

## Market Review

Global markets performed well in July even the Delta variant has proved to be a greater threat despite high vaccination rates in Europe and the US. UK has relaxed its lockdown restrictions on 19 July and the number of cases has peaked. The numbers of COVID-19 cases in South-East Asia are also trending up. Raise concerns on delta variants worldwide as vaccines may be less effective toward this variant. Against this backdrop, MSCI Asia ex Japan Index was down 7.77% in July (in USD terms, net dividends excluded), underperforming the MSCI World Index which gained 1.72% during the month (in USD terms, net dividends excluded).

## CANBERRA • BEIJING • HONG KONG

### Australia

- Australia All Ordinary Index was up 1.04% in July (in local currency terms, net dividends excluded).
- Outperformance from Materials and Industrials.
- Underperformance from Information Technology and Energy.
- Australian yield curve flatten, which Australian 2-year yield declined to 0.03% while 10-year bond yield went down to 1.19%.
- AUD depreciated in July against USD while USD index went down.
- The Reserve Bank of Australia (RBA) left its cash rate at record lows and reiterated the need for the setting to remain unchanged until 2024 to help spark wage and inflation pressures.
- 2Q Consumer Price Index (CPI) was +3.8% yoy as petrol jumped and government subsidies unwound. However, a far tamer reading for core inflation suggested the spike would be fleeting.

### China

- MSCI China Index was down 14.15% in July (in USD terms, net dividends excluded).
- Further uncertainty resulted from potential new measures that could affect other sectors, resulting in poor investor sentiment and a broad-based sell-off in the market.
- China's economic data releases were mixed in July. 2Q21 GDP came in below consensus expectations growing 7.9% yoy.
- The June activity data show a broad-based uptick in activity growth across various sectors of the economy.
- After two consecutive months of disappointment, retails finally picked up momentum in June, rising 0.9% mom.

- The fixed asset investment (FAI) growth also beat expectations, rising 12.6% yoy during the first half of year.
- The National Bureau of Statistics (NBS) manufacturing Purchasing Managers' Index (PMI) came in below expectations in July, with a decline to 50.4, registering the lowest reading since March 2020.

### Hong Kong

- MSCI Hong Kong Index was down 2.88% in July (in USD terms, net dividends excluded).
- Outperformance from Utilities and Communication Services.
- Underperformance from Consumer Discretionary and Consumer Staples.
- Hong Kong's 2Q GDP (advanced estimate) growth was up 7.5% yoy, following the 23.5% sharp rebound in 1Q.
- Domestic consumption continued to recover, while investment also picked up some momentum.
- Headline CPI growth came in weaker than expected, at 0.7% yoy in June.
- The unemployment rate dropped in June, to 5.5%, on rising employment and a decline in total labour force.
- Employment across major labour-intensive sectors was mixed, with transport, storage and trade sectors recording sequential improvement, while employment in the retail sector stayed sluggish.

# NEW DELHI • JAKARTA • TOKYO • SEOUL • KUALA LUMPUR

## India

- MSCI India Index was up 0.74% in July (in USD terms, net dividends excluded).
- Outperformance from Materials, Telecommunication, Industrials and Health Care.
- Underperformance from Utilities, Energy and Consumer Discretionary.
- Macro prints have been weak – PMIs fell sharply in June (43.1 from 48.1 in May) reflecting the lingering impact of lockdown; and CPI inflation printed at 6.3% yoy in June.
- All eyes were on monthly core-core prices, which had surprisingly surged 1.5% mom, in the lockdown month of May; whereas core-core inflation has been sticky for a while, with an averaging of 5.0% yoy.
- The trade report for June was constructive with both exports and imports clocking strong growth. Exports ex. oil grew a vigorous 7.9% mom, and imports excluding oil and gold jumped 9.4% in June.
- Owing to the fall in COVID-19 cases and some relaxation in mobility restrictions, economic activity in July improved with overall rural demand, urban consumption demand, business activity also showing signs of improvement.

## Indonesia

- MSCI Indonesia Index was down 2.07% in July (in USD terms, net dividends excluded).
- The government imposed new emergency mobility restrictions in most cities and regencies across Java and Bali. These were the strictest mobility restrictions since the large-scale social restrictions in the second quarter of 2020.
- The index resilience was supported by outperformances of smaller-cap and “new economy” stocks, despite underperformances of large-cap names.
- In the immediate term, lingering concerns regarding COVID-19 and interest rates to spill over into the current month continue to dictate market direction.
- However, over the longer term, the outlook of Indonesia is positive and will benefit from structural tailwinds and the relatively quicker economic recovery post-COVID supported by the country's ability for further fiscal support as well as reliance on domestically driven activities.

