

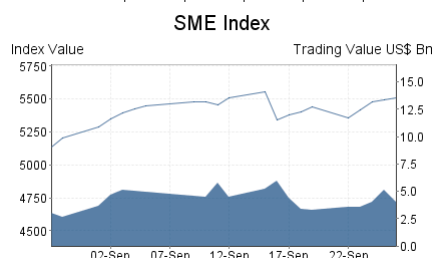
# Market Bulletin

Monday 29 September, 2014 (Issue 32)

## Highlights

- All RQFII Quotas Granted in Hong Kong
- China HSBC Flash PMI Up to 50.5
- Chinese Yuan Ranks Seventh In Global Trade
- CSRC Issues New Rules for Asset-backed Securities
- PBC Official Confirms CIPS to be Launched in Shanghai
- Total Market Capitalization of NEEQ near RMB 300 Billion
- Small and Micro-sized Companies Enjoy Tax Redemption
- Investors' Enthusiasm for Credit Trading Buoyed
- Fees for Opening A share Accounts Cut by 56%
- SZSE Releases Two Debt Indices

## Key Indices



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## Market Review

Last week, Shenzhen Component Index stood at 8072.9 points after adding 0.3%. SME Index edged up 1.3% to 5509.8 points. ChiNext Index advanced 0.8% to 1511.4 points. Total turnover for stocks and funds on SZSE was US\$154.1 billion, or a 4.7% decrease from the week before.

14 sector indices were higher than previous week, and two were lower. Sector indices with the biggest gains were finance, R&D support and construction. The only two sector indices that fell over the last week were conglomerates and environmental services.

Top three gainers were Chinascholars Group (000547), Xi'an Tian He (300397) and Baolilai Investment (000008). Top three decliners were China Greatwall (000066), Chengdu Leejun (002651) and Shanxi Baiyuan (002640). The most active stocks for the last week were Changjiang Securities (000783), Suning Commerce (002024) and Hunan Friendship&apollo (002277).

## Market News

### All RQFII Quotas Granted in Hong Kong

By 26 September, the State Administration of Foreign Exchange (SAFE) has approved of RMB 283.3 billion (US\$ 46 billion) in total for RQFII quotas. Within the amount, Hong Kong received RMB 270 billion (US\$ 43.9 billion), which means RQFII quotas granted to Hong Kong have all been allocated. Singapore and Britain received RMB 5.2 billion (US\$ 846 million) and RMB 8.1 billion (US\$ 1.3 billion) respectively. In a conference on 25 September, the SAFE said foreign investors have shown increasing interest in A Shares because of the Shanghai Hong Kong Stock Connect program. The SAFE is studying with other authorities to expand the RQFII scheme.

### China HSBC Flash PMI Up to 50.5

The HSBC/ Markit Flash China Purchasing Managers' Index (PMI) rose to 50.5 in September from August's final reading of 50.2, higher than the market expectation of 50. Market analysis says the unexpected increase suggests a modest increase in activity among the small- and medium-sized businesses.

### Chinese Yuan Ranks Seventh In Global Trade

The Chinese Renminbi has maintained the seventh most used currency for trade worldwide, as the global adoption of Renminbi has increased 35% in 2014, said SWIFT. The rise of Renminbi is being led by a 105% increase in European payments in that currency to markets in China and Hong Kong. Of all international flows sent from and received directly by China and Hong Kong, 40% were settled in Renminbi in July 2014, up from 26% in July 2013, while 44% of international flows between France and China/Hong Kong were settled in Renminbi in July 2014, up from 36% in July 2013.

## Market at a Glance

SZSE Market Statistics (26 September, 2014)	
No. of Listed Companies	1595
Market Cap.(US\$ Bn)	1875.5
Free-float Market Cap.(US\$ Bn)	1376.0
Average P/E Ratio	30.92
For the Year of 2014	
Turnover Value(US\$ Bn)	4479.3
-Stock	3633.8
-Main Board	1167.2
-SME Board	1610.4
-ChiNext	856.2
-Fund	66.0
-Bond	779.5
Daily Turnover Ratio(%)	1.68
Total Fund Raised by Equity (US\$ Bn)	45.1
No. of IPO	59

\*Currency ratio used : 1 USD=6.15 CNY

## Notice

Due to National Holiday in China, the Market Bulletin will not be issued on 6 October, 2014. Market news will be summarized into the issue on 13 October, 2014.

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## CSRC Issues New Rules for Asset-backed Securities

The CSRC unveiled new ABS rules last week. Highlights include focuses on information disclosure on underlying assets; the scope of business entities was also expanded from purely securities firms to subsidiary companies of asset firms; a filing requirement as a tool for managing securities self-regulatory organizations was adopted, while real-time and ex post supervisions was strengthened. The CSRC had abolished the administrative review of asset securitization in February 2014.

## PBC Official Confirms CIPS to be Launched in Shanghai

Liu Shiyu, the Vice Governor of PBC, confirmed on 25 September that the Chinese Renminbi cross-border payment system (China International Payment System, referred to as the CIPS) has achieved significant progress and will be launched in Shanghai. The central bank has decided to develop the CIPS back in 2012, aiming to meet the increasing demand for RMB internationalization and cross-border RMB payment and clearing.

## Total Market Capitalization of NEEQ near RMB 300 Billion

Securities Daily reported that the total number of companies quoted on the NEEQ reached 1,134 and the market capitalization hit RMB 296 billion (US\$ 48 billion) as of 19 September. The market has been greatly activated since the introduction of the market-maker scheme.

## Small and Micro-sized Companies Enjoy Tax Redemption

Latest Data from the State Bureau of Taxation showed that for the first half of 2014, small and micro-sized companies have enjoyed a total amount of tax redemption of RMB 3.7 billion (US\$ 602 million). The government increased the tax payable from RMB 60,000 to RMB 100,000 in 2014, which benefited 73.9% of small and micro-sized enterprises. On 24 September, Premier Li Keqiang said that the State Council will further promote the development of small and micro-sized enterprises.

## Investors' Enthusiasm for Credit Trading Buoyed

According to latest statistics, balance of margin trading and short sales exceeds RMB 600 billion (US\$ 98 billion), marking a rapid growth since early this year. A pilot program launched in March 2010, credit trading only allowed investors for margin trading at the very beginning. The business was expanded and routinized in 2011, while short sales mechanism was introduced. The following years witnessed continuous growth in both position opening value and balances.

## Fees for Opening A share Accounts Cut by 56%

From 8 October, a new fee schedule will be enacted for A share accounts. Fees for opening A Share accounts dropped 56% under the new fee schedule. As part of reform on accounts system, China clear is accelerating development of "Unified Securities Passbook" and will at a proper time allow investors to open several securities accounts under one investor ID.

## SZSE Releases Two Debt Indices

In order to reflect the characteristics of the overall operation of the Shenzhen market different credit debts, the SZSE and its subsidiary Shenzhen Securities Information Company released two indices on 25 September. SZSE Medium-and-high Credit Index and SZSE Medium-and-low Credit Index, which combine the feature and market standard of credit bonds, intensify the credit risk management in the index design, and meet the bond indexation investment needs of investors of different risk preferences.