GLOBAL
ECONOMIC AND INVESTMENT NEWSLETTER
20th September 2021 Issue No.273

Introduction

- There is some way to go before the coast is clear for the Covid-19 pandemic.

  According to the Australian Financial Review (13/09/21):

  For anyone hoping to see the end of the pandemic over the next three to six months, scientists have some bad news. It won't be over in six months. Almost everyone will be either infected or vaccinated before the pandemic ends, experts agree. Maybe both. An unlucky few will contract the virus more than once.

  The race between the waves of transmission that lead to new variants and the battle to get the globe inoculated won't be over until the coronavirus has touched all of us.

  However, there are billions of people around the world still not vaccinated - meaning that the coronavirus has yet to hit the home straight. The virus is in its second year, with many countries experiencing their third wave. The death toll is now at 4.6 million.

  Future risks from the virus include a possible vaccination resistant variant and more lethal variants with higher fatality rates. A recent Japanese study suggests that coronavirus variants, completely resistant to the first generation of vaccines, are now starting to emerge.

Coronavirus

- An international group of scientists, in a Lancet article, discouraged the use of Covid-19 booster shots. The scientists said that boosters appear unnecessary, and their rollout will only slow the inoculation of the unvaccinated, particularly those in undeveloped nations.

  The Wall Street Journal said (13/9/21):

  When the scientists averaged the results from observational studies, they said they found that vaccination had 95% effectiveness against severe disease from both the Delta and Alpha variants and more than 80% effectiveness in protecting against infection from these variants. They noted that waning antibody levels don't necessarily correlate with a decrease in effectiveness against severe disease. That is because protection against severe disease also comes from other parts of the immune system, such as memory B cells and T-cells.

  Instead of boosters, health authorities should focus on people around the globe who aren't yet vaccinated, the authors of the Lancet review said. Current vaccine supplies could save more lives if used in unvaccinated populations than if used as boosters in vaccinated populations, they said.

  Separately, analysis of more than 50,000 Covid-19 related deaths in England has confirmed the high level of protection offered by vaccines. In a study run by the Office for National Statistics, there were 640 deaths recorded of fully vaccinated individuals, representing just 1.2% of the 51,281 total Covid-related deaths.

The Wall Street Journal said (13/9/21):

The findings add to a considerable body of evidence world-wide that suggests vaccines are highly effective at preventing severe illness and death from Covid-19. An analysis of data from nine states by the Centers for Disease Control and Prevention found vaccines reduce the risk of hospitalisation with Covid-19 by 81% to 89%.

- Covid-19 cases are surging in the US - particularly in the South, fuelled by children returning to school, the absence of any restrictions on movement, low usage of masks and relatively high levels of resistance to having vaccinations.

  The Associated Press said (14/9/21):

  While one-time hot spots like Florida and Louisiana are improving, infection rates are soaring in Kentucky, Georgia and Tennessee, fuelled by children now back in school, loose mask restrictions and low vaccination levels.

  The dire situation in some hospitals is starting to sound like January's infection peak: Surgeries cancelled in hospitals in Washington state and Utah. Severe staff shortages in Kentucky and Alabama. A lack of beds in Tennessee. Intensive care units at or over capacity in Texas.

  The deteriorating picture nine months into the nation's vaccination drive has angered and frustrated medical professionals who see the heartbreak as preventable. The vast majority of the dead and the hospitalised have been unvaccinated, in what has proved to be a hard lesson for some families.

- Boris Johnson is not only opening up the UK economy in spite of surging Delta Variant case numbers but is also acting to remove his own ability to lockdown the country once again.

  The country now has 81% of adults fully vaccinated.

  The Australian Financial Review said (13/09/21):

  British Prime Minister Boris Johnson is expected to repeal his government's powers to lock down the economy, as he doubles down on his plan to "live with Covid" despite rising hospital admissions and the threat of a winter resurgence.

  In changes to be announced this week, the government will let lapse its power to close businesses and schools, and to restrict events and gatherings – a clear signal that Mr Johnson will shirk another lockdown, despite facing "renewed challenges" this winter.

  Johnson is against introducing vaccine passports, in comparison to other European countries such as France and Italy.

