

Market Bulletin

Monday 31 August, 2015 (Issue 17)

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- The CFFEx Takes Further Actions to Restrain the Excessive Speculation
- Pension Funds Gain Access to the Stock Market
- China's Central Bank Cuts Rates, Reserve Ratio
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- Premier Says Yuan to Remain Stable
- Jin Chosen as Official Candidate for AIB President
- Leasing Firms Told to Smooth Financing
- China Removes Regulation on Loan-to-Deposit Ratio

Key Indices



Market Review

Last week, Shenzhen Component Index tumbled 9.3% to 10800.0 points. SME Index closed at 7293.5 points after losing 8.9%. ChiNext Index was down 11.1% to 2082.1 points. Total turnover for stocks and funds on SZSE was US\$292.5 billion, or a 32.4% decrease from the week before.

All sector indices were lower than previous week. Sector indices with the biggest drops were IT, transportation and logistics and mining.

Top 3 gainers were Chengdu Hi-tech (000628), Shengxing Group (002752) and Shandong Qixing (002359). Top 3 decliners were Shandong Jinling (000655), Kelin Environmental Protection Equipment (002499) and Xiamen Meiya (300188). The most active stocks for the last week were Suning Commerce (002024), East Money (300059) and Cofco Property (000031).

Market News

CSRC Tackles Illegal Operations

The CSRC has submitted a new batch of 22 cases of suspected illegal stock market operations, involving suspected market manipulation, insider trading, fake information and illicit business to the Ministry of Public Security in order to stabilize the market and protect the right of investors. CSRC spokesman also revealed that CSRC chairman Xiao Gang has presided over a meeting about discipline inspections attended by the heads of securities exchanges as well as their affiliated companies and institutions.

The CFFEx Takes Further Actions to Restrain Excessive Speculation

The China Financial Futures Exchange (CFFEx) on August 28 announced two new measures, in order to further restrain excessive speculation of stock index futures market, including raising security deposit of the stock index futures non-hedging contract to 30% of the contract value, and regarding daily transactions that trade over 100 contracts on a single product as unusual transaction.

Pension Funds Gain Access to the Stock Market

China's pension funds, which account for about 90% of the country's social security fund pool, had net assets of RMB 3.5 trillion (US\$582 billion) by the end of last year. The vast funds were previously only allowed to be deposited in banks or invested in Treasury bonds. After the Cabinet gave final approval on August 23 to allow pension funds access to the stock market, up to RMB 600 billion (US\$97 billion) could be channeled into China's equity market. According to the finalized rules published by the State Council, these funds will be able to invest up to 30% of their net assets in the stock market, equity funds and balanced funds.

For data products and services based on Shenzhen market, please contact Shenzhen Securities Information Company.

Tel: +86-755-83241251

Email: index@cninfo.com.cn

Market at a Glance

SZSE Market Statistics (28 August, 2015)	
No. of Listed Companies	1729
Market Cap.(US\$ Bn)	2824.9
Free-float Market Cap.(US\$ Bn)	2033.9
Average P/E Ratio	41.09
For the Year of 2015	
Turnover Value(US\$ Bn)	14544.4
-Stock	13058.8
-Main Board	5060.2
-SME Board	5158.5
-ChiNext	2840.1
-Fund	640.4
-Bond	845.2
Daily Turnover Ratio(%)	4.10
Total Fund Raised by Equity (US\$ Bn)	50.8
No. of IPO	114

*Currency ratio used : 1 USD=6.39 CNY

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China's Central Bank Cuts Rates, Reserve Ratio

The PBOC cut its benchmark deposit and lending rates by 25 basis points on August 26 in an attempt to further ease the debt burden of enterprises amid weak economic growth. The one-year deposit rate fell to 1.75%, and the lending rate dropped to a record low 4.6%. The central bank also cut the reserve requirement ratio by 50 basis points for all financial institutions from September 6, to ensure sufficient liquidity in the banking sector.

China's Central Bank Pumps More Money into Market

The PBOC conducted RMB 150 billion (US\$23.4 billion) of seven-day reverse repo on Aug 27. The reverse repo was priced to yield 2.35%, down from the 2.5% yield. Following the cash injection, in interbank market, the benchmark overnight Shanghai Interbank Offered Rate (Shibor) dropped by 2.7 basis points to 1.759 %.

China Removes Regulation on Loan-to-Deposit Ratio

National People's Congress Standing Committee has voted to remove a 75% loan-to-deposit ratio stipulation on August 29th. According to the amendment which will take effect on October 1st, the ratio will instead be regarded as a liquidity-monitoring indicator.

Police Summon 11 in Shares Probe

Police have summoned 11 people to assist their investigations into illegal stock market activities, as the government targets volatility on the exchanges. Police are probing 8 employees of state-owned CITIC Securities over illegal securities trading, 2 people linked to CSRC over insider trading and forging official document stamps, and a financial journalist from Caijing business magazine over spreading false trading information.

Premier Says Yuan to Remain Stable

Premier Li Keqiang said on August 25 that the yuan will "remain basically stable" and in equilibrium. Li said China recently improved its system of setting the daily yuan reference rate against the US dollar—part of the effort to better reflect global market developments. He added that the adjustment was part of China's ongoing reform efforts. There is no longer any basis for continued depreciation of the renminbi, he said.

Jin Chosen as Official Candidate for AIIB President

The 6th Chief Negotiators' Meeting on establishing the *Asian Infrastructure Investment Bank (AIIB)* agreed on Monday to name Jin Liqun, as the official candidate for the bank's president. Mr. Jin once served as China's vice finance minister, vice president of the Asian Development Bank, chairman of the Supervisory Board of China Investment Corp, and board chairman of China International Capital Corp Ltd.

Leasing Firms Told to Smooth Financing

The government will take several measures for leasing industry to facilitate financing and bolster the real economy, according to a State Council executive meeting presided over by Premier Li Keqiang. The meeting demanded less red tape, highlighted the need for structural adjustment, emphasized better use of the "Internet Plus" and strengthened policy support.