

## Market Review

Global markets experienced the most volatile month in years, with sell-offs seen across asset classes and volatility levels at historical highs as indicated by the Chicago Board Options Exchange's Volatility (VIX) indicator. Markets remained under severe pressure from the spread of the coronavirus globally as investors began to price in the impact of lock-downs across several major economies on global growth. The dramatic sell-off in oil prices due to production disagreements between OPEC and Russia created further headwinds. MSCI World Index lost -13.47% (in USD terms, net dividends excluded) against this backdrop. Meanwhile, MSCI Asia ex Japan Index outperformed this and fell -12.24% (in USD terms, net dividend excluded), supported by the relative resilience of Chinese equity markets.

## CANBERRA • BEIJING • HONG KONG

### Australia

- The Australia All Ordinary Index dropped -21.51% (in local currency terms, net dividends excluded) in March.
- Outperformance from Consumer Staples and Healthcare.
- Underperformance from Energy and Real Estate Investment Trusts (REITs).
- Australian yield curve shift steepened, with 2-year and 10-year bond yields down to 0.25% and 0.81% respectively.
- Australian Dollar (AUD) depreciated against the US Dollar (USD) as the USD index went up.
- A surprise decline in the price of domestic goods and services also helped, but signalled that underlying growth remains weak.
- The Reserve Bank of Australia (RBA) cut the cash rate twice within the month to 0.25%.
- RBA stated that it will target to lower the yield of 3-year Government bonds to approximately 0.25% through purchases of bonds in the secondary market.

### China

- China was the most resilient equity market in Asia in March, losing -6.60% (MSCI China Index, in USD terms, net dividends excluded).
- Outperformance from Consumer Staples, Communication Services and Financials.
- Underperformance from Information Technology, Energy and Materials.

- The People's Bank of China announced quantitative measures equivalent to circa RMB 3.5 trillion, mostly targeted at SMEs and small banks as well as a cut in the 7-day reverse repo rate by 20bps, following a 10bp reduction in February
- Manufacturing Purchasing Manager's Index (PMI) rebounded sharply from 40.3 in February to 50.1 in March, given the resumption of manufacturing operations
- Consumer Price Index (CPI) came in at 5.2% in February compared to 5.4% in January whilst Producer Price Index (PPI) contracted by 0.4% in February

### Hong Kong

- MSCI Hong Kong Index went down -12.71% in March (in USD terms, net dividends excluded).
- Outperformance from Telecommunication Services and Financials.
- Underperformance from Consumer Discretionary and Information Technology.
- The government announced additional measures to curb the local spread of COVID-19, which include entry restrictions for foreign travelers and banning of public gatherings of more than four people for two weeks starting 29 March.
- Retail sales volume contracted 46.7% in February, marking the sharpest drop on record.
- Headline CPI rose 2.2%, compared to 1.4% in January, higher than market expectations.
- Underlying CPI rose 2.5% in February, lower than 3.7% in January, mainly due to decreases in charges for package tours and smaller increases in the costs for meals bought away from home.

## India

- MSCI India Index lost -25.43% in March (in USD terms, net dividends excluded).
- Outperformance from Consumer Staples.
- Underperformance from Financials and Real Estate.
- Rising cases of COVID-19 across Indian states prompted the central government to take an unprecedented step of ordering a nationwide lockdown for 21 days starting 25 March.
- The Reserve Bank of India (RBI) cut its policy repo rate to 4.4% to help mitigate the negative impact of COVID-19, revive economic growth, and ensure liquidity and financial stability.
- Uncertainty around the spread of the coronavirus continues to cloud GDP and Industrial Production forecasts.
- Exports expanded by 2.9% in February vs. a contraction of 1.7% in January, whilst February imports expanded by 2.5% vs. a contraction of 0.7% in January.

## Indonesia

- The Indonesian equity market was the worst performing market in Asia, losing -29.42% (MSCI Indonesia Index, in USD terms, net dividends excluded) amidst negative investor sentiment.
- Outperformance from Communication Services and Consumer Staples.
- Underperformance from Financials.
- Manufacturing PMI rose from 49.3 in January to 51.9 in February, indicating the first improvement of business conditions since June 2019.
- In addition to a State of Emergency, the Indonesian government announced a strong COVID-19 stimulus package of IDR 405.1 trillion and raised its 2020 fiscal deficit target to 5.1% of GDP after President Jokowi waived the regulatory 3% of GDP cap on the fiscal deficit.
- The fiscal package will support healthcare and social protection, tax credits for corporates and credit restructuring/financing for SMEs.

