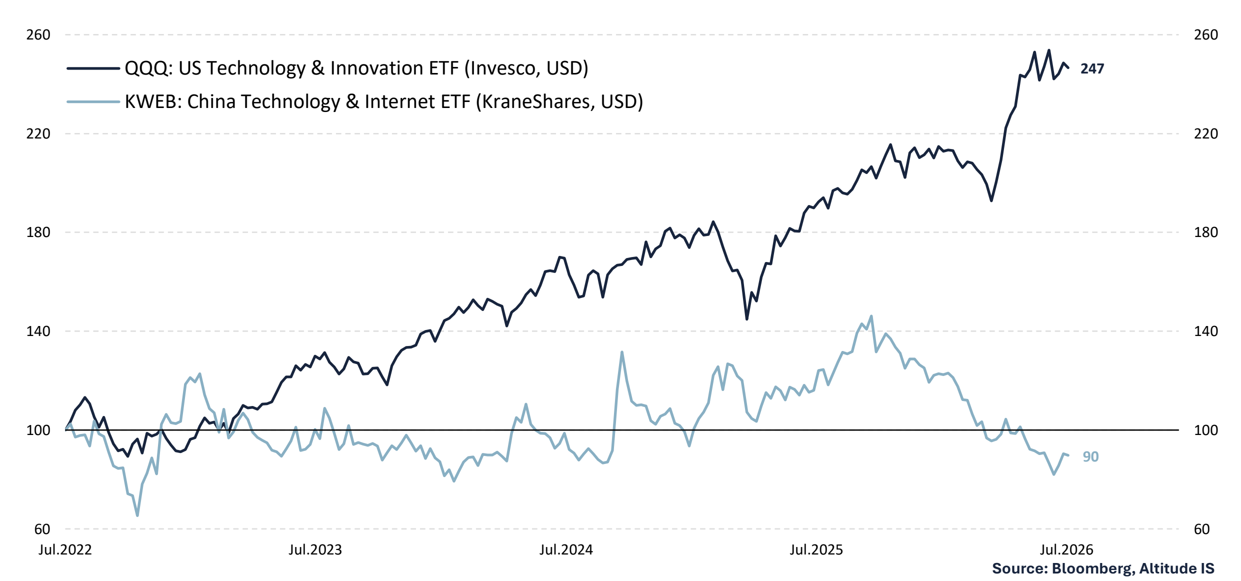
weekly investment focus

The flexiweekly that reaches new heights - published on 20 July 2026

"IN CHINA, ELECTRONS MOVE FASTER THAN CAPITAL"

- The roll-out of artificial intelligence is accelerating everywhere, including in China
- Despite this, and unlike in the United States, Chinese tech companies are stagnating
- Should we expect them to catch up on the stock market soon?
- Choosing the right investment focus is essential, as the devil is in the detail

CHART OF THE WEEK: “But what on earth is holding back Chinese tech?”



Source: Bloomberg, Altitude IS

FINANCIAL MARKETS ANALYSIS

In terms of technology, China is a serious rival to the United States. In certain areas, such as batteries, electric vehicles, solar panels, mobile devices, civilian drones and the roll-out of digital payments, it has even managed to gain a significant lead. And the list keeps growing. China, for example, accounts for half of the world’s industrial robot installations and around 90 per cent of the emerging market for humanoid robots. In artificial intelligence, it is not yet the leader, but its open-source models – led by DeepSeek and Qwen – account for a third of global usage of large language models, whereas they were virtually non-existent at the end of 2024. Better still, the cost of use is up to twenty times lower than that of its American rivals (OpenAI’s ChatGPT, Google’s Gemini or Anthropic’s Claude).

This breakthrough in Chinese technology is no accident. It stems from a proactive and patient strategy, reaffirmed last March by the fifteenth five-year plan (2026–2030), which establishes technological self-sufficiency as a national priority. The state apparatus is currently channelling a significant portion of the country's savings into semiconductors, robotics and computing infrastructure. Nuclear power, which was one of the priorities of the previous plan, perfectly illustrates this approach. With some 35 reactors under construction – accounting for nearly half of all such projects worldwide – the country is set to reach 200 gigawatts of nuclear capacity by 2035. This represents more than three times its current capacity and more than double that of the United States. The gap that is emerging between the two giants has been dubbed the "electron gap". However, in this technological race, energy capacity could make all the difference. **China is no longer seeking to catch up with the US; it is equipping itself to surpass it in order to establish its own technological rules and standards on a global scale.**

