ASIA PACIFIC MARKET MONTHLY COMMENTARY

November 2021

Market Review

November was a story of two halves for global markets. In the beginning of the month, global and Asian equities performed well: Southeast Asian economies continued to rebound thanks to the ongoing reopening and loosening of mobility restrictions, Chinese authorities rolled out further easing measures on the property sector, and there was optimism on US-China tariff easing as Biden and Xi met at a virtual summit which emphasized cooperation and consensus building.

Lamentably towards month-end, hawkish Fed comments on inflation, the pace of tapering and the discovery of a potentially more transmissible COVID-19 strain named Omicron weighed down on sentiment. Global equities and EM FX sold off on the possibility of renewed restrictions and their potential impact on global growth.

Against this backdrop, MSCI Asia ex Japan Index was down 3.92% in November (in USD terms, net dividends excluded), underperforming the MSCI World Index which returned -2.30% (in USD terms, net dividends excluded).

CANBERRA • BEIJING • HONG KONG

Australia

- Australia All Ordinary Index was down 0.68% in November (in local currency terms, net dividends excluded).
- Outperformance from Communication Services and REIT, and underperformance from Energy and Financials.
- Australian yield curve flatten a bit. Both Australian 2-year yield and 10-year yield dropped by 27bps and 34bps respectively.
- AUD depreciated in November against USD (-5.29%) while USD index went up (1.99%).
- RBA left its cash rate at record lows (0.1%), but dropped both a commitment to keeping bond yields low and its projection of no hike in interest rates until 2024.
- RBA will not increase the cash rate until actual inflation is sustainably within the 2-3% target range. This will require the labour market to be tight enough to generate wages growth that is materially higher than it is currently.

China

- MSCI China Index returned -6.00% in November (in USD terms, net dividends excluded).
- Industrials topped the table while Consumer Discretionary, Energy and Healthcare severely detracted the performance.
- Internet names continued to bleed on incremental regulatory noise, such as Washington adding 12 more Chinese companies to the US Entity List, Beijing requesting a ride-hailing company to delist from the US over data security fears, as well as a commentary that China might consider a 20-30% data tax.
- Headline CPI inflation rose 1.5% YoY while PPI inflation accelerated to 13.5% YoY, a pace not seen since 1994.
- Policies are likely to be fine-tuned heading into year-end as the PBOC turned incrementally more dovish in its 3Q Monetary Policy Implementation report. We expect China's tight credit conditions to end in December, and overall macro policies to turn more risk-friendly in 2022.

Hong Kong

- MSCI Hong Kong Index went down 5.57% in November (in USD terms, net dividends excluded).
- Communication Services and Industrials were significant contributors while Consumer Staples and Financials disappointed.
- Netting out the effects of the government's one-off relief measures, underlying CPI in October marginally increased to 1.1% YoY from 1.0% YoY. The increase was mainly due to the prices of energy-related items, clothing and footwear.
- October retail sales were up 12% YoY, as disbursement of the second batch of electronic consumption vouchers enhanced consumer sentiment. Nevertheless, growth will moderate in the near future as the impact from the consumption vouchers has faded.
- It is widely expected that Hong Kong will reopen the border with China in coming months with a quota system. However, due to the new COVID-19 variant and the threat posed to public health, the government is tightening restrictions towards a few countries, such as South Africa.

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India

- MSCI India Index dipped at -3.09% in November (in USD terms, net dividends excluded).
- Financials, Real Estate, Materials severely hurt the performance.
- Low infection rates, re-openings of public places and the increase in vaccinated population along with strong festive demand are boosting mobility and services activities.
- Attractiveness for equities has receded and a recovery in earnings is vital to support further upsides. That said, we continue to be constructive on corporate earnings. At a time when economic growth has likely troughed, an uptick in profits to GDP could lead to non-linear uptick in earnings over the next few years.
- For the full year FY22, we expect GDP growth at 10%.

