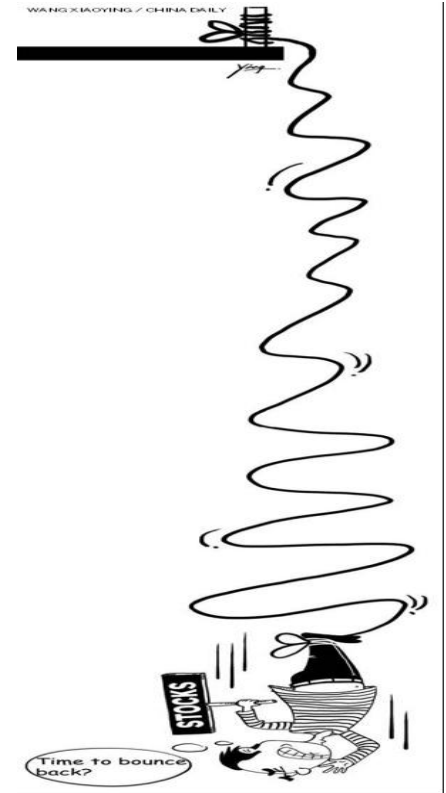
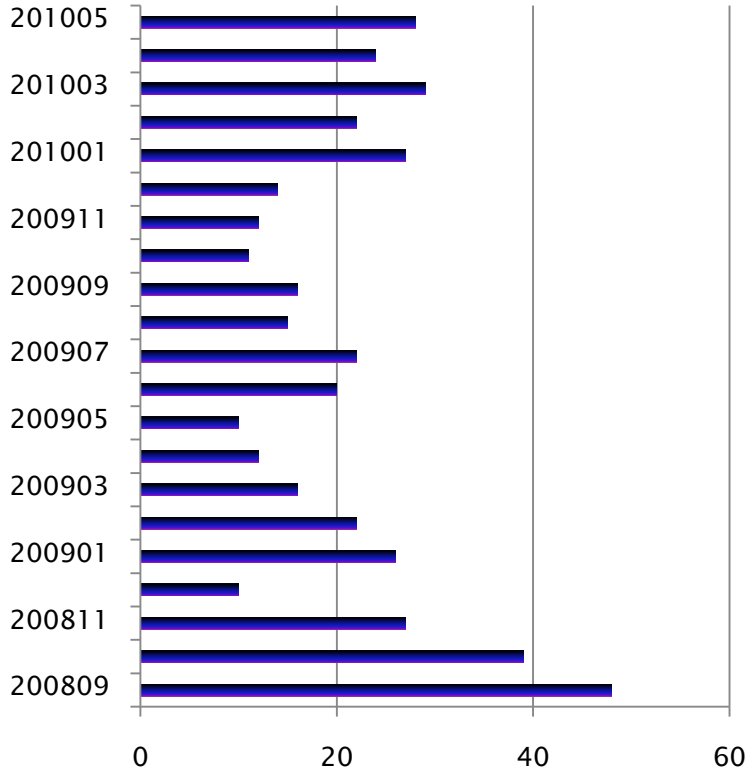


