



Nanhua Futures Research (NFR)

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Bigger mind, Bigger fortune
智慧创造财富

Financial Weekly Review

Nanhua Futures Research Institute
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Chapter1 Market Review

Overview		Market Review
Macro	Switch to trading is blocked and the economy continues to falter	<p>Powell basically crushed a lot of the market's good hopes. Despite the difficulties in turning to trade, it cannot be ruled out that this sentiment will play out from time to time. On the one hand, it is true that markets have been depressed by hawkish sentiment for too long, and this time around a reduction in the pace of rate increases is a very likely event, despite the fact that the length of tightening and the terminal rate face a bigger-than-expected increase. On the other hand, although the overall relative performance of the US economic data is OK, it is not difficult to see a downward trend, that is to say, it is declining, but at a relatively slow pace.</p> <p>For now, if any key data misses expectations and recession expectations rise, the turn trade will resume. But as we said before, the current shift to trading is likely to be a low probability and could well face a hawkish blow from the Fed.</p> <p>This week's domestic asset trend is basically the grapevine news around. The market does not care whether the source of information is reliable, but the unanimous change of trading policy shows that the world has been suffering for a long time. We can only say that the policy will not change 180 degrees all at once. Although the Health Commission emphasizes dynamic zero elimination, gradual improvement is actually on the way.</p> <p>From the point of view of domestic fundamentals, the recent wave of private enterprises surfaced again, the supply side highlighted again, and at the same time, the sales side did not improve. Another core focus is the pandemic. According to the data, the epidemic is still in the stage of fermentation, the epidemic control situation is still serious, and the impact on the economy is still continuing.</p>
Equity Index	Is the rebound reliable?	<p>This week, there has been a marked increase in risk appetite, with blue chips led by Moutai and even growth stocks leading the rally on Friday. So in the fundamentals have not effectively improved, the external pressure is still the situation, is there anything to rely on the current rally? We believe that without substantive policy announcements, we need to observe the authenticity and sustainability of the rebound.</p> <p>Combined with this week's information and stock market trends, it once again proves that the influence of the periphery is weakening, and the stock market focuses on domestic economy and policy. At the same time, the sensitivity to good news is higher than bad news. In addition to the domestic and international macro environment, from the perspective of the disk, we need to focus on observing the</p>

		<p>divergence between price and volume, and whether the level of market shrinkage gives the stock market bottom signal, historically, this is also an important measure of the stock market bottom. At present, from the perspective of index observation, it is not satisfied with the bottom standard, there is no price and volume deviation from the bottom signal, and the shrinkage has not reached the bottom level of about 20% of the high turnover, so we think we need to be vigilant that the current rebound may be false rebound, there will still be a multi-bottom situation until the bottom signal is met.</p> <p>The strategy is recommended to wait and see, waiting for the bottom of the market signal, or the emergence of policy signals to improve the economic outlook.</p>
Treasury Bond	High oscillation, band operation	<p>This week, there was a lot of incremental information in both internal and external environment, and the internal risks were significantly improved. To some extent, the negative effects brought by economic data were even ignored, which led to a significant decline in long-end contract prices. On the external side, there are a lot of signals from the Federal Reserve interest rate meeting to guide the market expectations. The December interest rate meeting will be an important observation window for the pace of interest rate hike.</p> <p>Specifically, this week the Federal Reserve held its meeting and, unsurprisingly, chose to raise the federal funds rate by 75bp to 3.75%-4%. But later in the conference, Fed Chairman Jerome Powell's speech was full of hawkish signals, including the specific content of a higher focus rate and the possibility of a longer rate hike, and "discussion of a pause is premature." For China, this interest rate meeting means that the "boot has finally landed". Since the National Day holiday, we have observed that the performance of domestic assets is no longer so sensitive to the band of overseas interest rate hike expectations. After the boot landed, we can be more assured to focus on the interpretation of the internal market. Domestically, periodic falsification of the news could lead to a pullback in market sentiment, with risk appetite likely to be a key variable in the coming week. Overall, the logic of the market will gradually come home, and in the future we may experience a small rebound from the temporary falsification of expectations, and after the sentiment is repaired, fundamental expectations may guide the market again.</p> <p>Watch for opportunities to flatten the curve: Over the past week, the yield curve has edged up, with the short end outperforming the long end and the curve steepening, with the current 10Y-1Y spread closing at 93.36bp, an all-time 76% decal. Next week's strategy at the end of the curve will continue to be based on expectations repair. This week's market news will affect the bond market mainly by affecting fundamental expectations, so the long end of the interest rate will take a big hit, while the short end of the yield will counter the decline. Therefore, the long end</p>

		of the interest rate may move stronger after the sentiment reversal, can try to do a flat curve strategy.
FX	Focus shifts to the midterm elections	<p>Last week (Oct. 31 -- Nov. 4), the yuan's biggest move was on Friday, when it jumped more than 1,500 points in a single day from above 7.30 to below 7.20, its biggest one-day gain on record. Due to the market's high expectations of the Fed's dovish message at the November meeting, the content of the meeting that was not much of a surprise turned out to be a surprise. Under the dovish (meeting statement) and the eagle (Powell's speech at the press conference), the USD index moved in a V-shape after 2:00 am on November 3. Finally, it maintained a high oscillation near 112.5 amid the sound of an eagle (as of 16:00 on November 3). After this rate hike, we expect that the US will encounter a higher possibility of "expectation gap" for interest rate hike. However, considering the current sticky inflation in the US, it is not appropriate to anticipate the arrival of the absolute policy turning point of the Federal Reserve too early, focusing on whether the rate hike will slow down in December.</p> <p>As for the trend of RMB exchange rate before the end of this year, we maintain the judgment that RMB still faces depreciation pressure and relative resilience, but the pressure is weaker than before. Until there is a clear reversal signal, such as the obvious recovery of China's economic data, the strong resilience of exports, and the substantial improvement of market confidence, the depreciation pressure on the RMB exchange rate will not be greatly alleviated. Of course, it is not surprising that the RMB will suddenly appreciate sharply at some point. Usd/RMB is expected to trade in a range of 7.135-7.310 this week (Nov 7-Nov 11). At present, the external environment is volatile, still need to pay attention to the dynamics of the regulatory layer.</p> <p>Focus: Overseas, the U.S. midterm elections on November 8, and the U.S. October CPI data on November 10.</p>
Financial Options	Sentiment improved and expectations fluctuated	<p>As of Friday's close, the implied volatility of options on the CSI 300 index was 20.77 per cent, down 2.06 per cent from a week ago. 50ETF options implied volatility of 20.73 percent, down 1.94 percent from a week ago. The implied volatility of the CSI 1000 index options is 23.36 percent, down 3.32 percent from a week ago. Implied volatility is substantially below historical volatility and options are underpriced. The South China 50ETF Options Volatility Index is 25.24, the South China CSI 300 options Volatility Index is 25.70, and the South China CSI 1000 options Volatility Index is 27.21. The South China Options Volatility Index is down from the previous week, when the market rebounded sharply and options market participants were in better sentiment.</p>

