

Market Review

Markets sold off in June as investors grappled with rate hikes and stagflation fears. Risk sentiments remained weak as central banks further tightened policy and concerns around a growth slowdown gathered steam.

In the US, the Federal Reserve hiked 75bps after CPI in May surprised to the upside. Following the rate hike, Powell remarked that a soft landing for the US economy would be increasingly difficult to achieve. Across Emerging Markets in Asia, inflation remained on an upward trajectory. Both Thailand and Singapore's headline CPI rose to their highest levels since 2008, adding pressure on the central banks to tighten policy. In June, most central banks took steps to normalize policy, the notable exceptions being China and Indonesia which both stayed on hold during the month.

Against this backdrop, MSCI Asia ex Japan Index dipped 5.07% over the month (in USD terms, net dividends excluded), outperforming the MSCI World Index which fell 7.76% (in USD terms, net dividends excluded). China and Hong Kong were the only equity markets which delivered positive returns in June. Underperformance was led by Korea and Taiwan.

CANBERRA • BEIJING • HONG KONG

Australia

- Australia All Ordinary Index slid 7.74% in June (in local currency terms, net dividends excluded).
- Consumer Staples was the only sector in the positive realm while Materials and Financials slumped the most.
- Australian yield curve steepened. 2-year yield was up from 2.73% to 2.99% and 10-year yield rose from 3.35% to 3.69%.
- AUD depreciated against USD (-3.79%) as USD index went up (2.88%).
- 1Q22 GDP mildly grew 0.8% with strong domestic demand.
- The RBA lifted the cash rate by 50bps to 0.85% during the month and flagged more tightening in the near term to contain inflation.

China

- MSCI China Index leaped 6.12% in June (in USD terms, net dividends excluded).
- In addition to its attractive valuation and unique policy cycle, the rally was supported by the reopening of Shanghai and relaxation of mobility restrictions across the country.
- Consumer Discretionary, Consumer Staples and Real Estate topped the table while Energy and Communication Services dragged the performance.
- With China's regulator granting licenses for new games, it has suggested an improving regulatory outlook for the Technology sector.
- Looking ahead, we expect this reopening trade momentum to sustain.

Hong Kong

- MSCI Hong Kong Index was up 1.19% in June (in USD terms, net dividends excluded).
- Consumer Discretionary and Financials delivered a stellar performance, while Industrials and Utilities underperformed.
- Headline CPI went flat at 0.0% in May. Despite elevated global oil and gas prices, electricity, gas and water prices in Hong Kong fell 3.1% MoM thanks to the government's one-off supportive measures (e.g. electricity subsidies).
- Retail sales in May returned -1.7% YoY as the impact of Consumption Voucher Scheme had faded.
- Unemployment rate fell 0.3% to 5.1% in May. Instead of a recovery in employment, the decline was driven by a larger labour force loss at -0.4% MoM.

NEW DELHI • JAKARTA • TOKYO • SEOUL • KUALA LUMPUR

India

- MSCI India Index languished 6.56% in June (in USD terms, net dividends excluded).
- Energy, Utilities and Communication Services were the best performing sectors, whereas Real Estate, Materials and Financials were the worst.
- Mid-caps and small-caps underperformed large-caps.
- Employment is heading above pre-COVID levels and household spending is increasing. Government spending is robust on a YoY basis and bank credit has picked up.
- Nevertheless, CPI inflation has also continued to stay above the central bank's target range. The RBI therefore hiked the repo rate by 50bps in June to 4.90%.
- Considering the current domestic and external backdrop, we believe front-loading rate hikes will be more likely than a long-drawn-out rate adjustment process.

