

GLOBAL X ETFs RESEARCH

China Sector Report: Q1 2021

The Global X China Sector Report: Q1 2021 can be viewed [here](#). The report provides macro-level and sector-specific insights across the eleven major economic sectors in China's equity markets.

In the first quarter of 2021, China's economy remained resilient, with economic activity continuing to build momentum after four quarters of expansion. After reaching its highest level in over two years, industrial output began to normalize while trade data continued strengthening and consumer prices rose above pre-pandemic levels. Recent IMF forecasts expect that China will grow 8.4% this year as the economy should experience a protracted recovery throughout 2021.

Within China, eight of the eleven major economic sectors generated positive returns in Q1 2021, with Consumer Discretionary, Consumer Staples, and Information Technology being the only negative performers. This differs slightly from the last three quarters of 2020, where ten of eleven sectors were positive. In terms of contributions to overall returns in the MSCI China Index, the Communication Services sector played the greatest role, as China's economic recovery continued to be powered by companies allowing people at home to stay connected.

Sectors that underperformed the broader markets in both the US and China included Info Tech, Consumer Discretionary, and Consumer Staples. China's Info Tech sector experienced negative growth in Q1, underperforming the MSCI China Index by roughly 10% amid fears of the sector may have overheated and greater scrutiny on the tech sector from Beijing.

Meanwhile, Consumer-facing sectors underperformed their benchmarks, but only after outperforming the broader market for several quarters – suggesting that the underperformance in China resulted from profit taking.

Authored by:

Global X Team
Research Analyst

Date: April 15, 2021
Topic: [China](#)



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 China Consumer Staples ETF](#)

[CHIH – Global X MSCI China Health Care ETF](#)

[CHIE – Global X MSCI China Energy ETF](#)

[CHIX – The 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](#)



Sector (ETF Ticker)	1 month return (%)	3 month return (%)	1 mo. Return (%)		3 mo. Return (%)	
			-15	-10	-5	0
MSCI China Index (MXCN)	-6.08	-0.16	-6.08	-0.16		
Communication Services (CHIC)	-11.71	1.11	-11.71	1.11		
Consumer Discretionary (CHIQ)	-10.19	-7.26	-10.19	-7.26		
Consumer Staples (CHIS)	-6.13	-9.43	-6.13	-9.43		
Energy (CHIE)	3.36	9.75	3.36	9.75		
Financials (CHIX)	1.43	4.96	1.43	4.96		
Health Care (CHIH)	-3.03	2.19	-3.03	2.19		
Industrials (CHII)	-0.31	6.10	-0.31	6.10		
Information Technology (CHIK)	-9.58	-10.76	-9.58	-10.76		
Materials (CHIM)	-9.52	6.23	-9.52	6.23		
Real Estate (CHIR)	1.76	7.88	1.76	7.88		
Utilities (CHIU)	6.50	9.97	6.50	9.97		

Source: Bloomberg as of Mar 31, 2021

Performance shown is past performance, based on the NAVs of the underlying sector ETFs and does not guarantee future results. To view standard and month-end performance each of the funds, please click on the links available under "Related ETFs" below this post.

All data as of 3/31/2021	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) Inception date : 12/08/09	0.66%	NAV	27.89%	-2.53%	6.75%	5.40%	6.70%
		Market Price	29.00%	-2.60%	7.09%	5.45%	6.76%
		NU722121 Index	27.86%	-2.13%	7.51%	6.20%	7.47%
Global X MSCI China Energy ETF (CHIE) Inception date : 12/15/09	0.66%	NAV	18.46%	-4.20%	1.57%	-3.44%	-1.68%
		Market Price	19.42%	-3.99%	2.07%	-3.30%	-1.50%
		NU722195 Index	20.15%	-3.09%	2.60%	-2.58%	-0.79%
Global X MSCI China Health Care ETF (CHIH) Inception date : 12/07/18	0.66%	NAV	60.76%	-	-	-	30.47%
		Market Price	63.89%	-	-	-	30.69%
		NU722071 Index	62.08%	-	-	-	31.47%
Global X MSCI China Information Technology ETF (CHIK) Inception date : 12/07/18	0.66%	NAV	66.78%	-	-	-	36.44%
		Market Price	66.78%	-	-	-	37.02%
		NU722094 Index	69.64%	-	-	-	37.90%
Global X MSCI China Industrials ETF (CHII) Inception date : 11/30/09	0.66%	NAV	35.88%	5.01%	7.87%	1.43%	1.88%
		Market Price	40.84%	4.98%	8.44%	1.48%	1.94%
		NU721886 Index	37.08%	4.47%	7.26%	1.93%	2.39%
Global X MSCI China Materials ETF (CHIM) Inception date : 01/12/10	0.66%	NAV	68.55%	7.44%	16.38%	0.60%	-0.08%
		Market Price	71.11%	7.75%	17.46%	0.82%	0.10%
		NU721934 Index	69.71%	8.32%	15.48%	0.90%	0.30%

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. High short-term performance of the fund is unusual, and investors should not expect such performance to be repeated. Returns for periods greater than one year are annualized.