Chapter2 Weekly Market Change

Underlying		SSE 50	CSI 300	CSI 500	CSI 1000	50ETF	Huatai-Pinebridge 300ETF	Harvest 300ETF
Closing Price		2468.2764	3767.1746	6133.4629	6709.6446	2.506	3.834	3.835
Financial Futures		Stock Index Futures				Treasury Bond Futures		
		IH	IF	IC	IM	2 years	5 years	10 years
Closing Price		2472	3781.2	6156.2	6746.6	101.305	101.92	101.355
Weekly Price Change		6.67%	6.12%	6.67%	8.39%	-0.06%	-0.21%	-0.31%
Premium & Discount		0.04%	0.00%	-0.33%	-0.73%	0.9872	1.0102	1.5612
Aggrated Open Interest		129,859	203,501	324,088	120,470	67544	111495	173578
Total Trading Volume		93,796	137,971	108,503	74,143	221983	258532	353508
FX		Important FX Rate				RMB Index		
		Middle Price	USDCNY	USDCNH	Dollar Index	CFETS RMB Index	BIS Currency Basket RMB Index	SDR Currency Basket RMB Index
Closing Price		7.2555	7.2703	7.2965	110.7845	99.68	104.94	96.59
Weeks, Applies		1.195%	0.190%	0.683%	0.094%	-0.180%	-0.295%	0.031%
Financial Options		ETF Options				Index Options		
		50ETF	Huatai-Pinebridge 300ETF	Harvest 300ETF	CSI 300	CSI 1000		
Total Trading Volume	Call	2,079,057	1,617,535	183,809	124,141	53,255		
	Put	1,334,604	1,165,515	139,657	77,575	44,111		
Open Interest	Call	1,381,470	960,093	156,785	98,355	33,831		
	Put	1,053,522	978,609	136,729	77,860	35,493		
Implied Volatility		21.27%	20.57%	20.67%	20.77%	23.36%		
Historical Volatility		20.73%	30.1%	27.72%	27.76%	25.45%		

Note: The units of interest and volume are lot

Chapter3 Specific Indicators of Each Product

3.1. Macro

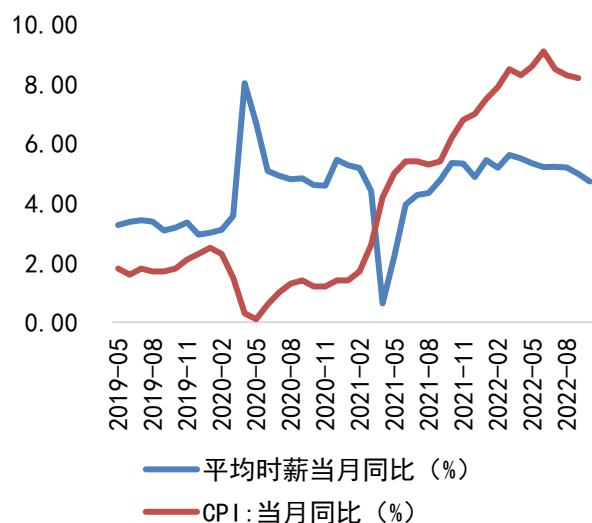
November 1 (before the meeting) market expectations



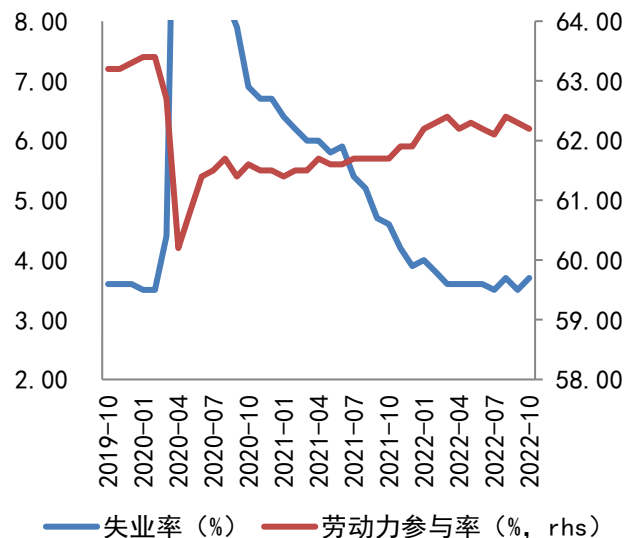
November 4 market expectations



Average hourly earnings in the US continued to fall year-on-year

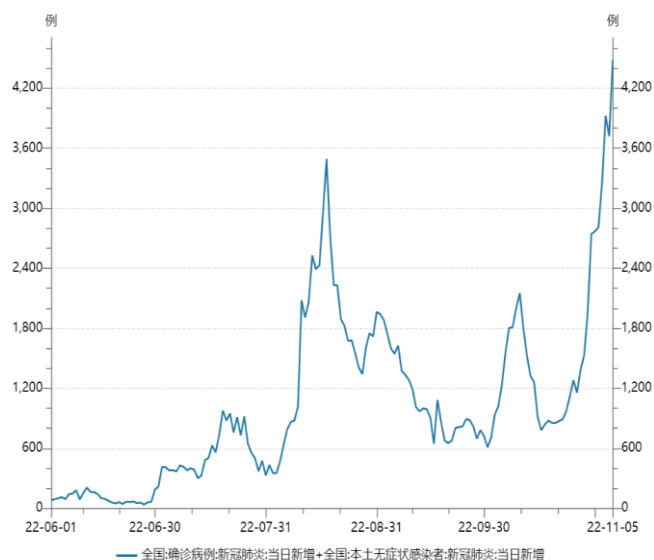
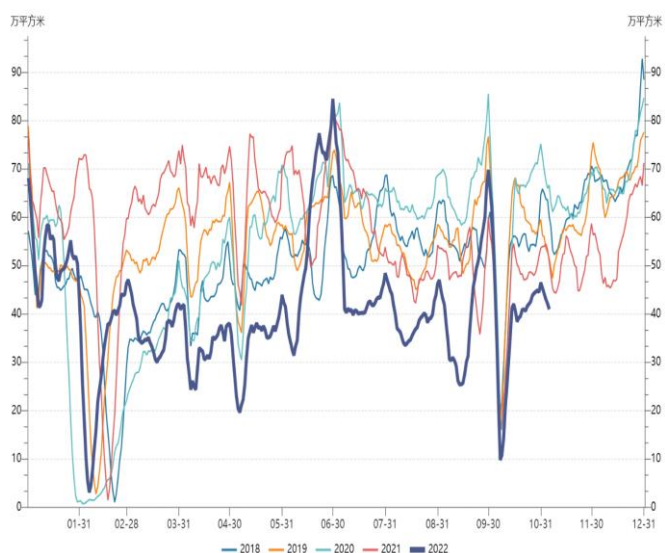


