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Date: February 23, 2023
Topic: **International**



Related ETFs

Please click below for fund holdings and important performance information.

CHIC – Global X MSCI China Communication Services ETF

CHIQ – Global X MSCI China Consumer Discretionary ETF

CHIS – Global X MSCI Consumer Staples ETF

CHIH – Global X MSCI China Health Care ETF

CHIE – The Global X MSCI China Energy ETF

CHIX – Global X MSCI China Financials ETF

CHII – Global X MSCI China Industrials ETF

CHIK – Global X MSCI China Information Technology ETF

CHIM – Global X MSCI China Materials ETF

CHIR – Global X MSCI China Real Estate ETF

CHIU – Global X MSCI China Utilities ETF

GLOBAL X ETFs RESEARCH

Quarterly China Sector Outlook

The most recent Global X China Sector Report can be viewed [here](#). The report provides macro-level and sector-specific insights across the eleven major economic sectors in China’s equity market. In addition to a summary of developments in Q4, we also offer our outlook for the current quarter and beyond. For a broader look at Global X’s international funds, please see the latest [Quarterly International Outlook](#).

Sector (ETF Ticker)	1 Month Return (%)	3 Month Return (%)
MSCI China Index (MXCN)	5.20	13.52
Communication Services (CHIC)	13.67	20.75
Consumer Discretionary (CHIQ)	3.83	12.10
Consumer Staples (CHIS)	7.15	6.85
Energy (CHIE)	-5.15	-3.28
Financials (CHIX)	3.75	14.15
Health Care (CHIH)	4.39	25.30
Industrials (CHII)	0.60	10.93
Information Technology (CHIK)	0.15	13.21
Materials (CHIM)	-1.74	8.94
Real Estate (CHIR)	-4.27	7.22
Utilities (CHIU)	2.61	8.37

Sources: Global X ETFs with information derived from: Bloomberg, L.P. (n.d.). [Data set]. Data as of and retrieved on Dec 31, 2022 from Global X Bloomberg terminal.

Performance shown is past performance, based on the NAVs of the ETFs and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month- or quarter-end, please click on the fund links available under “Related ETFs.”

Q4 Summary: End of Zero-COVID Policy Marks Inflection Point

Uncertainty over the zero-COVID policy cast a shadow over sentiment towards China in 2022. A watershed moment came in Q4 as Chinese policymakers came to the conclusion that the costs of zero-COVID exceeded the benefits. Analysts generally expected a gradual reopening, but the actual pace of reopening exceeded expectations. The effect of this dramatic policy shift was palpable in markets, with major China indices ending the year strong in December. Despite challenges that brought GDP growth



down to 3.0% for all of 2022, the developments of Q4 ignited hope that a robust recovery is in store for 2023.

Before the zero-COVID policy shift in November, investors were in the stage of trying to read the tea leaves through media language and statements by government officials. We believe we are past that stage now. Instead of unclear signals we are seeing concrete action, such as the removal of testing requirements and restrictions on inbound flights. Despite geopolitical factors and regulatory uncertainty continuing to make some investors cautious, the reality of China's reopening set in quickly. A December survey of 281 fund managers found that around 75% of respondents expected stronger growth for China after opening up, compared to a paltry 13% in November.¹



