

Market Review

Global equity markets dropped significantly in September amidst higher inflation prints, risks of an earlier-than-expected tightening in policy rates and tapering of stimulus measures by major central banks. The ongoing supply-chain challenges for products such as semiconductors have also lifted inflation anxiety across global markets. Chinese growth data broadly surprised on the downside, mainly driven by regulatory tightening such as China's new private tutoring rules and regulations on the technology sector. MSCI World and MSCI Emerging Markets Index also weighed down by the spill-over risks of giant Chinese property developer, Evergrande's credit crisis. Against this backdrop, MSCI Asia ex Japan Index was down 4.36% in September (in USD terms, net dividends excluded), slightly underperforming the MSCI World Index which dropped 4.29% during the month (in USD terms, net dividends excluded).

CANBERRA • BEIJING • HONG KONG

Australia

- Australia All Ordinary Index was down 2.47% in September (in local currency terms, net dividends excluded).
- Outperformance from Energy and Utilities.
- Underperformance from Materials and Healthcare.
- Australian yield curve steepened, which Australian 2-year yield was up 0.04% and 10-year bond yield increased 32bps to 1.49%.
- AUD depreciated in September against USD while USD index went up.
- The Reserve Bank of Australia (RBA) left its cash rate at record lows and affirmed its decision to trim its purchases of government bonds to AUD\$4 billion a week from September from the current weekly pace of AUD\$5 billion, as RBA expects the economy to rebound rapidly once a rush of vaccinations helps ease the grip of harsh coronavirus lockdowns.

China

- MSCI China Index was down 5.16% in September (in USD terms, net dividends excluded).
- A joint meeting by the PBOC and CBIRC required financial institutions to coordinate with other departments and local governments to maintain property market stability, while continuing to implement the long-term measures regulating housing sectors.
- On macros, August's data surprised to the downside. Retail sales growth was the biggest disappointment, slowing sharply to 2.5% yoy in August from 8.5% yoy in July.
- Industrial production came in moderately below market expectations at 5.3% yoy in August.

- The National Bureau of Statistics (NBS) manufacturing Purchasing Managers' Index (PMI) weakened further in September to 49.6, the first time the reading fell below the 50-expansion threshold since March 2020.
- Looking ahead, we will closely watch the policy tone from the Sixth Plenum in November, progress on China-US trade talks, and potential credit default contagion.

Hong Kong

- MSCI Hong Kong Index was down 6.43% in September (in USD terms, net dividends excluded).
- Outperformance from Communication Services and Financials.
- Underperformance from Consumer Discretionary and Consumer Staples.
- Hong Kong's headline Consumer Price Index (CPI) growth was 1.6% yoy in August.
- Netting out the effects of the government's one-off relief measures, underlying CPI surged to 1.2% yoy from 1.0% yoy in July. The larger increase was mainly due to the enlarged increases in the costs for meals out and takeaway food as well as the increases in electricity charges.
- Hong Kong's unemployment rate dropped to 4.7% in August, on rising employment and a decline in total labor force.
- HK August retail sales increased 11.9% yoy, which is faster than that in July (+2.8% yoy).

NEW DELHI • JAKARTA • TOKYO • SEOUL • KUALA LUMPUR

India

- MSCI India Index was up 0.52% in September (in USD terms, net dividends excluded), outperforming most peers in the region.
- Indian equities outperformed due to strong vaccination progress and pickup in economic activity.
- Outperformance from Real Estate, Energy and Utilities.
- Underperformance from Materials, Healthcare and IT.
- Economic activity is likely to improve in the coming months on the back of festive demand which prompts restocking activity and more so once third wave concerns are behind.
- Going forward, growth in FY22 is likely to be led by exports even though the external demand momentum may moderate.
- Overall government expenditure has been weak (though capital expenditure had been good) but is likely to scale up materially in the second half of the year. Infrastructure demand should continue to hold up.

Indonesia

- MSCI Indonesia Index was up 3.30% in September (in USD terms, net dividends excluded).
- In September, Indonesia was the only country to see notable positive revisions to their 2021 EPS estimates.
- The gains were due to the strong Energy sector performance with double digit gains (MoM).
- Bank Indonesia kept its policy rate unchanged at 3.5%, and the Finance Minister projected 3Q GDP growth at 4-5%.
- As month end, 30% of the population have received their first vaccine dose and 18% of the population are fully vaccinated.
- Daily cases are declining, we anticipate the reopening of economic activities towards the final quarter of the year.