Indonesia

- MSCI Indonesia Index plunged 9.11% in June (in USD terms, net dividends excluded).
- Only Consumer Staples stayed in the positive realm. The negative performance was primarily driven by Materials, Energy and Consumer Discretionary.
- Indonesia's trade balance narrowed to USD 2.8 billion, which fell below consensus expectations of USD 3.6 billion. The drop was mainly due to the decline in coal exports and the crude palm oil ban during April-May.
- Since inflation has been mitigated by the extension of fiscal subsidies, it reduces the urge for BI to raise rates.
- As a result, BI continued to keep its policy rate unchanged at 3.5% during the month.

Japan

- MSCI Japan Index dropped 7.50% in June (in USD terms, net dividends excluded).
- Inflation rates have been trending up in the country but remain comfortably low. Optimism on an economic reopening is triumphing over inflation concerns for now, driving the services PMI to multi-year high in May.
- BoJ stood firmly as a dovish outlier in June, resisting pressures from bond and FX markets to make a policy change. We expect no change to the YCC during Governor Kuroda's term.

- Looking ahead, we believe Japan's economic recovery will gain momentum from the rebound in private consumption. Its cycle is some distance away from maturing and is still playing a post-pandemic catch-up.

Korea

- Korea's KOSPI Index nosedived 11.46% in June (in local currency terms, net dividends excluded).
- All sectors recorded negative growth as expectations of a tech downturn cycle rose and semiconductor stocks fell.
- Communication Services, Financials and Information Technology were the worst performing sectors.

Malaysia

- FTSE Bursa Malaysia Index was down 7.56% in June (in local currency terms, net dividends excluded),
- Negative performance was seen across all sectors, Healthcare and Materials were two major laggards.
- PPI elevated from 11.0% to 11.2% YoY. Wholesale and retail trade surged 15.2% YoY.
- On the trade front, Malaysia's exports grew 10.5% to RM 120.5 billion while the trade balance remained at a surplus of RM 101.1 billion.
- CPI rose 50bps to 2.8% YoY, driven by food inflation and the increase in transportation costs from the spike in fuel prices.

New Zealand

- New Zealand SE 50 Index dipped 3.40% in June (in local currency terms, net dividends excluded).
- NZD depreciated against USD (-4.18%) as USD index went up (2.88%).
- 1Q22 GDP slightly dipped 0.2% QoQ as slump in exports swamped strong domestic spending. Exports of goods and services were down 6.2% and 24.8% QoQ respectively. The drop was partly due to the nationwide absenteeism amid the pandemic.
- However, household spending remained strong (+4.6% QoQ), showing that the overall economy was still sound.

The Philippines

- MSCI Philippines Index slumped 11.90% in June (in USD terms, net dividends excluded).
- The weak performance was driven by Financials, Telecommunications and Industrials.
- Fears over runaway inflation and its impact on economic output dampened market sentiments, together with the laggard monetary response by the central bank.
- The government revised again its 2022 GDP growth target to 6% from the previous range of 7-8%.
- On the macro side, inflation further accelerated to 5.4% YoY.

Singapore

- MSCI Singapore Index detracted 6.25% in June (in USD terms, net dividends excluded).
- Telecommunications was the worst performer during the month.
- Headline inflation rose 0.3% MoM. This was mainly attributable to food, retail and utility costs with underlying price pressures likely to persist as the economy opens up.
- The government announced that effective July 1st, the pre-departure COVID-19 test requirement for work permit holders would be phased out.

Taiwan

- MSCI Taiwan Index plunged 12.61% in June (in USD terms, net dividends excluded).
- Negative performance was driven by Information Technology and Industrials.

- Information Technology bore the brunt of a broad market sell-off, exacerbated by fabless vendors in the foundry industry cutting orders and firms increasingly toning down their outlook on consumer demand amid elevated inflation.
- Container shipping line names within Industrials sold off. Following a US investigation into freight costs, President Biden signed the Ocean Shipping Reforming Act (OSRA) to curb freight rates.
- During the month, Taiwan's central bank hiked rates by 12.5bps, less than consensus estimates of 25bps. It was likely due to concerns around the latest spike in COVID-19 cases and its impact on Taiwan's domestic sectors.