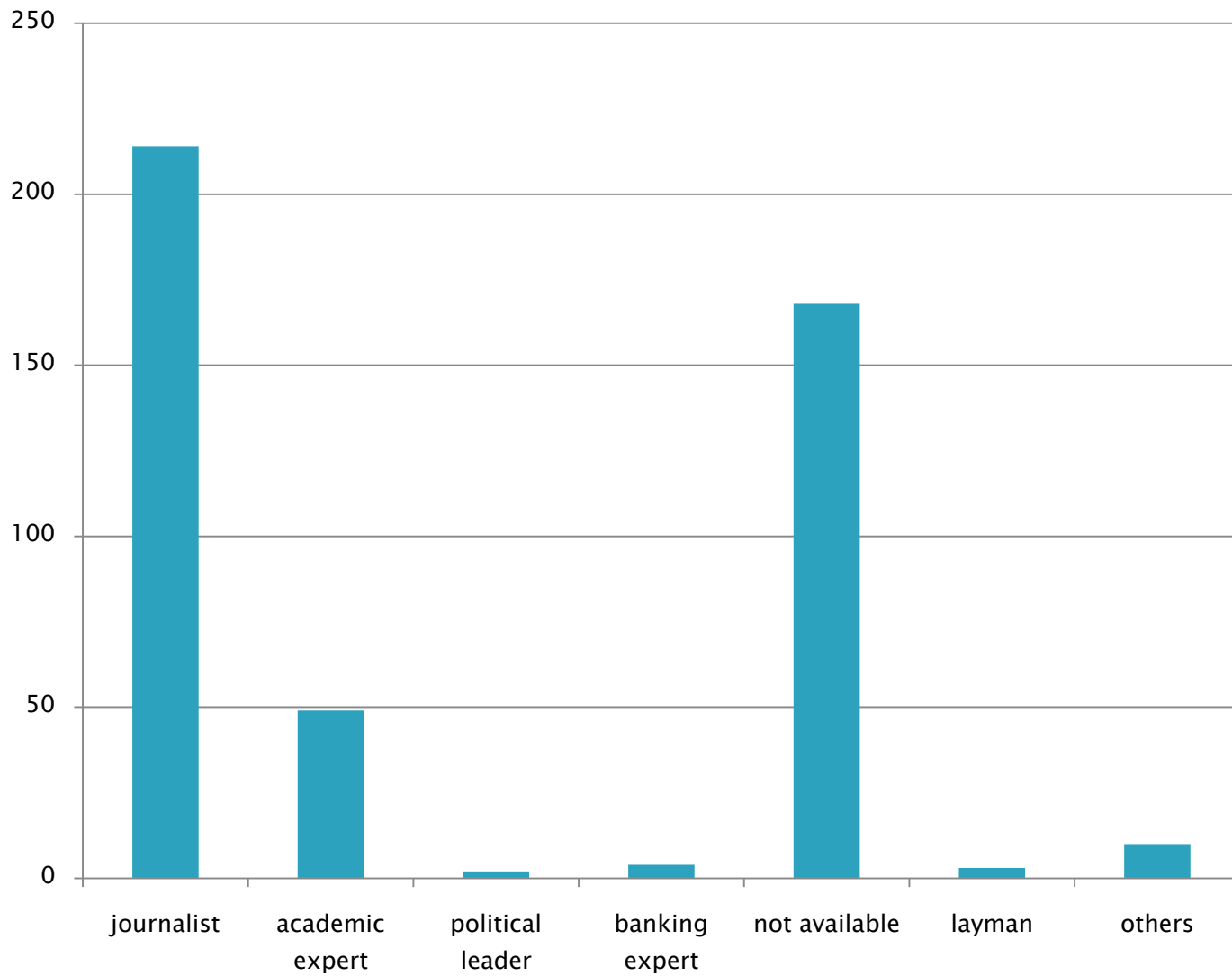
Mass psychology of Chinese stock market :

