Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI AC World	1.6	4.8	12.5	5.0	20.2	32.2
MSCI World	1.6	4.6	12.9	4.4	19.7	33.7
MSCI Emerging Markets	2.2	7.0	9.4	10.0	24.1	18.6
MSCI USA	1.1	4.2	13.8	3.7	22.6	49.5
MSCI Canada	-2.1	-3.9	5.5	-2.5	10.5	4.6
MSCI Europe	3.8	8.5	15.4	7.8	16.0	9.4
MSCI Japan	1.0	1.3	4.5	2.1	16.4	38.8
MSCI Australia	-0.9	5.5	14.8	7.3	23.9	16.1
MSCI AC Asia Ex-Japan	2.2	8.1	10.7	11.9	26.1	30.5
MSCI Latin America	0.1	3.2	1.6	8.3	21.1	-3.3
MSCI EMEA	4.4	4.1	10.0	3.6	14.5	2.1

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 28 April 2017.

The MSCI AC World Index rose in April with the emerging markets (EM) outperforming developed markets (DM). In the developed markets, Europe outperformed with polls showing a centrist in the lead to win the French presidency, while the US, Australia and Japan underperformed. For the EM, Eastern Europe, the Middle East, Africa (EMEA) outperformed while Latin America (LATAM) underperformed.

Consumer discretionary was the best performer for the month. Consumer staples, healthcare, industrials and information technology outperformed. Energy, financials, real estate, materials, utilities and telecommunications underperformed as investors rotated away from defensive sectors increasing their bets with a risk-on approach.

US stocks underperformed the benchmark as investors turned cautious from insufficient details on Trump's tax reform plan and lackluster automobile sales. The US Purchasing Managers' Index (PMI) disappointed estimates as it weakened to 54.8 in April from 57.2 the previous month. US retail sales came in line with expectations while unemployment numbers declined from March. Canada's index took a hit over financial stocks tumbling and energy names dragged the index performance further with declining oil prices.

European equities outperformed the rest of the developed markets on abating political risks, after signs emerged that right wing politicians stood a lower chance being elected. Data revealed that euro-area confidence had jumped to almost a 10-year high along comments from the European Central Bank (ECB) President that recovery was solid. Eurozone manufacturing PMI continued to gain, moving higher to 56.7, while the German IFO business confidence index rose to 112.9, both indicating accelerating expansion. The Eurozone consumer price index (CPI) saw a 1.9 % year-on-year increase for the month.

Australian markets dragged down the Asia Pacific index with telcos as the key laggard. Commodities including iron ore and base metals declined across the board. Retail sales fell with annual sales growing the slowest pace in 4 years while the unemployment rate was unchanged from the previous month.

Japan underperformed the index with weak industrial production even as exports grew at the fastest rate in over two years amid soft domestic demand. Inflation numbers remains subdued as the Bank of Japan stuck to its accommodative monetary easing plan. Meanwhile within Asia ex-Japan, Indonesia outperformed after the winner in Jakarta's gubernatorial election pledged to work with the country's President on reforms.

Global Equity

Outlook and Strategy

Across regions, we have neutralised our regional exposure in Developed Markets (DM) against the 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 resided.

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 are moving to 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 as 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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