Asia Pacific Market Monthly Commentary

Against the backdrop of persistent uncertainty, Emerging Market equities underperformed Developed Markets with the Asia ex Japan region experiencing a further pullback in August. MSCI AC Asia ex Japan index registered a loss of -4.62% (in USD terms, dividend excluded) with the worst performance from Hong Kong, Singapore and Korea. The pro-democracy movement in Hong Kong worsened in August causing stress in Retail, Food and Tourism sectors in addition to the headwinds from trade wars, which continued to impact the equity market of Mainland China adversely.

Index (end of August 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	-2.88%	3.18%	4.21%	17.32%	-5.06%	0.33%	-2.92%	12.28%
CSI 300	-0.93%	4.68%	13.95%	26.20%	-4.53%	1.13%	8.91%	21.27%
Hang Seng China Enterprises	-5.55%	-2.93%	-7.29%	-0.41%	-5.64%	-2.86%	-7.13%	-0.49%
Hang Seng Index	-7.39%	-4.37%	-7.76%	-0.47%	-7.48%	-4.31%	-7.60%	-0.54%
India National	-0.63%	-7.51%	-7.30%	-0.19%	-4.28%	-9.73%	-7.92%	-2.42%
Jakarta Composite	-0.97%	1.92%	5.15%	2.16%	-2.14%	2.55%	9.19%	3.57%
Nikkei 225	-3.80%	0.50%	-9.45%	3.45%	-1.59%	2.80%	-5.41%	6.92%
Korea Composite	-2.80%	-3.62%	-15.29%	-3.59%	-5.06%	-5.24%	-22.15%	-11.19%
FTSE Bursa Malaysia KLCI	-1.39%	-2.34%	-11.40%	-4.64%	-3.37%	-2.90%	-13.59%	-6.43%
New Zealand SE 50	-1.32%	5.51%	11.40%	19.52%	-5.70%	2.08%	5.89%	12.42%
Philippine SE Composite	-0.82%	0.12%	1.58%	6.88%	-3.05%	0.32%	4.33%	7.96%
FTSE Singapore Straits Times	-5.88%	-0.36%	-3.33%	1.23%	-7.16%	-1.14%	-4.69%	-0.49%
Taiwan Weighted	-1.90%	1.14%	-4.03%	9.16%	-2.88%	1.79%	-6.15%	6.82%
Bangkok SET	-3.33%	2.14%	-3.87%	5.82%	-2.76%	5.73%	2.91%	12.70%
MSCI AC Asia ex Japan	-3.56%	-0.69%	-7.31%	3.79%	-4.62%	-1.03%	-8.57%	2.08%
MSCI AC Pacific ex Japan	-3.79%	0.70%	-5.00%	6.50%	-4.85%	0.06%	-7.36%	4.24%
Dow Jones Industrial	-1.72%	6.40%	1.69%	13.19%	-1.72%	6.40%	1.69%	13.19%
S&P Composite	-1.81%	6.34%	0.86%	16.74%	-1.81%	6.34%	0.86%	16.74%
FTSE 100	-5.00%	0.63%	-3.03%	7.12%	-4.49%	4.15%	3.49%	12.02%
CAC 40	-0.70%	5.24%	1.36%	15.85%	-1.78%	4.00%	-4.06%	11.60%
DAX 30	-2.05%	1.81%	-3.44%	13.07%	-3.12%	0.61%	-8.60%	8.93%
MSCI Europe	-2.00%	2.98%	-0.80%	11.89%	-2.82%	1.48%	-5.98%	7.82%
MSCI World	-2.15%	4.64%	-0.70%	14.12%	-2.24%	4.51%	-1.70%	13.52%

Amundi
ASSET MANAGEMENT
東方匯理 資產管理

August 2019

Hong Kong

Korea

The Korean equity market fell by -2.80% (KOSPI, in local currency terms, dividend excluded) led by Healthcare followed by drop in Utilities and Financials.

