Asia Pacific Market Monthly Commentary

The Asia ex Japan region rallied on the back of a stellar Chinese market performance in June, with MSCI AC Asia ex JP index posting a strong performance of +6.06% (in USD terms, dividend excluded). Most countries ended up in strong positive performance, with the exception of India. Singapore and Thailand were the key performers, followed closely by China.

Index (end of June 2019)	Return (excl. dividend) in local currency				Return (excl. dividend) in USD			
	1 Month	3 Months	1 Year	YTD	1 Month	3 Months	1 Year	YTD
Australia All Ordinary	3.19%	6.99%	6.51%	17.34%	4.52%	5.69%	1.16%	16.96%
CSI 300	5.39%	-1.21%	8.96%	27.07%	5.93%	-3.34%	5.11%	27.02%
Hang Seng China Enterprises	4.76%	-4.37%	-1.73%	7.48%	5.14%	-3.92%	-1.31%	7.71%
Hang Seng Index	6.10%	-1.75%	-1.42%	10.43%	6.48%	-1.28%	-1.01%	10.67%
India National	-1.12%	0.85%	8.39%	6.71%	-0.17%	1.21%	7.59%	7.93%
Jakarta Composite	2.41%	-1.70%	9.65%	2.65%	3.46%	-0.92%	11.22%	4.48%
Nikkei 225	3.28%	0.33%	-4.61%	6.30%	4.08%	3.07%	-1.93%	8.25%
Korea Composite	4.35%	-0.47%	-8.40%	4.39%	7.63%	-2.15%	-11.59%	0.88%
KLSE Composite	1.29%	1.73%	-1.15%	-1.09%	2.69%	0.53%	-3.44%	-1.04%
New Zealand SE 50	3.44%	6.05%	13.44%	17.18%	6.58%	4.45%	12.54%	17.37%
Philippine SE Composite	0.37%	0.99%	11.20%	7.15%	2.19%	3.51%	15.83%	9.97%
FTSE Singapore Straits Times	6.54%	3.38%	1.62%	8.24%	8.50%	3.58%	2.39%	9.22%
Taiwan Weighted	2.21%	0.84%	-0.98%	10.32%	4.03%	0.07%	-2.80%	9.17%
Bangkok SET	6.80%	5.60%	8.45%	10.64%	10.21%	9.27%	17.15%	17.47%
MSCI AC Asia ex Japan	4.82%	-1.64%	-2.51%	9.55%	6.06%	-1.64%	-2.92%	9.39%
MSCI AC Pacific ex Japan	5.24%	-0.04%	-1.60%	11.29%	6.54%	-0.31%	-2.82%	10.98%
Dow Jones Industrial	7.19%	2.59%	9.59%	14.03%	7.19%	2.59%	9.59%	14.03%
S&P Composite	6.89%	3.79%	8.22%	17.35%	6.89%	3.79%	8.22%	17.35%
FTSE 100	3.69%	2.01%	-2.77%	10.37%	2.68%	4.44%	0.87%	10.45%
CAC 40	6.36%	3.52%	4.05%	17.09%	8.70%	4.99%	1.48%	16.64%
DAX 30	5.73%	7.57%	0.75%	17.42%	8.05%	9.10%	-1.73%	16.98%
MSCI Europe	4.44%	2.46%	1.13%	13.47%	6.54%	2.90%	-1.17%	13.20%
MSCI World	5.76%	2.97%	4.63%	15.34%	6.46%	3.35%	4.26%	15.63%

Amundi
ASSET MANAGEMENT
東方匯理 資產管理

June 2019

Hong Kong

Korea

The Korean equity market propelled in June, posting a +4.35% performance (KOSPI, in local currency terms, dividend excluded). The country outperformed the Asia ex Japan region. Overall, the market recovered from its low point in April and May. IT was the strongest performer, reacting positively to the confirmation of the meeting between Presidents Trump and Xi during the G-20 Summit in Japan.

Trade prices rose further in May on currency effects. The inflationary currency effect was a main driver, as the Korean Won depreciated sharply in trade-weighted terms in May. The currency effect was dominant across product details: while both technology and non-technology export prices rose in local currency terms, they fell in contract currency terms.

India

MSCI India index dropped 0.49% (in USD terms, dividend excluded), underperforming MSCI EM Asia index (up 5.76%, in USD terms, dividend excluded). Utilities & Industrials were the best performing sectors; while Energy & Healthcare underperformed. Midcaps and small caps underperformed large caps. Indian equities saw a small correction after hitting all-time highs in early June, as investor focus shifted from the Modi Government victory to upcoming events like the Union Budget and high-frequency economic growth indicators.

Going forward, Amundi look towards the easing of interest rate conditions. Interest-rate sensitive sectors should see gains in the equity market and we are biased towards the domestic cyclicals. While valuations are expensive, leaving limited room for re-rating, researcher expect earnings recovery to drive the equity market returns.

Taiwan

The Taiwanese equity market posted a positive absolute performance in June, with MSCI Taiwan index gaining 4.19%, but fell short against the Asia ex Japan region (in USD terms, dividend excluded). The Healthcare sector propelled the whole economy. Energy was the only sector in negative territory. The market reacted positively to the confirmation of the meeting between Presidents Trump and Xi during the G-20 Summit in Japan. Markets also gained some momentum on the expectation of a FED rate cut.