Equities

- Major equities markets are struggling, with many having sharp declines. There is a compelling list of potential causes – slowing economic growth from the Delta variant, surging inflation, stretched valuations and the eventual withdrawal of stimulus measures – but at this stage, it is just looking like a routine negative adjustment.

  Associated Press said (18/09/21):

  Wall Street capped an up-and-down week of trading on Friday with a broad sell-off that wiped out the major indexes' gains for the week.

  The S&P 500 lost 0.9% and posted its second straight weekly loss. Roughly 80% of the stocks in the benchmark index fell. Technology and communication companies accounted for much of the pullback. Industrial and financial stocks also were big drags on the index. Only the index's health care sector managed a gain.

  Small-company stocks bucked the overall market slide.

  Real Money said (14/9/21):

  While market pundits are looking for explanations to explain the action, it really is nothing more than just the normal ebb and flow of the market.

  The indices and many stocks needed to rest and reset after a good run, and that just happened to coincide with negative seasonality. We still have several weeks before that turns, which leaves the likelihood that it will be a bumpy ride for a while longer.

  Currently, this is a market undergoing some very healthy consolidation. It is exactly what is needed, and the longer it lasts, the better it will be as a setup for the next move.

  The chart of the Australian All Ordinaries Index, consisting of the 500 largest listed companies in Australia, is adjacent. It has sold off below its 50-day moving average, largely because of a sharp drop in the share prices of the major iron ore companies.

  The bull.com.au said (17/09/21):

  Iron ore mining stocks have been dumped in great numbers, pulling the ASX to its steepest loss of the week. Iron ore specialist Fortescue Metals lost more than 11% after the price of the steel-making material fell as low as $US107 per tonne. Rio Tinto lost more than 4%, and BHP shed more than 3%.

- By definition, a "correction" in the share market represents a 10% (or more) decline in the index. A number of analysts are predicting that this is overdue - including Bank of America and Goldman Sachs. The market generally agrees.

  According to the Guardian (13/09/21):

  More than two-thirds of investors are anticipating a stock market pullback before the end of the year, research suggests, amid concerns over growth prospects and the Covid-19 Delta variant.

  According to a poll of over 550 global investors by Deutsche Bank, an equity correction sometime before the end of the year is "an overwhelming consensus now", with 58% forecasting a drop of 5% to 10%.

  One in 10 expect a steeper tumble, while just less than a third predict markets will avoid stumbling in the next few months.

  The survey found that the possibility of a new Covid-19 variant that bypass vaccines poses the biggest risk to market stability, closely followed by higher than expected inflation.

- The MSCI World Growth index – which includes more than 100 companies in 23 countries – has rallied 56% since the onset of the pandemic, a significant performance.

  The Australian Financial Review said (14/9/21):

  The recent boost for growth shares mirrors the months after March 2020 and underscores the defensive role the technology sector has played through the pandemic, sending the growth benchmark to its biggest lead over value in the past decade.

  The gains since July coincide with second-quarter earnings season in the US and the accelerating spread of the Covid-19 delta variant around the world, including countries such as the US, which have high inoculation rates.

  Expectations that the current rise in US consumer prices will prove transitory and the weak August jobs data have added further tailwinds.

Investment Strategies

- What equities are the professionals buying, and what are their strategies, in this buoyant bull market? Financial research company Morningstar has analysed the investment activities of three gold-plated global investment funds - Magellan Open Class, Capital Group New Perspective, and Dimensional Global Large Company Trust.

  Large cap, fast-growing, technology stocks with dominant market positions are prominent targets. The reference below to having "wide moats" refers to Warren Buffett's concept that investors should buy companies with business strategies and positions that are largely unassailable.

  Morningstar said (15/09/21):

Across each portfolio's top ten holdings, 80% to 90% of the stocks have wide moats. Two thirds of Magellan's portfolio are wide-moat names.

Each fund brings their own twist to US tech. All three own sizable chunks of Microsoft, Facebook and Alphabet (Google). Dimensional and Capital Group own Amazon.com. Apple is Dimensional's largest holding and is absent from the other managers. Capital Group's largest holding is Tesla, which makes up 0.6% of Dimensional and is absent from Magellan. Of the three, Magellan is most exposed to US tech giants, with 21% of the portfolio across giants Microsoft, Facebook, and Alphabet.

