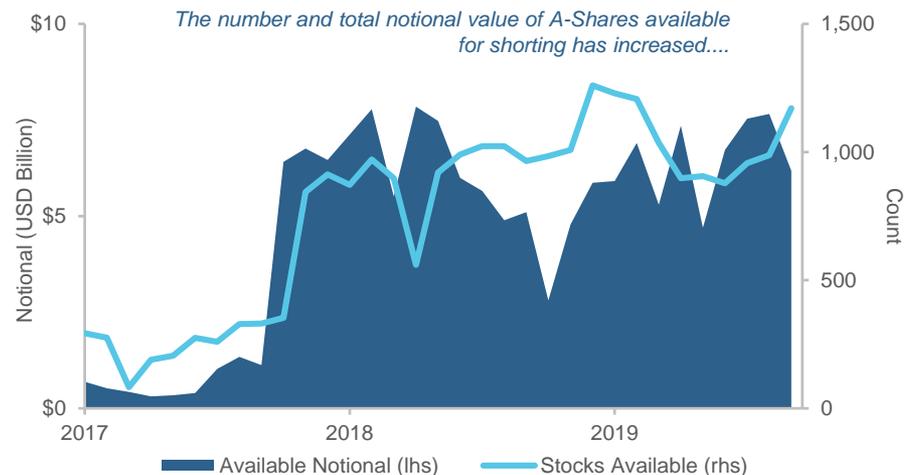


# Quick Take: The China A-Shares Market: Going Short (eventually)

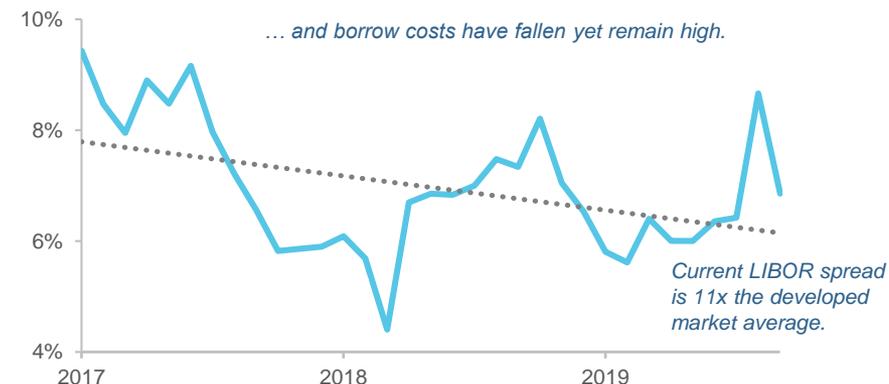
November 2019

- Shorting A-Shares and A-Shares-linked indices is challenging. Chinese regulators restrict the universe of stocks that may be shorted. Moreover, foreign investors, even those with onshore RQFII licenses, are not permitted to borrow securities onshore, effectively limiting the universe to Hong Kong Stock Connect-traded names.
- These frictions reduce shortable A-Shares inventory and increase borrow costs, especially in smaller companies. Shorting index-linked swaps is also expensive because of these accessibility issues.
- Nevertheless, we have observed decreasing borrow costs and rising inventories, and we anticipate eventual relaxation or elimination of short-selling restrictions. Chinese regulators, as part of their market liberalization program, are currently exploring various refinements to or removal of margin trading and short selling prohibitions. Furthermore, we expect offshore exchanges, like HKEX, and other intermediaries to enter the index-linked derivatives market to meet increasing investor demand.

## China A-Shares: Available Inventory



## China A-Shares: Cost to Borrow



Both charts: For illustrative purposes only. Data through September 30, 2019. Source: Acadian based on aggregated data from the firm's prime brokers. Cost to Borrow in bottom chart is notional-weighted, annualized, and does not include transaction costs.



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For more insights on the China A-Shares market, visit our [website](#).

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