



## GORDON T LONG

### Advanced Technical Analysis



**Gordon T Long**  
Global Macro Research |  
Macro-Technical Analysis



**Technical Analysis**  
Market Road Maps | HPTZ  
Methodology



**SII**  
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Market Road Maps

## **NOTE**

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A commercial airplane is shown in the process of landing on a runway. The aircraft is angled downwards, and a large, dense cloud of dust and debris is being kicked up from the runway surface, partially obscuring the lower part of the plane. The sky is a clear, light blue. The overall scene conveys a sense of a difficult or 'hard' landing.

# WILL CHINA SAVE THE US FROM A HARD LANDING?

*“Expect the best. Prepare for the worst. Capitalize on what comes!”*

# AGENDA

## CHINA HAS SAVED US FOUR TIMES

CHINESE CREDIT IMPULSE  
MACRO SURPRISES,

## POOR REOPENING DATA

MULTIPLE PROBLEMS

## A “PEAKING” CHINA

STIMULUS & EXPORTS?

## MAJOR LABOR PROBLEMS

A GROWING LABOR COST PROBLEM  
A YOUTH EMPLOYMENT PROBLEM

## CONCLUSION

A CHANGING CHINA  
DOMESTIC CONSUMPTION

## Will China Save US From A Hard Landing?



1-2008 FINANCIAL CRISIS

CHINESE CREDIT IMPULSE

2-EU BANKING CRISIS

(PIGS, Cyprus)

3-TAPER TURMOIL  
(LIQUIDITY FAILURE)

4-COVID-19

(SHOCK)



SAVED THE LAST DECADE!



2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022

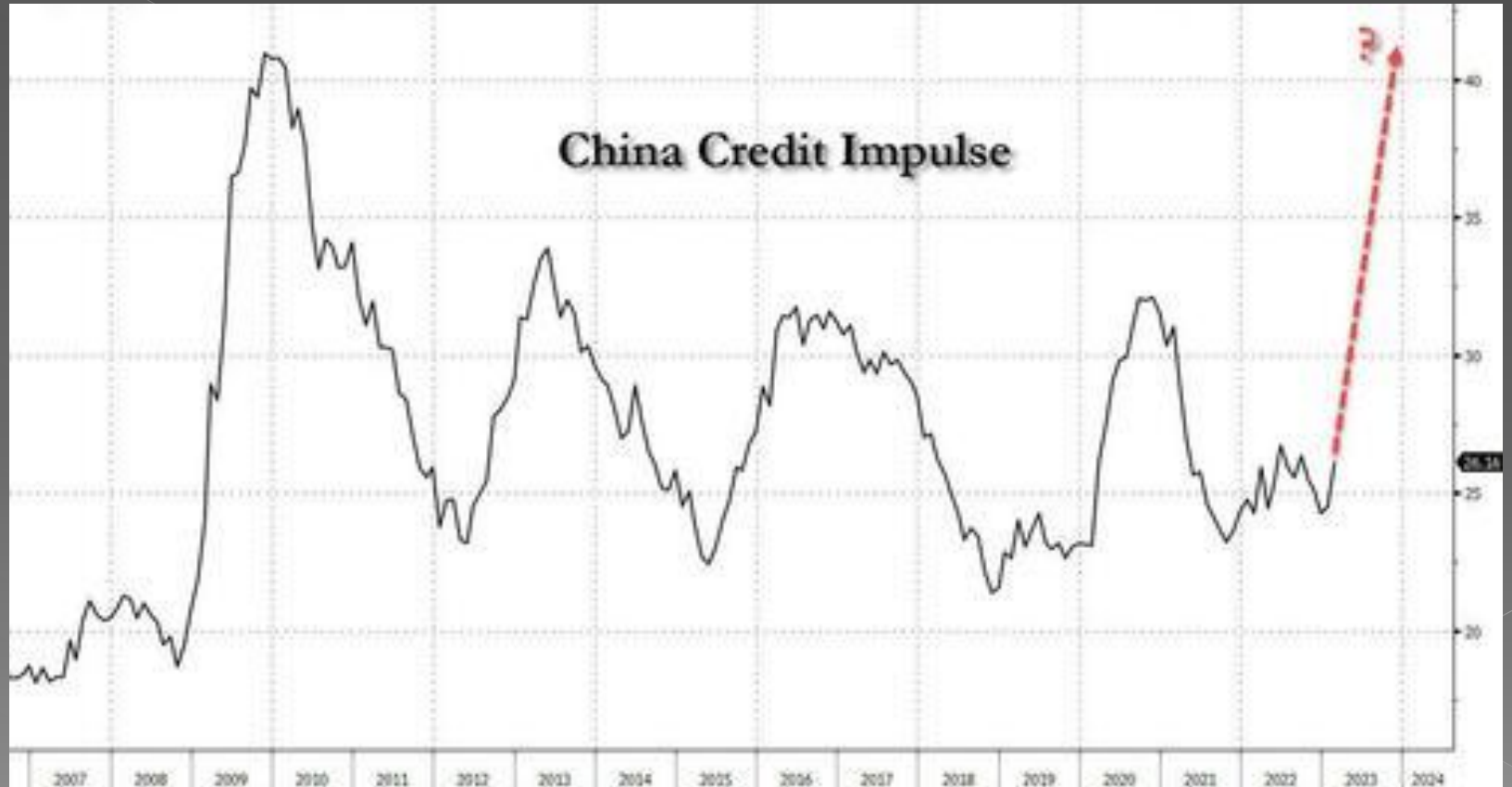
CHBGREVA Index (Bloomberg Economics China Credit Impulse 12 Month Net Change) M

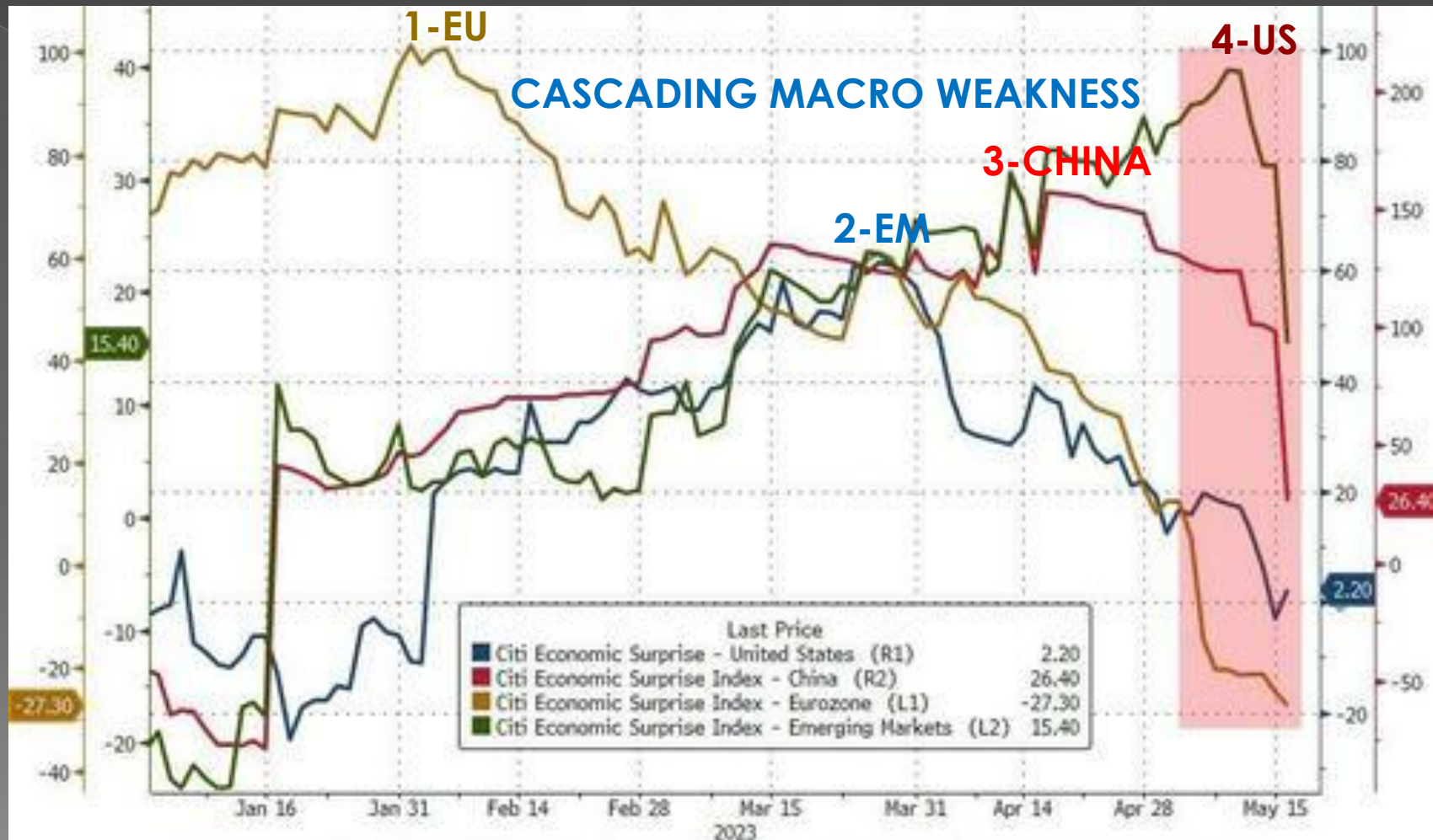
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11-Aug-2021 10:04:02



