



Five things to know about Chinese and emerging market stocks

For Professional Clients, Qualified Investors and Qualified Clients/Sophisticated Investors only.

Equity Strategy Special Edition
29 April 2020

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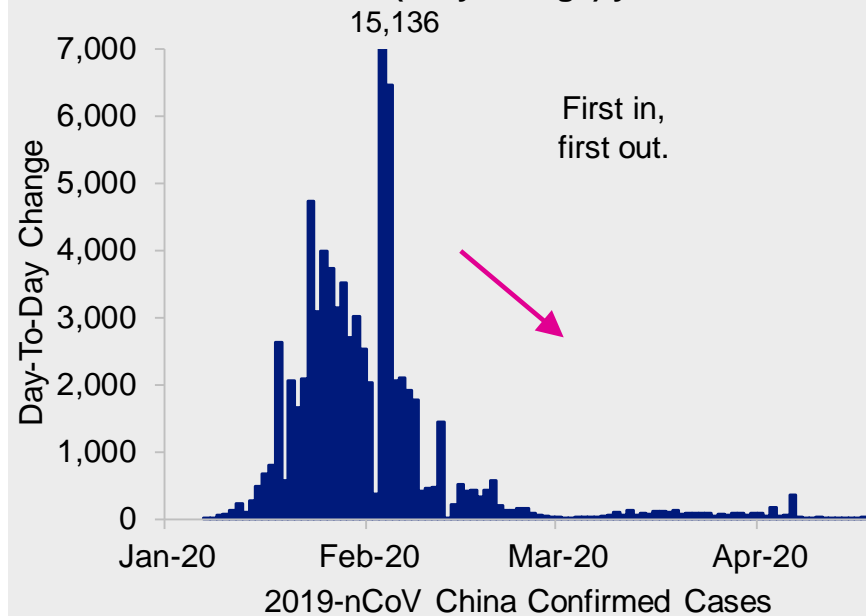
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1. Coronavirus cases

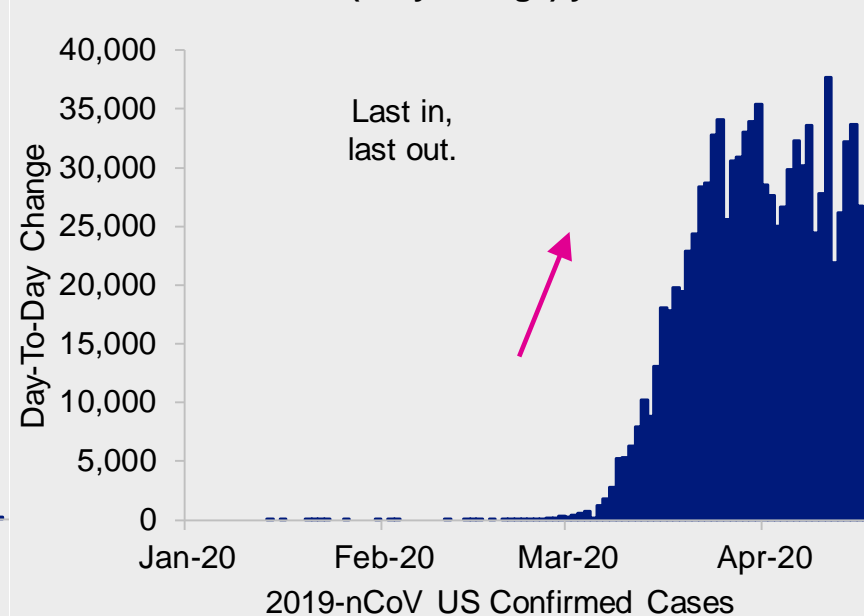
China has successfully “flattened the curve.” The same cannot be said of the US.



