

## Market Review

The global spread of Coronavirus (COVID-19) cases led to a significant sell-off across global equity markets amidst weaker consumer confidence and subdued demand. Investors priced in a severe drag to global growth and the corporate earnings outlook. Heightened global travel restrictions also impacted economies highly dependent on tourism. Amidst this uncertainty, the MSCI World Index lost -8.59% (in USD terms, net dividends excluded), underperforming the MSCI Asia ex Japan Index which fell -2.91% (in USD terms, net dividends excluded) and was helped by gains from Chinese equity markets.

## CANBERRA • BEIJING • HONG KONG

### Australia

- The Australia All Ordinary Index dropped - 8.56% (in local currency terms, net dividends excluded) in February.
- Outperformance from Healthcare and Utilities.
- Underperformance from Energy and IT.
- Australian yield curve shifted downward, with both 2-year and 10-year bond yields down.
- The Australian Dollar (AUD) depreciated in February against the US Dollar (USD) as USD Index went up.
- The Reserve Bank of Australia (RBA) kept the cash rate at 0.75%, announcing that it would consider cutting interest rates if the unemployment rate moved higher and inflation stayed tepid.
- RBA kept its forecast for economic growth intact for 2020 and 2021 at 2.75% and 3% respectively, supported by the low level of interest rates, recent tax refunds, ongoing spending on infrastructure, a brighter outlook for the resources and residential construction sectors.

### China

- Chinese equities remained resilient through the market turmoil in February and gained +0.97% (MSCI China Index, in USD terms, net dividends excluded).
- Outperformance from Healthcare, Real Estate and Materials.
- Underperformance from Energy and Utilities.
- The People's Bank of China (PBoC) lowered the reverse repo, medium-term lending facility (MLF) and Loan Prime Rate (LPR).

- Inflation jumped to 5.4% year-on-year in January from 4.5% in December.
- The effects of the Coronavirus epidemic were much less visible in Producer Price Index (PPI) with output PPI up 0.1% year-on-year in January.
- However, the tight correlation of PPI and prices of intermediate goods and materials with global commodity prices mean that in the end it might be PPI that suffers a longer lasting effect.

### Hong Kong

- MSCI Hong Kong Index went down -1.47% in February (in USD terms, net dividends excluded).
- Outperformance from Consumer Staples and Telecommunication Services.
- Underperformance from Information Technology and Consumer Discretionary.
- At the end of the month, the government released the budget for FY2020/21, focused on short-term, one-off relief measures amounting to almost HKD 120 billion, in an attempt to boost the local economy which has been hit consecutively by negative shocks arising from US-China trade tensions, domestic social unrest and COVID-19.
- Underlying CPI gained 3.7%, which is higher than 2.9% in December.
- Food prices remain elevated, mainly driven by the increases in pork prices during the Chinese New Year.
- Housing price growth fell 3%, while price on utilities, clothing and footwear and durable goods contracted further.

## India

- MSCI India Index lost -7.35% (in USD terms, net dividends excluded) amidst market volatility from the coronavirus outbreak.
- Outperformance from Communication Services and Consumer Staples.
- Underperformance from Real Estate, Consumer Discretionary and Industrials.
- CPI for January touched 7.59%, led by a rise in food prices.
- The Reserve Bank of India (RBI) held its policy rate at 5.15%, encouraged by improvement in some, namely manufacturing and services Purchasing Managers' Indices (PMIs).
- Upcoming Q1 2020 data could be impacted by the coronavirus outbreak which has put overall global growth at risk.
- However, India's limited exposure to the Chinese economy means there should only be marginal impact.

## Indonesia

- The Indonesian equity market lost -12.84% (MSCI Indonesia Index, in USD terms, net dividends excluded) amidst negative investor sentiment.
- Outperformance from Consumer Staples and IT.
- Underperformance from Communication Services, Real Estate and Consumer Discretionary.
- Given the impact of the coronavirus outbreak on exports, tourism and investment, the Indonesian authorities announced a fiscal package of IDR 10.3 trillion to support primarily low-income households.
- Bank Indonesia intervened in spot currency markets to stabilise the currency, which ended February as one of the worst performing Asian currencies.
- Consumer prices rose 3% year-on-year in February compared to 2.7% in January.
- Exports and imports both contracted in January, falling -3.7% and -4.8% year-on-year respectively.