All three companies are trading in a range Morningstar considers fairly valued.

Outside of US technology companies, payments giant Visa and leading bank JPMorgan are the top holdings.

Debt, Bonds, Interest Rates & Inflation

- Inflation in the US appears to be slowing, rising by less than expected in August, breaking a series of sharp upward revisions in prior months. Consumer price inflation increased 0.3% from July, according to the Labour Department, the smallest rise in seven months and slightly below expectations of 0.4%. Core inflation – which removes the volatile food and energy components – rose by 0.1% for the month, the smallest increase since February.

  The Australian Financial Review said (15/9/21):

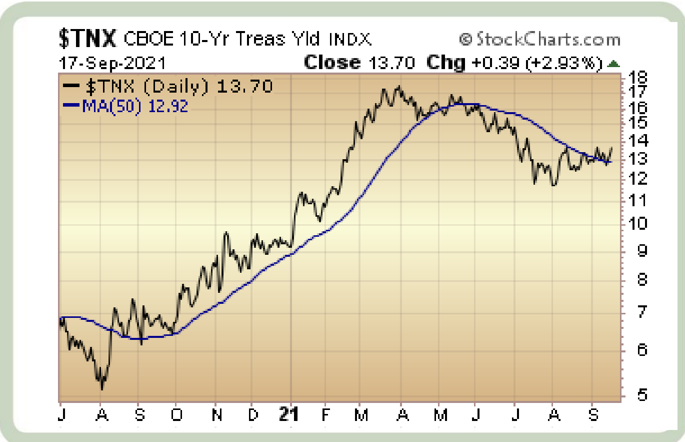
  The figures offer some validation of views among Fed officials and the Biden administration that high inflation will prove temporary. The report could also help blunt criticism from Republicans that President Joe Biden's economic stimulus is spurring damaging inflation as he seeks to sell a $US3.5 trillion long-term tax-and-spending package that's also running into opposition from moderate Democrats.

- Others disagree with this stance, arguing that the current surge in inflation is the result of both temporary and long-term factors.

  US consumers' expectations over how much inflation will change over the next three years have risen to their highest levels since 2013, according to a survey by the New York Federal Reserve.

  The Financial Times said (13/09/21):

  Rather than a one-off dynamic, the global economy is experiencing waves of supply disruptions suggesting that longer-term forces are also in play. The key point is that such reversible factors are accompanied by supply side troubles that could last for one to two years, if not more.



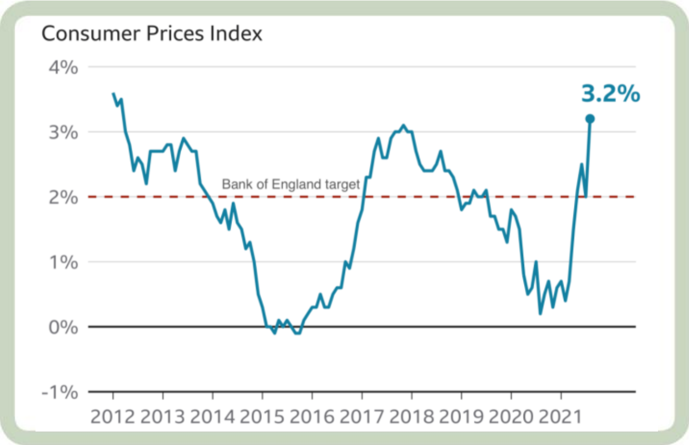
Already, their persistence is leading more companies to revise their supply chain management with a view to enhancing resilience, even at the cost of efficiency. But the beneficial longer-term mitigation effects of vendor/country diversification have short-term disruptions.

A chart showing the yield on the US 10-year Treasury is above – yields move inversely to prices.

- Consumer inflation in the UK - as measured by the Consumer Prices Index - spiked from 2% (year on year) in July, to 3.2% in August, the biggest jump since records began in 1997 (see chart below).

  The Office for National Statistics cautioned against reading too much into the figure, saying it was a result of temporary factors and follows the removal of the VAT discount earlier, given to businesses in hospitality and tourism.

