

Market Review

January marked a challenging start to the year. Most markets across the Asia ex. Japan region posted negative returns given the faster-than-anticipated rise in real rates in the US and a sharp correction in Technology stocks globally.

The diverging monetary policy paths between China and other countries reaffirmed itself over the month. In the US, the Fed stated an interest rate hike would "soon be appropriate", paving the way for interest rate liftoff in March. Likewise, Asian countries such as Korea, Singapore and Indonesia tightened their monetary policies with rate hikes and increased RRR (Required Reserve Ratio). Chinese authorities, on the other hand, cut various policy and quasi-policy rates. The PBOC also signaled there is still room for further policy easing in order to stabilize expectations and push for faster credit growth.

Against this backdrop, MSCI Asia ex Japan Index was down 3.12% in January (in USD terms, net dividends excluded), outperforming the MSCI World Index which returned -5.34% (in USD terms, net dividends excluded).

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Australia

- Australia All Ordinary Index plunged 6.57% in January (in local currency terms, net dividends excluded).
- Energy and Utilities stopped the table, yet Information Technology and Healthcare hurt the performance.
- Australian yield curve flatten a bit. Australian 2-year yield went up from 0.37% to 0.92% and 10-year yield up from 1.68% to 1.91%.
- AUD depreciated in January against USD (-2.7%) as USD index went up (+0.60%).
- Australia's 4Q21 CPI was 1.3% QoQ, higher than that of 3Q21 at 0.8% QoQ.
- Although the headline inflation reading is well above the RBA's 2-3% target, the institution may not change its rate decision as the high inflation was driven by a clash between strong demand and COVID-disrupted supply chains
- The RBA may wait for longer to check whether the inflation will ease when bottlenecks dissolve.

China

- MSCI China Index returned -2.95% in January (in USD terms, net dividends excluded).
- Outperformers were Real Estates and Energy while Healthcare and Information Technology became major laggards.
- In line with market expectations, the MLF (Medium-term Lending Facility) rate and 7-Day Reverse Repo Rate were cut by 10bps on 17 January.
- Subsequently, the 1-year and 5-year LPR (Loan Prime Rate) were cut by 10bps and 5bps respectively.
- To restore demand and confidence, Beijing is likely to further step up support with broad monetary easing,

accelerate fiscal spending and provide marginal relaxation on developer funding.

- Broad-based de-risking continues and prompts the Growth to Value rotation.

Hong Kong

- MSCI Hong Kong Index went up 1.01% in January (in USD terms, net dividends excluded).
- Consumer Discretionary and Consumer Staples were significant contributors. Utilities and Industrials detracted the performance.
- Hong Kong's 4Q21 GDP grew 4.8% YoY and 2021 full year GDP came in at 6.4% YoY.
- December retail sales increased 6.2% YoY, down from 7.1% YoY in November as the impact from the consumption voucher faded.
- The unemployment rate continued to decline, dropping 20bps to 3.9% in December and labor force was down 0.2% MoM.
- The total number of new COVID-19 cases increased to 1,096 in January (213 cases in December), majority of which are locally transmitted. Given the spike in local cases, the government tightened social distancing measures.

NEW DELHI • JAKARTA • TOKYO • SEOUL • KUALA LUMPUR

India

- MSCI India Index dipped, returning -1.39% in January (in USD terms, net dividends excluded).
- Utilities, Consumer Discretionary and Financials were the best-performing sectors. Small-caps and mid-caps underperformed large-caps.
- The Union Budget 2022 recently presented aims at bolstering infrastructure spending, along with an extension of PLI (Production Linked Incentive) schemes to encourage domestic manufacturing and higher employment generation.
- Although total expenditure will grow merely 4.6%, the construct of the spending has shifted increasingly towards capital spending. The increase in capital expenditure will have a cascading multiplier effect on economic growth.
- We believe we are likely at the cusp of a revival in the economic cycle. Corporate profits to GDP after secularly declining between 2008 and 2020 have finally turned the corner.
- A combination of normalizing profit to GDP and normalizing economic growth could imply strong earnings growth for the next few years after sub-par earnings growth of the past decade and more.

Indonesia

- MSCI Indonesia Index returned 0.46% in January (in USD terms, net dividends excluded).
- Bank Indonesia maintained the policy rate at 3.5% yet raised banks' RRR to 5% for March.
- January's headline inflation came in at 2.2% YoY, in line with consensus expectations, led by food and household utilities.
- President Jokowi inaugurated the Green Industrial Park in North Kalimantan, touting the Green Economy and development of the downstream sector.
- The Government officially passed regulation to move the capital city to East Kalimantan, namely Nusantara.
- Although the new daily confirmed cases are breaking new highs, we continue to draw comfort from the speedy vaccination rates. There is near-term risk for the reopening theme, but the outlook for the medium-term is still intact.

