Asia ex-Japan Equity

Equities - Asia Ex-Japan	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI AC Asia Ex-Japan	0.0	2.3	12.8	9.0	9.2	16.7
MSCI Far East Free Ex-Japan	0.5	3.0	14.0	10.1	9.9	15.3
MSCI China	1.8	4.6	16.4	6.6	5.7	16.3
MSCI Hong Kong	1.3	6.1	14.3	10.5	11.9	31.7
MSCI India	-5.0	-4.2	2.5	-0.3	2.4	34.8
MSCI Indonesia	-10.3	-6.1	8.8	13.1	18.8	27.6
MSCI Korea	-0.3	-0.5	11.8	8.9	7.6	0.9
MSCI Malaysia	-5.9	-6.7	-3.1	-3.1	-2.4	-20.8
MSCI Philippines	-8.9	-14.5	-11.2	-6.3	-5.5	17.1
MSCI Singapore	5.2	4.8	6.3	4.3	5.7	-1.2
MSCI Taiwan	0.3	7.3	21.1	22.5	21.9	36.9
MSCI Thailand	1.5	-2.3	9.5	26.2	16.6	17.2

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 30 November 2016.

Asia ex-Japan equities were little changed in November 2016, underperforming global markets while avoiding losses that plagued the emerging markets as investors shifted capital to developed markets after a Trump victory that jolted the US dollar higher on optimism of planned fiscal expansion.

As investors adopted caution ahead of an anticipated rate hike from the US Federal Reserve, Asia ex-Japan markets remained flat with gains offset from losses in the emerging markets. Gold prices slumped as demand for the bullion rescinded with Fed hike expectations while energy prices extended gains after OPEC countries agree on output cuts to supply.

Returns across Asia ex-Japan markets were split into two camps. With the exception of Thailand, emerging markets India, Indonesia, Malaysia, Philippines saw outflows while developed markets Singapore, Hong Kong and Taiwan managed to outperform. Performance in the financials and materials sectors was positive whilst others were mostly in the red for November . Financials rose on expectation that rising interest rates would bolster net interest margins while materials stayed buoyant on bets of a recovery in global demand.

Economic indicators across the region were a mixed bag. China's manufacturing activity saw a pickup for the fifth consecutive month as the official Purchasing Managers' Index (PMI) came in at 51.7, though the private sector Caixin PMI dipped slightly down to 50.9 from the previous month. PMI numbers for the Eurozone and the US strengthened while Japan, UK and India declined.

Across the Greater China markets, gains were led by names from the mainland with strong rallies in the materials and industrials sector. Strong copper commodity prices and capacity reductions led to materials as the top performer while industrials increased from higher freight rates, strong new orders and new machinery sales.

The Korea market underperformed as the political scandal surrounding President Park continued to unfold and as US protectionist sentiment weighed negatively on auto part exports. Over in India, the NIFTY underperformed whilst a demonetisation policy culminated in a liquidity squeeze and shocks to the country's money supply.

Singapore was the only in the ASEAN market to outperform after the US election while Thailand managed to avoid losses despite an emerging markets outflow. All other markets including Indonesia, Malaysia and Philippines meanwhile suffered as a capital flight into the US erased much of gains made earlier prior to the US election outcome.

Asia ex-Japan Equity

Outlook and Strategy

Against expectations for global reflation and strength in US dollar, inflation in Asia is also expected to rise. Economic growth forecasts have been trimmed to more sustainable levels with stronger growth in Indonesia and Thailand. Most Asian economies have reached the tail end of the monetary easing cycle.

Current expectations of the impact of US President Trump's trade policies on Asian exports appear to be overly negative. US growth recovery is usually positive for global cyclicals, US dollar earners, selected banks and financials in Asia. However, uncertainty is likely to cap short term market performance.

Asian markets and currencies have pulled back since Trump was elected. Valuations are attractive below the mean level on a price-to-book basis. Asian economies are also on better footing today compared to 'taper tantrum' in 2013. Current account positions have improved, except in China, Malaysia and Philippines.

In China, the focus on reform and economic restructuring has led to a manageable slowdown in GDP growth. We are neutral on China and favour technology and telecoms sectors which are witnessing stronger growth.

We turn cautious on Hong Kong due to our negative outlook for the property sector, as well as Taiwan due to seasonally weak period for tech earnings. Korea is trimmed to neutral due to political uncertainty. India is also trimmed to underweight as the cash liquidity crunch from demonetisation has negative impact on GDP in coming quarters.

In ASEAN, we turn positive on Singapore as valuations are attractive and corporate earnings should post mild recovery in 2017. We remain optimistic on Indonesia and Thailand as lower interest rates and improvement in confidence should flow through to spending and investment. The key risks are a disorderly capital outflow, currency volatility and worse-than-expected slowdown in China.

All statistics quoted in the write-up are sourced from Bloomberg as at 30 November 2016 unless otherwise stated.

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