All data as of 3/31/2021	Fund Information		Performance				
	Expense Ratio		1 Year	3 Year	5 Year	10 Year	Annualized since Fund Inception
Global X MSCI China Consumer Discretionary ETF (CHIQ) Inception date : 11/30/09	0.65%	NAV	103.92%	23.09%	25.80%	8.47%	8.41%
		Market Price	106.46%	23.03%	26.01%	8.48%	8.49%
		NU722069 Index	105.23%	23.92%	26.68%	9.14%	9.07%
Global X MSCI China Real Estate ETF (CHIR) Inception date : 12/07/18	0.65%	NAV	13.32%	-	-		10.43%
		Market Price	15.37%	-	-		10.48%
		NU721936 Index	14.09%	-	-		11.12%
Global X MSCI China Consumer Staples ETF (CHIS) Inception date : 12/07/18	0.67%	NAV	49.78%	-	-		40.23%
		Market Price	52.02%	-	-		40.67%
		NU722070 Index	51.13%	-	-		41.06%
Global X MSCI China Utilities ETF (CHIU) Inception date : 12/07/18	0.66%	NAV	32.26%	-	-		7.58%
		Market Price	35.25%	-	-		8.37%
		NU722095 Index	33.51%	-	-		8.51%
Global X MSCI China Financials (CHIX) Inception date : 12/10/09	0.66%	NAV	20.15%	-0.27%	8.41%	4.02%	3.17%
		Market Price	22.89%	-0.64%	8.67%	4.02%	3.22%
		NU721887 Index	21.10%	0.52%	9.28%	4.62%	3.81%

Dispersion between China and US Sectors Normalizes

In Q1, the S&P 500 Index (SPX) continued its rally, finishing up 6.17%, while the MSCI China Index (MXCN) was mostly flat with a -0.16% return.

During Q1, Chinese sectors exhibited a narrower dispersion of returns compared to US sectors. Sector dispersion is the difference between the best and worst performing sectors in each country. In China, this dispersion was 21.47% in Q1, whereas in the US it was 29.14%. While sector dispersion is typically higher in China than in the US, wider dispersion in the US was mainly attributable to the strong recovery in the Energy sector as markets shifted from growth to value amid rising long term rates.

SECTOR DISPERSION (Q1 TOTAL RETURN %)

Source: Bloomberg as of Mar 31, 2021.

Index Data	Average Sector Returns Q1	Dispersion of Sector Returns Q1	Benchmark Returns Q1 MSCI China vs. S&P
China	2.18	21.47	-0.16
US	9.04	29.14	6.17

Data points represent the differences in returns between top and bottom performing sector in China and the US. Average refers to a simple average of the individual sector returns of the MSCI China and MSCI China Sector Indexes, as well as the S&P 500 and S&P U.S. Select Sector Indexes.

Comparing and Contrasting US and China Sector Performance

In the chart below, we show performance of Global X ETFs that are designed to track China's 11 GICS sectors, as well as their US sector index counterparts.



CHINA VS. US SECTOR PERFORMANCE Q1 2021

Source: Bloomberg as of Mar 31, 2021. Data points represent the returns of the indexes tracked by the sector ETFs and the benchmark indexes, MSCI China (MXCN) and the S&P 500 (SPX).



Performance shown is past performance, based on the returns of the indexes that the sector ETFs track and do not guarantee future results. Index returns are for illustrative purposes only and do not represent actual fund performance.

Commodities Fueled Energy Outperformance

During Q1, most sectors outperformed the MSCI China Index as the Chinese economy experienced a persistent recovery. The largest contributions to returns in China were from the Communication Services, Financials, and Real Estate sectors as people continued to stay at home while housing prices rose and new loans nearly doubled.ⁱ While the Energy sector was the top performing sector in both China and the US thanks to higher commodity prices globally, returns were much higher in the US Energy space thanks to its position as a major global oil producer and a rise in oil prices during the first quarter.

Conclusion

Following a year-long battle with COVID-19, the pandemic continues reshaping the global economic outlook, resulting in mixed performance across global markets. Sectors across major economies, including the US and China, are experiencing uneven recoveries and diverging with their historical performance. Throughout 2021, we expect global markets to continue recovering with varied economic responses to the pandemic and anticipate that investors may benefit from more selective sector exposure.



Investing involves risk, including the possible loss of principal. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Securities focusing on a single country and narrowly focused investments may be subject to higher volatility. The Global X International Access Suite Funds are non-diversified.

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 using prices as of 4:00 PM Eastern Time. The returns shown do not represent the returns you would receive if you traded shares at other times. Indices are unmanaged and do not include the effect of fees, expenses or sales charges. One cannot invest directly in an index.

Carefully consider the funds' investment objectives, risks, and charges and expenses. This and other information can be found in the funds' full or summary prospectuses, which may be obtained at globalxetfs.com. Please read the prospectus carefully before investing.

Global X Management Company LLC serves as an advisor to Global X Funds. The Funds are distributed by SEI Investments Distribution Co. (SIDCO), which is not affiliated with Global X Management Company LLC. Global X Funds are not sponsored, endorsed, issued, sold or promoted by MSCI nor does MSCI make any representations regarding the advisability of investing in the Global X Funds. Neither SIDCO nor Global X is affiliated with MSCI.

ⁱ People's Bank of China (PBOC), data as of April 12, 2021.