Trade tensions are hurting growth prospects as indicated by the July trade surplus data, which narrowed to its lowest level since April 2012. Business sentiment remains weak notably in Manufacturing sector, where Korean businesses are concerned given trade tensions with Japan after being removed from Japan's whitelist.

In August, the Korean Ministry of Economy and Finance proposed an expansionary budget plan for 2020 to support expenditure for industry, Small and Medium Enterprises (SMEs), environmental protection, energy development and Research and Design (R&D) expenditure.

India

MSCI India index ended the month with -3.16% (in USD terms, dividend excluded). All sectors recorded negative returns for the month with Materials, Utilities and Financials leading the losses. GDP growth softened sharply in 2Q19 which has increased expectations for monetary policy easing. The slowdown was broad-based while Consumption was particularly weak.

Taiwan

Taiwan's stock market suffered a loss of -2.74% (MSCI Taiwan index, in USD terms, dividend excluded) in August with Healthcare and Energy as the worst detracting sectors. Rebounding industrial production data indicating strong growth in computers, electronics and optical products specifically provided some support to Technology stocks.

Growth data indicated a recovery in export activity and a mild pick-up in private consumption, although investment showed signs of weakness particularly in the private sector. Some progress by Taiwanese manufacturers on the re-onshore of the offshore production lines in order to offset the negative impact from tariffs may help to restore investor confidence in Taiwanese companies' earnings resilience.

China

China's equity markets ended lower (-4.29%, MSCI China index, in USD terms, dividend excluded) in August amidst trade war escalation and deteriorating business confidence. Real Estate, Telecommunication services and Energy were the worst performing sectors while Healthcare recorded a positive return. The 1H19 earnings season came in broadly in line with expectations, with e-commerce and traditional retailers positively surprising on the upside. Meanwhile, macro data releases disappointed and indicated a further contraction. Export orders fell due to ongoing trade tensions and global weakness.

Given this backdrop, it is believed that the Chinese authorities will accommodate this deceleration to address the structural imbalances and thus will not embark on an aggressive fiscal stimulus to support growth but rather to avoid any hard landing (through Reserve Ratio Requirement cuts for instance).

Hong Kong

MSCI Hong Kong index went down in August (-8.64%, in USD terms, dividend excluded). The best performing sectors were Telecommunication Services and Information Technology, while the worst performing sectors were Consumer Staples and Real Estates. The weak market performance was because of the prolonged social turmoil in Hong Kong which has raised concerns over the potential slowdown in residential demand, consumer spending and tourist arrivals. In addition, the escalation of US-China trade war also weakened the market sentiment.

Hong Kong's 2Q19 GDP growth came below expectations. Investment remained the main drag, while private consumption also contracted. The government announced an additional relief package and pledged to accelerate the implementation in order to cushion the economy. While the impact of the relief package will likely to show up in 4Q19 and provide some support to consumption towards year-end, external headwinds and domestic political uncertainties could further weigh on economic growth.

Singapore

Indonesia

The Indonesian equity market posted a negative return of -3.73% (MSCI Indonesia index, in USD terms, dividend excluded) in August amidst a deteriorating global outlook. The Energy sector fell on lower oil and coal prices while the Real Estate sector declined on profit taking. The Healthcare sector surged over the past month on stimulus measures from the government while Communication services rose on the positive outlook in terms of rising revenues and lower costs. Domestic growth slowed in 2Q19 due to a contraction in investments, mainly capital goods, and exports of primarily oil and gas products. On the other hand, consumption picked up due to some seasonable factors.

Thailand

Thailand's equity market ended the month with -3.02% (MSCI Thailand index, in USD terms, dividend excluded) amidst a backdrop of weakening economic growth. Healthcare and Financials declined while Communications and Industrials rose. 2Q19 GDP rose but was the weakest annual pace in nearly 5 years.

Private consumption, fixed investment growth and net exports all indicated a contraction for the period. The slow-down amidst heightened trade tensions and a stronger Thai Baht prompted the Bank of Thailand to cut its benchmark rate in August, which was earlier than expected. Meanwhile, the Thai government revealed a fiscal package of USD 10 billion to support its struggling farming and tourism sectors.

