

Market Review

Asian Fixed Income and Equities continued to underperform in October, primarily due to China weakness. Global risk assets remained volatile but broadly benefited from expectations of a Fed pivot and the UK reversing direction on the mini-budget.

On the monetary policy front, most central banks kept their foot on the tightening pedal this month. In response to FX depreciation pressure, several opted to hike in large, front-loaded increments (the Philippines, Vietnam, India and Indonesia). Meanwhile, central banks in Malaysia, Thailand and Taiwan resorted to gradual adjustments, prioritizing domestic growth recovery. On the other hand, China and Japan stood out as clear exceptions as they remained on easing paths.

Moving onto the political front, following the conclusion of the 20th National Congress and the re-election of President Xi in China, risk sentiments deteriorated. Investors were concerned the new leadership team would place a greater focus on state control and regulatory reforms. The lack of any meaningful signs that authorities would ease their stance on zero-Covid was also a matter of concern.

Against this backdrop, MSCI Asia ex Japan Index fell 6.13% (in USD terms, net dividends excluded), underperforming the MSCI World Index which returned 7.11% (in USD terms, net dividends excluded).

BEIJING • HONG KONG • SINGAPORE

China

- MSCI China Index plunged 16.84% in October (in USD terms, net dividends excluded).
- Chinese markets corrected sharply in October, given there were no news about reopening and the newly elected Standing Committee seems to lack checks and balances.
- We expect higher volatility and equity risk premium to stay from now until the Central Economic Work Conference in December, which will set the tone for 2023 growth.
- New Covid clusters, housing overhang and geopolitical tensions continue to weigh on Chinese equity sentiment.

Hong Kong

- MSCI Hong Kong Index dropped 12.24% in October (in USD terms, net dividends excluded).
- The best performing sector were Communication Services and Industrials, while the worst performing sectors were Consumer Discretionary and Real Estates.
- 3Q22 GDP (advance estimate) was -4.5% YoY, weaker than expected. The decline of GDP was mainly attributable to the weak performance in Gross Domestic Fixed Capital Formation and total exports of goods.
- Headline CPI jumped 4.4% YoY on a 0.7% MoM rise in September. The surge was mostly driven by a base effect due to Hong Kong Housing Authority's waiver of public housing rentals in September 2020 and 2021.

- The unemployment rate improved from 4.1% in August to 3.9% in September amid easing social distancing measures.

Singapore

- MSCI Singapore Index slightly declined 0.07% in October (in USD terms, net dividends excluded).
- Gains in Financials, Consumer Discretionary and Consumer Staples were wiped out by Communication Services, Real Estate and Information Technology.
- During the month, the Monetary Authority of Singapore tightened monetary policy by re-centering the mid-point of the SGD NEER to its prevailing level.
- The MAS estimated that core inflation will hit around 4% and eventually ease to around 3% next year.
- Core CPI rose 0.5% MoM and 5.3% YoY in September, softening from 6.9% YoY in August.
- Industrial production was flat MoM, but fell 12.3% on a QoQ basis.

JAKARTA • KUALA LUMPUR • MANILA • BANGKOK

Indonesia

- MSCI Indonesia Index mildly returned 0.21% in October (in USD terms, net dividends excluded).
- Positive contributions driven by Healthcare, Consumer Staples and Financials were offset by the weakness in Communication Services.
- Bank Indonesia hiked its benchmark rate by 50bps to 4.75% in October.
- Inflation came in below expectations, up 0.2% MoM and 5.7% YoY during the month.
- Trade surplus in September narrowed to USD 5.0 billion from USD 5.7 billion in August.
- Broad money supply (M2) grew 9.1% YoY and total loans growth recorded 10.8% increase YoY.

- The decline was primarily due to a moderation in fuel prices and the inflationary impact of the 20% tariff hikes being largely cushioned by fiscal offsets in the form of subsidies.

Malaysia

- FTSE Bursa Malaysia Index grew 4.71% in October (in local currency terms, net dividends excluded),
- Healthcare, Communication Services, Industrial and Energy drove the performance.
- Malaysia's export volume rose 7.7% MoM, with the growth in miscellaneous manufactured articles, machinery and transport equipment, and mineral fuels.
- CPI took a breather in September, rising 4.5% YoY compared to 4.7% in August.