Whilst things are moving quickly and smoothly on the technological front in China, the same cannot be said of the markets. **On the stock market, it is still US companies that reign supreme.** Since July 2022, the leading technology stock index has soared by +147 per cent in the United States, whilst its Chinese counterpart has fallen by -10 per cent (see Chart of the Week). **How has such a paradox been made possible? Is it set to persist or, on the contrary, to fade away?**

Fig. 2 – Chinese index vs global indices

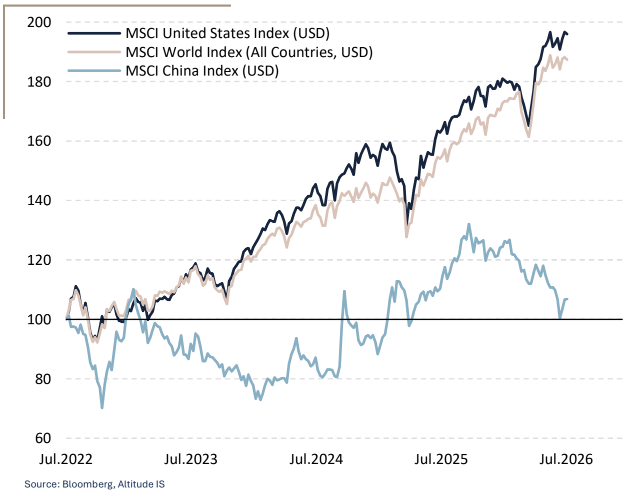
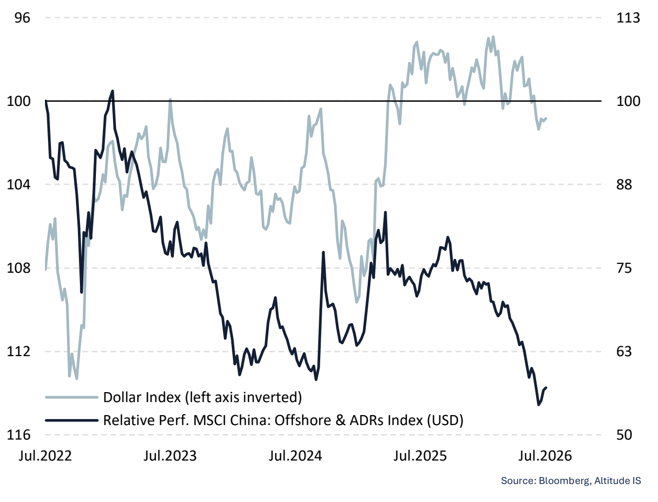


Fig. 3 – Relative perf. vs US dollar exchange rate



Firstly, it should be noted that the issue affecting the Chinese stock market is widespread. Indeed, the main Chinese indices are significantly underperforming international indices (see Fig. 2) and, even more so, US indices. Part of the explanation – but only part – lies in the appreciation of the dollar. This was initially strong in 2021, 2022 and 2024, before diminishing to very slight this year (see Fig. 3). We have often analysed the correlation between the two, but in February it was the Managing Director of the International Monetary Fund (IMF) who referred to it. Kristalina Georgieva pointed out that the weakness of the US dollar enabled companies in emerging markets to reduce the interest burden on their foreign-currency-denominated debt.

The second explanation lies in the composition of the indices. In China, as elsewhere, there are numerous ways of grouping listed companies to measure their average stock market performance. These groupings all have advantages and disadvantages, but depending on market conditions, they are not equally relevant. **For the sake of transparency, we have set out the Chinese indices most commonly used by investors** (see Fig. 4) **as well as the characteristics of the ETFs generally associated with them** (see Fig. 5).

