

# Technology, Travel and China's Second Wave

Featuring: **Xiaoshu Wang**, Executive Director, ESG Research at MSCI

## Adam Bass:

This is MSCI Perspectives, your source for weekly research insights as investors respond to the COVID-19 pandemic. I'm your host Adam Bass, and today is July 2nd, 2020. This week, the view from China, where folks have the most experience adjusting to life under COVID-19, knowing what it means to try and reopen an economy, and unfortunately, now reacting to a second wave of infections. For an on the ground perspective, we spoke with Xiaoshu Wong, from the ESG Research Team in Beijing. Xiaoshu, thanks for joining us.

## Xiaoshu Wong:

Hello everyone. It's my pleasure to share my local perspective and local watch in China.

## Adam Bass:

As I mentioned, you're calling today from your home in Beijing, where after nearly two months of no new cases of COVID-19, there were new infections discovered a couple of weeks back. Before we get to how the government and markets reacted, how are you doing in the midst of this second wave?

## Xiaoshu Wong:

Thanks for the question. I think for the second wave, it's really was a big surprise because people start to consider only way we need to pay attention of any important case and also where the case happened. The new case happened is obviously a big shock for the city, because it's coming from a market.

## Xiaoshu Wong:

But the market, it's a wholesale market. Sells like more than 70% of vegetables and sells 30% of meats and also more than 20% of seafood every day serving on people's table in Beijing. It's all just sourced from this market. So I would say it's really a big surprise. And in the beginning, we really make people to worried and concerned about the situation.

**Adam Bass:**

Wow. Especially given the importance of this market, it seems clear now why the Chinese government took such immediate action. And the headlines do suggest they've been pretty successful. What steps did they take and what role did advancements in technology play?

**Xiaoshu Wong:**

In China, the use of advanced technology and also big data help lots. So the first thing is they trying to figure out people who connected to the market, who like have ever been to the market, in the past two weeks. They using mobile data to track people who have been to the market. In China, for retail customers, or even wholesale customers they buy things through mobile payment. So [Wechad 00:02:53] or Alibaba platform. So if you bring to the market, you consume in the market, there will be a data record.

**Adam Bass:**

Interesting, but it goes even further than that, no?

**Xiaoshu Wong:**

Everyone now in Beijing and in China, we have obviously house code, we carry with. So it's linked to our mobile data usage so if someone ever been to a high risk region, it will turn into a red or yellow if media risk.

**Adam Bass:**

How does that work, exactly?

**Xiaoshu Wong:**

One example is one of my husband's friend is just driving past by the market, even like not get into it. He get a call from the community, ask him to do the test. It's amazing they can track people in that way, but if the technology has been used in a wrong way and over the longer term, it's also a stratton for citizens, so people also have this kind of concern.

**Adam Bass:**

Okay. So those are some of the tools available that the government has in monitoring and managing the crisis, but how to everyday people keep track of the virus?

**Xiaoshu Wong:**

If we open our mobile, there is also self aware, we call Baidu Map. It's something like Google Map. We can easily figure out where there is new case diagnosed every day. It's real time updates and which region has been classified as high risk and media risk by the government.

**Adam Bass:**

And how about investors? Markets around the world have been rising and falling on pandemic news all year. What about the markets in June, after the new cases arose?

**Xiaoshu Wong:**

I think in general, because the market understand that situation in general is under control, and we didn't see market crash. We do see there are still some preference from investors, in terms of industry. So definitely healthcare is one of the most popular. On the other hand, I think in China, some of the consumer sector started to reopen and started to flourish because, especially some customer goods, they can easily sell online rather than like restaurant or movie theaters. People need to go there to enjoy the service, so some of the customer sector also quite popular among investors in China, because people's obviously shopping habits is changing.

**Adam Bass:**

Where have investors focused more recently?

**Xiaoshu Wong:**

Recently, also investor focus is about Hainan and also obviously any investment opportunities in this region.

