

## Market Review

Global equity markets rose in December despite the surging number of Omicron cases globally. Fears over Omicron abated towards the end of the month as investors took note of how the new variant turns out to be milder than previous ones and found the negative impact on mobility more manageable.

At its December FOMC meeting, the Fed doubled its pace of tapering to \$30 billion per month and removed the phrase 'transitory inflation' from its statement. The reaction from markets was muted, reflecting how the acceleration of bond purchase withdrawal was widely anticipated. Investors instead found themselves confronting the uncertainty surrounding the pace and magnitude of US rate hikes.

Against this backdrop, MSCI Asia ex Japan Index was up 1.20% in December (in USD terms, net dividends excluded), underperforming the MSCI World Index which returned 4.19% (in USD terms, net dividends excluded).

## CANBERRA • BEIJING • HONG KONG

### Australia

- Australia All Ordinary Index was up 2.53% in December (in local currency terms, net dividends excluded).
- Utilities and Materials topped the table, yet the contribution was offset by the underperformance of Information Technology and Financials.
- Australian yield curve flattened a bit. While Australian 2-year yield went up from 0.35% to 0.37%, 10-year yield dropped by 5bps.
- AUD appreciated in December against USD (+1.92%) while USD index went flat (-0.03%).
- Australia's 3Q21 GDP was -1.9% QoQ, which was weaker than that of 2Q21 (+0.7% QoQ), as the Delta outbreak put half the population under lockdown.
- RBA left its cash rate at record lows (0.1%) so as to maintain highly supportive monetary conditions to achieve its objectives of full employment and inflation staying in line with the target.

### China

- MSCI China Index returned -3.17% in December (in USD terms, net dividends excluded).
- Outperformers were Utilities and Energy, while Healthcare and Consumer Discretionary continued to be major laggards.
- The PBOC cut RRR (Reserve Requirement Ratio) by 50bps. Likewise, the 1-year LPR (Loan Prime Rate) was lowered by 5bps to 3.80%.
- Economic stability will likely be reaffirmed as a top priority for the government in 2022. We expect the government to further step up and front-load its pro-growth efforts.
- Markets continued to monitor the ability of certain developers to service their debt obligations.

### Hong Kong

- MSCI Hong Kong Index went up 0.47% in December (in USD terms, net dividends excluded).
- Utilities and Real Estate were significant contributors while Consumer Discretionary and Industrials disappointed.
- Netting out the effects of the government's one-off relief measures, underlying CPI marginal increased to 1.2% YoY in November from 1.1% YoY in October. The increase was mainly due to the prices of energy-related items and fresh vegetables.
- The unemployment rate improved dropped 20bps to 4.1% in November, as the number of COVID-19 cases were relatively low and economic activities gradually recovered.
- COVID-19 cases increased to 213 in December, among which 2 locally transmitted cases were identified.
- The total number of vaccinations reached 9.54 million, with 4.66 million people fully vaccinated.

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

## India

- MSCI India Index rebounded, returning +3.67% in December (in USD terms, net dividends excluded).
- Information Technology, Materials and Industrials significantly contributed to the performance.
- In our view, we are in the early stages of an upcycle on both economic growth and corporate earnings. A combination of growth normalization and higher profits in proportion to GDP, which imply a robust trajectory for earnings, should help support markets even in the wake of some valuation de-rating.
- Looking ahead, we are positive of a pick-up in FY23 given the strength of corporate balance sheets, tailwinds from the corporate tax reduction, a low cost of borrowing, two years of earnings recovery and improving capacity utilization.
- Nevertheless, any virulent strain of COVID, sharp commodity-led inflation, and growth slowdown in China or global economy, are key risks to the positive outlook on growth.

## Indonesia

- MSCI Indonesia Index returned 1.10% in December (in USD terms, net dividends excluded).
- Industrials and Utilities dragged the performance.
- Towards the end of December, the number of new COVID-19 cases continued to trend lower to an average of 200 cases per day from 300 cases in November.
- Regarding the vaccine rollout, around 50% of the total population received a first dose and almost 30% were fully vaccinated.
- In the near term, high commodity prices will continue to boost Indonesia's domestic consumption, benefiting cyclical.