Japan

- MSCI Japan Index was up 2.06% in September (in USD terms, net dividends excluded).
- The Delta variant and supply chain constraints have disrupted Japan's recovery in Q3. The state of emergency has been extended, causing falls in mobility and household confidence, while the auto sector has had to cut production due to component supply bottlenecks.
- Inflation readings remain negative. That said, the outlook has brightened up as reopening moves closer. The country is on track for a 75% full vaccination rate in October, paving the way for a lift of social distancing rules.

- The Bank of Japan (BoJ) left policies unchanged as expected at its September monetary policy meeting, noting that some exports and production have been affected by supply-side constraints.
- The BoJ is expected to stay put while other Developed Market central banks forge ahead with tapering later this year.
- It is projected to rise gradually in the medium term but is still a long way from reaching the 2% target.

Korea

- Korea's KOSPI Index was down 4.08% in September (in local currency terms, net dividends excluded).
- In August, South Korea's Industrial Production advanced 9.6% yoy, compared to 7.7% yoy (revised) in the previous month.
- Tech and automobile production rose as roughly expected, while non-auto/tech sector productions were below expectations.
- Disappointment in shipments and lingering supply bottlenecks likely have contributed to the non tech/auto production losses.
- The job market held up very well in August despite the Delta surge. Unemployment rate fell to a seasonally adjusted 2.8% in August, well below expectations and the lowest seen since 1999.

Malaysia

- FTSE Bursa Malaysia Index was down 3.97% in September (in local currency terms, net dividends excluded).
- During the month, BNM maintained its benchmark Overnight Policy Rate (OPR) at 1.75%.
- In the month, the 12th Malaysia Plan was tabled, in which development expenditure for 2021-2025 was announced to be RM400 billion – 54% higher yoy. The fiscal balance was estimated to be between -3.5% to -3.0% of Malaysia's GDP in 2025.
- The first domestic travel bubble was launched after Malaysia Day, while the government continues to explore other tourism spots.
- Vaccination rates continue to inch higher at around 83.7% of adult population.
- Following the reduction of cases, no states in the region are under Phase 1 of National Recovery Plan.
- With mobility restrictions easing, the recovery theme is on track moving into the fourth quarter.

New Zealand

- New Zealand SE 50 Index was down 0.22% in September (in local currency terms, net dividends excluded).
- NZD depreciated in September against USD (around 2%) as USD index went up.
- New Zealand's Q2 GDP was up 2.8% qoq (or +17.4% yoy), which is stronger than Reserve Bank of New Zealand's (RBNZ) expected (+0.7% qoq).
- Retail trade and accommodation was the largest contributor to GDP growth, driven by higher activity in accommodation and food services.
- On inflation, headline CPI inflation in 2021 was revised up to 1.70% from 1.60% previously, and core inflation up to 1.17% from 1.11% previously, mainly reflecting higher oil prices, disruptions from adverse weather and supply chain bottlenecks.
- With regards to financial stability concerns, the central bank announced further credit control measures targeted at the property sector, which is the third round of prudential tightening in credit to the property sector since December last year.

The Philippines

- MSCI Philippines Index was down 1.97% in September (in USD terms, net dividends excluded).
- In the beginning of September, daily covid-19 cases hit a record high of 26,000, but subsequently declined towards the end of the month. Mobility restrictions subsequently relaxed.
- During the month, President Duterte announced his retirement from politics, while withdrawing from the vice presidential race, and the latest survey revealed that Sara Duterte (his daughter) maintains her lead among presidential hopefuls at 20%.
- All in all, the recovery theme is on track as vaccination continues to roll out along with mobility easing.

Singapore

- MSCI Singapore Index was down 0.17% in September (in USD terms, net dividends excluded).
- Towards month-end, the government implemented tighter restrictions such as reducing group gatherings or dine-ins at F&B outlets from 5 to 2 people, extending home based learning to Oct 7 and requiring work from home to be the default for at least a month.
- Despite the short-term noise with rising daily cases, the re-opening theme is still on track over the medium term.