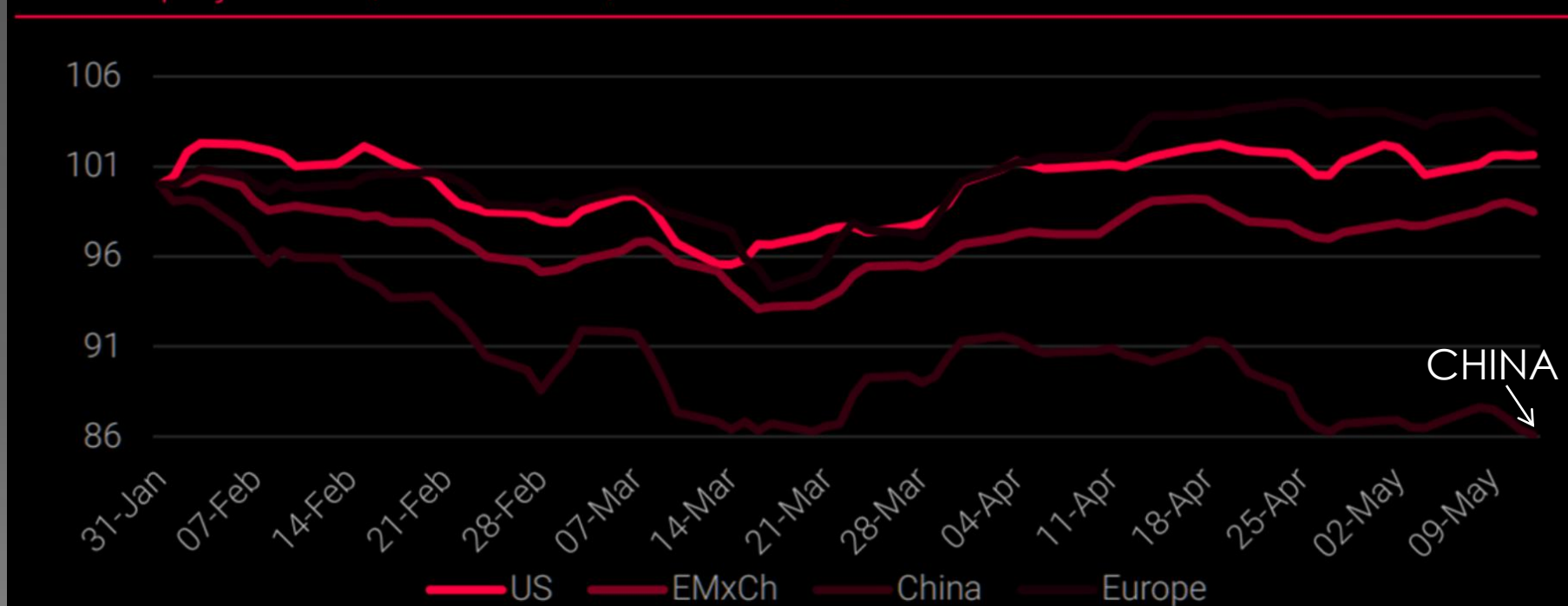
# CURRENT CHINESE CREDIT IMPULSE





# PEAK CHINA

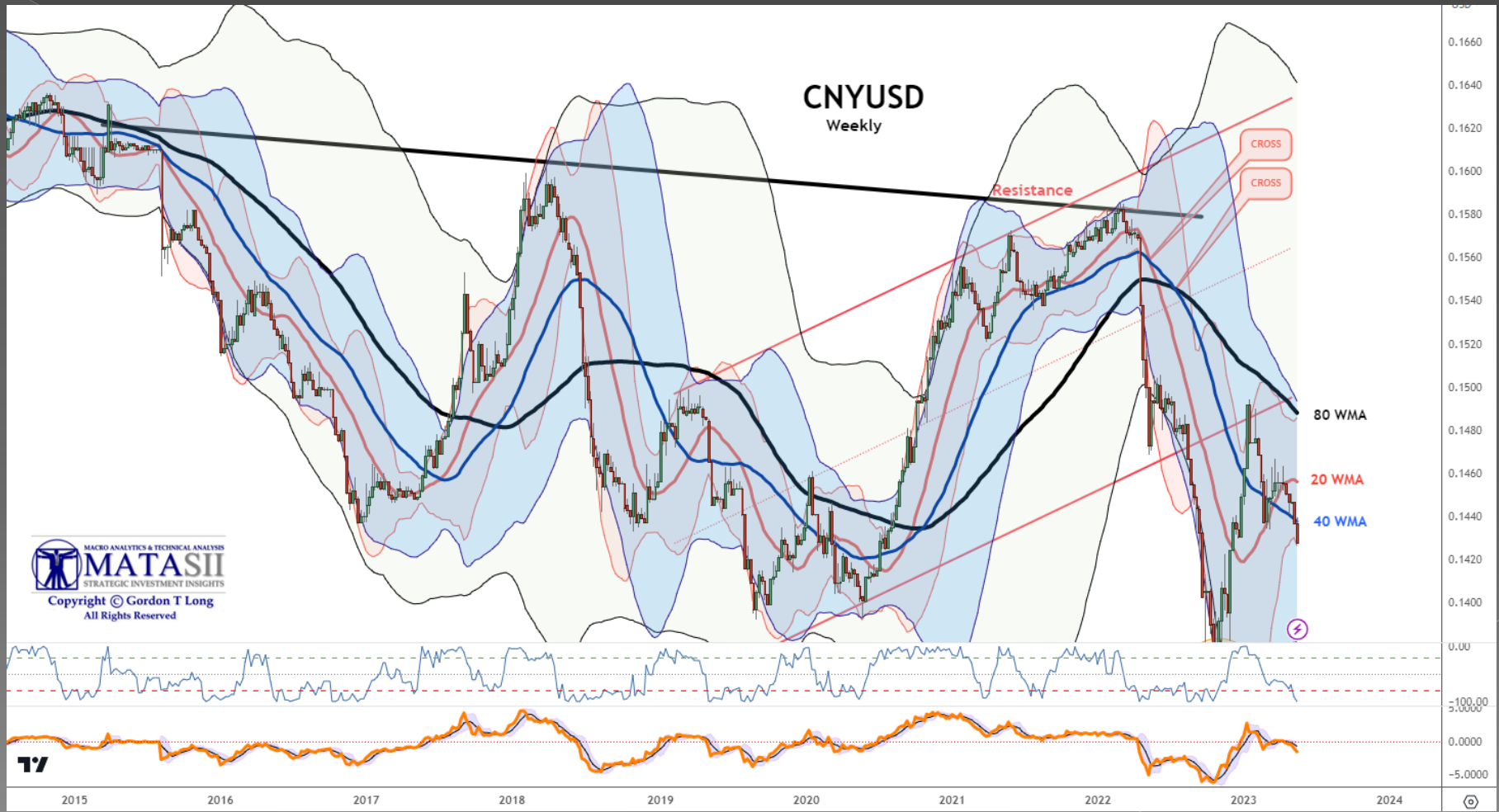
MSCI equity indices, 31 Jan=100, 3dma in US\$



***Underperformance of China equities gathering momentum.***



# CNYUSD Weekly



MACRO ANALYTICS & TECHNICAL ANALYSIS  
**MATASII**  
STRATEGIC INVESTMENT INSIGHTS  
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TV

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

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©

# XI's LEADERSHIP HAS RESULTED IN IMMINENT PEAK CHINA

1. China's economic growth will dramatically decelerate and there is much skepticism about Xi Jinping's ability to rejuvenate the country's fortunes
2. Forecasts of China surpassing the US in GDP and becoming the number one global economy are being revised
3. Xi's leadership is primarily responsible for the current state of China's economy, as his policies priorities social fairness and party control over economic reforms
4. Xi's crackdown on private-sector firms, especially in the tech, internet, and education sectors, has had negative consequences for the economy
5. Xi's push to tighten state control over information and data raises risks for businesses and investors in China, limiting transparency and increasing uncertainty (TS Lombard)

## **BLOOMBERG : “Wall Street’s Biggest Banks Face a Harsh Reality Check in China”**, and that they are:

- *“Scaling Back ambitious expansion plans and profit goals as a deteriorating geopolitical climate and President Xi Jinping’s willingness to sacrifice economic priorities for security concerns rock the private sector and throttle deal making ....*
- *There’s now a realization that they need a fundamental rethink on the world’s No. 2 economy because the business climate has weakened significantly and the best opportunities for making outsized profits in the country are over, according to the senior executives...*
- *Publicly, everyone’s saying the same thing: China is still a massive opportunity and they have no plans to pull out, especially since so much money has already been spent....*
- *Privately, Wall Street executives are saying it’s difficult to maintain good standing with both sides as tensions repeatedly flare”* The article adds China is no longer a top-three investment priority for a majority of US firms, according to an American Chamber of Commerce survey; and China is also now closing down cross-border broker trading apps to prevent capital outflows.

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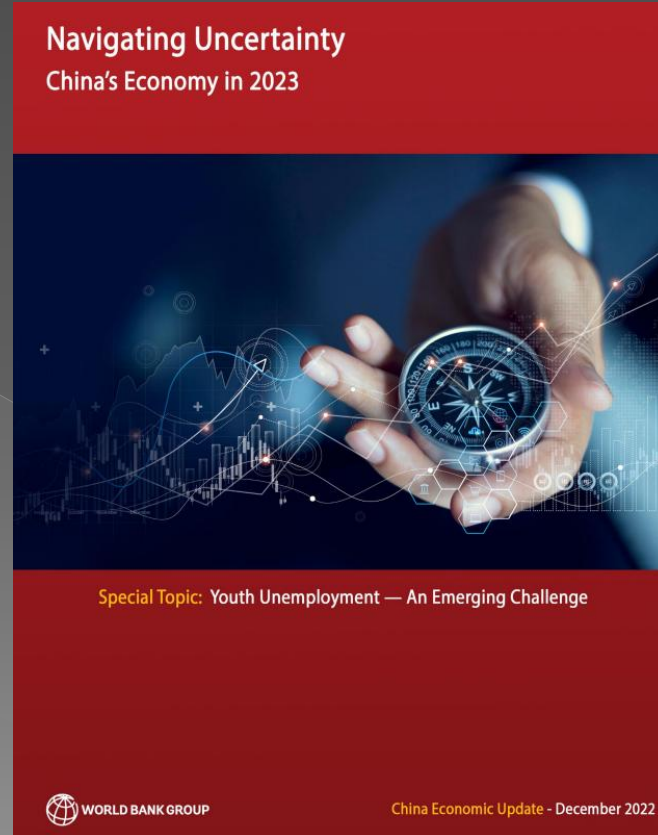
**POOR REOPENING DATA**  
**MULTIPLE PROBLEMS**

A “PEAKING” CHINA  
STIMULUS & EXPORTS?

