

Market Bulletin

Monday 16 June, 2014 (Issue 19)

Highlights

- Li Keqiang: 7.5% Growth is Expected for China's Economy this year
- Implementation details announced for preferred shares
- Szsze holds 5th "trading rules day" seminar
- Azerbaijan's sovereign wealth fund to invest up to \$1.8bn in renminbi
- MSCI release China A international index
- Renminbi boost for London's forex trade
- Pbc cuts deposit reserve for select banks
- IPOs to be resumed
- China to build Yangtze river economic belt
- China to relax control over QFII and QDII
- China overtakes US in company debt issued

Key Indices



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Market Review

Last week, Shenzhen Component Index stood at 7401.4 points after adding 2.3%. SME Index edged up 2.0% to 4745.7 points. ChiNext Index advanced 2.4% to 1382.7 points. Total turnover for stocks and funds on SZSE was US\$78.9 billion, or a 44.7% increase from the week before.

15 sector indices were higher than previous week, and one was lower. Sector indices with the biggest gains were finance, R&D support and mining. The only sector index that fell over the last week was hotels & catering.

Top 3 gainers were Hunan Tianrun (002113), Hubei Huachangda (300278) and Sichuan Chengfei (002190). Top 3 decliners were Shenzhen Textile (000045), Hengli Industrial (000622) and Shenzhen Textile (200045). The most active stocks for the last week were Langchao Electronic (000977), Sichuan Chengfei I (002190) and Huayi Brothers (300027).

Market News

Li Keqiang: 7.5% Growth is Expected for China's Economy this year

Chinese Premier Li Keqiang published an article in *Times* before his visit to Britain. Mr. Le said, "despite considerable downward pressure, China's economy is moving on a steady course. We are well prepared to defuse various risks. We are confident that this year's growth target will be met."

Implementation Details Announced for Preferred Shares

The SZSE has recently promulgated detailed rules of implementation for preferred shares. According to the rules, preferred shares can be issued to the public and traded through call auction. The minimum of proceeds from public issuance is RMB 50 million (USD 8 billion). Trading halt and resumption mechanisms will be synchronized with the underlying common share. Preferred shares are subject to 10% upper and lower price limits during the first and ensuing trading days. Each trading lot is equivalent to 100 shares and orders must be in round lots. Trading quotes of preferred shares are incorporated into daily trading information but excluded from index calculation. SZSE's member brokers shall fulfill the duty of implementing investor suitability management. They can also be issued through private placements and traded through the SZSE's block trading platform. During the pilot stage, the SZSE will implement mainly private placements for issuance of preferred shares.

The SZSE Holds 5th "Trading Rules Day" Seminar

On 7 June, the SZSE held the 5th annual seminar on trading rules, titled "The Design and Optimization of Trading Systems in the Two-way Opening-up of the Capital Market". Representatives from China Securities Regulatory Commission, Hong Kong Exchange, Tokyo Stock Exchange, MSCI, securities brokers and fund companies attended the seminar. The seminar focused on closing mechanisms of price formation in light of increased trading on the last trading day before index adjustments.

Azerbaijan's sovereign wealth fund to invest up to \$1.8bn in renminbi

Azerbaijan's sovereign wealth fund plans to invest up to USD1.8bn in renminbi

Market at a Glance

SZSE Market Statistics (13 June, 2014)

No. of Listed Companies	1578
Market Cap.(US\$ Bn)	1511.4
Free-float Market Cap.(US\$ Bn)	1084.0
Average P/E Ratio	25.27
For the Year of 2014	
Turnover Value(US\$ Bn)	2308.7
-Stock	1832.8
-Main Board	533.2
-SME Board	824.6
-ChiNext	475.0
-Fund	31.5
-Bond	444.5
Daily Turnover Ratio(%)	1.45
Total Fund Raised by Equity (US\$ Bn)	30.4
No. of IPO	42

*Currency ratio used : 1 USD=6.17 CNY

this year, in what would be one of the largest investments in the Chinese currency to be made public – and a further indication of its rapid move towards reserve currency status. The fund manager was applying for permission from Chinese regulators to access renminbi assets and hoped to start investing in the currency by the end of the year.

MSCI Releases China A International Index

MSCI will introduce a China A International Index that will not be included in the emerging market index, but will serve as a benchmark for global investors in Chinese A shares. In the meantime, MSCI has chosen not to press ahead with a plan to add Chinese mainland equities to its global benchmark indices.

Renminbi boost for London's forex trade

China Construction Bank, the country's second-largest lender, was designated as a clearing bank in London for the Chinese currency. The move – filling a gap in the UK's infrastructure for trading the currency – will embellish London's credentials as a global centre for foreign exchange trading.

The PBOC Cuts Deposit Reserve for Select Banks

The People's Bank of China (PBOC) announced a half percentage point cut in deposit reserve requirements for a select group of banks serving the agricultural industry and small and micro businesses. The reduction will take effect on Monday 16 June, 2014. The change applies to two-thirds of city commercial banks, 80 percent of non-county level rural commercial banks and 90 percent of non-county level rural cooperative banks. According to CICC, cut in deposit reserve requirement is also expended to shareholding commercial banks, which will drag down the cost of funding.

IPOs to Be Resumed

CSRC approved 10 IPO applications on 9 June, marking the official restart of IPO. Five companies will go public on the Shenzhen Stock Exchange while the other five listing on the Shanghai Stock Exchange. CSRC suspended the IPO examination and approval processes in January to improve measures for new listings.

China to Build Yangtze River Economic Belt

China will build railways, roads and airports that have connections with ports along the Yangtze River to form a multi-tier transport network to help boost construction of an economic belt along the waterway, according to a statement released after a State Council executive meeting on 11 June. The meeting also approved the development plan of logistics industry, which specifies 12 key projects in the sector, aiming for a modern logistics service system to be in place by 2020.

China to Relax Control over QFII and QDII

The People's Bank of China said in its 2013 annual report that it will further expand the group of institutional investors under the QDII and QFII programs and raise their investment quotas. And when the situation becomes ripe, the country will cancel the approval on qualifications and quotas to let all legitimate institutions both domestically and abroad enjoy investment opportunities.

China Overtakes US in Company Debt Issued

China has more outstanding non-financial corporate debt than any other country, says Standard & Poor's, having overtaken the US last year. In a report published on Monday, S&P estimates that non-financial corporate debt in China reached USD 14.2 trillion at the end of 2013, compared with USD 13.1 trillion in the US. From now until the end of 2018 Chinese companies are expected to borrow USD 20tn, a third of corporates' debt requirements globally, a trend supported by the increased willingness of the Chinese authorities to allow more government-related entities to issue debt securities.

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