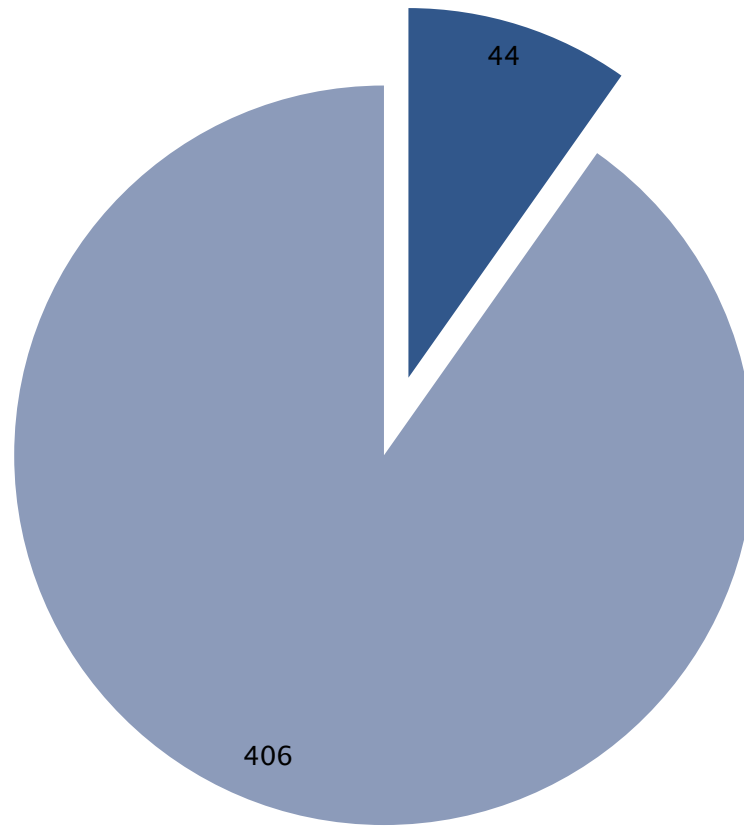
Media Analysis



Articles distributed in each month (Sum:450) China Daily

