

## Daily Dose of Macro & Markets 22<sup>nd</sup> July 2025: “China’s Monetary Momentum Builds – Markets Sniff a Sugar Rush”

The ‘Daily Dose of Macro & Markets’ is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday, Thursday and Friday morning (early London time).

### Key Quote:

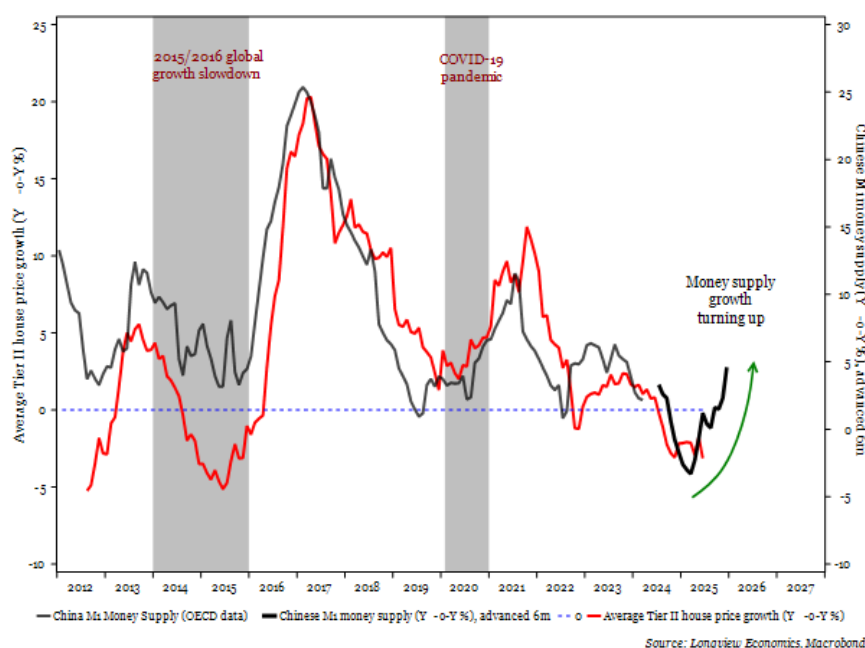
“As of yesterday’s (i.e. 9<sup>th</sup> June) intra-day highs, copper is trading about 7% below the top of its wedge pattern. From a macro perspective, there’s a strong case for a breakout above that level (once it’s reached). In particular: Central banks, across the globe, are aggressively cutting interest rates... ...the Chinese authorities have been especially active in easing policy... ...Activity in key (copper sensitive) parts of China’s economy has stabilised and is now starting to pick up.”

**Source:** The SHORT VIEW (& market positioning), 10<sup>th</sup> June: “Copper: Upside Breakout Ahead” (available [HERE](#)).

One of our key global macro themes is that China is increasingly in the throes of “Sugar Rush Economics”. That is, in its fight against deflation (and a balance sheet recession), the authorities have significantly loosened policy (see [HERE](#) & [HERE](#) for detail). Despite the poor structural outlook, therefore, **the case for a cyclical upswing in the economy, earnings, and the stock market is relatively robust.**

Last week’s Chinese macro data was encouraging in that respect – with more evidence that policy loosening is “working” (and, at a minimum, generating a near term ‘sugar rush’ of activity, particularly in cyclically sensitive parts of the economy). Most notably, money supply growth was better than expected in June, and has continued to re-accelerate. As Chart 1 below shows, money supply is one of the best **predictors of Chinese housing activity** (typically with a 6 month lead time).

**Chart 1:** Chinese M1 money supply (adv. 6m) vs. house prices (both Y-o-Y %)

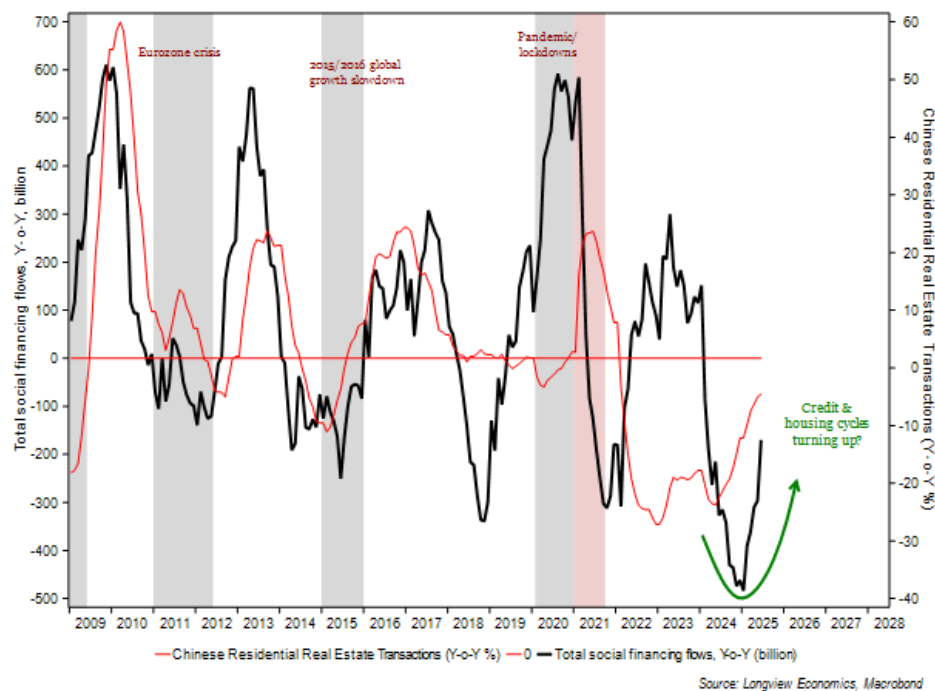


Linked to stronger money supply growth, our ‘credit impulse model’ also jumped higher in June, which is usually one of the early signs that **a cyclical upturn in China’s credit cycle** is about to start (if it’s not already underway). As Chart 2 shows, that’s usually consistent with improving housing activity.

That ‘cyclical upswing’ theme continues to be priced into markets (and particularly Chinese-sensitive asset prices). The copper price, for example, is trending higher\*; the CNY is strengthening; Chinese banks made new record highs last week (despite a flat/flattening yield curve); while the broader equity market broke out to multi-year highs last week (i.e. the Shanghai Composite). Of interest, despite recent gains, the stock market is not yet technically over-extended to the upside (see Chart 3).

We remain OW Chinese equities in our strategic portfolio (see [HERE](#) for detail).

**Chart 2:** China’s ‘credit impulse’ vs. residential housing sales (Y-o-Y, 12m m.a.)



\* With COMEX making new highs (albeit driven by US tariffs), while LME prices have yet to follow (and weakened on the tariff news).

**Chart 3:** Medium term technical scoring system for the Shanghai Composite Index

