ASIA PACIFIC MARKET MONTHLY COMMENTARY

March 2022

Market Review

Market sentiment remained soft in March amid ongoing commodity price volatility, hawkish central banks and higher inflation. Following the first rate hike since 2018, the Fed hiked rates by 25bps during the month. Expectations rose for a more aggressive response, including the potential of 50bps hikes at future meetings this year. Asian investors now pondered whether regional central banks will imminently follow in the Fed's footsteps.

There was a revival in reopening optimism over the course of the month, with major Southeast Asian countries easing, if not lifting, social distancing measures.

Against this backdrop, MSCI Asia ex Japan Index was down -2.93% in March (in USD terms, net dividends excluded), underperforming the MSCI World Index which returned 2.52% (in USD terms, net dividends excluded). China was the major laggard in the region while India and Indonesia delivered a moderate growth.

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Australia

- Australia All Ordinary Index leaped 6.37% in March (in local currency terms, net dividends excluded).
- Information Technology and Energy topped the table, while Real Estate and Healthcare dipped.
- Australian yield curve flattened a bit. 2-year yield went up from 1.12% to 1.80% and 10-year yield rose from 2.16% to 2.79%.
- AUD appreciated against USD (+3.00%) even USD index went up (+1.66%).
- RBA maintained the cash rate at 0.1% as it watches the unfolding economic fallout from the Russia-Ukraine conflict.
- It also forecasted the underlying inflation will reach 3.25% in coming quarters and warned consumer inflation may spike even higher due to rising petrol prices.
- 4Q21 GDP was +3.4% QoQ, rebounding from that of 3Q21 (-1.9% QoQ). The strong growth was largely fueled by household spending, as a combination of pent-up consumer demand and festive season sales during the quarter.

China

- MSCI China Index nosedived 8.01% in March (in USD terms, net dividends excluded).
- Only Energy remained in the positive realm. Consumer Staples, Information Technology and Communication Services were bottom performers.
- Chinese American Depositary Receipts (ADRs) indiscriminately sold off after the US SEC published 5 names for potential delisting.
- Lockdowns in top-tier cities and mobility restrictions remained in place, providing further obstacles to China's ambitious target of 5.5% economic growth.
- Nevertheless, we maintain a constructive view on China as the improving conditions and attractive valuations provide a positive foundation for a rebound.

Hong Kong

- MSCI Hong Kong Index mildly dropped 0.52% in March (in USD terms, net dividends excluded).
- Consumer Staples and Utilities sold off whereas Real Estate rallied over the month.
- February retail sales came in at -14.6% YoY, sales figures may continue to weaken in the coming months as social distancing measures stifle consumption. Yet, Phase 1 of the Consumption Voucher Scheme (HK$5,000) will be handed out in April, which should help counter some of the headwinds.
- February headline CPI grew 1.6% YoY and food prices rose 0.7% MoM, led by the substantial increase in vegetable prices amid supply chain disruptions.
- Given the authorities announced a 3-phase relaxation from April onwards if the number of cases gradually declines, it should help the overall economy to recover.

India

- MSCI India Index was up 3.62% in March (in USD terms, net dividends excluded). Equities clawed back nearly all the declines seen in January and February.
- Energy, Real Estate and Utilities were the top performing sectors.
- Mid-caps underperformed, but small-caps outperformed large-caps.
- Macro data suggests a rapid recovery in domestic activity, bottoming out of the rural economy, pent-up demand firing up and still some continued momentum in exports.
- High input cost and margin pressure have become concerns for businesses which are net commodity importers.
- Overall, growth projections in India are being lowered, mostly hovering around 7-8% real GDP growth.
- The outlook on India stays constructive premised on our view that we are in early stages of an earnings upcycle, yet investors are advised to moderate their return expectations.

Indonesia

- MSCI Indonesia Index grew 2.07% in March (in USD terms, net dividends excluded), outperforming all regional counterparts.
- Headline inflation surged 50bps YoY in March, the highest since April 2020. This was primarily driven by personal care, household equipment and food, beverage & tobacco prices.
- At the end of the month, the Ministry of Finance announced the VAT will hike to 11% from 10% effective on 1 April under the Harmonization of Tax Regulation law.
- The government lifted all quarantine requirements for fully vaccinated international travelers with a negative COVID-19 test result.
- Daily confirmed cases reducing 90% from the peak, high vaccination rates, and relaxation of mobility will benefit the economy. The recovery theme is on track.