MAJOR LABOR PROBLEMS  
A GROWING LABOR COST PROBLEM  
A YOUTH EMPLOYMENT PROBLEM

CONCLUSION  
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DOMESTIC CONSUMPTION

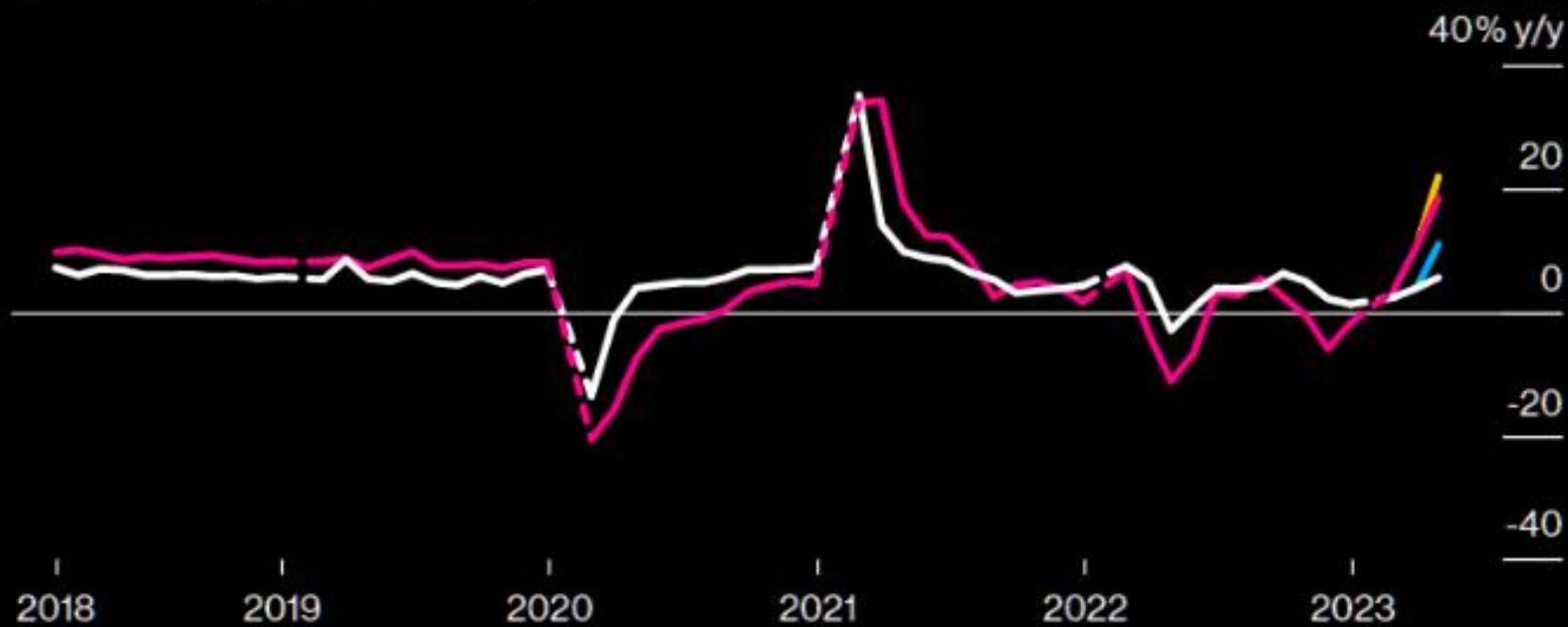
## Will China Save US From A Hard Landing?



## Missing Forecasts

China's April retail sales growth, industrial output undershot expectations

- Industrial output value-added
- Retail sales
- Industrial output (median estimate)
- Retail sales (median estimate)







# RECAP: LATEST CHINA DATA

- China's April activity and spending data significantly disappointing expectations.
- **RETAIL SALES:** Rose +18.4% Y/Y in April, improving from 10.6% Y/Y in March, but missing the consensus estimate for +21.0% Y/Y.
- **INDUSTRIAL OUTPUT:** rose by 5.6% Y/Y in April, rising from a rate of 3.9% Y/Y in March, but short of the 10.9% estimate.
- **RATE OF URBAN INVESTMENT:** Pared to 4.7% Y/Y in the month, missing expectations of 5.5%.
- **URBAN UNEMPLOYMENT RATE:** Fell marginally to 5.2% from 5.3%.



# RECAP: LATEST CHINA DATA

"Growth on most indicators accelerated in Y-o-Y terms in April. But this was due to a weak base for comparison from a year ago when Shanghai and several other cities went into lockdown - in seasonally-adjusted M-o-M terms it was mixed."

- "The recovery in consumer spending regained some momentum and investment growth held steady but industrial activity contracted. While the boost from reopening should still underpin a further recovery in the near-term, **the bulk of China's rebound is now behind us**. The recovery still has some legs, although will likely fizzle out in H2, as **fiscal support is being unwound**. The rebound in **Credit Growth is stalling**, while the **Housing Market appears seems to be struggling for momentum**. "

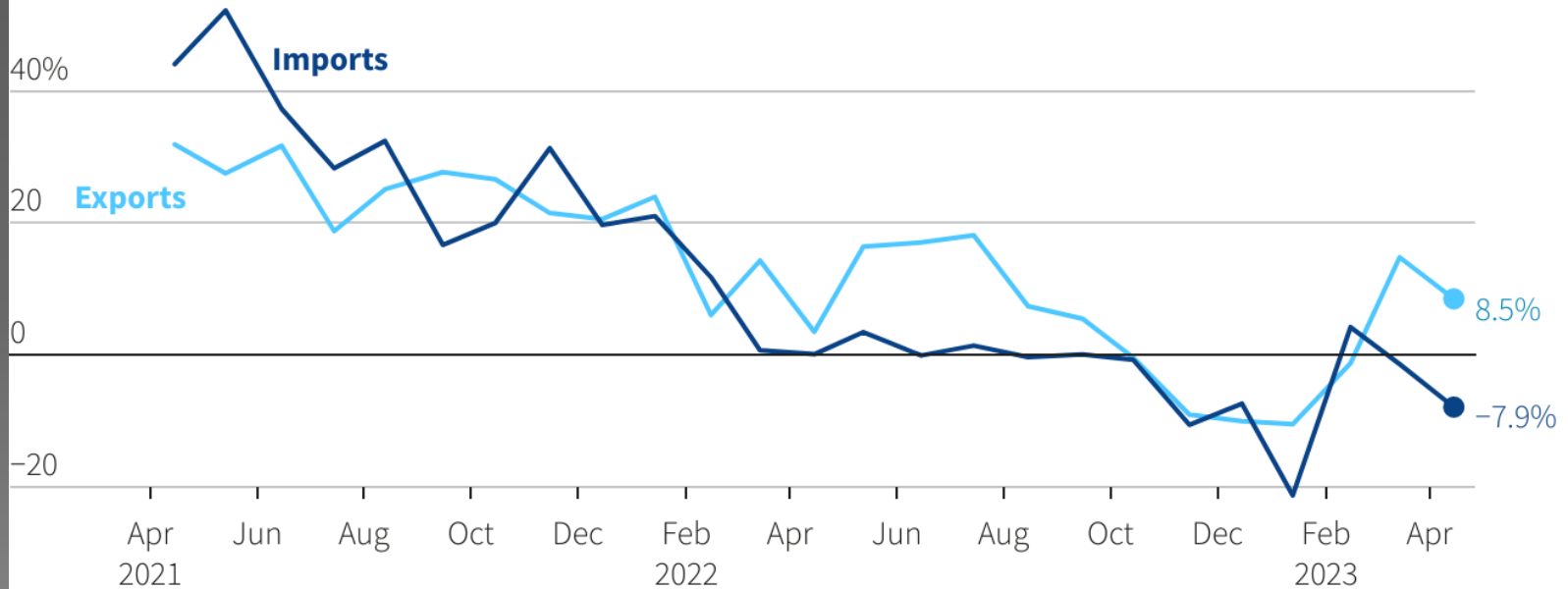
CAPITAL ECONOMICS

- Separately: *Global economic challenges may prevent a pick-up in Chinese exports.*

# Sharp shrink in China's April imports

China's imports contracted sharply in April, while exports grew at a slower pace, reinforcing signs of feeble domestic demand despite the lifting of COVID curbs and cooling global growth.

## Change in exports and imports (Y/Y)



## CHINA PPI vs. US CPI vs. US PPI





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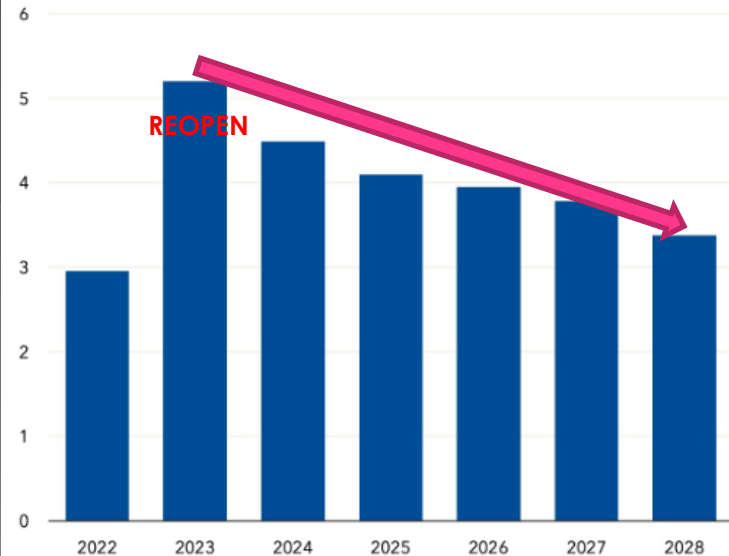
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# Will China Save US From A Hard Landing?

### Growth challenges

China's growth is expected to slow after the reopening boost.  
(real GDP growth in percent, year-on-year)



Source: IMF staff calculations.

