

MASHREQ GLOBAL DIGEST

China

June 14 – June 20



This edition of the Market Digest highlights China's latest macroeconomic and financial developments, alongside recent deals and key trends influencing the country's economic outlook.

Macroeconomic News

China's Bad Consumer Debt Reaches 2.22T Yuan

China is facing mounting pressure from rising household debt, with non-performing consumer loans increasing 21% in 2025 to a record 2.22 trillion yuan (\$329 billion). The growing debt burden, affecting an estimated 100 million consumers, reflects persistent weakness in household finances and poses a challenge to Beijing's efforts to revive domestic consumption. The trend adds to concerns over China's economic recovery as policymakers seek to reduce reliance on exports and strengthen consumer-led growth.

Reference: [Bloomberg](#)



China Retail Sales Fall 0.6% in May

China's economy weakened further in May as consumer spending and investment remained under pressure. Retail sales fell 0.6% year-on-year, marking the first decline in more than three years, while fixed-asset investment contracted 4.1%, weighed down by weakness in the property sector and manufacturing. Industrial output remained a bright spot, rising 4.5%, highlighting the growing imbalance between resilient production and weak domestic demand, which could increase pressure on policymakers to introduce additional stimulus measures.

Reference: [CNBC](#)



China's Shopping Festival Reflects Weak Consumer Demand

China's annual 618 shopping festival pointed to continued caution among consumers, with spending growth remaining modest despite weeks of promotions across major e-commerce platforms. At the same time, the event highlighted the growing adoption of artificial intelligence in online shopping, as companies increasingly integrated AI tools to help users search, compare, and purchase products. The festival demonstrated how technology is becoming a key focus for retailers as they seek new ways to stimulate consumption and improve customer engagement.

Reference: [Reuters](#)



China's International Patient Visits Rise 73.6%

China is attracting a growing number of international patients, supported by advances in biotechnology, specialized medical treatments, and competitive healthcare costs. International patient visits at major Chinese hospitals increased 73.6% over the past three years, reflecting rising demand for China's medical services and highlighting the growing contribution of healthcare and medical tourism to the country's services sector.

Reference: [The Straits Times](#)

Financial/Tech News

Foreign Holdings of China Bonds Rise to 3.21T Yuan

Chinese government bonds are attracting renewed foreign investor interest as global market volatility and geopolitical tensions drive demand for diversification and capital preservation. Foreign holdings of onshore Chinese bonds rose to 3.21 trillion yuan (\$475 billion) in May, supported by the market's low correlation with Western bonds, stable returns, and accommodative monetary policy. The trend highlights China's growing role as a portfolio diversification destination despite its relatively low bond yields.

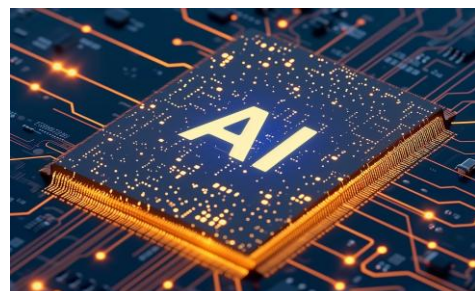
Reference: [Reuters](#)



China Unveils \$295B AI Investment Plan

China is accelerating its artificial intelligence ambitions through a reported \$295 billion investment plan focused on expanding data centers and computing infrastructure. The initiative reflects Beijing's commitment to strengthening domestic AI capabilities, supporting technology companies, and narrowing the technological gap with the United States, while reinforcing AI as a key driver of future economic growth.

Reference: [Bloomberg](#)



China Expands Yuan Internationalization Efforts

China announced new measures to expand the global use of the yuan, including a new liquidity facility for foreign central banks and sovereign funds, authorization for six banks to conduct offshore yuan transactions, and further promotion of the digital yuan. The steps support Beijing's strategy to strengthen the yuan's role and reduce reliance on the U.S. dollar.

Reference: [Zawya](#)

China Expands Capital Market Support for Future Technologies

China introduced new measures to support IPOs and funding for strategic sectors such as AI, quantum technology, robotics, hydrogen energy, and brain-computer interfaces. The Shanghai Stock Exchange eased listing requirements for AI and emerging technology firms, while regulators pledged greater long-term capital support to strengthen innovation and technological development.

Reference: [Reuters](#)

Rise every day

China Plans Up to €5B Sovereign Bond Sale

China is preparing a potential sovereign bond issuance of up to €5 billion in Luxembourg as part of its efforts to diversify funding sources and strengthen its presence in international capital markets. The planned offering may include maturities of five, eight, and twelve years, subject to market conditions. The move follows a successful €4 billion euro-denominated bond sale in late 2025 and reflects continued investor interest in Chinese sovereign debt.