Japan

- MSCI Japan Index slightly dipped 1.40% in March (in USD terms, net dividends excluded).
- The economy will continue to suffer from higher imported energy prices and supply chain disruptions.
- We expect headline inflation to climb more decisively in 2Q22 and temporarily shoot above 2%, driven by energy components. However, core inflation will remain below 1%, with limited pass-through from oil prices.
- In light of the cost-pushed jump in headline inflation, BoJ stated it will not tighten the monetary policy, especially amid heightened uncertainty over Ukraine.
- BoJ is also offering unlimited bond buying to defend its yield target in the view of rising UST yields.

Korea

- Korea's KOSPI Index went up 2.17% in March (in local currency terms, net dividends excluded).
- Energy, Communication Services, and Healthcare were notable outperformers while Consumer Staples, Utilities and Information Technology underperformed.
- Inflationary pressure and potential fall in tech demand on the back of China lockdowns weighed negatively on the sentiment.
- Yoon Suk-Yeol was elected President in a close race, providing the market with some optimism towards potential regulatory easing.

Malaysia

- FTSE Bursa Malaysia Index dropped 1.30% in March (in local currency terms, net dividends excluded).
- This weakness is due to Materials and Energy but supported by the strength in Industrials.
- Bank Negara Malaysia estimates 2022 GDP will grow between 5.3% and 6.3%, slightly below the government's official forecast of 5.5% to 6.5% while the OECD estimates 6% GDP growth.
- On the political front, Barisan National won 40 out of 56 state seats in the Johor state polls.
- Malaysia's borders will reopen to fully vaccinated travelers from 1 April. Thus, with the high vaccination and manageable ICU utilization rates, the economy is on track to recover.

New Zealand

- New Zealand SE 50 Index went flat at 0.29% in March (in local currency terms, net dividends excluded).
- NZD appreciated against USD (+2.59%) even USD index went up (+1.66%).
- 4Q21 GDP grew 3.0% QoQ, rebounding from that of 3Q21 (-3.6% QoQ).
- Consumer and government spending were strong as was the business investment, while trade was a drag due to the increase in imports. It was attributable to the lengthy lockdown in Auckland (New Zealand's largest city) that had hit retail, manufacturing, construction and recreational activities.
- Given the strong GDP growth, the market expects RBNZ will increase its Official Cash Rate (OCR) in April's meeting.

The Philippines

- MSCI Philippines Index fell 2.53% in March (in USD terms, net dividends excluded).
- Consumer Discretionary, Consumer Staples and Real Estate detracted the performance.
- On the political front, presidential contender Ferdinand "Bongbong" Marcos Jr still maintains the lead with 60% support against aspirants in a voter preference survey.
- With the high vaccination rate and lower daily confirmed cases, the recovery theme is on track.

Singapore

- MSCI Singapore Index returned 0.52% in March (in USD terms, net dividends excluded).
- Despite daily confirmed cases elevated during the month, the government announced the relaxation of restrictions and extended its quarantine-free entry framework, including the opening of Malaysia-Singapore borders from 1 April.
- Core inflation eased to 2.2% YoY in February, while headline inflation rose 4.3% YoY.
- Non-oil Domestic Exports (NODX) grew at a slower pace by 9.5% YoY in February. Electronics grew at 11.6% YoY, largely due to integrated circuits, disk media products and capacitors. Non-electronics grew at 8.8% YoY, driven primarily by structures of ships and boats, pharmaceuticals, and petrochemicals.

Taiwan

- MSCI Taiwan Index detracted 2.40% in March (in USD terms, net dividends excluded).
- Real Estate and Financials outperformed, yet the contribution was partially offset by Information Technology.
- The resurgence of COVID-19 in China and subsequent lockdowns led markets to price in a slowdown in tech demand.
- CBC surprised markets by hiking rates 25bps. Underlying factors behind the decision included the spike in global commodity prices, a constructive growth outlook and the commencement of rate hikes from other major central banks.
- Equity outflows intensified in March, largely concentrated in tech.

