

China's Policy is about to Help Sinking Stockmarket




While Renminbi climbed to all-time high, China's stock prices have fallen by half from its October record on concern government measures to tame inflation and stock-investment losses will hurt earnings growth. Last week, the People's Bank of China announced that the amount of money lenders must hold in reserve will be raised by half a percentage point, pushing the reserve requirement ratio to a record 16%. It was the third time this year that the authorities have taken such a measure to ease liquidity-induced inflation growth, which was 8.3% in March, slightly lower than the 12-year high of 8.7% in February. Last year, it raised the ratio 10 times. The hike will take effect on April 25. The move demonstrates the determined stance despite moderating inflation in March. As a result, the stock market was hard hit, driving the Shanghai Composite Index to 50% below its October record,

as investors retreat from a stock market that had climbed almost sixfold in the past two years. The China Securities Regulatory Commission (CSRC) finally unveiled measure to stabilize market on April 20, 2008. The regulator ordered shareholders to sell stocks on the block trading system if they expect to sell a large amount of shares that were freed from the lock-up period. When more than one percent of a listed firm's total shares are sold within a month, the holders should use the block trading system. In fact, investor sentiment was weak on the lingering concerns that the huge amount of such shares would flood the market for cash. If these shares are all to be traded on the bid trading system, the trading will be low-efficient as the volume is often restricted by the buying interest on the secondary market. The trading will also exert huge pressure on the

share prices. The move will help to ease the pressure on the secondary market. Coincidentally, oil producer PetroChina and oil refiner Sinopec unveiled plans by Beijing to dole out monthly subsidies to offset mounting refining losses. These two largest oil firms said on Sunday that the Ministry of Finance would provide an appropriate subsidy every month against losses due to processing imported crude oil starting April 1, to ensure ample supply for the world's largest oil consumer after the United States, according to Reuters. It is expected that the subsidy will most likely come in the form of a sharp reduction in value-added taxes paid by both corporations on crude imports, on which China relies for half its needs.

Microscope

China has the second largest economy in the world after the US with a GDP of nearly \$ 7 trillion (2007). In November 2007, it became the third largest in the world after the US and Japan, after adjusting exchange rate. China has been the fastest-growing major nation for the past 25 years with an average annual GDP growth rate above 10%. China's per capita income has grown at an average annual rate of more than 8% over the last three decades. However, the country's per capita income is classified as low by world standards, at about \$2,000 in 2006, according to the IMF. China's size, the abundance of its resources, and having about 20% of the world's population living within its borders, for the last two centuries its role in the world economy will continue to grow. The two most important sectors of the economy have been agriculture and industry, which together employ more than 70% of the labor force and produce more than 60% of GDP. The two sectors have differed in many respects. To sustain the growth, the development of capital market is essential for China, especially when the government is reforming its banking industry. 

MARKET BRIEFING


YTD % (local curr)

US DJ	12,849 (-3.1%)
Nasdaq	2,402 (-9.4%)
Euro Stoxx 50	3,808 (-13.4%)
HSI	24,197 (-13%)
Japan NK225	13,476 (-12%)
China Shanghai Composite	3,094 (-41.2%)
Singapore	3,124 (-9.8%)
India BSE30	16,481 (-18.8%)
Brazil BOVESPA	64,922 (+1.6%)
Aus All Ord	5,504 (-14.3%)
US-10yr Bond Yield	3.73%


As at 18/04/08

Insight: "Writing a Will"

To resolve any uncertainty of estate treatment after one's death, a will can provide information about the transfer of property from the property's owner to his beneficiaries, after his death. Regardless of age, everyone needs a will. Writing a will is as important as retirement planning or education planning for your kids. As a matter of fact, it is wise that the transfer of property be made in accordance with the deceased's wishes, as expressed in the will. A high proportion of adults own assets in the form of houses, cars, shares and insurance policies. A person who makes a will is called a testator. Testators have

the option of framing their own will or engage the services of an attorney. Prior to framing a will, a testator's objectives must be clear. An inventory of assets helps in estimating outstanding debts. A list of members and other beneficiaries must be prepared. Testators must plan on passing their property to their heirs in the most tax-efficient manner. A witness is required to sign a copy of the will. Once the will is written, it should be stored in a safe place that is accessible to others after death. If you are the last living parent and you die leaving children under age 18, it is advised to appoint guardian. No one likes to talk about death, especially their own. But if you don't make plans on how you want to distribute your worldly wealth while you're still alive, you can leave a host of problems and hardships for your grieving family sort out. 

A-Z Financial Tools

Quick ratio is an indicator of a company's financial strength (or weakness). It is calculated by taking current assets less inventories, divided by current liabilities. This ratio provides information regarding the firm's liquidity and ability to meet its obligations so as to let us fairly value the risk and the worth of a company. 



IBC Group

Comprehensive Financial Planning
Wealth Management Advisory
International Business Advisory
Call 2268 6308
Email: insider@ibccapital.com

Next Insight
"Hedge against Stagflation"