ASIA PACIFIC MARKET MONTHLY COMMENTARY

June 2020

Market Review

Global markets continued strengthen as more and more countries started easing lockdowns. However, new infections spiked after the re-opening of economies put questions on the recovery path. Furthermore, US-China tensions have not eased as the US imposed a ban on the export of sensitive military items to Hong Kong, following the passing of the new National Security Law. MSCI World Index continued to rally with a gain of 2.51% (in USD terms, net dividends excluded) during the month as investors cheered the re-opening of economies, despite the resurgence of rising confirmed cases. In comparison, the MSCI Asia ex Japan Index outperformed, up 7.87% (in USD terms, net dividends excluded).

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Australia

- The Australia All Ordinary Index was up 2.20% in June (in local currency terms, net dividends excluded).
- Outperformance from Information Technology and Consumer Discretionary.
- Underperformance from REITs and Energy.
- The Australian 2-year went down to 0.27% while 10-year bond yield also went down to 0.89%.
- The Australian Dollar (AUD) appreciated in June against US Dollar (USD) while USD index went down.
- Australia's 1Q GDP contracted 0.3% quarter-on-quarter as the economy was hit by the worst bushfire season, a prolonged drought and a pandemic that shut down businesses and left many without jobs.
- Unemployment rate rose to 7.1% in May, up from 6.2% in April.
- Total employment dropped another 227,700 in May after a drop of -594,300 in April, while full time employment dropped -89,100 and part-time dropped 138,600.
- The labour participation rate dropped to 62.9% in May from 63.5% in April.

China

- MSCI China Index gained 8.36% in June (in USD terms, net dividends excluded), returning into positive territory for the end of 1H2020.
- Outperformance from Technology and Healthcare.
- Underperformance from Energy and Utilities.
- Investors remained confident on the government's efforts to contain the outbreak, as new confirmed cases in Beijing are well contained and is trending downwards.
- Economic recovery appears to be underway with June's manufacturing Purchasing Manager's Index (PMI) rising to 50.9 from 50.6 in May.
- Industrial production also added 1.1% in May.
- Peoples' Bank of China (PBOC) also announced 25bps cut in the re-lending rate and more easing measures are expected in the coming months.

Hong Kong

- MSCI Hong Kong Index went up 10.32% in June (in USD terms, including net dividend).
- Outperformance from Financials and Information Technology.
- Underperformance from Utilities and Consumer Discretionary.
- A solid set of China macro activity data and further relaxation of the public gathering ban amid the contained local infection rate gave market support.
- The Hong Kong national security law came into effect on June 30, which aims to help restore stability to society.
- Hong Kong's retail sales volume contracted 33.9% year-on-year (yoy) in May, which largely reflects the hit to tourism and consumption-related activities amid COVID-19.
- Headline CPI rose 1.5% yoy in May.
- The labour market remains under pressure, with unemployment rate rising by 0.7% to 5.9% in May.
- In particular, employment in retail, accommodation and food services sectors dropped sharply by 19.1% yoy, as a result of both the social unrest in 2H19 and the COVID-19 outbreak.

India

- MSCI India Index rallied 6.75% in June (in USD terms, net dividends excluded).
- Outperformance from Energy and Financials.
- Underperformance from Communication Services, Healthcare and Materials.
- During the month, signs of opening up of the economy were visible in the manufacturing PMI numbers, which contracted for the third month but at a slower pace.
- Labour availability could be a significant challenge, and limited demand support from government will likely keep the overall growth prospects weak.
- On the positive side, significant monetary policy support, government's measures to protect rural economy and agri-income will be a positive support to growth.

Indonesia

- MSCI Indonesia Index was up 5.95% in June (in USD terms, net dividends excluded).
- Outperformance from Utilities and Financials.
- Underperformance in Materials and Telecommunications.
- Bank Indonesia (BI) cut the policy rate by 25bps to 4.25% which was within expectations as inflation rate fell from 3% in March to 2% in June.
- Trade balance in May reached USD2 billion, due to lower import of non-oil and gas goods and inflationary pressure eased as Consumer Price Index (CPI) in June rose at the lowest level of 1.96% you.
- PMI continued to show improvement with 28.6 in May and 39.1 in June.
- The omnibus law on job creation to be finalized by July 2020 helped lift sentiment despite the continued rise in confirmed COVID-19 cases, reaching 56,385 by end-June.