America's unemployment rate has risen and its labour-force participation rate has fallen



Sales area of 30 cities is still poor (7DMA)

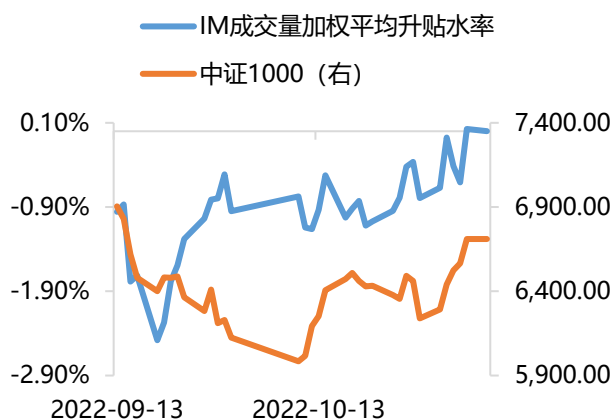
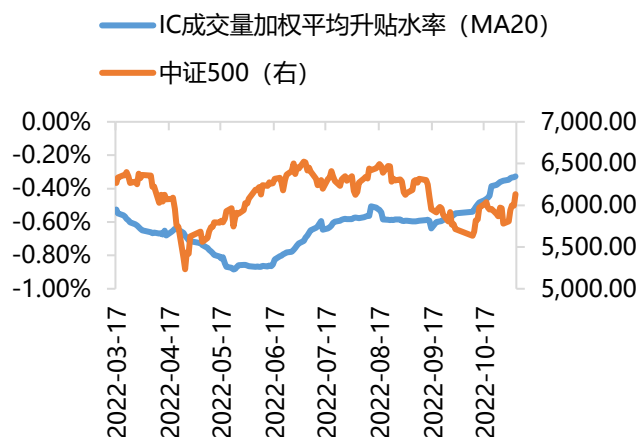
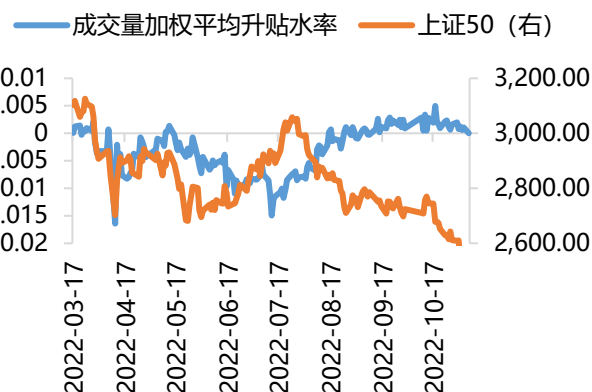
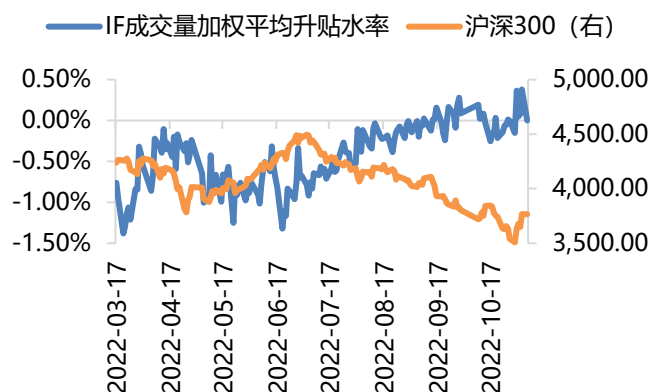
The number of new daily cases has surpassed the peak in August



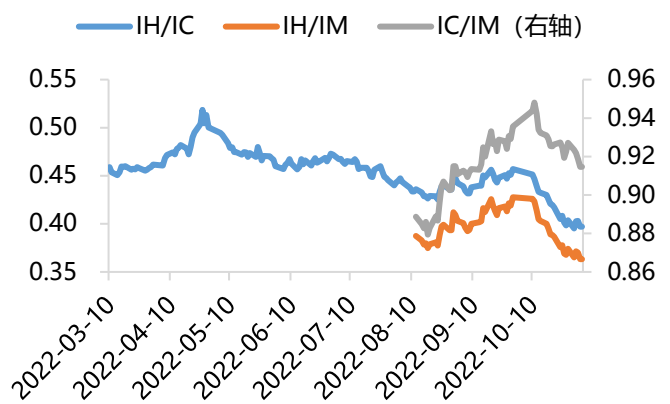
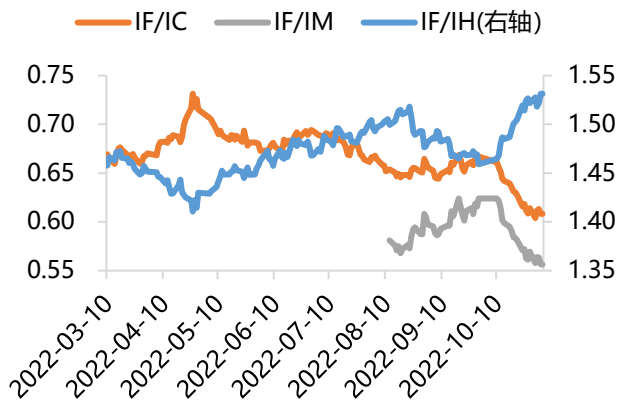
Data Source: Wind

3. 2. Stock Index

Stock Index Premium and Discount:



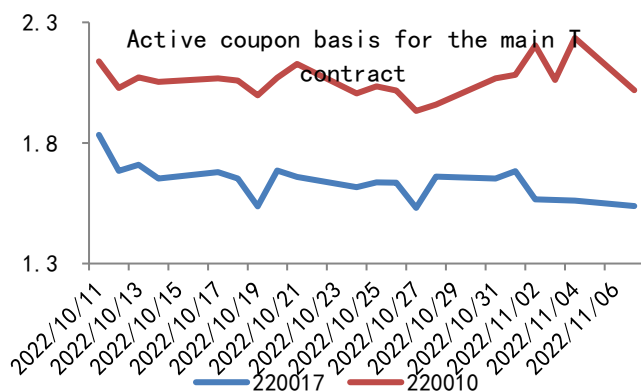
Stock Index InterCommodity Spread:



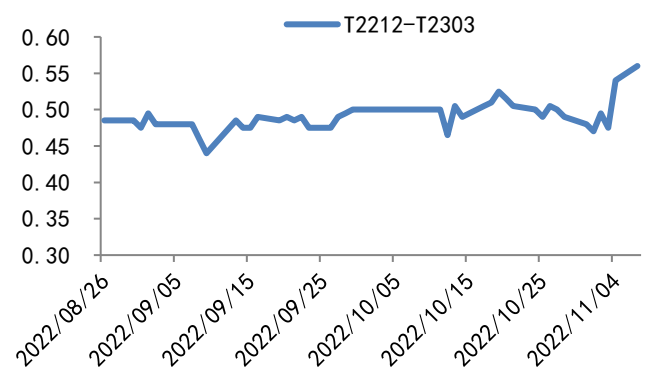
Data source: Wind

3.3. Treasury Bond

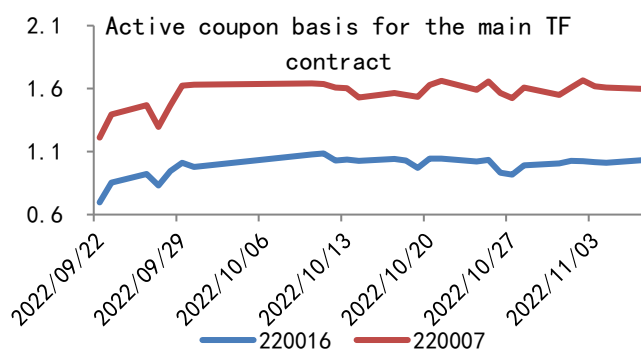
T Contract Basis :



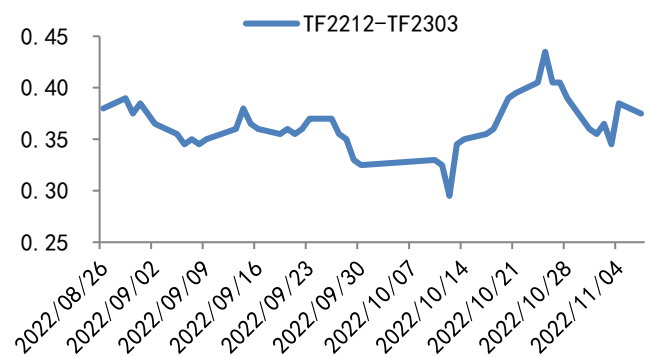
T contract Calendar Spread:



TF contract Basis :

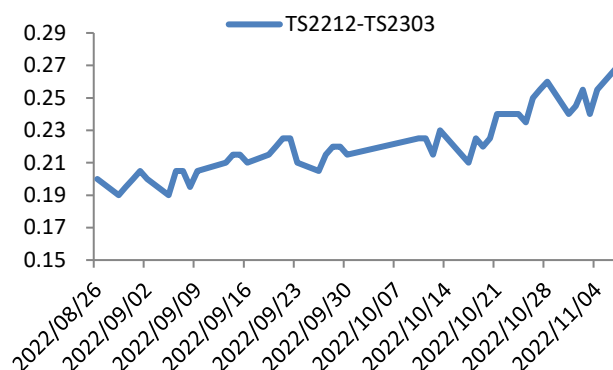
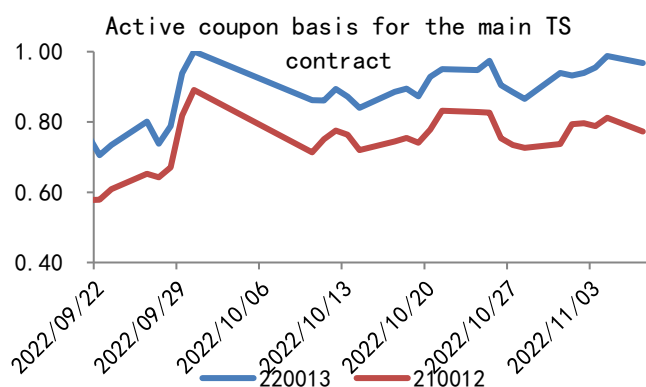


TF contract Calendar Spread:

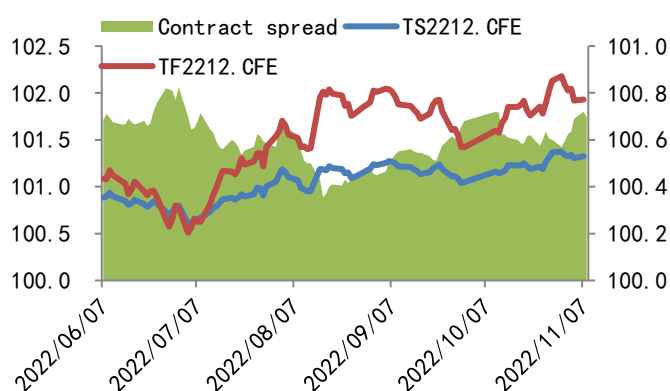


Basis of TS contract:

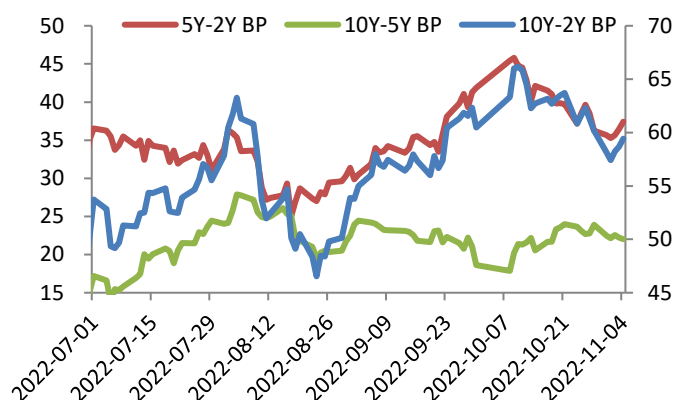
TS contract intertemporal spread:



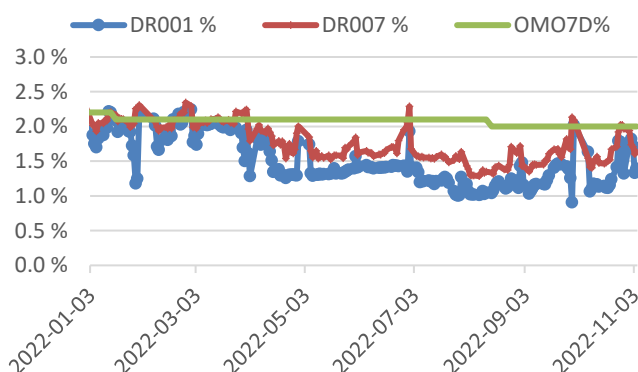
T and TS Main Contract spread (Duration Neutral) :



