期维持偏宽松的背景下，我们预计2019年M2同比增速将达8.6%左右。
- 8月新增人民币贷款略好于预期。**2019年8月2.1%的新增社会融资同比上升主要是由于新增外币贷款、新增委托贷款、新增信托贷款、新增未贴现银行承兑汇票、新增股票融资的增长。人民币贷款仍是政府支持实体经济融资的主要渠道。8月新增人民币贷款略好于预期。新增人民币贷款同比下降5.5%、环比上升14.2%。中长期人民币贷款同比上升12.6%、环比上升9.0%。其中，个人中长期人民币贷款同比上升2.8%、环比上升2.8%；非金融企业中长期人民币贷款同比上升25.1%、环比上升16.5%。我们认为中长期人民币贷款的增长显示实体经济的融资需求一定程度上好转。2019年8月，新增对实体经济的人民币贷款占新增社会融资的比重达65.7%。
- 我们对流动性的观点：**2019年8月，中国人民银行分别开展了224亿元人民币的常备借贷便利、5,500亿元人民币的中期借贷便

利。2019年8月CPI达2.8%。2019年8月，中国人民银行决定改革完善贷款市场报价利率（LPR）形成机制，以提高利率传导效率，推动降低实体经济融资成本。2019年9月，中国人民银行降低存款准备金率，预计将释放长期资金约9,000亿元人民币。在《2019年第二季度中国货币政策执行报告》中，中国人民银行提出稳健的货币政策要松紧适度，保持流动性合理充裕，适时适度实施逆周期调节，引导广义货币M2和社会融资规模增速与名义GDP增速相匹配。在美联储降息以及中美贸易关系恶化的背景下，为了稳定经济增长、支持小微企业和民营企业融资、控制经济风险，我们预计2019年余下时间中国人民银行将会维持偏宽松的货币政策，并且中国的流动性将维持偏宽松。

- **行业观点：**我们预计中资银行2019年预期稳健的盈利增速以及资产质量将推升其估值。我们维持银行业“跑赢大市”投资评级。我们的首选股为招商银行(03968 HK)，我们对公司的投资评级以及目标价分别为“买入”与47.25港元。

**Exhibit 1: China's main M1 and M2 indicators**

	M1 YoY growth (%)	M2 YoY growth (%)	YoY difference of M1 YoY growth (ppts)	MoM difference of M1 YoY growth (ppts)	YoY difference of M2 YoY growth (ppts)	MoM difference of M2 YoY growth (ppts)	Difference between M2 (YoY) and M1 (YoY) (ppts)
2019-08	3.4	8.2	(0.5)	0.3	0.0	0.1	4.8
2019-07	3.1	8.1	(2.0)	(1.3)	(0.4)	(0.4)	5.0
2019-06	4.4	8.5	(2.2)	1.0	0.5	0.0	4.1
2019-05	3.4	8.5	(2.6)	0.5	0.2	0.0	5.1
2019-04	2.9	8.5	(4.3)	(1.7)	0.2	(0.1)	5.6
2019-03	4.6	8.6	(2.5)	2.6	0.4	0.6	4.0
2019-02	2.0	8.0	(6.5)	1.6	(0.8)	(0.4)	6.0
2019-01	0.4	8.4	(14.6)	(1.1)	(0.2)	0.3	8.0
2018-12	1.5	8.1	(10.3)	0.0	0.0	0.1	6.6
2018-11	1.5	8.0	(11.2)	(1.2)	(1.1)	0.0	6.5
2018-10	2.7	8.0	(10.3)	(1.3)	(0.9)	(0.3)	5.3
2018-09	4.0	8.3	(10.0)	0.1	(0.7)	0.1	4.3
2018-08	3.9	8.2	(10.1)	(1.2)	(0.4)	(0.3)	4.3
2018-07	5.1	8.5	(10.2)	(1.5)	(0.4)	0.5	3.4
2018-06	6.6	8.0	(8.4)	0.6	(1.1)	(0.3)	1.4
2018-05	6.0	8.3	(11.0)	(1.2)	(0.8)	0.0	2.3
2018-04	7.2	8.3	(11.3)	0.1	(1.5)	0.1	1.1
2018-03	7.1	8.2	(11.7)	(1.4)	(1.9)	(0.6)	1.1
2018-02	8.5	8.8	(12.9)	(6.5)	(1.6)	0.2	0.3
2018-01	15.0	8.6	0.5	3.2	(2.1)	0.5	(6.4)
2017-12	11.8	8.1	(9.6)	(0.9)	(3.2)	(1.0)	(3.7)
2017-11	12.7	9.1	(10.0)	(0.3)	(2.3)	0.2	(3.6)

Source: the People's Bank of China, Guotai Junan International.