Japan

- Japanese stocks posted a negative return of -0.14% in June (MSCI Japan Index, in USD terms, net dividends excluded).
- Following a relatively short lockdown, Japan's domestic economic activities are gradually recovering.
- Mobility has picked up in workplace, retail and recreation areas as by mid-June, these activities were down by only 10% to 20% from March.
- In contrast, external demand indicators continued to weaken, with Q2 exports in their steepest fall since Q1 2009.
- Japan appears less impacted than other Developed Markets, with a better control over the COVID-19 outbreak, and forecast GDP to drop by 4.1% to 4.7% for the full year.

Korea

- Korea's KOSPI Index garnered 3.88% in June (in local currency terms, net dividends excluded).
- Outperformance from Healthcare, Materials and Telecommunications.
- Underperformance from Financials and Utilities.
- Macro-economic data showed industrial production falling -6.7% in May.
- Manufacturing PMI remained soft at 41.3 in May from 41.6 in April.
- However, retail sales was strong, rising by 4.6% in May and Producer Price Index (PPI) was also flat in May.

Malaysia

- The FTSE Bursa Malaysia Index continued its positive momentum for June as the index closed up 1.88% (in local currency terms, net dividend excluded).
- During the month, Malaysia saw an outflow amounting to RM3 billion of equities sold off by the foreigners, bringing the YTD figure to -RM16.3 billion, the highest since 2015.
- The recovery in oil prices also helped the local currency to strengthen slightly during the month, the USD/MYR closed at 4.29, dropping 1.4% month-on-month.
- In June, the government announced a RM35 billion National Economic Recovery Plan (PENJANA) stimulus which consists of direct fiscal injections, tax incentives and measures by public sector entities.

New Zealand

- The New Zealand SE 50 Index went up 5.03% in June (in local currency terms, net dividends excluded).
- The New Zealand Dollar appreciated in June against US Dollar while USD index went down.
- New Zealand's 1Q GDP shrank 1.6% qoq or 0.2% yoy as the initial effects of coronavirus curbs paralysed activity.
- The contraction was worse than economist forecasts for a 1.0% fall but smaller than the central bank's projection for a 2.4% drop.
- The decline is expected to have deepened in the current quarter due to the tighter restrictions seen in April and May.
- All restrictions, except border controls, were lifted in mid-June, but the tough measures brought the economy to a standstill for weeks.
- Service industries contributed the most to the drop in activity, while the construction industry and household consumption expenditure also fell.

The Philippines

- MSCI Philippines Index gained 7.87% in June (in USD terms, net dividends excluded).
- Outperformance from Industrials and Consumer Discretionary.
- Underperformance from Telecommunications and Utilities.
- Despite weaker macro-economic numbers, including a record 17.7% unemployment rate in April, the market rallied on hopes of earnings recovery with the re-opening of the economy.
- Bangko Sentral Philippines (BSP) surprised with a 50bps rate cut to 2.25% also lifted sentiment.

Singapore

- Singapore underperformed the region despite a 3.54% rise in the MSCI Singapore Index in June (in USD terms, net dividends excluded).
- Outperformance from Technology and Financials
- Underperformance from Consumer Discretionary and Telecommunications.
- Industrial production in May was weaker than expected, down -7.4% yoy as pharmaceuticals declined during the month following an out-sized gain in April and May.
- CPI fell 0.2% and headline inflation at -0.8% as retail sales plunged in June.

