

China Covid overview

- Looks like a chaotic winter coming

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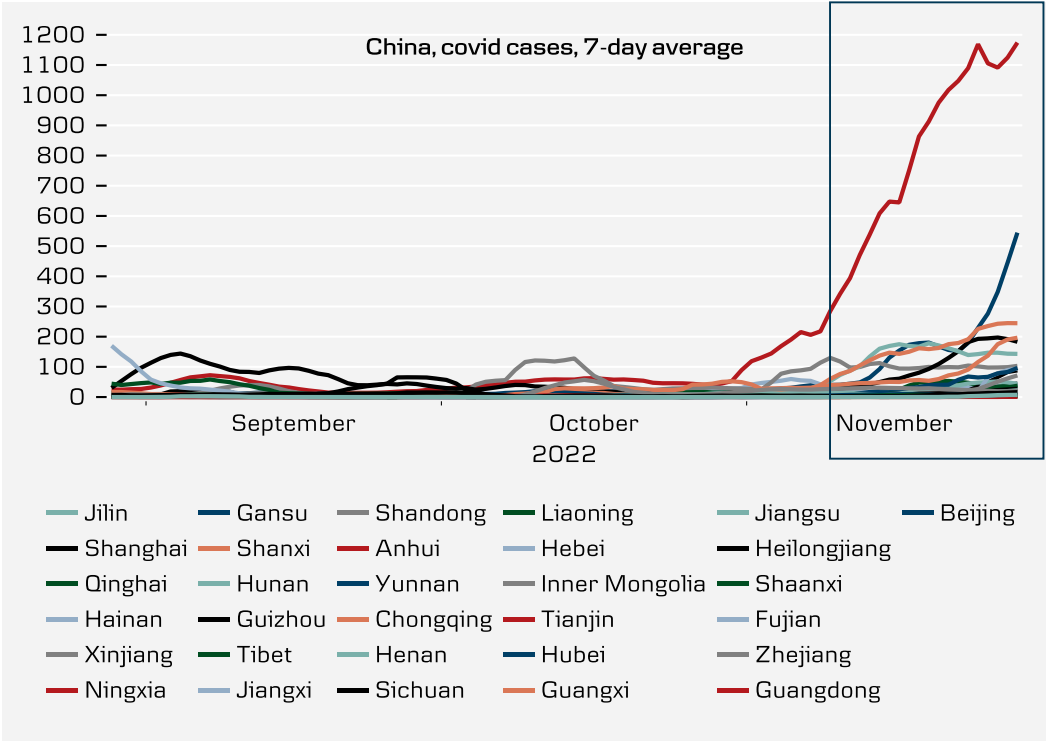
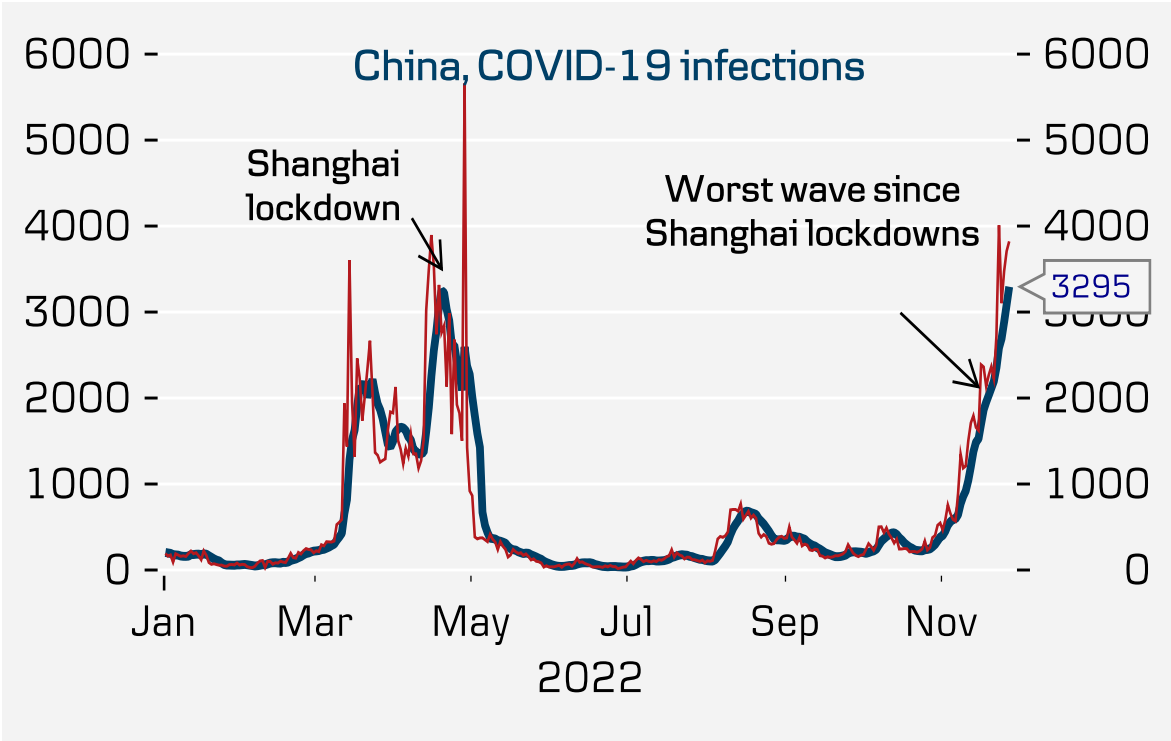
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China is facing some tough choices