**Exhibit 2: Breakdown of new total social financing ("TSF") in RMB '000 mn**

	New TSF	RMB Loans	Foreign currency loans	Entrusted loans	Trust loans	Undiscounted bills	Corporate bonds	Equity financing	Local government special bonds	Asset backed securities	Written-off loans
2019-08	19,800	13,000	(247)	(513)	(658)	157	3,041	256	3,213	0	0
2019-07	10,100	8,086	(221)	(987)	(676)	(4,563)	2,240	593	4,385	0	0
2019-06	22,600	16,718	(4)	(827)	15	(1,311)	1,291	153	3,579	0	0
2019-05	14,000	11,900	191	(631)	(52)	(770)	476	259	1,251	0	0
2019-04	13,600	8,733	(330)	(1,199)	129	(357)	3,574	262	1,679	0	0
2019-03	28,593	19,584	3	(1,070)	528	1,365	3,455	122	2,532	0	0
2019-02	7,030	7,641	(105)	(508)	(37)	(3,103)	805	119	1,771	0	0
2019-01	46,400	35,700	343	(699)	345	3,786	4,990	293	1,088	0	0
2018-12	15,898	9,269	(701)	(2,244)	(509)	1,023	3,703	131	362	1,503	2,518
2018-11	15,191	12,302	(787)	(1,310)	(467)	(127)	3,163	200	(332)	1,157	729
2018-10	7,430	7,141	(800)	(949)	(1,273)	(453)	1,486	176	868	188	446
2018-09	21,701	14,341	(670)	(1,432)	(909)	(548)	392	272	7,389	895	1,615
2018-08	19,412	13,140	(344)	(1,207)	(688)	(779)	3,423	141	4,106	501	377
2018-07	12,244	12,861	(773)	(950)	(1,192)	(2,744)	2,185	175	1,851	123	176
2018-06	14,877	16,787	(364)	(1,642)	(1,623)	(3,649)	1,349	258	1,019	272	1,737
2018-05	9,533	11,396	(228)	(1,570)	(904)	(1,741)	(367)	438	1,012	377	479
2018-04	17,761	10,987	(26)	(1,481)	(94)	1,454	4,047	533	808	821	259

2018-03	15,864	11,425	139	(1,850)	(357)	(323)	3,552	404	662	387	1,234
2018-02	11,894	10,199	86	(750)	660	106	644	379	108	(146)	261
2018-01	30,793	26,850	266	(714)	455	1,437	1,222	500	0	(137)	320
2017-12	15,865	5,769	169	601	2,245	676	343	792	849	1,476	2,059
2017-11	19,139	11,428	198	280	1,434	15	920	1,324	2,282	248	481

Source: the People's Bank of China, Guotai Junan International.

