

## Market Review

Global markets continued to strengthen on the back of improved investor sentiment as lock-down measures were eased in most major economies across the globe. Re-escalating US-China tensions created headwinds as the US extended restrictions on Huawei and announced export controls. President Trump further announced that the US would be revoking Hong Kong's special status as a separate customs territory after the National Security Law was approved during China's annual National People's Congress meeting, once again sparking social unrest in Hong Kong. MSCI World Index continued to rally on the back of positive market sentiment, up +4.63% (in USD terms, net dividends excluded). In comparison, the MSCI Asia ex Japan Index lost -1.41% (in USD terms, net dividends excluded).

## CANBERRA • BEIJING • HONG KONG

### Australia

- The Australia All Ordinary Index was up +4.90% in May (in local currency terms, net dividends excluded).
- Outperformance from Information Technology and Materials.
- Underperformance from Healthcare and Consumer Staples.
- The Australian yield curve flattened a bit, with the 2-year yield up to 0.28% whilst the 10-year yield went down to 0.90%.
- The Australian Dollar (AUD) appreciated in May against the USD while USD Index went down.
- The Reserve Bank of Australia (RBA) left rates at 0.25% unchanged and stated that it was prepared to scale up government bond purchases if needed to ensure 3-year yields held around 25 basis points.
- The unemployment rate jumped to 6.2% in April as employers laid off staff in response to shutdowns to curb the spread of the coronavirus.
- Labour participation rates dropped to 63.5% in April from 66% in March.

### China

- China lost -0.81% (MSCI China Index, in USD terms, net dividends excluded) in May with some dispersion in sector returns.
- Outperformance from Consumer Discretionary and Consumer Staples.
- Underperformance from Real Estate and Financials.
- Chinese equities struggled amidst concerns over slowing global growth and US-China tensions as the US extended restrictions on Huawei, while a slightly weaker Renminbi against the US Dollar (USD) also weighed on the market.

- Manufacturing Purchasing Managers' Index (PMI) jumped to 50.7 in April from 49.4 in March as the country continued to recover from the pandemic.
- Exports expanded by 3.5% year-on-year while imports contracted by 14.2% in April.
- Inflation reports indicated subdued levels of inflation, as year-on-year inflation fell from 4.3% in March to 3.3% in April.
- On the political front, the annual National People's Congress (NPC) meeting took place in May where a fiscal package equivalent to 8.4% of GDP was announced.

### Hong Kong

- MSCI Hong Kong Index was one of the worst performers in Asia in May (-8.94%, in USD terms, net dividends excluded).
- Outperformance from Consumer Discretionary and Consumer Staples.
- Underperformance from Real Estate and Information Technology.
- US-China tensions escalated with President Trump announcing that the US would revoke Hong Kong's special status as a separate customs territory, although details are yet to be released.
- Locally, the virus outbreak situation was largely contained, and the government loosened some of the related restriction measures, which include the gradual resumption of airport transits starting from 1 June.
- Retail sales volume contracted 43.8% in March, largely reflecting the hit to tourism and consumption-related activities amid COVID-19.
- The labour market remains under pressure, with the unemployment rate having risen to 5.2% in April.

## India

- MSCI India Index declined -2.85% in May (in USD terms, net dividends excluded).
- Outperformance from Communication Services, Healthcare and Consumer Discretionary.
- Underperformance from Financials and Information Technology.
- Headline manufacturing PMI for May remained weak but showed improvement from the previous month; 30.8 in May compared to 27.4 in April.
- India's real GDP for the 1Q20 came in at 3.1% (above market expectations of 2.2%) as compared to the 3.5% reported in the previous quarter.
- Inflation came in at 5.8% year-on-year in April.
- Exports contracted 60.3% year-on-year in April versus a contraction of 34.57% in March; April imports contracted 58.7% versus a contraction of 28.7% in March.

## Indonesia

- The Indonesian equity market gained +3.31% in May (MSCI Indonesia Index, net dividends excluded).
- Outperformance from Consumer Discretionary, Industrials and Utilities.
- Underperformance from Communication Services and Real Estate.
- Trade activity remained very weak as exports contracted 7% year-on-year and imports contracted 18.6% in April.
- The trade balance in April came in at a deficit of USD 345 million compared to a surplus of USD 716 million in February.
- Meanwhile, the Indonesian Rupiah continued to appreciate returning 3.3% in May versus the USD amidst some easing of COVID-19 lock-down restrictions and abating investor risk aversion.

## Japan

- Japanese stocks posted a positive return of +5.91% in May (MSCI Japan Index, in USD terms, net dividends excluded).
- Japanese balance sheets remain underleveraged and valuations are also attractive.
- However, companies' earnings are likely to be affected by the global economic slowdown.
- Given slumping global demand and domestic epidemic control measures introduced in April, we expect Japan's economy to be hit hardest in 2Q, with both private consumption and business investments likely contracting for the third straight quarter.

