

Citadel's Ken Griffin optimistic on growth in China



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Billionaire investor Ken Griffin said China could prop up the global economy this year, helping avert an “ugly” slowdown in growth if the US suffers a recession.

Speaking to the Financial Times on his first visit to Hong Kong since the Covid-19 pandemic, Griffin said he was optimistic China could beat its growth target.

“Why might one be optimistic on China? They’re very clearly putting economic growth back at the top of their priority list,” said Griffin, founder of the US hedge fund Citadel and market maker Citadel Securities.

China’s growth had been tipped to roar back after disruptive Covid-19 restrictions were fully lifted in December. But the initial surge in global appetite for Chinese stocks that accompanied reopening has since waned, reflecting weak data on industrial output, manufacturing activity and the property sector.

The economy posted year-on-year growth of 4.5 per cent in the first quarter, but that pace trailed the government’s relatively modest annual target of 5 per cent — already its lowest in decades.

Chinese equities are flat so far this year. By contrast, investors have snapped up shares in the rest of Asia where stock markets in Japan, South Korea and Taiwan have notched up double-digit gains, often in excess of 20 per cent. A Bank of America survey on Tuesday showed fund managers continue to revise down their growth expectations for China.

But Griffin remained optimistic that the country could deliver sustained growth, potentially lining it up to bail out the global economy as the US grapples with the threat of recession.

“My economists think China’s GDP growth may be better than expected this year, and I hope they’re right,” said Griffin, whose \$54bn-in-assets firm runs global macro portfolios among its other strategies.

“That would go a long way towards helping the US achieve a soft landing. If China hits a speed bump as US consumer spending stops, that would be a really ugly one-two punch,” he added.

Griffin said that China remained an essential destination for global investors and one of two central sources of global innovation along with the US. “China is really important to investors because so much of what’s going to change [globally] is being driven by what’s happening here,” he said.

Citadel and Citadel Securities are expanding in Asia with new Tokyo offices. Growing capital flows in the region had created a “plethora of opportunities” for market making, Griffin said.

“Every country is its own story — for example, in Japan the story is improving corporate governance and focusing on shareholder returns. In China, the story is the unbelievable size the market has become, combined with innovation that create opportunities.”

Although markets have stabilised, Griffin - whose firm has developed an expertise in weather forecasting - said there were still opportunities, with the push towards renewables creating “dislocations in commodity markets around the world”.

He said Europe had been fortunate with its weather last winter, which reduced demand for energy more than he had expected, but warned a cold snap could still have “brutal consequences”.

“We’re always looking at how the grid is being reshaped, how that’s going to change the flow of electrons, how it’s going to change the flow of natural gas, and where on the holistic network are prices wrong?”

In the US, Griffin said he anticipated inflation would remain sticky unless the Federal Reserve was willing to accept higher unemployment to drive it down.

“Inflation’s definitely coming down now but we’re not heading to 2 per cent quickly, we’re heading to 3 per cent,” he said. “And with wage growth as strong as it is, it’s going to be hard to get better than the low threes.”