Quick Take: China A-Shares -- Exchange Rules Subdue Suspensions

April 2020

A crisis can expose a market's fragility …

- When the speculative bubble in China's A-Shares market burst in 2015, large numbers of stocks were suspended.
- In just 19 days the market dropped over 30% and close to 60% of listed securities were suspended, temporarily eliminating liquidity on 1,500 stocks. (Top chart.)

… or highlight its robustness.

- Since 2015, China's stock exchanges and regulators have implemented numerous capital market reforms. These include strict rules around when and how companies may suspend trading, which were instituted in May 2016. These changes were key factors in major index providers' inclusion of A-Shares in their benchmarks.
- In stark contrast to 2015, less than 0.5% of A-Shares have been suspended, on average, during 2020. (Bottom chart.)
- The COVID-19 pandemic serves as a meaningful test of the updated stock suspension rules. While the A-Shares decline hasn't been as severe as 2015, companies and investors are operating amid exceptional uncertainty. That suspensions remain low underscores China's commitment to and progress towards market liberalization.

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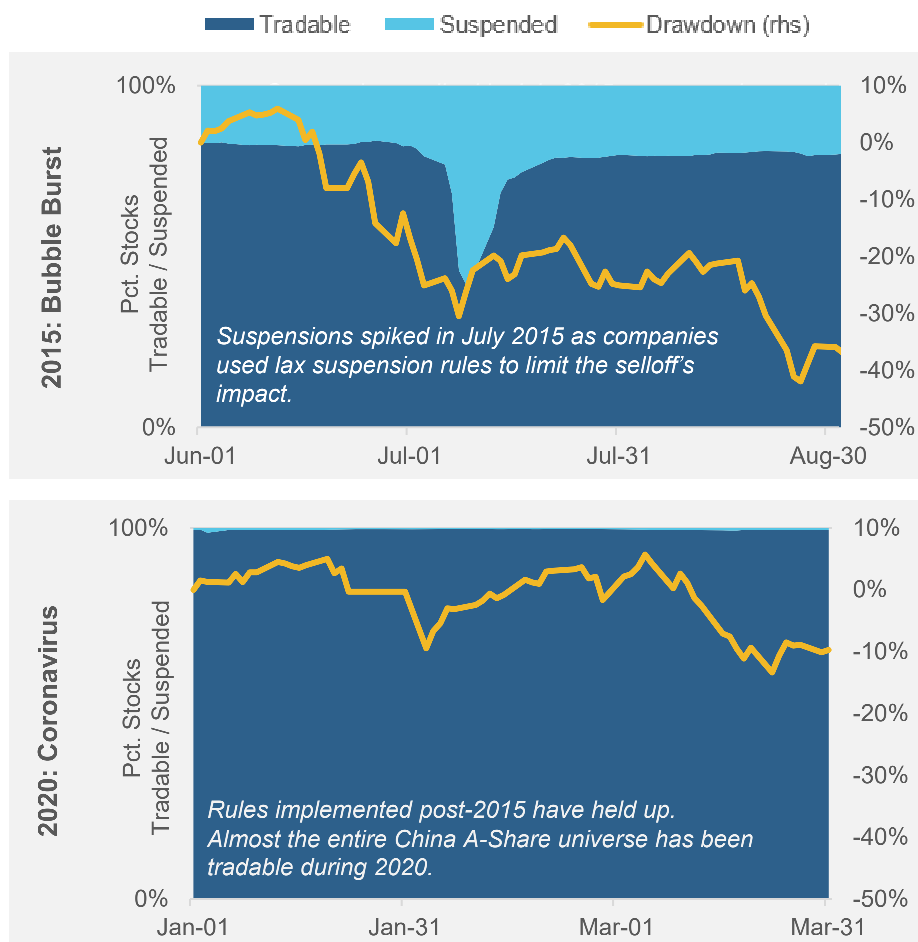
For more insights on China A-Shares, please visit our website.

A-Share Suspensions During Two Drawdowns



Drawdown based on MSCI China A Onshore Index. Sources: Acadian analysis, Bloomberg. Index source: MSCI. For illustrative purposes only. It is not possible to invest directly in any index. Every Investment program has the opportunity for losses as well as profits. Past results are not indicative of future results.

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