

RRG Internet Consumer Activity Monitor: RRG ICAM

As RRG Asia ICAM Index Remains in Upward Trend Focus Toward China Begins to Shift - Highlighting Risk of Stimulus in Current Environment



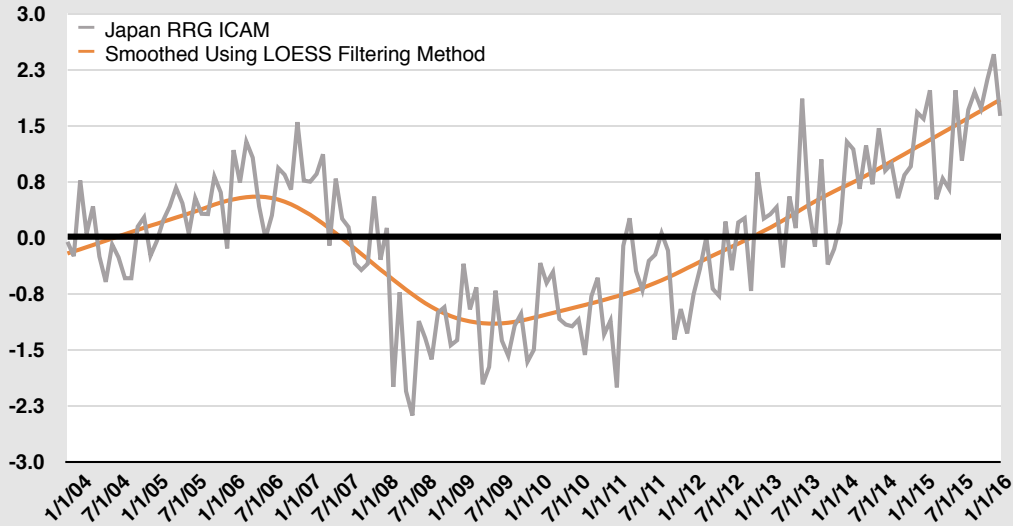
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Elevated Levels in RRG China ICAM Index Indicate High Risk of Bubbles Setting In

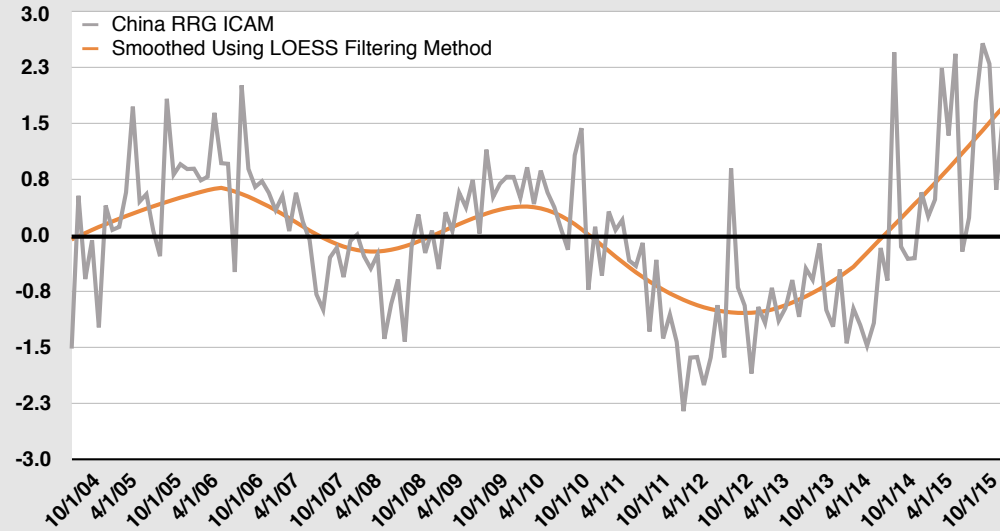
- In March the RRG Asia ICAM (Internet Consumer Activity Monitor) Index fell slightly, dropping to a level of 1.12, down from a revised level of 1.45 in February. Despite the drop the index remains at elevated levels above the threshold of 1, indicating consumers are exuberant.
- Despite recent concerns over the stability of China's economy the RRG Asia ICAM Index and the RRG China ICAM Index remains in upward trends and at elevated levels. Trends in these indicators suggest that although slowing, China's economic transition to a more consumer driven economy is going smoothly and the widespread concerns over the stability of China's economy are misplaced.
- Recently the consensus view has started to shift to the fact that China's economy is much more stable than many had believed. A recent move by China's central bank to strengthen the yuan's fixing by the most in four months is the key catalyst behind the shifting consensus view towards China.
- As the focus among investors across the globe has increasingly shifted to signs of a stabilizing Chinese economy investor sentiment towards Asia ex Japan (in which China is a major driver) and global investor sentiment more broadly has begun to recover from very depressed levels.
- While the upward trend and elevated level seen in China RRG ICAM Index suggest that concerns over the health of China's economy are misplaced it also suggests that the Chinese economy is at high risk of some type of bubble developing, especially with the government recent shift in focus from de-leveraging to stimulating growth.
- Investors have become increasingly concerned with surging property prices in cities such as Beijing, Shanghai and Shenzhen. Over the past year real estate prices in Shenzhen have surged by more than 50%.
- Although the near term outlook for the Chinese economy is much brighter than many believe the longer term outlook is clouded due to the risk of growing financial imbalances.