## SHOCKS

REAL ESTATE

SUPPLY CHAINS

COVID LOCKDOWNS

## APPROACH



BOOST EXPORTS

STIMULUS

## NEED TO SOLVE



1- HOUSEHOLD  
UNDER-CONSUMPTION

2- SLUGGISH INCOME  
GROWTH

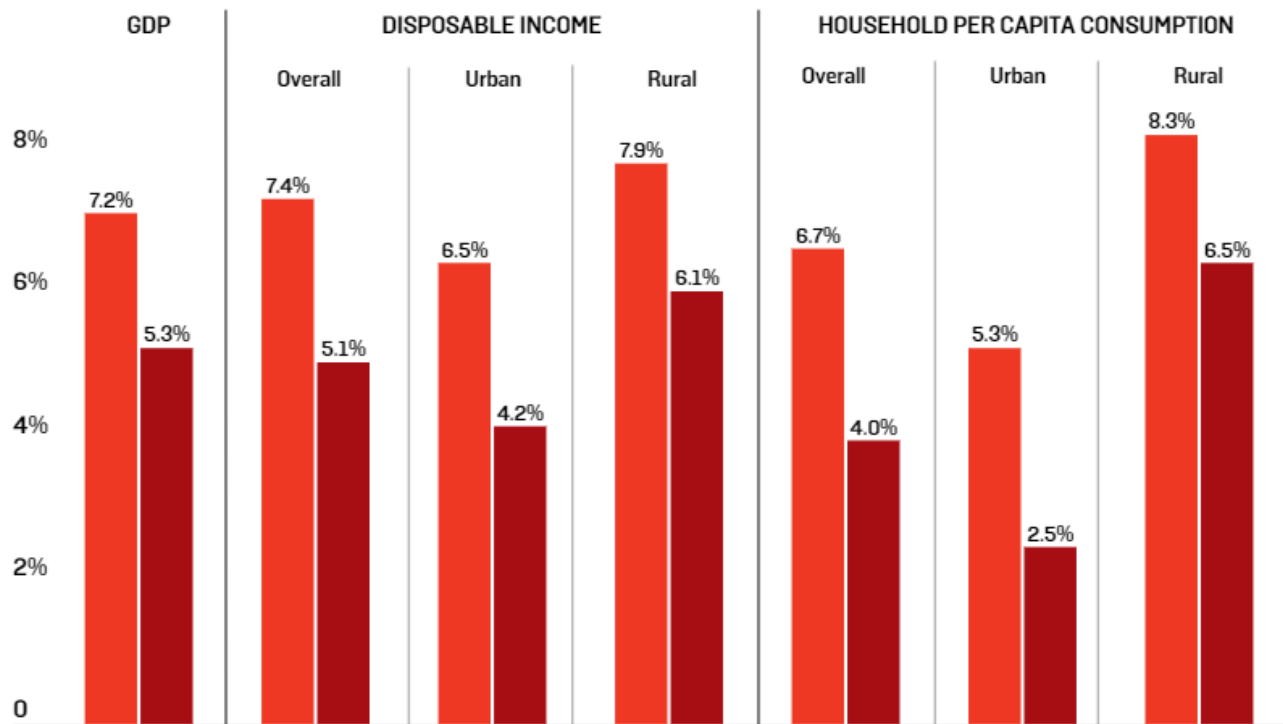
3- PUBLIC PESSIMISM

4- YOUTH UNEMPLOYMENT

# China's Economic Growth During President Xi Jinping's Two Terms

Annual real growth rate

● Xi's first term (2013-2017) ● Xi's second term (2018-2022)

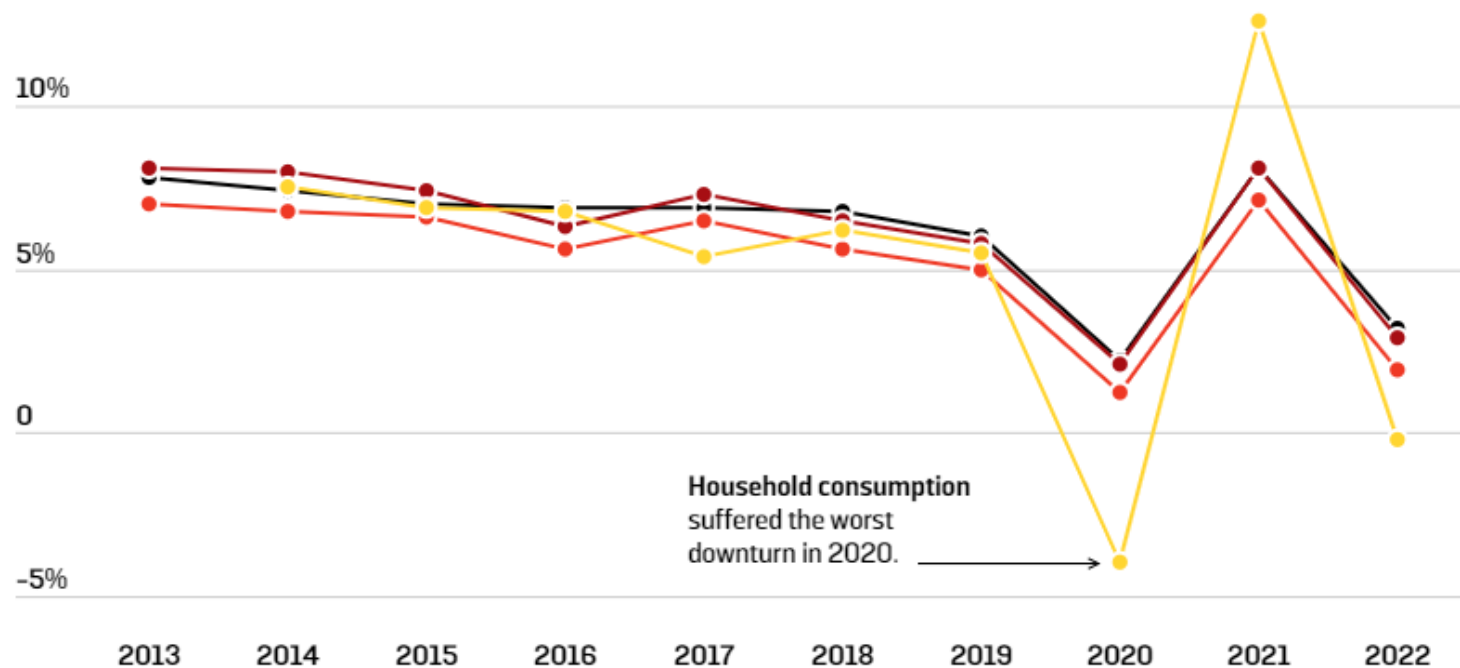


SOURCE: CHINA'S NATIONAL BUREAU OF STATISTICS

# Economic Change in China Since 2013

Annual real growth rate

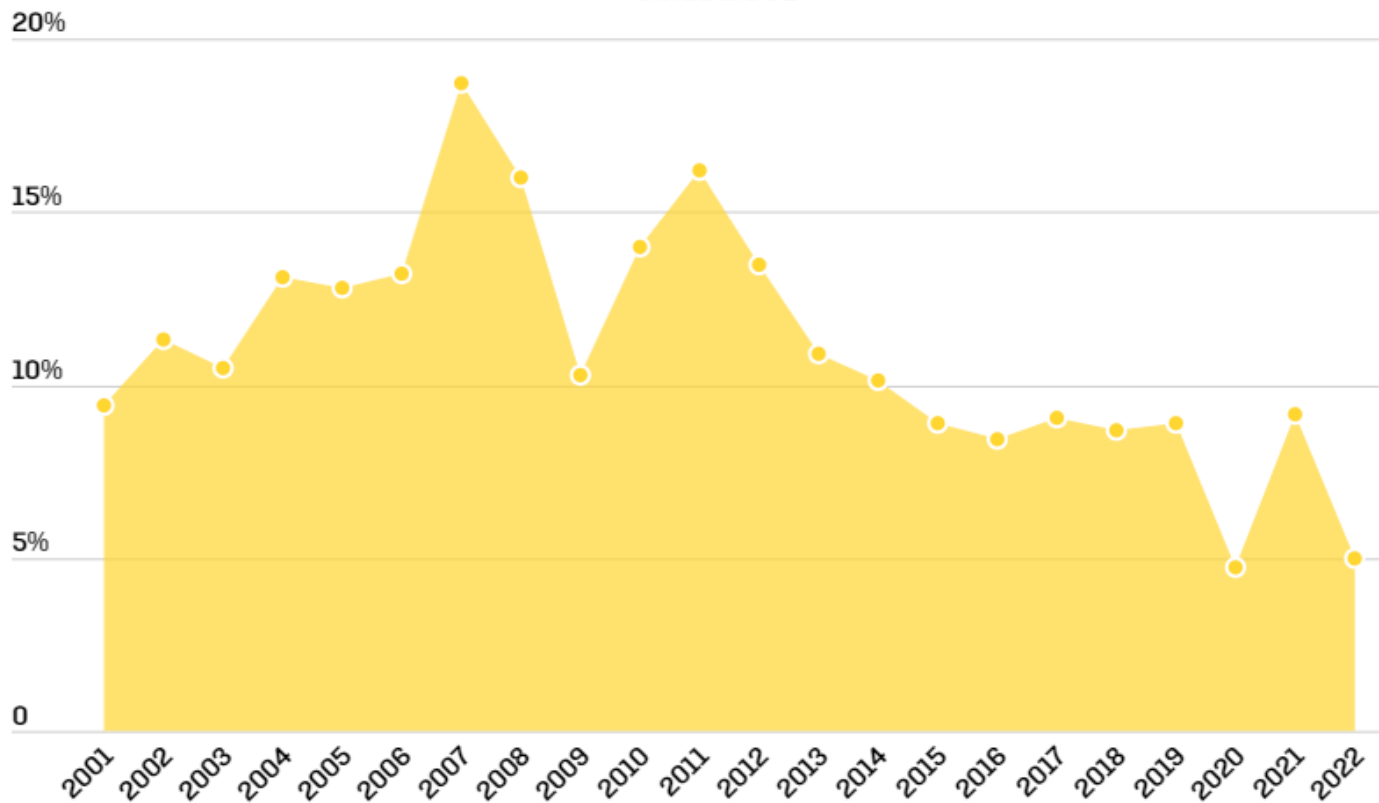
● Real GDP ● Disposable income ● Urban disposable income ● Per capita household consumption



SOURCE: CHINA'S NATIONAL BUREAU OF STATISTICS

# Chinese Household Nominal Disposable Income Growth Rate

Since 2001



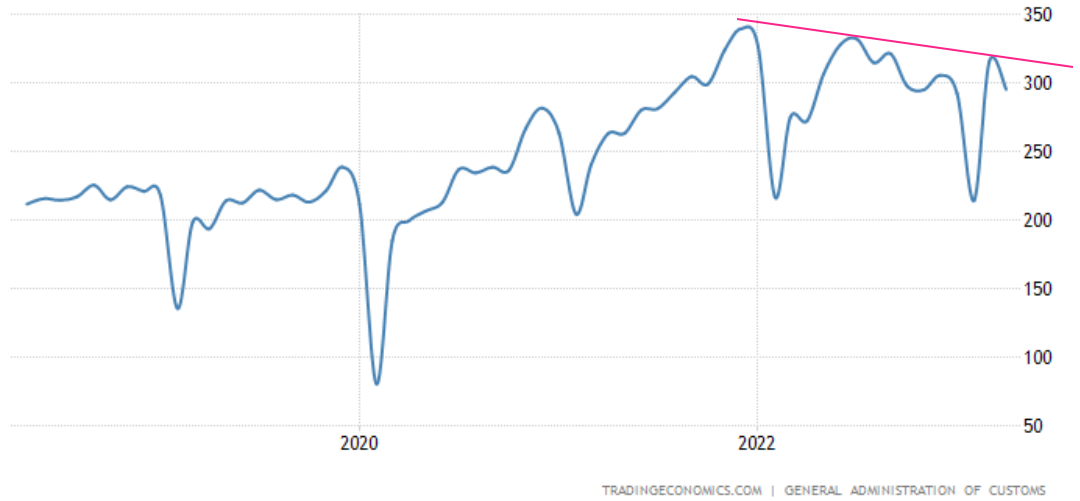
SOURCE: CHINA'S NATIONAL BUREAU OF STATISTICS



Exports from China grew 8.5% from a year earlier to USD 295.42 billion in April 2023, above market consensus of an 8% rise, but lower than a 14.8% surge in March.