All Data as of 12/31/2022	Fund Information		Performance				
	Expense Ratio		1 Year	3 Year	5 Year	10 Year	Annualized since Fund Inception
Global X MSCI China Communication Services ETF (CHIC) <i>Inception date: 12/08/09</i>	0.65%	NAV	-25.78%	-15.01%	-13.31%	1.46%	0.89%
		Market Price	-26.40%	-15.12%	-13.56%	1.30%	0.82%
		NU722121 Index	-25.23%	-14.64%	-12.86%	2.31%	1.62%
Global X MSCI China Energy ETF (CHIE) <i>Inception date: 12/15/09</i>	0.67%	NAV	26.67%	13.61%	8.46%	2.84%	2.37%
		Market Price	25.74%	13.54%	8.44%	2.70%	2.35%
		NU722195 Index	27.60%	14.78%	9.55%	3.78%	3.28%
Global X MSCI China Health Care ETF (CHIH) <i>Inception date: 12/07/18</i>	0.65%	NAV	-22.67%	-1.61%	-	-	3.03%
		Market Price	-23.41%	-1.99%	-	-	2.74%
		NU722071 Index	-22.12%	-0.91%	-	-	3.78%
Global X MSCI China Information Technology ETF (CHIK) <i>Inception date: 12/07/18</i>	0.65%	NAV	-39.44%	-4.83%	-	-	3.90%
		Market Price	-39.82%	-5.65%	-	-	3.68%
		NU722094 Index	-39.07%	-3.86%	-	-	4.85%
Global X MSCI China Industrials ETF (CHII) <i>Inception date: 11/30/09</i>	0.66%	NAV	-20.20%	-0.37%	-1.31%	2.36%	0.24%
		Market Price	-20.81%	0.01%	-1.16%	2.17%	0.21%
		NU722886 Index	-19.71%	0.44%	-1.33%	2.90%	0.78%
Global X MSCI China Materials ETF (CHIM) <i>Inception date: 01/12/10</i>	0.66%	NAV	-24.09%	3.48%	-0.53%	2.56%	-1.89%
		Market Price	-24.20%	3.13%	-0.46%	2.50%	-1.90%
		NU721934 Index	-23.58%	4.22%	0.26%	2.93%	-1.46%
Global X MSCI China Consumer Discretionary (CHIQ) <i>Inception date: 11/30/09</i>	0.65%	NAV	-22.07%	3.13%	2.55%	4.77%	3.29%
		Market Price	-22.01%	3.01%	2.42%	4.55%	3.26%
		NU722069 Index	-21.50%	3.59%	3.09%	5.41%	3.87%
Global X MSCI China Real Estate ETF (CHIR) <i>Inception date: 12/07/18</i>	0.66%	NAV	-29.15%	-25.05%	-	-	-12.88%
		Market Price	-30.06%	-25.48%	-	-	-13.09%
		NU721936 Index	-31.36%	-25.58%	-	-	-13.13%
Global X MSCI China Consumer Staples ETF (CHIS) <i>Inception date: 12/07/18</i>	0.65%	NAV	-19.51%	3.82%	-	-	13.47%
		Market Price	-18.48%	3.64%	-	-	13.37%
		NU722070 Index	-18.88%	4.67%	-	-	14.24%
Global X MSCI China Utilities ETF (CHIU) <i>Inception date: 12/07/18</i>	0.67%	NAV	-26.27%	2.25%	-	-	2.76%
		Market Price	-26.64%	1.90%	-	-	2.66%
		NU722095 Index	-25.76%	3.15%	-	-	3.65%
Global X MSCI China Financials ETF (CHIX) <i>Inception date: 12/10/09</i>	0.65%	NAV	-10.19%	-6.67%	-4.10%	1.94%	1.03%
		Market Price	-11.17%	-6.76%	-4.34%	1.60%	0.96%
		NU721887 Index	-9.46%	-5.93%	-3.45%	2.67%	1.63%

Performance commentary is based on the NAVs of the ETFs. Performance shown is past performance and does not guarantee future results. To view most recent quarter- and month-end performance of each of the fund, please click on the links available under "Related ETFs." The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. Returns for periods greater than one year are annualized.



Chinese equities were also likely the beneficiary of broader trends that boosted interest in international equities. Signs of weakening inflation in the US led to markets pricing in a slower pace for rate hikes by the Federal Reserve, and the resulting expectations of mitigated central bank policy differentials likely contributed to a weakening dollar in Q4. Q4 saw a large amount of money flow into emerging market funds and equities, and naturally some of that went to China as well.

Healthcare was the biggest winner in Q4, with the Global X MSCI China Healthcare ETF (CHIH) delivering the highest returns among the China Sector suite at 25.30%. Meanwhile, Energy lagged behind with the Global X MSCI China Energy ETF (CHIE) delivering the lowest returns at -3.28%, after enjoying strong returns for most of 2022. Among the major China indices in Q4, the Hang Seng Index led growth at 15.71%, compared to more modest gains of 1.98% and 6.89% for the CSI 300 Index and NASDAQ Golden Dragon Index, respectively.

