ASIA PACIFIC MARKET MONTHLY COMMENTARY

November 2020

Confidence must be earned

Market Review

Global markets performed strongly even against the backdrop of a contested US presidential election and a still rampant COVID-19 pandemic. Although COVID-19 cases in the US, Europe and Japan have rebounded to a high level, forcing governments to tighten social distancing measures, Pfizer and Moderna both announced their vaccines have more than 90% protection against the COVID-19 illness, giving markets hope that the global economy should recovery in 2021 when the vaccines become widely available. As a result, markets were boosted by this news, with the MSCI Asia ex Japan Index gaining 7.98% in November (in USD terms, net dividends excluded), yet still underperforming the MSCI World Index which saw a gain of 12.66% during the month (in USD terms, net dividends excluded).

CANBERRA • BEIJING • HONG KONG

Australia

- Australia All Ordinary Index was up 9.93% in November (in local currency terms, net dividends excluded).
- Outperformance from Energy and Financials.
- Underperformance from Consumer Staples and Utilities.
- The Australian yield curve steepened a bit, with the Australian 2-year bond yield down 2bps to 0.10% while the 10-year bond yield went up 8bps to 0.91%.
- The Australian Dollar (AUD) appreciated in November against the US Dollar (USD) while the USD index went down.
- During the month, the Reserve Bank of Australia (RBA) cut rates to 0.1% from 0.25%.
- In addition, it stated it would buy AUD100 billion of government bonds with maturities of around 5 to 10 years over the next six months and pledged to maintain its cash rate unchanged for at least three years.
- The unemployment rate increased from 6.9% in September to 7.0% in October, as the participation rate increased from 64.8% in September to 65.8% in October.

China

- MSCI China Index rebounded by 2.76% in November (in USD terms, net dividends excluded).
- Whilst it is expected that the number of State Owned Enterprise (SOE) defaults will rise, the overall percentage should remain relatively low.
- Though disrupted by the COVID-19 outbreak in the first half of the year, monetary policy is expected to remain prudent.
- The executive order represents an escalation of the US-China financial conflict.
- Overweight in China domestic consumer names, especially companies with a competitive edge in digitalization and new retail business models that could benefit from the robust online spending share gain.

Hong Kong

- MSCI Hong Kong Index was up 10.88% in November (in USD terms, net dividends excluded).
- Outperformance from Information Technology and Consumer Discretionary.
- Underperformance from Telecommunication Services and Utilities.
- During the month, the local pandemic situation worsened and the government tightened some of the social distancing measures, which included restricting dine-in seating to two per table, requiring restaurants to close at 10pm, and the closure of bars, pubs and nightclubs.
- In addition, the government announced a delay with the travel bubble with Singapore, which was scheduled to launch on November 22.
- Consumer Price Index (CPI) remains in deflation territory and fell by 0.2% in October.
- The labour market continued to face pressure amid the subdued local economic activities. The seasonally adjusted unemployment rate stayed unchanged at 6.4% in October, the highest level since January 2005.

NEW DELHI • JAKARTA • TOKYO • KUALA LUMPUR

India

- MSCI India Index was up 8.54% in November (in USD terms, net dividends excluded).
- Outperformance from Financials, Industrials and Consumer Discretionary.
- Underperformance from Energy, IT and Healthcare.
- Indian stocks were also aided by better than expected corporate earnings.
- It appears reforms undertaken (farm bill, labour codes, new education policy, manufacturing incentive schemes and corporate tax rate cuts) have been encouraging so far and need to be supplemented with judicial fiscal boost and speedy execution.
- After the strong equity market bounce back from 1Q lows, it will likely take a strong growth and earnings cycle beyond the reopening led normalization for further upsides.
- Broader markets continue to appear much better placed relative to large caps, thanks to the still extreme polarization.