**Exhibit 3: Breakdown of YoY change of new TSF in RMB '000 mn**

	New TSF	RMB Loans	Foreign currency loans	Entrusted loans	Trust loans	Undiscounted bills	Corporate bonds	Equity financing	Local government special bonds	Asset backed securities	Written-off loans
2019-08	409	(140)	97	694	30	936	(361)	115	(893)	(501)	(377)
2019-07	(2,154)	(4,775)	552	(37)	516	(1,819)	45	418	2,534	(123)	(176)
2019-06	7,723	(69)	360	815	1,638	2,338	(59)	(105)	2,560	(272)	(1,737)
2019-05	4,482	504	419	939	852	971	858	(179)	239	(377)	(479)
2019-04	(4,161)	(2,254)	(304)	282	223	(1,811)	(473)	(271)	871	(821)	(259)
2019-03	12,744	8,160	(137)	780	885	1,688	(81)	(282)	1,870	(387)	(1,234)
2019-02	(4,864)	(2,558)	(191)	242	(697)	(3,209)	161	(260)	1,663	146	(261)
2019-01	15,607	8,850	77	15	(110)	2,349	3,768	(207)	1,088	137	(320)
2018-12	33	3,512	(871)	(2,812)	(2,754)	347	3,414	(662)	(487)	27	459
2018-11	(3,948)	874	(985)	(1,591)	(1,901)	(142)	2,242	(1,124)	(2,614)	909	248
2018-10	(4,574)	506	(756)	(992)	(2,292)	(465)	4	(426)	(447)	127	175
2018-09	(750)	2,456	(438)	(2,207)	(3,276)	(1,331)	(1,261)	(247)	4,872	571	339
2018-08	1,898	1,674	(12)	(1,125)	(1,831)	(1,021)	2,286	(512)	2,182	55	127
2018-07	(2,739)	3,710	(560)	(1,114)	(2,424)	(707)	(436)	(360)	(1,475)	628	(29)
2018-06	(6,254)	2,313	(436)	(1,610)	(4,104)	(3,420)	1,518	(229)	(972)	159	428
2018-05	(3,603)	(384)	(129)	(1,293)	(2,716)	(496)	2,120	(20)	(922)	83	202
2018-04	2,157	182	257	(1,433)	(1,567)	1,109	3,546	(236)	(1,211)	1,326	49
2018-03	(8,137)	(161)	(148)	(3,889)	(3,469)	(2,713)	3,423	(396)	(1,144)	223	388
2018-02	848	(118)	(282)	(1,922)	(402)	1,824	1,769	(191)	108	(136)	112
2018-01	(6,302)	3,717	140	(3,850)	(2,720)	(4,693)	1,733	(726)	0	(8)	67
2017-12	(395)	(4,174)	558	(3,410)	602	(913)	2,391	(36)	849	1,476	2,059

Source: the People's Bank of China, Guotai Junan International.

**Exhibit 4: China's main financing readings**

	New RMB loans (RMB '000 mn)	New RMB deposits (RMB '000 mn)	YoY growth of new RMB loans (%)	MoM growth of new RMB loans (%)	YoY growth of new RMB deposits (%)	MoM growth of new RMB deposits (%)	YoY growth of new TSF (%)	MoM growth of new TSF (%)
2019-08	12,100	18,000	(5.5)	14.2	65.1	180.4	2.1	95.8
2019-07	10,600	6,420	(26.9)	(36.1)	(37.7)	(71.7)	(17.6)	(55.4)
2019-06	16,600	22,700	(9.8)	40.7	8.1	86.1	51.9	62.0
2019-05	11,800	12,200	2.6	15.7	(6.2)	368.2	47.1	3.0
2019-04	10,200	2,606	(13.6)	(39.6)	(51.3)	(84.8)	(23.4)	(52.4)
2019-03	16,900	17,200	50.9	90.8	13.9%	31.3%	80.4	306.7
2019-02	8,858	13,100	5.5	(72.6)	n.a.	(59.9)	(40.9)	(84.8)
2019-01	32,300	32,700	11.4	199.1	(15.3)	3,469.9	50.7	191.9
2018-12	10,800	916	84.8	(13.6)	(111.6)	(90.4)	0.2	4.7
2018-11	12,500	9,507	11.6	79.3	(39.4)	168.9	(20.6)	108.4
2018-10	6,970	3,535	5.1	(49.5)	(66.7)	(60.3)	(39.3)	(67.0)
2018-09	13,800	8,902	8.7	7.8	105.5	(18.3)	(1.8)	14.4
2018-08	12,800	10,900	17.4	(11.7)	(19.9)	5.8	(2.4)	46.1
2018-07	14,500	10,300	76.4	(21.2)	26.0	(51.0)	(10.7)	(45.7)
2018-06	18,400	21,000	19.5	60.0	(20.5)	61.5	(33.4)	55.1
2018-05	11,500	13,000	3.6	(2.5)	17.1	142.9	(28.4)	(51.2)
2018-04	11,800	5,352	7.3	5.4	(64.6)	103.4	12.4	17.3

2018-03	11,200	15,100	9.8	33.4	18.9	(601.5)	(37.2)	13.3
2018-02	8,393	(3,011)	(28.3)	(71.1)	(113.0)	(107.8)	7.3	(61.8)
2018-01	29,000	38,600	42.9	396.2	160.8	n.a.	(17.2)	168.5
2017-12	5,844	(7,929)	(43.8)	(47.8)	n.a.	n.a.	(29.9)	(28.7)

Source: the People's Bank of China, Guotai Junan International.

### Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

### Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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