



Chinese ADR Listings – Last Year’s News

In the last 12 months the index of Chinese ADRs has fallen some 55%. The H share index has fallen 34%. So what? the beleaguered US investor might retort. What with Beijing regulating business, the prospect of rising rates undermining growth valuations and the SEC showing Chinese companies the door on their Wall Street listings, is it any wonder that the stocks making up these indices have been hammered?

Perhaps not. But why are A shares not down by a similar amount? Over the same period the CSI is down 19%. When you bear in mind that prior to Q1 2021 the correlation between ADRs, H shares and A shares has for the most part been pretty tight, this seems odd. H shares now trade at a discount of 14% to A shares – the biggest discount that we have seen in 15 years.

Putting aside the different components of these indices for a moment and fixing instead on their respective owners, what do Chinese investors in A shares have up their sleeves? Have they got a better feel for how well companies are doing in China notwithstanding the burgeoning lockdown? Or is their appreciation of Beijing’s ability to inject some liquidity (see the announcement yesterday from China’s economic czar, Liu He (surely, he should change his title)) more attuned than their international counterparts who are fretting about global macro considerations that may not be germane to China? Interest rates in China have eased at the margin after all?

I don’t know the answer, but one thing is clear: the prospect of delisting from the US was last year’s news and is no longer a significant factor. Investors should stop fretting about it. More business regulation and more inflation are still factors with which to reckon when considering Chinese investment, that is for sure. But in China both of these trends seem rather muted for now.

Biography



Mark Martyrossian | Director

Mark has been involved in Asian equities since 1987. He was based in Hong Kong for the 1990s where he spent much of his time working in China. He joined Aubrey in 2017 as CEO having known Andrew Dalrymple, one of the founders of the business, for over 20 years. He recently handed on his role as CEO to Andrew Ward in keeping with the firm's succession plan in order to concentrate on the development of Aubrey's business. He is a Director and shareholder of Aubrey.

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