Philippines

- MSCI Philippines Index rebounded 9.10% in October (in USD terms, net dividends excluded).
- The rebound was broad across sectors, with outperformance from Utilities, Financials, Industrials and Communication Services.
- The Philippine peso bounced back from record lows in September to appreciate ~1% against the US dollar.
- The central bank flagged upside risks to inflation due to weather disturbances and transport fare hikes (at their highest in 4 years).

Thailand

- MSCI Thailand Index returned 1.14% in October (in USD terms, net dividends excluded).
- Energy, Real Estate, Consumer Staples and Consumer Discretionary led returns while Information Technology and Communication Services detracted.
- Headline inflation eased to 6.4% YoY in September from 7.9% in August, while core inflation remained at 3.1% YoY.

ASIA PACIFIC MARKET MONTHLY COMMENTARY

October 2022

Index (as of end October 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	5.63%	-1.66%	-7.65%	-9.31%	5.06%	-9.88%	-21.38%	-20.24%
CSI 300	-7.78%	-15.86%	-28.52%	-28.98%	-10.40%	-22.33%	-37.33%	-37.98%
Hang Seng China Enterprises	-16.49%	-28.28%	-44.89%	-40.04%	-16.49%	-28.28%	-45.39%	-40.45%
Hang Seng Index	-14.72%	-27.14%	-42.13%	-37.23%	-14.72%	-27.13%	-42.65%	-37.66%
India National	4.73%	5.00%	2.70%	4.43%	2.92%	0.54%	-7.09%	-6.22%
Jakarta Composite	0.83%	2.13%	7.70%	7.86%	-1.57%	-2.88%	-2.17%	-1.44%
Nikkei 225	6.36%	-0.77%	-4.52%	-4.18%	3.58%	-10.77%	-26.75%	-25.77%
Korea Composite	6.41%	-6.44%	-22.79%	-22.97%	6.87%	-14.67%	-36.66%	-35.72%
FTSE Bursa Malaysia KLCI	4.71%	-2.13%	-6.52%	-6.84%	2.63%	-7.89%	-18.10%	-17.93%
New Zealand SE 50	2.46%	-2.44%	-15.91%	-15.16%	5.24%	-9.62%	-31.74%	-28.01%
Philippine SE Composite	7.18%	-2.57%	-12.78%	-13.61%	8.43%	-7.31%	-24.12%	-23.98%
FTSE Singapore Straits Times	-1.19%	-3.69%	-3.29%	-0.98%	-0.02%	-6.07%	-7.95%	-5.33%
Taiwan Weighted	-3.54%	-13.67%	-23.77%	-28.92%	-4.95%	-19.78%	-34.21%	-38.97%
Bangkok SET	1.21%	2.05%	-0.90%	-2.95%	0.31%	-1.30%	-13.60%	-14.82%
MSCI AC Asia ex Japan	-5.47%	-15.11%	-29.52%	-27.60%	-6.13%	-18.46%	-35.48%	-33.64%
MSCI AC Pacific ex Japan	-4.95%	-15.50%	-29.56%	-27.83%	-5.39%	-19.50%	-36.29%	-34.23%
Dow Jones Industrial	13.95%	-0.34%	-8.62%	-9.92%	13.95%	-0.34%	-8.62%	-9.92%
S&P Composite	7.99%	-6.25%	-15.92%	-18.76%	7.99%	-6.25%	-15.92%	-18.76%
FTSE 100	2.91%	-4.43%	-1.98%	-3.93%	-0.22%	1.01%	16.70%	13.02%
CAC 40	8.75%	-2.82%	-8.25%	-12.39%	9.72%	-5.80%	-21.64%	-23.86%
DAX 30	9.41%	-1.71%	-15.52%	-16.56%	10.38%	-4.73%	-27.85%	-27.48%
MSCI Europe	6.01%	-4.59%	-12.09%	-14.23%	7.09%	-8.65%	-24.88%	-25.57%
MSCI World	7.07%	-5.55%	-15.55%	-17.43%	7.11%	-7.23%	-19.75%	-21.17%

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