Taiwan

- MSCI Taiwan Index was down 4.39% in September (in USD terms, net dividends excluded).
- Taiwan's Central Bank decided unanimously to keep the policy rate unchanged at 1.125%, in line with consensus expectations.
- On growth, the Central Bank revised up its growth forecast for 2021 sharply from 5.08% to 5.75%, mainly on better-than-expected private investments and exports in the first half of this year.
- Economic growth in 2022 is forecasted at 3.45% on the back of sustained strength in exports and private investments and a recovery in private consumption.

Thailand

- MSCI Thailand Index went down 7.51% in September (in USD terms, net dividends excluded).
- Outperformance from Energy and Telecommunications.
- Underperformance from Utilities and Materials.
- The Bank of Thailand kept the policy rate at 0.5%.
- As of end-September, 45% of the population has received at least 1 dose and 26% of population is fully vaccinated. The Thai government is looking to ease more restrictions (on beauty salons, massage parlors etc.)
- Bangkok's reopening is delayed by 2 weeks for inoculated tourists, as most of the citizens are still not fully vaccinated yet. The recovery story remains on track as the accelerating inoculation rate will lead to easing restrictions.

ASIA PACIFIC MARKET MONTHLY COMMENTARY

SEPTEMBER 2021

Index (as of end September 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	-2.47%	0.59%	26.96%	11.37%	-3.61%	-3.22%	27.96%	4.26%
CSI 300	1.26%	-6.85%	6.08%	-6.62%	1.28%	-6.86%	11.80%	-5.50%
Hang Seng China Enterprises	-4.98%	-18.17%	-7.14%	-18.74%	-5.07%	-18.36%	-7.55%	-19.06%
Hang Seng Index	-5.04%	-14.75%	4.76%	-9.75%	-5.13%	-14.96%	4.29%	-10.11%
India National	2.91%	11.69%	56.96%	26.81%	1.22%	11.84%	56.01%	24.83%
Jakarta Composite	2.22%	5.04%	29.09%	5.15%	1.86%	6.41%	34.21%	3.22%
Nikkei 225	4.85%	2.30%	27.03%	7.32%	3.24%	1.76%	20.15%	-0.69%
Korea Composite	-4.08%	-6.91%	31.83%	6.80%	-6.07%	-11.46%	30.21%	-2.01%
FTSE Bursa Malaysia KLCI	-3.97%	0.34%	2.19%	-5.49%	-4.61%	-0.50%	1.41%	-9.33%
New Zealand SE 50	-0.22%	3.92%	10.34%	-0.71%	-2.20%	2.60%	15.15%	-4.87%
Philippine SE Composite	1.42%	0.74%	18.56%	-2.62%	-1.08%	-3.60%	12.68%	-8.32%
FTSE Singapore Straits Times	1.04%	-1.40%	25.14%	8.54%	-0.17%	-2.53%	26.01%	5.46%
Taiwan Weighted	-3.18%	-4.62%	35.31%	14.95%	-3.69%	-4.62%	40.66%	15.93%
Bangkok SET	-2.02%	1.13%	29.80%	10.79%	-6.66%	-4.21%	21.56%	-1.90%
MSCI AC Asia ex Japan	-3.59%	-9.10%	12.13%	-3.18%	-4.36%	-9.95%	12.44%	-4.96%
MSCI AC Pacific ex Japan	-4.21%	-10.07%	10.14%	-4.27%	-4.92%	-11.45%	10.54%	-6.81%
Dow Jones Industrial	-4.29%	-1.91%	21.82%	10.58%	-4.29%	-1.91%	21.82%	10.58%
S&P Composite	-4.76%	0.23%	28.09%	14.68%	-4.76%	0.23%	28.09%	14.68%
FTSE 100	-0.47%	0.70%	20.80%	9.69%	1.59%	3.17%	15.83%	11.20%
CAC 40	-2.40%	0.19%	35.74%	17.45%	-4.18%	-2.09%	34.15%	11.25%
DAX 30	-3.63%	-1.74%	19.59%	11.24%	-5.38%	-3.97%	18.19%	5.37%
MSCI Europe	-3.09%	0.14%	24.16%	12.93%	-4.85%	-1.94%	24.48%	7.97%
MSCI World	-3.83%	0.24%	27.23%	13.56%	-4.29%	-0.35%	27.01%	11.77%

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