《中国股市为何波动如此剧烈？》

简答网 —jiandongshicai.cn—

China is now home to the world’s largest equity markets after the US. Yet extreme volatility is still typical, with benchmark indices often swinging as much as 10 per cent in hours. On one day in June, for example, more than $700bn was wiped off Chinese stocks.

??10%??????6???????????7000??????????

What is the investor profile behind China’s equity market?

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Retail punters account for 80-90 per cent of trading. Many of them are new to investing — in May alone 12m trading accounts were opened. That means millions of people trading stocks have little or no direct memory of the 2007-08 stock market bubble and crash.

????????????????80%?90%??????????——????5??????1200????????????????2007-08????????????????????????????

Even professional fund managers often act with very short-term horizons. Many are measured on monthly or

quarterly performance, adding pressure to chase the market higher as it moves.

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What impact has state policy had on the market?

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Chinese markets are often described as policy-driven. That goes well beyond monetary policy and deep into securities and banking regulation. State-media rhetoric has a role, shown by supportive messages in various government newspapers. But Beijing's pronouncements are often open to interpretation, leading to sharp rises and falls as millions of investors try to read the runes.

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As long as the stock market remains a policy lever for the government, and share indices dominated by state-owned enterprises, Beijing's heavy hand is unlikely to be significantly weakened.

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Beijing has tried to encourage long-term institutional investors, for example by granting freer access to large foreign asset managers or sovereign wealth funds. Progress has been slow.

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Margin finance has been cited as major factor behind growth. How does it work?

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Using borrowed money to trade stocks is a common feature of equity markets globally but in China it has rocketed over the past year. Margin trading as a percentage of overall market capitalisation reached a record earlier this year, says Macquarie — far higher than anything in any other market at any point in history.

??(Macquarie)??

High levels of leverage help explain why stocks ran up so quickly over the past year. But that borrowing leaves the stock market prone to dramatic falls as investors struggle to meet margin calls.

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The regulators have tried to cut the level of margin lending in the system, a key reason for the recent pull back.

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Have initial public offerings also helped drive the market?

??????(IPO)?????????

The system for new listings in China remains tightly controlled by authorities. The state in effect sets the price of new share sales, virtually guaranteeing quick bumper returns for those able to buy in. Even when the Shanghai market has fallen sharply, IPOs have typically risen by the daily limit of 44 per cent.

??44%??????

The result is investors pull cash from the market ahead of new listings, draining billions of dollars of liquidity for a number of days. That can torpedo the market, but then push it back up when the funds are unlocked again.

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Regulators are aware of the need for a rethink, and have promised to hand over IPO approval powers to the stock exchanges.

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What are the hedging options?

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Although China has introduced a system for short-selling stocks, it remains of little use in practical terms. Borrowing costs are high and the availability of stock to borrow is limited. The only viable way of hedging exposure is through index futures, unhelpful for those trading specific stocks or sectors. Instead, traders buy or sell to lessen or increase exposure, which can result in stampedes when sentiment switches.

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And what are the prospects for change?

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That regulators have tried to introduce shorting at all shows a recognition of the problem. April’s debut of options for shorting small-caps was an important step in the right direction. But the steps taken fall far short of what is needed, suggesting that authorities remain wary of the consequences of making short selling easier.

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