Fig. 4 – Comparison of the main Chinese indices

				COVERAGE			SIZE			SECTOR WEIGHTS (%) — ordered by MSCI World weight												
Index	Exchange traded fund	Number of stocks	Currency	A-shares	H-shares	ADRs	Large	Mid	Small	Technology	Financials	Industrials	Cons. Cycl.	Comm. Serv.	Healthcare	Cons. Def.	Energy	Materials	Utilities	REIT	Top 10 weight	Top 5 holdings
BROAD INDICES																						
Hang Seng HSI Index	2800 HK	93	HKD		●		●	○		8	38	3	18	16	4	1	5	2	2	3	49%	HSBC · Tencent · Alibaba · CCB · AIA
MSCI China MXCN Index	MCHI US	576	USD	○	●	●	●	●		12	19	5	25	18	5	3	4	5	2	2	42%	Tencent · Alibaba · CCB · ICBC · Xiaomi
FTSE China 50 XIN0I Index	FXI US	50	HKD		●		●			5	35	3	26	16	2	1	5	4	–	1	58%	Tencent · Alibaba · CCB · ICBC · Xiaomi
Hang Seng China Enterprises HSCEI Index	2828 HK	50	HKD		●		●			11	28	1	22	19	6	1	7	2	–	2	52%	Tencent · CCB · Alibaba · ICBC · China Mobile
CSI 300 SHSZ300 Index	ASHR US	300	CNY	●			●	●		31	19	16	6	1	4	7	3	9	3	–	24%	Zhongji Innolight · CATL · Moutai · Eoptolink · Ping An
MSCI China All Shares MXCNAL Index	MCHN LN	580	USD	●	●	●	●	●		20	19	10	17	11	4	5	3	8	3	1	26%	Tencent · Alibaba · CCB · CATL · Moutai
Nasdaq Golden Dragon China HXC Index	PGJ US	69	USD			●	●	●	○	11	4	3	44	26	1	8	–	–	–	3	58%	JD.com · Baidu · Yum China · Alibaba · NetEase
CSI 500 SH000905 Index	ASHS US	500	CNY	●				●	●	37	6	20	5	1	7	2	2	17	2	–	< 10%	No dominant position, largest holding around 1%
TECHNOLOGY INDICES																						
SSE STAR 50 SH000688 Index	KSTR US	50	CNY	●			●	●		72	–	10	2	–	9	–	1	3	–	–	54%	Cambricon · Hygon · SMIC · Montage Technology · AMEC
CSI Overseas China Internet via ETF	KWEB US	35	USD		●	●	●	●	○	20	2	4	34	27	6	3	–	–	–	4	60%	Tencent · PDD · Alibaba · Meituan · NetEase
FTSE China Incl A 25% Tech Capped via ETF	CQQQ US	189	USD	○	●	●	●	●	●	58	1	1	14	25	–	–	–	–	–	–	54%	PDD · Meituan · Tencent · Baidu · Kuaishou
Hang Seng TECH HSTECH Index	KTEC US	30	HKD		●		●	○		36	–	8	36	18	2	–	–	–	–	–	71%	SMIC · NetEase · Tencent · Meituan · BYD

Source: FMP, fund providers, Hang Seng Indexes, MSCI, Invesco, ChinaAMC, Claude, Altitude IS

Fig. 5 – Comparison of the main Chinese exchange traded funds

Index	Exchange traded fund	Listing venue	UCITS available in Europe?	Inception date	Assets under management	Total expense ratio	Average daily volume	Price earnings ratio	One-year return	Five-year annual return	Hedging & structuring
BROAD INDICES											
Hang Seng HSI Index	2800 HK	HKEX	**No** trade 2800 HK directly	11.1999	17.0bn	0.09	2,300	12.7	**-2.1**	**-1.0**	●●● Futures & options – Hong Kong
MSCI China MXCN Index	MCHI US	Nasdaq	**Yes** iShares MSCI China UCITS, 0.28%	03.2011	6.3bn	0.59	160	13.7	**-0.3**	**-5.1**	●●○ ETF options – US
FTSE China 50 XIN0I Index	FXI US	NYSE Arca	**Yes** iShares China Large Cap UCITS (FXC)	10.2004	5.5bn	0.74	940	9.6	**-6.2**	**-5.0**	●●○ ETF options – US, very liquid
Hang Seng China Enterprises HSCEI Index	2828 HK	HKEX	**No** UCITS closed 2025, trade 2828 HK	11.2003	3.8bn	0.65	1,290	11.1	**-10.5**	**-3.3**	●●● Futures & options – Hong Kong
CSI 300 SHSZ300 Index	ASHR US	NYSE Arca	**Yes** Xtrackers CSI300 Swap UCITS (XCS6)	11.2013	1.65bn	0.65	160	17.5	**+29.6**	**-1.7**	●●○ US ETF options · onshore futures
MSCI China All Shares MXCNAL Index	MCHN LN	LSE	**Yes** this fund is the UCITS (Invesco)	03.2021	113m	0.35	0.04	15.7	**+16.8**	**-4.0**	○○○ None
Nasdaq Golden Dragon China HXC Index	PGJ US	Nasdaq	**No** US fund only	12.2004	98m	0.70	0.6	13.2	**+6.8**	**-16.1**	●○○ ETF options – US, thin
CSI 500 SH000905 Index	ASHS US	NYSE Arca	**No** US fund or onshore only	05.2014	37m	0.65	0.7	29.6	**+61.7**	**+5.7**	●○○ Onshore futures only
TECHNOLOGY INDICES											
SSE STAR 50 SH000688 Index	KSTR US	SSE	**No** HK clone (3109 HK) or ETF Connect	09.2020	9.9bn	0.20	1,190	46.4	**+102.6**	**+7.3**	●○○ Onshore ETF options only
CSI Overseas China Internet via ETF	KWEB US	NYSE	**Yes** KraneShares UCITS (KWEB LN)	07.2013	6.2bn	0.70	700	12.6	**-18.9**	**-14.5**	●●○ ETF options – US, very liquid
FTSE China Incl A 25% Tech Capped via ETF	CQQQ US	NYSE Arca	**No** closest: Invesco China Tech UCITS, 0.49%	12.2009	3.1bn	0.65	75	23.9	**+32.0**	**-6.9**	●●○ ETF options – US
Hang Seng TECH HSTECH Index	KTEC US	NYSE	**Yes** HSBC Hang Seng TECH UCITS (HSTC)	06.2021	57m	0.69	1.3	27.6	**-15.7**	**-11.3**	●●● Futures & options – Hong Kong

