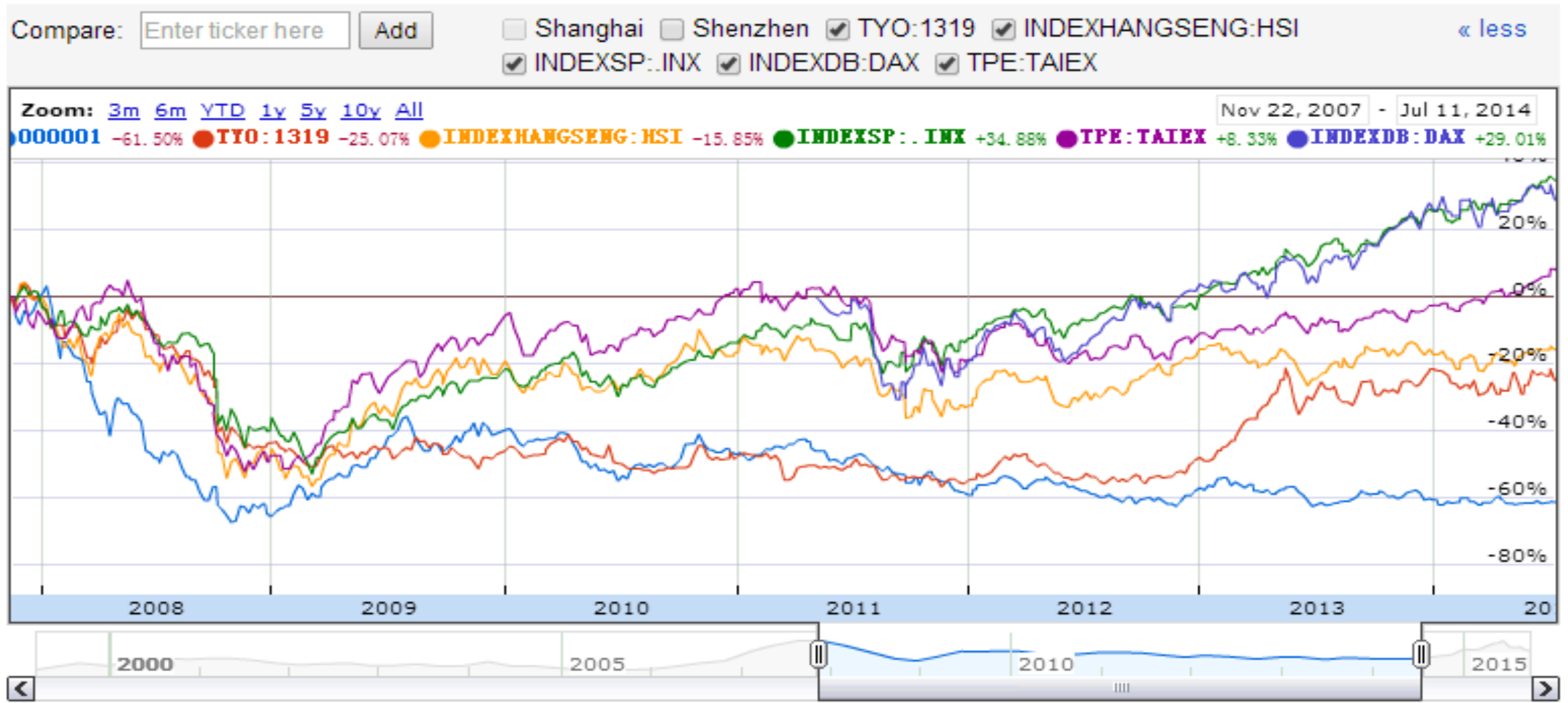


*Chinese stock market  
&  
policy announcements*

# Chinese SSE Index & World major index

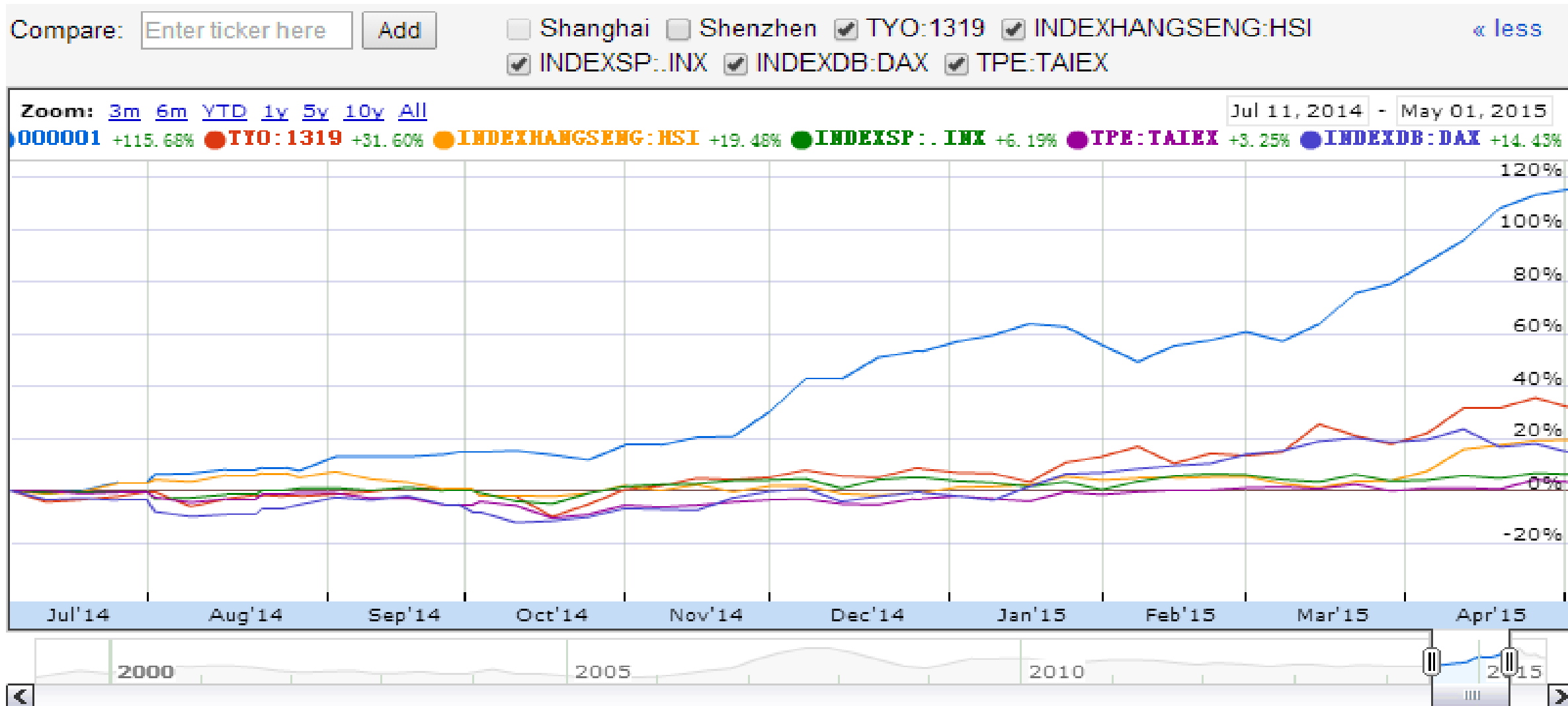
11/2007-10/07/2014



<http://www.google.com/finance?chdnp=1&chdd=1&chds=1&chdv=1&chvs=maximized&chdeh=0&chfdeh=0&chdet=1407481200000&chddm=1820&chls=IntervalBasedLine&cmpto=TYO:1319;INDEXHANGSENG:HSI;INDEXSP:..INX;TPE:TAIEX;INDEXDB:DAX&cmptdms=1;1;1;1&q=SHA:000001&ntsp=1&ei=YXcPVqCWA5PmuATT1p7QBA>

