Confidence must be earned

Amundi ASSET MANAGEMENT

ASIA PACIFIC MARKET MONTHLY COMMENTARY

June 2021

Market Review

Global markets performed well in June as vaccination programmes went well in the US and UK, even though the number of COVID-19 cases in UK rebounded from around 2000 cases/day in May to close to 15000 cases/day in June. The number of cases is also rebounding in South East Asia. Concerns were raised over the so-called 'delta' variant worldwide as vaccines may be less effective toward this variant. Against this backdrop, MSCI Asia ex Japan Index was down 0.41% in June (in USD terms, net dividends excluded), underperforming the MSCI World Index which gained 1.40% during the month (in USD terms, net dividends excluded).

CANBERRA • BEIJING • HONG KONG

Australia

- Australia All Ordinary Index was up 2.41% in June (in local currency terms, net dividends excluded).
- Outperformance from Information Technology and Communication Services.
- Underperformance from Financials and Materials.
- During the month, the Australian yield curve flattened, with the 2-year yield flat at 0.07% while the 10-year bond yield went down to 1.51%.
- The Australian Dollar (AUD) depreciated in June against the US Dollar (USD) as USD index went up.
- The Reserve Bank of Australia (RBA) repeated it will not raise interest rates until inflation was "sustainably" within its 2-3% target band. Under its central scenario, underlying inflation is seen below the mid-point of that range through to mid-2023.
- The unemployment rate decreased from 5.5% in April to 5.1% in May as total employment increased in May and participant rates increased from 66.0% to 66.2%.

China

- MSCI China Index was down 0.35% in June (in USD terms, net dividends excluded).
- Macro data surprised on the downside on weaker-than-expected consumption growth and faster-than-expected policy tapering, with manufacturing Purchasing Managers' Index (PMI) declining in June.
- Nominal retail sales growth eased to 12.4% yoy in May from 17.7% in April.
- Exports moderated to 27.9% yoy in May from 32.3% in April, slightly below expectations.
- Industrial production growth eased further to 8.8% yoy in May from 9.8% in April.
- Headline CPI inflation picked up to 1.3% yoy in May from 0.9% in April primarily on a weak base effect.
- Looking ahead, consumption still appears to be a major theme throughout this year but the road remains bumpy ahead, especially on the services sector amid COVID risks.
- Policy adjustment and slower deleveraging is expected ahead, which awaits to be confirmed at the end-July Politburo meeting.

Hong Kong

- MSCI Hong Kong Index was down 2.08% in June (in USD terms, net dividends excluded).
- Outperformance from Telecommunication Services and Real Estate.
- Underperformance from Financials and Utilities.
- Headline CPI rose 1% yoy in May.
- Housing inflation fell 0.2% mom on sequential contraction for four consecutive months.
- Hong Kong's labour market recovered further, with the unemployment rate down to 6% in May.
- Employment across major labour-intensive sectors posted positive yoy growth for the first time since 2019.
- In particular, employment in the transport and storage sector increased by 0.5% yoy, while the retail sector's employment also grew by 0.1% yoy.

India

- MSCI India Index was down 0.81% in June (in USD terms, net dividends excluded).
- Outperformance from IT, Consumer Staples and Health Care.
- Underperformance from Utilities, Real Estate and Energy.
- Economic activity saw improvement in the month of June after witnessing sharp moderation in May, aided by a meaningful decline in COVID-19 cases and easing of lockdown restrictions by states.
- Taking into account the impact of COVID-19 on economic activity, the central bank revised down the growth expectations for FY22 to 9.5% (vs. 10.5% in the previous policy).
- Going ahead, resumption of activities with easing of lockdown restrictions in June and July should uplift the demand/production in the economy.
- However, the most important near-term risk comes from an elevated reading on India's proprietary equity sentiment index which suggests overheated sentiments may limit upsides in the short term.
- Also, the bigger theme continues to be bottom-up stock picking as the deflationary forces of the past decade wane.

Indonesia

- MSCI Indonesia Index was down 6.65% in June (in USD terms, net dividends excluded).
- The reacceleration of new COVID cases along with negative revisions provided headwinds to performance.
- The trade balance registered a surplus of USD3.0 billion in May from USD2.4 billion in April.
- The export strength is evident across both commodities (crude palm oil and coal) and also basic manufactured goods (iron and steel).
- Inflation came in at 1.3% yoy in June, down from 1.7% in May, primarily driven by lower food and transportation costs.
- The latest COVID wave is expected to cool down the positive momentum as the new mildly tighter restrictions will affect domestic demand the longer they are kept in place.
- On policies, domestic factors are still supportive for a dovish stance by the Central Bank as credit is weak and inflation, while increasing, should not threaten the inflation target range.