- Over the weekend we have seen **protests against the zero-Covid policy spread** in different Chinese cities – protests that have extended to include demands for more freedom of speech and been more targeted against the central government than local authorities, as is normally the case with Chinese protests.
- The protests come after the Chinese government's **loosening of the zero-Covid policy seems to have backfired**, as it has led to more outbreaks across China (see following pages) that has triggered new restrictions.
- The **situation now is highly uncertain** and China is facing some tough choices:
 - If China loosens the zero-Covid policy further to meet protesters demands, it will lead to much bigger outbreaks and it will lose control of the virus, leading to more deaths. It then has to decide whether to lock down hard – or let the virus spread.
 - If China strikes back and reverts to tougher restrictions to stop the outbreaks, then protests would likely increase.
- **What China chooses is hard to predict at this moment, around 50-50.** Both scenarios are likely to lead to a chaotic development over the winter.
- However, it will likely have **two very different outcomes for markets**. In case China decides it has to allow more spread of the virus, it could be positive for financial markets as a recovery would be expected on the other side of the chaos. This would also be inflationary for the global economy once China's economy recovers.
- If China doubles down on the zero-Covid policy and hits back at protests, sentiment could take another big hit and lead to renewed weakening of the CNH and declining Chinese stock markets. It would also put downward pressure on oil prices and as such be disinflationary for the global economy..

