



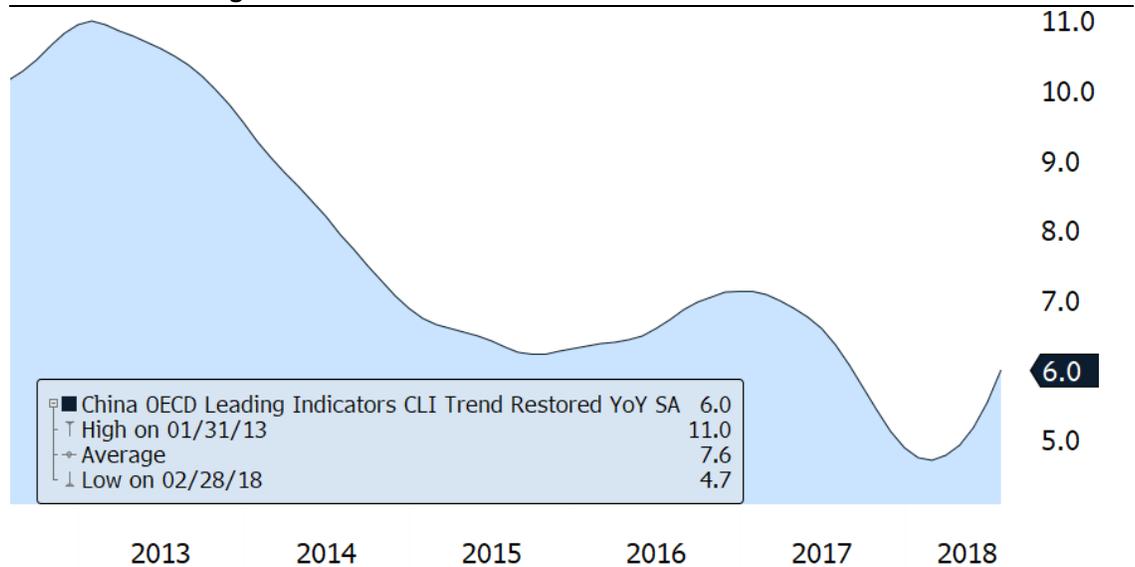
October 1<sup>st</sup>, 2018

## China: not just another emerging market

### China has deep pockets and the easing cycle has begun

Despite China showing some signs of slowing in recent months, it is one of the few areas of the world where the OECD leading indicators are pointing to acceleration. Beyond [currency](#), China has started to accelerate monetary easing (lowering bank required reserves, expanding lending facilities, cutting interest rates, etc.) and fiscal stimulus (tax cuts, infrastructure spending, etc.). And perversely, the tariffs could potentially add to the stimulus in the near-term, as importers rush to buy Chinese goods ahead of the rise in the tariff rate to 25% in January.

### China OECD Leading Indicators Index Trend Restored YoY SA

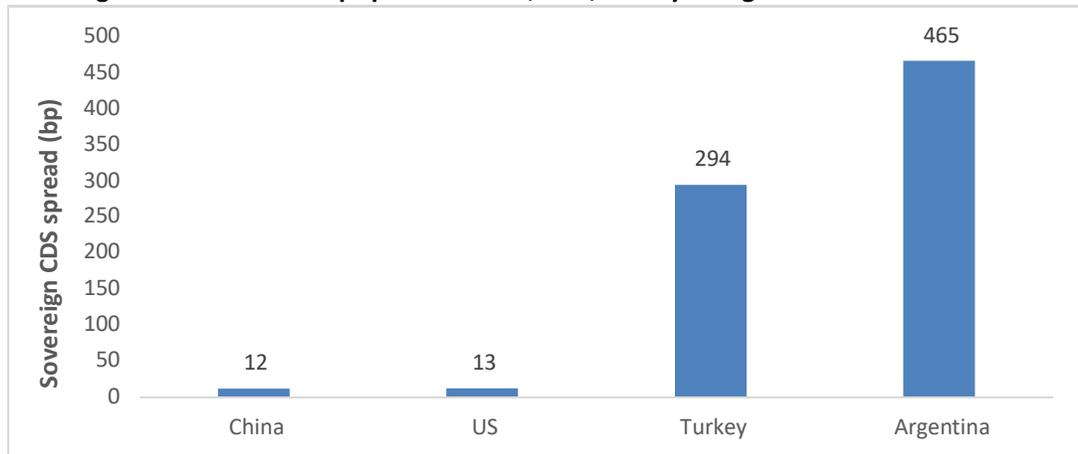


Source: Richard Bernstein Advisors, LLC, Bloomberg, OECD

### Among emerging markets, cash is still king

We are [far from being secular China bulls](#), and we recognize the longer-term risks. But in our view, the magnitude of the selloff in Chinese equities seems to reflect much of the negative impacts of the potential tariffs but little of the positive offsets. It's easy to lump China in with the other struggling emerging market countries, but as Rich recently [pointed out](#), China is quite unique among emerging markets.

### Sovereign credit default swap spreads: China, USA, Turkey & Argentina



Source: Richard Bernstein Advisors, LLC, Bloomberg, CMAN

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