

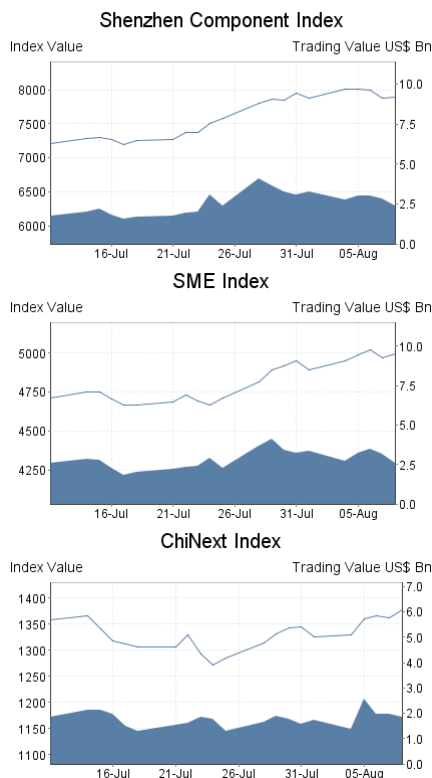
Market Bulletin

Monday 11 August, 2014 (Issue 27)

Highlights

- China Inflation Up 2.3% Year-On-Year in July
- Chinese Individuals to be Allowed to Invest Overseas
- PBC Offers RMB 26 Billion 14-Day Repos
- PBC to Cut Lending Costs
- RMB Continues to Appreciate against USD
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- CNH Tracker-Banks Launch New Yuan FX Options
- NDRC Poses Higher Requirements for Enterprise Bond Issuance
- China Unveils Measures to Better Finance Small Enterprises
- NDRC to Release Major Policies for Emerging Strategic Industries

Key Indices



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Market Review

Last week, Shenzhen Component Index stood at 7885.3 points after adding 0.1%. SME Index edged up 2.1% to 4994.2 points. ChiNext Index advanced 3.9% to 1377.4 points. Total turnover for stocks and funds on SZSE was US\$122.3 billion, or a 3.7% decrease from the week before.

14 sector indices were higher than previous week, and two were lower. Sector indices with the biggest gains were hotels & catering, culture & media and IT. The only two sector indices that fell over the last week were environmental services and real estate.

Top three gainers were Huludao Zinc (000751), Kangyue Technology (300391) and Suzhou Ta&a Ultra Clean (300390). Top three decliners were Konka Group (000016), Beijing Echo (300370) and Sichuan Danfu (002366). The most active stocks for the last week were Hong Yuan Securities (000562), Huludao Zinc Industry (000751) and Changjiang Securities (000783).

Market News

China Inflation Up 2.3% Year-On-Year in July

The country's consumer price index (CPI), a main gauge of inflation, rose by 2.3% in the first seven months of the year from the same period in 2013, according to the National Bureau of Statistics. The CPI had risen 2.3% in June, marking a slowdown from a four-month high of 2.5% in May.

Chinese Individuals to be Allowed to Invest Overseas

Recently, the National Development and Reform Commission (NDRC) released a document saying that "individual investors will be allowed to conduct outbound investment", without elaborating when and how that will happen. The regulator also said in the document that it will enact regulations and implementation methods for outbound investment by companies and individuals.

PBC Offers RMB 26 Billion 14-Day Repos

The PBC announced that it had offered RMB 26 billion (US\$ 4.2 billion) worth of 14-day repos in the open market, and the successful bidding rate is 3.70%. That was the first time for the PBC to carry out 14-day repos since 15 April. In the past more than three months, the PBC only carried out 28-day repos. The central bank had drained a net of RMB 11 billion from money market that week, which signaled of adequate liquidity.

PBC to Cut Lending Costs

The central bank said it will keep its monetary policy stable and strive to lower the financing cost to spur the economy in its second quarter report, echoing a recent announcement by the State Council. It will ensure continuity and stability in its monetary policy.

