Asia Pacific Market Monthly Commentary

Risk assets rallied in November amidst rebounding investor sentiment given some stabilisation in macro data and the "phased" roll-back of tariffs between the US and China. Equity markets benefited from this constructive macro backdrop although performance across global markets diverged significantly. MSCI Asia ex-Japan Index posted a small gain of 0.19% (in USD terms, dividend excluded). However, Asian markets were weaker in comparison to the broad MSCI World Index, up 2.63% (in USD terms, dividend excluded), which was helped by strong gains from the US.

Index (end of November 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	2.59%	3.73%	20.85%	21.69%	0.72%	4.14%	11.94%	16.92%
CSI 300	-1.49%	0.77%	20.68%	27.17%	-1.37%	2.47%	19.26%	24.26%
Hang Seng China Enterprises	-2.20%	2.17%	-3.01%	1.75%	-2.07%	2.27%	-3.04%	1.77%
Hang Seng Index	-2.08%	2.42%	-0.60%	1.94%	-1.96%	2.52%	-0.63%	1.96%
India National	1.20%	9.00%	9.21%	8.80%	0.06%	8.50%	6.10%	5.88%
Jakarta Composite	-3.48%	-5.00%	-0.73%	-2.95%	-3.94%	-4.46%	0.66%	-1.06%
Nikkei 225	1.60%	12.51%	4.22%	16.38%	0.30%	9.05%	8.06%	16.60%
Korea Composite	0.22%	6.11%	-0.42%	2.30%	-1.29%	8.81%	-5.50%	-3.36%
FTSE Bursa Malaysia KLCI	-2.27%	-3.13%	-7.03%	-7.62%	-2.34%	-2.24%	-6.79%	-8.53%
New Zealand SE 50	4.70%	4.06%	23.92%	24.37%	4.80%	5.91%	15.80%	19.06%
Philippine SE Composite	-2.99%	-3.02%	5.04%	3.66%	-3.12%	-0.65%	8.35%	7.27%
FTSE Singapore Straits Times	-1.11%	2.81%	2.45%	4.08%	-1.58%	4.46%	2.75%	3.95%
Taiwan Weighted	1.15%	8.21%	16.20%	18.12%	0.92%	11.40%	17.31%	18.99%
Bangkok SET	-0.68%	-3.89%	-3.12%	1.71%	-0.75%	-2.76%	5.44%	9.59%
MSCI AC Asia ex Japan	0.53%	5.21%	5.82%	9.19%	0.19%	6.19%	5.22%	8.40%
MSCI AC Pacific ex Japan	0.89%	4.73%	8.48%	11.54%	0.35%	5.75%	6.63%	10.23%
Dow Jones Industrial	3.72%	6.24%	9.84%	20.25%	3.72%	6.24%	9.84%	20.25%
S&P Composite	3.40%	7.33%	13.80%	25.30%	3.40%	7.33%	13.80%	25.30%
FTSE 100	1.35%	1.93%	5.25%	9.19%	1.39%	-4.03%	3.82%	7.51%
CAC 40	3.06%	7.75%	18.01%	24.83%	1.85%	7.88%	14.92%	20.40%
DAX 30	2.87%	10.86%	17.58%	25.36%	1.67%	11.00%	14.50%	20.91%
MSCI Europe	2.16%	5.56%	11.72%	18.11%	1.34%	7.21%	10.15%	15.59%
MSCI World	2.99%	7.09%	12.47%	22.21%	2.63%	7.19%	12.29%	21.68%

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November 2019

Hong Kong

Korea

Despite easing US-China trade tensions, the Korean equity market grew a modest 0.22% in November (KOSPI, in local currency terms, dividend excluded) dragged down by falling exports. Healthcare and Energy were the biggest detractors while Utilities and Financials outperformed the index.

The manufacturing Purchasing Managers' Index (PMI) rose in October as output and new orders data indicated improvement. On the other hand, exports declined slightly below expectations, led by ongoing price declines in semiconductors and oil products. The Bank of Korea maintained its base policy rate at the November meeting whilst lowering both its growth and inflation forecasts.

India

MSCI India declined -0.59% (in USD terms, dividend excluded) in November mainly due weaknesses in domestic macroeconomic data. Communication Services, Financials and Healthcare were the best performing sectors while Consumer Discretionary, Industrials and Consumer Staples underperformed.

Although GDP growth in 3Q19 was disappointing, it was in line with consensus expectations, mainly led by an increase in government expenditure. Given the context of continued weakness in economic growth, we expect the Reserve Bank of India (RBI) to ignore the short-term spike in inflation and continue with the monetary easing cycle by way of further rate-cuts and liquidity infusion.

Taiwan

Taiwan's stock market gained 1.53% (MSCI Taiwan Index, in USD terms, dividend excluded), benefiting from a positive earnings revisions in November and strong 3Q19 results. The Technology sector continued to benefit from rebounding 5G demand while original equipment manufacturers reported strong earnings as a result of a stronger iPhone cycle. Meanwhile, Consumer Staples and Real Estate were some of the worst performing sectors. Headline manufacturing Purchasing Managers' Index (PMI) remained unchanged in November. Export data also indicated a decline against the previous month, bringing the trade surplus to US$4 billion.

China

Chinese equities rose by 1.77% in November (MSCI China Index, in USD terms, dividend excluded) benefiting from easing US-China trade tensions. Consumer Discretionary and Materials were the top performers, primarily due to solid 3Q19 earnings in the E-commerce segment and on accommodative cement and steel pricing. Healthcare and Utilities lagged due to drug price cuts and lower gas-volume growth expectations.