Taiwan

- MSCI Taiwan Index was up 8.63% in June (in USD terms, net dividends excluded).
- Outperformance from Consumer Discretionary and Technology.
- Underperformance from Consumer Staples and Industrials.
- The technology sector was driven primarily by strength in Apple's supply chain given the positive outlook in 2H20, following Samsung Electronics' strong sell through and positive May sales prints.
- TSMC also rose on positive news from Qualcomm and AMD on filling up the 5 nanometer capacity slack from Huawei as well as Apple's shift from Intel.
- Despite this positive sentiment, industrial production rose only 1.5% yoy in May.
- Following a 1.4% rise in April, export orders fell 0.6% in May, signalling fatigue from external demand.

Thailand

- MSCI Thailand Index was up 2.07% in June (in USD terms, net dividends excluded),
- Outperformance from Energy and Materials.
- Underperformance from Financials.
- Bank of Thailand (BOT) lowered the growth forecast from -5.3% to -8.1% implied further deterioration in the economy in 2H20 and encouraged commercial banks to step up debt restructuring, relaxed regulations to encourage loan extension and defer dividends, which led to profit taking in the latter half of the month.
- BOT held its policy rate at 0.5% after easing 75bps year to date as domestic demand remained subdued in May with private consumption rising 3.9% during the month as the economy re-opened.

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Index (as of end June 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	2.20%	17.43%	-10.42%	-11.78%	6.00%	32.10%	-12.11%	-13.59%
CSI 300	7.68%	12.96%	8.85%	1.64%	8.77%	13.27%	5.68%	0.09%
Hang Seng China Enterprises	2.07%	1.71%	-10.32%	-12.62%	2.07%	1.71%	-9.60%	-12.15%
Hang Seng Index	6.38%	3.49%	-14.42%	-13.35%	6.39%	3.50%	-13.73%	-12.88%
India National	7.35%	20.09%	-12.59%	-14.92%	7.51%	20.33%	-20.08%	-19.57%
Jakarta Composite	3.19%	8.07%	-22.85%	-22.13%	5.54%	23.39%	-23.71%	-24.33%
Nikkei 225	1.88%	17.82%	4.76%	-5.78%	1.73%	17.90%	4.62%	-5.09%
Korea Composite	3.88%	20.16%	-1.05%	-4.07%	6.95%	21.61%	-5.01%	-7.77%
FTSE Bursa Malaysia KLCI	1.88%	11.11%	-10.24%	-5.53%	3.36%	11.84%	-13.34%	-9.70%
New Zealand SE 50	5.03%	16.64%	6.02%	-1.44%	9.19%	26.66%	1.61%	-5.95%
Philippine SE Composite	6.32%	16.66%	-22.40%	-20.57%	8.01%	19.08%	-20.20%	-19.26%
FTSE Singapore Straits Times	3.15%	4.38%	-22.03%	-19.64%	4.33%	6.55%	-24.46%	-22.48%
Taiwan Weighted	6.21%	19.71%	8.30%	-3.13%	8.08%	22.70%	14.01%	-1.58%
Bangkok SET	-0.28%	18.93%	-22.61%	-15.24%	2.63%	26.28%	-23.22%	-17.86%
MSCI AC Asia ex Japan	6.89%	14.63%	0.12%	-4.70%	7.87%	15.81%	-0.59%	-5.73%
MSCI AC Pacific ex Japan	6.30%	14.16%	-0.89%	-5.21%	7.84%	17.38%	-1.27%	-6.19%
Dow Jones Industrial	1.69%	17.77%	-2.96%	-9.55%	1.69%	17.77%	-2.96%	-9.55%
S&P Composite	1.84%	19.95%	5.39%	-4.04%	1.84%	19.95%	5.39%	-4.04%
FTSE 100	1.53%	8.78%	-16.91%	-18.20%	1.59%	9.16%	-14.42%	-12.30%
CAC 40	5.12%	12.28%	-10.89%	-17.43%	6.14%	14.93%	-12.11%	-17.38%
DAX 30	6.25%	23.90%	-0.71%	-7.08%	7.28%	26.83%	-2.07%	-7.03%
MSCI Europe	3.04%	12.19%	-7.80%	-12.83%	3.88%	14.33%	-8.84%	-14.03%
MSCI World	2.23%	17.95%	1.52%	-6.22%	2.51%	18.84%	1.08%	-6.64%