## Japan

- MSCI Japan Index was down 1.27% in July (in USD terms, net dividends excluded).
- Some renewed uncertainty over the COVID-19 resurgence affected the markets, and relative earnings trend suffered recently due to strong earnings in the US and Europe.

- However, in long term, global cyclical recovery and prospects of a weakening yen should be supportive for Japanese markets.
- Herd immunity is likely to be achieved at the end of the year, delaying any meaningful consumption recovery to early 2022.
- Major policies of Bank of Japan (BoJ) remain unchanged, with continuation of the corporate financing support till March 2022.
- The government maintains a cautiously optimistic outlook, noting that the economy is improving and that inflation will eventually pick up after vaccinations reach a critical level.

## Korea

- Korea's KOSPI Index was down 2.86% in July (in local currency terms, net dividends excluded).
- Outperformance from Utilities and Materials.
- Underperformance Energy and Consumer.
- Korea's industrial production rose 2.2% mom in June. This suggests an early signal that supply bottleneck issues may be gradually easing.
- Korea's 2Q21 real GDP disappointed and grew 2.7% qoq after strong quarterly growth in the past three quarters. The modest slowdown was as expected, from a strong base in 1Q amid supply bottlenecks.
- Consumption and services growth provided a buffer to mark above-trend growth in 2Q.
- The Bank of Korea's communication after the July Monetary Policy Board (MPC) meeting was hawkish, including the governor's comment that one or two hikes may not be enough to tackle financial imbalances. As widely expected, the Bank of Korea maintained the base rate in the July meeting.

## Malaysia

- FTSE Bursa Malaysia Index was down 2.48% in July (in local currency terms, net dividends excluded) as market sentiment hit a fresh low on political concerns and record high Covid-19 cases.
- Outperformance from Technology and Industrials.
- Underperformance from Energy and Consumer Staples.
- During the month, Malaysia experienced another large monthly outflow for 2021 as foreign investors sold RM1.3 billion of Malaysian equities, bringing the YTD outflow to RM5.5 billion.
- The Malaysian Ringgit (MYR) weakened further as the USDMYR rose 1.7% mom.

## New Zealand

- New Zealand SE 50 Index was down 0.50% in July (in local currency terms, net dividends excluded).
- NZD depreciated in July against USD while USD index went down.
- 2Q CPI was +1.3% qoq (or +3.3% yoy), which jumped from 1Q (+0.8% qoq or +1.5% yoy), driven by higher prices for new housing, food and petrol and the base effect as 2Q20 was impacted by the COVID-19 lockdown.
- The Reserve Bank of New Zealand (RBNZ) will halt additional asset purchases under the Large Scale Asset Purchase (LSAP) programme, but will keep the Funding for Lending Programme unchanged.
- Near-term spikes in headline CPI inflation in the June and September quarters are expected, which reflect factors that are either one-off in nature, such as high oil prices, or expected to be temporary in duration, such as supply shortfalls and higher transport costs.
- However, uncertainties remain as to the pace and magnitude of any pass-through of costs onto medium term inflation, especially given reported underutilisation of labour, modest wage growth, and well anchored inflation expectations.

## The Philippines

- MSCI Philippines Index was down 11.71% in July (in USD terms, net dividends excluded).
- Nagging concerns over Philippine peso (PHP) weakness, flare-up in new COVID-19 cases and Fitch's downgrade of the sovereign's outlook to negative contributed to the market's weakness.
- Confirmed local transmission of the Delta variant drove a recent uptrend in new cases to around 8000, prompting the government to impose stricter quarantine measures towards the end of the month.
- Vaccine roll-out accelerated to 300 thousands per day, up +27% mom, with 10.2% of the population having at least one jab and 5.6% fully inoculated.
- Fitch flagged concerns over a prolonged economic recovery and the quick acceleration of the country's debt-to-GDP to 54.6% in 2020 from 39.6% in 2019.
- The currency dropped 5% YTD, breaching 50 level for the first time since mid-2020.

## Singapore

- MSCI Singapore Index was up 1.32% in July (in USD terms, net dividends excluded).
- Singapore is reporting new clusters of COVID -19 infections, despite the high vaccination rate with around 60% of the population fully vaccinated and 77% having received at least one dose; it is on track to reopen borders by September.

- This would revitalize the travel and services sector, which attributes for a significant portion of the domestic economy.
- Singapore's 2Q GDP expanded 14.3% yoy.
- The government announced S\$1.1 billion for virus support package.
- At this juncture, the recovery theme of Singapore is anticipated in the near term.