Source: FMP, fund providers, Hang Seng Indexes, MSCI, Invesco, ChinaAMC, Claude, Altitude IS

The evidence is clear. Indices composed mainly of offshore shares – that is, those listed in Hong Kong (H-shares) or via depositary receipts in the United States (ADRs) – **are underperforming in 2026** compared with domestic shares (A-shares), traded in Shanghai and Shenzhen (see Figs. 6 & 7). The MSCI China index, 80 per cent of which consists of offshore securities, is penalised by the risk premium demanded by foreign investors. These investors have been put off by repeated state interference, threats of the delisting of US certificates (ADRs) and the tariff war between Washington and Beijing.

Conversely, the Shanghai and Shenzhen stock exchanges are benefiting from a record inflow of capital**.** The capital controls sought by Beijing are trapping domestic savings and deliberately channelling them into local shares, so that these become the primary beneficiaries of the five-year plan. At the end of May, the Chinese authorities tightened the screws further, imposing fines totalling $330 million on offshore brokers (Futu, Tiger, Longbridge) that were enabling mainland investors to circumvent certain restrictions. **This wave of domestic liquidity naturally favours small companies**, which provide the 'shovels and pickaxes' for the rush towards artificial intelligence. It is therefore only natural that, since the start of the year, the CSI 500 has outperformed the large-cap stocks of the CSI 300 significantly (see Fig. 7).

Fig. 6 – Offshore Chinese indices

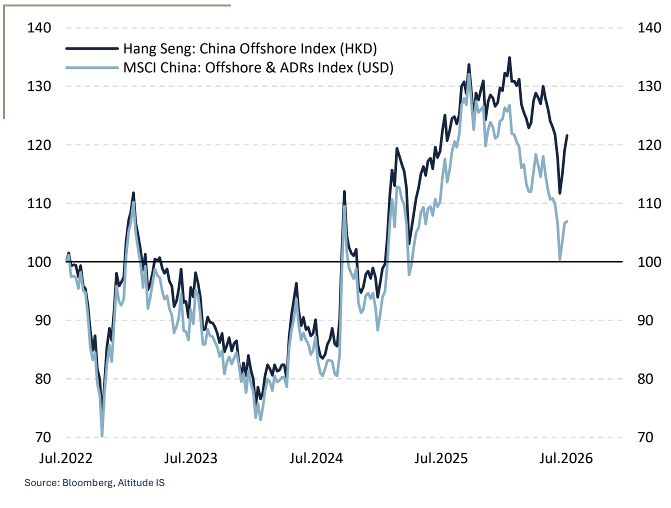
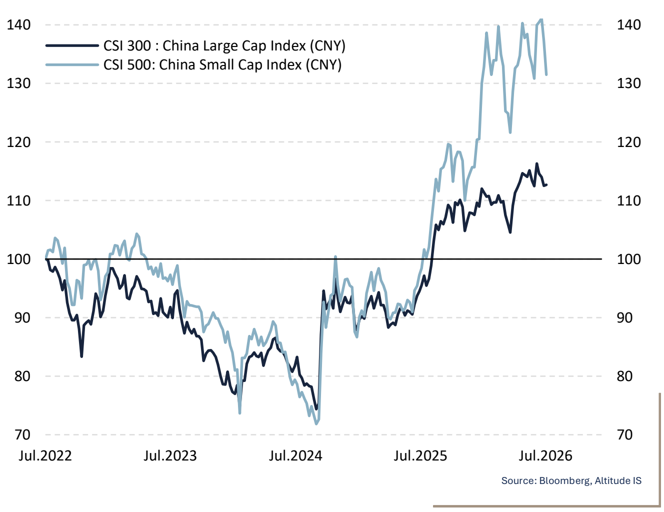
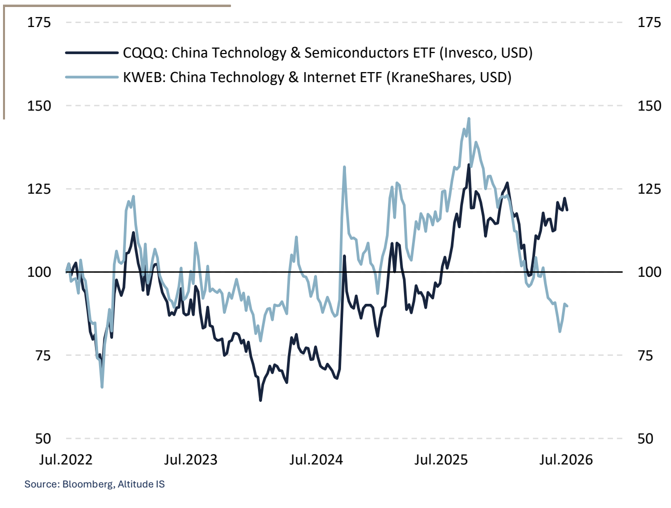