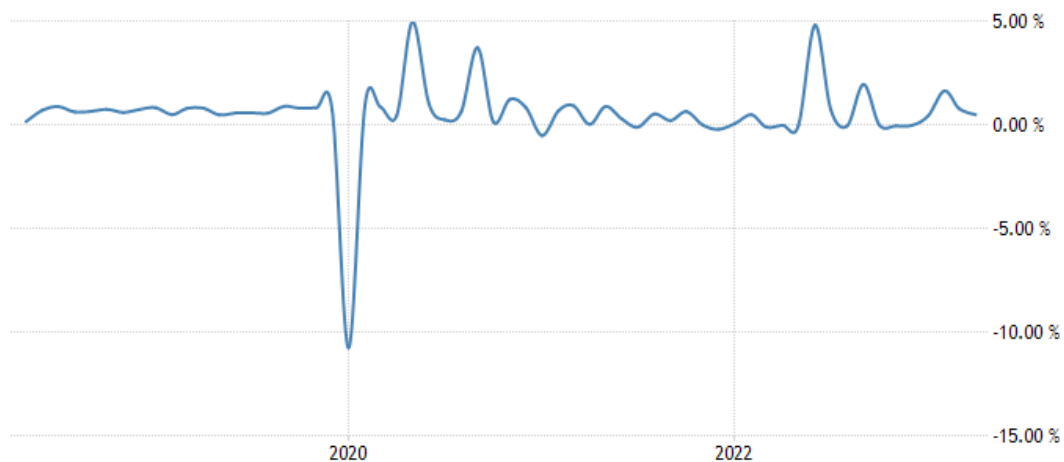
It marks the second straight month of expansion amid a favorable comparison with last year when the country was in lockdown, and efforts to increase trade with developed countries while exploring new possibilities with emerging economies.

## China Exports



Related	Last	Previous	Unit	Reference
Balance of Trade	90.21	88.19	USD Billion	Apr 2023
Imports	205.21	227.40	USD Billion	Apr 2023
Exports	295.42	315.59	USD Billion	Apr 2023
Terms of Trade	107.43	105.75	points	Mar 2023
Imports YoY	-7.90	-1.40	percent	Apr 2023
Exports YoY	8.50	14.80	percent	Apr 2023

## China Retail Sales MoM



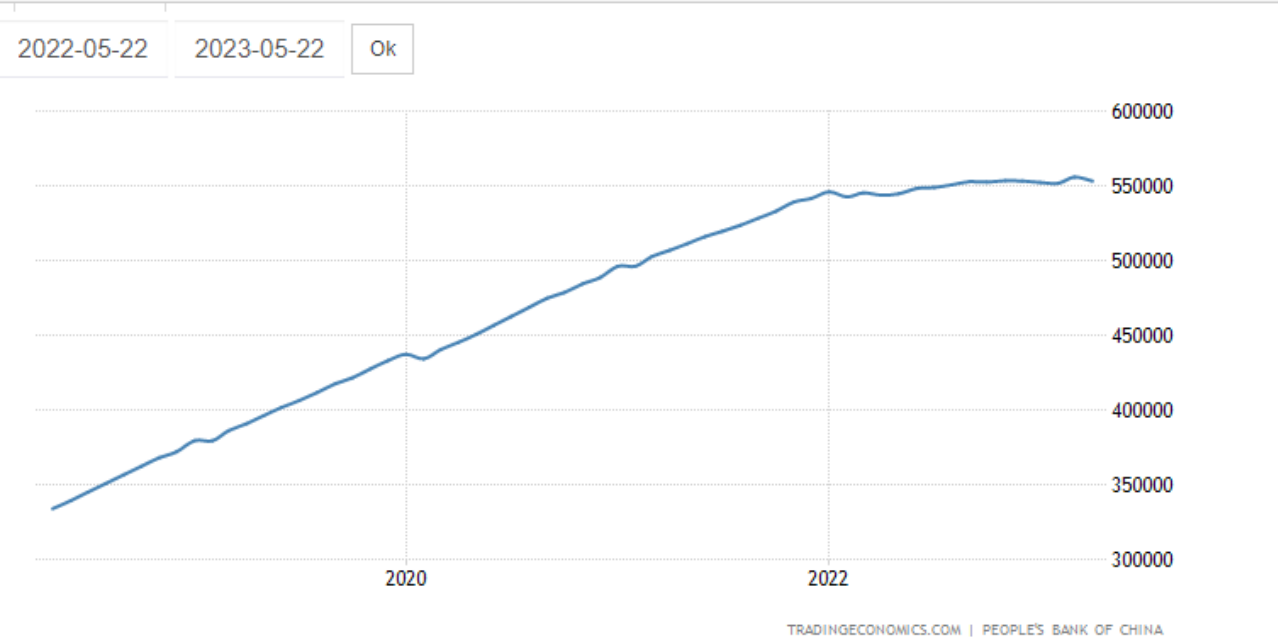
TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA

Related	Last	Previous	Unit	Reference
Retail Sales MoM	0.49	0.78	percent	Apr 2023
Consumer Confidence	94.90	94.70	points	Mar 2023
Retail Sales YoY	18.40	10.60	percent	Apr 2023
Consumer Spending	438015.20	387185.80	CNY HML	Dec 2021
Disposable Personal Income	49283.00	47411.90	CNY	Dec 2022
Gasoline Prices	0.95	0.95	USD/Liter	Apr 2023

Consumer Credit in China decreased to 553276.02 CNY HML in April from 556023.69 CNY HML in March of 2023.

Source: [People's Bank of China](#)

## China Consumer Credit



Related	Last	Previous	Unit	Reference
Bank Lending Rate	4.35	4.35	percent	May 2023
Consumer Credit	553276.02	556023.69	CNY HML	Apr 2023
Households Debt to Income	99.90	93.40	%	Dec 2018



<b>The index number:</b>	000014349/2022-00044	<b>Subject classification:</b>	Commerce and trade, customs, tourism\domestic trade (including supply and marketing)
<b>Issued by:</b>	Office of the State Council	<b>Date of writing:</b>	April 20, 2022
<b>title:</b>	Opinions of the General Office of the State Council on Further Unleashing Consumption Potential and Promoting Consumption Sustained Recovery		
<b>Text number:</b>	State Banfa [2022] No. 9	<b>release date:</b>	April 25, 2022
<b>Subject headings:</b>			

## General Office of the State Council on Further Unleashing Consumption Potential Opinions on Promoting Consumption Sustained Recovery

State Banfa [2022] No. 9

The people's governments of all provinces, autonomous regions, and municipalities directly under the Central Government, all ministries and commissions of the State Council, and all institutions directly under the State Council:

Consumption is the ultimate demand, a key link and an important engine to smooth the domestic cycle, and it has a lasting driving force for the economy, which is related to ensuring and improving people's livelihood. At present, due to factors such as the new crown pneumonia epidemic, consumption, especially contact consumption, is recovering slowly, and small, medium and micro enterprises, individual industrial and commercial households, and the service

industry are facing more difficulties. In order to thoroughly implement Xi Jinping

### Related reports

\* The General Office of the State Council issued the "Opinions on Further Unleashing Consumption Potential and Promoting Consumption Sustained Recovery"

### interpret

\* Comrades in charge of the

# CHINESE RATES

	Last	Previous	Unit	Reference
Interest Rate	3.65	3.65	percent	May 2023
Cash Reserve Ratio	10.75	10.75	percent	May 2023
Interbank Rate	2.30	2.40	percent	May 2023
Money Supply M1	66980.00	67805.96	CNY Billion	Apr 2023
Money Supply M0	10590.00	10559.13	CNY Billion	Apr 2023
Money Supply M2	280850.00	281456.63	CNY Billion	Apr 2023
Central Bank Balance Sheet	412654.20	421007.27	CNY HML	Apr 2023
Foreign Exchange Reserves	3204766.00	3183872.00	USD Million	Apr 2023
Banks Balance Sheet	718.80	3890.00	CNY Billion	Apr 2023
Loans to Private Sector	12200.00	53800.00	CNY HML	Apr 2023
Loan Growth	11.80	11.80	percent	Apr 2023
Deposit Interest Rate	0.35	0.35	percent	Apr 2023
Reverse Repo Rate	2.00	2.00	percent	May 2023
Liquidity Injections Via Reverse Repo	2.00	2.00	CNY Billion	May 2023
Loans To Banks	2251422.86	2244861.16	CNY HML	Apr 2023
Lending Rate	4.35	4.35	percent	Oct 2022



One of the key differences when comparing the Chinese equity market to global developed markets is the dominance of China's state-owned enterprises (SOEs). The definition of a SOE itself is not clear-cut. Some firms are entirely nationalized, while others are private enterprises but have provincial governments or municipalities as large shareholders. Using FactSet's entity database to examine the CSI800 (the Chinese broad market index), we see that 79 firms have the national government as the majority shareholder, constituting more than 10% of the index by weight. In addition, three of the top 10 entities in the market are provincial or municipal governments. These government-related entities are highlighted in the table below.