# Chinese SSE Index & World major index

11/07/2014-01/05/2015



*What is going on in China?*

*Booming so fast.....*

*Too good to be true???*

*Shall we look into a very basic question*

*What is stock market?*

*What does stock market show?*

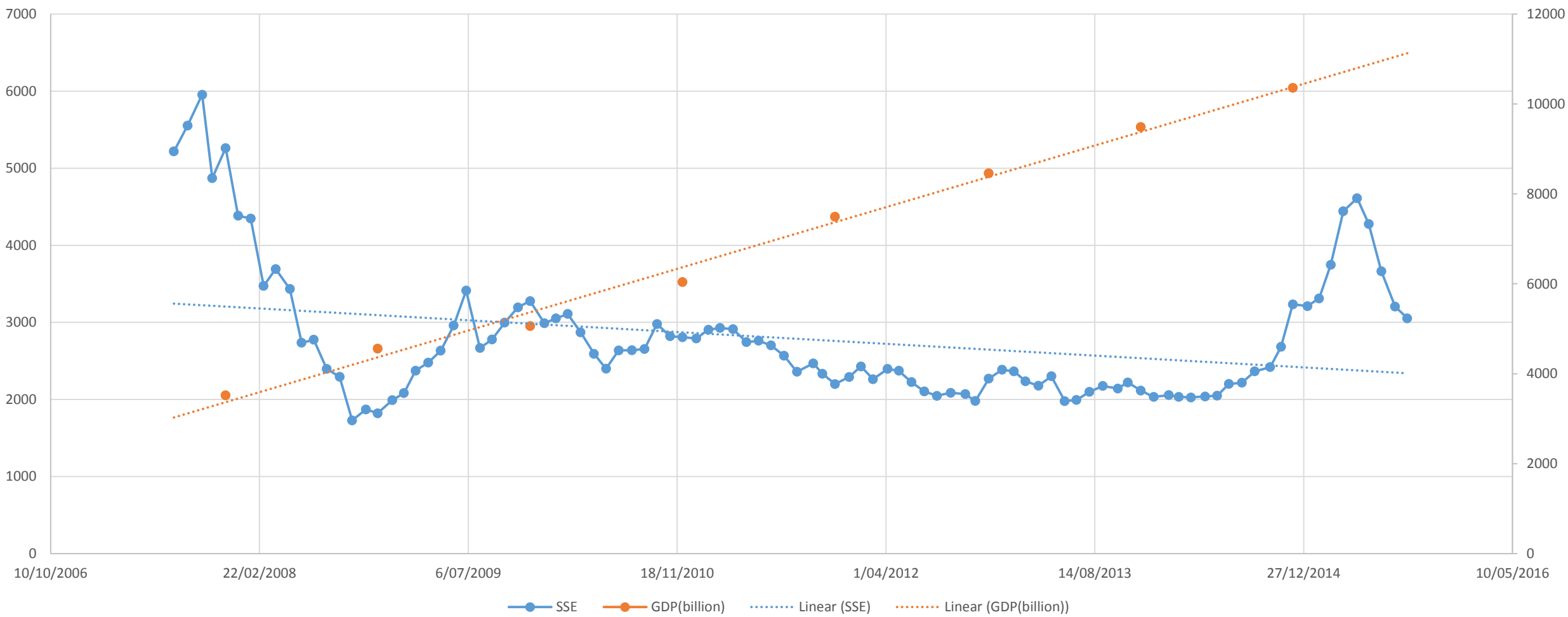
*But.....*

*What is happening the rest of  
