

Explore the MSCI China A 50 Connect Index - Episode 1

Featuring:

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What is innovative about MSCI China A 50 Connect Index?

Zhen:

The MSCI China A 50 Connect Index selects 50 of the largest and most representative stocks from the China A-share market that are accessible through the Stock Connect program.

The index applies an innovative design to reflect the broad Chinese economy and the market, hence it can serve a benchmark for global investors.

I think if you look at the traditional way of constructing A 50 type of indexes, it only looks at investibility metrics with a special focus on free-flow market capitalization.

This methodology is clearly insufficient in capturing the rapidly evolving China A-share market where investors want diversified exposure to the market and economy and, hence, can better implement the asset allocation and risk management.

Since MSCI initially included China A-shares in 2018, there has been a gradual build-up of financial ecosystems that are focused on China A-shares through the Stock Connect program.

As of June of 2021, global investors, in aggregate, hold about USD580 billion of China A-share exposure, where 70% of that was invested through the Stock Connect programs.

We have to recognize that Stock Connect has been established as the premier channel for global investors in A-shares exposure.

And investors urgently need a risk management instrument that can broadly reflect the connect program.

What makes the MSCI China A 50 Connect (USD) Index Futures unique?

Alex:

We have three unique factors that make MSCI China A 50 Connect Indices very interesting to the global investor:

Firstly, the index itself is unique.

Through partnering with MSCI, we are now able to offer a broad-based, sector-balanced index to global investors – something that the global investment community has been asking for years.

Secondly, HKEX has a very unique product ecosystem that comprises ETFs, structured products and a lot of other derivative products on indexes.

Going forward, we see that this ecosystem will come together in a very unique way, making this a very interesting product.

And, thirdly, we have unique and very tremendous support from our regulators, including our home regulator, the SFC, in terms of bringing this product to market.

We also have CFTC certification, again making this a very compelling product for global investors. Together, we think this offers a very unique proposition to the market.

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