

China Moves to Support A-Share Market

China unveils series of market supportive measures

After sharp market corrections in the past weeks, the Chinese authorities have announced a series of measures to help support the market.

After a combined interest rate and reserve requirement ratio cut by the People's Bank of China (PBOC) the previous weekend, the China Securities Regulatory Commission (CSRC) cut transaction fees by around 30% on the Shenzhen and Shanghai Stock Exchange and relaxed the rules on margin financing. These included the removal of the 130% force sell rule for brokers, allowing margin loan rollover to more than six months, capping brokers' maximum margin financing balance to four times that of net capital, and finally, increasing all brokers' financing channels to support business growth through margin financing securitisation and the issuance of short-term corporate bonds. Further to the above, the CSRC stated on 3 July that it would start investigating short-selling activities.

Over the weekend, three more stabilization measures, seen driven by the State Council, were announced. The PBOC will support the China Securities Finance Corporation (CSFC) by providing liquidity. The CSFC provides margin refinancing to brokers and the PBOC's support should ease investor concerns about potential liquidity shortage. The authorities will also reportedly suspend IPOs until further notice.

In addition, China's top 21 brokerages promised to collectively invest RMB 120 billion to help stabilize the equity market, and also pledged not to sell equities below the market level of 4500.

 Value % w/w
 Change

Equities

Dow Jones Ind. Avg ¹	17,730.1	-0.9
S&P 500 ¹	2,076.8	-1.2
MSCI Asia Pac	146.5	-0.9
ASX 200 Index	5,538.3	-0.1
Hang Seng Index	26,064.1	-2.2
Ho Chi Minh Stock Index	616.4	+6.0
Jakarta Comp Index	4,982.9	+1.2
KL Comp Index	1,734.2	+1.4
KOSPI Index	2,104.4	+0.7
Karachi 100 Index	35,456.4	+4.6
Sensex 30 Index	28,092.8	+1.0
Shanghai SE Comp Index	3,686.9	-12.1
Stock Exch of Thai Index	1,489.6	-1.9
Straits Times Index	3,342.7	+0.7
Taiwan TAIEX Index	9,358.2	-1.1
TOPIX Index	1,652.1	-0.9

Bonds / Currencies

US 10YR Treasuries	2.3823	-9bps
EUR - USD	1.1114	-0.5
USD - JPY	122.79	-0.9
GBP - USD	1.5570	-1.1

Commodities

Gold (Spot)	1,168.5	-0.6
Crude Oil (WTI)	56.9	-4.5
RJ/CRB Commodity Index ¹	224.6	+0.1

¹ Note: Data as of 2 July

Source: Bloomberg (last trading price for week ended 3 July)



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