the world*

# China SSE Composite Index (SHA:000001) & GDP

## 07/2007-04/2015

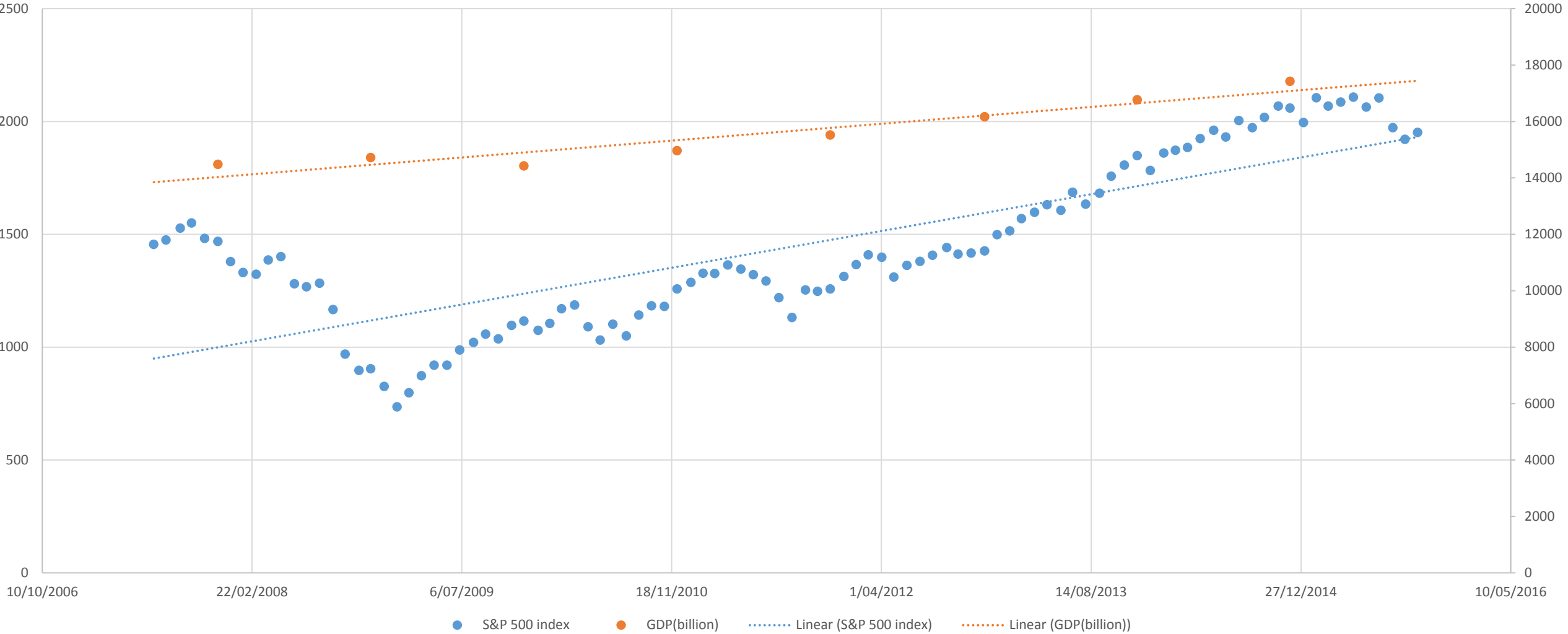
China SSE composite index & GDP trend



# US S&P 500 Index <sup>(SPX)</sup> & GDP

## 07/2007-04/2015

US S&P500 Index and GDP

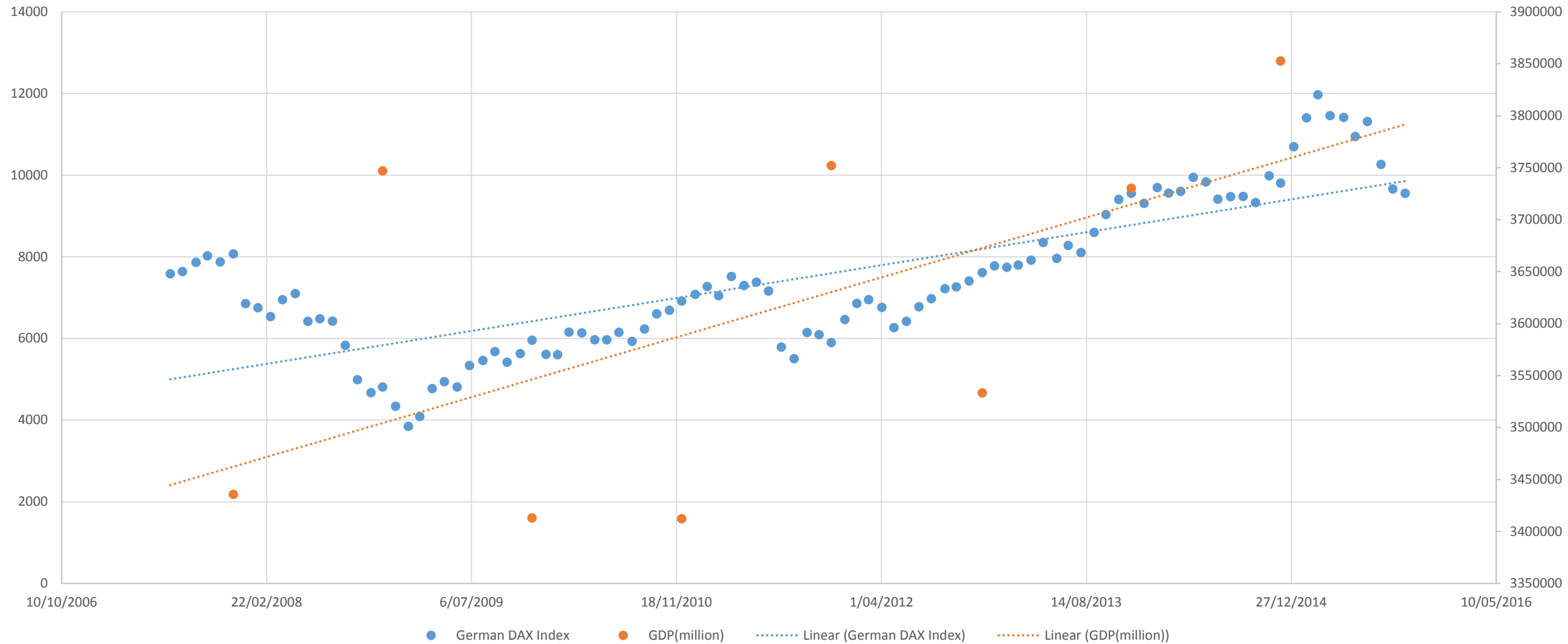




