

2014.12.1-2014.12.7

AIFMC Macro & Market Weekly Report



December 8th, 2014

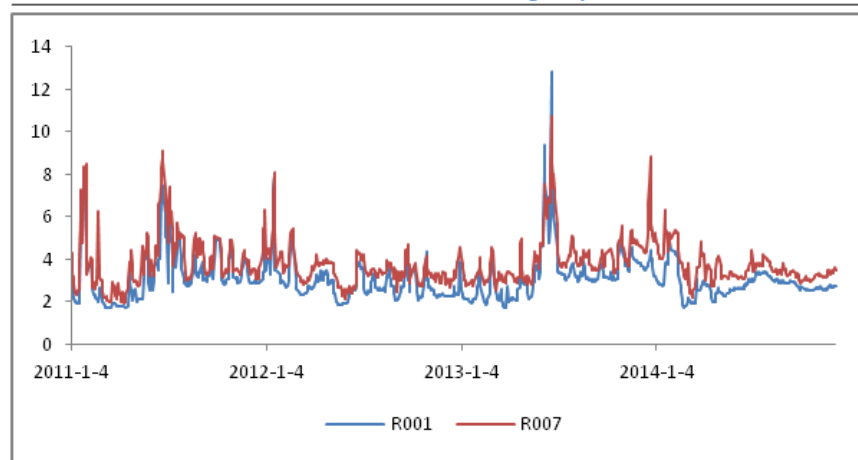
Macro Review and Outlook

- According to the balance sheet numbers issued by the PBOC on November 28th, the foreign exchange balance account from the PBOC by the end of October increased by 2.019 billion yuan to 27.20381 trillion yuan, ending the previous negative growth.
- **Rules on deposit insurance were issued: the highest compensation for bank bankruptcy reaches 0.5 million yuan.** On November 30th, the PBOC drafted “the Rules on Deposit Insurance”. Rule 5 in the draft states that the highest compensation amount for bank bankruptcy is 0.5 million yuan. To improve the publicity and transparency of the regulation, the draft will be published and open to public opinions.
- **Press release by the CSRC: IPO registration reform proposal submitted to the State Council by the end of November.** During a press conference hosted by the CSRC on November 28th, Xiaojun Zhang, the press spokesman, made comments on mutual funds’ investment in public offerings for exchangeable bonds and Hong Kong Stock Connect investors’ complaints to HKEx. Mr. Zhang claimed that the CSRC has set up a team focusing on the IPO registration reform, completed the proposal draft and received advice from relevant parties such as the underwriters, experts, scholars and members of the registration reform team. The proposal was expected to be submitted to the State Council by the end of November.
- The China Banking Regulatory Commission collected opinions regarding the regulations on commercial banks’ wealth management products. The CBRC is proposing to allow commercial banks to set up independent deposit accounts and security brokerage accounts for wealth management products in order to encourage direct investments from these products.
- On Friday, the CSRC released a proposal regarding pilot projects on option trading, indicating the possible introduction of ETF and stock options in 2015.

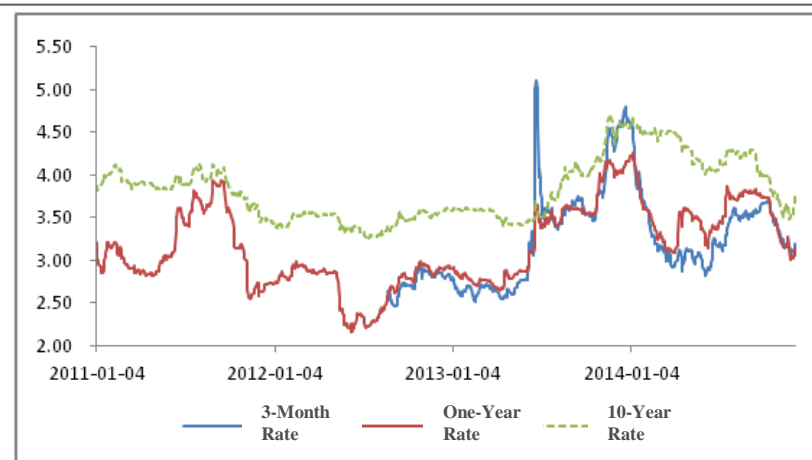
Observation of Liquidity

- Last week, the PBOC stopped positive repo operations, with net investment of 30 billion yuan into the market.
- **Interbank interest rate rose slightly.** Last week, the one-month SHIBOR rebounded by 10 basis points to 4.2%, while the 7-day SHIBOR also rebounded by 10 basis points to 3.4% . In terms of the exchange, the 7-day repo rate remained unchanged at 3.45%.
- **Treasury yields rebounded slightly.** Last week, most treasury yields rebounded slightly. The 3-month treasury yield rebounded by 8 basis points to 3.19%; the one-year treasury yield rebounded by 11 basis points to 3.34%; and the 10-year treasury yield rebounded by 26 basis point to 3.78%.

