Quant insight

14.03.2022

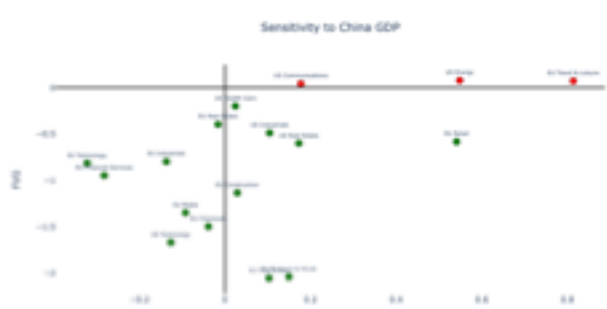
When China sneezes…

- Renewed lockdowns, ongoing regulatory worries & fears supplying Russia would incur Western sanctions. The hits keep coming for corporate China.

- That's reflected in Qi's snapshot of China across asset classes where every model is cheap to macro. That's most acute for large cap China FXI; least acute for pan Asian High Yield KHYB & Rare Earth ETF REMX. The only redeeming feature is that the recent sell-off has left Chinese assets having absorbed a fair degree of bad news, at least in macro terms. Qi's *China multi asset* watchlist will give real-time updates on the relative leaders & laggards.

- For domestic Western investors the critical question is what are the implications? Chinese tracking GDP is a core model in every equity model. In the chart below we show those US & European sectors in regime & their sensitivity to Chinese growth.

- Three are especially reliant on Chinese growth. European Retail has a slight advantage in that it's modestly cheap. US Energy has the commodity dynamic but European Travel & Leisure displays the highest sensitivity &, relatively speaking, starts from a rich valuation.



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