

China Stock Market Bounces Back

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China's main share index rose by almost 8% on Monday after the government moved to revive investor confidence.

The Shanghai Composite Index closed at 2,236.41, having jumped 9.5% on Friday.

News that the financial regulator planned to make it easier for state-owned firms to buy back their own shares helped to fuel the rally.

Elsewhere in the world, shares were mixed as investors mulled a US plan to free banks of their bad debt aimed at solving the world financial crisis.

Government intervention

Chinese banks were the biggest winners in the rebound, with Bank of China, Industrial & Commercial Bank of China and China Construction Bank all jumping by their daily 10% limit.

They gained from new rules that will allow state-run firms to buy back their own shares without first getting government approval.

It is the latest market-boosting move by Beijing, which last week scrapped a stamp duty on buying stock and said it would buy shares in three of the largest state-owned banks.

The intervention is aimed at shoring up confidence in domestic shares, which are down more than 50% from their peak earlier this year.

But some analysts were not convinced at how sustainable the rebound will be.

"Confidence is back, but the economy remains weak. Corporate profit growth at listed companies is slowing," said said Chen Ge, fund manager at Fullgoal Fund Management.

Other Asian stock markets also gained on hopes that the ambitious US proposals to bail out troubled Wall Street banks will ease ructions in the banking system.

Japan's Nikkei rose 1.4% to end at 12,090.59 points , while Hong Kong's Hang Seng index rose 1.6% to 19,632.2

In Europe, a calm start to trading gave way to losses after a buying frenzy on Friday.

The UK's FTSE 100 ended 75 points, or 1.4%, lower, at 5,236.3. In France, the Cac 40 closed 2.3% down, and the German Dax index fell 1.3%.

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Source: BBC