## Taiwan

- MSCI Taiwan Index was down 2.90% in July (in USD terms, net dividends excluded).
- Outperformance from Industrials and Technology.
- Underperformance from Financials and Consumer Staples.
- 2Q advanced GDP grew 7.47%yoy, with solid exports further expansion in domestic fixed investment, while virus dragged on consumption.
- Regarding the forward-looking demand indicators, the new orders component rose 2.6 points to 59.6 in July, following the plunge of 8.4 points in June.
- Taiwan's manufacturing PMI rose 2.1 points to 59.7 in July, following the notable decline of 4.4 points in June. The increase shows a broad-based rebound across major components.
- Taiwan's June headline CPI rose 1.89% yoy following the increase of 2.48% yoy in May.

## Thailand

- MSCI Thailand Index went down 6.93% in July (in USD terms, net dividends excluded).
- Surging COVID-19 infections, slower-than-expected vaccination, weak consumer confidence, and lack of capital inflows have weighed on both equities and the currency.
- COVID-19 infections continue to increase with more than 17 thousands daily new cases by end of July, whereas vaccinations have risen to more than 17 million doses administered so far, covering 19% population.
- On the balance of payments, the June current account deficit continues to be weighed down by weak tourism exports while rising transport costs have further widened the invisibles balance.
- However, unlike prior months, offsetting capital inflows were limited, thus leading to BOP deficit of US\$1.5 billion.



# ASIA PACIFIC MARKET MONTHLY COMMENTARY

JULY 2021

Index (as of end July 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	1.04%	5.12%	26.51%	11.88%	-1.07%	0.03%	29.67%	6.57%
CSI 300	-7.90%	-6.10%	2.47%	-7.68%	-7.83%	-5.87%	10.78%	-6.48%
Hang Seng China Enterprises	-13.41%	-14.71%	-8.04%	-14.02%	-13.47%	-14.75%	-8.28%	-14.21%
Hang Seng Index	-9.94%	-9.62%	5.55%	-4.66%	-10.01%	-9.67%	5.27%	-4.88%
India National	0.62%	8.59%	44.35%	14.24%	0.50%	8.09%	45.13%	12.17%
Jakarta Composite	1.41%	1.24%	17.87%	1.52%	1.68%	1.12%	18.99%	-1.37%
Nikkei 225	-5.24%	-5.31%	25.67%	-0.59%	-4.17%	-5.69%	21.07%	-6.48%
Korea Composite	-2.86%	1.73%	42.37%	11.44%	-4.90%	-1.62%	47.46%	5.25%
FTSE Bursa Malaysia KLCI	-2.48%	-6.68%	-6.81%	-8.15%	-4.10%	-9.45%	-6.36%	-12.61%
New Zealand SE 50	-0.50%	-1.53%	5.02%	-4.94%	-0.62%	-4.22%	10.03%	-7.85%
Philippine SE Composite	-9.15%	-1.58%	5.77%	-12.18%	-11.28%	-5.19%	3.99%	-15.62%
FTSE Singapore Straits Times	1.17%	-1.59%	25.18%	11.36%	0.67%	-3.36%	27.42%	8.92%
Taiwan Weighted	-2.86%	-1.82%	36.18%	17.07%	-3.22%	-1.93%	42.66%	17.63%
Bangkok SET	-4.15%	-3.87%	14.56%	5.01%	-6.53%	-8.93%	8.68%	-4.28%
MSCI AC Asia ex Japan	-7.29%	-6.46%	15.46%	-1.25%	-7.77%	-7.22%	17.08%	-2.65%
MSCI AC Pacific ex Japan	-6.90%	-6.29%	14.30%	-0.90%	-7.65%	-7.70%	16.16%	-2.82%
Dow Jones Industrial	1.25%	3.13%	32.19%	14.14%	1.25%	3.13%	32.19%	14.14%
S&P Composite	2.27%	5.12%	34.37%	17.02%	2.27%	5.12%	34.37%	17.02%
FTSE 100	-0.07%	0.90%	19.24%	8.85%	-0.71%	0.48%	12.56%	7.02%
CAC 40	1.61%	5.48%	38.24%	19.12%	1.60%	3.90%	38.62%	15.44%
DAX 30	0.09%	2.70%	26.24%	13.31%	0.08%	1.16%	26.59%	9.81%
MSCI Europe	1.39%	4.83%	27.57%	14.34%	1.77%	3.99%	29.67%	12.06%
MSCI World	1.65%	4.81%	32.76%	15.16%	1.72%	4.44%	33.16%	14.10%

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