ASIA PACIFIC MARKET MONTHLY COMMENTARY

January 2021

Market Review

2021 kicked off on a positive note, although risk sentiment reversed in the latter half of the month. Global equity markets fell in January as weakening PMIs and investor sentiment given the more contagious mutations of the virus slowed down the prospects for economic recovery particularly in Europe and the US. However, MSCI Asia ex Japan Index gained 3.98% in January (in USD terms, net dividends excluded), outperforming the MSCI World Index which saw a drop of -1.05% during the month (in USD terms, net dividends excluded).

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Australia

- Australia All Ordinary Index was up 0.30% in January (in local currency terms, net dividends excluded).
- Outperformance from Consumer Discretionary and Communication Services.
- Underperformance from Real Estate and Industrials.
- The Australian yield curve steepened a bit, with the 2-year yield up 4bps to 0.12% whilst the 10-year bond yield went up 12bps to 1.10%.
- The Australian Dollar (AUD) depreciated in January against the US Dollar (USD) while USD index went up.
- 4Q Consumer Price Index (CPI) was 0.9% quarter-on-quarter (qoq) (compared to 1.6% in 3Q) as Tobacco's annual excise tax increase and Furnishings, household equipment and services rose.
- Inflation stayed stubbornly below the floor of Reserve Bank of Australia's (RBA) 2-3% target band which means RBA will maintain existing policy easing.

China

- MSCI China Index was up 7.36% in January (in USD terms, net dividends excluded).
- During the last week of January, the market was concerned about PBOC's net liquidity withdrawals.
- However, with seasonal liquidity demand, the Central Bank should start to inject liquidity in February to help smoothen the liquidity gap before the Lunar New Year holiday.
- 4Q20 GDP registered a 6.5% year-on-year (yoy) growth, bringing the 2020 whole year GDP expansion to 2.3%.
- December industrial production rose 7.3% yoy on the back of strong export growth.
- Headline CPI moved back to inflationary territory in December.
- A slower sequential growth is expected in 1Q21, particularly in the service sector, as the government has tightened travel control during the Lunar New Year holiday.

Hong Kong

- MSCI Hong Kong Index was up 1.99% in January (in USD terms, net dividends excluded).
- Hong Kong's 4Q GDP fell 3% yoy, following a decline of 3.5% yoy in 3Q, and implies a 6.1% yoy decline in GDP for the full year of 2020.
- The weaker-than-expected 4Q economic performance was largely due to the prolonged fourth wave of the pandemic.
- Private consumption remains a key drag for economic recovery, falling 7.6% yoy in 4Q and 10.2% yoy for 2020.
- Headline CPI fell 0.6% yoy in December, compared to -0.2% yoy in November.
- Utilities, clothing/footwear and durable goods continued to record a decrease in prices, while prices of food and alcoholic drinks/tobacco turned up by 2.2% and 1.7% respectively.

India

- MSCI India Index was down -2.35% in January (in USD terms, net dividends excluded).
- Outperformance from Industrials, Consumer Discretionary and IT.
- Underperformance from Energy, Healthcare ad Financials.
- Domestically, the focus was on the declining trend in new Covid-19 infections and expectations for the Union Budget.
- The focus of the Budget has been clearly on ensuring a sustainable revival of growth with an enhanced focused on capital expenditure.
- The Budget proposals aim to strengthen the banking sector, improve the healthcare and allied sectors, and boost investments in infrastructure projects such as rural roads, railways, clean drinking water and metros.

Indonesia

- MSCI Indonesia Index was down -2.76% in January (in USD terms, net dividends excluded).
- Bank Indonesia kept the 7-day reverse repo rate, deposit and lending facility rates unchanged at its first meeting of 2021, reiterating the accommodative monetary policy stance of the Central Bank.
- Inflation remains low on compressed domestic demand and adequate supply.
- The Central Bank pointed to recovery signs at the end of 2020 with higher export and import activity, higher manufacturing PMI and better consumer sentiment, but noted that the pace has been slightly slower than expected.
- Bank Indonesia continued to expect the real GDP growth in 2021 to rebound to 4.8% to 5.8% yoy despite the re-imposed Covid-related restrictions.
- The outlook for Indonesia looks positive given that it will benefit from structural tailwinds and the economy's main reliance on domestically-driven activities.

Japan

- MSCI Japan Index was down -1.01% in January (in USD terms, net dividends excluded).
- Amid a worsening of the pandemic outbreak, the government declared a state of emergency in major regions.
- Business sentiment and consumer activity have retreated since November, prompting a downgrade in growth forecasts for 1Q21.
- Given the deep negative output gap, inflation will remain close to zero.
- Interestingly, the central bank revised up its growth outlook for 2021 and 2022, amid the worsening of the pandemic outbreak which could be seen as a vote of confidence in the global recovery, where Japan is well positioned.
- Meanwhile, the focus is on the monetary policy assessment due in March. The Governor said a suppression of side effects, such as excessive decline in the super-long rates while stabilizing the remaining yield curve, is desired.

Malaysia

- The FTSE Bursa Malaysia Index was down -3.74% in January (in local currency terms, net dividends excluded).
- Outperformance from Healthcare.
- Underperformance from Energy Consumer Discretionary and Industrials.
- The Malaysian Ringgit (MYR) slightly weakened as the USD/MYR rate climbed up by 0.5% month-on-month.
- Bank Negara left the overnight policy rate (OPR) unchanged at 1.75%.
- The Malaysian government also announced a new assistance package valued at MYR15 billion following the recent state of emergency measures implemented to counter the surge in Covid-19 cases.

