



GLOBAL X ETFs RESEARCH

China Sector Report: Q4 2021

The Q4 2021 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. For a broader look at Global X's international funds, please see the latest International Report: Q4 2021.

Summary

In the fourth quarter of 2021, China's GDP grew at a pace of 3.6% after challenges emerged in the second half (H2) of 2021.¹ Concerns over systemic risk from the Real Estate sector mounted as property developers like Evergrande, Kaisa and Shimao Group faced financial difficulties, but a crisis on the level of Lehman Brothers, as some commentators have predicted, has not materialized. Q4 ended with an outbreak of the new Omicron variant that will likely dampen consumption and travel as the Chinese New Year approaches. However, these challenges were mitigated by superb export figures, which increased by 20.9% year on year in December. Furthermore, the power shortage issues that plagued China in Q3 were gradually alleviated over the course of Q4.

In response to these challenges, the Chinese government announced its plans to prioritize economic stability in 2022 at its annual Central Economic Work Conference. As central banks around the world pivot towards tightening, China is strategically shifting towards easing. Interest rate cuts, subsidies, spending on social security and more will be a part of Beijing's toolbox as analysts expect it to aim for 5% growth or more. Although it is possible that regulators may ease off on certain sectors, it is worth emphasizing that the prioritization of stability does not represent a departure from the Common Prosperity initiative. Sectors or companies that are perceived by regulators as incurring some form of negative social cost are subject to risk.

Among the eleven sectors, Consumer Staples performed the best in Q4 with returns of 4.59%. As a defensive sector, it is possible that investors turned towards Consumer Staples in response to volatility seen in Real Estate and Consumer Discretionary. Meanwhile, Industrials came in with the second-best returns at 2.04% in Q4. Chinese Industrials recovered throughout 2021 after a rough year in 2021, but began to face pressure towards the latter half of Q4 as commodity prices rose.²

As the aforementioned challenges persisted throughout H2 2021, three sectors were able to deliver positive returns, namely Consumer Staples, Industrials and Utilities. The worst performers were Health Care, Real Estate and Energy with returns of -18.20%, -13.90%, -8.64% respectively. Expected increases in regulation in the Health Care sector likely deterred investors, especially after the regulatory crackdown that persisted throughout 2021. After a year of volatility for Chinese equities, it remains to be seen whether China's prioritization of stability will assuage negative investor sentiments in 2022.

Authored by:

Dillon Jaghory

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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 FTSE 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](#)



Sector (ETF Ticker)	1 Month Return (%)	3 Month Return (%)
MSCI China Index (MXCN)	-3.15	-6.06
Communication Services (CHIC)	-1.98	-0.35
Consumer Discretionary (CHIQ)	-7.98	-7.16
Consumer Staples (CHIS)	2.63	4.59
Energy (CHIE)	7.56	-8.64
Financials (CHIX)	3.50	-0.66
Health Care (CHIH)	-8.78	-18.20
Industrials (CHII)	-0.58	2.04
Information Technology (CHIK)	-1.48	-1.34
Materials (CHIM)	-2.66	-8.14
Real Estate (CHIR)	-3.90	-13.90
Utilities (CHIU)	13.73	1.48

Source: Bloomberg, as of Dec 31, 2021

Performance shown is based on the NAVs of the underlying sector ETFs and does not guarantee future results. To view standard and most recent month-end performance of each of the funds, please click on the links available under “Related ETFs”.



The performance data quoted represents past performance. Past performance 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. Returns for periods greater than one year are annualized.

All Data as of 12/31/2021	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	-26.53%	-4.22%	-0.64%	5.17%	3.49%
		Market Price	-26.35%	-4.09%	-0.45%	5.25%	3.48%
		NU722121 Index	-26.59%	-3.80%	-0.07%	5.93%	4.24%
Global X MSCI China Energy ETF (CHIE) <i>Inception date: 12/15/09</i>	0.66%	NAV	42.29%	6.91%	7.18%	1.91%	0.57%
		Market Price	42.65%	6.25%	7.52%	1.94%	0.62%
		NU722195 Index	44.53%	8.06%	8.29%	2.83%	1.48%
Global X MSCI China Health Care ETF (CHIH) <i>Inception date: 12/07/18</i>	0.65%	NAV	-19.38%	17.50%	-	-	13.14%
		Market Price	-18.72%	17.19%	-	-	13.07%
		NU722071 Index	-18.89%	18.40%	-	-	13.96%
Global X MSCI China Information Technology ETF (CHIK) <i>Inception date: 12/07/18</i>	0.65%	NAV	-16.11%	27.49%	-	-	23.93%
		Market Price	-16.32%	27.31%	-	-	23.82%
		NU722094 Index	-14.63%	28.78%	-	-	25.14%
Global X MSCI China Industrials ETF (CHII) <i>Inception date: 11/30/09</i>	0.66%	NAV	11.08%	9.35%	8.44%	6.64%	2.15%
		Market Price	12.90%	9.96%	8.97%	6.77%	2.18%
		NU722886 Index	12.15%	10.28%	8.36%	7.21%	2.69%
Global X MSCI China Materials ETF (CHIM) <i>Inception date: 01/12/10</i>	0.66%	NAV	10.31%	19.90%	14.43%	5.86%	0.24%
		Market Price	10.87%	20.79%	14.60%	5.77%	0.24%
		NU721934 Index	11.16%	20.83%	14.35%	5.98%	0.65%