RRG ICAMs in Asia

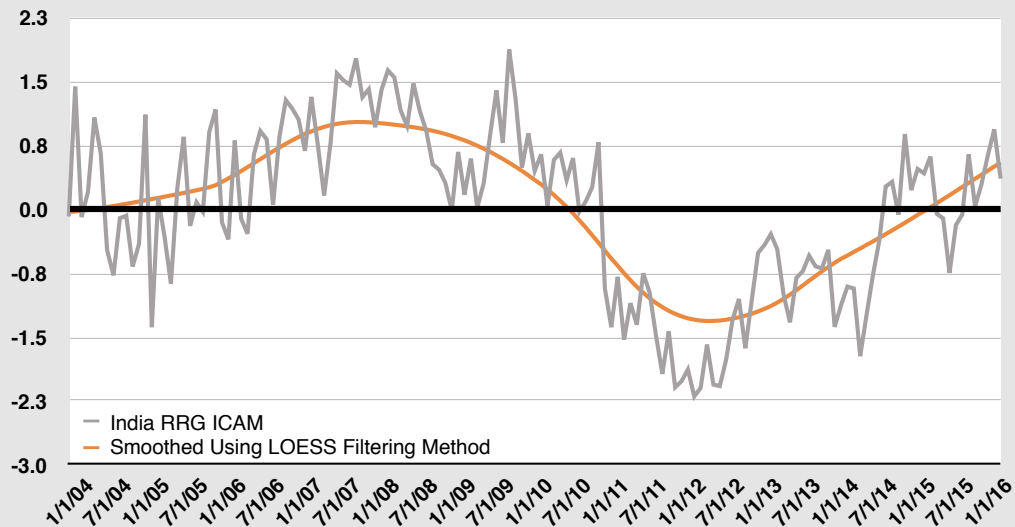
Japan: RRG ICAM



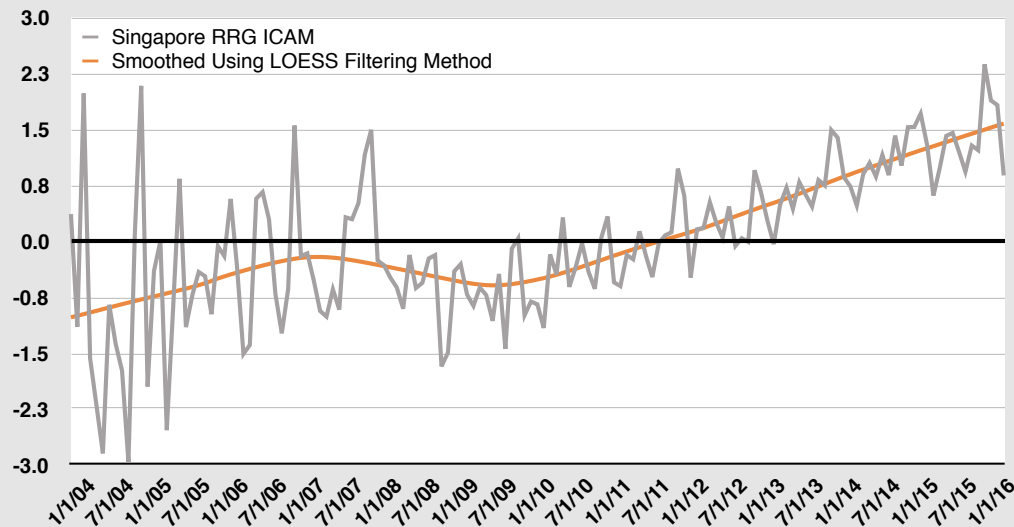
China: RRG ICAM



India: RRG ICAM