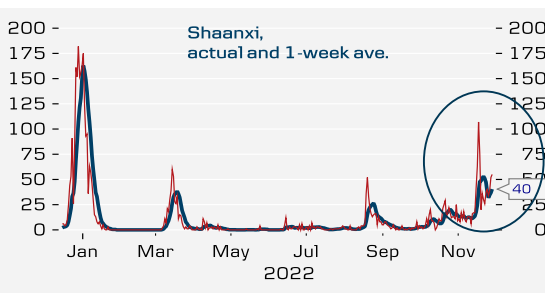
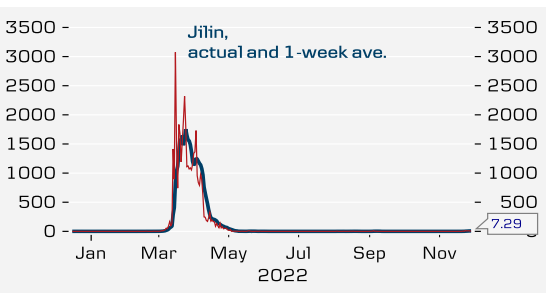
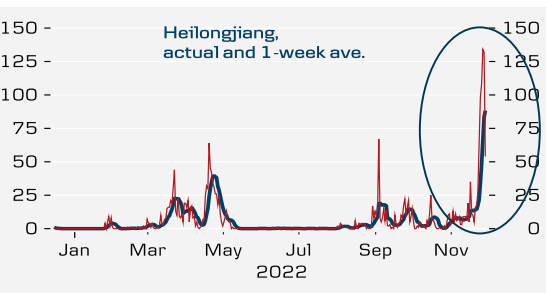
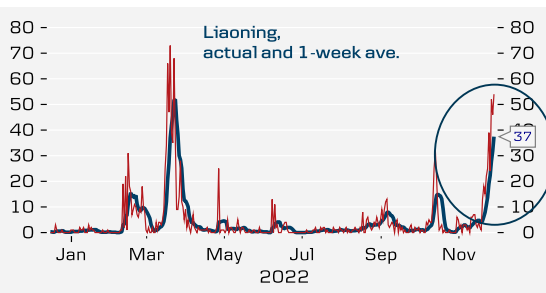
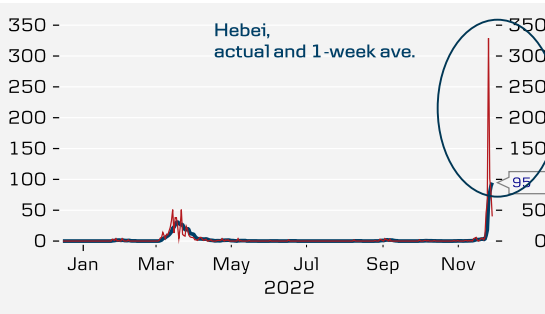
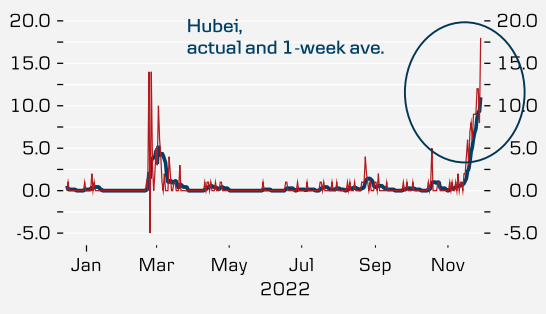
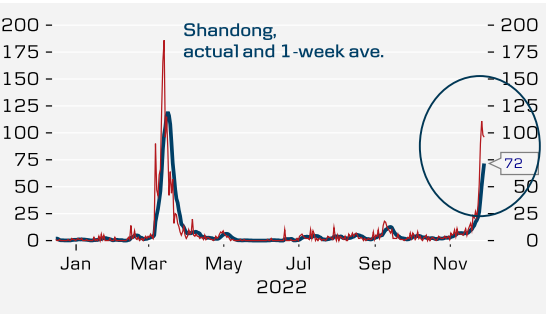
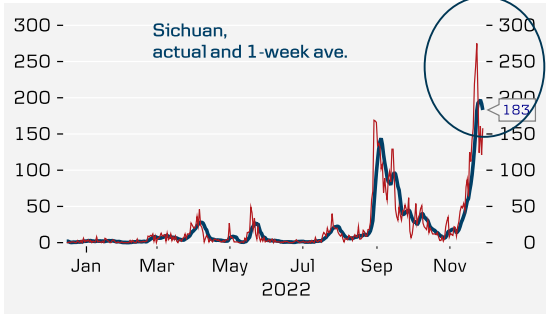
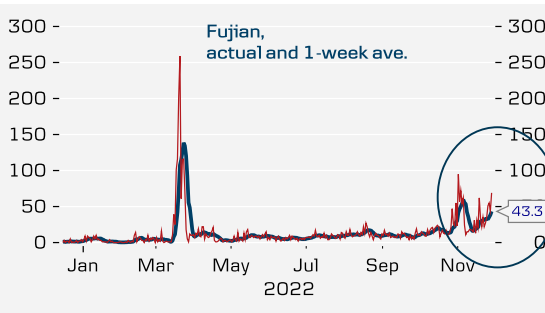
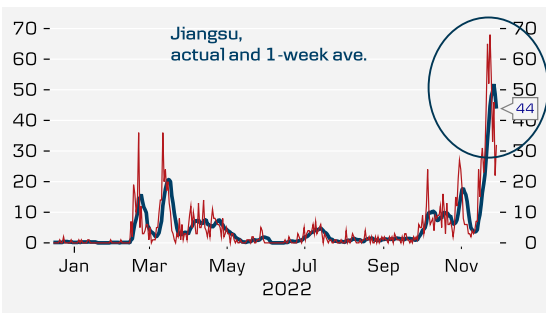
