FTSE Russell has launched its Market Impact Hub to help provide market navigation insights and analysis across asset classes on the impact of COVID-19.

FTSE Russell

The hub features data, analysis and commentary from FTSE Russell's award-winning research team to support institutional investors by offering timely insights into market movements across asset classes, regions, sectors, and currencies.

Recent posts delve into the outperformance of Chinese equities in the first quarter of 2020.

Why have Chinese equities outperformed?

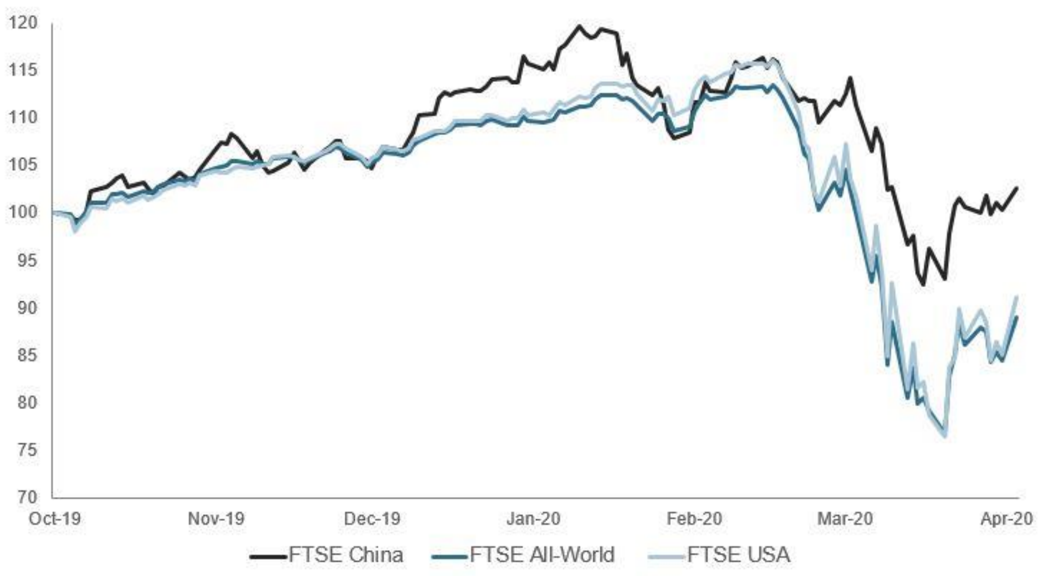
April 8, 2020

By Philip Lawlor, managing director, Global Markets Research

We highlighted in our article last week that *China's equity market had outperformed most developed and emerging equity markets since the beginning of the year. *also included in this document on page three.*

As shown in the performance chart, the downturn in the FTSE China Index has been far less severe, and the recovery more stable, than in both the FTSE All-World and FTSE USA Indexes. So, why did Chinese equities outperform global equity markets?

FTSE China, FTSE All-World and FTSE USA (Rebased, TR, LC)

