ASIA PACIFIC MARKET MONTHLY COMMENTARY

January 2020

Market Review

Global equity markets experienced a setback in January after posting an impressive return in 2019. The escalating tensions between the US and Iran as well as the coronavirus outbreak in China hurt investor sentiment and resulted in a sell-off across equity markets. MSCI World Index lost -0.68% (in USD terms, net dividends excluded) whilst the MSCI Asia ex Japan Index lost -4.47% (in USD terms, net dividends excluded) as the uncertainty around the coronavirus overshadowed the optimistic outlook on global trade activity.

CANBERRA • BEIJING • HONG KONG

Australia

- Australia All Ordinary Index rose +4.69% in January (in local currency terms, net dividends excluded).
- Outperformance from Healthcare and IT.
- Underperformance from Utilities and Energy were the weakest sectors.
- Headline Consumer Price Index (CPI) rose 0.7% quarter-on-quarter in 4Q19, which made the annual rate increase from 1.7% to 1.8% in 3Q19.
- Employment rose by 28,900 in December, with most of these positions being part-time while full-time employment fell moderately by 300.
- The participation rate stayed at 66.0% while the unemployment rate down from 5.2% to 5.1%.

China

- Chinese equities lost -4.82% (MSCI China Index, in USD terms, net dividends excluded) in January.
- Equity markets started the month on a positive note with the US and China signing the Phase One trade deal.
- Markets sold-off in the second half of the month as the coronavirus outbreak dampened market sentiment.
- Outperformance from Information Technology, Healthcare and Communication Services
- Underperformance from cyclical sectors such as Real Estate, Energy, Financials.
- December trade report beat expectations, showing that trade activity picked up some momentum towards year-end.
- The People's Bank of China (PBoC) announced measures to counter the strong headwinds from the coronavirus and re-assure markets, including: the provision of sufficient liquidity, credit support to regions and sectors affected by the virus, relieving the debt burden for troubled corporations and individuals, and fine-tuning deleveraging policies.
- Going forward, we believe that the PBoC are likely to inject more liquidity into the system with at least a 50bp cut in the Reserve Requirement Ratio (RRR), lower the Loan Prime Rate (LPR), waive fees for specific sectors and perhaps even lift the housing curbs.

Hong Kong

- MSCI Hong Kong Index went down in January (-4.46%, in USD terms, net dividends excluded).
- Outperformance from Telecommunication Services and Utilities.
- Underperformance from Consumer Discretionary and Real Estate.
- 4Q19 GDP contracted by 2.9%.
- Fixed capital investments and private consumption fell.
- Headline Consumer Price Index (CPI) inflation rose 2.9%, slightly lower than the 3.0% recorded in November due to a smaller increase in transport fares.
- Food prices remained elevated whereas housing prices were relatively stable.
- The prolonged social unrest continues to weigh on consumption and tourism-related sectors.
- Tourist arrivals fell by 51.5% in December with hotel occupancy rate falling to 61%.

NEW DELHI • JAKARTA • TOKYO • SEOUL • KUALA LUMPUR

India

- MSCI India Index was one of the more resilient markets in Asia and declined -0.81% (in USD terms, net dividends) excluded due to positive performance across a number of sectors.
- Outperformance from Real Estate, Communication Services, and Consumer Staples.
- Underperformance from Energy and Consumer Discretionary.
- The Indian economy, which has been struggling recently due to growth concerns, started seeing some green shoots in January.
- In our view, inflation could start coming off in the next few months.
- The fiscal deficit continues to concern investors as Goods and Services Tax (GST) revenues are muted and it looks unlikely that the divestment target for this year will be met.
- The Union Budget announced measures to increase foreign investor participation, changes to the personal tax regime and measures to revive the rural economy in a bid to boost consumption growth.
- Going forward, we expect these announcements, alongside a gradual turnaround in manufacturing, production and investment activity, to lead to an economic recovery.

Indonesia

- The Indonesian equity market lost -2.77% (MSCI Indonesia Index, in USD terms, net dividends excluded) amidst negative investor sentiment.
- Outperformance from Consumer Staples, Financials and Communication Services.
- Underperformance from Utilities, Energy and Healthcare.
- Exports rose by 1.3% year-on-year in December, marking the first month of positive export growth since October 2018.
- 4Q19 trade deficit stood at USD1.2 billion, down from USD4.9 billion in 4Q18.
- Bank Indonesia (BI) opted to maintain rates as inflation eased to 2.7% in December as a result of subdued domestic demand.