Indonesia

- MSCI Indonesia Index rallied again in November, up 14.78% (in USD terms, net dividends excluded).
- Outperformance from Utilities and Telecommunications.
- Underperformance from Healthcare and Consumer Discretionary.
- During the month, Bank Indonesia cuts its policy rate to 3.75%, after keeping the policy rate on hold since its July meeting.
- Developments on the Omnibus Law is positive on Indonesian telecommunication names, as it would enable spectrum/network sharing.
- In the near term, volatility is likely as a result of further bouts of tightening and relaxation of economic activities with subsequent waves of COVID-19 infections.
- There is room for further fiscal support in order to manage the economic impact from subsequent waves of infections.
- If made possible, the economy and market is positioned for a more robust recovery coming out of this pandemic (likely through the use of vaccines).

Japan

- MSCI Japan Index was up 12.47% in November (in USD terms, net dividends excluded).
- The Japanese economy is recovering from a deep recession, after the hit from the consumption tax hike in October 2019 and the global pandemic outbreak.
- In 3Q, GDP bounced back by 5% qoq, reversing less than half of the decline since 4Q19.
- The path to recovery remains challenging.
- As of November, Purchasing Managers' Index (PMI) had not yet returned to 50.
- A renewed wave of the virus outbreak has started to weigh on sentiment and outdoor activities
- Hence, the economy is not expected to return to pre-crisis level until 2022.
- With a wide output gap, inflation will remain depressed.

Malaysia

- The FTSE Bursa Malaysia Index posted a third consecutive monthly loss, closing up 6.53% in November (in local currency terms, net dividends excluded).
- On the fund flows side, foreigners offloaded MYR1.0 billion worth of Malaysian equities in November, almost half due to MSCI rebalancing activities.
- On the commodities side, oil prices also rallied on optimism surrounding the announcement of vaccines developments to tackle the pandemic.
- Palm oil also traded higher, up by 18.3% mom, on the back of a potential decline in production due to shortage of workers in the sector.
- At the same time, the Malaysian Ringgit (MYR) also strengthened with the USD/MYR dropping to 4.07, down by 1.97% mom.
- Elsewhere, the central bank maintained the Overnight Policy Rate (OPR) at 1.75%, citing significant improvements in domestic economic activity in 3Q.
- However, introduction of targeted measures to contain the COVID-19 pandemic in several states could affect the recovery momentum in 4Q.

WELLINGTON • MANILA • SINGAPORE • BANGKOK

New Zealand

- The New Zealand SE 50 Index went up 5.57% in November (in local currency terms, net dividends excluded).
- The New Zealand Dollar (NZD) appreciated in November against the USD while the USD index went down.
- The Reserve Bank of New Zealand (RBNZ) kept its official cash rate (OCR) rate at 0.25%.
- In addition, the RBNZ agreed to provide additional monetary stimulus to the economy in order to meet its consumer price inflation and employment remit.
- The additional stimulus would be provided through a Funding for Lending Programme (FLP), commencing in December, to reduce banks' funding costs and lower interest rates.
- Meanwhile, New Zealand's 3Q unemployment rate rose to 5.3% from 4.0% in 2Q.
- The number of people unemployed rose by 37,000 to 151,000, while the participation rate increased to 70.1%, as lockdown measures prevented individuals from looking for work.

The Philippines

- MSCI Philippines Index rebounded in November, up 7.56% (in USD terms, net dividends excluded).
- Outperformance from Financials and Real Estate.
- Underperformance Utilities, Telecommunications and Consumer Staples.
- Bangko Sentral ng Pilipinas (BSP) cut the benchmark policy rate to 2.0%, citing that stable inflation expectations provide enough policy space for a rate cut.
- Structural tailwinds and the domestic-driven nature of the economy will allow for a stronger and earlier recovery
- There is also room for fiscal support to ensure the economy is resilient while it waits for a resolution to the pandemic.
- This is further supported by the resilient level of remittances from Overseas Filipino Workers despite the pandemic's toll on various economies around the world, supporting domestic consumer confidence and spending.