- That said, we expect Japan to fare better than other advanced economies, thanks to the government's better control of the COVID-19 outbreak.

## Korea

- The Korean equity market gained +4.21% (in local currency terms, net dividends excluded) in May.
- Outperformance from Communication Services, Energy and Consumer Discretionary.
- Underperformance from Utilities and Materials.
- A rate cut of 25bps by the Bank of Korea in May boosted investor sentiment and supported the market rally.
- Manufacturing PMI contracted to 41.3 in March to 41.6 in April against a weak demand backdrop while Industrial Production contracted by 4.5% year-on-year compared to 7.4% in March.
- Inflation remained subdued; prices rose by 0.1% year-on-year in April while the unemployment rate remained unchanged at 3.8% in April.

## Malaysia

- The FTSE Bursa Malaysia Index registered a strong performance in May, gaining +4.65% (in local currency terms, net dividends excluded).
- Foreign investors continued to be net sellers in May, with RM 3 billion of outflows, bringing the total YTD outflows to RM 13.3 billion.
- On the commodities side, palm oil (CPO) prices recovered to RM 2,373/metric ton (up 12.9% month-on-month), as leading Indian importers started to purchase Malaysian CPO again after months of diplomatic spat between the two countries.
- Starting from 4 May, Malaysia started to open up a few more business sectors, with the Prime Minister announcing that most economic and social activity will be allowed except for mass gatherings.

# WELLINGTON • MANILA • SINGAPORE • TAIPEI • BANGKOK

## New Zealand

- The New Zealand SE 50 Index was up +3.30% (in local currency terms, net dividends excluded) in May.
- The New Zealand Dollar (NZD) appreciated in May against the USD while USD Index went down.
- New Zealand's 1Q20 unemployment rate was 4.2%, increasing 0.2% quarter-on-quarter.
- However, the impact of COVID-19 has yet to be reflected in 1Q20 data as lockdown in the nation only began from mid-March.
- The Reserve Bank of New Zealand (RBNZ) kept the official cash rate (OCR) at 0.25%, but plans to expand the Large Scale Asset Purchase (LSAP) programme potential to NZD 60 billion, up from the previous NZD 33 billion limit.
- This expansion aims to continue to reduce the cost of borrowing quickly and sharply.

## The Philippines

- Philippines was an outperforming market and posted gains of +1.53% in May (MSCI Philippines Index, in USD terms, net dividends excluded).
- Outperformance from Utilities and Industrials.
- Underperformance from Consumer Discretionary, Real Estate and Financials.
- Amidst a slump in domestic demand resulting from the lock-down, inflation continued to ease to -0.1% month-on-month in April following a 0.1% decline in March.
- Headline exports growth contracted 24.9% year-on-year in March versus 2.8% in February.
- Trade balance in March was reported as a deficit of USD 2.4 billion versus USD 1.7 billion in February.
- Overseas foreign worker (OFW) remittances came in at 2.5% year-on-year in February.

## Singapore

- The Singapore equity market was one of the top laggards in Asia, losing -4.33% (MSCI Singapore Index, in USD terms, net dividends excluded) in May.
- Outperformance from Consumer Staples, Real Estate and Consumer Discretionary.
- Underperformance from Communications Services and Industrials.
- March retail sales fell by 1.3% month-on-month compared to a 8.4% contraction in the previous month.
- With the lockdown extended until June, weakness in domestic demand continued to drag April inflation data to contract 0.9% month-on-month.

- Meanwhile, industrial production expanded a further 13.0% year-on-year compared to an expansion of 16.5% in March.
- Export activity remained weak with non-oil domestic exports contracting by 5.8% month-on-month in April after an expansion of 12.8% in March.

## Taiwan

- Taiwan gave back some of the strong gains from the previous month and lost -2.52% in May (MSCI Taiwan Index, in USD terms, net dividends excluded).
- Outperformance from Consumer Discretionary and Real Estate.
- Underperformance from Energy, Materials and Information Technology.
- Manufacturing PMI came in at 41.9 in May compared to 42.2 in April.
- The unemployment rate continued to rise from 3.76% in March to 4.1% in April.
- Inflation fell into negative territory at -1% year-on-year in April.
- However, there were some tentative signs of recovery as export orders for April expanded by 2.3% year-on-year versus an expansion of 4.3% in March.