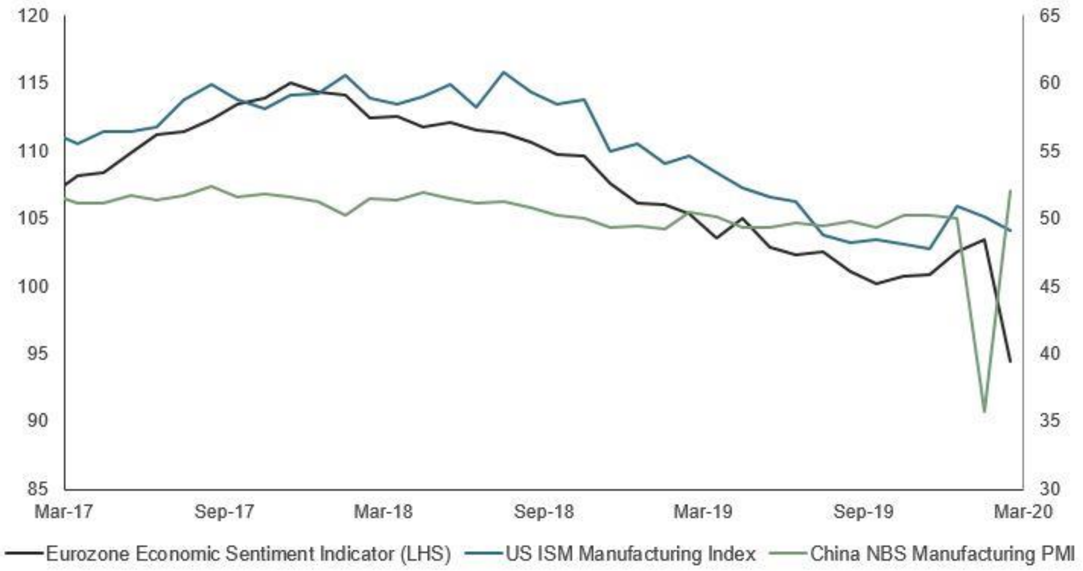


Source: FTSE Russell / Refinitiv. Data as of April 6, 2020. Past performance is no guarantee to future results. Please see the end for important disclosures.

Two key drivers behind Chinese equity outperformance year to date

One is in the macroeconomic data. As the initial epicenter of the virus, the Chinese economy took the first economic hit and is expected to be the first out, as shown by the rebound in the Chinese manufacturing data in the chart below.

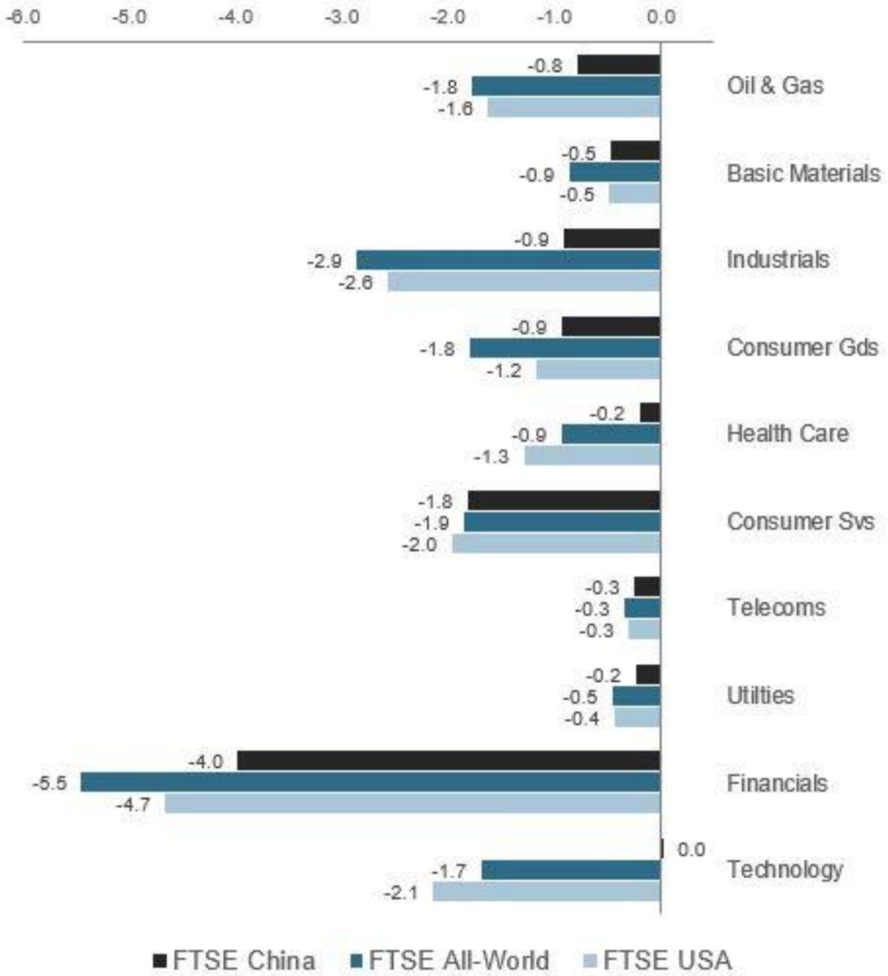
Leading indicators



Source: FTSE Russell / Refinitiv. Data as of April 6, 2020. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

The second explanation for Chinese equity outperformance is seen in the respective industry performance contributions between regions. As can be observed from the next chart, Chinese relative industry performance has been much more muted across the board than that of its global peers, most notably in industrials, technology, oil and gas and financials.