Indonesia

- MSCI Indonesia Index returned -2.93% in November (in USD terms, net dividends excluded), outperforming its regional counterparts.
- The strong return driven by Communication Services was offset by Energy.
- The Indonesian government tightened international arrival measures, extending the quarantine period to 7 days instead of 3 days.
- Among its peers, Indonesia's vaccination rate is lagging, thus the government imposed PPKM level 3 from 24 Dec to 2 Jan in anticipation for higher mobility during the holiday season.
- As there are concerns over rising infection rate in the near term, we remain positive on the reopening play over the medium term.

Japan

- MSCI Japan Index was down 2.49% in November (in USD terms, net dividends excluded).
- Q3 GDP came in substantially below expectations, showing a broad weakening in domestic and external demand.
- The state of emergency was lifted at the end of September, and mobility began to improve at a faster pace. We expect private consumption to begin rebounding in late 2021, leading the recovery.
- Japan would benefit from political stability under the new leadership, expectations of improving earnings growth and attractive relative valuations. As COVID-19 cases decline, the country's recovery should catch up with rest of the DM.

Korea

- Korea's KOSPI Index was down 4.43% in November (in local currency terms, net dividends excluded).
- Despite foreign inflows into Technology names, a rise in COVID-19 infections and the prospect of the new variant dragged the index down.
- The Bank of Korea raised its policy rate 25bps to 1.0%, as expected by markets.
- Headline CPI inflation rose to 3.7% YoY in November, above expectations, from 3.2% YoY in October.
- Exports recorded a monthly record flow in November, sustaining its strong growth trend. Meanwhile October industrial production unexpectedly fell sharply for the third consecutive month, by 3.0% MoM, suggesting some downside risks to the 4Q21 growth outlook.

Malaysia

- FTSE Bursa Malaysia Index slipped 3.09% in November (in local currency terms, net dividends excluded).
- The decline was primarily due to Consumer Discretionary and Energy, with only Healthcare as the only positive sector during the month.
- As of month-end, 77.8% of Malaysia's total population was fully vaccinated with 96.4% of the adult population fully vaccinated.
- Malaysia has allowed land VTL for quarantine free travel since November 29. As the country has eased movement restrictions and borders through VTL, this will be positive to the domestic economy.

New Zealand

- New Zealand SE 50 Index was down 3.02% in November (in local currency terms, net dividends excluded).
- NZD depreciated in November against USD (-4.79%) while USD index went up (1.99%).
- Reserve Bank of New Zealand's (RBNZ) raised OCR (Official Cash Rate) from 0.5% to 0.75%. The rate increase is to keep surging consumer prices in check and warn homeowners in the country's red hot housing market to get ready for more hikes.
- As a result, RBNZ expects that rates would reach 2.5% by 2023 and go higher by December 2024.
- New Zealand 3Q unemployment rate dropped to 3.4% from 4% in 2Q. Wage growth accelerated in 3Q with private sector labour cost index (LCI) recording a 0.7% QoQ increase.

The Philippines

- MSCI Philippines Index delivered a 2.52% growth in November (in USD terms, net dividends excluded).
- Philippines was the best performer in the index. Key drivers were Real Estate, Communication Services and Financials.
- Thanks to the vaccination program, the new daily infection rate plunged below the 1000 mark and the government started to vaccinate the 12-17 years old, taking the overall fully vaccinated population to 29% and 70% for Metro Manila.
- Amid declining cases, mall operators see foot traffic recovering to 50-80% of pre-pandemic levels, easing rental concessions.
- As the domestic economy recovers, the political concern will be the source of short-term noise in the near term, but the fundamentals are still intact for recovery in the medium term.

Singapore

- Singapore was the worst performer in MSCI AC Asia ex Japan index, with MSCI Singapore Index fell 7.81% in November (in USD terms, net dividends excluded).
- All sectors were in red, yet the major laggards were Communication Services and Consumer Staples.
- Towards the end of the month, the daily infection rate declined to 1.3k per day on average.
- The government announced the Singapore-Malaysia land travel lane to start on 29 November. With the government continues to announce more VTLs, the recovery play is still on track.

Taiwan

- MSCI Taiwan Index was up 2.20% in November (in USD terms, net dividends excluded).
- Healthcare, Industrials and IT outperformed the broader index while Real Estate, Energy and Materials were the major underperformers.
- In terms of contribution, Taiwan's outperformance was driven by Technology, particularly by semiconductors and foundries as the semiconductor index reached an all-time high in November.
- Technology sector also benefited from the underlying metaverse trend and strong 5G demand remaining resilient throughout the month.

