Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI AC World	0.4	2.9	6.8	3.4	2.0	25.4
MSCI World	0.1	2.4	6.0	2.2	1.1	27.8
MSCI Emerging Markets	2.3	7.9	13.4	14.5	8.9	6.4
MSCI USA	0.1	1.9	7.8	3.8	3.6	43.8
MSCI Canada	1.0	4.6	4.7	17.6	8.9	6.2
MSCI Europe	-1.1	1.7	0.5	-4.5	-7.3	4.0
MSCI Japan	3.7	7.1	11.4	2.8	2.9	26.9
MSCI Australia	-0.2	1.8	7.9	7.6	13.6	4.7
MSCI AC Asia Ex-Japan	0.5	7.3	13.9	9.0	6.2	18.1
MSCI Latin America	12.2	13.8	19.2	43.0	32.7	-7.5
MSCI EMEA	1.9	3.8	4.2	16.1	2.3	-13.3

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 31 October 2016.

The MSCI AC World Index rose in October with the emerging markets (EM) outperforming developed markets (DM) as investors priced in sentiments of a Clinton win in the run up to the elections that ultimately failed to materialise. Within DM, Japan outperformed on the back on better trade numbers while both Europe and the US market underperformed. In the EM, Eastern Europe, Middle East and Africa (EMEA) and Latin America (LATAM) outperformed, with the latter market continued to be supported by lower costs of borrowing. Inflation and retail sales continued to be soft alongside weak commodity prices and subdued global growth.

Financials was the best performing sectors for the month while IT, materials and energy saw a modest lift. Healthcare came down as the worst performing sector amid remarks from Hillary Clinton that drugmakers would be targeted for price increases should she be elected into office. Real estate and consumer staples underperformed.

The US market underperformed the broader market, despite improving economic data that showed expansion in manufacturing. The Purchasing Managers' Index (PMI) saw a slight increase with a reading of 51.9 in October against 51.5 in September. Retail sales jumped year on year with a stronger job market and an upcoming holiday season.

Europe underperformed the global index amid speculation that major central banks are moving closer to reining in stimulus. The Eurozone manufacturing PMI moved higher to 53.3 beating market expectations while the German IFO business confidence index jumped to 110.5 from 109.5 in the previous month. The Eurozone consumer price index (CPI) saw a 0.5% year-on-year increase in October.

The Japan index outperformed the broader index as exporters including carmarkers and electric-appliance manufacturers saw a boost from a weaker yen. Moody's estimates the Japanese economy will grow by 0.9 % in 2017, surging ahead from a negative 2016 growth. The Bank of Japan reduced targets for purchases of debt, showing a commitment to steepen the yield curve.

Within EM, LATAM outperformed EMEA and Asia ex Japan. Within LATAM, Brazil advanced on sentiments that the new federal administration will succeed in passing measures to slash budget deficits. In Asia ex-Japan, performance was mixed. Thailand, Singapore, Philippines and Korea posted losses while China underperformed. Outperformers were Indonesia, India and Malaysia, while Taiwan surged on the back of the materials sector, higher PC demand and tech activity.

Global Equity

Post US elections note: Global equities rallied on optimism after the initial unexpected victory of Donald Trump on sentiments that proposed fiscal spending will provide stimulus to global growth.

Outlook and Strategy

In terms of equity asset allocation, we have neutralised our position in DM. Within the DM, we retain our overweight position in the US as the stronger US dollar, which was a headwind to corporate earnings, abated on a year-on-year comparison basis. Valuations are fair but we believe earnings could surprise on the upside with the recovery in oil prices. Last but not least, our positive market outlook in the longer term continues to be underpinned by better labour market trends and resilient corporate earnings. In Europe, we think the region should benefit from a weaker currency and steady improvement in domestic economic conditions. European corporate earnings have been resilient although we are starting to see some slowdown in economic momentum. We are mindful and continue to monitor geopolitical risks associated with refugee inflow, as well as the rise of anti-establishment political parties across the region. We retain our neutral position in Japan. While there are some notable improvements in corporate performance, the macroeconomic outlook is mixed; valuations are also less supportive than before and earnings revisions are turning negative with a strengthening yen. Overall, we believe the market should be supported by favourable monetary conditions.

Within the emerging world, we are overweight on Asia ex-Japan, but remain underweight on EMEA and LATAM. Asia ex-Japan equities continue to offer good investment opportunities driven by the rise of the region's increasing affluent consumers, and valuations are broadly supportive. However, the aggregate market performance may continue to be challenged due to slower economic growth, tighter liquidity conditions and potential headwinds if corporate margins and earnings are revised lower. Growth prospects across the globe remain uneven and fundamental sector/country and stock selection will remain crucial.

The expectation that the US Federal Reserve will continue to increase interest rates could trigger fiscal and monetary adjustments globally. This could adversely impact corporate earnings, capital flows and EM growth in the future. Stock selection will be paramount in driving investment performance during this period of adjustment which would reinforce the need for an active approach to portfolio management. We continue to allocate capital to high-quality and sustainable growth companies that are reasonably priced. Our focus is on companies with strong competitive advantages, healthy cash flows and proven track record.

All statistics quoted in the write-up are sourced from Bloomberg as at 31 October 2016 unless otherwise stated.

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