

China's Stocks Jump to Two-Month High on Economic Optimism 2013-08-12 08:13:58.932 GMT

By Weiyi Lim

Aug. 12 (Bloomberg) -- China's stocks rose to the highest level in almost two months, led by commodity producers and financial companies, amid optimism the biggest emerging economy is stabilizing after a two-quarter slowdown.

A gauge of energy producers surged 5.7 percent, the most since September. China Shenhua Energy Co., the nation's biggest coal producer, rallied 6.1 percent and Jiangxi Copper Co., the largest copper producer, had its biggest gain in a month. Poly Real Estate Group Co., the second-largest developer, climbed 5 percent amid speculation the government will relax a ban on real estate companies raising funds through share sales.

The Shanghai Composite Index advanced 2.4 percent to 2,101.28 at the close, the biggest one-day gain since July 11. New yuan loans topped estimates in July and money supply unexpectedly accelerated, according to official reports after the market closed on Aug. 9. Data earlier in the week showed industrial output and exports improved.

"Investors are beginning to feel confident that the economy could be recovering after last week's data," said Zeng Xianzhao, an analyst at Everbright Securities Co. in Chongqing. "Liquidity also looks OK now."

The CSI 300 Index advanced 2.9 percent to 2,352.79. The Hang Seng China Enterprises Index jumped 3.5 percent, the most since July 23, after falling 1.4 percent last week.

Trading in the Shanghai Composite was 43 percent above the 30-day average for this time of day, according to data compiled by Bloomberg. The index is valued at 8.5 times 12-month projected earnings, compared with the five-year average of 12.7 times, data showed. The measure has lost 7.4 percent this year.

Financials Rally

A gauge of financial companies in the CSI 300 including banks, insurers and developers jumped 3.8 percent, the most in a month. Ping An Bank Co., surged 4.9 percent to 10.33 yuan. Ping An Insurance Group Co., the second-largest insurer, rose 4.5 percent to 34.51 yuan. Poly Real Estate rallied 5 percent to 11.42 yuan. Gemdale Corp. increased 4.4 percent to 7.31 yuan.

Aggregate financing was 808.8 billion yuan (\$132 billion) in July, the People's Bank of China said last week, compared with the 925 billion yuan median estimate of analysts surveyed by Bloomberg News. New yuan loans exceeded forecasts and accounted for about 87 percent of the total, the most since

September 2011. M2 money supply growth unexpectedly accelerated to 14.5 percent.

Agricultural Bank of China Ltd. will provide loans worth 314 billion yuan loan (\$40.5 billion) to Shanghai to support construction of key projects, the South China Morning Post reported today, citing unidentified government and banking industry sources familiar with the situation. Other banks may quickly copy the loan plan and support areas such as Guangdong province, the SCMP reported, citing the sources.

Fundraising Optimism

The China Securities Regulatory Commission will make decisions regarding financing for real-estate projects based on examinations of the company and opinions of the Ministry of Land and Resources, according to a statement posted on the regulator's website on Aug. 9.

"There's optimism developers will be allowed to raise funds again," Zhou Lin, an analyst at Huatai Securities Co., said by phone from Nanjing. "Investors are also putting money now into cyclical stocks such as energy and property because of the recent macro data."

Chinese factory production increased 9.7 percent in July from a year earlier, retail sales advanced 13.2 percent while fixed-asset investment excluding rural households grew 20.1 percent in the first seven months of the year, according to the statistics bureau.

The CSI 300's energy stock index jumped 5.7 percent, paring the gauge's 2013 loss to 26 percent. That's the biggest decline among the 10 industry groups. The materials index advanced 3.8 percent today.

Shenhua Energy rallied 6.1 percent to 17.14 yuan, its biggest gain since January 2012. Jiangxi Copper increased 4.5 percent to 17.93 yuan, taking its three-day advance to 12 percent. The shares fell to their lowest level in more than four years on June 29.

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--With assistance from Zhang Shidong in Shanghai. Editors:
Richard Frost, Allen Wan

To contact the reporter on this story:
Weiyi Lim in Singapore at +65-6212-1886 or
wlim26@bloomberg.net

To contact the editor responsible for this story:
Michael Patterson at [+852-2977-4820](tel:+852-2977-4820) or
mpatterson10@bloomberg.net