**Adam Bass:**

Hainan has been in the news recently as a pilot free trade zone and a place where the government has given a lot of tax incentives, but why Hainan? What makes it so special?

**Xiaoshu Wong:**

So Hainan, it's an island not connected to the mainland. It's in South of China. It's very warm and in the winter, it's a well known place for people to go to there, to spend winter holidays in Hainan province.

**Adam Bass:**

So for now, anyway, it sounds like the point is to promote Hainan as a destination for domestic travel, as a way to help support the economy, just as governments around the world have done in their own countries.

**Xiaoshu Wong:**

Yes, yes. Now in Hainan, the government, it will allow customers to enjoy the same tax free policies, if you are doing all the shopping in this region, to speed up the flourish and to drive the economy to recover.

**Adam Bass:**

Again, everyone here is sending you and your family good thoughts, as you deal with the second wave. As someone who has been through the first wave, any final thoughts for those of us who are still very much mired in it?

**Xiaoshu Wong:**

I feel we should also adjust ourself to get used to the situation. It's not of intense, but we can try to find new ways and using technologies to solve lots of problem, to keep connected with our obviously loved ones, and also keep connected to your working obviously partners or colleagues or clients. And I think anything, obviously going online with digital technology and new technology can support a lot in our daily life now. More people are more sophisticated with all kinds of webinar tools or online meeting tools or online shopping tools. So it bring a new stage of life to us.

**Adam Bass:**

That's all for this week. Thanks to Xiaoshu and to all of you for joining us. We hope you'll join us next week, when we ask how trendy is your style factor? Strategist Hitendra Varasani, breaks down the results from the first full quarter, under COVID-19 from the perspective of these key drivers of risk and return.

**Adam Bass:**

If you have a moment, we hope you'll subscribe to the podcast, so you can stay up to date on our latest episodes and insights. If there's a topic you'd like explored, or if you just want to let us know what you think, don't hesitate to leave a comment. For more from MSCI, check out our sister podcast, ESG now. Follow us on the MSCI LinkedIn page and don't forget to bookmark [www.msci.com/coronavirus](http://www.msci.com/coronavirus) for all our crisis related content.

**Adam Bass:**

Until next week, I'm your host, Adam Bass and this is MSCI Perspectives. Stay safe, everyone.

## About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 45 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process. To learn more, please visit [www.msci.com](http://www.msci.com).

This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or disseminated in whole or in part without prior written permission from MSCI.

The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, "Index Linked Investments"). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investible assets/securities. MSCI maintains and calculates indexes, but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance is not actual performance, but is hypothetical. There are frequently material differences between back tested performance results and actual results subsequently achieved by any investment strategy.

Constituents of MSCI equity indexes are listed companies, which are included in or excluded from the indexes according to the application of the relevant index methodologies. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research LLC and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on [www.msci.com](http://www.msci.com).

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.'s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of [www.msci.com](http://www.msci.com).

MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Except with respect to any applicable products or services from MSCI ESG Research, neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Issuers mentioned or included in any MSCI ESG Research materials may include MSCI Inc., clients of MSCI or suppliers to MSCI, and may also purchase research or other products or services from MSCI ESG Research. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and Standard & Poor's.

MIFID2/MIFIR notice: MSCI ESG Research LLC does not distribute or act as an intermediary for financial instruments or structured deposits, nor does it deal on its own account, provide execution services for others or manage client accounts. No MSCI ESG Research product or service supports, promotes or is intended to support or promote any such activity. MSCI ESG Research is an independent provider of ESG data, reports and ratings based on published methodologies and available to clients on a subscription basis. We do not provide custom or one-off ratings or recommendations of securities or other financial instruments upon request.

Privacy notice: For information about how MSCI ESG Research LLC collects and uses personal data concerning officers and directors, please refer to our Privacy Notice at <https://www.msci.com/privacy-pledge>.