Thailand

- MSCI Thailand Index returned -6.78% in June (in USD terms, net dividends excluded).
- Industrial was the only sector in positive realm, Energy and Telecommunications detracted the performance.
- During the month, headline inflation surged 7.1% YoY due to a fuel price and tariff hike.
- Bank of Thailand estimated that GDP will expand 3.3% and 4.2% for 2022 and 2023 respectively with the assumption of a normalization in tourist flows and border reopening.
- As restrictions ease, the government is looking for total foreign visitors to exceed 10 million this year.

ASIA PACIFIC MARKET MONTHLY COMMENTARY

June 2022

Index (as of end June 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	-7.74%	-11.70%	-9.32%	-11.59%	-11.56%	-19.14%	-16.94%	-16.37%
CSI 300	8.06%	4.71%	-15.37%	-10.51%	7.41%	-0.83%	-18.34%	-14.83%
Hang Seng China Enterprises	3.75%	2.24%	-27.84%	-6.58%	3.73%	2.04%	-28.58%	-7.18%
Hang Seng Index	2.72%	0.00%	-23.70%	-5.99%	2.70%	-0.19%	-24.48%	-6.59%
India National	-4.94%	-9.43%	0.27%	-8.92%	-6.54%	-13.08%	-5.61%	-14.26%
Jakarta Composite	-2.89%	-1.83%	15.99%	5.48%	-4.65%	-5.05%	13.26%	1.24%
Nikkei 225	-1.74%	-3.65%	-6.90%	-6.90%	-7.62%	-14.54%	-24.49%	-21.65%
Korea Composite	-11.46%	-13.77%	-27.87%	-20.14%	-15.69%	-19.55%	-37.48%	-26.93%
FTSE Bursa Malaysia KLCI	-7.56%	-8.56%	-5.29%	-7.40%	-7.98%	-12.63%	-10.68%	-12.39%
New Zealand SE 50	-3.40%	-9.94%	-15.66%	-17.02%	-7.71%	-19.48%	-24.94%	-24.63%
Philippine SE Composite	-6.96%	-12.50%	-8.67%	-11.50%	-11.50%	-17.79%	-19.06%	-18.06%
FTSE Singapore Straits Times	-3.02%	-8.03%	0.14%	0.36%	-4.38%	-10.35%	-3.05%	-2.34%
Taiwan Weighted	-9.33%	-13.87%	-14.17%	-16.35%	-11.31%	-16.84%	-19.41%	-22.01%
Bangkok SET	-4.64%	-6.43%	-0.10%	-4.31%	-7.29%	-11.61%	-9.03%	-9.18%
MSCI AC Asia ex Japan	-2.58%	-6.12%	-21.86%	-12.64%	-4.04%	-8.88%	-25.80%	-16.37%
MSCI AC Pacific ex Japan	-2.96%	-6.10%	-21.95%	-11.97%	-4.87%	-9.77%	-26.29%	-15.78%
Dow Jones Industrial	-5.94%	-10.52%	-10.07%	-14.61%	-5.94%	-10.52%	-10.07%	-14.61%
S&P Composite	-7.58%	-15.71%	-11.14%	-19.88%	-7.58%	-15.71%	-11.14%	-19.88%
FTSE 100	-3.88%	-2.71%	3.91%	-0.98%	-0.07%	5.68%	18.41%	10.64%
CAC 40	-6.76%	-9.44%	-7.32%	-15.68%	-8.80%	-14.71%	-18.11%	-22.30%
DAX 30	-9.63%	-9.79%	-16.28%	-18.14%	-11.60%	-15.05%	-26.02%	-24.57%
MSCI Europe	-6.34%	-8.45%	-8.42%	-13.88%	-8.48%	-14.13%	-18.32%	-20.93%
MSCI World	-6.86%	-13.81%	-11.45%	-18.08%	-7.76%	-15.68%	-14.67%	-20.34%

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