

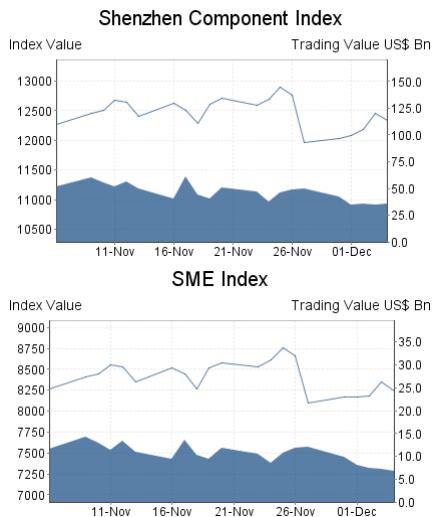
# Market Bulletin

Monday 07 December, 2015 (Issue 28)

## Highlights

- **Circuit Breaker Set to Start in 2016**
- **CSRC to Enhance Supervision of Inspection on Securities, Futures Markets**
- **China Manufacturing PMI Dips in November, Services Shine**
- **SOEs Face Headwinds as 21% Witness Profits Decline in Q3**
- **RMB Goes Global, SDR Entry Milestone**
- **PBOC Dismisses Worries on Yuan's Devaluation after Joining SDR**
- **Premier Li Promises More Structural Reforms**
- **China to Take Bigger Steps on Opening up Its Financial Market**
- **PBOC Plans Pilot Programs to Stabilize Growth and Attract Investors**
- **Premier Li Flags Closer Ties Between Hong Kong and Guangdong Zone**
- **NDRC Streamlines Issuance of Certain Corporate Bonds**

## Key Indices



## Market Review

Last week, Shenzhen Component Index stood at 12329.2 points after adding 3.1%. SME Index edged up 1.7% to 8235.2 points. ChiNext Index advanced 1.6% to 2692.2 points. Total turnover for stocks and funds on SZSE was US\$405.4 billion, or a 20.2% decrease from the week before.

All sector indices were higher than previous week. Sector indices with the biggest gains were real estate, finance and farming, forestry and aquaculture.

Top 3 gainers were Anshan Heavy Duty Mining Machinery (002667), Chongqing New Century Cruise (002558) and Shenzhen Tempus Global. Top 3 decliners were Shenzhen Feima International Supply Chain (002210), Sunbird Yacht (300123) and Jiangsu Youli (000584). The most active stocks for the last week were China Vanke (000002), East Money Information (300059) and Gree Electric Appliances (000651).

## Market News

### Circuit Breaker Set to Start in 2016

With approval from the CSRC, the Shenzhen and Shanghai stock exchanges and China Financial Futures Exchange issued regulations on the circuit breaker mechanism on Dec. 4. The mechanism will be launched on Jan. 1, 2016 to curb wild swings in the stock market. The system will follow changes in the CSI 300 Index, which reflects the performance of Shenzhen and Shanghai stock exchanges. The latest draft shortened the suspension time from half an hour to 15 minutes when the index rises or falls by 5%. If the index changes by 5% after 2:45 p.m., or if the index rises or falls by 7%, trading will be suspended until 3 p.m., the closing time for daily trading.

### CSRC to Enhance Supervision of Inspection on Securities, Futures Markets

The CSRC issued new rules introducing third-party supervision in investigations of illegal practices on the stock and futures market in ten government branches on Dec. 4. The CSRC also delegated its investigation duties to the Shenzhen and Shanghai Stock Exchanges while the CSRC maintained its penalty power.

### China Manufacturing PMI Dips in November, Services Shine

China's factory activity hit a 39-month low in November as domestic and international demand remained sluggish, but the services sector shone. The manufacturing purchasing managers' index (PMI) came in at 49.6 in November, down from 49.8 in October. The PMI for the non-manufacturing sector rose to 53.6 from 53.1 in October.