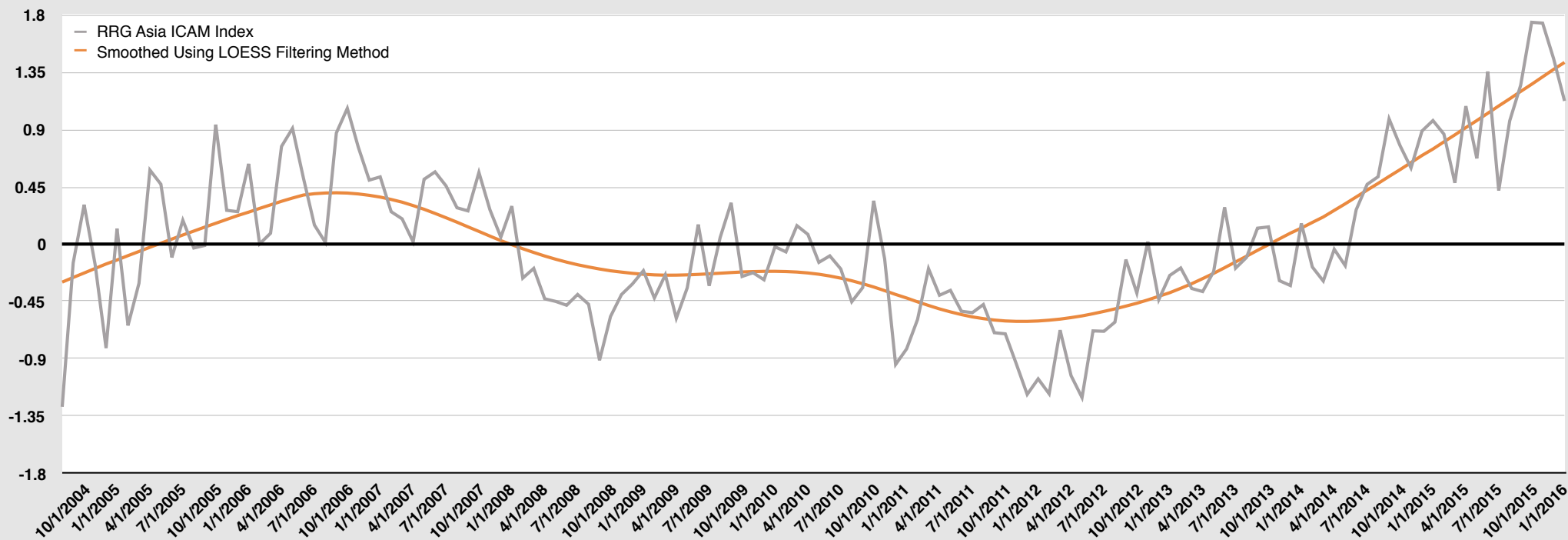
Singapore: RRG ICAM



As RRG Asia ICAM Index Remains At Elevated Levels - Consensus View Towards China Begins to Shift