Japan

- MSCI Japan Index was down 0.38% in June (in USD terms, net dividends excluded).
- After the Q1 GDP miss and low local vaccination rates, Japan is expected to grow at a relatively slower pace than other developed markets in 2021.
- Meanwhile, Japan will continue to benefit from resilient external demand, in particular machinery orders from China and capital goods orders from the US.
- Inflation is expected to stay depressed, due to a soft recovery in domestic demand.
- During the month, Bank of Japan left major policies unchanged, and extended corporate financing support by another six months. The support includes the special financing program in response to COVID-19 worth JPY68.6 trillion, and up to JPY20 trillion in purchases of commercial paper and corporate bonds.

Korea

- Korea's KOSPI Index was up 2.90% in June (in local currency terms, net dividends excluded).
- Outperformance from Communications Services, Energy and Consumer Discretionary.
- Underperformance from Utilities and Financials.
- June export data was stronger than expected, rising 39.7% yoy with broad-based gains across products.
- Imports rose 40.7% yoy, also well above expectations.
- Producer Price Index (PPI) rose 0.6% mom in May and has risen steadily since last November, taking it to 6.4% yoy in May.
- Meanwhile, Korea's inflation moderated to 2.4% yoy in June from 2.6% in May. This moderation was primarily driven by a higher base last year as the sequential increase in CPI was sustained at 0.1% mom, led by increasing private services prices.
- Bank of Korea also indicated that its stance has tilted more hawkish, with the outlook on GDP growth and inflation being materially upgraded and the risk bias remaining positive; while concern over financial imbalances has increased as a result of low policy rates.

Malaysia

- FTSE Bursa Malaysia Index was down 3.22% in June (in local currency terms, net dividends excluded) as market sentiment was dented by rising COVID-19 cases.
- Outperformance from Financials.
- Underperformance from Health Care.
- During the month, Malaysia experienced the largest monthly outflow for 2021 as foreign investors sold RM1.2 billion worth of Malaysian equities.
- The Malaysian Ringgit (MYR) weakened further as the USD/MYR index rose 0.6% mom.
- The King decreed that Parliament should reconvene before 1 Aug 2021 and that the government must act firmly to accelerate the COVID-19 vaccination process.
- However, this could potentially lead to greater political uncertainty and disrupt implementation of key economic measures.

New Zealand

- New Zealand SE 50 Index was up 2.40% in June (in local currency terms, net dividends excluded).
- The New Zealand Dollar (NZD) depreciated in June against the USD as the USD index went up.
- 1Q GDP was up 2.4% yoy, which strongly rebound from 4Q.
- Growth was largely driven by a surging housing sector amid historically low interest rates and cheap mortgages, although worries about housing affordability have led the government and the Reserve Bank of New Zealand (RBNZ) to introduce measures to try to cool the market.
- The Finance Minister also stated that the confidence in the recovery has led to a boost in retail spending, dining out and holiday accommodation, offsetting the loss of overseas tourism.
- However, it is clear that there are still uncertainties, as New Zealand's vaccine rollout has been slower than other nations and the country's borders are expected to remain closed until 2022.

The Philippines

- MSCI Philippines Index was up 1.99% in June (in USD terms, net dividends excluded).
- Exports increased by 72.1% yoy in April vs. 33.3% in March, reaching USD5.7 billion from USD 3.3 billion in the same month last year.
- Headline inflation fell to 4.1% yoy in June from 4.5% in May, slightly above the target band of 2-4%.
- During the month, Bangko Sentral ng Pilipinas (BSP) left the benchmark policy rate unchanged at 2.0%, citing that "the expected path of inflation and downside risks to domestic economic growth warrant keeping monetary policy settings unchanged".
- While the central bank noted that target fiscal measures and vaccination rollout would be supportive for economic recovery, it highlighted that risks around the growth outlook remain tilted to the downside.
- Going forward, BSP affirmed that it would support the economy "for as long as necessary to ensure its strong and sustainable recovery".

Singapore

- MSCI Singapore Index was down 2.57% in June (in USD terms, net dividends excluded).
- Singapore's economy has not yet fully recovered from the pandemic, mainly due to the weak private consumption growth, which has stalled since H2 2020.
- On the contrary, exports and industrial production remained resilient, with non-oil domestic exports in particular, rising at a faster pace of 8.8% yoy in May compared to 6.0% in April.
- Headline CPI inflation picked up to 2.4% yoy in May from 2.1% in April, but likely hit the ceiling as base effects ease.
- The Monetary Authority of Singapore's (MAS) measure of core CPI inflation, which excludes private road transport and accommodation, climbed further to 0.8% yoy in May from 0.6% in April.
- MAS maintained a cautious outlook on global travel and tourism, suggesting it is unlikely to tighten the FX policy this year.