## Japan

- Tokyo stocks posted a negative return of -8.08% in March (MSCI Japan Index, in USD terms, net dividends excluded).
- As most Japanese companies are exporters, corporates could be vulnerable to a rising Japanese yen, given its safe haven status, amid the spreading risks of the coronavirus and if additional geopolitical risks emerge.

- By the end of March, the risk of the COVID-19 pandemic to the economy had moved to an endogenous one, with the number of cases escalating in Tokyo and other large cities.
- Despite having postponed the Tokyo Olympics, Prime Minister Abe is not yet to the point of taking the decision to implement stricter lockdown measures.
- The Japanese economy is expected to fall into a profound recession as most economies go through a double shock of collapses in both internal and external demand.

## Korea

- The Korean equity market lost -11.69% in March (KOSPI, in local currency terms, net dividends excluded).
- Outperformance from Healthcare, Communication Services and Consumer Staples.
- Underperformance from Consumer Discretionary, Energy and Industrials.
- In order to stabilize financial markets and shore up liquidity in the market, the Bank of Korea (BoK) cut its benchmark rate to a record low of 0.75%.
- The government also announced an unprecedented emergency fiscal package of KRW 100 trillion to support SMEs and the sectors/individuals worst affected by the virus.
- The package also includes a bond market stabilization fund worth KRW 20 trillion to purchase corporate bonds, commercial paper issued by blue-chip companies and financial bonds.

## Malaysia

- The FTSE Bursa Malaysia Index posted the biggest monthly decline in years, after falling by -8.89% (in local currency terms, net dividends excluded) in March.
- Multiple headwinds from COVID-19 and related supply-chain disruptions prompted MYR 5.5 billion of equities to be sold off by foreign investors, the largest monthly net equity outflow since 2014.
- During the month, the Malaysian Ringgit (MYR) also weakened, as the exchange rate increased to 4.3155 USD/MYR.
- Amidst the COVID-19 outbreak, Malaysia has been on a Movement Control Order since mid-March and this was subsequently extended to mid-April.
- The government also announced a second stimulus package amounting to MYR 250 billion on 27 March, while the central bank released an automatic 6-month loan moratorium for individuals and SMEs starting from April.

# WELLINGTON • MANILA • SINGAPORE • TAIPEI • BANGKOK

## New Zealand

- The New Zealand SE 50 Index went down -13.67% in March (in local currency, net dividends excluded).
- The New Zealand Dollar (NZD) depreciated in March against USD as the USD index went up.
- Outperformance from Real Estate, Transport and Retail sectors.
- Underperformance from Agricultural and Manufacturing sectors.
- The Reserve Bank of New Zealand (RBNZ) slashed interest rates to a record low of 0.25% in mid-March and pledged to keep it at this level for at least 12 months.
- COVID-19 is expected to have a severe impact on New Zealand's people and economy over the coming year.
- However, RBNZ is not yet at the point of contemplating negative interest rates and would instead consider using additional tools such as large scale asset purchases of New Zealand government bonds.

## The Philippines

- Philippines was one of the main laggards among Asian equity markets, losing -22.19% in March (MSCI Philippines Index, in USD terms, net dividends excluded).
- Outperformance from Communication Services and Utilities.
- Underperformance from Consumer Discretionary, Consumer Staples and Real Estate.
- Bangko Sentral ng Pilipinas (BSP) cut interest rates by 0.5% in March to 3.25% in order to support business activities amidst the COVID-19-driven economic slow-down.
- Consumer prices declined by 0.2% in February compared to 0.6% in January.
- Export growth expanded by 9.7% in January vs. 21.6% in December.
- The trade balance in January printed a deficit of USD 3.5 billion versus a deficit of USD 2.5 billion in December.
- Foreign exchange reserves stood at USD 87.6 billion in February compared to USD 87 billion for January.

## Singapore

- The Singapore equity market another of the worst performing markets in Asia losing -19.92% in March (MSCI Singapore Index, in USD terms, net dividends excluded).
- Outperformance from Communication Services and Real Estate.

- Underperformance from Industrials, Consumer Discretionary and Financials.
- Trade data indicated continued weakness; non-oil domestic exports contracted by 4.8% in February compared to an expansion of 4.5% in January.
- Amidst extreme market volatility, the Monetary Authority of Singapore (MAS) attempted to reassure investors by providing liquidity through its money market operations in March.

