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Chinese Investors Crunching Numbers Are Glad to See 8s

Linked to Good Luck, They
Influence Stock Picking;
A Real Buy at 8.08 Yuan

By **JAMES T. AREDDY**
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SHANGHAI -- When a friend whispered several stock tips to Yan Caigen last year, the investor snapped up 30,000 shares in one of them, a cement company. The reason: the stock's auspicious ticker code, 600881, which contains a double-eight.

"I believe good codes will bring good luck," says Mr. Yan, who parks himself most days in front of a trading screen at a Shanghai brokerage, Shenyin & Wanguo Securities Co. Indeed, shares in Jilin Yatai (Group) Co., the cement company he bought, promptly tripled, earning him about \$50,000. Mr. Yan gives credit for the performance to the two "8s" in the stock's numeric ticker symbol, which he considers a lucky combination.



Caigen Yan

Part superstition and part self-fulfilling prophecy, numerology is a basic trading strategy in China. The philosophy reflects the widespread belief in Chinese society that numbers contain clues to good fortune.


It is a little noticed force adding fuel to a roaring market in the world's fourth-biggest economy. The benchmark Shanghai Composite Index is up 56% this year and quadruple its level at mid-2005, a spike that is raising concerns about an investment bubble.

Investors' zeal to base decisions in numerology also helps explain why Beijing has been unable to temper enthusiasm in the stock market through conventional measures, like credit tightening last week.

To professional observers, the Chinese investing public's trust in the predictive power of numbers -- rather than fundamentals like business prospects or profit -- is one of many reminders of how buying on the Shanghai and Shenzhen stock exchanges looks like gambling.

Brokerages are set up like casinos. Investors drink tea, smoke and chat as they make trades on computers lined up like slot machines. Instead of dropping in coins, they swipe bank cards to pay for shares.

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Lucky numbers

"You know, we're individual

investors. We often choose stocks very blindly," says Shanghai investor Chen Guoan. Some pass cigarettes to congratulate friends at seeing the price of their stock rise.

In China, individuals, often with little understanding of financial concepts, make up 60% to 80% of trading, unlike U.S. markets dominated by financial giants such as Goldman Sachs Group Inc., Merrill Lynch & Co. and Fidelity Investments Inc. "You see strange things happening with stocks, with lucky numbers, codes," says Jing Ulrich, chairman of China equities for J.P. Morgan Chase & Co. "This is a reflection of a very immature market."

Much of China's urban middle class has money in the country's nearly 100 million personal trading accounts. Record numbers of new investors, often with little understanding of market mechanics, are also jumping into stocks, opening more than 100,000 accounts on the average day this year. The government has warned of dangerous levels of speculation as investors fund their purchases with second mortgages and credit cards. In recent weeks, daily trading value has soared to nearly \$50 billion.

Each successive record high for stocks -- including three this week -- is giving rise to fears of an investment bubble. Economists worry a burst could sap the spending power of China's nascent consumer class and reverberate through global commodity and stock markets.

Asia's famed "Superman" investor, billionaire Li Ka-shing last week warned, "As a Chinese, I am worried about the stock market." Twice in recent months, a sudden correction in Chinese stocks has rattled markets world-wide.

STOCK ANTHEM

Lyrics to a song meant to be sung to the tune of China's national anthem, "The March of the Volunteers," are circulating on the Internet.

"The Song of the Stock Market"
Author unknown

Arise
Ye who haven't got stock accounts!
Invest all your money in the bull market;
The Chinese people have reached the most crazy moment,
Everyone with enthusiasm shouts the shout of buying.
"Arise, Arise, Arise!"
Our millions of people are of one mind, cherishing the dream of overnight wealth.
March on! March on! March on!
Arise,
Ye who do not want to be poor,
To build our Great Wall of stock with our blood money
The Chinese people are experiencing the most crazy market,
Everyone with jealousy shouts the crazy shout.
March on! March on! March on!
United we buy, without considering the risk of being trapped.
March on! March on! March on!

The absence of a free press in China and regulatory constraints on what financial analysts can say publicly leave investors vulnerable to unusual trading theories. They often make do with folksy trading tips such as those now circulating among investors advising people to wear red clothes, which are representative of a "hot" market, and to eat beef to sustain the "bull" run, while avoiding references to "dad," since the word in Chinese is a homonym for "drop."

For 56-year-old Xu Xiaorong, numeric stock codes are critical. He says he sometimes thinks about his Feb. 1 birthday when weighing investment decisions. "I like the shares that end with the number 1. It's my lucky number," he says.

In Chinese society, the homonyms of numbers hold deep meaning. In particular, the pronunciation of number eight -- *ba* in both Mandarin and Cantonese -- sounds similar to words for "wealth" or "fortune." Consider the kickoff time for next year's Beijing Olympic Games: 8 p.m. on 8-8-2008.

The appearance of an "8" is considered auspicious, whether it is a digit in the share price or a part of the six-number identity code exchanges assign to each stock. "I don't care about a few dimes up or down, compared with a lucky number," one investor bragged in an Internet chat room after paying 8.08 yuan for a share.

In contrast, investors get nervous when they see the numeral "4" since its pronunciation "si" can mean "death." As proof of its destabilizing force, many point out that Chinese stocks began to wobble in early May when the Shanghai Composite Index traded around the 4,000-level for the first time.

Some numerical customs are steeped in history. For instance, China scales its banking calendar and interest rates to numbers in unique ways. Interest is calculated according to a year with only 360 days, and interest-rate changes are made by margins of 0.18 and 0.27 percentage points, numbers that all can be divided by 9.

Last month, People's Bank of China Gov. Zhou Xiaochuan told a conference the unusual policy reflects how Chinese banks once calculated interest charges with an abacus. The 2,500-year-old mathematical tool can't easily handle decimals that repeat infinitely, as tends to happen in calculations with the 0.25 percentage-point increment used in interest-rate changes almost everywhere else in the world. Even in recent years, Mr. Zhou said, bankers "in the countryside didn't have calculators." Since 1980, every adjustment in benchmark interest rates has been set according to this method.

Today in China, letting numbers guide the way through geomancy, basing architectural decisions on feng shui principles and otherwise employing ancient traditions is standard practice. Bank of China Ltd. puts its trading rooms on the eighth floor of its buildings. China's tallest skyscraper, the Jin Mao Tower, is 88 floors high.

The 6, 8 and 9 keys on ATMs made by Diebold Inc. wear out first because those "are considered lucky numbers in China," according to spokesman Joseph Richardson.

When Shenzhen-listed manufacturer Tianjin Teda Co.'s shares closed at 19.48 yuan in April, Xintai Securities Co. said in a research note that "the stock likes closing at a lucky number."

Shanghai investor Mr. Yan explains that stocks with "8" in their code actually deserve a second look for fundamental reasons. For instance, he figures that a company's managers must have savvy in order to secure a ticker code with the number "8." After Mr. Yan bought shares of the cement maker Jilin Yatai last year, the price surged to more than 18 yuan, from 5.27 yuan.

Numbers don't explain everything, he admits, but "in the stock market, half your results come from luck."

--Tang Hanting and Ellen Zhu contributed to this article.

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