# German DAX Index (DAXI) & GDP

07/2007-04/2015

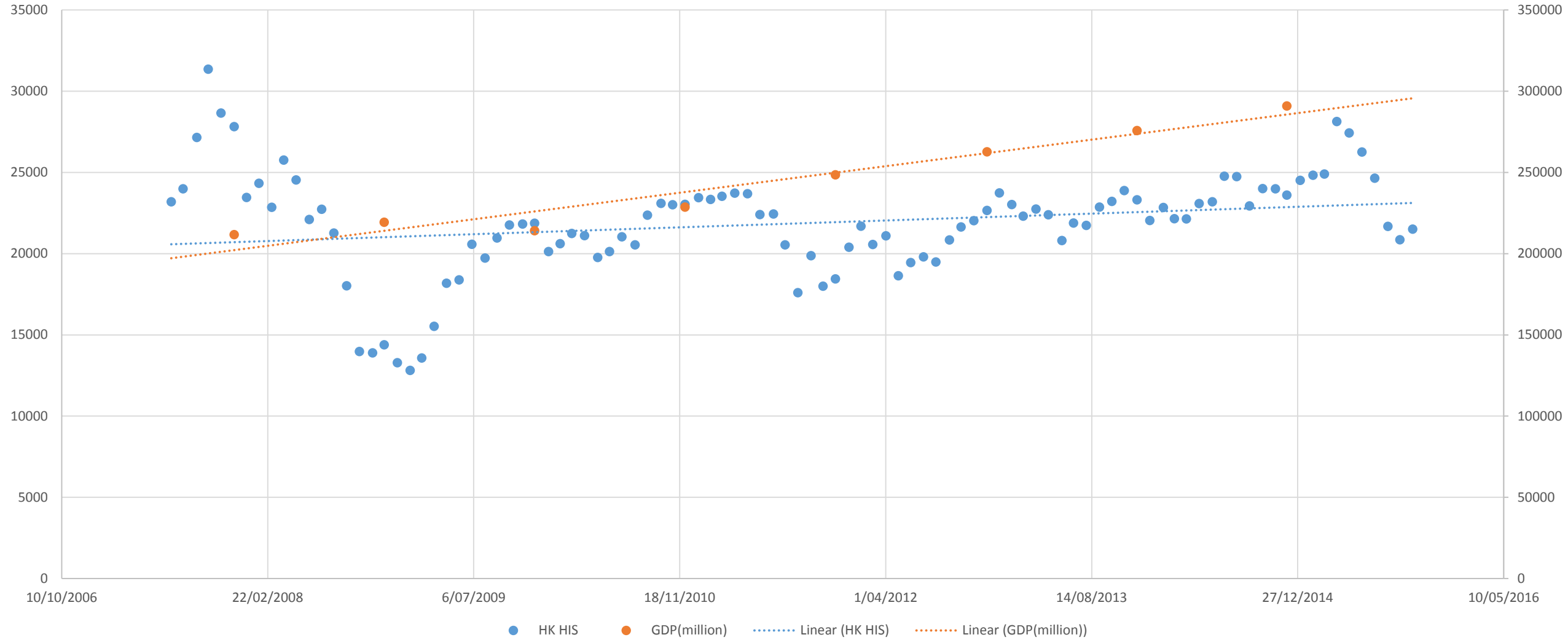
German DAXI & GDP



# HK HIS Index (HSI) & GDP

07/2007-04/2015

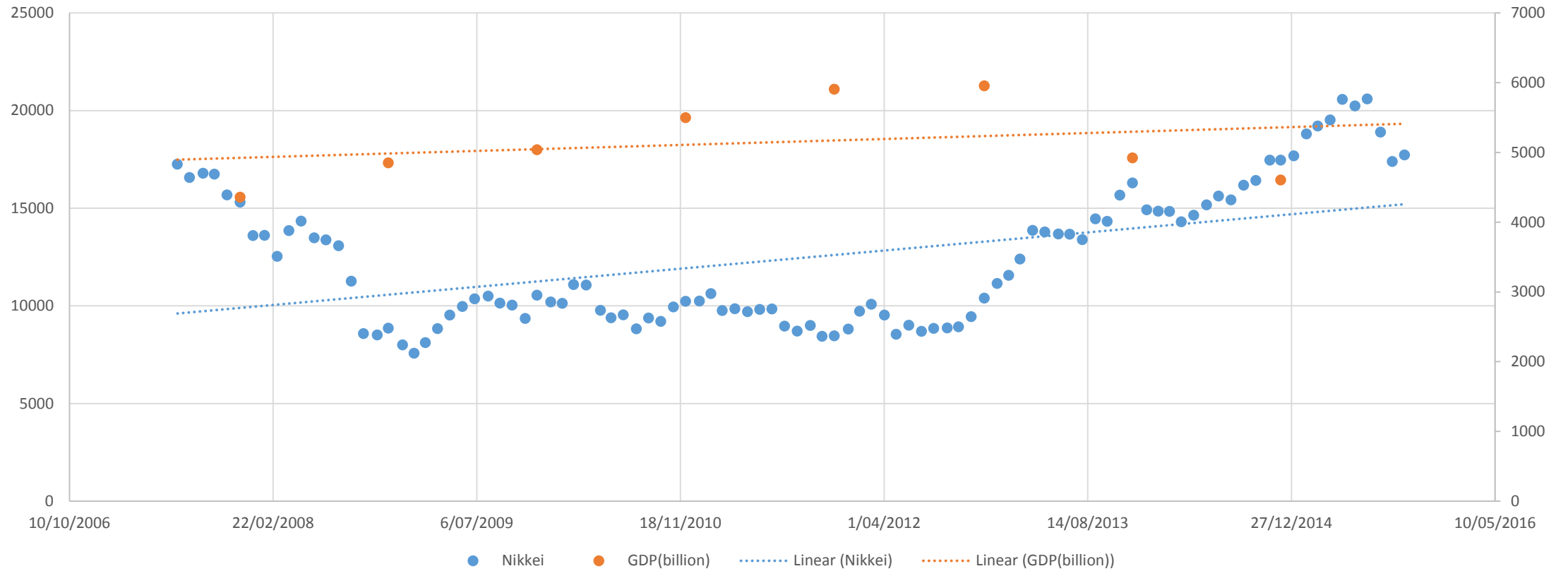
HK HIS & GDP



# Japan Nikkei Index (Nikkei) & GDP

07/2007-04/2015

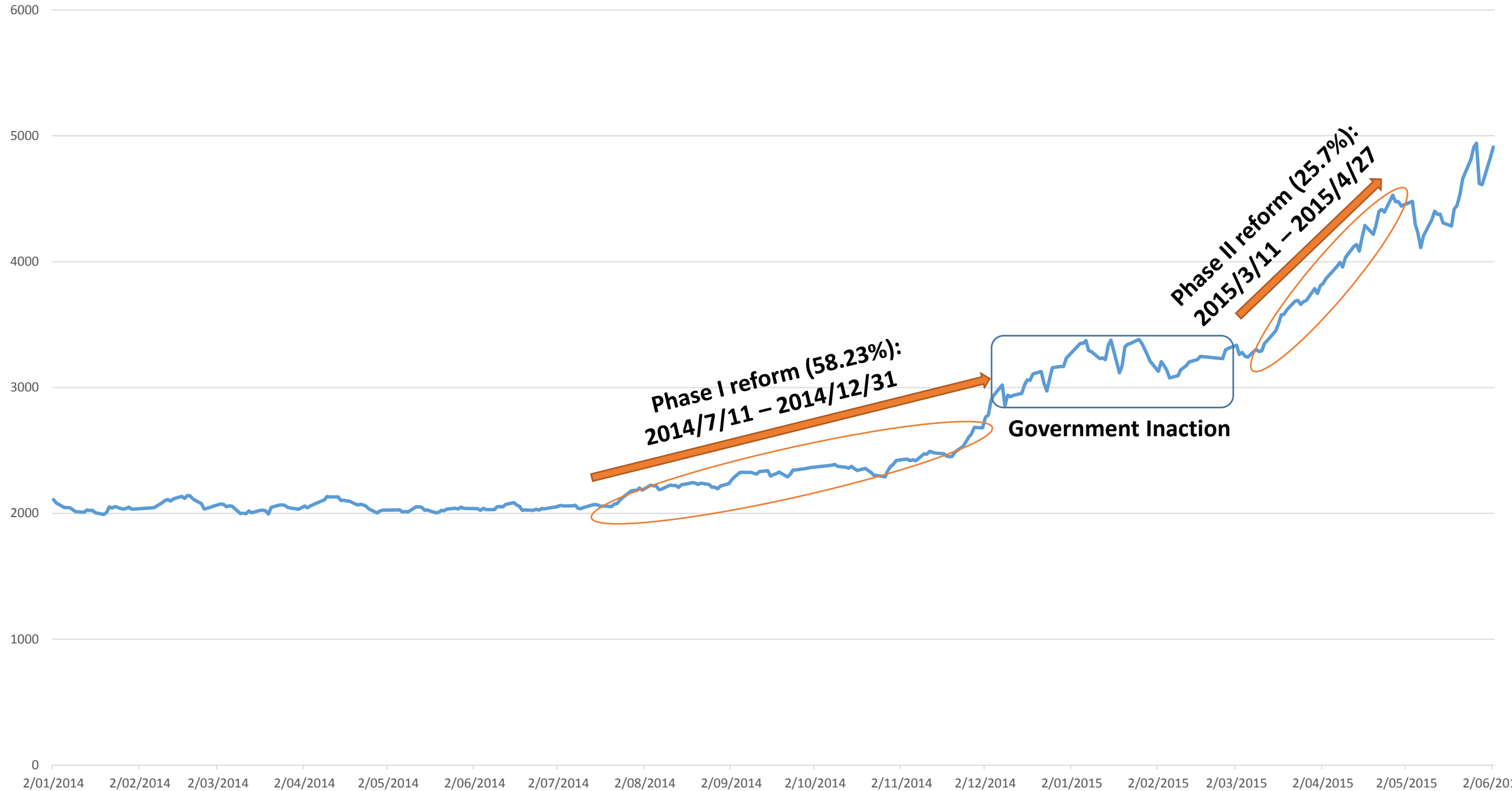
JP NK & GDP



*Why 11/07/2014?*

