

Latest Market Analysis and Investment Strategy -Apr, 2016 Report

## April Headline

China raises trading fees for futures to avoid overheating . China's major futures exchanges said on Thursday that trading fees for some futures will be raised as risks of overheating loom following days of rapid price increases and alarmingly high market turnover. Shanghai Futures Exchange said that starting April 25, the trading fees for hot-rolled steel coils, screw thread steel and petroleum asphalt will be raised to 0.01 percent from the current 0.004 percent, 0.006 percent and 0.008 percent respectively. Also starting April 25, Dalian Futures Exchange will raise the trading fees for iron ore and polypropylene to 0.009 percent

China securities regulator calls for more investor protection . The securities regulator has called for more investor protection to ensure the healthy development of the capital market. Liu Shiyu, chairman of China Securities Regulatory Commission (CSRC), made the call at a symposium held with securities and fund firms in Shenzhen on Saturday. The symposium was the first time Liu has spoken with the leaders of market players since his inauguration in February. The aim of the dialog was to solicit advice and suggestions. Liu ordered the market players to do businesses in accordance with the principle of prudent operation, and honestly and responsibly fulfill their legal duties.

Shanghai launches yuan gold fix . The Shanghai Gold Exchange, the world's largest physical gold bourse, on Tuesday launched a yuan-denominated gold benchmark. The Shanghai Gold Benchmark Price could help China gain a pricing power that matches its position as the world's top producer, importer and consumer of the precious metal. The benchmark price will be derived from a 1-kilogram contract for gold ingots with a fineness of no lower than 999.9, traded by 18 participants on the exchange. The price will be quoted in the yuan per gram and settled via the SGE platform, according to the official website.

## Economic Indicator Analysis

### Inflation Rate

Consumer prices in China rose 2.3 percent year-on-year in March of 2016, the same pace as in February and below market consensus of a 2.5 percent increase. The politically sensitive food prices increased by 7.6 percent while non-food cost rose at a slower 1.0 percent. Cost of consumer goods gained 2.5 percent and those of services advanced 1.9 percent. On a monthly basis, consumer prices dropped by 0.4 percent, as compared to a 1.6 percent increase in the preceding month. It is the first decline since October 2015.



## Trade Surplus

China trade surplus came in at USD29.86 billion in March of 2016, up significantly from a USD3.08 billion surplus reported a year earlier but slightly less than market consensus, as exports rose while imports fell.



## China Money Supply M2

Money Supply M2 in China rose 13.4 percent year-on-year to 144,620 CNY billion in March from 142,460 CNY billion in February of 2016 and slightly below market consensus of 13.5 percent. In March 2015, money supply M2 was 127,530 CNY billion.



## May Stock Market Performance Analysis

**Defense is the main theme of May.**

In April, the Shanghai Composite Index , the Shanghai A Index , the SSE SME Composite Index, the Growth Enterprise Index, the CSI 300, SSE 50, and CSI 500 fell 2.18% , 2.19%, 3.61% , -4.45% , 1.91% , 0.98%, 2.77% , respectively. The market has experienced a sharp rise in March, the whole of April are in the trend of shock.

Recently, stocks, bonds and commodities often appear in the pattern of the wheel. Under the low interest rate environment, this shows that the market is constantly looking for the relative valuation of depression. At the same time, it also reflects the characteristics of the stock of the game.



Last month , we see the liquidity, credit default, leverage and other issues of fear makes the bond market volatility amplification , Primary and secondary market interest rates rose in turn。 Although the central bank to take the reverse repurchase operations to market liquidity, but due to late April have large amounts of central bank open market operations and monetary tools maturity, capital is expected to will be tight。 We know that the rise and fall of the market does not always depend on the total amount of money, but is often affected by the marginal changes in the funds。 Therefore, we think that in May should be the first to defend。

Although we think that May will be the first to do defense, but we do not think the market will be a continuous slump. At the same time, we believe that once the market continued to fall sharply, the real growth of the stock and stock valuations have enough attractive varieties, will face to a rare opportunity to buy.。

### **Hong Kong : Sell in May and go away?**

An old saying to “sell in May and go away” warns investors to get rid of their stock holdings to avoid what is traditionally known as a tough time of the year for equity markets. According to past trading data, Hang Seng Index has fallen 7 out of the past 10 years in May.

Now that May is here, is it really time to go risk off and stay away the equity market? Of course every year is different but there are many factors that could make the next few months difficult for investors:

- Hang Seng Index broke below the support of the 20MA in first trading of May, and closed near the day low, resulting in a further descending pattern.
- Given that Hang Seng Index have made a stellar comeback since the rampage at the start of 2016, chances of a technical correction in May is very high.
- The Japanese central bank’s surprise decision to hold off additional easing sent the yen touching its highest levels in about 18 months, and will likely hurt market confidence in the near term
- The U.K. referendum and the uncertainty about the decision at the next US Fed meeting in June both pose a major risk for the equity market.

Meanwhile, in the aftermath of recent slump, the monthly trend has turned into high-to-low, and in view of last month high of 21,062 pts, if the adjustment costs over 1,000 pts, Hang Seng Index may test the support of 20,000 pts.

Thus of the old saying "Sell in May", it may be best to stay on the sidelines until the market sees a more directional trend.