Industry-weighted contributions to year-to-date total returns (%)



Source: FTSE Russell / Refinitiv. Data as of April 6, 2020. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

Even allowing for this outperformance, China is still trading at a discount.

Comparing the 12-month forward PE ratios between China, the US and the World over the last 10 years show that PE multiples for Chinese equities have remained lower, at 12x, than the 13.9x of their global peers, despite recent outperformance. On the same measure, the US ratio is the highest, at 15.5x.

China, FTSE World and FTSE USA 12-month forward PE ratios

Source: FTSE Russell / Refinitiv. Data as of April 6, 2020. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

China outperforms in worst quarter for global stocks

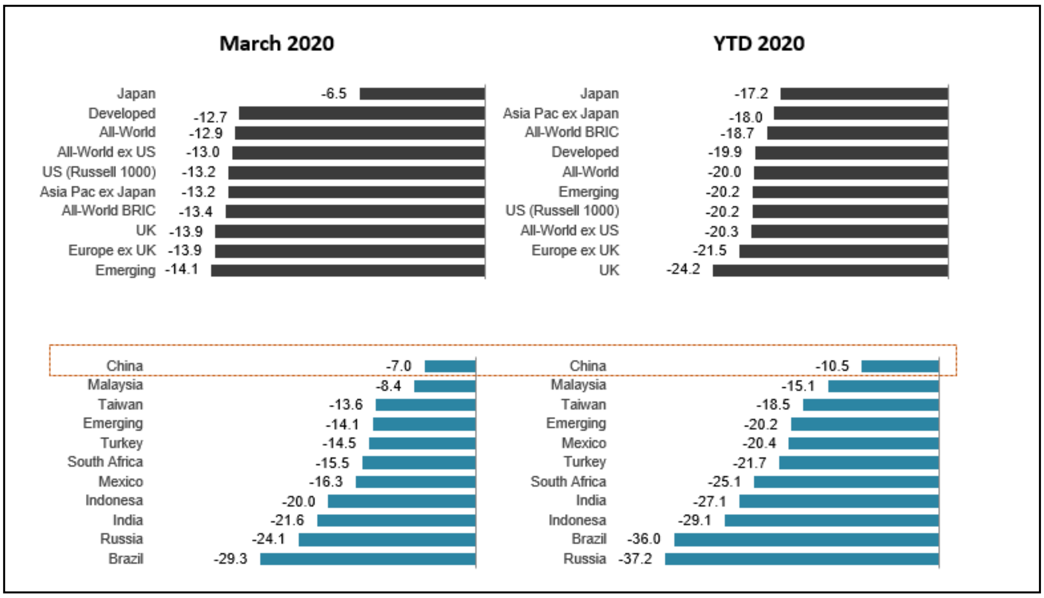
April 1, 2020

By Philip Lawlor, managing director, Global Markets Research

Call it a case of first in, first out: Despite the distinction of being the initial epicenter of the now global coronavirus outbreak, China's equity market suffered far less than both the emerging and developed indexes in the March downdraft and for the year so far.

