

Shanghai Market Outlook - 21 March 2023

The Shanghai Composite fell 0.48% to close at 3,235 while the Shenzhen Component lost 0.27% to 11,247 on Monday, giving back gains from the previous session even after the People's Bank of China recently announced a surprise cut to banks' reserve requirement ratio for the first time this year to aid the economic recovery.

The central bank also held its key lending rates steady at its March fixing, keeping the one-year loan prime rate at 3.65% and that of the five-year at 4.3%. Meanwhile, Chinese stocks tracked global peers lower amid lingering concerns over the global financial system despite UBS's government-backed takeover of Credit Suisse and a coordinated action by major central banks to boost dollar liquidity. Notable losses were seen from index heavyweights such as China Telecom (-9.9%), China United Network (-9.6%) and Semiconductor Manufacturing (-1.5%).

Meanwhile, investors continued to assess risks to the global banking and financial system even after UBS's government-backed takeover of Credit Suisse and a coordinated action by major central banks to boost dollar liquidity. Technology and new energy stocks led the advance, with strong gains from 360 Security Technology (8.5%), Inspur Electronic (3.7%), Hangzhou Hikvision (5.4%), Jiangsu Zhongtian (10%) and Contemporary Amperex (2.1%).

The People's Bank of China (PBoC) kept its key lending rates steady for the seventh straight month at March fixing, as widely expected. The one-year loan prime rate (LPR), which the medium-term lending facility uses for corporate and household loans, was left unchanged at 3.65%; while the five-year rate, a reference for mortgages, was maintained at 4.3%.

The move came after the central bank last week held its medium-term policy rate at 2.75%. PBoC's governor Yi Gang said earlier this month that the current interest rate level is "appropriate" while adding that efforts to unleash long-term funds for banks were needed. On March 17th, the central bank cut the reserve requirement ratio for financial institutions by 25bps, effective from March 27th, marking the first rate cut in banks' reserve ratio since December and in line with market expectations, in a move from policymakers to further shore up the country's economic recovery.

The offshore yuan weakened toward 6.9 per dollar, pressured by prospects of higher liquidity after the People's Bank of China recently announced a surprise cut to banks' reserve requirement ratio for the first time this year to aid the economic recovery. The central bank also held its key lending rates steady at its March fixing, keeping the one-year loan prime rate at 3.65% and that of the five-year at 4.3%.

Top Gainers

Company	Last Price	Change%
Optowide Technologies Co. Ltd. A	¥29.99	12.15%
China Southern Power Grid Technology Co. Ltd. A	¥50.92	11.11%
XGIMI Technology Co. Ltd. A	¥202.69	11.11%
Bestechnic (Shanghai) Co. Ltd. A	¥150.07	10.36%
Zhejiang Three Stars New Materials Co. Ltd. A	¥14.69	10.04%

Top Losers

Company	Last Price	Change%
Bingo Software Co. Ltd. A	¥30.90	-10.15%
Shanghai Yizhong Pharmaceutical Co. Ltd. A	¥87.50	-10.11%
Fushun Special Steel Co. Ltd. A	¥12.85	-10.01%
KPC Pharmaceuticals Inc.	¥19.06	-10.01%
BeiJing DaHao Technology Corp. Ltd. A	¥19.16	-10.00%

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