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China finally gets long sought-after endorsement as MSCI adds stocks to emerging markets index

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KEY POINTS

MSCI said Tuesday it plans to add 222 China A Large Cap stocks to its benchmark emerging markets index on a gradual basis beginning next year.

This was the fourth-straight year MSCI was considering adding the mainland-traded stocks.

The Deutsche X-trackers Harvest CSI 300 China A-Shares ETF (ASHR) traded more than 2 percent higher in extended trading following the decision.



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shares to its benchmark emerging markets index.

The index giant said it will add 222 China A Large Cap stocks on a gradual basis beginning next year. The review is the [fourth straight year MSCI has considered](#) adding the mainland-traded stocks, known as A shares in China.

“International investors have embraced the positive changes in the accessibility of the China A shares market over the last few years and now all conditions are set for MSCI to proceed with the first step of the inclusion,” Remy Briand, MSCI Managing Director and Chairman of the MSCI Index Policy Committee, said in a release.

“The expansion of Stock Connect has been a game changer for the market opening of China A shares,” he said, referring to a program giving foreign investors access to the Shanghai and Shenzhen stock markets through Hong Kong.

The [Deutsche X-trackers Harvest CSI 300 China A-Shares ETF \(ASHR\)](#) traded more than 2 percent higher after hours.

The 222 stocks MSCI is planning to add to the emerging markets index include financial giants like Bank of China, China Merchants Bank, Guotai Junan and Ping An Insurance, according to a document on [MSCI's website](#). Other names include Tsingtao Brewery, SAIC Motor, Suning Commerce and Spring Airlines.

Another change for China this time “is the reduction in the number of suspended stocks since the decline in the market. So there’s less control and more availability in the shares,” MSCI chairman and CEO Henry Fernandez said on CNBC’s “[Closing Bell](#).” “And three, the loosening of restrictions on the data in order to create index-linking investment vehicles.”

MSCI also said, contrary to many expectations, Argentina’s stocks would not join the emerging markets index due to investor concerns that recent improvements to market access needed to be in place for a longer period.

The [iShares MSCI Emerging Markets ETF \(EEM\)](#) rose 0.15 percent in after-hours trade.



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as of the end of June last year.

The addition of the mainland Chinese shares could be a big boost to the world's second-largest stock market, which has until now drawn limited foreign investor interest because of high volatility, frequent trading halts and limited foreign investor access to the Shanghai and Shenzhen stock markets.

“Institutional investors have more confidence in China's A share market today,” said Peter Donisanu, investment strategy analyst Wells Fargo Investment Institute.

The Shanghai composite is up 1.2 percent year-to-date, in contrast to gains of more than 18 percent for the [iShares MSCI Emerging Markets ETF \(EEM\)](#). The S&P 500 is up more than 9 percent this year at record highs.

MSCI also said next year, it would consider Saudi Arabia stocks for potential inclusion in the Emerging Markets Index.

— *CNBC's Fred Imbert contributed to this report.*

Watch: MSCI adds China-listed shares



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MSCI adds China-listed shares to emerging market index



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