## Thailand

- Thailand's equity markets posted a gain of +4.28% in May (MSCI Thailand Index, in USD terms, net dividends excluded).
- Outperformance from Financials, Healthcare and Consumer Staples.
- The Consumer Confidence Index (CCI) weakened further in April to 47.2 from the 50.3 level reported in March.
- Export activity contracted by 3.3% year-on-year in April compared to a contraction of 2.2% in March while imports fell by 17% in April compared to an expansion of 4.4% in March.
- The trade balance printed a surplus of USD 2.5 billion in April while the current account balance was a deficit of USD 0.7 billion.
- Inflation fell by almost 3% year-on-year in April leaving the door open for further rate cuts from the Bank of Thailand.



# ASIA PACIFIC MARKET MONTHLY COMMENTARY

May 2020

| Index<br>(as of end May 2020) | Return (dividend excluded)<br>in local currency |          |         |         | Return (dividend excluded)<br>in USD |          |         |         |
|-------------------------------|---|----------|---------|---------|--------------------------------------|----------|---------|---------|
|                               | 1 Month   | 3 Months | 1Year   | YTD     | 1 Month                              | 3 Months | 1Year   | YTD     |
| Australia All Ordinary        | 4.90%   | -9.82%   | -9.54%  | -13.67% | 6.36%                                | -7.15%   | -13.34% | -18.48% |
| CSI 300                       | -1.16%  | -1.85%   | 6.54%   | -5.60%  | -2.46%                               | -3.99%   | 2.92%   | -7.98%  |
| Hang Seng China Enterprises   | -4.78%  | -7.20%   | -7.95%  | -14.39% | -4.76%                               | -6.69%   | -6.89%  | -13.94% |
| Hang Seng Index               | -6.83%  | -12.13%  | -14.64% | -18.55% | -6.81%                               | -11.65%  | -13.66% | -18.12% |
| India National                | -2.55%  | -14.12%  | -19.48% | -20.74% | -3.22%                               | -18.04%  | -25.79% | -25.19% |
| Jakarta Composite             | 0.79%   | -12.82%  | -23.44% | -24.54% | 1.81%                                | -15.06%  | -25.80% | -28.86% |
| Nikkei 225                    | 8.34%   | 3.48%    | 6.20%   | -7.52%  | 7.54%                                | 3.60%    | 7.03%   | -6.71%  |
| Korea Composite               | 4.21%   | 2.14%    | -0.59%  | -7.65%  | 2.53%                                | 0.17%    | -4.41%  | -13.76% |
| FTSE Bursa Malaysia KLCI      | 4.65%   | -0.63%   | -10.75% | -7.27%  | 3.64%                                | -3.56%   | -13.90% | -12.63% |
| New Zealand SE 50             | 3.30%   | -4.13%   | 4.41%   | -6.16%  | 3.69%                                | -4.28%   | -0.82%  | -13.87% |
| Philippine SE Composite       | 2.42%   | -13.98%  | -26.74% | -25.29% | 2.00%                                | -13.38%  | -24.51% | -25.25% |
| FTSE Singapore Straits Times  | -4.32%  | -16.62%  | -19.47% | -22.09% | -4.51%                               | -17.64%  | -21.44% | -25.70% |
| Taiwan Weighted               | -0.45%  | -3.10%   | 4.23%   | -8.79%  | -1.41%                               | -2.28%   | 9.74%   | -8.94%  |
| Bangkok SET                   | 3.16%   | 0.17%    | -17.12% | -15.00% | 4.93%                                | -0.63%   | -17.54% | -19.96% |
| MSCI AC Asia ex Japan         | -0.97%  | -5.18%   | -1.81%  | -10.85% | -1.41%                               | -5.79%   | -2.25%  | -12.61% |
| MSCI AC Pacific ex Japan      | -0.24%  | -5.78%   | -1.88%  | -10.83% | -0.36%                               | -5.56%   | -2.46%  | -13.01% |
| Dow Jones Industrial          | 4.26%   | -0.10%   | 2.29%   | -11.06% | 4.26%                                | -0.10%   | 2.29%   | -11.06% |
| S&P Composite                 | 4.53%   | 3.05%    | 10.62%  | -5.77%  | 4.53%                                | 3.05%    | 10.62%  | -5.77%  |
| FTSE 100                      | 2.97%   | -7.66%   | -15.15% | -19.43% | 5.06%                                | -4.60%   | -13.50% | -13.67% |
| CAC 40                        | 2.70%   | -11.57%  | -9.84%  | -21.46% | 4.29%                                | -10.45%  | -10.00% | -22.17% |
| DAX 30                        | 6.68%   | -2.55%   | -1.19%  | -12.55% | 8.34%                                | -1.32%   | -1.37%  | -13.34% |
| MSCI Europe                   | 3.52%   | -6.24%   | -6.55%  | -15.40% | 4.17%                                | -6.15%   | -6.50%  | -17.24% |
| MSCI World                    | 4.52%   | 0.29%    | 5.03%   | -8.27%  | 4.63%                                | 0.32%    | 4.97%   | -8.93%  |

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