## Japan

- The COVID-19 epidemic nudged the Japanese market down -9.18% in February (MSCI Japan Index, in USD terms, net dividends excluded).
- The market opened higher and tested its upside as the Chinese central bank provided outsized liquidity to the system to soothe the financial market.

- However, the month ended with a massive sell-off as the epidemic continued to spread globally and passengers of a seriously-virus affected cruise ship died in Japan.
- Q4 2019 GDP plunged 6.9% from the previous quarter, reassuring the serious adverse effect of the value-added tax (VAT) hike last October.

## Korea

- Korean equity markets were dragged down further by Coronavirus uncertainty, thus losing -6.23% (KOSPI, in local currency terms, net dividends excluded) in February.
- Outperformance from Healthcare, Communication Services and Materials.
- Underperformance from Utilities, Energy and Financials.
- Although the market consensus expected rate cuts, Bank of Korea delivered a generally hawkish guidance by keeping its base rate at 1.25% and expanded its credit subsidy program to SMEs by KRW 5 trillion.
- Consumer inflation rose further to 1.5% in January compared to 0.7% in December.
- Manufacturing PMI for January came in at a 4-month low, while the balance of trade widened to USD 4.1 billion from USD 0.5 billion in January.

## Malaysia

- The FTSE Bursa Malaysia Index continued to slide in February, dropping -3.16% (in local currency terms, net dividends excluded).
- Aside from the COVID-19 impact, the local market was affected by political turmoil as the Pakatan Harapan government collapsed after being in power for 22 months after their surprise general election win in May 2018.
- Commodities continued to be affected by negative sentiments regarding the COVID-19 outbreak.
- The Brent and WTI crude oil prices fell 13.1% and 13.2%, to USD 50.5/barrel and USD 44.8/barrel respectively.
- Palm oil prices also fell by 9.9% and the Malaysian Ringgit (MYR) weakened to MYR 4.215/USD, depreciating by 2.9%.

## New Zealand

- The New Zealand SE 50 Index went down -3.99% (in local currency terms, net dividends excluded) in February.
- The New Zealand Dollar (NZD) depreciated against the USD as USD Index went up.
- The Reserve Bank of New Zealand (RBNZ) kept the official cash rate (OCR) rate at 1% and flagged new risks to the economy from the coronavirus epidemic but expected any impact to be limited as it should ease in about six weeks.
- The RBNZ expects economic growth will accelerate over the second half of 2020, driven by monetary and fiscal stimulus and the high terms of trade.

## The Philippines

- The Philippines equity market lost -5.91% in February (MSCI Philippines Index, in USD terms, net dividends excluded).
- Outperformance from Communication Services, Consumer Staples and Utilities.
- Underperformance from Consumer Discretionary, Industrials and Financials.
- Bangko Sentral (BSP) cut its policy rate by 25 bps to 3.75%, a pre-emptive cut to boost market sentiment given a potentially adverse economic impact of the coronavirus.
- BSP remains confident of keeping inflation within its 2% - 4% year-on-year target.
- Trade deficit narrowed to USD 2.5 billion in December, driven by a fall in imports and an expansion in exports.

## Singapore

- The Singapore equity market was one of the worst performing markets in Asia losing -7.14% (MSCI Singapore Index, in USD terms, net dividends excluded) in February.
- Outperformance from Consumer Staples and Information Technology.
- Underperformance from Communication Services, Real Estate and Consumer Discretionary.
- Inflation was in line with expectations and came in at 0.8% year-on-year in January vs. 0.8% in December.
- However, it was significantly lower than the Monetary Authority of Singapore's (MAS) favoured core measure, which excludes accommodation and private transport.
- In February, the government announced a fiscal plan of SGD 5.6 billion to provide support to households and corporates most affected by the virus uncertainty.

## Taiwan

- Taiwan's stock market lost -1.89% in February (MSCI Taiwan Index, in USD terms, net dividends excluded).
- Outperformance from Financials, Real Estate and Industrials.
- Underperformance from Energy, Information Technology and Consumer Discretionary.
- Apple's supply chain remained under pressure with large cap names such as TSMC and Mediatek falling due to weakness in smartphone demand in China and slower 5G ramp-up.
- January export orders and trade activity disappointed, indicating falling external demand due to the coronavirus uncertainty.
- Manufacturing PMI fell in February, owing to slowing production.
- Inflation was higher than expected at 1.85% for January, but this was entirely due to the Chinese New Year effect.