New Zealand

- The New Zealand SE 50 Index went up 0.26% in January (in local currency terms, net dividends excluded).
- The New Zealand Dollar (NZD) appreciated slightly in January against the USD while USD index went up.
- 4Q CPI was 1.4% yoy, which declined from 3Q.
- The major drivers were Recreation and Culture, especially Accommodation Services and Transport.

The Philippines

- MSCI Philippines Index was down -7.97% in January (in USD terms, net dividends excluded).
- Real GDP shrank 8.3% yoy in Q4, after prolonged movement restrictions and a series of typhoons in the final quarter.
- This implied a full year 2020 GDP contraction of 9.5%, the worst economic performance since the country began releasing growth data in 1947.
- On the inflation front, headline inflation edged up to 3.5% yoy in December from 3.2% in November.
- The acceleration in headline CPI was mainly driven by higher food prices due to the supply-side disruptions from the typhoons.
- The lacklustre market is expected to continue in the short-term especially with the country's slower vaccine procurement and lack of distribution infrastructure covering the whole country.
- However, over the longer-term, the outlook appears more positive, given the structural tailwinds and the domestic-driven nature of this economy.

Singapore

- MSCI Singapore Index was up 0.90% in January (in USD terms, net dividends excluded).
- Headline CPI stayed flat in December.
- Industrial production growth moderated to 14.3% yoy in December from 18.7% in November.
- Singapore's private sector began 2021 on a brighter note, with the headline PMI rising to a 21-month high, mainly driven by significant growth in output, new orders and stock building.
- Singapore is leading the vaccination efforts vs. ASEAN peers and manages to have control on their Covid-19 cases, as the country is further reopening to Phase 3.
- In the long term, the pace of Singapore's economy and equity market to recover is premised on the reopening of its borders due to its regional and global exposures.

Thailand

- MSCI Thailand Index was up 0.05% in January (in USD terms, net dividends excluded).
- Thailand's cabinet extended the state of emergency until Feb 28 and Covid-19 cases started to creep up end-January.
- The government unveiled stimulus programs including a USD 7 billion cash handout to boost consumption amid economic fallout due to Covid-19, mostly to support informal sector workers and farmers, who are hit by curbs on businesses and mobility.
- CPI came in at -0.27% yoy in December, leaving core inflation growing at 0.2% yoy.
- A cautious stance should be taken in the meantime, as any delays in recovery posing downside risks to the economy and corporate performance.
- This is further heightened with Thailand high reliance on tourism-related activities (a late-stage recovery theme).

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Index (as of end January 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	0.30%	12.03%	-3.51%	0.30%	-0.28%	22.40%	10.58%	-0.28%
CSI 300	2.70%	13.98%	33.67%	2.70%	3.96%	18.21%	43.38%	3.96%
Hang Seng China Enterprises	4.38%	14.84%	9.46%	4.38%	4.38%	14.86%	9.61%	4.38%
Hang Seng Index	3.87%	17.32%	7.49%	3.87%	3.87%	17.34%	7.64%	3.87%
India National	-2.15%	17.72%	14.19%	-2.15%	-2.00%	19.57%	11.68%	-2.00%
Jakarta Composite	-1.95%	14.32%	-1.31%	-1.95%	0.14%	21.54%	-2.03%	0.14%
Nikkei 225	0.80%	20.40%	19.21%	0.80%	-0.60%	20.22%	23.41%	-0.60%
Korea Composite	3.58%	31.28%	40.45%	3.58%	0.58%	33.16%	49.65%	0.58%
FTSE Bursa Malaysia KLCI	-3.74%	6.78%	2.31%	-3.74%	-4.40%	9.66%	3.55%	-4.40%
New Zealand SE 50	0.26%	8.33%	9.56%	0.26%	0.36%	18.13%	22.01%	0.36%
Philippine SE Composite	-7.38%	4.56%	-8.17%	-7.38%	-7.49%	5.27%	-2.91%	-7.49%
FTSE Singapore Straits Times	2.06%	19.75%	-7.97%	2.06%	1.47%	22.91%	-5.67%	1.47%
Taiwan Weighted	2.75%	20.66%	31.69%	2.75%	3.10%	23.25%	42.07%	3.10%
Bangkok SET	1.22%	22.76%	-3.11%	1.22%	1.32%	27.84%	0.90%	1.32%
MSCI AC Asia ex Japan	4.36%	18.39%	30.21%	4.36%	3.98%	19.71%	33.30%	3.98%
MSCI AC Pacific ex Japan	4.45%	17.67%	24.63%	4.45%	3.99%	20.36%	30.29%	3.99%
Dow Jones Industrial	-2.04%	13.14%	6.11%	-2.04%	-2.04%	13.14%	6.11%	-2.04%
S&P Composite	-1.11%	13.59%	15.15%	-1.11%	-1.11%	13.59%	15.15%	-1.11%
FTSE 100	-0.82%	14.89%	-12.06%	-0.82%	-1.27%	8.18%	-15.58%	-1.27%
CAC 40	-2.74%	17.52%	-7.01%	-2.74%	-3.43%	22.57%	1.94%	-3.43%
DAX 30	-2.08%	16.24%	3.47%	-2.08%	-2.78%	21.23%	13.44%	-2.78%
MSCI Europe	-1.04%	15.04%	-3.69%	-1.04%	-1.49%	20.46%	4.28%	-1.49%
MSCI World	-0.83%	14.69%	11.10%	-0.83%	-1.05%	16.08%	13.63%	-1.05%

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