Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI AC World	1.0	5.5	7.5	14.3	18.0	32.6
MSCI World	1.2	5.9	7.1	13.2	17.1	33.3
MSCI Emerging Markets	-0.8	2.7	10.4	23.9	25.4	25.0
MSCI USA	2.0	6.9	8.0	12.4	15.6	40.6
MSCI Canada	-0.4	3.4	9.2	5.0	7.4	9.6
MSCI Europe	-1.0	3.2	3.3	15.5	22.9	20.3
MSCI Japan	1.4	8.8	10.0	14.5	16.9	41.5
MSCI Australia	-0.5	0.4	6.1	8.4	11.8	22.3
MSCI AC Asia Ex-Japan	-0.4	4.6	11.5	28.9	27.6	35.0
MSCI Latin America	-4.0	-5.6	5.7	10.7	12.8	1.4
MSCI EMEA	2.4	-0.1	6.1	9.1	18.1	5.7

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

The MSCI AC World Index rose in November that saw emerging markets (EM) underperforming the developed markets (DM). Within the EM, Latin America underperformed while Eastern Europe, the Middle East and Africa (EMEA) and Asia ex-Japan outperformed. Global stocks halted their rallies as investors took the opportunity to take profit from record breaking highs.

Performances within the various sectors were mixed with consumer staples the top performer. Other outperformers included consumer discretionary, real estate, healthcare and telecommunication services. On the other hand, the materials, utilities and industrials sectors underperformed. Energy underperformed as oil prices fell further despite higher geopolitical risks in the Middle East as a result of corruption arrests on high profile individuals in Saudi Arabia. Information technology fell into the red in a global rotation into financial stocks as investors sold-off in the sector for profit taking.

US stocks outperformed the global index. Headlines in Washington took centerstage, after former National Security Advisor Michael Flynn pleaded guilty to lying to federal agents. The manufacturing index moderated down to 58.2. European stocks fell amid brewing uncertainty over the German collapse of a coalition government while the PMI hit a high of 60.1, alongside the German IFO business confidence index which climbed to 117.5. The Eurozone consumer price index (CPI) saw a 1.5 % year-on-year increase for the month.

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

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

The ASEAN markets underperformed the benchmark as whole. 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 underperformed despite stronger-than-expected GDP growth for the third quarter and an appreciation of the ringgit ahead of anticipated interest rate hikes in 2018. Thailand underperformed despite 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 downward with net foreign outflows and

Global Equity

investors moved the country to an underweight position on fears of political uncertainties ahead of the 2019 general election.

Outlook and Strategy

Across regions, we maintained our neutral position in both DM and 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 which was an overhang on the EM region at the start of his office appeared to have rescinded more recently which fuel the improved sentiments towards EM.

Within DM, we are now neutral on the US on valuation. However, we expect earnings growth to pick up again with improving economic conditions. We remain of the view that the tightening labour force should eventually result in higher wage inflation and higher disposable income that should support the retail sector which are the 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. Geopolitical risks in the region appeared to have picked up with the Catalonian referendum recently but seem to be subsiding. However, we remain watchful of the situation. We are also watchful of any further strengthening of the Euro which could possibly derail the recovery of the region.

Economic data in Japan have improved recently along with the global economic upturn and 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. However, there are interesting bottom-up opportunities and stock selection is increasingly critical. We believe that EM still presents good multi-year opportunities from a structural and macro standpoint especially in Asia ex Japan and hence we are overweight in the region while underweight in the rest of EM.

Contact Details

SINGAPORE
UOB Asset Management Ltd

Address	80 Raffles Place UOB Plaza 2 Level 3 Singapore 048624
Tel	1800 222 2228 (Local) • (65) 6222 2228 (International)
Fax	(65) 6532 3868
Email	uobam@uobgroup.com
Website	uobam.com.sg

MALAYSIA
UOB Asset Management (Malaysia) Berhad

Address	Level 22, Vista Tower, The Intermark No. 348 Jalan Tun Razak, 50400 Kuala Lumpur
Tel	(03) 2732 1181
Fax	(03) 2164 8188
Website	uobam.com.my

THAILAND
UOB Asset Management (Thailand) Co., Ltd

Address	23A, 25 Floor, Asia Centre Building, 173/27-30, 32-33 South Sathon Road, Thungmahamek, Sathon, Bangkok 10120, Thailand
Tel	(66) 2786 2000
Fax	(66) 2786 2377
Website	uobam.co.th

BRUNEI
UOB Asset Management (B) Sdn Bhd

Address	FF03 to FF05, The Centrepoint Hotel, Gadong, Bandar Seri Begawan BE 3519, Brunei Darussalam
Tel	(673) 2424806
Fax	(673) 2424805

TAIWAN
UOB Asset Management (Taiwan) Co., Ltd.

Address	Union Enterprise Plaza, 16th Floor, 109 Minsheng East Road, Section 3, Taipei 10544
Tel	(886)(2) 2719 7005
Fax	(886)(2) 2545 6591

JAPAN
UOB Asset Management (Japan) Ltd

Address	13F Sanno Park Tower, 2-11-1 Nagatacho, Chiyoda-ku, Tokyo 100-6113 Japan
Tel	(813) 3500-5981
Fax	(813) 3500-5985

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UOB Asset Management Ltd Co. Reg. No. 198600120Z