

## China's Economic & Market

### Yuan's status will help key business sectors

Stock and bond markets, along with the property sector, should benefit from last week's decision by the International Monetary Fund to include the yuan in its Special Drawing Rights basket. But it might take time for the SDR effect to filter through, according to economists. "It is unlikely to be immediate, not because there are concerns over depreciation of the currency, but because time and resources are needed to improve conditions in liquidity and regulation to assist greater use of the yuan," Zhang Zhiwei, an economist at Deutsch Bank, said. In the long run, the yuan's SDR inclusion will boost investor confidence in China. Still, Andrew Colquhoun, head of Asia-Pacific Sovereigns at Fitch Ratings, pointed out that the move is not a quick economic fix or an alternative to broader structural reforms. "However, Fitch believes it strengthens the hand of reformist elements within the authorities to resist any pressure for backsliding on China's policy of opening up and liberalizing its markets," he said. Economists also believe the yuan will be kept strong and stable to support domestic bond and equity markets. China Government Bonds (CGBs) are likely to become more attractive, according to Mo Ji, chief economist of Asia, excluding Japan, with asset management firm Amundi Hong Kong Ltd.

### China's forex reserves fall in November

China's foreign exchange reserves fell to \$3.44 trillion at the end of November, the central bank announced on Monday. The reserves dropped by \$87.2 billion from October, according to the People's Bank of China. The country's gold reserves decreased from \$63.3 billion at the end of October to \$59.5 billion at the end of November.

### Registration-based IPO set to start by next year

China's securities regulator appears close to pushing ahead the long-awaited registration-based process for initial public offerings. Under the plan, the China Securities Regulatory Commission plans to shift the IPO approval powers to bourses early next year. Indications that the regulator is keen on fast-tracking the IPO process surfaced after a dramatic capital market rout wiped out nearly \$5 trillion in market value between June and August. The Shanghai Stock Exchange has already completed the process of hiring experts in IPO reviews and approvals, indicating that the bourse is adequately prepared for the IPO approval process. The shift from an approval-based IPO mechanism to a registration-based one has been considered as one of the most important reforms of the Chinese stock market. Under the current system, new share sales are subject to approval from the CSRC, which controls both the timing and pricing of the IPOs. The new IPO system will emphasize information disclosure rather than corporate profitability and will let the market play a bigger role in determining prices.

### 170 SMEs debut on New Third Board

A total of 170 small and medium-sized companies (SMEs) started to be traded on the New Third Board from Monday to Friday, marking a further expansion for China's over-the-counter (OTC) market after the board was officially established nearly three years ago. The number of debuts was 37 percent more than that of the previous week. The move, bringing the number of companies listed on the New Third Board to 4,651, represents China's efforts to encourage the development of SMEs against the current economic downward pressure. The market value of the 4,651 companies totalled 2.274 trillion yuan (\$352.2 billion). In the week, turnover in the New Third Board reached 5.15 billion yuan, 25 percent more than the previous week. The New Third Board, or National Equities Exchange and Quotation (NEEQ) system, serves as a national share transfer system for SMEs to transfer shares and raise funds.

### HK's IPO fundraising reaches world's highest in 2015

Hong Kong's IPO fundraising from Jan 1, 2015 to Dec 15, 2015 was HK\$246.5 billion (\$31.8 billion), the world's highest for the period, the Hong Kong Exchanges and Clearing Limited (HKEx) said. HKEx said on Sunday that there had been 125 new listings since the beginning of 2015 and total equity funds raised from Jan 1, 2015 to Dec 15, 2015 was HK\$1,058.3 billion, in which HK\$246.5 billion through IPOs and HK\$811.8 billion from post-IPO fundraising, exceeding the full-year record high established in 2014. From January to November 2015, turnover of securitized derivatives (derivative warrants and Callable Bull/Bear Contracts) in Hong Kong was the world's highest for the period and HKEx has been the global leader in securities derivatives turnover every year since 2007, according to data from the World Federation of Exchanges quoted by HKEx.

### Historical macro economy data and projections

% change, unless otherwise stated

% chg, unless otherwise stated		Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
IP	yoy	6.1	5.7	5.6	6.2	5.9
	qoq sequential annualized	7.9	5.0	3.8	4.8	7.5
Nominal FAI	yoy (ytd)	10.9	10.3	10.2	10.2	10.2
	yoy (monthly)	9.2	6.8	9.5	10.2	9.9
Nominal retail sales	yoy	10.8	10.9	11.0	11.2	11.2
Exports	yoy	-5.6	-3.8	-7.0	-3.5	-9.0
Imports	yoy	-13.9	-20.5	-19.0	-9.0	-14.1
Trade balance	USD bn	60	60	62	54	54
CPI	yoy	2.0	1.6	1.3	1.5	1.5
	qoq sequential annualized	3.6	3.2	1.8	0.1	0.0
PPI	yoy	-5.9	-5.9	-5.9	-5.9	-5.5
	qoq sequential annualized	-4.1	-5.9	-7.0	-6.8	-6.1
M2	yoy	13.3	13.1	13.5	13.7	13.5
New Loans	RMB bn	810	1,050	514	709	700
TSF	RMB bn	1,086	1,329	477	1,020	1,000

Source: CEIC, CICC Research

## Disclaimer

### Important Information

This report is intended only for the use of our clients and prospects. Neither this report nor any of its contents may be reproduced or published for any other purpose without the prior written consent of China Asset Management Co. Ltd ("ChinaAMC"). All the investment strategy illustrated in this report was made on a preliminary basis only, no representation or warranty is made as to the efficacy of any particular strategy or the actual returns that may be achieved.

The information in this report reflects prevailing market conditions and our judgment as of this date, which are subject to change. In preparing this report, we have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources. We consider the information in this report to be reliable, but we do not represent that it is complete or accurate. ChinaAMC, its affiliates, directors, officers or employees accept no liability for any errors or omissions relating to information available in this report, and will not be liable for any damages or costs arising out of or in any way connected with the use of the information provided in this report.

Any information given or representation made by any dealer, salesman or other person and (in either case) not contained herein should be regarded as unauthorized and, accordingly, should not be relied upon. Accordingly, no person receiving a copy of this report in any territory may treat the same as constituting an invitation to him to purchase or subscribe for the participating shares of the Fund nor should he in any event use the Fund's subscription agreement unless in the relevant jurisdiction such invitation and distribution is lawfully made.

---

### Contact Information

China Asset Management Co. Ltd.

12F Building B, Tongtai Plaza, 33 Jinrong Street, Beijing, China

IB@ChinaAMC.com

Tel: +86 10 8806 6688/ Fax: +86 10 8806 6330

---

