Chinese Stocks Roiled as Shanghai Composite Trading Surges 53%
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By Bloomberg News
Aug. 16 (Bloomberg) -- China's stock market was roiled by a 53 percent surge in trading volumes that sent the Shanghai Composite Index to its biggest intraday gain since March 2009. Everbright Securities Co. said it experienced a trading error.
The benchmark Shanghai gauge jumped from a loss of as much as 1 percent to a gain of 5.6 percent in two minutes during the morning session as 16 of the measure's 20 biggest companies by weighting increased by the 10 percent daily limit. The index fell 0.6 percent at the close. The exchange said trades will be settled as normal and Everbright said it's investigating.
The biggest swings since the global financial crisis threaten to further erode confidence in what's already the world's second-worst performing stock market after Greece during the past four years. About 15.3 billion shares of Shanghai Composite companies changed hands, versus the 30-day average of 10 billion, data compiled by Bloomberg show.
"I haven't seen things like this for ages," Chen Shide, a Guangzhou-based money manager at GF Fund Management Co., which oversees about $16.7 billion, said by phone today. "The market sentiment will continue to remain weak."
The Shanghai Composite has dropped 8.8 percent this year, versus a 9.9 percent gain in the MSCI All-Country World Index. The Chinese gauge has tumbled about 32 percent during the past four years as growth in the world's second-largest economy slowed, the most among equity gauges in 45 emerging and developed countries after the 59 percent decline in Greece's ASE Index.

'Poor Sentiment'

Chinese stock accounts containing funds have dropped by more than 2 million from their high in June 2011 to 54.4 million, according to regulatory data compiled by Bloomberg.
"Such a movement won't help to boost market confidence," said Li Jun, a strategist at Central China Securities Co. in Shanghai. "Most investors would view such a sudden spike in a market with very poor sentiment as irrational and illogical."
The government restricts access to mainland markets through its Qualified Foreign Institutional Investor program, which has granted international firms a combined quota of $44.9 billion as of July 30. That compares with the $3.1 trillion market value of locally-listed companies.
The Shanghai Stock Exchange said operation of its trading

system was normal today, according to a statement on its official microblog. China's securities regulator is monitoring the situation, said an official at the China Securities Regulatory Commission, who asked not to be identified because of the agency's rules.

PetroChina, ICBC

Everbright Securities, the nation's ninth-largest brokerage by assets, disclosed the trading error in a statement filed to the Shanghai exchange. Board Secretary Mei Jian declined to comment further when contacted by Bloomberg News. The company's shares were suspended in Shanghai trading. China Everbright Ltd., which owns a stake in Everbright Securities, declined 5.5 percent in Hong Kong.

PetroChina Co. and Industrial & Commercial Bank of China Ltd., the nation's two biggest companies by market value, jumped as much as 10 percent in Shanghai before paring gains to trade little changed by the close. Volume in PetroChina was 239 percent above the three-month average and it was 269 percent greater than the average for ICBC, according to data compiled by Bloomberg.

"I was terrified, didn't know what happened," Wellian Wiranto, an investment strategist at the wealth-management unit of Barclays Plc, which oversees about $217 billion worldwide, said from Singapore today.

Disruptions in electronic markets have been under scrutiny since the May 2010 flash crash, when the Dow Jones Industrial Average fell almost 1,000 points in minutes before rebounding. Osaka's derivatives platform malfunctioned in March, while orders for Indian stocks improperly entered by a Mumbai brokerage in October sent the CNX Nifty Index down 16 percent in eight seconds before it rebounded.

Knight Capital Group Inc. lost more than $450 million after sending erroneous orders to U.S. exchanges on Aug. 1, 2012, because of a computer malfunction. Knight was later purchased by Getco LLC to create KCG Holdings Inc.

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