RMB Continues to Appreciate against USD

According to the China Foreign Exchange Trading System, The RMB/USD

Market at a Glance

SZSE Market Statistics (08 August, 2014)	
No. of Listed Companies	1589
Market Cap.(US\$ Bn)	1653.3
Free-float Market Cap.(US\$ Bn)	1207.8
Average P/E Ratio	27.61
For the Year of 2014	
Turnover Value(US\$ Bn)	3300.3
-Stock	2632.5
-Main Board	807.4
-SME Board	1168.1
-ChiNext	657.0
-Fund	47.2
-Bond	620.5
Daily Turnover Ratio(%)	1.53
Total Fund Raised by Equity (US\$ Bn)	35.4
No. of IPO	53

*Currency ratio used : 1 USD=6.17 CNY

Monetary & Bond Market

4 Aug - 8 Aug, 2014

Shibor Overnight Interest Rate	3.0010%	↓ 19.50BP
Shibor 7-day Interest Rate	3.4570%	↑ 45.00BP
7-Year Treasury Note Yield	4.1854%	↑ 1.82BP
CSI Corporate Bond Index	151.80	↑ 0.18%
SZSE Corporate Bond Index	133.32	↑ 0.26%

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exchange rate hit its five months high after appreciating 0.64% in July. In August, the appreciation trend continued and RMB strengthened by 40 basis points to 6.1522 against the USD in its central parity on 11 August. Additionally, the CSRC said that the regulator would constantly promote long-term capital into the market. At the moment the total amount of QFII and RQFII quota reached US\$ 150 billion and RMB 640 billion (US\$ 103.7 billion).

CNH Tracker-Banks Launch New RMB FX Options

A batch of banks have started to launch new structured currency option products denominated in Renminbi for their corporate clients in China in the past week, after Beijing eased controls on Renminbi derivatives this month. That will equip Chinese importers and exporters with more sophisticated financial instruments that will help them better hedge currency risk against the backdrop of a more volatile Renminbi this year.

China Unveils Measures to Better Finance Small Enterprises

The CBRC has recently rolled out specific measures to ease financing thirst for small and micro enterprises. The CBRC asked financial institutions to properly set loan terms for small and micro enterprises in order to avoid a mismatch between loan term and operating cycle.

NDRC Poses Higher Requirements for Enterprise Bond Issuance

The NDRC is recently considering adopting a stricter attitude towards enterprise bond issuance. It is likely that Enterprise with lower ranking and higher debt ratio may face challenges when being reviewed by the NDRC. The interval between two issuances by the same company may be expanded to one year from half a year.

NDRC to Release Major Policies for Emerging Strategic Industries

The NDRC is speeding up research on removing institutional hurdles for development of emerging strategic industries and high-tech sectors. The NDRC will release major policies in support of key sectors such as cloud computing, Internet of things, Biology, e-commerce, etc. It will also further push forward reform in the innovative pharmacy, low-altitude airspace, general aviation and electric power.

NEEQ Launches Whole Network Test

The National Equities Exchange and Quotations (national OTC Market) will officially launch its market maker system on 25 August. On 9 August, NEEQ organized the second round of whole network test, with all 81 sponsoring brokers participating. At the moment, no individual investors have participated in the test. The third round of test has already been scheduled.

Overview of SZSE Listed Funds

In December 2010, SZSE launched its brand for listed funds – LeFu, covering all SZSE-listed fund products including closed-end funds, listed open-end funds (LOFs), exchange traded funds (ETFs) and structured products. LeFu Fund has four major features: a rich diversity of products, low trading cost, easiness to trade and efficiency in investment turnover. It includes several hundred of funds exposed to equity or debenture, tracking indices and featuring leverage, closed-end and open-end designs. LeFu funds are invested in both domestic and overseas markets. Investors can purchase, trade, and redeem LeFu Fund units through a unified account with SZSE.

Until July 2014, the SZSE has 314 listed funds, with total AUM of US\$ 19.5 billion and 19.6 billion shares. The total trading volume of all listed funds grew to US\$ 42.6 billion in 2014. Currently, the SZSE has 34 ETFs with AUM of US\$ 8.6 billion, 151 structured funds with AUM of US\$ 6.8 billion, 124 LOFs with AUM of US\$ 2.1 billion.