- Despite recent concerns over the stability of China's economy the RRG Asia ICAM Index and the RRG China ICAM Index remains in upward trends and at elevated levels. Trends in these indicators suggest that although slowing, China's economic transition to a more consumer driven economy is going smoothly and the widespread concerns over the stability of China's economy are misplaced.
- Our recent, '[GCSI Continues to De-polarize in February - Focus Among Global Investors Set For Major Shift](#)' highlights the recent de-polarization in the global economy and how it relates to improvement in China's economy. We re-iterate, as the global economy continues to de-polarize the consensus view will shift from problems posed by a slowdown in China to a stabilizing Chinese economy. This will act as a major catalyst not just for equity markets in China and Asia but globally.
- Recently the consensus view has started to shift to the fact that China's economy is much more stable than many had believed. A move by China's central bank to strengthen the yuan's fixing by the most in four months is the key catalyst behind the shifting consensus view towards China.
- Displaying the most positive sign of stabilization is the recent recovery in China's property market.

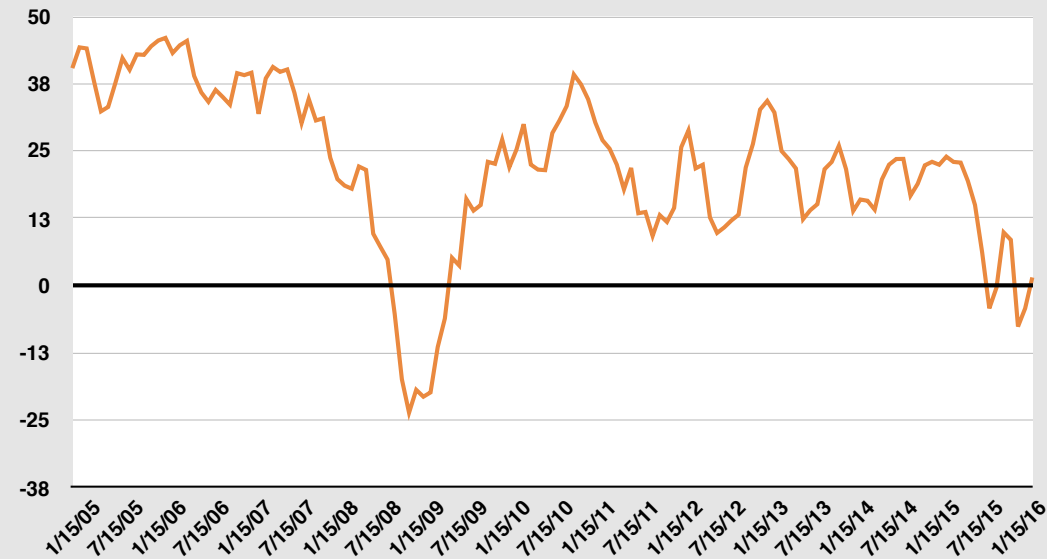
RRG Asia ICAM Index



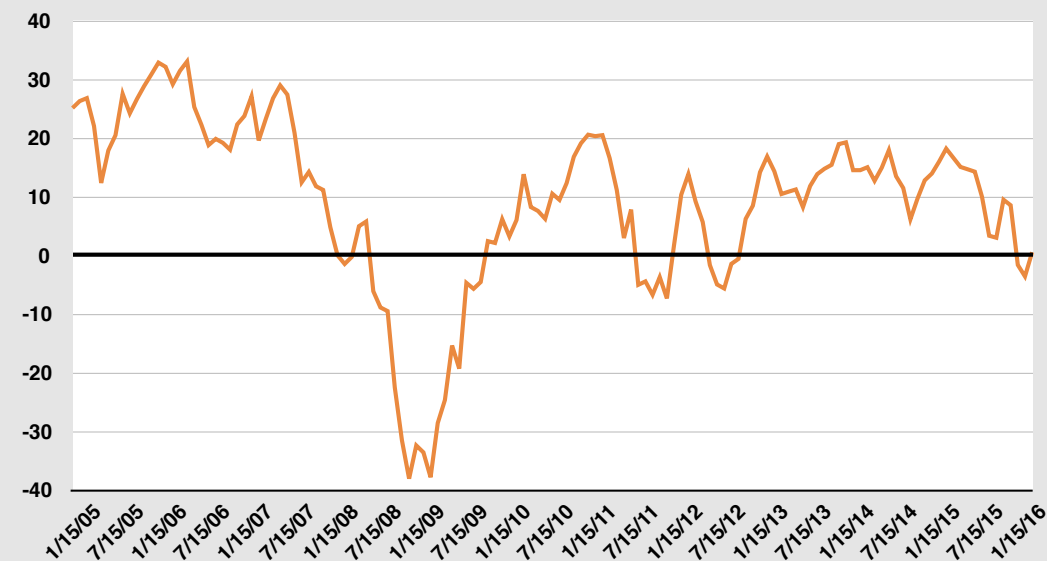
Global Investor Sentiment Begins to Recover as RRG Asia ICAM Index Remains At Elevated Levels

- Despite the exuberant mood among consumers in Asia (as indicated by their online activity) investor sentiment towards the region remains very depressed.
- Depressed levels of investor sentiment towards Asia largely stem from negative spillover effects associated with China's economic transition. China's economy is slowing as it transitions to a new economic model (driven by consumption and services as opposed to investment and exports). A shift towards a more consumer oriented economy has put severe pressure on many emerging market economies that are highly dependent on China and its old economic model. Instability across many 'fragile EMs' pose a systemic risk to the global economy. Due to the risk a transitioning/slowing Chinese economy poses to the global economy investors across the globe have become fixated on developments in China.
- Global concerns over China's slowing economy have even spread to the Chinese government, causing the government focus to shift from deleveraging to stabilizing growth. Elevated levels seen in the RRG Asia ICAM Index suggest that this major shift is misguided.