Interbank Interest Rates Slightly Recovered



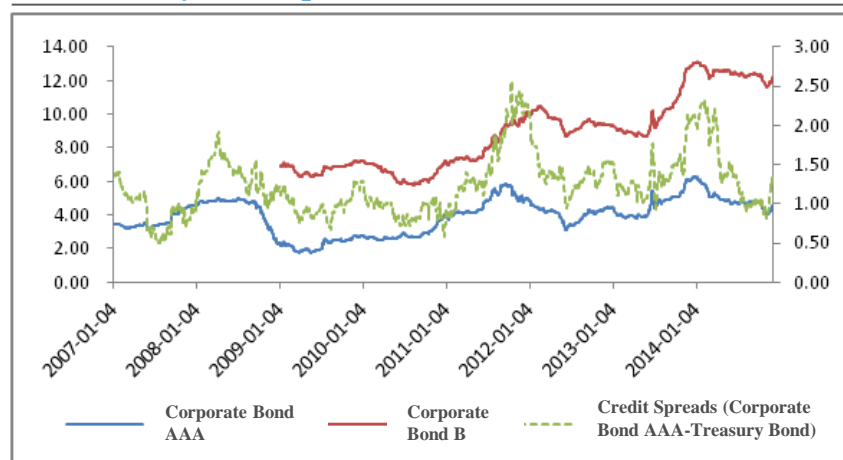
Treasury Yields Slightly Rebounded



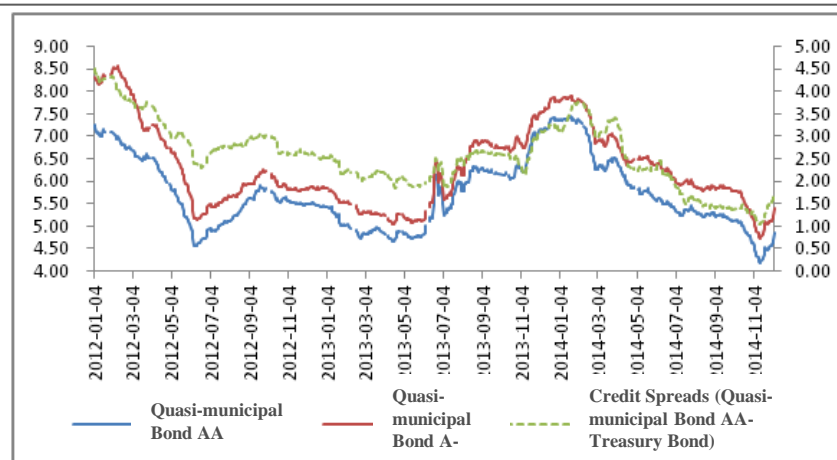
Weekly Review of Bond Market

- **Corporate bond yields rebounded.** Last week, corporate bond yields continued to increase; high-rate corporate bonds' average yield rebounded by 26 basis points, and low-rate corporate bonds' yield also rebounded by 31 basis points. The credit spread between high-rate corporate bonds and treasury bonds expanded by 15 basis points, while the credit spread between low-rate and high-rate corporate bonds dropped by 5 basis points.
- **Quasi-municipal bond yield slightly rose.** Quasi-municipal bond yields experienced a relatively significant drop from October to December, but started to rebound in the past two weeks. Last week, the high-rate quasi-municipal bond yield rose by 27 basis points, and the low-rate bond yield also rose by 27 basis points. The credit spread between quasi-municipal bonds and treasury bonds expanded by 16 basis point, while the credit spread between low-rate and high-rate corporate bonds remained unchanged.