*A series of government reform announcements since  
2014/07/11*

# SSE Composite Index



## Phase I reform (58.23%↑): 2014/7/11 – 2014/12/31

7/11: the very **start** of Privatization Reform. China Tower CO., LTD established. (A)

(allows private operator competition with China Mobile, Telecom and Unicom). 3.54%↑

7/25 – 11/27: CBRC (China Banking Regulatory Commission) authorized 3 private-owned banks. (B)[reform in banking sector]

(allows competition between private and government finance sector) 1.02%↑ and 2.41%↑ in two days

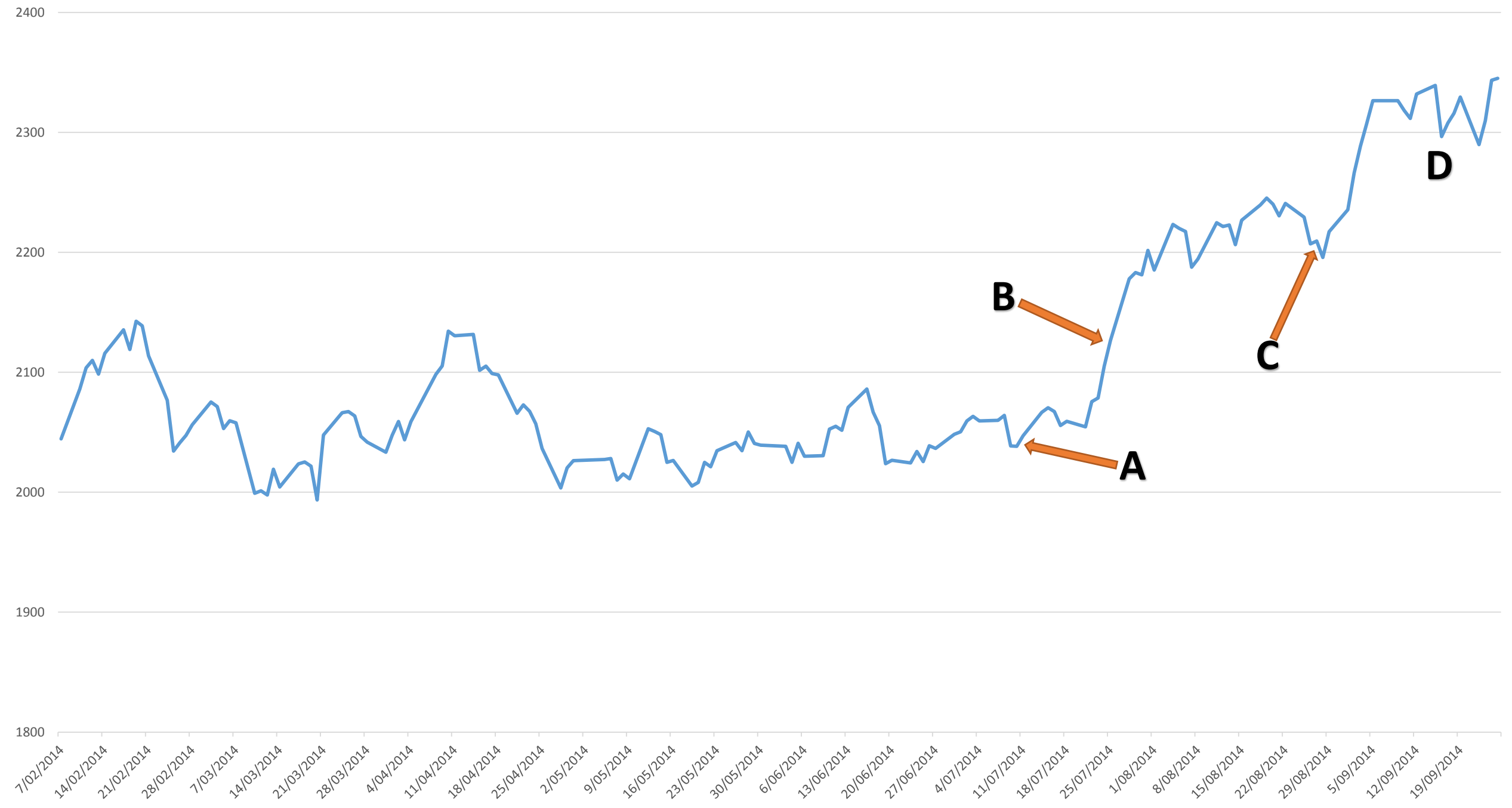
8/27: State Council allows private-owned oil company to import oil from abroad