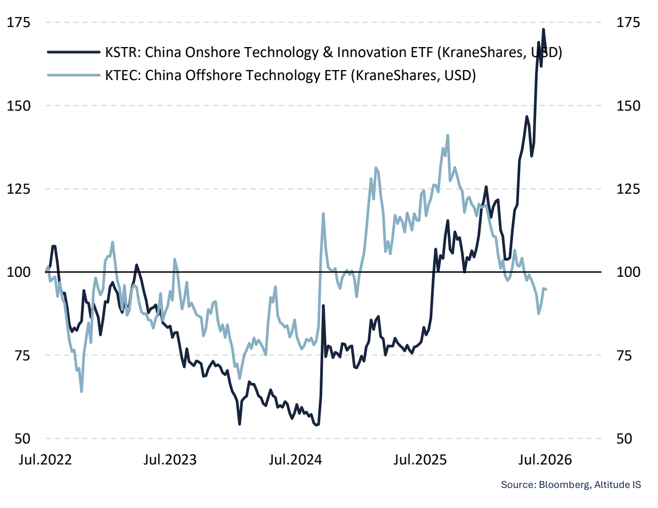
Fig. 7 – Domestic Chinese indices



The third avenue of understanding is based on an intrinsic analysis of the technology sector. Although grouped under a single label, 'Chinese tech' actually encompasses two broad categories of companies that are now polar opposites. The first, and older, category operates consumer-focused internet platforms, e-commerce, delivery services and entertainment. The second, the forward-looking group, designs and manufactures semiconductors, servers, optical modules and so on. Ironically, the major AI models that are a source of national pride, such as Alibaba's Qwen, often originated within the very platforms that the stock market is now shunning. The various available indices illustrate the wide gap that has emerged between the two groups. The index dedicated to the Chinese internet (KWEB) has erased most of its 2025 rally and is falling back towards its lows (see Fig. 8). Conversely, the index tracking technology and semiconductors (CQQQ) has held up better and is approaching its previous high.