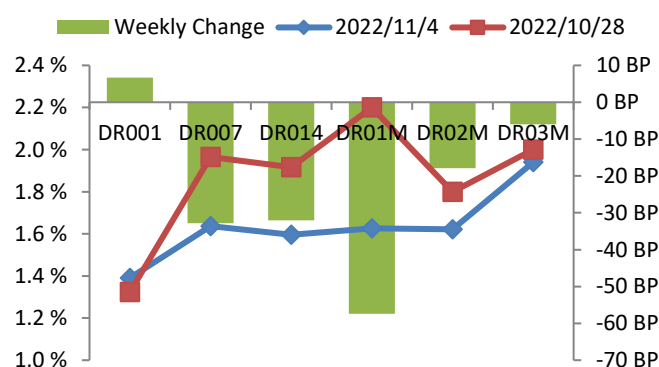
Spreads among Bond Maturity:



Trends of the Interbank Pledge Repo Rate:

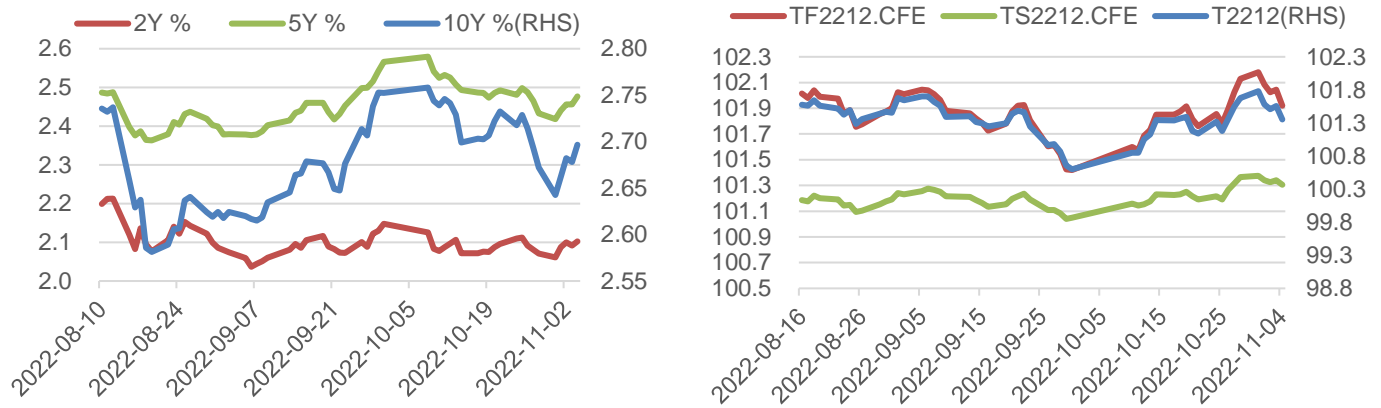


Weekly Changes of the Interbank Repo Rate:



Interbank T-Bond YTM Trend:

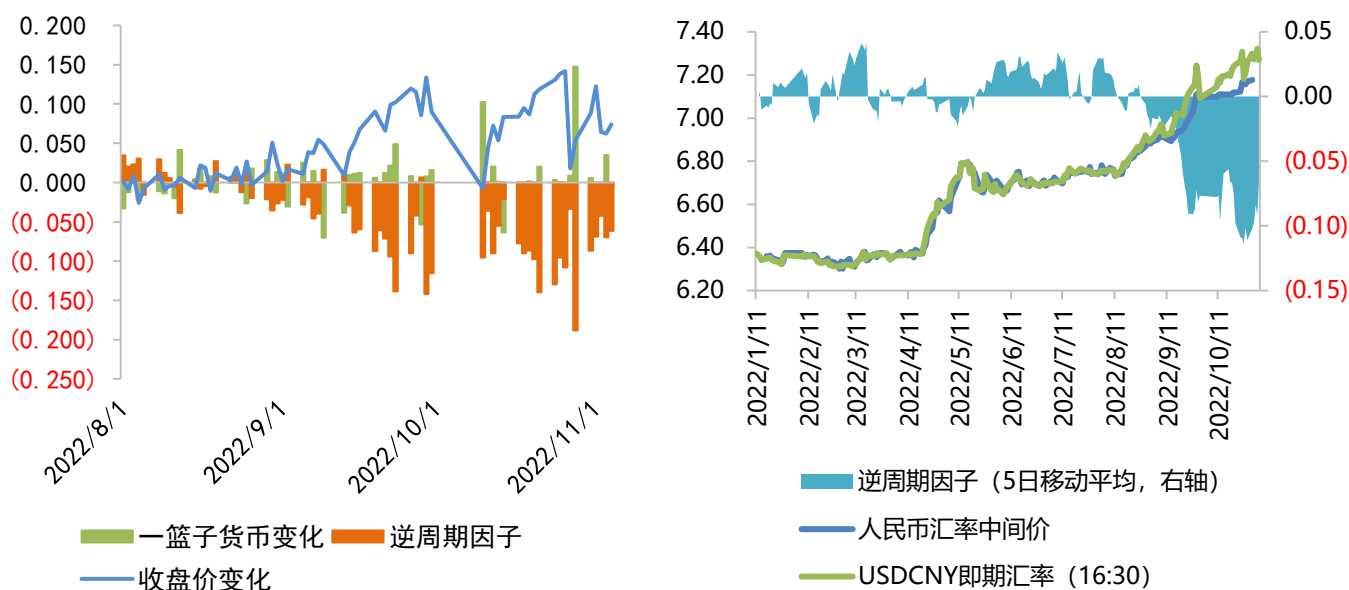
Treasury Futures Main Contract Price Trend:



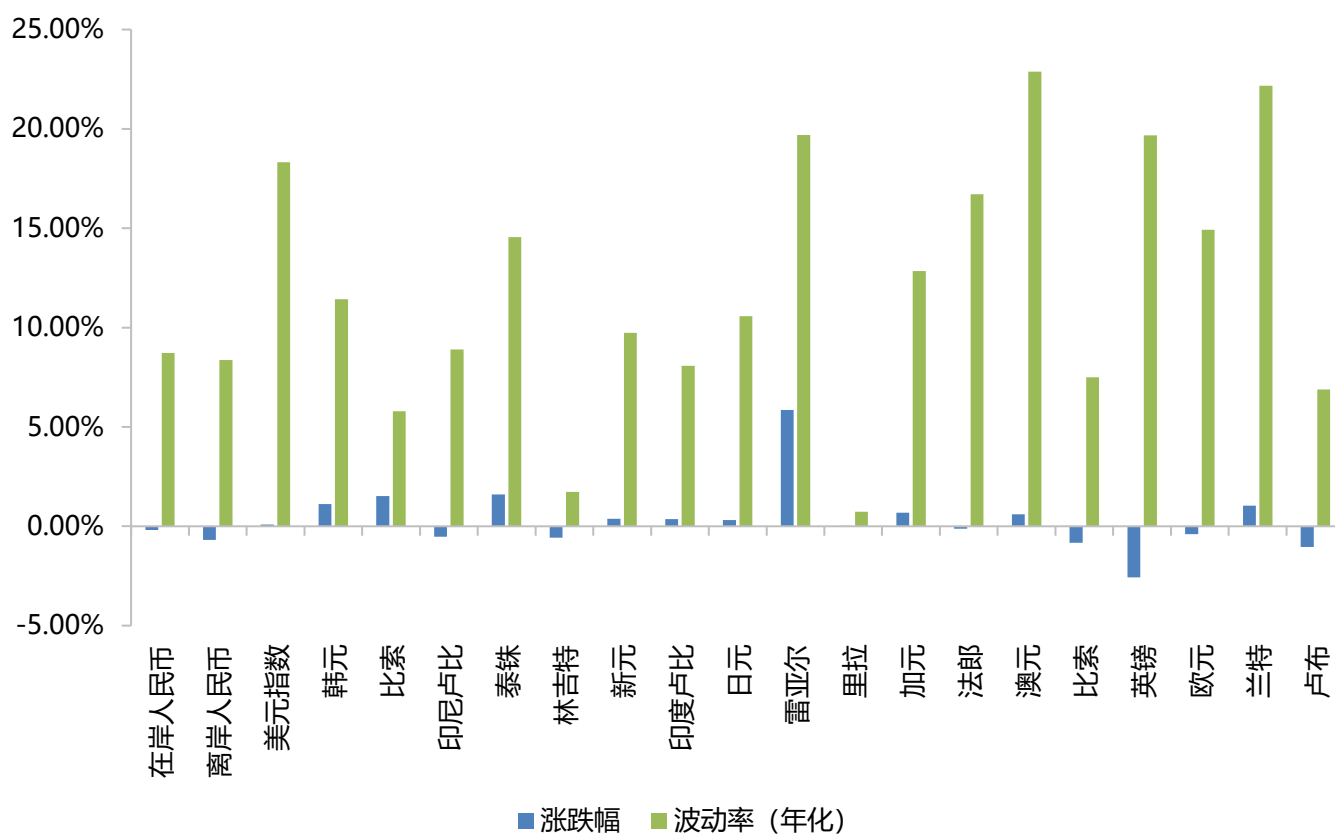
Data Source: iFind

3. 4. FX

Countercyclical Factor:

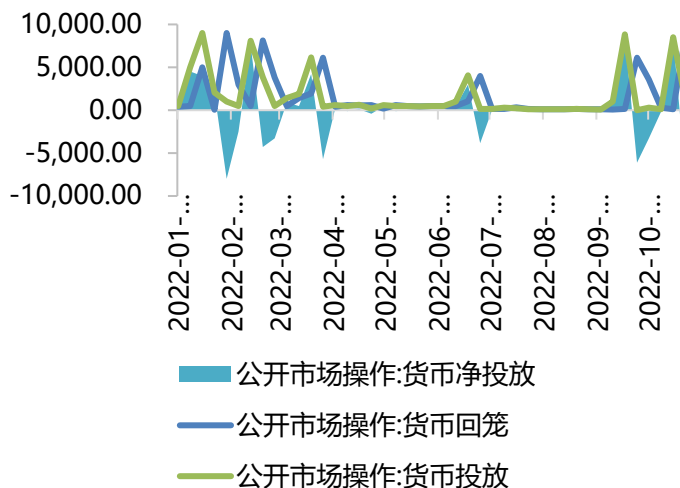
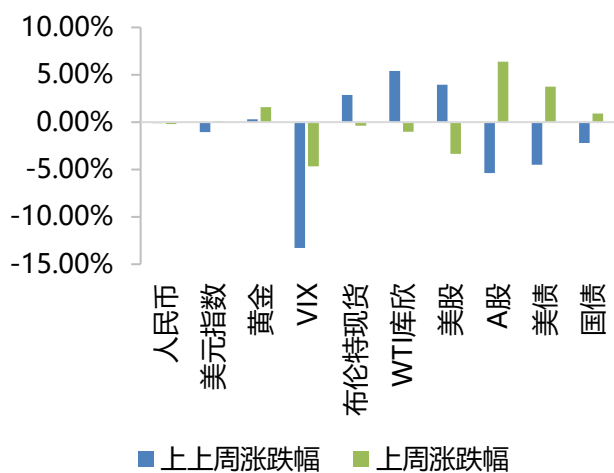


Major Countries FX Rate

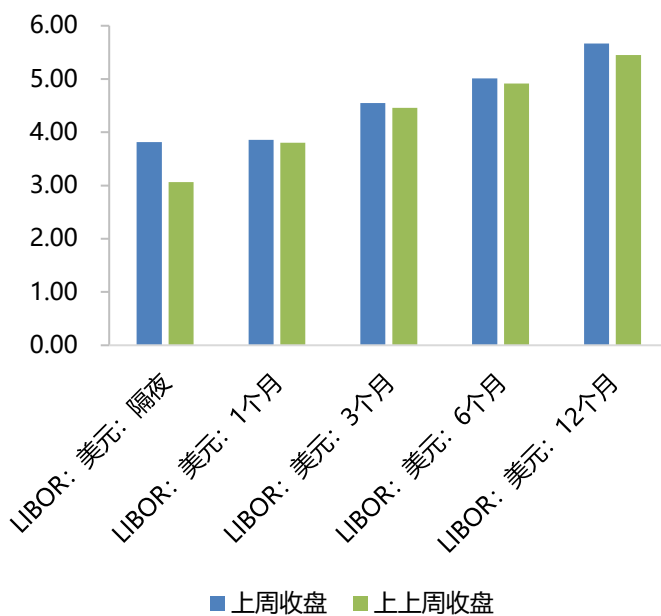
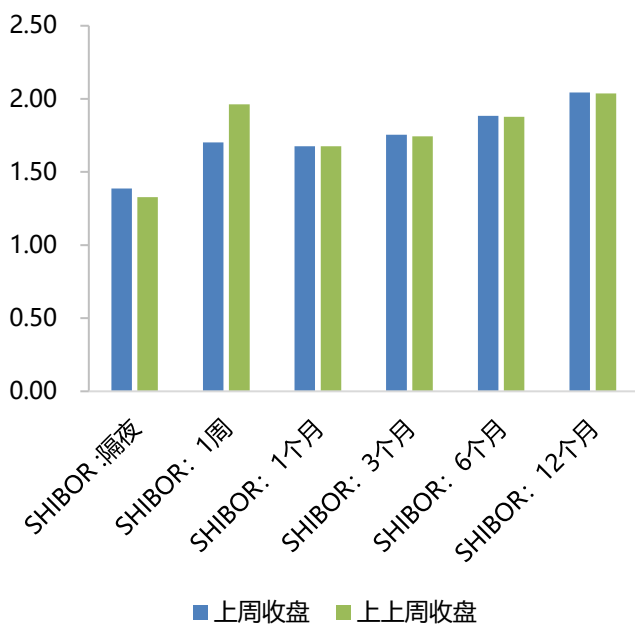