Japan

- MSCI Japan Index plummeted 5.08% in January (in USD terms, net dividends excluded).
- Japan should benefit from improving earnings momentum, attractive valuations compared with the rest of developed markets, and a weakening yen. Improving external demand is also positive for the export-oriented economy.
- Domestic demand saw decent rebounds in 4Q21, as the chip shortage eased and social distancing rules were lifted.

- However, the increase of Omicron cases during New Year and the return to soft social distancing rules brings uncertainties to Japan's economic recovery outlook, the "catch-up" in consumption is likely to be further delayed.
- We maintain a below-consensus GDP growth forecast of 2.4% for 2022, which would imply a strengthening in growth momentum from an estimated 1.7% in 2021. Inflation rates will accelerate but peak in 2Q22 at around 1% YoY.

Korea

- Korea's KOSPI Index nosedived 10.56% in January (in local currency terms, net dividends excluded).
- Communication Services and Healthcare were the notable underperformers this month.
- Key drivers for the underperformance were the Federal Reserve's increasingly hawkish tone, as well as the weakening of Korean Won.
- Furthermore, the BoK's pre-emptive rate hikes and several governance issues around specific companies negatively impacted sentiment.
- The uncertainty of COVID-19 continued to linger and add further pressure on equities, as cases surged over 20k during the month.
- Inflation in December remained elevated at 3.7% YoY, while December's industrial production and 4Q21 GDP growth surprised to the upside.

Malaysia

- FTSE Bursa Malaysia Index returned -3.53% in January (in local currency terms, net dividends excluded).
- Information Technology, Communication Services and Healthcare detracted the performance.
- During the month, Bank Negara Malaysia kept the OPR (Overnight Policy Rate) at 1.75% to accommodate the downside risks to Malaysia's economic growth such as supply chain disruptions or new COVID-19 variants.
- The Ministry of Health revised the quarantine period to 5 days for foreign travelers who received booster shots, 7 days for those with primary vaccinations and 10 for the unvaccinated.
- The suspension of the sale of VTL (Vaccinated Travel Lane) tickets between Malaysia and Singapore was lifted, but the quota for both land and air tickets has been reduced by 50%.
- Although daily confirmed cases are hovering at 3k per day, the risk of infection rate spiking is unavoidable. The reopening theme is still in place with noises of the new variant in the near term.

New Zealand

- New Zealand SE 50 Index went down 8.78% in January (in local currency terms, net dividends excluded).
- NZD depreciated in January against USD (-3.66%) as USD index went up (+0.60%).
- New Zealand's 4Q21 CPI was 5.9% YoY, higher than that of 3Q21 (4.9% YoY). Prices for construction and rentals for housing jumped, while petrol prices also soared 30% in the year compared with the last quarter of 2020.
- The RBNZ has raised rates twice at its last two meetings and signaled that it is ready to take further action to tackle inflation and soaring property prices.
- As a result, market expected that the RBNZ will take further steps to curb rising inflation.

The Philippines

- MSCI Philippines Index rose 4.08% in January (in USD terms, net dividends excluded).
- The economy expanded 7.7% YoY in 4Q21, beating the consensus estimate of 6.3%. This brought the overall FY21 GDP growth to 5.6% YoY, higher than the official target range of 5.0-5.5%.
- Private consumption was the main growth driver (8.1% QoQ), which mirrored the sustained recovery in services (11.9% QoQ) amid an easing of mobility restrictions in 4Q21.
- As daily confirmed cases declined to 9k from the peak of 39k in mid-January, the government relaxed mobility for Metro Manila and other key provinces to Alert Level 2.
- As the Omicron wave continues to taper, the worst for Philippines is behind us. We remain positive on the reopening theme.

Singapore

- MSCI Singapore Index returned -1.06% in January (in USD terms, net dividends excluded).
- December's core CPI inflation came in higher than expected at 2.1% YoY while headline CPI inflation increased 4.0% YoY.
- The rise in both core and headline CPI inflation was partly due to a rise in airfares driven by the opening of VTL and an increase in electricity expenses with higher natural gas prices.
- Labor earnings have risen in 3Q21 even as employment lagged, the improvement was likely due to a smaller labor force amid natural attrition and a limited influx of

foreign labor amid cross-border restrictions.

