InvestmentNews
The Leading News Source for Financial Advisers InvestmentNews.com

Advisers say China drop isn't done yet, but calm clients on the downslide

It's premature to think Chinese stocks are over the worst, but investing for the long term changes the picture

By Liz Skinner

July 27, 2015

The greatest one-day drop in Chinese stocks in eight years on Monday is not a signal that markets have bottomed out in China, according to financial advisers.

"It would be best to stay away from Chinese stocks for now," said David Kudla, founder and chief executive of Mainstay Capital Management. "Efforts in China haven't worked."

His investment advisory firm started selling its Chinese positions in May and eliminated its last-remaining investments in June. Before that, the firm enjoyed gains from China's nine-month bull market, he said.

The Shanghai Composite Index fell more than 8.5% on Monday after China's markets had been relatively stable for nearly three weeks following an effort by the government in Beijing to stop a market selloff. The rout marked the largest one-day fall since Feb. 27, 2007.

Before the rescue plan was announced July 8, the country's markets had fallen about 30% from their highs in early June. ...

...In recent weeks, some fund managers had begun selling off China shares.

China's rout on Monday pushed European stocks down 2% and the Dow Jones Industrial Average down about 150 points, or 0.86%, as of 1:30 p.m. New York time.

"Valuations are so high. Air is not done coming out of the Chinese stock market bubble yet," Mr. Kudla said. ...