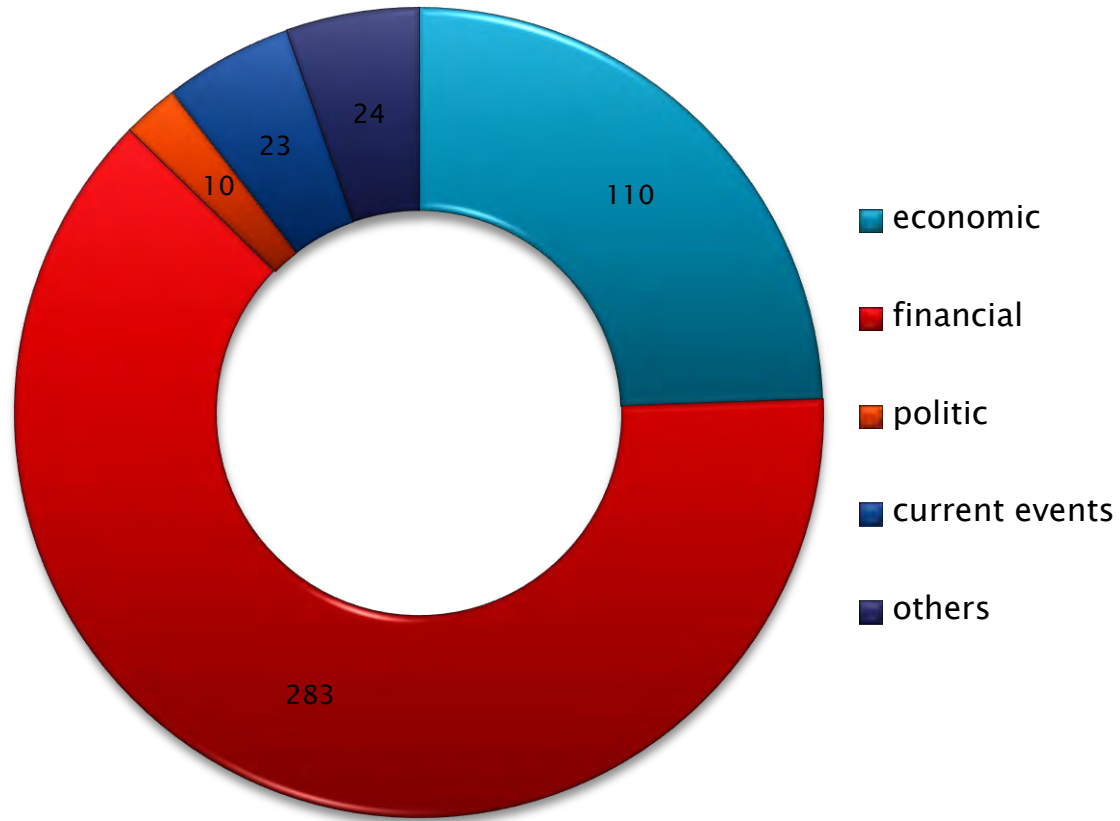




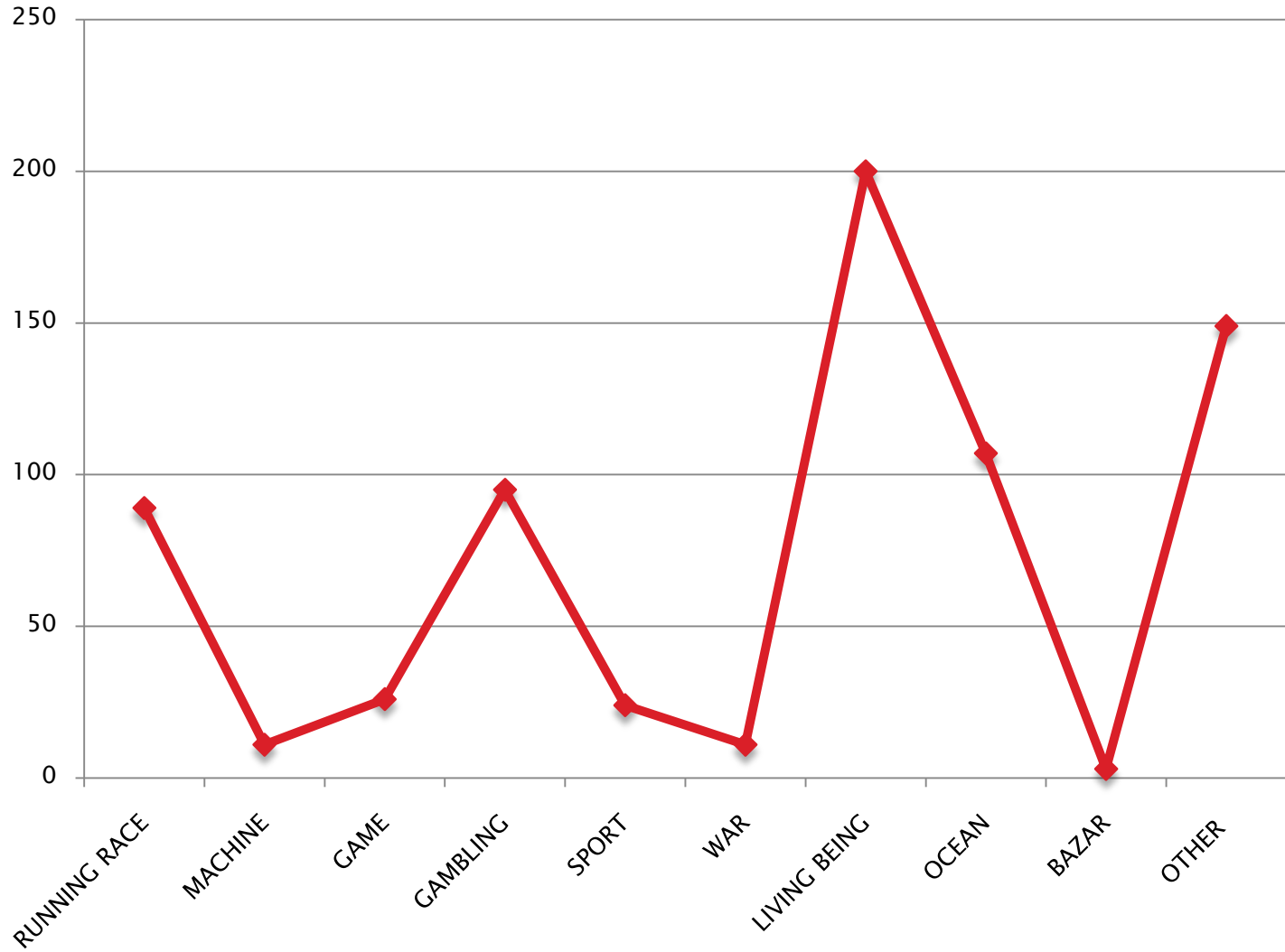