## Japan

- MSCI Japan Index was up 1.79% in December (in USD terms, net dividends excluded).
- December PMI, although weaker than expected, rounded off the best quarter since 4Q2018. Despite recent Omicron uncertainties, we continue to expect a rebound in private consumption in 4Q21 and 1Q22 to drive an overall economic recovery.
- Supply constraints continued to ease, leading to a sharp jump in auto exports in November.
- The country, which has been a laggard in the recovery so far and is trading at attractive relative valuations, should now benefit from an increased external demand in the view of better supply conditions, current fiscal stimulus and a weaker yen.
- In 2022, one-off factors (mobile phone charge reduction and rebasing) will wear off, laying the ground for consumer inflation to return to the positive territory.

## Korea

- Korea's KOSPI Index was up 4.88% in December (in local currency terms, net dividends excluded).
- Thanks to positive foreign inflows, Energy and Tech names became notable winners this month.
- The Bank of Korea released the MPC minutes for its November meeting in which the policy rate was raised by 25bps.
- Commitment to gradually normalize its policy stance was reaffirmed as the employment recovery continued, with the unemployment rate declining to 3.1% in November from 3.2% in October.
- Industrial production in November rebounded with a growth of 5.1% MoM from -3.0% MoM in October.
- Consumer inflation further elevated by 50bps YoY in November.

## Malaysia

- FTSE Bursa Malaysia Index returned +3.54% in December (in local currency terms, net dividends excluded).
- The positive return was primarily due to the strong Materials sector, despite the weakness in Healthcare.
- The World Bank revised their projections for the Malaysia's economy growth to 5.8% in 2022 from 3.3%, driven by strong private consumption on the back of high vaccination rates and export growth.
- Malaysia's trade surpassed the RM2 trillion mark for the first time during the period of January to November 2021, recording 24.6% YoY growth.
- Malaysia lifted a travel ban on 8 South African countries in early December. However, the Vaccinated Travel Lane between Malaysia and Singapore tickets was stalled for the time being due to Omicron-related concerns.

## New Zealand

- New Zealand SE 50 Index went up 2.21% in December (in local currency terms, net dividends excluded).
- NZD almost flat in December against USD (+0.04%) while USD index went down (-0.03%).
- New Zealand's 3Q21 GDP was -3.7% QoQ amid Delta variant outbreak. However, the number was already better than that of RBNZ estimates (-7% QoQ).
- Auckland, the largest city of New Zealand, was in lockdown for most of the third quarter. Retail, manufacturing, construction, and recreational activities were the most affected by lockdown measures.
- Despite the weak 3Q21 GDP figure, the market still expects RBNZ will increase rate in coming meetings to combat inflation.

# WELLINGTON • MANILA • SINGAPORE • TAIPEI • BANGKOK

## The Philippines

- MSCI Philippines Index dipped 2.25% in December (in USD terms, net dividends excluded).
- Amid concerns of the highly infectious Omicron variant, the government decided to put Metro Manila on a stricter Alert level 3 and prohibited unvaccinated individuals to go out unless for essential activities.
- As of end December, only 46% of total population have been fully vaccinated.
- In the recent election survey, Bongbong Marcos and VP tandem Sara Duterte-Capio led the polls with wide margins.
- In the near term, there will be concerns over the spread of new variants, but the recovery story of the Philippines remains in place.

## Singapore

- MSCI Singapore Index returned 0.05% in December (in USD terms, net dividends excluded).
- The performance was driven by Financials and dragged by Communication Services.
- During the month, the COVID-19 infection rate declined to less than 1k per day on average.
- In light of this, the government expanded its vaccination requirements to more activities, allowing staff to return to office in January at 50% capacity.
- Throughout 2021, the economy grew by 7.2%, rebounding from the 5.4% contraction in 2020, and was largely in line with the consensus of 7.0%.
- We believe the recovery theme for Singapore is still on track, with only some potential hiccups in the near term.

