

## Market Review

Markets remained under pressure in April as macro headwinds picked up speed. US Treasury yields maintained their upward momentum as the Fed officials increasingly voiced their commitment to bring down inflation through front-loaded rate hikes. The dollar strengthened significantly over the month, putting EM Asian currencies at a disadvantage.

In EM Asia, CPI inflation continued to drive higher, impacted by the geopolitical conflict in Europe and its impact on global commodity prices. With the exception of China, inflation is on a clear uptrend in the majority of countries and above central banks' target range. While reopening optimism remained a prominent theme within Southeast Asia, China demonstrated little inclination to deviate from its zero-COVID policy.

Against this backdrop, MSCI Asia ex Japan Index was down -5.23% in April (in USD terms, net dividends excluded), outperforming the MSCI World Index which returned -8.43% (in USD terms, net dividends excluded). Taiwan was the major laggard in the region while Indonesia continued to deliver a robust growth.

## CANBERRA • BEIJING • HONG KONG

### Australia

- Australia All Ordinary Index slightly dipped 0.83% in April (in local currency terms, net dividends excluded).
- Utilities and Industrials topped the table, while Information Technology and Materials underperformed.
- Australian yield curve flattened a bit. 2-year yield was up 70bps to 2.50% and 10-year yield rose from 2.79% to 3.18%.
- AUD depreciated against USD (-5.57%) as USD index went up (+4.73%).
- RBA maintained the cash rate at 0.1%. Nonetheless, in the view of rising inflation and declining unemployment rate, RBA now dropped the pledge to be "patient" on policy and signaled a first hike would come later this year.
- Markets have been priced for a June rate rise to 0.25% and no less than six more hikes to 1.75% by year end.
- 1Q22 CPI was +2.1% QoQ, higher than 4Q21 (+1.3% QoQ), as petrol, home building and food costs climbed.

### China

- MSCI China Index returned -4.12% in April (in USD terms, net dividends excluded).
- Only Communication Services delivered positive returns, Information Technology and Healthcare were major laggards.
- Lockdowns in Shanghai incurred significant consequences on economic activities. Amid subsequent growth concerns, various economists slashed their China growth forecasts for the year.
- The Reserve Requirement Ratio (RRR) was trimmed

by 25 bps during the month, yet the magnitude of the cut and lack of change to the Loan Prime Rates disappointed investors.

- The recent Politburo meeting provided positive signals on infrastructure, property policies, SME support and development of the platform economy while maintaining the stance towards dynamic zero-COVID policy.
- We believe that as the downward drag of the zero-COVID policy on economic growth has become more evident, a broad easing is now warranted.

### Hong Kong

- MSCI Hong Kong Index suffered at -5.10% in April (in USD terms, net dividends excluded).
- Industrials and Financials sold off whereas Communication Services and Consumer Staples outperformed.
- Retail sales should improve after the relaxation of social distance measures in late April. In addition, Phase 1 Consumption Vouchers (HK\$5,000) should stimulate overall consumption.
- Unemployment rate hiked further to 5.0% in March. Labour force loss continued as the total labour force continued to decline 0.7% MoM.
- Headline CPI mildly grew 0.2% MoM in March, primarily driven by the spike in fresh vegetable prices on the supply-chain disruption between Hong Kong and Guangdong province.

# NEW DELHI • JAKARTA • TOKYO • SEOUL • KUALA LUMPUR

## India

- MSCI India Index was down 1.71% in April (in USD terms, net dividends excluded).
- Utilities, Energy and Consumer Staples were the top performing sectors while Information Technology, Real Estate and Financials were the worst.
- Mid-caps and small-caps outperformed large-caps.
- With the upward move seen in Indian equities from the early-March lows, valuations have again expanded leading to a contraction in expected returns.
- Earnings outlook looks uncertain in the immediate term. While commodities have cooled off from recent highs, they remain elevated versus pre-conflict levels and therefore may act as a headwind for corporate margins.
- Against this backdrop, investors should navigate the near term with caution and patience even as we stay positive on the fact that we are in an earnings expansion cycle led by a new capital expenditure cycle.