## Thailand

- Thailand's equity markets were among the worst performing markets in Asia losing -12.57% (MSCI Thailand Index, in USD terms, net dividends excluded) in February due to the spill over effect of COVID-19 on tourism.
- Underperformance led by Consumer Discretionary, Utilities and Industrials.
- Domestic macro weakness prompted the Bank of Thailand (BOT) to cut rates by 25 bps to 1%, citing the need to counter the negative effects from the coronavirus epidemic, delayed enactment of the budget and the drought.
- Inflation rose 1.05% year-on-year in January, primarily due to rising food prices.
- January exports rose by 3.5% year-on-year compared to a contraction of -1.7% in December.
- January imports contracted by -0.1% in January vs. an expansion of 1.8% in December.

# ASIA PACIFIC MARKET MONTHLY COMMENTARY

February 2020

Index (as of end February 2020)	Return (dividend excluded) in local currency				Return (dividend excluded) in USD			
	1 Month	3 Months	1Year	YTD	1 Month	3 Months	1Year	YTD
Australia All Ordinary	-8.56%	-6.28%	4.14%	-4.28%	-11.94%	-10.67%	-5.62%	-12.20%
CSI 300	-1.59%	2.91%	7.38%	-3.82%	-2.44%	3.45%	2.71%	-4.16%
Hang Seng China Enterprises	0.60%	0.01%	-9.37%	-7.75%	0.24%	0.45%	-8.71%	-7.77%
Hang Seng Index	-0.69%	-0.82%	-8.74%	-7.31%	-1.05%	-0.38%	-8.08%	-7.32%
India National	-6.54%	-7.00%	2.77%	-7.71%	-7.59%	-7.56%	1.28%	-8.72%
Jakarta Composite	-8.20%	-9.30%	-15.37%	-13.44%	-12.64%	-10.83%	-17.03%	-16.25%
Nikkei 225	-8.89%	-9.23%	-1.13%	-10.63%	-8.45%	-7.85%	2.03%	-9.95%
Korea Composite	-6.23%	-4.83%	-9.49%	-9.59%	-7.98%	-7.45%	-16.19%	-13.91%
FTSE Bursa Malaysia KLCI	-3.16%	-5.07%	-13.18%	-6.68%	-5.97%	-5.94%	-16.23%	-9.40%
New Zealand SE 50	-3.99%	-0.80%	16.67%	-2.12%	-7.98%	-4.15%	6.18%	-10.01%
Philippine SE Composite	-5.73%	-12.29%	-11.91%	-13.15%	-6.00%	-12.56%	-10.62%	-13.71%
FTSE Singapore Straits Times	-4.52%	-5.72%	-6.28%	-6.57%	-6.70%	-7.64%	-9.39%	-9.79%
Taiwan Weighted	-1.77%	-1.72%	8.69%	-5.88%	-1.99%	-0.97%	10.48%	-6.82%
Bangkok SET	-11.47%	-15.72%	-18.93%	-15.15%	-12.55%	-19.29%	-19.04%	-19.45%
MSCI AC Asia ex Japan	-2.14%	-0.90%	-1.31%	-5.98%	-2.91%	-1.29%	-2.26%	-7.25%
MSCI AC Pacific ex Japan	-2.81%	-1.26%	-0.20%	-5.37%	-4.06%	-2.40%	-2.73%	-7.89%
Dow Jones Industrial	-10.07%	-9.42%	-1.95%	-10.96%	-10.07%	-9.42%	-1.95%	-10.96%
S&P Composite	-8.41%	-5.95%	6.10%	-8.56%	-8.41%	-5.95%	6.10%	-8.56%
FTSE 100	-9.68%	-10.43%	-6.98%	-12.75%	-6.79%	-9.29%	-3.14%	-9.51%
CAC 40	-8.55%	-10.08%	1.32%	-11.18%	-9.35%	-10.42%	-2.26%	-13.08%
DAX 30	-8.41%	-10.17%	3.25%	-10.25%	-9.21%	-10.51%	-0.40%	-12.18%
MSCI Europe	-8.25%	-8.31%	-0.71%	-9.77%	-9.50%	-8.43%	-3.59%	-11.82%
MSCI World	-8.24%	-6.55%	3.34%	-8.53%	-8.59%	-6.59%	2.65%	-9.22%

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