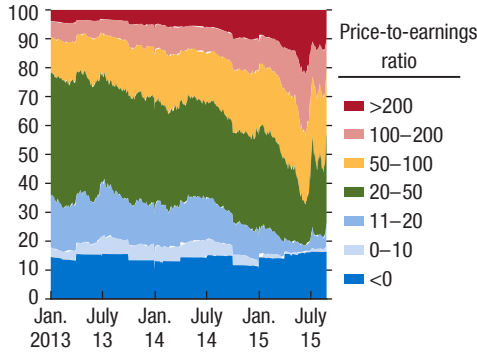


Figure 1.1.1. Chinese Equity Market

At the June 2015 peak, valuations touched very high levels for a wide range of stocks...

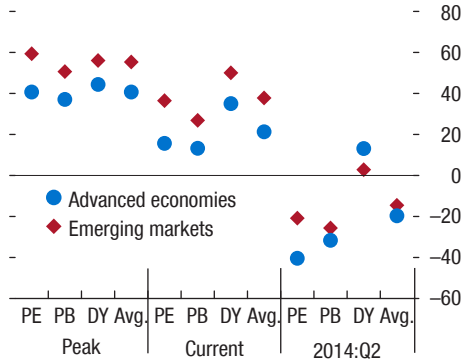
1. A-Share Price-to-Earnings Ratios (Distribution, percent)



Sources: Wind Info Co.; and IMF staff calculations.
Note: Price over reported earnings for the previous four quarters.

...pushing China's market valuation to rich premiums over international peers.

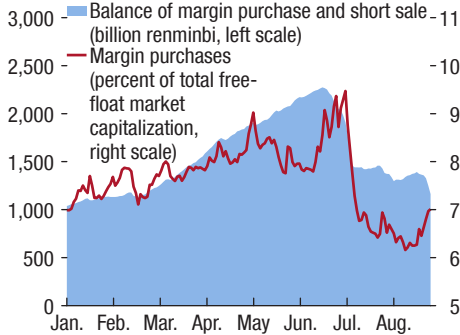
2. Equity Market Valuations Relative to Peers (Percent premium over peers)



Sources: Bloomberg, L.P.; Morgan Stanley Capital International; and IMF staff calculations.
Note: "Advanced economies" is the market-capitalization-weighted average of Group of Seven economies. "Emerging markets" is the market-capitalization-weighted average of Group of 20 emerging market economies. Avg. = average; DY = dividend yield; PB = price to book; PE = price to earnings.

A surge in margin borrowing by individual investors fueled the rally...

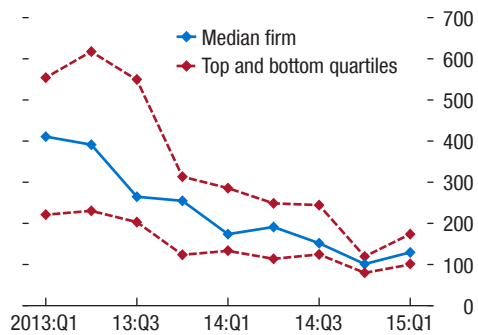
3. Outstanding Amount of Margin Lending for Equities, 2015



Source: CEIC.

...but for now, the securities firms that provided margin finance have adequate liquidity...

4. Liquidity of Securities Firms (Cash as a percentage of short-term debt)



Sources: Bloomberg, L.P.; Wind Info Co.; and IMF staff calculations.
Note: Unbalanced panel of 22 securities firms.