One-year Corporate Bond Yields Rebounded



Quasi-municipal Bonds Yields Slightly Rose

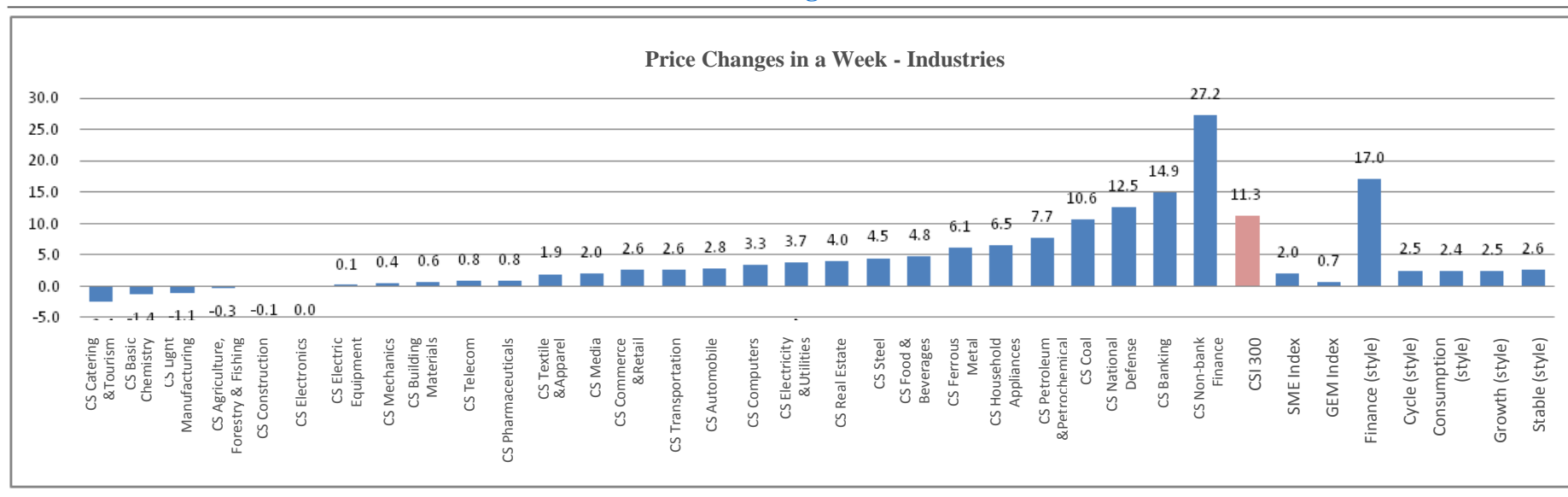


Source: AIFMC

Weekly Review of A-shares

- Large-weighting stocks significantly pulled up the index.** Last week the index rose sharply. The Shanghai Composite Index closed at 2937.65 last week, up by 9.5%. In terms of specific industries, non-bank finance, banking and national defense had relatively large rallies. while catering & tourism, basic chemistry and light manufacturing had small falls. In terms of styles, finance stocks had the better performances, as consumption stocks had relatively weak performances.

Price Changes in a Week

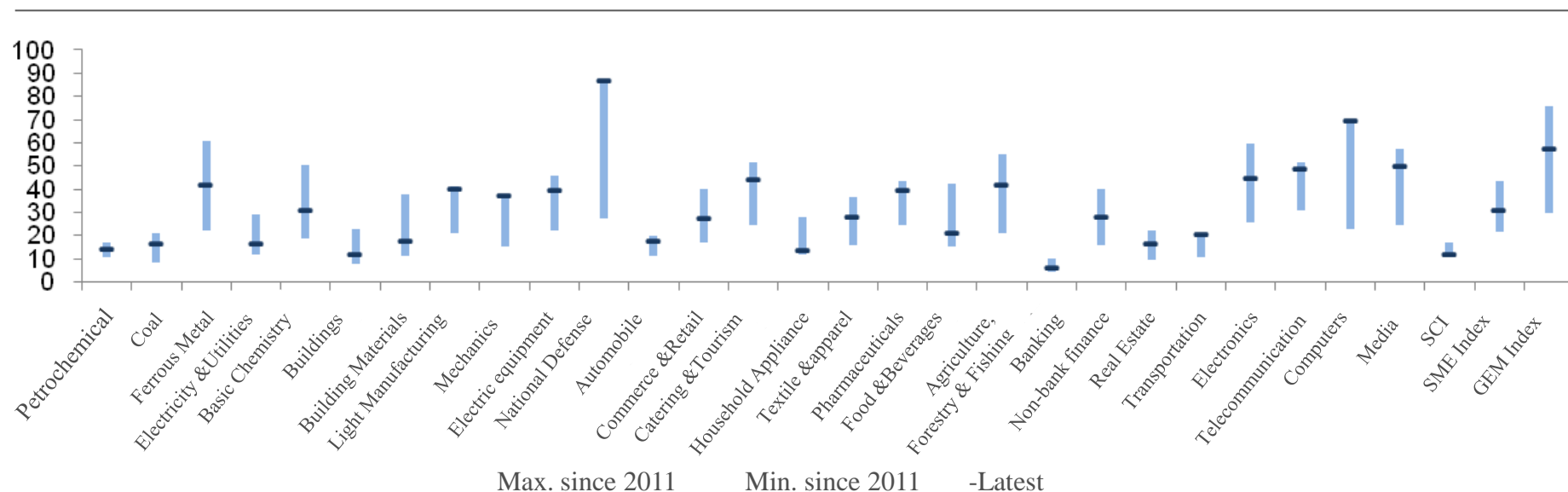


Source: AIFMC

PE Of Traditional Cyclic Industries Held At The Bottom, Certain Industries at High Levels

- In terms of industry valuation, banking, construction, petroleum & petrochemical and household appliance are currently at the bottom, while national defense, computers and media are at relatively high levels. In terms of historical records, banking, real estate, insurance, petroleum, and household appliance are currently at the bottom, while national defense, computers and light manufacturing are at historical high. Compared to the valuation of the entire A-share market, banking, construction and petroleum & petrochemical are currently at discount, while national defense, computers and media are in premium.

Industry PEs (dynamic)



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