(allows competition between private and public energy sectors) 3.76%↑; Further investment in railway industry. (C)

9/1 – 9/31: 9/1 – 9/18: 370bn infrastructure project announced by MWR (Ministry of Water Resources); Reform in electric power sector (allows direct sales of electricity to plants & private sector intervene); 9/11: Reform in aviation sectors (deregulation of low altitude air space) and privatization in General Aviation. (D) 4%↑

11: Reform in security markets (registration system)

# SSE Composite Index





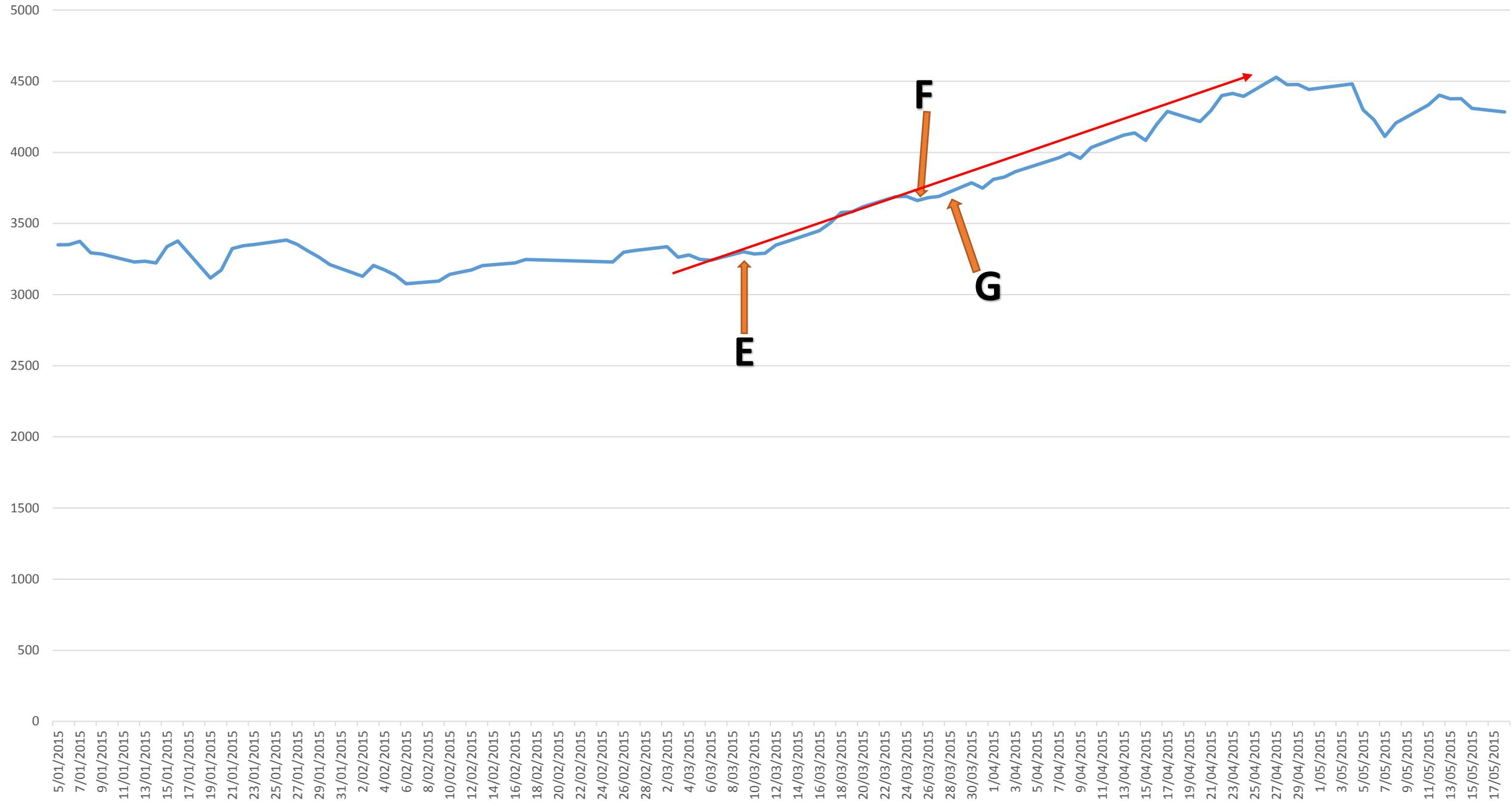
Phase II reform (25.7%↑): 2015/3/11 – 2015/4/27

