Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI AC World	0.0	2.9	6.4	6.4	21.9	29.4
MSCI World	-0.1	2.7	5.6	5.6	21.3	31.0
MSCI Emerging Markets	0.6	4.8	12.8	12.8	26.7	15.2
MSCI USA	0.1	1.6	4.2	4.2	20.4	44.7
MSCI Canada	2.7	-0.9	-1.2	-1.2	14.7	0.1
MSCI Europe	-1.4	6.2	10.3	10.3	24.7	11.6
MSCI Japan	0.7	3.5	4.7	4.7	22.7	31.1
MSCI Australia	2.7	-3.1	4.9	4.9	22.8	13.2
MSCI AC Asia Ex-Japan	1.1	6.8	16.9	16.9	29.6	28.9
MSCI Latin America	0.2	-3.0	5.0	5.0	17.7	-9.4
MSCI EMEA	-2.7	0.8	0.1	0.1	15.8	-6.5

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 30 June 2017.

The MSCI AC World Index was flat in June with the emerging markets (EM) outperforming developed markets (DM). In the developed markets, commodities exporters such as Australia and Canada outperformed while Europe underperformed as the European Central Bank (ECB) signalled monetary tightening ahead. Within the EM, Asia ex-Japan outperformed while Eastern Europe, the Middle East, Africa (EMEA) and Latin America (LATAM) underperformed.

The financials sector was the best performer for the month. Defensive sectors such as consumer staples, utilities and telecommunications underperformed. The technology sector also underperformed as investors took profit after a strong run year to date. The energy sector continue to lag the broader market as investors weighed the disappointments from a retreat in crude oil prices despite OPEC's move to prolong production cuts as well as fading reflation theme post Trump's election.

US equities outperformed the benchmark as global markets' momentum waned in recent weeks. The US Purchasing Managers' Index (PMI) surprised on the upside as it moved higher from the previous month at 57.8 but lower than expected inflation numbers put a dampener on the reflation trade theme.

European equities underperformed the rest of the developed markets as the ECB signaled the possible end of loose monetary policies. On the economic front, the Eurozone manufacturing PMI continued to strengthen and moved higher to 57.4, while the German IFO business confidence index hit new record high of 115.1. The Eurozone consumer price index (CPI) saw a 1.3 % year-on-year increase for the month.

Australian equities rebounded in the month as the materials sector outperformed. Commodities in general rebounded post the sell-down in the previous month. The manufacturing PMI inched higher to 55.0 from 54.8 the previous month, while retail sales numbers reported in May beat expectations

Japan outperformed the index, with emerging signs that the economy was heading towards expansion. A surge in industrial production for the month, and wages that rose the fastest in decade injected confidence for stronger demand. The country's nominal GDP saw its first record high since the 1990s while consumer inflation gained. Latin America was roughly unchanged from the previous month despite new graft allegations surrounding Brazilian President Michel Temer. Markets were concerned about the fate of much needed reforms in the economy that were being pushed by the President as a result of possible impeachment.

Global Equity

Outlook and Strategy

Across regions, we maintained our neutral position in both Developed Markets (DM) and Emerging Markets (EM). This is largely due to our expectations of a range bound US dollar which should ease investor concerns regarding capital outflow from the latter region. Trump's rhetoric on global trade protectionism could continue to be an overhang on the EM region although the rhetoric more recently seems to have rescinded.

Within DM, we are now neutral on the US on valuation. However, we expect earnings growth to pick up again with improving economic conditions. Meanwhile, the tightening labour force will result in higher wage inflation but the higher disposable income along with lower gasoline prices will support the retail sector, which remains a larger part of the economy. We retain the view that the economy remains on a strong recovery trajectory, and the US remains attractive for selective value plays.

We have an overweight position in Europe on the back of further economic recovery. A weaker euro has helped to lift confidence and boost economic activities. The region also has significant operating leverage to an upturn in economic activity with profit margins currently at trough levels. The backdrop of increasing geopolitical risks in the region appears to be subsiding and this would remove any overhang on the region.

Concerns in Japan continue to linger. Economic data remains mixed but we believe that the Bank of Japan (BoJ) will remain accommodative, which would help to support the market. Despite disappointments on policy and the anaemic economic backdrop, there are some positive developments in corporate governance and corporate performance. A weak Yen also should be beneficial to the exporters and corporate earnings. However, we remain sceptical about any structural improvement in the economy in the longer term and hence we have an underweight position in Japan.

We retain EM on neutral as we are seeing selective value plays within the region. Challenges are expected to persist due to domestic imbalances and the build-up of excess credit in the period following the Global Financial Crisis. The slowdown in China continues to weigh heavily on the demand and prices of resources. The abrupt shift in the resources sector has dampened investments and growth in much of the developing world. We believe that EM still presents good multi-year opportunities from a structural and macro standpoint but challenges from a cyclical standpoint remain. Growth is falling short of expectations and corporate earnings could face further downward pressures unless productivity levels can continue to rise. There are interesting bottom-up opportunities and stock selection is increasingly critical.

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