Singapore

The Singapore equity market experienced a significant fall of -6.98% (MSCI Singapore index, in USD terms, dividend excluded) in August. Growth, exports and employment data were softer as expected driven by the slowdown in world trade growth.

Slowing commodity prices are also having a negative impact on the growth outlook. Although industrial production and Purchasing Managers' Index (PMI) data for July are more positive than the prints in June, the weak global backdrop does not bode well for a sustained improvement in the macro outlook.

For Inflation, both headline and core have continued to trend lower in July, thus supporting a rate cut from the Monetary Authority of Singapore at its policy meeting in October. All sectors in Singapore registered negative returns for the month of August, led by the Industrial and Financial sectors.

The Philippines

The Philippines equity market recorded a negative return of -3.46% (MSCI Philippines index, in USD terms, dividend excluded) primarily in August, largely due to the drop in the Consumer Discretionary and Real Estate sector, as the developers face pressure from the government to cease the operations of online gaming.

Growth data surprised on the downside due to the delays in infrastructure expenditure projects. Notably, this was the first time that investment has declined since 2011. The government announced proposals to lift infrastructure spending on highways, airports, etc. in their 2020 budget while Bangko Sentral ng Pilipinas (BSP), lowered its key rate amidst benign inflationary pressures, weak global outlook and uncertainties related to trade tensions.

Malaysia

The FTSE Bursa Malaysia KLCI index closed the month with negative performance (-1.39%, in local currency terms, dividend excluded). Trade worries remained the main overhang during this month, as August started with the surprise announcement by President Trump looking to increase tariffs by 10% on another USD 300 billion of Chinese imports by the end of the month, citing slow progress in negotiations. There was further escalation during the month with China announcing the cessation of purchasing US agricultural products.

Locally, despite a show of resilience in domestic economic data with a higher than expected 2Q19 GDP growth and June industrial production growth, any positive sensitivity in the market was offset by a disappointing earnings results season which saw one of the lowest number of results that were above consensus.

Amundi will remain cautious with 2019 on slowing global growth and external headwinds.

New Zealand

The New Zealand SE 50 index went down (-1.32%, in local currency terms, dividend excluded) in August.

NZD depreciated against USD as the Reserve Bank of New Zealand (RBNZ) cut official cash rate (OCR) surprisingly. With recent GDP and labour market updates beating RBNZ expectations, inflation well within the RBNZ's target band, and an increased fiscal stimulus - the decision to have a rate cut was framed around "weakening global conditions", "heightened uncertainty", and recent monetary easing by other central banks. On face value, the meeting minutes and revised RBNZ OCR profile now have implied only a soft easing bias, and the RBNZ's revised macro forecasts ultimately remain quite constructive. Nevertheless, Governor of RBNZ, Adrian Orr communicated a meaningfully more dovish tone in the subsequent press conference and now has a strong track record of over-delivering on market expectations.

Japan

Tokyo stocks plummeted from the outset (-1.05%, MSCI Japan index, in USD terms, dividend excluded), resulting from the surprise announcement by President Trump on a new 10% tariff on USD 300 billion worth Chinese products which are not yet subject to US levies. The market extended losses as investors felt the China's attitude to leave the RMB fall would exacerbate the US-China trade battle. Share prices drifted in an extremely narrow range thereafter since flowing-and-ebbing anticipation of the US-China trade dispute refrained market participants from active trading. As a consequence, trading volume fell short of JPY 2 trillion per day for the third straight month.

Australia

The Australia All Ordinary index dropped (-2.88%, in local currency terms, dividend excluded) in August. Healthcare topped the table while Materials was the weakest Global Industry Classification Standard (GICS) sector.

The Reserve Bank of Australia (RBA) kept the cash rate at 1.0%. The RBA minutes suggest a period on hold as the bank stated an extended period of low interest rates would be required in Australia to make sustained progress towards full employment and achieve more assured progress towards the inflation target.