

MASHREQ GLOBAL DIGEST

China

March 22 – March 28



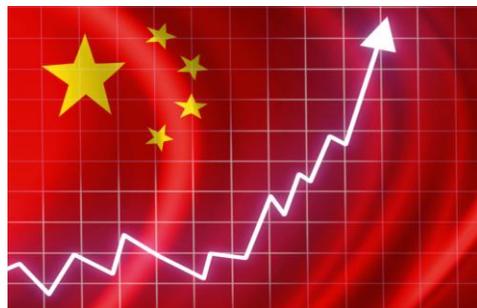
This edition of the Market Digest reviews China's recent macroeconomic and financial developments, along with its latest trade deals, highlighting the key trends shaping its economic outlook.

Macroeconomic News

China's Growth Seen Resilient Despite Energy Shocks

Qatar National Bank expects China's economy to remain resilient despite rising global energy prices, supported by structural strengths such as a diversified energy mix, strong domestic coal supply, and long-term gas contracts. With strategic oil reserves estimated at around 1.3 billion barrels—covering roughly four months of imports—and lower reliance on oil-intensive consumption, China is better positioned than many economies to absorb external shocks. These factors, along with solid exports and productivity gains, are expected to keep growth close to the government's 5% target despite ongoing global volatility.

Reference: [Qatar News Agency](#)



Rising Energy Prices May Help China Exit Deflation

Rising energy prices driven by the Middle East conflict may help China ease its persistent deflation, as moderate increases in costs could push prices upward without triggering excessive inflation. While China continues to face weak domestic demand and relies heavily on exports, it is relatively well positioned compared to other economies due to its diversified energy mix, large strategic reserves, and access to discounted Russian oil. These factors may limit the domestic impact of higher global energy prices while keeping Chinese goods competitive, potentially supporting a gradual recovery in economic activity.

Reference: [Financial Times](#)

China's Oil Output Hits Its Limit Despite Record Growth

China has successfully boosted its domestic oil production to a record level of around 4.3 million barrels per day after years of aggressive drilling, offshore expansion, and advanced recovery techniques. However, experts say the country is now reaching the maximum it can economically produce, with output expected to plateau near 4 million bpd for the next decade. While technologies like tertiary recovery and shale development have extended production, they remain costly and complex, limiting further growth. As a result, China will continue to rely heavily on imports, reinforcing its long-term dependence on global oil markets.

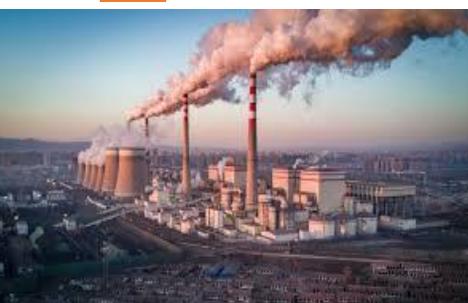
Reference: [Reuters](#)



China Industrial Profits Up by 15.2%

China's industrial profits jumped 15.2% in the first two months of the year, marking a strong rebound driven by increased factory activity and higher prices, with high-tech sectors like semiconductors and drones leading the surge. Raw material industries also saw significant gains, reinforcing the recovery trend after years of weak performance. However, challenges persist, including weak consumer demand and industrial overcapacity. At the same time, rising global oil prices—linked to geopolitical tensions—are starting to pressure the economy, although China's large reserves and controlled fuel pricing may help soften the impact.

Reference: [CNBC](#)



China Opens Up to Fix Trade Imbalance

China has pledged to further open its economy and promote more balanced trade after posting a record \$1.2 trillion surplus in 2025, aiming to attract foreign investors. Officials emphasized increasing imports, improving investment conditions, and ensuring equal treatment for international companies as foreign direct investment declines, signaling a strategic shift to rebuild confidence while addressing concerns over trade imbalances and overcapacity.

Reference: [Reuters](#)

Financial News

China Becomes a Debt Hub as Borrowers Shift to Yuan Bonds

China is emerging as a major funding destination for foreign borrowers during the Iran war, as companies increasingly tap into its domestic bond market for stability. Issuance of "panda bonds" — yuan-denominated debt sold by overseas entities — has more than tripled year-on-year to 27.8 billion yuan (\$4 billion) in March, signaling strong demand for China's relatively insulated financial system. The shift highlights how global issuers are moving away from more volatile international markets and turning to China's deep, stable capital base as geopolitical tensions reshape funding strategies.

Reference: [Bloomberg](#)



China Eyes US Investment Comeback

China's sovereign wealth fund, China Investment Corporation, is considering renewed investments with major U.S. asset managers like Blackstone and TPG, signaling a potential rebound in financial ties between the two economies. Managing around \$1.57 trillion, the fund had recently reduced exposure to the United States but is now exploring fresh allocations as geopolitical tensions show signs of easing, although discussions were briefly paused following the Iran war.

