HSBC

News Release

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HUNT FOR YIELD AND MARKET OPENING INITIATIVES SEE GLOBAL INVESTORS PILE INTO CHINA

Investors are reconfiguring their global portfolios to give China a much greater role as the world's fastest growing economy leads the world out of the Covid crisis. Sixty-two percent of top international institutional investors and large corporates plan to increase their China portfolio allocations by an average of 24.5% in the next 12 months, according to a survey by HSBC Qianhai Securities Limited (HSBC Qianhai).

Attractive yield opportunity against a global backdrop of extremely low interest rates is the key driver of increased participation by offshore investors in the Chinese market, the survey shows. This is facilitated by greater ease of access through inclusion of Chinese stocks and bonds in major global indices, and market access initiatives such as Stock and Bond Connect schemes, China Interbank Bond Market (CIBM) Direct and RMB Qualified Foreign Institutional Investor (RQFII) programmes.

Justin Chan, Head of Greater China, Global Markets, HSBC, said: "International appetite for access to Chinese financial markets is at an all-time high. A steady stream of developments, from index inclusion to Stock and Bond Connect schemes, is opening this market like never before, and yield hungry investors from across the world are piling in."

Trading volumes so far this year show significant increased international investor participation in both debt and equity markets in mainland China. In the first nine months of 2020, northbound Bond Connect volumes were up 122% year-on-year[1], while northbound Shenzhen and Shanghai Stock Connect volumes were up 157% and 77% respectively[2].

The survey of 935 institutional investors and large corporates based in Asia-Pacific, Europe and North America also showed that the top issues affecting further participation are trust in local rating systems and controls on outward remittance of funds.

Environmental, Social and Corporate Governance (ESG) was identified as a critical factor when screening investments, especially among European investors,

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who rate it as a more significant factor than their peers in North America and Asia Pacific.

Global banks' joint venture securities houses are increasingly important in facilitating international access to the onshore China market. Among them, HSBC Qianhai is the most well-recognised by international investors in Europe and Asia-Pacific, according to the survey.

Irene Ho, Chief Executive Officer, HSBC Qianhai, said, "With its unique combination of on the ground expertise and global network, HSBC Qianhai is perfectly-placed to facilitate access to this exciting market for investors around the globe."

Launched in December 2017, HSBC Qianhai was the first majority foreign-owned securities joint venture in China. It offers advisory, underwriting and brokerage services, as well as dual language research on over 260 Chinese stocks.

[1] Bond Connect Company Limited
[2] Hong Kong Exchanges and Clearing Limited

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Note to editors:

About the report
East & Partners conducted the survey in September 2020 and interviewed 935 global fixed income investors, global equity investors and issuers. They represented Asia (44%), North America (31%) and UK and Europe (25%). More than 98% of the interviewees were either a Head of Fixed Income, CIO Fixed Income, Senior Fixed Income Portfolio Head, Head of Equity Investment Strategy, Head of Equities and Head of Emerging Markets. A full summary of the report can be found here.

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