

November 16, 2018 Weekly Index Research Update

CrowdBureau Peer-to-Peer Lending and Equity Crowdfunding Index Records -2.0% in Week During Which Another China-Based P2P Lender Reports Disappointing Financial Results

The CrowdBureau Peer-to-Peer Lending and Equity Crowdfunding Index (CBP2PTR) posted a -2.0% during a week when a peer-to-peer (P2P) lender Yirendai Ltd. (YRD) reported disappointing quarterly results. At the same time, the broad stock market reversed course during a week when market indicators suggested slower economic growth and corporate earnings.

The stock market reversed course during the week ending November 16, 2018 when there were indications of slowing economic growth and corporate earnings even in the light of reports about a possible resolution of trade tensions between the US and China. Lower than expected Industrial Production and Capacity Utilization numbers released by The Federal Reserve along with The Federal Reserve Bank of New York's report that disclosed rising consumer indebtedness for the 17th consecutive quarter to \$13.51 trillion and disappointing corporate earnings apparently contributed to lower share prices. The S&P 500 Index recorded -1.6% while the technology laden Nasdaq Composite Index posted an even sharper drop of -2.1%. On the other hand, bond prices rose as the yields on 10-year Treasuries fell by 11 basis points to 3.08% following positive remarks by Federal Reserve Board members regarding interest rates. That said, a rate hike in December 2018 still seems likely.

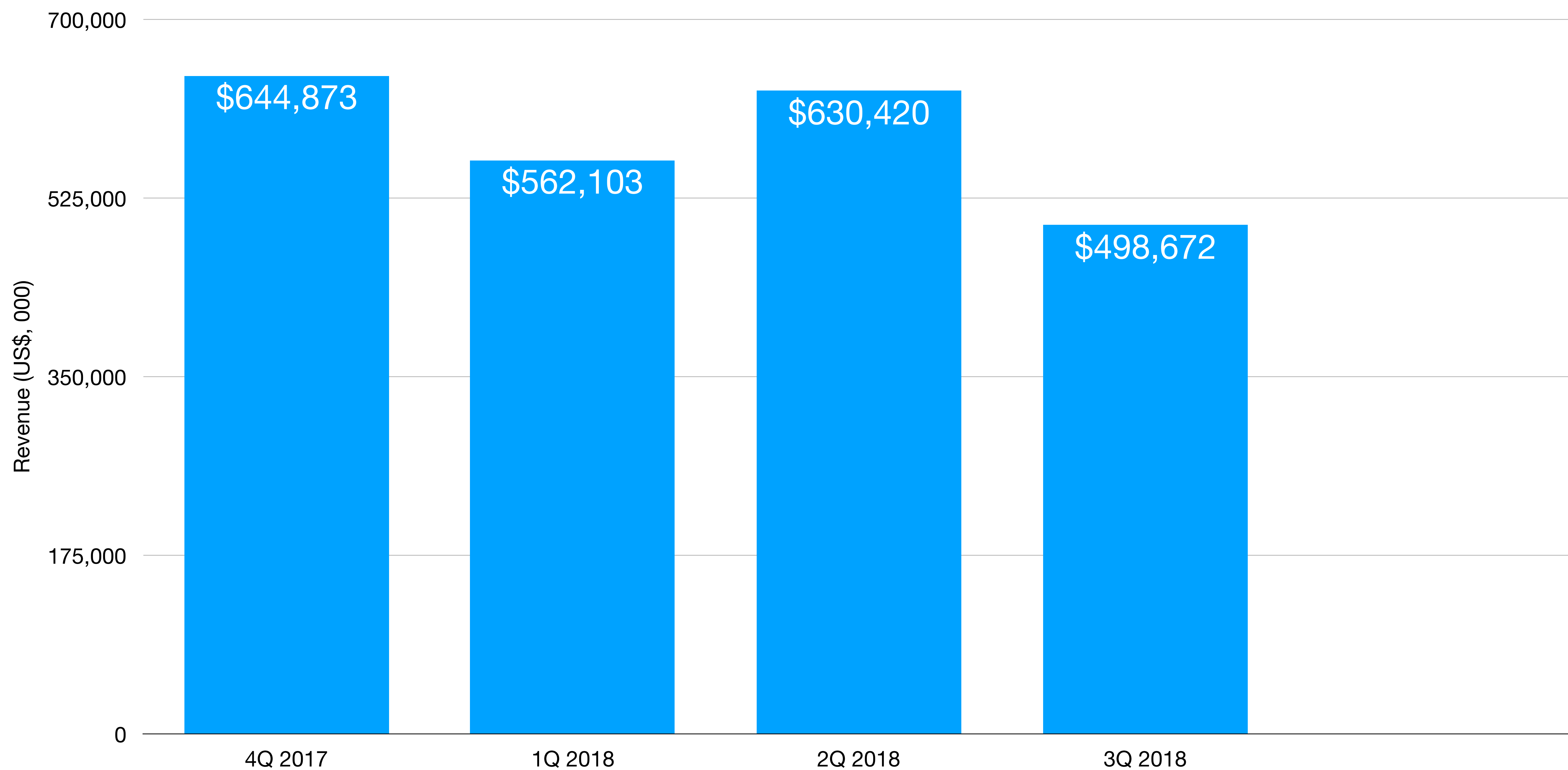
The CrowdBureau Peer-to-Peer Lending and Equity Crowdfunding Index (CBP2PTR) posted another decline, giving up -2.0%, and continuing its downward trajectory after last week's -10.4% drop. On Monday, the index recorded its largest decline of almost -2.0%, in concert with a -9.8% drop in the share price of Yirendai Ltd. following the company's third quarter 2018 earnings release. The fourth peer-to-peer China-based index member to announce third quarter financial results since November 1st. Following earnings releases by LexinFintech Holdings Ltd. (LX), Jianpu Technology Inc. (JT), and China Rapid Finance Limited (XRF); the Beijing-based firm disclosed a significant -32.4% drop in quarter-over-quarter revenue to \$81.4 million, lower net income, and a -46% decline in year-over-year loan originations. Including Yirendai, the four firms each reported reductions in quarter-over-quarter revenues that, on a combined basis, declined by -21%. *Refer to Chart of the Week.*