Taiwan

- MSCI Taiwan Index was up 0.41% in June (in USD terms, net dividends excluded).
- Outperformance from Industrials and Consumer Discretionary.
- Underperformance from Technology, Consumer Staples and Financials.
- 1Q21 GDP was revised up to 8.9% yoy compared to 8.2% in the advanced 1Q GDP report.
- On trade, Taiwan's exports remained strong in May, rising 38.6% yoy, despite the recent local resurgence of COVID-19 cases.
- Meanwhile, imports rose to 40.9% yoy in May from 26.4% in April.
- Headline inflation came in at 2.5% yoy in May, the highest in more than eight years.
- Taiwan's manufacturing PMI fell notably by 4.4 points to 57.6 in June, the lowest reading in seven months, likely reflecting the near-term virus impact.

Thailand

- MSCI Thailand Index went down 3.36% in June (in USD terms, net dividends excluded).
- During the month, the Thai Baht was one of the worst performing currencies among Asia ex Japan markets.
- May export growth accelerated to 41.6% yoy, thanks to the base effect and global recovery.
- May trade balance printed a surplus of USD 3.4 billion compared to a USD 2.4 billion surplus in April, mostly due to contributions from automobiles and electronics.
- Consumer confidence and capacity utilization were still reported weak in May.
- Bank of Thailand kept the policy rate unchanged at 0.50%, in line with expectations.
- The Monetary Policy Committee cut its real GDP growth forecast for 2021 to 1.8% from an earlier projection of 3% citing lower foreign tourist arrival estimates.

ASIA PACIFIC MARKET MONTHLY COMMENTARY

June 2021

Index (as of end June 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	2.41%	8.09%	26.39%	10.72%	-0.68%	6.55%	37.82%	7.72%
CSI 300	-2.02%	3.48%	25.46%	0.24%	-3.55%	4.98%	37.35%	1.46%
Hang Seng China Enterprises	-2.07%	-2.81%	9.27%	-0.70%	-2.13%	-2.71%	9.05%	-0.85%
Hang Seng Index	-1.11%	1.58%	18.02%	5.86%	-1.17%	1.70%	17.78%	5.70%
India National	1.18%	7.71%	53.78%	13.54%	-1.14%	5.95%	56.21%	11.61%
Jakarta Composite	0.64%	0.00%	22.02%	0.11%	-0.89%	0.17%	20.21%	-3.00%
Nikkei 225	-0.24%	-1.33%	29.18%	4.91%	-1.67%	-1.76%	25.56%	-2.41%
Korea Composite	2.90%	7.68%	56.36%	14.73%	1.52%	8.22%	67.01%	10.67%
FTSE Bursa Malaysia KLCI	-3.22%	-2.60%	2.11%	-5.81%	-3.75%	-2.74%	5.31%	-8.88%
New Zealand SE 50	2.40%	0.31%	7.99%	-4.46%	-1.72%	0.08%	17.21%	-7.28%
Philippine SE Composite	4.12%	7.12%	11.18%	-3.33%	1.74%	6.51%	13.48%	-4.90%
FTSE Singapore Straits Times	-1.07%	-1.10%	20.87%	10.08%	-2.79%	-1.18%	25.47%	8.20%
Taiwan Weighted	4.03%	8.06%	52.78%	20.52%	3.06%	10.66%	61.79%	21.54%
Bangkok SET	-0.36%	0.04%	18.58%	9.55%	-2.90%	-2.46%	14.35%	2.41%
MSCI AC Asia ex Japan	0.44%	2.68%	33.98%	6.51%	-0.41%	3.02%	37.12%	5.54%
MSCI AC Pacific ex Japan	0.52%	2.84%	30.47%	6.45%	-0.53%	3.09%	34.94%	5.23%
Dow Jones Industrial	-0.08%	4.61%	33.66%	12.73%	-0.08%	4.61%	33.66%	12.73%
S&P Composite	2.22%	8.17%	38.62%	14.41%	2.22%	8.17%	38.62%	14.41%
FTSE 100	0.21%	4.82%	14.06%	8.93%	3.12%	4.69%	2.02%	7.79%
CAC 40	0.94%	7.26%	31.84%	17.23%	-2.09%	8.23%	39.21%	13.62%
DAX 30	0.71%	3.48%	26.16%	13.21%	-2.31%	4.42%	33.20%	9.73%
MSCI Europe	1.47%	5.42%	23.81%	12.77%	-1.49%	6.37%	32.11%	10.11%
MSCI World	2.25%	7.15%	34.91%	13.29%	1.40%	7.31%	37.04%	12.16%

Important Notice and Disclaimers