

Market Review

August proved to be a month of two halves for markets. Risk assets started strong, building on their gains from July amid optimism of a Fed pivot. The rally was short-lived with the positive mood beginning to turn towards the halfway point of the month, primarily due to a hawkish Fed, USD strength and a slowdown in global growth momentum. Following Powell's speech at Jackson Hole which reaffirmed the Fed's hawkish stance, risk sentiment further deteriorated.

In EM Asia, inflation and monetary policy remained in the spotlight with prices continuing to trend upwards. Central banks in India (+50bps), Thailand (+25bps), the Philippines (+50bps), Indonesia (+25bps) and Korea (+25bps) all decided to hike their policy rates during the month. On the contrary, Chinese authorities surprised markets by cutting key interest rates (1-year MLF and 7-day reverse repo) by 10bps. Authorities also cut the 5-year loan prime rate (LPR), a reference rate for mortgages, by 15bps. The 1-year LPR was cut by only 5bps.

Against this backdrop, MSCI Asia ex Japan Index slightly dipped 0.22% (in USD terms, net dividends excluded), still outperforming the MSCI World Index which fell 4.33% (in USD terms, net dividends excluded).

BEIJING • HONG KONG • SINGAPORE

China

- MSCI China Index went flat at 0.14% in August (in USD terms, net dividends excluded).
- Sentiment weakened after the Caixin Manufacturing PMI contracted in August, with stimulus failing to meaningfully boost production growth.
- China internet leaders gained support from interim results with cost-cutting initiatives and a preliminary agreement over audit inspections for US-listed Chinese companies.
- The Chinese government earmarked RMB200 billion for loans with the aim of completing and delivering unfinished housing projects.
- Subsequent to the rate cuts, the State Council also outlined 19 policies to stimulate growth.
- We expect more policies to follow through after the 20th Party Congress in October.

Hong Kong

- MSCI Hong Kong Index plunged 3.97% in August (in USD terms, net dividends excluded).
- The unemployment rate improved from 4.7% in June to 4.3% in July, as social distancing measures eased. The Consumption Voucher Scheme also helped the labor market.
- The number of Omicron cases increased to above 9,000 cases per day. Hong Kong's government extended phase 2 social distancing measures yet shortened the hotel quarantine from 7 days to 3 days plus 4 days. This may boost inbound and outbound travel.

- Hong Kong's retail sales rose 4.1% YoY in July, up from -1.3% YoY in June and well above consensus expectations.
- In volume terms, retail sales also rose above consensus estimates to 1.0% YoY in July from -4.2% YoY in June.

Singapore

- MSCI Singapore Index fell 2.99% in August (in USD terms, net dividends excluded).
- While IT and Financials gained, weakness in Communication Services, Real Estate and Consumer Discretionary dragged the overall index.
- On the macro front, Singapore's core CPI was up 4.8% YoY, attributable to rising food and utility costs.
- Due to the impact of lower export orders from China and global slowing demand on the electronics and biomedical sectors, industrial production expanded 0.6% YoY in July vs 2.6% YoY in the previous month.
- Non-oil domestic exports expanded 1.4% MoM vs 3.2% MoM in June.
- On the real estate front, Singaporean home sales rebounded sharply last month to the second-highest level this year. Purchases of new private apartments rose to 834 units, up 71% last month.

JAKARTA • KUALA LUMPUR • MANILA • BANGKOK

Indonesia

- MSCI Indonesia Index was up 5.12% in August (in USD terms, net dividends excluded).
- There was a broad-based gain across all sectors, with Discretionary, Energy and Telecom being the top 3 contributors.
- During the month, Bank Indonesia surprisingly raised the benchmark rate by 25bps in anticipation of higher inflation rate due to a potential fuel price hike.
- On the macro front, headline inflation came in at 4.7% YoY with core CPI at 3.0% YoY.
- Indonesia's trade surplus in July contracted around USD1 billion to USD4.2 billion (consensus USD3.9 billion).
- 2Q22 GDP growth came in above consensus expectations of 5.2% at 5.4% YoY.

Malaysia

- FTSE Bursa Malaysia Index returned 1.33% in August (in local currency terms, net dividends excluded),
- The gains were driven by Energy, Utilities and Communication Services, which offset weakness in the Healthcare, Information Technology and Industrials.
- Wholesale and retail trade surged 44% YoY, largely driven by Motor Vehicles (+1,643%), Retail (+38%) and Wholesale Trade (+19%).
- 2Q22 GDP grew 8.9% YoY as domestic demand recovered, with the current account recording a surplus of RM4.4 billion.
- FDI in 2Q22 expanded 2.96% YoY to a record RM836.2 billion and exports expanded 38% YoY to RM134.1 billion, marking the 12th successive month of double digit growth while the trade balance remained in surplus at RM15.5 billion.
- Malaysia's CPI increased 4% YoY in July 2022 with the food and non-alcoholic beverage components remaining the main contributors.