## Taiwan

- MSCI Taiwan Index was up 5.26% in December (in USD terms, net dividends excluded).
- Industrials, Consumer Discretionary and Financials outperformed the broader index while Healthcare and Real Estate lagged behind.
- Technology was also a key contributor to the performance as semiconductor names continued to drive higher.
- Over the month, the manufacturing PMI rose to 55.5 from 54.9 in November, driven by the output components and new orders rebounding after sequential decline in previous months.
- November's headline CPI picked up modestly to 2.8% YoY from 2.5% in October.

## Thailand

- MSCI Thailand Index leaped by 6.43% in December (in USD terms, net dividends excluded).
- During the month, Utilities and Communication Services recorded double digit growth.
- Regarding the Omicron variant, the government decided to suspend the entries of Thai and foreign arrivals under the "Test and Go" scheme and restored mandatory quarantines to keep the new variant at bay.
- Fresh stimulus packages have been approved, including a tax deduction for individual taxpayers of up to 30,000 Baht when purchasing goods or services.
- Under the 2023-26 fiscal policy framework, the economic growth has been estimated to be up to 4.2% in the medium-term.
- The Bank of Thailand reduced its foreign tourist arrival outlook for 2022 from 6 million to 5.6 million.



# ASIA PACIFIC MARKET MONTHLY COMMENTARY

DECEMBER 2021

Index (as of end December 2021)	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	2.53%	1.96%	13.56%	13.56%	5.13%	2.62%	6.99%	6.99%
CSI 300	2.24%	1.52%	-5.20%	-5.20%	2.21%	2.93%	-2.72%	-2.72%
Hang Seng China Enterprises	-1.58%	-5.62%	-23.30%	-23.30%	-1.58%	-5.76%	-23.72%	-23.72%
Hang Seng Index	-0.33%	-4.79%	-14.08%	-14.08%	-0.34%	-4.94%	-14.55%	-14.55%
India National	1.77%	-1.43%	25.00%	25.00%	2.89%	-1.57%	22.87%	22.87%
Jakarta Composite	0.73%	4.68%	10.08%	10.08%	1.22%	5.13%	8.51%	8.51%
Nikkei 225	3.49%	-2.24%	4.91%	4.91%	2.04%	-5.28%	-5.94%	-5.94%
Korea Composite	4.88%	-2.97%	3.63%	3.63%	4.81%	-3.36%	-5.31%	-5.31%
FTSE Bursa Malaysia KLCI	3.54%	1.93%	-3.67%	-3.67%	4.68%	2.47%	-7.09%	-7.09%
New Zealand SE 50	2.21%	-2.20%	-2.90%	-2.90%	3.10%	-2.94%	-7.66%	-7.66%
Philippine SE Composite	-1.09%	2.44%	-0.24%	-0.24%	-2.27%	2.48%	-6.05%	-6.05%
FTSE Singapore Straits Times	2.71%	1.20%	9.84%	9.84%	3.93%	1.86%	7.42%	7.42%
Taiwan Weighted	4.54%	7.58%	23.66%	23.66%	5.06%	8.33%	25.59%	25.59%
Bangkok SET	5.67%	3.23%	14.37%	14.37%	6.59%	4.56%	2.58%	2.58%
MSCI AC Asia ex Japan	0.88%	-1.61%	-4.73%	-4.73%	1.20%	-1.48%	-6.36%	-6.36%
MSCI AC Pacific ex Japan	0.90%	-1.41%	-5.62%	-5.62%	1.48%	-1.15%	-7.89%	-7.89%
Dow Jones Industrial	5.38%	7.37%	18.73%	18.73%	5.38%	7.37%	18.73%	18.73%
S&P Composite	4.36%	10.65%	26.89%	26.89%	4.36%	10.65%	26.89%	26.89%
FTSE 100	4.61%	4.21%	14.30%	14.30%	2.18%	3.74%	15.36%	15.36%
CAC 40	6.43%	9.71%	28.85%	28.85%	7.52%	7.65%	19.76%	19.76%
DAX 30	5.20%	4.09%	15.79%	15.79%	6.28%	2.14%	7.62%	7.62%
MSCI Europe	5.10%	6.19%	19.93%	19.93%	6.56%	5.35%	13.75%	13.75%
MSCI World	3.91%	7.83%	22.45%	22.45%	4.19%	7.49%	20.14%	20.14%

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