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CITIC to buy Credit Agricole's CLSA unit

CITIC Securities Co, China's largest brokerage by market value, agreed to buy Credit Agricole SA's CLSA unit for $1.25 billion, joining banks across Asia that are acquiring the assets of troubled European financial companies.

DEALS The Chinese company completed its purchase of a 19.9 percent stake in the brokerage for $310.3 million, the companies said in a statement on Friday. CITIC Securities will buy the remaining 80.1 percent for $941.7 million, subject to conditions including regulatory approval, the companies said.

Buying CLSA will give CITIC Securities the overseas research component lacking in its operations as Chairman Wang Dongming seeks to expand overseas. His challenge will be to marry CLSA's independent-focused culture with that of the State-controlled brokerage, JPMorgan Chase & Co analysts said.

"In the long term, this transaction, if successfully executed, could become critical" for CITIC Securities to compete with investment banks at home and abroad, Joseph Leung and Josh Klaczek of JPMorgan wrote in a note on Friday. "The downside risk is execution, particularly given cultural differences."

Banks' retreat

Wang entered exclusive talks with Credit Agricole in March over the French bank's remaining CLSA stake. Credit Agricole shares have plunged 28 percent this year as European banks, including HSBC Holdings PLC and Royal Bank of Scotland Group PLC, sell assets to cope with the region's debt crisis.

The value of assets under management by CITIC Securities is 62 billion yuan ($9.7 billion), the largest in China, according to the company.

"This is a symbol of European banks' retreat," said Christophe Nijdam, an analyst at AlphaValue in Paris who recommends buying Credit Agricole shares. "CLSA was considered a jewel."

CLSA, founded by journalists Gary Coull and James Walker in 1986, has more than 1,500 employees in 20 locations spanning 13 countries, providing equity research, trading, asset management, and advising on stock sales and mergers, according to its website. The Hong Kong-based company's research business covers about 1,000 companies listed in 12 Asia-Pacific markets and includes its New York-based Calyon Securities unit in the United States, where it covers more than 200 stocks, the website shows.

The deal is the latest move by Chinese companies to tap the global market by taking advantage of the woes of debt-saddled European economies.

Credit Agricole, one of the world's largest financial institutions, reported in May a 75 percent drop in first-quarter net profit, as a result of its exposure to the Greek debt crisis.

BLOOMBERG — AP

Mainland shares fall amid growth concern

Economy may lose steam as EU crisis 'takes toll on exports'

The mainland's stocks fell, dragging the benchmark index down to the lowest level since March 2009, after a central bank adviser said economic growth will slow this quarter and as Europe's crisis worsened the outlook for exports.

STOCKS Jiangxi Copper Co and China Shenhua Energy Co led a decline among commodity producers on concern weaker growth will sap demand for raw materials.

China Pacific Insurance (Group) Co, the nation's fourth-largest insurer, dropped 2.2 percent after funds controlled by Carlyle Group LP offered to sell its Hong Kong-listed shares. Weichai Power Co, a maker of high-speed heavy-duty diesel engines, slumped the most since November 2010 after estimating a drop in its second-quarter profit.

"The economy is still on a downtrend and that means corporate earnings could be worse than expected," said Wu Kan, a Shanghai-based fund manager at Dazhong Insurance Co, which oversees $285 million.

The Shanghai Composite Index dropped 1.3 percent to 2141.40 at the close, the lowest level since March 13, 2009. The CSI 300 Index slumped 1.4 percent to 2365.43. The Bloomberg China-US 55 Index, the measure of the most-traded US-listed Chinese companies, retreated 0.6 percent in New York on Friday.

Thirty-day volatility in the Shanghai index was at 15.1 on Monday, compared with this year's average of 17.9. About 6.4 billion shares changed hands in the gauge on Friday, 23 percent lower than the daily average this year.

Asian stocks dropped, with the regional benchmark index headed for the biggest two-day loss in seven weeks.

Hong Kong's Hang Seng Index fell 3 percent, the biggest drop since May 16.

Japan's Nikkei 225 Stock Average declined 1.9 percent as the yen reached an 11-year high against the euro, weighing on the nation's exporters. South Korea's Kospi Index slid 1.8 percent.

Slower growth

The Shanghai Composite Index fell 0.8 percent last week on concern earnings will deteriorate and as the government said it won't ease property curbs. The measure has fallen 13 percent from this year's high on March 2 amid concern an economic slowdown is deepening. It's valued at 9.5 times estimated profit, compared with the average of 17.5 since Bloomberg began compiling the data in 2006.

The mainland's economic growth may cool to 7.4 percent this quarter, Song Guoqing, a member of the People's Bank of China monetary policy committee, said at a forum in Beijing over the weekend. He also warned that a decline in producer prices in tandem with consumer inflation may hurt investment returns of industrial companies, damping their desire to expand.

'More pessimistic'

"The consensus is that the economic growth rate will be close to 8 percent in coming months, but I personally am more pessimistic because there are problems on the export side," Song said.

With Europe's debt crisis still unfolding, "there is a risk of insufficient government measures if exports fall more sharply than expected in coming months", he said.

The world's second-largest economy grew 7.6 percent in the second quarter, the least in three years. Import and export growth both slowed in June.

HSBC Holdings PLC and Markit Economics are scheduled to release their preliminary manufacturing index for this month on Tuesday. The reading was at 48.2 in June, below the 50 dividing line for expansion and contraction.

In Europe, German Vice-Chancellor Philipp Roesler said he's "very skeptical" that European leaders will be able to rescue Greece.

Roesler, who is also Germany's economy minister, told broadcaster ARD that Greece was unlikely to be able to meet its obligations under a eurozone bailout program as its international creditors hold talks this week in Athens. Should that be the case, the country won't receive more bailout payments, Roesler said.

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