

Market Review

Global markets were lifted in July on the back of improving global sentiments despite ongoing concerns around geopolitics, inflation and a hawkish Fed.

CPI inflation across EM Asia continued to trend higher during the month. Central banks in the region, with exceptions of China, Thailand and Indonesia, took steps to tighten monetary policy. Both the BSP and MAS surprised markets with off-cycle adjustments, whereas, in their regular meeting, the BNM and BOK also announced to hike rates by 25bps and 50bps respectively.

Against this backdrop, MSCI Asia ex Japan Index dipped 1.66% (in USD terms, net dividends excluded), underperforming the MSCI World Index which spiked 7.86% (in USD terms, net dividends excluded). India, Singapore and Japan outperformed while China and Hong Kong became major laggards.

CANBERRA • BEIJING • HONG KONG

Australia

- Australia All Ordinary Index surged 6.33% in July (in local currency terms, net dividends excluded).
- All sectors except Materials delivered positive returns. Information Technology and Real Estates topped the table.
- Australian yield curve flattened. 2-year yield was down from 2.99% to 2.55% and 10-year yield down from 3.69% to 3.08%.
- AUD appreciated against USD (+1.22%) even USD index went up (1.16%).
- 2Q22 CPI was 6.1% YoY, Major contributors included housing, transport and food.
- Subsequently, the RBA further raised the cash rate by 50bps and forecasted CPI will peak around 7.75% and it is unlikely to return to the 2-3% target band until 2024.

China

- MSCI China Index nosedived 10.01% in July (in USD terms, net dividends excluded).
- While the month started strong for Chinese equities, concerns over ADR listing, US-China relations, property completion and mortgage suspensions weighed on sentiments.
- The underperformance was driven by Real Estate, Consumer Discretionary and Communication Services while Energy was the sole sector with positive returns.
- The Politburo meeting in July reaffirmed to maintain an easing stance of macro policies to expand demand.

- It was reported that regulators would set up a real estate fund to support selected developers. Yet, the deteriorating housing market still failed to meaningfully uplift sentiments in the sector.

Hong Kong

- MSCI Hong Kong Index plunged 3.69% in July (in USD terms, net dividends excluded).
- Communication Services and Industrials outperformed, while Financials and Consumer Staples detracted.
- Banks may raise the prime rate in late 3Q22 as the widening US-HK rate differential induces further outflows.
- Headline CPI was up 0.5% MoM in June as the effect of government's electricity charge subsidy faded.
- Import prices stayed elevated, with limited pass-through to CPI yet.
- Authorities announced a review of the current hotel quarantine policy, which may help boost inbound and outbound travel.

NEW DELHI • JAKARTA • TOKYO • SEOUL • KUALA LUMPUR

India

- MSCI India Index rebounded 9.17% in July (in USD terms, net dividends excluded).
- Real Estate, Materials and Industrials were the best performing sectors, while Energy, Communication Services and Information Technology were the worst.
- Mid-caps and small-caps outperformed large-caps.
- The RBI has already raised repo rate by 90 bps since May to 4.9%. We expect policies to normalize over the next six months with policy rates settling around 6%.
- June's CPI inflation came in at 7% YoY with signs of softening momentum.
- With a broad based recovery in economic activities and a sustained infrastructure spending, it is likely that we are at the beginning of a new longer-term capex driven economic and earnings cycle.

Indonesia

- MSCI Indonesia Index was up 3.13% in July (in USD terms, net dividends excluded).
- Energy is the main attributor but the performance was dragged by Consumer Staples and Consumer Discretionary.
- Headline inflation rose 0.5% to 4.9% YoY, driven mainly by food.
- Fiscal subsidies have continued to flatten the nation's CPI path, easing the need for an imminent rate hike.
- The trade balance widened to USD 5.1 billion due to a sequential rise in exports, led by the normalization of crude palm oil exports after the removal of the export ban.

Japan

- MSCI Japan Index spiked 5.69% in July (in USD terms, net dividends excluded).
- Inflation rates have been trending up in the country but remain comfortably low. Optimism on an economic reopening is triumphing over inflation concerns for now, driving the services PMI to multi-year high in May.
- BoJ stood firmly as a dovish outlier in June, resisting pressures from bond and FX markets to make a policy change. We expect no change to the YCC during Governor Kuroda's term.
- Looking ahead, we believe Japan's economic recovery will gain momentum from the rebound in private consumption. Its cycle is some distance away from maturing and is still playing a post-pandemic catch-up.

Korea

- Korea's KOSPI Index jumped 5.10% in July (in local currency terms, net dividends excluded).
- Materials and Information Technology topped the table while Energy and Financials languished.
- Korean equities outperformed peers in the view of 2Q22 corporate earnings coming in better than expected and a dovish Fed outlook.
- 2Q22 GDP came in strong at 2.9% QoQ, contributed by improving domestic demand.
- In line with market expectations, the BOK delivered its first-ever 50bps rate hike and signalled future rate hikes of 25bps at the rest of its meetings in 2022.

Malaysia

- FTSE Bursa Malaysia Index returned 3.32% in July (in local currency terms, net dividends excluded),
- The positive performance was largely attributable to Information Technology and Communication Services, but softened by Healthcare.
- On the macro front, wholesale and retail trade hit new sales record at 19.9% YoY. Exports grew 49.3% to RM 124.2 billion YoY.
- With higher commodity prices, June's CPI was up 0.6% MoM.
- The BNM raised the OPR by 25bps to 2.25% to battle inflationary pressures.