  Other contributors included higher prices for restaurants and recreation, as lockdown restrictions relaxed.



- The ANZ believes that the Reserve Bank of NZ (RBNZ) will raise interest rates next month, with a "high burden of proof not to hike". This comes on the back of strong quarterly economic growth, rising inflation, a surging real estate market and business sentiment holding up well.

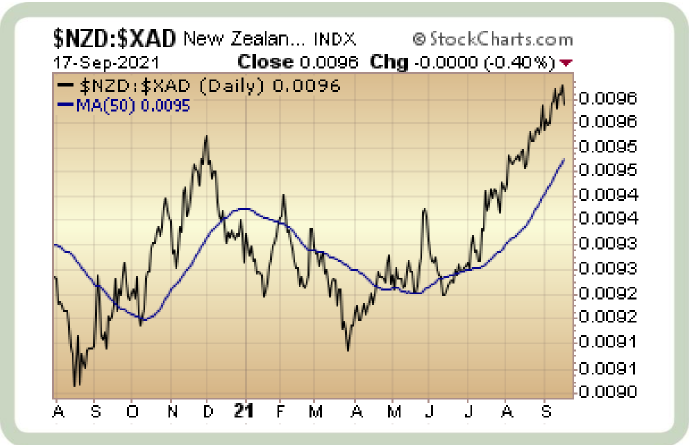
  The only delay could be if Auckland continues to remain in Level 4 lockdown – affecting spending and confidence.

  A rate hike is largely priced into the market.

Currencies

- The New Zealand dollar has risen following the release of stronger-than-anticipated GDP data - fuelling expectations of a near-term increase in the central bank's key interest rate.

  In comparison, the Australian dollar has declined, following weak employment data showing 146,000 people lost employment in August.



Declining commodity prices – particularly iron ore – are also a headwind.

As a result, the New Zealand dollar is surging against its Australian counterpart, as shown in the chart above. Compared to previous peak levels, it appears overpriced.

Economies

- The United Nations has warned that the world's poorest countries will be US $12 trillion worse off by 2025, due to a slow economic recovery from a lack of access to vaccines.

  The Guardian said (15/9/21):

  Warning that policymakers in advanced economies had not yet woken up to the size of the shock to developing nations, or its persistence, the Geneva-based agency said concerted action among rich countries was required to provide debt relief to poorer countries. In some cases, debt cancellation was necessary to "avoid another lost decade for development", it said.

  The reluctance of advanced economies to follow the US lead on providing vaccine patent waivers was also a "worrying sign" of a disjointed western response to a crisis that would continue to affect the world economy without action. It warned the cumulative cost of delayed vaccinations could be up to $2.3 trilllion by 2025, with the developing world shouldering the bulk of the cost.

  The UN forecasts global economic growth to fall to 3.6% in 2022, averaging 3.5% thereafter.

- A report from the US commerce Department has shown US retail sales increased by 0.7% in August over the prior month, far better than expectations of a 0.8% decline. It represents a 15.1% increase year-on-year. Some categories experiencing supply chain issues, such as car dealerships and electronics, saw declines, but elsewhere gains were broad-based. Sales were flat at restaurants and bars, indicating that heightened fears over the spread of Delta had curbed spending (but this was made up elsewhere).

  The Wall Street Journal said (16/9/21):

  The report suggests is that rather than clamping down on their spending, many people may have merely shifted it. Department stores, non-store retailers (a category dominated by Amazon.com), furniture stores and grocery stores were among those registering significant sales gains.

  The fact remains that many Americans have built up a significant amount of savings since the Covid-19 crisis began, thanks both to an initial sharp reduction in their spending, and the large amount of income relief the government provided. Meanwhile, a tight labour market may not only be boosting wages but also making workers more confident in their job security, and making people who aren't working more confident in their ability to get a job when they go on the hunt.

  An estimated $2.5 trillion in savings accumulated during the pandemic is expected to support retail spending going forward… which is already 17.7% above pre-pandemic levels.

- The Eurozone economy is surging, as ongoing vaccinations and strict control measures are helping put the Delta variant to bed.