### CSI 800 vs Chinese Renminbi Index

#### Top 10 Entities

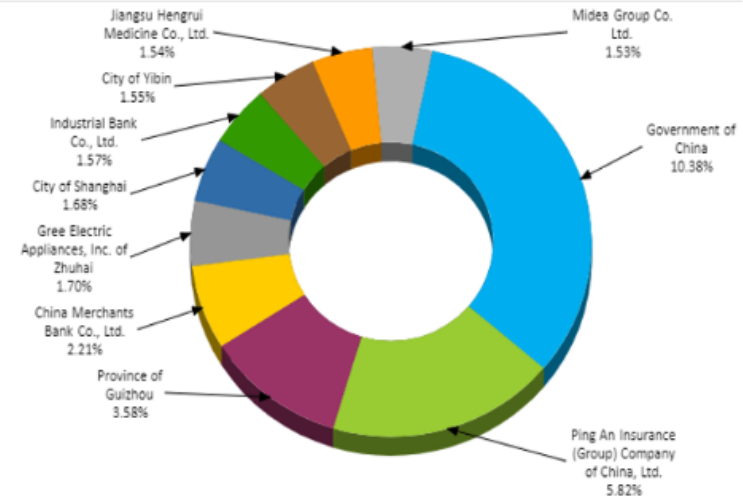
30-SEP-2019 High/Low

	Ending Weight ↓	# of Securities	Average Market Cap.
<b>Total</b>	<b>100.00</b>	<b>800</b>	<b>311,372</b>
10 Highest Groups	31.57	99	703,207
Government of China	10.38	79	250,399
Ping An Insurance (Group) Company ...	5.82	1	1,587,629
Province of Guizhou	3.58	2	1,437,533
China Merchants Bank Co., Ltd.	2.21	1	876,390
Gree Electric Appliances, Inc. of Zhuhai	1.70	1	344,701
City of Shanghai	1.68	11	149,162
Industrial Bank Co., Ltd.	1.57	1	364,168
City of Yibin	1.55	1	503,833
Jiangsu Hengrui Medicine Co., Ltd.	1.54	1	355,798
Midea Group Co. Ltd.	1.53	1	352,691

#### Position Concentration

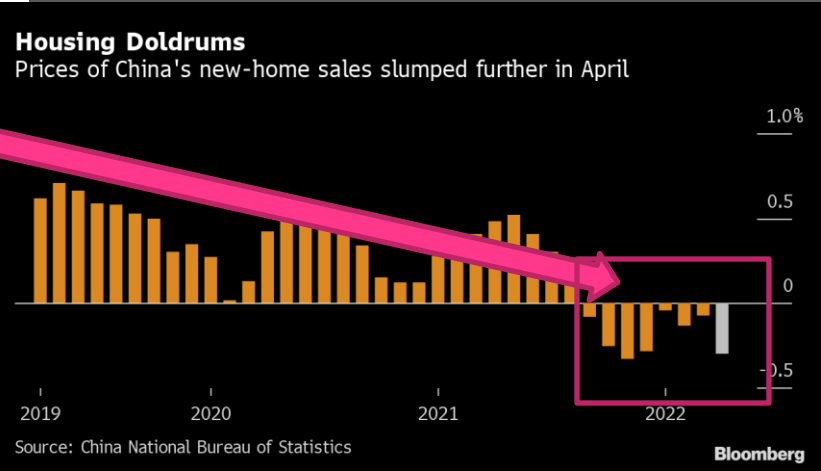
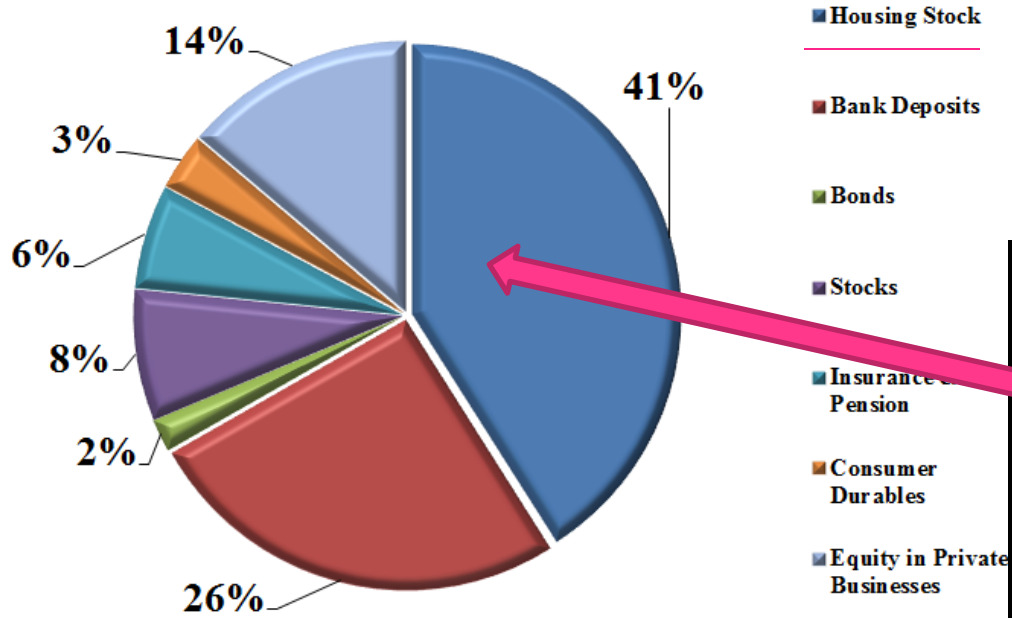
30-SEP-2019 High/Low

10 Highest Groups



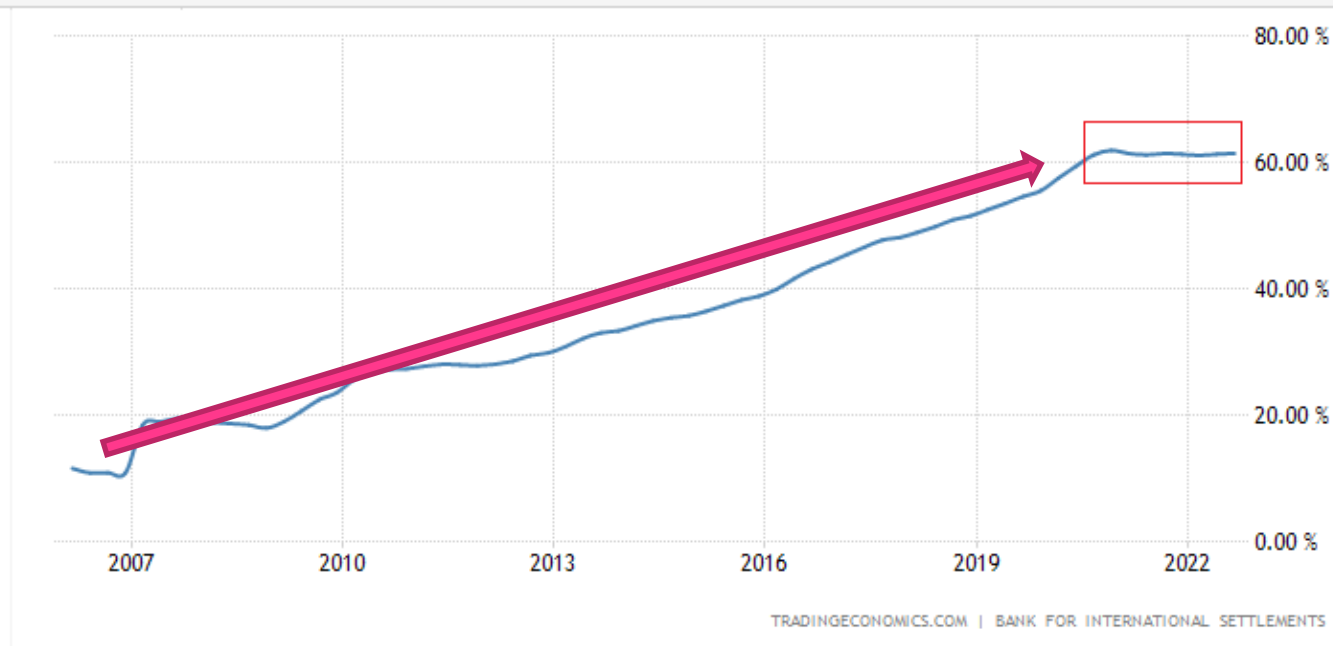
## State Owned Enterprises

# China Household Wealth



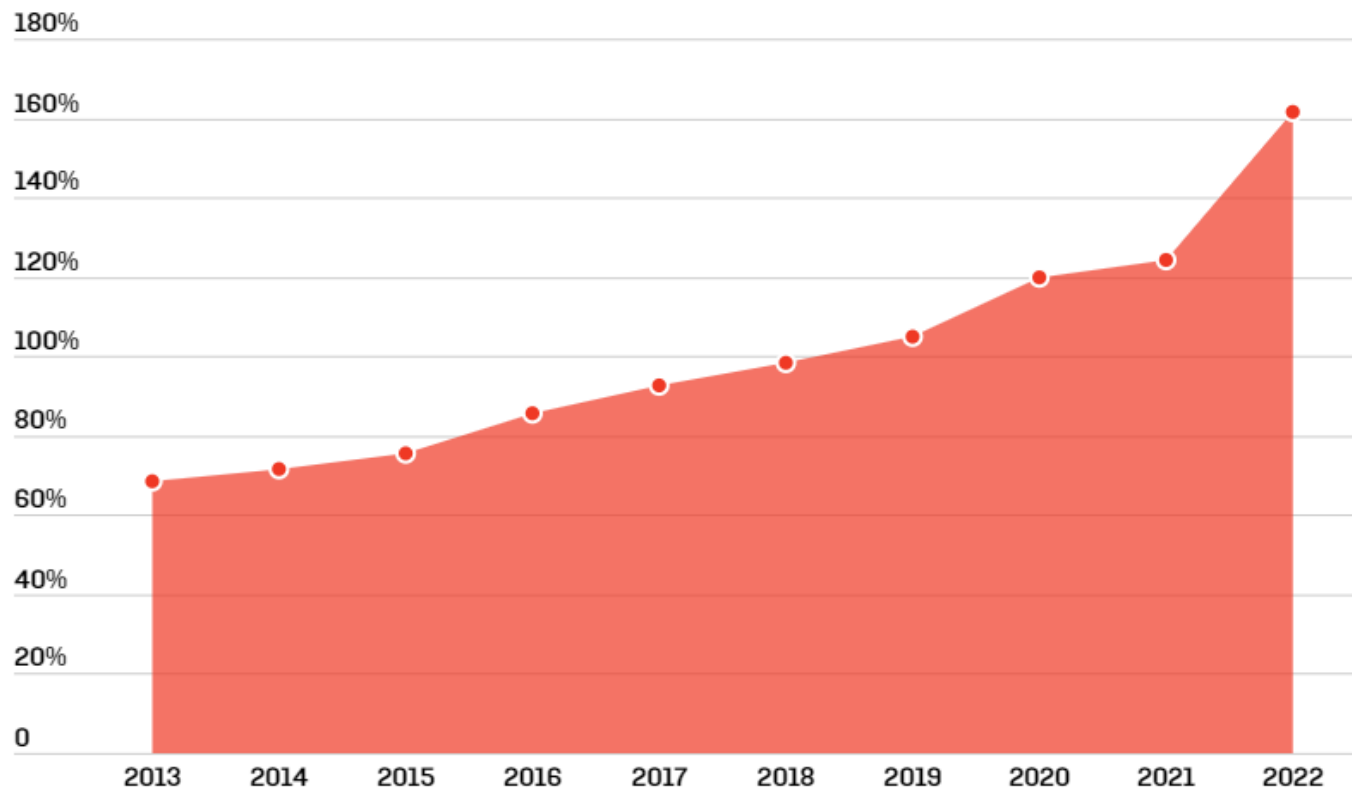
Source: China National Bureau of Statistics

## China Households Debt To GDP



Related	Last	Previous	Unit	Reference
Households Debt to GDP	61.40	61.30	percent of GDP	Sep 2022

## Household Debt-to-Income Ratio



Note: 2022 data as of September

SOURCE: CHINA STATISTICAL YEARBOOK 2013-2021, CHINA'S NATIONAL BUREAU OF STATISTICS, BLOOMBERG

May 24th, 2023

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# Will China Save US From A Hard Landing?