Figs. 8 & 9 – Chinese technology index funds



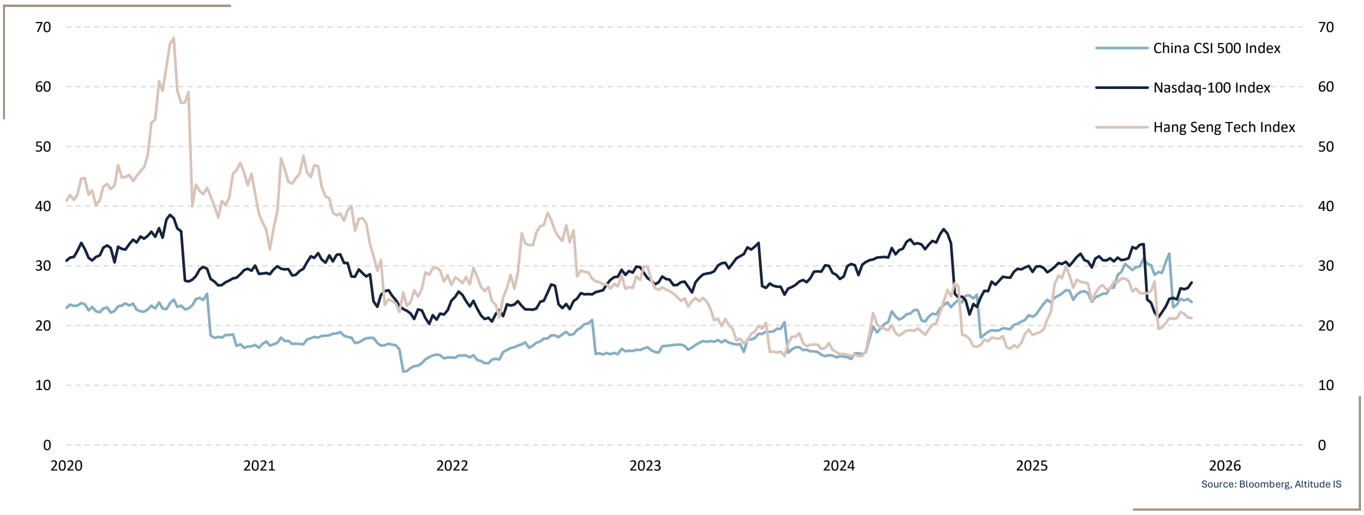


Investors are no longer favouring technology companies that sell consumer goods to Chinese households, but instead they are favouring those that provide computing power to Chinese (and international) businesses. Proof, if any were needed, is that the index fund comprising the 50 largest stocks on the STAR Market (KSTR) – the Shanghai Stock Exchange's segment dedicated to technological innovation – has gained +66% since July 2022. Over the same period, the Hong Kong technology index, a third of whose weighting is linked to the internet, fell by 5% (see Fig. 9). The performance gap between these two segments of the same sector is enormous.

Economic statistics published last week confirm this analysis of a two-speed economy. Gross domestic product (GDP) has grown by just 4.3% over the past twelve months, falling short of the government's official target and marking a sharp slowdown compared with recent years. Once again, private consumption and retail sales have struggled, whilst the property market has continued its downturn. The fact that households have remained on the sidelines of growth has not prevented the production machine from running at full capacity. Indeed, industrial production accelerated by 5.3 per cent year-on-year, whilst exports soared by 27 per cent, driven precisely by semiconductors and IT components.

Despite the Trump administration's tariffs and the disruptions to global trade caused by the war in Iran, China's manufacturing sector has successfully redirected its output towards growth sectors. The Politburo will meet at the end of July to decide on new fiscal measures to support demand. **Pending any visible rebound in domestic consumption, it is therefore the manufacturing sectors – including the technology sector – that will drive growth in Chinese companies' profits.**

Fig. 10 – Performance of Chinese and US technology indices



That leaves the argument regarding valuations, often presented as the best ally of a catch-up rally. Chinese technology stocks listed in Hong Kong are trading at 21.2 times future earnings, compared with 27.2 times for their US counterparts (see Fig. 10). The discount is real, but it comes at a price. Over the past four years, the rally on Wall Street has been fuelled by a spectacular rise in profits, whilst the rebound in the Hang Seng Tech index in 2025 was based primarily on a rise in valuation multiples, without any real earnings growth to underpin it. This was due to the price war waged by platforms in e-commerce, delivery and electric vehicles. This race to the bottom, known as 'involution', has squeezed margins to such an extent that Beijing is now officially cracking down on it. By contrast, the small-cap domestic stocks in the CSI 500 – the spearhead of the rush towards artificial intelligence – are not trading at a discount. Buoyed by captive savings, they are trading at 27.2 times future earnings. **For**

Chinese 'tech' to catch up, earnings will need to accelerate. Earnings in the consumer internet sector are likely to lag behind, whilst those in the domestic 'tech' sector will continue to lead the way.

Conclusion:

Investors seeking to participate in Beijing's industrial strategy favour domestic indices, which are rich in future-oriented technology and aligned with the priorities of the five-year plan. This is the case for the innovative companies in the STAR 50, as well as the small domestic firms in the CSI 500 and the large caps in the CSI 300. Conversely, those who focus solely on offshore indices – such as the MSCI China, Hang Seng, CQQQ or KWEB – are exposed to portfolios dominated by the consumer internet sector, whose fortunes depend more on perceptions of Chinese risk and the revival of household consumption than on the race for artificial intelligence.

