

Investing In Chinese Stocks Is Like Investing In A Hedge Fund with Gates and Notice Periods. Stock Sale Bans, Trading Halts and Other Means of Deterring Investment.

China is having a spot of bother controlling the volatility in its stock markets. For one, the circuit breakers are not functioning as intended. Trading is temporarily halted if the market moves by more than 5% and halter for the day if it moves by more than 7%. The quickest way to empty a room is to threaten to lock the doors. Also, large investors, that is investors with more than 5% holdings in a company will only be able to sell 1% over 3 months, and then only with 15 days notice to the regulator. This means that these investors are subject to hedge fund liquidity. In the jargon, its quarterly liquidity, account level gate, 15 days notice. But in a hedge fund this applies equally to all investors, whereas in these markets, such notice gives smaller investors a chance to run for the hills. Good work CSRC. Nothing cures falling prices better than low prices. Closing the gates only makes people run for them. And banning selling only de facto bans buying.