Japan

- Tokyo stocks posted the first monthly contraction in five months (MSCI Japan Index, -1.37%, in USD terms, net dividends excluded).
- The Nikkei Stock Average reached the highest level on since October 2018.
- However, the coronavirus outbreak in China sent equity prices into tailspin for fear of adverse impact on inbound tourism during the Lunar New Year holidays.
- Anxieties over the disruption of global supply chains squeezed an already beleaguered automobile sector.
- Fueling the downward streak was poor corporate results from the Society of Petroleum Engineers (SPE), automotive electronics and construction machinery.

Korea

- Korean equity markets were dragged down by the coronavirus fears, thus losing -3.58% (KOSPI, in local currency terms, net dividends excluded) in January.
- Outperformance from Information Technology and Communication Services.
- Underperformance from Energy, Financials and Utilities sectors.
- 4Q19 real GDP growth was stronger than expected, expanding 1.2%.
- Investment spending was a significant contributor mainly due to the growth in construction spending through public investment.
- Manufacturing Purchasing Managers' Index (PMI) increased to 50.1 in December, as output and new orders indices registered strong gains.
- The employment index fell to 47.5, reversing gains from the previous two months.

Malaysia

- FTSE Bursa Malaysia Index fell by -3.63% (in local currency terms, net dividends excluded).
- Poor performance was mainly driven by fears over the spread of the novel coronavirus from China.
- The earlier-than-expected 25bps cut in the overnight policy rate (OPR) rate by Bank Negara Malaysia (BNM) also affected market performance.
- Oil prices were also not spared from the negative sentiments arising from the coronavirus.
- On the corporate news side, the Cabinet announced that PLUS Expressways will remain in the ownership of Khazanah Nasional Bhd and the Employees Provident Fund (EPF), but the concessionaire would have to cut toll rates by 18% from 1 Feb 2020.

New Zealand

- New Zealand SE 50 Index went up (+1.95%, in local currency terms, net dividends excluded) in January.
- Consumer Price Index (CPI) for 4Q19 rose 0.5%, below the 0.7% rise in the previous quarter.
- The rise in CPI was attributed to transport costs, which rose 2.1% during the quarter, largely driven by seasonal rises in international airfares.
- Year-on-year inflation was at 1.9%, higher than figures from 3Q19 and slightly below the Reserve Bank of New Zealand's (RBNZ) target midpoint of 2%.
- Petrol prices also rose 1.6%, while rents added 0.8% during the quarter.

The Philippines

- The Philippines equity market was one of the worst performing markets in Asia in January, posting a loss of -8.01% (MSCI Philippines Index, in USD terms, net dividends excluded).
- Outperformance from Consumer Staples and Communication Services.
- Underperformance from Utilities, Consumer Discretionary, and Industrials.
- Consumer prices increased by 0.7% in December, significantly higher compared to November.
- Trade balance printed a higher deficit of USD3.3 billion versus a revised deficit of USD3.2 billion in October.
- Foreign exchange reserves for December increased by USD87.8 billion, compared to USD86.0 billion in November.

Singapore

- MSCI Singapore Index was one of the most resilient in Asia losing -3.59% (in USD terms, net dividends excluded) in January.
- Outperformance from Real Estate, Information Technology and Financials
- Underperformance from Consumer Discretionary, Consumer Staples and Industrials
- Macro data releases in January indicated an improving outlook.
- Purchasing Managers' Index (PMI) moved back into expansionary territory in December to 50.1 from 49.8 in November.
- December Consumer Price Index (CPI) rose 0.3% with headline inflation at 0.8%.
- Non-oil domestic exports expanded but at a slower pace than the previous month.

Taiwan

- The Taiwan stock market lost -4.70% (MSCI Taiwan Index, in USD terms, net dividends excluded) in January
- Outperformance from Consumer Staples, Financials and Communication Services.
- Underperformance from Consumer Discretionary, Energy and Materials
- Information Technology was another key detracting sector with blue chips (Mediatek, Hon Hai and TSMC) suffering significant losses amidst fears that the coronavirus outbreak would lower demand for 5G Android smartphones.
- Taiwan's 4Q19 GDP rose by 7% during the quarter to register a full-year 2019 real GDP growth of 2.7%, exceeding consensus expectations.
- Taiwan's headline manufacturing Purchasing Manager's Index (PMI) rose 50.8 in December, the highest reading since October 2018.
- On a political front, Taiwan's presidential election in January saw the incumbent president from the Democratic Progressive Party winning with an overwhelming majority of 57.1% of total votes.