China coronavirus cases (daily change) year to date



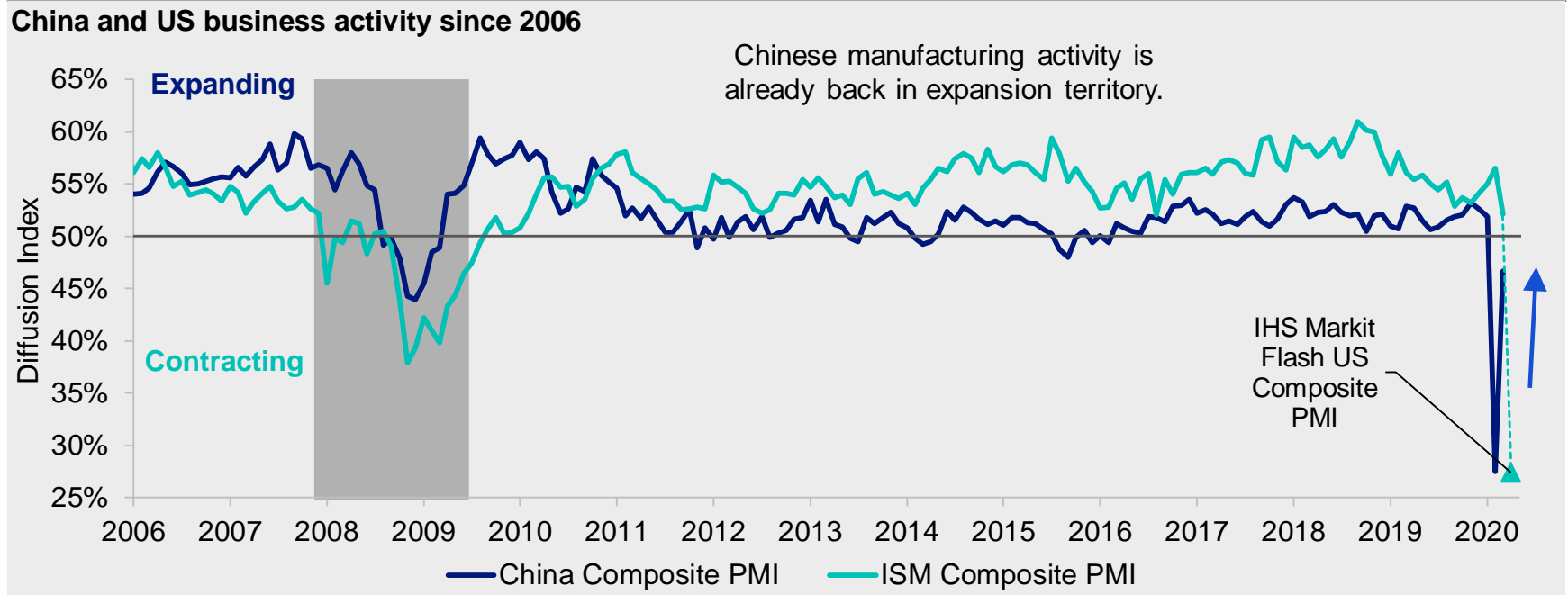
US coronavirus cases (daily change) year to date



Source: Bloomberg L.P., Invesco, 04/28/20. Notes: Left chart scale capped at 7,000. Confirmed coronavirus (2019-nCoV) case counts compiled by Bloomberg Newsroom. Counts are subject to change as governments survey and confirm cases. Data are based on reported values as of midnight EST.

2. Business activity

Chinese business activity is staging a v-shaped recovery—rebounding sharply from record lows—while US activity is falling off the “COVID cliff” to record lows.



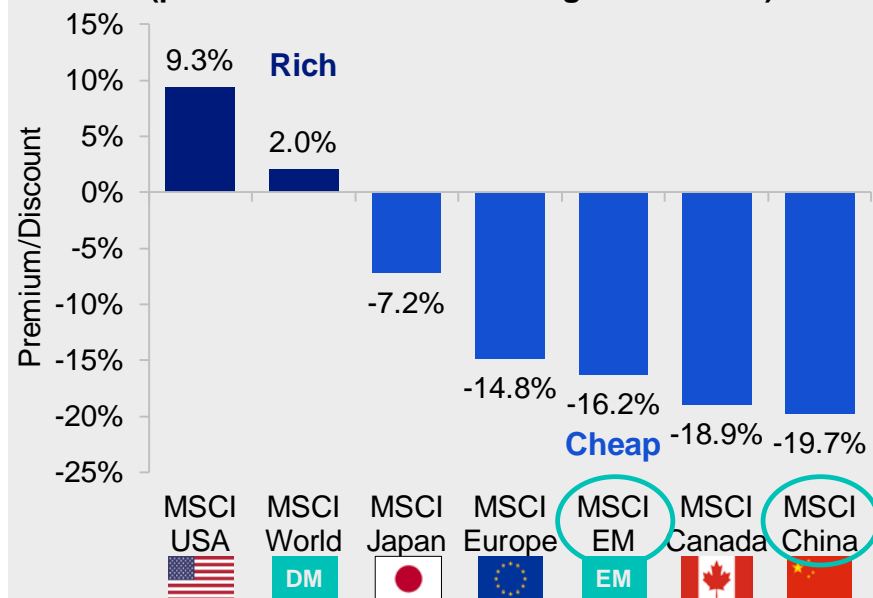
Source: Caixin/IHS Markit, Haver, Invesco, 04/28/20. Notes: Composite = Manufacturing + services. ISM = Institute for Supply Management. PMI = Purchasing managers index. Shaded areas denote National Bureau of Economic Research (NBER) defined US economic recessions.

