Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI AC World	3.8	5.0	8.2	7.4	6.0	26.9
MSCI World	4.5	5.4	7.7	6.8	5.5	29.7
MSCI Emerging Markets	-1.8	2.0	13.1	12.5	10.6	5.0
MSCI USA	6.7	7.1	10.4	10.8	9.4	47.6
MSCI Canada	5.8	8.5	12.0	24.4	17.1	12.5
MSCI Europe	0.7	0.3	-0.8	-3.9	-5.8	2.6
MSCI Japan	0.2	5.5	8.8	3.1	3.5	24.0
MSCI Australia	3.7	6.4	11.6	11.6	16.0	12.4
MSCI AC Asia Ex-Japan	0.0	2.3	12.8	9.0	9.2	16.7
MSCI Latin America	-7.9	2.6	20.2	31.7	26.7	-11.8
MSCI EMEA	-2.0	3.0	8.4	13.7	6.1	-12.7

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

The MSCI AC World Index rose in November with the developed markets outperforming (DM) emerging markets (EM). Investors rotated capital out to DM from EM, as Donald Trump's election victory sent the greenback higher. Within DM, global market value jumped at the expense of a bond rout amid sentiments that the Federal Reserve will raise interest rates faster than anticipated.

US equities rallied higher on the back of anticipated fiscal expansion plans that saw cyclical stocks including financials roaring higher while Europe and the Japan market underperformed.

Financials emerged as the stellar performer for the month whilst energy, industrials and materials outperformed. The energy sector rose, extending gains with OPEC countries agreeing on output cuts to supply and capital rotated out of defensives including utilities, the worst performing sector. Real estate and consumer staples underperformed.

The US market outperformed the broader market with economic data that indicated improvements in manufacturing. The Purchasing Managers' Index (PMI) jumped to 53.2 in November from 51.9 the previous month. Retail sales jumped year on year with a stronger job market and an upcoming holiday season.

Europe underperformed the global index amid negative sentiment of possible political instability leading up to the Italian elections. Eurozone manufacturing PMI moved higher to 53.7 in line with market forecasts while the German IFO business confidence index remained flat from the previous month. The Eurozone consumer price index (CPI) saw a 0.6% year-on-year increase in November.

The Japan index underperformed the broader index but outperformed the rest of Asia. Amid a weakening Yen on dimmer growth prospects for trade with protectionist US, recovery in the economy remains weak on limited wage growth and a cautious sentiment on spending.

Within EM, performance fared negatively across the board on sentiments that Trump's business and trade policies would prove unfriendly for exports. Eastern Europe, Middle East and Africa (EMEA) and Latin America (LATAM) underperformed, alongside Asian EM including India, Indonesia, Malaysia, Philippines that were whipsawed amid a global rotation to US equities. Within Asia ex-Japan, Singapore was the only market to outperform the broader index.

Global Equity

Outlook and Strategy

Across regions, we have increased our regional exposure in Developed Markets (DM) and decreased Emerging Markets (EM). This is largely due to our expectations of a stronger US dollar which should see capital outflows from the latter. Trump's rhetoric on global trade protectionism will also be an overhang on the EM region.

Within DM, we remain overweight on the US which 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 hold an underweight position in Europe despite the potential for 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. However, we are cautious against the backdrop of increasing geopolitical risks in 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 weaker Yen also should be beneficial to the exporters and corporate earnings and hence we have upgraded our position in Japan.

We downgraded EM to an underweight position but see 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 face challenges from a cyclical standpoint. 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.

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

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