## Taiwan

- Taiwan's stock market lost -13.71% in March (MSCI Taiwan Index, in USD terms, net dividends excluded).
- Outperformance from Communication Services, Energy and Consumer Staples.
- Underperformance from Consumer Discretionary, Industrials and Financials.
- The Technology sector remained weak as a result of headwinds to the Apple supply chain given uncertainty around China's smartphone demand and slower 5G ramp-up.
- Despite the supply chain disruption, Taiwan's exports for January and February have proven quite resilient as February exports expanded 24.9% compared to a contraction of 7.5% in January.
- Imports increased 44.7% in February compared to a decline of 17.6% in January.
- Headline CPI inflation rate for February was -0.2%, lower than the 1.9% reported in January.

## Thailand

- Thailand's equity markets lost -17.84% in March (MSCI Thailand Index, in USD terms, net dividends excluded).
- Outperformance from Communication Services, Materials and Consumer Staples.
- Underperformance from Financials, Energy and Consumer Discretionary.
- The Bank of Thailand (BOT) revised down its domestic GDP forecast to a 5.3% contraction in 2020 from its previous forecast of an expansion of 2.8%.
- The rate cut was combined with measures to enhance market liquidity, expansion of the government bond purchase program following a purchase of THB 100 billion as well as a cancellation of bond issuance.
- BOT has also set up a special facility to provide liquidity for mutual funds through commercial banks.



# ASIA PACIFIC MARKET MONTHLY COMMENTARY

March 2020

Index (as of end March 2020)	Return (dividend excluded) in local currency				Return (dividend excluded) in USD			
	1 Month	3 Months	1Year	YTD	1 Month	3 Months	1Year	YTD
Australia All Ordinary	-21.51%	-24.87%	-18.38%	-24.87%	-25.49%	-34.59%	-29.68%	-34.59%
CSI 300	-6.44%	-10.02%	-4.81%	-10.02%	-7.80%	-11.63%	-9.81%	-11.63%
Hang Seng China Enterprises	-6.87%	-14.09%	-15.68%	-14.09%	-6.36%	-13.63%	-14.61%	-13.63%
Hang Seng Index	-9.67%	-16.27%	-18.75%	-16.27%	-9.18%	-15.83%	-17.71%	-15.83%
India National	-23.23%	-29.15%	-26.59%	-29.15%	-26.77%	-33.15%	-32.78%	-33.15%
Jakarta Composite	-16.76%	-27.95%	-29.83%	-27.95%	-26.77%	-38.67%	-38.74%	-38.67%
Nikkei 225	-10.53%	-20.04%	-10.79%	-20.04%	-10.60%	-19.50%	-8.54%	-19.50%
Korea Composite	-11.69%	-20.16%	-18.03%	-20.16%	-11.90%	-24.15%	-23.57%	-24.15%
FTSE Bursa Malaysia KLCI	-8.89%	-14.97%	-17.81%	-14.97%	-10.87%	-19.26%	-22.10%	-19.26%
New Zealand SE 50	-13.67%	-15.50%	-3.61%	-15.50%	-17.49%	-25.75%	-16.21%	-25.75%
Philippine SE Composite	-21.61%	-31.91%	-32.82%	-31.91%	-21.43%	-32.20%	-30.64%	-32.20%
FTSE Singapore Straits Times	-17.60%	-23.01%	-22.77%	-23.01%	-19.35%	-27.25%	-26.57%	-27.25%
Taiwan Weighted	-14.03%	-19.08%	-8.77%	-19.08%	-13.92%	-19.79%	-7.02%	-19.79%
Bangkok SET	-16.01%	-28.74%	-31.29%	-28.74%	-19.24%	-34.95%	-33.56%	-34.95%
MSCI AC Asia ex Japan	-11.58%	-16.87%	-14.09%	-16.87%	-12.24%	-18.60%	-15.56%	-18.60%
MSCI AC Pacific ex Japan	-12.26%	-16.97%	-13.22%	-16.97%	-13.24%	-20.09%	-16.15%	-20.09%
Dow Jones Industrial	-13.74%	-23.20%	-15.47%	-23.20%	-13.74%	-23.20%	-15.47%	-23.20%
S&P Composite	-12.51%	-20.00%	-8.81%	-20.00%	-12.51%	-20.00%	-8.81%	-20.00%
FTSE 100	-13.81%	-24.80%	-22.08%	-24.80%	-11.21%	-19.66%	-18.11%	-19.66%
CAC 40	-17.21%	-26.46%	-17.84%	-26.46%	-17.30%	-28.12%	-19.71%	-28.12%
DAX 30	-16.44%	-25.01%	-13.80%	-25.01%	-16.53%	-26.69%	-15.76%	-26.69%
MSCI Europe	-13.89%	-22.30%	-15.80%	-22.30%	-14.73%	-24.81%	-17.96%	-24.81%
MSCI World	-13.07%	-20.49%	-11.37%	-20.49%	-13.47%	-21.44%	-12.10%	-21.44%

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