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China Newslinks- Bond swaps, deals with India and Brazil and reform guidelines

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A selection of news items that caught our eye this week:

- Deputy governor of China's central bank, Pan Gongsheng has confirmed a 1 trillion yuan debt-for-bond swap plan. Commercial banks are now required to swap local government loans, usually with high interest rates of around 7%, in exchange for municipals bonds with a capped coupon rate. The move is a bid to minimise the burden of loan repayments currently faced by local Chinese governments. The swaps will not be held through public bond auction but rather through bilateral negotiations, thus avoiding massive capital injection into the market. This is good news for banks as it allows them to improve the credit risk of their assets.

- China has revealed plans to enhance the competitiveness of its manufacturing sector with more advanced industrialised countries, through innovation and increased efficiency. The "Made in China 2025" plan released by the State Council outlined 10 areas to focus on, in order to develop more high-end manufacturing sector. These include: new information technology, numerical control tools and robotics; aerospace equipment; ocean-engineering equipment and hi-tech ships; railway equipment; energy-saving and new-energy vehicles; power equipment; new materials; biological medicine and medical devices; and agricultural machinery.

- During his visit to China, Indian President Narendra Modi signed $US22 billion in business deals. The agreements include chinese banks extending $US2.5 billion of credit to Bharti Airtel, an Indian telecoms group and a $US1.2 billion loan to Essar Oil and the Reliance group of Anil Ambani. There was also a focus on developing a stronger partnership in the renewable energy sector, with agreements regarding the production and development of photovoltaic technology.

- Premier Li Keqiang has signed a series of trade, finance and investment deals with Brazil in the energy, mining, aviation and infrastructure sectors. The agreements have a total value of $US53 billion and include: a $US7 billion finance agreement between Brazil's state-led oil company Petroleo Brasileiro SA and two of China's state banks and establishment of a $US50 billion fund by the Industrial and Commercial Bank of China Ltd and Caixa Econômica Federal (Brazil's largest mortgage lender) to invest in infrastructure projects in Brazil.

- Chinese state-owned banks now comprise four out of five of the world's biggest public companies, according to the Forbes annual Global 2000 list, which measures public companies based on revenue, profit, assets and market values. Industrial and Commercial Bank of China (ICBC) and China Construction Bank (CCB) have retained their top two ranking spots since 2013, with the Agricultural Bank of China (ABC) rising to the third spot in 2014 and Bank of China jumping to 4th place this year.

- China's state council has approved guidelines drafted by the National Development and Reform Commission for this year's reform priorities. The guidelines outlined the key areas targeted for reform, which include: state enterprises, taxation, the Shenzhen Hong Kong stock connect, deposit rates, the initial public offering system, and boosting the global status of the yuan among others.

- China is experimenting with introducing a new model of state-owned enterprise. As a first of its kind, shandong province has transferred equity stakes in three of its state-owned enterprises to its social security fund and has plans for similar stake transfers for all 471 companies it controls. The equity transfers can help raise efficiency in the state sector and bolster social security funds.

- Chinese insurance companies are predicted to be the next big emerging source of investment in Australia's property market. With the decline of the Chinese property, the depreciation of the Australian dollar and the encouragement of China's Insurance Regulatory Commission, investment in Australian property has become increasingly attractive to Chinese insurance companies

  - See more at: http://www.acbc.com.au/blog-details_122#sthash.L9xDxtBk.dpuf