Reference: [Bloomberg](#)

Rise every day

China Banks to Benefit from \$8T Deposit Repricing

China's leading state-owned banks are expected to see improved profitability as nearly \$8 trillion in high-cost deposits mature and are repriced at lower rates, easing funding pressures and supporting margins. This comes after a challenging period marked by record-low margins, a property sector crisis, and slowing economic growth, with profits still weak in 2025 but expected to stabilize and recover into 2026. However, broader economic uncertainty and geopolitical risks continue to weigh on the sector's outlook.

Reference: [Reuters](#)



China Weighs Easing Bank Ownership Rules to Boost Capital

China is considering easing bank ownership rules that currently limit major investors (those holding 5% or more) to stakes in no more than two banks or a controlling share in one, aiming to boost capital in a sector under pressure from the economic slowdown and property crisis. The move would expand funding options, especially for smaller banks struggling with profitability, while remaining subject to regulatory approval to safeguard financial stability.

Reference: [Reuters](#)

Trade

China Signals US Trade Cooperation

China said it is willing to strengthen economic and trade ties with the U.S. following talks between Commerce Minister Wang Wentao and U.S. Trade Representative Jamieson Greer at a WTO meeting, emphasizing the need to balance competition with cooperation and avoid "vicious competition," despite ongoing tensions such as U.S. Section 301 investigations into trade practices.

Reference: [Reuters](#)



China Pushes to Boost EU Imports Amid Trade Tensions

China signaled its willingness to expand imports from the European Union, aiming to strengthen bilateral trade ties while easing ongoing tensions. Commerce Minister Wang Wentao urged the EU to relax restrictions on high-tech exports to China and avoid politicizing economic relations, emphasizing the need for a more "objective" view of China's development. The discussions, held alongside a World Trade Organization meeting, highlight China's push to rebalance trade relations and address frictions through deeper cooperation rather than confrontation.

Reference: [Reuters](#)

Congo Deepens China Mining Ties Amid U.S. Competition

Congo has strengthened its mining partnership with China through a new deal on investment protection, data sharing, and local processing of key minerals like cobalt and lithium, reinforcing Beijing's dominance. As the U.S. seeks access to these strategic resources, Congo is balancing both powers to maximize benefits in the global minerals race.

Reference: [Reuters](#)

Markets

Market Dashboard

- U.S. equities closed the week lower across the board, with the S&P 500 marking a fifth consecutive weekly decline as geopolitical tensions and inflation fears continued to pressure sentiment. The Dow Jones has now fallen more than 10% from its peak, officially entering correction territory, while the Nasdaq also remains in correction, reflecting sustained weakness in tech stocks. Overall, markets stayed in a risk-off mode, with volatility rising, bond yields climbing, and investors reacting sharply to war developments and shifting interest rate expectations.
- Bitcoin ended the week lower, falling to approximately \$66,300, as escalating Middle East tensions pushed investors away from riskier assets and toward the U.S. dollar. The decline was further amplified by rising Treasury yields and inflation concerns, which reduced expectations for rate cuts. Despite a brief rebound during the week, Bitcoin remained under pressure, with analysts warning that a break below the \$66,000 level could trigger a deeper move toward \$50,000, keeping the outlook cautious amid ongoing geopolitical uncertainty.
- Gold experienced sharp volatility during the week, rising over 3% at one point to around \$4,550 after dropping to nearly \$4,100 earlier. However, despite these swings, it ended the week almost flat, holding near \$4,490, as safe-haven demand was offset by rising bond yields and shifting interest rate expectations.
- Oil prices remain elevated, with Brent up more than 50% since the start of the Iran war, reflecting ongoing supply disruptions. While prices were down on a weekly basis, the broader trend remains firmly upward due to risks around the Strait of Hormuz and potential damage to key export hubs like Kharg Island. Analysts warn that further escalation could push prices as high as \$200 per barrel, while even milder scenarios still point to elevated levels around \$120-\$150, driven by persistent supply losses of roughly 11 million barrels per day and a sustained geopolitical risk premium.
- The U.S. dollar strengthened during the week, supported by safe-haven demand as Middle East tensions intensified. The dollar index rose to around 100.17, up about 2.6% for the month, putting it on track for its strongest monthly gain in nearly a year. The move was driven by rising inflation concerns, higher Treasury yields, and shifting expectations toward potential rate hikes, while risk-sensitive currencies like the euro, pound, and Australian dollar weakened.

Indicators	20-Mar-26	27-Mar-26	% Change
S&P 500	6,506.48	6,368.85	-2.12%
Bitcoin	70,522.59	66,338.38	-5.93%
Gold	4,491.15	4,492.99	0.04%
Crude Oil	112.19	105.32	-6.12%
EUR/USD	1.1578	1.1535	-0.37%