CHINAS SURGING ECONOMY pdf

1: China's surging exports widen trade surplus with U.S.

China's Economy Is Surging 7% but Everyone Thinks That's Too Slow While China is still mustering 7% expansion, many foreign companies have been spoiled by the country's prior supersized growth rates.

Print Email China appears to be stoking a massive stock bubble to numb the pain from the property bubble bursting and also stave off the necessary economic restructuring. It will work for a short period of time, by diverting the attention of the masses and the elite towards a massive gambling game and away from the reality. When the market crashes, the pain will only double. Last weekend, government policy towards the stock market bubble zigzagged. The China Securities Regulatory Commission, the market regulator, tightened the rules for margin financing after the market closed on the Friday. A bubble usually happens when investors overstretch the good news in a bull market. For example, the A-share market began to rise in and had tripled by the beginning of That run was justified by rising corporate earnings, an appreciating currency and strong GDP growth. The bubble occurred when naive retail investors assumed that the trend would continue indefinitely. The current A-share bubble has negative fundamentals. Corporate earnings are on a long ride down, as the bursting property bubble triggers a prolonged period of deflation. The economy is on the way down for the same reason. Most importantly, no meaningful policy measures have been implemented to rebalance the economy. Essentially, the end of the tunnel is far away. The bubble has occurred only due to the technical and liquidity measures that seem to have been designed to stoke it. It began with the Shanghai-Hong Kong stock through-train, which was essentially the same as combining the Qualified Domestic Institutional Investor scheme and the Qualified Foreign Institutional Investor programme, neither of which was fully utilised. But, it was marketed as an opportunity to front-run foreign investors. As the story failed to pan out, measures for boosting margin financing were unveiled, essentially to subsidise speculation with bank loans. But, when the market is pumped up by loans, any correction will mushroom into a collapse, as brokers have to liquidate when the money is nearly exhausted. Many speculators have leveraged per cent of their total portfolio value. If the market dropped quickly by 20 per cent, it would go into free-fall territory. Chinese speculators work on the "bigger fool" theory. But they lost everything in the crash. How to suck them back in is the challenge. The policy that allows individuals to open several brokerage accounts should be seen in this context. It will certainly create the impression of an avalanche of newcomers into the market. One basic dama psychology is safety in numbers. The impression of everyone jumping in could become self-fulfilling. The other basic dama psychology is faith in a rebound. This is a well-used tool among "pump-and-dump" stock manipulators. When a stock is pumped up from one to 10, and then allowed to fall to seven, throngs of damas will jump in. In the spring of , the government increased stamp duty on stock transactions, which caused the market to drop by 20 per cent. Small investors poured in afterwards and powered the market up per cent in six months. It then crashed by 75 per cent and took them to the cleaners. If there is another massacre in the A-share market, it will correct per cent from here and set a trap for the damas. Because of the leverage in the market, this correction could only happen slowly - not an easy trick to pull off. This is totally misleading. Bubble economics is based on money supply growing twice as fast as GDP. It is merely a tool to redistribute the wealth created by cheap labour to a small number of people. One unusual feature this time is that none of the elite argues against it being a bubble. Everyone has an argument for stoking the bubble. Making people happy in a bad economy is the most popular one. But, when little people lose it all to a few, why would they be happy? The other argument is to support companies in distress, which essentially defines stock investment as a charity for failing companies. One theory that one never hears is that the bubble is a tax on the little people to enrich the elite. At the ownership level, it is mostly state or foreign capital. How could powerful and influential people gain huge wealth in such an economy? A manipulated speculative game is one strategy. The other is a big government sucking in a disproportionate share of the economy and rechannelling the money into selected areas. If the size of the government were cut in half and money supply brought in line with GDP growth, China would become a developed economy in 15 years. The old way, however, could keep China in the middle income trap for decades, triggering social turmoil. This article appeared in the South China

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