Asia Pacific Market Monthly Commentary

Markets were back in 'risk-on' mode in October amidst subsiding geopolitical risks. Most notably, the US and China signalled a possible 'mini-trade deal', which helped to de-escalate market uncertainty. Equity markets rallied strongly against this backdrop with the MSCI Asia ex Japan Index outperforming the MSCI World Index.

Index (end of October 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	-0.41%	-1.79%	14.54%	18.63%	1.66%	-1.69%	11.56%	16.02%
CSI 300	1.89%	1.34%	23.24%	29.10%	3.48%	-0.88%	22.14%	26.16%
Hang Seng China Enterprises	3.26%	-1.33%	3.89%	4.03%	3.27%	-1.45%	3.94%	3.96%
Hang Seng Index	3.12%	-3.14%	7.71%	4.11%	3.14%	-3.26%	7.77%	4.03%
India National	3.51%	6.83%	14.35%	9.34%	2.93%	3.53%	19.17%	7.23%
Jakarta Composite	0.96%	-2.54%	6.80%	0.55%	1.65%	-2.94%	15.40%	3.69%
Nikkei 225	5.38%	6.53%	4.59%	14.55%	5.55%	7.13%	9.50%	17.13%
Korea Composite	0.99%	2.91%	2.65%	2.08%	3.48%	4.05%	0.17%	-2.72%
FTSE Bursa Malaysia KLCI	0.89%	-2.26%	-6.51%	-5.48%	1.13%	-3.62%	-6.38%	-6.49%
New Zealand SE 50	-1.42%	-1.93%	19.04%	18.79%	0.88%	-4.69%	17.01%	13.39%
Philippine SE Composite	2.55%	-0.85%	11.72%	6.85%	4.52%	-0.83%	17.24%	10.40%
FTSE Singapore Straits Times	3.52%	-2.15%	6.99%	5.25%	5.19%	-1.55%	8.98%	5.40%
Taiwan Weighted	4.89%	4.94%	15.88%	16.77%	6.81%	7.01%	17.67%	16.97%
Bangkok SET	-2.18%	-6.45%	-4.05%	2.40%	-0.87%	-4.70%	5.23%	10.40%
MSCI AC Asia ex Japan	4.55%	1.64%	13.24%	10.52%	4.55%	1.64%	13.24%	10.52%
MSCI AC Pacific ex Japan	4.02%	0.98%	13.57%	12.70%	4.02%	0.98%	13.57%	12.70%
Dow Jones Industrial	0.48%	0.68%	7.69%	15.94%	0.48%	0.68%	7.69%	15.94%
S&P Composite	2.04%	1.92%	12.02%	21.17%	2.04%	1.92%	12.02%	21.17%
FTSE 100	-2.16%	-4.46%	1.69%	7.73%	2.99%	1.20%	3.15%	9.35%
CAC 40	0.92%	3.82%	12.49%	21.12%	3.17%	3.99%	10.90%	17.88%
DAX 30	3.53%	5.56%	12.40%	21.86%	5.84%	5.73%	10.81%	18.71%
MSCI Europe	0.86%	3.15%	12.63%	20.26%	3.11%	3.31%	11.04%	17.05%
MSCI World	2.45%	2.10%	10.46%	18.56%	2.45%	2.10%	10.46%	18.56%

Source: Bloomberg, as of 31 October 2019.

Amundi
ASSET MANAGEMENT
東方匯理 資產管理

October 2019

Hong Kong

Korea

Korea performed moderately in October, adding 0.99% (KOSPI, in local currency terms, dividend excluded) due to outperformance from Healthcare, Consumer Staples and Technology. Meanwhile, Materials and Financials underperformed. Korean equities generally benefited from a pick-up in earnings expectations, positive macro sentiment on receding geopolitical risks and a stronger outlook for technology names.

Despite challenges facing domestic manufacturers, business confidence improved to a 16-month high. Real GDP growth slowed in 3Q19, although the underlying details indicated positive private sector contribution led by resilient manufacturing and export data. Meanwhile, construction growth disappointed. Exports rose for the third consecutive month. Consumer inflation fell, thereby facilitating a rate cut from the Bank of Korea amidst fears of slowing growth and deflation.