## Indonesia

- MSCI Indonesia Index rose 3.64% in April (in USD terms, net dividends excluded), outperforming all regional counterparts.
- The country benefits as a commodity exporter with the price of many commodities still increasing.
- Bank Indonesia kept its rates at their all-time low of 3.5%.
- The government is estimating GDP growth of 5.3-5.9% into 2023.
- In late April, Indonesia launched a ban on palm oil exports in a bid to lower domestic edible oil price. The decision poses a threat to global food prices and edible oil supply.
- During the month, Indonesian authorities have relaxed international borders for fully vaccinated travelers with a negative RT-PCR test 48 hours before departure.

## Japan

- MSCI Japan Index plummeted 8.81% in April (in USD terms, net dividends excluded).
- Japan remains the exception that continues to register mild consumer inflation amid rising global food and energy prices.
- In strong contrast to its peers, BoJ is staying unwaveringly dovish and disregarding the sharp movement in the yen. It has maintained its forward guidance and introduced daily fixed-rate purchases to defend its YCC in the April meeting.
- The inclusion of a new core inflation forecast in the outlook report suggests that BoJ expects underlying inflation to stay subdued throughout FY2022-23 and is not in a rush to change its YCC target.

- A mild deterioration in economic momentum leads us to remain vigilant on earnings. But strong corporate governance, stimulus support and productivity gains should be supportive for the markets.

## Korea

- Korea's KOSPI Index returned -2.27% in April (in local currency terms, net dividends excluded).
- Communication Services, Financials and Information Technology hurt the performance whereas Consumer Staples outperformed.
- Equity market sentiment was largely driven by global macro headwinds, namely lockdowns in China, ongoing geopolitical tension in Europe and the Fed's increasing hawkishness.
- While export-oriented companies reported results which were stronger than expected, earnings misses by Internet companies weighed negatively on markets.
- The Bank of Korea hiked rates by 25 bps during the month.
- 1Q22 real GDP growth moderated to 3% QoQ, down from 5.0% QoQ in 4Q21 due to the impact of COVID-19 on services and consumption.

## Malaysia

- FTSE Bursa Malaysia Index was up 0.82% in April (in local currency terms, net dividends excluded), largely driven by the Plantations and Materials sector which benefits from the strong commodity prices.
- The World Bank revised its Malaysia GDP forecast expansion to 5.5% from 5.8% previously, citing that the geopolitical conflict in Europe may pose a risk to its growth.
- With the growth in all sub-sectors, particularly in Motor Vehicles and Wholesale Trade, Malaysia's wholesale and retail trade volume rose 8.5% YoY.
- The new minimum wage of RM1,500 which will take effect on May 1 was officially gazette on April 27th.

## New Zealand

- New Zealand SE 50 Index fell 1.87% in April (in local currency terms, net dividends excluded).
- NZD depreciated in April against USD (-6.89%) as USD index went up (+4.73%).
- 1Q22 CPI was +1.8% QoQ, which is higher than 4Q21 (+1.4% QoQ). Inflation pressures were broad based with domestic price pressures continuing to intensify.
- As a result, RBNZ raised Official Cash Rate (OCR) 50bps to 1.5% to cool down and engineer a soft landing for the overheated economy. RBNZ also expected further increases in the OCR.

## The Philippines

- MSCI Philippines Index was down 8.03% in April (in USD terms, net dividends excluded).
- The decline was largely dragged by Consumer Staples, Utilities and Industrials.
- The weak market sentiment over worsening Russia-Ukraine conflict, looming US recession and China supply chain crunch piled over inflation and PHP woes onshore.
- During the month, the government relaxed its borders for foreign tourists from visa-free countries and removed the need to perform a COVID-19 test upon arrival.
- The Philippines economy's recovery theme remains in place.

## Singapore

- MSCI Singapore Index detracted 8.10% in April (in USD terms, net dividends excluded).
- Core CPI in March gained 2.9% YoY, which was above consensus estimates of 2.4% YoY.
- The Monetary Authority of Singapore tightened monetary policy stance via an upward re-centering of the mid-point of the NEER to the prevailing level.
- The MAS also revised core inflation to be 2.5-3.5% from 2.0-3.0% for 2022.
- The government continued to loosen restrictions by scrapping pre-departure COVID-19 test for incoming fully vaccinated travelers.
- The reopening theme is still on track for Singapore.