3. Valuations + catalyst

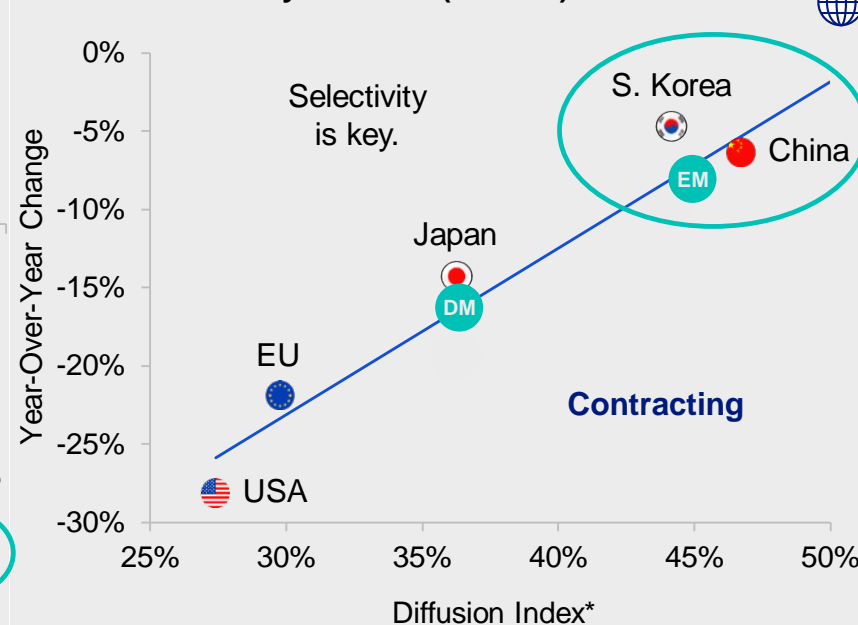
Not all regions and countries are made equal. One approach—target low valuations and faster growth over high valuations and slower growth both across and within regions.



MSCI country indices P/S ratios relative to MSCI ACWI
P/S ratio (premium/discount to average since 1995)



Global business cycle clock (current)



Source: Bloomberg L.P., Haver, Invesco, 04/28/20. Notes: P/S = Price-to-sales ratio. Ranked from left to right—from highest premium to lowest discount. ACWI = All Country World Index. EU = European Union. EU Excluding UK Composite PMI = France, Germany, Ireland, Italy and Spain. Diffusion indices have the properties of leading indicators, and are convenient summary measures showing the prevailing direction and scope of change*. An investment cannot be made in an index. **Past performance does not guarantee future results.**

4. US dollar

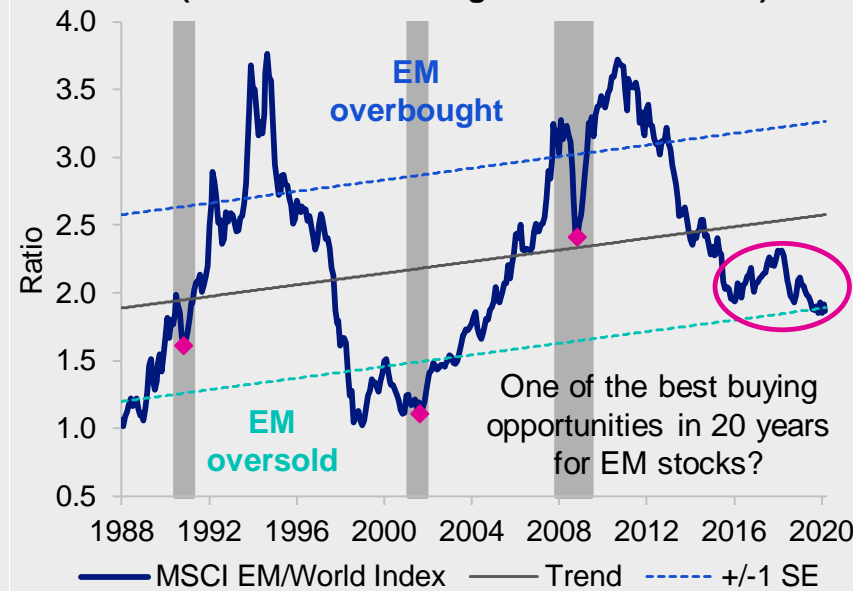
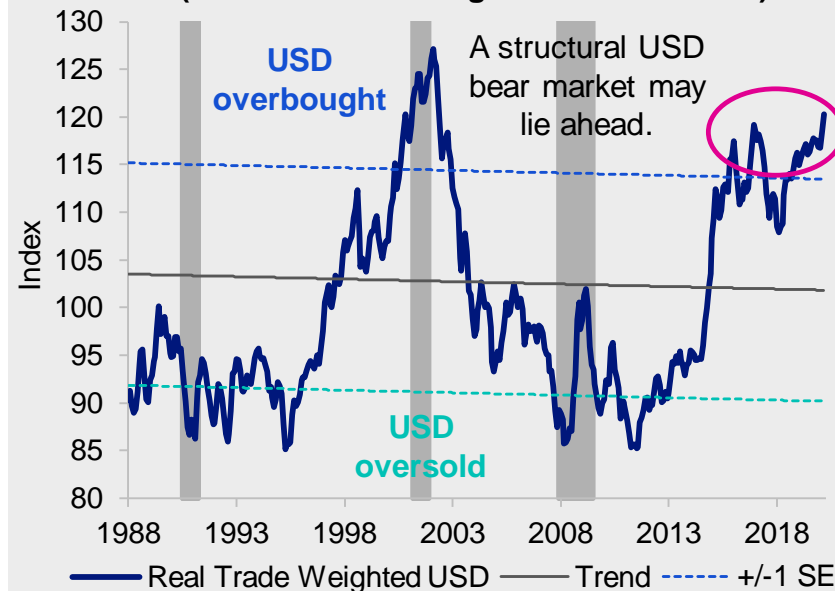


