

Ag Bank listing raises market optimism

Analysts are generally optimistic that the Agricultural Bank of China, which kicked off its H-share public offering in Hong Kong on June 30, will be an engine for stock market recovery in July.

The bank will launch the private placement of its A-shares on July 1.

Yesterday, the Shanghai Composite Index closed at 2427.05 points, falling to a 14-month low. The Shenzhen Composite Index fell below the 10,000-point level on the same day, and its ChiNext Index plunged to a historic low.

June 29 happened to be the day when Hong Kong's stock index futures were settled, so some investors took advantage of the A-share slump to offset their positions. As a result, the Hong Kong stock market suffered heavy losses, and the Hang Seng Index dropped over 2 percent.

Although both A-shares and Hong Kong stocks plunged just before the bank's H-share offerings, market-watchers in Hong Kong do not think it will spoil investors' appetite for H-shares.

Analysts believe that the bank can float its H-shares in a favorable market environment since Hong Kong investors are rather keen to invest in yuan-denominated products due to the appreciation expectations of the yuan. Furthermore, only a small proportion of the bank's H-shares will be open to the public, making it a scarce investment product. Given its competitive price range and the current price level on the stock market, the bank's H-shares are likely to be sought after among investors.

Most market analysts are optimistic that the listing of the bank will help speed up the stock market recovery. They believe that if the bank performs well after this largest-ever IPO, it will bring great vitality to the undervalued banking sector and thus put an end to the stock market downturn.

Guotai Junan Securities said the share prices of China's banking institutions were "overcorrected," and various index funds will open positions due to the listing of the bank, so there is little likelihood that the stock market will continue to worsen. The bank's listing may be a turning point and lead the banking sector—and even the whole stock market—to reverse the current downward trend.

By People's Daily Online

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