Thailand

- Thailand equity markets detracted (-8.60%, MSCI Thailand Index, in USD terms, net dividends excluded), significantly underperforming due to a spillover effect on tourism from the coronavirus.
- Outperformance from defensive sectors such as Utilities and Consumer Staples
- Underperformance from cyclical sectors including Consumer Discretionary, Materials and Financials.
- December trade balance printed a surplus of USD1.9 billion and contracted compared to the USD2.0 billion surplus announced in November.
- Consumer Confidence Index (CCI) continued to soften in December, decreasing from 69.1 in November to 68.3 in December.
- December current account balance came at a USD4.1 billion surplus compared to the November surplus of USD3.4 billion.

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Index (as of end January 2020)	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	4.69%	5.14%	19.94%	4.69%	-0.30%	2.17%	10.12%	-0.30%
CSI 300	-2.26%	3.01%	25.06%	-2.26%	-1.76%	4.58%	21.01%	-1.76%
Hang Seng China Enterprises	-8.31%	-2.78%	-7.21%	-8.31%	-7.99%	-1.87%	-6.23%	-7.99%
Hang Seng Index	-6.66%	-2.21%	-5.83%	-6.66%	-6.34%	-1.29%	-4.84%	-6.34%
India National	-1.25%	0.70%	9.30%	-1.25%	-1.22%	0.09%	8.94%	-1.22%
Jakarta Composite	-5.71%	-4.63%	-9.08%	-5.71%	-4.14%	-1.96%	-6.96%	-4.14%
Nikkei 225	-1.91%	1.21%	11.71%	-1.91%	-1.65%	0.95%	12.16%	-1.65%
Korea Composite	-3.58%	1.71%	-3.89%	-3.58%	-6.44%	-0.72%	-10.28%	-6.44%
FTSE Bursa Malaysia KLCI	-3.63%	-4.19%	-9.06%	-3.63%	-3.66%	-2.31%	-9.15%	-3.66%
New Zealand SE 50	1.95%	8.18%	26.03%	1.95%	-2.20%	9.16%	17.59%	-2.20%
Philippine SE Composite	-7.86%	-9.73%	-10.07%	-7.86%	-8.20%	-9.88%	-7.81%	-8.20%
FTSE Singapore Straits Times	-2.14%	-2.36%	-1.14%	-2.14%	-3.31%	-2.57%	-2.36%	-3.31%
Taiwan Weighted	-4.18%	1.20%	15.73%	-4.18%	-4.92%	1.98%	17.70%	-4.92%
Bangkok SET	-4.16%	-5.45%	-7.77%	-4.16%	-7.90%	-8.41%	-7.56%	-7.90%
MSCI AC Asia ex Japan	-3.93%	1.81%	3.16%	-3.93%	-4.47%	1.86%	2.73%	-4.47%
MSCI AC Pacific ex Japan	-2.63%	2.50%	5.80%	-2.63%	-3.99%	2.09%	3.75%	-3.99%
Dow Jones Industrial	-0.99%	4.47%	13.03%	-0.99%	-0.99%	4.47%	13.03%	-0.99%
S&P Composite	-0.16%	6.19%	19.28%	-0.16%	-0.16%	6.19%	19.28%	-0.16%
FTSE 100	-3.40%	0.52%	4.55%	-3.40%	-2.92%	-1.33%	4.33%	-2.92%
CAC 40	-2.87%	1.33%	16.30%	-2.87%	-4.11%	0.66%	12.32%	-4.11%
DAX 30	-2.02%	0.90%	16.19%	-2.02%	-3.26%	0.22%	12.22%	-3.26%
MSCI Europe	-1.66%	2.09%	11.89%	-1.66%	-2.56%	2.54%	9.85%	-2.56%
MSCI World	-0.32%	4.89%	16.17%	-0.32%	-0.68%	4.88%	15.48%	-0.68%