

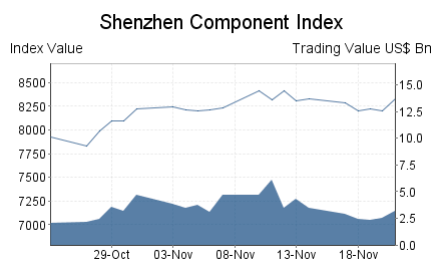
# Market Bulletin

Monday 24 November, 2014 (Issue 36)

## Highlights

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- PMI falls to 50.0 in November
- Shanghai-HK Stock Connect Launched Smoothly
- Premier Li Keqiang Urges for Registration-based IPO Reform
- PBC Unveils RQDII Scheme for Renminbi Investment Abroad
- China's Overseas Investment to Rise 10%
- QFIs Open New Accounts in October
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- CSRC: Facilitating Immigration System from NEEQ to ChiNext
- NPL Ratio of Chinese Banks Slightly Up
- SZSE Innovation Development Committee Founded

## Key Indices



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## Market Review

Last week, Shenzhen Component Index stood at 8332.3 points after adding 0.1%. SME Index edged up 1.9% to 5425.4 points. ChiNext Index advanced 4.4% to 1504.8 points. Total turnover for stocks and funds on SZSE was US\$127.0 billion, or an 18.8% decrease from the week before.

15 sector indices were higher than previous week, and one was lower. Sector indices with the biggest gains were culture & media, transportation and logistics and IT. The only sector index that fell over the last week was real estate.

Top three gainers were Boai Nky Pharmaceuticals (300109), Beijing Strong Biotechnologies (300406) and Shenzhen Sed Industry (000032). Top three decliners were Bode Energy Equipment (300023), Jiangmen Idear-hanyu Electrical Joint-stock (300403) and Guomai Technologies (002093). The most active stocks for the last week were Sufa Technology Industry (000777), Changjiang Securities (000783) and Hong Yuan Securities (000562).

## Market News

### China's Central Bank Cuts Interest Rates

The PBC surprised the market late Friday by an unexpected interest rate cut, in a move to reduce financing costs of small businesses and stabilize economic growth. The PBC cut one-year benchmark lending rates by 40 basis points to 5.6%, and lowered one-year benchmark deposit rates by 25 basis points to 2.75%. The interest rate cuts have taken effect since 22 November.

### PMI falls to 50.0 in November

The flash HSBC/Markit manufacturing purchasing managers' index (PMI) fell to a six-month low of 50.0 from a final reading of 50.4 in October and well below the 50.3 reading forecast by analysts. The factory output sub-index fell to 49.5, the first contraction since May.

### Shanghai-Hong Kong Stock Connect Launched Smoothly

The Stock Connect scheme, which allows Hong Kong and Shanghai investors to buy and sell shares on each other's bourses, debuted 17 November 2014, marking the latest step towards opening China's tightly controlled capital markets. Trading is subject to overall limits of \$49 billion for Shanghai shares and \$40 billion for Hong Kong shares.

### Premier Li Keqiang Urges for Registration-based IPO Reform

Premier Li Keqiang pushed for a registration-based IPO system at the recent State Council meeting last Wednesday. Zhuang Xinyi, Vice Chairman of CSRC, said at a forum meeting that the Commission was pushing forward with reforms on the approval-based IPO system.

### PBC Unveils RQDII Scheme for Renminbi Investment Abroad

The PBC has recently approved the Renminbi Qualified Domestic Institutional Investor (RQDII) programme, allowing some domestic institutional investors to buy offshore Renminbi products, the latest move to promote the currency's globalization. Fund-management companies, brokerages, banks and insurers can

use their own cash for such investments or raise money onshore. The RQDII programme will not be restricted by quotas.

## Market at a Glance

SZSE Market Statistics (21 November, 2014)	
No. of Listed Companies	1606
Market Cap.(US\$ Bn)	1972.6
Free-float Market Cap.(US\$ Bn)	1443.9
Average P/E Ratio	32.34
For the Year of 2014	
Turnover Value(US\$ Bn)	5727.3
-Stock	4684.9
-Main Board	1578.5
-SME Board	2043.3
-ChiNext	1063.2
-Fund	88.7
-Bond	953.7
Daily Turnover Ratio(%)	1.78
Total Fund Raised by Equity (US\$ Bn)	56.3
No. of IPO	70

\*Currency ratio used : 1 USD=6.14 CNY

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### China's Overseas Investment to Rise 10%

An Assistant Trade Minister said that China's overseas investment will rise by roughly 10% from the previous year to US\$ 120 billion. In the first nine months, China's investment in other nations and regions hit US\$ 74.96 billion, up 21.6% y-o-y, while the country actually used US\$ 87.36 billion of overseas investment, down 1.4% y-o-y. The country's outbound investment rose to US\$ 107.8 billion in 2013 from US\$ 2.7 billion in 2002, ranking the third in the world after the United States and Japan.

### QFII Open New Accounts in October

Data from China Clear shows that in October, 20 more A-share accounts had been opened, with 11 in Shanghai and 9 in Shenzhen and the total number of QFII accounts reaching 786. By the end of October, 258 institutions have obtained the QFII qualification and a total of US\$ 64.061 billion QFII quota has been granted. A joint statement from the Ministry of Finance and the State Administration of Taxation said that international investors including QFIIs and RQFIIs will be exempt from capital gains for an unspecified period since 17 November.

### RQFII Program Expanded to Australia

China will grant an RMB-50-billion (US\$ 8 billion) quota of investment to Australian financial institutions under the RQFII program and set up a clearing bank in Sydney to handle RMB business. China has also agreed to increase the inter-bank bond market quota to RMB 10 billion (US\$ 1.6 billion) for the Reserve Bank of Australia to invest in China. The recent deal means that the RQFII quota has now been issued to nine countries and regions, and totals RMB 770 billion (US\$ 125 billion).

### China to Ease Rules for Foreign Investment

According to an NDRC official, China is pushing ahead with a plan to give pre-entry national treatment to prospective foreign investors and to adopt a "negative list" for foreign investment nationwide. On 18 November, the NDRC released a revised *Catalogue of Investment Projects Subject to Governmental Verifications*, with 99% of item verifications cancelled, opening up sectors such as steel, oil refining, paper-making and premium spirits.

### CSRC: Facilitating Immigration System from NEEQ to ChiNext

Liu Jianjun, Deputy Director of Department of Private Fund Supervision of the CSRC, said in Hi-tech Expo in Shenzhen last week that CSRC will step up its effort in building immigration system to facilitate hi-quality companies quoted on NEEQ to transfer to ChiNext Market in a "fast track", thus enhancing NEEQ's liquidity and market efficiency.

### NPL Ratio of Chinese Banks Slightly Up

According to the CBRC, the first three quarters saw an accumulated net profit of RMB 1.27 trillion (US\$ 210 billion) for Chinese banks. The balance of non-performing loans (NPL) stood at RMB 766.9 billion (US\$ 125 billion), increasing US\$ 72.5 billion compared with the end of last quarter. The NPL ratio rose 0.09% to hit 1.16%.

### SZSE Innovation Development Committee Founded

The SZSE has recently established the Innovation Development Committee. The committee will create an important communication platform for the Exchange and market players to jointly participate, design and promote market innovations. The committee is comprised of principals and experts from the industry, and responsible for study and argument on major innovations with regards to products, business and trading system reforms that might have great impact on the market, and significant innovations on trading platform that involves industrial development, and thus providing advice and suggestions to the SZSE board of directors.