### SOEs Face Headwinds as 21% Witness Profits Decline in Q3

China's state-owned enterprises are suffering from continued headwinds amid a slowing economy. About 21% of the country's listed SOEs, their subsidiaries included, saw profit losses in the first three quarters, with the worst 10 losing about RMB 13.5 billion. Those in industries such as steel, coal, shipping and non-ferrous smelting are worst-hit.



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## Market at a Glance

SZSE Market Statistics (04 December, 2015)	
No. of Listed Companies	1729
Market Cap.(US\$ Bn)	3470.2
Free-float Market Cap.(US\$ Bn)	2443.4
Average P/E Ratio	49.98
For the Year of 2015	
Turnover Value(US\$ Bn)	19709.7
-Stock	17745.9
-Main Board	6492.0
-SME Board	7152.2
-ChiNext	4101.7
-Fund	741.6
-Bond	1222.2
Daily Turnover Ratio(%)	3.96
Total Fund Raised by Equity (US\$ Bn)	73.9
No. of IPO	115

\*Currency ratio used : 1 USD=6.39 CNY

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## RMB Goes Global, SDR Entry Milestone

The IMF executive board has decided to include the Chinese currency, the yuan, to its Special Drawing Rights (SDR) basket, marking a milestone in the RMB global march and a vote of confidence in China's ongoing financial reforms. Effective from Oct. 1, 2016, the RMB will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the euro, the Japanese yen and the British pound. The RMB will have a weighting of 10.92 percent in the new SDR basket.

## PBOC Dismisses Worries on Yuan's Devaluation after Joining SDR

The vice governor of the PBOC Yi Gang said on Dec. 1 that "There's no ground for continued devaluation of renminbi as China's economy keeps growing at a speed of medium-to-high level with a huge trade surplus and ample foreign exchange reserve. In addition, both foreign and outbound direct investments are increasing".

## Premier Li Promises More Structural Reforms

Premier Li Keqiang said on Dec. 3 that China will intensify structural reforms on both the supply and demand sides in 2016 to prompt steady growth. On the supply side, China should maintain structural tax reductions to boost the service and advanced manufacturing sectors, to support small enterprises, and to push forward entrepreneurship and innovation. On the demand side, China will continue to guide and stimulate consumption needs by providing better merchandise, services and encourage consumption in the information, tourism and green sectors.

## China to Take Bigger Steps on Opening up Its Financial Market

According to a statement released after the executive meeting of the State Council on Dec. 2, China is ready to intensify measures to open up its financial market by easing cross-border lending in pilot free trade zones, promoting greater use of the RMB in cross-border transactions and better convertibility of the capital account. Financial reforms will be pushed forward in a risk-controlled environment and more trials will be introduced.

## PBOC Plans Pilot Programs to Stabilize Growth and Attract Investors

PBOC will introduce diversified financial reform measures as pilot programs in five regions, including Guangdong, Zhejiang, Fujian, Jilin and Tianjin, to stabilize economic growth while further open the domestic market to overseas investors. The measures are designed based on different development levels and regional economic characteristics while controlling the potential risks, include encouraging small and micro enterprises in Zhejiang Province to raise funds through multiple channels, enhancing internet finance and agricultural insurance services in Jilin province, supporting renminbi's use in cross-border transactions in Guangdong, Fujian and Tianjin provinces.

## Premier Li Flags Closer Ties Between Hong Kong and Guangdong Zone

According to a statement released after a regular State Council meeting, China would encourage the Guangdong free-trade zone to deepen its ties with Hong Kong and Macau in conducting "innovative trials" in cross-border use of the yuan and in opening up the capital account.

## NDRC Streamlines Issuance of Certain Corporate Bonds

The National Development and Reform Commission (NDRC) published a new guideline governing the approval procedure for companies' debt sales on Dec. 2. According to the guideline, issuers of bonds rated AA+ or higher can skip a second review process and quotas are removed for AA issuers. The new rule is aimed at amid a slowing economy and the efforts to deepen a market-based reform in the finance sector.