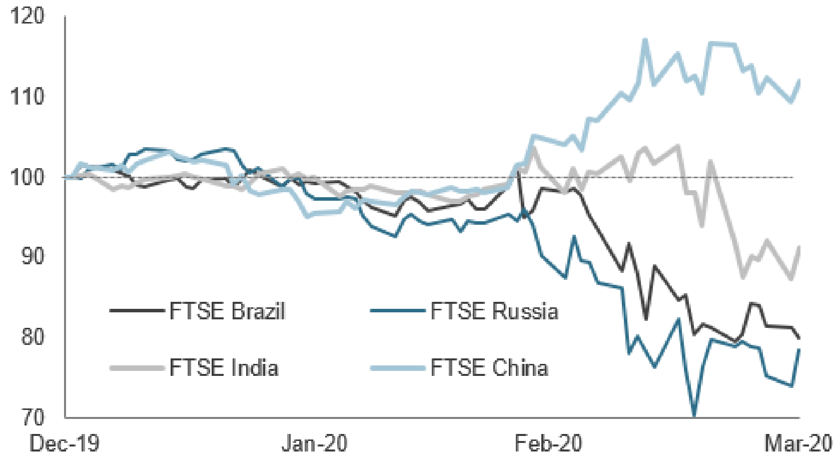
In March, the FTSE China Index fell 7.0%, significantly outperforming the declines of 14.1% for the Emerging Markets Index and of 12.7% for the FTSE All-World Index. China's resilience is particularly striking when compared with the significant losses of its peers among the largest emerging markets—the so-called BRICs—with Brazil, Russia and India dropping between 22% and 29%.

Select global equity total returns (%) – China sustains far less damage in market turmoil



Source: FTSE Russell. Data as of March 31, 2020. Past performance is no guarantee to future results. Please see the end for important disclosures.

Among the BRICs, China has vastly improved its performance relative to the global index since the peak in world equity markets in mid-February, while Russia and Brazil have badly lagged.



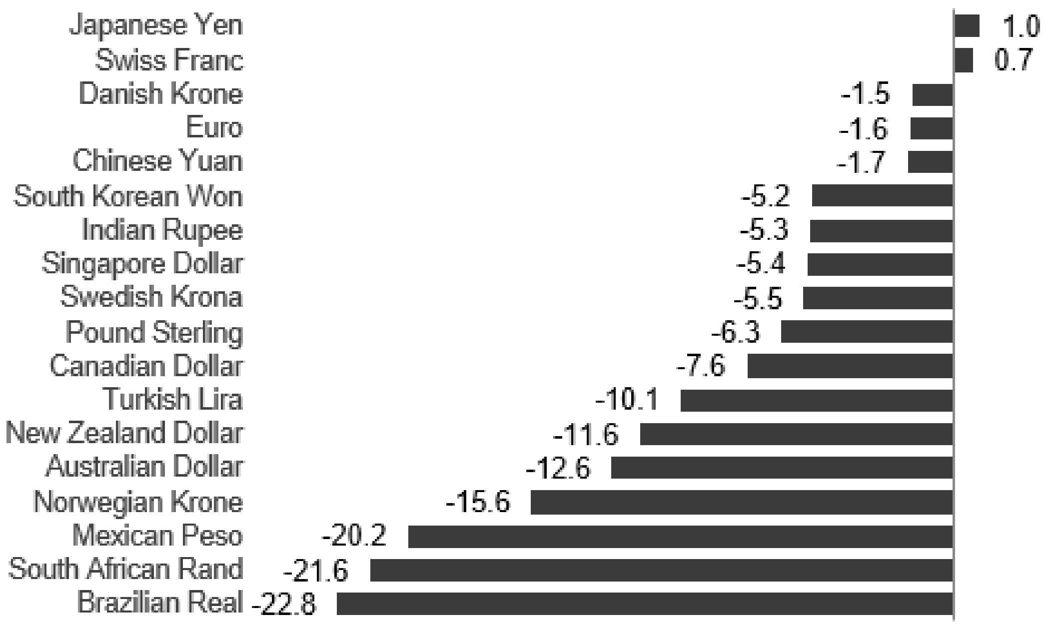
FTSE BRIC country relative performance vs FTSE All-World Index (rebased, TR, LC) – China leads the BRICs

Source: FTSE Russell. March 31, 2020. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

For the last 12 months, China is down 6.4%, far better than falloffs of 13.3% for its emerging-market peers and 9.6% for the global index.

China's currency has also held up relatively well. The yuan is down only 1.7% versus the US dollar year to date, while commodity-dependent emerging-market peers such as the Brazilian real, South African rand and Mexican peso have suffered steep depreciations of around 20-23%.

Three-month FX moves vs the US dollar – China's other endurance test



Source: FTSE Russell. March 31, 2020. Past performance is no guarantee of future results. Please see the end for important legal disclosures.