Major Asset linkage:

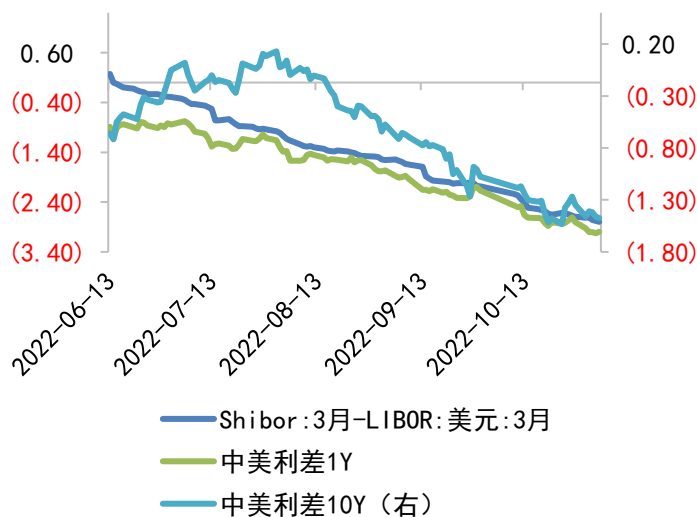
Open Market Operations:



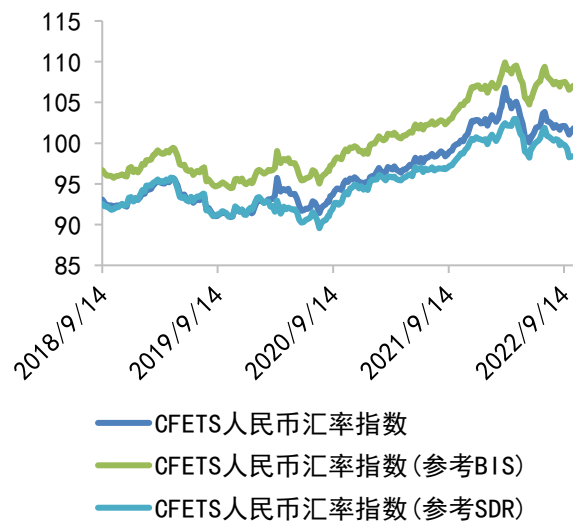
Funding Rate:



Interest Rate Spread Between China and the U.S.:



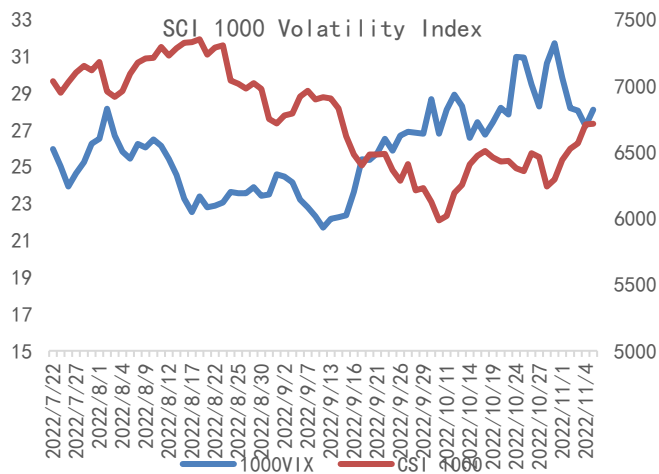
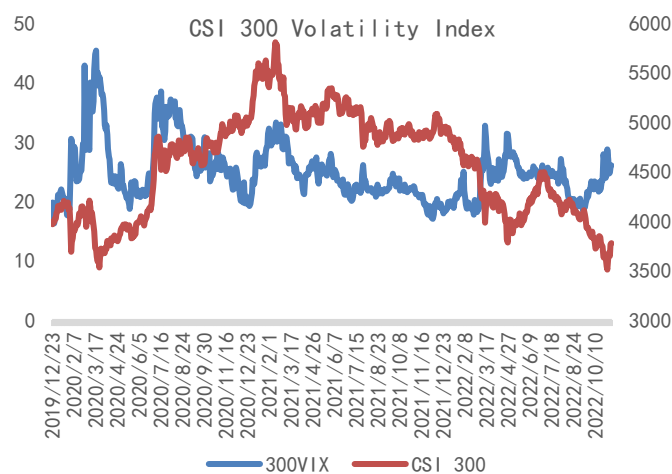
RMB Index:



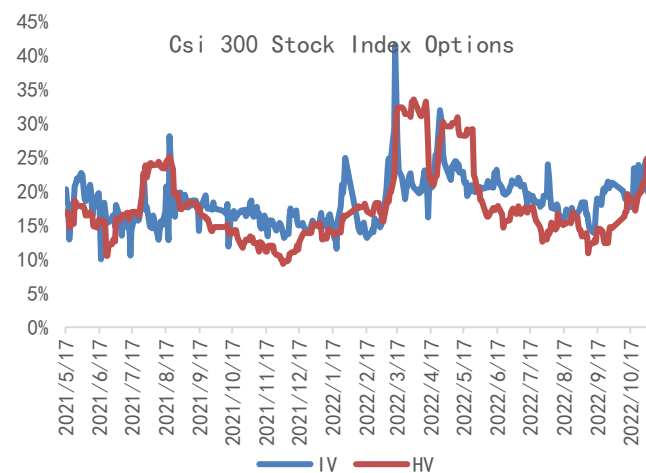
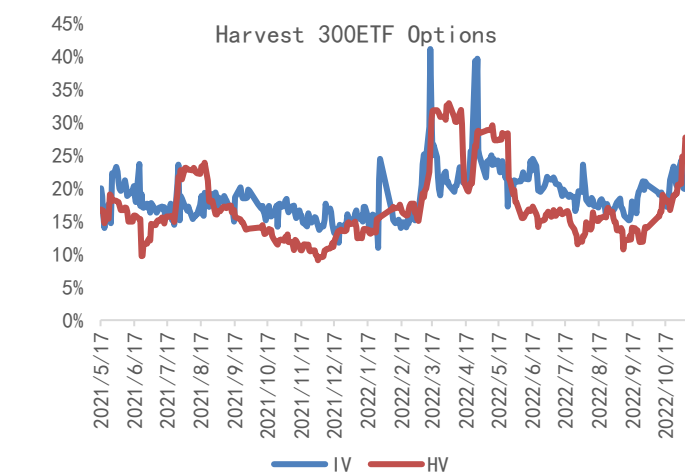
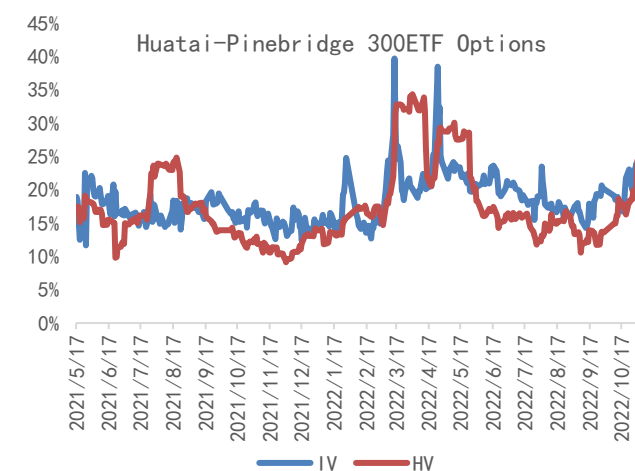
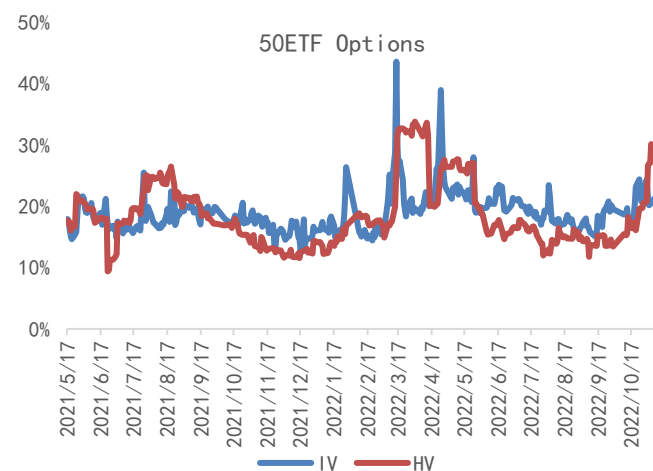
Data Source: Wind, Bloomberg, Refinitiv

3. 5. Financial Options

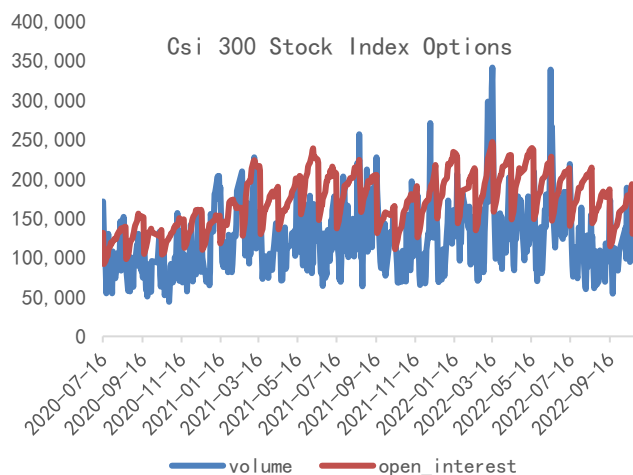
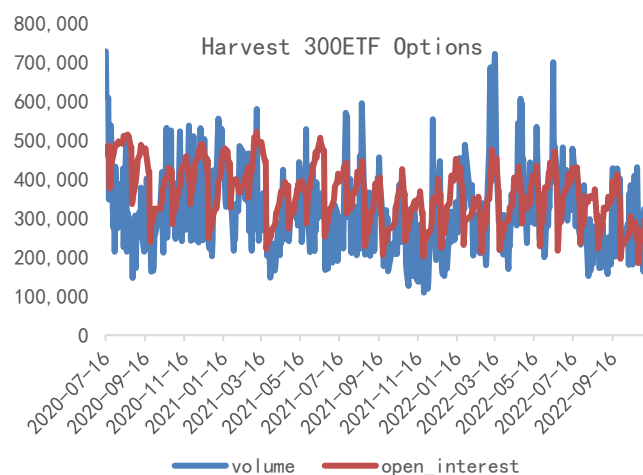
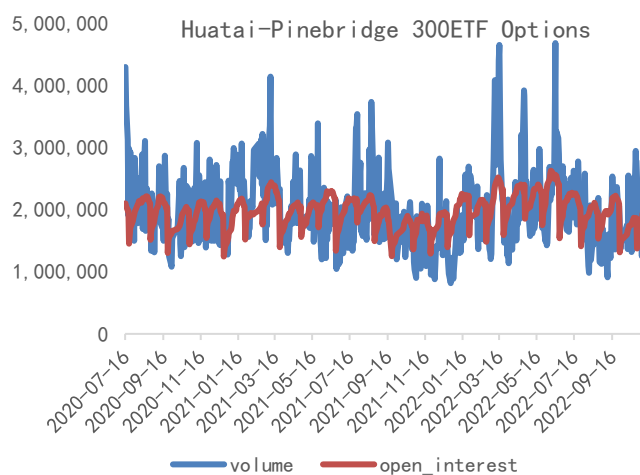
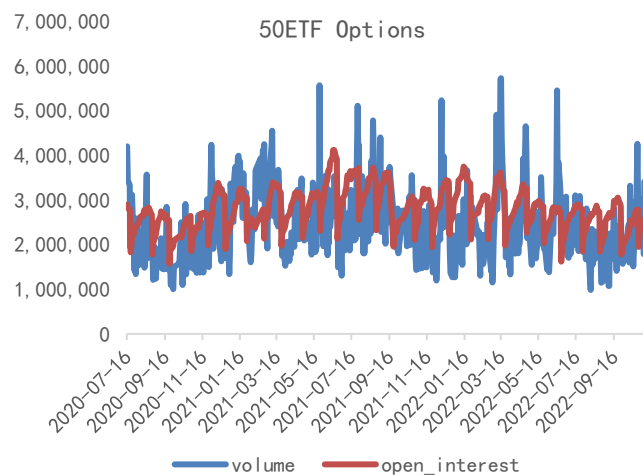
Volatility Index:



Volatility:



Open Interest:



Data Source: Wind

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