# WORKFORCE

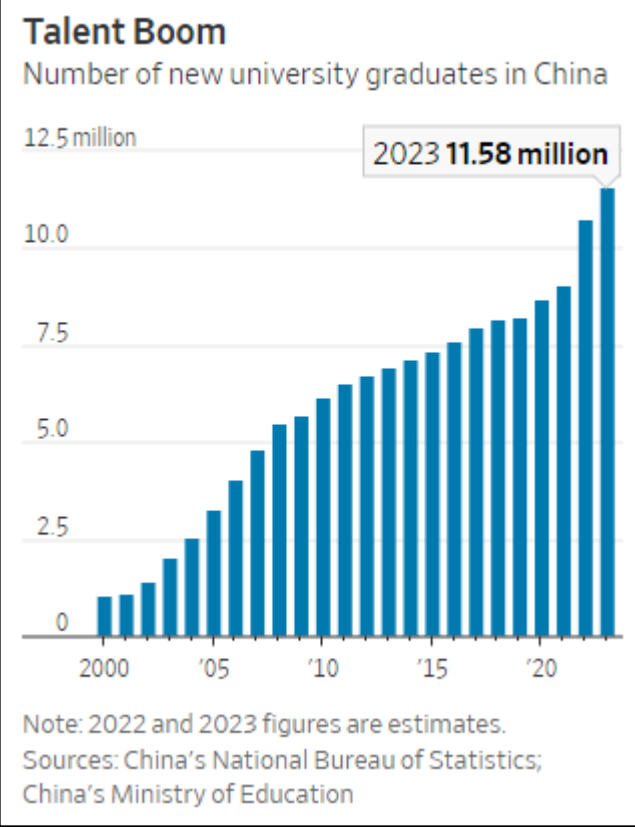
	POPULATION	EMPLOYMENT	UNEMPLOYMENT
US	334 Million	161 Million	3.4%
CHINA	1.4 Billion	734 Million	5.2%

-----  
X 4.6

<b>Unemployment Rate</b>	5.2	5.3	percent	Apr/23
<b>Employed Persons</b>	73351	74652	Tens of Thousands	Dec/22
<b>Labour Costs</b>	74.4	78	points	Apr/23
<b>Wages</b>	106837	97379	CNY/Year	Dec/21
<b>Minimum Wages</b>	2590	2590	CNY/Month	Jan/23
<b>Wages in Manufacturing</b>	97528	92459	CNY/Year	Dec/22
<b>Population</b>	1412	1413	Million	Dec/22
<b>Retirement Age Women</b>	55	55	Years	Dec/22
<b>Retirement Age Men</b>	60	60	Years	Dec/22
<b>Youth Unemployment Rate</b>	20.4	19.6	Percent	Apr/23

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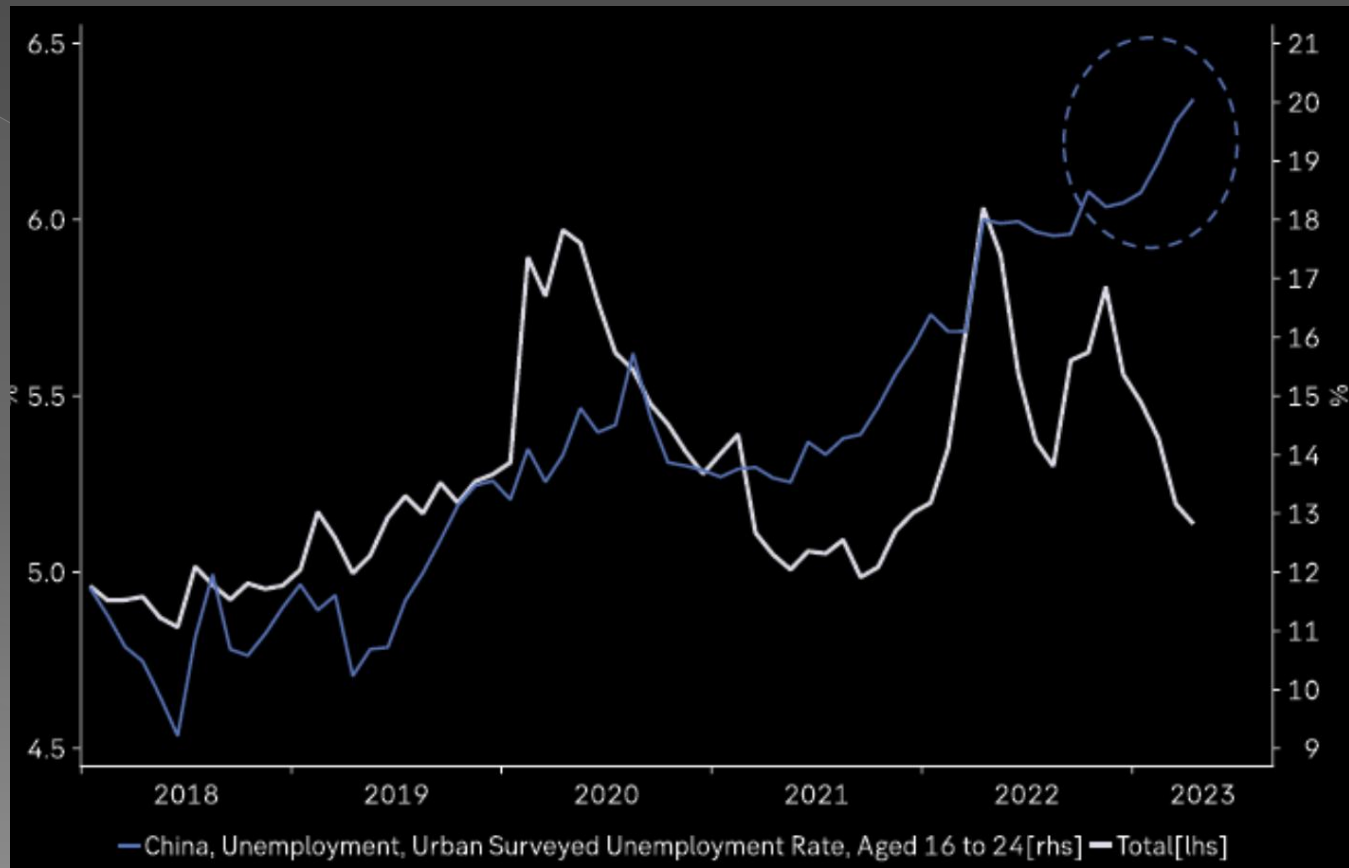


Years Dec/22



# CHINA YOUTH UNEMPLOYMENT AT 20.4% IS A MAJOR WARNING

China unemployment: total and youth (16-24 years).

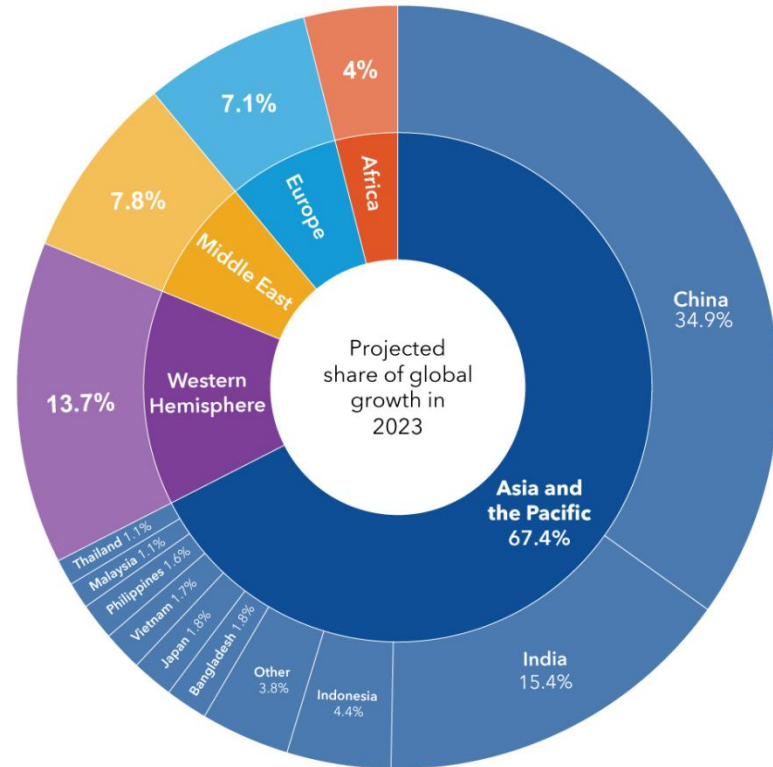


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CHINA	34.9%
Others	32.5%
Asia & Pacific	67.4%

## Bigger driver

Asia will contribute about 70% of global growth this year.



Source: IMF, World Economic Outlook, April 2023.

Note: Groupings based on IMF Regional Economic Outlook classifications.