## Taiwan

- MSCI Taiwan Index nosedived 9.83% in April (in USD terms, net dividends excluded).
- Underperformance was mainly driven by Information Technology.
- Equities suffered a sharp sell-off due to a potential slowdown in Tech demand amid lockdowns in China.
- 1Q22 Tech earnings came in above expectations yet concerns over the cyclical downturn in semiconductors continued to weigh down market sentiment.
- GDP growth was solid in 1Q22, rising 3.1% YoY whereas industrial production lost momentum in March.
- CPI inflation surged 3.3% YoY, exhibiting broad price gains.

## Thailand

- MSCI Thailand Index returned -5.02% in April (in USD terms, net dividends excluded).
- Headline and core inflation hiked 5.7% YoY and 2.0% YoY respectively, higher than consensus estimates of 5.6% and 1.8%.
- Similar to its neighbouring peers, foreign travelers need not to perform pre-departure COVID-19 tests since April.
- Suvarnabhumi Airport has seen a sharp rise in the number of international arrivals, therefore we believe Thailand is now on track for recovery.

Index (as of end April 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	-0.83%	6.28%	5.95%	-0.70%	-6.15%	7.20%	-2.52%	-2.94%
CSI 300	-4.89%	-12.00%	-21.61%	-18.71%	-8.41%	-14.96%	-22.99%	-21.34%
Hang Seng China Enterprises	-3.02%	-12.59%	-32.58%	-11.38%	-3.20%	-13.13%	-33.26%	-11.95%
Hang Seng Index	-4.13%	-11.40%	-26.58%	-9.87%	-4.31%	-11.95%	-27.32%	-10.44%
India National	-0.84%	-0.25%	18.48%	-0.29%	-1.71%	-2.62%	14.80%	-3.04%
Jakarta Composite	2.23%	9.01%	20.57%	9.84%	1.28%	8.15%	20.14%	7.98%
Nikkei 225	-3.50%	-0.57%	-6.82%	-6.75%	-9.60%	-11.57%	-21.39%	-17.12%
Korea Composite	-2.27%	1.19%	-14.38%	-9.49%	-5.69%	-2.88%	-24.18%	-14.34%
FTSE Bursa Malaysia KLCI	0.82%	5.83%	-0.08%	2.10%	-2.52%	1.84%	-5.89%	-2.24%
New Zealand SE 50	-1.87%	-0.88%	-9.06%	-9.59%	-8.43%	-2.05%	-17.73%	-14.29%
Philippine SE Composite	-6.56%	-8.56%	5.66%	-5.49%	-7.38%	-10.72%	-2.55%	-7.69%
FTSE Singapore Straits Times	-1.51%	3.30%	4.31%	7.47%	-3.38%	1.45%	0.31%	5.25%
Taiwan Weighted	-6.22%	-6.12%	-5.55%	-8.93%	-8.85%	-11.41%	-10.49%	-14.52%
Bangkok SET	-1.64%	1.13%	5.33%	0.59%	-4.51%	-1.69%	-4.25%	-1.89%
MSCI AC Asia ex Japan	-3.61%	-7.78%	-19.05%	-10.30%	-5.23%	-10.22%	-22.38%	-13.02%
MSCI AC Pacific ex Japan	-3.38%	-6.10%	-19.16%	-9.42%	-5.87%	-8.14%	-23.15%	-12.15%
Dow Jones Industrial	-4.91%	-6.13%	-2.65%	-9.25%	-4.91%	-6.13%	-2.65%	-9.25%
S&P Composite	-8.80%	-8.50%	-1.18%	-13.31%	-8.80%	-8.50%	-1.18%	-13.31%
FTSE 100	0.38%	1.07%	8.25%	2.17%	5.27%	8.01%	19.37%	10.22%
CAC 40	-1.89%	-6.65%	4.22%	-8.66%	-6.98%	-12.15%	-8.67%	-15.26%
DAX 30	-2.20%	-8.88%	-6.86%	-11.25%	-8.05%	-14.96%	-19.06%	-18.36%
MSCI Europe	-1.23%	-4.06%	2.16%	-7.09%	-6.21%	-9.46%	-8.85%	-13.65%
MSCI World	-7.02%	-6.99%	-1.51%	-11.63%	-8.43%	-8.61%	-4.87%	-13.49%

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