  The Financial Times said (12/09/21):

  Europe's economy is roaring back from the coronavirus crisis. Growth in the Euro area outpaced both the US and China in the last quarter, more than 70% of EU adults have been fully vaccinated against Covid-19, investment is booming and unemployment is falling.

  Economists say the European economy is in the "sweet spot" of its bounceback from the record postwar recession caused by the pandemic last year. But they warn the region looks set to follow the pattern seen in the US and China, which recovered faster from the Covid-19 crisis - only for their rebounds to lose momentum more recently.

  The largest issue, potentially affecting future economic growth, is the global supply bottleneck for materials and components, which is affecting the ability of manufacturers to reach their output potential. It is a major supply-side problem.

  However, there is a widespread belief that the Covid-19 problem is now being solved and the economic future is positive. The European Central Bank (ECB) is forecasting economic growth to reach 5% this year… and 4.6% in 2022.

- A number of key economic indicators in China are suggesting that the economy slowed sharply in August, due to reduced social mobility from Covid-19 restrictions, and tighter regulations in the property market - affecting consumer confidence.

  The Wall Street Journal said (15/09/21):

  Retail sales, a key gauge of China's consumption, rose just 2.5% in August from a year earlier, down sharply from July's 8.5% year-over-year growth, according to data released by China's National Bureau of Statistics. The result marked the lowest pace of growth in a year and missed by a large margin the 6.3% increase expected by economists polled by The Wall Street Journal.

  Separate data from the statistics bureau showed home sales by value falling 19.7% in August from a year ago, the largest drop since April 2020 - at the height of the pandemic.

  Services requiring social mingling, such as restaurants and tourism, have been hit particularly hard and doubts are now arising as to whether the world's second-largest economy can meet its official target of a 6% increase in GDP this year.

- Economic confidence is improving in Australia.

  The ANZ–Roy Morgan consumer confidence survey increased by the most in 22 weeks, by 3.1% to 103.1 in August - although the long-term average since 1990 is 112.5. There is still plenty of firepower for consumers to spend, once Covid-19 conditions improve.

  Thebull.com.au said (14/09/21):

  CBA Group economists estimate that Aussies have accrued $155 billion in excess savings over and above what they would normally save during the pandemic. By the end of 2021, this is *likely to exceed $200 billion, or 10% of gross domestic product (GDP). Consumer spending, once lockdowns end in NSW, Victoria and the ACT, could lift sharply as confidence improves when government restrictions are eased.*

Meanwhile, the National Bank survey on business conditions rose by 4 points, to +14 in August, after slumping by 14 points in July - representing a partial recovery.

The Market Herald said (14/09/21):

The resilience of the survey during the current episode likely reflects the healthy momentum in the economy before the lockdowns, ongoing fiscal and monetary support as well as greater certainty that the lockdowns will end as vaccines roll out.

It is expected that pandemic restrictions will be eased slightly in mid-October when more of Australia's population is vaccinated, but each state has different views about when to fully open.

- Statistics New Zealand has released second-quarter figures showing GDP growth of 2.8% in the three months to July, following a 1.4% increase in the prior quarter.

  This was significantly higher than market expectations of 1.1% and represents a 17.4% increase year-on-year.

  The NZ Herald said (16/9/21):

  The 2.8% rise in June 2021 quarter GDP was led by the services industries. The primary and goods-producing industries also contributed to growth in the quarter.

  Retail trade and accommodation were the largest contributors to GDP growth in the June 2021 quarter, driven by higher activity in accommodation and food services.

  Analysts are expecting a fall of around 4% in the current quarter, due to recent lockdowns… before a full recovery in the fourth-quarter.

- Net migration is substantially down in NZ, due to lockdown restrictions from Covid-19. In July 2019, there were 6,405 net long-term arrivals. By July 2021, this had declined to a net figure of 1,139. The biggest decline was in the area of people arriving with student or working visas.

Politics

- Dr. Alan Bollard, the ex-governor of the Reserve Bank of New Zealand, once said: “Australia has been blessed by God sprinkling minerals across the top of the surface in very easily accessible areas, in places where it doesn’t annoy people to mine them”.

  Minerals are a major part of the economy - which creates a conundrum when addressing climate change. For the Prime Minister, it is a “money or the bag” type of scenario.