All Data as of 12/31/2021	Fund Information		Performance				
	Expense Ratio		1 Year	3 Year	5 Year	10 Year	Annualized since Fund Inception
Global X MSCI China Consumer Discretionary (CHIQ) <i>Inception date: 11/30/09</i>	0.65%	NAV	-27.23%	26.28%	19.19%	8.17%	5.73%
		Market Price	-27.07%	26.43%	19.41%	8.18%	5.69%
		NU722069 Index	-27.22%	26.74%	19.81%	8.79%	6.31%
Global X MSCI China Real Estate ETF (CHIR) <i>Inception date: 12/07/18</i>	0.66%	NAV	-30.93%	-7.06%	-	-	-6.81%
		Market Price	-29.32%	-7.14%	-	-	-6.73%
		NU721936 Index	-30.40%	-6.45%	-	-	-6.20%
Global X MSCI China Consumer Staples ETF (CHIS) <i>Inception date: 12/07/18</i>	0.65%	NAV	-13.99%	28.37%	-	-	26.94%
		Market Price	-14.75%	27.42%	-	-	26.27%
		NU722070 Index	-13.31%	29.21%	-	-	27.72%
Global X MSCI China Utilities ETF (CHIU) <i>Inception date: 12/07/18</i>	0.66%	NAV	-40.72%	15.45%	-	-	14.52%
		Market Price	-41.35%	15.26%	-	-	14.56%
		NU722095 Index	-42.35%	16.52%	-	-	15.55%
Global X MSCI China Financials ETF (CHIX) <i>Inception date: 12/10/09</i>	0.65%	NAV	-6.14%	1.52%	5.00%	5.98%	2.02%
		Market Price	-5.35%	2.04%	5.24%	5.98%	2.04%
		NU721887 Index	-5.96%	2.10%	5.71%	6.72%	2.61%

Dispersion Between China Sectors

Sector dispersion is the difference between the best and worst performing sectors in each country. In Q4 there was little contrast in sector dispersion, as China and the US had sector dispersions of 22.63% and 20.72% respectively. The notable difference is that Chinese sectors, on average, performed negatively while US sectors performed positively.

Data	Average Sector Returns Q4	Dispersion of Sector Returns Q4	Benchmark Returns Q4 MSCI China vs S&P
China	-4.28	22.63	-5.76
United States	9.51	20.72	8.55

Data points represent market price returns of the sector ETFs and the benchmark indexes, MSCI China (MXCN) and S&P 500. Average refers to a simple average of the individual sector returns of the MSCI China Index and Global X China sector funds, as well as the S&P 500 and S&P U.S. Select Sector Indexes.

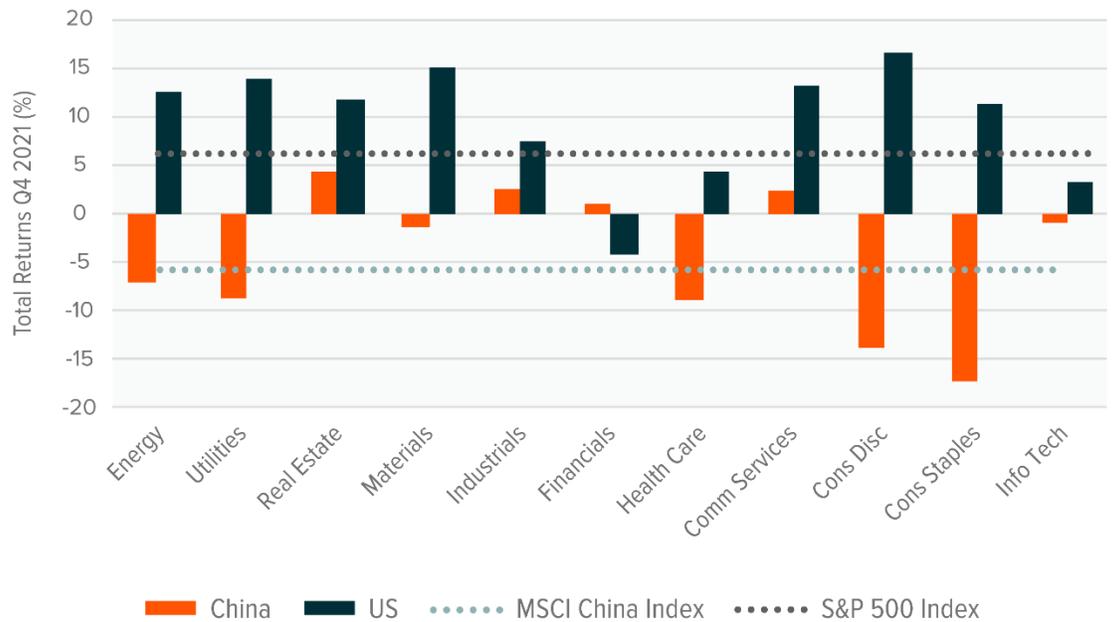


How China Sector Performance Measured Up Against US Counterparts

In the chart below, we show performance of indexes that track China’s 11 GICS sectors, as well as their US sector index counterparts.

CHINA VS US SECTOR PERFORMANCE Q4 2021

Source: Bloomberg as of Dec 31, 2021. Data points represent the returns of the indexes tracked by the sector ETFs and the benchmark indices (MXCN and SPX).



Performance shown is past performance and do not guarantee future results. Index returns are for illustrative purposes only and do not represent actual fund performance.

1. China Bureau of Statistics, as of Jan 17, 2022.
2. Bloomberg, “Chinese Manufacturing Profits Squeezed by Commodity Prices,” Dec 26, 2021

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Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Beginning October 15, 2020, market price returns are based on the official closing price of an ETF share or, if the official closing price isn’t available, the midpoint between the national best bid and national best offer (“NBBO”) as of the time the ETF calculates current NAV per share. Prior to October 15, 2020, market price returns were based on the midpoint between the Bid and Ask price. NAVs are calculated



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