

## Top Biz News

# Index futures likely to debut in March

By Li Xiang (China Daily)  
Updated: 2010-01-06 08:04

Equities rose yesterday following reports that the regulator would introduce futures contracts on the country's stock indexes as early as March, with securities firms recording sharp gains.

The benchmark Shanghai Composite Index rose 1.2 percent to close at 3,282.18. CITIC Securities gained 4.9 percent to 32.82 yuan while Everbright Securities hit the 10-percent daily trading limit to 27.24 yuan.

Sources close to the securities regulator told China Daily yesterday that the new financial mechanism is ready to be launched, but did not give an exact date.

Stock index futures are agreements to buy or sell an index at a preset value on an agreed date.

Bloomberg reported yesterday that the State Council has given the China Securities Regulatory Commission approval "in principle" to introduce index futures and the first contract, based on China's CSI 300 Index, may begin trading after the annual National People's Congress in March.

The new instrument would allow Chinese investors to profit from declines in share prices and hedge risks for the first time. It will also help curb volatility in a market that slumped nearly 65 percent in 2008 and rebounded over 80 percent last year.

Analysts said while the new mechanism would trigger a bull rally in blue-chips and heavyweight shares, it could also lead to a possible correction.

"Blue chips usually lead the gains prior to the launch of the index futures as they are the most sought-after stocks by institutional investors," said Liao Qing, an analyst with Sealand Securities.

□

### Related readings:

- ◆ [Equities rise on rumors of stock index futures](#)
- ◆ [Chinese shares rise for third day on news of stock-index futures](#)
- ◆ [China to introduce index futures at 'appropriate' time: regulator](#)

"But once the mechanism is in place, the market is likely to see a correction as investors would face pressures to sell," he said.

It is expected that margin trading and short selling would also be launched soon as part of the preparations for introducing index futures.

But Liao said it would be feasible to have index futures first as market rules and conditions are already ripe and the introduction of margin trading and short selling can

wait till more detailed regulations are announced.

"Details of margin trading and short selling are still not clear and the business is much more complicated than index futures as it involves each individual stock and securities firm," he said.

Analysts feel that the new financial mechanism may not be open to qualified foreign institutional investors for now as the regulator intends to protect the interests of domestic investors first.