China

The Chinese equity market took a strong recovery in June, MSCI China index rose 7.25% (in USD terms, dividend excluded). On 29 June, after an impasse that lasted for nearly 2 months, US-China trade talks restarted after Presidents Trump and Xi held a meeting at the G-20 Summit in Osaka. Additional tariffs on US imports from China and retaliatory tariffs will be put on hold. This is a relief to the market temporarily and the market reacted positively after the announcement.

However, demand continued to soften amid trade headwinds, China's manufacturing PMI in June was flat comparing to May, but below market expectation. The drop in imports echoed the softness in domestic demand. Production weakened amid uncertain business outlooks. Continued broad-based PMI weakness increases the double-dip risk and calls for more policy support

Hong Kong

MSCI Hong Kong index went up 6.89% in June (in USD terms, dividend excluded). The best performing sectors were Financials and Consumer Discretionary, while the worst performing sectors were Utilities and Telecommunication. Hong Kong's headline and underlying CPI both increased. Prices on food and housing remain the key drivers. Prices on utilities, durable goods and clothing/footwear stayed sluggish and fell.

Indonesia

The Indonesian equity market posted a positive performance (+4.80%, MSCI Indonesia index, in USD terms, dividend excluded) but lagged against the regional Asia ex Japan region. Energy and the Telecommunication sectors were the two positive sectors in June, with Financials following closely. Consumer Staples was the only sector ending up in negative territory.

The narrowing oil and gas deficit and the weak non-oil and gas imports pushed the trade balance to a USD 0.2 billion. On the policy side, Bank Indonesia kept its policy rate on hold, but eased the reserve requirement effective 1 July.

Thailand

The Thai equity market performed strongly in June, with MSCI Thailand index rising 9.57% (in USD terms, dividend excluded). The strong rally in equities was driven by the reduction of political risk sentiment, with the news that the new government would be ready by mid-July, policy support optimism and light investor positioning.

The strongest sectors in June were Telecommunication and Utilities, while Financials and Materials lagged the index. The Thai Baht appreciated against the USD, driven by the improvement in risk appetite along with the currency's relative "safe haven" status, given large FX reserves and a high current account surplus. The Marginal Propensity to Consume (MPC) sees the economy expanding at a slower pace, but with inflation in light with the forecast, overall financial conditions remain conducive to economic growth.

Singapore

The Singapore equity market rebounded 10.29% in June (MSCI Singapore index, in USD terms, dividend excluded), and was the best performing index in the region, on hopes of a truce between US and China when they meet in the G-20 Summit as well as dovish comments made by Federal Open Market Committee officials.

Real Estate rose over the month on positive news of stabilizing prices and better than expected take up in new launches as Urban Redevelopment Authority index (URA) indicated private home prices rose in the 2Q19. Consumer Discretionary underperformed despite a rise as auto sales remained lacklustre.

The Philippines

The Philippines equity market has relatively underperformed across the Asia ex Japan region despite its positive performance, ending with +2.09% (MSCI Philippines index, in USD terms, dividend excluded). Industrials was the only significant contributor to the performance, while Consumer Discretionary and Real Estate dragged the country lower.

On the economic side, the current account deficit narrowed to 1.5% of GDP. With inflation around the midpoint of Bangko Sentral's 2-4% target and rising foreign reserves, by USD 5.8 billion in the first five months, to USD 85 billion in May, the central bank may be considering another interest rate cut.

Malaysia

The FTSE Bursa Malaysia index grew 1.29% (in local currency terms, dividend excluded). The index remained lackluster during the first half of the month as worries of a slowdown in global growth persisted and trade tensions between US and China showed no signs of improvement.

However the market turned bullish during the second half as plans of a meeting between Presidents Trump and Xi at the G-20 Summit provided optimism over improvements in trade relations. This was further boosted by increased expectations of a rate cut by the Fed in July.

On the macro front, June saw little improvement in local conditions. Industry bank loan applications further weakened for the 6th consecutive months while inflation remained benign.

New Zealand

The New Zealand SE 50 Index went up in June (+3.44%, in local currency terms, dividend excluded). NZD depreciated in June against USD as USD index went down and in line with GDP number.

Construction was the main contributor to the GDP growth of New Zealand in 1Q19. However, strong growth in the construction was tempered by subduing results in the service industries, which represents about 66% of the economy. The service industries experienced their lowest quarterly growth since 3Q12.

Japan

In June, Tokyo stocks recouped about half of losses made in May ,with MSCI Japan index shooting up 3.61% (in USD terms, dividend excluded). The market lost ground from the outset on fear that the US would impose tariffs on all products from Mexico.

Increasing speculation of the Fed’s rate cuts lift equity prices thereafter. The Ministry of Finance (MOF) corporate survey revealed sanguine 1Q19 capital formation which led to an upward revision in GDP for the 1Q19. Machinery orders rose in May, for the third consecutive months, suggesting that capital expenditure will be steady in the coming few quarters. The market extended gains as investors were encouraged by the news that Presidents Trump and Xi decided to meet in Osaka at the end of June. However, equity market gave up some of its strength toward month-end since escalating anticipation of the US monetary easing triggered the appreciation of the Yen.

Australia

The Australia All Ordinary index rose 3.19% (in local currency terms, dividend excluded) in June with 10 out of 11 Global Industry Classification Standard sectors (GICS) finishing in the green except Consumer Discretionary, Materials led in June, with the Mining sub-sector particularly strong.

As expected, Reserve Bank of Australia (RBA) cut the cash rate to historic low in June. RBA stated that the rate cut was to support employment growth and provide greater confidence that inflation will be consistent with the medium-term target.

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