  According to the Australian Financial Review (15/09/21):

The OECD has delivered a scathing assessment of the Morrison government's climate change policies, warning it needs to massively accelerate the pace of Australia's decarbonisation efforts if it is to meet even its baseline targets, and saying there is no way to avoid hitting harder the nation's biggest polluters in energy, transport and agriculture.

The report repeatedly laments the lack of a nationwide carbon price and raises questions about whether the government's current technology-based approach will be sufficient to put the economy on a net zero by 2050 trajectory.

Explaining the problem, the Reserve Bank of Australia governor (Dr Philip Lowe) said: "Investors are increasingly applying a climate filter to their investment decisions"… and they are applying that filter when thinking about investing in Australia.

- Macao (also spelt Macau) is a special administrative region belonging to China and is the only Chinese jurisdiction where casinos are allowed to operate. As part of the country's latest social policy revision, the gambling mecca is now under review.

  CNN said (15/09/21):

  On Tuesday, Macao announced a 45-day public consultation that observers fear will lead to tighter regulations on the lucrative gambling industry in an extension of the recent crackdown on private business by Chinese authorities.

  Stocks in US casino companies that operate in Macao - the only place where gambling is legal in China - crashed in response to the news.

  The Chinese government will be looking at the number and duration of gambling licenses issued and will also consider promoting "projects with non-gambling elements". Gambling is considered to be the "lifeblood" of Macao, attracting each year millions of high rolling visitors from China and elsewhere.

- Increasing geopolitical pressure around the world is causing nations to rethink the extent of their military capabilities. Not only is Australia linking up with the US and UK to build nuclear submarines, but the EU is starting to reassess its long-term dependence on the US through Nato.

  The Australian Financial Review said (15/09/21):

  The European Union will look to cut its dependence on the US and China by building its own military capability and its own semiconductor manufacturing industry, Brussels chief Ursula von der Leyen has pledged.

  She also flagged a new "Global Gateway" plan to invest responsibly in poorer countries' infrastructure - an explicit challenge to China's 'Belt & Road Initiative', which is seen as a vehicle for Beijing's self-interest.

  Ms von der Leyen flagged that she and French President Emmanuel Macron would hold a defence summit early next year not only to boost the EU's pooled military capacities but also to rev up the 27 countries' willingness to use them.

Ms von der Leyen also said Brussels would begin work on a European Chips Act, to end the Zone's dependence on semiconductor chips manufactured in Asia.

Commodities

- The price of iron ore has continued to slump following efforts by the Chinese central government to curb high steel prices, along with renewed concerns over global economic growth prospects. Prices are now at their lowest level since November of last year. Officials from the Yunnan province (a large steel producing region) have reportedly asked steel mills to delay part of their September output to November and December.

  According to the Australian Financial Review (14/9/21):

  The latest crackdown comes amid a nationwide push to cap steel output growth this year at 2020 levels. An acceleration in steel production curbs in recent weeks has weighed heavily on the iron ore price, which has fallen nearly 50% from its record high of $US237.57 a tonne in May.

  The Australian Financial Review said (17/09/21):

  The collapse in iron ore prices and sinking valuations of the blue-chip miners over the last few weeks has left investors scrambling to protect further losses as analysts predict the worst may not yet be over for the bulk commodity.

  But with the iron ore price still well above the cost of production, some fund managers are viewing the market as an opportunity to swoop on the major players at a discounted price on the assumption they are oversold.

  A chart showing the price-trend per tonne is above.

- Uranium prices have reached their highest level since 2014. Potential catalysts for the shift include large on-market purchases from a Canadian mutual fund (Sprott Physical Uranium Trust), increasing awareness around nuclear power's potential role in reducing emissions… and speculators.

  The Wall Street Journal said (13/9/21):

  Today's speculations might be rooted in real fundamentals, of course. In the medium term, a rise in uranium prices means miners might command higher prices on future contracts with utilities. Longer term, the surge of buying could reflect a belief that the global green energy transition will require more nuclear energy, and thus more uranium mining. RBC analyst Andrew Wong wrote in a research note that the uranium market will be "in balance or in a *slight deficit" through the mid-2020s, with a larger deficit forming in the late-2020s as new reactors come online - primarily in China.*

The Financial Times said (10/09/21):

Nuclear power companies are facing competition for supplies of uranium from financial investors, who are betting on sharply higher prices and demand for the radioactive material used to fuel reactors.

