

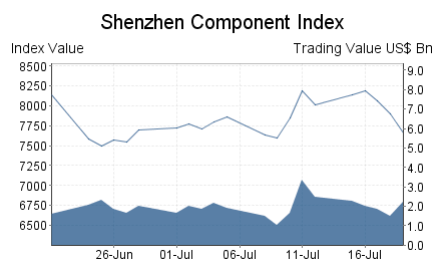
Market Bulletin

Monday 22 July, 2013 (Issue 9)

Highlights

- PBC Lifts Controls over Interest Rates
- Securities Law to be Amended
- M&A Transactions Set Historical High
- Fund Sector Reports Profit Loss
- SZSE Dedicated to Serving SMEs
- China to Issue RMB 30 Billion T-bonds
- China's FDI Surges in June
- China's US Debt Holdings Hit Record
- Banks' WMP Approaches RMB 10 Trillion

Key Indices



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 Review

Major indices mixed on Shenzhen market from 15 to 19 July. Shenzhen Component Index retreated 4.4% and closed at 7664.0 points. SME Index closed at 4680.7 points after losing 0.2%. ChiNext Index remained its upward trend and closed at 1116.0 points with a 1.8% increase. Total turnover for stocks and funds on SZSE was US\$ 92.7 billion, or a 20.9% increase from the week before.

6 sector indices were higher than previous week, and 10 were lower. Sector indices with the biggest gains were culture & media, IT and R&D support. Sector indices with the biggest drops were real estate, mining and finance. Top 3 gainers were Wasu Media (000156), Blue Silver Automatic Equipment (300293) and Zhejiang Netsun (002095). Shenhuaxin (000010), Twin Tower Aluminum Oxide (000795) and Xinlong Electrical (002298) were the Top 3 decliners. The most active stocks for the last week were Hong Yuan Securities (000562), Vanke (000002) and Ping An Bank (000001).

Market News

PBC Lifts Controls over Lending Interest Rates

People's Bank of China (PBC) announced last Friday to allow financial institutions to decide their own lending rates following commercial principles since 20 July. Controls on bill discount rates and the ceiling lending limit for rural banks will be simultaneously canceled. But lending interest rates limit for personal homes will not be adjusted.

Securities Law to be Amended

CSRC has organized a special team to study on amending the Securities Law. The team is scheduled to collect market opinions by the end of July and submit the proposal to the NPC in 2014. The amendment this time focuses on 10 subjects such as definition of securities, issuance and trading of securities, listed companies' merger and acquisition, securities exchange and so on.

2013 First Half M&A Transactions Set Historical High

According to statistics of Zero2IPO, altogether 406 M&A deals took place in the first half of 2013. Among them, 383 disclosed a total transaction amount of US\$40.3 billion, increasing 24.1% or 121.0% compared with the first and second half of last year respectively, setting a historical high.

Fund Sector Reports Profit Loss in Q2

According to TX Investment Consulting, for the second quarter, equity fund reported a loss of RMB 45.4 billion (US\$ 7.3 billion), topping the deficit ranking. Mix fund followed with a deficit of RMB 6.4 billion (US\$ 1.0 billion). Amid the tumble in emerging markets of Asia Pacific region, QDII funds lost over RMB 4 billion (US\$ 0.6 billion) in Q2.

Market at a Glance

SZSE Market Statistics (19 July, 2013)	
No. of Listed Companies	1537
Market Cap.(US\$ Bn)	1238.6
Free-float Market Cap.(US\$ Bn)	851.3
Average P/E Ratio	24.35
For the Year of 2013	
Turnover Value(US\$ Bn)	2394.8
-Stock	1937.8
-Main Board	774.8
-SME Board	800.3
-ChiNext	362.7
-Fund	53.4
-Bond	403.6
Daily Turnover Ratio(%)	1.61
Total Fund Raised by Equity (US\$ Bn)	17.9
No. of IPO	0

*Currency ratio used : 1 USD=6.18 CNY

SZSE Dedicated to Serving SMEs and the Real Economy

Small, medium and micro-sized enterprises contribute 80% of jobs, 60% of GDP and 50% of tax revenue to China's economy, but they obtain only about 20% of loans. As part of SZSE's efforts of serving small and micro-sized enterprises, SZSE takes pains in promoting Asset-Backed Securitization and SME Private Placement Bonds to provide direct financing channels. Recently, SZSE launched *Alibaba No.1-10 Special Asset Management Plan*, a new ABS based on loans to small and micro-sized enterprises and the first of its kind. By the end of June, 157 SME Private Placement Bonds had went through the registration formalities and 107 had been issued with proceeds raised reaching RMB 12.1 billion(US\$ 2.0 billion). SZSE takes pains to construct the upgraded version of a multi-tiered capital market in order to better serve the real economy.

SZSE Reduces Examination and Registration Items

Recently, SZSE completed the 3rd round of reduction of examination and registration items, eliminating 48% of total items to 16, covering all SZSE's daily business in market organization and supervision. The number of examination items was reduced from 15 to 8, decreasing 46%; and that of registration items from 16 to 8, dropping 50%.

China to Issue RMB 30 Billion T-bonds

The Ministry of Finance announced last Wednesday to float another RMB 30 billion (US\$ 4.9 billion) in book-entry treasury bonds as part of an issuance that began in May. The new bonds will be priced at RMB 98.02 for each bill with a par value of RMB 100.

China's FDI Surges in June

The Ministry of Commerce said that China's foreign direct investment (FDI) marked a 20.12% increase in June to US\$ 14.39 billion, being a significant surge compared with the 0.29% Y-o-Y increase seen in May. In the first half of 2013, China's FDI totaled US\$ 61.98 billion, a 4.9% Y-o-Y growth. Direct investment from the European Union and the United States jumped 14.68% and 12.29% respectively.

China's US Federal Debt Holdings Hit Record

According to U.S. Department of the Treasury, the federal debt held by China, the biggest foreign creditor to the U.S., reached a record of US\$1.32 trillion. China bought US\$25.2 billion in U.S. Treasury notes and bonds in May. Thus its holdings accounted for 23.2% of all foreign holdings of US federal debt, compared to 22.3% in April.

RMB Cross-border Trade Transactions Account for 11%

According to Bank of China, the current use of RMB takes a proportion of 11% in cross-border trade transactions, which is 817 times the scale of 2009 when the pilot programme came into a national practice. HSBC predicts that RMB will become the world's top three settlement currencies in cross-border trade by 2015.

Industry News

Banks' Outstanding WMP Approaches RMB 10 Trillion

Official from China Banking Regulatory Commission revealed that by the end of June, the amount of banks' outstanding wealth management product (WMP) reached RMB 9.85 trillion (US\$ 1.59 trillion), a sharp contrast to RMB 500 billion (US\$ 80.9 billion) recorded in 2007.

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