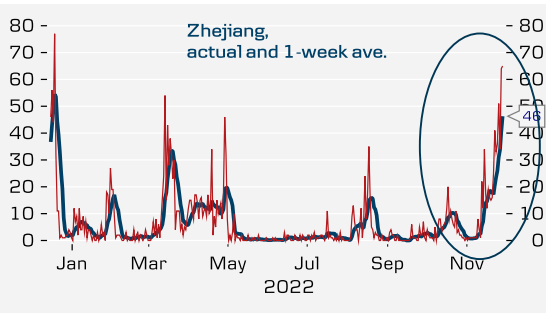
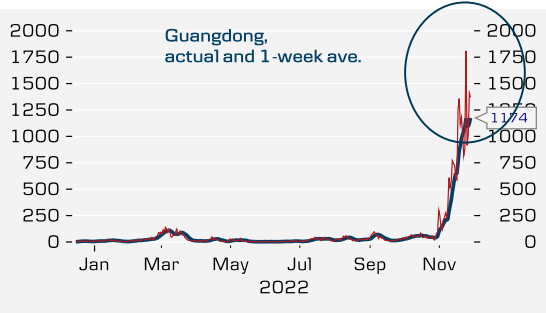
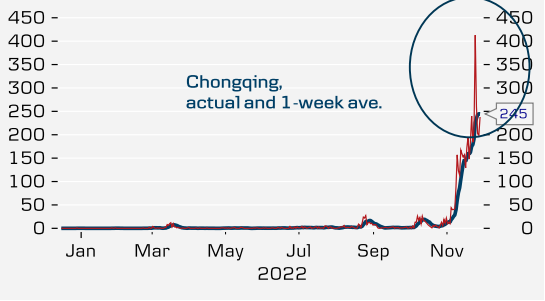
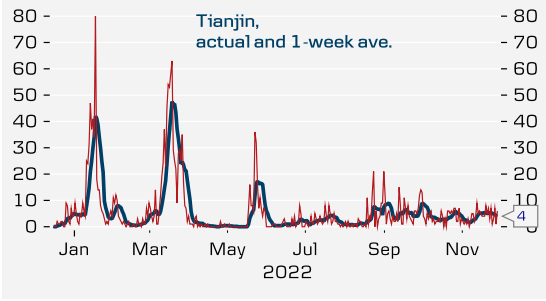
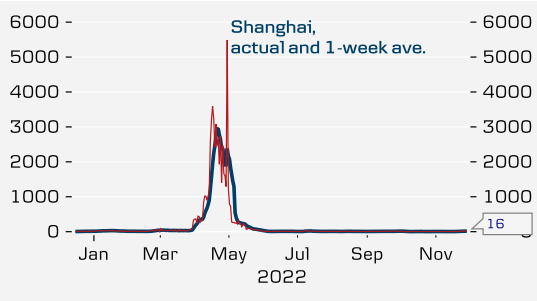
On the following pages, we track the developing in Covid-19 across provinces. China has 31 provinces / municipalities with an average population of 45 million people in each.