Thailand

- MSCI Thailand Index was down 1.76% in March (in USD terms, net dividends excluded), dragged by Financials and Consumer Staples.
- Headline and core inflation rose 5.4% YoY and 1.8% YoY respectively in February, exceeding consensus expectations. The surge was primarily due to processed food and energy.
- During the month, BoT kept the policy rate at 0.5% and lowered 2022 GDP growth from 3.4% to 3.2%.
- Given the high vaccination rate, the government approved fully vaccinated foreign travelers to enter Thailand without quarantine or pre-travel COVID-19 test from April 1.
- As Thailand is reopening its borders and relaxing mobility measures, the tourism sector is set to gradually recover.

Confidence must be earned

Amundi ASSET MANAGEMENT

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Index (as of end March 2022)	Return (dividend excluded) in local currency				Return (dividend excluded) in USD			
	1 Month	3 Months	1 Year	YTD	1 Month	3 Months	1 Year	YTD
Australia All Ordinary	6.37%	0.13%	11.01%	0.13%	10.08%	3.43%	9.45%	3.43%
CSI 300	-7.84%	-14.53%	-16.36%	-14.53%	-8.30%	-14.12%	-13.56%	-14.12%
Hang Seng China Enterprises	-6.21%	-8.63%	-31.41%	-8.63%	-6.42%	-9.04%	-31.91%	-9.04%
Hang Seng Index	-3.15%	-5.99%	-22.49%	-5.99%	-3.37%	-6.41%	-23.05%	-6.41%
India National	3.99%	0.56%	19.24%	0.56%	3.41%	-1.35%	15.06%	-1.35%
Jakarta Composite	2.66%	7.44%	18.14%	7.44%	2.69%	6.62%	19.48%	6.62%
Nikkei 225	4.88%	-3.37%	-4.65%	-3.37%	-0.48%	-8.32%	-13.19%	-8.32%
Korea Composite	2.17%	-7.39%	-9.92%	-7.39%	1.35%	-9.17%	-15.89%	-9.17%
FTSE Bursa Malaysia KLCI	-1.30%	1.26%	0.88%	1.26%	-1.49%	0.28%	-0.56%	0.28%
New Zealand SE 50	0.29%	-7.86%	-6.06%	-7.86%	3.07%	-6.39%	-6.71%	-6.39%
Philippine SE Composite	-1.47%	1.13%	11.80%	1.13%	-2.38%	-0.34%	4.87%	-0.34%
FTSE Singapore Straits Times	5.13%	9.12%	7.68%	9.12%	5.44%	8.93%	6.87%	8.93%
Taiwan Weighted	0.23%	-2.88%	7.68%	-2.88%	-1.92%	-6.22%	7.24%	-6.22%
Bangkok SET	0.60%	2.27%	6.81%	2.27%	-1.14%	2.75%	0.38%	2.75%
MSCI AC Asia ex Japan	-2.20%	-6.94%	-14.53%	-6.94%	-2.93%	-8.22%	-16.12%	-8.22%
MSCI AC Pacific ex Japan	-1.45%	-6.25%	-14.52%	-6.25%	-1.46%	-6.67%	-15.78%	-6.67%
Dow Jones Industrial	2.32%	-4.57%	5.14%	-4.57%	2.32%	-4.57%	5.14%	-4.57%
S&P Composite	3.58%	-4.95%	14.03%	-4.95%	3.58%	-4.95%	14.03%	-4.95%
FTSE 100	0.77%	1.78%	11.95%	1.78%	2.69%	4.70%	17.31%	4.70%
CAC 40	0.02%	-6.89%	9.77%	-6.89%	-0.92%	-8.90%	3.92%	-8.90%
DAX 30	-0.32%	-9.25%	-3.96%	-9.25%	-1.26%	-11.21%	-9.07%	-11.21%
MSCI Europe	0.39%	-5.93%	5.46%	-5.93%	-0.53%	-7.93%	1.17%	-7.93%
MSCI World	2.88%	-4.95%	10.07%	-4.95%	2.52%	-5.53%	8.58%	-5.53%