

Market Bulletin

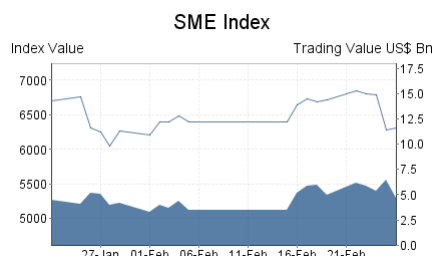
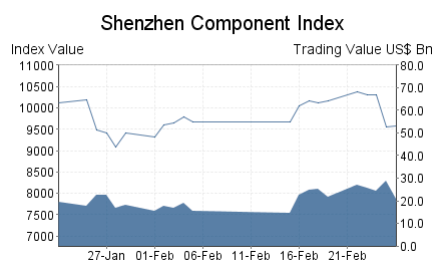
Monday 29 February, 2016 (Issue 5)

Highlights

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- 60% Listed Companies Forecast Rise in Net Profit
- Chinese Leadership Vows Stable Macro-economic Policies to Sustain Growth
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- PBOC Continues Fund Injection
- Banks to Be Given More Leeway in Pricing, Risk Valuation
- China Forex Settlement Deficit Continues
- China to Promote Service Trade Innovation in Pilot Areas
- China to Boost SOE Reform Pilots
- China to Allocate RMB 100 Bn for Job Losses From Capacity Cuts
- Bond Value Surges 117% in January

60% Listed Companies Forecast Rise in Net Profit

Key Indices



Market Review

Last week, Shenzhen Component Index tumbled 5.8% to 9573.7 points. SME Index closed at 6304.2 points after losing 6.1%. ChiNext Index was down 8.9% to 2014.9 points. Total turnover for stocks and funds on SZSE was US\$278.9 billion, or a 17.4% increase from the week before.

All sector indices were lower than previous week. Sector indices with the biggest drops were IT, R&D support and culture & media.

Top 3 gainers were Luyan (fujian) Pharma (002788), Shanghai Haishun New Pharmaceutical Packaging (300501) and Suzhou Institute Of Architectural Design (300500). Top 3 decliners were Fspg Hi-tech (000973), Shandong Laiwu Jinlei Wind Power Technology (300443) and Janus(dongguan) Precision Components (300083). The most active stocks for the last week were Guangdong Alpha Animation And Culture (002292), East Money Information (300059) and Wonders Information (300168).

Market News

SZSE Promulgates the Guidelines for Bond Business

The SZSE promulgates the Guidelines for Bond Business, which covers introduction to related business processes, application requirements, application materials or format requirements for contents of information disclosure before listing/transfer of corporate bonds. The Guidelines is to regulate the pre-approval, issuance and listing business of corporate bonds, and improve the information disclosure quality and standardized operation level of issuers and intermediary organizations.

60% Listed Companies Forecast Rise in Net Profit

Companies listed on the Shenzhen and Shanghai bourses are forecasted to announce divergent financial results for the first quarter (January-March) of this year and the entire last year. More than 60%, or 1,280 firms, of the 2,068 companies that released forecasts for 2015 annual results, said they anticipate more than 50% rise in their net profit. Some 775 companies, however, forecast decline in net profit or losses due to shrinking demand and fall in prices amid slowing economic growth.

Chinese Leadership Vows Stable Macro-economic Policies to Sustain Growth

China will continue to implement proactive fiscal policies and prudent monetary policies, while stepping up supply-side structural reforms to power growth, according to a statement released after a meeting by the Political Bureau of the Communist Party of China's Central Committee. The statement also emphasizes that more should be done to make the most out of domestic demand potentials.

China Removes Quota on QFII Investment in Inter-Bank Bond Market

China encouraged institutional investors to invest in its inter-bank bond market

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

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Market at a Glance

SZSE Market Statistics (26 February, 2016)	
No. of Listed Companies	1751
Market Cap.(US\$ Bn)	2766.9
Free-float Market Cap.(US\$ Bn)	1932.0
Average P/E Ratio	39.82
For the Year of 2016	
Turnover Value(US\$ Bn)	1986.3
-Stock	1679.2
-Main Board	488.4
-SME Board	733.9
-ChiNext	456.9
-Fund	42.7
-Bond	264.5
Daily Turnover Ratio(%)	2.33
Total Fund Raised by Equity (US\$ Bn)	28.0
No. of IPO	5

*Currency ratio used : 1 USD=6.52 CNY

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as a means of financial opening up, the country's central bank announced February 24. The PBOC will introduce more QFII to the inter-bank bond market with streamlined regulations and no quota restrictions. QFII may invest in China's inter-bank bond market after registering and opening accounts, and the PBOC will conduct prudent management over them.

PBOC Continues Fund Injection

The PBOC continued to pump money into the financial system on February 26 through open market operation by conducting RMB 300 billion (USD 46.2 billion) of reverse repurchase agreements. The move followed a seven-day reverse repo of RMB 340 billion (USD 52.3 billion) on February 25, RMB 40 billion (USD 6.2 billion) on February 24, RMB 130 billion (USD 20.0 billion) on February 23 and RMB 70 billion (USD 10.8 billion) on February 22. The seven-day reverse repo was priced to yield 2.25%.

Banks to Be Given More Leeway in Pricing, Risk Valuation

China's commercial banks will be given more freedom in pricing and risk valuation as they extend individual housing loans, said Zhou Xiaochuan, governor of the central bank, on Feb 26. Zhou said China's commercial banks' individual mortgage loans should expand rapidly as they still account for a small proportion of their overall lending, therefore, the individual mortgage loans remain quite safe and there is still a lot of room for expansion.

China Forex Settlement Deficit Continues

According to the State Administration of Foreign Exchange, Chinese banks sold USD 193 billions' worth of foreign currencies to individuals and institutions, and bought USD 138.6 billion from them, resulting in a net sale of USD 54.4 billion in January. Authorities have repeatedly said there is no basis for continued weakness of the currency because the country's economic fundamentals remain sound.

China to Promote Service Trade Innovation in Pilot Areas

Ten provinces and cities including Tianjin, Shanghai, Hainan and Shenzhen, were selected as pilot areas to experiment with new measures for two years to improve service trade business models and streamlined regulation, according to a statement released by the State Council. The government will offer more fiscal and financial support to the pilot areas by cutting tax and setting up specific funds.

China to Boost SOE Reform Pilots

China has chosen China Chengtong Holdings Group Limited and China Reform Holdings Corporation Limited to pilot SOE reforms. The reforms will cover payment distribution, investment of state-owned capital, mergers and reorganization. More SOEs will be chosen based on the requirements of the reforms.

China to Allocate RMB 100 Bn for Job Losses From Capacity Cuts

China will establish a RMB 100 billion (USD 15.3 billion) fund to assist those who are made redundant as a result of industrial restructuring. Allocated over two years, the fund will cover training and job seeking, said Feng Fei, vice minister of industry and information technology. Cutting overcapacity was listed as one of the five major tasks in supply-side structural reform along with destocking, deleveraging, reducing costs and shoring up weak growth areas.

Bond Value Surges 117% in January

The value of bonds issued in China in January surged more than 117% from a year earlier to RMB 2.1 trillion (USD 321 billion), the central bank said on February 26. Of the bonds issued, 1.8 trillion yuan's worth was issued through the interbank bond market, up 109.9% year on year. By the end of January, the total balance of the bond market was RMB 48.8 trillion.