May 24th, 2023

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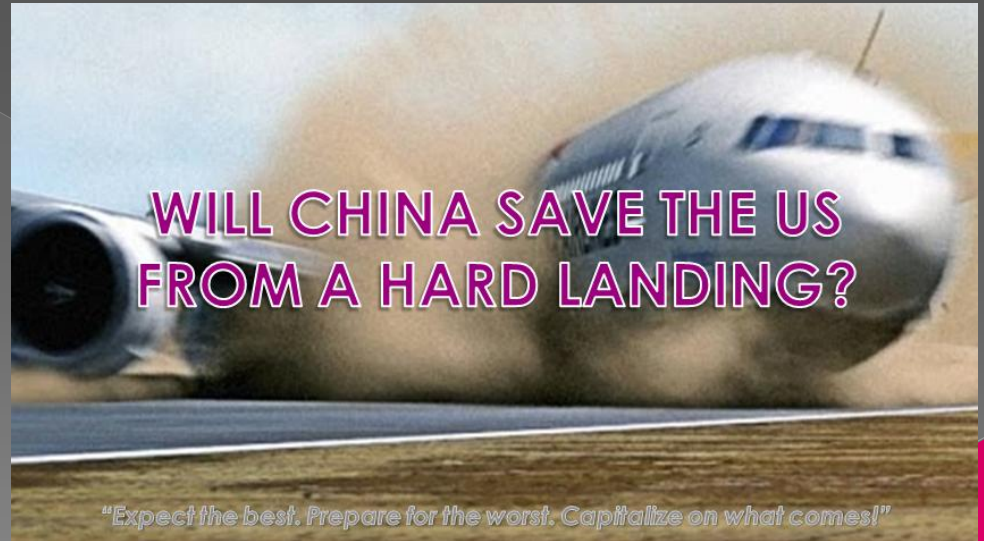
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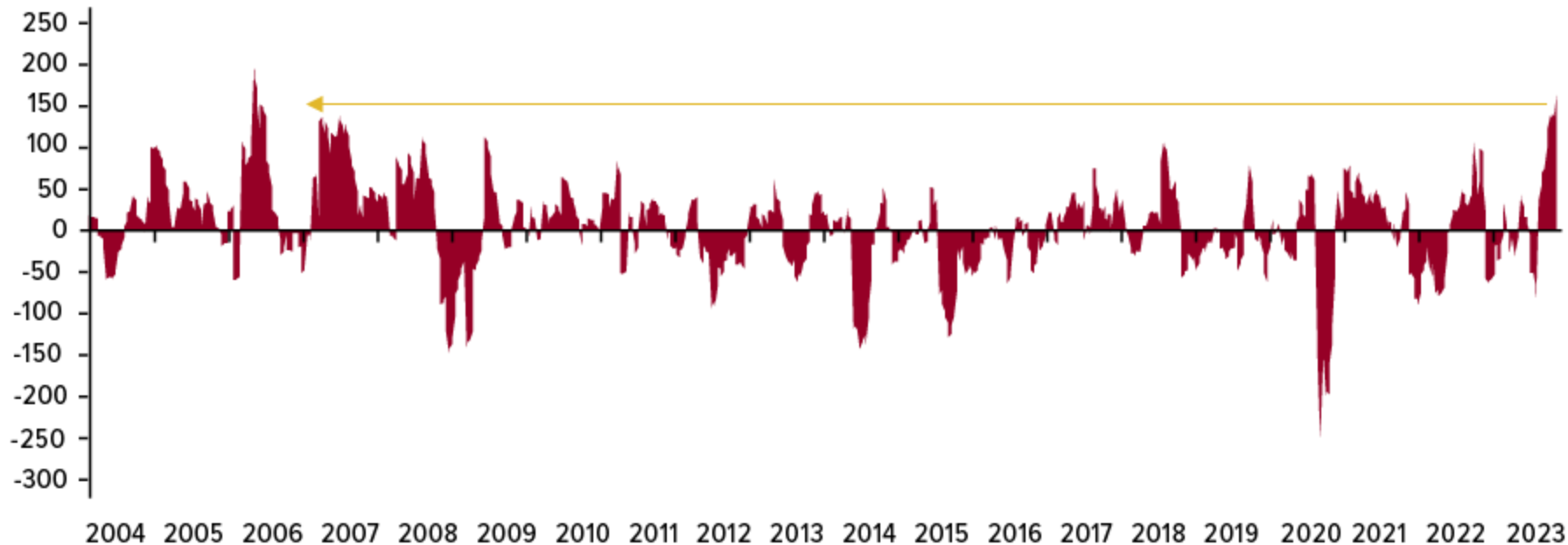
## Will China Save US From A Hard Landing?





## Chinese Economic Data Blows Past Forecasts

Citi China Economic Surprise Index, 19-Year Period Through April 2023



Source: Bloomberg, U.S. Global Investors

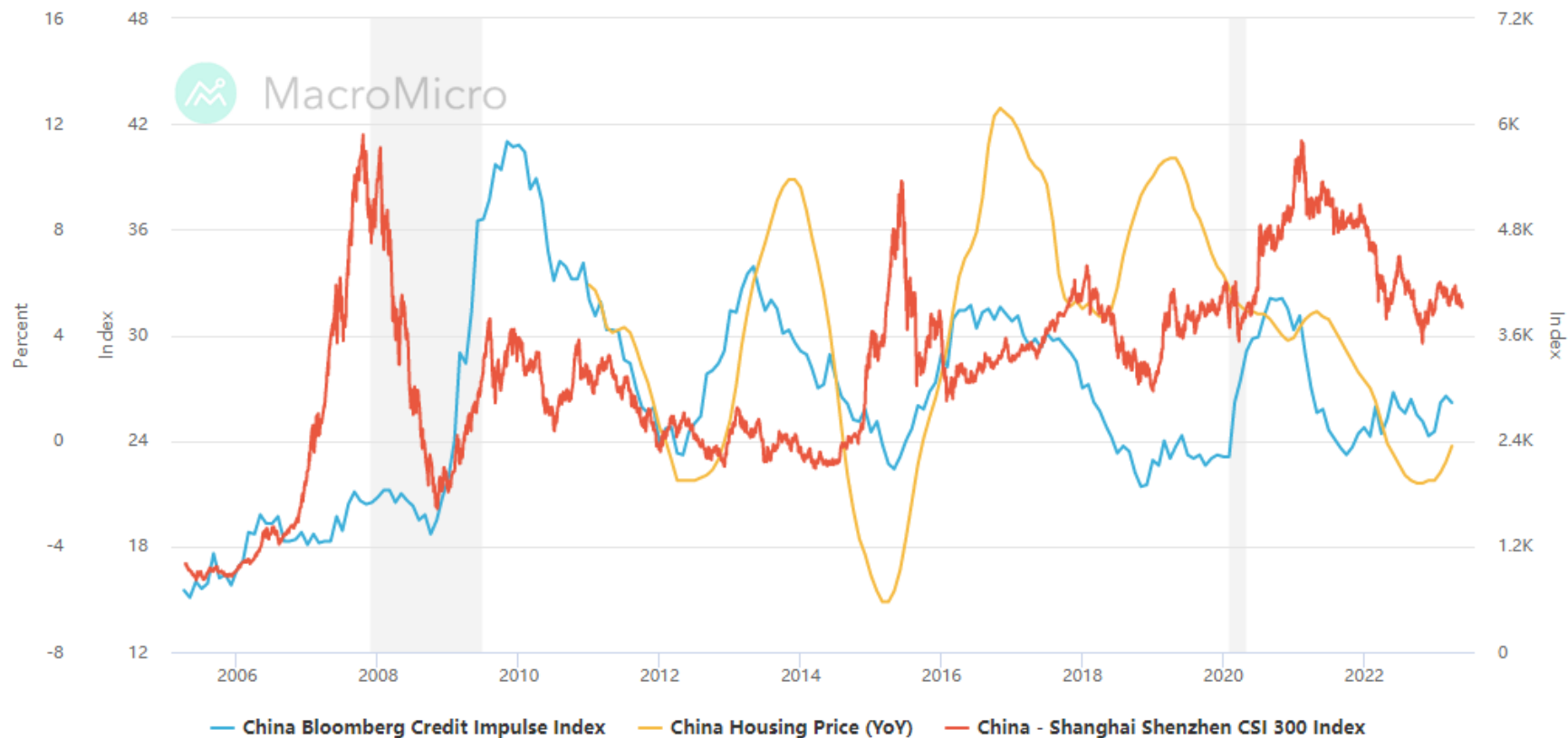
# China Credit Impulse Index

*Level, 2008-present*



Note: The China Credit Impulse Index measures the credit cycle in a market. A rising level indicates the economy is recovering (Bloomberg, Principal Global Investors. Data as of March 31, 2023)

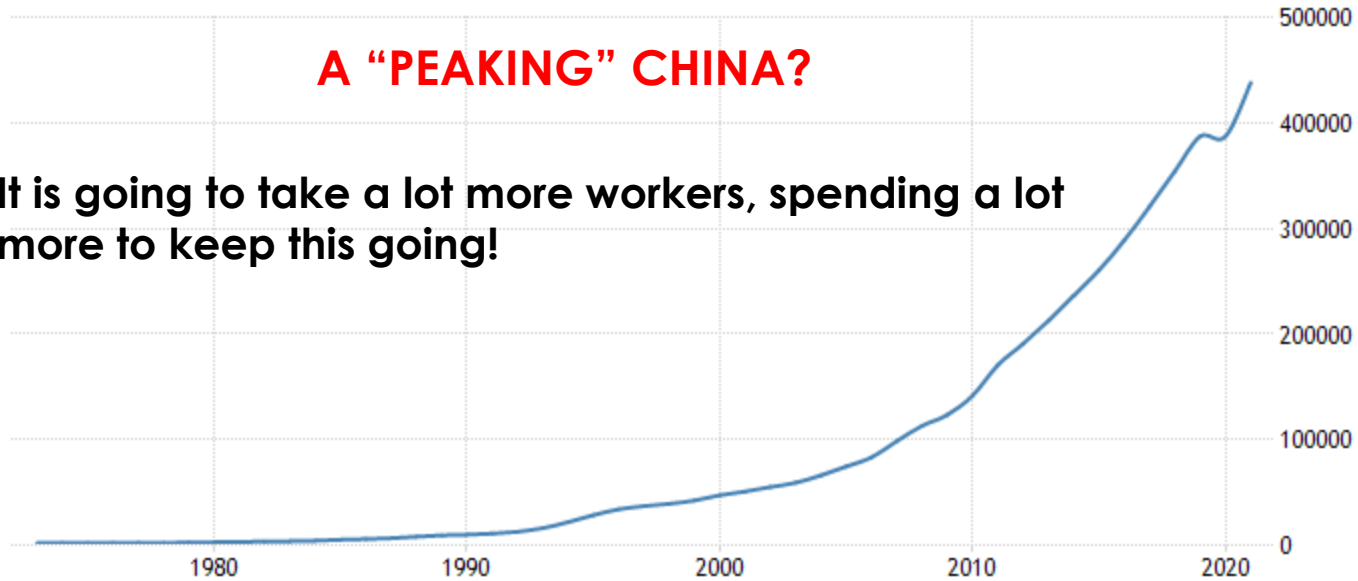
# China Bloomberg Credit Impulse Index



## China Consumer Spending

### A "PEAKING" CHINA?

It is going to take a lot more workers, spending a lot more to keep this going!





**ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES ...**

**DON'T WORRY, THEY WILL PRINT THE MONEY!**

**EVERYONE IS NOW IN PLACE & READY!!**



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WORLD CLASS MINDS FOLLOW THIS  
CHANNEL & WE VALUE HEARING  
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