

Press Release

The rise of China's A-shares is gathering momentum despite ongoing trade tensions, says RisCura

4 June 2019

RisCura, a global investment advisory and financial analytics firm predominantly focused on emerging markets, has emphasised that Chinese government policies and proactive market evolution continue to ensure strong opportunities to invest in Chinese markets, despite the current trade dispute with the US, and that these policies and evolution will continue to drive the rise of A-Shares.

Faisal Rafi, Head of Investment Research at RisCura, commented: “China is already the single largest market in the MSCI Emerging Markets Index at around 30%, although this is nearly all in Hong Kong-listed companies. The A-Share market, which is many times larger, is barely represented and the path to full index inclusion is ongoing. By the end of 2019 it is expected that the weighting of A-Shares will increase from less than 1% of the index to over 3% — a huge increase and with much more to come in later years.

“Yet foreign ownership of China’s A-shares remains low at just 3.7% — among the lowest in the world. There is collective scepticism amongst global investors, plus regulatory difficulties, which have long acted as obstacles for investing in China. The current situation with the USA has, unhelpfully, fuelled some of these concerns and heightened anxieties around economic stability. President Donald Trump’s unpredictable tweeting undoubtedly catches the market by surprise at times, but as the dust settles it becomes clear that China is much more prepared to deal with potential supply chain issues, and foreign interventions more broadly. Indeed, senior Chinese economists remain predominantly optimistic in their current forecasts. The tariff rhetoric changes rapidly and individual companies are targeted, but the US may be underestimating both China’s self-sufficiency and economic strength. With around 45% of the products imported into the US affected by the latest tariffs unable to be replaced through other channels, we are already seeing an increase in costs for American consumers. At the same time China is benefiting from one of the largest tax cuts in history, much larger than the US tax cuts of 2017, and which has already provided consumers with a two percent windfall in disposable income and significant support for GDP.”

Rafi added: “Domestic consumption means stability, and the Chinese government has worked hard to encourage this prosperity while at the same time opening up the market to become a more outward looking global actor. We expect China will continue to adapt and intervene as necessary, moving quickly in the face of any potential US action. Whilst the

impact of political and trade tensions should not be underestimated, neither should the opportunity it presents amid an otherwise booming investment market. China is simply too large to ignore.”

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Notes to Editors

RisCura is a global, independent provider of professional investment services. RisCura services institutional investors, asset managers, hedge funds and private equity firms with over USD200 billion in assets under advice. RisCura is a leading provider of investment consulting, unlisted investment services, risk and performance analysis services to investors.

For more information about RisCura visit www.riscura.com

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