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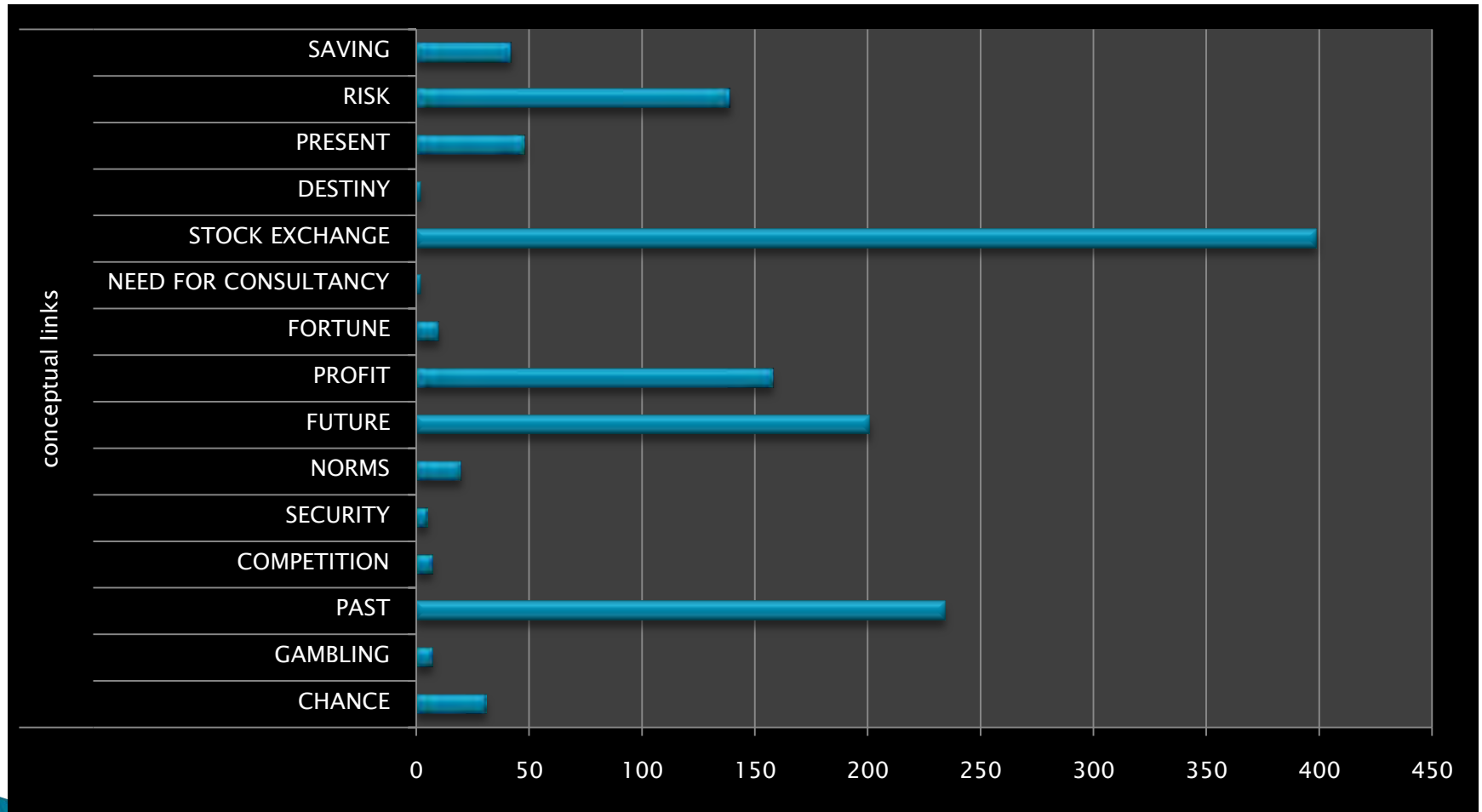
