MSCI To bring 14 Chinese ADRs Into Emerging Market Index

BEIJING, CHINA, December 1, 2015 /EINPresswire.com/ -- As of November 2015, approximately 109 Chinese American Depositary Receipts (ADRs) are currently being traded on US exchanges. Starting today, MSCI is set to include seven of the following 14 Chinese ADRs in the MSCI Emerging Market (MSCI EM) index: Alibaba (NYSE: BABA), Baidu (NASDAQ: BIDU), Ctrip (NASDAQ: CTRP), JD.com (NASDAQ: JD), Netease (NASDAQ: NTES), New Oriental Education (NYSE: EDU), Qihoo (NYSE: QIHU), Qunar Cayman Islands (NASDAQ: QUNR), Soufun Holdings (NYSE: SFUN), Tal Education (NYSE: XRS), Vipshop Holdings (NYSE: VIPS), Youku Tudou (NYSE: YOKU), YY (NASDAQ: YY), and 58.com (NYSE: WUBA). The remaining seven will be included on June 1, 2016 to split up the impact on the index.

Notable exclusions from that list include China Mobile (NYSE: CHL), 21Vianet (NASDAQ: VNET), and Sina (NASDAQ: SINA).

Analysts estimate that the index re-balancing could trigger $70 - $94 billion in total inflows into these stocks over the next six months and increase China's weight in the MSCI EM index from 23% to 26%. Only about 10% of the total potential investment would flow into passive funds that track the indices. The remaining 90% majority would depend on active funds managers wary of this past summer's rout and China's slowing economy.

China is the world's second largest economy, yet a substantial portion of China's stock market is not represented in any of the global indices. By including these 14 US-listed companies in the China portion of the EM index, MSCI will change the ratios of its current country allocations. This could lead to some declines in shares of the other BRIC countries (Brazil, Russia, and India) as stocks in those countries will need to be sold to purchase the recently included Chinese shares. The inclusion of China in the MSCI Emerging Market Index is expected to increase it by 3.5%.

China wanted to encourage more overseas investment in mainland China's A-shares; however, foreign investors are wary of China's' heavy-handed government intervention in the financial markets. MSCI's decision not to include China's domestically listed stocks in global indices earlier this year helped contribute to a $5 trillion selloff this summer, causing the Chinese government to launch a heavy-handed direct intervention in the markets. Chinese shares listed overseas were not affected by those measures.

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