RETURN ON FINANCIAL ASSETS

Markets Performances (local currencies)	Last Price	Momentum Indicator (RSI)	1-Week (%)	1-Month (%)	2026 Year-to-Date (%)	2025 (%)	2024 (%)
Equities							
World (MSCI)	1 108.7	45.42	-1.6%	-1.0%	10.4%	22.9%	18.0%
USA (S&P 500)	7 458	48.34	-1.5%	0.6%	9.6%	17.9%	25.0%
USA (Dow Jones)	52 146	52.39	-0.9%	1.3%	9.4%	14.9%	15.0%
USA (Nasdaq)	25 520	44.21	-2.9%	-1.9%	10.2%	21.2%	29.6%
Euro Area (DJ EuroStoxx)	661.0	47.51	-0.7%	-1.5%	10.7%	21.2%	10.2%
UK (FTSE 100)	10 600	58.02	1.0%	1.0%	8.7%	25.7%	9.6%
Switzerland (SMI)	14 344	64.11	0.8%	3.8%	11.3%	18.0%	7.5%
Japan (Nikkei)	64 141	39.08	-6.4%	-8.2%	28.5%	28.7%	21.3%
Emerging (MSCI)	1 621	37.88	-4.1%	-8.8%	16.9%	34.3%	8.0%
Brasil (IBOVESPA)	173 714	50.14	-2.3%	3.1%	7.8%	34.0%	-10.4%
Mexico (IPC)	66 634	46.90	0.4%	-2.2%	5.4%	35.1%	-11.0%
India (SENSEX)	77 581	59.84	0.8%	1.7%	-7.3%	10.5%	9.6%
China (CSI)	4 581	35.16	-5.1%	-7.6%	-0.8%	21.0%	18.2%
Com. Services (MSCI World)	162.1	45.28	-2.2%	-1.0%	-0.6%	33.0%	31.9%
Cons. Discretionary (MSCI World)	435.8	49.02	-0.6%	0.6%	-4.1%	9.8%	20.7%
Cons. Staples (MSCI World)	307.8	56.56	1.6%	2.3%	7.9%	9.3%	4.7%
Energy (MSCI World)	328.0	63.20	4.5%	4.7%	26.2%	14.8%	2.9%
Financials (MSCI World)	241.4	64.94	0.6%	3.1%	8.6%	29.5%	25.1%
Health Care (MSCI World)	401.3	56.26	-0.1%	5.8%	2.9%	15.3%	1.5%
Industrials (MSCI World)	517.9	43.38	-1.5%	-2.3%	11.9%	26.2%	12.8%
Info. Tech. (MSCI World)	1 172.7	41.00	-4.7%	-5.5%	21.8%	26.6%	31.9%
Materials (MSCI World)	410.0	39.82	-1.6%	-7.9%	5.1%	32.5%	-7.6%
Real Estate (MSCI World)	1 060	60.27	1.9%	2.8%	7.6%	3.6%	-0.4%
Utilities (MSCI World)	207.6	51.43	0.1%	1.9%	9.2%	24.7%	13.0%
Bonds (Bloomberg)							
World (Aggregate)	3.92%	45.41	0.0%	-0.9%	-0.7%	8.2%	-1.7%
USA (Sovereign)	4.44%	49.35	0.2%	0.0%	-0.1%	6.3%	0.6%
Euro Area (Sovereign)	3.36%	37.89	-0.4%	-1.1%	-0.2%	0.6%	1.9%
Germany (Sovereign)	3.00%	39.90	-0.2%	-0.8%	-0.3%	-1.6%	0.6%
UK (Sovereign)	4.95%	44.96	-0.4%	-0.9%	-0.5%	6.1%	-3.0%
Switzerland (Sovereign)	0.64%	37.56	-0.2%	-0.8%	-0.3%	0.3%	5.4%
Japan (Sovereign)	2.34%	54.28	0.4%	-0.3%	-2.1%	-4.6%	-2.1%
Emerging (Sovereign)	6.25%	45.25	0.0%	-0.7%	1.6%	13.1%	7.0%
USA (IG Corp.)	5.31%	45.28	0.4%	-0.6%	0.2%	7.8%	2.1%
Euro Area (IG Corp.)	3.68%	39.61	-0.2%	-0.3%	0.5%	3.0%	4.7%
Emerging (IG Corp.)	6.50%	46.24	0.0%	-0.3%	1.5%	8.1%	7.0%