Philippines

- MSCI Philippines Index was up 2.41% in August (in USD terms, net dividends excluded).
- The strong rebound was largely driven by Consumer Discretionary, Consumer Staples and Real Estate, but detracted by Utilities.
- During the month, President Marcos proposed the 2023 budget which is 4.9% higher than 2022's budget.
- The budget's top 5 allocation by sector goes to Education (16%), Infrastructure (15%), Healthcare (6%),

Social Protection (4%) and Agriculture (3%). Agriculture is usually the lowest, but has now made it to the top 5.

- On the macro front, 2Q22 GDP contracted 0.5% QoQ, leaving headline GDP growth weaker than expectations at 7.4% YoY (consensus: 8.4%). This was mainly due to private spending slowing down.
- Peso continued to weaken during the month and inflation continued to accelerate, up to 6.4% YoY in July, mainly driven by food and transport.
- During the month, the Bangko Sentral ng Pilipinas hiked its policy rate by 50 bps to 3.75% as expected.

Thailand

- MSCI Thailand Index rallied 5.10% in August (in USD terms, net dividends excluded).
- Strong contributions were from Healthcare, Energy, Real Estate and Utilities while Communication Services and Materials underperformed.
- Export data momentum diminished following the slowdown in global economic growth and the impact of supply chain disruption on the shipments of the industrial goods.
- Headline CPI inflation softened unexpectedly, but core CPI surged to new post-pandemic high.
- Following this, the Bank of Thailand raised the policy rate from 0.50% to 0.75%, with its subsequent monetary policy statement displaying a constructive outlook on the economy.
- The GDP forecast remains at 3.3% and 4.3% for 2022 and 2023 respectively, which will underpin employment and income gains in the broad-based services sector moving forward.

ASIA PACIFIC MARKET MONTHLY COMMENTARY

August 2022

Index (as of end August 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	0.73%	-3.07%	-7.63%	-7.11%	-1.04%	-7.37%	-13.36%	-12.41%
CSI 300	-2.19%	-0.31%	-15.12%	-17.44%	-4.41%	-3.74%	-20.43%	-23.67%
Hang Seng China Enterprises	-0.30%	-7.44%	-25.25%	-16.65%	-0.28%	-7.48%	-25.93%	-17.21%
Hang Seng Index	-1.00%	-6.82%	-22.89%	-14.72%	-0.99%	-6.86%	-23.60%	-15.29%
India National	3.95%	7.90%	4.88%	3.39%	3.69%	5.43%	-3.64%	-3.28%
Jakarta Composite	3.27%	0.41%	16.72%	9.07%	3.20%	-1.35%	12.16%	4.74%
Nikkei 225	1.04%	2.98%	0.01%	-2.43%	-2.58%	-4.44%	-20.74%	-18.95%
Korea Composite	0.84%	-7.96%	-22.73%	-16.98%	-2.06%	-14.87%	-33.02%	-26.22%
FTSE Bursa Malaysia KLCI	1.33%	-3.70%	-5.58%	-3.54%	0.67%	-5.78%	-12.33%	-10.30%
New Zealand SE 50	0.91%	2.16%	-14.36%	-12.24%	-1.34%	-3.78%	-25.40%	-21.42%
Philippine SE Composite	4.24%	-2.82%	-3.96%	-7.57%	2.34%	-9.34%	-14.92%	-16.06%
FTSE Singapore Straits Times	0.31%	-0.33%	5.45%	3.14%	-1.14%	-2.44%	1.32%	-0.36%
Taiwan Weighted	0.64%	-10.19%	-13.69%	-17.14%	-1.01%	-14.36%	-21.42%	-24.69%
Bangkok SET	3.97%	-1.47%	0.01%	-1.13%	4.96%	-7.53%	-11.59%	-9.42%
MSCI AC Asia ex Japan	0.64%	-4.28%	-18.58%	-14.17%	-0.22%	-6.84%	-23.49%	-18.80%
MSCI AC Pacific ex Japan	0.01%	-5.84%	-19.33%	-14.58%	-1.12%	-8.74%	-24.07%	-19.21%
Dow Jones Industrial	-4.06%	-4.49%	-10.89%	-13.29%	-4.06%	-4.49%	-10.89%	-13.29%
S&P Composite	-4.24%	-4.29%	-12.55%	-17.02%	-4.24%	-4.29%	-12.55%	-17.02%
FTSE 100	-1.88%	-4.25%	2.31%	-1.36%	2.62%	3.70%	21.01%	14.82%
CAC 40	-5.02%	-5.31%	-8.31%	-14.37%	-6.33%	-11.12%	-21.89%	-24.28%
DAX 30	-4.81%	-10.80%	-18.95%	-19.20%	-6.13%	-16.27%	-30.96%	-28.55%
MSCI Europe	-4.11%	-6.25%	-11.29%	-13.80%	-6.47%	-11.79%	-23.61%	-23.79%
MSCI World	-3.61%	-4.20%	-12.62%	-15.74%	-4.33%	-5.86%	-16.36%	-18.70%

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