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MARKETS | ASIA STOCKS

China Stocks Tumble

Shares in China, Japan fall sharply while Australia recovers from earlier losses

An investor reacts while monitoring stock prices at a securities brokerage house in Beijing on Monday. *PHOTO: ROLEX DELA PENA/EUROPEAN PRESSPHOTO AGENCY*

By **CHAO DENG**

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China's stock-market crash has wiped out more than $1 trillion in value from equities and sent its main stock index down 22% over the past four days.

Markets elsewhere in Asia, meanwhile, started to move past China's troubles, with shares in Australia, South Korea and Taiwan logging gains. While Japan's shares ended 4% lower its main index rose as much as 1.6% earlier in the day.

Overseas, markets are steadying a day after staggering losses, with European stocks opening higher and U.S. stock futures rising.

After markets closed Tuesday, China's central bank cut interest rates by a quarter of a percentage point and the amount of reserves banks are required to hold by half a percentage point. It was the second time since late June that China had taken the rare easing step of cutting both interest rates and the reserve-requirement ratio on the same day. The last time was during the height of the global financial crisis.

Analysts had been calling for Beijing to take bolder steps to address its stalling economy, and some attribute the latest bout of losses to disappointment that officials hadn’t done more sooner. This rate cut is China’s fifth since late last year.

On Tuesday, the Shanghai Composite Index closed down 7.6% to 2964.97, below the 3000 level for the first time since December 2014. The steep losses follow a drop of 8.5% on Monday, the worst single-day loss in more than eight years. The index is down 8.3% for the year and has fallen 43% since its June peak.

The smaller Shenzhen market, down 7.1% Tuesday, is now off 44% from its June peak, although it is still holding on to gains of nearly 24% for the year.

Combined, the two markets have lost $1.2 trillion in market capitalization over the past four days.

Officials have been notably absent from the market in recent days, including earlier Tuesday, a sharp change from weeks ago when Beijing was suspected of intervening on a fairly regular basis. While investors had been expecting additional monetary easing, few said they thought the government would start buying again.

An editorial earlier Tuesday in the state-run Economic Daily Information urged the government to reel back its market rescue, even if prices continue to fall, saying that “the goal of government intervention is to prevent financial risks, not to prop up stock index.”

Last month, Chinese officials rolled out a steady stream of measures to prop up the stock market, from establishing an emergency fund to buy shares to allowing firms to suspend trading in a bid to prevent further losses.

China’s central bank did take a step to counter intensifying capital outflows from a weakening economy and a tumbling stock market during the day Tuesday by injecting more cash into the financial system. It offered 150 billion yuan ($23.40 billion) of seven-day reverse repurchase agreements, a form of short-term loan to commercial lenders, as part of a routine money market operation. The bank injected a net 150 billion yuan into the financial system last week, its biggest pump-priming exercise since early February.

A large swath of the domestic market still can't be traded. On Tuesday, some 1,968 shares on the mainland fell by the 10% daily limit set by regulators, comparable to Monday's level, which represented more than half of total number of shares.

Some markets managed to hold on to their gains after a rebound in the morning.

Australia's S&P ASX 200 rose 2.7%, Hong Kong gained 0.7% and South Korea's Kospi was up 0.9%. Singapore's FTSE Strait Times was up 1.6% and Taiwan's Taiex bounced back by 3.6%.

The Stoxx Europe 600 benchmark was up 3.5% and the U.S. stock futures indicated opening gains of around 3% for the Dow Jones Industrial Average and the S&P 500. Still, the scale of the gains was small compared with Monday's wild swings in the market. Changes in futures aren't necessarily reflected in market moves after the opening bell.

Selling in currencies abated after worries about China's slowdown weighed on commodity exporting countries. The Malaysian ringgit hit a fresh 17-year low for a

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fourth-straight day, at 4.2665 against the U.S. dollar. But it was last roughly flat compared with late trading Monday in Asia.

The Korean won was last down 0.3% at 1,193.76 against the U.S. dollar compared with late yesterday in Asia. Still it is slightly stronger than its bottom Monday, when it hit a fresh four-year low of 1,207.37 against the U.S. dollar.

The Australian dollar was 0.6% stronger at $0.7192 from the previous day’s close, having also hit its lowest since 2009 yesterday of $0.7051

Meanwhile, the slight change in tide in earlier trading pushed the Japanese yen weaker, after the currency hit its strongest level since March amid Monday’s jitters. The currency was 0.7% down against the dollar at ¥119.18. The yen, which traded as high as ¥116.46 against the U.S. dollar on Monday, is considered a haven during times of volatility.

Gold is down 0.4% at $1,149.60 an ounce in Asia trade but remains near a six-week high.

Brent, the global oil benchmark, was up 3.6% at $44.30 a barrel in Asia trade, having fallen below $45 a barrel on Monday for the first time in six years.

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