The price of raw uranium, known as yellowcake, has risen to its highest level since 2014, driven by a newly launched investment trust run by Canadian asset manager Sprott.

Shares of uranium mining companies have surged.

Adjacent is a chart of the Global Uranium ETF, which tracks the prices of global uranium companies.

- Oil prices have been driven higher following a positive demand forecast from the Organisation of the Petroleum Exporting countries (OPEC) cartel. OPEC is forecasting global oil demand to rise by 4.15 million barrels per day (bpd) in 2022, an upward revision of 860,000 bpd from the previous forecast only a month ago.

  Bloomberg said (14/9/21):

  The stronger demand outlook is driven by more optimistic views on consumption levels in China, the rest of Asia and Europe. Together, those regions account for 640,000 barrels a day, or about two-thirds, of the total revision.

  The price of a barrel of Brent crude – the global benchmark – is adjacent.

- Rabobank is projecting a drop in demand from China for NZ dairy products and has reduced its farmgate NZ milk prices by $0.20, to $7.80 for this year and next. Supply is outpacing demand in China and domestic production is growing.

  They believe that that the peak for dairy commodity prices is behind us. I.e. the trend is down.

Real Estate

- Real Estate Institute of NZ (REINZ) data suggests that median property prices surged to a record level of $850,000 in August. This represents an increase of 25.5%, year-on-year, on the $677,400 median price recorded in August 2020. Stubbornly low interest rates and the rapidly declining inventory of homes for sale are fuelling increases.

  Scoop.co.nz said (16/9/21):

  The total number of properties available for sale in NZ decreased year-on-year by 31.9% in August, to 12,249, down from 17,974 in August 2020 – 5,725 fewer properties compared to 12 months ago. This number is a 3.4% decrease from July 2021 and is the lowest level of inventory ever seen in NZ.

  The REINZ House Price Index (HPI) for NZ, which measures the changing value of property in the market, again increased 31.1% year-on-year to 4,012, a new high for the index. This was the highest annual percentage increase in the HPI seen since records began and is the fifteenth consecutive month we've seen a new high.

  This is the first time the NZ HPI has exceeded 4,000, meaning property values have increased more than 300% since the index began in 2003.

  The latest ASB housing confidence survey shows a net 58% of respondents are still expecting house prices to increase over the next year.

- House prices in Australia have been rising at a fast clip since the beginning of the Covid-19 pandemic, increasing in the last quarter, on average, by $52,600 - to reach $835,700.

  ABC News said (14/09/21):

  Australian house prices are now 19% higher than they were before the pandemic, but the Reserve Bank of Australia won't be lifting interest rates to dampen them.

  RBA governor Philip Lowe said he had said it before, but it was not the role of monetary policy to target house prices.

  Dr Lowe said that he was only likely to increase interest rates when inflation is comfortably within the 2 to 3% range and wages are growing by 3% or more.

- In our previous newsletter, we mentioned the unsustainable debt issues of monolithic Chinese property company Evergrande, which was once the largest property company in the world.

  According to Reuters (16/09/21):

  International investors that have been piling into China in recent years are now bracing for one of its great falls as the troubles of over-indebted property giant China Evergrande come to a head.

The developer's woes have been snowballing since May. Dwindling resources set against 2 trillion yuan (US $305 billion) of liabilities have wiped nearly 80% off its stock and bond prices and an $80 million bond coupon payment now looms next week.

Associated Press said (15/09/21):

Evergrande ran into a cash crunch after its borrowings to build apartments, office towers and shopping malls collided with pressure from the ruling Communist Party to reduce corporate debt loads that are seen as a threat to the economy.

Analysts believe the bigger picture is that if Evergrande - which has more than 1,300 real estate projects in over 280 cities - does topple, it will firmly dispel the idea that some Chinese firms are too big to fail. The group has about 80,000 investors and hundreds of them recently arrived at their Shenzhen headquarters, demanding their money back.

John Ryder and Devon Ashby