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"PBoC governor says China stock market correction 'mostly over'"

The following article can be found at; http://www.ft.com/cms/s/0/2e58614a-5474-11e5-8642-453585f2cfcd.html#axzz3tdTAcalP

The news story I have chosen to cover is interesting to me for many reasons. Firstly, I disagree with it. Secondly, 'mostly over' seems extremely vague when the difference between 'mostly over', 'absolutely not over' and 'over' could be the disappearance of hundreds of billions of dollars, millions of jobs and the occurrence of another global crisis - not unlike the one we as a planet have spent the last 7 years recovering from. Thirdly, a large proportion of my own financial well-being is currently resting on it, well, not being 'mostly over'. I'm short China, and I'm short the people believing what the Chinese government have to say about their own economy.

My paramount concern is the recent spout of credit rating upgrades on China's mounting debt. To me, this is worryingly reminiscent of the Subprime Mortgage market pre-2007/2008. More specifically, the 'Triple A rated' tranches of the CDO's and CMO's big banks utilised in order to hedge against an ill-fated housing market. These were mortgage structures that large institutions were required to hold as a 'safety net'. How can we be sure that these ratings are truly representative of China's economic state? How does the world's largest population, with a debt-per-capita ranking of 6th globally sustain itself in a looming downturn? Imports are falling, exports are faltering, consumer spending and confidence are grinding to a halt, and yet China's debt is reported as 'prime'.

The article also quotes the 'restrictions on selling stocks' - another alarming synthetic market breaker unique to China's stock markets. Although this may seem like a good short term strategy, it must surely result in disastrous consequences when viewed on a long enough time scale. For example, what happens when a couple decide they want to cash in their investments and settle down by purchasing a new home. What about those intra-day traders who can't cut losses on their losing positions? These positions then quickly become devastating, incurring massive fees on the countries large number of leveraged and margined accounts. This debt doesn't just disappear, someone has to pay…

* As of writing the Shanghai Composite Index is down 16.94 pts (0.49%)