Asia Pacific Equity

Equities - Asia Pacific	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI Asia Pacific	0.5	5.9	10.5	20.7	21.5	36.5
MSCI Japan	1.4	8.8	10.0	14.5	16.9	41.5
MSCI AC Asia Ex-Japan	-0.4	4.6	11.5	28.9	27.6	35.0
MSCI Australia	-0.5	0.4	6.1	8.4	11.8	22.3

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

Asia Pacific equities rose for the month of November, underperforming the broader global market index. Within the region, Australia and Asia ex Japan underperformed while Japan outperformed. Asian stocks trailed their global counterparts after data showed China's expansion dialled back with a deceleration of investment and retail sales.

Consumer staples were the top performer for the month. Other outperformers were consumer discretionary, financials, healthcare and telecommunication services. Energy, industrials, information technology, materials and utilities suffered losses while real estate performed in line with benchmark. During the month, oil prices slid further despite increased geopolitical risks in the Middle East as a result of corruption arrests on high profile individuals.

Australia underperformed the benchmark with disappointing earnings results from major banking names. Nominal retail sales declined into negative territory and consumer confidence fell.

China stocks performed in line with the rest of Asia markets as policymakers issued guidelines on regulating the asset management business and opened up access to the financial services sector. Hong Kong outperformed the benchmark with the financial sector rallying and a rebound in Macau gaming. Taiwan was the biggest underperformer in the region. A technology selloff triggered by profit taking saw a rotation into other sectors including global financial names which investors positioned to possibly benefit from US tax reforms.

Korea stocks underperformed amid foreign investors who sold down on the technology sector into the end of the month. India sank into the red as the healthcare and materials sector weighed down on the NIFTY.

The Japan index outperformed the Asia Pacific index. During the month, Japanese stocks declined initially before recovering to close at its highest level since the 1990s. A better-than expected earnings season helped to propel the rally, in addition to seven straight quarters of economic expansion, with exports registering double digit growth in a fourth straight month.

The ASEAN markets showed mixed performance for the month. Singapore was the best performer against the benchmark, as the open economy benefited from strengthening global external demand and a surge in manufacturing activity. Malaysia performed better than the benchmark on stronger-than-expected GDP growth for the third quarter and an appreciation of the ringgit ahead of anticipated interest rate hikes in 2018. Thailand outperformed with positive upside from exports, a rise in private consumption and broad based optimism from tourism. The Philippines retreated despite strong growth number for the third quarter and focused on a weak consumption and a decline in remittances from overseas workers. Indonesia tumbled with net foreign outflows and investors moved the country to an underweight position on fears of political uncertainties ahead of the 2019 general election.

Asia Pacific Equity

Outlook and Strategy

We believe that the Asia Pacific markets continue to offer exciting investment opportunities for growth investors over the long term. Valuations for Asia Pacific equities are attractive. The aggregate market performance has been encouraging especially in Asia ex-Japan as the region resonates with the global economic upcycle. However, we remain mindful that growth within the region remains uneven and fundamental sector/country and stock selection will remain crucial.

The current positioning of the Asia Pacific strategy is to be overweight on Asia ex-Japan and Australia. The position is funded from an underweight position in Japan. This is a result of bottom-up securities selection and does not necessarily reflect our view on the respective regions. The overweight position in Asia ex-Japan is mainly due to the relative attractiveness of Indonesia and India financials against the rest of the region. Similarly, the underweight position in Japan reflects our concern on the operating prospects of Japanese financial companies.

In terms of sector allocation, our strategy is to be overweight on the financials and technology sectors. We believe the longer term trend for the technology sector remains positive as it provides exposure to the continued strong growth of domestic demand and e-commerce in the emerging economies. The financials sector should also benefit from the reflation trade that is occurring across the world as inflation starts to normalise. We are also underweight on the materials sector due to concerns over incremental demand from China, which appears to be rolling over from peak demand earlier in the year.

All statistics quoted in the write-up are sourced from Bloomberg as at 30 November 2017 unless otherwise stated.

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