

MID SESSION MARKET WRAP

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New Confidence in Chinese Banks as Bank of America Ups Stake

News that Bank of America upped its stake in China Construction Bank (601939, SH; 0939, HK) by 9 percent to 19.13 percent brought the CSI 300 Index up by 6.29 percent as confidence was raised in Chinese banks.

China Construction Bank advanced 5.2 percent in Shanghai and 3.41 in Hong Kong. Shanghai Pudong Development bank was up 6.88 in Shanghai. Industrial and Commercial bank went up by 2.93 percent in Shanghai and 2.89 in Hong Kong.

Bank of America first invested in China Construction Bank in June 2005, buying a US\$3 billion stake before the bank had gone public. It invested another \$1.87 billion this May, bringing its stake to 10.8 percent. By exercising its call option, the U.S. bank was able to buy Hong Kong shares in CCB at a 40 percent discount to their closing price on the 28th of November.

Central Huijin Investment Co., a unit of China's \$200 billion sovereign wealth fund, has a controlling 57.06 percent stake in CCB. It has said previously that it plans to increase its stakes will buy shares in Industrial & Commercial Bank of China Ltd., Bank of China Ltd. and China Construction Bank.

Mainland markets hoped to recover as national pension funds invest 10 billion

The South China Morning Post reported today that the National Social Security Fund, - China's national pension fund - spent 10 billion yuan (\$1.5 billion) buying mainland-listed shares last month in order to support the country's stock market.

The government has been encouraging the Central Huijin and Chinese pension funds to invest more in the country's stock markets

According to local lore, the last time the National Social Security Fund splashed out on stocks, in October 2006, the CSI index soared from 1,800 to 6,000 within a year.

Coal, steel and iron all up

In the mainland markets, coal stocks gained momentum in the afternoon session of the trading and soared 9 percent on average. Over a dozen closed at their upper price limit. Steel and iron rose by 5 percent.

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MarketTopic Synopsis:

The Mid Session Wrap is a report on the biggest movers in the market and macroeconomic news that affects movements in share prices. The report also previews macroeconomic data that is due to be released over the course of the session.

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