3/9: Reform in electric power (47.7%↑ in power grid sector). (E)

3/25: “Made in China – 2025” published by State Council, an outline for upgrading China into a manufacturing powerhouse, a Chinese equivalence to German “Industrie 4.0”. (aviation industry 32.45%↑ & 45.48%↑) [reform in manufacturing sector] (F)

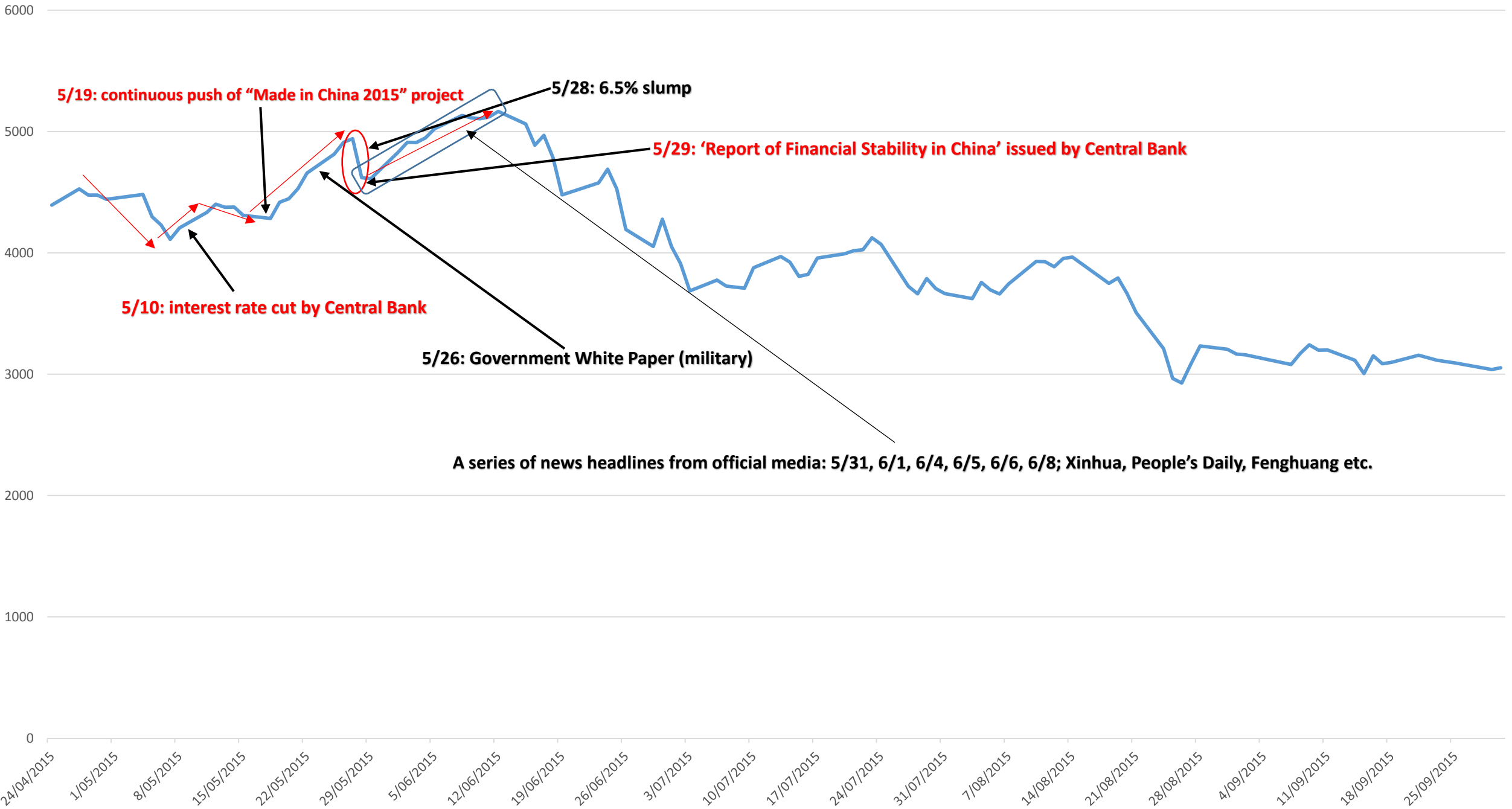
3/28: “One Belt and One Road” strategy initiative outline published (an initiative in economic and political collaboration with neighboring countries). (high-speed rail sector 106%↑; railway infrastructure sector 98%↑; transportation sector 57.9%↑) (G)

# SSE Composite Index



*Post Phase II stock markets  
2015/5/1 - now*

# SSE Composite Index



# Reflection

*Wild ride?*

*Does it show fundamental side of Chinese economy?*

*What can we learn? Getting rich by staring at rolling news of <http://www.gov.cn/>?*

- I suggest fund managers in NZ who are exposed to Chinese stock markets start watching CCTV news (*get a Chinese secretary*)