Q1 Insights: China Enters Its New Normal Economy

Reconfiguration will be the key word for Q1 as China sets its macroeconomic priorities for 2023 while dealing with the inevitable overhang of pivoting away from the zero-COVID policy. While the central government's goal for national GDP growth in 2023 will not be revealed until March, the two provincial powerhouses of Guangdong and Zhejiang are setting a tempered goal of 5% or above.² At the Central Economic Work Conference in December, a renewed focus on economic growth and boosting consumption seemed to prevail over the themes of economic equality and social values that guided many policy actions in 2021 and 2022.

The unwinding of the zero-COVID policy inevitably brought about an unprecedented surge in COVID cases. The macro picture in Q1 is somewhat clouded as the COVID surge brings about temporary supply chain disruptions and keeps consumers anxious. In our view, the macro picture could begin to normalize towards the end of Q1 and into Q2.

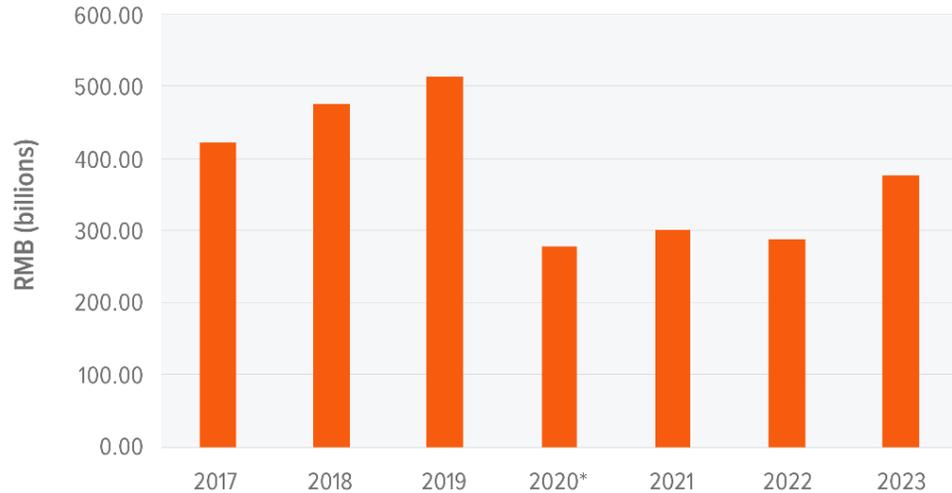
On the positive side, the worst of the COVID surge may be behind us. On January 21, Wu Zunyou, the chief epidemiologist of China's Center for Disease Control, said that 80% of China's population had been infected at some point.³ Meanwhile, during the *Chunyun* period, namely the surge in trips that occurs annually around the Chinese New Year, the number of trips rebounded to 88.6% of its pre-pandemic 2019 level while tourism revenue hit 73%.⁴ When taking into consideration the uncertainty that swept the nation as COVID cases surged, we believe these results are signs of a robust recovery.

We expect China to continue dismantling remaining zero-COVID restrictions while maintaining an accommodative policy stance, which will likely serve as a tailwind for Chinese equities. In particular, we see Consumer Discretionary as a sector poised to benefit as suppressed travel, food and leisure companies can enjoy long-awaited relief from the lifting of restrictions on mobility.



SPRING FESTIVAL TOURISM REVENUE IN CHINA, 2017-2023

Sources: Sohu and China Ministry of Culture and tourism. Tourism revenue during Spring Festival in China from 2017 to 2022. Data as of February 2022; China Ministry of Culture and Tourism. Tourism revenue during Spring Festival in China in 2023. Data as of January 28, 2023



