

(BN) Asian Stocks Bulls Have 4 Percent China Market Rally to Thank

BN 10/18 08:30 What Goes Up, Must Come Down: China Stock Pressure Hits Asia

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2018-10-22 08:35:10.574 GMT

By Nguyen Kieu Giang

(Bloomberg) -- After all that anxiety and anticipation for Monday's open on Chinese stocks, here we are: the biggest surge in over two years for Shanghai shares, and a more than 2 percent rebound in Hong Kong.

But that's about it. The MSCI Asia Pacific Index has swung between gains and losses this morning, eking out a meager 0.4 percent advance as of 4:33 p.m. in Singapore. Japan's Topix index erased its earlier loss to end little changed. And really, no other market in the region has rallied the way they did in Hong Kong and China.

Quite a bit happened in the 67 hours since the market closed Friday and reopened in China to help support stocks:

- * CSRC spokesman Chang Depeng said China supports overseas-listed companies to participate in M&A of A-share listed companies.

- * President Xi Jinping vowed "unwavering" support for non-state firms, while the country's stock exchanges committed to help manage share-pledge risks.

- * China also released its widely expected plan to cut personal income taxes after data showed the nation's economy grew at the slowest pace since 2009.

- * PBOC adviser Ma Jun expects policy measures will support the market, and the nation's central bank strengthened the yuan fixing by most since Sept. 21.

- * There was also a bullish Goldman report that sent securities firms in both Hong Kong and the mainland surging.

China's National Team Is Saving the Wrong Targets: Shuli Ren

So what's going on in the rest of Asia? AMP Capital Investors Ltd.'s Nader Naeimi sees "a huge sentiment shock," and the market might be at a "turning point from extreme optimism toward the U.S. and extreme pessimism toward the rest of the world." Oanda Corp.'s Stephen Innes suggests that investors still pay attention to the U.S.-China trade war, with Trump saying he wants China to feel more pain.

Stocks slipped in Australia after the government suffered a voter backlash in a special election in Sydney on Saturday that

looks set to cost the conservatives their one-seat majority in parliament. New Zealand was closed for a holiday.

U.S. stock-index futures might be ones that paint a proper picture of investor sentiment. December contracts on the S&P 500 Index fell as much as 0.6 percent before erasing losses. You have the U.S.-Russia nuclear pact in jeopardy, there's a media report on Larry Kudlow accusing China of doing "nothing" to defuse trade tensions, and Trump's "deception and lies" comment about Saudi Arabia's evolving account of the death of Jamal Khashoggi.

Where to from here? The earnings season will be a key indicator of what's next for stocks. With tech giants including Amazon.com Inc. and Google parent Alphabet Inc. reporting this week, investors will watch for any indication that the profit growth they've seen in the past couple of quarters is fading. Last week's results already showed some cracks appearing in the earnings foundation.

Here are some notable sector moves:

- * Mid-Sized Indian Banks Decline After Morgan Stanley Downgrades
- * Chinese Consumer Stocks Climb After Tax Cut Draft Plan Unveiled
- * Japan Telcos Slip After Report Signaling Lower Rates Next Year
- * Korea Cosmetics, Tourism Rebound as Traders Buy the Dip: Analyst
- * Education Stocks Soar as China's Tax Cut Plan Seen Positive

Stock-Market Summary

- * Japan's Topix index up 0.1%; Nikkei 225 up 0.4%
- * Hong Kong's Hang Seng Index up 2.3%; Hang Seng China Enterprises up 2.6%; Shanghai Composite up 4.1%
- * Taiwan's Taiex index up 0.6%
- * South Korea's Kospi index up 0.3%; Kospi 200 up 0.3%
- * Australia's S&P/ASX 200 down 0.6%
- * India's S&P BSE Sensex Index up 0.3%; NSE Nifty 50 up 0.2%
- * Singapore's Straits Times Index up 0.3%; Malaysia's KLCI down 0.5%; Philippine Stock Exchange up 1.2%; Jakarta Composite up 0.2%; Thailand's SET down 0.3%; Vietnam's VN Index down 0.5%

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