

# CESC Index Report for November



China Exchanges Services Co Ltd (CESC)



## Highlights

- CESC indices had lower volatility in November than other benchmark Mainland and Hong Kong indices
- CES120 Index welcomed its first constituent from Shenzhen's ChiNext
- Global capital shifted from emerging markets to developed markets; certain Hong Kong listed A-share ETFs saw redemptions
- Increased turnover in Singapore's A50 Futures reflected increasing offshore demand for A-share derivatives
- CNH deposits continued to shrink after the forex reform on 11 August

## 1. Performance of CESC indices

Compared to October, major indices in the Mainland and Hong Kong fluctuated slightly in November (see Chart 1). In mid-November, China's central bank cut

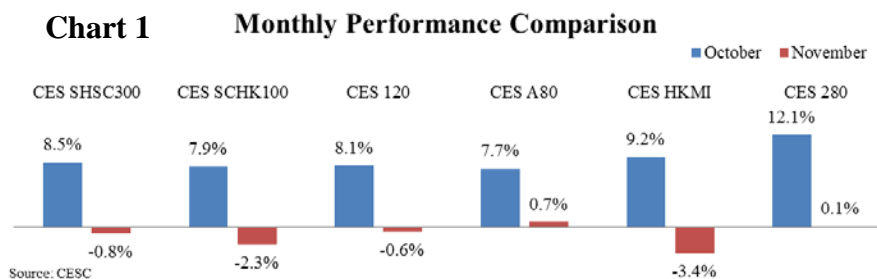
the interest rates of the standing lending facility, or SLF, hoping to boost economic growth.

The Mainland and Hong Kong stock markets rallied on the announcement.

CESC indices performed steadily.

Their volatilities were smaller than those of other benchmark indices in both markets (see Chart 2).

A regular review of the CES China Cross Border Index Series was conducted in November. Following the upcoming constituent adjustment,



**Chart 2**

	Index Point	Monthly Change	Volatility	Risk-adjusted Return
SZSE Component	12,037.86	4.26%	10.60%	0.40
SSE Composite	3,445.40	1.86%	8.45%	0.22
FTSE A50	10,148.10	0.99%	8.31%	0.12
CSI 300	3,566.41	0.91%	8.79%	0.10
CES A80	5,947.26	0.73%	8.11%	0.09
CES 280	6,502.49	0.11%	8.34%	0.01
CES 120	4,869.24	-0.57%	6.23%	(0.09)
CES SHSC 300	3,613.37	-0.82%	5.81%	(0.14)
CES SCHK 100	4,293.72	-2.28%	5.27%	(0.43)
HSI	21,996.42	-2.84%	5.77%	(0.49)
CES HKMI	5,467.84	-3.35%	6.01%	(0.56)
HSCEI	9,790.64	-5.83%	6.13%	(0.95)

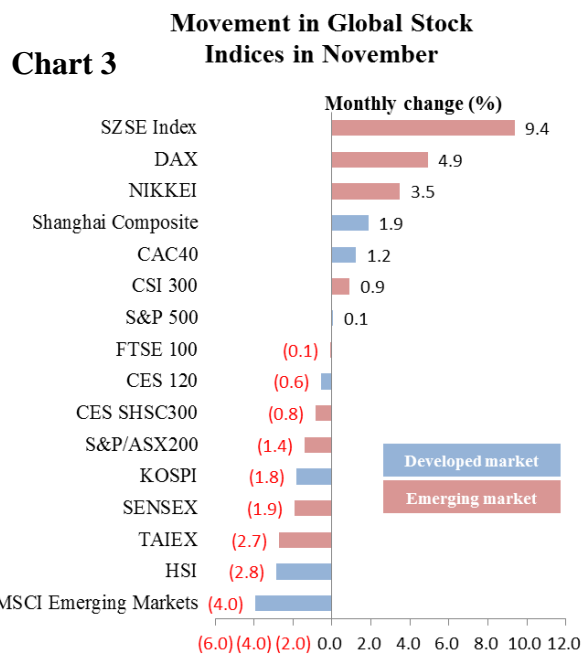
Source: CESC and Bloomberg; monthly statistics as of 30 November 2015

the index series will cover more companies representing China’s new economic trends. For example, Leshi Internet (300104.SZ), a company listed on Shenzhen’s ChiNext, will join the CES120; while mobile Internet firm Ourpalm (300315.SZ) will become a member of the CES280. These pending changes indicate ChiNext stocks have gained considerable market recognition. Currently, a number of new economy stocks such as e-commerce firm Midea Group (000333.SZ) and online financial information platform operator East Money (300059.SZ) have been included in CESC’s Cross-Border Index Series. The inclusion of ChiNext stocks will enhance the CESC indices, which will better reflect the economic development trends in China.

## 2. Global stock index movements

November statistics indicated a slight improvement in the global economy. The Caixin China Manufacturing PMI reading moved up to 48.6. Although it was the ninth straight month of contraction, the rebound suggested the economy is moving in a positive direction worsened. Overseas, manufacturing in the US and Eurozone continued to expand in November. Markit’s manufacturing PMI had readings of 52.8 for both the US and Eurozone. With expectations that the US is about to enter a rate-hike cycle while monetary easing is set to continue in the Eurozone and Japan, global capital is being redeployed from emerging markets to developed markets.