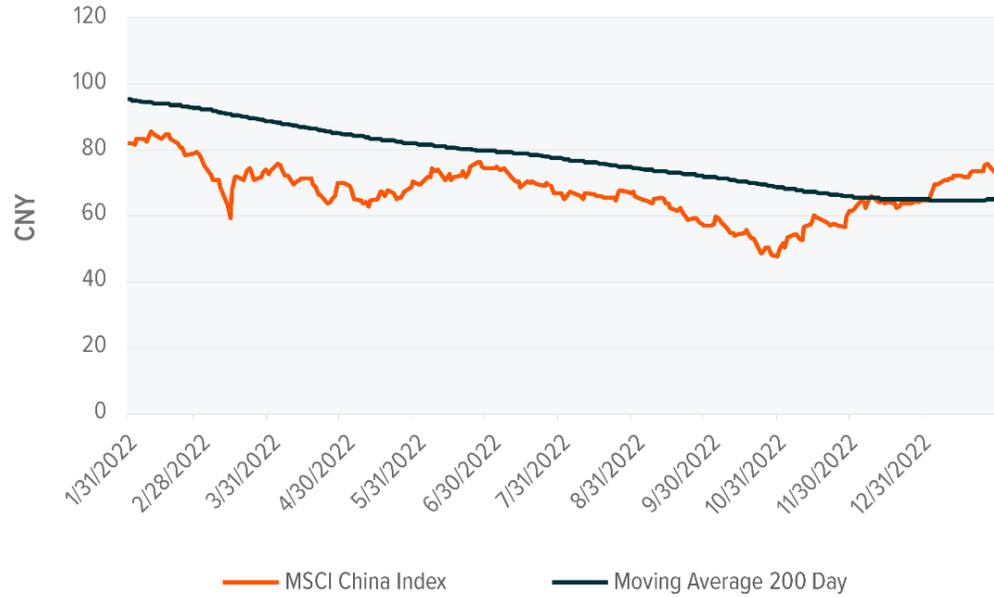
* Data for 2020 calculated by Statista.

Some positive reports are already emerging on the Consumer Discretionary front. On January 26, China’s most important travel firm, Ctrip, posted on its official WeChat account that its Chinese New Year bookings for international flights went up over 4 times, international hotel bookings up over 4 times, while domestic tourist location ticket purchase went up 32 times compared to last year.⁵ A preliminary report by Alibaba announced that Taobao and Tmall sales of Chinese New Year-related goods went up 30% year-over-year between January 1 and 16, which does not even take into account last minute purchases in the final week before the Chinese New Year.⁶



AS CHINA SENTIMENT GOES BULLISH, MSCI CHINA INDEX BREAKS 200-DAY AVERAGE

Sources: Bloomberg, GP [MXCN MSCI China Index]. Data as of January 30, 2023.



Signs are pointing towards a return to normality in China. While headwinds are blowing on the global economy with expectations of recession in multiple countries, estimates for China have been upwardly revised as the effects of this watershed policy shift set in. The jury may still be out on how Chinese equities will perform in the latter half of the year, but we believe reopening and lighter policy moves will set the stage for upward movement in at least the first half.

Footnotes

1. Bloomberg. (2022, December 13). BofA Finds Investors are Less Pessimistic on the Economy, More Upbeat on China.
2. South China Morning Post. (2023, January 12). Chinese economic powerhouses set less ambitious GDP goals for 2023.
3. Reuters. (2023, January 21). China says COVID outbreak has infected 80% of population.
4. South China Morning Post. (2023, January 28). China's Lunar New Year tourism bounces back, with revenue hitting 73 per cent of pre-Covid levels.
5. Ctrip Official WeChat Account. (2023, January 28). Ctrip 2023 Travel Report: Overseas Ticket Reservations Increases Over 4 Times, Southeast Asia to Become Biggest Winner from Chinese New Year.
6. South China Morning Post. (2022, January 20). Chinese consumers' online shopping activities surge on back of Lunar New Year holiday demand, Alibaba report says.



Glossary

Hang Seng Index: A freefloat-adjusted index that represents the largest and most liquid stocks listed in Hong Kong.

CSI 300 Index: A capitalization-weighted index that tracks the performance of the top 300 stocks traded on the Shanghai and Shenzhen stock exchanges.

NASDAQ Golden Dragon Index: A capitalization-weighted index comprised of companies whose common stock is publicly traded in the United States and the majority of whose business is conducted within the People's Republic of China.

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