New Zealand

- New Zealand SE 50 Index soared 5.67% in July (in local currency terms, net dividends excluded).
- NZD appreciated against USD (+0.75%) even USD index went up (+1.16%).
- The RBNZ raised the OCR by 50bps to 2.5% and was confident that monetary conditions are sufficient to constrain inflation expectations and bring CPI back to target range.
- Market expected that RBNZ will continue to increase rate to combat high inflation.
- 2Q22 CPI came in at 7.3% YoY, the increase was driven by housing and household utilities, as well as transport.

The Philippines

- MSCI Philippines Index was up 2.15% in July (in USD terms, net dividends excluded).
- The performance was driven by Financials, Industrials and Consumer Staples, but eroded by Communication Services.
- On the currency front, the PHP further weakened another 0.3% MoM against the dollar but cushioned by the BSP's tightening measures of 75bps hike to 3.25%.
- On the political front, President Bongbong Marcos delivered his first State of the Nation Address, reiterating legislative priorities to ensure food and energy security, shore up tax revenues with the real estate valuation and passive income tax reform bills, and continue infrastructure development, albeit with a bias for private-public partnerships.

Singapore

- MSCI Singapore Index rallied 5.94% in July (in USD terms, net dividends excluded).
- Consumer Discretionary, Communication Services, Industrials and Information Technology outperformed while Consumer Staples was notably in the negative territory.
- 2Q22 GDP posted growth of 4.8% YoY but was flattish QoQ.
- The MAS tightened its stance to re-center the mid-point of the NEER policy band.
- The government expects around 6 million visitor arrivals in 2022 as global reopening picks up pace.

Taiwan

- MSCI Taiwan Index mildly grew 1.64% in July (in USD terms, net dividends excluded).
- Positive return was driven by a rally in Information Technology in the latter half of the month.
- Resilient 2Q22 corporate earnings and strength in semiconductors were the key drivers behind the tech-led rebound.
- 2Q22 GDP contracted 2.9% QoQ, due to a slowdown in exports and weak consumer spending.
- CPI inflation in June edged higher to 3.59% YoY.

Thailand

- MSCI Thailand Index dipped 1.93% in July (in USD terms, net dividends excluded).
- Technology outperformed but the contribution was offset by Materials, Industrials and Consumer Staples.
- June's CPI rose 7.7% YoY, up from 7.1% in May. Core inflation came in at 2.5% YoY, slightly above consensus of 2.4%.
- Exports rose 11.9% YoY to USD 26.6 billion. However, imports grew 24.5% YoY to USD 28.1 billion, resulting in a trade deficit of USD 1.5 billion.

Index (as of end July 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	6.33%	-7.13%	-6.40%	-7.78%	7.90%	-8.81%	-11.14%	-11.49%
CSI 300	-7.02%	3.83%	-13.32%	-15.59%	-7.61%	1.52%	-16.94%	-20.15%
Hang Seng China Enterprises	-10.19%	-5.66%	-25.43%	-16.40%	-10.23%	-5.71%	-26.17%	-16.97%
Hang Seng Index	-7.79%	-4.42%	-22.36%	-13.85%	-7.83%	-4.47%	-23.14%	-14.44%
India National	9.47%	-0.25%	8.83%	-0.54%	9.07%	-3.80%	2.17%	-6.72%
Jakarta Composite	0.57%	-3.84%	14.52%	5.62%	1.01%	-6.02%	11.66%	1.49%
Nikkei 225	5.34%	3.55%	1.90%	-3.44%	7.07%	0.38%	-16.32%	-16.80%
Korea Composite	5.10%	-9.04%	-23.45%	-17.67%	5.04%	-12.05%	-32.22%	-24.66%
FTSE Bursa Malaysia KLCI	3.32%	-6.76%	-0.16%	-4.80%	2.35%	-8.86%	-5.28%	-10.90%
New Zealand SE 50	5.67%	-3.81%	-11.16%	-13.03%	6.57%	-7.07%	-20.19%	-20.35%
Philippine SE Composite	2.61%	-6.17%	0.73%	-11.33%	2.34%	-11.15%	-8.67%	-17.98%
FTSE Singapore Straits Times	3.52%	-4.33%	1.41%	2.81%	4.39%	-4.23%	-0.60%	0.79%
Taiwan Weighted	1.18%	-9.60%	-13.03%	-17.67%	0.47%	-11.00%	-18.77%	-23.92%
Bangkok SET	0.52%	-5.46%	3.58%	-4.90%	-3.46%	-12.03%	-7.51%	-13.70%
MSCI AC Asia ex Japan	-1.38%	-4.92%	-17.72%	-14.71%	-1.66%	-6.45%	-21.73%	-18.63%
MSCI AC Pacific ex Japan	-1.71%	-5.71%	-18.66%	-14.59%	-1.66%	-7.00%	-22.56%	-18.29%
Dow Jones Industrial	6.73%	-0.40%	-5.98%	-9.61%	6.73%	-0.40%	-5.98%	-9.61%
S&P Composite	9.11%	-0.04%	-6.03%	-13.34%	9.11%	-0.04%	-6.03%	-13.34%
FTSE 100	3.54%	-1.61%	5.56%	0.53%	3.34%	1.52%	20.61%	11.89%
CAC 40	8.87%	-1.31%	-2.48%	-9.85%	6.19%	-4.61%	-16.15%	-19.17%
DAX 30	5.48%	-4.35%	-13.25%	-15.11%	2.87%	-7.55%	-25.41%	-23.89%
MSCI Europe	6.04%	-3.25%	-5.71%	-10.10%	4.87%	-5.64%	-17.29%	-18.52%
MSCI World	7.90%	-1.08%	-7.05%	-12.58%	7.86%	-1.76%	-10.52%	-15.02%

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