Reference: [Zawya](#)



U.S. Delays Blacklisting 100+ Chinese Tech Firms

The United States has reportedly postponed adding more than 100 Chinese technology companies to its Entity List, including AI startup DeepSeek and memory chipmaker CXMT. The delay comes despite national security concerns surrounding China's AI and semiconductor sectors and reflects efforts to avoid escalating tensions between Washington and Beijing. The development may provide temporary relief for Chinese technology firms and help sustain access to certain U.S. technologies while broader trade and technology negotiations continue.

Reference: [CNBC](#)



China Increases Oversight of Indium Exports

China has increased scrutiny of indium exports, a critical material used in advanced semiconductors and AI-related optical chips. Although no export restrictions have been introduced, some international buyers have reported longer approval times and additional end-user disclosure requirements. With China accounting for nearly 70% of global indium production, the move has heightened concerns over potential future controls and the resilience of global AI supply chains.

Reference: [Reuters](#)

Deals/Trade

EU Moves to Reduce Dependence on China

The European Union is intensifying efforts to reduce its economic reliance on China, with plans to introduce a diversification law requiring companies to secure alternative sources for critical supplies and discussions on new trade measures to address a trade deficit with China that has reached around €1 billion per day. In parallel, the European Commission is reportedly preparing tariffs on Chinese plug-in hybrid vehicles, extending its trade scrutiny beyond electric cars. The measures reflect growing concerns over supply chain security, critical mineral dependence, and trade imbalances, as the EU seeks to strengthen economic resilience and de-risk its relationship with China.

Reference: [Reuters](#), [Reuters](#)

Kuwait and China Seek to Expand Bilateral Cooperation

Kuwait and China reaffirmed their commitment to strengthening bilateral relations during a meeting between Farwaniya Governor Sheikh Athbi Nasser Al-Athbi Al-Sabah and Chinese Ambassador Yang Xin. Discussions focused on enhancing cooperation across various sectors and exploring opportunities for closer coordination, reflecting the continued strategic relationship between the two countries and their shared interest in expanding economic and diplomatic ties.

Reference: [Zawya](#)

Markets

Market Dashboard

- U.S. equities ended the week higher, supported by strong gains in technology and semiconductor stocks as easing oil prices and optimism surrounding the U.S.-Iran agreement improved investor sentiment. The Nasdaq led weekly gains, rising 2.43%, while the S&P 500 advanced 0.93% and the Dow Jones added 0.71%. Despite expectations that the Federal Reserve may keep interest rates higher for longer, resilient economic data and declining inflation concerns helped support market performance.
- Bitcoin remained relatively stable this week, trading around \$63,500, despite the Federal Reserve's hawkish outlook and expectations of higher interest rates. The cryptocurrency posted a largely flat weekly performance, demonstrating resilience amid ongoing monetary policy uncertainty.
- Gold prices declined for a third straight week, pressured by a stronger U.S. dollar and growing expectations that the Federal Reserve may keep interest rates higher for longer. Spot gold fell to around \$4,160 per ounce, while markets increased the probability of a Fed rate hike later this year. The stronger dollar and higher interest rate outlook reduced the appeal of non-yielding assets such as gold, contributing to continued weakness in precious metals markets.
- Brent crude recorded around 8% weekly decline, reflecting easing supply concerns after the Israel-Hezbollah ceasefire and progress toward a broader U.S.-Iran agreement. Markets expect more than 85 million barrels of previously stranded oil to return to global markets, while the potential lifting of sanctions on Iranian exports could further increase supply. Despite the weekly drop, oil prices remained supported by uncertainty surrounding new transit conditions through the Strait of Hormuz.
- The U.S. dollar strengthened this week, reaching a one-year high after the Federal Reserve maintained interest rates but signaled that further rate hikes could still be possible in 2026. Markets increased expectations for tighter monetary policy, with investors pricing in a higher probability of a rate increase later this year, supporting demand for the dollar and weighing on gold and other non-yielding assets.

| Indicators | 12-Jun-26 | 19-Jun-26 | % Change |
|------------|-----------|-----------|----------|
| S&P 500* | 7,431.46 | 7,500.58 | 0.93% |
| Bitcoin | 63,543.20 | 63,540.84 | 0.00% |
| Gold | 4,219.32 | 4,160.26 | -1.40% |
| Crude Oil | 87.33 | 80.59 | -7.72% |
| EUR/USD | 1.1576 | 1.1469 | -0.92% |

* As of June 18