

Chinese Stocks Crash Overnight; Will We See Another “Glitch” in New York

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Region: [Asia](#)

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Shanghai's Bull Statue on Its Bund Waterfront (left); Bull Statue in Lower Manhattan (right)

Despite unprecedented efforts by the Chinese government to stem the rout in the Chinese stock market that had shaved as much as \$4 trillion from share prices before the government's interventions this month and last, the Shanghai Composite closed down 8.48 percent today at 3,725.558.

The overnight rout has raised speculation in some quarters as to whether we are going to see another “glitch” on the New York Stock Exchange today similar to that of July 8 in the midst of another Chinese stock market tumble. As [we reported](#) at the time:

“Yesterday, beginning at 11:32 a.m. and for the next three hours and forty minutes, the iconic New York Stock Exchange shuttered trading in all of its listed securities. The Exchange said it had experienced an internal glitch.

“Unknown to most Americans, some of those shuttered stocks on the New York Stock Exchange were Chinese stocks and among the largest capitalized companies in the world. More than 100 Chinese companies trade on U.S. stock exchanges as American Depositary Receipts (ADRs) and almost 200 Chinese company ADRs trade over-the-counter in the U.S. (Individual shares are referred to as ADS, American Depositary Shares.) Last year, Thomson Reuters estimated the market value of Chinese companies listed on just the New York Stock Exchange and Nasdaq Stock Market at more than \$1.4 trillion.

“With the Chinese stock market rupturing over the past week and trading in more than a thousand stocks suspended in China, the spillover has hit the U.S. market hard.

“According to PricewaterhouseCoopers' March 31, 2015 list of the largest 100 global companies by market cap, there are 11 Chinese companies in that group. We took a look at trading in just two of those names yesterday, China Mobile and China Life Insurance, both of which trade as ADRs on the New York Stock Exchange.

“We looked at how China Mobile and China Life Insurance traded before, during and after the New York Stock Exchange halted trading in all of its securities. An interesting pattern emerged...After volume spikes in the morning prior to the trading halt by the Exchange, volume was subdued during the hours the Exchange remained closed. (Other trading venues are supposed to pick up the slack when an exchange goes dark.) Then volume picked up again when the Exchange reopened. China Mobile (symbol CHL) closed down 5.38 percent yesterday while China Life Insurance (symbol LTR) dropped 6.65 percent in New York trading.”

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