India

MSCI India Index added 4.09% (in USD terms, dividend excluded) in October due to the rally in the second half of the month. Consumer Discretionary, Energy and Financials outperformed while Technology, Materials and Healthcare underperformed. Weaker-than-expected domestic macro data created some headwinds in the first half of the month but a more positive global macro backdrop benefited equity markets in the latter half. Speculative reports that the Indian government may consider reducing taxes on long-term capital gains, dividend distributions and securities transactions and well as better-than-expected domestic corporate earnings results also helped to lift investor sentiment.

Taiwan

Taiwan's stock market gained 8.12% (MSCI Taiwan Index, in USD terms, dividend excluded) in October, driven by the strong performance of the Technology sector while the positive sentiment from the US-China 'mini-trade deal' also helped cyclical sectors such as Financials. Taiwan Semiconductor Manufacturing Company (TSMC), which represents more than a third of the MSCI Taiwan Index, rallied in October and added significantly to index gains. Taiwan continued to benefit from the re-onshoring of offshore production lines by Taiwanese manufacturers in order to offset the negative impact from tariffs. In terms of other macro data prints, the manufacturing Purchasing Manager's Index (PMI) fell slightly in October and industrial production also declined.

China

Chinese equities were strong performers (+4.02%, MSCI China Index, in USD terms, dividend excluded), helped by the de-escalation of US-China trade tensions. However, ongoing social unrest and protests in Hong Kong continued to weigh on market performance. A 'mini-trade deal' was tentatively agreed between US and China in mid-October, including a significant increase in the purchase of US agricultural products by China, China opening up its financial sector further, some technology transfer and IP protection issues, a currency pact, and the suspension of tariff increase by the US.

Against this positive macro backdrop, performance was led by Healthcare, Consumer Discretionary and Real Estate sectors. Meanwhile, Energy and Communications were the only sectors with negative performance. Fixed asset investment grew modestly due to an uptick in infrastructure and real estate investment, while manufacturing remained weak. Exports grew moderately while domestic retail sales expanded at a steady rate, despite continued weakness in auto sales.

Hong Kong

MSCI Hong Kong Index went up in October (+4.65%, in USD terms, dividend excluded). The best performing sectors were Information Technology and Consumer Discretionary, while the worst performing sectors were Telecommunication Services and Utilities. This strong market performance can be attributed to the tentative truce in the US-China trade war, earlier-than-expected prime rate cuts and stabilized China macro activity data in September.

Hong Kong advance-estimated GDP growth contracted sharply. This weakness is broad-based, with private consumption and fixed capital formation plummeting. Hong Kong's headline Consumer Price Index (CPI) made gains in September but still slightly slower than in August. Food prices remain elevated, mainly driven by increases in pork prices amidst continued disruptions to the supply of fresh pork to the region. Housing price growth was largely stable, while prices on utilities, clothing/footwear and durable goods contracted further.

Indonesia

The Indonesian equity market posted gains of 2.71% (MSCI Indonesia Index, in USD terms, dividend excluded) in October supported by recent central bank expansionary policies. Performance was led by Consumer Discretionary, Materials and Energy while Healthcare and Industrials underperformed the index. Bank Indonesia cut its main policy rates again in October, marking the fourth rate cut in 2019. Benign levels of consumer price inflation as well as rate cuts from the US Federal Reserve and several Asian central banks have allowed Bank Indonesia to maintain a dovish policy stance in order to support the domestic economy.

Amundi is turning cautious despite the expansionary and accommodative fiscal and monetary policies as the opening up of the economy may invite competition and pressure margins. In addition, recent quarterly earnings are not impressive in our view.

Thailand

Thailand was one of the few losing equity markets in Asia given concerns over a weak growth and inflation data outlook. The market lost 1.73% (MSCI Thailand Index, in USD terms, dividend excluded) with significant losses posted by Materials and Financials sectors although Industrials and Communication Services helped to partially offset the downside. Imports contracted significantly while exports also continued to decline. Inflation data remained benign. Banks continue to see slower loan growth and margin compression, partially offset by higher fee incomes. Amidst weakness in macro data, the government passed the 2020 fiscal budget without any obstacles thus providing the potential for further stimulatory measures to boost the domestic economy.