USA (HY Corp.)	7.18%	58.88	0.2%	0.3%	2.1%	8.6%	8.2%
Euro Area (HY Corp.)	5.95%	55.20	-0.2%	0.2%	1.8%	5.2%	8.2%
Emerging (HY Corp.)	7.51%	51.15	-0.1%	-0.3%	4.0%	13.9%	14.9%
World (Convertibles)	605.3	34.42	-3.2%	-6.7%	12.3%	22.4%	9.4%
USA (Convertibles)	804.7	36.70	-3.4%	-7.1%	15.0%	16.9%	10.1%
Euro Area (Convertibles)	305.9	36.74	-0.6%	-1.9%	5.3%	24.8%	14.7%
Switzerland (Convertibles)	298.5	69.21	0.7%	2.0%	5.5%	17.5%	-10.5%
Japan (Convertibles)	307.7	36.52	-5.7%	-9.5%	19.3%	13.8%	6.4%
Hedge Funds (Bloomberg)							
Hedge Funds Industry	1 894	77.05	n.a.	-0.6%	12.9%	4.7%	11.1%
Macro	1 528	67.53	n.a.	-2.2%	13.3%	4.1%	7.4%
Equity Long Only	2 570	67.02	n.a.	0.2%	10.1%	3.9%	12.0%
Equity Long/Short	2 110	78.03	n.a.	0.0%	18.2%	7.0%	14.0%
Event Driven	2 064	84.27	n.a.	0.6%	16.5%	7.5%	8.7%
Fundamental Equity Mkt Neutral	2 005	88.88	n.a.	0.6%	15.7%	7.0%	12.4%
Quantitative Equity Mkt Neutral	1 887	79.52	n.a.	0.4%	9.6%	4.3%	9.8%
Credit	1 771	91.96	n.a.	0.4%	7.1%	3.1%	8.5%
Credit Long/Short	#N/A N/A	94.45	n.a.	1.3%	8.2%	4.4%	10.0%
Commodity	2 032	69.49	n.a.	-5.5%	7.7%	1.5%	14.7%
Commodity Trading Advisors	1 516	62.26	n.a.	-2.6%	18.6%	6.7%	7.9%
Volatility							
VIX	18.77	56.55	24.9%	1.8%	25.6%	-13.8%	39.4%
VSTOXX	17.30	48.24	2.7%	4.2%	17.6%	-13.5%	25.3%
Commodities							
Commodities (CRB)	565.3	n.a.	1.0%	2.4%	4.7%	0.6%	5.1%
Gold (Troy Ounce)	4 006	n.a.	0.1%	-4.4%	-7.3%	64.6%	27.2%
Silver (Troy Ounce)	56.47	n.a.	-2.1%	-13.2%	-21.2%	148.0%	21.5%
Oil (WTI, Barrel)	82.49	n.a.	15.5%	7.4%	43.7%	-19.9%	0.1%
Oil (Brent, Barrel)	84.60	n.a.	14.0%	5.3%	35.5%	-15.7%	-4.6%
Currencies (vs USD)							
USD (Dollar Index)	100.74	51.52	-0.5%	-0.1%	2.5%	-9.4%	7.1%
EUR	1.1439	47.09	0.5%	0.1%	-2.6%	13.4%	-6.2%
JPY	162.40	40.41	0.0%	-0.5%	-3.5%	0.3%	-10.3%
GBP	1.3464	57.91	0.9%	1.6%	-0.1%	7.7%	-1.7%
AUD	0.6991	51.79	1.1%	-0.2%	4.8%	7.8%	-9.2%
CAD	1.4008	63.29	1.0%	1.1%	-2.0%	4.8%	-7.9%
CHF	0.8072	46.40	0.9%	0.2%	-1.8%	14.5%	-7.3%
CNY	6.7720	55.67	0.1%	0.1%	3.2%	4.5%	-2.7%
MXN	17.529	45.11	0.0%	-0.9%	2.7%	15.7%	-18.5%
EM (Emerging Index)	1 866.9	55.53	0.1%	-0.4%	0.8%	7.2%	-0.7%
XBT	63 883	n.a.	-1.6%	0.0%	-27.1%	-6.5%	120.5%

Source: Bloomberg, Altitude Investment Solutions

Total Return by asset class (Negative \ Positive Performance)

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