A reported 40% decline in industry transaction volume confirmed, the challenging third quarter period for China's on-line lending industry, in which Yirendai noted that there had been a large spike in the number of problematic platforms shutting down. Notwithstanding these developments, Yirendai reported progress in enhancing its' risk management, building out its product offerings, the expansion of its banking relationships as well as initiatives toward complying with new regulatory measures announced in August of this year. During which time, Chinese regulators announced 10 measures intended to strengthen the performance of peer-to-peer platforms in China by clarifying the responsibilities of P2P platforms and their shareholders, stipulated conditions for the orderly liquidation of failed platforms, outlined penalties for borrowers that escape their debt obligations and prohibited registration of new platforms. These regulatory mandates were expected to both strengthen P2P platforms in China while at the same time leading to a number of platforms operating in China to consolidate.

Also affecting the index results for the week, but to a more limited extent, was the performance of The Goldman Sachs Group, Inc. (GS), a member of the Financial Institutions segment of the CrowdBureau Peer-to-Peer Lending and Equity Crowdfunding Index. The firm's stock gave up -9.2% for the week following additional reports regarding the Department of Justice criminal charges brought against former Goldman Sachs bankers involving the Malaysian government investment fund, that could result in the imposition of significant fines and blemish the firm's reputation.

CHART OF THE WEEK

Quarterly Revenues (US\$) Covering Four China-based P2P Firms:4Q 2017 – Q3 2018



*Notes of Explanation: Quarterly revenues represent net revenues, including fair value adjustments, if any. Companies included four China-based P2P firms that reported earnings through 11/23/2018. These are: LexinFintech Holdings Ltd., Jianpu Technology Inc., China Rapid Finance Limited and Yirendai Ltd. Source: Company filings.

Source: CrowdBureau Corporation

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