The Philippines

The Philippines equity market added 4.75% (MSCI Philippines Index, in USD terms, dividend excluded) in October, with performance led by Financials, Consumer Discretionary and Industrials while Utility and Consumer Staples weighed the index down slightly. As expected, the central bank lowered reserve requirements for banks, to be effective in December. This represents the 4th cut in 2019 and aims to encourage domestic banks to boost lending and stimulate the economy given that the inflation rate remains soft. Consumer prices rose in September compared with the previous month. Headline export growth grew whilst the trade balance continued to print a deficit.

Singapore

The Singapore equity market added 5.35% (MSCI Singapore Index, in USD terms, dividend excluded) in October amidst rebounding investor sentiment with all sectors adding positively, led by Consumer Discretionary, Communications Services and Industrials. The 'mini-trade deal' between the US and China, more resilient macro data and an accommodative monetary policy stance from the Monetary Authority of Singapore (MAS) supported the equity market rally. Additionally, the market benefited from stable domestic liquidity conditions, likely due to strong inflows given the country's perceived "safe haven" status.

In terms of macro data, Singapore's economy avoided a technical recession in 3Q19 and grew after a significant contraction in 2Q19. The services sector expanded while manufacturing data remained weak. September's Consumer Price Index (CPI) was flat while non-oil domestic exports contracted. However, the data was better than expected thus leaving room for the central bank to ease.

Malaysia

The FTSE Bursa Malaysia KLCI Index closed the month of October up 0.89% (in local currency terms, dividend excluded). The 2020 budget announced by the Government was met with a lukewarm response where it was pragmatically expansionary in light of fiscal constraints that the previous Government left behind. Although there were no headline large infrastructure projects, spending was largely focused towards the 'Bottom 40%' income class and rural demographics and those in East Malaysian states.

Amundi remains cautious for the remainder of 2019 on slowing global growth and external headwinds, opting for a balance in our exposures between cyclical and defensive stocks.

New Zealand

The New Zealand SE 50 Index went down 1.42% in October (in local currency terms, dividend excluded). The Reserve Bank of New Zealand (RBNZ) has already cut its cash rate to a record low, targeting a rise in inflation as well as keeping employment around its maximum sustainable level. The bank has also begun undertaking preparatory work on less conventional monetary policy tools in the event that the policy rate is pushed down to its effective lower bound. Inflation rose in 3Q19, driven by higher prices for rents, cigarettes and tobacco. An increase in quarterly Consumer Price Index was due to price rises for local authority rates and payments, vegetables, meat and poultry.

Australia

Australia's S&P/ASX 200 Index dropped 0.41% in October (in local currency terms, dividend excluded). Healthcare and Industrials topped the table, while Financials, Materials and IT were the weakest sectors. The Australian yield curve steepened, with Australian 2-year and 10-year bond yields also gaining. During the month, the Australian dollar appreciated against the US dollar.

The Reserve Bank of Australia (RBA) made cuts as expected. Policies to further to support sustainable growth in the economy, full employment and achievement of the inflation target over time were maintained. However, the economy is still falling short of the RBA's goals, with disappointing news for the month with regards to national accounts, labour and housing. The unemployment rate ticked lower and the labour participation rate also declined. Despite this, employment growth remains robust.

Japan

Tokyo equity market ratcheted up on the combination of a partial agreement in the US-China trade talks, the depreciation of the Japanese yen and signs of bottoming out in earnings. The market slumped in the beginning, reflecting the deteriorating situation of US manufacturers and lukewarm increase in US employment. Yet, the downside was limited by brisk capital expenditure plans demonstrated by the Bank of Japan's short-term economic survey (Tankan).

The yen weakened on wider interest rate gaps, which lifted the Tokyo equity market to a high for the year. Furthermore, recovery in demand for semiconductors strengthened hope for a rebound in earnings. Investors aggressively placed bottom-fishing buying and issues which have underperformed for years which helped to register superior performance.