Thailand

- MSCI Thailand Index was down 6.02% in November (in USD terms, net dividends excluded).
- SET Index was down 5% MoM driven by all sectors except for the defensives like Utilities and Communication Services.
- At the end of November, 69% of the population in Thailand had received at least one dose and 59% had been fully vaccinated.
- During the month, the Monetary Policy Committee held the policy rate at 0.50% and the Bank of Thailand noted that the economy bottomed out in 3Q21 as containment measures have relaxed.
- Thailand welcomed 20,272 tourists in the month, up from 1,201 last year, through quarantine free travel for 10 low risk countries.
- As Thailand continues the safe reopening of borders, the recovery theme is on track.

Confidence must be earned

Amundi ASSET MANAGEMENT

ASIA PACIFIC MARKET MONTHLY COMMENTARY

NOVEMBER 2021

Index (as of end November 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	-0.68%	-3.02%	12.54%	10.76%	-6.24%	-5.91%	8.29%	1.77%
CSI 300	-1.56%	0.55%	-2.59%	-7.28%	-1.13%	2.00%	0.64%	-4.82%
Hang Seng China Enterprises	-6.62%	-8.88%	-20.65%	-22.07%	-6.82%	-9.09%	-21.09%	-22.49%
Hang Seng Index	-7.49%	-9.29%	-10.88%	-13.79%	-7.69%	-9.50%	-11.38%	-14.26%
India National	-3.36%	-0.32%	32.71%	22.83%	-3.71%	-3.17%	30.77%	19.42%
Jakarta Composite	-0.87%	6.24%	16.42%	9.28%	-1.94%	5.79%	14.77%	7.20%
Nikkei 225	-3.71%	-0.95%	5.25%	1.38%	-3.30%	-4.17%	-3.34%	-7.82%
Korea Composite	-4.43%	-11.26%	9.56%	-1.20%	-5.99%	-13.39%	2.05%	-9.65%
FTSE Bursa Malaysia KLCI	-3.09%	-5.46%	-3.12%	-6.96%	-4.66%	-6.63%	-6.25%	-11.25%
New Zealand SE 50	-3.02%	-4.52%	-2.77%	-4.99%	-8.03%	-7.93%	-6.10%	-10.44%
Philippine SE Composite	2.07%	5.04%	6.03%	0.86%	2.12%	3.72%	1.18%	-3.87%
FTSE Singapore Straits Times	-4.91%	-0.45%	8.39%	6.94%	-6.45%	-2.17%	5.95%	3.36%
Taiwan Weighted	2.59%	-0.36%	27.00%	18.29%	2.61%	-0.68%	30.19%	19.54%
Bangkok SET	-3.37%	-4.28%	11.39%	8.23%	-4.85%	-8.44%	-0.01%	-3.77%
MSCI AC Asia ex Japan	-3.51%	-5.97%	-0.09%	-5.57%	-3.92%	-6.90%	-1.36%	-7.48%
MSCI AC Pacific ex Japan	-3.26%	-6.39%	-2.02%	-6.46%	-4.55%	-7.39%	-3.67%	-9.23%
Dow Jones Industrial	-3.73%	-2.48%	16.35%	12.67%	-3.73%	-2.48%	16.35%	12.67%
S&P Composite	-0.83%	0.98%	26.10%	21.59%	-0.83%	0.98%	26.10%	21.59%
FTSE 100	-2.46%	-0.85%	12.66%	9.27%	1.06%	3.14%	13.69%	12.90%
CAC 40	-1.60%	0.61%	21.79%	21.07%	-4.29%	-4.06%	14.60%	11.38%
DAX 30	-3.75%	-4.64%	13.61%	10.07%	-6.38%	-9.07%	6.91%	1.26%
MSCI Europe	-2.48%	-2.08%	16.55%	14.11%	-5.28%	-5.93%	11.69%	6.75%
MSCI World	-1.57%	-0.20%	21.86%	17.84%	-2.30%	-1.26%	20.08%	15.31%