

## Explore the MSCI China A 50 Connect Index - Episode 4

### **Featuring:**

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Q:

Put in the context of global investing, how do you see the MSCI China A 50 Connect Index will play a role in the increasing importance of China allocation?

Zhen:

With MSCI having included China A-shares there have been more global investors considering a dedicated China allocation and China A-share allocation.

And, in this context, the launch of this index and related financial products, can really help those types of investors implement their asset allocation, portfolio construction and risk management process.

In the context of market accessibility, the launch of China A-share Index futures in HKEX is a positive step toward resolving one of the four market accessibility issues that were highlighted by global investors in the last round of market consultation in 2019.

We are hopeful that the Chinese regulators can keep up the positive momentum of market reforms and lay the foundations for MSCI to conduct the next public consultations, further increasing the inclusion ratio of China A-shares so that global investors can be more strategically allocated to the China A-shares market.

Q:

What is the significance of the new futures in Hong Kong's role as an international financial center?

Kevin:

Well, firstly, this is just another step in solidifying Hong Kong's vital role of connecting international institutional investors with China and China institutional investors.

Already we've seen the launch of Stock Connect and the risk management of commodities with the LME, the risk management of Renminbi and, of course, the offshore listings of major Chinese companies.

The significance of this A-share future is really in three buckets: the broadness of the contract, meaning that it really does represent new China; the size of the contract – it really is orientated to the

institutional investors; and, thirdly, the correlations – the correlation of this contract really does represent, very closely, the behaviors of the A-share market

The new futures contract is really just, as I said, another stepping stone in solidifying Hong Kong's role for institutional international investors coming into China.

And, most importantly: beyond the broadness, beyond the size and beyond the correlations, this is the first offshore A-share futures contract that is approved by the SFC and very much supported by the CSRC.

And whilst the A-shares contract is really a wonderful tool for the international investors to risk-manage in Hong Kong, since last year, we also launched a suite of MSCI emerging market index solutions in Hong Kong, which, down the road, will become the risk management center for the Chinese institutional investors wishing to take international exposure.

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