



3 Top Chinese Stocks to Watch in September

Description

When it comes to economic powerhouses, China's rapid growth has been nothing short of extraordinary. The country is currently the second-largest economy in the world, and while its growth has begun to cool recently, its position in the world economy isn't changing anytime soon.

For investors wondering how and where they should [invest in China](#), it might be good to start with **iQiyi** ([NASDAQ: IQ](#)), **Tencent Holdings** (OTC: TCEHY), and **Baidu** ([NASDAQ: BIDU](#)). Here's why.

A video streaming play

While the streaming wars are heating up in the U.S. between **Netflix**, **Amazon.com**, and newcomers including **Apple** and **Disney**, China is experiencing its own video streaming boom as well. As the country's economy has grown, it's created a larger group of middle-class consumers who are increasingly streaming video on their phones.

That's great news for iQiyi, a video streaming app company that was spun off from Baidu back in 2018. The company boasts an impressive paying subscriber base of about 100 million right now, and management thinks it'll end this year with nearly [120 million paying members](#).

To attract more subscribers, iQiyi has been focusing much of its content spending on original shows and movies. Over the next five years, the on-demand video streaming market in China is expected to catch up with the country's traditional pay-TV market. With the company already seeing a rapid increase in subscribers — and creating original content to attract more — all of it makes it look like iQiyi is in the perfect position to benefit as on-demand streaming grows.

Investors should keep in mind that while iQiyi has lots of potential to benefit from China's embrace of video streaming apps, the company is still at the [early stages of this trend](#) and is likely to experience some significant volatility along the way.

A gaming and social media giant

Tencent Holdings has its hands in a number of different businesses, from its popular WeChat app to its gaming business to its growing advertising segment.

In the most recent quarter, Tencent's sales jumped 21% year over year, which was fueled, in part, by an 8% increase in gaming revenue. The company is [looking to gaming](#) for even more growth in the coming quarters and launched 10 new games in the second quarter, up from just one in the first quarter.

While gaming is Tencent's largest business, the company is also benefiting from WeChat's massive popularity in China. The app is a mix of services — including, ride-hailing, food services, video streaming, music, etc. — and has more than 1 *billion* monthly active users. In the second quarter, WeChat was able to tap into its massive user base and increase its social network revenue by 23% year over year. In addition to Tencent's gaming and social media potential, the company is also growing its advertising business. In the second quarter advertising revenue was up 16% year over year.

For investors looking for an internet giant in China that has a long list of ways to benefit gaming and social media, there may be no better bet than Tencent.

The king of search

Baidu is one of the largest internet companies in China and a leading search engine there. The company has 76% of the search market in China and continues to attract more users to its apps and services. In the most recent quarter, Baidu's mobile app reached 188 million daily active users, a gain of 27% year over year.

Additionally, the company is pursuing the fast-growing virtual assistant market, with the company's DuerOS assistant now found in 400 million devices, which is about 4.5 times the number of devices from the year-ago quarter. The explosion of growth for smart assistants and smart speakers in China will create a \$37 billion market by 2025, and Baidu is positioning itself now to benefit.

Baidu's financial performance [has been a bit volatile](#) over the past several quarters, but instead of being scared off from Baidu because of this, investors may want to look at it as a buying opportunity. As some investors have fled Baidu's stock, it's left the company's shares trading at just nine times its trailing earnings.

Investors looking for a Chinese tech giant investment that still has plenty of room for more growth — and that's pursuing [other revenue opportunities](#) — should take a closer look at Baidu.

Poised to overcome uncertainty

Investors should expect some volatility from Chinese stocks right now as the U.S. and China continue their trade disputes and as China's economy slows down from its previous meteoric growth. But long-term investors should keep a close eye on these Chinese companies as each has positioned itself well in its respective market to keep growing in the coming years.

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TICKERS GLOBAL

1. NASDAQ:BIDU (Baidu, Inc.)
2. NASDAQ:IQ (iQIYI, Inc.)
3. OTC:TCEH.Y (Tencent Holdings Limited)

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