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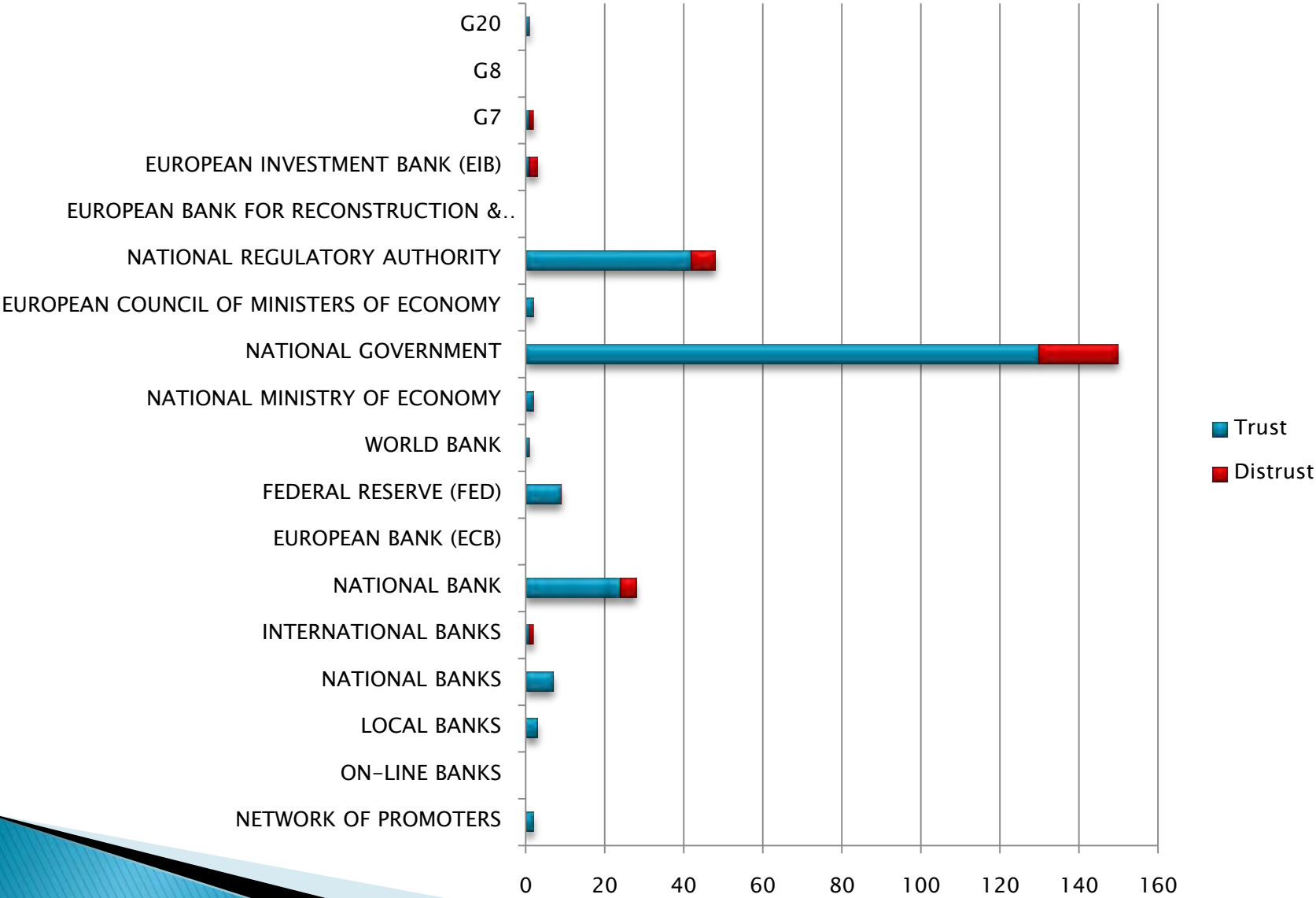
Metaphors of stock market