The performance of global stock markets was mixed in November (see Chart 3). Major stock markets in the US and Europe were not outstanding. There was little change in stock markets in the UK, US and France. Germany’s DAX Index extended last month’s surge by rising 4.9 per cent. China and Japan had the best performance in the Asia Pacific region, with the Shanghai Composite Index and SZSE Index up 1.9 per cent and 9.4 per cent respectively, and the NIKKEI Index gaining 3.5 per cent. Other major Asia-Pacific markets dipped 1-3 per cent generally. Emerging markets performed poorly except China, with the MSCI Emerging Markets Index down 4 per cent, underscoring the retreat of global capital in those regions. Given Hong Kong stocks’ underperformance compared with A shares, the CES120 and CES SHSC300 recorded slight drops.



### 3. Offshore A-share market movements

#### i. Certain Hong Kong-listed A-share ETFs saw redemptions

As global capital moved from emerging markets to developed markets such as Europe and the US as mentioned above, a number of Hong Kong-listed A-share ETFs received redemption orders and traded at a significant discount. Hong Kong's largest A-share ETF, iShares A50, saw a net cash outflow of about RMB1.3 billion. CSOP A50, CAM CSI 300 and E Fund CSI 100 also had net cash outflows, with totals of RMB2.8 billion, RMB1.7 billion and RMB1.2 billion respectively (see Table 1).

**Table 1** Certain A-shares ETFs listed in Hong Kong

A-shares ETFs	Underlying Index	Mainland stocks covered	November's Capital Inflow/Outflow	Premium / Discount (%)
X iShares A50	FTSE A50	A-shares	- RMB 1.3 bn.	-9.7
CSOP A50	FTSE A50	A-shares	- RMB 2.8 bn.	-0.9
CAM CSI 300	CSI 300	A-shares	- RMB 1.7 bn.	-1.0
X WISE CSI 300	CSI 300	A-shares	No Change	-8.7
E Fund CSI 100	CSI 100	A-shares	- RMB 1.2 bn.	-1.5
CAM CES A80	CES A80	A-shares	No Change	-1.1
CSOP CES A80	CES A80	A-shares	No Change	-1.1
E FUND CES 120	CES 120	A-shares, H-shares, red chips, P chips	No Change	-1.6

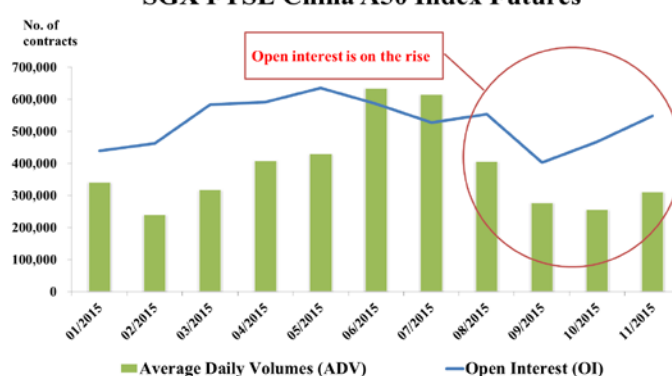
Source: HKEx statistics as of 30 November 2015

As of the end of November, most Hong Kong-listed A-share ETFs were traded at a discount to their net asset values, reflecting caution among overseas investors towards A shares.

#### ii. Increased trading in Singapore's A50 Futures reflected increasing demand for A-share derivatives

As an indicator of offshore demand for A-share derivatives, Singapore's A50 futures saw an increase of their open interest (OI) in November for the second consecutive month. The OI ended the month at 540,000 contracts, up 17 per cent from the previous month. Equivalent to a notional value of RMB35 billion, the November OI was similar to the high level prior to the A-share turmoil in June. Turnover in A50 futures increased 22 per cent to 310,000 contracts, or a notional value of RMB19.7 billion (see Chart 4).

**Chart 4** SGX FTSE China A50 Index Futures



Source: SGX statistics as of 30 November 2015

#### iii. CNH deposits continued to shrink after the forex reform on 11 August

According to data released by the Hong Kong Monetary Authority, CNH deposits dropped 4.6 per cent to RMB854.3 billion in October (see Table 2). It was the third straight month of contraction after the Mainland's 11 August announcement of its foreign exchange reform, reflecting concerns of overseas investors about further devaluation of the RMB.

RMB has been included in the IMF's SDR currency basket as expected. As more central banks are expected to use RMB for reserve and investment purposes, market people expect the RMB exchange rate to become more stable in the future.

**Table 2** Balance of CNH deposits

Month (2015)	Balance of deposits (RMB billion)	Monthly change (%)
October	854.3	-4.6
September	895.4	-8.5
August	979.0	-1.5
July	994.1	0.1
June	992.9	2.1
May	972.4	1.8
April	955.2	0.3
March	952.0	-2.2
February	973.0	-0.9
January	981.4	-2.2

Source: HKMA as of 30 November 2015

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