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Instant Thoughts

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Easing Is as Easing Does

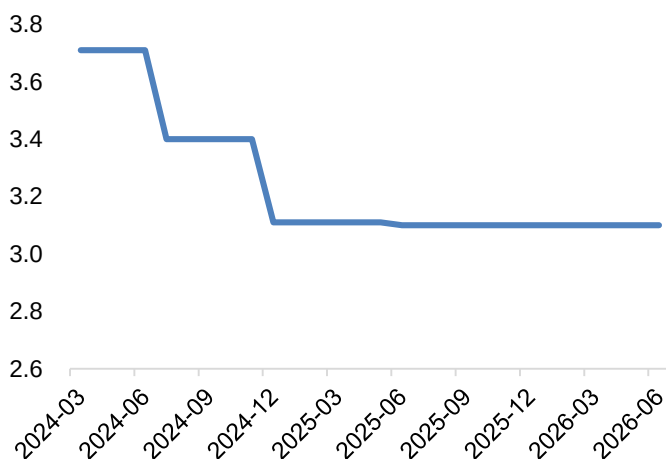
- The Ministry of Finance, PBoC & NFRA announced that first-time homebuyers will receive an interest subsidy equal to 1 percentage point of the outstanding loan principal per annum.
- While the mortgage rate is still running above the 2.3% rental yield among 50 cities, the inviting measure removes the significant downside risk, as seen through early 2026.
- To get away from the ennui of opening floodgate without exposing to the dangers of tardiness, policymakers deftly chose to cut the PSL (Pledged Supplementary Lending) rate by 25bp to 1.5% for strategic sectors.
- Faster funding mobilization could increase the sensitivity of the market to any change in narrative.

People often read housing headlines with a mixture of hope and anxiety. It's exactly why property policy toolkit becomes an all-encompassing lever for both patriots and pragmatists.

Shortly ahead of the week-long National Day Holiday, the Ministry of Finance, PBoC & NFRA announced that first-time homebuyers will receive an interest subsidy equal to 1 percentage point of the outstanding loan principal per annum. Mortgages with gross floor area not exceeding 120 square metres and purchase price below CNY1.5mn are eligible for the subsidy program.

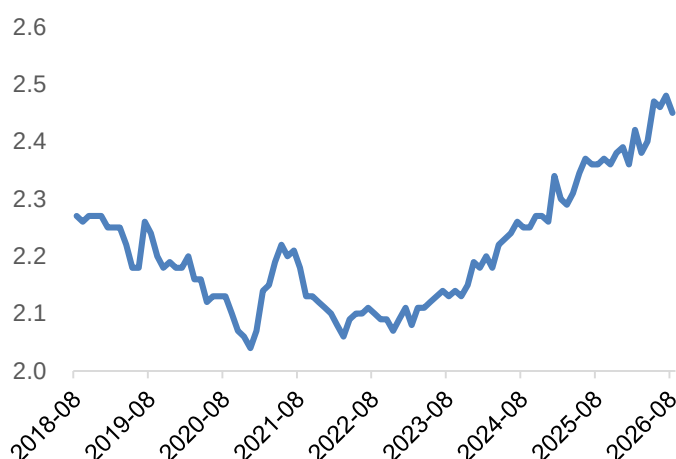
Capping the grace period at five years, the handouts effectively cut the 30-year mortgage rate from 3.1% to 2.9%. While the mortgage rate is still running above the 2.45% rental yield among 100 cities, the inviting measure removes the significant downside risk, as seen through the past couple of years. Perhaps the time is ripe to start assembling evidence of what a bottom might look like.

Exhibit 1: Mortgage Rate (%)



Source: Wind, Shanghai Commercial Bank

Exhibit 2: Residential Rental Yield (% , 100 Cities)



Source: Wind, Shanghai Commercial Bank

Easing is sandwiched, as it were, between inclusion and timeliness. Off-the-shelf stimulus grows numb with repetition, as does a broad-brush cut in reserve ratio. Dispensation of consumption vouchers requires stringent circumspection. Investors frown upon tardiness. So to get away from the ennui of opening the floodgates without exposing themselves to the dangers of tardiness, policymakers choose to surgically cut the PSL (Pledged Supplementary Lending) rate by 25bp to 1.5% for strategic sectors, with the CNY2trn "six networks" projects included. Faster funding mobilization could increase the sensitivity of the market to any change in narrative.

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