Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI AC World	1.3	2.6	7.6	7.8	18.9	32.7
MSCI World	0.9	2.1	6.8	6.6	18.0	34.4
MSCI Emerging Markets	4.5	7.2	14.6	17.9	26.5	18.0
MSCI USA	0.5	1.1	5.3	4.8	17.2	47.6
MSCI Canada	2.7	4.0	-0.1	1.4	14.6	2.8
MSCI Europe	1.6	4.0	12.8	12.1	22.1	17.8
MSCI Japan	0.6	3.1	4.6	5.4	15.6	31.2
MSCI Australia	2.8	0.5	6.0	7.8	17.4	12.9
MSCI AC Asia Ex-Japan	3.9	8.6	17.3	21.5	28.9	29.1
MSCI Latin America	6.7	3.4	6.8	12.0	19.6	-4.3
MSCI EMEA	4.5	0.9	5.0	4.6	15.1	-0.5

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 31 July 2017.

The MSCI AC World Index rose in July with the emerging markets (EM) outperforming developed markets (DM). In the developed markets, Australia and Canada outperformed against the backdrop of improved commodities prices as a result of better than expected economic data globally. Within the EM, Latin American and Eastern Europe, the Middle East and Africa (EMEA), outperformed while Asia ex Japan lagged.

The month of July saw defensive and yield sectors such as consumer staples and utilities underperforming. The healthcare sector also lagged on the back of a collapse to the repeal of the US Affordable Care Act in Congress. During the month, cyclicals such as energy, financials and technology outperformed. Materials emerged as the best performer for the month.

US equities underperformed the benchmark even as it surged to fresh highs with evidence of stronger global economic growth. The US manufacturing index moderated down to 56.3 from the 2017 high of 57.8 recorded in June. Meanwhile European stocks outperformed the index, shrugging concerns of the European Central Bank (ECB) reducing its quantitative-easing stimulus program. On the economic front, the Eurozone manufacturing PMI moved lower to 56.6, while the German IFO business confidence index continued to set a new record at 116. The Eurozone consumer price index (CPI) saw a 1.3 % year-on-year increase for the month, in line with expectations.

Australian equities managed to fare better than the Asia Pacific index. The Reserve Bank of Australia kept its neutral policy stance as core inflation figures were revised downward. The trade surplus surged, while retail sales rose. Japan underperformed the index with inflation that continues to remain at the doldrums. With limited efficacy from monetary policy in achieving inflation targets, Prime Minister Shinzo Abe expressed a need to refocus on the economy and pledged to raise wages amid a tight job market and severe labour shortages in the manufacturing sector.

Within EM, performance was better for Latin America than Asia. The Brazilian government announced new increases to commodity royalty revenues that will be paid to the state. Eastern Europe, Middle East and Africa (EMEA) markets performed in line with EM, while all ASEAN markets underperformed. Indonesian markets suffered as foreign investors rotated capital out of the country on weaker than expected consumer spending. Despite printing the best returns for the South-east Asian region, Singapore underperformed with private residential prices falling for the 15th straight quarter.

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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