In terms of macro data, better-than-expected Chinese imports and exports benefited the trade balance. On the other hand, China's factory prices fell more than expected, while consumer inflation rose to a 7-year high on the back of rising pork prices. The People's Bank of China cut its 7-day reverse repo rate by 5bps following an unexpected rate reduction on its medium-term lending facility to offer greater liquidity.

Hong Kong

MSCI Hong Kong Index went down in November (-1.74%, in USD terms, dividend excluded), attributed to the prolonged social unrest and President Trump signing the "Hong Kong Human Rights and Democracy Act" which added uncertainty to the local political situation. Amongst this, the best performing sectors were Financials and Utilities, while the worst performing sectors were Information Technology and Consumer Staples.

Hong Kong's headline Consumer Price Index (CPI) went up in October, netting out the effects of all the government's one-off relief measures. By component, food prices remain elevated, mainly driven by the increases in fresh fruit and pork prices amid continued disruptions to the supply of fresh pork. However, looking ahead, overall price pressures should remain largely contained amid modest global inflation and subdued local economic conditions.

Indonesia

The Indonesian equity market lost -2.83% in November (MSCI Indonesia, in USD terms, dividend excluded). Industrials, Consumer Discretionary and Utilities were among the worst performing sectors while Materials was the only sector to end in positive territory in November.

As expected, Bank Indonesia (BI) kept the 7-day reverse repo rate unchanged after cutting rates by 25bps in October. Surprisingly BI remained dovish, cutting reserve ratio requirements for banks while keeping the door open for additional monetary easing. Headline and core inflation remained moderate and lower than consensus estimates.

Thailand

Thailand's equity market was almost flat in November, losing -0.24% (MSCI Thailand, in USD terms, dividend excluded). Significant losses posted by Communication Services were offset by Financials and Materials. Inflation remained subdued, with headline inflation well below market expectations due to lower oil prices. Core inflation was also subdued suggesting weak domestic demand. Against this backdrop, the BoT cut its policy rate by 25bps whilst also announcing new rules to ease capital outflows and curb the currency rally. October's trade and current account balance printed less of a surplus as compared with the previous month. Both exports and imports also continued to contract.

The Philippines

MSCI Philippines Index lost -3.42% in November (in USD terms, dividend excluded), with the detraction led by Consumer Discretionary, Utilities and Financials. Communication Services was the only sector with positive performance in November. Headline Purchasing Managers' Index (PMI) improved in October, reporting the highest reading since July.

The Bangko Sentral ng Pilipinas (BSP) kept its policy rate unchanged, in line with consensus expectations. Inflation rose moderately in October, also in line with market expectations. The trade balance printed a larger deficit of US$3.1 billion in September versus a deficit of US$2.7 billion in August.

Singapore

The Singapore equity market lost -1.61% in November (MSCI Singapore, in USD terms, dividend excluded) due to weakness in Consumer Discretionary, Financials and Industrials. Consumer Staples and Communications Services contributed positively.

The Purchasing Manager's Index (PMI) remained contracted but improved slightly from September. The index was boosted by the expansion of factory output and inventory as well as a slower contraction in employment. Meanwhile, inflation remained muted and there were concerns over a significant contraction in new orders and new exports.

Malaysia

The FTSE Bursa Malaysia KLCI Index closed the month of November down -2.27% (in local currency terms, dividend excluded). Despite further optimism on a "Phase 1" trade deal being agreed upon by the US and China, the market ended the month weaker than expected, as domestic corporates reported another round of generally subdued results.

This was compounded by an announcement by Malaysian electricity company Tenaga Nasional Bhd, of receiving notices of assessments from the Inland Revenue Board amounting to almost RM 4 billion in additional back taxes.

New Zealand

The New Zealand SE 50 index went up 4.70% (in local currency terms, dividend excluded) in November. The New Zealand Dollar appreciated slightly in November against the US Dollar (USD) even as the USD index went up.

The Reserve Bank of New Zealand (RBNZ) surprised the market by holding interest rates at an all-time low of 1%. RBNZ stated that economic growth to remain subdued over the remainder of the year. The Central Bank's own projections imply a 50/50 chance of a cut next year. New Zealand's unemployment rate edged up in 3Q19, as the country's slower economic growth began to show up in the employment market. Job growth in 3Q19 was moderately lower than that in 2Q19.

Australia

Australia’s S&P/ASX 200 Index rose 2.59% (in local currency terms, dividend excluded) in November. Information Technology and Healthcare topped the table, while Financials and Utilities were the weakest sectors. The Australian yield curve steepened slightly, with Australian 2-year and 10-year bond yields both going down.

The Reserve Bank of Australia (RBA) left rates unchanged in November. The RBA also downgraded its wages growth forecast and now expects core inflation to remain below 2% for longer. October’s labour force survey was weaker as there was a contraction in employment and an increase in the unemployment rate. Australia’s 3Q19 wage price index maintained a moderate increase in 3Q19, albeit being a downward revision from 2Q19’s results.

Japan

Tokyo equity market extended gains in November (+0.55%, MSCI Japan Index, in USD terms, dividend excluded) as investors got confident that the US and China were edging closer to a trade deal. China’s confirmation of the gradual repeal of levies pushed the Japanese equity prices to the highest since October 2018. However, the rally was hampered by intensified protests in Hong Kong in the middle of the month.

On the domestic front, lackluster machinery orders and 3Q19 GDP discouraged investors. Nonetheless, stock prices completely recouped the earlier losses by the end of the month as both the US and China echoed positive rhetoric on trade negotiations. However, dismal industrial production and retail sales data for October prevented the market from further appreciation.

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