Singapore

- MSCI Singapore Index was up 18.47% in November (in USD terms, net dividends excluded).
- Outperformance from Consumer Discretionary and Financials.
- Underperformance from Consumer Staples and Real Estate.
- Macroeconomic prospects are turning supportive, with 3Q GDP data stronger than expected, driven by industrial production and normalization of private consumption.
- It appears Singapore requires the reopening of its borders as a precondition for the economy to recover.
- In the meantime, the country's strong fiscal position will be able the tide the economy over.
- The outlook for Singapore appears optimistic given the underlying regional and global exposures of many market constituents.

Thailand

- MSCI Thailand Index rallied 24.88% in November on the back of positive vaccine news development (in USD terms, net dividends excluded).
- Outperformance from Energy, Financials and Real Estate.
- Underperformance from Telecommunications and Consumer Staples.
- Data flows depict a solid recovery in 3Q, led by external demand and private consumption.
- Capital spending, though stabilizing, has yet to recover to the same degree.
- New COVID-19 cases remain low, containment measures have been relaxed very gradually, suggesting a careful approach to reopening the economy fully.
- However, travel/tourism-related services continue to lag.
- While it is inevitable that a recovery will occur sooner or later, the downside risks to the economy and companies may be further heightened if the recovery is delayed.

ASIA PACIFIC MARKET MONTHLY COMMENTARY

November 2020

Index (as of end November 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	9.93%	7.94%	-2.96%	-0.89%	15.34%	7.55%	5.71%	3.89%
CSI 300	5.64%	2.99%	29.56%	21.08%	7.54%	7.26%	38.30%	28.14%
Hang Seng China Enterprises	8.06%	5.55%	2.37%	-5.57%	8.09%	5.52%	3.37%	-5.09%
Hang Seng Index	9.27%	4.63%	-0.02%	-6.56%	9.30%	4.59%	0.95%	-6.08%
India National	11.35%	13.67%	7.48%	6.66%	11.42%	12.98%	4.11%	2.80%
Jakarta Composite	9.44%	7.14%	-6.64%	-10.91%	13.36%	10.50%	-6.74%	-12.41%
Nikkei 225	15.04%	14.23%	13.48%	11.74%	15.34%	16.17%	19.18%	16.45%
Korea Composite	14.30%	11.40%	24.11%	17.91%	17.21%	19.59%	32.48%	23.23%
FTSE Bursa Malaysia KLCI	6.53%	2.46%	0.06%	-1.64%	8.60%	4.90%	2.57%	-1.21%
New Zealand SE 50	5.57%	6.21%	10.32%	8.86%	12.27%	10.44%	20.78%	13.40%
Philippine SE Composite	7.39%	15.42%	-12.24%	-13.10%	8.11%	16.39%	-7.25%	-8.46%
FTSE Singapore Straits Times	15.76%	10.80%	-12.15%	-12.94%	18.16%	12.72%	-10.22%	-12.31%
Taiwan Weighted	9.38%	8.99%	19.44%	14.38%	9.77%	12.19%	27.85%	20.30%
Bangkok SET	17.86%	7.45%	-11.46%	-10.86%	21.43%	10.55%	-11.56%	-11.73%
MSCI AC Asia ex Japan	7.23%	7.25%	19.43%	13.31%	7.98%	9.10%	22.25%	14.87%
MSCI AC Pacific ex Japan	7.55%	6.97%	15.72%	10.91%	9.06%	8.71%	20.10%	13.34%
Dow Jones Industrial	11.84%	4.25%	5.66%	3.86%	11.84%	4.25%	5.66%	3.86%
S&P Composite	10.75%	3.47%	15.30%	12.10%	10.75%	3.47%	15.30%	12.10%
FTSE 100	12.35%	5.07%	-14.71%	-16.92%	8.81%	5.38%	-17.36%	-17.56%
CAC 40	20.12%	11.55%	-6.55%	-7.69%	23.35%	11.57%	1.39%	-1.63%
DAX 30	15.01%	2.67%	0.41%	0.32%	18.11%	2.69%	8.94%	6.90%
MSCI Europe	13.81%	6.56%	-4.79%	-6.30%	16.88%	6.45%	2.37%	-1.42%
MSCI World	11.84%	5.06%	10.34%	8.00%	12.66%	5.20%	12.69%	9.53%