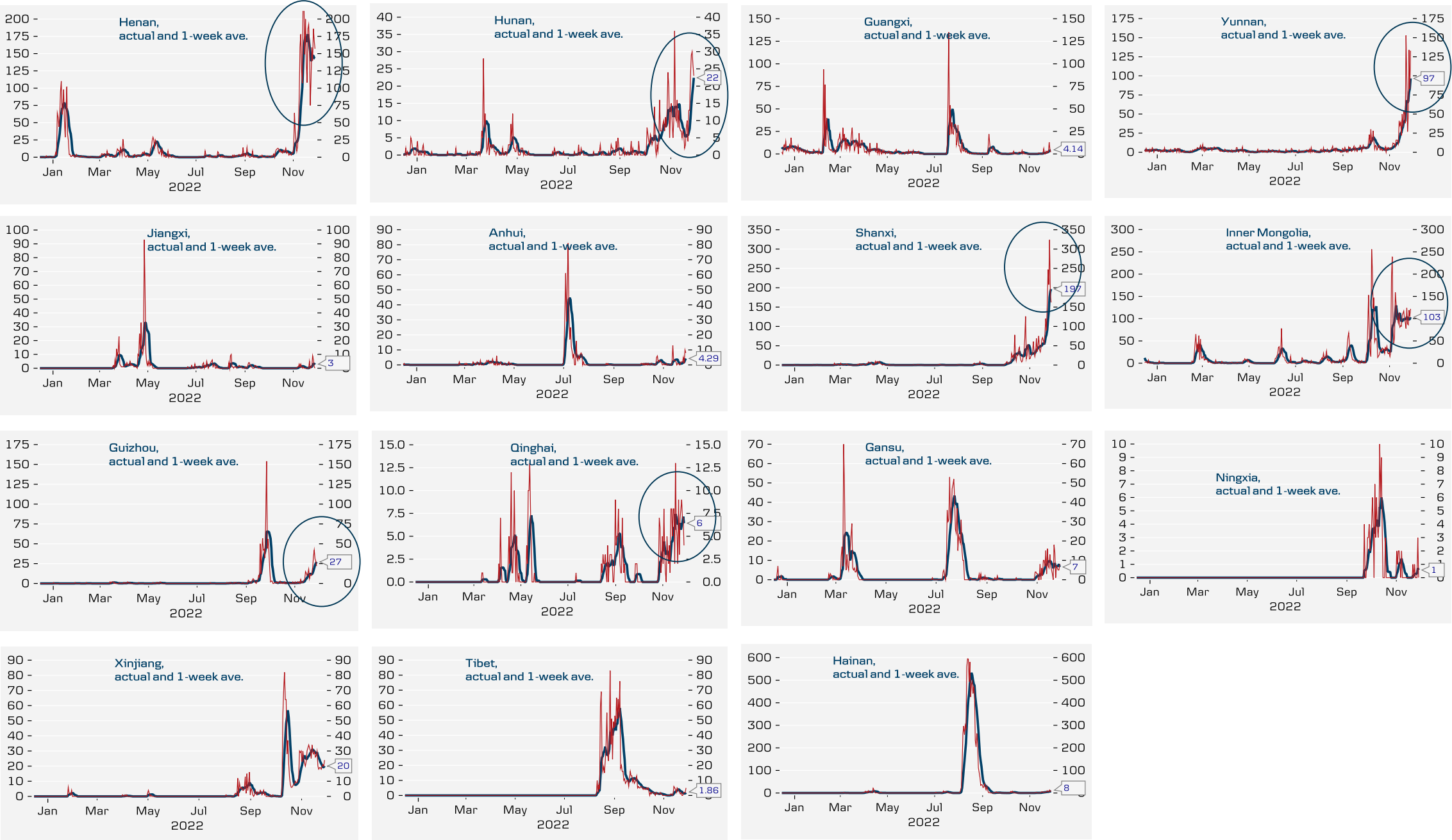
Overview: total and provinces



Sources all charts: Macrobond Financial, DXY (Lilac Garden Family Clinics)

Covid cases across Chinese regions (note: scales differ). Circles highlight rising trend in 7-day average.





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