A flat to weaker US currency would likely boost EM stocks relative to their US competitors. Also, EM stocks bottomed in the depths of the last 3 US economic recessions—important chapters of the “recovery playbook.”

The US dollar relative to advanced foreign economies* since 1988 (trend and overbought/sold thresholds)



Emerging market relative to developed market stocks since 1988 (trend and overbought/sold thresholds)



Source: Bloomberg L.P., FRED, Invesco, 03/31/20. Notes: USD = US dollar. The Federal Reserve’s (Fed’s) Real Trade Weighted US Dollar Index: Advanced Foreign Economies, Goods and Services*. Real = Inflation adjusted. Price indices in US dollars. SE = Standard error. Shaded areas denote NBER-defined US economic recessions. An investment cannot be made in an index. **Past performance does not guarantee future results.**

5. Relative performance

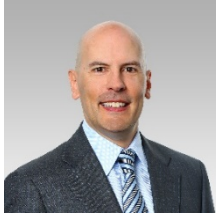
Chinese stocks are already leading the charge, a trend we expect to continue.



Chinese relative to US stocks since 2016



Source: Bloomberg L.P., Invesco, 04/28/20. Notes: Total return indices in US dollars. An investment cannot be made in an index. **Past performance does not guarantee future results.**



Talley Léger

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Talley Léger is a Senior Investment Strategist for the Global Thought Leadership team. In this role, he is responsible for formulating and communicating macro and investment insights, with a focus on equities. Mr. Léger is involved with macro research, cross-market strategy and equity strategy.

Mr. Léger joined Invesco when the firm combined with OppenheimerFunds in 2019. At OppenheimerFunds, he was the equity strategist. Prior to OppenheimerFunds, he was the founder of Macro Vision Research and held strategist roles at Barclays Capital, ISI, Merrill Lynch, RBC Capital Markets and Brown Brothers Harriman. Mr. Léger has been in the industry since 2000.

He is the co-author of the revised second edition of the book, *From Bear to Bull with ETFs*.^{*} Mr. Léger has been a guest columnist for *The Big Picture* and *Data Watch on Bloomberg Brief Economics*, as well as a contributing author on Seeking Alpha (seekingalpha.com). He has been quoted in *Associated Press*, *Barron's*, *Bloomberg*, *Business Week*, *Dow Jones Newswires*, *The Financial Times*, *MarketWatch*, *Morningstar magazine*, *The New York Times* and *The Wall Street Journal*. Mr. Léger has appeared on Bloomberg TV, Canada's BNN Bloomberg, CNBC, Reuters TV, The Street and Yahoo! Finance, and has spoken on Bloomberg Radio.

Mr. Léger earned an MS degree in financial economics and a Bachelor of Music from Boston University. He is a member of the Global Interdependence Center (GIC) and holds the Series 7 registration.

^{*}*From Bear to Bull with ETFs* (2nd ed.), by David R. Kotok and Talley Léger, published by Cumberland Advisors Publishing (2014).

Index definitions



The MSCI USA Index is designed to measure large and mid market capitalization stocks in the United States.

The MSCI World Index is designed to measure large and mid market capitalization stocks in the developed markets.

The MSCI China Index is designed to measure large and mid market capitalization stocks in China.

The MSCI Emerging Markets Index is designed to measure large and mid market capitalization stocks in the emerging markets.

Indexes are unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. Past performance does not guarantee future results.

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As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

As a large portion of the strategy is invested in less developed countries, you should be prepared to accept significantly large fluctuations in value.

As this strategy invests in a particular geographical region, you should be prepared to accept greater fluctuations in value compared to a strategy with a broader investment mandate.

Investment in certain securities listed in China can involve significant regulatory constraints that may affect liquidity and/or investment performance.

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EMEA3491/2020