

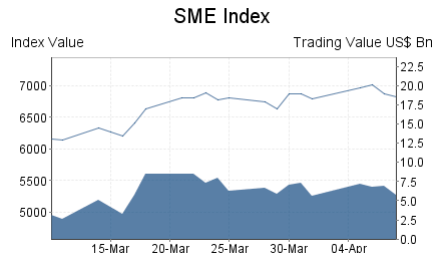
Market Bulletin

Monday 11 April, 2016 (Issue 11)

Highlights

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- China's Finance Ministry Says Credit Downgrade off Target
- Traditional, Emerging Industries Post Diverging Results as Economy Shifts
- China Starts to Release Forex Reserves in Special Drawing Rights
- Forex Reserve Rise Eases Economy Fears
- Central Bank Drains Money from Market
- Consumer and Home Prices to Rise
- MSCI Eyes 3rd Time Lucky for Inclusion of A-Shares
- More Lock-up Shares Eligible for Trade
- China Ranks Top in Announced M&A Deals in Q1
- Private Equity Investment Recovers in March
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Key Indices



Market Review

Last week, Shenzhen Component Index stood at 10413.5 points after adding 0.3%. SME Index edged up 0.5% to 6830.4 points. ChiNext Index advanced 1.1% to 2229.9 points. Total turnover for stocks and funds on SZSE was US\$274.2 billion, or a 10.3% decrease from the week before.

11 sector indices were higher than previous week, and 5 were lower. Sector indices with the biggest gains were conglomerates, transportation and logistics and wholesale & retail. Sector indices with the biggest drops were finance, farming, forestry and aquaculture and mining.

Top 3 gainers were Changsha Jingjia Microelectronics (300474), Shenzhen Tatfook Technology (300134) and Tongyu Communication (002792). Top 3 decliners were Changzhou Almaden (002623), Guangzhou Friendship (000987) and Shanghai New Culture Media Group (300336). The most active stocks for the last week were Western Securities (002673), Beijing Baofeng Technology (300431) and Do-fluoride Chemicals (002407).

Market News

China Seeks Breakthroughs in Manufacturing Upgrading

China's State Council passed a plan to improve the standards and quality in equipment manufacturing on April 6. China will accelerate research and development of key technology, including robotics, rail equipment, agricultural machinery and high-end medical devices. By 2020, over 90% of the manufacturing standards in key areas should be made in line with global criteria, up from the current 70%.

China's Finance Ministry Says Credit Downgrade off Target

The Finance Ministry expressed disapproval on April 8 over Standard & Poor's recent downgrade of China's credit outlook, saying the worries were "unnecessary". The vice-minister of finance Shi Yaobin claimed in a formal statement that "rating agencies have overestimated the difficulties the economy faces and underestimated the ability of the Chinese government to press ahead with reforms and tackle risks."

Traditional, Emerging Industries Post Diverging Results as Economy Shifts

Chinese listed firms in traditional and emerging industries posted diverging results for 2015 as the country shifts its economic gears in the face of continued slowdown. By April 4, 104 out of 1,303 companies had reported losses for 2015, with over 70% of them in manufacturing and the remainder mainly in property and extractive industries. Meanwhile, firms in emerging and high-tech sectors reported stellar growth for 2015. The output of emerging industries is expected to account for 15% of GDP by 2020, up from the current 8%.

China Starts to Release Forex Reserves in Special Drawing Rights

China on April 7 started to release its foreign-exchange reserve data denominated in Special Drawing Rights (SDR), along with the US dollar. According to a statement by the PBOC, SDR boasts stable exchange rates and

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Market at a Glance

SZSE Market Statistics (08 April, 2016)

No. of Listed Companies	1761
Market Cap.(US\$ Bn)	3107.7
Free-float Market Cap.(US\$ Bn)	2163.1
Average P/E Ratio	41.29
For the Year of 2016	
Turnover Value(US\$ Bn)	3882.7
-Stock	3301.2
-Main Board	932.6
-SME Board	1460.2
-ChiNext	908.3
-Fund	93.7
-Bond	487.9
Daily Turnover Ratio(%)	2.46
Total Fund Raised by Equity (US\$ Bn)	40.7
No. of IPO	15

*Currency ratio used : 1 USD=6.46 RMB

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can help evaluate the reserves more objectively. Reserves stood at USD 3.21 trillion or 2.28 trillion SDR at the end of March.

Forex Reserve Rise Eases Economy Fears

According to the PBOC on Apr 7, China's foreign exchange reserves increased by USD 10.26 billion to top USD 3.21 trillion in March, which eased fears of a downward spiral of capital outflows and yuan weakness. The positive change followed five consecutive monthly declines, including a record slump of USD 108 billion in December 2015 and USD 99.4 billion decline in January.

Central Bank Drains Money from Market

The PBOC drained money from the market as a liquidity strain eased last week. It conducted RMB 120 billion (USD 18.55 billion) of seven-day reverse repurchase agreements (repo) from April 4 to April 8. The central bank ended up draining a net RMB 275 billion (USD 42.51 billion) from money markets last week, as reverse repos of RMB 395 billion (USD 61.06 billion) matured.

Consumer and Home Prices to Rise

According to the National Development and Reform Commission, China's consumer prices and home prices may accelerate this year while more companies might go bankrupt as slower economic growth weighs on employment and income increase. But inflation is expected to remain mild amid a challenging economic slowdown and falling global commodity prices.

MSCI Eyes 3rd Time Lucky for Inclusion of A-Shares

According to UBS Securities, the global provider of financial indices MSCI Inc. is "more likely" to include China's yuan-denominated A-shares in its global benchmarks this year after the government eased curbs on foreign investment in the securities markets. A decision will be known in June.

More Lock-up Shares Eligible for Trade

According to Southwest Securities, lock-up shares worth about RMB 15.3 billion (USD 2.36 billion) will become eligible for trade on China's stock market in this week, which is larger than the previous week's RMB 8.02 billion (USD 1.24 billion). Over 1.74 billion shares from 13 companies will become tradable on the Shenzhen and Shanghai stock exchanges from Monday to Friday.

China Ranks Top in Announced M&A Deals in Q1

According to Dealogic, China becomes the world's largest acquirer in terms of the value of outbound merger and acquisition (M&A) deals in the first quarter, with a record high of USD 92.2 billion announced deals in January to March, accounting for 30% of the world total. The largest deal revealed was made by state-owned conglomerate China National Chemical Corp, which agreed to pay USD 43 billion to buy Swiss agricultural group Syngenta.

Private Equity Investment Recovers in March

According to Zero2IPO Research Center, investments made by venture capital and private equity funds in China recovered in March, lifted by a robust momentum in the service industry. The number of settled deals rose 120.9% from a month earlier to 338 last month, recovering from a 38% decline in February. The value of 295 deals that have disclosed transaction figures totaled USD 5.8 billion, a 37% rise from a month earlier.

AiIB Open to New Members

A spokesperson with the foreign ministry on April 7 reiterated that the Asian Infrastructure Investment Bank (AIIB) is an open and inclusive multilateral development organization, and will admit new members based on its Articles of Agreement. China will be pleased by AIIB's growth, which will allow it playing a bigger role in promoting global economic recovery, regional infrastructure construction and interconnection, to the benefits of more countries.