- As the global economy has started to de-polarize and the focus among investors across the globe has increasingly shifted to signs of a stabilizing Chinese economy investor sentiment towards Asia ex Japan (in which China is a major driver) and more broadly global investor sentiment has began to recover.
- As the global economy continues to de-polarize the RRG Asia ICAM Index can be expected to remain at elevated levels and investor sentiment in Asia and globally can be expected to continue to recover as the focus increasingly shifts to a stabilizing Chinese economy.

Sentix Investor Sentiment Index (Asia ex Japan)



Sentix Investor Sentiment Index (Global)



Elevated Level in China's RRG ICAM Index Indicate High Risk of Bubbles Developing

- While the upward trend and elevated level seen in China RRG ICAM Index suggest that concerns over the health of China's economy are misplaced it also suggests that the Chinese economy is at high risk of some type of bubble developing, especially with the government recent shift in focus from de-leveraging to stimulating growth.
- Recall, the global process of runaway exuberance was triggered in late 2014 due to overly accommodative monetary policies across advanced economies. In line with this process, economies across the globe are on a trajectory to overheat.
- In line with the global process of runaway exuberance the RRG Asia ICAM Index has increased to levels above 1, the threshold separating rationally optimistic consumers from exuberant consumers.
- Coinciding with this, as the Chinese governments focus has shifted to stabilizing growth (a very poor move in a global environment of runaway exuberance) investors have become increasingly concerned with surging property prices in cities such as Beijing, Shanghai and Shenzhen. Over the past year real estate prices in Shenzhen have surged by more than 50%.
- Although the near term outlook for the Chinese economy is much brighter than many believe the longer term outlook is clouded due to the risk of growing financial imbalances.
- As the global economy continues to de-polarize investors focus will initially shift to a stabilizing Chinese economy before increasingly shifting towards growing imbalances as the global process of runaway exuberance reaches its late stages in late 2016/early 2017.

Average Selling Price of New Apartments, Percentage Change From January 2012