- The reopening theme is still intact as Singapore is easing mobility and border restrictions via VTL.

Taiwan

- MSCI Taiwan Index slightly fell 1.98% in January (in USD terms, net dividends excluded).
- Healthcare and Industrials were the major underperformers, while Financials outperformed.
- The outperformance of Financials was likely driven by the prospect of net interest margin expansion for banks as interest rates normalize; weakness in Industrials was due to a sharp selloff in container shipping names.
- 4Q21 GDP came in at 4.9% YoY, which was above expectations.
- December's exports eased slightly, although the tech component continued to register gains.

Thailand

- MSCI Thailand Index marginally returned 0.21% in January (in USD terms, net dividends excluded).
- Real Estate, Information Technology and Industrials outperformed, yet the performance was partly offset by Consumer Staples, Healthcare, and Industrials.
- The Government is shifting to re-open the border again, with the "Test & Go" scheme resuming on 1 February.
- Thailand's Finance Ministry maintained its economic growth outlook this year as the easing COVID-19 situation is expected to support local spending and a tentative resumption of tourism. The Ministry maintained its forecast for 2022 GDP growth at 4%.
- Given that Thailand is easing mobility and border restrictions, the reopening theme is still in place.

ASIA PACIFIC MARKET MONTHLY COMMENTARY

JANUARY 2022

Index (as of end January 2022)	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	-6.57%	-4.85%	5.78%	-6.57%	-9.46%	-10.75%	-2.86%	-9.46%
CSI 300	-7.62%	-7.03%	-14.73%	-7.62%	-7.51%	-6.53%	-13.45%	-7.51%
Hang Seng China Enterprises	1.38%	-6.83%	-25.51%	1.38%	1.36%	-7.05%	-25.92%	1.36%
Hang Seng Index	1.73%	-6.21%	-15.84%	1.73%	1.71%	-6.43%	-16.32%	1.71%
India National	-0.04%	-1.69%	27.69%	-0.04%	-0.43%	-1.35%	24.84%	-0.43%
Jakarta Composite	0.75%	0.60%	13.11%	0.75%	-0.15%	-0.90%	8.19%	-0.15%
Nikkei 225	-6.22%	-6.54%	-2.39%	-6.22%	-6.27%	-7.52%	-11.31%	-6.27%
Korea Composite	-10.56%	-10.35%	-10.51%	-10.56%	-11.80%	-13.09%	-16.96%	-11.80%
FTSE Bursa Malaysia KLCI	-3.53%	-3.20%	-3.46%	-3.53%	-4.01%	-4.20%	-6.71%	-4.01%
New Zealand SE 50	-8.78%	-9.59%	-11.66%	-8.78%	-12.50%	-17.03%	-19.50%	-12.50%
Philippine SE Composite	3.36%	4.35%	11.33%	3.36%	3.39%	3.19%	5.00%	3.39%
FTSE Singapore Straits Times	4.03%	1.61%	11.96%	4.03%	3.75%	0.87%	9.83%	3.75%
Taiwan Weighted	-2.99%	4.04%	16.75%	-2.99%	-3.50%	4.02%	17.54%	-3.50%
Bangkok SET	-0.53%	1.56%	12.39%	-0.53%	-0.20%	1.22%	1.04%	-0.20%
MSCI AC Asia ex Japan	-2.74%	-5.32%	-11.21%	-2.74%	-3.12%	-5.80%	-12.76%	-3.12%
MSCI AC Pacific ex Japan	-3.55%	-5.85%	-12.84%	-3.55%	-4.36%	-7.37%	-15.29%	-4.36%
Dow Jones Industrial	-3.32%	-1.92%	17.17%	-3.32%	-3.32%	-1.92%	17.17%	-3.32%
S&P Composite	-5.26%	-1.95%	21.57%	-5.26%	-5.26%	-1.95%	21.57%	-5.26%
FTSE 100	1.08%	3.13%	16.49%	1.08%	2.05%	5.37%	19.23%	2.05%
CAC 40	-2.15%	2.47%	29.63%	-2.15%	-3.54%	-0.74%	19.61%	-3.54%
DAX 30	-2.60%	-1.39%	15.17%	-2.60%	-3.99%	-4.48%	6.27%	-3.99%
MSCI Europe	-3.15%	-0.74%	17.36%	-3.15%	-4.62%	-3.74%	10.14%	-4.62%
MSCI World	-4.98%	-2.82%	17.33%	-4.98%	-5.34%	-3.64%	14.93%	-5.34%

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