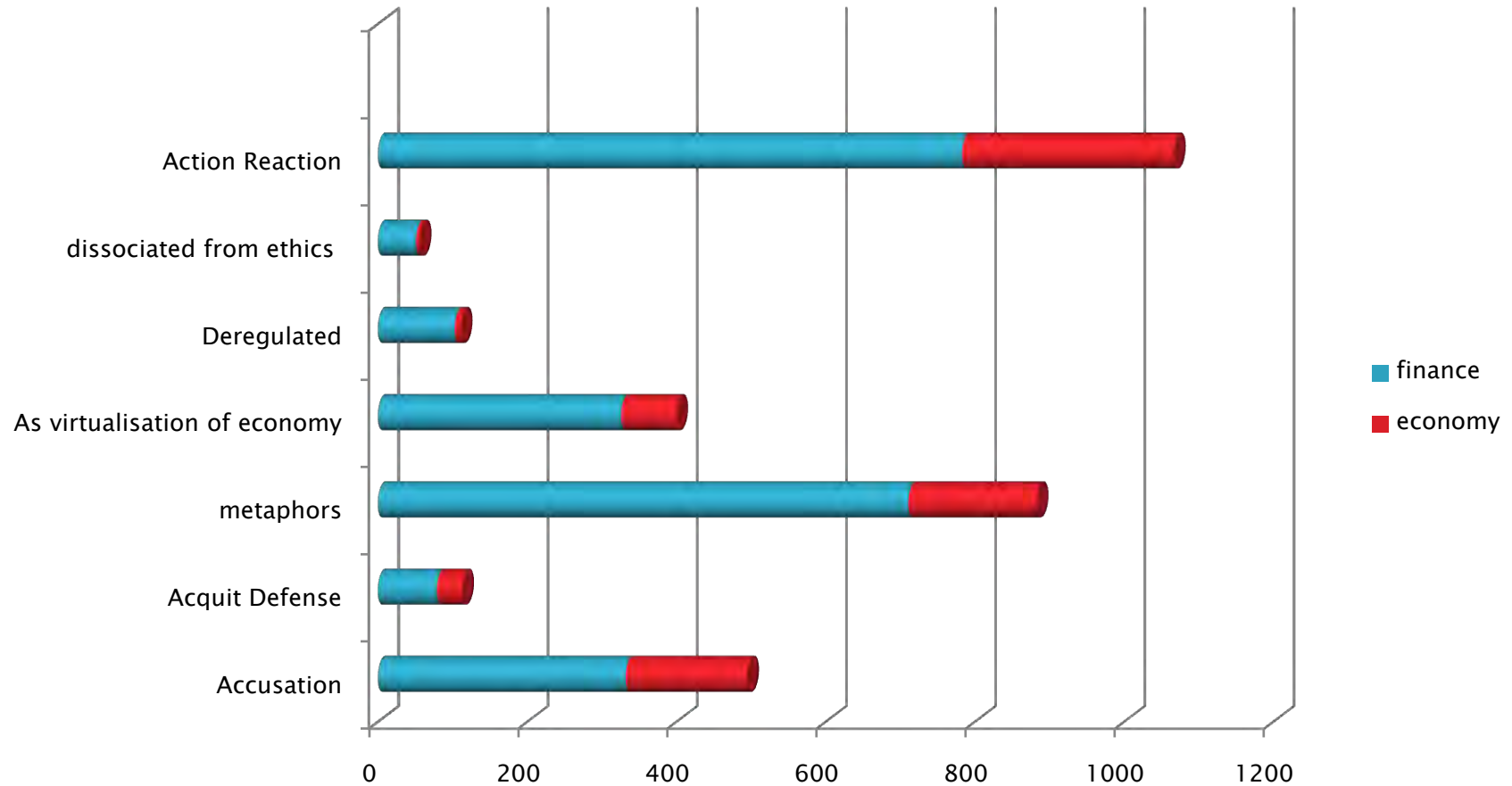
Conceptual links with stock market



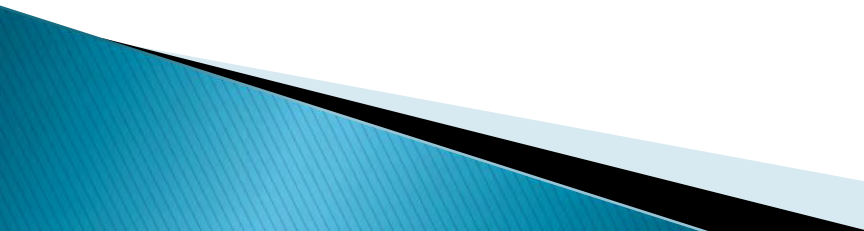
Trust & Distrust



Representations of finance/economy (frequencies)



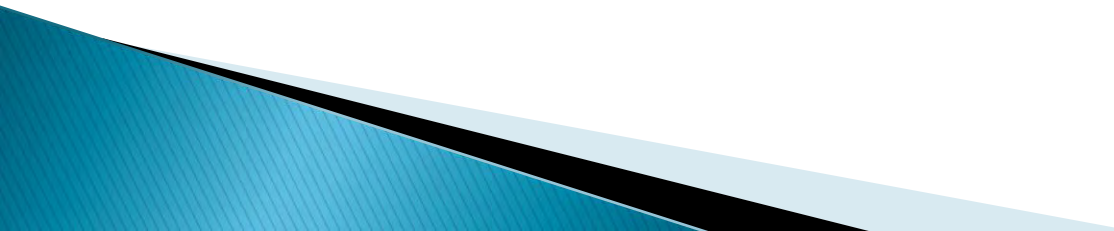
Accusation (before 2008crisis)

- ▶ **Irregularities and malpractices in the financial market** have made its stock market the source of sadness for many individual investors, who no longer regard the market as an effective investment platform.
 - ▶ **The lack of investment channels, with far more buyers than sellers, and the split equity ownership, with very limited share trading,** had characterized and, said some, plagued the Chinese capital market before 2005.
- 


Accusation (During crisis)

- ▶ On Tuesday, China's stock market (closed for holiday on Monday) also dropped, after the benchmark Shanghai Composite Index had already fallen 60 percent this year. The continuing decline in the Chinese market showed **that the good news at home, namely the PBOC announcement, failed to mitigate the bad news from abroad**
- ▶ Analysts said major stocks should take the blame for the straight fall yesterday, with seven out of the top 10 heavyweights tumbling on the two bourses.
- ▶ Admittedly, China now boasts the most profitable lenders in the world after market-oriented reforms transformed State-owned banks into commercial lenders. But domestic financial market and financial institutions remain unable to meet the country's growing demand for financial services to fuel its economic growth.
- ▶ **The asymmetry between demand and supply in financing and investing** is mostly to blame for the turbulence," Liu said.
- ▶ The CSI 300 Index, which tracks stocks traded in mainland's two bourses, has suffered almost 70 percent drop so far from its peak in last October, owing to the **equity bubble and the growth slowdown of listed-companies' earnings**.
- ▶ The stock market collapse was attributed, at least partly, to the **drain of liquidity by the large number of IPOs by enterprises** keen on tapping the market to prepare for leaner economic times ahead.

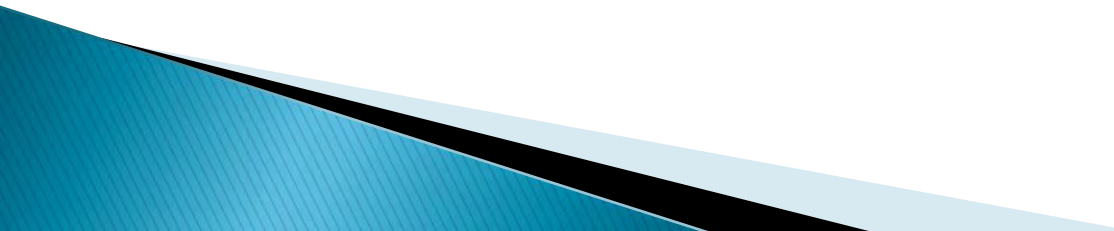
Accusation (During crisis)

- ▶ The fluctuation of the **US** stock market and world's oil prices have unfavorably affected China's market. A steep decline of the US stock market will hamper China's to rebound.
 - ▶ Former Federal Reserve Chairman Alan Greenspan said the **US** may be doing too little to repair its financial system and promote an economic recovery.
- 

Accusation (During crisis)

- ▶ "We also underestimated the impact of the US sub-mortgage crisis and went bottom-fishing too quickly, buying stocks at a higher prices than we should have.
 - ▶ Some domestic scholars and economists have become increasingly vocal arguing that the country should not hold such a large amount of US government bonds to avoid any possibility that our people may pay for a subprime crisis in the US.
 - ▶ But the investments soured and billions were lost in the global financial tsunami and questions over CIC's operational skills mounted among the Chinese public.
- 

Accusations towards Government policy

- ▶ The hefty fall of the Chinese stock market, often seen as the barometer of the country's economic and social conditions, may lead to systematic risks in the banking and fiscal systems as well as put listed companies into a "vicious spiral", they said. **"We noticed the absence of effective policies to stabilize the volatile financial market in the stimulus package**
- 

Key Event: Index futures

- ▶ The straw that broke the camel's back was the newly launched **index futures**, regarded as a speculative tool for investors to earn money from a lower stock index, said Yang Jianbo, an analyst at Sinolink Securities.
- ▶ Critics charge that these products of synthetic collateralized debt obligation (CDO) serve no real purpose in the financial markets.
- ▶ Analysts say **tough government measures** are to blame for slump
- ▶ New financial derivative, **weak policies and lax supervision** have caused share prices to plunge
- ▶ And it is no coincidence that the stock market began diving about a month ago immediately after the central government announced the most **draconian measures** yet to cool the property market
- ▶ The benchmark Shanghai Composite Index has tumbled 20 percent this year due to **harsh government measures** to rein in soaring property prices.
- ▶ **Administrative intervention** such as delaying other IPO approvals to help ABC's listing is **against the principle of a market-oriented pricing system**," said Pi.

Accusations towards Market defect & investors sentiment

- ▶ China's stock market fell yesterday, greatly underperforming other markets in the region for a second straight day, as **worries about** slowing corporate profit growth outweighed an easing of the global financial panic.///Meanwhile, **investors fear** poor corporate earnings growth as the Chinese economy slows. Another **fault lies in the design of the funds**, said Wang. "Most funds are stock-oriented without financial derivatives to minimize market risk,"
- ▶ Before May 30, 2007, when China's stock market began slumping – about 30 percent in several days – **investors seemed crazy speculating** on low-priced stocks or those of businesses with poor performance. It is a **defect of the Chinese market**.
- ▶ China's capital market has not been really integrated into the world's market, but the disastrous decline of its stock prices in the past months, in addition to other factors, is also much related to the downturn in **investors' psychological expectations**. In an interdependent world, some people's **worries over the market** will always quickly infect others.